

IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER
(1) QIBS (AS DEFINED BELOW) UNDER RULE 144A OR
(2) NON-U.S. PERSONS WITHIN THE MEANING OF REGULATION S**

**IF YOU DO NOT AGREE TO THE TERMS AND CONDITIONS CONTAINED IN THIS
NOTICE YOU SHOULD NOT READ THE ATTACHED OFFERING
MEMORANDUM AND SHOULD DELETE THIS ELECTRONIC TRANSMISSION**

IMPORTANT: You must read the following before continuing. The following applies to the attached offering memorandum (the “Offering Memorandum”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. **You acknowledge that this electronic transmission and the delivery of the attached Offering Memorandum is confidential and intended for you only and you agree you will not forward this electronic transmission or the attached Offering Memorandum to any other person.**

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers (“QIBs”) (within the meaning of Rule 144A under the U.S. Securities Act) or (2) non-U.S. persons (within the meaning of Regulation S under the U.S. Securities Act). By accessing the Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs, or (b) non-U.S. persons outside the United States (and the electronic mail address that you gave us and to which the Offering Memorandum has been delivered is not located in the United States) or otherwise eligible under Regulation S and (2) you consent to delivery of the Offering Memorandum by electronic transmission.

Further, the attached Offering Memorandum is for distribution only to persons in member states of the European Economic Area (“EEA”) who are qualified investors within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (“**Qualified Investors**”). In addition, in the United Kingdom (“UK”), the Offering Memorandum is being distributed only to, and is directed only at, “qualified investors” as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024, and are also persons who: (i) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Order**”), (ii) are persons falling within Article 49(2)(a) to (d) of the Order (“high net worth companies, unincorporated associations etc.”), or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 in connection with the issue or sale of any securities) may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**Relevant Persons**”). The Offering Memorandum must not be acted on or relied on (i) in the EEA, by persons who are not Qualified Investors, and (ii) in the UK, by persons who are not Relevant Persons. Any investment or investment activity to which the Offering

Memorandum relates is available only to (i) in the EEA, Qualified Investors, and (ii) in the United Kingdom, Relevant Persons, and will be engaged in only with such persons.

No PRIIPs Key Information Document required by Regulation (EU) No 1286/2014 or Consumer Composite Investments disclosure document required by the Financial Conduct Authority Product Disclosure Sourcebook has been prepared as the securities are not available to retail in the EEA or UK.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer or guarantor in such jurisdiction.

The Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the issuer, the guarantor, the initial purchasers nor any person who controls any of them, nor any director, officer, employee or agent of any of them, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



United States Steel  **NIPPON STEEL**

United States Steel Corporation

\$700,000,000 5.200% Guaranteed Senior Notes due 2031

\$500,000,000 5.700% Guaranteed Senior Notes due 2036

**Fully and Unconditionally Guaranteed by
NIPPON STEEL CORPORATION**

United States Steel Corporation, a Delaware corporation (“U. S. Steel” or the “Issuer”), proposes to issue the above-listed notes pursuant to an indenture, to be dated on or around July 14, 2026, as supplemented by the supplemental indenture thereto, to be dated on or around July 14, 2026 (the “Indenture”). The Guaranteed Senior Notes due 2031 are referred to herein as the “5-Year Notes.” The Guaranteed Senior Notes due 2036 are referred to herein as the “10-Year Notes,” and, together with the 5-Year Notes, are collectively referred to herein as the “Notes.” Each series of the Notes will bear interest at the applicable fixed rate listed above in the manner described herein. The Issuer will pay interest on each series of the Notes semi-annually in arrears on February 1 and August 1 of each year, beginning on February 1, 2027 (long first coupon).

Each series of the Notes will be the Issuer’s direct, unsecured, and unsubordinated general obligations and will have the same rank in liquidation as all of its other current and future unsecured and unsubordinated obligations. Payment of the principal of and interest on the Notes is fully and unconditionally guaranteed (the “Guarantee”) by NIPPON STEEL CORPORATION (the “Guarantor”). The Guarantee will be the direct, unsecured and unsubordinated general obligation of the Guarantor and will have the same rank in liquidation as all of Nippon Steel’s other current and future unsecured and unsubordinated obligations.

The Issuer may redeem a series of the Notes, in whole or in part, at any time prior to the applicable Par Call Date (as defined herein) at the applicable make-whole price determined in the manner described herein. The Issuer may also redeem some or all of each series of the Notes, in whole or in part, at any time on or after the applicable Par Call Date at a price equal to 100% of the respective principal amounts being redeemed plus accrued and unpaid interest to, but excluding, the date of redemption. See “Description of the Notes and the Guarantee—Optional Redemption.” In addition, the Issuer may, at its option, redeem a series of the Notes in whole, but not in part, upon the occurrence of certain changes in United States or Japanese tax law. See “Description of the Notes and the Guarantee—Optional Tax Redemption.” The Notes will not otherwise be redeemable prior to the stated maturity and will not be subject to any sinking fund. If a Change of Control Repurchase Event as described under “Description of the Notes and the Guarantee—Change of Control Offer” occurs, the Issuer may be required to offer to purchase the notes from the holders.

The Notes will be issued only in registered form in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess hereof.

Approval in-principle has been received for the listing of the Notes on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed, or reports contained in this offering memorandum. Approval in-principle for the listing of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries and associated companies or the Notes.

The notes will be represented by one or more global notes deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company (“DTC”), as depository. Beneficial interests in the notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”).

INVESTING IN THE NOTES INVOLVES RISKS. SEE “RISK FACTORS” BEGINNING ON PAGE 19.

Offer Price:

99.935% plus accrued interest, if any, for the 5-Year Notes

99.686% plus accrued interest, if any, for the 10-Year Notes

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other place. The Notes are subject to limitations on transfer and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes may be offered and sold only: (1) to a person who is reasonably believed to be a qualified institutional buyer (a “Qualified Institutional Buyer”) (as defined in Rule 144A under the Securities Act), purchasing for its own account or the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or (2) in offshore transactions to persons other than U.S. persons in reliance on Regulation S under the Securities Act, and in each case, in accordance with any other applicable law. Prospective purchasers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on resales and transfers, see “Transfer Restrictions” and “Plan of Distribution.”

The initial purchasers expect to deliver the Notes to purchasers on or about July 14, 2026 only in book-entry form through the facilities of DTC and its participants, including Euroclear and Clearstream.

Joint Global Coordinators and Joint Bookrunners

BofA Securities

SMBC NIKKO

Joint Bookrunners

Goldman Sachs & Co. LLC
PNC Capital Markets LLC **Citigroup**

Mizuho
J.P. Morgan

Morgan Stanley
Truist Securities

Barclays
ING

Co-Managers

BMO Capital Markets

Citizens Capital Markets

Fifth Third Securities

Huntington Capital Markets

US Bancorp

The date of this offering memorandum is July 7, 2026.

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

This offering memorandum is confidential. This offering memorandum has been prepared by Nippon Steel solely for use in connection with the proposed offering of the securities described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. You are authorized to use this offering memorandum solely for the purpose of considering the purchase of the Notes. Distribution of this offering memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without Nippon Steel's prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE GUARANTOR AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE ANYTHING IN THIS OFFERING MEMORANDUM AS LEGAL, BUSINESS OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ADVISORS AS NEEDED TO MAKE ITS INVESTMENT DECISION AND TO DETERMINE WHETHER IT IS LEGALLY PERMITTED TO PURCHASE THE NOTES UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

The Issuer and the Guarantor have furnished the information in this offering memorandum. You acknowledge and agree that the initial purchasers, The Bank of New York Mellon Trust Company, N.A. (the "Trustee") or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates or any person who controls any of them or any of their respective affiliates make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers, the Trustee or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates or any person who controls any of them or any of their respective affiliates. This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference.

None of the Issuer, the Guarantor nor any of the initial purchasers, the Trustee or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates or any person who controls any of them or any of their respective affiliates has authorized anyone to provide you with any other information nor do they take any responsibility for other information others may give you.

Each prospective investor who places an order for the Notes consents to the disclosure by the initial purchasers to the Issuer and the Guarantor of the prospective investor's identity, the details of such order and the actual amount of Notes subscribed, if any.

The distribution of this offering memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Nippon Steel and the initial purchasers require persons into whose possession this offering memorandum comes to inform themselves about and to observe any such restrictions. This offering memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or sale would be unlawful.

Notice to Prospective Investors in the United States

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

The Notes have not been and will not be registered under the Securities Act, or with any securities authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Notes are being offered:

- in the United States to persons reasonably believed to be Qualified Institutional Buyers in reliance on the exemption from registration requirements provided by Rule 144A under the Securities Act; or

- in offshore transactions to persons other than U.S. persons in reliance on Regulation S under the Securities Act.

You are hereby notified that sellers of the Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Notice to Prospective Investors in the European Economic Area

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “EUWA”). Consequently, no disclosure document required by the FCA Product Disclosure Sourcebook (“DISC”) for offering, selling or distributing the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

This offering memorandum is being distributed only to, and is directed only at (i) persons who have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”), (ii) persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Order, (iii) persons outside the UK, or (iv) any other persons to whom it may otherwise lawfully be distributed (such persons together are referred to as “Relevant Persons”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the UK. This offering memorandum must not be acted on or relied on in the UK by persons who are not Relevant Persons. In the UK, any investment or investment activity to which this offering memorandum relates are only available to, and will be engaged in with, Relevant Persons only.

Notice to Prospective Investors in Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (“MAS”). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

- to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; or
- to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notice Concerning Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”), and may not be offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a person resident in Japan for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan.

AVAILABLE INFORMATION

The Issuer and the Guarantor have agreed that so long as any of the Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Exchange Act of 1934 (the “Exchange Act”), as amended, the Issuer and the Guarantor will, at any time it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b), furnish, upon written request, to holders of the Notes, any owner of any beneficial interest in the Notes or any prospective purchaser designated by such a holder or such an owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

LISTING ON THE SGX-ST

Approval in-principle has been received for the listing of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle for the listing of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries and associated companies or the Notes. Currently, there is no public market for the Notes.

The Notes will be traded on the SGX-ST in a minimum board lot size of \$200,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Notes (as defined below) are exchanged for Definitive Notes (as defined below). In addition, in the event that any of the Global Notes are exchanged for Definitive Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of Definitive Notes, including details of the paying agent in Singapore.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless the context otherwise requires or unless otherwise indicated:

- references herein to the “Guarantor” or “Nippon Steel Corporation” refer to NIPPON STEEL CORPORATION, and references to “Nippon Steel”, “Nippon Steel Group” and “NSC” refer to NIPPON STEEL CORPORATION, its subsidiaries and affiliates, as the context may require;
- references herein to the “Issuer” or “U. S. Steel” refer to United States Steel Corporation, and references to “USS” refers to United States Steel Corporation, its subsidiaries and affiliates, as the context may require;
- references herein to the “U. S. Steel Transaction” refer to the transactions contemplated under the Agreement and Plan of Merger, dated as of December 18, 2023, among Nippon Steel Corporation, its wholly-owned subsidiaries, NIPPON STEEL NORTH AMERICA, INC. (“Nippon Steel North America”) and 2023 Merger Subsidiary, Inc., and U. S. Steel, which closed on June 18, 2025 and pursuant to which all of the then-outstanding shares of U. S. Steel were cancelled. In addition, all shares of 2023 Merger Subsidiary, Inc., which was established for the purpose of the U. S. Steel Transaction and is wholly owned by Nippon Steel North America, were converted into common stock of U. S. Steel. As a result of these transactions, U. S. Steel became Nippon Steel Corporation’s consolidated subsidiary;
- references herein to the “NSA” are to the National Security Agreement among Nippon Steel Corporation, Nippon Steel North America, U. S. Steel and the U.S. Government, represented by the U.S. Department of the Treasury and the U.S. Department of Commerce, dated June 13, 2025;
- references herein to “¥” or “yen” are to the lawful currency of Japan;
- references herein to “\$” or “dollar” are to the lawful currency of the United States;
- references herein to “C\$” are to the lawful currency of Canada; and
- references to Nippon Steel’s vision of achieving 100 million tons in annual global crude steel production capacity in the long-term are based on the combined production capacity of the Nippon Steel Corporation and companies in which it has a 30% or greater stake.

Where information herein is presented in thousands, millions or billions of a given currency, amounts of less than one thousand, one million or one billion, as the case may be, have been truncated unless otherwise specified. Where information herein is presented as percentages or tenths of one percent, amounts less than one tenth of one percent or one hundredth of one percent, as the case may be, have been rounded unless otherwise specified. Accordingly, the totals of columns of figures presented in tables herein may not be equal to the totals of the individual items. Where Nippon Steel presents information on pricing for its services and products, unless otherwise specified, such pricing is presented prior to consumption or other taxes.

Nippon Steel Corporation’s fiscal year ends on March 31 of each year. Nippon Steel Corporation’s audited consolidated financial statements included elsewhere herein have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. IFRS differs from accounting principles generally accepted in Japan (“Japanese GAAP”) and other jurisdictions, including the United States of America (“U.S. GAAP”) and elsewhere. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and accounting principles generally accepted in other jurisdictions, and an understanding of how those differences might affect the financial information presented herein.

Except as otherwise indicated, all financial information with respect to Nippon Steel presented in this offering memorandum is presented on a consolidated basis.

Financial and Other Information of U. S. Steel

U. S. Steel's fiscal year ends on December 31 of each year. Financial information of U. S. Steel included herein has, except as otherwise noted, been derived from its relevant consolidated financial statements, which are not included herein. The consolidated financial statements of U. S. Steel have been prepared in accordance with U.S. GAAP, which differs from IFRS, which is used for the preparation of Nippon Steel's consolidated financial statements. Accordingly, the consolidated financial statements of U. S. Steel, and information derived therefrom and presented herein, are not directly comparable with Nippon Steel's consolidated financial statements or financial information.

Certain financial and operational information compiled and published by U. S. Steel and included herein dates from prior to the timing of the acquisition by Nippon Steel. The methodology used to create such data may differ from that used by Nippon Steel to create the data with respect to its business.

MARKET AND INDUSTRY DATA

Nippon Steel and U. S. Steel rely on and refer herein to statistical and other information regarding their respective business and the markets in which they operate and compete. The market data and certain economic and industry data and forecasts used herein were generally obtained from market research, governmental and other publicly available information, industry publications and reports prepared by industry consultants. Industry publications and other third-party surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. In addition, information concerning the potential economic impact and jobs to be created as a result of the proposed construction of a new hot strip mill at U. S. Steel's Edgar Thomson facility as discussed under "Summary—United States Steel Corporation" and "Business—United States Steel Corporation" has been derived from the report titled "Mon Valley Works Hot Strip Mill: Pennsylvania Economic Impact Analysis," dated June 2026, prepared by Parker Strategy Group. The Parker Strategy Group report was commissioned by U. S. Steel and the primary financial data and assumptions used by Parker Strategy Group were provided by U. S. Steel. The analysis by Parker Strategy Group is subject to certain assumptions and the conclusions presented in the report have not been verified by U. S. Steel, Nippon Steel or their respective affiliates.

While Nippon Steel and U. S. Steel believe the third-party information included herein is reliable, they have not independently verified such third-party information and do not make any representation or warranty as to the accuracy or completeness of such information as set forth herein. Where information has been sourced from a third party, Nippon Steel and U. S. Steel confirm that the information has been accurately reproduced and, so far as they are aware and able to ascertain from information published by those third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used, the source of such information has been identified wherever it appears herein.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements appear in a number of places in this offering memorandum and include statements regarding the intent, belief or current expectations of Nippon Steel's management with respect to Nippon Steel's business, results of operations and financial condition. In many cases, but not all, Nippon Steel uses such words as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "intend," "may," "outlook," "plan," "potential," "predict," "probability," "project," "risk," "seek," "should," "target," "will," "would," and similar expressions in relation to Nippon Steel or its management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect Nippon Steel's current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, Nippon Steel's actual results may vary materially from those it currently anticipates.

Forward-looking statements represent Nippon Steel's estimates and assumptions only as of the date that they were made. Nippon Steel does not undertake any duty to update the forward-looking statements, or the estimates and assumptions associated with them, after the date of this offering memorandum, except to the extent required by law. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under the captions "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and elsewhere in this offering memorandum that might cause the

forward-looking statements not to be realized. These factors may not be exhaustive as Nippon Steel operates in a continually changing business environment with new risks emerging from time to time that it is unable to predict or that it currently does not expect to have a material adverse effect on its business. You should carefully read this offering memorandum in its entirety as it contains important information about Nippon Steel's business and the risks it faces.

ENFORCEMENT OF CIVIL LIABILITIES

Nippon Steel Corporation is a joint stock corporation (*kabushiki kaisha*) established under the laws of Japan. Most of its directors and executive officers reside outside the United States, and the substantial majority of its assets and the assets of such persons are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States or elsewhere outside of Japan upon Nippon Steel Corporation or such persons, or to enforce against Nippon Steel Corporation or such persons judgments obtained in U.S. courts or elsewhere, whether or not predicated upon the civil liability provisions of U.S. federal securities or other of the United States or any state thereof. Nippon Steel Corporation's Japanese counsel, Nishimura & Asahi (Gaikokuho Kyodo Jigyo) has advised it that in original actions or in actions for enforcement of judgments of U.S. courts brought before Japanese courts there is general doubt as to the enforceability of liabilities predicated solely upon U.S. federal or state securities laws.

SUMMARY

The following summary is qualified in its entirety by, is subject to and should be read together with the more detailed information, including “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the consolidated financial statements and related notes thereto contained elsewhere herein.

Nippon Steel

Nippon Steel is Japan’s largest steelmaker, with a crude steel production volume of approximately 58 million tons in 2025 (including Nippon Steel Corporation, U. S. Steel, Sanyo Special Steel Co., Ltd. (“Sanyo Special Steel”), Ovako and the amounts attributable to Nippon Steel’s equity investments in AM/NS India and Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS (“USIMINAS”)), and now, with the acquisition of U. S. Steel, the world’s third largest steelmaker, after China Baowu Steel Group Corporation Limited and ArcelorMittal, according to the data published by the World Steel Association.

In Japan, Nippon Steel has seven steelworks: North Nippon Works, East Nippon Works, Nagoya Works, Kansai Works, Setouchi Works, Yamaguchi Works and Kyushu Works. These steelworks, which Nippon Steel calls “mother mills,” are at the forefront of Nippon Steel’s product development, product technology, and operation and equipment technology. With Nippon Steel’s optimized production system, it produces and supplies high-performance, high-quality steel products tailored to customer needs while maintaining and strengthening relationships with customers nationwide. Based on Nippon Steel’s extensive production base and diverse manufacturing technologies, Nippon Steel has built deep relationships with Japanese manufacturers and have contributed over a long period of time to the development of major industries such as automotive, electrical and mechanical equipment, shipbuilding, and construction and civil engineering.

Globally, Nippon Steel operates its business in a wide range of regions—including Asia (such as India and the ASEAN countries), the United States and Europe—through subsidiaries, joint ventures, and other strategic investments. Nippon Steel seeks to apply its strengths to support its global growth strategy by transferring its advanced technologies and know-how in areas such as manufacturing technologies, facility technologies, product solution technologies, integrated quality management and integrated process management to its key strategic basis in tandem with capital investments, as well as allocating human resources to overseas operations while promoting operational reform and streamlining in Japan. For example, in the United States, on June 18, 2025, Nippon Steel Corporation finalized its historic partnership with U. S. Steel, completing the U. S. Steel Transaction and making U. S. Steel its consolidated subsidiary. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—U. S. Steel Transaction.” Through this partnership, Nippon Steel seeks to supply steel products tailored to U.S. customers’ needs by investing in and sharing its technologies with U. S. Steel, helping it capture demand in the United States, which is the largest steel market among the developed countries and where it expects that demand, especially for high-grade steel, will continue to grow. Moving forward, Nippon Steel will seek to capture growing steel demand in India and promote capacity expansion aimed at increasing the sophistication of products it provides in India, as well as aim to expand market share in Thailand by strengthening supply chains, including upstream processes, while competing against imports from China. Through these initiatives, in the long-term, Nippon Steel Group seeks to achieve 100 million tons of global crude steel production capacity.

In the fiscal year ended March 31, 2025, Nippon Steel recorded consolidated revenue of ¥8,695,526 million and business profit of ¥683,237 million, due primarily to the successful implementation of the various structural and profit improvement measures, which formed a foundation that enables Nippon Steel to secure stable profits as compared to other major steel manufacturers, despite an increasingly difficult operating environment characterized by sluggish global demand, deteriorating overseas market conditions and lower spread. In the fiscal year ended March 31, 2026, Nippon Steel recorded consolidated revenue of ¥10,063,216 million and business profit of ¥514,128 million, due primarily to continued push for implementations of structural and profit improvement initiatives, despite deteriorating business environment marked by sluggish demand in the Japanese and overseas manufacturing and construction industries and a widening supply/demand gap caused by the slowdown of the Chinese economy and excess production driving increases in low-priced steel exports.

United States Steel Corporation

The issuer in this offering is U. S. Steel. Founded in 1901 and headquartered in Pittsburgh, Pennsylvania, U. S. Steel is a leading supplier of value-added steel products to the automotive, construction, consumer (packaging and appliance), electrical, industrial equipment, service center and distribution, structural tubing and energy markets in the United States. U. S. Steel operates a vertically integrated steelmaking platform across North America, supported by iron ore mining, pellet production, blast furnace and electric arc furnace (“EAF”) facilities and downstream finishing assets.

Over the past decade, U. S. Steel has undertaken a significant transformation of its operating footprint. From 2016 through 2018, it sought to optimize its legacy footprint through asset revitalization, eliminating uncompetitive assets, streamlining its steelmaking processes and investing in its remaining cost/capability advantages, delivering improved quality and reliability. From 2019 to 2021, it combined blast furnace and EAF steelmaking through the acquisition of Big River Steel and further divested non-core assets and committed to deleverage of its balance sheet. From 2022 through 2025, it focused on delivering profitable solutions and rewarding its shareholders, implementing an advanced metallics strategy that included the commissioning of its Gary, Indiana pig iron machine, as well as the achievement of the first coil at the Big River 2 site, and creating best-in-class finishing capabilities. As a result, U. S. Steel has repositioned itself as a fully integrated pure-play steel producer in the United States with both traditional blast furnace and EAF steelmaking capabilities. This hybrid operating model provides flexibility in production, access to multiple metallics sources and enhanced resilience throughout steel industry cycles.

In June 2025, U. S. Steel became a wholly owned subsidiary of Nippon Steel, Japan’s largest steelmaker and one of the largest steel producers globally. As part of the transaction, Nippon Steel committed to significant long-term investment in U. S. Steel’s operations and has provided financial support through capital contributions, guarantees and other financing arrangements. U. S. Steel also issued a Golden Share to the U.S. Government, and entered into an NSA with the U.S. Government, Nippon Steel and Nippon Steel North America that includes commitments relating to domestic investment, production capacity, corporate governance and the continued operation of key U.S. manufacturing facilities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—U. S. Steel Transaction.” The terms of the NSA and the Golden Share issued to the U.S. Government pursuant thereto are described in more detail under “Risk Factors—Nippon Steel is subject to risks relating to its partnership with U. S. Steel.”

U. S. Steel operates through four principal business segments: North American Flat-Rolled, Mini Mill, U. S. Steel Europe and Tubular Products. For the year ended December 31, 2025, U. S. Steel shipped approximately 15.3 million net tons of steel products, with 7.8 million tons in its North American Flat-Rolled segment, 3.7 million tons in its Mini Mill segment, 3.2 million tons in its U. S. Steel Europe segment and 0.5 million tons in its Tubular Products segment. For purposes of its consolidated financial statements, U. S. Steel measures segment performance primarily on the basis of segment level earnings (loss) before interest, taxes, depreciation and amortization (EBITDA). During the fiscal year ended December 31, 2025, EBITDA of U. S. Steel’s segments was as follows: North American Flat-Rolled: \$606 million; Mini Mill: \$301 million; U. S. Steel Europe: \$156 million; and Tubular Products: \$89 million. Outside of its principal business segments, U. S. Steel recorded \$7 million of loss before interest, taxes and depreciation and amortization during the same period, for a total of \$1,145 million of segment EBITDA enterprise wide.

In partnership with Nippon Steel, U. S. Steel is currently executing a multi-year growth strategy focused on strengthening vertical integration, expanding higher-value product capabilities and improving operating performance. As part of its partnership with U. S. Steel, Nippon Steel has committed to capital investments in U. S. Steel totaling approximately \$11.0 billion through 2028, of which approximately \$3.7 billion have been approved and are in progress as of the date of this offering memorandum, including:

- Hot Strip Mill Upgrade at Gary Works (approximately \$0.23 billion expected capital expenditures): Upgrade the hot strip mill to enable production of premium steel meeting American Petroleum Institute standards (“API steel”) and advanced high-strength steel (“AHSS”) products while reducing alloy intensity and manufacturing costs.
- Blast Furnace #14 Reline at Gary Works (approximately \$0.35 billion expected capital expenditures): Extend the operating life of Blast Furnace #14 and sustain long-term hot metal production capacity at the facility.

- Slag Recycle Investment at Edgar Thomson Works (approximately \$0.09 billion expected capital expenditures): Convert low-value slag byproduct into contracted, higher-margin granulated slag product, enhancing profitability and resource utilization.
- Premium Thread Line Investment in Tubular Products Operations (approximately \$0.07 billion expected capital expenditures): Internalize premium threading volumes with the goal to reduce third-party processing and logistics costs while improving operating margins.
- Direct Reduced Iron (“DRI”) Facility at Big River Steel (approximately \$1.88 billion expected capital expenditures): Secure a reliable metallics supply source, strengthen vertical integration and improve margins through upstream synergies, enhanced product quality and greater operating flexibility.
- Quench and Temper Line in Tubular Products Operations (approximately \$0.48 billion expected capital expenditures): Internalize processing capabilities and increase exposure to anticipated growth in demand for seamless oil country tubular goods.

In addition to the above, U. S. Steel is evaluating construction of a new state-of-the-art hot strip mill at its Edgar Thomson facility in Braddock, Pennsylvania, representing potential capital expenditures of approximately \$2.0 billion to \$2.5 billion. The project would replace the existing 87-year-old hot strip mill at the nearby Irvin Plant and seeks to improve yields, reduce energy consumption, enhance product quality and expand the range of high-value steel products that U. S. Steel’s Mon Valley Works can supply, particularly for automotive and other premium end markets. Through this project, U. S. Steel also seeks to strengthen the facility’s cost competitiveness while generating up to \$1.7 billion of economic impact in Pennsylvania and supporting up to 6,381 jobs as a result of the project. This estimated economic impact and number of jobs created are based on a report titled “Mon Valley Works Hot Strip Mill: Pennsylvania Economic Impact Analysis,” dated June 2026 and published by Parker Strategy Group. This report was based on data and certain assumptions provided by U. S. Steel. The estimates of economic impact in Pennsylvania and additional jobs created are based on a \$2.5 billion capital expenditure scenario and include direct (impacts of proposed spending), indirect (impacts arising from increase in demand for goods and services for sectors that would supply or support the proposed investment) and induced (impacts created by household spending by construction employees and employees of suppliers) impacts.

Nippon Steel’s Vision: Aim to Become the Best Steelmaker with World-leading Capabilities

In December 2025, Nippon Steel announced its 2030 Medium- to Long-term Management Plan, which sets forth its corporate vision of being “The Best Steelmaker with World-Leading Capabilities, contributing to the realization of a sustainable and prosperous society through the creation of customer value.” The 2030 Medium- to Long-term Management Plan details its strategies. In its domestic businesses, Nippon Steel will seek to enhance profitability through further strengthening of its earnings base, thorough pursuit of cost competitiveness, the development of comprehensive solutions and seeking to maximize the Group’s comprehensive strength. In its overseas businesses, Nippon Steel will seek to drive significant profit growth through the execution of its global growth strategy, strengthening integrated steel production in the four key regions of the United States, Europe, India and Thailand, while also using the intensive allocation of human resources overseas to create new business opportunities including group companies. During the period of the plan, Nippon Steel will seek to cycle human resources and technology between its domestic and overseas businesses in a virtuous cycle. Across its businesses, Nippon Steel will seek to strengthen its management foundation by promoting the development of cutting-edge technologies, advancing operational reform and streamlining, and enhancing its human resource competitiveness. Based on this vision, in the long-term, Nippon Steel will seek to achieve annual consolidated Underlying Business Profit of ¥1 trillion or more per year (consisting of ¥500 billion or more each from the domestic and overseas businesses) and annual ROE (return on equity) of approximately 10%.

During this five fiscal year period, Nippon Steel plans to execute long-term strategic investments aimed at sustainable growth, with capital and business investments to total approximately ¥6 trillion over the period, of which Nippon Steel expects to allocate approximately one third to projects in Japan and the rest to projects overseas, with a particular focus on U. S. Steel. Nippon Steel intends to focus these investments overseas and seek to secure profitability above capital cost. In particular, Nippon Steel will seek to execute large-scale

investments for growth and deploy its advanced technologies and management resources at U. S. Steel. Through these initiatives, Nippon Steel aims to realize a run rate of \$3.0 billion of structural earnings improvement on an EBITDA basis at U. S. Steel in the medium- to long-term, consisting of approximately \$2.5 billion attributable to strategic capital investments and approximately \$0.5 billion attributable to synergy opportunities as a result of its becoming a part of the Nippon Steel Group.

By successfully implementing these strategies and achieving its goals for the 2030 Medium- to Long-term Management Plan, Nippon Steel seeks to position itself to leap to the next level of profitability, achieving global annual crude steel production capacity of 100 million tons or more in the long-term.

Nippon Steel's Strategies

Domestic Manufacturing: Improve Profitability by Further Strengthening the Earnings Base

Nippon Steel expects further deterioration in the business environment in Japan due to decreasing domestic demand associated with population decline and depressed export market conditions. However, Nippon Steel also expects increases in demand for high-grade steel such as electrical steel sheets and ultra-high-tensile steel sheets. For example, according to Fuji Chimera Research Institute, Inc., demand for non-oriented electrical steel sheets, such as those provided by Nippon Steel, is expected to increase from 126,050 tons in 2024 to 175,400 tons in 2030, representing an increase of approximately 40%. Based on its expectation that such demand will increase, Nippon Steel has already resolved to make investments for the expansion of production capacity for high-grade non-oriented electrical steel sheets at its Setouchi Works and the Yawata area of the Kyushu Works, with full ramp-up of such investments planned for the first half of the fiscal year ending March 31, 2028. As a result of these initiatives, Nippon Steel is seeking to increase supply capacity for non-oriented electrical steel sheets for use in environmentally friendly vehicles. Similarly, Nippon Steel has installed a next-generation hot strip mill line at the Nagoya works and started high-temperature test operations on April 1, 2026, with commercial operations scheduled to begin in August 2026. This initiative is planned to secure production capacity of 6 million tons per year and to strengthen supply of high-grade steel for automobiles.

While seeking such targeted increases in production capacity, Nippon Steel plans to continue to pursue an optimal production structure. This will involve consolidation of production bases according to demand sectors and product types to enhance and maximize competitiveness, the establishment of optimal production and logistics structures including group companies and the thorough pursuit of cost competitiveness. For example, Nippon Steel plans to suspend the operation of a continuous annealing unit at the Kashima area of the East Nippon Works by the end of the fiscal year ending March 31, 2028.

While improving its production structure and strategically increasing capacity in key areas, Nippon Steel also plans to seek to improve its ability to create customer value, particularly by improving its ability to make proposals of high-function products and integrated solutions. In the automotive sector, for example, Nippon Steel is proposing the NSafe®-AutoConcept, a next-generation steel automobile concept for the era of carbon neutrality. This concept promotes part integration using steel to achieve key objectives: weight reduction, CO₂ emissions reduction, cost efficiency, and labor-saving. In the construction/civil engineering sector, Nippon Steel has focused on ProStruct®, a construction solution brand that supports the development of safe, resilient, and disaster-resistant infrastructure. Meanwhile, in the shipbuilding sector, Nippon Steel is focusing on enhancing proposal capabilities for high-function products and integrated solutions, such as steel for low-pressure CO₂ storage tanks and enhancing efficiency and automation in welding through advanced processing technologies for plates and welding materials.

Overseas: Execute regional strategies to capture growth and profitability

In its overseas businesses, Nippon Steel seeks to execute its strategy of concentrating management resources on integrated steelmaking bases in its four key regions of the United States, Europe, India and Thailand, where Nippon Steel sees strong growth potential, allowing Nippon Steel to leverage its technological and product strengths for high-grade steel while also maintaining cost competitiveness in commodity steel and aiming for a significant expansion in its profits in the medium- to long-term thereby. In these key regions, Nippon Steel also intends to accelerate growth with a combination of targeted acquisitions and strategic expansion through the development of new, state-of-the-art facilities. Its strategies for each of these key regions are described below.

United States: Building an integrated production system through Nippon Steel's partnership with U. S. Steel

Through the completion of the U. S. Steel Transaction, Nippon Steel has added to its global production network an integrated production system covering raw materials through finished steel, with an organically grown production framework that includes blast furnaces, EAFs and mines and, including production bases in Europe, had an annual crude steel production capacity of approximately 76 million tons for the fiscal year ended March 31, 2026.

Favorable U.S. Market Dynamics for Domestic Production

This integrated production system is centered upon the United States, which is the largest steel market among developed countries and the world's largest consumer of high-grade steel, according to data published by the World Steel Association. As one of the few developed countries experiencing population growth, with steady economic expansion expected in the coming years, Nippon Steel expects that demand for steel in this market will continue to grow. According to the World Steel Association's April 2026 Short Range Outlook, apparent steel use in the United States was 90.9 million tons in 2025 and is forecast to increase to 92.4 million tons in 2026 and 94.3 million tons in 2027. According to data from Fuji Chimera Research Institute, Inc., the size of the market for non-oriented electrical steel sheets in the United States is expected to grow from 175,440 tons in 2024 to 337,550 tons in 2030, or 1.9x. Nippon Steel believes that the overall steel self-sufficiency ratio, consisting of the ratio of total domestic steel production (excluding exports) to total domestic steel demand is limited to approximately the mid-50% range, based on domestic steel production of approximately 80 million tons annually versus domestic steel demand, including indirect imports, of approximately 150 million tons annually. As a result of tariff policies affecting direct and indirect steel imports, Nippon Steel expects a shift to U.S. domestic production, and, through the transfer of its advanced technologies to U. S. Steel, Nippon Steel will seek to supply high-grade steel products, which has previously not been commercially feasible, through a local subsidiary, which Nippon Steel believes will allow Nippon Steel to replace a portion of its direct and indirect exports of steel and steel-related products to the United States, whose markets for direct and indirect imports Nippon Steel estimates at 20 million tons and 60 million tons annually, respectively.

This view is supported by recent market trends. According to data published by Kallanish Commodities, in prior downcycles, U.S. hot-rolled coil prices fell to the \$650 per short ton level as of January 31, 2025, but, following the imposition of additional tariffs of 50% under Section 232 of the U.S. Trade Expansion Act of 1962 by President Trump, U.S. increased to approximately \$970 per short ton as of February 13, 2026 and remained elevated, with Kallanish Commodities reporting U.S. domestic hot-rolled coil spot prices in a range of \$1,060 to \$1,080 per short ton as of May 19, 2026. Other indicators since the imposition of such tariffs also point to tightened supply and demand dynamics. For example, according to data published by the World Steel Association, U.S. crude steel production had decreased year-over-year in each month since January 2024 until March 2025, when the trend reversed and U.S. crude steel production increased year-over-year in each of January, February, March and April 2026, with total production of 28.1 million tons for January through April 2026, representing a 6.6% increase over the same period in 2025. According to *Steel Market Update*, U.S. sheet steel inventory has been decreasing from 2,317 thousand short tons in January 2025 to 1,907 thousand short tons in December 2025, the lowest level since November 2022. According to economic data prepared by the U.S. Census Bureau, U.S. steel imports remained below prior-year levels, with preliminary April 2026 steel imports of 1.7 million metric tons compared to final April 2025 steel imports of 1.9 million metric tons, and year-to-date final steel imports through March 2026 of 4.6 million metric tons compared to 7.1 million metric tons through March 2025.

Initiatives for Improvement of U. S. Steel's Profitability

Against these favorable market conditions, significantly improving the results of operations of U. S. Steel is a significant priority for Nippon Steel. By introducing its advanced technology and know-how for operational improvements in the short term and through large-scale investments for growth, represented by its agreement to make capital investments of approximately \$11.0 billion through 2028, Nippon Steel is seeking to strengthen U. S. Steel's competitiveness by enhancing its cost competitiveness, increasing the sophistication of its product types and expanding its supply capacity, which Nippon Steel believes will enable Nippon Steel to realize further profit growth. Through these initiatives, Nippon Steel aims to realize a run rate of \$3.0 billion of structural earnings improvement on an EBITDA basis at U. S. Steel in the medium- to long-term, consisting of

approximately \$2.5 billion attributable to strategic capital investments and approximately \$0.5 billion attributable to synergy opportunities as a result of its becoming a part of the Nippon Steel Group. To this end, Nippon Steel believes that U. S. Steel will need to make significant progress controlling its high variable costs and high manufacturing costs. As Nippon Steel has achieved cost reductions in Japan totaling approximately ¥340 billion in the five fiscal years ended March 31, 2026, Nippon Steel plans to apply its know-how in achieving this improvement to the early realization of operating improvements at U. S. Steel. Nippon Steel has dispatched a total of approximately 100 employees (including short-term dispatchees), primarily engineers, to various U. S. Steel sites, which is already underway, to support the acceleration of introducing Nippon Steel technologies and operational improvements, and its plans to achieve these improvements are already underway. In the medium- to long-term, Nippon Steel is currently conducting a feasibility study of the establishment of a greenfield integrated mill in order to further expand production capacity and take advantage of the favorable market environment.

Expected Earnings Improvement Contribution from the Big River Site

As part of Big River Steel Works (“BRS”), the EAF mini-mill complex owned by U. S. Steel in Osceola, Arkansas, Big River Steel 1 facility consists of two EAFs and an EAF-to-thin-sheet integrated line including galvanizing lines and a non-oriented electrical steel sheet line, with a crude steel production capacity of 3.3 million short tons per year. Big River Steel 2 facility, which consists of two EAFs and an EAF-to-thin-sheet integrated line including galvanizing lines, began operation in October 2024 and achieved full annualized endless strip production in February 2026. As U. S. Steel is current pursuing the stable production ramp-up of Big River Steel 2 facility, Nippon Steel expects additional profit growth as Big River Steel 2’s endless strip production is estimated to increase to 2.5 million short tons in the fiscal year ending March 31, 2027 as compared to 1.4 million short tons in the fiscal year ended March 31, 2026. As the Big River Steel 2 facility comes fully online in 2026, it is expected to add a crude steel production capacity of 3.0 million short tons per year.

For the year ended December 31, 2024, U. S. Steel’s Mini mill segment recorded steel shipments of 2,307 thousand short tons and generated segment earnings before interest, taxes, depreciation and amortization (EBITDA) (as reported in its audited consolidated financial statements) of \$233 million. For the fiscal year ended December 31, 2025, which includes a full-year operation at the Big River Steel 2, the segment’s shipment volumes reached 3,715 thousand short tons and segment earnings before interest, taxes, depreciation and amortization (EBITDA) (as reported in its audited consolidated financial statements) of \$301 million. From the fiscal year ended December 31, 2024, to the fiscal year ended December 31, 2025, shipments rose by 1,408 thousand short tons, of which Big River Steel 2 contributed 1,172 thousand short tons. Considering the profitability and operating rate during the period when only Big River Steel 1 was in full operation, Nippon Steel believes that Big River Steel 2 has significant earnings contribution potential once fully online. Additionally, on April 28, 2026, the board of directors of U. S. Steel approved the building of a new DRI plant at BRS. This investment of approximately \$1.9 billion will be part of Nippon Steel’s investment commitment to U. S. Steel pursuant to the NSA, which provides that approximately \$11.0 billion in new investments in U. S. Steel will be made by Nippon Steel by 2028.

Europe: Capture intra-regional demand and grow earnings through maximizing synergies and upgrading product mix

Based on data published by the World Steel Association, Europe collectively has the third largest steel demand of any region. Similar to the United States, countries in the European market are also implementing industrial protection measures through tariffs and safeguards, carbon border adjustment mechanisms and other measures. Prior to the U. S. Steel Transaction, Nippon Steel already operated certain bases in Europe, such as Suzuki Garphyttan AB and its subsidiaries and Ovako. In particular, Ovako possesses world-leading technology for premium-grade special steel bar and wire rod that Nippon Steel believes places it ahead of competitors in decarbonizing steel production.

Through the U. S. Steel acquisition in June 2025, U. S. Steel Košice (“USSK”) also became Nippon Steel’s consolidated subsidiary. In Central/Eastern Europe (including USSK’s core countries of Poland, the Czech Republic, Slovakia, Hungary, Romania and Austria), Nippon Steel expects that steel demand will increase in the medium- to long-term due to factors such as the relocation of customer bases to the eastern regions, and producers located in the relevant countries will be at strategic advantage. Moreover, with a diverse portfolio of sheet products, a competitive labor cost structure, highly skilled workforce and sound facilities, USSK is well positioned to capture regional demand and drive profit growth through maximizing synergies with Nippon Steel and achieving sophistication of its product types. To establish USSK as a core hub for its European operations in

its global strategy, Nippon Steel Corporation announced on May 13, 2026 its decision to transition USSK from ownership by U. S. Steel to direct ownership by Nippon Steel, making USSK its wholly-owned subsidiary, with the goal of becoming more directly involved in enhancing the profitability and accelerating the growth of its European business. The transition is scheduled to take place on October 1, 2026.

