

NIPPON STEEL CORPORATION

Notice of the 96th General Meeting of Shareholders

Nippon Steel Corporation

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

June 2, 2020

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 96th General Meeting of Shareholders

We are pleased to inform you of the 96th General Meeting of Shareholders which will be held at **10 a.m., Wednesday, June 24, 2020**, 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.

Recently, in order to prevent the spread of COVID-19, the Japanese government and prefectural governors are requesting that people refrain from going outdoors.

In light of this situation, we urge, from the perspective of preventing the spread of COVID-19, that you exercise your voting rights in advance by one of the following methods, and refrain from attending the meeting, regardless of your physical condition.

In addition, depending on, among others, the situation regarding the spread of COVID-19 and requests from the government, 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., Tuesday, June 23, 2020 (Tokyo time).

(Voting via the Internet)

Please read the “Exercise of Voting Rights via the Internet” on page 37 and cast your vote by 5 p.m., Tuesday, June 23, 2020 (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.

AGENDA

Matters to be reported to the shareholders:

Report on operations for the 95th term (from April 1, 2019 to March 31, 2020), consolidated financial statements and non-consolidated financial statements, and reports of accounting auditors and the Audit & Supervisory Board on consolidated financial statements for the 95th term.

Matters for approval by the shareholders:

< Company Proposals (Items 1 to 5) >

Item 1: Partial Amendment to the Articles of Incorporation

Item 2: Election of Eleven (11) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

Item 3: Election of Seven (7) Directors who are Audit & Supervisory Committee Members

Item 4: Setting Amount of Compensation for Directors (Excluding Directors who are Audit & Supervisory Committee Members)

Item 5: Setting Amount of Compensation for Directors who are Audit & Supervisory Committee Members

<Shareholder Proposals (Items 6 and 7)>

Item 6: Change of Trade Name

Item 7: Changes to the Directors and the Board of Directors

The Board of Directors opposes both of the shareholder proposals (Items 6 and 7).

About handling of your votes

In exercising your voting rights in writing, you will be deemed to have approved the company proposals or have disapproved the shareholder proposals, should no indication be made on the voting form of whether you approve or disapprove each proposal.

In addition, the Company proposal Item 1 and the shareholder proposal Item 7 are contradictory. Therefore, in the case you vote for both of the proposals, both of your votes shall be invalid.

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/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, regardless of your physical condition.

- Also, the Company asks that those who return from overseas and have spent less than 14 days 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 37 for how to exercise your voting rights via the Internet.)

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

- This year, the number of shareholder seats will be greatly reduced, 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 much shorter time than usual.
- Cafe services and exhibition booths, which have been held in the past years, will be canceled.

In addition, depending on the situation regarding the spread of COVID-19 and requests from the government, 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.

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

Reference Documents for Exercising Voting Rights

(Reference) Matters Common to Company Proposals (Items 1 to 5)

The Company has been continuously striving to enhance its corporate governance in order to achieve the sound and sustainable growth of the NIPPON STEEL Group and the mid- to long-term improvement of its corporate value in response to the delegation of responsibilities by and trust from all of its stakeholders including shareholders and business partners.

As the fluctuations in the environment surrounding steelmaking and other businesses are becoming increasingly significant, the Company has decided to transition to a Company with an Audit & Supervisory Committee for the purpose of, among others, expediting management decision-making, enhancing discussions by the Board of Directors relating to matters such as the formulation of management policies and strategies by limiting the number of items for deliberation, and enhancing the supervisory function of the Board of Directors over management.

All of the Company proposals (Items 1 to 5) are related to the Company's transition to a Company with an Audit & Supervisory Committee.

In proposing these items, the Company would like to explain as follows.

● Characteristics of a Company with an Audit & Supervisory Committee

1. The form "Company with an Audit & Supervisory Committee" is a type of corporate organ design created for stock companies by the "Act Partially Amending the Companies Act," which came into force on May 1, 2015.
2. A Company with an Audit & Supervisory Committee does not have Audit & Supervisory Board Members or an Audit & Supervisory Board, but has an Audit & Supervisory Committee auditing the execution of duties by Directors instead. An Audit & Supervisory Committee consists of three or more Directors, the majority of whom are Outside Directors.
3. In a Company with an Audit & Supervisory Committee, if a majority of Directors are Outside Directors or if there are provisions to such effect set forth in the Articles of Incorporation, the Board of Directors may adopt a resolution delegating all or part of the decisions regarding execution of important operations (excluding matters stipulated in Article 399-13, Paragraph 5 of the Companies Act) to a director, thereby enabling expedition of management decision-making.
4. Directors who are Audit & Supervisory Committee Members have voting rights as Directors on the Board of Directors, and are involved in making decisions on proposals regarding 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). In addition, 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. The supervisory function of the Board of Directors over management will be strengthened in these ways.

● Concerning each proposal from Items 1 to 5

[Partial amendment to the Articles of Incorporation (Item 1)]

-In order to transition to a Company with an Audit & Supervisory Committee, it is necessary to stipulate in the Articles of Incorporation the establishment of an Audit & Supervisory Committee and make other required amendments. Item 1 proposes to amend the Articles of Incorporation to that end.

[Appointment of Directors (Items 2 and 3)]

-In a Company with an Audit & Supervisory Committee, it is necessary to distinguish between "Directors (excluding Directors who are Audit & Supervisory Committee Members)" and "Directors who are Audit & Supervisory Committee Members" with regard to elections. The Company proposes the election of "Directors (excluding Directors who are Audit & Supervisory Committee Members)" in Item 2, and the election of "Directors who are Audit & Supervisory Committee Members" in Item 3.

[Setting compensation for Directors (Items 4 and 5)]

- In a Company with an Audit & Supervisory Committee, it is also necessary to distinguish between “Directors (excluding Directors who are Audit & Supervisory Committee Members)” and “Directors who are Audit & Supervisory Committee Members” with regard to compensation for Directors. The Company proposes setting compensation for “Directors (excluding Directors who are Audit & Supervisory Committee Members)” in Item 4, and setting compensation for “Directors who are Audit & Supervisory Committee Members” in Item 5.

Structure following transition to a Company with an Audit & Supervisory Committee

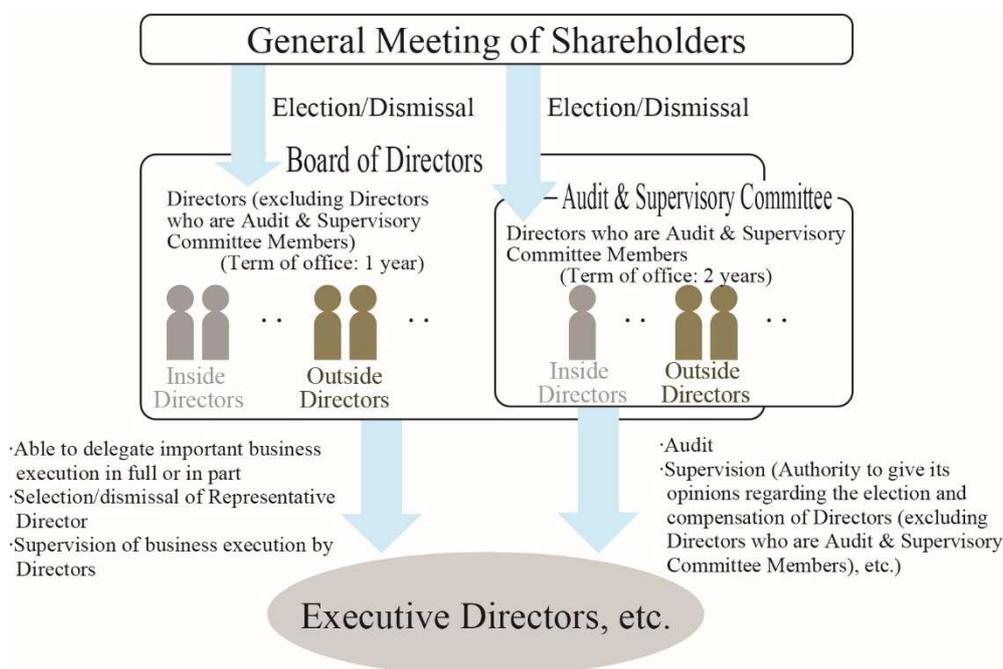
If Items 1 to 3 are approved as proposed herein, Outside Directors will account for more than one-third (7 out of 18) of all members of the Company’s Board of Directors as shown in the following table, which will ensure multifaceted examination and objectivity in decision-making at the Board of Directors, and will strengthen the supervisory function of the Board of Directors over management.

Current structure

Directors	13	(including 3 Outside Directors)
Audit & Supervisory Board Members	7	(including 4 Outside Audit & Supervisory Board Members)

After transition to a Company with an Audit & Supervisory Committee

Directors	18	(including 7 Outside Directors)
(Directors excluding Directors who are Audit & Supervisory Committee Members)	(11)	(including 3 Outside Directors)
(Directors who are Audit & Supervisory Committee Members)	(7)	(including 4 Outside Directors)



<Company Proposals (Items 1 to 5)>

Item 1 Partial Amendment to the Articles of Incorporation

(1) Reason for the amendment

The Company requests approval of the following partial amendments of the Articles of Incorporation in order to transition from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee.

Partial amendments of the Articles of Incorporation will take effect at the conclusion of the 96th General Meeting of Shareholders.

- 1) Creation of provisions regarding establishment of, and other matters relating to, the “Audit & Supervisory Committee,” and deletion of provisions regarding “Audit & Supervisory Board Members” and the “Audit & Supervisory Board” (Article 4, and Articles 29 through 31 of the proposed amendments, and Article 20, Article 22, Articles 26 through 29, and Article 32 of the current Articles of Incorporation).
- 2) Creation of provisions regarding the number, method of election, term of office, method for determining the compensation, etc. of Directors who are Audit & Supervisory Committee Members (Article 16, Article 17, Paragraph 2, Article 18, and Article 19 of the proposed amendments).
- 3) Creation of provisions that permit delegation of all or part of the decisions regarding execution of important operations (excluding matters stipulated in Article 399-13, Paragraph 5 of the Companies Act) to Directors by resolution of the Board of Directors (Article 25 of the proposed amendments).
- 4) Modification, deletion, renumbering of Articles, and other necessary changes in conjunction with the foregoing (Article 20 and Article 21 of the proposed amendments, Article 1 of the Supplementary Provision, and Article 34 of the current Articles of Incorporation).

(2) Details of the amendments

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

Current Articles of Incorporation	Proposed Amendments
CHAPTER I GENERAL PROVISIONS	CHAPTER I GENERAL PROVISIONS
(New)	
<p>Article 4. (Omitted)</p>	<p>Article 4. <u>The Company shall have the following organs in addition to the general meeting of shareholders and Directors.</u> <u>(1) Board of Directors</u> <u>(2) Audit & Supervisory Committee</u> <u>(3) Accounting Auditor</u></p>
CHAPTER II SHARES	CHAPTER II SHARES
<p>Articles 5. to 8. (Omitted)</p>	<p>Articles 6. to 9. (No change)</p>
CHAPTER III GENERAL MEETING OF SHAREHOLDERS	CHAPTER III GENERAL MEETING OF SHAREHOLDERS
<p>Articles 9. to 14. (Omitted)</p>	<p>Articles 10. to 15. (No change)</p>
CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS	CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS
<p>Article 15. The Company shall <u>have</u> not more than twenty (20) <u>Directors and a Board of Directors.</u> (New)</p>	<p>Article 16. The <u>number of Directors of the Company shall be not more than twenty (20).</u> <u>2. The number of Directors who are Audit & Supervisory Committee Members shall be not more than seven (7).</u></p>
<p>Article 16. (Omitted)</p>	<p>Article 17. (No change)</p>
(New)	<p><u>2. The election of Directors shall be implemented by distinguishing between Directors who are Audit & Supervisory Committee Members and other Directors.</u></p>
<p><u>2.</u> Cumulative voting shall not be adopted for the election of Directors.</p>	<p><u>3.</u> Cumulative voting shall not be adopted for the election of Directors.</p>
<p>Article 17. The term of office of <u>a Director</u> shall expire upon the conclusion of the next ordinary general meeting of shareholders convened following the assumption of office of such Director.</p>	<p>Article 18. The term of office of <u>Directors (excluding Directors who are Audit & Supervisory Committee Members)</u> shall expire upon the conclusion of the next ordinary general meeting of shareholders convened following the assumption of office of such Director.</p>
(New)	<p><u>2. The term of office of Directors who are Audit & Supervisory Committee Members shall expire upon the conclusion of the ordinary general meeting of shareholders for the last business year which ends within two (2) years following the assumption of office of such Director.</u></p>
(New)	<p><u>3. The term of office of a Director who is an</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>Article 18. Any compensation, bonuses or any other financial benefits (<u>collectively, the “Compensation”</u>) payable to Directors by the Company in consideration for their performance of duties shall be determined by resolution of a general meeting of shareholders.</p> <p>(New)</p> <p>Article 19. The Board of Directors may, by resolution, appoint one (1) Chairman and one (1) President from among the Directors.</p> <p>2. The Board of Directors may, by resolution, appoint Vice Chairmen, Executive Vice Presidents and Managing Directors from among the Directors.</p> <p>Article 20. In convening a meeting of the Board of Directors, the notice to that effect shall be sent to each Director <u>and each Audit & Supervisory Board Member</u> at least three (3) days in advance of the date of such meeting; provided, however, that in the case of an emergency, this period may be shortened.</p> <p>Article 21. (Omitted)</p> <p>Article 22. In the event that a Director makes a proposal for an agenda item to be resolved at the Board of Directors and all Directors who are entitled to vote with respect to such item give consent in writing or electronically to such proposal, the Board of Directors shall be deemed to have approved by resolution such proposal, <u>unless one or more Audit & Supervisory Board Members oppose such proposal.</u></p>	<p><u>Audit & Supervisory Committee Member elected to fill a vacancy caused by retirement of a Director who was an Audit & Supervisory Committee Member prior to the expiry of his/her term of office shall be up to the expiry of the term of office of such retiring Director who was an Audit & Supervisory Committee Member.</u></p> <p>Article 19. Any compensation, bonuses or any other financial benefits payable to Directors by the Company in consideration for their performance of duties shall be determined by resolution of a general meeting of shareholders <u>by distinguishing between Directors who are Audit & Supervisory Committee Members and other Directors.</u></p> <p>Article 20. <u>The Board of Directors shall, by resolution, appoint Representative Directors from among the Directors (excluding Directors who are Audit & Supervisory Committee Members).</u></p> <p>Article 21. The Board of Directors may, by resolution, appoint one (1) Chairman and one (1) President from among the Directors <u>(excluding Directors who are Audit & Supervisory Committee Members).</u></p> <p>2. The Board of Directors may, by resolution, appoint Vice Chairmen, Executive Vice Presidents and Managing Directors from among the Directors <u>(excluding Directors who are Audit & Supervisory Committee Members).</u></p> <p>Article 22. In convening a meeting of the Board of Directors, the notice to that effect shall be sent to each Director at least three (3) days in advance of the date of such meeting; provided, however, that in the case of an emergency, this period may be shortened.</p> <p>Article 23. (No change)</p> <p>Article 24. In the event that a Director makes a proposal for an agenda item to be resolved at the Board of Directors and all Directors who are entitled to vote with respect to such item give consent in writing or electronically to such proposal, the Board of Directors shall be deemed to have approved by resolution such proposal.</p>

