

NIPPON STEEL CORPORATION

Financial Report for

The Year Ended March 31, 2025

Consolidated Financial Statements

Consolidated Statements of Financial Position

		(Millions of Yen)	
ASSETS		As of March 31, 2024	As of March 31, 2025
Current assets :			
Cash and cash equivalents	(Notes 8 and 32)	448,892	672,526
Trade and other receivables	(Notes 9 and 32)	1,587,979	1,430,435
Inventories	(Note 10)	2,276,665	2,199,096
Other financial assets	(Note 32)	33,927	41,425
Other current assets		212,919	205,019
Total current assets		4,560,384	4,548,503
Non-current assets :			
Property, plant and equipment	(Notes 11 and 12)	3,380,436	3,635,585
Right-of-use assets	(Note 14)	100,601	101,934
Goodwill	(Notes 7, 13 and 29)	70,207	71,639
Intangible assets	(Note 13)	177,853	263,231
Investments accounted for using the equity method	(Note 15)	1,537,936	1,600,366
Other financial assets	(Note 32)	675,942	461,378
Defined benefit assets	(Note 19)	127,579	116,415
Deferred tax assets	(Note 16)	75,893	135,074
Other non-current assets		7,791	8,329
Total non-current assets		6,154,242	6,393,955
Total assets		10,714,627	10,942,458

The accompanying notes are integral parts of these statements.

(Millions of Yen)

LIABILITIES		As of March 31, 2024	As of March 31, 2025
Current liabilities :			
Trade and other payables	(Notes 17 and 32)	1,890,718	1,671,352
Bonds, borrowings and lease liabilities	(Notes 11, 14, 18 and 32)	541,495	473,466
Other financial liabilities	(Note 32)	7,036	823
Income taxes payable		80,269	126,428
Other current liabilities		62,353	63,421
Total current liabilities		<u>2,581,874</u>	<u>2,335,493</u>
Non-current liabilities :			
Bonds, borrowings and lease liabilities	(Notes 11, 14, 18 and 32)	2,170,148	2,034,026
Other financial liabilities	(Note 32)	146	35
Defined benefit liabilities	(Note 19)	116,309	111,552
Deferred tax liabilities	(Note 16)	140,532	137,014
Other non-current liabilities	(Note 32)	349,737	420,955
Total non-current liabilities		<u>2,776,874</u>	<u>2,703,584</u>
Total liabilities		<u>5,358,748</u>	<u>5,039,077</u>
EQUITY			
Common stock	(Note 20)	419,799	569,519
Capital surplus	(Note 20)	398,914	578,457
Retained earnings	(Note 20)	3,525,585	3,819,934
Treasury stock	(Note 20)	(58,149)	(58,236)
Other components of equity		491,576	473,635
Total equity attributable to owners of the parent		<u>4,777,727</u>	<u>5,383,311</u>
Non-controlling interests		578,150	520,069
Total equity		<u>5,355,878</u>	<u>5,903,380</u>
Total liabilities and equity		<u>10,714,627</u>	<u>10,942,458</u>

The accompanying notes are integral parts of these statements.

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

Consolidated Statements of Profit or Loss		(Millions of Yen)	
		Year ended March 31, 2024	Year ended March 31, 2025
Revenue	(Note 22)	8,868,097	8,695,526
Cost of sales	(Notes 19 and 24)	(7,481,331)	(7,323,874)
Gross profit		1,386,765	1,371,651
Selling, general and administrative expenses	(Notes 19, 23, 24 and 33)	(730,388)	(815,817)
Share of profit in investments accounted for using the equity method	(Note 15)	144,326	126,900
Other operating income	(Note 25)	178,085	79,845
Other operating expenses	(Note 25)	(109,131)	(79,343)
Business profit	(Note 26)	869,657	683,237
Losses on reorganization	(Note 27)	(90,995)	(135,277)
Operating profit		778,662	547,960
Finance income	(Note 28)	21,540	20,841
Finance costs	(Note 28)	(36,230)	(44,423)
Profit before income taxes		763,972	524,377
Income tax expense	(Note 16)	(176,074)	(141,405)
Profit for the year		587,898	382,972
Profit for the year attributable to :			
Owners of the parent		549,372	350,227
Non-controlling interests		38,526	32,744
Earnings per share	(Note 31)		
Basic earnings per share (Yen)		596.59	350.92
Diluted earnings per share (Yen)		527.96	335.15

Consolidated Statements of Comprehensive Income		(Millions of Yen)	
		Year ended March 31, 2024	Year ended March 31, 2025
Profit for the year		587,898	382,972
Other comprehensive income	(Note 30)		
Items that cannot be reclassified to profit or loss			
Changes in fair value of financial assets measured at fair value through other comprehensive income		125,783	(22,747)
Remeasurements of defined benefit plans		17,570	14,546
Share of other comprehensive income of investments accounted for using the equity method	(Note 15)	9,179	(4,613)
Subtotal		152,533	(12,815)
Items that might be reclassified to profit or loss			
Changes in fair value of cash flow hedges		1,570	10,222
Foreign exchange differences on translation of foreign operations		81,716	108,222
Share of other comprehensive income of investments accounted for using the equity method	(Note 15)	(12,886)	3,004
Subtotal		70,400	121,449
Total other comprehensive income, net of tax		222,933	108,634
Total comprehensive income for the year		810,831	491,606
Comprehensive income for the year attributable to:			
Owners of the parent		748,961	438,493
Non-controlling interests		61,870	53,113

The accompanying notes are integral parts of these statements.

Consolidated Statements of Changes in Equity

Year ended March 31, 2024

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

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

The accompanying notes are integral parts of these statements.

Year ended March 31, 2025

(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, 2024	419,799	398,914	3,525,585	(58,149)	287,802	—
Changes of the year						
Comprehensive income						
Profit for the year			350,227			
Other comprehensive income (Note 30)					(32,317)	14,840
Total comprehensive income	—	—	350,227	—	(32,317)	14,840
Transactions with owners and others						
Conversion of convertible bonds (Note 20)	149,720	147,627				
Cash dividends (Note 21)			(162,085)			
Purchases of treasury stock (Note 20)				(69)		
Disposals of treasury stock (Note 20)		1		2		
Changes in ownership interests in subsidiaries		31,914				
Transfer from other components of equity to retained earnings			106,207		(91,366)	(14,840)
Changes in scope of consolidation				(20)		
Subtotal	149,720	179,543	(55,878)	(87)	(91,366)	(14,840)
Balance as of March 31, 2025	569,519	578,457	3,819,934	(58,236)	164,118	—

	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, 2024	44,212	159,561	491,576	4,777,727	578,150	5,355,878
Changes of the year						
Comprehensive income						
Profit for the year			—	350,227	32,744	382,972
Other comprehensive income (Note 30)	7,595	98,147	88,266	88,266	20,368	108,634
Total comprehensive income	7,595	98,147	88,266	438,493	53,113	491,606
Transactions with owners and others						
Conversion of convertible bonds (Note 20)			—	297,347		297,347
Cash dividends (Note 21)			—	(162,085)	(16,783)	(178,869)
Purchases of treasury stock (Note 20)			—	(69)		(69)
Disposals of treasury stock (Note 20)			—	3		3
Changes in ownership interests in subsidiaries			—	31,914	(94,466)	(62,551)
Transfer from other components of equity to retained earnings			(106,207)	—		—
Changes in scope of consolidation			—	(20)	55	35
Subtotal	—	—	(106,207)	167,090	(111,194)	55,895
Balance as of March 31, 2025	51,808	257,708	473,635	5,383,311	520,069	5,903,380

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash-Flows

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Cash flows from operating activities :		
Profit before income taxes	763,972	524,377
Depreciation and amortization	363,002	385,243
Finance income	(21,540)	(20,841)
Finance costs	36,230	44,423
Share of profit in investments accounted for using the equity method	(144,326)	(126,900)
Losses on reorganization	90,995	135,277
(Increase) decrease in trade and other receivables	50,126	204,644
(Increase) decrease in inventories	68,618	95,656
Increase (decrease) in trade and other payables	(53,628)	(104,577)
Other, net	(73,798)	(13,806)
Subtotal	1,079,651	1,123,496
Interest received	21,140	20,834
Dividends received	66,459	51,512
Interest paid	(30,565)	(36,354)
Income taxes paid	(126,526)	(180,895)
Net cash flows provided by operating activities	1,010,159	978,593
Cash flows from investing activities :		
Purchases of property, plant and equipment and intangible assets	(466,345)	(597,938)
Proceeds from sales of property, plant and equipment and intangible assets	12,384	13,616
Payments for disposal of property, plant and equipment	—	(20,256)
Purchases of investment securities	(7,474)	(6,031)
Proceeds from sales of investment securities	20,982	231,023
Proceeds from sales of investments in affiliates	19,670	39,241
Purchases of shares of subsidiaries resulting in change in scope of consolidation (Note 7)	(108,168)	(35)
Payments for acquisition of businesses	—	(113,715)
Loans to associates and others	(4,262)	(5,464)
Collection of loans from associates and others	1,696	2,189
Other, net	(179,137)	(5,058)
Net cash flows used in investing activities	(710,654)	(462,428)
Cash flows from financing activities :		
Increase (decrease) in short-term borrowings, net (Note 18)	(325,935)	44,108
Proceeds from long-term borrowings (Note 18)	85,218	160,503
Repayments of long-term borrowings (Note 18)	(211,736)	(159,090)
Proceeds from issuance of bonds (Note 18)	—	166,284
Redemption of bonds (Note 18)	(60,000)	(140,010)
Purchases of treasury stock	(73)	(58)
Cash dividends paid (Note 21)	(152,117)	(162,085)
Dividends paid to non-controlling interests	(11,959)	(16,783)
Purchases of shares of subsidiaries that do not result in change in scope of consolidation	(2,960)	(64,586)
Other, net	135,618	(141,615)
Net cash flows used in financing activities	(543,945)	(313,334)
Effect of exchange rate changes on cash and cash equivalents	22,922	20,803
Net increase (decrease) in cash and cash equivalents	(221,518)	223,634
Cash and cash equivalents at beginning of the year	670,410	448,892
Cash and cash equivalents at end of the year (Note 8)	448,892	672,526

The accompanying notes are integral parts of these statements.