India: Accelerate growth in India

Steel demand in the Indian market is growing significantly, fueled by growth in both population and GDP. India's per capita steel consumption reached 109 kg in 2025, according to data published by the World Steel Association. Based on experience with Japan and China, where demand increased significantly once per capita consumption exceeded 100 kg, Nippon Steel expects India to enter a period of high growth in steel demand in the near future. Moreover, the Indian government has announced a goal of achieving 300 million tons of annual crude steel production capacity domestically by 2030, as well as a provisional trade measure consisting of a safeguard duty of 12% on imports of steel for purposes of market fairness, and conditions in the Indian market have been recovering. Nippon Steel's India business is administered primarily through AM/NS India, an integrated blast furnace manufacturer in India, operated as an equal partnership in which ArcelorMittal holds a 60% equity interest and Nippon Steel holds a 40% equity interest. AM/NS India had a steel production capacity of approximately 9 million tons in 2023, ranking as the 5th largest in India based on disclosures by each such steelmaker or its respective parent company. AM/NS India has been pursuing investments to capture domestic demand and promote capacity expansion aimed at increasing the sophistication of product types. In particular, in the fiscal year ending March 31, 2027 and onward, two additional blast furnaces and related facilities and Asia's largest hot-rolling facilities are scheduled to commence operations at the Hazira Integrated Steel Mill and, as a result, Nippon Steel expects that crude steel production capacity will expand to 15 million tons annually. Moreover, AM/NS India has commenced its full-scale entry into the automotive segment, with a galvanizing line having commenced operation in July 2025 and cold-rolling and other facilities to produce high value-added steel products having been commissioned through April, 2026. AM/NS India is conducting feasibility studies towards the construction of a new integrated steel works with planned Phase1 crude steel production capacity of 7 million tons in the long term at the Rajayyapeta site on land it acquired in 2025.

Thailand: Grow in Nippon Steel's ASEAN "home market" of Thailand

Thailand is the most important market for Nippon Steel in ASEAN. Nippon Steel anticipates that the steel sheet market, which Nippon Steel estimates to be approximately 9 million tons per year, in particular will grow steadily in both high-grade and commodity steel going forward. Its sales volume in this market, centered on G Steel/G J Steel and NS-Siam United Steel Co., Ltd., is about 2.6 million tons per year, which Nippon Steel estimates represents a market share of approximately 30% by volume. Although performance has deteriorated recently due to the impact of competition from Chinese imports, Nippon Steel will aim to strengthen the entire supply chain, including upstream processes, to capture additional market share.

Enhancing raw materials business

With respect to its raw materials business, Nippon Steel has been investing in interests in raw materials with the aim of securing the high-quality materials that are essential for carbon-neutral steel production, as well as stabilizing its consolidated earnings. As a result, in the fiscal year ended March 31, 2026, its self-sufficiency ratio reached approximately 20% for iron ore and approximately 35% for coking coal. See "Business—Business Overview—Raw Materials."

Going forward, Nippon Steel will continue to consider opportunities that contribute to expanding and stabilizing the supply of steelmaking raw materials and securing investment returns, based on economic rationality.

Financial: Achieve an Appropriate Balance Among Investments for Medium- to Long-term Growth, Shareholder Returns, and Financial Soundness

Nippon Steel aims to achieve growth in profits and carbon neutrality in pursuit of its "100 Million Tons, 1 Trillion Yen Vision". In the long-term, Nippon Steel aims to achieve annual Underlying Business Profit of ¥1 trillion and global crude steel production capacity of 100 million tons. Consistent with Nippon Steel's proven track record of pursuing a disciplined capital allocation strategy based on cash flow generation, strong liquidity and proactive debt management, its financial strategy focuses on pursuing profit growth and carbon neutrality

goals while maintaining a healthy financial structure with an adjusted debt/equity ratio (“adjusted debt/equity ratio” is defined as the ratio of adjusted interest bearing debt to adjusted equity capital. Adjusted interest bearing debt and adjusted equity capital are financial measure not prepared in accordance with IFRS. For more information, see “Selected Financial and Other Data—Certain Non-IFRS Financial Measures of Nippon Steel—Adjusted Equity Capital and Adjusted Interest Bearing Debt,”) of approximately 0.7x, and debt/Adjusted EBITDA (calculated by dividing adjusted interest-bearing debt by Adjusted EBITDA) ratio of 3.5x or less, in each case targeted in the medium- to long-term. Nippon Steel is consistently committed to maintaining its investment grade rating throughout its investment cycles, which it views as critical to its business as it ensures flexible fundraising capabilities.

Nippon Steel has also maintained financial discipline through asset sales and optimal financing. It has successfully executed asset compression totaling approximately ¥2.2 trillion over the 14 years from fiscal year 2012 to fiscal year 2025 through the sale of strategic shareholdings, inventory reduction, real estate sales and improvement of consolidated capital efficiency. Based on its policy on strategic shareholdings, Nippon Steel has sold and reduced its strategic shareholdings by 80% over the 13 years from the end of March 2013 to the end of March 2026. Additionally, in connection with the acquisition of U. S. Steel, Nippon Steel has fully repaid the bridge loan (approximately ¥2 trillion) used for the acquisition consideration through March 2026 using funds raised through a series of financing activities, including the committed subordinated term loan of ¥500 billion issued on September 18, 2025, the issuance of Bonds with Stock Acquisition Rights on March 12, 2026 and the JBIC co-financing on March 18, 2026, thereby completing the permanent financing arrangements for the U. S. Steel acquisition. As of March 31, 2026, its debt/equity ratio was 0.94x, while the adjusted debt/equity ratio was 0.71x.

With respect to U. S. Steel, Nippon Steel’s basic policy is to fund the capital investments required for U. S. Steel’s growth primarily by maximizing U. S. Steel’s own cash flow generation capacity and self-financing capabilities, while enhancing its competitiveness, achieving profit growth and ensuring sufficient return on investment. At the same time, taking into account the scale, timing and profitability of each investment, as well as its management and financial condition and market conditions, Nippon Steel intends to establish an optimal financing structure that balances funding cost, financial flexibility and shareholder value. If support by the Nippon Steel Corporation is required, it will consider appropriate and flexible group support measures, including parent company guarantees, parent-subsidiary loans, capital contributions or other measures, as needed, while maintaining financial discipline and pursuing its policy of achieving financial soundness and growth strategies simultaneously.

At the same time, Nippon Steel aims to provide stable, high-level shareholder returns. Nippon Steel also prioritizes shareholder returns, and during the period of its 2030 Medium- to Long-term Management plan, Nippon Steel is continuing to target a consolidated dividend payout ratio of approximately 30%. In addition, Nippon Steel has announced that, during such period, Nippon Steel will also consider ¥24 per share (giving effect to the 5-for-1 stock split that became effective October 1, 2025) as the minimum level of annual dividends to enhance dividend visibility.

Nippon Steel’s Strengths

A Global Steel Company Based in Japan with One of the World’s Largest Production Scales and a Robust Customer Base.

As Japan’s largest steelmaker by crude production volume, Nippon Steel has developed into a global steel company, and with the acquisition of U. S. Steel, was the world’s third largest steelmaker in 2025 according to data published by the World Steel Association. In recent years, Nippon Steel has focused on significantly increasing its overseas production capacity, most recently achieving annual global crude steel production capacity of 82 million tons as of March 31, 2026, reflecting the result of its partnership with U. S. Steel. In Japan, Nippon Steel has a total of seven steelworks, located in close proximity to its major customers, allowing Nippon Steel to maintain and strengthen these close relationships across Japan. Nippon Steel positions these as its “mother mills,” the forefront of product development, product technology, and operation and equipment technology, and with its optimized production system, Nippon Steel produces and supply high-performance, high-quality steel products tailored to customer needs while maintaining and strengthening relationships with customers nationwide. These domestic businesses are complemented by its overseas businesses spanning the United States, Europe, India, Southeast Asia and other regions. Its strategy for its overseas businesses is to

concentrate management resources on integrated steelmaking bases in key regions where Nippon Steel expects strong growth potential, allowing Nippon Steel to leverage its technological and product strengths, secure high market share and margins for high-grade steel while also maintaining cost competitiveness in commodity steel.

Stable, High-Profit Structure not Dependent on External Conditions.

Even under the unprecedented harsh environment brought about by the structural oversupply of steel from China and resulting surplus of exports, Nippon Steel has successfully established a resilient business structure that Nippon Steel believes is able to stably generate annual consolidated Underlying Business Profit of ¥600 billion or more regardless of the external environment. Nippon Steel has achieved the ability to sustain this level of profitability due to the structural reforms in its production facilities, spread improvements in sales through direct contracts and strategic investments in its domestic steel business and to its concentration of resources to integrated steelmaking bases in key regions in its overseas businesses, as well as the expansion of its raw material business and the creation of an vertically-integrated revenue structure spanning downstream processes, allowing Nippon Steel to successfully develop a robust business structure with vertical and horizontal expansion.

Stabilization of Earnings Through Structural Reforms in Nippon Steel's Domestic Business

Domestic steel demand in Japan peaked at 94 million tons during the so-called “bubble” period in 1990 (according to data published by the World Steel Association) and has since declined due to factors such as falling demand in the civil engineering and construction sectors and the relocation of manufacturing bases overseas. The Japanese steel industry has maintained domestic production volumes by compensating for the declining domestic demand with increased exports. However, Nippon Steel expects further declines in domestic demand from the manufacturing, civil engineering and construction sectors in the future, due to Japan's decreasing population and aging society.

To further improve profitability in the domestic market, Nippon Steel has implemented four major initiatives as part of the structural reforms in its domestic steel business:

- Through the reduction of production facilities including the decommissioning of five blast furnaces, Nippon Steel has achieved a cumulative cost reduction of approximately ¥150 billion in annual fixed operating costs per year from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2026 by reducing domestic crude steel production capacity by 20% during the same period;
- During the fiscal year ended March 31, 2022 to the fiscal year ended March 31, 2026, Nippon Steel has achieved a cumulative cost reduction of over ¥340 billion in annual operating costs through improvements in steelmaking parameters such as stabilization of blast furnace operations and reductions in coke consumption per unit;
- Domestically, to improve margins, Nippon Steel has achieved significant price improvements beginning in the fiscal year ended March 31, 2022 for sales through direct contracts, which are contracts directly between Nippon Steel and the customer for order-made steel products meeting customers' needs for features and quality, by asking customers with such contracts for their understanding of its need to adjust direct contract-based prices from the viewpoint of proportionate sharing of the impacts of rising costs of raw materials and fuels in the supply chain, and of the value of the products and solutions provided by Nippon Steel. Nippon Steel then proposed a pre-fixed pricing system to customers to advance the timing of negotiations and raise the efficiency of this process, so that prices would be fixed before its order intake, to facilitate its forecast making and coping with longer-term, difficult management issues such as carbon neutrality; and
- Improving per-unit margins by improving order mix.

Through these measures, Nippon Steel has successfully achieved a substantial improvement in its marginal profit, contributing to the lowering of its breakeven point by 40% from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2026.

Successfully Deepened Nippon Steel's Vertically- and Horizontally-Integrated Business Structure

Nippon Steel has established a vertically- and horizontally-integrated business structure, expanding not only horizontally to cover wider geographical regions and into more diverse business areas, but also vertically from upstream (raw materials) to downstream (trading companies and secondary processing) processes in the steelmaking business. This integrated structure has contributed to the enhancement of its stability. In the overseas steel business, Nippon Steel has sought to expand its integrated production framework and downstream bases its priority regions of the United States, Europe, India and Thailand, which are where Nippon Steel expect demand to grow and in sectors where its technologies and products can be utilized, to ensure that local demand is captured. With respect to its current international operations, Nippon Steel has actively pursued a strategy of selecting and concentrating its businesses. Nippon Steel has focused on expanding international businesses that align with its strategic objectives and have terminated ventures where there is no business justification to continue, including businesses that have either served their purpose, lost their synergistic potential or are not expected to generate profits. As a result, its overseas crude steel production capacity increased from 10 million tons per year as of March 31, 2025, and further to 32 million tons per year as of March 31, 2026, after the completion of the U. S. Steel Transaction. The share of its global crude steel production capacity represented by overseas entities rose from approximately 19% to approximately 42% as of the same dates, demonstrating steady progress in the evolution and expansion of its overseas business.

Additionally, by engaging in activities spanning from investments in raw materials to steel processing, distribution and sales, Nippon Steel has built an integrated value chain from upstream to downstream and established a robust business structure. In its raw materials business, by making minority investments in raw material mines owned and operated by major resource companies, Nippon Steel has expanded stable revenue sources and, at the same time, secured reliable access to high-quality raw materials, thus reducing its exposure to volatility in the steelmaking business. Furthermore, by fully integrating and consolidating its group companies engaged in steel processing, specialty steel and distribution, Nippon Steel is expanding its value chain, thereby enhancing Underlying Business Profit in its domestic steelmaking business. This enables Nippon Steel, particularly in the infrastructure (construction and civil engineering) sector, to further strengthen region-based sales activities through closer collaboration among its sales departments, regional branches and group companies, while pursuing a unified production and distribution system across its Group to enhance its ability to capture domestic demand. In addition, Nippon Steel will continue to work toward further improvements in profitability through the ongoing reorganization and consolidation of its group companies, as Nippon Steel has done to date.

Advanced Technological Capability Supported by R&D and Intellectual Property Activities

Nippon Steel believes its advanced technology is one of its core competencies, which has been cultivated through its R&D and intellectual property activities. Its domestic steelmaking business is the core business of its Group. Nippon Steel has established an efficient and reliable production and supply system for high-grade steel by integrating its large-scale blast furnaces, costal steel mills and facilities and operating technologies. As the foundation for this stable production system, Nippon Steel is dedicated to the concepts of “R&D activities as sources of value creation and competitiveness” and “intellectual property development that leads to strengthened management strategies through R&D results”. All of its large blast furnace integrated steelworks in Japan are located in coastal areas that are well-suited to the import of raw materials and export of product shipments. From sites for the landing of raw material to upstream and downstream processing facilities, product warehouses and shipment quays, all the sites are efficiently laid out to comprise modern steelworks. As of March 31, 2026, most of its 10 blast furnaces—the main facilities of the upstream process—are large-scale with an average furnace capacity of approximately 4,900 m³. The large blast furnace and seaside integrated steelworks Nippon Steel operates represent a high-efficiency production model, originating in Japan. Nippon Steel has established this model at its domestic manufacturing bases, ahead of other countries, and have realized high productivity, cost competitiveness, mass production and stable supply of high-grade steel products and high quality, using long accumulated operational and equipment technology.

Moreover, in addition to its three large-scale research centers, Nippon Steel has R&D laboratories at each of its steelworks that are responsible for the practical application of research from its research centers to advanced technology, by improving equipment in close cooperation with its manufacturing sites and developing products closely with customers, such as automakers. Its manufacturing bases and R&D bases in Japan have maintained close working relationships with customers for many years. Nippon Steel believes that these R&D bases are a source of value creation that is continually generating the operational, equipment, and product technologies that are its strengths. Nippon Steel believes that its R&D resources are among the largest in the

world in the steel industry, with consolidated research and development costs of ¥82,788 million in the fiscal year ended March 31, 2026 and approximately 800 R&D personnel on a non-consolidated basis at Nippon Steel. Nippon Steel engages in IP development based on its company-wide slogan “IP is the source of its corporate activities. Maximize corporate value through enhanced protection management and active utilization.” Nippon Steel is strengthening efforts to leverage the IP created from R&D activities conducted under its management strategies, to maximizing business earnings and corporate value. Based on its specific business strategy and this slogan, Nippon Steel formulates and act on a flexible and effective IP strategy in accordance with all aspects (offensive and defensive) of individual products and technologies, and share the results throughout the company in an effort to continuously strengthen its strategies. Nippon Steel is also focusing on the acquisition of rights for IP generated in development of technologies and products that realize carbon neutrality. Moreover, Nippon Steel is involved in licensing IP outside the Group and in standardization to form the market rules, and uses IP in a variety of ways to advance its business. As of March 31, 2026, Nippon Steel held approximately 32,000 patents globally.

Initiatives Toward Realizing Carbon Neutrality

Nippon Steel has formulated a target of reducing total CO₂ emissions by 30% by 2030, compared to the 2013 baseline, and of achieving carbon neutrality in 2050. To achieve this goal, Nippon Steel is advancing a multi-track approach using three breakthrough technologies: high-grade steel production in large EAFs, hydrogen direct reduction of iron (DRI), and hydrogen injection into blast furnaces. Moreover, in April 2025, Nippon Steel made Sanyo Special Steel, the parent company of Ovako, a frontrunner in carbon neutrality in the steel sector, a wholly-owned subsidiary. In terms of funding, Nippon Steel is also utilizing government GX investment support—such as the Green Innovation Fund and support for manufacturing process transformation—to implement these carbon neutrality initiatives. For example, on May 30, 2025, Nippon Steel announced its selection for a Japanese government support project based on the GX Promotion Act, which Nippon Steel expects to receive government support of up to ¥251.4 billion of the total ¥868.7 billion that Nippon Steel plans to spend for the conversion of certain plants from the blast furnace steelmaking process to the EAF steelmaking process through the fiscal year ending March 31, 2030.

The achievement of carbon neutrality also requires the creation of a GX market to supply GX Steel to society by establishing rules for CO₂ reduction value that assess the predictability of investment returns, by promoting the adoption of GX Steel embedded with CO₂ reduction value and by ensuring the predictability of investment returns. Nippon Steel is seeking to steadily address these tasks by developing innovative technologies. For example, through its carbon-neutral efforts, Nippon Steel has announced the branding of two value propositions: the “NSCarbolex® Solution” brand, which represents high-performance products and solutions that contribute to CO₂ emission reduction in society, and “NSCarbolex® Neutral” brand, which denotes steel products certified as having reduced CO₂ emissions from the steel production process. Nippon Steel believes that these brands will contribute both to the realization of a carbon-neutral society and to enhancing its customers’ competitiveness. These products have been adopted by a range of customers, for example, Nissan, Isuzu Motors, AIRMAN and HISAKA WORKS. Nippon Steel is also engaging the wider society to improve its awareness, with a primary focus on policy and institutional proposals to the government and industry.

As part of its medium- to long-term initiatives toward carbon neutrality, Nippon Steel aims to establish commercial-scale technologies for large-scale EAFs by 2030, for blast furnace hydrogen reduction by 2040 and for hydrogen direct reduction of iron by 2040. Additionally, by introducing EAF production on a pilot basis through the construction of new EAFs and the remodeling and reactivation of facilities in Hirohata, Yawata, and Shunan, Japan, Nippon Steel is targeting a 30% reduction in CO₂ emissions by 2030 compared to 2013.

Summary Risk Factors

An investment in the Notes involves significant risks, and prospective investors are urged to carefully consider the matters discussed under “Risk Factors” prior to making an investment in the Notes. Such risks include, but are not limited to:

- risks relating to Nippon Steel’s ability to execute its business strategies or achieve the benefits it is seeking;
- risks relating to excess capacity, oversupply and the severely competitive environment in the steel industry;

- risks relating to Nippon Steel's partnership with U. S. Steel;
- risks relating to the effects of changes in macroeconomic conditions, including recessions or prolonged periods of weak growth in the global economy or the economies of Nippon Steel's key markets;
- risks relating to Nippon Steel's significant indebtedness, including any effects from future interest rate hikes;
- risks relating to deteriorations in steel prices;
- risks relating to the market prices or availability of raw materials, energy and transportation, including any effects from the ongoing conflict and instability in the Middle East;
- risks relating to fluctuations in foreign exchange rates;
- risks relating to the effect on steel products of competition from other materials;
- risks relating to Nippon Steel's dependence on Nippon Steel's steelmaking and steel fabrication business;
- risks relating to Nippon Steel's strategies for the margin improvements and digitalization;
- risks relating to Nippon Steel's planned, ongoing or previous acquisitions, capital expenditures and other investments in its business or in joint ventures and associates;
- risks relating to CO₂ emissions and Nippon Steel's challenge for carbon neutrality;
- risks relating to hiring and retaining qualified employees;
- risks relating to accidents or malfunctioning equipment at Nippon Steel's facilities;
- risks relating to product liability and other customer claims;
- risks relating to tariffs, anti-dumping or countervailing duty proceedings;
- risks relating to impairment of assets;
- risks relating to Nippon Steel's equity investments;
- risks relating to natural disasters or other disruptions;
- risks relating to the protection of Nippon Steel's intellectual property and trade secrets;
- risks relating to emerging markets;
- risks relating to Nippon Steel's insurance policies;
- risks relating to tax laws and regulations;
- risks relating to system failure, cyber-security and related incidents;
- risks relating to litigation and other legal proceedings;
- risks relating to regulatory and compliance matters;
- risks relating to environmental, health and safety laws;
- risks relating to the effectiveness of Nippon Steel's internal controls; and
- risks relating to Nippon Steel's human rights policy or applicable law.

Company Information

U. S. Steel's registered address is 600 Grant Street, Pittsburgh, PA 15219, United States. Its corporate website is located at <https://www.ussteel.com/>. The information on its corporate website does not constitute a part of this offering memorandum.

Nippon Steel Corporation's registered address is 6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8071, Japan. Its corporate website is located at <https://www.nipponsteel.com/en/>. The information on its corporate website does not constitute a part of this offering memorandum.

THE OFFERING

The Issuer	United States Steel Corporation.
Notes Offered	\$700,000,000 in aggregate principal amount of 5.200% Guaranteed Senior Notes due 2031; and \$500,000,000 in aggregate principal amount of 5.700% Guaranteed Senior Notes due 2036.
The Guarantor	NIPPON STEEL CORPORATION will fully and unconditionally guarantee the payment of principal, premium, if any, interest and additional amounts, if any, payable in respect of the Notes.
Offer Price	99.935% plus accrued interest, if any, for the 5-Year Notes. 99.686% plus accrued interest, if any, for the 10-Year Notes.
Maturity Date	The 5-Year Notes will mature on August 1, 2031. The 10-Year Notes will mature on August 1, 2036.
Interest and Interest Payment Dates	Interest on the 5-Year Notes will accrue at the rate of 5.200% per annum payable semi-annually in arrears, and interest on the 10-Year Notes will accrue at the rate of 5.700% per annum payable semi-annually in arrears, in each case on February 1 and August 1 of each year, beginning on February 1, 2027 (long first coupon). The Issuer will pay interest to the holders of record of each series of the Notes on January 15 and July 15 of each year. In any case where the date of payment of interest, redemption or stated maturity of the Notes is not a Business Day (as defined in “Description of the Notes and the Guarantee—Interest”), the payment of principal and interest may be made on the next succeeding Business Day with the same force and effect as if made on such date of payment and no interest shall accrue in respect of such delay. See “Description of the Notes and the Guarantee—Interest.”
Joint Global Coordinators and Joint Bookrunners	BofA Securities, Inc. and SMBC Nikko Securities America, Inc.
Joint Bookrunners	Goldman Sachs & Co. LLC, Mizuho Securities USA LLC, Morgan Stanley & Co. LLC, Barclays Capital Inc., PNC Capital Markets LLC, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Truist Securities, Inc. and ING Financial Markets LLC
Co-Managers	BMO Capital Markets Corp., Citizens JMP Securities, LLC, Fifth Third Securities Inc., Huntington Securities, Inc. and U.S. Bancorp Investments, Inc.
Form and Denominations	The Issuer will issue the Notes only in global registered form without coupons. The Notes will be issued in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

Ranking of the Notes and the Guarantee . . .	Each series of the Notes will be the Issuer’s direct, unsecured and unsubordinated general obligations and will have the same rank in liquidation as all of its other current and future unsecured and unsubordinated obligations. The Guarantee will be the direct, unsecured and unsubordinated general obligation of the Guarantor and will have the same rank in liquidation as all of its other current and future unsecured and unsubordinated obligations.
Repurchases of the Notes upon a Change of Control Repurchase Event	Upon the occurrence of a Change of Control Repurchase Event, the Issuer will make an offer to repurchase all or any part of outstanding notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any, on the notes repurchased to, but not including, the date of repurchase. See “Description of the Notes and the Guarantee—Change of Control Offer.”
Optional Redemption	At any time and from time to time prior to July 1, 2031 for the 5-Year Notes and May 1, 2036 for the 10-Year Notes (the “par call date”), the Issuer may redeem the Notes, in whole or in part, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of (i) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the par call date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points, in the case of the 5-Year Notes, or 20 basis points, in the case of the 10-Year Notes less (b) interest accrued to the date of redemption; and (ii) 100% of the principal amount of the notes being redeemed; plus, in either case, accrued and unpaid interest thereon to the redemption date. At any time and from time to time on or after the par call date, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes being redeemed (plus accrued and unpaid interest thereon to the redemption date).
Optional Tax Redemption	At any time, the Issuer may redeem the Notes, in whole, but not in part, at a redemption price equal to 100% of the principal amount of the notes then outstanding (plus accrued and unpaid interest to (but excluding) the date fixed for redemption and “additional amounts” (as described in “Description of the Notes and the Guarantee—Payment of Additional Amounts”), if any), if the Issuer determines that, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Tax Jurisdiction affecting taxation, or any change in the official position regarding the application or interpretation of such laws, regulations or rulings, which change, amendment, application or interpretation becomes effective on or after the date of the final offering memorandum, the Issuer (or, if applicable, the Guarantor) is, or on the next interest payment date would be, required to pay any additional amounts in respect of taxes which cannot be avoided by measures reasonably available to the Issuer (or, if applicable,

the Guarantor); provided that, no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer (or, if applicable, the Guarantor) would be obligated to make such payment of additional amounts if a payment in respect of the notes were then due.

Additional Amounts All payments of principal and interest in respect of the Notes by the Issuer or in respect of the Guarantee by the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless such withholding or deduction is required by law. In such event, subject to certain exceptions, the Issuer or the Guarantor, as applicable, shall pay to the holder of each Note such additional amounts as may be necessary so that the net amounts received by that holder after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such Note in the absence of such withholding or deduction. See “Description of the Notes and the Guarantee—Payment of Additional Amounts.”

Settlement It is expected that delivery of the notes will be made against payment therefor on or about July 14, 2026, which is the fifth business day following the date hereof (such settlement cycle being referred to as “T+5”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in one business day unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes prior to the first business day preceding the settlement date will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to the first business day preceding the settlement date should consult their own advisors.

Delivery of the Notes to purchasers will be made only in book-entry form through the facilities of DTC and its participants, including Euroclear and Clearstream.

Listing Approval in-principle has been received for the listing of the Notes on the SGX-ST.

The Notes will be traded on the SGX-ST in a minimum board lot size of \$200,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Notes (as defined below) are exchanged for Definitive Notes (as defined below). In addition, in the event that any of the Global Notes are exchanged for Definitive Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of

Definitive Notes, including details of the paying agent in Singapore.

Use of Proceeds The Issuer plans to use the net proceeds of the issue and sale of the Notes to redeem the outstanding 6.625% Senior Secured Notes due 2029 issued by Big River Steel LLC, co-issued by BRS Finance Corp. and guaranteed by BRS Intermediate Holdings LLC, each of which is the consolidated subsidiary of the Issuer. Any remaining proceeds will be used to redeem the Issuer's outstanding 6.875% Senior Notes due 2029.

Global Notes The Notes of each series sold in offshore transactions to persons other than U.S. persons in reliance on Regulation S under the Securities Act will be initially in the form of one or more fully-registered global notes (the "Regulation S Global Notes"), and the Notes of each series sold to persons reasonably believed to be Qualified Institutional Buyers in reliance on Rule 144A will initially be in the form of one or more fully-registered global notes (the "Rule 144A Global Notes" and, together with the Regulation S Global Notes, the "Global Notes"). The Global Notes will be issued and registered in the name of DTC or its nominee.

Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the Notes represented by a Global Note will at all times be DTC or its nominee (or a successor of DTC or its nominee), and voting and other consensual rights of holders of the Notes will be exercisable by beneficial owners of the Notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the Global Notes may not be exchanged for Definitive Notes except in the limited circumstances described under "Description of the Notes and the Guarantee—Book-Entry; Delivery and Form—Exchange of Global Notes for Certificated Notes."

Securities Codes The security codes of the Notes are:

For the 5-Year Notes sold in reliance on Regulation S:

CUSIP No.: U9118R AC1

ISIN: USU9118RAC17

Common Code: 343521634

For the 5-Year Notes sold in reliance on Rule 144A:

CUSIP No.: 912909 AV0

ISIN: US912909AV01

Common Code: 343521464

For the 10-Year Notes sold in reliance on Regulation S:

CUSIP No.: U9118R AD9

ISIN: USU9118RAD99

Common Code: 343521758

For the 10-Year Notes sold in reliance on Rule 144A:

CUSIP No.: 912909 AW8

ISIN: US912909AW83

Common Code: 343521740

Governing Law	The Indenture, the Notes and the Guarantee will be governed by, and construed in accordance with, the laws of the State of New York.
Rating	It is expected that the Notes will be assigned with ratings of “Baa2” by Moody’s Investors Service, Inc. (“Moody’s”) and “BBB” by Standard & Poor’s Financial Services LLC (“S&P”). A securities rating is not a recommendation to buy, sell, or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Selling Restrictions	The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction. Accordingly, the Notes may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except (a) to Qualified Institutional Buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) outside the U.S. to persons other than “U.S. persons” (as defined in Rule 902 under the Securities Act) in offshore transactions in compliance with Regulation S. See “Transfer Restrictions” and “Plan of Distribution.”
Trustee, Notes Registrar, Paying Agent and Transfer Agent	The Bank of New York Mellon Trust Company, N.A.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to making an investment decision, you should carefully consider risk factors associated with any investment in the Notes, Nippon Steel's business and the industry in which it operates alongside the risks described below and all the other information, including its consolidated financial statements and related notes and other financial information, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Financial and Other Data." The risks and uncertainties described in this section are not the only ones Nippon Steel faces. Additional risks and uncertainties that Nippon Steel is unaware of, or that it currently believes are not material, may also become important factors that could adversely affect its business, financial condition and results of operations. If any of the risks below should occur, the prices of the Notes may decline and you could lose all or part of your investment. You should consider carefully whether an investment in the Notes is suitable in the light of the information herein and your personal circumstances.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Nippon Steel's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by it described below and elsewhere herein. See "Forward-Looking Statements."

Risks Relating to Nippon Steel's Business

Nippon Steel may be unable to execute its business strategies or achieve the benefits it is seeking.

Nippon Steel has formulated a number of strategies for its business, and has implemented, and plans to continue to implement, a number of initiatives designed to achieve such strategies. See "Business—Nippon Steel's Strategies." Although these strategies have been developed based on Nippon Steel's analysis of information available to it as well as assumptions and expectations for the future that it believes to be reasonable, such information may not be complete or fully accurate, and its assumptions and expectations for the future, each of which is subject to significant uncertainty, may not prove to be true. As a result, Nippon Steel may be unable to successfully execute its strategies. In December 2025, Nippon Steel disclosed its 2030 Medium- to Long-term Management Plan, setting forth its strategic plans and financial targets for the five fiscal years ending March 31, 2031, which also incorporated the strategies and targets of U. S. Steel in its medium- to long-term management plan. Although Nippon Steel's strategic plans and the financial targets it seeks to achieve based thereon have been developed based on information and analysis that were deemed appropriate at that time, such information and analysis contain uncertainties. For example, Nippon Steel's business and the overall business environment are subject to significant risks, many of which are outside of its control, as described elsewhere in this "Risk Factors" section, including that the global demand for steel may be significantly weaker than Nippon Steel currently expects. In addition, the successful implementation of Nippon Steel's 2030 Medium- to Long-term Management Plan will require Nippon Steel to make significant progress in its partnership with U. S. Steel, including significant improvements in U. S. Steel's business and profitability (including for U. S. Steel to progress its medium- to long-term management plan), as well as grow capacity to capture expected growth in India and to increase Nippon Steel's market share in Thailand. Moreover, Nippon Steel's expectations as to raw material, fuel, energy, labor, financing or other costs may underestimate such costs, or its ability to pass them on to customers as appropriate. Nippon Steel's evaluation of current and potential changes to the trade and other policies of governments in its various markets may be subject to significant change as a result of factors that it does not or is unable to predict. As a result of such uncertainties or risks, Nippon Steel may be unable to achieve its plan, its strategies or the benefits (including the ability to meet its financial and operating targets) it is seeking as a result, whether at all or in the manner that it expects.

Excess capacity, oversupply and the severely competitive environment in the steel industry may adversely affect Nippon Steel's business.

The steel industry is affected by global and regional production capacity and fluctuations in steel imports and exports, including from established producers expanding in new markets, smaller producers increasing production in anticipation of demand increases or amid recoveries, or exporters selling excess capacity from markets such as China. The steel industry globally has historically suffered from structural overcapacity, and global steelmaking capacity currently exceeds global consumption of steel. This overcapacity is amplified during periods of global or regional economic weakness, due to weaker global or regional demand. The overcapacity of steel production in some markets and in China in particular has weighed on global steel prices in recent years.

For example, in the 2020s, decreased domestic demand for steel in China, the largest consumer of steel globally, has led to continued increases in exports to both developing and developed markets by Chinese producers of steel, which placed significant price pressure on steel products globally and, recently, the gap between China's steel demand and steel production has widened again. The excess production and surge in low-priced exports has prompted numerous countries, including the United States, Brazil, Mexico, and nations in Southeast Asia, to implement or intensify trade measures, including tariff increases and anti-dumping investigations, in 2024 and 2025, and continuing into 2026. If Chinese steel production or exports continue to increase or the domestic demand for steel in China decreases, it may further exacerbate the global oversupply of steel, and the imposition of trade measures in various countries and regions increases the risk of an inflow of low-priced steel products into Japan, which could have a material adverse effect on Nippon Steel's business, financial condition and results of operations. In Japan, if demand for steel decreases as Nippon Steel anticipates, oversupply, whether from local production or imports, may weigh on pricing.

Moreover, the steel industry is marked by intense competition, both domestically and abroad. In the domestic steel market in Japan, which has decreased in size and which Nippon Steel believes will continue to do so, Nippon Steel faces competition from other domestic steelmakers and steel imported from foreign steelmakers. Despite Nippon Steel's plans to target overseas demand by moving production of steel products geographically closer to where its customers make use of such products and increasing the contribution of its overseas businesses, Nippon Steel may face significant competition in those overseas markets from both local steelmakers and from other multi-national steelmakers that may attempt to harness local demand. Nippon Steel's competitors may be more geographically diversified and may possess greater financial, marketing, technological and personnel resources than Nippon Steel does, or be better able to deploy such resources in its target markets. Competitors may be able to procure raw materials at lower cost than Nippon Steel can; realize lower manufacturing costs and offer products at prices below Nippon Steel's; offer more technologically advanced, more environmentally friendly or more reliable products; market, promote and sell their products more effectively; develop and maintain stronger relationships with customers; and better adapt to changing market conditions or survive an adverse business environment.

Competition on price for highly commoditized products is particularly intense and, accordingly, Nippon Steel intends to continue its shift in focus towards high-grade steel partially in order to help differentiate its products against this backdrop, and this shift is a key component of its strategy to improve its profitability. However, Nippon Steel may be unsuccessful in doing so, for example if:

- demand for Nippon Steel's high-grade steel products does not meet its expectations, whether due to changes in the operating environment or in the business plans or operating health of end user customers, or if end users are slower to adopt such products than it expects;
- Nippon Steel's products do not meet the needs, specifications or cost requirements of end users of high-grade steel or if competitors are able to introduce such products more quickly or efficiently than Nippon Steel is;
- Nippon Steel is unable to make sufficient capital or other expenditures, such as on research and development or hiring, in a timely manner, or if its efforts are not successful; or
- Nippon Steel is unable to achieve the required technological advances to implement its plans, for example, the neutralization of hazardous materials or improved productivity, scaling or efficiency required to implement its plans to begin large-scale production of high-grade steel at EAFs.

Nippon Steel is subject to risks relating to its partnership with U. S. Steel.

On June 13, 2025, U.S. President Trump issued an Executive Order permitting the U. S. Steel Transaction to proceed, and Nippon Steel Corporation, U. S. Steel and Nippon Steel North America entered into an NSA with the U.S. Government on the same date. The NSA contains agreements to, among other things, invest approximately \$11.0 billion in U. S. Steel through 2028, and keep U. S. Steel U.S.-incorporated, headquartered in Pittsburgh and ensure that its key management personnel, including the CEO, and the majority of its board of directors are U.S. citizens. The NSA also contains agreements that U. S. Steel will maintain capacity to produce and supply steel from its U.S. production locations to meet market demand in the United States except in accordance with the NSA and that Nippon Steel will not interfere with U. S. Steel's ability to pursue trade actions under U.S. law. Additionally, under the terms of the NSA, U. S. Steel has issued one share

of Class G Preferred Stock (the “Golden Share”) to the U.S. Government, which entitles it to appoint one independent director and grants the President of the United States, or his or her designee, consent rights over certain matters restricted under the NSA and other matters such as material acquisitions of competing U.S. domestic businesses, transfer of production or jobs outside the United States and certain decisions regarding the closure or idling of manufacturing facilities. While the U. S. Steel Transaction has been completed, the ultimate success of Nippon Steel’s partnership with U. S. Steel will depend on Nippon Steel’s ability to realize the intended benefits, growth opportunities and synergies, which will require the commitment of significant time and resources. See “—Nippon Steel has grown through mergers and acquisitions and may continue to do so. Nippon Steel may fail to manage external growth or face difficulties completing planned mergers or acquisitions or integrating merged or acquired companies.” for a description of the risks relating to the success of such strategic transactions.

In particular, while Nippon Steel has successfully made U. S. Steel its consolidated subsidiary in June 2025, the impact of consolidation of U. S. Steel into Nippon Steel’s results for the fiscal year ended March 31, 2026 was an underlying business loss of ¥5.6 billion. (“Underlying Business Profit” is a financial measure not prepared in accordance with IFRS. For more information, see “Selected Financial and Other Data—Certain Non-IFRS Financial Measures of Nippon Steel—Underlying Business Profit.”) This was primarily a result of the market environment in the United States being significantly less favorable than Nippon Steel’s expectations, including deterioration of margins, combined with the impact of severe winter weather and one-off effects such as an incident at U. S. Steel’s Clairton Coke Works facility in August 2025 and a purchaser’s repudiation of a pellet sales contract. In the longer term, to achieve the benefits of the partnership and Nippon Steel’s expected additional investment of approximately \$11.0 billion, Nippon Steel will need to successfully upgrade existing facilities of U. S. Steel and bring into operation new ones, enhance cost competitiveness, achieve further sophistication of the product types at U. S. Steel and expand supply capacity. Additionally, if demand in steel-consuming sectors continues to be suppressed whether due to prolonged high interest rates in the United States or otherwise, Nippon Steel’s strategic initiatives, which are essential to the success of its partnership with U. S. Steel, may fail to be realized in the time frame Nippon Steel expects, or at all.

While Nippon Steel anticipates that the continued benefits of U.S. domestic tariffs on imported steel will bolster the operations of U. S. Steel and facilitate a recovery in the U.S. steel market, there can be no assurance that such a recovery will materialize, including that the expected benefits to U.S.-based producers from U.S. tariff policy may not occur, or that tariff policy may change. On February 20, 2026, the U.S. Supreme Court issued a ruling invalidating the President Trump’s use of the International Emergency Economic Powers Act of 1977, as amended, as the authority for the imposition of certain tariffs (but which does not include the Section 232 tariffs imposed on steel, which are described further below). Following this decision, President Trump signed a proclamation announcing, among other things, the imposition of a temporary import duty under the U.S. Trade Act of 1974, as amended, which authorizes the President to impose tariffs for up to 150 days in response to “large and serious” balance-of-payments deficits. President Trump subsequently stated his intention to increase such duty from 10% to 15% in a social media posting, although no official action has been taken yet. Separately, on April 2, 2026, the administration issued a proclamation dramatically expanding and intensifying Section 232 tariffs specifically on imported steel and derivative products, applying up to a 50% tariff on the full customs value in some cases. However, on May 7, 2026, the U.S. Court of International Trade issued a ruling finding the administration’s underlying use of the Trade Act of 1974 for these global tariffs to be unlawful. The future of U.S. tariff policy remains uncertain.

Additionally, Nippon Steel recognized ¥140.3 billion of goodwill in connection with the U. S. Steel Transaction in its audited consolidated financial statements as of and for the fiscal year ended March 31, 2026. If Nippon Steel is unable to achieve the intended benefits of its partnership with U. S. Steel, Nippon Steel could be required to recognize significant impairment losses related to such goodwill and to intangible assets recorded in connection with the U. S. Steel Transaction. See “—Changes in Nippon Steel’s assumptions underlying the recoverable amount of certain of its assets, including as a result of adverse market conditions, could result in the impairment of assets, including goodwill” for a description of risks relating to impairment losses in general. In addition, the provisions of the NSA and the Golden Share held by the U.S. Government could potentially affect Nippon Steel’s business strategy and relationship with U. S. Steel if Nippon Steel seeks, in the future, to undertake certain matters subject to the U.S. Government’s consent rights and such consent is not granted. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—U. S. Steel Transaction.”

Nippon Steel's business is substantially affected by changes in macroeconomic conditions and recessions or prolonged periods of weak growth in the global economy, or the economies of its key markets have in the past had, and in the future would be likely to have, a material adverse effect on Nippon Steel's business, financial condition and results of operations.