Current Articles of Incorporation	Proposed Amendments
<p style="text-align: center;">(New)</p> <p>Articles <u>23.</u> to <u>25.</u> (Omitted)</p> <p style="text-align: center;">CHAPTER V <u>AUDIT & SUPERVISORY BOARD</u> <u>MEMBERS AND AUDIT & SUPERVISORY</u> <u>BOARD</u></p> <p><u>Article 26.</u> <u>The Company shall have not more than seven (7) Audit & Supervisory Board Members and an Audit & Supervisory Board.</u></p> <p><u>Article 27.</u> <u>Resolution of a general meeting of shareholders electing Audit & Supervisory Board Members shall require the presence of the shareholders holding in the aggregate one third or more of the votes of the shareholders who are entitled to exercise their voting rights and the affirmative vote of a majority of the votes of the shareholders present.</u></p> <p><u>Article 28.</u> <u>The term of office of an Audit & Supervisory Board Member shall expire upon the conclusion of the ordinary general meeting of shareholders pertaining to the last business year which ends within four (4) years following the assumption of office of such Audit & Supervisory Board Member.</u></p> <p><u>Article 29.</u> <u>Any Compensation payable to Audit & Supervisory Board Members by the Company shall be determined by resolution of a general meeting of shareholders.</u></p> <p><u>Article 30.</u> (New)</p> <p><u>The Audit & Supervisory Board may, by resolution, elect Senior Audit & Supervisory Board Members from among the Audit & Supervisory Board Members.</u></p> <p><u>Article 31.</u></p>	<p><u>Article 25.</u> <u>In accordance with the provisions of Article 399-13, Paragraph 6 of the Companies Act, the Company may, by resolution of the Board of Directors, delegate all or part of the decisions regarding execution of important operations (excluding matters listed in the items of Paragraph 5 of that Article) to Directors.</u></p> <p>Articles <u>26.</u> to <u>28.</u> (No change)</p> <p style="text-align: center;">CHAPTER V <u>AUDIT & SUPERVISORY COMMITTEE</u></p> <p style="text-align: center;">(Deleted)</p> <p style="text-align: center;">(Deleted)</p> <p style="text-align: center;">(Deleted)</p> <p style="text-align: center;">(Deleted)</p> <p><u>Article 29.</u> <u>The Audit & Supervisory Committee shall, by resolution, elect full-time Audit & Supervisory Committee Members from among the Audit & Supervisory Committee Members.</u> <u>2. The Audit & Supervisory Committee may, by resolution, elect Senior Audit & Supervisory Committee Members from among the Audit & Supervisory Committee Members.</u></p> <p><u>Article 30.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>In convening a meeting of the <u>Audit & Supervisory Board</u>, the notice to that effect shall be sent to each <u>Audit & Supervisory Board Member</u> at least three (3) days in advance of the date of such meeting; provided, however, that in the case of an emergency, this period may be shortened.</p>	<p>In convening a meeting of the <u>Audit & Supervisory Committee</u>, the notice to that effect shall be sent to each <u>Audit & Supervisory Committee Member</u> at least three (3) days in advance of the date of such meeting; provided, however, that in the case of an emergency, this period may be shortened.</p>
<p><u>Article 32.</u> <u>The Company may, by resolution of the Board of Directors, limit the liabilities of the Audit & Supervisory Board Members to the extent as provided in laws and regulations.</u> <u>2. The Company may, in accordance with laws and regulations, enter into an agreement with its Audit & Supervisory Board Member which limits the liability of such Audit & Supervisory Board Member to the greater of an amount determined in advance by the Company which shall not be less than twenty million yen (¥20,000,000) and the sum of the amounts set forth in Article 425, Paragraph 1 of the Companies Act.</u></p>	<p>(Deleted)</p> <p>(Deleted)</p>
<p><u>Article 33.</u> Any matters relating to the <u>Audit & Supervisory Board</u> not provided for in the Articles of Incorporation shall be governed by the <u>Regulations of the Audit & Supervisory Board</u> prescribed by the <u>Audit & Supervisory Board</u>.</p>	<p><u>Article 31.</u> Any matters relating to the <u>Audit & Supervisory Committee</u> not provided for in the Articles of Incorporation shall be governed by the <u>Regulations of the Audit & Supervisory Committee</u> prescribed by the <u>Audit & Supervisory Committee</u>.</p>
<p style="text-align: center;"><u>CHAPTER VI</u> <u>ACCOUNTING AUDITOR</u></p>	<p style="text-align: center;">(Deleted)</p>
<p><u>Article 34.</u> <u>The Company shall have an accounting auditor.</u></p>	<p style="text-align: center;">(Deleted)</p>
<p style="text-align: center;"><u>CHAPTER VII</u> <u>ACCOUNTING AND OTHER MATTERS</u></p>	<p style="text-align: center;"><u>CHAPTER VI</u> <u>ACCOUNTING AND OTHER MATTERS</u></p>
<p>Articles <u>35.</u> to <u>38.</u> (Omitted)</p> <p style="text-align: center;">(New)</p>	<p>Articles <u>32.</u> to <u>35.</u> (No change)</p>
<p style="text-align: center;">(New)</p>	<p style="text-align: center;"><u>SUPPLEMENTARY PROVISION</u></p>
	<p><u>Article 1.</u> <u>Limitation by resolution of the Board of Directors of the liabilities of Audit & Supervisory Board Members under Article 423, Paragraph 1 of the Companies Act, which have arisen prior to the conclusion of the 96th General Meeting of Shareholders, shall be governed by Article 32, Paragraph 1 of the version of the Articles of Incorporation prior to the amendment by resolution of that General Meeting of Shareholders.</u></p>

Item 2 Election of Eleven (11) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

If Item 1 “Partial Amendment to the Articles of Incorporation” is approved as proposed herein, the Company will transition to a Company with an Audit & Supervisory Committee, and the terms of office of all thirteen (13) current Directors will end at the conclusion of the 96th General Meeting of Shareholders. The Board of Directors proposes that eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members) be elected. The candidates are set forth below. Ms. Noriko Iki, Mr. Tetsuro Tomita and Mr. Masato Kitera are candidates for Outside Directors.

The election of each candidate will take effect on the condition that Item 1 “Partial Amendment to the Articles of Incorporation” is approved as proposed herein and the amendment to the Articles of Incorporation takes effect.

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)	36,982	
		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			
		(Material concurrent position) Vice Chair, KEIDANREN (Japan Business Federation)			

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	17,967	
		April 2009:	Director (under the Executive Management System), Director, Plate Division and Director, Structural 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 Chairman, The Japan Iron and Steel Federation			

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
3	Shinji Tanimoto (May 24, 1957)	April 1982:	Joined NSC	29,302
		April 2015:	Managing Executive Officer and Head of Center, Plant Engineering and Facility Management Center of the Company	
		June 2015:	Managing Director, Member of the Board and Head of Center, Plant Engineering and Facility Management Center of the Company	
		April 2017:	Managing Director, Member of the Board of the Company	
		April 2018:	Representative Director and Executive Vice President of the Company	
		Assumed current position as Representative Director, Executive Vice President and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company in December 2019		
		(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 Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector Cooperating with Executive Vice President A. Migita on Environment		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
4	Shinichi Nakamura (February 15, 1959)	April 1982:	Joined NSC	14,985
		April 2013:	Executive Officer, Head of Unit, Construction Products Unit of the Company	
		April 2016:	Managing Executive Officer, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector and Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector of the Company	
		June 2016:	Managing Director, Member of the Board, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector and Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector of the Company	
		Assumed current position as Representative Director and Executive Vice President of the Company in April 2018		
		(Responsibilities) Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Cooperating with Executive Vice President K. Miyamoto on Overseas Offices (including Corporate Entities)		
		(Material concurrent position) Vice Chairman, Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd.		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
5	Katsuhiro Miyamoto (October 22, 1956)	April 1981:	Joined NSC	10,308
		April 2015:	Managing Executive Officer of the Company	
		April 2016:	Managing Executive Officer, Vice Head of Global Business Development, Project Leader, CSVC Project, Global Business Development Sector and Project Leader, Wuhan Tin Mill Project, Global Business Development Sector of the Company	
		April 2018:	Executive Vice President of the Company	
		June 2018:	Representative Director and Executive Vice President of the Company	
		April 2019:	Representative Director, Executive Vice President and Head of Global Business Development of the Company	
		Assumed current position as Representative Director, Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company in December 2019		
		(Responsibilities) Head of Global Business Development; Project Leader, India Iron and Steel Project, Global Business Development Sector Accounting & Finance; Raw Materials; Overseas Offices (including Corporate Entities)		
(Material concurrent positions) Chairman, WISCO-NIPPON STEEL Tinplate Co., Ltd. Chairman, The Japan Ferrous Raw Materials Association				

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
6	Akio Migita (October 19, 1961)	April 1984:	Joined NSC	11,181
		April 2015:	Executive Officer and Head of Division, Human Resources Division of the Company	
		April 2017:	Managing Executive Officer and Head of Division, Human Resources Division of the Company	
		April 2019:	Executive Vice President of the Company	
		Assumed current position as Representative Director and Executive Vice President of the Company in June 2019		
		(Responsibilities) Corporate Planning; Group Companies Planning; General Administration; Legal; Internal Control & Audit; Digital Innovation; Information & Communication Technology; Human Resources; Environment; Business Transformation & Standardization		
		(Material concurrent position) Representative Director, Nippon Steel Arts Foundation		
7	[New Candidate] Shuhei Onoyama (December 20, 1961)	April 1984:	Joined NSC	3,301
		April 2015:	Executive Officer and Head of Division, Technical Administration & Planning Division of the Company	
		April 2018:	Managing Executive Officer and Head of Works, Kimitsu Works of the Company	
		April 2019:	Managing Executive Officer and Head of Works, Kimitsu Works of the Company	
		Assumed current position as Executive Vice President and Head of R & D Laboratories of the Company in April 2020		
		(Responsibilities) Head of R & D Laboratories		
		(Material concurrent position) Chairman, The Iron and Steel Institute of Japan Chairman, The Japan Research and Development Center For Metals		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
8	[New Candidate]	April 1988:	Joined NSC	3,598
	Tadashi Imai (May 22, 1963)	November 2014:	General Manager and Head of Division, Production & Technical Control Division, Nagoya Works of the Company	
		April 2016:	Executive Officer and Head of Works, Nagoya Works of the Company	
		Assumed current position as Managing Executive Officer of the Company in April 2019		
		(Responsibilities) Corporate Planning; Technical Administration & Planning (including Standardization); Ironmaking Technology; Steelmaking Technology; Energy Technology 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 for Research and Development Cooperating with Managing Executive Officer T. Hirose on Transportation & Logistics Technology		

Name (date of birth)	Brief personal history (with material concurrent positions)		Number of shares of the Company owned
9 [Outside Director] [Independent Director/Auditor] Noriko Iki (March 21, 1956) Status of attendance at the Board of Directors (Fiscal Year 2019): 100% (15 out of 15 meetings)	April 1979:	Joined Ministry of Labor	3,012
	July 2009:	Director-General, Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare (MHLW)	
	July 2010:	Research Director, Japan Institute for Labour Policy and Training	
	September 2012:	Director-General, Tokyo Labour Bureau, MHLW	
	April 2014:	Ambassador of Japan to Brunei Darussalam	
	July 2017:	Retired from Ambassador of Japan to Brunei Darussalam	
	March 2018:	Director of Japan Institute for Women's Empowerment & Diversity Management	
	Assumed current position as President of Japan Institute for Women's Empowerment & Diversity and Management and Outside Director of the Company in June 2018		
	(Material concurrent position) Outside Director, NEC Corporation		
	- Reasons for the election as Outside Director Candidate The Board of Directors has proposed the re-election of Ms. Noriko Iki as an Outside Director because it believes that she is well-qualified for the position by reason of the deep insight she accumulated at MHLW in areas including employment, labor and promoting the success of diverse personnel, and her ample experience, etc. as Director-General of the Tokyo Labour Bureau of MHLW, the Ambassador Extraordinary and Plenipotentiary and other key positions, as well as her appropriate actions and remarks as an Outside Director of the Company since her appointment at the 94th General Meeting of Shareholders held on June 26, 2018, notwithstanding the fact that she does not have experience participating in corporate management other than serving as an Outside Director and as an Outside Audit & Supervisory Board Member.		

- (Notes)
- 1) Ms. Noriko Iki 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) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company has concluded an agreement with Ms. Noriko Iki that limits her liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act or twenty million (20,000,000) yen, as long as she acts unknowingly and is not grossly negligent in performing her duties. Upon approval of this Item as proposed herein, this agreement will be continued.
 - 3) The Company has already filed Ms. Noriko Iki as an "independent director/auditor" with each financial exchange in Japan where it is listed.
 - 4) Although Ms. Noriko Iki serves as President of Japan Institute for Women's Empowerment & Diversity Management, to which the Company outsources a part of its in-house trainings and pays the membership fee, since the amount of outsourcing fee paid

to the said institute accounts for less than 1% of the consolidated selling, general and administrative expenses of the Company, the said institute is not a specified associated service provider of the Company. The annual membership fee paid to the said institute by the Company is 650,000 yen.

Name (date of birth)	Brief personal history (with material concurrent positions)		Number of shares of the Company owned	
10	[New Candidate]	April 1974:	Joined Japanese National Railways	1,000
		April 1987:	Joined East Japan Railway Company	
	[Outside Director]	June 2000:	Director and General Manager of Management Administration Department, Corporate Planning Headquarters of East Japan Railway Company	
	[Independent Director/Auditor]	June 2003:	Executive Director and Deputy Director General of Corporate Planning Headquarters of East Japan Railway Company	
	Tetsuro Tomita (October 10, 1951)	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		
		(Material concurrent position)		
		Vice Chair, KEIDANREN (Japan Business Federation)		
<p data-bbox="469 1272 1145 1312">- Reasons for the election as Outside Director Candidate</p> <p data-bbox="469 1312 1145 1928">The Board of Directors has proposed the 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.</p>				

(Notes) 1) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company intends to conclude an agreement with Mr. Tetsuro Tomita that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act or twenty million (20,000,000) yen, as long as he acts unknowingly and is

not grossly negligent in performing his duties, upon approval of this Item as proposed herein.

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

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned	
11	[New Candidate]	April 1976:	Joined Ministry of Foreign Affairs of Japan	1,000	
	[Outside Director]	January 2008:	Director-General for African Affairs, Ministry of Foreign Affairs of Japan		
	[Independent Director/Auditor]	July 2008:	Director-General, International Cooperation Bureau, Ministry of Foreign Affairs of Japan		
	Masato Kitera (October 10, 1952)		January 2010:		Deputy Minister, Ministry of Foreign Affairs of Japan
			September 2012:		Assistant Chief Cabinet Secretary
			November 2012:		Ambassador of Japan to the People's Republic of China
			April 2016:		Ambassador of Japan to the French Republic
			Retired from Ambassador of Japan to the French Republic in December 2019		
		- Reasons for the election as Outside Director Candidate The Board of Directors has proposed the election of Mr. Masato Kitera as an Outside Director 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, notwithstanding the fact that he does not have experience participating in corporate management.			

- (Notes)
- 1) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company intends to conclude an agreement with Mr. Masato Kitera that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act or twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties, upon approval of this Item as proposed herein.
 - 2) The Company has already filed Mr. Masato Kitera as a candidate for an "independent director/auditor" with each financial exchange in Japan where it is listed.

Item 3 Election of Seven (7) Directors who are Audit & Supervisory Committee Members

The Company will transition to a Company with an Audit & Supervisory Committee if Item 1 “Partial Amendment to the Articles of Incorporation” is approved as proposed herein. The Board of Directors proposes to elect seven (7) Directors who are Audit & Supervisory Committee Members. The candidates are set forth below. Mr. Hiroshi Obayashi, Mr. Jiro Makino, Mr. Seiichiro Azuma, and Mr. Hiroshi Yoshikawa are candidates for Outside Directors.

The submission of this proposal has been consented to by each member of the Audit & Supervisory Board. The election of each candidate will take effect on the condition that Item 1 “Partial Amendment to the Articles of Incorporation” is approved as proposed herein and the amendment to the Articles of Incorporation takes effect.

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	[New Candidate] Masato Matsuno (May 29, 1957)	April 1981:	Joined Sumitomo Metal Industries, Ltd.	5,936
		April 2015:	Managing Executive Officer and Head of Division, General Administration Division of the Company	
		April 2016:	Managing Executive Officer and Head of Office, Osaka Office	
		April 2019:	Executive Officer and Advisor to the President of the Company	
		Assumed current position as Senior Audit & Supervisory Board Member in June 2019		

(Note) Mr. Masato Matsuno currently serves as an Audit & Supervisory Board Member of the Company. Concerning the candidate’s liability under Article 423, Paragraph 1 of the Companies Act, the Company has concluded an agreement with Mr. Masato Matsuno that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act or twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties. Upon approval of this Item as proposed herein, the Company intends to conclude an agreement that is similar to this agreement.

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
2	[New Candidate]	April 1985:	Joined NSC	6,762
	Shozo Furumoto (January 19, 1961)	March 2014:	Head of Division, Legal Division of the Company	
		April 2016:	Executive Officer and Head of Division, Legal Division of the Company	
		April 2019:	Managing Executive Officer of the Company	
		Assumed current position as Executive Officer and Advisor to the President of the Company in April 2020		

(Note) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company intends to conclude an agreement with Mr. Shozo Furumoto that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act or twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties, upon approval of this Item as proposed herein.

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
3	[New Candidate]	April 1982:	Joined Nisshin Steel Co., Ltd.	9,803
	Nobuhiro Miyoshi (February 23, 1960)	June 2014:	Director, Managing Executive Officer and Head of Division, Corporate Planning Division of Nisshin Steel Co., Ltd.	
		April 2015:	Director and Managing Executive Officer of Nisshin Steel Co., Ltd.	
		April 2017:	Representative Director, Vice President and Executive Officer of Nisshin Steel Co., Ltd.	
		April 2019:	Representative Director, Vice President and Executive Officer of Nippon Steel Nisshin Co., Ltd.	
		Assumed current position as Executive Officer and Advisor to the President of the Company in April 2020		

(Note) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company intends to conclude an agreement with Mr. Nobuhiro Miyoshi that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act or twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties, upon approval of this Item as proposed herein.

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned	
4	[New Candidate]	April 1972:	Prosecutor, Tokyo District Public Prosecutor's Office	10,149	
	[Outside Director]	May 2001:	Director-General, Rehabilitation Bureau, Ministry of Justice		
	[Independent Director/Auditor]	January 2002:	Deputy Vice-Minister, Ministry of Justice		
	Hiroshi Obayashi (June 17, 1947)		June 2004:		Director-General, Criminal Affairs Bureau, Ministry of Justice
			June 2006:		Vice-Minister, Ministry of Justice
			July 2007:		Superintending Prosecutor, Sapporo High Public Prosecutors Office
			July 2008:		Superintending Prosecutor, Tokyo High Public Prosecutors Office
			June 2010:		Prosecutor-General, the Supreme Public Prosecutors Office
			December 2010:		Retired from Prosecutor-General, the Supreme Public Prosecutors Office
		Registered as Attorney-at-law in March 2011 Assumed current position as Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company in June 2014			
		(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.			
		- Reasons for the election as Outside Director Candidate who is an Audit & Supervisory Committee Member The Board of Directors has proposed the election of Mr. Hiroshi Obayashi 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 90th General Meeting of Shareholders held on June 25, 2014 and by reason of his deep insight as a legal professional and ample experience as Prosecutor General and other key positions, notwithstanding the fact that he does not have experience participating in corporate management other than serving as an Outside Director and as an Outside Audit & Supervisory Board Member.			