Notes to the consolidated financial statements

1. Reporting Entity

NIPPON STEEL CORPORATION (hereinafter referred to as the “Company” or “NSC”) is a corporation domiciled in Japan. The consolidated financial statements for the year ended March 31, 2025 are composed of the Company and its consolidated subsidiaries and equity-method affiliates (collectively hereinafter referred to as the “Group”). The principal businesses of the Group consist of Steelmaking and Steel Fabrication business, Engineering and Construction business, Chemicals & Materials business, and System Solutions business. Further details are described in Note “6. Segment Information”.

2. Basis of Preparation

(1) Compliance with International Financial Reporting Standards

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Changes in presentation methods

(Related to consolidated statements of cash-flows)

“Purchases of investments in affiliates” (¥184,232 million in the year ended March 31, 2024), and “Proceeds from sale of businesses” (¥1,300 million in the year ended March 31, 2024) in “Cash flows from investing activities” have become immaterial and therefore are included in and presented as “Other, net” in “Cash flows from investing activities” for the year ended March 31, 2025. The consolidated statements of cash flows for the year ended March 31, 2024 are reclassified to reflect the change in presentation methods.

(5) Authorization of the consolidated financial statements

The consolidated financial statements were authorized for issuance by Tadashi Imai, Representative Director, President and COO of the Company on June 24, 2025.

3. Material Accounting Policies

(1) Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Investments in associates

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

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

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

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

(c) Joint arrangements

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

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

Number of consolidated subsidiaries: 419 companies

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

In the year ended March 31, 2025, the scope of consolidation expanded by 7 companies, including 3 newly established companies and 2 newly acquired companies, etc. 22 companies—13 merged companies and 6 liquidations, etc.—were eliminated from the scope of consolidation in the year ended March 31, 2025.

Number of equity-method and proportionate-consolidation affiliates (associates, joint operations and joint ventures): 110 companies

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

During the year ended March 31, 2025, 4 companies were added to the scope of equity-method and proportionate-consolidation affiliates and 7 companies were removed from the scope of equity-method affiliates.

(2) Business combinations

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

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

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

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

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

(3) Foreign currency translation

(a) Functional currency and presentation currency

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

(b) Foreign currency transactions

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

(c) Foreign operations

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

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

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

(4) Financial instruments

(a) Non-derivative financial assets

(i) Recognition and measurement

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

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

Financial assets measured at amortized cost

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

Financial assets measured at fair value through other comprehensive income

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

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

(ii) Derecognition

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

(iii) Impairment of financial assets measured at amortized cost

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

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

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

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

(b) Non-derivative financial liabilities

(i) Recognition and measurement

Financial liabilities other than derivatives are classified as financial liabilities measured at amortized cost.

(ii) Derecognition

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

(c) Offsetting of financial instruments

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

(d) Derivatives and hedge accounting

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

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

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

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

(i) Fair value hedges

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

(ii) Cash flow hedges

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

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

(e) Compound financial instruments

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

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

(a) Recognition and measurement

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

(b) Depreciation

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

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

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

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

(8) Goodwill and intangible assets

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

(a) Goodwill

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

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

(b) Intangible assets

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

(c) Amortization

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

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

- Software: Principally 5 years
- Mining rights: Principally 35 years

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

(9) Leases

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

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

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

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

(10) Impairment of non-financial assets

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

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

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

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

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

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

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

(11) Employee benefits

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

(a) Short-term employee benefits

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

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

(b) Retirement benefits

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

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

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

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

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

(ii) Defined contribution plans

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

(12) Equity

(a) Ordinary shares

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

(b) Treasury stock

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

(13) Revenue

Revenue is recognized based on the following five-steps.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when or as the Group satisfies a performance obligation

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

(a) Performance obligations satisfied at a point in time

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

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

(b) Performance obligations satisfied over time

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

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

(14) Income taxes

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and in either of the following circumstances:

- Income taxes are levied by the same taxation authority on the same taxable entity; or
- Different taxable entities intend either to settle current tax assets and current tax liabilities on a net basis, or to realize the current tax assets and settle the current tax liabilities simultaneously.

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

(15) Earnings per share

Basic earnings per share is calculated by dividing the profit for the reporting period attributable to owners of the Company by the weighted average number of common stock outstanding during the period in which the number of treasury stock is excluded.

Diluted earnings per share is calculated by adjusting the effects of all dilutive potential ordinary shares.

4. Significant Accounting Estimates and Judgments

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

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

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

- Note 3 (1) "Basis of consolidation" and Note 15 "Interests in Subsidiaries, Associates and Others"
- Note 3 (4) "Financial instruments" and Note 32 "Financial Instruments"

Information about uncertainty of key estimates and assumptions that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities in the subsequent reporting year is included in the following notes:

- Note 3 (10) "Impairment of non-financial assets" and Note 29 "Impairment of Assets"
- Note 3 (11) "Employee benefits" and Note 19 "Employee Benefits"
- Note 3 (13) "Revenue" and Note 22 "Revenue"
- Note 3 (14) "Income taxes" and Note 16 "Income Taxes"
- Note 35 "Loan Guarantees"

5. New Accounting Standards and Interpretations Not Yet Applied

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

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

6. Segment Information

(1) Description of reportable segments

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

Reportable segments	Principal businesses
Steelmaking and Steel Fabrication	Manufacturing and sale of steel products
Engineering and Construction	Design, manufacture, sale, construction and supervision of various plants and facilities, energy pipelines, water facilities, industrial machinery and equipment, buildings, building materials and equipment, steel structures, etc.; operation, management and maintenance of plants and facilities, etc.; Waste treatment and recycling business; and supply business of electricity, gas, heat, etc.
Chemicals and Materials	Manufacturing and sale of coal-based chemical products, petrochemicals, electronic materials, materials and components for semiconductors and electronic parts, carbon fiber and composite products, and products that utilize technologies for metal processing
System Solutions	Computer systems engineering and consulting services; IT-enabled outsourcing and other services

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

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

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

(Year ended March 31, 2024)

(Millions of Yen)

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

Note:

The adjustments of segment profit of ¥(1,046) million include the Company's share of profit in investments of Nippon Steel Kowa Real Estate Co., Ltd., accounted for using the equity method of ¥11,967 million and elimination of inter-segment revenue or transfers of ¥(13,013) million.

(Year ended March 31, 2025)

(Millions of Yen)

	Reportable segment				Subtotal	Adjustments (Note)	Consolidated
	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions			
Revenue							
Revenue from external customers	7,819,748	371,309	250,873	253,594	8,695,526	—	8,695,526
Inter-segment revenue or transfers	54,629	29,165	18,255	85,781	187,830	(187,830)	—
Total	7,874,377	400,474	269,128	339,376	8,883,356	(187,830)	8,695,526
Segment profit (loss) <Business profit>	621,005	14,628	18,938	38,888	693,461	(10,223)	683,237
Other items							
Depreciation and amortization	368,483	4,377	8,317	8,802	389,980	(4,737)	385,243
Share of profit in investments accounted for using the equity method	115,563	102	349	(13)	116,002	10,897	126,900
Segment assets	10,115,166	349,700	254,630	412,336	11,131,834	(189,375)	10,942,458
Other items							
Investments accounted for using the equity method	1,414,126	4,259	29,584	129	1,448,100	152,265	1,600,366
Capital expenditure	604,853	4,076	10,397	3,468	622,796	(3,635)	619,160
Segment liabilities (Interest-bearing debt)	2,473,628	8,525	7,086	18,251	2,507,492	—	2,507,492

Note:

The adjustments of segment profit of ¥(10,223) million include the Company's share of profit in investments of Nippon Steel Kowa Real Estate Co., Ltd., accounted for using the equity method of ¥12,808 million and elimination of inter-segment revenue or transfers of ¥(23,032) million.

(4) Information about geographical areas**(a) Revenue**

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

(Year ended March 31, 2024)

(Millions of Yen)

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

(Year ended March 31, 2025)

(Millions of Yen)

Japan	Overseas Subtotal			Total
		Asia	Other	
5,109,771	3,585,755	2,076,558	1,509,197	8,695,526

(b) Non-current assets

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

(As of March 31, 2024)

(Millions of Yen)

Japan	Overseas	Total
3,152,514	584,376	3,736,890

(As of March 31, 2025)

(Millions of Yen)

Japan	Overseas	Total
3,368,684	712,035	4,080,720

(5) Revenue from major customers

There has been no single external customer revenue which represented 10% or more to the Group's revenue.

7. Business combinations

Business combinations consummated during the year ended March 31, 2024

Acquisition of NIPPON STEEL TRADING CORPORATION

(1) Overview

- (a) Name of the acquiree and the description of its business
Name of the acquiree: NIPPON STEEL TRADING CORPORATION (Nippon Steel Trading Corporation)
Description of business: Marketing and import/export of steel, industrial supply and infrastructure, foodstuffs, textiles and others
- (b) Acquisition date: April 14, 2023
- (c) Ratio of acquired voting equity interest
Ratio of voting rights held prior to the acquisition date: 34.54%
Ratio of voting rights after additional acquisition on the acquisition date: 70.21%
Ratio of voting rights after the company's stock consolidation and the handling of fractions of less than one share: 80.00%
- (d) Primary reason for business combination
The Group believes that to enhance its ability to promptly and appropriately respond to structural changes in the global steel market, it must increase direct contact with domestic and overseas customers and enhance its ability to conduct integrated operations regarding steel transactions, and further strengthen its competitiveness throughout the supply chain in order to ensure integrated profitability of the Group by optimizing and streamlining from steel manufacturing to distribution and processing thereof, and creating new added value. Under such understanding, the Company determined that it is desirable to make Nippon Steel Trading Corporation a consolidated subsidiary of the Company and delist Nippon Steel Trading Corporation in order to make the relationship between the Company and Nippon Steel Trading Corporation stronger and implement measures with a medium- to long-term perspective.
- (e) Form of control acquisition of the acquirees
Acquisition of shares for cash

(2) Consideration transferred

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

Notes:

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

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

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

Notes:

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

(4) Net cash used in the transaction

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

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

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

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

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

8. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows:

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Cash	448,892	671,973
Cash equivalents	—	553
Total	448,892	672,526

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

9. Trade and Other Receivables

The components of trade and other receivables are as follows:

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Notes and accounts receivable	1,472,582	1,309,998
Other	117,723	124,366
Allowance for doubtful receivables	(2,325)	(3,929)
Total	1,587,979	1,430,435

Contract assets are included in “Notes and accounts receivables”.