Nippon Steel's business, including its core Steelmaking and Steel Fabrication segment, is substantially affected by changes in macroeconomic conditions and, in particular, the health of the steel industry. The steel industry has historically been highly volatile, largely due to the cyclical nature of the industries that are the principal consumers of steel, including the automotive, energy and resources, construction, appliance, machinery, equipment and transportation industries. Fluctuations in demand for steel products generally correlate to macroeconomic fluctuations in the global economy. In recent years, business conditions in the steel industry have worsened as a result of a combination of continued decline in demand for steel products, volatility in raw material and production costs and escalating geopolitical uncertainties. This severe situation concerning global steel demand is likely to continue for the foreseeable future. Recovery in actual demand is difficult to predict, and it is expected to take time for the market to recover. Moreover, sluggish steel spreads have weighed on steelmakers' earnings. There is also a risk that the decoupling trend between raw materials and products, where the prices of finished steel products do not necessarily move in concert with prices of raw materials such as iron ore and coking coal, will continue for the time being. In addition, many risks to the global outlook remain, including geopolitical tensions globally such as trade tensions between the United States and other countries, threats to globalization by renewed protectionism or other governmental policies, including trade and tariff measures implemented by the current presidential administration in the United States and retaliatory measures, political tensions in Europe, the ongoing conflicts and instabilities in Ukraine and the Middle East and a continued slowdown of economic growth in China and developing markets. The materialization of any of these risks could depress demand for steel or Nippon Steel's other products and services, or cause increases in its operating and other costs, and have a material adverse effect on its business, financial condition and results of operations.

In particular, the ongoing conflict and instability in the Middle East has adversely affected, and may continue to adversely affect, Nippon Steel's business, financial condition and results of operations. Furthermore, due to the global nature of Nippon Steel's supply chains, the importance of the Middle East as a steel export market and source of energy supplies, and the broad range of industries served by Nippon Steel, the ultimate extent of the impact remains uncertain and cannot currently be comprehensively or reasonably estimated. As a result of the conflict and instability in the Middle East, Nippon Steel has experienced, and may continue to experience, disruptions in procurement and logistics, shortages of materials and industrial inputs (including increased energy costs). The conflict may also lead to reduced production activities among both customers and suppliers, for example as a result of lower exports of automobiles, machinery and other products to the Middle East. In addition, a slowdown in global economic activity has adversely affected, and may continue to adversely affect, global steel demand and market conditions.

In addition, Japan's significant dependence on energy supplies from the Middle East further increases Nippon Steel's exposure to the effects of geopolitical instability in the region, including the potential for higher energy costs and supply disruptions. Based on impacts currently identified and reasonably foreseeable, Nippon Steel expects the conflict and instability in the Middle East to have a negative impact of approximately ¥50.0 billion on business profit in the first quarter of fiscal year ending March 31, 2027, as a result of higher energy costs and decreased direct exports of steel products to the Middle East. However, because there is no clear outlook regarding the timing or extent of any resolution of the conflict, and because any economic recovery following stabilization may not be immediate, it is not possible to estimate the impacts that may occur in future periods, which may continue to be significant and may increase in degree.

Nippon Steel's significant indebtedness may affect Nippon Steel's business, financial condition and results of operations, including by increasing its exposure to fluctuations in market interest rates and affecting its ability to engage in financings.

As of March 31, 2026, the balance of Nippon Steel's total consolidated interest-bearing debt (representing the sum of the current and non-current portions of bonds, borrowings and lease liabilities as presented on its consolidated statements of financial position) was ¥5,174,253 million. For details of its bonds, borrowings and lease liabilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financial Liabilities." In particular, Nippon Steel paid an aggregate cash consideration to U. S. Steel shareholders in connection with the U. S. Steel Transaction of \$14.1 billion (¥2,058.0 billion) as of March 31, 2026, which Nippon Steel funded through a bridge credit facility of

approximately ¥2 trillion. Nippon Steel has fully repaid such bridge loan through March 2026 using (i) a subordinated loan incurred in September 2025, in an aggregate repayment amount of ¥500 billion, (ii) the proceeds from the issuance of bonds with stock acquisition rights issued on March 12, 2026 (“Bonds with Stock Acquisition Rights”), and (iii) funds raised in the Japan Bank for International Cooperation (“JBIC”) co-financing (as defined in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Execution of Financing Through Japan Bank for International Cooperation Co-financing and Completion of Permanent Financing Arrangement for the Acquisition of U. S. Steel”), thereby completing the permanent financing arrangement. Moreover, the indebtedness of U. S. Steel, which totaled \$4.4 billion as of March 31, 2026, is now included under Nippon Steel’s consolidated bonds, borrowings and lease liabilities. As a result, Nippon Steel’s leverage has increased substantially as compared to before completion of the U. S. Steel Transaction.

While Nippon Steel seeks to deleverage over the medium- to long-term, its ability to do so, whether on favorable terms or at all, or on the timeline that it is targeting will depend upon, among other things, the state of financial markets and its business outlook at the relevant time. Moreover, on July 17, 2025, following the completion of the U. S. Steel Transaction, S&P Global Ratings downgraded Nippon Steel’s long-term issuer credit rating from BBB+ to BBB and assigned a negative outlook to the rating, at which time it cited the significant deterioration in Nippon Steel’s financial position due to the debt financing of the acquisition, and the anticipated modest pace of recovery given the continued capital investment commitments as outlined in the NSA as well as its expectations for Nippon Steel’s capital needs in Japan and the rest of Asia. Moreover, while Nippon Steel expects that the conversion of the Bonds with Stock Acquisition Rights issued in 2026 into its shares of common stock, if and when such conversion occurs, will improve its leverage, there can be no assurance that such conversion will occur.

Nippon Steel’s debt position increases its exposure to fluctuations in the prevailing market interest rates and in other aspects of the financial environment, whether directly in the case of debt subject to floating interest rates or through increased borrowing costs for newly incurred debt (including for the purposes of refinancing existing debt) if long-term debt interest rates rise. For example, market interest rates in Japan have risen following recent increases in the Bank of Japan (the “BOJ”)’s short term policy rate, most recently by 25 basis points to 1.00% in June 2026, which is the highest level since 1995. The BOJ has signaled a continued commitment to its tightening cycle, indicating that it will continue to raise the policy rate in line with developments in economic activity, prices and financial conditions. Amid uncertainty concerning Japanese public debt and tax receipts, and market expectations for further rate increases, there has been significant volatility in the bond market, with long-term yields rising to multi-decade highs.

In addition, Nippon Steel finances a part of its operations through borrowings from banks and other financial institutions as well as the issuance of debt (including at the Guarantor’s level as well as at that of its subsidiaries, which also includes the provisions of guarantees of subsidiary debt by the Guarantor). If the financial market becomes unstable and deteriorates or credit rating agencies decide to further downgrade Nippon Steel’s credit ratings (including as a result of its inability to grow its business and/or to de-leverage as planned), its methods of obtaining financing could be limited, resulting in an increase in financing costs, which may adversely affect its business, financial condition and results of operations. In particular, as of March 31, 2026, Nippon Steel had an outstanding aggregate principal amount of ¥1,430 billion of subordinated “hybrid” debt. Nippon Steel has expressed its non-binding intention to the debt markets, lenders and ratings agencies to prepay or refinance such “hybrid” debt only using the proceeds from the issuance of securities that qualify for a similar “equity credit” under applicable ratings agency methodologies, subject to certain exceptions, and the terms on which Nippon Steel is able to issue such debt may be affected by fluctuations in market interest rates.

Japan is an important market for Nippon Steel, and its current business could experience significant declines if economic conditions in Japan deteriorate.

Nippon Steel is incorporated in Japan and a substantial portion of its operations and assets are located in Japan. Japan is Nippon Steel’s largest market, accounting for 48% of its total consolidated revenue for the fiscal year ended March 31, 2026. Demand for Nippon Steel’s products and services in Japan is mainly affected by the health in Japan of the industries that are the principal consumers of steel, including the automotive, energy and resources, construction, appliance, machinery, equipment and transportation industries, as well as the strength of the Japanese economy in general. As a result, in addition to global risks such as the Middle East conflict which have impacted or may impact Japan as well, Nippon Steel is subject to political, economic, legal and regulatory risks specific to Japan, particularly as they may affect the domestic automotive and construction industries. Nippon Steel expects domestic demand for steel to continue to gradually decrease, and, as a result, have sought to streamline its domestic production facilities and invest in enhancement of its capability and product quality for

strategic product categories. Moving forward, Nippon Steel will seek the thorough pursuit of cost competitiveness, expansion of its ability to provide comprehensive solutions and its group-wide business strength and continue to optimize its group structure. However, these measures may not be sufficient or occur in a sufficiently timely manner to maintain the profitability of Nippon Steel's domestic business, which may materially and adversely affect its business, financial condition and results of operations.

Factors that could have a further adverse impact on Japan's economy include:

- the impact of newly imposed or increased tariffs, actual or threatened, against Japan by Japan's major trading partners (including as part of larger trade tensions not specifically relating to Japan), and related uncertainties surrounding Japan's and its trading partners' respective global trade relationships, such as, for example, increased tariffs imposed by the United States beginning in 2025 and reciprocal actions by other countries;
- volatility in the exchange rate of the Japanese yen against the currencies of Japan's major trading partners;
- volatility in the prices of raw materials such as iron ore and coking coal, or oil, gas and other natural resources, including as a result of the ongoing Middle East conflict;
- intensifying international competition for the Japanese manufacturing industry, including additional measures by automobile manufacturers to move production abroad or negative impacts on their competitiveness as a result of tariffs or other trade measures;
- uncertainty regarding the effect of changes in the monetary policies of the BOJ, including its moves to increase interest rates in Japan;
- the deterioration of political relations between Japan and any of Japan's other major trading partners, or among such trading partners;
- changes in applicable tax systems, including carbon pricing regimes;
- demographic changes resulting from an aging and shrinking population in Japan, and a shortage of qualified workers, and increased labor costs resulting from these demographic trends; and
- the occurrence of earthquakes or other disasters, including pandemics, typhoons, tsunamis, floods, volcanic eruptions.

Adverse economic and financial developments in overseas markets may have an adverse effect on Nippon Steel's export sales and overseas sales, including those of its overseas subsidiaries and affiliates.

Nippon Steel's export sales and overseas sales to customers outside Japan accounted for 52% of its total consolidated revenue for the fiscal year ended March 31, 2026. Of such export sales and overseas sales, approximately 20% were to North America and 18% were to Asia, including markets such as Thailand, China, Korea and India, and Nippon Steel also maintains a global business presence in other key regions, including Europe and Central and South America. In recent years, Nippon Steel has placed increasing importance on local production in overseas markets, both through subsidiaries (whose revenues are consolidated into Nippon Steel's) and through a number of strategically important affiliates accounted for by the equity method abroad, such as at its joint venture in India with ArcelorMittal, AM/NS India, its acquisition of G Steel and G J Steel in Thailand, its investment in Elk Valley Mining Limited Partnership in Canada and its participation in the development of the Kamistatusset Iron Ore Project ("Kami Project"), owned by Champion Iron Limited ("CI"), located in Canada's Newfoundland and Labrador. Nippon Steel also holds a 20% interest in the joint venture in the Blackwater coal mine in Australia. Moreover, Nippon Steel's partnership with U. S. Steel has increased Nippon Steel's local production capacity in the United States, and Nippon Steel expects, among other things, that this partnership will continue to contribute to business growth in the United States. Nippon Steel expects export sales and overseas sales to customers outside Japan as well as profit or loss from overseas affiliates, especially in key regions such as the United States, Asia and Europe, to continue to grow in importance to its business in the future. Accordingly, adverse economic and financial developments in these markets may have an adverse effect on the demand for Nippon Steel's products and on its profit. As Nippon Steel focuses more on these regions,

including not only export sales but also the concentration of production capability (or equity investments in local steel producers) in the United States, Asian and European markets where its customers or their respective manufacturing facilities may be located, its exposure to such risks will increase.

Unfavorable or uncertain economic and market conditions overseas, or adverse effects on Nippon Steel's export or overseas sales, may be caused by, among other factors:

- the deterioration of macroeconomic conditions and recessions or prolonged periods of weak growth in the global economy;
- newly introduced or increased tariffs, and escalating trade tensions as a result, which can lead to higher consumer prices, disrupted supply chains and increased market uncertainty;
- the deterioration in economic or diplomatic relations among major trading nations and potential damage to international trade relationships;
- volatility in global stock or credit markets;
- increased inflation that can reduce consumers' purchasing power and increase cost of borrowing through higher interest rates;
- corporate, political or other scandals that may reduce confidence in the markets;
- natural disasters or pandemics;
- geopolitical instability and conflicts such as the ongoing conflicts and instabilities in Ukraine and the Middle East, including acts of violence, terrorism, war and armed conflict.

Any or a combination of these or other factors may adversely affect the demand for Nippon Steel's products outside of Japan. Economic weakness or negative developments in the United States, Europe, Asia or other regions significant to the exports or sales of Nippon Steel's customers, such as the Japanese manufacturers (especially automobile makers, many of whom were adversely affected by, for example, the tariffs introduced in 2025 by the United States and reciprocal actions taken by other countries), may also adversely affect Nippon Steel's sales to such customers. Furthermore, if demand weakens, combined with an increase in global production capacity, it may also reduce the export prices in U.S. dollar terms of Nippon Steel's principal products sold to customers overseas.

Deteriorations in steel prices in the past have had, and may in the future have, an adverse effect on Nippon Steel's results of operations.

As a producer of steel, Nippon Steel's results of operations are sensitive to the market prices of steel globally and in the markets it serves, which tends to be more pronounced for highly commoditized products sold at market prices. Steel prices are affected by supply trends, demand trends and inventory cycles. In the past, substantial price decreases during periods of economic weakness have not always been offset by commensurate price increases during periods of economic strength. In addition, as indicated above, excess supply relative to demand in local markets generally results in increased exports to Japan and other major markets and drives down global prices. In terms of inventory, steel stocking and destocking cycles affect apparent demand for steel and therefore steel prices and steel producers' profitability. For example, steel distributors may accumulate substantial steel inventories in periods of low prices (stock) and, in periods of rising real demand for steel from end-users, steel distributors may sell steel from inventory (destock), thereby delaying the effective implementation of steel price increases. Conversely, steel price decreases can sometimes develop their own momentum, as distributors destock and end-users of steel delay purchases in the expectation of further price decreases.

As a result of such factors, steel prices, particularly in East Asia, which contains certain of Nippon Steel's most important markets and accounted for a substantial portion of its total consolidated revenue, have been under pressure in recent years. Such low steel prices have continued to place significant downward pressure on Nippon Steel's profitability. While Nippon Steel's consolidated revenue increased in the fiscal year ended March 31, 2026, primarily due to the consolidation of U. S. Steel, Nippon Steel's business profit and profit for the year for each of the three fiscal years ended March 31, 2024, 2025 and 2026 were lower than in the fiscal

year ended March 31, 2023, when Nippon Steel's steel prices peaked, despite its initiatives to improve its business performance in the face of such conditions. Moving forward, there continues to be significant uncertainty as to demand as well as potential oversupply in the industry, and steel prices may fall again, which could materially and adversely affect Nippon Steel's business, financial condition and results of operations.

Significant increases in market prices of essential raw materials, energy or transportation, as well as supply disruptions, could adversely affect Nippon Steel's results of operations.

Steel production requires substantial amounts of raw materials, including iron ore and coking coal, and Nippon Steel purchases substantially all of the principal raw materials it uses from sources outside of Japan. For example, Nippon Steel purchased approximately 49.0 million dry metric tons of iron ore and 25.4 million wet metric tons of coking coal during the fiscal year ended March 31, 2026. Nippon Steel purchases iron ore primarily from Australia and Brazil and purchases coking coal primarily from Australia, Canada and the United States.

The prices of Nippon Steel's key raw materials have fluctuated significantly in recent years for a number of reasons, such as the market's assessment of the economic stimulus and production control measures in China, which has caused the price of fine iron ore to rise and fall in the range from the low \$90's to the high \$100's. According to information published by the Ministry of Finance of Japan, Japan's average import prices of iron ore per metric ton for the fiscal years ended March 31, 2021, 2022, 2023, 2024, 2025 and 2026 were ¥10,760, ¥18,558, ¥16,563, ¥16,717, ¥17,245 and ¥15,110, respectively; and Japan's average import prices of coking coal per metric ton for the fiscal years ended March 31, 2021, 2022, 2023, 2024, 2025 and 2026 were ¥11,033, ¥21,131, ¥45,644, ¥35,507, ¥30,893 and ¥23,280, respectively. Nippon Steel is particularly exposed to increases in the prices of iron ore and coking coal, which represent the largest components of its cost of sales. In recent years, market prices for these raw materials have been volatile and have remained at relatively high levels compared to historical averages, while prices for finished steel products have declined significantly, primarily due to global oversupply. This decoupling of raw material costs and product prices has negatively affected Nippon Steel's ability to sufficiently pass on increases in procurement costs to its customers through higher product prices, in turn affecting its spreads and its profit margins. In addition, in light of the ongoing expansion of Nippon Steel's overseas production capacity, it expects that it will be increasingly affected by fluctuations in market prices of raw materials internationally.

Nippon Steel's long-term supply contracts for raw materials generally have multiple year terms with the volume fixed for the entire contract term but the necessity to agree on price on a quarterly basis. Nippon Steel typically maintains approximately one month's worth of inventory of raw materials. Negotiations with respect to quarterly agreements on price are influenced by various factors, including the global economic outlook, global market prices of raw materials and steel products, supply and demand outlook of raw materials and production costs of raw materials. In the case of iron ore and coking coal, Nippon Steel and the relevant supplier typically agree on the purchase price primarily based on negotiations, making reference to the relevant market prices. Future increases in prices of Nippon Steel's key raw materials and its inability to pass along such increases to its customers (or the lag between when such price increases occur and when it is able to pass such increases on to customers) could adversely affect Nippon Steel's margins and profits. Increased prices may also cause potential customers to defer purchase of steel products, while rapidly falling prices may increase loss on valuation of raw material inventory purchased when prices were higher, either of which could have an adverse effect on Nippon Steel's business, financial condition and results of operations.

Nippon Steel is also exposed to fluctuations in the price of fuel and natural gas, electricity and transportation. In light of the importance of the Middle East as a global supplier of energy, in 2026, prices for such inputs have increased significantly, a trend Nippon Steel expects to continue even after the current Middle East conflict stabilizes. Nippon Steel's manufacturing operations involve the use of significant amounts of electricity and other energy sources, making Nippon Steel sensitive to energy prices. As a result, an increase in energy prices, especially in Japan, where many of Nippon Steel's key production facilities are located, would increase its production costs. Also, transportation costs are an important component of Nippon Steel's cost of sales. If increases in transportation costs are not offset by an increase in the prices of Nippon Steel's products, it could have an adverse effect on its financial condition and results of operations.

In addition, disruptions in Nippon Steel's supply of raw materials, which could be caused by political or other events in the countries it imports from, such as the Middle East conflict in 2026, could adversely affect Nippon Steel's operations. For example, supply disruptions require Nippon Steel to cut back on its steel production, which would negatively impact its revenue from steel products, or result in an increase in raw material prices, which would negatively affect its financial condition and results of operations.

Nippon Steel is subject to foreign currency risks and fluctuations in foreign currency exchange rates may negatively affect the principal consumers of steel, including the automotive, energy and resources, construction, appliance, machinery and equipment industries, reducing the demand for its products.

Nippon Steel conducts foreign currency transactions when exporting products or importing raw materials and fuels, and holds receivables and payables in foreign currencies. Though Nippon Steel mitigates the impact of fluctuations in exchange rates by using foreign currencies received, such as from products sold overseas, to pay for imported raw materials and fuels, and it hedges its exposure through the use of forward exchange contracts, fluctuations in exchange rates may negatively affect its financial condition and results of operations. The Japanese yen, for example, has been on a significant overall weakening trend in recent years, but with significant volatility and fluctuations, including in 2026.

The depreciation of the Japanese yen against foreign currencies, in particular the U.S. dollar, is negative to Nippon Steel's domestic steel business in light of increased raw material and energy prices and the relatively higher proportion of imports over exports. Moreover, to the extent that commitments or liabilities denominated in U.S. dollars or other currencies, such as Nippon Steel's commitment to invest approximately \$11.0 billion in new investments in U. S. Steel by 2028, are funded through Japanese yen-denominated channels, such depreciation would also be negative. However, as an overall consolidated matter, such depreciation is positive from a business profit standpoint due to the effect of translating the results of its overseas business and raw materials business into yen, and due to valuation gains on inventories and foreign assets.

On the other hand, while appreciation of the Japanese yen decreases the prices of imports to Japan, it also causes Nippon Steel's export products, as well as the export products of the principal consumers of steel, including the Japanese automotive, energy and resources, construction, appliance, machinery and equipment industries, to be less competitive overseas by raising the prices of such products in foreign currencies. Appreciation of the Japanese yen against foreign currencies, in particular the U.S. dollar, also negatively affects the value of the assets that Nippon Steel holds that are denominated in foreign currencies, as well as its profits in overseas business and raw materials business translated into yen basis.

Competition from materials other than steel could reduce the market price of, and demand for, steel products.

In many applications, steel competes with other materials that may be used as substitutes, such as aluminum, carbon fiber, concrete, composites, glass, plastic and wood. In particular, as a result of increasingly stringent regulatory requirements or developments in alternative materials, designers, engineers and industrial manufacturers, especially those in the automotive industry, are increasing their use of lighter weight and alternative materials, such as aluminum, composites and plastics in their products. Steel may be replaced by substitute materials or go unused in new applications, despite Nippon Steel's efforts to make high quality steel products, such as high-tension steel products, that are attractive to its customers, due to factors such as the development of additional new substitutes for steel. Furthermore, advancements in the automobile industry, including advancements in technology such as the electrification of automobiles, may reduce the demand for steel products. For example, the electrification of automobiles may increase the need for lighter or stronger components, and non-steel products better meeting these needs may cause decreased use of steel parts. For these or other reasons, competition from alternative materials or advancements in the automobile industry could significantly reduce the market prices of, and demand for, steel products and have a material adverse effect on Nippon Steel's business, financial condition and results of operations.

Nippon Steel is highly dependent on its steelmaking and steel fabrication business.

Nippon Steel is highly dependent on its Steelmaking and Steel Fabrication segment, which accounts for 91.2% of its total consolidated revenue from external customers and 85.6% of its consolidated business profit for the fiscal year ended March 31, 2026. While Nippon Steel is aiming to increase the profitability of its business on a consolidated basis, including its non-steel businesses, it may fail to do so. In addition, Nippon Steel's strategy to expand its overseas steel production capabilities to capture the projected long-term growth in global steel demand, particularly in emerging markets, may increase its reliance on its Steelmaking and Steel Fabrication segment. So long as Nippon Steel remains dependent on its Steelmaking and Steel Fabrication segment, the realization of risks affecting the steel industry—such as regional and global macroeconomic conditions, excess capacity, oversupply, destocking cycles, the competitive environment, unfair trade practices, protracted low steel prices, significant increases in market prices of raw materials and competition from other materials—could have an especially material adverse effect on its business, financial condition and results of operations. In addition, Nippon Steel's Steelmaking and Steel Fabrication segment in particular has historically supplied its products to

the domestic and overseas operations of Japanese producers of vehicles, ships, energy, electrical appliances, containers, industrial machinery and civil engineering and construction firms, and Nippon Steel plans to continue to maintain close ties with these industries. However, this also means that Nippon Steel is exposed to the effect of developments affecting these industries and its customers in them, including both general economic, social and political factors as well as events affecting specific customers.

Nippon Steel may fail to improve profit margins, including through product mix and price improvements, and achieve cost reductions and its goals for digitalization of its business, as planned.

Difficult operating conditions in recent years, due in particular to macroeconomic conditions and the balance of supply and demand, have reduced Nippon Steel's profitability. Accordingly, Nippon Steel has focused energy on initiatives to reduce its costs and increase its operating efficiency. These initiatives include the introduction of advanced facilities, energy-saving measures, resource recycling and the streamlining of Nippon Steel's domestic production framework, including decommissioning of certain production facilities. Under Nippon Steel's 2030 Medium- to Long-term Management Plan, Nippon Steel aims to further improve its margins by thoroughly pursuing cost competitiveness and accelerating the digitalization of its domestic operations to achieve annual consolidated Underlying Business Profit of ¥1 trillion in the long-term. However, Nippon Steel's efforts are subject to significant operational challenges and limitations, and it may fail to reduce costs or improve profit margins as planned. Streamlining of production facilities, including decommissioning of production lines, may require additional expenditures or require Nippon Steel to record significant impairment or reorganization related costs, harming its profitability in the relevant fiscal years.

Nippon Steel is also aiming to strengthen the competitiveness of its business through its plans to pursue digitalization across its business functions. However, Nippon Steel may be unable to successfully design or implement the changes to its business systems necessary to achieve this digitalization in a timely manner, which could delay or impair its ability to achieve its digitalization goals. Even if Nippon Steel is able to successfully design the necessary changes to its systems, implementing them will require significant expenditures over a number of fiscal years, negatively affecting its results of operations or the availability of funding for other parts of its business. Moreover, increased reliance on digitalized processes may subject Nippon Steel to increased risks if its systems are subject to hacking or other unauthorized access or attack, viruses or design flaws. See “—Nippon Steel's reputation and business could be materially harmed as a result of system failure, data breaches, data theft, unauthorized access or successful hacking. Furthermore, Nippon Steel's business could be adversely affected as a result of the rising costs of maintaining sufficient cybersecurity in light of continuous technological advances.” If Nippon Steel is unable to achieve its targets as it intends, its competitiveness could be significantly harmed and it could have a material adverse effect on its financial condition and results of operations.

Combined with these cost saving measures and digitalization initiatives, Nippon Steel is targeting improvements in product mix and pricing for direct contract-based sales. However, Nippon Steel may not be able to achieve these goals. For example, Nippon Steel's efforts to shift product mix to include a higher proportion of high-quality steel products may not be successful. Moreover, customers with direct contract-based sales arrangements may not agree to price increases or shift all or a portion of their purchases of steel products to competitors, or Nippon Steel's relationship with such customers may be otherwise harmed.

Nippon Steel is planning significant additional capital expenditures and other investments in its business, which may require additional financing and adversely affect its financial condition and results of operations, and may not provide the benefits it expects.

The steelmaking business is capital intensive and requires substantial ongoing maintenance capital expenditures. In addition, Nippon Steel has significant ongoing and planned capital expenditures, aimed at improvement of production capacity and improved quality of its strategic products as well as cost reductions, making targeted, minimal expenditures on maintaining and renewing existing equipment. See “Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditures.” Moreover, Nippon Steel is considering making significant additional investments in its business, both domestic and overseas, under its 2030 Medium- to Long-term Management Plan, pursuant to which it intends to make capital and business investments in an aggregate amount of approximately ¥6 trillion during the five fiscal years ending March 31, 2031. See “Business—Nippon Steel's Vision: Aim to Become the Best Steelmaker with World-leading Capabilities.” Pursuant to the NSA, Nippon Steel has also committed to invest approximately \$11.0 billion in U. S. Steel by 2028. Nippon Steel expects that the primary source of funds for capital expenditures and other investments will be operating cash flows;

however, because Nippon Steel expects investment expenditures will precede returns during this transitional phase where it seeks to achieve growth, a certain amount of additional financing will be required. Based on a comprehensive consideration of foreign exchange and interest rate conditions, as well as the market environment, Nippon Steel intends to pursue necessary financing in a timely and appropriate manner. See “—Nippon Steel’s significant indebtedness may affect its business, financial condition and results of operations, including by increasing its exposure to fluctuations in market interest rates and affecting its ability to engage in financings.” for a discussion of risks associated with Nippon Steel’s financing activities.

Furthermore, as a result of these investment initiatives, Nippon Steel expects to record significant additional amounts of property, plant and equipment, which will be depreciated over the course of their useful lives, leading to the recording of increased depreciation expenses on its consolidated statements of profit or loss during such period.

In addition, the projects funded by these capital expenditures and business investments may not provide Nippon Steel with the expected benefits. This may occur due to a number of reasons. For example, Nippon Steel may be mistaken in its appraisals of the benefits of such projects. Moreover, such projects may require significant time to complete, potentially years after the relevant opportunities are identified, and the business or competitive landscape may change significantly during such intervening time. Changes in the business or competitive landscape may mean that intended additions to or improvements to Nippon Steel’s product line do not meet the needs of its customers, meaning that demand for such new or improved products may not meet its expectations. Even if there is demand for such products, if Nippon Steel’s competitors are able to more quickly or efficiently introduce such new products, Nippon Steel may not be able to gain the expected benefits of its investments.

Nippon Steel has grown through mergers and acquisitions and may continue to do so. Nippon Steel may fail to manage external growth or face difficulties completing planned mergers or acquisitions or integrating merged or acquired companies.

Nippon Steel was formed and has subsequently grown through mergers and acquisitions as well as a series of investments and other strategic transactions. Nippon Steel Corporation was formed upon the merger of NSC and Sumitomo Metal Industries, Ltd. (“SMI”) in 2012. In March 2017, Nippon Steel Corporation made Nisshin Steel Co., Ltd. (“Nisshin Steel”) Nippon Steel Corporation’s consolidated subsidiary and, subsequently, on January 1, 2019, its wholly-owned subsidiary by way of a share exchange, after which it merged into Nippon Steel Corporation through an absorption-type merger with effect on April 1, 2020. Nippon Steel Corporation made Ovako its wholly-owned subsidiary on June 1, 2018, by acquiring 100% of the shares of Ovako and, in March 2019, it made Sanyo Special Steel its subsidiary, by means of a capital increase through a third-party allotment of shares conducted by Sanyo Special Steel and subscribed to by it. Additionally, Nippon Steel Corporation transferred its entire holdings of Ovako shares to Sanyo Special Steel on the same date, thereby making Ovako a wholly-owned subsidiary of Sanyo Special Steel.

More recently, Nippon Steel has continued to expand its operations through several key acquisitions and joint ventures. In December 2019, Nippon Steel and ArcelorMittal completed a major joint acquisition of Essar Steel India Limited, forming AM/NS India. In February 2022, Nippon Steel Corporation completed a significant acquisition of two Thai steelmakers, G Steel and G J Steel. In April 2023, Nippon Steel Corporation converted Nippon Steel Trading Corporation (“NST”) into a consolidated subsidiary through a tender offer. In January 2024, Nippon Steel Corporation completed the acquisition of a 20% interest in Elk Valley Resources (“EVR JV”), a Canadian steelmaking coal business company, through its wholly-owned subsidiary, NS Canadian Resources Inc., making EVR JV its affiliate accounted for by the equity method. On January 31, 2025, Nippon Steel Corporation announced its intention to conduct a tender offer aiming to make Sanyo Special Steel a wholly-owned subsidiary. As a result of such tender offer and the subsequent procedures, Sanyo Special Steel became Nippon Steel Corporation’s wholly-owned subsidiary on April 25, 2025. In March 2025, Nippon Steel acquired a 20% stake in the Blackwater coal mine in Queensland, Australia. In September 2025, Nippon Steel Corporation completed the acquisition of a 30% interest in the newly formed Kami Iron Mine Partnership (“Kami Partnership”) with CI and Sojitz Corporation (“Sojitz”) to participate in the development of the Kami Project, owned by CI, located in Canada’s Newfoundland and Labrador. On June 18, 2025, the U. S. Steel Transaction was completed and U. S. Steel became Nippon Steel Corporation’s consolidated subsidiary. On February 2, 2026, Nippon Steel Corporation commenced its tender offer to acquire all the shares of common stock of Krosaki Harima Corporation (“Krosaki Harima”). Following the settlement, Krosaki Harima became Nippon Steel Corporation’s wholly-owned subsidiary in April 2026. On April 1, 2026, Nippon Steel Corporation and Nakayama Steel Works, Ltd. (“Nakayama Steel”) established the joint venture company (“JVC”), NN STEEL

LLC, in which Nippon Steel Corporation holds 49% ownership interest and Nakayama Steel holds 51% ownership interest. On May 13, 2026, Nippon Steel Corporation and Sanyo Special Steel announced that the two companies will conduct an absorption-type merger, with Nippon Steel Corporation as the surviving company, effective April 1, 2027. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments.”

While Nippon Steel may continue to seek to grow through mergers and acquisitions, investments and other strategic transactions, appropriate opportunities may not arise, either on terms that are attractive to Nippon Steel or at all, or it may be unable to take advantage of such opportunities as desired. There can be no assurance that Nippon Steel will be able to complete announced transactions on the anticipated timeline, or at all, due to the failure to obtain necessary regulatory approvals, the inability to satisfy other closing conditions, or other factors beyond its control. In connection with further mergers and acquisitions, Nippon Steel may incur additional indebtedness, experience increased operating costs or be forced to allocate more of its management resources away from its day-to-day operations. Successfully managing mergers and acquisitions will require Nippon Steel to successfully continue to develop its financial and management information control systems, integrate acquired assets with its existing operations, handle any labor disruptions that may arise, attract, retain, train and supervise qualified management and personnel, including at more remote sites where there may be a shortage of such personnel and manage the risks and liabilities associated with businesses that it acquires. Nippon Steel’s failure to successfully manage mergers and acquisitions could have a material adverse effect on its business, financial condition, results of operations or prospects. Furthermore, Nippon Steel’s failure to achieve the intended benefits of any such merger or acquisition, due to the relevant businesses significantly under-performing relative to its expectations, could lead to the impairment of any assets that it holds or goodwill that it records in connection with such transaction. Moreover, investments structured as joint ventures are subject to the risks described under “—Nippon Steel faces risks associated with its investments in joint ventures and associates.”

Nippon Steel’s plans to invest in production bases in growing markets overseas are subject to financing, execution and completion risks.

Nippon Steel is developing its overseas steelmaking business in a variety of locations, especially in the United States, Europe, India and Thailand. As part of Nippon Steel’s growth strategy, it will consider investments in production bases, including the acquisition of or equity investments in additional steel mills, at these locations. See “Business—Nippon Steel’s Strategies—Overseas: Execute regional strategies to capture growth and profitability—United States: Building an integrated production system through Nippon Steel’s partnership with U. S. Steel,” “Business—Nippon Steel’s Strategies—Overseas: Execute regional strategies to capture growth and profitability—India: Accelerate growth in India” and “Business—Nippon Steel’s Strategies—Overseas: Execute regional strategies to capture growth and profitability—Thailand: Grow in Nippon Steel’s ASEAN ‘home market’ of Thailand.” Such projects could entail substantial capital expenditures, and their timely completion and successful operation may be affected by factors including Nippon Steel’s ability to obtain financing on reasonable terms, obtain or renew required regulatory approvals and licenses for making or maintaining the investment (including potential additional restrictions on inbound investments) or administering the planned business or secure and maintain adequate property rights to land and mineral resources, local opposition to land acquisition or project development, its ability to manage relationships with or obtain consents from other shareholders, the revision of economic viability projections, the demand for its products, local environmental or health-related conditions and general economic conditions. These or other factors may cause Nippon Steel to delay, modify or forego some or all aspects of its development projects. There can be no assurance that Nippon Steel will be able to successfully execute any such projects, that such projects will be completed on schedule or within budget or that it will achieve an adequate return on its investment. Conversely, should Nippon Steel decide to postpone or cancel investments in production bases in growing markets overseas, it could incur various negative consequences, such as litigation or impairment charges.

Nippon Steel faces risks associated with its investments in joint ventures and associates.

Nippon Steel sometimes holds a majority interest in the projects among its joint venture partners, but in most cases, it does not take a controlling interest in such projects. For example, AM/NS India is a joint venture owned 60% by ArcelorMittal and 40% by Nippon Steel, and which Nippon Steel believes will play a key role in its India-related strategy. However, Nippon Steel may not be able to require that its joint ventures sell assets or return invested capital, make additional capital contributions or take any other action without the agreement of its joint consortium partners. If there are disagreements between Nippon Steel and its joint venture partners regarding the business and operations of the joint projects, Nippon Steel may not be able to resolve them in a manner that will be in its best interests. Certain major decisions, such as selling a stake in the joint project, may

require the consent of all other partners, while others may require an affirmative vote of joint venture partners holding a majority interest in the project. These limitations may adversely affect Nippon Steel's ability to obtain the economic and other benefits it seeks from participating in these projects.

In addition, joint ventures and associates may be controlled and managed by joint venture or controlling partners that may not fully comply with Nippon Steel's standards, controls and procedures, including its health, safety, environment and community standards, which could lead to higher costs, reduced production or environmental, health and safety incidents or accidents, which could adversely affect its results and reputation.

Furthermore, these joint ventures and associates may experience difficult operating conditions, which may lead to them to incur losses. Difficult operating conditions in joint ventures and associates may expose Nippon Steel to loss of its investment, requirements for additional investments or calls on guarantees. Nippon Steel's failure to achieve the intended benefits of any such joint venture, due to the joint venture significantly under-performing relative to its expectations, could lead to the impairment of any assets that it holds or goodwill that it records in connection with such joint venture.

Increased attention by government and other stakeholders to reduction in CO₂ emissions and changes in governmental policies regarding CO₂ emissions, including the potential for increased regulation or the reversal of existing policies, may harm Nippon Steel's competitiveness or ability to implement its strategies, or otherwise harm its business.

A wide range of stakeholders, including governments, customers, investors and other parties are increasing their focus on issues relating to CO₂ and other greenhouse gases, which may affect Nippon Steel's business in a variety of ways. New or more stringent environmental standards could require Nippon Steel to make increased capital expenditures or make modifications in operating practices or projects. For example, in February 2025, the Japanese government updated its roadmap for reduction of greenhouse gas emissions under the 7th Strategic Energy Plan, establishing new interim targets to reduce emissions by 60% by 2035 and by 73% by 2040. Government actors in the EU and elsewhere have either introduced or signaled support for "carbon border adjustment mechanisms," i.e., taxes imposed on products imported from countries deemed to have taken insufficient actions to combat climate change. The EU has announced a series of environmental laws as part of the "European Green Deal" and more recently, "Europe's Choice", including CO₂ and greenhouse gas related measures. In 2023, the existing European Union's Emissions Trading System, EU ETS I, which puts a price on climate change-inducing CO₂ emissions, was reformed to add a new emissions trading system, the EU ETS II, to cover additional industrial sectors. The 2030 target for emission reduction has also been revised to 62%, as opposed to the previous target of 43%, as compared to 2005. These changes, including any future revisions, may require steel producers, including Nippon Steel, to incur additional costs to acquire emissions allowances.

As a result of these or other developments relating to CO₂ or other greenhouse gas emissions, or other new environmental regulations or changes therein, the amount and timing of future environmental and related expenditures may vary substantially from those Nippon Steel currently anticipates. Additional costs may also have a negative impact on the profitability of the projects Nippon Steel intends to implement or may make such projects economically unfeasible. Developments relating to carbon taxes or emissions trading systems in particular may significantly affect the steel industry, and government bodies in Japan, Nippon Steel's largest market, have begun considering the implementation of, for example, carbon pricing initiatives. Nippon Steel believes that the implementation of such taxes or systems would not only affect its profitability through increased compliance costs in the form of significant compliance-related expenditures, but also have a serious negative effect on its future competitiveness by requiring it to divert financial and other resources that it would otherwise direct towards research and development initiatives for reducing CO₂ emissions, decreasing the likelihood of their success.

On the other hand, changes to existing government policies and standards may require Nippon Steel to incur additional expenses to comply, or mean that it is unable to recoup the investments it has made therein so far. For example, in recent years, the United States federal government, as well as numerous state and local governments, have begun to roll back CO₂ emissions-related or other environmental standards. Such trends may result in contradicting requirements in various regions Nippon Steel operates in, subjecting it to significant uncertainties, including that authorities may oppose its or larger industry initiatives to meet more stringent standards, as well as increased complexities and costs for compliance with environmental standards.

Nippon Steel is also subject to the expectations of investors, customers and other third parties with regards to environmental and sustainability issues, particularly climate change and CO₂ emissions. Nippon Steel

believes that climate change is a serious threat to society, and that its competitiveness will be dependent on its ability to achieve significant decreases in carbon emissions. Nippon Steel's goal of decreasing carbon emissions in its steel producing processes, with the aim of reducing emissions by 30% by 2030 compared to 2013, and ultimately reaching carbon neutrality (including the effect of offsets) by 2050, will be key to helping to solve these issues, and, Nippon Steel believes, will allow it to maintain the competitiveness of its products as well as to meet the expectations of investors, customers and other third parties in light of the increased attention being paid to climate change and related issues. However, Nippon Steel may be unable to achieve these goals, which it estimates will require extremely significant costs, including what it now believes will be in excess of the originally estimated ¥4 trillion to ¥5 trillion of capital expenditures for practical implementation, leading steel production costs to grow to double or more of current levels, even assuming a best case scenario including with respect to external factors. In order to meet these goals, it will require collaboration from a wide range of interested parties, including government, industry and society, leading to long-term and continuous government support for research and development and implementation costs for radical innovation and the creation of a framework for the bearing of related costs by society. It is unclear whether such collaboration will be forthcoming, including at a level sufficient to make this goal feasible. Even if the required support is forthcoming, there can be no assurance that the requisite technologies will be developed successfully and in a timely manner or become accessible to Nippon Steel on the terms it may require. Moreover, Nippon Steel's competitors may succeed in developing more effective technologies than Nippon Steel, or in implementing reductions in CO₂ emissions more quickly.

Nippon Steel may face difficulties hiring and retaining qualified employees.

In order to maintain the sustainable growth of Nippon Steel's business, Nippon Steel depends on the leadership of its key management personnel as well as its ability to attract, employ and retain skilled professionals, including management professionals, and highly qualified employees with relevant experience. Furthermore, Nippon Steel must be able to successfully recruit, train and develop new hires. If Nippon Steel is unable to successfully execute its human resource strategies and experience unforeseen increases in employee departures or is unable to successfully prepare replacement candidates for its management personnel in a timely manner, it may lose valuable know-how or other organizational resources, which could harm its ability to compete effectively. Additionally, unforeseen costs in connection with increased competition for talented personnel, increased employee regulation, or issues related to workplace health and safety arising from improper labor management may negatively affect Nippon Steel's financial condition and results of operations.