- (Notes)
- 1) Mr. Hiroshi Obayashi currently serves as an Outside Audit & Supervisory Board Member of the Company, and will have served as an Outside Audit & Supervisory Board Member of the Company for six (6) years as of the conclusion of this General Meeting of Shareholders.
 - 2) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company has concluded an agreement with Mr. Hiroshi Obayashi that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act or twenty million (20,000,000) yen, as long as he acts unknowingly and is

not grossly negligent in performing his duties. Upon approval of this Item as proposed herein, the Company intends to conclude an agreement that is similar to this agreement.

- 3) The Company has already filed Mr. Hiroshi Obayashi as a candidate for an “independent director/auditor” 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	
5	[New Candidate]	April 1973:	Joined Ministry of Finance	5,382	
	[Outside Director]	July 2003:	Director-General, Financial Bureau, Ministry of Finance		
		October 2006:	President, Policy Research Institute, Ministry of Finance and President, Account Center, Ministry of Finance		
	[Independent Director/Auditor]	July 2007:	Commissioner, National Tax Agency		
	Jiro Makino (October 22, 1949)	July 2008:	Retired from Commissioner, National Tax Agency		
		July 2008:	Vice Chairman, General Insurance Rating Organization of Japan (retired in November 2009)		
		November 2009:	Vice Chairman, The General Insurance Association of Japan		
	Assumed current position as Vice Chairman, The General Insurance Association of Japan in April 2012 Assumed current position as Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company in June 2014				
	- Reasons for the election as Outside Director Candidate who is an Audit & Supervisory Committee Member The Board of Directors has proposed the election of Mr. Jiro Makino as an Outside Director who is an Audit & Supervisory Committee Member because it believes that he is well-qualified for the position by his appropriate action and remarks as an Outside Audit & Supervisory Board Member of the Company since his appointment at the 90th General Meeting of Shareholders held on June 25, 2014 and by his deep insight in the general area of finance that he accumulated at the Ministry of Finance, and his ample experience as Commissioner of National Tax Agency and other key positions, notwithstanding the fact that he does not have experience participating in corporate management other than serving as an Outside Director and as an Outside Audit & Supervisory Board Member.				

- (Notes)
- 1) Mr. Jiro Makino currently serves as an Outside Audit & Supervisory Board Member of the Company, and will have served as an Outside Audit & Supervisory Board Member of the Company for six (6) years as of the conclusion of this General Meeting of Shareholders.
 - 2) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company has concluded an agreement with Mr. Jiro Makino that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act or twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties. Upon approval of this Item as proposed herein, the Company intends to conclude an agreement that is similar to this agreement..
 - 3) The Company has already filed Mr. Jiro Makino as a candidate for an "independent director/auditor" 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
6	[New Candidate]	December 1975:	Joined Tohmatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC)	5,068
	[Outside Director]	July 1991:	Partner of Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)	
	[Independent Director/Auditor]	June 2007:	Partner and Member of Management Council and General Manager, Kansai Block of Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)	
	Seiichiro Azuma (July 23, 1951)	June 2009:	Partner and Member of Management Council and General Manager, Kansai Block of Deloitte Touche Tohmatsu LLC	
		November 2013:	Partner and Chairman of Management Council of Deloitte Touche Tohmatsu LLC	
		November 2015:	Partner of Deloitte Touche Tohmatsu LLC	
		June 2016:	Retired from Deloitte Touche Tohmatsu LLC	
		Assumed current position as Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company in June 2016, and Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office in July 2016		
		(Material concurrent position) Outside Audit & Supervisory Board Member, Kansai Paint Co., Ltd.		
		- Reasons for the election as Outside Director Candidate who is an Audit & Supervisory Committee Member The Board of Directors has proposed the 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 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 and as an Outside Audit & Supervisory Board Member.		

- (Notes) 1) Mr. Seiichiro Azuma currently serves as an Outside Audit & Supervisory Board Member of the Company, and will have served as an Outside Audit & Supervisory Board Member of the Company for four (4) years as of the conclusion of this General Meeting of Shareholders.
- 2) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company has concluded an agreement with Mr. Seiichiro Azuma that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the

Companies Act or twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties. Upon approval of this Item as proposed herein, the Company intends to conclude an agreement that is similar to this agreement..

- 3) The Company has already filed Mr. Seiichiro Azuma as a candidate for an “independent director/auditor” 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
7	[New Candidate]	February 1993:	Professor of Faculty of Economics, The University of Tokyo	0
	[Outside Director]	April 1996:	Professor of Graduate School of Economics, The University of Tokyo	
	[Independent Director/Auditor]	October 2009:	Dean of Graduate School of Economics, The University of Tokyo	
	Hiroshi Yoshikawa (June 30, 1951)	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	
		Assumed current position as President of Rissho University in April 2019, and Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company in June 2019		
		<p>- Reasons for the election as Outside Director Candidate who is an Audit & Supervisory Committee Member</p> <p>The Board of Directors has proposed the 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 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 and as an Outside Audit & Supervisory Board Member.</p>		

- (Notes)
- 1) Mr. Hiroshi Yoshikawa currently serves as an Outside Audit & Supervisory Board Member of the Company, and will have served as an Outside Audit & Supervisory Board Member of the Company for one (1) year as of the conclusion of this General Meeting of Shareholders.
 - 2) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company has concluded an agreement with Mr. Hiroshi Yoshikawa that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act or twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties. Upon approval of this Item as proposed herein, the Company intends to conclude an agreement that is similar to this agreement.
 - 3) The Company has already filed Mr. Hiroshi Yoshikawa as a candidate for an "independent director/auditor" with each financial exchange in Japan where it is listed.
 - 4) 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 eighteen million (18,000,000) yen annually for a corporate sponsored research program in the School of Engineering at The University of Tokyo.

(For reference)

If Items 2 and 3 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 account for more than one-third (7 out of 18) of all members of the Company's Board of Directors, which will ensure multifaceted examination and objectivity in decision-making at the Board of Directors, and will strengthen the supervisory function of the Board of Directors over management.

Candidate No.		Name		Position		
Directors	Directors (Excluding Directors who are Audit & Supervisory Committee Members)	Item 2	1	Kosei Shindo	Representative Director and Chairman	
			2	Eiji Hashimoto	Representative Director and President	
			3	Shinji Tanimoto	Representative Director and Executive Vice President	
			4	Shinichi Nakamura	Representative Director and Executive Vice President	
			5	Katsuhiko Miyamoto	Representative Director and Executive Vice President	
			6	Akio Migita	Representative Director and Executive Vice President	
			7	Shuhei Onoyama	New	Representative Director and Executive Vice President
			8	Tadashi Imai	New	Managing Director
			9	Noriko Iki	Outside Independent	Director
			10	Tetsuro Tomita	New Outside Independent	Director
			11	Masato Kitera	New Outside Independent	Director
	Directors who are Audit & Supervisory Committee Members	Item 3	1	Masato Matsuno	New	Senior Audit & Supervisory Committee Member (full-time)
			2	Shozo Furumoto	New	Senior Audit & Supervisory Committee Member (full-time)
			3	Nobuhiro Miyoshi	New	Senior Audit & Supervisory Committee Member (full-time)
			4	Hiroshi Obayashi	New Outside Independent	Audit & Supervisory Committee Member
			5	Jiro Makino	New Outside Independent	Audit & Supervisory Committee Member
			6	Seiichiro Azuma	New Outside Independent	Audit & Supervisory Committee Member
			7	Hiroshi Yoshikawa	New Outside Independent	Audit & Supervisory Committee Member

(Note) New: New candidate Outside: Outside Director Independent: Independent Director/Auditor

Item 4 Setting Amount of Compensation for Directors (Excluding Directors who are Audit & Supervisory Committee Members)

The Company will transition to a Company with an Audit & Supervisory Committee as of conclusion of the 96th General Meeting of Shareholders if Item 1 “Partial Amendment to the Articles of Incorporation” is approved as proposed herein.

The amount of compensation for Directors of the Company was approved at the 88th General Meeting of Shareholders held on June 26, 2012, and has been to date, within 180 million yen per month (not more than 20 members as stipulated by the Articles of Incorporation at the time it becomes effective (October 1, 2012)). However, in conjunction with the transition to a Company with an Audit & Supervisory Committee, the Company would like to request approval for the amount of compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) to be set within 140 million yen per month (of which, the amount of compensation for Outside Directors shall be within 12 million yen per month) in consideration of the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) and economic circumstances, among other factors.

If Item 1 “Partial Amendment to the Articles of Incorporation” and Item 2 “Election of Eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members)” are approved as proposed herein, the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) will be 11 (including three (3) Outside Directors).

The setting of the amount of compensation will take effect on the condition that Item 1 “Partial Amendment to the Articles of Incorporation” is approved as proposed herein and the amendment to the Articles of Incorporation takes effect.

Item 5 Setting Amount of Compensation for Directors who are Audit & Supervisory Committee Members

The Company will transition to a Company with an Audit & Supervisory Committee as of the conclusion of the 96th General Meeting of Shareholders if Item 1 “Partial Amendment to the Articles of Incorporation” is approved as proposed herein.

Accordingly, the Board of Directors would like to request approval for the amount of compensation for Directors who are Audit & Supervisory Committee Members to be set within 22 million yen per month, which is the same as the current amount of compensation for Audit & Supervisory Board Members, in consideration of the number of Directors who are Audit & Supervisory Committee Members, and economic circumstances, among other factors.

If Item 1 “Partial Amendment to the Articles of Incorporation” and Item 3 “Election of Seven (7) Directors who are Audit & Supervisory Committee Members” are approved as proposed herein, the number of Directors who are Audit & Supervisory Committee Members will be seven (7).

The setting of the amount of compensation will take effect on the condition that Item 1 “Partial Amendment to the Articles of Incorporation” is approved as proposed herein and the amendment to the Articles of Incorporation takes effect.

<Shareholder Proposals (Items 6 and 7)>

About shareholder proposals

The Companies Act recognizes shareholder proposal rights under certain conditions. The Company is obliged to include proposals made by shareholders and the reasons for those proposals in the Notice of the General Meeting of Shareholders and the Reference Documents for the General Meeting of Shareholders, unless there are violations of laws and regulations or the Articles of Incorporation or other reasons.

Items 6 and 7 are proposed by one (1) shareholder (with a voting right ratio of less than 0.01%).

The Board of Directors opposes both Items proposed by the shareholder as shown in the following statement.

The following title of each item, proposal contents, and proposal reasons are quoted from the original document submitted by the shareholder.

Item 6 Change of Trade Name

[Content of Proposal]

The trade name stipulated in Chapter I, Article 1 of the Articles of Incorporation shall be changed from “NIPPON STEEL CORPORATION” to “GOVERNING TOPY, NIPPON STEEL CORPORATION.”

[Reason for Proposal]

In the past, NIPPON STEEL CORPORATION sent Mr. Yasuo Fujii and Mr. Nobuhiko Takamatsu (originally from pre-merger Nippon Steel Corporation) to serve as presidents to Topy Industries, Ltd. They both demonstrated excellent management skills, greatly contributing to not only the financial results of Topy Industries, Ltd., but also the consolidated financial results of NIPPON STEEL CORPORATION. Therefore, in order to show the stakeholders that NIPPON STEEL CORPORATION intends to continue permanently to send presidents who demonstrate excellent management skills to Topy Industries, Ltd., and similarly send as many directors as possible, I believe that changing the trade name to “GOVERNING TOPY, NIPPON STEEL CORPORATION” will greatly contribute to the improvement of stock value.

[Opinions of the Board of Directors regarding the shareholder proposal Item 6]

The Board of Directors opposes the proposal.

(Reason for Opposition)

The Company has used its current trade name “NIPPON STEEL CORPORATION” since April 1, 2019, having obtained the approval of shareholders at the 94th General Meeting of Shareholders held on June 26, 2018, in order to adopt a new and more inclusive trade name befitting a steelmaker with origins in Japan and an emphasis on continuing growth in global markets looking toward the future.

This proposal would include the name of one particular affiliate company, as well as a phrase that says the Company is “GOVERNING” that company. The Company is not governing the management of such affiliate company and the proposal is inappropriate as it does not fit the aim of the Company’s trade name.

Therefore, the Board of Directors opposes the proposal.

Item 7 Changes to the Directors and the Board of Directors

[Content of Proposal]

The content of Chapter IV, Article 15 of the Articles of Incorporation shall be changed to “The Company shall appoint no more than six (6) Directors and establish a Board of Directors. There should be equal number of Directors from pre-merger Nippon Steel Corporation and Sumitomo Metal Industries, Ltd.”

[Reason for Proposal]

The stock price of NIPPON STEEL CORPORATION has stagnated for a long period of time, and in all cases, this is the responsibility of the Board of Directors. First, the number of Directors should be drastically reduced in order to speed up decision-making and reduce Board of Directors personnel costs.

In addition, currently, the Board of Directors of NIPPON STEEL CORPORATION has nine (9) members originally from pre-merger Nippon Steel Corporation and one (1) member originally from Sumitomo Metal Industries, Ltd. I believe that the stock price stagnation is due in part to the biased composition of the Board of Directors, with the majority of members originally from pre-merger Nippon Steel Corporation, which has a corporate culture similar to that of a state-owned company. Therefore, I believe that increasing the number of Directors originally from Sumitomo Metal Industries, Ltd., which was one of the Sumitomo companies known for being particularly strict regarding financial accounts even among private sector corporations, will definitely bring the stock price out of stagnation.

[Opinions of the Board of Directors regarding the shareholder proposal Item 7]

The Board of Directors opposes the proposal.

(Reason for Opposition)

The Board of Directors believes it is appropriate to keep the number of Directors in the Articles of Incorporation to no more than twenty (20) and the number of Directors who are Audit & Supervisory Committee Members in the Articles of Incorporation to no more than seven (7), as described in Article 16 of the amended Articles of Incorporation proposed in Item 1 “Partial Amendment to the Articles of Incorporation,” considering the size of the Company and in order to enhance the supervisory function of the Board of Directors over management.

The Company has a policy of nominating candidates for Directors taking into account their individual experience, insight, and expertise, as well as the size of the Board of Directors as a whole and the balance of candidates comprising the Board including the Outside Directors. This is done so that the Board of Directors has the optimal structure in which each Director is able to appropriately fulfill their roles and responsibilities and the Board is able to properly respond to management challenges of the NIPPON STEEL Group. The Company considers it appropriate to nominate such candidates and then seek shareholders’ judgment for approval. The Board of Directors believes it is not appropriate to determine the composition of Directors according to the company they originated from in the Articles of Incorporation.

Therefore, the Board of Directors opposes the proposal.

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., Tuesday, June 23, 2020 (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.

Business Report

95th Term: From April 1, 2019 to March 31, 2020

1. Current Situations of the NIPPON STEEL Group

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

General Review

In fiscal year 2019, although personal consumption remained firm in the United States, the overall global economic growth slowed as China's economic activity stalled mainly due to stagnant personal consumption amid the U.S.-China trade friction. In the fourth quarter, the spread of COVID-19 caused a sharp downturn in global economic activity. The Japanese economy maintained solid employment and income levels during the year, but deteriorating business conditions in the manufacturing industry from the trade friction and slowing overseas demand, coupled with weakening consumer sentiment caused by the recent consumption tax hike and concern over the spread of the COVID-19 fueled an increasing sense of economic stagnation in the second half of the year.

In the steel market, domestic and overseas demand for steel materials stagnated as a result of decreased demand for flat steel products, which was attributable to reduced production of automobiles and other consumer goods following the global economic slowdown. At the same time, China boosted infrastructure investment to stimulate its national economy, and the country, which accounts for more than half of worldwide steel production, saw increased domestic demand for long steel products and continued high-level production of pig iron. These developments led to high prices for main raw materials, such as iron ore, which created an unprecedented situation of high raw material market prices and low steel market prices.

In this severe business environment, the NIPPON STEEL Group strived to advance measures to enhance the overall stability of its facilities and operations, improve its long-term contractual prices, and establish economical production operations by optimizing production and shipment volumes while continuing to advance the strategies of the 2020 Mid-Term Management Plan. In addition, in February of this year, the Group decided to launch new measures to reorganize the Group's production facility structure and reform the management structure.

Business Segment Review

The NIPPON STEEL Group's business segments each put forth utmost management effort to generate results while responding to the changing business environment.

• Steelmaking and Steel Fabrication

The Steelmaking and Steel Fabrication segment, while placing top priority on safety, strived to advance measures to enhance the overall stability of its facilities and operations, improve its cost performance and long-term contractual prices, and establish economical production operations by realizing optimal production and shipment volumes while continuing to advance the strategies of the 2020 Mid-Term Management Plan. The segment faced numerous factors that negatively impacted its earnings for the year, including reduced production and shipment volumes due to sluggish worldwide demand for steel products, particularly from manufacturers, amid the U.S.-China trade friction; smaller profit margins in the face of severe business conditions, namely, high raw material market prices and low steel market prices; the impacts of natural disasters; inventory valuation differences; deteriorating earnings at group companies; the recording of impairment losses on operating assets; and other factors. The Steelmaking and Steel Fabrication segment recorded revenue of ¥5,257.3 billion and business loss of ¥325.3 billion.

During the year, in Japan, the segment worked at sustaining and strengthening its facilities and introducing the latest facilities, and increased effects of stable production, enhanced productivity and improved cost performance. The segment also continued working to formulate an optimal production structure to give it a resilient manufacturing structure capable of flexibly responding to changing business conditions. As part of specific measures, the coke oven at Hokkai Iron & Coke Corporation, which handles the upstream process for the Muroran Works, was refurbished, the continuous casting facility in the Kyushu Works Yawata Area commenced operation, the UO pipe mill of the East Nippon Works Kashima Area was shut down, and its production was consolidated into a facility at the Kimitsu Area of the same works.