10. Inventories

The components of inventories are as follows:

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Merchandise and finished goods	1,244,000	1,207,139
Work in progress	98,217	112,832
Raw materials and supplies	934,446	879,123
Total	2,276,665	2,199,096

11. Assets Pledged as Collateral

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

Assets pledged as collateral and secured debts are as follows:

(Millions of Yen)

Assets pledged as collateral	As of March 31, 2024	As of March 31, 2025
Land	5,740	5,605
Buildings and structures	2,038	1,966
Machinery and vehicles	612	660
Other	10,029	11,251
Total	18,420	19,483

(Millions of Yen)

Secured debts	As of March 31, 2024	As of March 31, 2025
Short-term borrowings	630	320
Other	1,028	888
Total	1,658	1,208

In addition to the pledged assets listed above, shares of associates are pledged as collateral (¥461 million, and ¥461 million as of March 31, 2024 and 2025, respectively).

12. Property, Plant and Equipment

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

(Millions of Yen)

Carrying amount	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2023	643,097	766,930	1,440,856	86,994	245,759	3,183,638
Acquisitions and reclassified from construction in progress	4,224	59,127	271,246	40,273	53,814	428,686
Acquisitions through business combinations	25,519	21,740	13,330	1,512	1,163	63,265
Disposals and sales	(2,261)	(4,359)	(8,607)	(4,410)	(1,170)	(20,810)
Depreciation	—	(58,801)	(217,997)	(29,564)	—	(306,364)
Effects of changes in foreign exchange rates	2,476	6,119	30,726	432	2,725	42,479
Other	(1,588)	(1,281)	(3,993)	129	(3,724)	(10,458)
As of March 31, 2024	671,466	789,475	1,525,560	95,367	298,566	3,380,436
Acquisitions and reclassified from construction in progress	1,260	66,547	274,267	43,372	202,086	587,533
Disposals and sales	(3,263)	(4,734)	(13,902)	(7,493)	(2,057)	(31,451)
Depreciation	—	(60,640)	(229,865)	(32,161)	—	(322,667)
Effects of changes in foreign exchange rates	2,919	4,792	15,979	639	1,584	25,915
Other	92	(291)	(3,570)	2,438	(2,850)	(4,180)
As of March 31, 2025	672,475	795,148	1,568,469	102,162	497,329	3,635,585

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

(Millions of Yen)

Acquisition costs	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2023	710,081	2,899,785	9,123,745	444,383	272,309	13,450,305
As of March 31, 2024	737,412	2,993,003	9,297,664	466,325	329,097	13,823,502
As of March 31, 2025	738,187	3,037,201	9,331,319	475,226	530,881	14,112,817

(Millions of Yen)

Accumulated depreciation and accumulated impairment losses	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2023	66,984	2,132,854	7,682,889	357,388	26,550	10,266,667
As of March 31, 2024	65,945	2,203,527	7,772,103	370,957	30,530	10,443,066
As of March 31, 2025	65,711	2,242,053	7,762,850	373,063	33,552	10,477,231

13. Goodwill and Intangible Assets

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

(Millions of Yen)

Carrying amount	Goodwill	Software	Mining rights	Other	Total
As of April 1, 2023	65,062	104,536	30,067	22,839	222,506
Acquisitions	—	47,312	—	1,585	48,897
Acquisitions through business combinations	—	254	—	504	758
Amortization	—	(27,984)	(2,178)	(2,908)	(33,071)
Effects of changes in foreign exchange rates	5,144	659	2,382	2,596	10,782
Other	—	(996)	—	(817)	(1,813)
As of March 31, 2024	70,207	123,781	30,271	23,800	248,061
Acquisitions	—	54,870	69,968	1,411	126,250
Amortization	—	(33,742)	(2,369)	(2,557)	(38,669)
Effects of changes in foreign exchange rates	1,432	480	522	103	2,539
Other	—	(982)	—	(2,327)	(3,310)
As of March 31, 2025	71,639	144,407	98,393	20,430	334,870

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

(Millions of Yen)

Acquisition costs	Goodwill	Software	Mining rights	Other	Total
As of April 1, 2023	84,819	182,861	60,073	34,720	362,474
As of March 31, 2024	89,964	217,886	65,016	38,150	411,016
As of March 31, 2025	91,396	258,651	136,030	35,251	521,329

(Millions of Yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Software	Mining rights	Other	Total
As of April 1, 2023	19,756	78,324	30,005	11,880	139,967
As of March 31, 2024	19,756	94,104	34,744	14,349	162,955
As of March 31, 2025	19,756	114,244	37,636	14,820	186,458

14. Leases

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

(1) Right-of-use assets

As a lessee

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Depreciation of right-of-use assets		
Buildings and structures	13,635	13,585
Machinery and vehicles	7,314	7,647
Tools, furniture and fixtures	2,617	2,672
Total depreciation	23,567	23,906
Total amount of cash outflows incurred from leases	24,951	25,083
Increase in right-of-use assets	34,240	25,552
Details of right-of-use assets		
Buildings and structures	54,185	56,515
Machinery and vehicles	38,672	38,432
Tools, furniture and fixtures	7,743	6,986
Total balance of right-of-use assets	100,601	101,934

(2) Operating leases

As a lessor

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

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Within 1 year	3,846	4,080
Over 1 but less than 2 years	3,783	3,984
Over 2 but less than 3 years	3,686	3,673
Over 3 but less than 4 years	3,376	3,592
Over 4 but less than 5 years	3,277	3,341
Over 5 years	31,266	32,131
Total	49,236	50,804

15. Interests in Subsidiaries, Associates and Others

(1) Principal subsidiaries

Principal subsidiaries of the Company as of March 31, 2025 are as follows:

Operating segment	Name	Address	% of voting rights interests
Steelmaking and Steel Fabrication	Sanyo Special Steel Co., Ltd.	Himeji City, Hyogo	92.3
	NIPPON STEEL TRADING CORPORATION	Chuo-ku, Tokyo	80.0
	NIPPON STEEL COATED SHEET CORPORATION	Chuo-ku, Tokyo	100.0
	Osaka Steel Co., Ltd.	Osaka City, Osaka	66.3
	NIPPON STEEL METAL PRODUCTS CO., LTD.	Chiyoda-ku, Tokyo	100.0
	Krosaki Harima Corporation	Kitakyushu City, Fukuoka	* 46.6
	NIPPON STEEL TEXENG. CO., LTD.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL PIPE CO., LTD.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL Stainless Steel Corporation	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL LOGISTICS CO., LTD.	Chuo-ku, Tokyo	100.0
	NIPPON STEEL SG WIRE CO., LTD.	Chiyoda-ku, Tokyo	100.0
	Geostr Corporation	Bunkyo-ku, Tokyo	* 44.1
	NIPPON STEEL WELDING & ENGINEERING Co., Ltd.	Koto-ku, Tokyo	100.0
	NIPPON STEEL DRUM CO., LTD.	Koto-ku, Tokyo	100.0
	NIPPON STEEL PROCESSING Co., LTD.	Sakai City, Osaka	67.6
	NIPPON STEEL CEMENT CO., LTD.	Muroran City, Hokkaido	85.0
	NIPPON STEEL FINANCE Co., Ltd.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL STAINLESS STEEL PIPE CO., LTD.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL Eco-Tech Corporation	Minato-ku, Tokyo	85.1
	G Steel Public Company Limited	Rayong Province, Thailand	60.2
	G J Steel Public Company Limited	Chonburi Province, Thailand	57.6
	NS-Siam United Steel Co., Ltd.	Rayong Province, Thailand	95.2
	NIPPON STEEL PIPE (THAILAND) CO., LTD.	Chonburi Province, Thailand	100.0
	PT KRAKATAU NIPPON STEEL SYNERGY	Cilegon City, Indonesia	80.0
	Standard Steel, LLC	Pennsylvania State, United States of America	100.0
	WHEELING-NIPPON STEEL, INC.	State of West Virginia, United States of America	100.0
	PT PELAT TIMAH NUSANTARA TBK.	Jakarta City, Indonesia	* 40.0
	NIPPON STEEL Steel Processing (Thailand) Co., Ltd.	Rayong Province, Thailand	70.1
	NIPPON STEEL PIPE AMERICA, INC.	Indiana State, United States of America	80.0
Engineering and Construction	NIPPON STEEL ENGINEERING CO., LTD.	Shinagawa-ku, Tokyo	100.0
Chemicals & Materials	NIPPON STEEL Chemical & Material CO., LTD.	Chuo-ku, Tokyo	100.0
System Solutions	NS Solutions Corporation	Minato-ku, Tokyo	63.4

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

(2) Investments in associates

Carrying amount of investments in associates is as follows:

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Carrying amount of investments in associates	986,447	1,023,692

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Net profit or loss	66,755	82,808
Other comprehensive income	30,251	(9,895)
Total	97,007	72,913

(3) Investments in joint ventures

Carrying amount of investments in joint ventures is as follows:

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Carrying amount of investments in joint ventures	551,488	576,674

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Net profit or loss	77,570	44,091
Other comprehensive income	(33,958)	8,286
Total	43,612	52,378

There are no investments in associates or joint ventures accounted for under the equity method that are individually significant to the Group for the years ended March 31, 2024 and 2025.

16. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets		
Accrued bonus	36,625	39,491
Defined benefit liabilities	33,834	33,054
Impairment losses on assets	55,401	48,660
Unused tax losses	5,727	5,201
Elimination of unrealized gains on property, plant and equipment and others	53,898	58,131
Losses on inactive facilities	55,551	73,066
Other	75,886	76,533
Total deferred tax assets	316,924	334,140
Deferred tax liabilities		
Equity securities	(123,312)	(66,581)
Defined benefit assets	(39,039)	(36,671)
Undistributed earnings	(152,815)	(164,321)
Special tax purpose reserves and other	(66,395)	(68,506)
Total deferred tax liabilities	(381,563)	(336,080)
Net deferred tax assets (liabilities)	(64,638)	(1,940)

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

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Balance at beginning of the year	98,663	(64,638)
Recognized in profit or loss	(5,707)	84,210
Recognized in other comprehensive income	(68,013)	(6,962)
Effect of changes in scope of consolidation and other	(89,580)	(14,550)
Balance at end of the year	(64,638)	(1,940)

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

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Carryforward of unused tax losses	34,413	29,836
Deductible temporary differences	194,866	220,871
Total	229,280	250,708

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

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Within 1 year	844	1,932
Over 1 year but less than 2 years	2,139	877
Over 2 years but less than 3 years	1,205	158
Over 3 years but less than 4 years	703	14,278
Over 4 years	29,520	12,589
Total	34,413	29,836

(2) Income tax expense

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Current taxes	170,366	225,615
Deferred taxes	5,707	(84,210)
Total	176,074	141,405

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

	Year ended March 31, 2024	Year ended March 31, 2025
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Share of profit in investments accounted for using the equity method	(4.9)	(3.8)
Effects of expense not deductible for tax purposes	0.3	0.4
Effects of income not taxable for tax purposes	(0.3)	(0.5)
Effects of differences in statutory tax rates applied to companies in Japan and foreign companies	(1.9)	(1.6)
Effects of changes in unrecognized deferred tax assets	3.6	3.8
Other	(4.3)	(2.0)
Average effective tax rate	23.0	27.0

(3) Revision of deferred tax assets and deferred tax liabilities due to changes in the income tax rate

The "Act for Partial Revision of the Income Tax Act etc." was enacted by the Diet on March 31, 2025. As a result, the statutory effective tax rate used in calculating deferred tax assets and deferred tax liabilities for the year ended March 31, 2025, which are expected to be recovered or disbursed on or after April 1, 2026, has been changed from 30.6% to 31.5%. As a result of this change, the amount of deferred tax expense decreased by ¥4,061 million for the year ended March 31, 2025.

17. Trade and Other Payables

The components of trade and other payables are as follows:

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Notes and trade accounts payable	869,757	774,020
Other payables	635,890	637,291
Other	385,070	260,041
Total	1,890,718	1,671,352

18. Bonds, Borrowings and Lease Liabilities

(1) Bonds, borrowings and lease liabilities

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

(Millions of Yen)

	As of March 31, 2024	Average interest rate (%)	As of March 31, 2025	Average interest rate (%)	Maturity date
Short-term borrowings	152,891	3.2	167,530	3.6	—
Current portion of long-term borrowings repayable within one year	143,562	0.9	173,898	1.6	—
Current portion of bonds repayable within one year	219,450	0.1	70,000	0.3	—
Current portion of lease liabilities repayable within one year	22,592	0.9	22,055	1.1	—
Commercial papers	3,000	0.1	39,982	0.6	—
Long-term borrowings	1,355,304	0.9	1,341,503	1.1	July 22, 2080
Bonds	733,932	0.6	610,601	1.2	September 12, 2079
Lease liabilities	80,912	0.9	81,921	1.1	March 31, 2076
Total	2,711,644		2,507,492		

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

(2) Details of bonds

(Millions of Yen)

Type	Issue date	As of March 31, 2024	As of March 31, 2025	Maturity date
Bonds issued by NSC				
The 59 th Issue of Unsecured Corporate Bonds	September 2, 2008	10,000	10,000	June 20, 2028
The 1 st Issue of Unsecured Corporate Bonds	September 26, 2016	10,000	10,000	September 18, 2026
The 2 nd Issue of Unsecured Corporate Bonds	September 26, 2016	10,000	10,000	September 19, 2031
The 3 rd Issue of Unsecured Corporate Bonds	May 25, 2017	10,000	—	May 20, 2024
The 4 th Issue of Unsecured Corporate Bonds	May 25, 2017	10,000	10,000	May 20, 2027
The 5 th Issue of Unsecured Corporate Bonds	December 8, 2017	10,000	—	December 20, 2024
The 6 th Issue of Unsecured Corporate Bonds	December 8, 2017	10,000	10,000	December 20, 2027
The 8 th Issue of Unsecured Corporate Bonds	June 12, 2018	20,000	20,000	June 20, 2025
The 9 th Issue of Unsecured Corporate Bonds	June 12, 2018	20,000	20,000	June 20, 2028
The 9 th Issue of Unsecured Corporate Bonds (Note 1)	March 5, 2018	15,000	15,000	March 3, 2028
The 10 th Issue of Unsecured Corporate Bonds (Note 1)	June 14, 2018	20,000	20,000	June 13, 2025
The 11 th Issue of Unsecured Corporate Bonds (Note 1)	June 14, 2018	10,000	10,000	June 14, 2038
The 12 th Issue of Unsecured Corporate Bonds (Note 1)	April 17, 2019	10,000	10,000	April 17, 2029
The 1 st Issue of Unsecured Corporate Bonds	June 14, 2019	30,000	—	June 20, 2024
The 2 nd Issue of Unsecured Corporate Bonds	June 14, 2019	30,000	30,000	June 19, 2026
The 3 rd Issue of Unsecured Corporate Bonds	June 14, 2019	20,000	20,000	June 20, 2029
The 1 st Issue of Unsecured Subordinated Corporate Bonds (Note 2)	September 12, 2019	70,000	—	September 12, 2079
The 2 nd Issue of Unsecured Subordinated Corporate Bonds (Note 3)	September 12, 2019	30,000	30,000	September 12, 2079
The 3 rd Issue of Unsecured Subordinated Corporate Bonds (Note 4)	September 12, 2019	200,000	200,000	September 12, 2079
The 5 th Issue of Unsecured Corporate Bonds	June 17, 2020	30,000	30,000	June 20, 2025
The 6 th Issue of Unsecured Corporate Bonds	June 17, 2020	10,000	10,000	June 20, 2030
Zero Coupon Convertible Bonds Due 2024	October 4, 2021	149,450	—	October 4, 2024
Zero Coupon Convertible Bonds Due 2026	October 4, 2021	150,000	—	October 5, 2026
The 7 th Issue of Unsecured Corporate Bonds (Green Bond)	March 9, 2023	30,000	30,000	March 17, 2028
The 8 th Issue of Unsecured Corporate Bonds (Green Bond)	March 9, 2023	20,000	20,000	March 18, 2033
The 4 th Issue of Unsecured Subordinated Corporate Bonds (Note 5)	June 13, 2024	—	67,500	June 13, 2059
The 5 th Issue of Unsecured Subordinated Corporate Bonds (Note 6)	June 13, 2024	—	20,000	June 13, 2061
The 6 th Issue of Unsecured Subordinated Corporate Bonds (Note 7)	June 13, 2024	—	80,000	June 13, 2064
Bonds issued by Sanyo Special Steel Co., Ltd.				
The 2 nd Issue of Unsecured Corporate Bonds	December 7, 2017	10,000	—	December 6, 2024
Bonds issued by Nippon Steel Trading Corporation				
The 5 th Issue of Unsecured Corporate Bonds	April 17, 2019	10,000	—	April 17, 2024
Total		954,450	682,500	

Notes:

- The bonds were issued by Nippon Steel Trading Corporation, a domestic consolidated subsidiary. As of May 8, 2024, the Company has taken over the management of these bonds through an absorption-type company split, and the Company is now

responsible for them.

2. Early redemption may be made at the Company's discretion on each interest payment date from September 12, 2024 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the issue date.
3. Early redemption may be made at the Company's discretion on each interest payment date from September 12, 2026 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the issue date.
4. Early redemption may be made at the Company's discretion on each interest payment date from September 12, 2029 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the issue date.
5. Early redemption may be made at the Company's discretion on each interest payment date from June 13, 2029 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the issue date.
6. Early redemption may be made at the Company's discretion on each interest payment date from June 13, 2031 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the issue date.
7. Early redemption may be made at the Company's discretion on each interest payment date from June 13, 2034 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the issue date.

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

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

(Millions of Yen)

	Short-term borrowings	Commercial papers	Long-term borrowings	Bonds	Lease liabilities	Total
As of April 1, 2023	116,355	41,999	1,505,896	948,625	86,475	2,699,351
Cash flows from financing activities	(194,936)	(130,999)	(101,566)	(60,000)	(24,951)	(512,453)
Effects of changes in scope of consolidation	218,253	92,000	91,820	65,000	6,298	473,371
Effects of changes in foreign exchange rates	13,218	—	2,265	—	1,714	17,197
Other	—	—	450	(242)	33,969	34,176
As of March 31, 2024	152,891	3,000	1,498,866	953,382	103,505	2,711,644
Cash flows from financing activities	7,125	36,982	26,495	26,274	(25,083)	71,795
Effects of changes in scope of consolidation	(136)	—	59	—	1	(75)
Effects of changes in foreign exchange rates	7,650	—	(10,148)	—	442	(2,055)
Conversion of convertible bonds	—	—	—	(299,440)	—	(299,440)
Other	—	—	127	384	25,110	25,622
As of March 31, 2025	167,530	39,982	1,515,401	680,601	103,977	2,507,492

19. Employee Benefits

(1) Overview of retirement benefit plans

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

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

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

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

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

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

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Present value of defined benefit obligations	(554,444)	(527,535)
Fair value of plan assets	604,986	593,804
Effect of asset ceiling	(39,272)	(61,405)
Net defined benefit assets (liabilities)	11,269	4,863
Defined benefit assets	127,579	116,415
Defined benefit liabilities	(116,309)	(111,552)
Net defined benefit assets (liabilities)	11,269	4,863

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

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
The effect of the asset ceiling at beginning of year	—	(39,272)
Interest income	—	(625)
Remeasurements		
Changes in the effect of the asset ceiling	(39,272)	(21,507)
The effect of the asset ceiling at end of year	(39,272)	(61,405)

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

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Balance at beginning of the year	538,174	554,444
Current service cost	30,204	28,273
Interest cost	5,975	7,895
Actuarial gains and losses	(23,142)	(43,072)
Past service cost	246	(2,038)
Benefits paid	(23,129)	(22,968)
Other	26,115	5,000
Balance at end of the year	554,444	527,535

Note: The weighted average duration of the defined benefit obligations for the years ended March 31, 2024 and 2025 is 14.5 years and 14.0 years, respectively.