Accidents or malfunctioning equipment at Nippon Steel's facilities may disrupt its production and negatively impact its business.

Nippon Steel's production processes depend on certain critical equipment such as blast furnaces, coke ovens, steel converters, continuous casters, rolling mills and energy facilities. This equipment may be negatively affected in the case of electrical or mechanical accidents, malfunction or damage, including due to industrial accidents, fires, or other unexpected occurrences. A significant interruption in Nippon Steel's production process due to the malfunction or damage of critical equipment could cause it to incur significant expenses in connection with the repair or reconstruction of the affected equipment, lead to lost profits or affect its quality control, any of which could have a material adverse effect on its business, financial condition and results of operations. For example, in December 2025, an incident involving blast furnace ancillary equipment at the North Nippon Works Muroran Area has taken such equipment offline, leading to the incurrence of damage-related costs, including estimated shipment reductions, totaling approximately ¥40.0 billion in the fiscal year ended March 31, 2026.

Product liability and other customer claims could have a material adverse financial impact on Nippon Steel and product quality issues involving its products, or the products of other steel manufacturers, particularly in Japan, could have a material adverse financial impact on its financial condition and reputation.

Nippon Steel sells products to major manufacturers engaged in the manufacture and sales of a wide range of finished products and to other customers. The manufacture of Nippon Steel's products is difficult and complex, and involves the risk, and occurrence of, quality control and other product quality issues and defects. Nippon Steel's customers may be dissatisfied with products Nippon Steel sells for various reasons including that its products had defects, including false data, or otherwise did not meet the customers' expectations. Claims from such dissatisfied customers, whether litigated or settled out-of-court, may adversely affect Nippon Steel's business operations and financial results. Furthermore, there could be significant consequential damages resulting from defects in Nippon Steel's products that are sold to, and used in, certain safety-critical applications, such as,

for example, pipes used in gas or oil pipelines and in automotive applications. Nippon Steel intends to shift its focus further to high-grade steel and other products for high-end applications, increasing the risk posed from potential quality-control issues.

In addition, product quality issues with any of Nippon Steel's products, or the products of other steel manufacturers, particularly other steel manufacturers in Japan, could result in additional costs and reputational harm. If Nippon Steel's customers suspect, for example, that other steel companies in Japan, including Nippon Steel, have undertaken similar practices, Nippon Steel may incur increased expenses to assure quality of its products to its customers or experience a decrease in demand for its steel products, each of which could materially harm its financial condition and future operating results. Although Nippon Steel may obtain a certain amount of insurance for product liability, as a general matter, it does not maintain substantial insurance coverage for product liability.

Nippon Steel's export products have been and may become subject to tariffs, anti-dumping or countervailing duty proceedings.

Countries to which Nippon Steel makes export sales may take restrictive measures, such as trade tariffs, anti-dumping duties, safeguard duties and other non-tariff barriers, to protect their home markets. Actions taken by one country may furthermore lead to retaliatory actions or escalations by other countries. On February 10, 2025, the United States announced the reinstatement of a 25% tariff on all steel and aluminum imports to the United States while eliminating previous country-specific exemptions and quota arrangements, which took effect on March 12, 2025. Subsequently, effective June 4, 2025, the United States further increased tariff rates on steel and aluminum imports to 50% and significantly expanded the scope of derivative products subject to such tariffs. The scope of such tariffs was further expanded in August 2025 to include a wider range of downstream steel-intensive products. On April 2, 2026, the U.S. administration issued a proclamation modifying these Section 232 tariffs by directing that they be applied to the full customs value of derivative products, rather than solely to the value of their metal content. Nippon Steel may also be the subject of duties imposed directly on it. For example, in August 2025, the U.S. Department of Commerce made a final determination that imposed a weighted-average dumping margin of 29.70% on Nippon Steel for selling hot-rolled steel flat products in the United States from October 2022 through September 2023, which raises the duties on Nippon Steel's hot-rolled steel flat products. Tariffs and duties such as these significantly undermine the competitiveness of Nippon Steel's steel exports to the affected countries. Any increases in or new imposition of tariffs, anti-dumping duties, countervailing duties or quotas on Nippon Steel's sales in major overseas markets could result in a material reduction in its export levels, which could have a material adverse effect on its business, operating results and financial condition, or require it to move a further proportion of production and sales into the relevant country to avoid such measures.

Changes in Nippon Steel's assumptions underlying the recoverable amount of certain of its assets, including as a result of adverse market conditions, could result in the impairment of assets, including goodwill.

At each reporting date, Nippon Steel reviews the carrying amounts of its tangible assets and intangible assets (goodwill is reviewed annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable) to determine whether there is any indication that the carrying amount of such assets (or the cash generating unit ("CGU") to which they are allocated) may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset/CGU is assessed in order to determine the amount of the impairment, if any.

If certain of Nippon Steel's estimates change during a given period, such as the discount rate, capital expenditures, expected changes to average selling prices, growth rates, shipments and direct costs, its estimate of the recoverable amount of an asset or goodwill (or the CGU to which they are allocated) could fall significantly and result in the recording of an impairment charge, which could have a material adverse effect on its results of operations. For example, Nippon Steel incurred impairment losses of ¥24,448 million in its Steelmaking and Steel Fabrication segment in the fiscal year ended March 31, 2022, primarily due to an anticipated deterioration in the business environment of the seamless carbon steel pipe business, driven by accelerated decarbonization efforts. The further streamlining of Nippon Steel's production framework and capacity is among its key strategies, and it expects to record additional impairment losses in connection with additional shutdowns or reorganizations of existing production facilities in the future. Moreover, Nippon Steel may record significant amounts of goodwill in connection with acquisitions or similar transactions; to the extent it is unable to achieve the benefits associated therewith, it may be required to record impairment losses in respect thereof. See "—Nippon Steel has grown through mergers and acquisitions and may continue to do so. Nippon Steel may fail to manage external growth or face difficulties completing planned mergers or acquisitions or integrating merged

or acquired companies.” and “—Nippon Steel is subject to risks relating to its partnership with U. S. Steel.” No assurance can be given that Nippon Steel will not record significant impairment losses in future periods, particularly if market conditions deteriorate.

Nippon Steel may incur losses on its equity securities portfolio if domestic or foreign stock markets decline.

A decline in stock prices in Japan or in other markets where Nippon Steel invests in equity instruments could reduce the value of the equity instruments that it holds, consisting mainly of publicly listed common stock of Japanese companies, for the purpose of sustainably developing strategic alliances as well as maintaining and strengthening its business and operational relationships with such companies. The market values of equity instruments are inherently volatile. For example, weakening or stagnant conditions in other countries or concerns over the impact of geopolitical tensions and conflicts in various parts of the world could not only affect stock prices abroad, but may also adversely affect stock prices in Japan. A significant decline in the market prices of equity instruments held by Nippon Steel would give rise to unrealized losses that would negatively affect its net assets, which would adversely affect its financial condition. In addition, equity instruments constitute a portion of Nippon Steel’s funded retirement benefit plan assets. If stock prices in Japan or in other markets decline significantly, Nippon Steel’s funded retirement benefit plans may require additional funding, which could have a material adverse effect on its business and financial condition.

Nippon Steel may suffer large losses in the event of a natural disaster or other disruptions.

Nippon Steel’s manufacturing operations and steel works in Japan and overseas are subject to the risk of earthquakes and other natural disasters, including typhoons, tsunamis, floods and volcanic eruptions, and other disruptions such as accidents, acts of war or terrorism, epidemics or pandemics such as the COVID-19 pandemic, blackouts or otherwise. For example, the 2024 Noto Peninsula Earthquake caused Nippon Steel’s Naoetsu Area works, which produces stainless steel products, to temporarily suspend operations after the quake hit, and previous major earthquakes and typhoons in Japan have also at times had significant effects on its business operations. Regardless of whether Nippon Steel has business locations in a given geographical area, in the event of a major natural disaster, it may experience catastrophic loss, operations at such production sites may be halted, shipments of products may be suspended or delayed, a significant reduction or loss of revenues may be experienced, or other problems may adversely affect its operations.

Nippon Steel may not be able to adequately protect its intellectual property rights in foreign countries and it may become involved in intellectual property disputes.

Patents and other forms of intellectual property rights are competitive factors in the markets in which Nippon Steel operates, which are characterized by constantly evolving technology. Nippon Steel relies on the technologies and know-how it has developed for its business and seeks to protect such technologies and know-how through a combination of patents, and other forms of intellectual property rights, as well as through the use of contractual confidentiality procedures, contract clauses and agreements. There can be no assurance, however, that Nippon Steel will always be successful in adequately protecting its technologies and know-how, including by securing patents or other intellectual property rights. While as of March 31, 2026, Nippon Steel held approximately 32,000 patents globally, because of the differences in foreign patent, trademark and other intellectual property or proprietary rights laws, it may not receive the same protection in foreign countries as it would in Japan. For example, in 2021 Nippon Steel filed lawsuits against Baoshan Iron & Steel Co., Ltd. (“Baosteel”), a Chinese steelmaker, for infringement of Nippon Steel’s patents relating to non-oriented electrical steel sheets. While Nippon Steel is actively pursuing litigation to protect its intellectual property rights, the outcome of these proceedings remains uncertain, and there is a possibility that the final judgment may not be in its favor, which could adversely impact its business and financial position.

It is also important for Nippon Steel to operate without infringing upon the patents or other intellectual property rights of others. There can be no assurance that third parties will not assert infringement claims against Nippon Steel or that such claims will not be successful. Such infringement claims could result in the payment of monetary damages, the suspension of Nippon Steel’s operations involving the subject technologies, the necessity to develop or acquire non-infringing technologies, a significant investment of time and effort on the part of its management, increased legal expenses, damage to its reputation and other costs which could negatively impact its results of operations.

Nippon Steel relies on trade secrets and other unpatented proprietary know-how to maintain its competitive position, and unauthorized disclosure of its trade secrets or other unpatented proprietary know-how could negatively affect its business.

Nippon Steel relies on trade secrets and unpatented proprietary know-how and information. In an effort to protect this information and prevent leakages, Nippon Steel has implemented internal policies and procedures that require its employees to adequately manage information, including trade secrets, obtained during the course of business and that also prohibit its employees from leaking confidential information. Under these policies and procedures, Nippon Steel may take disciplinary action, including termination, in the event of violations. Furthermore, when Nippon Steel outsources business to or engage in joint research and development with other companies, Nippon Steel requires that such companies agree to maintain the confidentiality of the trade secrets and know-how that it shares during the course of such engagement by refraining from disclosing such information to third parties, taking appropriate measures to prevent leakages of such information and prohibiting the use of such information outside of the agreed-upon purpose. However, such policies and procedures may not be enforceable or may be ineffective in preventing breaches. Moreover, Nippon Steel's remedies under these policies and procedures may not be adequate for any breach. The disclosure of Nippon Steel's trade secrets or other know-how as a result of such a breach could adversely affect its business.

Nippon Steel is subject to economic policy, political, social and legal risks and uncertainties in the emerging markets in which it operates or proposes to operate.

Nippon Steel operates in emerging markets, such as the ASEAN countries and India, and expanding its operations in such markets is one of its key strategies. In recent years, many of these countries have implemented measures aimed at improving the business environment and providing a stable platform for economic development. Nippon Steel's business strategy has been developed partly on the assumption that this modernization, restructuring and upgrading of the business climate and physical infrastructure will continue. However, it is uncertain that this will occur as Nippon Steel expects. Any slowdown in the development of such economies could have a material adverse effect on Nippon Steel's business, financial condition, results of operations or prospects, as could insufficient investment by government agencies or the private sector in physical infrastructure. For example, the failure of an emerging market to develop reliable electricity and natural gas supplies and networks, and any resulting shortages or rationing, could lead to disruptions in Nippon Steel's production. Moreover, volatility affecting the pace of modernization has in the past and may in the future affect Nippon Steel's business and results of operations in any given period, even if the overall growth trend occurs as expected.

Certain emerging markets where Nippon Steel has operations continue to face challenging operating conditions. In India, economic and political uncertainty persists, including inflationary pressures and regulatory challenges. For example, the "Make in India" policy instituted by the government of India in 2014 aims to protect India's various key industries including the steel industry, which has led to India's steel market having a remarkably high ratio of local production. Additionally, Brazil is navigating an uneven economic recovery, with ongoing political challenges and inflation impacting growth. Recession continues to loom in South Africa, where the steel and mining industries are subject to a challenging operating environment characterized by lower local demand, increased cheap imports and higher costs.

In addition, the legal systems in some of the countries in which Nippon Steel operates remain less than fully developed, particularly with respect to the independence of the judiciary, property rights, the protection of foreign investment and bankruptcy proceedings, which generally results in a lower level of legal certainty or security for foreign investment than in more developed countries. Furthermore, Nippon Steel may encounter difficulties in enforcing court judgments or arbitral awards in some countries in which it operates because, among other reasons, those countries may not be parties to treaties that recognize the mutual enforcement of court judgments. Assets in certain countries where Nippon Steel operates could also be at risk of expropriation or nationalization, and any compensation paid for such assets may be below fair value.

Nippon Steel's insurance policies provide limited coverage, potentially leaving it uninsured against some business risks.

The occurrence of an event that is uninsurable or not insured against could have a material adverse effect on Nippon Steel's business, financial condition, results of operations or prospects. Nippon Steel maintains insurance only to the extent and in amounts that it believes are commercially reasonable in consideration of possible risks, and not on a comprehensive basis, and, where applicable, it is exposed to risks relating to physical

loss or damage. Moreover, Nippon Steel does not have significant insurance coverage with respect to floods, earthquakes, volcanic eruptions, typhoons, tsunami, terrorism, acts of war or certain other kinds of risks. Notwithstanding the insurance coverage that Nippon Steel does have, the occurrence of an event that causes losses in excess of limits specified under the relevant policy, or losses not covered by insurance policies, could materially harm its financial condition and results of operations.

Nippon Steel's income tax liability may substantially increase if the tax laws and regulations in countries in which it operates change or become subject to adverse interpretations or inconsistent enforcement.

Taxes payable by companies in many of the countries in which Nippon Steel operates are substantial and include value-added taxes, excise duties, profit taxes, payroll-related taxes, property taxes and other taxes. Tax laws and regulations in some of these countries may be subject to frequent change, varying interpretation and inconsistent enforcement. Ineffective tax collection systems and national or local government budget requirements may increase the likelihood of the imposition of arbitrary or onerous taxes and penalties, which could have a material adverse effect on Nippon Steel's financial condition and results of operations. In addition to the usual tax burden imposed on taxpayers generally, these conditions create uncertainty as to the tax implications of various business decisions. This uncertainty could expose Nippon Steel to significant fines and penalties and to enforcement measures despite its best efforts at compliance and could result in a greater than expected tax burden. Also, if tax rates increase in any of the jurisdictions in which Nippon Steel operates, or treaties between those jurisdictions are modified in an adverse manner, its cash flows, liquidity and ability to pay dividends could be negatively affected. Changes in relevant tax law may also adversely affect Nippon Steel's ability to utilize its deferred tax assets, such as those related to unused tax losses or credits.

Nippon Steel's reputation and business could be materially harmed as a result of system failure, data breaches, data theft, unauthorized access or successful hacking. Furthermore, Nippon Steel's business could be adversely affected as a result of the rising costs of maintaining sufficient cybersecurity in light of continuous technological advances.

Nippon Steel's operations depend on the secure and reliable performance of its information technology systems and, as it seeks to further digitalize its business, it expects that its dependence on information technology will grow and expand to new areas. An increasing number of companies have recently experienced intrusion attempts or breaches of their information technology security, some of which have involved sophisticated and highly targeted attacks on their computer networks. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, Nippon Steel may be unable to anticipate these techniques or to implement in a timely manner effective and efficient countermeasures.

While Nippon Steel has adopted procedures and controls to protect its information and operating technology, including sensitive proprietary information and confidential and personal data, there can be no assurance that a system or network failure, or security breach, will be prevented. If unauthorized parties attempt or manage to bring down Nippon Steel's website or gain access into its information technology systems, they may be able to misappropriate confidential information, cause interruptions in its operations, damage its computers or process control systems or otherwise damage its reputation and business. Any compromise of the security of Nippon Steel's information technology systems could result in interruptions to its systems, a loss of confidence in its security measures, reputational damage and subject it to litigation, civil or criminal penalties and adverse publicity that could adversely affect its reputation, financial condition and results of operations. Furthermore, Nippon Steel expects that the costs of maintaining adequate cybersecurity to combat the leakage of information in this environment will continue to rise, and such costs could also adversely affect its financial condition and operations.

Nippon Steel is subject to the risk of litigation and other legal proceedings and out-of-court disputes in the ordinary course of business.

Due to the nature and scope of Nippon Steel's business, Nippon Steel is subject to the risk of litigation and out-of-court disputes from a wide range of third parties including customers, vendors, suppliers, regulators or other government actors and employees in connection with a wide variety of claims (including claims related to breach of contract, personal injury and property defects) or controversies in the ordinary course of business. In the event of an adverse judgment or out-of-court settlement, Nippon Steel may incur significant damages or expenses and its financial condition and results of operations could be adversely affected. In addition, negative publicity arising from litigation, whether justified or not, could harm Nippon Steel's brand and reputation. See "Business—Legal Proceedings."

Nippon Steel is subject to regulatory and compliance risks, which may expose it to governmental investigations or penalties, including in connection with antitrust laws and regulations, and private lawsuits.

Nippon Steel operates globally. Nippon Steel's business straddles multiple jurisdictions and complex regulatory frameworks at time of increased enforcement activity and enforcement initiatives worldwide. Such regulatory frameworks, including economic sanctions, are constantly evolving, and Nippon Steel may, as a result, become subject to increasing limitations on its business activities or the risk of penalties or other sanctions for non-compliance. In addition, Nippon Steel's governance and compliance processes, which include the review of internal controls over financial reporting, may not prevent Nippon Steel from violating law or accounting or governance standards. Furthermore, Nippon Steel faces various private lawsuits and other claims in connection with its business activities around the world. See "Business—Legal Proceedings."

Nippon Steel is one of the largest steel producers in the world. As a result, Nippon Steel may be subject to exacting scrutiny from regulatory authorities and private parties, particularly regarding its trade practices and dealings with customers and counterparties. As a result of Nippon Steel's position in steel markets and its historically acquisitive growth strategy, Nippon Steel could be subject to governmental investigations and lawsuits based on antitrust laws.

Such governmental investigations or penalties or private lawsuits could require Nippon Steel to incur significant expenditures or result in liabilities or governmental orders that could have a material adverse effect on its business or reputation, which may negatively affect its operating results, financial condition and prospects.

Strict environmental, health and safety laws and regulations could give rise to a significant increase in costs and liabilities.

Nippon Steel is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental protection standards regarding, among others, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices and the remediation of environmental contamination. The costs of complying with, and the imposition of liabilities pursuant to, current and future environmental laws and regulations could potentially be significant, and compliance with new and more stringent obligations in the future may require Nippon Steel to make additional capital expenditures or modify its operating practices. Failure to comply can result in civil, criminal and/or administrative penalties or closure orders being imposed, the suspension of permits, requirements to curtail or suspend operations and lawsuits by third parties. Despite Nippon Steel's efforts to comply with environmental laws and regulations, environmental incidents or accidents may occur that negatively affect its reputation or the operations of key facilities. Waste disposal and emission practices may result in the need for Nippon Steel to clean up or retrofit its facilities at substantial costs or substantial liabilities. Environmental regulatory restrictions imposed by foreign markets to which Nippon Steel exports its products may also materially and adversely affect its export sales.

Nippon Steel is also subject to a broad range of health and safety laws and regulations in each of the jurisdictions in which it operates. These laws and regulations, as interpreted by relevant agencies and the courts, have in recent years imposed increasingly stringent health and safety protection standards. The costs of complying with, and the imposition of liabilities pursuant to, health and safety laws and regulations could be significant, and failure to comply could result in the assessment of civil, criminal and/or administrative penalties, the suspension of permits or operations and lawsuits by third parties. In addition, under certain circumstances authorities could require Nippon Steel's facilities to curtail or suspend operations based on health and safety concerns.

Nippon Steel Corporation's internal controls may not be effective in preventing misstatements of its financial condition and results of operations.

In accordance with the FIEA, as a public company in Japan, Nippon Steel Corporation is required to evaluate the effectiveness of its internal controls over financial reporting as of the end of its fiscal year and have its evaluation audited by its independent auditors. Although Nippon Steel Corporation found its internal controls over financial reporting to be effective as of March 31, 2026, if its internal controls over financial reporting are found to have material weaknesses as a result of its evaluation or the audits conducted by its independent auditors in the future, its ability to produce reliable financial reports on a timely basis could be adversely affected, resulting in a loss of confidence in its financial reporting by investors, which could materially and adversely

affect the price of its securities. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and thus are subject to inherent limitations.

Any violation or noncompliance with Nippon Steel's human rights policy or applicable law may negatively affect its reputation, business activities, its results of operations and financial conditions.

In recent years, governmental and non-governmental actors have given increasing attention to human rights matters, and based on the international standards concerning such matters, Nippon Steel has established an internal policy for human rights. This policy, which applies to Nippon Steel and its group companies, is intended to convey its commitment to human rights both internally and externally to outside parties, and to establish internal systems for the conduct of human rights due diligence and implementation of corrective measures when needed. A violation of such policy, or of relevant applicable law, may negatively affect Nippon Steel's procurement, production, or sales and damage its reputation, which in turn may negatively affect its business, results of operations or financial condition.

Forward-looking statements in this offering memorandum involve risks and uncertainties.

This offering memorandum contains statements with respect to Nippon Steel's plans, strategies and beliefs, as well as other statements that are not historical facts, including, but not limited to, particularly the statements disclosed under "Summary," "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Such forward-looking statements involve risks and uncertainties, including each of the risks identified in this "Risk Factors" section. Nippon Steel cautions prospective investors in the offering of the Notes not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to Nippon Steel or persons acting on its behalf are qualified in their entirety by these cautionary statements.

Risks Relating to the Notes and the Guarantee

The Notes and the Guarantee are the respective unsecured obligations of the Issuer and the Guarantor.

Because the Notes and the Guarantee are the respective unsecured obligations of the Issuer and the Guarantor, their repayment may be compromised if:

- the Issuer or the Guarantor enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- the Issuer or the Guarantor default in payment under Nippon Steel's secured indebtedness or other unsecured indebtedness; or
- any of the indebtedness of the Issuer or the Guarantor is accelerated.

If any of these events occurs, the assets of the Issuer or the Guarantor may not be sufficient to pay amounts due on the Notes or the Guarantee, respectively.

The Notes and the Guarantee will be structurally subordinated to indebtedness and other liabilities of the respective subsidiaries of the Issuer and the Guarantor, respectively.

The Notes will be the direct, unsecured and unsubordinated liabilities of the Issuer, and the Guarantee will be the direct, unsecured and unsubordinated liability of the Guarantor. Accordingly, the Notes will be structurally subordinated to the indebtedness and other liabilities of the Issuer's subsidiaries, as holders of the Notes will only be entitled to assert a claim as a creditor of the Issuer that is to be paid out of the Issuer's assets. Similarly, the Guarantee will be structurally subordinated to the indebtedness and other liabilities of the Guarantor's subsidiaries.

Moreover, as of March 31, 2026, on a consolidated basis, the Nippon Steel Group guarantees ¥476,236 million aggregate principal amount of bank loans and other obligations of its joint ventures and associates. On a non-consolidated basis, the Guarantor's debt guarantees totaled ¥611,764 million, including ¥119,973 million relating to U. S. Steel. The Guarantor may in the future provide additional guarantees over indebtedness of current or future subsidiaries. To the extent that the Guarantor now or in the future provides

further guarantees over the liabilities of its current or future subsidiaries, claims against such guarantees may rank pari passu with the Guarantor's obligations under the Guarantee, depending on the terms of such guarantees.

The Indenture and the Notes contain only very limited restrictions on the Issuer and the Guarantor's ability to pledge, dispose or securitize their respective assets, pay dividends, incur indebtedness or issue or repurchase securities, and the Issuer will only be required to repurchase the Notes upon a "Change of Control" if it is accompanied by a "Ratings Event" and the other conditions before such repurchase is required are met.

The Indenture and the Notes do not contain any financial covenants and contain only very limited or no restrictions on the Issuer and the Guarantor's ability to pledge assets to secure other indebtedness or to securitize their respective assets, or on their respective ability to pay dividends on their respective shares, to incur additional indebtedness or to issue new securities or repurchase their outstanding securities. These or other actions by the Issuer and the Guarantor could adversely affect their ability to pay amounts due on the Notes.

In addition, the Indenture and the Notes do not contain any covenants or other provisions that afford more than limited protection to holders of the Notes in the event of a Change of Control, as defined under "Description of the Notes and the Guarantee—Change of Control Offer." The Issuer will be required to offer to repurchase the Notes only upon the occurrence of a "Change of Control Repurchase Event," which requires both a "Change of Control" and a "Ratings Event", each as defined under "Description of the Notes and the Guarantee—Change of Control Offer." The occurrence of a Change of Control alone will not entitle holders to require the Issuer to repurchase their Notes unless a Ratings Event also occurs. A Ratings Event, in turn, will not be deemed to have occurred in respect of a Change of Control unless the Notes are downgraded below investment grade by both rating agencies within the period specified in the Indenture and the rating agencies making the reduction confirm that it resulted, in whole or in part, from the applicable Change of Control. Accordingly, a downgrade of the Notes below investment grade that the rating agencies do not attribute to the Change of Control, a downgrade by only one Rating Agency, or a downgrade that does not result in the Notes being rated below Investment Grade by each of the relevant ratings organizations at the time, will not give holders any right to require the Issuer to repurchase their Notes. See "Description of the Notes and the Guarantee—Change of Control Offer."

The Issuer may not be able to repurchase the Notes upon a Change of Control Repurchase Event.

Upon the occurrence of a "Change of Control Repurchase Event", as defined under "Description of the Notes and the Guarantee—Change of Control Offer," the Issuer will be required to offer to repurchase all outstanding Notes at 101% of their principal amount, plus accrued and unpaid interest to the purchase date. The indentures governing the Issuer's other senior unsecured notes also require it to offer to repurchase all outstanding unsecured notes issued thereunder at 101% of their principal amount, plus accrued and unpaid interest to the purchase date upon the occurrence of a Change of Control Repurchase Event. The indentures or credit facility agreements governing certain of U. S. Steel's indebtedness also include provisions that give the holders of such indebtedness the right to require U. S. Steel to repurchase such indebtedness once the applicable conditions are met. The source of funds for any purchase of any of the Issuer's notes and repayment of borrowings under any of its credit facilities will be the Issuer's available cash or cash generated from its subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. The Issuer may not be able to repurchase the Notes or repurchase and repay, as applicable, its other senior notes and loans upon the occurrence of a Change of Control Repurchase Event because it may not have sufficient financial resources to purchase all of the debt securities that are tendered upon a Change of Control Repurchase Event and repay other debt that will become due. If the Issuer fails to repurchase the Notes in that circumstance, and the Guarantor to guarantee such liability, Nippon Steel will be in default under the Indenture that will govern the Notes; similarly, if the Issuer were to fail to repurchase its other indebtedness that is tendered pursuant to a Change of Control put under any of its other indebtedness (and the Guarantor to guarantee such obligation, where applicable), the Issuer (and/or the Guarantor) would be in default under those instruments as well. The Issuer or the Guarantor, as applicable, may require additional financing from third parties to fund any such purchases and repayments, and may be unable to obtain financing on satisfactory terms or at all. A default under one indenture or credit agreement may result in the cross-acceleration of other debt obligations of the Issuer or the Guarantor, including of the Notes offered hereby.

Further, the Issuer and Guarantor's respective ability to repurchase certain of their respective notes may be limited by law. In order to avoid the obligations to repurchase notes and/or repay loans, as well as to avoid events of default and potential breaches of its credit agreements, U. S. Steel may have to avoid certain change of control transactions that would otherwise be beneficial to it.

In addition, certain important corporate events, such as leveraged recapitalizations, may not, under the Indenture that will govern the Notes, constitute a Change of Control Repurchase Event that would require the Issuer to repurchase the Notes, even though those corporate events could increase the level of its debt or otherwise adversely affect its capital structure, credit ratings or the value of the Notes. See “Description of the Notes and the Guarantee—Change of Control Offer.”

The exercise by the holders of Notes of their right to require the Issuer to repurchase the Notes pursuant to a Change of Control offer could cause a default under the agreements governing the Issuer’s other debt, including future agreements, even if the Change of Control itself does not, due to the financial effect of such repurchases on the Issuer. In the event a Change of Control offer is required to be made at a time when the Issuer is prohibited from purchasing notes, the Issuer could attempt to refinance the borrowings that contain such prohibitions. If the Issuer does not obtain a consent or repay those borrowings, it will remain prohibited from purchasing the Notes. In that case, its failure to purchase tendered Notes would constitute an event of default under the Indenture which could, in turn, constitute a default under its other debt. Finally, the Issuer’s ability to pay cash to the holders of the Notes upon a repurchase may be limited by its then existing financial resources.

Holders of the Notes may not be able to determine when a Change of Control Repurchase Event giving rise to their right to have the Notes repurchased has occurred following a sale of “substantially all” of the Issuer’s assets.

One of the circumstances under which a Change of Control may occur is upon the sale or disposition of all or substantially all of the Issuer or the Guarantor’s assets. There is no precise established definition of the phrase “substantially all” under applicable law, and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a holder of the Notes to require the Issuer to repurchase the Notes as a result of a sale of less than all of the Issuer or the Guarantor’s assets to another person may be uncertain.

The Issuer may be unable to repay or repurchase the Notes at maturity, and the Guarantor may be unable to satisfy its obligation under the Guarantee.

At their respective maturities, the entire outstanding principal amount of each series of the Notes, together with accrued and unpaid interest, if any, will become due and payable. The Issuer may not have the funds to fulfill these obligations or the ability to renegotiate these obligations, and the Guarantor may not have the funds to satisfy its obligation under the Guarantee. If, upon the relevant maturity date, other arrangements prohibit the Issuer or Guarantor, as applicable, from repaying the Notes of the relevant series, the Issuer or Guarantor could try to obtain waivers of such prohibitions from the lenders and holders under those arrangements, or the Issuer or Guarantor could attempt to refinance the borrowings that contain the restrictions. In these circumstances, if the Issuer is unable to repay the Notes, or the Guarantor to make the applicable payment under the Guarantee, such failure would result in a default or event of default under the Indenture.

The Issuer may redeem the Notes prior to maturity.

The Issuer may redeem the Notes of a series, in whole but not in part, at its option prior to the final maturity date, subject to the conditions described under “Description of the Notes and the Guarantee—Optional Redemption.” In the case of such discretionary optional redemptions, if made after the par call date for the relevant series of Notes, the Issuer will not be required to pay any premium or other make-whole payments on the Notes being redeemed. Moreover, upon the occurrence of certain changes in tax law, the Issuer will be permitted to redeem the Notes at par. See “Description of the Notes and the Guarantee—Optional Tax Redemption.” If the Notes were redeemed prior to the final maturity date, holders may not be able to reinvest the money received upon such redemption at the same rate of return as the Notes.

The ratings of the Notes could be lowered and this could have an adverse effect on the price and liquidity of the Notes.

The Notes are expected to be rated Baa2 by Moody’s and BBB by S&P. In addition, other rating agencies may assign credit ratings to the Notes without solicitation from or provision of information by the Issuer or Guarantor. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency’s judgment, circumstances so

warrant. A downgrade or potential downgrade in the respective credit ratings of the Issuer or Guarantor or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the Notes and adversely affect the price and liquidity of the Notes. A rating is based upon information furnished by the Issuer or Guarantor or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time. The Issuer and the Guarantor have no obligation to inform holders of the Notes of any such revision, suspension or withdrawal.

The market for the Notes may have limited liquidity.

Prior to the issue of the Notes, there has been no trading market for the Notes. Although approval in-principal has been received for the listing of the Notes on the SGX-ST, there can be no assurance as to the liquidity of any markets that may develop for the Notes or the prices at which you will be able to sell your Notes, if at all. The Issuer have been advised by certain of the initial purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. Future trading prices of the Notes will depend on many factors, including:

- prevailing interest rates;
- the Issuer's and the Guarantor's financial condition and results of operations;
- the then-current ratings assigned to the Notes;
- the market for similar securities; and
- general economic conditions.

Any trading markets that develop would be affected by many factors independent of and in addition to the foregoing, including the time remaining to the maturity of the Notes, the outstanding amount of the Notes and the level, direction and volatility of market interest rates generally.

USE OF PROCEEDS

The net proceeds that the Issuer will receive from the issue and sale of the Notes will be approximately \$1,188 million, after deducting estimated offering expenses payable by it.

The Issuer plans to use the net proceeds of the issue and sale of the Notes to redeem the outstanding 6.625% Senior Secured Notes due 2029 issued by Big River Steel LLC, co-issued by BRS Finance Corp. and guaranteed by BRS Intermediate Holdings LLC, each of which is the consolidated subsidiary of the Issuer. Any remaining proceeds will be used to redeem the Issuer's outstanding 6.875% Senior Notes due 2029.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth Nippon Steel's consolidated capitalization and indebtedness as of March 31, 2026, which have been derived from, and should be read together with, its audited consolidated financial statements as of and for the fiscal year ended March 31, 2026 included elsewhere herein. It also shows Nippon Steel's consolidated capitalization and indebtedness as adjusted to give effect to the issue and sale of the Notes and the use of proceeds therefrom to redeem outstanding indebtedness. See "Use of Proceeds."

The information in the table below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere herein.

	As of March 31, 2026	
	Actual	As Adjusted
	(millions of yen)	
Debt		
Current portion of bonds, borrowings and lease liabilities	¥ 506,004	¥ 506,004
Non-current portion of bonds, borrowings and lease liabilities	4,668,249	4,668,249
The Notes offered hereby ⁽¹⁾	—	190,464
Total indebtedness	¥ 5,174,253	¥ 5,364,717
Equity		
Common stock (10,000,000,000 shares authorized, 5,373,633,760 shares issued)	569,519	569,519
Capital surplus	588,011	588,011
Retained earnings	3,752,153	3,752,153
Treasury stock (147,339,771 shares) ⁽²⁾⁽³⁾	(59,023)	(59,023)
Other components of equity	679,786	679,786
Total equity attributable to owners of the parent	5,530,448	5,530,448
Non-controlling interests	494,111	494,111
Total equity	6,024,560	6,024,560
Total capitalization (total of equity and non-current portion of indebtedness)⁽⁴⁾	¥10,692,809	¥10,883,273

Notes:

- (1) The "as-adjusted" amount represents the aggregate principal amount of the Notes. Dollar amounts translated into yen have been translated at the rate of ¥158.72 = \$1.00, the rate as of March 31, 2026 as reported by Bloomberg L.P.
- (2) Comprises shares held directly by Nippon Steel Corporation and shares held by its subsidiaries as part of cross-holding arrangements (including shares held in trust for the satisfaction of retirement obligations).
- (3) On March 11, 2026, Nippon Steel Corporation deposited 3,130,300 shares of treasury stock to a trust established for the purposes of its performance-linked stock based compensation system for certain of its management members. See "Management of Nippon Steel Corporation—Stock Based Compensation System."
- (4) Total capitalization is the sum of total equity plus the non-current portion of bonds, borrowings and lease liabilities.

There has been no material change to Nippon Steel's consolidated capitalization or indebtedness since March 31, 2026.

SELECTED FINANCIAL AND OTHER DATA

Selected Financial Data and Other Data of Nippon Steel

The following tables set forth Nippon Steel's consolidated financial and other data as of and for the fiscal years ended March 31, 2022, 2023, 2024, 2025 and 2026. The selected consolidated financial data set forth below as of and for the fiscal years ended March 31, 2024, 2025 and 2026 have been derived from, and should be read in conjunction with, Nippon Steel's audited consolidated financial statements and the related notes included elsewhere in this offering memorandum. The selected consolidated financial data set forth below as of and for the fiscal years ended March 31, 2022 and 2023 has been derived from Nippon Steel's audited consolidated financial statements and the related notes thereto not included in this offering memorandum. The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

Nippon Steel's audited consolidated financial statements are prepared and presented in accordance with IFRS, which differs from Japanese GAAP and U.S. GAAP, and accounting principles generally accepted in other jurisdictions. The data below should be read together with, and is qualified in its entirety by, the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Nippon Steel's consolidated financial statements and related notes included elsewhere herein.

	As of and for the fiscal year ended March 31,				
	2022	2023	2024	2025	2026
	(millions of yen, except percentages and per share amounts or as otherwise noted)				
Consolidated Statements of Profit or Loss Data:					
Revenue	¥ 6,808,890	¥ 7,975,586	¥ 8,868,097	¥ 8,695,526	¥10,063,216
Cost of sales	(5,587,331)	(6,682,028)	(7,481,331)	(7,323,874)	(8,618,408)
Gross profit	1,221,559	1,293,557	1,386,765	1,371,651	1,444,808
Selling, general and administrative expenses	(544,725)	(579,411)	(730,388)	(815,817)	(993,968)
Share of profit in investments accounted for using the equity method	214,480	102,915	144,326	126,900	85,412
Other operating income	128,417	181,497	178,085	79,845	108,782
Other operating expenses	(81,601)	(82,102)	(109,131)	(79,343)	(130,906)
Business profit	938,130	916,456	869,657	683,237	514,128
Losses on reorganization	(97,229)	(32,810)	(90,995)	(135,277)	(271,225)
Operating profit	840,901	883,646	778,662	547,960	242,903
Finance income	1,928	8,091	21,540	20,841	31,132
Finance costs	(26,245)	(24,888)	(36,230)	(44,423)	(101,222)
Profit before income taxes	816,583	866,849	763,972	524,377	172,814
Income tax expense	(149,052)	(128,117)	(176,074)	(141,405)	(128,059)
Profit for the year	¥ 667,530	¥ 738,732	¥ 587,898	¥ 382,972	¥ 44,754
Profit for the year attributable to:					
Owners of the parent	637,321	694,016	549,372	350,227	17,158
Non-controlling interests	30,209	44,715	38,526	32,744	27,596
Consolidated Statements of Financial Position Data:					
Assets:					
Current assets					
Cash and cash equivalents	¥ 551,049	¥ 670,410	¥ 448,892	¥ 672,526	¥ 461,262
Trade and other receivables	939,406	1,062,384	1,587,979	1,430,435	1,768,226
Inventories	1,756,589	2,085,971	2,276,665	2,199,096	2,776,012
Total current assets	3,514,655	4,070,518	4,560,384	4,548,503	5,289,570
Non-current assets					
Property, plant and equipment	3,052,640	3,183,638	3,380,436	3,635,585	5,899,583
Right-of-use assets	78,162	83,935	100,601	101,934	139,478
Goodwill	61,741	65,062	70,207	71,639	259,746
Intangible assets	130,497	157,444	177,853	263,231	832,800
Investments accounted for using the equity method . . .	1,079,068	1,210,542	1,537,936	1,600,366	1,465,536
Other financial assets	548,283	528,794	675,942	461,378	536,875
Total non-current assets	5,237,691	5,496,581	6,154,242	6,393,955	9,371,013
Total assets	8,752,346	9,567,099	10,714,627	10,942,458	14,660,583
Liabilities:					
Current liabilities					
Trade and other payables	1,526,719	1,592,137	1,890,718	1,671,352	2,340,108

As of and for the fiscal year ended March 31,					
	2022	2023	2024	2025	2026
	(millions of yen, except percentages and per share amounts or as otherwise noted)				
Bonds, borrowings and lease liabilities	344,056	403,028	541,495	473,466	506,004
Total current liabilities	2,018,630	2,093,802	2,581,874	2,335,493	2,972,686
Non-current liabilities					
Bonds, borrowings and lease liabilities	2,309,339	2,296,322	2,170,148	2,034,026	4,668,249
Defined benefit liabilities	188,350	185,441	116,309	111,552	160,207
Deferred tax liabilities	39,805	37,685	140,532	137,014	335,144
Total non-current liabilities	2,836,707	2,826,879	2,776,874	2,703,584	5,663,337
Total liabilities	4,855,337	4,920,682	5,358,748	5,039,077	8,636,023
Equity:					
Total equity attributable to owners of the parent	3,466,799	4,181,155	4,777,727	5,383,311	5,530,448
Non-controlling interests	430,209	465,261	578,150	520,069	494,111
Total equity	3,897,008	4,646,417	5,355,878	5,903,380	6,024,560
Total liabilities and equity	8,752,346	9,567,099	10,714,627	10,942,458	14,660,583
Consolidated Statement of Cash Flows Data:					
Net cash flows provided by operating activities	¥ 615,635	¥ 661,274	¥ 1,010,159	¥ 978,593	¥ 716,939
Net cash flows used in investing activities	(378,866)	(366,580)	(710,654)	(462,428)	(2,837,181)
Net cash flows provided by (used in) financing activities	(61,304)	(197,655)	(543,945)	(313,334)	1,886,301
Other Data:					
Return on equity ⁽¹⁾	20.5%	18.1%	12.3%	6.9%	0.3%
Debt/equity ratio ⁽²⁾	0.77x	0.65x	0.57x	0.47x	0.94x
Adjusted EBITDA ⁽³⁾	¥1,290,241	¥1,256,627	¥ 1,232,659	¥ 1,068,480	¥ 1,088,044
Underlying Business Profit ⁽⁴⁾ (in billions of yen)	690.0	734.0	935.0	793.7	650.4
Adjusted equity capital ⁽⁵⁾	3,841,799	4,556,155	5,152,727	5,848,311	6,245,448
Adjusted interest bearing debt ⁽⁶⁾	2,278,396	2,324,351	2,336,643	2,042,492	4,459,253
Adjusted debt/equity ratio ⁽⁷⁾	0.59x	0.51x	0.45x	0.35x	0.71x
Adjusted Free Cash Flow ⁽⁸⁾	¥ 236,769	¥ 294,694	¥ 299,505	¥ 516,165	¥ (2,120,242)
Amounts per share (yen):					
Basic earnings per share ⁽⁹⁾	¥ 692.16	¥ 753.66	¥ 596.59	¥ 350.92	¥ 3.28 ⁽¹⁰⁾
Dividend per share	160.00	180.00	160.00	160.00	— ⁽¹¹⁾
Segment Revenue from external customers:					
Steelmaking and Steel Fabrication	¥6,105,157	¥7,176,756	¥ 8,010,655	¥ 7,819,748	¥ 9,173,227
Engineering and Construction	253,415	319,365	381,600	371,309	357,517
Chemicals and Materials	245,083	257,648	243,327	250,873	239,835
System Solutions	205,233	221,815	232,513	253,594	292,636
Consolidated revenue	¥6,808,890	¥7,975,586	¥ 8,868,097	¥ 8,695,526	¥10,063,216
Segment Profit:					
Steelmaking and Steel Fabrication	¥ 871,051	¥ 861,443	¥ 821,065	¥ 621,005	¥ 439,961
Engineering and Construction	6,302	11,674	(1,340)	14,628	23,105
Chemicals and Materials	25,377	16,170	15,390	18,938	21,951
System Solutions	30,859	32,111	35,588	38,888	43,315
Adjustments	4,539 ⁽¹²⁾	(4,944) ⁽¹³⁾	(1,046) ⁽¹⁴⁾	(10,223) ⁽¹⁵⁾	(14,205) ⁽¹⁶⁾
Consolidated business profit	¥ 938,130	¥ 916,456	¥ 869,657	¥ 683,237	¥ 514,128

- (1) Return on equity is calculated by dividing profit (loss) for the year attributable to owners of the parent by the average of the equity attributable to owners of the parent at the beginning and the end of the fiscal year. Nippon Steel does not present return on equity for interim periods.
- (2) Debt/equity ratio is calculated by dividing interest-bearing debt (representing the sum of the current and non-current portions of bonds, borrowings and lease liabilities as presented on Nippon Steel's consolidated statements of financial position) by the equity attributable to owners of the Company.
- (3) Adjusted EBITDA is not an IFRS financial measure (a "Non-IFRS Financial Measure"). Adjusted EBITDA is defined as business profit (loss) as presented under IFRS plus depreciation, amortization and impairment losses. See "—Certain Non-IFRS Financial Measures of Nippon Steel."
- (4) Underlying Business Profit is a Non-IFRS Financial Measure. Underlying Business Profit is defined as business profit excluding inventory valuation impact and certain other items which Nippon Steel believes do not represent its underlying profitability. See "—Certain Non-IFRS Financial Measures of Nippon Steel."
- (5) Adjusted equity capital is a Non-IFRS Financial Measure. Adjusted equity capital is defined as total equity attributable to owners of the parent as presented under IFRS plus an adjustment equal to 50% of the face value of Nippon Steel's subordinated interest-bearing debt, representing the equity credit applied to it by certain ratings agencies. See "—Certain Non-IFRS Financial Measures of Nippon Steel."
- (6) Adjusted interest bearing debt is a Non-IFRS Financial Measure. Adjusted interest bearing debt is defined as the sum of the current and non-current portions of bonds, borrowings and lease liabilities, in each case as presented under IFRS, less an adjustment equal to 50% of the face value of Nippon Steel's subordinated interest-bearing debt, representing the equity credit applied to it by certain ratings. See "—Certain Non-IFRS Financial Measures of Nippon Steel."