Overseas, the segment continued developing business in markets where demand for steel products can be expected to grow with certainty and in fields where the Group can leverage its technological and

product capabilities. In December 2019, NIPPON STEEL and ArcelorMittal jointly acquired Essar Steel India Limited, an integrated blast furnace steelmaker, and relaunched the integrated blast furnace steelmaker as ArcelorMittal Nippon Steel India. As a newly forged entity in India's steel industry, the Company will seek to steadily capture the anticipated growing demand for steel in the country.

The segment also expanded the solutions it offers for material development and processing technology to meet the increasingly diverse and sophisticated needs for material properties arising from the changes in society and industry. New potential for steel in various industries was created, for example, with the stainless steel HRX19™ for high-pressure hydrogen environments, which is capable of high-volume flow rates and high-speed filling that helps hydrogen stations improve their safety and service life and also achieve downsizing. Another product that opened up new potential was the world's largest rolled H-shaped beams MEGA NSHYPER BEAM™, which meet the need for bigger cross-section steel beams for increasingly larger buildings as well as the need for shorter construction periods. In addition, to meet the growing demand and need for greater efficiency for electrical steel sheets used in electric power generation and vehicles, the segment decided to construct new production lines at the Kyushu Works Yawata Area and the Setouchi Works Hirohata Area.

NIPPON STEEL is recognized as a world leader in technological development and progress (enhancement of our technological superiority). The Company followed up the awards received in 2018 by being honored again in 2019 with an Okochi Memorial Production Prize for "development of high-ductility steel plate manufacturing technology for ship hulls that improves collision safety," an Ichimura Prize in Industry for Distinguished Achievement for "increasing the safety of large vehicles by developing a highly efficient, lightweight permanent magnet retarder," and an Ichimura Prize in Industry against Global Warming for Distinguished Achievement for "sea forest regeneration technology that uses steel slag to support various ecosystems." The segment also actively installed advanced IT systems with AI and IoT, such as the NS-DIG™ platform supporting data analysis and AI development, to create safer and more competitive manufacturing sites, improve quality, and generally upgrade operations.

In the environmental arena, the Company took on measures to further improve the energy efficiency of its steel manufacturing operations, which are already the most efficient in the world, and continued to develop and produce environmentally friendly products that contribute to a low energy consumption, low CO2 emissions, recycling society. NIPPON STEEL declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2019 and is expanding the content of disclosure, including the scenario analysis espoused by the TCFD, concerning its business activities that have an impact on climate change.

Management determined in February 2020 that it would institute new measures to improve the production facility structure and the management structure. The decision was made in light of the currently severe business conditions and the medium- to long-term outlook for diminishing steel demand in Japan and intensifying competition in steel markets overseas along with the approaching need for substantial investment to renovate the Group's aging main steelworks. Measures to improve the production facility structure will be aimed at constructing an optimal and efficient Group production structure with competitive integrated steelworks. These measures will include shutting down all the facilities at the Setouchi Works Kure Area and the No.1 blast furnace and associated facilities in the Kansai Works Wakayama Area. Management will also take steps to increase the competitiveness of product manufacturing processes. The Company is aiming to reform the management structure to facilitate faster decision-making and improve management efficiency at all group companies so as to better equip management to quickly and accurately respond to wider and increasingly rapid fluctuations in business conditions. To realize this reform, management will need to modify the Company's organizational design related to corporate governance and will seek approval of shareholders at the 96th General Meeting of Shareholders of the Company scheduled to be held in June of this year to amend the Articles of Incorporation and transition to a Company with an Audit & Supervisory Committee. In line with the organizational design, the Company decided to streamline the management system and enhance its efficiency following the merger with Nippon Steel Nisshin Co., Ltd. in April of this year. Business management efficiency will be improved by paring down the Group organization by consolidating and reorganizing the 16 manufacturing sites, including that of Nippon Steel Nisshin, to six steelworks. In addition, the Digital Transformation Promotion Department (DX Promotion Department) was established to further strengthen business competitiveness through the active use of data and digital technology.

• **Engineering and Construction**

Nippon Steel Engineering Co., Ltd. builds and operates plants in the steelworks, environmental, and

energy fields and provides services utilizing comprehensive engineering technology worldwide in various areas, including construction and building of marine/port steel structures and pipeline facilities. In fiscal year 2019, the company steadily achieved favorable outcome from establishing a dedicated team for promotion of digital transformation (DX) and raising internal work efficiency at an accelerated rate, and from starting operation of a data collection/analysis platform system of plants and enabling a unified data management. While being mainly affected by a surge in labor costs and material costs, the company continuously implemented and managed projects, such as a shaft-type gasification melting furnace project of the environmental solutions business and a large distribution facility project of the building construction and steel structures business, which retained high-level order backlogs. As a result, the Engineering and Construction segment recorded revenue of ¥340.4 billion and business profit of ¥10.7 billion.

• Chemicals and Materials

Nippon Steel Chemical & Material Co., Ltd. recorded strong demand for needle coke used in graphite electrodes in the first half of fiscal year 2019, but demand stalled in the second half and the business environment became harsher in the fourth quarter partly due to the spread of COVID-19. In the chemicals business, demand for styrene monomer was already sluggish, then the COVID-19 pandemic and decline in crude oil prices triggered a sharp drop in the market at the end of fiscal year 2019. The functional materials business struggled to record sales of materials for smartphones and semiconductors, but posted strong sales of spherical alumina, which is used as material for insulation and heat dissipation in automobiles and electronic equipment. The composite materials business generated increased sales of carbon fiber composite materials, mainly for civil engineering and construction repair and reinforcement applications. The Chemicals and Materials segment recorded revenue of ¥215.7 billion and business profit of ¥18.4 billion.

• System Solutions

Nippon Steel Solutions Co., Ltd. provides advanced solution services in the planning, configuration, operation, and maintenance of IT systems, enabling clients in a wide range of business fields to keep pace with changing business environments. In fiscal year 2019, The company assisted Nippon Steel to configure the NS-DIG™, a platform for data analysis and AI development used for sophisticated IT applications. The segment continued aggressively promoting sales of solutions incorporating IoT and AI, and prepared and subsequently launched sales and services for 5G-related solutions. Business conditions remained favorable, as clients continued to actively invest in IT in pursuit of DX. The System Solutions segment recorded revenue of ¥273.2 billion and business profit of ¥26.1 billion.

Revenue and Profit

In fiscal year 2019, the Company continued advancing measures to enhance the overall stability of its facilities and operations, improve its cost performance and long-term contractual prices, and establish economical production operations by optimizing production and shipments volumes. However, consolidated earnings were impacted by lower production and shipment volumes due to sluggish worldwide demand for steel products, smaller profit margins caused by high raw material market prices and low steel market prices, the impacts of natural disasters, inventory valuation differences, deteriorating earnings at group companies, and the recording of impairment losses on operating assets. In the fiscal year under review, NIPPON STEEL recorded revenue of ¥5,921.5 billion and business loss of ¥284.4 billion. In addition, due to the posting of losses on reorganization, the partial reversal of deferred tax assets, and other factors, the Company recorded loss attributable to owners of the parent of ¥431.5 billion.

An overview of the revenue and business profit of each business segment in fiscal year 2019 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	5,257.3	340.4	215.7	273.2	(165.2)	5,921.5
Business profit	(325.3)	10.7	18.4	26.1	(14.4)	(284.4)

Non-consolidated financial result for fiscal year 2019 was net sales of ¥3,312.9 billion, operating profit of ¥(119.3) billion, ordinary profit of ¥(40.4) billion and profit of ¥(455.6) billion.

Assets, Liabilities, and Equity

Consolidated total assets as of March 31, 2020 were ¥7,444.9 billion, a decrease of ¥604.5 billion from ¥8,049.5 billion as of March 31, 2019. The main factors were a decrease in property, plant and equipment of ¥434.1 billion mainly resulting from impairment losses of operating assets, a decrease in trade and other receivables of ¥141.7 billion, and a decrease in other financial assets (non-current) of ¥331.5 billion caused by a fair value decrease and sales of investment securities. The decrease based on these factors was partially offset by an increase of ¥85.1 billion in investments accounted for using the equity method, due to the acquisition of shares of AMNS Luxembourg Holding S.A. and other factors, and an increase of ¥93.6 billion in right-of-use assets caused by bringing operating leases on balance sheet, associated with the adoption of IFRS 16, as well as an increase in cash and cash equivalents of ¥126.2 billion. The increase in cash and cash equivalents was to secure liquidity in hand in case of potential deterioration in operating cash flow, stemming from the impact of the spread of COVID-19.

Consolidated total liabilities as of March 31, 2020 were ¥4,448.3 billion, an increase of ¥6.1 billion from ¥4,442.1 billion as of March 31, 2019. This increase was primarily due to a rise in interest-bearing liabilities of ¥119.5 billion, from ¥2,369.2 billion as of March 31, 2019 to ¥2,488.7 billion as of March 31, 2020, stemming from the issuance of public hybrid bonds (public subordinated bonds), and an increase of ¥50.0 billion in defined benefit liabilities, while trade and other payables decreased by ¥161.6 billion.

Consolidated total equity as of March 31, 2020 was ¥2,996.6 billion, a decrease of ¥610.7 billion from ¥3,607.3 billion as of March 31, 2019. This decrease was primarily due to loss for the year attributable to owners of the parent of ¥431.5 billion, dividend payments of ¥46.1 billion, and a decrease in the fair value of financial assets measured at fair value through other comprehensive income of ¥160.7 billion. As a result, total equity attributable to owners of the parent at the end of fiscal 2019 amounted to ¥2,641.6 billion, and the ratio of interest-bearing debt to total equity attributable to owners of the parent (D/E ratio) was 0.94 times.

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 ¥10 per share for the end of the first half. Regarding the fiscal year-end dividend, following the previously stated policy and after giving due consideration to full-year performance result and other factors, management regrettably has decided to forgo a year-end dividend payment, as announced at the time of third quarter performance result (February 7, 2020). The dividend for the full fiscal year 2019 therefore is ¥10 per share.

Tasks Ahead

• Outlook for Operations in Fiscal Year 2020

The global economic outlook is becoming more uncertain due to the worldwide spread of COVID-19 in addition to the growing prevalence of protectionist policies. The outlook for the Japanese economy is also clouded by the global economic trend and the COVID-19 pandemic.

Global economic conditions have also led to a further decrease in domestic and overseas steel demand in all industries. In the first quarter of fiscal year 2020, the spread of the COVID-19 caused automobile manufacturing activity to stall, which further reduced steel demand. Concerning the Company's production and shipment, the operating rate is expected to be around 60% of its quarterly crude steel production capacity in the first quarter. The impact of COVID-19 is expected to persist in the second quarter. As the steel market remains sluggish both in Japan and overseas and there is a strong sense of uncertainty about the future, conditions will warrant continued monitoring.

At present, the extent and duration of the COVID-19 pandemic are unpredictable, and this will make it impossible to formulate an earnings forecast for the Company for fiscal year 2020 with any realistic degree

of accuracy. Earnings forecasts therefore have not been produced but will be announced as soon as a reasonable estimation becomes possible.

The NIPPON STEEL Group is taking swift and appropriate steps to strengthen business continuity planning (BCP) and address the reduced production caused by the sharp decrease in steel demand accompanying the spread of the COVID-19. Responding to lower production levels will entail cutting blast furnace tap ratios and extending blowing-stop times. The Company has decided to temporarily stop production at the No. 1 blast furnaces in the East Nippon Works Kashima Area and the Kansai Works Wakayama Area, as well as the No. 2 blast furnace in the East Nippon Works Kimitsu Area, which nonetheless will be prepared for restarting operation. This procedure is being implemented successively. Together, operations at some of the coke ovens in the East Nippon Works Kashima Area and Kimitsu Area and the Kansai Works Wakayama Area have also been temporarily suspended. Moreover, Hokkai Iron & Coke Corporation (within the site of the Muroran Works) will move forward the stopping of blowing of its No. 2 blast furnace, which originally planned relining, and the No. 2 blast furnace in the Kyushu Works Yawata Area (Kokura) will stop blowing as soon as preparations are completed (and plan to shift into shutting down by the end of September). Implementation of BCP encompasses thorough disease prevention measures, and the Company is responding to the requests of the government and local governments regarding matters such as work attendance. Measures to support continuing employment include allowing employees at the business sites in Japan to take temporary holidays of two days each month on average. The Company is also taking steps to address the deterioration in corporate free cash flow.

NIPPON STEEL expects the harsh business conditions to persist even after the negative impacts of the COVID-19 pandemic subside and to include prolonged U.S.-China trade friction, falling crude oil prices, depreciating currencies of emerging countries, and a lingering condition of high raw material market prices coupled with low steel market prices. To ensure continuing profit generation in these severe business conditions, the Group is continuing to substantially reduce fixed costs, improve variable costs, and improve prices in long-term contracts while steadily advancing the strategies of the 2020 Mid-Term Management Plan. Moreover, by firmly implementing new measures to reorganize the Group's production facility structure and reform the management structure, as announced in February of this year, and by continuously pursuing a further competitive and optimal production structure, the Company is also reformulating the manufacturing structure in Japan to create a robust and resilient steelmaking business, and aiming to expand its business in key fields and regions in Japan and overseas. Through these efforts the Company plans to become the world's No.1 comprehensive steelmaker in terms of corporate value.

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

(Note) Organization names are the names after the merger with Nippon Steel Nisshin Co., Ltd. and the integration and restructuring of our steelworks organizations effective as of April 1, 2020.

(For reference) Progress of the 2020 Mid-Term Management Plan and Outline of Production Facility Structural Measures and Management Reform Measures (Announced in February, 2020)

Progress of the 2020 Mid-Term Management Plan

In the 2020 Mid-Term Management Plan, NIPPON STEEL Group designated “Delivering materials and solutions to address changes in society and industry,” “Strengthening and expanding its global business,” “Continuing to strengthen ‘manufacturing capabilities’ of domestic mother mills,” “Utilizing advanced IT in steelmaking processes” and “Contributing to the achievement of a sustainable society (SDGs)” as initiatives to work on, and has been engaged in on various measures.

Legend
★ Done ☆ Plan

1. Delivering Materials and Solutions to Address Changes in Society and Industry

2020 Mid-Term Management Plan					
Theme	~Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021~
Responding to needs for steel of lighter weight and multi-materials Needs for weight reductions, miniaturization, greater reliability and the like are causing the requirements for properties of materials to become more diverse and advanced. Amid such circumstances, NIPPON STEEL is developing materials that address evolving customer needs and expanding its offer of solutions in areas such as application and processing technologies.		★Newly created the Automotive Material Planning Department ★Newly created the Integrated Steel Solution Research Laboratory ★Established NIPPON STEEL Chemical & Material Co., Ltd.	★Announcement of NSafe® -AutoConcept	☆Strengthen ultra-high-tensile steel sheets supply system Start operation of Kimitsu 6CGL	☆Measures to improve electrical steel sheets capacity and quality Yawata, Hirohata

2. Global Business Development and Domestic Business Restructuring

2020 Mid-Term Management Plan					
Action	~Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021~
Joint acquisition of Essar Steel India Limited (Joint acquisition with ArcelorMittal (AM))		★ Conclusion of basic agreement with AM ★ AM declared as successful applicant	★ National Company Law Tribunal of India conditionally approves of resolution plan ★ Supreme Court of India approves of resolution plan ★ Completed joint acquisition, launched AM/NS India		
Merger with Nippon Steel Nisshin Co., Ltd.	★ Consolidation as a subsidiary of NIPPON STEEL	★ Consolidation as a wholly owned subsidiary of NIPPON STEEL	★ Merger with NIPPON STEEL		
Restructuring and strengthening of stainless steel business ・Restructuring and strengthening of stainless steel sheet business ・Restructuring and strengthening of welded stainless steel pipe & tube business			★ Established NIPPON STEEL Stainless Steel Corporation ★ Established NIPPON STEEL Stainless Steel Pipe Co., Ltd.		
Restructuring and strengthening of special steel business ・Acquisition of Ovako AB ・Consolidation of Sanyo Special Steel Co., Ltd. as a subsidiary		★ Consolidation as a wholly owned subsidiary of NIPPON STEEL ★ Sanyo Special Steel Co., Ltd. made Ovako its wholly owned subsidiary ★ Consolidation as a subsidiary of NIPPON STEEL			

3. Continuing to Strengthen “Manufacturing Capabilities” of Domestic Mother Mills

		2020 Mid-Term Management Plan				
Action		~Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021~
Blast furnaces/steelmaking	Muroran Works • Refurbishment of No. 2 blast furnace of Hokkai Iron & Coke Corporation				☆ Planned to be completed	
	Kansai Works Wakayama area • Introduce advanced blast furnace • Cease operation of steelmaking mill of Nippon Steel Structural Shapes Corporation			★ Ceased operation of No. 5 blast furnace, started operation of new No. 2 blast furnace	☆ Planned to cease operation *Decided to continue operation (as announced in February 2020)	
	Setouchi Works Hirohata area • Reformation of scrap melting process					☆ Electric Furnace: Planned to start operation in the first half of fiscal 2022 ☆ Melting Furnace: Planned to cease operation in the first half of fiscal 2023
	Kyushu Works Yawata area * Integrate steelmaking mills • Advanced continuous caster (Tobata) • Cease operations of Kokura No. 2 blast furnace/steelmaking mill (Kokura)			★ Started operation	☆ Planned to start full-scale operation ☆ Planned to cease operation *Decided to cease operation early (as announced in February 2020)	
Coke	Muroran Works • Upgrading of No. 5 coke oven of Hokkai Iron & Coke Corporation			★ Started operation		
	East Nippon Works Kimitsu area • Upgrading of No. 5 coke oven Nagoya Works • Upgrading of No. 3 coke oven			★ Started operation		☆ Planned to start operation in the first half of fiscal 2021
Pipes & tubes	East Nippon Works Kimitsu area (Tokyo) • Cease the seamless pipe & tube mill operation				☆ Planned to cease operation Transfer production to Kansai Works Wakayama area (Kainan)	
	East Nippon Works Kashima area • Cease the large-diameter pipe & tube mill operation			★ Ceased operation Transfer production to East Nippon Works Kimitsu area		