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

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Balance at beginning of the year	477,361	604,986
Interest income	6,138	9,481
Return on plan assets, excluding interest income	41,874	2,293
Employer contributions	13,804	13,836
Benefits paid	(13,487)	(13,248)
Other	79,293	(23,544)
Balance at end of the year	604,986	593,804

(Changes in presentation methods)

“Contribution of securities to retirement benefit trust” (¥60,766 million in the year ended March 31, 2024) has become immaterial and therefore is included in and presented as “Other” for the year ended March 31, 2025. The table of “The changes in the fair value of the plan assets for the Group” is reclassified to reflect the change in presentation method.

Note: The Group expects to contribute ¥13,901 million to the defined benefit plans for the year ending March 31, 2026.

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

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

(Millions of Yen)

	As of March 31, 2024		As of March 31, 2025	
	With quoted market price in an active market	With no quoted market price in an active market	With quoted market price in an active market	With no quoted market price in an active market
Bonds	104,110	—	113,779	—
Equity investments	226,158	—	207,209	—
Cash and cash equivalents	34,430	—	24,038	—
General accounts at life insurance company	—	161,967	—	163,322
Other	—	78,319	—	85,455
Total	364,699	240,286	345,027	248,777

(6) Significant actuarial assumptions

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

	As of March 31, 2024	As of March 31, 2025
Discount rate	Mainly 1.6%	Mainly 2.3%

(7) Sensitivity analysis

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

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Effects of incremental increase in discount rate by 0.5%	¥32,008 million decrease	¥28,033 million decrease

The sensitivity analysis assumes that other assumptions remain unchanged.

(8) Defined contribution plans

The amounts recognized as expenses for defined contribution plans are ¥10,858 million and ¥11,106 million for the years ended March 31, 2024 and 2025, respectively.

(9) Employee benefits expenses

The Group incurred employee benefits expenses of ¥1,002,603 million and ¥1,088,137 million for the years ended March 31, 2024 and 2025, respectively. These expenses are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of profit or loss. Salary, bonus, statutory health and welfare benefits and retirement benefits expenses are included in employee benefits expenses.

20. Equity and Other Equity Items**(1) Common stock and reserves**

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

	Number of shares authorized to be issued (Thousands)	Number of shares outstanding (Thousands)
As of April 1, 2023	2,000,000	950,321
Changes	—	227
As of March 31, 2024	2,000,000	950,549
Changes	—	124,177
As of March 31, 2025	2,000,000	1,074,726

All the shares authorized to be issued and shares outstanding are without par value. All the shares outstanding are fully paid. During the year ended March 31, 2024 and 2025, the number of shares outstanding increased due to the exercises of the stock acquisition rights of the convertible bonds.

•Capital surplus

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

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

•Retained earnings

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

(2) Treasury stock

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

	Number of shares (Thousands)
As of April 1, 2023	29,481
Changes	28
As of March 31, 2024	29,510
Changes	27
As of March 31, 2025	29,538

21. Dividends

The dividends paid by the Company are as follows:

(Year ended March 31, 2024)

(1) Dividends paid

Date of resolution	Class of share	Total amount of dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on June 23, 2023	Ordinary shares	82,973	90	March 31, 2023	June 26, 2023
Board of directors meeting held on November 1, 2023	Ordinary shares	69,143	75	September 30, 2023	November 30, 2023

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

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

(Year ended March 31, 2025)

(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 21, 2024	Ordinary shares	78,381	85	March 31, 2024	June 24, 2024
Board of directors meeting held on November 7, 2024	Ordinary shares	83,704	80	September 30, 2024	December 6, 2024

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

Date of resolution	Class of share	Source of dividends	Total amount of dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on June 24, 2025	Ordinary shares	Retained earnings	83,703	80	March 31, 2025	June 25, 2025

22. Revenue

(1) Disaggregation of revenue

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

(Year ended March 31, 2024)

(Millions of Yen)

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

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

(Year ended March 31, 2025)

(Millions of Yen)

	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Consolidated
Japan	4,410,777	291,864	160,393	246,734	5,109,771
Asia	1,903,068	79,380	87,489	6,619	2,076,558
Middle East	191,736	9	489	—	192,236
Europe	343,514	—	1,507	54	345,076
North America	497,712	36	828	177	498,754
Central and South America	389,652	17	125	9	389,805
Africa	61,793	—	29	—	61,822
Pacific	21,493	—	9	0	21,503
Total	7,819,748	371,309	250,873	253,594	8,695,526

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

(2) Contract balances

(Millions of Yen)

	As of April 1, 2023	As of March 31, 2024	As of March 31, 2025
Receivables	829,098	1,361,399	1,250,807
Contract assets	76,515	111,182	59,190
Contract liabilities	36,345	56,634	52,584

Receivables and contract assets are included in “Trade and Other Receivables” in the consolidated statement of financial position. Contract liabilities are included in “Other current liabilities” in the consolidated statement of financial position. The amount included in the contract liabilities as of April 1, 2023 and 2024 and recognized as revenue for the years ended March 31, 2024 and 2025 amounted to ¥28,641 million and ¥53,722 million, respectively. The amount recognized as revenue for the years ended March 31, 2024 and 2025 from performance obligations satisfied in previous periods is immaterial.

(3) Transaction price allocated to the remaining performance obligation

(Millions of Yen)

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

(Millions of Yen)

	As of March 31, 2025	Engineering and Construction	System Solutions
Within 1 year	335,665	247,200	88,465
Over 1 year	210,059	175,687	34,371
Total	545,725	422,888	122,836

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

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

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

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

23. Selling, General and Administrative Expenses

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Transportation and storage	210,926	226,426
Salaries and bonuses	195,785	212,078
Research and development costs	60,672	65,156
Depreciation and amortization	30,861	36,241
Other	232,141	275,914
Total	730,388	815,817

(Changes in presentation methods)

“Retirement benefit costs” (¥8,763 million in the year ended March 31, 2024) has become immaterial and therefore is included in and presented as “Other” for the year ended March 31, 2025. The table of “The components of selling, general and administrative expenses” is reclassified to reflect the change in presentation method.

24. Research and Development Costs

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Research and development costs	72,743	80,794

25. Other Operating Income and Other Operating Expenses

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

(1) Other operating income

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Dividends received	15,298	14,836
Foreign exchanges gains (net)	50,835	7,041
Gain on step acquisitions	36,518	—
Other	75,433	57,967
Total	178,085	79,845

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

(2) Other operating expenses

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Losses on disposal of fixed assets	38,496	35,607
Other	70,634	43,736
Total	109,131	79,343

26. Business profit

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

27. Losses on reorganization

(Year ended March 31, 2024)

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

Losses on inactive facilities and others ¥90,995 million

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

(Year ended March 31, 2025)

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

Losses on inactive facilities and others ¥135,277 million

Losses on inactive facilities and others were mainly incurred due to termination and demolition losses based on the decision to close one series of upstream facilities, the steel plate mill and the large shape mill of East Nippon Works Kashima Area and No. 4 coke oven of Kansai Works Wakayama Area.

28. Finance Income and Finance Costs

The components of “Finance income” and “Finance costs” are as follows:

(1) Finance income

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Interest income	21,437	20,786
Other	102	54
Total	21,540	20,841

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

(2) Finance costs

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Interest expense	30,501	38,196
Other	5,729	6,227
Total	36,230	44,423

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

29. Impairment of Assets

Impairment test of goodwill

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

(Millions of Yen)

Operating segment	As of March 31, 2024	As of March 31, 2025
Steelmaking and Steel Fabrication	63,955	65,387
Engineering and Construction	1,226	1,226
Chemicals and Materials	—	—
System Solutions	5,025	5,025
Total	70,207	71,639

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

The discount rate for the year ended March 31, 2025 is calculated based on the weighted average cost of capital of each cash-generating unit which is the pre-tax discounted rate of mainly 6.0% (6.0% for the year ended March 31, 2024).

30. Other Comprehensive Income

The components of other comprehensive income are as follows:

(Year ended March 31, 2024)

(Millions of Yen)

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

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

(Year ended March 31, 2025)

(Millions of Yen)

	Incurred during the year	Reclassification	Before tax effect	Tax effect	After tax effect
Items that cannot be reclassified to profit or loss					
Changes in fair value of financial assets measured at fair value through other comprehensive income	(28,818)	—	(28,818)	6,070	(22,747)
Remeasurements of defined benefit assets	23,232	—	23,232	(8,686)	14,546
Share of other comprehensive income of investments accounted for using the equity method	(4,613)	—	(4,613)	—	(4,613)
Subtotal	(10,199)	—	(10,199)	(2,615)	(12,815)
Items that might be reclassified to profit or loss					
Changes in fair value of cash flow hedges	16,345	(2,129)	14,215	(3,993)	10,222
Foreign exchange differences on translation of foreign operations	109,036	(460)	108,575	(352)	108,222
Share of other comprehensive income of investments accounted for using the equity method	13,999	(10,994)	3,004	—	3,004
Subtotal	139,381	(13,584)	125,796	(4,346)	121,449
Total	129,181	(13,584)	115,596	(6,962)	108,634

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

31. Earnings per Share

(1) Basic earnings per share

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Profit for the year attributable to owners of the parent	549,372	350,227
Profit for the year not attributable to ordinary equity holders of the parent	—	—
Profit for the year used to calculate basic earnings per share	549,372	350,227

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

(Shares)

	Year ended March 31, 2024	Year ended March 31, 2025
Weighted average number of ordinary shares outstanding	920,840,121	998,013,676

(2) Diluted earnings per share

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Profit for the year used to calculate basic earnings per share	549,372	350,227
Adjustment to profit	—	—
Profit for the year used to calculate diluted earnings per share	549,372	350,227

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

(Shares)

	Year ended March 31, 2024	Year ended March 31, 2025
Weighted average number of ordinary shares outstanding	920,840,121	998,013,676
Dilutive effect	119,715,279	46,944,478
Weighted average number of ordinary shares used to calculate diluted earnings per share	1,040,555,400	1,044,958,154

32. Financial Instruments

(1) Capital management

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

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

	As of March 31, 2024	As of March 31, 2025
ROE (%)	12.3	6.9
D/E Ratio (times)	0.57 *0.45	0.47 *0.35

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

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

(2) Classification of financial instruments

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

(i) Equity instruments

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

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

(ii) Derivatives

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

(b) Classification by levels in the fair value hierarchy

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

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

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

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

(c) Method to measure the changes in fair value

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

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

(d) Carrying amounts of financial instruments by classification

(As of March 31, 2024)

Financial assets

(Millions of Yen)

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

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

The carrying amount of “Trade and other receivables” in the table above does not include the contract assets recognized in accordance with IFRS 15 “Revenue” which amounts to ¥111,182 million.