- (7) Adjusted debt/equity ratio is defined as the ratio of adjusted interest bearing debt to adjusted equity capital. Adjusted interest bearing debt and adjusted equity capital are Non-IFRS Financial Measures. See “—Certain Non-IFRS Financial Measures of Nippon Steel.”
- (8) Adjusted free cash flow is a Non-IFRS Financial Measure. Adjusted free cash flow is defined as net cash flows provided by operating activities less net cash flows used in investing activities. See “—Certain Non-IFRS Financial Measures of Nippon Steel.”
- (9) Basic earnings per share is calculated by dividing the profit for the reporting period attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period in which the number of treasury stock is excluded.
- (10) Pursuant to the resolution of the Guarantor’s board of directors on August 1, 2025, the Guarantor implemented a five-for-one stock split on October 1, 2025. The basic earnings per share for the fiscal year ended March 31, 2026 reflects the impact of the stock split.
- (11) Pursuant to the resolution of the Guarantor’s board of directors on August 1, 2025, the Guarantor implemented a five-for-one stock split on October 1, 2025. Accordingly, dividends per share for the fiscal year ended March 31, 2026 are not presented, as a simple aggregation is not possible. As a ¥12 year-end dividend per share was approved at the general meeting of shareholders held on June 23, 2026, the dividends per share for the fiscal year ended March 31, 2026, without retroactively reflecting the stock split for interim dividends, were ¥120, while including the effect of the stock split, the dividends per share for the fiscal year ended March 31, 2026 were ¥24.
- (12) For the fiscal year ended March 31, 2022, segment profit adjustments of ¥4,539 million include an investment return of ¥9,034 million from the affiliate accounted for by the equity method Nippon Steel Kowa Real Estate Co., Ltd. and elimination of inter-segment revenue or transfers of negative ¥4,495 million.
- (13) For the fiscal year ended March 31, 2023, segment loss adjustment of ¥4,944 million includes an investment return of ¥11,443 million from the affiliate accounted for by the equity method Nippon Steel Kowa Real Estate Co., Ltd. and elimination of inter-segment revenue or transfers of negative ¥16,387 million.
- (14) For the fiscal year ended March 31, 2024, segment loss adjustment of ¥1,046 million includes an investment return of ¥11,967 million from the affiliate accounted for by the equity method Nippon Steel Kowa Real Estate Co., Ltd. and elimination of inter-segment revenue or transfers of negative ¥13,013 million.
- (15) For the fiscal year ended March 31, 2025, segment loss adjustment of ¥10,223 million includes an investment return of ¥12,808 million from the affiliate accounted for by the equity method Nippon Steel Kowa Real Estate Co., Ltd. and elimination of inter-segment revenue or transfers of negative ¥23,032 million.
- (16) For the fiscal year ended March 31, 2026, segment loss adjustment of ¥14,205 million includes an investment return of ¥6,590 million from the affiliate accounted for by the equity method Nippon Steel Kowa Real Estate Co., Ltd. and elimination of inter-segment revenue or transfers of negative ¥20,796 million.

Certain Non-IFRS Financial Measures of Nippon Steel

In addition to Nippon Steel’s financial results reported under IFRS, Nippon Steel also prepares and discloses Adjusted EBITDA, Underlying Business Profit, adjusted equity capital and adjusted interest-bearing debt, which are Non-IFRS Financial Measures. Nippon Steel strongly encourages investors to review its historical financial statements in their entirety and to use measures presented in accordance with IFRS as the primary means of evaluating its performance, value and prospects for the future, and to use the Non-IFRS Financial Measures presented herein as supplemental measures. For each Non-IFRS Financial Measure presented below, Nippon Steel has also identified the most directly comparable measure or measures presented in accordance with IFRS and presented a reconciliation to such measure or measures.

EBITDA and Adjusted EBITDA

Nippon Steel presents EBITDA and Adjusted EBITDA because it believes that these measures are useful to investors as similar performance measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in its industry.

For the purposes of this offering memorandum, Nippon Steel’s EBITDA is defined as profit for the year, adding back or subtracting income tax expenses, interest expenses, interest income and depreciation and amortization.

For the purposes of this offering memorandum, Nippon Steel’s Adjusted EBITDA is further defined as EBITDA as defined above, as further adjusted to exclude (i) components of finance costs and finance income other than interest expense and interest income, (ii) losses on reorganization and (iii) impairment losses.

The usefulness of EBITDA and Adjusted EBITDA to investors has significant limitations including, but not limited to, (i) they are not necessarily comparable to similarly titled measures used by other companies, including those in Nippon Steel’s industry, (ii) they exclude financial information and events, such as interest income or expenses and income taxes, that some may consider important in evaluating Nippon Steel’s

performance, value or prospects for the future, (iii) they exclude items or types of items that may continue to occur from period to period in the future and (iv) they may not exclude all items which investors may consider to be unrelated to Nippon Steel's long-term operations. Adjusted EBITDA further excludes financial information and events such as losses on reorganization, losses on disaster and components of finance costs and finance income other than interest expense and interest income, which some may consider important in evaluating Nippon Steel's performance, value or prospects for the future. EBITDA and Adjusted EBITDA should not be considered in isolation and are not, and should not be viewed as, substitutes for business profit (loss), operating profit (loss), profit for the year or any other measure of performance presented in accordance with IFRS.

The most directly comparable measure prepared under IFRS for EBITDA and Adjusted EBITDA is profit for the year. The following table provides a reconciliation from profit for the year to Adjusted EBITDA for the fiscal years ended March 31, 2022, 2023, 2024, 2025 and 2026.

	For the fiscal year ended March 31,				
	2022	2023	2024	2025	2026
	(millions of yen)				
Profit for the year	¥ 667,530	¥ 738,732	¥ 587,898	¥ 382,972	¥ 44,754
Income tax expenses	(149,052)	(128,117)	(176,074)	(141,405)	(128,059)
Profit before income taxes	816,583	866,849	763,972	524,377	172,814
Interest expenses	(21,773)	(20,924)	(30,501)	(38,196)	(89,603)
Interest income	1,920	8,065	21,437	20,786	20,212
Depreciation and amortization	(330,611)	(340,171)	(363,002)	(385,243)	(573,916)
EBITDA	¥1,167,047	¥1,219,879	¥1,136,038	¥ 927,030	¥ 816,121
Finance costs other than interest expense	(4,472)	(3,963)	(5,729)	(6,227)	(11,618)
Finance income other than interest income	7	25	102	54	10,920
Losses on reorganization	(97,229)	(32,810)	(90,995)	(135,277)	(271,225)
Impairment losses	(21,500)	—	—	—	—
Adjusted EBITDA	¥1,290,241	¥1,256,627	¥1,232,659	¥1,068,480	¥1,088,044

Underlying Business Profit

Nippon Steel presents Underlying Business Profit because it believes that this measure is useful to investors as an indicator of Nippon Steel's business profitability on a consistent basis year-over-year, excluding inventory valuation impact and certain other items which Nippon Steel believes do not represent its underlying profitability.

Nippon Steel defines Underlying Business Profit as business profit (as shown on its consolidated statements of income) adding back or subtracting the adjustment items described above.

The usefulness of Underlying Business Profit to investors has significant limitations including, but not limited to, (i) it is not necessarily comparable to similarly titled measures used by other companies, including those in Nippon Steel's industry, (ii) it excludes certain items, such as inventory valuation gains or losses, finance income or expenses, income taxes, losses on reorganization or losses on disaster that some may consider important in evaluating Nippon Steel's performance, value or prospects for the future, (iii) it excludes items or types of items that may continue to occur from period to period in the future and (iv) while Nippon Steel believes that this metric excludes the most significant items unrelated to its underlying profitability, Nippon Steel applies a certain level of discretion in choosing which items to adjust based on size and importance, and it may not exclude all items which investors may consider to be unrelated to Nippon Steel's long-term operations. Underlying Business Profit should not be considered in isolation and is not, and should not be viewed as, a substitute for business profit (loss), operating profit (loss), profit for the year or any other measure of performance presented in accordance with IFRS.

The most directly comparable measure prepared under IFRS for Underlying Business Profit is business profit. The following table provides a reconciliation from business profit to Underlying Business Profit for the fiscal years ended March 31, 2024, 2025 and 2026.

	For the fiscal year ended March 31,		
	2024	2025	2026
	(billions of yen)		
Business profit	¥869.6	¥683.2	¥514.1
Adjustment items:			
Inventory valuation impact	54.8	31.9	43.2

	For the fiscal year ended March 31,		
	2024	2025	2026
	(billions of yen)		
Other adjustment items ⁽¹⁾	10.7	78.6	93.1
Underlying Business Profit	¥935.0	¥793.7	¥650.4

Note:

- (1) Consists of items that Nippon Steel believes do not directly represent the underlying profitability of its business, including consolidation eliminations, items that it treats as outside of “operating income” for purposes of its non-consolidated financial statements, which are prepared in accordance with Japanese GAAP (but which are included in operating income for purposes of the consolidated financial statements prepared in accordance with IFRS) and certain other items.

Adjusted Free Cash Flow

Nippon Steel presents Adjusted Free Cash Flow because it believes that this measure is useful to investors as similar measures of liquidity are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the steel industry. Adjusted Free Cash Flow is also used by Nippon Steel’s management to evaluate its liquidity and cash flows.

Nippon Steel defines Adjusted Free Cash Flow as net cash flows provided by operating activities less net cash flows used in investing activities (which includes payments for property, plant and equipment and intangible assets, which is commonly deducted from net cash flows provided by operating activities to arrive at free cash flow). The usefulness of Adjusted Free Cash Flow to investors has significant limitations including, but not limited to, (i) this measure, as defined by Nippon Steel, may not be comparable to similarly titled measures used by other companies, including those in Nippon Steel’s industry, particularly in that Nippon Steel defines it to subtract from net cash flows provided by operating activities not only payments for additions to property, plant and equipment and intangible assets but all of the other components of net cash flows used in investing activities and (ii) it does not reflect the effect of Nippon Steel’s current and future contractual and other commitments requiring the use or allocation of capital. Adjusted Free Cash Flow should not be considered in isolation and is not, and should not be viewed as, a substitute for net cash flows provided by operating activities or any other measure of liquidity presented in accordance with IFRS.

The most directly comparable measure under IFRS for Adjusted Free Cash Flow is net cash flows provided by operating activities. The following tables provide reconciliations from net cash flows provided by operating activities to Adjusted Free Cash Flow for the periods shown:

	For the fiscal year ended March 31,				
	2022	2023	2024	2025	2026
	(millions of yen)				
Net cash flows provided by operating activities	¥ 615,635	¥ 661,274	¥ 1,010,159	¥ 978,593	¥ 716,939
Net cash flows used in investing activities	(378,866)	(366,580)	(710,654)	(462,428)	(2,837,181)
Adjusted Free Cash Flow	¥ 236,769	¥ 294,694	¥ 299,505	¥ 516,165	¥(2,120,242)

Adjusted Equity Capital and Adjusted Interest Bearing Debt

Nippon Steel presents adjusted equity capital and adjusted interest bearing debt because it believes that these measures are useful to investors in that Nippon Steel’s management uses them, as part of the adjusted debt/equity ratio, in order to monitor its leverage. Nippon Steel also believes that similar adjustments are frequently applied by securities analysts, investors and other interested parties in the evaluation of companies in its industry.

Nippon Steel defines adjusted equity capital as total equity attributable to owners of the parent, as presented under IFRS and as shown on Nippon Steel’s consolidated statements of financial position, plus an adjustment totaling 50% of the face value of its subordinated bonds and borrowings, representing an “equity credit” applied to such bonds and borrowings by certain ratings agencies and reflecting the equity-like characteristics of those instruments. Nippon Steel defines adjusted interest bearing debt as the sum of the current and non-current portions of bonds, borrowings and lease liabilities as presented under IFRS and as shown on Nippon Steel’s consolidated statements of financial position, less the same “equity credit” adjustment which is applied in the case of adjusted equity capital.

The usefulness of these figures to investors, whether alone or as part of the adjusted debt/equity ratio has significant limitations, including, but not limited to, (i) they may not be comparable to similarly titled

measures used by other companies, including those in Nippon Steel's industry, (ii) they do not reflect the amounts of interest payments to be paid on Nippon Steel's indebtedness, (iii) they do not reflect any restrictions on Nippon Steel's ability to prepay or redeem any of its indebtedness, (iv) they reflect an equity credit despite the fact that the amounts of Nippon Steel's subordinated bonds and borrowings, although Nippon Steel believes it to be reasonable, do not affect the status of those instruments as indebtedness. Adjusted equity capital and adjusted interest bearing indebtedness should not be considered in isolation and are not, and should not be viewed as, a substitute for total equity attributable to owners of the parent or bonds, borrowings and lease liabilities or any other measure presented in accordance with IFRS.

The most directly comparable measure prepared under IFRS for adjusted equity capital is total equity attributable to owners of the parent. The most directly comparable measure prepared under IFRS for adjusted interest bearing debt is bonds, borrowings and lease liabilities. The following tables provide a reconciliation from each of adjusted equity capital and adjusted interest bearing debt to total equity attributable to owners of the parent and the sum of the current and non-current portions of bonds, borrowings and lease liabilities, respectively, as of March 31, 2022, 2023, 2024, 2025 and 2026.

	As of March 31,				
	2022	2023	2024	2025	2026
	(millions of yen)				
Face value of subordinated loans	¥ 450,000	¥ 450,000	¥ 450,000	¥ 532,500	¥ 1,032,500
Face value of subordinated bonds	300,000	300,000	300,000	397,500	397,500
Total face value of subordinated loans and bonds	¥ 750,000	¥ 750,000	¥ 750,000	¥ 930,000	¥ 1,430,000
Equity credit adjustment equal to 50% of total face value of subordinated loans and bonds	¥ 375,000	¥ 375,000	¥ 375,000	¥ 465,000	¥ 715,000
Total equity attributable to owners of the parent	¥ 3,466,799	¥ 4,181,155	¥ 4,777,727	¥ 5,383,311	¥ 5,530,448
Equity credit adjustment equal to 50% of total face value of subordinated loans and bonds	¥ 375,000	¥ 375,000	¥ 375,000	¥ 465,000	¥ 715,000
Adjusted equity capital	¥ 3,841,799	¥ 4,556,155	¥ 5,152,727	¥ 5,848,311	¥ 6,245,448
Current portion of bonds, borrowings and lease liabilities	¥ 344,056	¥ 403,028	¥ 541,495	¥ 473,466	¥ 506,004
Non-current portion of bonds, borrowings and lease liabilities	2,309,339	2,296,322	2,170,148	2,034,026	4,668,249
Total bonds, borrowings and lease liabilities	2,653,396	2,699,351	2,711,644	2,507,492	5,174,253
Equity credit adjustment equal to 50% of total face value of subordinated loans and bonds	¥ (375,000)	¥ (375,000)	¥ (375,000)	¥ (465,000)	¥ (715,000)
Adjusted interest bearing debt	¥ 2,278,396	¥ 2,324,351	¥ 2,336,644	¥ 2,042,492	¥ 4,459,253

Selected Financial Data of U. S. Steel

The tables below set forth certain selected financial data of U. S. Steel for the fiscal year ended December 31, 2025, which has been derived from U. S. Steel's consolidated financial statements prepared in accordance with U.S. GAAP as of and for the fiscal year ended December 31, 2025, which are not included in this offering memorandum.

	For the fiscal year ended December 31, 2025
	(millions of dollars)
Consolidated Statements of Operations Data:	
Net sales:	
Net sales	\$14,119
Net sales to related parties	2,393
Total net sales	\$16,512
Operating expenses (income):	
Cost of sales (excludes items shown below)	15,181
Selling, general and administrative expenses	690
Depreciation, depletion and amortization	1,079
Earnings from investees	(75)
Asset impairment charges	44
Restructuring and other charges	1
Net gains on sale of assets	(67)
Other gains, net	(37)
Total	\$16,816

	For the fiscal year ended December 31, 2025
	(millions of dollars)
Loss before interest and income taxes	(304)
Interest expense	190
Interest income	(26)
Loss on conversions of Senior Convertible Notes	1,091
Other financial costs	1
Net periodic benefit income	(12)
Net gain from investments related to active employee benefits	(27)
Net interest and other financial costs	1,217
Loss before income taxes	(1,521)
Income tax benefit	(176)
Net loss	(1,345)
Net loss attributable to U. S. Steel Corporation	<u>\$ (1,345)</u>

Results of Segment Operations of U. S. Steel

U. S. Steel has four reportable segments: North American Flat-Rolled, Mini Mill, U. S. Steel Europe (“USSE”) and Tubular Products. The results of U. S. Steel’s real estate business are disclosed in the Other category. In its consolidated financial statements, the results of U. S. Steel’s segments are presented on the basis of earnings (loss) before interest, taxes, depreciation and amortization. Such segment results for reportable segments and the Other category does not include net interest and other financial costs (income), income taxes, and certain other items that management believes are not indicative of future results.

The following table sets forth certain information about U. S. Steel’s segments results for the fiscal year ended December 31, 2025, which have been derived from U. S. Steel’s audited consolidated financial statements as of and for the fiscal year ended December 31, 2025.

	North American Flat- Rolled	Mini Mill	USSE	Tubular	Total
	(millions of U. S. dollars)				
Customer sales	\$9,420	\$3,339	\$2,775	\$966	\$16,500
Intersegment sales	162	230	24	3	419
Net sales	9,582	3,569	2,799	969	16,919
Other net sales ^(a)					12
Elimination of intersegment sales					(419)
Total net sales					<u>\$16,512</u>
Less: ^(b)					
Cost of sales	8,826	3,244	2,602	870	15,542
Earnings from investees	(66)	—	—	(9)	(75)
Other segment items ^(c)	216	24	41	19	300
Segment earnings before interest, taxes, depreciation and amortization	606	301	156	89	\$ 1,152
Other loss before interest, taxes, depreciation and amortization ^(a) ..					(7)
Depreciation, depletion and amortization					(1,079)
Items not allocated to segments:					
Clairton 13-14 batteries incident					(32)
Sale of South Works property					51
Stock-based compensation expense					(31)
Asset impairment charges					(44)
Environmental remediation charges					(34)
Granite City idling costs					23
NSC transaction-related costs					(296)
Other charges, net					(7)
Loss before interest and income taxes					\$ (304)
Net interest and other financial costs					1,217
Loss before income taxes					<u>\$ (1,521)</u>

Notes:

(a) The results of U. S. Steel’s real estate business are disclosed in the Other category.

- (b) The significant expense (income) categories and amounts align with the segment-level information that is regularly provided to the U. S. Steel's chief operating decision-maker. Intersegment expenses are included within the amounts shown.
- (c) Other segment items primarily include selling, general and administrative expenses, Big River Steel recycling tax credit revenue and an employee retention credit tax refund.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion relates to Nippon Steel's historical consolidated financial condition and results of operations and should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this offering memorandum. Nippon Steel's consolidated financial statements as of and for such periods, together with the notes thereto, are included elsewhere herein and are prepared in conformity with IFRS, which differ in certain respects from accounting principles generally accepted in other jurisdictions. All data is presented on a consolidated basis unless otherwise stated. This section contains forward-looking statements that involve risks, uncertainties and assumptions and are subject to the qualifications set forth under "Forward-Looking Statements." Nippon Steel's actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere herein.

Overview

Nippon Steel has four reportable segments: Steelmaking and Steel Fabrication, Engineering and Construction, Chemicals and Materials, and System Solutions.

- *Steelmaking and Steel Fabrication segment.* The Steelmaking and Steel Fabrication segment, Nippon Steel's largest segment, includes its businesses relating to the manufacture and sale of a broad range of steel products. The total revenue from external customers of this segment accounted for 91% of Nippon Steel's consolidated revenue from external customers for the fiscal year ended March 31, 2026.
- *Engineering and Construction segment.* The Engineering and Construction segment includes Nippon Steel's businesses relating to the planning, designing and construction of a variety of construction projects, including industrial plants, environmental and energy plants, civil engineering projects, large steel structures such as skyscrapers and oil and gas pipelines. The total revenue from external customers of this segment accounted for 4% of Nippon Steel's consolidated revenue from external customers for the fiscal year ended March 31, 2026.
- *Chemicals and Materials segment.* In the Chemicals and Materials segment, Nippon Steel produces and sells a variety of materials including coal-based chemical products, petrochemicals, electronic materials, materials and components for semiconductors and electronic parts, carbon fiber and composite products, and products that apply technologies for metal processing. The total revenue from external customers of this segment accounted for 2% of Nippon Steel's consolidated revenue from external customers for the fiscal year ended March 31, 2026.
- *System Solutions segment.* In the System Solutions segment, Nippon Steel provides computer system engineering and consulting services, information technology outsourcing services and other client-oriented information technology business solutions to customers in a wide range of industries, including manufacturing and consumer products. The total revenue from external customers of this segment accounted for 3% of Nippon Steel's consolidated revenue from external customers for the fiscal year ended March 31, 2026.

Operating Environment

Global steel demand continues to face increasing challenges amid a volatile macroeconomic environment. Except for certain sectors such as AI, electric power, and defense, underlying demand in manufacturing and construction industries in Japan and overseas remains weak, and the global steel business environment remains in a critical situation. In addition, persistent excess production in China and the resulting exports of low-priced steel products resulted in a downturn in the global market. While there are efforts underway for the U.S. to formally sign an interim peace deal with Iran, the Middle East conflict has caused severe global energy supply disruptions and has had an extremely broad impact on demand across a wide range of industries, many of which are underpinned by the steel industry. Trade measures in various countries and regions, together with ongoing uncertainties in raw material and product pricing, have further contributed to a difficult operating environment for Nippon Steel's businesses.

In the fiscal year ended March 31, 2024, the global economy showed signs of a further slowdown due to factors such as continued increased inflation stemming from the conflict and instability in Ukraine and the effects of tightening of monetary policy in Europe and the United States. The Japanese economy recovered moderately, but domestic demand lacked strength. Steel demand fell to historically low levels in the second half of the fiscal year, becoming further depressed toward the end of the fiscal year against the background of the sluggish economy in China and deteriorating economic sentiment in the United States and Europe. In addition, due to factors including India's continued spot purchases of coal and China's continued high-level production despite sluggish economy and significant increase in exports, raw material prices have remained high while product prices have been slow to recover in the ASEAN and other countries. These factors have led to a continued level of the spread (the price difference between raw materials and steel products) near historic low levels in the overseas general spot market, and the decoupling of pricing of raw materials and products has become more evident. Against the backdrop of the difficult operating environment, by focusing on optimizing Nippon Steel's revenue and profit through measures designed to streamline its operations, Nippon Steel achieved increased revenue of ¥8,868 billion, although business profit declined to ¥869 billion in the fiscal year ended March 31, 2024. Profit attributable to owners of the parent decreased from ¥694 billion in the fiscal year ended March 31, 2023 to ¥549 billion in the fiscal year ended March 31, 2024.

In the fiscal year ended March 31, 2025, the global economy continued to face downward pressure due to persistent inflation and the prolonged effects of monetary tightening across major economies. In Japan, while a moderate economic recovery had been anticipated, domestic demand remained subdued. Under these economic conditions, the global steel supply-demand dynamics remained critical, characterized by an unprecedentedly harsh business environment that continues to worsen. In addition to weak demand, the slowdown in the Chinese economy contributed to a widening of the supply-demand gap, resulting in severe structural issues such as overproduction and increased exports from China, which Nippon Steel believes are not likely to improve in the near term, further heightening uncertainty in the global steel market.

In the fiscal year ended March 31, 2026, the global economy remained under pressure, and the steel industry continued to face a deteriorating business environment. Excess production in China and the resulting increase in exports of low-priced steel products intensified competition in international markets and exacerbated downward pressure on pricing. In addition, the expansion of trade measures by countries across various regions added further uncertainty and complexity to the severe market environment. Against these conditions, Nippon Steel advanced initiatives to improve cost efficiency, optimize product mix and enhance pricing, and achieved a relatively stable performance despite ongoing external pressures.

Worldwide Demand for Steel

(Historical steel production and demand (consumption) in this section is based on data published by the World Steel Association.)

Since the 2000s, Japan's domestic steel demand has shown a declining trend due to factors such as a shrinking population and the expansion of local production overseas by Japanese customers. Global steel demand has also stagnated in recent years amidst sluggish manufacturing and construction activities. Global crude steel production in 2025 totaled 1,849 million tons, with China producing 961 million tons, India 165 million tons, the United States 82 million tons, and Japan 81 million tons. The top four countries together accounted for approximately 70% of the world's steel production, with China alone representing greater than 50%, according to the same data.

Weak demand for steel globally has been exacerbated by the conflict and instability in the Middle East in 2026 and the resulting negative impact on global demand across a wide range of industries, many of which are underpinned by the steel industry. Moreover, there is an increasing trend towards excess supply as markets such as China continue production despite decreased local demand. These supply and demand dynamics have placed the steel industry into a historically difficult position. However, despite this backdrop of weak steel demand, Nippon Steel sees growth opportunities in certain regions and in higher-value steel products such as high-grade and specialty steels. Nippon Steel expects that demand for high-grade will continue rising, centered on the United States, which is the world's largest market for high-grade steel. Driven by the focus on decarbonization and the advancement of electrification of vehicles, there is increasing demand, centered on the automotive industry, for steel that is lightweight, highly durable, and with high functionality, while demand for high-grade steel is also rising in the energy, civil engineering, and construction sectors. Currently, steel supply is centered on domestic demand, with less reliance on exports than other markets, and the imposition and increases of tariffs by the U.S. Government in recent years means increased protection from imports. Also, as India's population and economy

continue to grow, Nippon Steel expects that it will experience significant increases in crude steel demand and that the quality of steel products required will increase. India's per capita steel consumption reached 109 kg in 2025, according to data published by the World Steel Association. Based on experience with Japan and China, where demand increased significantly once per capita consumption exceeded 100 kg, Nippon Steel expects India to enter a period of high growth in steel demand in the near future.

Factors Affecting Nippon Steel's Results of Operations

Nippon Steel's financial results are driven primarily by the financial results of its Steelmaking and Steel Fabrication segment, which are, in turn, primarily driven by:

- The volume of steel products that Nippon Steel sells—which is affected by factors including general economic conditions, demand for steel and finished products in the automotive, construction and civil engineering, energy and resources and other industries (including its ability to provide steel and finished products meeting the requirements of customers in such industries) and competition domestically and overseas—which directly affects its revenue;
- The prices of Nippon Steel's steel products—which are affected by factors including supply and demand and competition—which directly affects its revenue; and
- Nippon Steel's operating costs (including cost of sales)—which are affected by factors including raw material prices (particularly for iron ore and coking coal)—as well as selling, general and administrative expenses, which factors affect its profitability.

Nippon Steel's financial results also reflect the financial results of its Engineering and Construction, Chemicals and Materials and System Solutions segments. The results of these segments, in turn, are generally driven by the volume of products and services that Nippon Steel sells, the prices of such products and services and the associated operating costs that it incurs.

Middle East Conflict

The ongoing conflict and instability in the Middle East has adversely affected, and may continue to adversely affect, Nippon Steel's business, financial condition and results of operations. Furthermore, due to the global nature of Nippon Steel's supply chains, the importance of the Middle East as a steel export market and source of energy and materials, and the broad range of industries served by Nippon Steel, the ultimate extent of the impact remains uncertain and cannot currently be comprehensively and reasonably estimated. Nippon Steel has experienced, and may continue to experience, disruptions in procurement and logistics, shortages of materials and industrial inputs and reduced production activities among both customers and suppliers, for example as a result of lower exports of automobiles, machinery and other products to the Middle East. In addition, a slowdown in global economic activity has adversely affected, and may continue to adversely affect, global steel demand and market conditions.

In addition, Japan's significant dependence on energy and materials from the Middle East further increases Nippon Steel's exposure to the effects of geopolitical instability in the region, including the potential for higher energy costs and supply disruptions. Based on impacts currently identified and reasonably foreseeable, Nippon Steel expects the conflict and instability in the Middle East to have a negative impact of approximately ¥50.0 billion on business profit in the first quarter of fiscal year ending March 31, 2027. Although an interim memorandum of understanding between the United States and Iran was signed on June 17, 2026, establishing a 60-day ceasefire and negotiating window, as well as a partial lifting of the U.S. naval blockade and the reopening of the Strait of Hormuz, the ceasefire has been violated on multiple occasions and many key issues remain unresolved. Because there is no clear outlook regarding the timing or extent of any resolution of the conflict, and because any economic recovery following stabilization may not be immediate, it is not possible to comprehensively or reasonably estimate the impacts that may occur in future periods, which may continue to be significant and may increase in degree.

Factors Affecting the Results of Operations of Nippon Steel's Steelmaking and Steel Fabrication Segment

Revenue

Nippon Steel generates revenue in its Steelmaking and Steel Fabrication segment principally from the sale of steel products to businesses that use steel, including businesses in the automotive, construction and civil

engineering and energy and resources industries. Nippon Steel's revenue in this segment is primarily driven by the volume of steel products that it sells as well as the prices of its steel products. The markets for Nippon Steel's steel products are characterized by intense competition and are affected by macro-economic factors such as general economic conditions, demand for steel and finished products in the automotive, construction and civil engineering, energy and resources and other industries as well as Nippon Steel's ability to address the demand for mid- and high-grade steel, in the context of the properties that its customers require from the materials that it produces becoming more diverse and advanced.

The volume of steel products that Nippon Steel sells is affected by the demand for its steel products both in Japan and overseas. Japan is currently the most important market for Nippon Steel's Steelmaking and Steel Fabrication segment and sales to customers in Japan historically have represented a majority of the total revenue from external customers of its Steelmaking and Steel Fabrication segment. Demand in Japan is affected by the condition of and operating environments for major steel consuming industries in Japan, including the automotive, construction and civil engineering and energy and resources industries, as well as the general condition of the Japanese economy. With respect to Nippon Steel's overseas sales of steel products, the United States and certain Asian markets, including India, Thailand, Korea, Indonesia, Vietnam and China, are Nippon Steel's most important markets overseas for such products. While Nippon Steel intends to seek to continue to grow its high-grade steel business in Japan, it expects overseas markets, particularly the United States, Europe, India and Thailand, to continue to grow in importance. Overseas demand is affected by the condition of and operating environments for major steel consuming industries as well as the general condition of the global and local economies. In addition, demand for Nippon Steel's steel products overseas is affected by quotas, tariffs and other measures related to import-export policy and market protectionism, and, relatedly, the availability of steel sourced from other countries, such as China, which may be available at lower prices.

According to the World Steel Association, global crude steel production increased from 1.889 billion metric tons in calendar year 2022 to 1.904 billion metric tons in calendar year 2023, an increase of 1% from calendar year 2022, and then decreased to 1.887 billion metric tons in calendar year 2024, a decrease of 1% from calendar year 2023. Global crude steel production further decreased to 1.849 billion metric tons in calendar year 2025, a decrease of approximately 2% from calendar year 2024. Production decrease from calendar year 2024 to calendar year 2025 mainly reflected a further decrease in output by China, which decreased by 44.3 million metric tons from calendar year 2024 to calendar year 2025, partially offset by an increase in output by India, which grew by 15.5 million metric tons. Production in Japan decreased from 84.0 million metric tons in calendar year 2024 to 80.7 million metric tons in calendar year 2025. Global apparent steel use in terms of finished steel products, a metric developed by the World Steel Association to measure steel demand, decreased further from 1.751 billion metric tons in calendar year 2024 to 1.718 billion metric tons in calendar year 2025, mainly as a result of the decrease in steel demand in China, partially offset by an increase in demand in India. Apparent steel use in terms of finished steel products in Japan decreased by approximately 3.4% from calendar year 2024 to calendar year 2025.

The prices of Nippon Steel's steel products are affected by global and regional production capacity and fluctuations in steel imports and exports, which are themselves affected by the geopolitical conflicts, existence and amounts of tariffs, customer stocking and destocking cycles as well as competition in the steel industry, including developments such as established producers expanding into new markets, smaller producers increasing production in anticipation of demand increases or amid recoveries and exporters selling excess capacity from markets such as China, which has a particularly pronounced excess of capacity. The steel industry globally has historically suffered from structural overcapacity, which trend is currently elevated, putting downward pressure on the price of steel.

In addition, pricing terms with major customers are heavily negotiated and are affected by factors such as the cost of raw materials, energy price and supply, overall volume, timing, financing requirements for production and other considerations. Product pricing for Nippon Steel's steel products is particularly sensitive to raw materials cost fluctuations. During periods of decreased raw materials costs Nippon Steel faces competitive pressure to decrease its product pricing. Conversely, Nippon Steel generally seeks to increase its product pricing during periods of higher raw materials costs and the reflection of increases in raw materials costs is a major element of Nippon Steel's negotiations with its customers. However, Nippon Steel may be unable to pass on the entire increase in costs to its customers. Because price negotiations with major customers are generally conducted months in advance of production and delivery, it can take some time before the impact of fluctuations in raw materials costs is reflected in Nippon Steel's financial results.

Direct and Indirect Effects of U.S. Tariff Measures

Beginning particularly in 2025, the U.S. Government has introduced certain significant tariffs not only directly on steel exports to the United States, but also on exports of finished products to the United States by domestic and overseas (ex.-U.S.) manufacturers, including many of Nippon Steel's customers, such as automobile makers. These tariffs have affected and may continue to affect Nippon Steel's results of operations in a number of ways. For direct tariffs on steel, Nippon Steel's exports to the United States (but not production by its local subsidiaries) are subject to tariffs. However, such exports are limited in scope, at approximately 0.5 million tons (or approximately 1.5% of Nippon Steel's annual gross production). Moreover, many of the steel products Nippon Steel exports to the United States are small-volume products which are difficult to substitute for, such as high-end steel products difficult to supply in the United States or supply of base plates to U.S. downstream bases. Additionally, Nippon Steel believes that the current U.S. tariff regime will benefit the U.S. domestic business of U. S. Steel, Nippon Steel Corporation's consolidated subsidiary, by protecting the U.S. domestic steel industry from low-cost imports and through manufacturing reshoring.

Nippon Steel expects that tariffs on the products of its customers will have a larger effect than on its direct exports from Japan, given the expected impact on demand for products including its steel from Japanese domestic and ex-U.S. overseas manufacturers, particularly automobiles and machinery. U.S. tariffs on steel may also have an indirect impact in the form of increased inflow of exports to Asia, including Japan, as steelmakers divert steel that would otherwise be imported to the United States to Asian markets. This could lead to an increase in steel imports into Japan, further loosening the supply-demand balance for Asian steel products.

Operating Costs

The following table includes Nippon Steel's cost of sales and selling, general and administrative expenses as a percentage of its revenue for the fiscal years ended March 31, 2024, 2025 and 2026.

	For the fiscal year ended March 31,		
	2024	2025	2026
Cost of sales	84.4%	84.2%	85.6%
Selling, general and administrative expenses	8.2%	9.4%	9.9%

Cost of Sales

A principal component of Nippon Steel's cost of sales in the Steelmaking and Steel Fabrication segment is the cost of raw materials. Like other Japanese steelmakers, Nippon Steel sources its raw materials primarily from overseas suppliers and to a limited extent from suppliers in Japan. Purchases of iron ore and coking coal—which together account for most of Nippon Steel's raw material costs—are generally made under long-term supply agreements. Iron ore is procured through contracts ranging from one to ten years (with particularly important types of ore subject to contracts of seven to ten years), while coking coal is purchased under contracts ranging from one to three years. Unit prices under these long-term contracts are typically determined based on a quarterly basis, and negotiations with respect to quarterly agreements on price are influenced by various factors, including the global economic outlook, global market prices of raw materials and steel products, supply and demand outlook of raw materials and production costs of raw materials. The prices of Nippon Steel's key raw materials have fluctuated significantly in recent years, and Nippon Steel seeks to reduce its exposure to such fluctuations by investing in long-term supply security in mining and production of raw materials. See “—Recent Developments—Acquisition of Interests in the Kami Iron Ore Project in Canada and Master Agreement on Joint Venture Establishment” and “Business—Business Overview—Raw Materials”.

Energy costs also impact Nippon Steel's cost of sales, with elevated energy costs increasing its cost of sales and decreased energy costs decreasing its cost of sales. Other material elements of its cost of sales in the Steelmaking and Steel Fabrication segment include depreciation and amortization expenses, repair expenses and personnel expenses.

Selling, General and Administrative Expenses

Nippon Steel's selling, general and administrative expenses in its Steelmaking and Steel Fabrication segment primarily consist of:

- transportation and storage expenses, which it incurs in connection with transporting and delivering its products to its customers;

- salary-related expenses; and
- research and development expenses.

Factors Affecting the Results of Operations of Nippon Steel's Other Segments

The results of operations in Nippon Steel's Engineering and Construction segment may be negatively affected by downward trends in investments related to crude oil and coal, environment-related investments such as waste processing plants in Japan and Europe and construction-related investments in Japan as well as the economic conditions in Japan and other Asian regions which are its principal markets.

Nippon Steel's Chemicals and Materials segment has numerous product lines, including coal-based chemical products, petrochemicals, electronic materials, materials and components for semiconductors and electronic parts, carbon fiber and composite products, and products that apply technologies for metal processing, and it supplies processed products to a wide variety of sectors in Japan and abroad. The results of operations in Nippon Steel's Chemicals and Materials segment may be negatively affected by rises in the prices of raw materials such as coal or petrochemical raw materials, failures to set prices in light of such rises and global or regional changes in demand.

Nippon Steel's System Solutions segment is subject to risks associated with the rapid transformation of the structure of the IT industry, which is being driven by factors such as continuous technological advancements in this area as well as the rise of the sharing economy. The results of operations in Nippon Steel's System Solutions segment may be negatively affected if Nippon Steel is unsuccessful in its efforts to meet such growing demands in the IT area or if it is unable to retain necessary personnel amid adverse demographic changes in Japan.