4. Utilizing Advanced IT in Steelmaking Processes

		2020 Mid-Term Management Plan				
Theme		~Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021~
Utilizing advanced IT NIPPON STEEL is actively deploying advanced IT, including AI and IoT, aiming to create safe and competitive manufacturing frontlines, achieve stability in production stability, improvement in product quality through preventative maintenance, and achieve sophistication in business operations.			★ Newly created the Advanced Application Technology Planning Department and IoX Solution Business Promotion Department at NS Solutions Corporation ★ Newly created the Information Security Management Department ★ Newly created the AI Research & Development Center at NS Solutions Corporation	★ Newly created the Intelligent Algorithm Research Center ★ Start of Company-wide Safety Support Project (Smartphone-based safety support for manufacturing frontlines)	★ Introduction of NS-DIG™ (Data analysis and AI development platform) ☆ Planned to start local 5G network system demonstration tests at Muroran Works	

5. Contributing to the Achievement of a Sustainable Society (SDGs)

		2020 Mid-Term Management Plan				
Theme		~Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021~
Contributing to the achievement of a sustainable society (SDGs) The NIPPON STEEL Group’s corporate philosophy is “The NIPPON STEEL Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services.” Through its steelmaking, the NIPPON STEEL Group promotes various measures aimed at the achievement of a sustainable society.				★ Creation of video of life cycle assessment (LCA) that examines ecological friendliness through steel lifecycle ★ Issued the international standard (ISO20915) regarding a life cycle inventory calculation methodology for steel products ★ Recycled a cumulative total of three million tons of plastic ★ Opening of 24 hour in-house nursery in Setouchi Works Hirohata area (Fifth center of its type, following those in Oita, Kimitsu, Yawata, and Nagoya) ★ Start of discussion regarding plan to raise mandatory retirement age to 65 ★ Expressed support for recommendations of TCFD ★ Selected for stock indices for ESG investment for two consecutive years (FTSE 4Good Index Series, FTSE Blossom Japan Index) ★ Beverly® Unit wins Excellence Award at the 2nd EcoPro Awards ★ Issued Integrated Report and Sustainability Report ★ Introduced teleworking ★ Held sustainability briefing ★ Obtained EcoLeaf Environmental Label for H-beams products		

6. Progress of profit and financial targets and shareholder return

	Fiscal year 2018 (Results)	Fiscal year 2019 (Results)	Fiscal year 2020 (Targets)
Return on sales	5.5%	(4.8)%	About 10%
Return on equity	7.9%	(14.7)%	About 10%
D/E ratio (ratio of interest-bearing debt to total equity attributable to owners of the parent)	0.73 *1 (0.66)	0.94 *1 (0.74)	About 0.7
Cost improvement (non-consolidated basis)	¥44.0 bn	¥60.0 bn	*2 Annual rate of ¥150.0 bn
Consolidated payout ratio	28.4%	-	About 30%

(Notes)

(1) After adjusting subordinated loans and subordinated debt capital.

(2) Cumulative total of three years from fiscal years 2018 to 2020.

Outline of Production Facility Structural Measures and Management Reform Measures (announced in February, 2020)

In addition to the harsh immediate situation of the operating environment surrounding the Group, NIPPON STEEL has to expect, in the medium- to long-term, a decline in construction demand, caused by Japan's declining and aging population, a decline in demand associated with expanded overseas production by our Japanese customers, and intensified competition in the overseas market. In the meantime, the Group's major steelworks have been operating for over 50 years since construction and are in need of large-scale investment for renewal in order to maintain their current production capacity. In light of such a difficult operating environment, NIPPON STEEL has decided in February 2020 to implement new production facility structural measures and management reform measures as follows.

I. Production facility structural measures: New measures aimed at establishing an optimal production structure for the domestic steelmaking business

From the perspective of increasing competitiveness in upstream integrated production, and by comprehensively considering the competitiveness of each steelworks, from the aspect of integrated production and shipment capacity, cost competitiveness, and product strength, all facilities of Setouchi Works Kure area as well as No. 1 blast furnace and related equipment of Kansai Works Wakayama area will be closed. In addition, as for product making processes, NIPPON STEEL will work to enhance competitiveness through measures such as consolidation of lines. The details are as follows.

Legend
 ☆ Planned to cease operation

Action		~Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Ironmaking, Steelmaking	Kansai Works Wakayama area • No. 1 blast furnace, No.4 and No. 5 coke ovens, No. 5-1 sintering machine, and part of No. 3 continuous caster				☆By around the first half of fiscal 2022	
	Setouchi Works Kure area • Upstream facilities (blast furnace, sintering, and steelmaking) • All other facilities, including hot strip mill and pickling lines			☆By around the end of the first half of fiscal 2021		☆By around the end of the first half of fiscal 2023
Plates	Nagoya Works • Steel plate mill				☆By around the second half of fiscal 2022	
Sheets	Setouchi Works Hanshin area (Sakai) • Electro-galvanizing line, continuous annealing and processing line, No.1 continuous aluminizing line			☆By around the end of fiscal 2020		
	Setouchi Works Hirohata area • Tinplate mill			☆By around the end of fiscal 2020 * Previously by around the second half of fiscal 2021		
Titanium	Kansai Works Osaka area • Titanium round bar manufacturing special facility Kyushu Works Oita area (Hikari Pipe & Tube Div.) • Titanium welded pipe manufacturing line			☆By around the end of the first half of fiscal 2021		☆By around the end of fiscal 2022
Stainless	Nippon Steel Stainless Steel Corporation, Kinuura Works • Hot strip mill • Dedicated manufacturing facility for precision products		☆By around the end of December ☆By around the end of the first half of fiscal 2020			

II. Management reform measures: Measures aimed at achieving speedy decision-making and more efficient operational management

1. Revised corporate governance structure and more streamlined and efficient management structure

(1) Change to a “Company with an Audit & Supervisory Committee”

NIPPON STEEL will transition to a “Company with an Audit & Supervisory Committee” from a “Company with an Audit & Supervisory Board” following the approval of a proposal for requisite amendments to the Articles of Incorporation at the 96th General Meeting of Shareholders to be held in June 2020. The purpose of the transition is, among others, to expedite management decision-making, enhance discussions by the Board of Directors relating to matters such as the formulation of management policies and strategies by limiting the number of items for deliberation, and to enhance the supervisory function of the Board of Directors over management.

(2) More streamlined and efficient management structure

In addition to the revision of the corporate governance structure, NIPPON STEEL will also work to streamline the management structure.

2. Increasing efficiency of the entire corporate organization and operations

NIPPON STEEL has integrated and reorganized the existing 16 steelworks (including four steelworks of Nippon Steel Nisshin Co., Ltd., which was merged on April 1, 2020) into an organization of six steelworks (Muroran, East Nippon, Nagoya, Kansai, Setouchi, and Kyushu) as of April 1, 2020. The organization of each steelworks was substantially restructured and the number of divisions was reduced by over 30%, in order to eliminate organizational redundancy and establish an efficient management structure. The headquarters also reduced the number of departments by 30% through bundling of the current organization while the entire-company control function of each division was maintained. Similar streamlining efforts to integrate and reorganize divisions and departments were carried out in domestic office and branches, R&D Laboratories, and other organizations.

By streamlining the entire organization in such a way, NIPPON STEEL aims to enhance management capability, speed up the resolution of problems, and make operations more efficient.

3. Enhanced response to digital transformation

With the aim at proactively using data and digital technology to strengthen our business competitiveness, NIPPON STEEL’s organization that is engaged in digital transformation was reorganized and its function was reestablished. This included setting up a “Digital Innovation Div. (DX Promotion Division)” as of April 1, 2020.

III. Toward further enhancing the NIPPON STEEL Group's business base

In addition to measures I and II above, NIPPON STEEL will continue to work on considering various measures from the following perspectives and will implement measures as they are decided one by one.

1. Further pursuing the optimal production structure of the steelmaking business;
2. Thoroughly making decisions on the selection and concentration of domestic and overseas businesses, including those of Group companies;
3. Promoting strategic investment concerning priority business segments, regions, and products;
4. Responding to the aging, declining population and diversity issues, and
5. Growing harmoniously with the global environment.

By reestablishing the domestic production system for a more resilient and agile steelmaking business and through business expansion in priority areas and regions in Japan and overseas, our ultimate aim is to become the No. 1 steelmaker in terms of market capitalization with world-leading capabilities.

(Note) Organization names are the names after the merger with Nippon Steel Nisshin Co., Ltd. and the integration and restructuring of our steelworks organizations effective as of April 1, 2020.

(2) Capital Procurement

Date of issue	Title	Total issued amount
June 6, 2019	1st Unsecured Straight Bonds	30.0 billion yen
June 6, 2019	2nd Unsecured Straight Bonds	30.0 billion yen
June 6, 2019	3rd Unsecured Straight Bonds	20.0 billion yen
September 6, 2019	1st Unsecured Subordinated Bonds with interest deferrable clause and early redemption option	70.0 billion yen
September 6, 2019	2nd Unsecured Subordinated Bonds with interest deferrable clause and early redemption option	30.0 billion yen
September 6, 2019	3rd Unsecured Subordinated Bonds with interest deferrable clause and early redemption option	200.0 billion yen

(3) Plant and Equipment Investments

Classification	Title
Major plant and equipment completed during fiscal year 2019	New installation of No. 3 continuous caster (CC), including fixtures and fittings (Yawata Works, NIPPON STEEL)
Major ongoing plant and equipment investment during fiscal year 2019	Relining of No. 3 coke oven, including fixtures and fittings (Nagoya Works, NIPPON STEEL) Relining of No. 2 blast furnace (Hokkai Iron & Coke Corporation)

(4) Transfer of Business

In fiscal year 2019, there were no significant business transfer and others.

(5) Changes in Assets and Profits/Losses

Assets and profits/losses for the current and previous fiscal terms in accordance with International Financial Reporting Standards (IFRS)

Fiscal Term Classification	93rd Term (reference)	94th Term	95th Term (fiscal year 2019)
Crude steel production (million tons)	47.02	47.84	47.05
Revenue (billions of yen) (Overseas revenue shown in brackets)	5,712.9 [1,983.7]	6,177.9 [2,124.7]	5,921.5 [2,066.0]
Business profit (billions of yen)	288.7	336.9	(284.4)
Profit for the year attributable to owners of the parent (billions of yen)	180.8	251.1	(431.5)
Total assets (billions of yen)	7,756.1	8,049.5	7,444.9
Total equity attributable to owners of the parent (billions of yen)	3,136.9	3,230.7	2,641.6
Basic earnings per share	204.87 yen	281.77 yen	(468.74) yen
Total equity attributable to owners of the parent per share	3,554.21 yen	3,509.72 yen	2,869.19 Yen
Dividends per share (Interim dividends shown in brackets)	70.00 yen [30.00 yen]	80.00 yen [40.00 yen]	10.00 yen [10.00 yen]
Ratio of cash dividends to consolidated profit (%)	34.2	28.4	-

(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 the 93rd term are provided for reference purposes.
- (3) The figures for crude steel production include production amounts of consolidated subsidiaries, in addition to NIPPON STEEL’s production.
- (4) Business profit on Consolidated Statements of Profit or Loss indicates the results of sustainable business activities, and is an important measure to compare and evaluate the Company’s consolidated performance continuously. It is defined as being deducted Cost of sales, Selling general and administrative expenses and Other operating expenses from Revenue, and added 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.

Assets and profits/losses for the previous fiscal terms in accordance with JGAAP

Fiscal Term Classification	92nd Term	93rd Term
Crude steel production (million tons)	45.36	47.02
Net sales (billions of yen) (Overseas sales shown in brackets)	4,632.8 [1,676.9]	5,668.6 [1,960.0]
Ordinary profit (billions of yen)	174.5	297.5
Profit attributable to owners of parent (billions of yen)	130.9	195.0
Total assets (billions of yen)	7,261.9	7,592.4
Net assets (billions of yen)	3,291.0	3,515.5
Earnings per share	147.96 yen	221.00 yen
Net assets per share	3,340.21 yen	3,563.80 yen
Dividends per share (Interim dividends shown in brackets)	45.00 yen [-]	70.00 yen [30.00 yen]
Ratio of cash dividends to consolidated profit (%)	30.4	31.7

(Note)

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

(6) Major Business Operations (as of March 31, 2020)

Business Segment	Main Products	
Steelmaking and Steel Fabrication		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
	Steel Products	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
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, 2020)

Plants	Kashima Works (Kashima), Kimitsu Works (Kimitsu / Itabashi-ku, Tokyo), Nagoya Works (Tokai), Wakayama Works (Wakayama / Kainan / Sakai), Hirohata Works (Himeji), Yawata Works (Kitakyushu), Oita Works (Oita, Hikari), Muroran Works (Muroran), Kamaishi Works (Kamaishi), Amagasaki Works (Amagasaki), Osaka Steel Works (Osaka), Naoetsu Works (Joetsu)
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, Kashima, Kimitsu, Nagoya, Hirohata, Yawata, Oita)
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), Hokuriku Marketing Branch (Toyama), Ibaraki Marketing Branch (Mito), Nagoya Marketing Branch (Nagoya / Tokai), Chugoku Marketing Branch (Hiroshima), Shikoku Marketing Branch (Takamatsu), 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 PTE. LTD. (Singapore), NIPPON STEEL (THAILAND) 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, 2020, NIPPON STEEL has integrated and restructured steelworks organizations as follows.
 - The Kashima Works, Kimitsu Works, Kamaishi Works, and Naoetsu Works are integrated and restructured as the East Nippon Works.
 - The Wakayama Works, Amagasaki Works and Osaka Steel Works are integrated and restructured as the Kansai Works.
 - The Hirohata Works, and Nippon Steel Nisshin Co., Ltd.’s (merged with NIPPON STEEL as of April 1, 2020) Kure Works, Sakai Works, Toyo Works and Osaka Works are integrated and restructured as the Setouchi Works.
 - The Yawata Works and the Oita Works are integrated and restructured as the Kyushu Works.
- (4) With regard to the head office, offices, and marketing branches, as of April 1, 2020, marketing branches have been consolidated, eliminated, and restructured as follows.

- The Shikoku Marketing Branch is integrated with the Osaka Office.
- The Hokuriku Marketing Branch is integrated with the Niigata Marketing Branch.
- The Ibaraki Marketing Branch is closed and its functions are transferred to the relevant sales department of the Head Office.

(8) Employment Data (as of March 31, 2020)

1) NIPPON STEEL Group

Business Segment	Number of employees
Steelmaking and Steel Fabrication	92,035 [18,316]
Engineering and Construction	4,737 [741]
Chemicals and Materials	3,147 [620]
System Solutions	6,680 [48]
Total	106,599 [19,725]

(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 2019) are shown in brackets.

2) NIPPON STEEL

Number of employees	Average age	Average number of years employed
27,096 [4,087] employees	37.2 years old	15.1 years

(Note)

Temporary workers are not included. Number of temporary workers (average number of temporary workers employed during fiscal year 2019) is shown in brackets.