Financial liabilities

(Millions of Yen)

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

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

The carrying amount of “Other non-current liabilities” in the table above does not include the liabilities recognized in accordance with IAS 19 “Employee Benefits” which amounts to ¥23,512 million.

(As of March 31, 2025)

Financial assets

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current assets				
Cash and cash equivalents	672,526	—	—	672,526
Trade and other receivables	1,371,244	—	—	1,371,244
Other financial assets	23,785	495	17,144	41,425
Derivatives	—	495	17,144	17,639
Debt instruments	23,785	—	—	23,785
Non-current assets				
Other financial assets	116,322	969	344,086	461,378
Equity instruments	—	—	338,094	338,094
Derivatives	—	969	5,992	6,961
Debt instruments	116,322	—	—	116,322

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

The carrying amount of “Trade and other receivables” in the table above does not include the contract assets recognized in accordance with IFRS 15 “Revenue” which amounts to ¥59,190 million.

Financial liabilities

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current liabilities				
Trade and other payables	1,671,352	—	—	1,671,352
Bonds and borrowings	451,410	—	—	451,410
Other financial liabilities				
Derivatives	—	115	708	823
Non-current liabilities				
Bonds and borrowings	1,952,104	—	—	1,952,104
Other financial liabilities				
Derivatives	—	—	35	35
Other non-current liabilities	398,235	—	—	398,235

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

The carrying amount of “Other non-current liabilities” in the table above does not include the liabilities recognized in accordance with IAS 19 “Employee Benefits” which amounts to ¥22,720 million.

(e) Financial instruments measured at fair value

(As of March 31, 2024)

Financial assets measured at fair value

(Millions of Yen)

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

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

Financial liabilities measured at fair value

(Millions of Yen)

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

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

(As of March 31, 2025)

Financial assets measured at fair value

(Millions of Yen)

FVPL	Level 1	Level 2	Level 3	Total
Other financial assets				
Derivatives	—	1,464	—	1,464
FVOCI				
Other financial assets				
Equity instruments	256,903	—	81,190	338,094
Derivatives	—	23,136	—	23,136

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

Financial liabilities measured at fair value

(Millions of Yen)

FVPL	Level 1	Level 2	Level 3	Total
Other financial liabilities				
Derivatives	—	115	—	115
FVOCI				
Other financial liabilities				
Derivatives	—	743	—	743

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

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Balance at beginning of the year	71,003	82,926
Net changes in fair value	(723)	(1,588)
Acquisitions	683	1,663
Sale / settlements	(805)	(1,866)
Effects of changes in scope of consolidation	12,767	75
Other	—	(19)
Balance at end of the year	82,926	81,190

(f) Equity instruments measured at fair value through other comprehensive income (“FVOCI”)

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

(As of March 31, 2024)

(Millions of Yen)

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

(As of March 31, 2025)

(Millions of Yen)

Mitsubishi UFJ Financial Group, Inc.	16,203
AIR WATER INC.	13,045
Daido Steel Co., Ltd.	13,010
Sankyu Inc.	12,640
Sanwa Holdings Corporation	11,785

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

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Fair value at the time of derecognition	74,861	230,786
Cumulative gains or losses on disposal (net of tax)	33,258	113,361

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Investment derecognized in the reporting period	1,943	4,530
Investment held at the end of reporting period	13,355	10,306
Total	15,298	14,836

(3) Fair value of financial instruments

Financial instruments measured at amortized cost

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

(As of March 31, 2024)

(Millions of Yen)

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

(As of March 31, 2025)

(Millions of Yen)

	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets (Current)				
Other financial assets				
Debt instruments	23,785	21,058	—	2,713
Financial assets (Non-current)				
Other financial assets				
Debt instruments	116,322	17,690	—	98,358
Financial liabilities (Current)				
Bonds and borrowings	451,410	69,923	—	381,410
Financial liabilities (Non-current)				
Bonds and borrowings	1,952,104	593,896	—	1,324,680

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

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

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

(4) Risk management

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

(a) Market risk management

(i) Foreign currency risk

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

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

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

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

The Group's principal foreign currency risk exposures for the years ended March 31, 2024 and 2025 are as follows.

(Millions of USD)

	As of March 31, 2024	As of March 31, 2025
Net exposure (liability)	1,350	2,014

Impacts on profit before income taxes in the consolidated statements of profit or loss if Japanese yen were to appreciate by 1% against the U.S. Dollar at the end of the reporting period are as follows. In this analysis, the impacts on the assets and liabilities denominated in foreign currencies as of March 31, 2024 and 2025 are estimated by assuming that variables, such as outstanding balances and interest rates, are constant (negative figures indicate negative impacts on profit).

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Impacts on profit before income taxes	(2,045)	(3,011)

(ii) Interest rate risk

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

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Impacts on profit before income taxes	(1,617)	(2,832)

(iii) Market price fluctuation risk

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

(b) Credit risk management

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

(i) Credit risk exposure

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

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

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

(ii) Financial assets subject to allowance for doubtful accounts

The aging of trade and other receivables is as follows:

(Millions of Yen)

Days past due	As of March 31, 2024	As of March 31, 2025
Current	1,558,783	1,395,749
Within 90 days	24,319	30,639
Over 90 days and within 1 year	3,013	4,059
Over 1 year	4,188	3,916
Total	1,590,305	1,434,364

(iii) Changes in allowance for doubtful accounts

The changes in allowance for doubtful accounts are as follows:

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Balance at beginning of the year	11,187	12,466
Increase during the year	791	2,635
Decrease during the year	(1,908)	(7,588)
Other	2,396	145
Balance at end of the year	12,466	7,659

(c) Liquidity risk management

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

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

As of March 31, 2024

(Millions of Yen)

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

As of March 31, 2025

(Millions of Yen)

	Carrying amount	Total contractual cash flow	Within 1 year	Over 1 year but within 5 years	Over 5 years
Trade and other payables	1,671,352	1,671,352	1,671,352	—	—
Borrowings	1,682,931	1,684,135	341,428	631,189	711,518
Bonds	680,601	682,500	70,000	165,000	447,500
Lease liabilities	103,977	103,977	22,055	52,582	29,339
Commercial paper	39,982	39,982	39,982	—	—
Derivatives	859	859	823	35	—
Total	4,179,704	4,182,807	2,145,642	848,807	1,188,357

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

As of March 31, 2024

(Millions of Yen)

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

As of March 31, 2025

(Millions of Yen)

Types of hedges	Derivative assets and liabilities	Notional amount		Carrying amount (Fair value) (Note)	
		Total	Settlement in excess of one year	Assets	Liabilities
Cash flow hedge	Foreign exchange forward contract	260,398	13,981	14,999	508
	Interest rate swap	450,000	150,000	4,058	—
	Currency swap	3,217	2,145	2,988	—
	Commodity derivative	2,725	485	1,090	235
Total		716,341	166,612	23,136	743

Note:

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

(ii) Derivative assets and liabilities not designated as hedges

(Millions of Yen)

	As of March 31, 2024		As of March 31, 2025	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contract	3	252	183	115
Interest swap	2,199	—	1,281	—
Currency swap	—	—	—	—
Total	2,202	252	1,464	115

(b) Changes in fair value of cash flow hedges

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

Year ended March 31, 2024

(Millions of Yen)

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

Year ended March 31, 2025

(Millions of Yen)

Risk classification	Changes in fair value of cash flow hedge recognized in the other comprehensive income	Amount transferred to profit or loss from other components of equity as a reclassification adjustment	The account in which the reclassification adjustment to profit or loss is recognized
Foreign currency risk	14,225	(2,378)	Other operating income / Other operating expenses
Interest rate risk	1,265	0	Finance income/Finance costs
Other	854	248	—
Total	16,345	(2,129)	

33. Related Parties

(1) Related party transactions

Details of significant transactions with related parties are as follows:

Year ended March 31, 2024

(Millions of Yen)

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

Note:

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

Year ended March 31, 2025

(Millions of Yen)

Category	Name	Description of transaction	Amount	Account	Outstanding balance
Joint venture	AMNS Luxembourg Holding S.A.	Loan guarantee (Note)	402,338	—	—

Note:

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

(2) Key management personnel compensation

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

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Salary	1,348	2,311

34. Commitments

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

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Contractual commitments related to acquisition of property, plant and equipment and intangible assets	797,794	789,279

35. Loan Guarantees

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

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Guarantees for the bank loans of joint ventures and associates	429,418	450,184

The above amounts comprise loan guarantees and also include arrangements that have similar characteristics to guarantees, such as guarantee commitment.

36. Subsequent Events

(a) Significant capital investment

With regard to its investment in "the conversion from the blast furnace steelmaking process to the electric arc furnace steelmaking process" ("the Investment"), on May 30, 2025, the Company was selected for the "2025-2029 Energy and Manufacturing Process Transformation Support Business (Business I (Steel))" based on the Green Transformation (GX) Promotion Act, and as such has made the decision to carry out the Investment.

(i) Purpose of capital investment

As announced in the "Nippon Steel Carbon Neutral Vision 2050" published in March 2021, the company aims to achieve carbon neutrality with the use of the three breakthrough technologies: "high-grade steel production in large-sized electric arc furnaces," "production of direct reduced iron using hydrogen," and "hydrogen injection into blast furnaces."

While ensuring the predictability of the GX investment recovery, the Company will push forward with the development and implementation of three breakthrough technologies and, in doing so, the Company aims to achieve carbon neutrality by the year 2050.