U. S. Steel Transaction

On June 18, 2025, the U. S. Steel Transaction was completed, and U. S. Steel became Nippon Steel Corporation's consolidated subsidiary. The aggregate cash consideration paid to U. S. Steel shareholders in connection with the U. S. Steel Transaction was \$14.1 billion (¥2,058.0 billion) as of March 31, 2026. In connection with the U. S. Steel Transaction, on June 13, 2025, Nippon Steel Corporation, U. S. Steel and Nippon Steel North America entered into a NSA with the U. S. Government. The terms of the NSA and the Golden Share issued to the U.S. Government pursuant thereto are described in more detail under "Risk Factors—Nippon Steel is subject to risks relating to its partnership with U. S. Steel."

Following the U. S. Steel Transaction, Nippon Steel consolidates the results of operations and financial condition of U. S. Steel and its subsidiaries into Nippon Steel's consolidated financial statements with effect from June 18, 2025. Nippon Steel's partnership with U. S. Steel has significantly affected its business, representing a significant step towards its goal of achieving 100 million tons of global crude steel production capability in the long-term, with the increase coming in the United States, which has the largest demand for steel of any developed country and which Nippon Steel believes will see the largest growth in demand for the high-grade steel that it seeks to provide at U. S. Steel by investments of capital as well as transfers of technology and human resources. Nippon Steel has agreed to capital investments in U. S. Steel totaling approximately \$11.0 billion through 2028, including the establishment of a new, green field integrated steel mill, as well as investments intended to enhance U. S. Steel's cost competitiveness, enhance the sophistication of its product types and expand its supply capacity.

As a result of the consolidation of U. S. Steel into its results, Nippon Steel recorded significant increases in revenue and assets, as well as in cost of sales and selling, general and administrative expenses representing U. S. Steel's business, including increased depreciation and amortization in relation to U. S. Steel's facilities and Nippon Steel's planned capital expenditures to improve and expand such facilities, and in related liabilities. Moreover, Nippon Steel has recognized ¥140.3 billion of goodwill in connection therewith as of March 31, 2026. For more information on the effect of the completion of the U. S. Steel Transaction on Nippon Steel's consolidated financial statements, see the note titled "Business Combinations" to Nippon Steel's audited consolidated financial statements as of and for the fiscal year ended March 31, 2026 included elsewhere in this offering memorandum.

In addition, in order to proactively address any antitrust concerns arising from the U. S. Steel Transaction, on October 11, 2024, Nippon Steel agreed with ArcelorMittal to transfer, immediately following

and conditioned upon the completion of the U. S. Steel Transaction, Nippon Steel Corporation's indirectly-held 50% equity interest in AM/NS Calvert LLC to ArcelorMittal, the parent of the entity holding the remaining 50% interest, for consideration of \$1. As a result of the completion of this transfer immediately after the completion of the U. S. Steel Transaction, Nippon Steel recorded a loss on transfer of equity interests of ¥232.1 billion in the fiscal year ended March 31, 2026.

Nippon Steel funded the payment of the consideration for the U. S. Steel Transaction through bridge loans of approximately ¥2 trillion. Such bridge credit facility has been fully repaid using (i) a subordinated loan incurred in September 2025, in an aggregate repayment amount of ¥500 billion, (ii) the proceeds from the issuance of Bonds with Stock Acquisition Rights issued on March 12, 2026 discussed below, and (iii) JBIC co-financing (as defined below), thereby completing the permanent financing arrangement, also discussed below.

Nippon Steel's financing policy for supporting growth investments at U. S. Steel centers around a core policy consisting of (i) prioritization of internally-generated cash flows as the primary source of funding for U. S. Steel; (ii) optimization of financing structure, taking into consideration the scale and timing of investments and (iii) utilization of group support through appropriate and flexible measures (e.g., guarantees of debt, loans, equity) as needed, while maintaining financial discipline. Recently, this has included the execution of measures to optimize U. S. Steel's capital structure and reduce reliance on debt, including a capital injection into U. S. Steel by Nippon Steel of approximately \$800 million in the first quarter of the fiscal year ending March 31, 2027, as well as the implementation of financing arrangements including the use of parent guarantees, to enhance funding efficiency.

Issuance of Zero Coupon Convertible Bonds Due 2029 and Zero Coupon Convertible Bonds Due 2031

On March 12, 2026, Nippon Steel Corporation issued ¥300,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakukent-suki shasai*) due 2029 and ¥300,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2031. The net proceeds from this issuance were used to repay a portion of the bridge loans incurred to finance the U. S. Steel Transaction.

Execution of Financing Through Japan Bank for International Cooperation Co-financing and Completion of Permanent Financing Arrangement for the Acquisition of U. S. Steel

On March 18, 2026, Nippon Steel Corporation announced the execution of financing with a total borrowing amount of approximately ¥900 billion through co-financing by JBIC, MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited ("JBIC co-financing"). The funds raised through JBIC co-financing were used to repay outstanding borrowings under the bridge loan that funded the U. S. Steel Transaction.

Nippon Steel has fully repaid such bridge loan (approximately ¥2 trillion) through March 2026 using funds raised in the JBIC co-financing and through a series of financing activities, including the committed subordinated term loan of ¥500 billion issued on September 18, 2025 and the Bonds with Stock Acquisition Rights issued on March 12, 2026, thereby completing the permanent financing arrangements for the U. S. Steel acquisition.

Recent Developments

Merger between Nippon Steel Corporation and Sanyo Special Steel Co., Ltd.

On May 13, 2026, Nippon Steel Corporation and Sanyo Special Steel announced that, pursuant to the respective resolutions of the board of directors of Nippon Steel Corporation and Sanyo Special Steel, Nippon Steel Corporation and Sanyo Special Steel will conduct an absorption-type merger, with Nippon Steel Corporation as the surviving company, effective April 1, 2027.

Nippon Steel Corporation made Sanyo Special Steel its wholly-owned subsidiary in April 2025 in order to expand profit opportunities and strengthen business strategies through the integration and optimization of the bars, wire rods and specialty steel products business and pursue further optimal production systems for the Nippon Steel Group. Nippon Steel expects that a unified organizational and business operation will further maximize synergies between the two companies and contribute to further profit growth.

Transition to Direct Ownership in U. S. Steel Košice

On May 13, 2026, Nippon Steel Corporation announced its decision to transition USSK, a Slovakia-based wholly-owned subsidiary of U. S. Steel, to direct ownership by it, thereby making USSK its wholly-owned subsidiary. The transition is scheduled to take place on October 1, 2026 and USSK will change its name to “Nippon Steel Slovakia s.r.o.”

Since the U. S. Steel Transaction, Nippon Steel has been working on enhancing USSK’s competitiveness by further promoting collaboration on technology, human resources and sales and procurement networks. Based on data published by the World Steel Association, Europe collectively has the third largest steel demand in the world after China and India, and is a mature market with large demand for high-grade steel, for which Nippon Steel can leverage its state-of-the-art product technologies. By taking direct ownership of USSK, Nippon Steel Corporation seeks to establish the company as a core hub for its European operations and become more directly involved in enhancing the profitability and accelerating the growth of its European business. At the same time, U. S. Steel will seek to concentrate its management resources on its domestic operations to enhance competitiveness in the U.S. market.

U. S. Steel Announces Investment to Build a Direct Reduced Iron Plant at its Electric Arc Furnace Mini-Mill

On April 28, 2026, the board of directors of U. S. Steel approved the building of a new DRI plant at BRS, the EAF mini-mill complex owned by U. S. Steel in Osceola, Arkansas. This investment of approximately \$1.9 billion will be part of Nippon Steel’s commitment to invest \$11.0 billion in U. S. Steel by 2028, as provided by the NSA.

Amid the global trend towards decarbonization, the shift to EAF steelmaking is accelerating not only in Japan but also globally, and securing high-quality cold iron sources, the main raw material for EAF steelmaking, has become an important issue. U. S. Steel will effectively utilize the high-quality pellets for DRI produced at its Keetac mine in Minnesota to manufacture DRI at the new DRI plant. U. S. Steel expects that the use of this material as the main raw material will enable BRS to strengthen cost competitiveness and secure stable supply of the main raw material for EAF steelmaking. This investment is intended to strengthen and enhance U. S. Steel’s competitive position in the United States, which continues to create products that are “mined, melted, and made in America”.

Commencement of Discussions Toward a Business Integration between Nippon Steel Corporation’s Subsidiary and Kanadevia Corporation

On February 5, 2026, Nippon Steel Corporation announced that its subsidiary, Nippon Steel Engineering Co., Ltd. (“NSE”), has entered into a basic memorandum of understanding with Kanadevia Corporation (“Kanadevia”) to discuss business integration of the two companies. NSE and Kanadevia plan to execute a definitive agreement for the business integration in September 2026, obtain approval of the business integration from the shareholders of each of the companies in November 2026, and effectuate the business integration through an absorption-type merger in April 2027, as a result of which Kanadevia will be the surviving company. The final structure of the business integration will be determined in the definitive agreement after further discussions between the two companies.

The business integration of the two companies is intended to address a number of structural management challenges, including intensifying competition for talent amid a declining labor force and the need to ensure stability of supply chains, as well the transition to a decarbonized society and to pursue digital transformation initiatives to achieve technological innovation and productivity enhancement.

Share Sale and Purchase Agreement to Transfer All Shares of Usiminas to Ternium

On November 5, 2025, Nippon Steel Corporation and Ternium Investments S.à.r.l. (“Ternium”) entered into a Share Sale and Purchase Agreement to transfer all shares (approximately 149.4 million shares) that Nippon Steel Corporation holds in USIMINAS, Nippon Steel Corporation’s equity-method affiliate in Brazil, to Ternium, bound by the existing Shareholders’ Agreement for approximately ¥47 billion.

Tender Offer for Krosaki Harima

On August 1, 2025, Nippon Steel Corporation announced its plan to commence a tender offer aiming to acquire all the shares of common stock of consolidated subsidiary Krosaki Harima and make Krosaki Harima its

wholly-owned subsidiary. Nippon Steel Corporation commenced the tender offer on February 2, 2026 and the offer period ended on March 3, 2026. A total of 14,932,986 shares were tendered, and the tendered shares were purchased at ¥4,200 per share. Following the settlement in March 2026 and subsequent squeeze-out procedures, Krosaki Harima became Nippon Steel Corporation's wholly-owned subsidiary in April 2026.

Tender Offer by Osaka Steel to Purchase Shares of its Common Stock

On February 14, 2025, Nippon Steel Corporation's consolidated subsidiary, Osaka Steel Co., Ltd. ("Osaka Steel") announced its tender offer from February 17, 2025 to March 17, 2025 to purchase 9,000,000 shares of its common stock. In response, Nippon Steel Corporation decided to tender all the shares of Osaka Steel's common stock that it holds, and sold 9,000,000 shares at the price of ¥2,450 per share on April 10, 2025. As of March 31, 2026, the proportion of Nippon Steel Corporation's voting rights held in Osaka Steel is 56.1% on a consolidated basis.

Business Alliance with Nakayama Steel and the Formation of a Joint Venture Company

On May 9, 2025, Nippon Steel Corporation announced that Nippon Steel Corporation and Nakayama Steel have entered into a basic agreement on the formation of a JVC through joint investment, as well as on the business alliance under which Nippon Steel will purchase steel products manufactured by Nakayama Steel using a new EAF to be built by the JVC. On April 1, 2026, Nippon Steel Corporation and Nakayama Steel established NN STEEL LLC, in which Nippon Steel Corporation holds 49% ownership interest and Nakayama Steel holds 51% ownership interest. NN STEEL LLC will build a new EAF and buildings within the premises of Nakayama Steel's Funamachi Plant and lease them to Nakayama Steel. Nakayama Steel will manufacture slabs using the EAF, and Nippon Steel will purchase a portion of such slabs, or commission Nakayama Steel to further process the slabs and purchase the processed hot-rolled coils and other products.

Acquisition of Interests in the Kami Iron Ore Project in Canada and Master Agreement on Joint Venture Establishment

On December 19, 2024, Nippon Steel Corporation announced the execution of the master agreement with CI and Sojitz to participate in the development of the Kami Project, owned by CI, located in Canada's Newfoundland and Labrador, and under consideration for new development, along with the establishment of a joint venture for its development and operation. The Kami Project is an advanced-stage open-pit iron ore mining project in eastern Canada. It offers an opportunity to produce iron ore that is optimal for DRI production of a high quality that is globally rare. Furthermore, the Kami Project has abundant resources that enable long-term supply of such high-quality iron ore.

On July 22, 2025, Nippon Steel Corporation entered into the definitive joint venture agreement with CI and Sojitz, and on September 30, 2025, Nippon Steel Corporation completed the acquisition of a 30% interest in the newly formed Kami Partnership. Upon closing, Nippon Steel Corporation paid the initial installment of C\$42 million to secure its interest. The remaining consideration of C\$108 million is payable following a positive final investment decision, which is contingent on the results of the feasibility study currently being conducted by the Kami Partnership and expected to be completed by the end of 2026.

Application for Government Support Pursuant to the GX Promotion Act

As announced in "Nippon Steel Carbon Neutral Vision 2050," Nippon Steel's vision for carbon neutrality centers around the use of three breakthrough technologies: hydrogen injection into blast furnaces, hydrogen direct reduction of iron and high-grade steel production in large-sized EAF. In October 2022, Nippon Steel commenced commercial operation of the EAF in the Setouchi Works Hirohata Area, and have been using integrated EAF steelmaking process to manufacture and supply high-grade electrical steel sheets and other high-grade steel products. Since May 2023, Nippon Steel has been conducting full-scale studies on the conversion of blast furnace production method to the EAF steelmaking process at other production facilities, with the aim of further advancing decarbonization.

On October 11, 2024, Nippon Steel Corporation and Nippon Steel Stainless Steel applied for the "Energy and Manufacturing Process Transformation Support Business (Business I (Steel))", which provides government support under the GX Promotion Act. Subsequently, in May 2025, Nippon Steel's project was selected for this government support, and Nippon Steel made the final investment decision to proceed with the conversion of the upstream steelmaking process at its high-grade steel manufacturing bases. Specifically, Nippon

Steel plans to construct a new large-scale EAF at the Kyushu Works (Yawata Area), expand the EAF capacity at the Setouchi Works (Hirohata Area), and restart the EAF at the Yamaguchi Works (Shunan Area), with commercial operations scheduled to begin between the second half of fiscal 2028 and the second half of fiscal 2029.

Sale of Shares of POSCO

Nippon Steel Corporation has an ongoing alliance relationship with POSCO Holdings Inc. (“POSCO”) pursuant to a strategic alliance agreement executed in August 2000 and an agreement relating to an enhancement of the strategic alliance and to the additional cross-purchase of shares which was executed in October 2006 (the “strategic alliance agreements”). In August 2024, the strategic alliance agreements were renewed, and going forward, efforts will continue to be made to address issues shared by the two companies, such as carbon neutrality, mutual supply of steel slabs and technology exchange.

Although this strategic alliance will continue, as of March 31, 2026, Nippon Steel Corporation has sold all of its shares of common stock of POSCO that it had previously acquired and held in conjunction with the strategic alliance agreements, in order to improve asset efficiency through asset sales. POSCO has similarly disposed shares of Nippon Steel Corporation that it held.

Reorganization of domestic ERW Steel Pipe Business among Nippon Steel Corporation, NIPPON STEEL METAL PRODUCTS CO., LTD., Nippon Steel Pipe Co., Ltd. and NIPPON STEEL COATED STEEL PIPE Co., Ltd.

On April 1, 2025, Nippon Steel Corporation completed a reorganization of Nippon Steel’s domestic ERW steel pipe business pursuant to an integration agreement signed amongst Nippon Steel Corporation and its wholly-owned subsidiaries, NIPPON STEEL METAL PRODUCTS CO., LTD. (“Nippon Steel Metal Products”), Nippon Steel Pipe Co., Ltd. (“Nippon Steel Pipe”) and NIPPON STEEL COATED STEEL PIPE Co., Ltd. (“Nippon Steel Coated Steel Pipe”). This business restructuring is intended to reform the domestic ERW steel pipe business into a more efficient business structure and further strengthen competitiveness. Following this reorganization of the domestic ERW pipe business, Nippon Steel Corporation continued to streamline its downstream subsidiaries and, effective January 1, 2026, three smaller pipe manufacturing subsidiaries were merged to form Nippon Steel Finetube Co., Ltd. to further optimize Nippon Steel’s mechanical pipe division.

Subject to customer approval, in order to optimize Nippon Steel’s production structure, Nippon Steel plans to (i) close the Amagasaki Works (formerly of Nippon Steel Pipe; some pipe mills were transferred to the Wakayama Works) by April 1, 2028, (ii) close two production lines (Kimitsu Small Diameter Pipe and Tube Mill at Nippon Steel Corporation’s East Nippon Works and 8 mill at the Wakayama Works) by April 1, 2028, and (iii) continue to change manufacturing types at Nippon Steel Coated Steel Pipe’s Gamagori Plant and Shimotsuma Plant, as well as Nippon Steel Metal Products’ Sendai Works sequentially from April 1, 2025 onward.

Acquisition of Additional Shares of NST

On March 10, 2023, Nippon Steel Corporation decided to acquire additional shares of common stock of NST through a tender offer under the FIEA, and settled the purchase of shares under the tender offer on April 14, 2023. Nippon Steel Corporation acquired a total of 11,507,774 shares at ¥9,300 per share, for an aggregate purchase price of ¥107,022 million. As a result of the acquisition, Nippon Steel Corporation’s ownership in NST increased from 34.54% prior to the acquisition to 70.21% after the acquisition. As a result of the acquisition, NST became Nippon Steel Corporation’s consolidated subsidiary effective April 14, 2023. Subsequently, the shares of NST were delisted in June 2023, and, following the procedures taking subsequent to the tender offer to consolidate its stock and for Nippon Steel Corporation to purchase outstanding fractional shares, Nippon Steel Corporation’s ownership increased to 80.00% as of March 31, 2026, with the remainder held by MITSUI & CO., LTD.

The acquisition was aimed at enhancing Nippon Steel’s ability to promptly and appropriately respond to structural changes in the global steel market and was intended to increase direct contact with domestic and overseas customers and enhance Nippon Steel’s ability to conduct integrated operations regarding steel transactions, and further strengthen Nippon Steel’s competitiveness throughout the supply chain in order to ensure Nippon Steel’s integrated profitability by optimizing and streamlining steel manufacturing to distribution and processing thereof, and creating new added value.

Critical 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.

See Note 4 to Nippon Steel's audited consolidated financial statements as of and for the fiscal year ended March 31, 2025 included in this offering memorandum and Note 4 to Nippon Steel's audited consolidated financial statements as of and for the fiscal year ended March 31, 2026 included in this offering memorandum for a description of these significant accounting estimates and judgments (including where in such financial statements you can find additional information).

Results of Operations

The following table includes results of operations data for the fiscal years ended March 31, 2024, 2025 and 2026, which has been derived from, and should be read together with, Nippon Steel's audited consolidated financial statements for the fiscal years ended March 31, 2025 and 2026 included elsewhere herein.

	For the fiscal year ended March 31,		
	2024	2025	2026
	(millions of yen)		
Revenue	¥ 8,868,097	¥ 8,695,526	¥10,063,216
Cost of sales	(7,481,331)	(7,323,874)	(8,618,408)
Gross profit	1,386,765	1,371,651	1,444,808
Selling, general and administrative expenses	(730,388)	(815,817)	(993,968)
Share of profit in investments accounted for using the equity method	144,326	126,900	85,412
Other operating income	178,085	79,845	108,782
Other operating expenses	(109,131)	(79,343)	(130,906)
Business profit	869,657	683,237	514,128
Losses on reorganization	(90,995)	(135,277)	(271,225)
Operating profit	778,662	547,960	242,903
Finance income	21,540	20,841	31,132
Finance costs	(36,230)	(44,423)	(101,222)
Profit before income taxes	763,972	524,377	172,814
Income tax expense	(176,074)	(141,405)	(128,059)
Profit for the year	587,898	382,972	44,754
Profit for the year attributable to owners of the parent	549,372	350,227	17,158
Profit for the year attributable to non-controlling interests	38,526	32,744	27,596

Comparison of the Fiscal Year Ended March 31, 2025 with the Fiscal Year Ended March 31, 2026

Overview. For the fiscal year ended March 31, 2026, although the business environment remained extremely harsh, Nippon Steel strived to maximize profit by continuing to implement measures to respond to business environment deteriorations and to fundamentally improve its profit structure. As a result, Nippon Steel recorded consolidated revenue of ¥10,063.2 billion (compared to ¥8,695.5 billion in the prior fiscal year), business profit of ¥514.1 billion (compared to ¥683.2 billion in the prior fiscal year) and profit attributable to owners of the parent of ¥17.1 billion (compared to ¥350.2 billion in the prior fiscal year). The primary components of Nippon Steel's results of operations were as follows:

Revenue. Revenue increased by ¥1,367,690 million, or 16%, from ¥8,695,526 million for the fiscal year ended March 31, 2025 to ¥10,063,216 million for the fiscal year ended March 31, 2026, mainly due to the consolidation of U. S. Steel.

Cost of Sales. Cost of sales increased by ¥1,294,534 million, or 18%, from ¥7,323,874 million for the fiscal year ended March 31, 2025 to ¥8,618,408 million for the fiscal year ended March 31, 2026, mainly due to the consolidation of U. S. Steel.

Gross Profit. As a result, gross profit increased by ¥73,157 million, or 5%, from ¥1,371,651 million for the fiscal year ended March 31, 2025 to ¥1,444,808 million for the fiscal year ended March 31, 2026.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by ¥178,151 million, or 22%, from ¥815,817 million for the fiscal year ended March 31, 2025 to ¥993,968 million for the fiscal year ended March 31, 2026. This increase was primarily due to the consolidation of U. S. Steel.

The following table includes a breakdown of selling, general and administrative expenses for the fiscal years ended March 31, 2025 and 2026:

	For the fiscal year ended March 31,	
	2025	2026
	(millions of yen)	
Transportation and storage	¥ 226,426	¥ 324,157
Salaries and bonuses	212,078	255,588
Retirement benefit expenses	7,700	10,604
Research and development costs	65,156	71,219
Depreciation and amortization	36,241	53,278
Other	268,214	279,119
Total	<u>¥ 815,817</u>	<u>¥ 993,968</u>

The total of research and development costs included in cost of sales and selling, general and administrative expenses were ¥80,794 million for the fiscal year ended March 31, 2025 and ¥82,788 million for the fiscal year ended March 31, 2026.

Share of Profit in Investments Accounted for Using the Equity Method. Share of profit in investments accounted for using the equity method decreased by ¥41,488 million, or 33%, from ¥126,900 million for the fiscal year ended March 31, 2025 to ¥85,412 million for the fiscal year ended March 31, 2026. This decrease was primarily due to the effect on the results of such investments arising from declines in market conditions.

Other Operating Income. Other operating income increased by ¥28,937 million, or 36%, from ¥79,845 million for the fiscal year ended March 31, 2025 to ¥108,782 million for the fiscal year ended March 31, 2026. This increase was primarily due to the foreign exchanges gains and gains on sale of fixed assets.

Other Operating Expenses. Other operating expenses increased by ¥51,563 million, or 65%, from ¥79,343 million for the fiscal year ended March 31, 2025 to ¥130,906 million for the fiscal year ended March 31, 2026. This increase was primarily due to expenses relating to the acquisition of U. S. Steel.

Business Profit. As a result of the above, business profit decreased by ¥169,109 million, or 25%, from ¥683,237 million for the fiscal year ended March 31, 2025 to ¥514,128 million for the fiscal year ended March 31, 2026.

Losses on Reorganization. Losses on reorganization increased by ¥135,948 million, or 100%, from ¥135,277 million for the fiscal year ended March 31, 2025 to ¥271,225 million for the fiscal year ended March 31, 2026 as further described below.

For the fiscal year ended March 31, 2025, losses on reorganization consist of ¥135,277 million of losses on inactive facilities and others. Losses on inactive facilities and others were mainly incurred as a result of 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.

For the fiscal year ended March 31, 2026, the ¥271,225 million losses on reorganization were primarily due to a ¥232.1 billion loss on transfer of equity interest in AM/NS Calvert recorded in the three months ended June 30, 2025 in connection with the closing of the U. S. Steel acquisition.

Operating Profit. As a result of the foregoing, operating profit decreased by ¥305,057 million, or 56%, from ¥547,960 million for the fiscal year ended March 31, 2025 to ¥242,903 million for the fiscal year ended March 31, 2026.

Finance Income. Finance income increased by ¥10,291 million, or 49%, from ¥20,841 million for the fiscal year ended March 31, 2025 to ¥31,132 million for the fiscal year ended March 31, 2026. This increase was primarily due to net gain on debt extinguishment.

Finance Costs. Finance costs increased by ¥56,799 million, or 128%, from ¥44,423 million for the fiscal year ended March 31, 2025 to ¥101,222 million for the fiscal year ended March 31, 2026. This increase was primarily due to an increase in interest paid.

Profit Before Income Taxes. Due to the foregoing factors, profit before income taxes decreased by ¥351,563 million, or 67%, from ¥524,377 million for the fiscal year ended March 31, 2025 to ¥172,814 million for the fiscal year ended March 31, 2026.

Income Tax Expenses. Income tax expense decreased by ¥13,346 million, or 9%, from ¥141,405 million for the fiscal year ended March 31, 2025 to ¥128,059 million for the fiscal year ended March 31, 2026.

Profit. As a result of the above, profit for the year decreased by ¥338,218 million, or 88%, from ¥382,972 million for the fiscal year ended March 31, 2025 to ¥44,754 million for the fiscal year ended March 31, 2026.

Comparison of the Fiscal Year Ended March 31, 2024 with the Fiscal Year Ended March 31, 2025

Overview. For the fiscal year ended March 31, 2025, although the business environment remained extremely harsh, Nippon Steel strived to maximize profit by continuing to implement measures such as seeking to fundamentally improve Nippon Steel's profit structure. As a result, Nippon Steel recorded consolidated revenue of ¥8,695.5 billion (compared to ¥8,868.0 billion in the prior fiscal year), underlying business profit of ¥793.7 billion (compared to ¥935.0 billion in the prior fiscal year), business profit of ¥683.2 billion (compared to ¥869.6 billion in the prior fiscal year) and profit attributable to owners of the parent of ¥350.2 billion (compared to ¥549.3 billion in the prior fiscal year). The primary components of Nippon Steel's results of operations were as follows:

Revenue. Revenue decreased by ¥172,571 million, or 2%, from ¥8,868,097 million for the fiscal year ended March 31, 2024 to ¥8,695,526 million for the fiscal year ended March 31, 2025.

Cost of Sales. Cost of sales decreased by ¥157,457 million, or 2%, from ¥7,481,331 million for the fiscal year ended March 31, 2024 to ¥7,323,874 million for the fiscal year ended March 31, 2025.

Gross Profit. As a result, gross profit decreased by ¥15,114 million, or 1%, from ¥1,386,765 million for the fiscal year ended March 31, 2024 to ¥1,371,651 million for the fiscal year ended March 31, 2025.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by ¥85,429 million, or 12%, from ¥730,388 million for the fiscal year ended March 31, 2024 to ¥815,817 million for the fiscal year ended March 31, 2025. This increase was primarily due to increases in salaries and bonuses and transportation and storage expenses.

The following table includes a breakdown of selling, general and administrative expenses for the fiscal years ended March 31, 2024 and 2025:

	For the fiscal year ended March 31,	
	2024	2025
	(millions of yen)	
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	<u>¥730,388</u>	<u>¥815,817</u>

The total of research and development costs included in cost of sales and selling, general and administrative expenses were ¥72,743 million for the fiscal year ended March 31, 2024 and ¥80,794 million for the fiscal year ended March 31, 2025.

Share of Profit in Investments Accounted for Using the Equity Method. Share of profit in investments accounted for using the equity method decreased by ¥17,426 million, or 12%, from ¥144,326 million for the fiscal year ended March 31, 2024 to ¥126,900 million for the fiscal year ended March 31, 2025. This decrease was primarily due to the decrease in profits at AM/NS India.

Other Operating Income. Other operating income decreased by ¥98,240 million, or 55%, from ¥178,085 million for the fiscal year ended March 31, 2024 to ¥79,845 million for the fiscal year ended March 31, 2025. This decrease was primarily due to a substantial decrease in foreign exchanges gains and the absence of the gain on step acquisitions that had been recognized in the prior fiscal year.

Other Operating Expenses. Other operating expenses decreased by ¥29,788 million, or 27%, from ¥109,131 million for the fiscal year ended March 31, 2024 to ¥79,343 million for the fiscal year ended March 31, 2025. This decrease was primarily due to the effect of a loss on sale of inventories recorded in the fiscal year ended March 31, 2024.

Business Profit. As a result of the above, business profit decreased by ¥186,420 million, or 21%, from ¥869,657 million for the fiscal year ended March 31, 2024 to ¥683,237 million for the fiscal year ended March 31, 2025.

Losses on Reorganization. Losses on reorganization increased by ¥44,282 million, or 49%, from ¥90,995 million for the fiscal year ended March 31, 2024 to ¥135,277 million for the fiscal year ended March 31, 2025.

For the fiscal year ended March 31, 2024, losses on reorganization consist of ¥90,995 million of losses on inactive facilities and others. The 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.

For the fiscal year ended March 31, 2025, losses on reorganization consist of ¥135,277 million of losses on inactive facilities and others. Losses on inactive facilities and others were mainly incurred as a result of 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.

Operating Profit. As a result of the foregoing, operating profit decreased by ¥230,702 million, or 30%, from ¥778,662 million for the fiscal year ended March 31, 2024 to ¥547,960 million for the fiscal year ended March 31, 2025.

Finance Income. Finance income decreased by ¥699 million, or 3%, from ¥21,540 million for the fiscal year ended March 31, 2024 to ¥20,841 million for the fiscal year ended March 31, 2025. This decrease was primarily due to a decrease in interest received.

Finance Costs. Finance costs increased by ¥8,193 million, or 23%, from ¥36,230 million for the fiscal year ended March 31, 2024 to ¥44,423 million for the fiscal year ended March 31, 2025. This increase was primarily due to an increase in interest paid.

Profit Before Income Taxes. Due to the foregoing factors, profit before income taxes decreased by ¥239,595 million, or 31%, from ¥763,972 million for the fiscal year ended March 31, 2024 to ¥524,377 million for the fiscal year ended March 31, 2025.

Income Tax Expenses. Income tax expense decreased by ¥34,669 million, or 20%, from ¥176,074 million for the fiscal year ended March 31, 2024 to ¥141,405 million for the fiscal year ended March 31, 2025.

Profit. As a result of the above, profit for the year decreased by ¥204,926 million, or 35%, from ¥587,898 million for the fiscal year ended March 31, 2024 to ¥382,972 million for the fiscal year ended March 31, 2025.

Segment Results of Operations

The following table includes revenue from external customers, intersegment revenue and transfers, and segment profit information, for the fiscal years ended March 31, 2024, 2025 and 2026. The information for

segment profit below is used by Nippon Steel Corporation's Board of Directors. See Note 6 "Segment Information" to Nippon Steel's audited consolidated financial statements as of and for the fiscal year ended March 31, 2025 and Note 6 "Segment Information" to Nippon Steel's audited consolidated financial statements as of and for the fiscal year ended March 31, 2026 included elsewhere herein.

	For the fiscal year ended March 31,		
	2024	2025	2026
	(millions of yen)		
Segment revenue from external customers:			
Steelmaking and Steel Fabrication	¥8,010,655	¥7,819,748	¥ 9,173,227
Engineering and Construction	381,600	371,309	357,517
Chemicals and Materials	243,327	250,873	239,835
System Solutions	232,513	253,594	292,636
Total segment revenue from external customers	8,868,097	8,695,526	10,063,216
Inter segment revenue and transfers:			
Steelmaking and Steel Fabrication	¥ 65,689	¥ 54,629	¥ 48,477
Engineering and Construction	27,632	29,165	36,936
Chemicals and Materials	17,506	18,255	18,125
System Solutions	79,058	85,781	90,257
Total intersegment revenue and transfers	189,887	187,830	193,797
Adjustments	(189,887)	(187,830)	(193,797)
Total segment revenue:			
Steelmaking and Steel Fabrication	¥8,076,345	¥7,874,377	¥ 9,221,705
Engineering and Construction	409,233	400,474	394,453
Chemicals and Materials	260,834	269,128	257,961
System Solutions	311,572	339,376	382,893
Total segment revenue	9,057,985	8,883,356	10,257,014
Adjustments	(189,887)	(187,830)	(193,797)
Segment profit:			
Steelmaking and Steel Fabrication	¥ 821,065	¥ 621,005	¥ 439,961
Engineering and Construction	(1,340)	14,628	23,105
Chemicals and Materials	15,390	18,938	21,951
System Solutions	35,588	38,888	43,315
Total segment profit	870,704	693,461	528,334
Adjustments	(1,046) ⁽¹⁾	(10,223) ⁽²⁾	(14,205) ⁽³⁾
Consolidated business profit	869,657	683,237	514,128

Notes:

- (1) For the fiscal year ended March 31, 2024, segment loss adjustment of ¥1,046 million includes an investment return of ¥11,967 million from the affiliate accounted for by the equity method Nippon Steel Kowa Real Estate Co., Ltd. and elimination of inter-segment revenue or transfers of negative ¥13,013 million.
- (2) For the fiscal year ended March 31, 2025, segment loss adjustment of ¥10,223 million includes an investment return of ¥12,808 million from the affiliate accounted for by the equity method Nippon Steel Kowa Real Estate Co., Ltd. and elimination of inter-segment revenue or transfers of negative ¥23,032 million.
- (3) For the fiscal year ended March 31, 2026, segment loss adjustment of ¥14,205 million includes an investment return of ¥6,590 million from the affiliate accounted for by the equity method Nippon Steel Kowa Real Estate Co., Ltd. and elimination of inter-segment revenue or transfers of negative ¥20,796 million.

Comparison of the Fiscal Year Ended March 31, 2025 with the Fiscal Year Ended March 31, 2026

Steelmaking and Steel Fabrication Segment

The Steelmaking and Steel Fabrication segment continued to implement measures to strengthen its cost competitiveness and improve its profit structure, including optimizing product mix and enhancing operational efficiency. The segment also advanced strategic initiatives to expand its global business, including the completion of the U. S. Steel acquisition and capacity expansion in growth markets such as India, as well as measures to strengthen its domestic business through group reorganization and integration. As a result, revenue from external customers from the Steelmaking and Steel Fabrication segment increased by ¥1,353,479 million, or 17%, from ¥7,819,748 million for the fiscal year ended March 31, 2025 to ¥9,173,227 million for the fiscal year ended March 31, 2026. Segment profit from the Steelmaking and Steel Fabrication segment decreased by ¥181,044 million, or 29%, from ¥621,005 million for the fiscal year ended March 31, 2025 to ¥439,961 million for the fiscal year ended March 31, 2026.

Engineering and Construction Segment

In the Engineering and Construction segment, Nippon Steel Engineering Co., Ltd. recorded steady progress in large-scale projects in the EPC field and continued expansion in its operation and maintenance and service-related businesses. Performance was supported by a solid order backlog accumulated in prior periods. As a result, revenue from external customers from the Engineering and Construction segment decreased by ¥13,792 million, or 4%, from ¥371,309 million for the fiscal year ended March 31, 2025 to ¥357,517 million for the fiscal year ended March 31, 2026. Segment profit from the Engineering and Construction segment increased by ¥8,477 million, or 58%, from ¥14,628 million for the fiscal year ended March 31, 2025 to ¥23,105 million for the fiscal year ended March 31, 2026.

Chemicals and Materials Segment

In the Chemicals and Materials segment, Nippon Steel Chemical & Material Co., Ltd. implemented measures to improve profitability, while overall performance remained relatively stable, supported in part by demand related to AI servers and data centers. Business conditions continued to reflect weakness in certain product markets and the impact of raw material prices. As a result, revenue from external customers from the Chemicals and Materials segment decreased by ¥11,038 million, or 4%, from ¥250,873 million for the fiscal year ended March 31, 2025 to ¥239,835 million for the fiscal year ended March 31, 2026. Segment profit from the Chemicals and Materials segment increased by ¥3,013 million, or 16%, from ¥18,938 million for the fiscal year ended March 31, 2025 to ¥21,951 million for the fiscal year ended March 31, 2026.

System Solutions Segment

In the Systems Solutions segment, NS Solutions Corporation continued to expand its business by capturing demand related to digital transformation and advancing initiatives under its medium-term management plan, including the development of new service offerings and the enhancement of technology capabilities. The segment also pursued growth through strategic investments and alliances. As a result, revenue from external customers from the System Solutions segment increased by ¥39,042 million, or 15%, from ¥253,594 million for the fiscal year ended March 31, 2025 to ¥292,636 million for the fiscal year ended March 31, 2026. Segment profit from the System Solutions segment increased by ¥4,427 million, or 11%, from ¥38,888 million for the fiscal year ended March 31, 2025 to ¥43,315 million for the fiscal year ended March 31, 2026.

Comparison of the Fiscal Year Ended March 31, 2024 with the Fiscal Year Ended March 31, 2025

Steelmaking and Steel Fabrication Segment

The Steelmaking and Steel Fabrication segment steadily promoted facility structural measures regardless of short-term improvements in the environment. The segment also worked to realize a more resilient business structure (a business structure with a robust earnings base), such as by building an integrated business structure from raw materials through to manufacturing and distribution, and strengthening competitiveness across the entire supply chain. As a result, revenue from external customers from the Steelmaking and Steel Fabrication segment decreased by ¥190,907 million, or 2%, from ¥8,010,655 million for the fiscal year ended March 31, 2024 to ¥7,819,748 million for the fiscal year ended March 31, 2025. Segment profit from the Steelmaking and Steel Fabrication segment decreased by ¥200,060 million, or 24%, from ¥821,065 million for the fiscal year ended March 31, 2024 to ¥621,005 million for the fiscal year ended March 31, 2025.

Engineering and Construction Segment

Nippon Steel Engineering Co., Ltd. achieved steady progress and completion of large-scale projects in the EPC field in the fiscal year ended March 31, 2025, such as in the waste-to-energy power generation business and construction work business. It also made steady progress in businesses such as the environmental operation and maintenance business and the electric power business in the service field. As a result, revenue from external customers from the Engineering and Construction segment was only a slight decrease by ¥10,291 million, or 3%, from ¥381,600 million for the fiscal year ended March 31, 2024 to ¥371,309 million for the fiscal year ended March 31, 2025. However, business profit increased year on year as a result of steady business progress and the lack of recording of losses such as those caused by failures on offshore work vessels in the previous fiscal year, and accordingly segment profit from the Engineering and Construction segment was ¥14,628 million for the fiscal year ended March 31, 2025, compared to segment loss of ¥1,340 million for the fiscal year ended March 31, 2024.

Chemicals and Materials Segment

As a result of the severe business environment where demand remained sluggish due to soaring raw material and fuel prices worldwide, Nippon Steel Chemical & Material Co., Ltd. posted a year-on-year increase in business profit in the fiscal year ended March 31, 2025 compared to the prior fiscal year as a result of the initiatives to enhance profitability such as the closure of the Kashima Plant in the Coal Tar Chemicals business. In the Coal Tar Chemicals business, demand for needle coke used in graphite electrodes, its main product, remained sluggish, but sales volumes of carbon black for tires were at similar levels to those of the previous fiscal year as sales recovered in the second half of the fiscal year. In the Chemicals business, the benzene market remained generally stable, but sales of styrene monomer decreased due to a delay in the recovery of demand for derivatives in Japan, and the continued expansion of new production facilities in China led to stagnation in the styrene monomer market. In the Functional Materials and Composite Materials business, sales were firm due to growth in the high-end zone, such as investments in data centers and AI-related demand in the semiconductor market, and recovery in demand for end products such as smartphones, TVs, and motorcycles. In particular, sales of functional resins were strong due to growing demand for AI servers and data centers and the continued depreciation of the yen, despite the impact of rising raw material prices. As for carbon fiber composite materials, sales of carbon fiber reinforced materials for civil engineering and construction decreased, whereas sales of industrial materials increased. For carbon fiber, sales of high-end products for the sports segment were firm. Overall, revenue from external customers from the Chemicals and Materials segment increased by ¥7,546 million, or 3%, from ¥243,327 million for the fiscal year ended March 31, 2024 to ¥250,873 million for the fiscal year ended March 31, 2025. Segment profit from the Chemicals and Materials segment increased by ¥3,548 million, or 23%, from ¥15,390 million for the fiscal year ended March 31, 2024 to ¥18,938 million for the fiscal year ended March 31, 2025.

System Solutions Segment

NS Solutions Corporation worked to expand its business by capturing DX-related demand. NS Solutions Corporation provides a variety of solutions that utilize the business knowledge and know-how gained over many years at production sites, such as by expanding to other customers sales of “PPMP,” the Process-manufacturing Product Management Package, which was created by commercializing the production management system introduced at Nippon Steel. NS Solutions also launched “CloudHarbor,” which provides comprehensive support for cloud-native services, and is strongly driving the DX promotion of its customers. In order to strengthen and expand its business base, NS Solutions has been actively promoting capital and business alliances, such as making NS Solutions Okinawa Corporation (previously OSP Solutions Inc.), which has strengths in operation and maintenance services, a wholly-owned subsidiary. It is also working to strengthen its response capabilities in the AI field through investments in and business alliances with companies that have AI technologies. Revenue from external customers from the System Solutions segment increased by ¥21,081 million, or 9%, from ¥232,513 million for the fiscal year ended March 31, 2024 to ¥253,594 million for the fiscal year ended March 31, 2025. Segment profit from the System Solutions segment increased by ¥3,300 million, or 9%, from ¥35,588 million for the fiscal year ended March 31, 2024 to ¥38,888 million for the fiscal year ended March 31, 2025.