(9) Principal Subsidiaries and Affiliates (as of March 31, 2020)

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 Nisshin Co., Ltd. (Chiyoda-ku, Tokyo)	30,000	100.0	Makes and markets ordinary steel and specialty steel
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, 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 BLAST FURNACE SLAG CEMENT CO., LTD (Kitakyushu)	1,500	100.0	Makes and markets cement and steelmaking slag and calcined lime products
NIPPON STEEL CEMENT CO., LTD. (Muroran)	1,500	85.0	Makes and markets cement
NIPPON STEEL FINANCE Co., Ltd. (Chiyoda-ku, Tokyo)	1,000	100.0	Engages in the Group's financing operations
NIPPON STEEL STAINLESS STEEL PIPE CO., LTD. (Chiyoda-ku, Tokyo)	916	100.0	Makes and markets stainless-steel pipes

Company (Location of head office)	Paid-in capital	Sharehol ding 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 TUBOS DO BRASIL LTDA. (Rio de Janeiro, Brazil)	BRL 1,221 million	*100.0	Markets seamless steel pipe
PT KRAKATAU NIPPON STEEL SUMIKIN (Cilegon, Indonesia)	US\$141 million	80.0	Makes and markets cold-rolled sheets and galvanized 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
Standard Steel, LLC (Pennsylvania, U.S.A.)	US\$ 47 million	*100.0	Makes and markets railway wheels and axles
NIPPON STEEL NORTH AMERICA, INC. (New York, U.S.A.)	US\$ 40 million	100.0	Invests companies in North American region focusing on U.S. and gathers information
PT. PELAT TIMAH NUSANTARA TBK. (Jakarta, Indonesia)	US\$ 26 million	35.0	Makes and markets tinplate
NIPPON STEEL (THAILAND) CO., LTD. (Bangkok, Thailand)	THB 718 million	100.0	Gathers information in Asian region focusing on Thailand
NIPPON STEEL AUSTRALIA PTY. LIMITED (New South Wales, Australia)	A\$ 21 million	100.0	Participates in mine development in Australia and gathers information
NIPPON STEEL Processing (Thailand) Co., Ltd. (Rayong State, Thailand)	THB 571 million	*66.5	Makes and markets cold-heading wire and cold-finished bars
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	Sharehol ding 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 (Minato-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)	11,026	*20.9	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
Unipres Corporation (Yokohama)	10,169	16.3	Manufactures and sell automotive parts
Osaka Titanium technologies Co., Ltd. (Amagasaki)	8,739	23.9	Makes and markets metal titanium, and high-functioning materials developed from titanium for new applications
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	*32.2	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, processes, and imports and exports steel products, metal processing machines, and electrical/electronic devices
Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS (Estado do Minas Gerais, Brazil)	R\$13,200 million	31.2	Makes and markets steel products
VALLOUREC SOLUÇÕES TUBULARES DO BRASIL S.A. (Estado do Minas Gerais, Brazil)	R\$8,688 million	*15.0	Makes seamless steel pipe
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 Tinsplate Co., Ltd. (Hubei, China)	RMB 2,310 million	50.0	Makes and markets tinsplate and tinsplate 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 13,520 million	49.0	Makes and markets automotive cold-rolled steel sheets
UNIGAL Ltda. (Estado do Minas Gerais, Brazil)	R\$584 million	*30.0	Makes galvanized sheets
Companhia Nipo-Brasileira De Pelotizacao (Estado do Espírito Santo, Brazil)	R\$432 million	*33.0	Holding and leasing of manufacturing facilities of pellets
Al Ghurair Iron & Steel LLC (Abu Dhabi, UAE)	DH 165 million	20.0	Makes and markets galvanized sheets
Guangzhou Pacific Tinsplate Co., Ltd. (Guangzhou, China)	US\$36 million	25.0	Makes and markets tinsplate

Engineering and Construction

Company (Location of head office)	Paid-in capital	Sharehol ding Ratio	Business content
[Subsidiaries] NIPPON STEEL ENGINEERING CO., LTD. (Shinagawa-ku, Tokyo)	Million yen 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	Sharehol ding Ratio	Business content
[Subsidiaries] NIPPON STEEL Chemical & Material Co., Ltd. (Chuo-ku, Tokyo)	Million yen 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	Sharehol ding Ratio	Business content
[Subsidiaries] NS Solutions Corporation (Chuo-ku, Tokyo)	Million yen 12,952	% 61.3	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., Unipres Corporation, and VALLOUREC SOLUÇÕES TUBULARES DO BRASIL S.A. 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) Nippon Steel Nisshin Co., Ltd. was dissolved on April 1, 2020, due to an absorption-type merger with NIPPON STEEL as the absorbing company and Nippon Steel Nisshin Co., Ltd. as the absorbed company.
- (5) PT KRAKATAU NIPPON STEEL SUMIKIN changed its trade name to PT KRAKATAU NIPPON STEEL SYNERGY on April 13, 2020.

(10) Major Lenders (as of March 31, 2020)

Lender	Funds borrowed (Billions of yen)
Sumitomo Mitsui Banking Corporation	351.6
MUFG Bank, Ltd.	344.0
Mizuho Bank, Ltd.	299.7
Sumitomo Mitsui Trust Bank, Limited	131.9
The Norinchukin Bank	82.8

(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 36 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 36 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.

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.

On April 1, 2020, NIPPON STEEL executed an absorption-type merger with NIPPON STEEL as the absorbing company and Nippon Steel Nisshin Co., Ltd. as the absorbed company.

2. Shares and Subscription Right for New Shares

(1) Overview of Shares (as of March 31, 2020)

- | | |
|---|--|
| 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 28,321,065 treasury stocks) |
| 3) Number of shareholders | 439,491 |
| 4) Top 10 shareholders | |

Name of shareholder	Shares held (Thousand shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	41,192	4.5
Japan Trustee Services Bank, Ltd. (Trust Account)	30,070	3.3
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	27,286	3.0
Nippon Life Insurance Company	24,532	2.7
Japan Trustee Services Bank, Ltd. (Trust Account 9)	18,808	2.0
Japan Trustee Services Bank, Ltd. (Trust Account 5)	18,053	2.0
JP MORGAN CHASE BANK 385151	14,330	1.6
Sumitomo Corporation	14,209	1.5
Meiji Yasuda Life Insurance Company	14,064	1.5
STATE STREET BANK WEST CLIENT - TREATY 505234	12,275	1.3

(Note)

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

(2) Subscription Right for New Shares (as of March 31, 2020)

No matters to be reported during this period.

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 mandate delegation of responsibilities by and trust of from all stakeholders, including its shareholders and business partners.

The Company has up until now adopted a company structure with an Audit & Supervisory Board, having determined that this system is effective in ensuring the efficiency and soundness of management. Under this system, the Board of Directors, consisting chiefly of Directors with intimate knowledge of NIPPON STEEL's businesses (which are mainly steelmaking and steel fabrication), makes decisions not only on basic management policies, but also on the execution of important business matters; and the Audit & Supervisory Board Members, with strong legal authority, attend meetings of the Board of Directors to independently supervise the execution of responsibilities by Directors and officers.

As the fluctuation of changes in the environment surrounding steelmaking and other businesses is becoming increasingly significant, NIPPON STEEL has decided, at the Meeting of the Board of Directors held on February 7, 2020, to make a transition from a company structure with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee, subject to approval by the shareholders for a proposed amendment to the Articles of Incorporation at the 96th General Meeting of Shareholders scheduled for June of this year. The purpose of the transition is, among others, to expedite management decision-making, enhance discussions by the Board of Directors relating to matters such as the formulation of management policies and strategies by limiting the number of items for deliberation, and to enhance the supervisory function of the Board of Directors over management.

If the relevant company proposals are approved as proposed herein at the 96th General Meeting of Shareholders, Outside Directors will account for more than one-third (7 out of 18) of all members of the Company's Board of Directors. With this change, multifaceted and thorough examination, as well as objectivity in decision-making will be secured in the Board of Directors, and the management supervisory function will be enhanced.

4. Members of the Board of Directors and Audit & Supervisory Board Members

(1) Executive Officers as of March 31, 2020

Title and name	Responsibilities/positions and material concurrent positions
<p><i>Representative Director and Chairman</i> Kosei Shindo</p>	<p><u>Material concurrent positions</u> Vice Chair, KEIDANREN (Japan Business Federation)</p>
<p><i>Representative Director and President</i> Eiji Hashimoto</p>	<p><u>Material concurrent positions</u> Vice Chairman, The Japan Iron and Steel Federation</p>
<p><i>Representative Directors and Executive Vice Presidents</i> Shinji Tanimoto</p>	<p>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 Cooperating with Executive Vice President A. Migita on Environment</p>
<p>Shinichi Nakamura</p>	<p>Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Cooperating with Executive Vice President K. Miyamoto on Overseas Offices (including Corporate Entities) <u>Material concurrent positions</u> Vice Chairman, Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd.</p>
<p>Akihiko Inoue</p>	<p>Head of Research and Development <u>Material concurrent positions</u> Vice President, The Iron and Steel Institute of Japan President, The Japan Research and Development Center for Metals</p>
<p>Katsuhiro Miyamoto</p>	<p>Head of Global Business Development; Project Leader, India Iron and Steel Project, Global Business Development Sector Accounting & Finance; Raw Materials; Overseas Offices (including Corporate Entities) <u>Material concurrent positions</u> Chairman, WISCO-NIPPON STEEL Tinplate Co., Ltd. Chairman, The Japan Ferrous Raw Materials Association</p>
<p>Akio Migita</p>	<p>Corporate Planning; Group Companies Planning; General Administration; Legal; Internal Control & Audit; Business Process Innovation; Human Resources; Environment; Business Transformation & Standardization <u>Material concurrent positions</u> Representative Director, Nippon Steel Arts Foundation</p>

Title and name	Responsibilities/positions and material concurrent positions
<i>Managing Directors</i>	
Shin Nishiura	Head of Unit, Pipe & Tube Unit; Project Leader, VSB Project, Global Business Development Sector
	<u>Material concurrent positions</u>
Atsushi Iijima	Director, NIPPON STEEL PIPE CO., LTD.
	Head of Unit, Flat Products Unit; Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector; Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector
	Marketing Administration & Planning; Transportation & Logistics
	Cooperating with Managing Executive Officer A. Matsumura and Head of Division, General Administration Division on Business Transformation & Standardization
	<u>Material concurrent positions</u>
	Director, NIPPON STEEL METAL PRODUCTS CO., LTD.
	Director, NIPPON STEEL COATED SHEET CORPORATION
	Director, Guangzhou Pacific Tinplate Co., Ltd.
	Director, Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd.
Yutaka Andoh	Intellectual Property; Safety; Plant Safety; Technical Administration & Planning; Standardization; Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag & Cement
	Rendering Assistance to Executive Vice President S. Nakamura on Steel Products Units
	Cooperating with Managing Director A. Iijima on Transportation & Logistics Technology
<i>Directors (Outside Directors)</i>	
Mutsutake Otsuka	Executive Advisor to the Board of East Japan Railway Company
	<u>Material concurrent positions</u>
	Outside Audit & Supervisory Board Member, Electric Power Development Co., Ltd.
	Outside Director, JXTG Holdings, Inc.
Ichiro Fujisaki	<u>Material concurrent positions</u>
	President, The America-Japan Society, Inc.
Noriko Iki	President, Japan Institute for Women's Empowerment & Diversity and Management
	<u>Material concurrent positions</u>
	Outside Director, NEC Corporation
<i>Senior Audit & Supervisory Board Member</i>	
Masato Matsuno	
Atsuhiko Yoshie	
<i>Audit & Supervisory Board Members</i>	
Masato Tsuribe	

Title and name	Responsibilities/positions and material concurrent positions
<i>Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)</i>	
Hiroshi Obayashi	Attorney, Obayashi Law Office <u>Material concurrent positions</u> 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 Association of Japan
Seiichiro Azuma	Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office <u>Material concurrent positions</u> Outside Audit & Supervisory Board Member, Kansai Paint Co., Ltd.
Hiroshi Yoshikawa	President of Rissho University

(Notes)

- (1) The Company has signed an agreement with each Outside Director and Outside Audit & Supervisory Board Members 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) Representative Director and Executive Vice President Akio Migita served as Outside Audit & Supervisory Board Member of NIPPON STEEL TRADING CORPORATION until June 27, 2019.
- (3) Outside Audit & Supervisory Board Member Seiichiro Azuma is a certified public accountant with substantial knowledge of finance and accounting.
- (4) Outside Director Mutsutake Otsuka also holds a post at East Japan Railway Company, with which NIPPON STEEL has business relations concerning steel and other products/services transactions, etc.
- (5) Outside Audit & Supervisory Board Member Hiroshi Obayashi also holds a post at Mitsubishi Electric Corporation, with which NIPPON STEEL has business relations concerning steel products trading, etc.
- (6) The Company has filed the three Outside Directors – Mutsutake Otsuka, Ichiro Fujisaki and Noriko Iki, and four Outside Audit & Supervisory Board Members – Hiroshi Obayashi, Jiro Makino, Seiichiro Azuma and Hiroshi Yoshikawa, as its “independent directors/auditors” with each financial exchange in Japan where it is listed.

(2) Executive Officers after April 1, 2020

Title and name	Responsibilities/positions
<i>Representative Director and Chairman</i> Kosei Shindo	
<i>Representative Director and President</i> Eiji Hashimoto	
<i>Representative Directors and Executive Vice Presidents</i> Shinji Tanimoto	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 Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector
Shinichi Nakamura	Cooperating with Executive Vice President A. Migita on Environment Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches
Katsuhiro Miyamoto	Cooperating with Executive Vice President K. Miyamoto on Overseas Offices (including locally incorporated companies) Head of Global Business Development Sector; Project Leader, India Iron and Steel Project, Global Business Development Sector Accounting & Finance; Raw Materials; Overseas Offices (including locally incorporated companies)
Akio Migita	Corporate Planning; Group Companies Planning; General Administration; Legal; Internal Control & Audit; Digital Innovation; Information & Communication Technology; Human Resources; Environment; Business Transformation & Standardization
<i>Directors</i>	
Akihiko Inoue	Advisor to the President
Shin Nishiura	Advisor to the President
Atsushi Iijima	Advisor to the President
Yutaka Andoh	Advisor to the President
<i>Directors (Outside Directors)</i>	
Mutsutake Otsuka	Executive Advisor to the Board of East Japan Railway Company
Ichiro Fujisaki	
Noriko Iki	President, Japan Institute for Women's Empowerment & Diversity Management
<i>Senior Audit & Supervisory Board Member</i>	
Masato Matsuno	
Atsuhiko Yoshie	
<i>Audit & Supervisory Board Members</i>	
Masato Tsuribe	
<i>Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)</i>	
Hiroshi Obayashi	Attorney of Obayashi Law Office
Jiro Makino	Vice Chairman of The General Insurance Association of Japan
Seiichiro Azuma	Certified Public Accountant of Seiichiro Azuma Certified Public Accountant Office
Hiroshi Yoshikawa	President of Rissho University

(3) Executive Officer Who Resigned During the Current Term

Audit & Supervisory Board Member, Katsunori Nagayasu, resigned at the conclusion of the 95th General Meeting of Shareholders held on June 25, 2019.

(4) Compensation Paid to Directors and Audit & Supervisory Board Members

(Unit: yen)

Position	Number of recipients	Classification	Amount
Directors	15	Compensation	910,777,000
Outside Directors	3	Compensation	43,200,000
Audit & Supervisory Board Members	9	Compensation	210,000,000
Outside Audit & Supervisory Board Members	5	Compensation	57,600,000
Total	24	Compensation	1,120,777,000

(Note)

The above number of recipients includes two (2) Directors and two (2) Audit & Supervisory Board Members (including one (1) Outside Audit & Supervisory Board Member) who resigned at the conclusion of the 95th General Meeting of Shareholders held on June 25, 2019.

(5) Policies regarding Decision on the Amount of Compensations for Directors and Audit & Supervisory Board Members

1) Description of policies

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

(i) Directors

NIPPON STEEL sets the amount of base compensations for individual ranks that are deemed to measure up to each Director's required skills and responsibilities. These base compensations vary within a certain range based on NIPPON STEEL's consolidated performance. The Company then allocates monthly compensations for each Director within the limits approved by the General Meeting of Shareholders.

In accordance with the abovementioned policies, the compensation of Directors consists solely of monthly compensation. The amount of compensation is wholly based upon performance of NIPPON STEEL, in order to give incentives for the continuous growth of NIPPON STEEL's group and improvement of its corporate value. Fluctuations in compensation in response to consolidated performance of NIPPON STEEL are determined based on NIPPON STEEL's consolidated annual profit/loss and business profit/loss in the steelmaking segment from the previous fiscal year, with consideration also given to their relation to the Mid-Term Management Plan.

(ii) Audit & Supervisory Board Members

NIPPON STEEL allocates monthly compensation for each Audit & Supervisory Board Member, within the limits approved by the General Meeting of Shareholders, taking into consideration the Audit & Supervisory Board Member's duties depending on the rank and whether the Audit & Supervisory Board Members is full-time or part-time.

NIPPON STEEL abolished its retirement benefits for Directors and Audit & Supervisory Board Members in fiscal year 2006. Furthermore, the policies relating to bonuses was deleted from "the Policies regarding Decisions on the Amount of Compensation for Directors and Audit & Supervisory Board Members" in fiscal year 2013.

2) Methods for decision on policies

Policies described in 1) above for Directors are determined by resolution at the Meeting of the Board of Directors, after deliberation by the "Nomination and Compensation Advisory Committee," which consists of the Chairman, the President and three members designated by the President from among Outside Directors and Outside Audit & Supervisory Board Members, while for Audit & Supervisory Board Members, the policies are determined in consultation with the Audit & Supervisory Board Members.

Meeting participants also engage in broad-ranging debate and deliberations on matters including the validity of the Directors' compensation systems and compensation levels for individual ranks, based on the results of investigations of the compensation levels of executives in other companies conducted by outside organizations.

3) Procedures for Deciding Amount of Compensation, etc.

The specific amount of compensation of each member of the Board of Directors is determined by resolution of the Board of Directors, after deliberation by the "Nomination and Compensation Advisory Committee."

The monthly compensation of each the Audit & Supervisory Board Member is determined through discussion by the Audit & Supervisory Board Members.

(6) Outside Director/Auditor

1) Material concurrent positions held by Outside Director/Auditor

Such positions are shown on page 62 through 63.

2) Activities of the Outside Director/Auditor

Position	Name	Main activities
Director	Mutsutake Otsuka	Mr. Otsuka attended 15 Board Meetings (out of 15 meetings held during the term; attendance rate 100%). He has presented an extensive view based on his knowledge and experience as a business manager.
Director	Ichiro Fujisaki	Mr. Fujisaki attended 15 Board Meetings (out of 15 meetings held during the term; attendance rate 100%). He has presented an extensive view based on his knowledge and experience concerning international affairs and economics, etc.
Director	Noriko Iki	Ms. Iki attended 15 Board Meetings (out of 15 meetings held since her appointment; attendance rate: 100%). She has presented an extensive view based on her knowledge and experience concerning employment, labor and promoting diverse human resources playing an active role, etc.
Audit & Supervisory Board Member	Hiroshi Obayashi	Mr. Obayashi attended 15 Board Meetings (out of 15 meetings held during the term; attendance rate 100%) and 17 Audit & Supervisory Board Members' meetings (out of 17 meetings held during the term; attendance rate 100%). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as an attorney.
Audit & Supervisory Board Member	Jiro Makino	Mr. Makino attended 15 Board Meetings (out of 15 meetings held during the term; attendance rate 100%) and 16 Audit & Supervisory Board Members' meetings (out of 17 meetings held during the term; attendance rate 94%). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience concerning public and financial administrations, etc.
Audit & Supervisory Board Member	Seiichiro Azuma	Mr. Azuma attended 15 Board Meetings (out of 15 meetings held during the term; attendance rate 100%) and 17 Audit & Supervisory Board Members' meetings (out of 17 meetings held during the term; attendance rate 100%). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as a certified public accountant possessing deep familiarity with corporate accounting.
Audit & Supervisory Board Member	Hiroshi Yoshikawa	Mr. Yoshikawa attended 11 Board Meetings (out of 12 meetings held since his appointment; attendance rate 92%) and 12 Audit & Supervisory Board Members' meetings (out of 12 meetings held since his appointment; attendance rate 100%). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience on economics as an expert.