(ii) Outline of capital investment

11) Outline of capital investment

Places of Construction	Kyushu Works Yawata Area	Setouchi Works Hirohata Area	Yamaguchi Works (Shunan)	Total
Description of Investment	Construction of 1 new electric arc furnace	Expansion of 1 electric arc furnace	Modification and restart of 1 electric arc furnace	
	Ancillary/related equipment including that for high-grade steel manufacturing measures, logistics measures, power supply measures and downstream process energy measures			
Production Capacity	Approx. 2.0 million tons / year	Approx. 0.5 million tons/year	Approx. 0.4 million tons/year	Approx. 2.9 million tons/year
Amount of Investment	¥630.2 billion	¥140.0 billion	¥98.5 billion	¥868.7 billion
Government Support Amount (Maximum)	¥179.9 billion	¥42.8 billion	¥28.7 billion	¥251.4 billion
Commencement of Production	Fiscal 2029 2H	Fiscal 2029 2H	Fiscal 2028 2H	—

(b) Business combination through acquisition/ Merger between U.S. Subsidiary and U. S. Steel and Change in Specified Subsidiary

On December 18, 2023, Nippon Steel Corporation ("Nippon Steel" or the "Company") decided that a subsidiary of Nippon Steel North America, Inc. ("NSNA"), a wholly-owned subsidiary of the Company, will merge with United States Steel Corporation ("U. S. Steel"), an integrated blast furnace and electric arc furnace steel manufacturer in the United States (the "Merger"). The Company entered into a merger agreement with U. S. Steel in connection with the Merger, and entered into such merger agreement on the same day.

Subsequently on June 13, 2025, President Trump issued an Executive Order approving the Merger, subject to the execution of a National Security Agreement (the "NSA"). On the same day, Nippon Steel, NSNA, and U. S. Steel entered into the NSA with the U.S. Government. As a result, all necessary regulatory approvals required for the Merger have been obtained, and on June 18, 2025, the Merger was completed, with U. S. Steel becoming a consolidated subsidiary (specified subsidiary) of Nippon Steel.

The NSA provides that approximately US\$11 billion in new investments will be made by 2028, which includes the initial investment in a greenfield project that would be completed after 2028. The NSA also includes commitments related to governance (including a Golden Share to be issued to the U.S. Government), domestic production, and trade matters.

(i) Purpose of Share Acquisition, etc.

As the “Best Steelmaker with World-Leading Capabilities,” the Transaction will enable Nippon Steel to move toward 100 million tonnes of global crude steel capacity through expanding its integrated production framework and create value starting from iron/steel-making process in “districts and areas where demand is promisingly expected to grow” and in “sectors in which Nippon Steel’s technologies and products are appreciated.” In doing so, Nippon Steel’s basic strategy is to acquire integrated steel mills through acquisitions and capital participation (brownfield investment) and to expand the capacity of existing bases. Nippon Steel acquired Essar Steel (now AM/NS India) in India in December 2019 and G Steel and GJ Steel in Thailand in March 2022.

The U.S. steel industry is largely driven by domestic demand and U.S. steelmakers are not highly dependent on exports of products. In addition, it has been remarkable that there is a trend to bring operations back to the home U.S. market in downstream sectors such as energy and manufacturing, due to relatively low energy prices in the United States and structural changes in the world economy. Nippon Steel is confident that it can utilize its seasoned technologies and product lineup in the United States, since it expects high level of demand for high-grade steel in this largest market amongst developed countries as well as sustainable growth in domestic steel demand.

Nippon Steel believes that the Merger is a worthwhile investing since the Merger is not only consistent with Nippon Steel’s overseas business strategy but also would enable Nippon Steel to diversify its global footprint by securing integrated steel manufacturing capabilities in the United States, a developed country, adding to existing operational bases in ASEAN and India, where market volume and growth potential are significant. Nippon Steel intends to further enhance its enterprise value by developing and expanding in these three globally important operational bases.

Upon completion of the Merger, Nippon Steel group’s global crude steel production capacity will increase to approximately 86 million tonnes per year, making it further expanding its reach. Nippon Steel and U. S. Steel will move forward together as the “Best Steelmaker with World -Leading Capabilities,” providing across the globe products and services made by the technologies across both companies in high-grade steel including electrical steel and automotive steel to broadly contribute to customers and society.

Furthermore, Nippon Steel and U. S. Steel share a common goal of achieving carbon neutrality by 2050, and each company has made an effort in this field and developed technological edges. Nippon Steel aims to attain carbon neutrality through the development of great innovative technologies: “hydrogen injection into blast furnaces,” “high-grade steel production in large size electric arc furnaces” and “hydrogen direct reduction of iron.”

By combining the advanced technologies of both companies, Nippon Steel and U. S. Steel will together take steps towards achieving carbon neutrality by 2050 and contribute to building a sustainable society.

(ii) Name, Business Content, and Scale of the Acquired Company

- 1) Name: United States Steel Corporation
- 2) Location: 600 Grant Street, Pittsburgh, PA 15219-2800, U.S.A.
- 3) Name and Title of Representative: David B. Burritt, President and Chief Executive Officer
- 4) Common Stockholders Equity: US\$ 288 million (*)
- 5) Net assets: US\$ 11,440 million (*)
- 6) Total assets: US\$ 20,235 million (*)
- 7) Description of Business: Manufacturing and distribution of steel sheets for automotive, home appliances and building materials etc. and tubular for energy industry

(*) Information from U. S. Steel’s Annual Report on Form 10-K filed by U. S. Steel with the SEC on January 31, 2025.

(iii) Date of Stock Acquisition

June 18, 2025

(iv) Number of Shares Acquired, Acquisition Price, and Status of Shareholding owned before and after the Acquisition

1) Number of Shares Held before the Change	0 (Number of voting shares: 0) (Percentage of voting rights held: 0.0%)
2) Number of Shares Acquired	226,576,075 shares (Number of voting shares: 226,576,075 units) (Voting Rights Ownership Ratio: 100%)
3) Acquisition Value (*1)	Common shares of U. S. Steel: Approximately US\$ 142 million
4) Number of Shares Held after the Change (*2)	1 share (Number of voting share: 1 unit) (Voting Rights Ownership Ratio: 100%)

(*1) Acquisition value includes the full amount required to purchase all outstanding options, restricted stock units and other securities including convertible notes etc.

(*2) The Merger was implemented by way of a “reverse triangular merger,” in which a subsidiary of NSNA merged with U. S. Steel. More specifically, upon the Merger, the outstanding shares of U. S. Steel were converted into the right to receive the merger consideration (US\$55.00 per share) and were canceled. In addition, all shares of the subsidiary owned by NSNA were converted into common stock of U. S. Steel. As a result of the Merger, U. S. Steel became a wholly-owned subsidiary of Nippon Steel.

(v) Others

As of the date of this report, the accounting treatment for the business combination has not been completed. Accordingly, detailed information regarding the accounting treatment is not disclosed herein.

(c) Entering into a National Security Agreement with the U.S. Government

Nippon Steel Corporation (“Nippon Steel”), together with its wholly owned subsidiary Nippon Steel North America, Inc. and United States Steel Corporation (“U. S. Steel”) (collectively, the “Companies”) have entered into a National Security Agreement (“NSA”) with the U.S. Government on June 13, 2025, and U. S. Steel will issue a Golden Share to the U.S. Government.

Under the NSA, the U.S. Government and the Companies have agreed to measures to protect U.S. national security, including, among others, the following commitments by the Companies:

- Investment - Nippon Steel will make approximately US\$11 billion in new investments in U. S. Steel by 2028, which includes an initial investment in a greenfield project that will be completed after 2028;
- U.S. Headquarters - U. S. Steel will remain a U.S.-incorporated entity and will maintain its headquarters in Pittsburgh, Pennsylvania;
- U.S. Board - A majority of the members of U. S. Steel’s board of directors will be U.S. citizens;
- U.S. Management - U. S. Steel’s key management personnel, including its CEO, will be U.S. citizens;
- U.S. Production - U. S. Steel will maintain capacity to produce and supply steel from its U.S. production locations to meet market demand in the U.S.; and
- U. S. Steel Autonomous Trade - Nippon Steel will not prevent, prohibit, or otherwise interfere with U. S. Steel’s ability to pursue trade action under U.S. law

Pursuant to the NSA and through the ownership of the Golden Share, the U.S. Government will have certain rights, including, among others:

- The right to appoint one independent director; and
- Consent rights of the President of the United States, or his designee, on specific matters, including:
 - Reductions in the committed capital investments under the NSA;

- Changing U. S. Steel’s name and headquarters;
- Redomiciling U. S. Steel outside of the United States;
- Transfer of production or jobs outside of the United States;
- Material acquisitions of competing businesses in the United States; and
- Certain decisions on closure or idling of U. S. Steel’s existing U.S. manufacturing facilities, trade, labor, and sourcing outside of the United States.

This framework will enable Nippon Steel to secure management flexibility and profitability at U. S. Steel while protecting U.S. national security.

(d) Short-Term Borrowing Related to the Merger Between Our U.S. Subsidiary and United States Steel Corporation

On June 18, 2025, Nippon Steel Corporation entered into the following short-term borrowing to fund the payment of the merger consideration associated with the merger between its U.S. subsidiary and United States Steel Corporation:

- Borrowing Amount: Approximately JPY 2 trillion
- Interest Rate: Base rate plus spread
- Borrowing Period: Within one year

(e) The Transfer of Equity Interests in AM/NS Calvert LLC through the Transfer of Share in NS Kote, Inc.

As the merger between our U.S. subsidiary and United States Steel Corporation has been completed, Nippon Steel Corporation (“Nippon Steel”) transferred all shares of its wholly-owned subsidiary, NS Kote, Inc. (a holding company that owns all of our equity of AM/NS Calvert LLC, an equity method investee of Nippon Steel) to ArcelorMittal, S.A. (the “Share Transfer”) on June 18, 2025, pursuant to the share transfer agreement entered into on October 11, 2024.

As a result of the Share Transfer, Nippon Steel expects to record approximately JPY 230 billion as a loss on reorganization in its consolidated financial statements in the first quarter of fiscal 2025.