Liquidity and Capital Resources

Nippon Steel has traditionally met its working capital and other capital requirements principally from cash provided by operations, while raising the remainder of its requirements primarily through long-term debt and short-term borrowings. In the fiscal year ended March 31, 2026, due mainly to the effect of the acquisition of U. S. Steel and capital expenditures including those related to the new Hot Strip Mill at the Nagoya Works, Nippon Steel’s net cash flows used in investing activities amounted to ¥2,837,181 million, outpacing its net cash flows from operating activities, which amounted to ¥716,939 million in the same year. In the medium term, Nippon Steel intends to make approximately ¥6 trillion in capital and business investments, which it anticipates will be concentrated in the three fiscal years ending March 31, 2029, meaning that its net cash flows used in investing activities will continue to outpace net cash flows from operating activities, although to a lesser degree. While Nippon Steel expects cash flows from operations will continue to contribute a large portion of its capital requirements, it may utilize asset sales and various financing measures, where appropriate, to support funding requirements during the investment period. Nippon Steel expects earnings and adjusted EBITDA to benefit from its strategic investments, including in U. S. Steel and in India, together with ongoing profitability improvement initiatives. As these benefits materialize, Nippon Steel expects operating cash flow generation to improve, enabling it to fund a greater portion of its capital requirements through internally generated cash flow over time.

Capital Requirements

Nippon Steel's principal capital and liquidity needs have been for the purchase of raw materials, capital expenditures, strategic mergers and acquisitions, investments, other strategic transactions, payments of financial liabilities, dividends and funds for payments of income taxes.

Purchases of Raw Materials

Nippon Steel's principal raw materials costs include iron ore, coking coal, metals and shipping costs. Nippon Steel's raw material purchases are typically covered by cash provided from operations.

Purchases of iron ore and coking coal—which together account for most of Nippon Steel's raw material costs—are generally made under long-term supply agreements. Iron ore is procured through contracts ranging from one to ten years (with particularly important types of ore subject to contracts of seven to ten years), while coking coal is purchased under contracts ranging from one to three years. Unit prices under these long-term contracts are typically determined based on historical market prices, generally on a quarterly basis (e.g., previous month or quarter market prices, subject in certain cases to a lag).

Purchases of metals are generally made under short-term contracts of less than one year or one-year term contracts, with certain materials subject to longer-term arrangements, and prices are typically set using historical market prices on a quarterly or monthly basis. Shipping arrangements are generally made under long-term contracts (e.g., 15 years).

The following tables show the total costs and amounts of raw materials purchased and representative unit costs for the materials shown during each of the fiscal years ended March 31, 2024, 2025 and 2026. These figures include purchases both pursuant to long-term contracts and otherwise. In addition to the materials shown in the tables below, Nippon Steel also purchases small amounts of scrap iron pursuant to short-term or spot arrangements.

For the fiscal year ended March 31, 2024			
	Total cost	Amount	Representative
	(billions of yen)	(millions of tons)	Unit Cost per ton
			(\$)
Iron Ore	¥ 819.6	52.0	\$ 109
Coking Coal	938.2	26.2	294
Metals	341.8	1.2	n.a.
Shipping	187.9	n.a.	n.a.
For the fiscal year ended March 31, 2025			
	Total cost	Amount	Representative
	(billions of yen)	(millions of tons)	Unit Cost per ton
			(\$)
Iron Ore	¥ 801.2	49.8	\$ 101
Coking Coal	766.8	25.2	218
Metals	324.4	1.1	n.a.
Shipping	198.2	n.a.	n.a.
For the fiscal year ended March 31, 2026			
	Total cost	Amount	Representative
	(billions of yen)	(millions of tons)	Unit Cost per ton
			(\$)
Iron Ore	¥ 677.5	49.0	\$ 93
Coking Coal	587.4	25.4	196
Metals	322.6	1.2	n.a.
Shipping	182.3	n.a.	n.a.

The following table shows the amounts of iron ore and coking coal that Nippon Steel is required to purchase in each of the fiscal years ending March 31, 2027, 2028 and 2029 under existing long-term arrangements and the representative unit costs under such arrangements. The table also shows total shipping costs that Nippon Steel is required to pay under long-term arrangements during each of the fiscal years ending March 31, 2027, 2028 and 2029. The table also shows the total amounts of metals that Nippon Steel is required to purchase under contracts of at least one year during the fiscal year ending March 31, 2027. All amounts are as of

March 31, 2026. In addition to the amounts shown, Nippon Steel may make further purchases under shorter-term arrangements as well as on the spot markets; accordingly, the total amounts purchased in each of the fiscal years shown may be greater than as shown below.

	Representative Unit Cost per ton as of March 31, 2026	Amount to be purchased in the fiscal year ending March 31,		
		2027	2028	2029
	(\$)	(millions of tons or, for Shipping, billions of yen)		
Iron Ore	\$ 93	49.0	42.1	20.5
Coking Coal	229	32.4	8.7	4.6
Metals	n.a.	0.3	0.1	0.0
Shipping	n.a.	¥ 46.1	¥ 44.0	¥ 40.9

Capital Expenditures

The following table includes Nippon Steel's capital expenditures on a segment-by-segment basis for the periods indicated. Capital expenditures as shown below are based on property, plant and equipment and intangible assets (process computer systems, etc.). The amounts shown below differ from capital expenditures as shown in Nippon Steel's audited consolidated financial statements due primarily to the inclusion of the capital expenditures for the acquisition of software for the business computing systems used to manage production.

	For the fiscal year ended March 31,		
	2024	2025	2026
	(millions of yen)		
Steelmaking and Steel Fabrication segment	¥ 444,587	¥ 570,354	¥ 935,057
Engineering and Construction segment	5,657	4,042	4,531
Chemicals and Materials segment	9,602	10,394	11,102
System Solutions segment	2,387	2,314	4,386
Total segment capital expenditure	462,234	587,106	955,077
Adjustments	(4,876)	(3,635)	(12,091)
Total	¥ 457,358	¥ 583,470	¥ 942,986

In the fiscal year ended March 31, 2024, Nippon Steel spent ¥457,358 million on capital investments, representing a 5% increase compared to the prior year. This was primarily related to capital investments for the purpose of improving capability and quality of electrical steel sheet at Nippon Steel's Setouchi Works Hirohata Area.

In the fiscal year ended March 31, 2025, Nippon Steel spent ¥583,470 million on capital investments, representing a 28% increase compared to the prior year. This was primarily related to the installation of new hot-rolling facilities at the Nagoya Works, and the refurbishment of the No. 2 coke oven at the Oita Area of the Kyushu Works.

In the fiscal year ended March 31, 2026, Nippon Steel spent ¥942,986 million on capital investments, representing a 62% increase compared to the prior year. This was primarily related to investments at U. S. Steel and the installation of new hot-rolling facilities at the Ngoya Works.

During the five fiscal years ending March 31, 2031, Nippon Steel plans to spend an aggregate amount of approximately ¥6 trillion on capital and business investments.

Financial Liabilities

The following table shows the remaining amount of Nippon Steel's financial liabilities by contractual maturity as of March 31, 2026. The figures in the table do not include financial guarantees where Nippon Steel may be obligated to make payments on obligations arising from financial guarantee contracts.

As of March 31, 2026					
	Carrying amount	Total Contractual cash flow	Within 1 year (millions of yen)	Over 1 year but within 5 years	Over 5 years
Trade and other payables	¥ 2,340,108	¥ 2,340,108	¥ 2,340,108	—	—
Borrowings	3,288,973	3,294,898	393,282	¥ 822,017	¥ 2,079,598
Bonds	1,723,676	1,744,114	54,198	931,337	758,578
Lease liabilities	146,603	146,603	43,516	75,941	27,144
Commercial paper	15,000	15,000	15,000	—	—
Derivatives	6,378	6,378	5,493	365	519
Total	¥ 7,520,741	¥ 7,547,103	¥ 2,851,601	¥ 1,829,661	¥ 2,865,841

The details of bonds, borrowings and lease liabilities within financial liabilities as of March 31, 2026 are as follows:

As of March 31, 2026			
	Carrying amount (millions of yen)	Average interest rate ⁽¹⁾ (%)	Final Maturity date
Short-term borrowings	¥ 167,112	3.0%	—
Current portion of long-term borrowings repayable within one year	226,170	1.0	—
Current portion of bonds repayable within one year	54,205	1.3	—
Current portion of lease liabilities repayable within one year	43,516	1.9	—
Commercial papers	15,000	1.1	—
Long-term borrowings	2,895,691	1.9	July 22, 2080
Bonds	1,669,471	2.2	September 12, 2079
Lease liabilities	103,086	1.9	March 31, 2076
Total	¥5,174,253		

Note:

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

The borrowings reflected in the tables above include \$535 million of borrowings outstanding under U. S. Steel's Credit Facility Agreement as of March 31, 2026. U. S. Steel is currently seeking to amend and extend the maturity of such borrowings, including the provision of an unsecured parent guarantee by Nippon Steel Corporation. The timing of such amendment has not been determined, and may take place before the closing of the offering of the Notes.

The details of bonds (including the current portion) as of March 31, 2026 are further shown below.

As of March 31, 2026			
	Issue Date	Principal amount (millions of yen)	Maturity date
Bonds issued by Nippon Steel Corporation⁽¹⁾			
The 59th Issue of Unsecured Corporate Bonds	September 2, 2008	¥10,000	June 20, 2028
The 1st Issue of Unsecured Corporate Bonds	September 26, 2016	10,000	September 18, 2026
The 2nd Issue of Unsecured Corporate Bonds	September 26, 2016	10,000	September 19, 2031
The 4th Issue of Unsecured Corporate Bonds	May 25, 2017	10,000	May 20, 2027
The 6th Issue of Unsecured Corporate Bonds	December 8, 2017	10,000	December 20, 2027
The 9th Issue of Unsecured Corporate Bonds	June 12, 2018	20,000	June 20, 2028
The 9th Issue of Unsecured Corporate Bonds ⁽²⁾	March 5, 2018	15,000	March 3, 2028
The 11th Issue of Unsecured Corporate Bonds ⁽²⁾	June 14, 2018	10,000	June 14, 2038

As of March 31, 2026			
	Issue Date	Principal amount (millions of yen)	Maturity date
The 12th Issue of Unsecured Corporate Bonds ⁽²⁾	April 17, 2019	10,000	April 17, 2029
The 2nd Issue of Unsecured Corporate Bonds	June 14, 2019	30,000	June 19, 2026
The 3rd Issue of Unsecured Corporate Bonds	June 14, 2019	20,000	June 20, 2029
The 2nd Issue of Unsecured Subordinated Corporate Bonds ⁽³⁾	September 12, 2019	30,000	September 12, 2079
The 3rd Issue of Unsecured Subordinated Corporate Bonds ⁽⁴⁾	September 12, 2019	200,000	September 12, 2079
The 6th Issue of Unsecured Corporate Bonds	June 17, 2020	10,000	June 20, 2030
The 7th Issue of Unsecured Corporate Bonds (Green Bond)	March 9, 2023	30,000	March 17, 2028
The 8th Issue of Unsecured Corporate Bonds (Green Bond)	March 9, 2023	20,000	March 18, 2033
The 4th Issue of Unsecured Subordinated Corporate Bonds ⁽⁵⁾	June 13, 2024	67,500	June 13, 2059
The 5th Issue of Unsecured Subordinated Corporate Bonds ⁽⁶⁾	June 13, 2024	20,000	June 13, 2061
The 6th Issue of Unsecured Subordinated Corporate Bonds ⁽⁷⁾	June 13, 2024	80,000	June 13, 2064
Euro-yen Denominated Convertible Bonds with Stock Acquisition Rights Due 2029	March 12, 2026	300,000	February 14, 2029
Euro-yen Denominated Convertible Bonds with Stock Acquisition Rights Due 2031	March 12, 2026	300,000	February 14, 2031
Bonds issued by United States Steel Corporation			
2037 Senior Notes ⁽⁸⁾		43,829	
	May 21, 2007	[US\$ 274 million]	June 1, 2037
2029 Senior Notes ⁽⁸⁾		75,942	
	February 11, 2021	[US\$ 475 million]	March 1, 2029
Environmental Revenue Bonds ⁽⁸⁾	August 17, 2012	296,472	December 1, 2026
	- March 24, 2026	[US\$ 1,854 million]	- May 1, 2053
Bonds issued by Big River Steel			
Environmental Revenue Bonds ⁽⁸⁾		255	
	May 21, 2019	[US\$ 2 million]	September 1, 2049
2029 Senior Notes ⁽⁸⁾		115,113	
	September 18, 2020	[US\$ 720 million]	January 31, 2029
Total		1,744,114	

Notes:

- (1) In addition to the above, on June 16, 2026, Nippon Steel issued its 13th, 14th and 15th Issues of Unsecured Corporate Bonds in an aggregate principal amount of ¥90 billion, consisting of ¥46.1 billion aggregate principal amount of 2.014% bonds due June 15, 2029, ¥19.6 billion aggregate principal amount of 2.444% bonds due June 16, 2031 and ¥24.3 billion aggregate principal amount of 3.202% bonds due June 16, 2036.
- (2) The bonds were issued by Nippon Steel Trading Corporation. As of May 8, 2024, Nippon Steel Corporation has taken over the management of these bonds through an absorption-type company split, and Nippon Steel Corporation is now responsible for them.
- (3) Early redemption may be made at Nippon Steel Corporation'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 Nippon Steel Corporation'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 Nippon Steel Corporation'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 Nippon Steel Corporation'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 Nippon Steel Corporation'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.
- (8) Amounts in brackets are denominated in U.S. dollars.

Cash Flows

The following table includes summary cash flow information for the fiscal years ended March 31, 2024, 2025 and 2026.

The information below has been derived from, and should be read together with, Nippon Steel's audited consolidated financial statements as of and for the fiscal year ended March 31, 2025 and Nippon Steel's audited consolidated financial statements as of and for the fiscal year ended March 31, 2026 included elsewhere herein.

	For the fiscal year ended March 31,		
	2024	2025	2026
	(millions of yen)		
Net cash flows provided by operating activities	¥1,010,159	¥ 978,593	¥ 716,939
Net cash flows used in investing activities	(710,654)	(462,428)	(2,837,181)
Net cash flows provided by (used in) financing activities	(543,945)	(313,334)	1,886,301
Effect of exchange rate changes on cash and cash equivalents	22,922	20,803	22,676
Net increase (decrease) in cash and cash equivalents	(221,518)	223,634	(211,264)
Cash and cash equivalents at beginning of the year	670,410	448,892	672,526
Cash and cash equivalents at end of the year	448,892	672,526	461,262

Cash Flows for the Fiscal Years Ended March 31, 2025 and 2026

Nippon Steel's net cash flows provided by operating activities decreased by ¥261,654 million, or 27%, from ¥978,593 million for the fiscal year ended March 31, 2025 to ¥716,939 million for the fiscal year ended March 31, 2026. This decrease was mainly due to an increase in trade and other receivables and income taxes paid.

Nippon Steel's net cash flows used in investing activities increased by ¥2,374,753 million, or 514%, from ¥462,428 million for the fiscal year ended March 31, 2025 to ¥2,837,181 million for the fiscal year ended March 31, 2026. This increase was primarily due to payment of cash consideration for the U. S. Steel Transaction, as well as cash outflows associated with purchases of property, plant and equipment and intangible assets, partially offset by cash inflows from sales of investment in affiliates.

Nippon Steel's net cash flows used in financing activities increased by ¥2,199,635 million, from an outflow of ¥313,334 million for the fiscal year ended March 31, 2025 to an inflow of ¥1,886,301 million for the fiscal year ended March 31, 2026. This increase was mainly due to the issuance of interest-bearing debt to fund the U. S. Steel Transaction.

As a result of the foregoing, as of March 31, 2026, Nippon Steel had ¥461,262 million in cash and cash equivalents, representing a ¥211,264 million decrease in cash and cash equivalents as compared to March 31, 2025.

Cash Flows for the Fiscal Years Ended March 31, 2024 and 2025

Nippon Steel's net cash flows provided by operating activities decreased by ¥31,566 million, or 3%, from ¥1,010,159 million for the fiscal year ended March 31, 2024 to ¥978,593 million for the fiscal year ended March 31, 2025. This decrease was due mainly to decrease in profit before income taxes, a decrease in trade and other payables and income taxes paid, partially offset by decrease in trade and other receivables, inventories and an increase in non-cash adjustments related to losses on business reorganization.

Nippon Steel's net cash flows used in investing activities decreased by ¥248,226 million, or 35%, from ¥710,654 million for the fiscal year ended March 31, 2024 to ¥462,428 million for the fiscal year ended March 31, 2025. This decrease was due primarily to ¥597.9 billion of capital expenditures for investments to develop competitive facilities, including the next-generation hot strip mill at the Nagoya Works and electrical steel sheet facilities at the Setouchi Works Hanshin Area (Sakai) and the Kyushu Works Yawata Area, partially offset by ¥231.0 billion of proceeds from the sale of investment securities.

Nippon Steel's net cash flows used in financing activities increased by ¥230,611 million, or 42%, from an outflow of ¥543,945 million for the fiscal year ended March 31, 2024 to an outflow of ¥313,334 million for the fiscal year ended March 31, 2025. This increase was due mainly to cash inflow from short- and long-term borrowings.

As a result of the foregoing, as of March 31, 2025, Nippon Steel had ¥672,526 million in cash and cash equivalents, representing a ¥223,634 million increase in cash and cash equivalents as compared to March 31, 2024.

Off-Balance Sheet Items

As of March 31, 2026, Nippon Steel did not have any off-balance sheet arrangements that have, or are likely to have, a material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

However, Nippon Steel provides guarantees on bank loans to its joint ventures and associates. For each guarantee provided, Nippon Steel is required to perform and to be liable for any related losses under the guarantee if the guaranteed party defaults on a payment. As of March 31, 2026, the amount of guarantees on bank loans and other obligations provided to joint ventures and associates was ¥476,236 million.

Quantitative and Qualitative Disclosure about Market Risk

Nippon Steel 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. For more information, see Note 32(4) to Nippon Steel's audited consolidated financial statements as of and for the fiscal year ended March 31, 2025 and Note 34(4) to Nippon Steel's audited consolidated financial statements as of and for the fiscal year ended March 31, 2026 included elsewhere herein.

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

Nippon Steel enters into forward exchange contracts and currency swaps to hedge foreign exchange risk arising from sales and capital transactions and investing and financing activities.

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.

Interest Rate Risk

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

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. Nippon Steel monitors the market price on a regular basis and regularly evaluates the necessity to retain the respective investments.

Credit Risk

In accordance with the internal credit management policy, Nippon Steel 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. Nippon Steel limits transactions to customers who are also Nippon Steel's principal suppliers 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 Nippon Steel concludes that there are limited credit risks.

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

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

Allowance for doubtful accounts on trade receivables is generally calculated by applying the historical credit loss rates for similar assets to the carrying amount of such receivables. For financial assets whose credit risk has increased significantly, the allowance is recognized and measured based on the estimated uncollectible amount determined through an individual assessment of the recoverability.

Liquidity Risk

Nippon Steel 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, Nippon Steel has a line of credit to cover for unforeseen circumstances.

Nippon Steel has entered into commitment line agreements with financial institutions to manage working capital requirements effectively. The available credit balance under these agreements was ¥1,018.5 billion, ¥599.7 billion and ¥603.7 billion as of March 31, 2026, 2025 and 2024, respectively.

Summarized Financial Information of Nippon Steel and U. S. Steel

The following presents certain supplemental summarized balance sheet and results of operations data for the Issuer and the Guarantor.

Information for the Issuer and the Guarantor's respective non-issuer and non-guarantor subsidiaries has been excluded from the summarized financial information of the Issuer and Guarantor below. Significant balances and activity of the Issuer and the Guarantor with related parties, including non-guarantor subsidiaries, are presented separately in the following supplemental summarized financial information.

The summarized financial information for the Guarantor has been derived from the Guarantor's non-consolidated financial statements prepared in accordance with Japanese GAAP and converted to IFRS. The summarized financial information for the Issuer has been derived from the non-consolidated accounting records of the Issuer used in the preparation of its consolidated financial statements, which are prepared in accordance with U.S. GAAP. In addition, the Issuer records consolidated deferred income tax balances at the parent company level. Accordingly, certain adjustments have been made in order to estimate deferred income tax balances on a non-consolidated basis for the purposes of this summarized financial information.

Because the Guarantor and the Issuer summarized financial information has been prepared using different accounting standards, the amounts presented for the Guarantor and the Issuer may not be directly comparable. In light of this, no combined total has been presented, and the Guarantor and the Issuer amounts should not be added together or read as presenting the financial position or results of operations of the Guarantor and the Issuer on a combined or consolidated basis. The summarized financial information below is not intended to constitute financial statements or to present the respective financial position or results of operations of the Issuer and the Guarantor in accordance with IFRS or U.S. GAAP.

The Guarantor's fiscal year ends on March 31 of each year, while the Issuer's fiscal year ends on December 31 of each year. For purposes of this presentation, the summarized financial information for the Guarantor is presented as of and for the year ended March 31, 2026, while the summarized financial information for the Issuer is presented as of and for the twelve-month period ended the same date. The information for the Issuer for the twelve-month period ended March 31, 2026 has been calculated from the information for the year ended December 31, 2025 by i) subtracting amounts representing the three-month period ended March 31, 2025 and ii) adding amounts representing the three-month period ended March 31, 2026.

The Issuer became a consolidated subsidiary of the Guarantor on June 18, 2025. The Issuer's summarized financial information for the twelve months ended March 31, 2026 includes historical Issuer information for the period prior to the acquisition. Such pre-acquisition information is presented on a historical basis and no adjustments to give effect to the Guarantor's acquisition of the Issuer as if it had occurred on any other date have been made.

	As of March 31, 2026
	(millions of yen)
Summarized Balance Sheet Information for the Guarantor:	
Current assets	¥ 1,763,655
Of which current receivables from non-issuer and non-guarantor subsidiaries and related parties	140,966
Non-current assets	3,413,934
Of which non-current receivables from non-issuer and non-guarantor subsidiaries and related parties	—
Current liabilities	1,949,682
Of which current liabilities to non-issuer and non-guarantor subsidiaries and related parties	880,900
Non-current liabilities	4,312,518
Of which non-current liabilities to non-issuer and non-guarantor subsidiaries and related parties	861
	For the fiscal year ended March 31, 2026
	(millions of yen)
Summarized Results of Operations Information for the Guarantor:	
Revenue	¥ 4,542,013
Of which revenue from transactions with non-issuer and non-guarantor subsidiaries and related parties	1,803,900
Gross profit	506,037
Profit from continuing operations	338,769
Profit for the year	338,769
	As of March 31, 2026
	(millions of dollars)
Summarized Balance Sheet Information for the Issuer:	
Current assets	\$ 2,671
Of which current receivables from non-issuer and non-guarantor subsidiaries and related parties	655
Noncurrent assets	5,018
Of which noncurrent receivables from non-issuer and non-guarantor subsidiaries and related parties	—
Current liabilities	2,773
Of which current liabilities to non-issuer and non-guarantor subsidiaries and related parties	419
Noncurrent liabilities	3,511
Of which noncurrent liabilities to non-issuer and non-guarantor subsidiaries and related parties	—
	For the twelve months ended March 31, 2026
	(millions of dollars)
Summarized Results of Operations Information for the Issuer:	
Net sales	\$ 10,160
Of which net sales to non-issuer and non-guarantor subsidiaries and related parties	3,567
Cost of sales	9,545
Loss from continuing operations	(921)
Net loss	(921)

BUSINESS

Nippon Steel

Nippon Steel is Japan's largest steelmaker, with a crude steel production volume of approximately 58 million tons in 2025 (including Nippon Steel Corporation, U. S. Steel, Sanyo Special Steel, Ovako and the amounts attributable to Nippon Steel's equity investments in AM/NS India and USIMINAS), and now, with the acquisition of U. S. Steel, the world's third largest steelmaker, after China Baowu Steel Group Corporation Limited and ArcelorMittal, according to the data published by the World Steel Association.

In Japan, Nippon Steel has seven steelworks: North Nippon Works, East Nippon Works, Nagoya Works, Kansai Works, Setouchi Works, Yamaguchi Works and Kyushu Works. These steelworks, which Nippon Steel calls "mother mills," are at the forefront of Nippon Steel's product development, product technology, and operation and equipment technology. With Nippon Steel's optimized production system, it produces and supplies high-performance, high-quality steel products tailored to customer needs while maintaining and strengthening relationships with customers nationwide. Based on Nippon Steel's extensive production base and diverse manufacturing technologies, Nippon Steel has built deep relationships with Japanese manufacturers and have contributed over a long period of time to the development of major industries such as automotive, electrical and mechanical equipment, shipbuilding, and construction and civil engineering.

Globally, Nippon Steel operates its business in a wide range of regions—including Asia (such as India and the ASEAN countries), the United States and Europe—through subsidiaries, joint ventures, and other strategic investments. Nippon Steel seeks to apply its strengths to support its global growth strategy by transferring its advanced technologies and know-how in areas such as manufacturing technologies, facility technologies, product solution technologies, integrated quality management and integrated process management to its key strategic basis in tandem with capital investments, as well as allocating human resources to overseas operations while promoting operational reform and streamlining in Japan. For example, in the United States, on June 18, 2025, Nippon Steel Corporation finalized its historic partnership with U. S. Steel, completing the U. S. Steel Transaction and making U. S. Steel its consolidated subsidiary. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—U. S. Steel Transaction." Through this partnership, Nippon Steel seeks to supply steel products tailored to U.S. customers' needs by investing in and sharing its technologies with U. S. Steel, helping it capture demand in the United States, which is the largest steel market among the developed countries and where it expects that demand, especially for high-grade steel, will continue to grow. Moving forward, Nippon Steel will seek to capture growing steel demand in India and promote capacity expansion aimed at increasing the sophistication of products it provides in India, as well as aim to expand market share in Thailand by strengthening supply chains, including upstream processes, while competing against imports from China. Through these initiatives, in the long-term, Nippon Steel Group seeks to achieve 100 million tons of global crude steel production capacity.

In the fiscal year ended March 31, 2025, Nippon Steel recorded consolidated revenue of ¥8,695,526 million and business profit of ¥683,237 million, due primarily to the successful implementation of the various structural and profit improvement measures, which formed a foundation that enables Nippon Steel to secure stable profits as compared to other major steel manufacturers, despite an increasingly difficult operating environment characterized by sluggish global demand, deteriorating overseas market conditions and lower spread. In the fiscal year ended March 31, 2026, Nippon Steel recorded consolidated revenue of ¥10,063,216 million and business profit of ¥514,128 million, due primarily to continued push for implementations of structural and profit improvement initiatives, despite deteriorating business environment marked by sluggish demand in the Japanese and overseas manufacturing and construction industries and a widening supply/demand gap caused by the slowdown of the Chinese economy and excess production driving increases in low-priced steel exports.

United States Steel Corporation

The issuer in this offering is U. S. Steel. Founded in 1901 and headquartered in Pittsburgh, Pennsylvania, U.S. Steel is a leading supplier of value-added steel products to the automotive, construction, consumer (packaging and appliance), electrical, industrial equipment, service center and distribution, structural tubing and energy markets in the United States. U. S. Steel operates a vertically integrated steelmaking platform across North America, supported by iron ore mining, pellet production, blast furnace and EAF facilities and downstream finishing assets.

Over the past decade, U. S. Steel has undertaken a significant transformation of its operating footprint. From 2016 through 2018, it sought to optimize its legacy footprint through asset revitalization, eliminating uncompetitive assets, streamlining its steelmaking processes and investing in its remaining cost/capability advantages, delivering improved quality and reliability. From 2019 to 2021, it combined blast furnace and EAF steelmaking through the acquisition of Big River Steel and further divested non-core assets and committed to deleverage of its balance sheet. From 2022 through 2025, it focused on delivering profitable solutions and rewarding its shareholders, implementing an advanced metallics strategy that included the commissioning of its Gary, Indiana pig iron machine, as well as the achievement of the first coil at the Big River 2 site, and creating best-in-class finishing capabilities. As a result, U. S. Steel has repositioned itself as a fully integrated pure-play steel producer in the United States with both traditional blast furnace and EAF steelmaking capabilities. This hybrid operating model provides flexibility in production, access to multiple metallics sources and enhanced resilience throughout steel industry cycles.

In June 2025, U. S. Steel became a wholly owned subsidiary of Nippon Steel, Japan’s largest steelmaker and one of the largest steel producers globally. As part of the transaction, Nippon Steel committed to significant long-term investment in U. S. Steel’s operations and has provided financial support through capital contributions, guarantees and other financing arrangements. U. S. Steel also issued a Golden Share to the U.S. Government, and entered into an NSA with the U.S. Government, Nippon Steel and Nippon Steel North America that includes commitments relating to domestic investment, production capacity, corporate governance and the continued operation of key U.S. manufacturing facilities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—U. S. Steel Transaction.” The terms of the NSA and the Golden Share issued to the U.S. Government pursuant thereto are described in more detail under “Risk Factors—Nippon Steel is subject to risks relating to its partnership with U. S. Steel.”

U. S. Steel operates through four principal business segments: North American Flat-Rolled, Mini Mill, U. S. Steel Europe and Tubular Products. For the year ended December 31, 2025, U. S. Steel shipped approximately 15.3 million net tons of steel products, with 7.8 million tons in its North American Flat-Rolled segment, 3.7 million tons in its Mini Mill segment, 3.2 million tons in its U. S. Steel Europe segment and 0.5 million tons in its Tubular Products segment. For purposes of its consolidated financial statements, U. S. Steel measures segment performance primarily on the basis of segment level earnings (loss) before interest, taxes, depreciation and amortization. During the fiscal year ended December 31, 2025, such segment results of U. S. Steel were as follows: North American Flat-Rolled: \$606 million; Mini Mill: \$301 million; U. S. Steel Europe: \$156 million; and Tubular Products: \$89 million. Outside of its principal business segments, U. S. Steel recorded \$7 million of loss before interest, taxes and depreciation and amortization during the same period, for a total of \$1,145 million of segment EBITDA enterprise wide.

In partnership with Nippon Steel, U. S. Steel is currently executing a multi-year growth strategy focused on strengthening vertical integration, expanding higher-value product capabilities and improving operating performance. As part of its partnership with U. S. Steel, Nippon Steel has committed to capital investments in U. S. Steel totaling approximately \$11.0 billion through 2028, of which approximately \$3.7 billion have been approved and are in progress as of the date of this offering memorandum, including:

- Hot Strip Mill Upgrade at Gary Works (approximately \$0.23 billion expected capital expenditures): Upgrade the hot strip mill to enable production of premium steel meeting API steel standards and AHSS products while reducing alloy intensity and manufacturing costs.
- Blast Furnace #14 Reline at Gary Works (approximately \$0.35 billion expected capital expenditures): Extend the operating life of Blast Furnace #14 and sustain long-term hot metal production capacity at the facility.
- Slag Recycle Investment at Edgar Thomson Works (approximately \$0.09 billion expected capital expenditures): Convert low-value slag byproduct into contracted, higher-margin granulated slag product, enhancing profitability and resource utilization.
- Premium Thread Line Investment in Tubular Products Operations (approximately \$0.07 billion expected capital expenditures): Internalize premium threading volumes with the goal to reduce third-party processing and logistics costs while improving operating margins.
- DRI Facility at Big River Steel (approximately \$1.88 billion expected capital expenditures): Secure a reliable metallics supply source, strengthen vertical integration and improve margins through upstream synergies, enhanced product quality and greater operating flexibility.

- Quench and Temper Line in Tubular Products Operations (approximately \$0.48 billion expected capital expenditures): Internalize processing capabilities and increase exposure to anticipated growth in demand for seamless oil country tubular goods.

In addition to the above, U. S. Steel is evaluating construction of a new state-of-the-art hot strip mill at its Edgar Thomson facility in Braddock, Pennsylvania, representing potential capital expenditures of approximately \$2.0 billion to \$2.5 billion. The project would replace the existing 87-year-old hot strip mill at the nearby Irvin Plant and seeks to improve yields, reduce energy consumption, enhance product quality and expand the range of high-value steel products that U. S. Steel's Mon Valley Works can supply, particularly for automotive and other premium end markets. Through this project, U. S. Steel also seeks to strengthen the facility's cost competitiveness while generating up to \$1.7 billion of economic impact in Pennsylvania and supporting up to 6,381 jobs as a result of the project. This estimated economic impact and number of jobs created are based on a report titled "Mon Valley Works Hot Strip Mill: Pennsylvania Economic Impact Analysis," dated June 2026 and published by Parker Strategy Group. This report was based on data and certain assumptions provided by U. S. Steel. The estimates of economic impact in Pennsylvania and additional jobs created are based on a \$2.5 billion capital expenditure scenario and include direct (impacts of proposed spending), indirect (impacts arising from increase in demand for goods and services for sectors that would supply or support the proposed investment) and induced (impacts created by household spending by construction employees and employees of suppliers) impacts.

Business Highlights

Nippon Steel's Steelmaking and Steel Fabrication segment accounts for the substantial majority of its total consolidated revenue, representing 91.2% of revenue from external customers for the fiscal year ended March 31, 2026. Nippon Steel seeks to execute its strategy of concentrating management resources on integrated steelmaking bases in key regions with strong growth potential suited to its technology and product strengths, securing high market share and margins for high-grade steel while also maintaining cost competitiveness in commodity steel. The pillars of this strategy, described in more detail under "—Nippon Steel's Strategies," are:

- Domestically, Nippon Steel will seek to improve profitability while further strengthening its earnings base;
- Overseas, Nippon Steel's key regions will be the United States and Europe, the largest high-grade steel markets, India, as a growth market, and Thailand as its "home market" in ASEAN;
- Nippon Steel Group will seek to achieve annual consolidated Underlying Business Profit of ¥1 trillion or more in the long-term, consisting of ¥500 billion or more overseas and ¥500 billion or more domestically ("Underlying Business Profit" is a financial measure not prepared in accordance with IFRS. For more information, see "Selected Financial and Other Data—Certain Non-IFRS Financial Measures of Nippon Steel—Underlying Business Profit");
- Nippon Steel believes that strengthening its position as an "insider" by growing production capacity in markets such as the United States, which has implemented tariff protections, and India, which has implemented safeguard duties, will reduce its exposure to the risk of excess production in China.
- Nippon Steel has a solid track record of disciplined financial management, underpinned by the establishment of rigorous key financial indicators and a focus on cash flow generation, and will seek to achieve an appropriate balance among investments for medium- to long-term growth, shareholder returns, and financial soundness.

Nippon Steel believes that owning integrated steelmaking bases will enable it to secure high market share and margins both in markets where it expects growth in high-grade steel demand as well as markets where it expects demand growth to center on commoditized products through superior technological strength and relationships with end-users of its products, gaining pricing power even in sectors with highly volatile market conditions.

Nippon Steel's strategy in the Japan market is to improve profitability by further strengthening its earnings base. To thoroughly pursue cost competitiveness, Nippon Steel will seek to initiate and maximize the effect of new equipment investments. Nippon Steel will also define the roles of each works and production line and enhance efficiency through concentrated manufacturing, while continuing to optimize its production framework. Nippon Steel will also seek to expand its ability to provide comprehensive solutions, enhancing its

technological leadership by seeking to increase the sophistication of product types and reinforcing solution proposal capabilities, while also seeking to strengthen the supply chain. Lastly, Nippon Steel aims to maximize its Group's comprehensive strength by pursuing an integrated sales, distribution and production system.

Nippon Steel believes that its partnership with U. S. Steel, having made it a consolidated subsidiary, has strengthened its position as an “insider” in the U.S. market, which is the world's largest for high-grade steel, and it expects further growth in demand. Nippon Steel believes that its significant technological strengths can be best and most fully utilized in this market segment.

Nippon Steel believes that it is well-positioned to effectively improve the profitability of its businesses in the U.S. market, led by U. S. Steel. In the short term in particular, Nippon Steel has identified and commenced initiatives for operational improvements (in both productivity and costs) without additional capital investments, and Nippon Steel expects that the supply and demand dynamics in the market will tighten in response to the effects of tariffs in the U.S. In the longer term, through additional capital investments, Nippon Steel will seek improved margins through sophistication of product types and enhanced cost competitiveness as well as expanded supply capacity to keep pace with its expectations for market growth.

The India market has also seen demand growth, and Nippon Steel believes that there is potential for further growth, in light of continued expansion of the population and of GDP. In the medium-term, through AM/NS India, Nippon Steel will seek to make investments for expansion of integrated steelmaking capacity at the Hazira Works, as well as a full-scale entry in the automotive segment, which uses what Nippon Steel considers as “high-grade” steel. AM/NS India is currently constructing a new integrated steel works with a planned Phase I crude steel production capacity of 7 million tons at the Rajayyapeta site on land it acquired in 2025.

Through its structural reforms undertaken during the five fiscal years ended March 31, 2026, Nippon Steel has achieved significant cost improvements of approximately ¥340 billion over the course of such period, including approximately ¥115 billion attributable to structural measures, and expect to achieve a further ¥30 billion cost reduction for the fiscal year ending March 31, 2027 as compared to the fiscal year ended March 31, 2026. Nippon Steel will seek to build on this progress through further cost reduction efforts such as its plan to suspend the operation of a continuous annealing unit at the Kashima area of the East Nippon Works around the end of the fiscal year ending March 31, 2028.

While executing on its strategies for its business, Nippon Steel will seek to achieve its main financial goals:

- Financial soundness targets: a ratio of adjusted interest bearing debt to adjusted equity capital of approximately 0.7x and a ratio of adjusted interest bearing debt to Adjusted EBITDA of 3.5x or less in the medium- to long-term; and
- Shareholder returns: Continue to maintain a dividend payout ratio guideline of approximately 30% on a consolidated basis and, additionally, set a minimum annual dividend of ¥24 for each of the five fiscal years ending March 31, 2031.

Nippon Steel's Vision: Aim to Become the Best Steelmaker with World-leading Capabilities

In December 2025, Nippon Steel announced its 2030 Medium- to Long-term Management Plan, which sets forth its corporate vision of being “The Best Steelmaker with World-Leading Capabilities, contributing to the realization of a sustainable and prosperous society through the creation of customer value.” The 2030 Medium- to Long-term Management Plan details its strategies. In its domestic businesses, Nippon Steel will seek to enhance profitability through further strengthening of its earnings base, thorough pursuit of cost competitiveness, the development of comprehensive solutions and seeking to maximize the Group's comprehensive strength. In its overseas businesses, Nippon Steel will seek to drive significant profit growth through the execution of its global growth strategy, strengthening integrated steel production in the four key regions of the United States, Europe, India and Thailand, while also using the intensive allocation of human resources overseas to create new business opportunities including group companies. During the period of the plan, Nippon Steel will seek to cycle human resources and technology between its domestic and overseas businesses in a virtuous cycle. Across its businesses, Nippon Steel will seek to strengthen its management foundation by promoting the development of cutting-edge technologies, advancing operational reform and streamlining, and enhancing its human resource competitiveness. Based on this vision, in the long-term, Nippon Steel will seek to achieve annual consolidated Underlying Business Profit of ¥1 trillion or more per year (consisting of ¥500 billion or more each from the domestic and overseas businesses) and annual ROE (return on equity) of approximately 10%.

During this five fiscal year period, Nippon Steel plans to execute long-term strategic investments aimed at sustainable growth, with capital and business investments to total approximately ¥6 trillion over the period, of which Nippon Steel expects to allocate approximately one third to projects in Japan and the rest to projects overseas, with a particular focus on U. S. Steel. Nippon Steel intends to focus these investments overseas and seek to secure profitability above capital cost. In particular, Nippon Steel will seek to execute large-scale investments for growth and deploy its advanced technologies and management resources at U. S. Steel. Through these initiatives, Nippon Steel aims to realize a run rate of \$3.0 billion of structural earnings improvement on an EBITDA basis at U. S. Steel in the medium- to long-term, consisting of approximately \$2.5 billion attributable to strategic capital investments and approximately \$0.5 billion attributable to synergy opportunities as a result of its becoming a part of the Nippon Steel Group.

By successfully implementing these strategies and achieving its goals for the 2030 Medium- to Long-term Management Plan, Nippon Steel seeks to position itself to leap to the next level of profitability, achieving global annual crude steel production capacity of 100 million tons or more in the long-term.

Nippon Steel's Strategies

Domestic Manufacturing: Improve Profitability by Further Strengthening the Earnings Base

Nippon Steel expects further deterioration in the business environment in Japan due to decreasing domestic demand associated with population decline and depressed export market conditions. However, Nippon Steel also expects increases in demand for high-grade steel such as electrical steel sheets and ultra-high-tensile steel sheets. For example, according to Fuji Chimera Research Institute, Inc., demand for non-oriented electrical steel sheets, such as those provided by Nippon Steel, is expected to increase from 126,050 tons in 2024 to 175,400 tons in 2030, representing an increase of approximately 40%. Based on its expectation that such demand will increase, Nippon Steel has already resolved to make investments for the expansion of production capacity for high-grade non-oriented electrical steel sheets at its Setouchi Works and the Yawata area of the Kyushu Works, with full ramp-up of such investments planned for the first half of the fiscal year ending March 31, 2028. As a result of these initiatives, Nippon Steel is seeking to increase supply capacity for non-oriented electrical steel sheets for use in environmentally friendly vehicles. Similarly, Nippon Steel has installed a next-generation hot strip mill line at the Nagoya works and started high-temperature test operations on April 1, 2026, with commercial operations scheduled to begin in August 2026. This initiative is planned to secure production capacity of 6 million tons per year and to strengthen supply of high-grade steel for automobiles.