(Note) In addition to the matters above, a written resolution based on the provisions of Article 370 of the Companies Act and Article 22 of the Articles of Incorporation, and a written report based on the provisions of Article 372, Paragraph 1 of the Companies Act have been made once each.

3) Total amount of compensation, etc.

Total amount of compensation, etc. paid to outside officers is as shown on page 65.

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 Board

1) Amount of compensations paid	171,000,000 yen
2) The amount of compensations payable by NIPPON STEEL and its subsidiaries to accounting auditor for its audit certification services	1,096,876,605 yen
3) Total amount of cash and other financial benefit payable by NIPPON STEEL and its subsidiaries to accounting auditor	1,109,756,605 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 Board, 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 Board Members upon occurrence of events justifying such dismissal, pursuant to laws and regulations. In addition, the Audit & Supervisory Board 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 Secure Operational Fairness, etc. and Status of Operation of the System

(1) Basic policy on internal control system

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 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.

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 Corporation 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.

- (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.

7. Matters concerning Supervision by Audit & Supervisory Board Members

The Directors, Executive Officers, General Managers, and other employees of NIPPON STEEL will timely and appropriately report important matters, such as the situation of the performance of responsibilities and facts that cause a material effect on the management, to the Audit & Supervisory Board Members or the Audit & Supervisory Board, directly or through the related divisions such as the Internal Control & Audit Division. They will also report important management matters such as the situation of operation of the internal control system to the Board of Directors, the Corporate Policy Committees and the Risk Management Committees, and other corporate committees, and thereby share such information with Audit & Supervisory Board Members.

The directors, audit & supervisory board members, and employees of each Group company will timely and appropriately report important matters in such Group company, such as the situation of the performance of responsibilities, and facts that cause a material effect on the management, to the Audit & Supervisory Board Members or the Audit & Supervisory Board of NIPPON STEEL, directly or through the related Divisions such as the Internal Control & Audit Division.

NIPPON STEEL will not unfavorably treat a person who has reported as stated above, for reasons of such report, in accordance with the Rules for the Whistleblower System.

The General Manager of the Internal Control & Audit Division will act as a liaison and cooperate with the Audit & Supervisory Board Members by, among others, exchanging opinions on the situation of operations of internal control systems, both regularly and as needed. The General Manager will also report on the situation of operating the Whistleblower Systems to the Audit & Supervisory Board Members.

NIPPON STEEL will establish the Audit & Supervisory Board Members' Office, and assign dedicated staff members, in order to support the performance of responsibilities by Audit & Supervisory Board - 25 - Members. To ensure independence from the Directors, dedicated staff members necessary for supervisory work will be assigned and will engage in such work under the direction of Audit & Supervisory Board Members. The General Manager of the Human Resources Division will discuss personnel matters relating to such staff members, including transfers and evaluations, with the Audit & Supervisory Board Members.

NIPPON STEEL will budget costs that it deems necessary for Audit & Supervisory Board Members to perform their responsibilities. In addition, NIPPON STEEL will reimburse costs incurred by Audit & Supervisory Board Members after Audit & Supervisory Board Members pay costs in an urgent or temporary situation.

(Note) In conjunction with the change in the trade name of the Company on April 1, 2019, the "Nippon Steel & Sumitomo Metal Corporation Group Corporate Philosophy" has been replaced by the "Nippon Steel Corporation Group Corporate Philosophy."

(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 (14 full-time and 21 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 700 staffs). NIPPON STEEL has also designated a person in charge of risk management (about 150 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 2019, there were 425 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 Audit & Supervisory Board Members and Accounting Auditor

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

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, 2020	LIABILITIES	March 31, 2020
Current assets :		Current liabilities :	
Cash and cash equivalents	289,459	Trade and other payables	1,449,801
Trade and other receivables	826,596	Bonds, borrowings and lease liabilities	376,900
Inventories	1,532,181	Other financial liabilities	2,189
Other financial assets	17,340	Income taxes payable	27,323
Other current assets	119,396	Other current liabilities	38,978
Total current assets	2,784,974	Total current liabilities	1,895,192
Non-current assets :		Non-current liabilities :	
Property, plant and equipment	2,812,542	Bonds, borrowings and lease liabilities	2,111,841
Right-of-use assets	93,663	Other financial liabilities	4,621
Goodwill	45,486	Defined benefit liabilities	236,758
Intangible assets	96,677	Deferred tax liabilities	27,765
Investments accounted for using the equity method	878,271	Other non-current liabilities	172,154
Other financial assets	481,117	Total non-current liabilities	2,553,141
Defined benefit assets	58,643	Total liabilities	4,448,333
Deferred tax assets	186,457	EQUITY	
Other non-current assets	7,132	Common stock	419,524
Total non-current assets	4,659,990	Capital surplus	394,404
Total assets	7,444,965	Retained earnings	1,870,948
		Treasury stock	(58,505)
		Other components of equity	15,245
		Total equity attributable to owners of the parent	2,641,618
		Non-controlling interests	355,013
		Total equity	2,996,631
		Total liabilities and equity	7,444,965

(2) Consolidated Statements of Profit or Loss (April 1, 2019—March 31, 2020)

(Millions of Yen)

	Fiscal 2019
Revenue	5,921,525
Cost of sales	(5,312,367)
Gross profit	609,158
Selling, general and administrative expenses	(571,781)
Share of profit in investments accounted for using the equity method	38,395
Other operating income	104,844
Other operating expenses	(465,035)
Business profit (loss)	(284,417)
Losses on reorganization	(121,702)
Operating profit (loss)	(406,119)
Finance income	7,706
Finance costs	(25,159)
Profit(loss) before income taxes	(423,572)
Income tax expense	(2,548)
Profit(loss) for the year	(426,120)
Profit(loss) for the year attributable to :	
Owners of the parent	(431,513)
Non-controlling interests	5,393

(3) Consolidated Statements of Changes in Equity

Fiscal 2019 (April 1, 2019—March 31, 2020)

(Millions of Yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance as of March 31, 2019	419,524	393,917	2,300,175	(58,831)	248,020	—
Changes of the year						
Comprehensive income						
Profit(loss) for the year			(431,513)			
Other comprehensive income					(85,278)	(2,429)
Total comprehensive income	—	—	(431,513)	—	(85,278)	(2,429)
Transactions with owners and others						
Cash dividends			(46,101)			
Purchases of treasury stock				(49)		
Disposals of treasury stock		(104)		625		
Changes in ownership interests in subsidiaries		591				
Transfer from other components of equity to retained earnings			48,387		(50,817)	2,429
Changes in scope of consolidation				(250)		
Subtotal transactions with owners and others	—	486	2,286	325	(50,817)	2,429
Balance as of March 31, 2020	419,524	394,404	1,870,948	(58,505)	111,924	—

	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, 2019	(4,433)	(67,585)	176,000	3,230,788	376,579	3,607,367
Changes of the year						
Comprehensive income						
Profit(loss) for the year			—	(431,513)	5,393	(426,120)
Other comprehensive income	(387)	(24,271)	(112,367)	(112,367)	(5,154)	(117,521)
Total comprehensive income	(387)	(24,271)	(112,367)	(543,881)	238	(543,642)
Transactions with owners and others						
Cash dividends			—	(46,101)	(8,045)	(54,146)
Purchases of treasury stock			—	(49)		(49)
Disposals of treasury stock			—	520		520
Changes in ownership interests in subsidiaries			—	591	(942)	(351)
Transfer from other components of equity to retained earnings			(48,387)	—		—
Changes in scope of consolidation			—	(250)	(12,817)	(13,067)
Subtotal transactions with owners and others	—	—	(48,387)	(45,288)	(21,804)	(67,093)
Balance as of March 31, 2020	(4,821)	(91,857)	15,245	2,641,618	355,013	2,996,631

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: 408 companies

Principal consolidated subsidiaries are presented in “1. Current Situations of the Nippon Steel Group, (9) Principal Subsidiaries and Affiliates.”

In the consolidated fiscal year, the scope of consolidation expanded by 6 companies, including 4 newly established companies. 18 companies—7 merged companies and 6 liquidations, etc.—were eliminated from the scope of consolidation in the consolidated fiscal year.

3. Application of equity method

Number of equity-method affiliates (affiliated companies, jointly controlled businesses and jointly controlled companies): 118 companies

Principal equity-method affiliates are presented in “1. Current Situations of Nippon Steel Group, (9) Principal Subsidiaries and Affiliates.”

During the consolidated fiscal year 3 companies were added to the scope of equity-method affiliates and 4 companies were removed from the scope of equity-method affiliates.

4. Accounting principles

(1) Financial instruments

1) Recognition and measurement

The Group recognizes financial assets when it becomes a party to the contractual provisions of the assets.

Financial assets purchased or sold in a regular way are recognized on the trade date. Financial assets other than derivative financial instruments are classified at initial recognition as those measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at amortized cost and at fair value through other comprehensive income are initially recognized at their fair value plus transaction costs that are directly attributable to the acquisition of the assets.

However, the trade receivables that do not contain a significant financing component are recognized initially at their transaction price.

(i) Financial assets measured at amortized cost

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

(ii) Financial assets measured at fair value through other comprehensive income

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

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

2) Derecognition

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

3) Impairment of financial assets measured at amortized cost

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

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

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

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

(2) Derivatives and hedge accounting

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

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

The Group formally documents relationships between hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions in an internal rule titled "Administrative Provisions on Transactions of Derivative Instruments". The rule stipulates that derivative transactions are conducted only for the purpose of mitigating risks arising from the Group's principal business activities (including forecast transactions) and the trading of derivatives for speculative purposes is prohibited. The Group evaluates whether the derivatives designated as a hedging instrument offsets changes in fair value or the cash flows of the hedged items to a great extent when designating a hedging relationship and on an ongoing basis. A hedging relationship that qualifies for hedge accounting is classified and accounted for as follows:

1) Fair value hedges

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

2) Cash flow hedges

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

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

(3) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is measured 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.

2) Depreciation

Depreciation of property, plant and equipment is mainly computed by the declining-balance method over the estimated useful lives of each component based on the depreciable amount, except for land and other non-depreciable assets, and buildings and structures which are depreciated by the straight-line method. 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 has adopted IFRS 16 "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.

(Changes in Accounting Policies)

From the beginning of the Fiscal 2019, the Group has adopted IFRS 16 “Leases” (Issued in January 2016)(“IFRS 16”). In adopting IFRS 16, the Group has applied an approach of recognizing the cumulative effect of applying the standard as an adjustment to the beginning balance at the date of initial application, which is approved as a transitional measure.

In adopting IFRS 16, the Group has elected to apply the practical expedient detailed in paragraph C3 of IFRS 16 in determining whether a contract is, or contains, a lease by maintaining its previous assessment under IAS 17 “Leases” (“IAS 17”) and IFRIC 4 “Determining whether an Arrangement Contains a Lease”. On and after the date of initial application, the Group has determined whether a contract is, or contains, a lease in accordance with IFRS 16.

For leases previously classified as finance leases under IAS 17 and in which the Group is a lessee, the carrying amounts of the right-of-use assets and lease obligations as of the date of initial application have been respectively measured at the carrying amounts of the leased assets and lease liabilities under IAS 17 immediately before the date of initial application.

For leases previously classified as operating leases under IAS 17 and in which the Group is a lessee, the Group has recognized the right-of-use assets and lease liabilities as of the date of initial application. The lease liabilities are measured at the present value of the minimum lease payments as of the date of initial application discounted by the lessee’s incremental borrowing rate. The weighted average of the incremental borrowing rate is 0.5%. The right-of-use assets are measured at the carrying amounts computed under the assumption of applying the standard at the commencement date of the contract. The discount rate applied is the lessee’s incremental borrowing rate as of the date of initial application.

The breakdown of difference between the amount of non-cancellable operating lease contracts under IAS 17 as of the end of the Fiscal 2018 and the amount of lease liabilities recognized in the consolidated statements of financial position as of the date of initial application is as follows.

	(Millions of Yen)
Non-cancellable operating lease contracts as of March 31, 2019	45,800
Finance lease liabilities as of March 31, 2019	46,754
Non-cancellable lease contracts effective on or after the date of initial application	(12,226)
Lease liabilities as of the date of initial application (April 1, 2019)	80,328

The right-of-use assets recognized at the date of initial application in the consolidated statements of financial position is ¥79,770 million.

In adopting IFRS 16, the Group has applied the following practical expedients.

- As an alternative of performing an impairment review, the Group relies on a previous assessment of whether leases are onerous in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application.
- Exclusion of initial direct costs from the measurement of the right-of-use assets as of the date of initial application.
- Use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

(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 exists.

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

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

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” from the fiscal year ended March 31, 2019. Under IFRS 15, 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.

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.

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	8,841
Buildings and structures	4,263
Machinery and vehicles	4,561
Other	5,286
Total	22,953

Secured debts	Amount (Millions of Yen)
Short-term borrowings	1,265
Long-term borrowings (current portion is included)	1,175
Other	238
Total	2,680

In addition to the pledged assets listed above, ¥419 million of shares of associates are pledged as collateral for affiliates' loans.

2. Inventories

Merchandise and finished goods (including semi-finished products)	¥ 822,941 million
Work in progress	78,065 million
Raw materials and supplies	631,175 million

3. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥ 1,461 million
Other financial assets	3,864 million

4. Accumulated depreciation of property, plant and equipment ¥ 9,474,662 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.

Guarantees for the bank loans of joint ventures and associates	¥ 292,555 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)

Details of losses from reorganization recorded owing to impairment losses, loss on business withdrawal, and others are described below.

Impairment losses ¥ 78,700 million

In the Steelmaking and Steel Fabrication segment, the Company recognized impairment losses associated with operating assets of Nippon Steel Nisshin Co.,Ltd. (“Nippon Steel Nisshin”), a subsidiary of the Company.

Losses on business withdrawal ¥ 20,203 million

In the Steelmaking and Steel Fabrication segment, losses on withdrawal from business were mainly incurred as a result of the withdrawal of a subsidiary in China from manufacturing and marketing cold rolled special steel business. In the Engineering and Construction segment, losses on withdrawal from business were mainly incurred as a result of the reorganization of the environmental plant engineering business conducted by an overseas subsidiary.

Losses on inactive facilities and others ¥ 22,799 million

In the Steelmaking and Steel Fabrication segment, losses on inactive facilities and others were incurred mainly due to retirement and termination and demolition losses expense based on the decision to close the hot-rolling mill and manufacturing facility dedicated for precision products of Kinuura Works of Nippon Steel Stainless Steel Corporation, a subsidiary of the Company, and the UO mill of Kashima Works of the Company.

(Impairment losses)

For the year ended March 31, 2020, the Company recorded impairment losses of ¥416,021 million regarding property, plant and equipment, goodwill, intangible assets, and investments accounted for using the equity method. The impairment losses are included in “Other operation expenses” and “Losses from reorganization” of Consolidated statements of profit or loss.

In the Steelmaking and Steel Fabrication segment, the Company recorded impairment losses of ¥412,668 million. These mainly consist of impairment losses of ¥396,600 million on operating assets in Kashima Works, Nagoya Works, Hirohata Works of the Company, and Nippon Steel Nisshin.

The Kashima Works, Nagoya Works, and Hirohata Works were continuously in deficit, having been adversely affected by current high prices for raw materials and low prices for steel products, increases in costs of other raw materials, consumables, and logistics, weak domestic demand for indirect exports and other factors. After conducting a calculation of future cash flows based on the current business environment, the recoverable amount has been estimated to be less than the book value of operating assets held in these steel works. The Company has therefore reduced the book value of the operating assets held by these steel works to the present value of future cash flows and recorded the reduction as impairment losses of ¥317,900 million.

Nippon Steel Nisshin which is one of the subsidiaries of the Company, is also continuously in deficit, having been affected by disasters caused by torrential rains in the previous fiscal year, and a fire at the No.1 steelmaking plant of Nippon Steel Nisshin’s Kure Works in the current fiscal year, as well as by deteriorating economic conditions. As part of building an optimal production structure as the Nippon Steel Group, the Company has decided to close all the facilities of the Kure Works. After considering a significant decline in the recoverable amount pertaining to the operating assets planned to be closed in the works and conducting a recoverability test, the Company has decided to record impairment losses of ¥78,700 million.

The recoverable amount of these operating assets is calculated based on discounted cash flow method, evaluated to have value in use of ¥282,400 million yen as of the date when impairment losses are recognized, December 31, 2019. The value in use is calculated by using a pre-tax discount rate of 8%.