(Financial Information)

Principal Subsidiaries and Affiliates (As of March 31, 2025)

Company	Paid-in Capital (Millions of yen)	% of voting rights interest	Business Content
Steelmaking and Steel Fabrication (452 companies) Principal Consolidated Subsidiaries			
Sanyo Special Steel Co., Ltd.	53,800	92.3	Makes and markets special steel products
NIPPON STEEL TRADING CORPORATION	16,389	80.0	Marketing and import/export of steel, industrial supply and infrastructure, foodstuffs, textiles and others
NIPPON STEEL COATED SHEET CORPORATION	12,588	100.0	Makes and markets galvanized sheets, prepainted galvanized sheets, coated sheets, and construction materials
Osaka Steel Co., Ltd.	8,769	66.3 (0.4)	Makes and markets shapes, bars, flat steels and billets
NIPPON STEEL METAL PRODUCTS CO., LTD.	5,912	100.0	Makes and markets structural materials for buildings and civil engineering work, prepainted galvanized sheets, steelmaking fluxes, and CC powders
Krosaki Harima Corporation	5,537	46.6 (0.0)	Makes, markets and constructs refractories
NIPPON STEEL TEXENG. CO., LTD.	5,468	100.0	Conducts engineering, maintenance, and operations relating to machinery, electrical instrumentation, systems, and construction for steel-production and other facilities
NIPPON STEEL PIPE CO., LTD.	5,000	100.0	Makes, coats and markets steel pipes and tubes
NIPPON STEEL Stainless Steel Corporation	5,000	100.0	Makes and markets stainless steel
NIPPON STEEL LOGISTICS CO., LTD.	4,000	100.0	Undertakes ocean and land transportation and warehousing
NIPPON STEEL SG WIRE CO., LTD.	3,634	100.0	Makes and markets bars and wire rods
Geostr Corporation	3,352	44.1 (3.4)	Makes and markets concrete and metal products for civil engineering and building construction work
NIPPON STEEL WELDING & ENGINEERING Co., Ltd.	2,100	100.0	Makes and markets welding materials and apparatuses
NIPPON STEEL DRUM CO., LTD.	1,654	100.0	Makes and markets drums
NIPPON STEEL PROCESSING Co., LTD.	1,530	67.6 (4.5)	Makes, processes, and markets cold-heading wire, cold-finished bars, other secondary processed products using bars and wires, drawn steel tubes, and machine parts
NIPPON STEEL CEMENT CO., LTD.	1,500	85.0	Makes and markets cement
NIPPON STEEL FINANCE Co., Ltd.	1,000	100.0	Engages in the Group's financing operations
NIPPON STEEL STAINLESS STEEL PIPE CO., LTD.	916	100.0	Makes and markets stainless-steel pipes
NIPPON STEEL Eco-Tech Corporation	500	85.1 (10.1)	Designs, builds, operates, maintains, and manages water-treatment and other systems; designs civil-engineering projects; and performs environmental and chemical analysis
G Steel Public Company Limited	THB 144,643 million	60.2 (50.0)	Makes and markets hot-rolled steel sheets
G J Steel Public Company Limited	THB 24,467 million	57.6 (49.9)	Makes and markets hot-rolled steel sheets
NS-Siam United Steel Co., Ltd.	THB 13,007 million	95.2 (0.3)	Makes and markets cold-rolled sheets, galvanized sheets and tinplate sheets
NIPPON STEEL PIPE (THAILAND) CO., LTD.	THB 8,336 million	100.0 (100.0)	Makes, coats and markets steel pipes and tubes
PT KRAKATAU NIPPON STEEL SYNERGY	USD186 million	80.0	Makes and markets cold-rolled sheets and galvanized sheets
Standard Steel, LLC	USD77 million	100.0 (100.0)	Makes and markets railway wheels and axles
WHEELING—NIPPON STEEL, INC.	USD71 million	100.0 (100.0)	Makes and markets galvanized sheets
PT. PELAT TIMAH NUSANTARA TBK.	USD26 million	40.0 (5.0)	Makes and markets tinplate
NIPPON STEEL Processing (Thailand) Co., Ltd.	THB571 million	70.1 (11.2)	Makes and markets cold-heading wire and cold-finished bars
NIPPON STEEL PIPE AMERICA, INC.	USD10 million	80.0 (80.0)	Makes and markets steel pipes and tubes

Company	Paid-in Capital (Millions of yen)	% of voting rights interest	Business Content
Steelmaking and Steel Fabrication (452 companies) Principal Affiliates Accounted for by the Equity Method			
Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS	BRL13,200 million	22.2	Makes and markets steel products
WISCO-NIPPON STEEL Tinplate Co., Ltd.	RMB2,310 million	50.0	Makes and markets tinplate and tinplate sheets
AMNS Luxembourg Holding S.A.	USD229 million	40.0	A holding company of ArcelorMittal Nippon Steel India Limited
Jamshedpur Continuous Annealing & Processing Company Pvt. Ltd.	INR14,320 million	49.0	Makes and markets automotive cold-rolled steel sheets
UNIGAL Ltda.	BRL584 million	30.0 (0.8)	Makes galvanized sheets

Engineering and Construction (34 companies) Principal Consolidated Subsidiaries			
NIPPON STEEL ENGINEERING CO., LTD.	15,000	100.0	Design, manufacture, sale, construction and supervision of various plants and facilities, energy pipelines, water facilities, industrial machinery and equipment, buildings, building materials and equipment, steel structures, etc.; operation, management and maintenance of plants and facilities, etc.; Waste treatment and recycling business; and supply business of electricity, gas, heat, etc.

Chemicals and Materials (19 companies) Principal Consolidated Subsidiaries			
NIPPON STEEL Chemical & Material CO., LTD.	5,000	100.0	Makes and markets coal-based chemical products, petrochemicals, electronic materials, materials and components for semiconductors and electronic parts, carbon fiber and composite products, and products that utilize technologies for metal processing

System Solutions (23 companies) Principal Consolidated Subsidiaries			
NS Solutions Corporation	12,952	63.4	Provides computer systems engineering and consulting services; IT-enabled outsourcing and other services

Other (1 company)			
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Notes:

1. Total consolidated subsidiaries: 419 companies
2. Total equity-method affiliates (consisting of associates, joint ventures accounted for by the equity method and joint operations): 110 companies
3. Voting rights ratio in parentheses stands for indirect voting rights ratio (%) and is included in voting rights ratio as the Group.

(Other Information)

Audit fees

Compensation for certified public accountants, etc. conducting audits

Category	Year ended March 31, 2024		Year ended March 31, 2025	
	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)
Reporting company	171	—	175	26
Consolidated subsidiaries	1,000	2	981	2
Total	1,171	2	1,156	29

The Company and its consolidated subsidiaries have engaged the Accounting Auditor to perform non-audit services, including advisory services related to sustainability disclosures, and has paid compensation for such services.

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

Category	Year ended March 31, 2024		Year ended March 31, 2025	
	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)
Reporting company	—	52	—	33
Consolidated subsidiaries	490	195	547	224
Total	490	248	547	257

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



Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of NIPPON STEEL CORPORATION (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the Consolidated Statements of Financial Position as at March 31, 2025, and the Consolidated Statements of Profit or Loss, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash-Flows for the year then ended, and Notes, comprising Material Accounting Policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 36, “Subsequent Events,” to the consolidated financial statements. United States Steel Corporation became a consolidated subsidiary of the Company on June 18, 2025. Furthermore, the Company entered into the short-term borrowing to fund the payment of the merger consideration associated with the merger between its U.S. subsidiary and United States Steel Corporation. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on non-financial assets used in the Steelmaking and Steel Fabrication segment

The key audit matter	How the matter was addressed in our audit
<p>In the consolidated statement of financial position of the Company at the end of the current fiscal year, property, plant and equipment of ¥3,635,585 million and intangible assets of ¥263,231 million were recognized, most of which were used in the Steelmaking and Steel Fabrication segment.</p> <p>As described in Note 3, "Material Accounting Policies, (10) Impairment of non-financial assets" to the consolidated financial statements, the Group assesses whether there is any indication of impairment on each asset or cash-generating unit ("CGU") to which the asset belongs at the end of each reporting period. Impairment indications include significantly worse actual net cash flows or the operating profit or loss flowing from the asset than those budgeted, an operating losses or net cash outflows for the asset, the asset becoming idle and the plans to discontinue or restructure the operation to which the asset belongs. When there is any impairment indication, the recoverable amount of the CGU is estimated. If the recoverable amount of CGU is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized.</p> <p>The balance of property, plant and equipment and intangible assets used in the Steelmaking and Steel Fabrication segment is material. In addition, determination as to whether there is any impairment indication involves management judgment, because such determination is made based on information available from internal and external sources at the timing when they are practically available in normal business activities. Furthermore, when there is an indication of impairment of any non-financial assets and an impairment loss is recognized as a result, the amount of the impairment loss might be material,</p>	<p>The primary procedures we performed to assess the appropriateness of the Company's judgment with respect to whether an impairment loss should be recognized on non-financial assets used in the Steelmaking and Steel Fabrication segment included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to determining whether an impairment loss on property, plant and equipment and intangible assets should be recognized.</p> <p>(2) Assessment of the appropriateness of the judgment concerning the identification of an impairment indication</p> <p>To assess the appropriateness of Company's judgment concerning the identification of an impairment indication, among others, we:</p> <ul style="list-style-type: none"> assessed the consistency between the policies on identification of CGUs adopted by management and the units for management accounting purposes used for reporting to management; assessed the accuracy of index used for identifying impairment indication, which were calculated based on operating profits or losses related to the CGUs, by performing the trend analysis and assessing consistency between such index and related materials; and evaluated the appropriateness of the judgment concerning the identification of an impairment indication by inspecting related minutes of meetings and explanatory materials and by inquiring of management and personnel in related departments regarding the existence of assets that became idle and the plans to

considering the amount of the balance of the non-financial assets.

We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on non-financial assets used in the Steelmaking and Steel Fabrication segment was a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

discontinue or restructure the operation to which the asset belongs.

Other Information

The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Fee-related Information

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

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

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

Yutaka Terasawa

Designated Engagement Partner

Certified Public Accountant

Makoto Yamada

Designated Engagement Partner

Certified Public Accountant

Takahiro Toyama

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 24, 2025

Notes to the Reader of Independent Auditor's Report:

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