Impairment losses of ¥317,900 million on operating assets in Kashima Works, Nagoya Works, and Hirohata Works are included in “Other operating expenses”, while impairment losses of ¥78,700 million on operating assets of Nippon Steel Nisshin is included in “Losses from reorganization”. The details of impairment losses on operating assets by cash-generating unit are listed as follows;

(Unit: Millions of yen)

	Kashima Works	Nagoya Works	Hirohata Works	The Company	Nippon Steel Nisshin (Subsidiary)	Consolidated Basis
Impairment losses	150,400	122,800	44,700	317,900	78,700	396,600

IV. Notes to the consolidated statements of changes in equity

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

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 29,638,468 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 25, 2019	Ordinary shares	36,880	40	March 31, 2019	June 26, 2019
Board of Directors' meeting held on November 1, 2019	Ordinary shares	9,220	10	September 30, 2019	December 2, 2019

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

consolidated reporting year (planned)

None

V. Notes to the financial instruments

1. Current status of financial instruments

(1) Capital management

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

(2) Risk management

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

1) Market risk management

A. Foreign currency risk

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

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

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

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

B. Interest rate risk

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

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

C. Market price fluctuation risk

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

2) Credit risk management

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

3) Liquidity risk management

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

2. Fair value of financial instruments

The carrying amount and fair value of financial instruments as of March 31, 2020 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
Bonds and borrowings	2,082,703	2,100,233

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 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	¥2,869.19
Basic earnings (loss) per share	(¥468.74)

(For reference 1)

● Consolidated Statements of Cash-Flows

Fiscal 2019	(Millions of Yen)
Cash flows from operating activities	494,330
Cash flows from investing activities	(345,627)
Cash flows from financing activities	(14,582)
Other	(7,838)
Net increase in cash and cash equivalents	126,283
Cash and cash equivalents at beginning of the year	163,176
Cash and cash equivalents at end of year	289,459

(For reference 2)

●Segment Information

Fiscal 2019 (April 1, 2019—March 31, 2020)

(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	5,207,033	296,443	210,338	207,709	5,921,525	—	5,921,525
Inter-segment revenue or transfers	50,310	43,960	5,395	65,584	165,251	(165,251)	—
Total	5,257,344	340,404	215,733	273,294	6,086,777	(165,251)	5,921,525
Segment profit(loss) <Business Profit>	(325,341)	10,717	18,477	26,162	(269,984)	(14,433)	(284,417)

● Non-Consolidated Financial Statements

(1) Non-Consolidated Statements of Balance Sheet

		(Millions of Yen)	
ASSETS	March 31, 2020	LIABILITIES	March 31, 2020
Current assets :		Current liabilities :	
Cash and bank deposits	131,035	Accounts payable	255,233
Accounts receivable	83,807	Short-term loans payable	120,566
Finished products	163,934	Commercial paper	110,000
Semi-finished products	321,939	Bonds due within one year	45,000
Work in process	3,298	Current portion of lease obligations	676
Raw materials	228,533	Accounts payable-other	479,531
Supplies	182,717	Accrued expenses	29,527
Advance payments-other	44,565	Income tax payable	2,446
Prepaid expenses	24,945	Advances received	1,387
Accounts receivable-other	145,185	Deposits received	453,299
Other	90,058	Other	5,344
Less: Allowance for doubtful accounts	(83)		
Total current assets	1,419,937	Total current liabilities	1,503,012
Fixed assets :		Long-term liabilities :	
Tangible fixed assets :		Bonds and notes	545,000
Buildings (net)	266,197	Long-term loans payable	1,304,810
Structures (net)	170,795	Lease obligations (excluding current portion)	2,166
Machinery and equipment (net)	689,192	Accrued pension and severance costs	122,830
Vehicles (net)	2,877	Other	85,426
Tools, furniture and fixtures (net)	37,226		
Land	444,642	Total long-term liabilities	2,060,233
Leased assets (net)	2,459		
Construction in progress	94,392	Total liabilities	3,563,246
	1,707,783		
Intangible fixed assets :			
Patents and utility rights	1,299		
Software	28,162		
Goodwill	12,960		
Leased assets	209		
	42,631		
Investments and others :		NET ASSETS	
Investments in securities	279,053	Shareholders' equity :	
Shares of subsidiaries and affiliates	1,190,714	Common stock	419,524
Investments in capital of subsidiaries and affiliates	75,525	Capital surplus	
Long-term loans receivable	0	Legal capital surplus	111,532
Long-term loans receivable from subsidiaries and affiliates	110,661	Other capital surplus	270,305
Long-term prepaid expenses	30,059		
Deferred tax assets	147,404	Total Capital surplus	381,837
Other	8,812	Retained earnings :	
Less: Allowance for doubtful accounts	(2,927)	Other retained earnings	
	1,839,304	Reserve for advanced depreciation of fixed assets	26,999
		Retained earnings carried forward	628,523
Total fixed assets	3,589,718	Total retained earnings	655,523
		Less: Treasury stock, at cost	(54,651)
		Total shareholders' equity	1,402,234
		Valuation and translation adjustments :	
		Unrealized gains on available-for-sale securities	44,688
		Deferred hedge income (loss)	(514)
		Total valuation and translation adjustments	44,174
		Total net assets	1,446,409
Total assets	5,009,656	Total liabilities and net assets	5,009,656

(2) Non-Consolidated Statements of Operations (April 1, 2019—March 31, 2020)

(Millions of Yen)

	Fiscal 2019
Operating revenues :	
Net sales	3,312,949
Cost of sales	3,184,057
Gross profit	128,892
Selling, general and administrative expenses	248,266
Operating profit (loss)	(119,374)
Non-operating profit and loss :	
Non-operating profit :	
Interest and dividend income	121,622
Other	36,336
	157,959
Non-operating loss :	
Interest expense	16,480
Other	62,514
	78,994
Ordinary profit(loss)	(40,410)
Extraordinary profit and loss :	
Extraordinary profit :	
Gains on sales of investments in securities	86,408
	86,408
Extraordinary loss :	
Impairment losses	317,900
Losses on inactive facilities	15,175
Losses on valuation of investments in securities	23,285
Losses on valuation of shares of subsidiaries and affiliates	145,327
Compensation expense	17,570
Losses on reorganization of subsidiaries and affiliates	28,331
	547,590
Profit(loss) before income taxes	(501,591)
Income taxes - current	(17,670)
Income taxes - deferred	(28,279)
	(45,950)
Profit(loss) for the year	(455,641)

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

Fiscal 2019 (April 1, 2019—March 31, 2020)

(Millions of Yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings			Treasury stock, at cost	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings		
					Reserve for advanced depreciation of fixed assets	Retained earnings carried forward			
Balance as of March 31, 2019	419,524	111,532	270,306	381,838	25,894	1,131,370	1,157,265	(54,613)	1,904,015
Changes of the year									
Provision of reserve for advanced depreciation of fixed assets					1,134	(1,134)	—		—
Reversal of reserve for advanced depreciation of fixed assets					(29)	29	—		—
Cash dividends						(46,101)	(46,101)		(46,101)
Profit(loss) for the year						(455,641)	(455,641)		(455,641)
Purchases of treasury stock								(43)	(43)
Disposals of treasury stock				(0)	(0)			5	5
Net changes of items other than shareholders' equity									
Total change for fiscal 2019	—	—	(0)	(0)	1,104	(502,846)	(501,742)	(37)	(501,780)
Balance as of March 31, 2020	419,524	111,532	270,305	381,837	26,999	628,523	655,523	(54,651)	1,402,234

	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, 2019	167,607	829	168,436	2,072,452
Changes of the year				
Provision of reserve for advanced depreciation of fixed assets				—
Reversal of reserve for advanced depreciation of fixed assets				—
Cash dividends				(46,101)
Profit(loss) for the year				(455,641)
Purchases of treasury stock				(43)
Disposals of treasury stock				5
Net changes of items other than shareholders' equity	(122,918)	(1,343)	(124,262)	(124,262)
Total change for fiscal 2019	(122,918)	(1,343)	(124,262)	(626,042)
Balance as of March 31, 2020	44,688	(514)	44,174	1,446,409

Notes to the non-consolidated financial statements

I. Significant accounting policies

1. Basis and method of evaluation of assets

(1) Marketable securities

- Shares of subsidiaries and affiliates: Stated at cost determined by the moving-average method
- Available-for-sale securities:
Securities with market quotations: Stated at market value as of the balance sheet date (Net unrealized gains or losses are comprehensively included in net assets, and the cost of securities sold is determined by the moving-average method.)
Securities without market quotations: 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 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 declining-balance method.

However, the straight-line method is used for buildings.

Furthermore, depreciation of facilities attached to buildings and structures acquired on and after April 1, 2016 is 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 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. Other significant accounting policies for financial statements

(1) Important assets and liabilities 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 principal, the Company adopts 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 adopted. In addition, for interest swaps whose amounts, index, and period meet the conditions for hedged items, the “exceptional” method is adopted.

(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) Accounting for consumption taxes

The accounting treatment used with respect to consumption tax and local consumption taxes is the tax-excluded method.

(6) Application of the consolidated tax payment system

The consolidated tax payment system is applied.

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

With regard to the transition from the consolidated taxation system to the group tax sharing system newly organized 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 “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement 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.

II. Notes to the non-consolidated balance sheet

1. Accumulated depreciation of tangible fixed assets ¥6,243,976 million

2. Contingent liabilities

The Company guarantees loans from financial institutions and other sources held by other companies.

(1) Loan Guarantee Liabilities

	(Outstanding amounts for the year ended)	(Substantial amounts)
AMNS Luxembourg Holding S.A.	224,015 million	224,015 million
AM/NS Calvert LLC	31,485	31,485
PT KRAKATAU NIPPON STEEL SUMIKIN	20,840	20,840
WISCO-NIPPON STEEL Tinplate Co., Ltd.	11,617	11,617
Japan Casting & Forging Corporation	7,711	7,711
Jamshedpur Continuous Annealing & Processing Company Private Limited	5,180	2,538
Japan-Brazil Niobium Corporation	4,677	4,677
TENIGAL, S.de R.L.de C.V.	3,999	3,999
NIPPON STEEL INTEGRATED CRANKSHAFT LLC	2,386	2,386
NIPPON STEEL COLD HEADING WIRE INDIANA INC.	2,209	2,209
NST NIHON TEPPAN CO.,LTD.	1,966	1,966
Other	1,246	1,246
Total	¥317,336	¥314,694

(2) Reserved guarantees of loans ¥51 million
(The substantial amount guaranteed is ¥51 million.)

3. Accounts receivable and payable to subsidiaries and affiliates

Short-term accounts receivable	¥209,166 million
Long-term accounts receivable	110,661 million
Short-term accounts payable	763,589 million
Long-term accounts payable	971 million

III. Notes to the non-consolidated statements of operations

Transactions with subsidiaries and affiliates

Operating transactions

Net sales	¥1,196,309 million
Purchases	1,041,657 million

Non-operating transactions

Proceeds from the transfer of assets, etc.	¥357,699 million
Expenditures from the transfer of assets, etc.	150,687 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 28,321,065 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
Affiliate	AMNS Luxembourg Holding S.A.	Holding 40% directly	Loan guarantee	Loan guarantee(*1)	224,015	—	—

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	¥1,568.77
Earnings (loss) per share	(¥494.18)

VIII. Major Subsequent Events

The Company merged Nippon Steel Nisshin Co., Ltd. (NSN) in an absorption-type merger in which the Company was the surviving company and NSN was the absorbed company, effective on April 1, 2020.

1. Purpose of the merger

The Company made NSN a subsidiary in March 2017 and converted it into a wholly owned subsidiary in January 2019, thereby establishing a structure that was oriented toward integrated operations. This has enabled swifter and more flexible responses in implementing intercompany measures.

In fiscal 2019, however, the environment surrounding the steel making industry rapidly deteriorated. In addition to a significant deterioration in the Company's own business conditions, NSN, which is in the same industry (blast furnace steelmaking and steel sheet business), likewise experienced very harsh business conditions. In order to overcome this situation, it became necessary for the Nippon Steel Group to proceed with the urgent consideration and implementation of measures to pursue even greater total optimization and for NSN to be more profoundly operated in an integrated manner with the Company. NSN therefore was decided to be absorbed and merged.

2. Method of the merger

The merger was an absorption-type merger in which the Company was the surviving company and NSN was the absorbed company. Upon the merger, NSN was dissolved. Since this was a merger with the Company's wholly owned subsidiary, no allotment of shares or other consideration was made.

3. Succeeding assets and liabilities from the merger (March 31, 2020)

Total assets	¥258,241 million
Total liabilities	¥234,431 million
Total net assets	¥23,809 million

4. Accounting treatment implemented

Based on the Accounting Standard for Business Combinations and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures, the merger was treated as transactions under common control.

5. Other

The Company succeeded to all of the rights and obligations of NSN in the merger.

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, 2020

Mr. Eiji Hashimoto
Representative Director and President
Nippon Steel Corporation

KPMG AZSA LLC
Tokyo Office
Koichi Kohori (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Hirotaka Tanaka (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Takashi Hasumi (Seal)
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, 2019 through March 31, 2020.

In our opinion, the above consolidated financial statements, prepared with the omission of some disclosure items required under the designated International Financial Reporting Standards in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, 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.

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.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under the designated International Financial Reporting Standards, and for 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 provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under the designated International Financial Reporting Standards.

Audit & Supervisory Board Members and the Audit & Supervisory Board are 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 provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some 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 Audit & Supervisory Board Members and the Audit & Supervisory Board 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 Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

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

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, 2020

Mr. Eiji Hashimoto
Representative Director and President
Nippon Steel Corporation

KPMG AZSA LLC
Tokyo Office
Koichi Kohori (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Hirotaka Tanaka (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Takashi Hasumi (Seal)
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 95th fiscal year from April 1, 2019 through March 31, 2020.

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, 2020, 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.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

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

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are 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 Audit & Supervisory Board Members and the Audit & Supervisory Board 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 Audit & Supervisory Board Members and the Audit & Supervisory Board 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 Board on Business Report and other issues, Consolidated Financial Statements and Non-Consolidated Financial Statements (Copy)

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

Audit Report

The Audit & Supervisory Board, following deliberations on the reports made by each Audit & Supervisory Board Member concerning the audit of performance of duties by Directors of Nippon Steel Corporation (“NIPPON STEEL”) (previously Nippon Steel & Sumitomo Metal Corporation) for the 95th fiscal year from April 1, 2019 to March 31, 2020, has prepared this audit report, and hereby reports as follows:

1. Auditing Method Used by Each Audit & Supervisory Board Member and the Audit & Supervisory Board and Details Thereof
 - (1) The Audit & Supervisory Board established auditing policies and auditing plans, focused as key audit points on establishment and management of systems to ensure that the business of the Corporate Group consisting of NIPPON STEEL and its subsidiaries will be conducted properly, including systems to ensure that the performance of duties by the Directors will be in compliance with the laws and regulations and with NIPPON STEEL’s Articles of Incorporation (hereinafter referred to as the “Internal Control System”) and on promotion of the measures for Management Plan, and received reports from each Audit & Supervisory Board Member regarding the progress and results of audits, as well as received reports from the Directors, other relevant personnel and the Accounting Auditor regarding the performance of their duties, and sought explanations as necessary.
 - (2) In compliance with the standard concerning Audit & Supervisory Board Member’s audit, which was established by the Audit & Supervisory Board, each Audit & Supervisory Board Member endeavored to gather information and to create an improved environment for auditing through close communication with the Directors, employees including those working in the Internal Audit Department and other relevant personnel in accordance with the auditing policies and auditing methods, and conducted audits by the following method:
 - 1) Each Audit & Supervisory Board Member also attended Meetings of the Board of Directors, management meetings and other meetings, received reports from the Directors, employees and other relevant personnel regarding the performance 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 Audit & Supervisory Board Member endeavored to keep communication and shared information with the Directors and 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) With respect to the resolution of the Board of Directors on the Internal Control System and establishment and management thereof based on such resolution, each Audit & Supervisory Board Member received explanation from the Directors and other relevant personnel, scrutinized it and expressed opinion thereon. With respect to the internal control on financial reporting, each Audit & Supervisory Board Member received report on assessment of such internal control and auditing thereof not only from the Directors and other relevant personnel of NIPPON STEEL, but also from KPMG AZSA LLC, and sought explanations as necessary.
 - 3) 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 Board Member examined its contents based on discussions at the Meetings of Board of Directors and other relevant meetings.
 - 4) The Audit & Supervisory Board 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 Board 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 Board Members reviewed the Business Report for this fiscal year and the supplementary schedules thereof, the non-consolidated financial statements for this

fiscal year (non-consolidated balance sheet, non-consolidated statement of operations, non-consolidated statement of changes in net assets and the related notes) and supplementary schedules as well as the consolidated financial statements for this fiscal year (consolidated statements of financial position, consolidated statements of profit or loss, consolidated statements of changes in equity and the related notes).

2. Audit Results

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

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

(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 12, 2020

The Audit & Supervisory Board of Nippon Steel Corporation

Senior Audit & Supervisory Board Member	Masato Matsuno (Seal)
Senior Audit & Supervisory Board Member	Atsuhiko Yoshie (Seal)
Audit & Supervisory Board Member	Masato Tsuribe (Seal)
Audit & Supervisory Board Member	Hiroshi Obayashi (Seal)
(Outside Audit & Supervisory Board Member)	
Audit & Supervisory Board Member	Jiro Makino (Seal)
(Outside Audit & Supervisory Board Member)	
Audit & Supervisory Board Member	Seiichiro Azuma (Seal)
(Outside Audit & Supervisory Board Member)	
Audit & Supervisory Board Member	Hiroshi Yoshikawa (Seal)
(Outside Audit & Supervisory Board Member)	

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.

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/en/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

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

Tel.: +81-3-6867-4111

<https://www.nipponsteel.com/en/index.html>