While seeking such targeted increases in production capacity, Nippon Steel plans to continue to pursue an optimal production structure. This will involve consolidation of production bases according to demand sectors and product types to enhance and maximize competitiveness, the establishment of optimal production and logistics structures including group companies and the thorough pursuit of cost competitiveness. For example, Nippon Steel plans to suspend the operation of a continuous annealing unit at the Kashima area of the East Nippon Works by the end of the fiscal year ending March 31, 2028.

While improving its production structure and strategically increasing capacity in key areas, Nippon Steel also plans to seek to improve its ability to create customer value, particularly by improving its ability to make proposals of high-function products and integrated solutions. In the automotive sector, for example, Nippon Steel is proposing the NSafe®-AutoConcept, a next-generation steel automobile concept for the era of carbon neutrality. This concept promotes part integration using steel to achieve key objectives: weight reduction, CO₂ emissions reduction, cost efficiency, and labor-saving. In the construction/civil engineering sector, Nippon Steel has focused on ProStruct®, a construction solution brand that supports the development of safe, resilient, and disaster-resistant infrastructure. Meanwhile, in the shipbuilding sector, Nippon Steel is focusing on enhancing proposal capabilities for high-function products and integrated solutions, such as steel for low-pressure CO₂ storage tanks and enhancing efficiency and automation in welding through advanced processing technologies for plates and welding materials.

Overseas: Execute regional strategies to capture growth and profitability

In its overseas businesses, Nippon Steel seeks to execute its strategy of concentrating management resources on integrated steelmaking bases in its four key regions of the United States, Europe, India and Thailand, where Nippon Steel sees strong growth potential, allowing Nippon Steel to leverage its technological and product strengths for high-grade steel while also maintaining cost competitiveness in commodity steel and aiming for a significant expansion in its profits in the medium- to long-term thereby. In these key regions,

Nippon Steel also intends to accelerate growth with a combination of targeted acquisitions and strategic expansion through the development of new, state-of-the-art facilities. Its strategies for each of these key regions are described below.

United States: Building an integrated production system through Nippon Steel's partnership with U. S. Steel

Through the completion of the U. S. Steel Transaction, Nippon Steel has added to its global production network an integrated production system covering raw materials through finished steel, with an organically grown production framework that includes blast furnaces, EAFs and mines and, including production bases in Europe, had an annual crude steel production capacity of approximately 76 million tons for the fiscal year ended March 31, 2026.

Favorable U.S. Market Dynamics for Domestic Production

This integrated production system is centered upon the United States, which is the largest steel market among developed countries and the world's largest consumer of high-grade steel, according to data published by the World Steel Association. As one of the few developed countries experiencing population growth, with steady economic expansion expected in the coming years, Nippon Steel expects that demand for steel in this market will continue to grow. According to the World Steel Association's April 2026 Short Range Outlook, apparent steel use in the United States was 90.9 million tons in 2025 and is forecast to increase to 92.4 million tons in 2026 and 94.3 million tons in 2027. According to data from Fuji Chimera Research Institute, Inc., the size of the market for non-oriented electrical steel sheets in the United States is expected to grow from 175,440 tons in 2024 to 337,550 tons in 2030, or 1.9x. Nippon Steel believes that the overall steel self-sufficiency ratio, consisting of the ratio of total domestic steel production (excluding exports) to total domestic steel demand is limited to approximately the mid-50% range, based on domestic steel production of approximately 80 million tons annually versus domestic steel demand, including indirect imports, of approximately 150 million tons annually. As a result of tariff policies affecting direct and indirect steel imports, Nippon Steel expects a shift to U.S. domestic production, and, through the transfer of its advanced technologies to U. S. Steel, Nippon Steel will seek to supply high-grade steel products, which has previously not been commercially feasible, through a local subsidiary, which Nippon Steel believes will allow Nippon Steel to replace a portion of its direct and indirect exports of steel and steel-related products to the United States, whose markets for direct and indirect imports Nippon Steel estimates at 20 million tons and 60 million tons annually, respectively.

This view is supported by recent market trends. According to data published by Kallanish Commodities, in prior downcycles, U.S. hot-rolled coil prices fell to the \$650 per short ton level as of January 31, 2025, but, following the imposition of additional tariffs of 50% under Section 232 of the U.S. Trade Expansion Act of 1962 by President Trump, U.S. increased to approximately \$970 per short ton as of February 13, 2026 and remained elevated, with Kallanish Commodities reporting U.S. domestic hot-rolled coil spot prices in a range of \$1,060 to \$1,080 per short ton as of May 19, 2026. Other indicators since the imposition of such tariffs also point to tightened supply and demand dynamics. For example, according to data published by the World Steel Association, U.S. crude steel production had decreased year-over-year in each month since January 2024 until March 2025, when the trend reversed and U.S. crude steel production increased year-over-year in each of January, February, March and April 2026, with total production of 28.1 million tons for January through April 2026, representing a 6.6% increase over the same period in 2025. According to *Steel Market Update*, U.S. sheet steel inventory has been decreasing from 2,317 thousand short tons in January 2025 to 1,907 thousand short tons in December 2025, the lowest level since November 2022. According to economic data prepared by the U.S. Census Bureau, U.S. steel imports remained below prior-year levels, with preliminary April 2026 steel imports of 1.7 million metric tons compared to final April 2025 steel imports of 1.9 million metric tons, and year-to-date final steel imports through March 2026 of 4.6 million metric tons compared to 7.1 million metric tons through March 2025.

Initiatives for Improvement of U. S. Steel's Profitability

Against these favorable market conditions, significantly improving the results of operations of U. S. Steel is a significant priority for Nippon Steel. By introducing its advanced technology and know-how for operational improvements in the short term and through large-scale investments for growth, represented by its agreement to make capital investments of approximately \$11.0 billion through 2028, Nippon Steel is seeking to strengthen U. S. Steel's competitiveness by enhancing its cost competitiveness, increasing the sophistication of its product types and expanding its supply capacity, which Nippon Steel believes will enable Nippon Steel to realize further profit growth. Through these initiatives, Nippon Steel aims to realize a run rate of \$3.0 billion of

structural earnings improvement on an EBITDA basis at U. S. Steel in the medium- to long-term, consisting of approximately \$2.5 billion attributable to strategic capital investments and approximately \$0.5 billion attributable to synergy opportunities as a result of its becoming a part of the Nippon Steel Group. To this end, Nippon Steel believes that U. S. Steel will need to make significant progress controlling its high variable costs and high manufacturing costs. As Nippon Steel has achieved cost reductions in Japan totaling approximately ¥340 billion in the five fiscal years ended March 31, 2026, Nippon Steel plans to apply its know-how in achieving this improvement to the early realization of operating improvements at U. S. Steel. Nippon Steel has dispatched a total of approximately 100 employees (including short-term dispatchees), primarily engineers, to various U. S. Steel sites, which is already underway, to support the acceleration of introducing Nippon Steel technologies and operational improvements, and its plans to achieve these improvements are already underway. In the medium- to long-term, Nippon Steel is currently conducting a feasibility study of the establishment of a greenfield integrated mill in order to further expand production capacity and take advantage of the favorable market environment.

Expected Earnings Improvement Contribution from the Big River Site

As part of BRS, the EAF mini-mill complex owned by U. S. Steel in Osceola, Arkansas, Big River Steel 1 facility consists of two EAFs and an EAF-to-thin-sheet integrated line including galvanizing lines and a non-oriented electrical steel sheet line, with a crude steel production capacity of 3.3 million short tons per year. Big River Steel 2 facility, which consists of two EAFs and an EAF-to-thin-sheet integrated line including galvanizing lines, began operation in October 2024 and achieved full annualized endless strip production in February 2026. As U. S. Steel is current pursuing the stable production ramp-up of Big River Steel 2 facility, Nippon Steel expects additional profit growth as Big River Steel 2's endless strip production is estimated to increase to 2.5 million short tons in the fiscal year ending March 31, 2027 as compared to 1.4 million short tons in the fiscal year ended March 31, 2026. As the Big River Steel 2 facility comes fully online in 2026, it is expected to add a crude steel production capacity of 3.0 million short tons per year.

For the year ended December 31, 2024, U. S. Steel's Mini mill segment recorded steel shipments of 2,307 thousand short tons and generated segment earnings before interest, taxes, depreciation and amortization (EBITDA) (as reported in its audited consolidated financial statements) of \$233 million. For the fiscal year ended December 31, 2025, which includes a full-year operation at the Big River Steel 2, the segment's shipment volumes reached 3,715 thousand short tons and segment earnings before interest, taxes, depreciation and amortization (EBITDA) (as reported in its audited consolidated financial statements) of \$301 million. From the fiscal year ended December 31, 2024, to the fiscal year ended December 31, 2025, shipments rose by 1,408 thousand short tons, of which Big River Steel 2 contributed 1,172 thousand short tons. Considering the profitability and operating rate during the period when only Big River Steel 1 was in full operation, Nippon Steel believes that Big River Steel 2 has significant earnings contribution potential once fully online. Additionally, on April 28, 2026, the board of directors of U. S. Steel approved the building of a new DRI plant at BRS. This investment of approximately \$1.9 billion will be part of Nippon Steel's investment commitment to U. S. Steel pursuant to the NSA, which provides that approximately \$11.0 billion in new investments in U. S. Steel will be made by Nippon Steel by 2028.

Europe: Capture intra-regional demand and grow earnings through maximizing synergies and upgrading product mix

Based on data published by the World Steel Association, Europe collectively has the third largest steel demand of any region. Similar to the United States, countries in the European market are also implementing industrial protection measures through tariffs and safeguards, carbon border adjustment mechanisms and other measures. Prior to the U. S. Steel Transaction, Nippon Steel already operated certain bases in Europe, such as Suzuki Garphyttan AB and its subsidiaries and Ovako. In particular, Ovako possesses world-leading technology for premium-grade special steel bar and wire rod that Nippon Steel believes places it ahead of competitors in decarbonizing steel production.

Through the U. S. Steel acquisition in June 2025, USSK also became Nippon Steel's consolidated subsidiary. In Central/Eastern Europe (including USSK's core countries of Poland, the Czech Republic, Slovakia, Hungary, Romania and Austria), Nippon Steel expects that steel demand will increase in the medium- to long-term due to factors such as the relocation of customer bases to the eastern regions, and producers located in the relevant countries will be at strategic advantage. Moreover, with a diverse portfolio of sheet products, a competitive labor cost structure, highly skilled workforce and sound facilities, USSK is well positioned to capture regional demand and drive profit growth through maximizing synergies with Nippon Steel and achieving sophistication of its product types. To establish USSK as a core hub for its European operations in its global

strategy, Nippon Steel Corporation announced on May 13, 2026 its decision to transition USSK from ownership by U. S. Steel to direct ownership by Nippon Steel, making USSK its wholly-owned subsidiary, with the goal of becoming more directly involved in enhancing the profitability and accelerating the growth of its European business. The transition is scheduled to take place on October 1, 2026.

India: Accelerate growth in India

Steel demand in the Indian market is growing significantly, fueled by growth in both population and GDP. India's per capita steel consumption reached 109 kg in 2025, according to data published by the World Steel Association. Based on experience with Japan and China, where demand increased significantly once per capita consumption exceeded 100 kg, Nippon Steel expects India to enter a period of high growth in steel demand in the near future. Moreover, the Indian government has announced a goal of achieving 300 million tons of annual crude steel production capacity domestically by 2030, as well as a provisional trade measure consisting of a safeguard duty of 12% on imports of steel for purposes of market fairness, and conditions in the Indian market have been recovering. Nippon Steel's India business is administered primarily through AM/NS India, an integrated blast furnace manufacturer in India, operated as an equal partnership in which ArcelorMittal holds a 60% equity interest and Nippon Steel holds a 40% equity interest. AM/NS India had a steel production capacity of approximately 9 million tons in 2023, ranking as the 5th largest in India based on disclosures by each such steelmaker or its respective parent company. AM/NS India has been pursuing investments to capture domestic demand and promote capacity expansion aimed at increasing the sophistication of product types. In particular, in the fiscal year ending March 31, 2027 and onward, two additional blast furnaces and related facilities and Asia's largest hot-rolling facilities are scheduled to commence operations at the Hazira Integrated Steel Mill and, as a result, Nippon Steel expects that crude steel production capacity will expand to 15 million tons annually. Moreover, AM/NS India has commenced its full-scale entry into the automotive segment, with a galvanizing line having commenced operation in July 2025 and cold-rolling and other facilities to produce high value-added steel products having been commissioned through April, 2026. AM/NS India is conducting feasibility studies towards the construction of a new integrated steel works with planned Phase1 crude steel production capacity of 7 million tons in the long term at the Rajayyapeta site on land it acquired in 2025.

Thailand: Grow in Nippon Steel's ASEAN "home market" of Thailand

Thailand is the most important market for Nippon Steel in ASEAN. Nippon Steel anticipates that the steel sheet market, which Nippon Steel estimates to be approximately 9 million tons per year, in particular will grow steadily in both high-grade and commodity steel going forward. Its sales volume in this market, centered on G Steel/G J Steel and NS-Siam United Steel Co., Ltd., is about 2.6 million tons per year, which Nippon Steel estimates represents a market share of approximately 30% by volume. Although performance has deteriorated recently due to the impact of competition from Chinese imports, Nippon Steel will aim to strengthen the entire supply chain, including upstream processes, to capture additional market share.

Enhancing raw materials business

With respect to its raw materials business, Nippon Steel has been investing in interests in raw materials with the aim of securing the high-quality materials that are essential for carbon-neutral steel production, as well as stabilizing its consolidated earnings. As a result, in the fiscal year ended March 31, 2026, its self-sufficiency ratio reached approximately 20% for iron ore and approximately 35% for coking coal. See "Business—Business Overview—Raw Materials."

Going forward, Nippon Steel will continue to consider opportunities that contribute to expanding and stabilizing the supply of steelmaking raw materials and securing investment returns, based on economic rationality.

Financial: Achieve an Appropriate Balance Among Investments for Medium- to Long-term Growth, Shareholder Returns, and Financial Soundness

Nippon Steel aims to achieve growth in profits and carbon neutrality in pursuit of its "100 Million Tons, 1 Trillion Yen Vision". In the long-term, Nippon Steel aims to achieve annual Underlying Business Profit of ¥1 trillion and global crude steel production capacity of 100 million tons. Consistent with Nippon Steel's proven track record of pursuing a disciplined capital allocation strategy based on cash flow generation, strong liquidity and proactive debt management, its financial strategy focuses on pursuing profit growth and carbon neutrality goals while maintaining a healthy financial structure with an adjusted debt/equity ratio ("adjusted debt/equity

ratio” is defined as the ratio of adjusted interest bearing debt to adjusted equity capital. Adjusted interest bearing debt and adjusted equity capital are financial measure not prepared in accordance with IFRS. For more information, see “Selected Financial and Other Data—Certain Non-IFRS Financial Measures of Nippon Steel—Adjusted Equity Capital and Adjusted Interest Bearing Debt,”) of approximately 0.7x, and debt/Adjusted EBITDA (calculated by dividing adjusted interest-bearing debt by Adjusted EBITDA) ratio of 3.5x or less, in each case targeted in the medium- to long-term. Nippon Steel is consistently committed to maintaining its investment grade rating throughout its investment cycles, which it views as critical to its business as it ensures flexible fundraising capabilities.

Nippon Steel has also maintained financial discipline through asset sales and optimal financing. It has successfully executed asset compression totaling approximately ¥2.2 trillion over the 14 years from fiscal year 2012 to fiscal year 2025 through the sale of strategic shareholdings, inventory reduction, real estate sales and improvement of consolidated capital efficiency. Based on its policy on strategic shareholdings, Nippon Steel has sold and reduced its strategic shareholdings by 80% over the 13 years from the end of March 2013 to the end of March 2026. Additionally, in connection with the acquisition of U. S. Steel, Nippon Steel has fully repaid the bridge loan (approximately ¥2 trillion) used for the acquisition consideration through March 2026 using funds raised through a series of financing activities, including the committed subordinated term loan of ¥500 billion issued on September 18, 2025, the issuance of Bonds with Stock Acquisition Rights on March 12, 2026 and the JBIC co-financing on March 18, 2026, thereby completing the permanent financing arrangements for the U. S. Steel acquisition. As of March 31, 2026, its debt/equity ratio was 0.94x, while the adjusted debt/equity ratio was 0.71x.

With respect to U. S. Steel, Nippon Steel’s basic policy is to fund the capital investments required for U. S. Steel’s growth primarily by maximizing U. S. Steel’s own cash flow generation capacity and self-financing capabilities, while enhancing its competitiveness, achieving profit growth and ensuring sufficient return on investment. At the same time, taking into account the scale, timing and profitability of each investment, as well as its management and financial condition and market conditions, Nippon Steel intends to establish an optimal financing structure that balances funding cost, financial flexibility and shareholder value. If support by the Nippon Steel Corporation is required, it will consider appropriate and flexible group support measures, including parent company guarantees, parent-subsidiary loans, capital contributions or other measures, as needed, while maintaining financial discipline and pursuing its policy of achieving financial soundness and growth strategies simultaneously.

At the same time, Nippon Steel aims to provide stable, high-level shareholder returns. Nippon Steel also prioritizes shareholder returns, and during the period of its 2030 Medium- to Long-term Management plan, Nippon Steel is continuing to target a consolidated dividend payout ratio of approximately 30%. In addition, Nippon Steel has announced that, during such period, Nippon Steel will also consider ¥24 per share (giving effect to the 5-for-1 stock split that became effective October 1, 2025) as the minimum level of annual dividends to enhance dividend visibility.

Nippon Steel’s Strengths

A Global Steel Company Based in Japan with One of the World’s Largest Production Scales and a Robust Customer Base.

As Japan’s largest steelmaker by crude production volume, Nippon Steel has developed into a global steel company, and with the acquisition of U. S. Steel, was the world’s third largest steelmaker in 2025 according to data published by the World Steel Association. In recent years, Nippon Steel has focused on significantly increasing its overseas production capacity, most recently achieving annual global crude steel production capacity of 82 million tons as of March 31, 2026, reflecting the result of its partnership with U. S. Steel. In Japan, Nippon Steel has a total of seven steelworks, located in close proximity to its major customers, allowing Nippon Steel to maintain and strengthen these close relationships across Japan. Nippon Steel positions these as its “mother mills,” the forefront of product development, product technology, and operation and equipment technology, and with its optimized production system, Nippon Steel produces and supply high-performance, high-quality steel products tailored to customer needs while maintaining and strengthening relationships with customers nationwide. These domestic businesses are complemented by its overseas businesses spanning the United States, Europe, India, Southeast Asia and other regions. Its strategy for its overseas businesses is to concentrate management resources on integrated steelmaking bases in key regions where Nippon Steel expects strong growth potential, allowing Nippon Steel to leverage its technological and product strengths, secure high market share and margins for high-grade steel while also maintaining cost competitiveness in commodity steel.

Stable, High-Profit Structure not Dependent on External Conditions.

Even under the unprecedented harsh environment brought about by the structural oversupply of steel from China and resulting surplus of exports, Nippon Steel has successfully established a resilient business structure that Nippon Steel believes is able to stably generate annual consolidated Underlying Business Profit of ¥600 billion or more regardless of the external environment. Nippon Steel has achieved the ability to sustain this level of profitability due to the structural reforms in its production facilities, spread improvements in sales through direct contracts and strategic investments in its domestic steel business and to its concentration of resources to integrated steelmaking bases in key regions in its overseas businesses, as well as the expansion of its raw material business and the creation of an vertically-integrated revenue structure spanning downstream processes, allowing Nippon Steel to successfully develop a robust business structure with vertical and horizontal expansion.

Stabilization of Earnings Through Structural Reforms in Nippon Steel's Domestic Business

Domestic steel demand in Japan peaked at 94 million tons during the so-called “bubble” period in 1990 (according to data published by the World Steel Association) and has since declined due to factors such as falling demand in the civil engineering and construction sectors and the relocation of manufacturing bases overseas. The Japanese steel industry has maintained domestic production volumes by compensating for the declining domestic demand with increased exports. However, Nippon Steel expects further declines in domestic demand from the manufacturing, civil engineering and construction sectors in the future, due to Japan's decreasing population and aging society.

To further improve profitability in the domestic market, Nippon Steel has implemented four major initiatives as part of the structural reforms in its domestic steel business:

- Through the reduction of production facilities including the decommissioning of five blast furnaces, Nippon Steel has achieved a cumulative cost reduction of approximately ¥150 billion in annual fixed operating costs per year from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2026 by reducing domestic crude steel production capacity by 20% during the same period;
- During the fiscal year ended March 31, 2022 to the fiscal year ended March 31, 2026, Nippon Steel has achieved a cumulative cost reduction of over ¥340 billion in annual operating costs through improvements in steelmaking parameters such as stabilization of blast furnace operations and reductions in coke consumption per unit;
- Domestically, to improve margins, Nippon Steel has achieved significant price improvements beginning in the fiscal year ended March 31, 2022 for sales through direct contracts, which are contracts directly between Nippon Steel and the customer for order-made steel products meeting customers' needs for features and quality, by asking customers with such contracts for their understanding of its need to adjust direct contract-based prices from the viewpoint of proportionate sharing of the impacts of rising costs of raw materials and fuels in the supply chain, and of the value of the products and solutions provided by Nippon Steel. Nippon Steel then proposed a pre-fixed pricing system to customers to advance the timing of negotiations and raise the efficiency of this process, so that prices would be fixed before its order intake, to facilitate its forecast making and coping with longer-term, difficult management issues such as carbon neutrality; and
- Improving per-unit margins by improving order mix.

Through these measures, Nippon Steel has successfully achieved a substantial improvement in its marginal profit, contributing to the lowering of its breakeven point by 40% from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2026.

Successfully Deepened Nippon Steel's Vertically- and Horizontally-Integrated Business Structure

Nippon Steel has established a vertically- and horizontally-integrated business structure, expanding not only horizontally to cover wider geographical regions and into more diverse business areas, but also vertically from upstream (raw materials) to downstream (trading companies and secondary processing) processes in the

steelmaking business. This integrated structure has contributed to the enhancement of its stability. In the overseas steel business, Nippon Steel has sought to expand its integrated production framework and downstream bases its priority regions of the United States, Europe, India and Thailand, which are where Nippon Steel expect demand to grow and in sectors where its technologies and products can be utilized, to ensure that local demand is captured. With respect to its current international operations, Nippon Steel has actively pursued a strategy of selecting and concentrating its businesses. Nippon Steel has focused on expanding international businesses that align with its strategic objectives and have terminated ventures where there is no business justification to continue, including businesses that have either served their purpose, lost their synergistic potential or are not expected to generate profits. As a result, its overseas crude steel production capacity increased from 10 million tons per year as of March 31, 2025, and further to 32 million tons per year as of March 31, 2026, after the completion of the U. S. Steel Transaction. The share of its global crude steel production capacity represented by overseas entities rose from approximately 19% to approximately 42% as of the same dates, demonstrating steady progress in the evolution and expansion of its overseas business.

Additionally, by engaging in activities spanning from investments in raw materials to steel processing, distribution and sales, Nippon Steel has built an integrated value chain from upstream to downstream and established a robust business structure. In its raw materials business, by making minority investments in raw material mines owned and operated by major resource companies, Nippon Steel has expanded stable revenue sources and, at the same time, secured reliable access to high-quality raw materials, thus reducing its exposure to volatility in the steelmaking business. Furthermore, by fully integrating and consolidating its group companies engaged in steel processing, specialty steel and distribution, Nippon Steel is expanding its value chain, thereby enhancing Underlying Business Profit in its domestic steelmaking business. This enables Nippon Steel, particularly in the infrastructure (construction and civil engineering) sector, to further strengthen region-based sales activities through closer collaboration among its sales departments, regional branches and group companies, while pursuing a unified production and distribution system across its Group to enhance its ability to capture domestic demand. In addition, Nippon Steel will continue to work toward further improvements in profitability through the ongoing reorganization and consolidation of its group companies, as Nippon Steel has done to date.

Advanced Technological Capability Supported by R&D and Intellectual Property Activities

Nippon Steel believes its advanced technology is one of its core competencies, which has been cultivated through its R&D and intellectual property activities. Its domestic steelmaking business is the core business of its Group. Nippon Steel has established an efficient and reliable production and supply system for high-grade steel by integrating its large-scale blast furnaces, costal steel mills and facilities and operating technologies. As the foundation for this stable production system, Nippon Steel is dedicated to the concepts of “R&D activities as sources of value creation and competitiveness” and “intellectual property development that leads to strengthened management strategies through R&D results”. All of its large blast furnace integrated steelworks in Japan are located in coastal areas that are well-suited to the import of raw materials and export of product shipments. From sites for the landing of raw material to upstream and downstream processing facilities, product warehouses and shipment quays, all the sites are efficiently laid out to comprise modern steelworks. As of March 31, 2026, most of its 10 blast furnaces—the main facilities of the upstream process—are large-scale with an average furnace capacity of approximately 4,900 m³. The large blast furnace and seaside integrated steelworks Nippon Steel operates represent a high-efficiency production model, originating in Japan. Nippon Steel has established this model at its domestic manufacturing bases, ahead of other countries, and have realized high productivity, cost competitiveness, mass production and stable supply of high-grade steel products and high quality, using long accumulated operational and equipment technology.

Moreover, in addition to its three large-scale research centers, Nippon Steel has R&D laboratories at each of its steelworks that are responsible for the practical application of research from its research centers to advanced technology, by improving equipment in close cooperation with its manufacturing sites and developing products closely with customers, such as automakers. Its manufacturing bases and R&D bases in Japan have maintained close working relationships with customers for many years. Nippon Steel believes that these R&D bases are a source of value creation that is continually generating the operational, equipment, and product technologies that are its strengths. Nippon Steel believes that its R&D resources are among the largest in the world in the steel industry, with consolidated research and development costs of ¥82,788 million in the fiscal year ended March 31, 2026 and approximately 800 R&D personnel on a non-consolidated basis at Nippon Steel. Nippon Steel engages in IP development based on its company-wide slogan “IP is the source of its corporate activities. Maximize corporate value through enhanced protection management and active utilization.” Nippon Steel is strengthening efforts to leverage the IP created from R&D activities conducted under its management strategies, to maximizing business earnings and corporate value. Based on its specific business strategy and this

slogan, Nippon Steel formulates and act on a flexible and effective IP strategy in accordance with all aspects (offensive and defensive) of individual products and technologies, and share the results throughout the company in an effort to continuously strengthen its strategies. Nippon Steel is also focusing on the acquisition of rights for IP generated in development of technologies and products that realize carbon neutrality. Moreover, Nippon Steel is involved in licensing IP outside the Group and in standardization to form the market rules, and uses IP in a variety of ways to advance its business. As of March 31, 2026, Nippon Steel held approximately 32,000 patents globally.

Initiatives Toward Realizing Carbon Neutrality

Nippon Steel has formulated a target of reducing total CO₂ emissions by 30% by 2030, compared to the 2013 baseline, and of achieving carbon neutrality in 2050. To achieve this goal, Nippon Steel is advancing a multi-track approach using three breakthrough technologies: high-grade steel production in large EAFs, hydrogen direct reduction of iron (DRI), and hydrogen injection into blast furnaces. Moreover, in April 2025, Nippon Steel made Sanyo Special Steel, the parent company of Ovako, a frontrunner in carbon neutrality in the steel sector, a wholly-owned subsidiary. In terms of funding, Nippon Steel is also utilizing government GX investment support—such as the Green Innovation Fund and support for manufacturing process transformation—to implement these carbon neutrality initiatives. For example, on May 30, 2025, Nippon Steel announced its selection for a Japanese government support project based on the GX Promotion Act, which Nippon Steel expects to receive government support of up to ¥251.4 billion of the total ¥868.7 billion that Nippon Steel plans to spend for the conversion of certain plants from the blast furnace steelmaking process to the EAF steelmaking process through the fiscal year ending March 31, 2030.

The achievement of carbon neutrality also requires the creation of a GX market to supply GX Steel to society by establishing rules for CO₂ reduction value that assess the predictability of investment returns, by promoting the adoption of GX Steel embedded with CO₂ reduction value and by ensuring the predictability of investment returns. Nippon Steel is seeking to steadily address these tasks by developing innovative technologies. For example, through its carbon-neutral efforts, Nippon Steel has announced the branding of two value propositions: the “NSCarbolex® Solution” brand, which represents high-performance products and solutions that contribute to CO₂ emission reduction in society, and “NSCarbolex® Neutral” brand, which denotes steel products certified as having reduced CO₂ emissions from the steel production process. Nippon Steel believes that these brands will contribute both to the realization of a carbon-neutral society and to enhancing its customers’ competitiveness. These products have been adopted by a range of customers, for example, Nissan, Isuzu Motors, AIRMAN and HISAKA WORKS. Nippon Steel is also engaging the wider society to improve its awareness, with a primary focus on policy and institutional proposals to the government and industry.

As part of its medium- to long-term initiatives toward carbon neutrality, Nippon Steel aims to establish commercial-scale technologies for large-scale EAFs by 2030, for blast furnace hydrogen reduction by 2040 and for hydrogen direct reduction of iron by 2040. Additionally, by introducing EAF production on a pilot basis through the construction of new EAFs and the remodeling and reactivation of facilities in Hirohata, Yawata, and Shunan, Japan, Nippon Steel is targeting a 30% reduction in CO₂ emissions by 2030 compared to 2013.

History

Nippon Steel was formed on October 1, 2012, upon the merger of NSC and SMI. NSC was established in 1970 upon the merger of Yawata Iron & Steel Co., Ltd. and Fuji Iron & Steel Co., Ltd. In 2011, NSC and SMI agreed to commence consideration of a business integration. On October 1, 2012, NSC and SMI conducted a share exchange, through which all issued shares of SMI were exchanged for shares of NSC. Immediately after the share exchange, NSC conducted a short-form merger to complete the business combination of the two companies and renamed itself NIPPON STEEL & SUMITOMO METAL CORPORATION.

In March 2017, Nippon Steel increased its stake in Nisshin Steel, making it its consolidated subsidiary and, subsequently, on January 1, 2019, its wholly-owned subsidiary by way of a share exchange. Following the share exchange, Nippon Steel changed its trade name from “NIPPON STEEL & SUMITOMO METAL CORPORATION” to “NIPPON STEEL CORPORATION,” effective as of April 1, 2019, which befits a steelmaker with origins in Japan and an emphasis on continuing growth in global markets looking toward the future. Additionally, the trade name of Nisshin Steel was also changed from “Nisshin Steel Co., Ltd.” to “NIPPON STEEL NISSHIN CO., LTD.,” (“NSN”) effective as of the same date, for purposes of consistency in branding and the fostering of a sense of unity throughout its Group. On April 1, 2020, NSC merged with NSN through an absorption-type merger.

In December 2019, Nippon Steel and ArcelorMittal jointly acquired ESIL, which is now operated as AM/NS India, a joint venture owned 60% by ArcelorMittal and 40% by Nippon Steel and which Nippon Steel expects to be a cornerstone of its overseas strategy going forward. Its equity in the earnings of AM/NS India was reflected in its consolidated statements of profit and loss beginning in the fiscal year ended March 31, 2021.

On March 10, 2023, Nippon Steel decided to acquire additional shares of common stock of NST through a tender offer under the FIEA, and settled the purchase of shares pursuant to the tender offer on April 14, 2023. As a result of the acquisition, its ownership increased from 34.54% prior to the acquisition to 70.21% after the acquisition, and the percentage of its ownership after the company's stock consolidation and the handling of fractions of less than one share was 80.00% as of March 31, 2026. As a result of the acquisition, NST became its consolidated subsidiary effective April 14, 2023. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Acquisition of Additional Shares of NST." In addition, Nippon Steel acquired all of the outstanding shares of Sanyo Special Steel through a tender offer and made it a wholly-owned subsidiary in April 2025.

On June 18, 2025, Nippon Steel finalized the historic partnership by and among Nippon Steel Corporation, Nippon Steel North America and U. S. Steel, and completed the U. S. Steel Transaction, as a result of which U. S. Steel became its consolidated subsidiary. Its partnership with U. S. Steel has significantly affected its business, representing a significant step towards its goal of achieving 100 million tons of global crude steel production capability in the long-term, with contribution from the United States, which has the largest demand for steel of any developed country and which Nippon Steel believes will see the largest growth in demand for the high-grade steel that Nippon Steel seeks to provide at U. S. Steel by investments of capital as well as transfers of technology and human resources. As part of its partnership with U. S. Steel, Nippon Steel has committed to capital investments in U. S. Steel totaling approximately \$11.0 billion through 2028, of which approximately \$3.7 billion have been approved and are in progress as of the date of this offering memorandum.

On May 13, 2026, Nippon Steel and Sanyo Special Steel announced that Nippon Steel will conduct an absorption-type merger with Nippon Steel Corporation as the surviving company, effective April 1, 2027. Nippon Steel expects that a unified organizational and business operation will further maximize synergies between the two companies and contribute to further profit growth.

On May 13, 2026, Nippon Steel announced its decision to transition USSK, a Slovakia-based wholly-owned subsidiary of U. S. Steel, to direct ownership by Nippon Steel, thereby making USSK its wholly-owned subsidiary. The transition is scheduled to take place on October 1, 2026 and USSK will change its name to "Nippon Steel Slovakia s.r.o." By direct ownership of USSK, Nippon Steel will establish the company as a core hub for its European operations and become more directly involved in enhancing the profitability and accelerating the growth of its European business. At the same time, through this transition, U. S. Steel will concentrate its management resources on its domestic operations to enhance competitiveness in the U.S. market.

Business Overview

Description of Business Operations by Reporting Segment

Nippon Steel has four reportable segments: Steelmaking and Steel Fabrication, Engineering and Construction, Chemicals and Materials and System Solutions.

The following table includes a breakdown by segment of Nippon Steel's total revenue from external customers for the fiscal years ended March 31, 2024, 2025 and 2026.

	For the fiscal year ended March 31,		
	2024	2025	2026
	(millions of yen)		
Steelmaking and Steel Fabrication	¥ 8,010,655	¥ 7,819,748	¥ 9,173,227
Engineering and Construction	381,600	371,309	357,517
Chemicals and Materials	243,327	250,873	239,835
System Solutions	232,513	253,594	292,636
Consolidated revenue	<u>8,868,097</u>	<u>8,695,526</u>	<u>10,063,216</u>

Steelmaking and Steel Fabrication Segment

Nippon Steel's financial results are driven primarily by the financial results of its Steelmaking and Steel Fabrication segment, its largest segment, which manufactures and markets steel products. For the fiscal year

ended March 31, 2026, the total revenue from external customers of its Steelmaking and Steel Fabrication segment was ¥9,173,227 million, representing 91.2% of its consolidated revenue from external customers.

Nippon Steel manufactures and sells a broad line of steel products, including the following:

- *Steel Plate and Sheets.* Steel plate and sheets are used in a wide range of industries, including the automobile, construction and civil engineering, shipbuilding, electrical appliances and industrial machinery industries. Nippon Steel's product offerings include heavy and medium plates, hot-rolled sheets and coils, cold-rolled sheets and coils, coated steel sheets, color coated steel sheets, electrolytic tinplate and electrical steel sheets. Sales of steel plate and sheets contribute significantly to the total sales attributable to its Steelmaking and Steel Fabrication segment.
- *Bars, Beams, Shapes and Rods.* Nippon Steel manufactures bars, beams, shapes and rods for many different industrial applications, such as automobile components, including engine, transmission and suspension components, high-strength bolts and bridges, including bridge cables. Sales of bars, beams, shapes and rods contribute significantly to the total sales attributable to its Steelmaking and Steel Fabrication segment.
- *Pipes and Tubes.* Nippon Steel manufactures pipes and tubes for a variety of industrial applications, including use in connection with oil and gas drilling, offshore structures, piping and pipelines, electric and power plants, construction and facilities as well as steel tube and pipe for use in automobiles, construction equipment and industrial machinery and ships.
- *Railway, Automotive and Machinery Parts.* Nippon Steel manufactures railway-rolling stock components and forged crankshafts for automobiles, and are the only manufacturer of railway steel wheels and axles in Japan. Nippon Steel has two bases that manufacture railway components and four bases that manufacture crankshafts.
- *Stainless Steel and Titanium.* Nippon Steel manufactures stainless steel for use in applications including automobiles, construction and building, power plants, electrical appliances, electrical devices, such as circuit boards and motors. Nippon Steel manufactures titanium for use in applications including automobiles, building materials, civil engineering and ocean development, aircraft, sports gear and consumer products.

Revenue from external customers of Nippon Steel's Steelmaking and Steel Fabrication segment is generated mainly from sales to customers in the manufacturing sector, such as automobile and electrical appliance manufacturers, and sales to customers in the construction and civil engineering sector.

Pricing Policy

Nippon Steel determines the sales price of its products based on a number of factors, including the cost of raw materials, supply and demand in Japan and overseas, exchange rates and conditions in the international steel market, which tends to be more pronounced for retail transactions. The price of its products can fluctuate considerably over time, depending on market conditions and other factors. Nippon Steel has sought to renegotiate the pricing of its products and solutions to appropriately reflect their values and thereby increase the amount of cost increases Nippon Steel is able to pass on to customers. However, its ability to do so may be limited, particularly in the case of sales to customers under long-term sales contracts. See "—Sales Methods."

Principal Markets for Nippon Steel's Steelmaking and Steel Fabrication Segment

Japan is the most important market for Nippon Steel's Steelmaking and Steel Fabrication segment. In the fiscal year ended March 31, 2026, sales to customers in Japan represent nearly half of the total revenue from external customers of its Steelmaking and Steel Fabrication segment. However, Nippon Steel has grown sales to overseas customers, particularly in Asia, in recent decades and, moving forward, certain overseas regions, primarily the United States, Europe, India and Thailand, are expected to also become key markets. Through the medium-term, under its 2030 Medium- to Long-term Management Plan, Nippon Steel will seek to grow its overseas steel business, led by these three key markets, to similar size, on an Underlying Business Profit contribution basis, as its domestic steel business. See "—Principal Markets" below.

Sales Methods

Nippon Steel relies on direct contract-based sales and retail sales to distribute its products in the Japanese market. For direct contract-based sales, Nippon Steel receives orders directly from end-user customers. Such orders often include detailed instructions as to price, volume and product specifications. Nippon Steel then fills such orders, based on the customer's order instructions. For retail sales, Nippon Steel sells steel products to retailers and trading firms, without end-user customers being specified. Such retailers and trading firms stockpile steel products, thereby assuming inventory risk for the purchased products, and then sell such products to end-user customers. For export sales from Japan, Nippon Steel contracts directly with intermediate trading firms, who in turn contract with the end-user customer. In addition, Nippon Steel has expanded its manufacturing bases overseas, and currently has manufacturing bases across various countries, including in the United States, Europe, India and Thailand, to produce and sell its products locally in such countries and regions.

Delivery Methods

Nippon Steel transports and delivers steel products to its Japanese customers through a mixture of short sea shipping and truck delivery. In terms of transportation from its steelworks to the first destination, short sea shipping and truck delivery accounted for approximately 60% and 40% of its Japanese shipping for the fiscal year ended March 31, 2025, respectively.

The Steelmaking Process

Nippon Steel's major production facilities in Japan, which include North Nippon Works, East Nippon Works, Nagoya Works, Kansai Works, Setouchi Works, Yamaguchi Works and Kyushu Works, generally produce steel by the blast furnace method. In October 2022, Nippon Steel commenced commercial operation of the EAF in the Setouchi Works Hirohata Area, and in May 2023, Nippon Steel began studies to convert blast furnace production method at other production facilities to the EAF method for the purpose of achieving its 2030 decarbonization target. On October 11, 2024, Nippon Steel and Nippon Steel Stainless Steel applied for the "Energy and Manufacturing Process Transformation Support Business (Business I (Steel))", which provides government support under the GX Promotion Act. Subsequently, in May 2025, its project was selected for this government support, and Nippon Steel made the final investment decision to proceed with the conversion. Specifically, Nippon Steel plans to construct a new large-scale EAF at the Kyushu Works (Yawata Area), expand the EAF capacity at the Setouchi Works (Hirohata Area), and restart the EAF at the Yamaguchi Works (Shunan Area), with commercial operations scheduled to begin between the second half of fiscal 2028 and the second half of fiscal 2029. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Application for Government Support Pursuant to the GX Promotion Act."

On June 18, 2025, Nippon Steel finalized the historic partnership by and among Nippon Steel Corporation, Nippon Steel North America and U. S. Steel, and completed the transactions as contemplated by the merger agreement among the same parties dated December 18, 2023, pursuant to which U. S. Steel became Nippon Steel's consolidated subsidiary. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—U. S. Steel Transaction." U. S. Steel's major production facilities in the United States include Gary Works, which produces raw steel by the blast furnace method, Mon Valley Works, which produces raw steel and coke by the blast furnace method, Big River Steel 1 and Big River Steel 2, which produce raw steel by the EAF method and Fairfield Works, which produces raw steel and tubular products by the EAF method. On April 28, 2026, the board of directors of U. S. Steel approved the building of a new DRI plant at BRS. This investment of approximately \$1.9 billion will be part of Nippon Steel's investment commitment to U. S. Steel pursuant to the NSA, which provides that approximately \$11.0 billion in new investments in U. S. Steel will be made by Nippon Steel by 2028.

U. S. Steel also has production facilities in Slovakia, which produce raw steel by the blast furnace method for customers in Europe. On May 13, 2026, Nippon Steel announced its decision to transition U. S. Steel's Slovakia-based subsidiary, USSK, to direct ownership by Nippon Steel, thereby making it its wholly-owned subsidiary.

In the blast furnace method, molten pig iron is produced in a blast furnace from iron ore, which is the basic raw material used in steelmaking. Molten pig iron is then refined into molten steel using a basic oxygen furnace, which blows pure oxygen at high pressure to remove impurities. Molten steel is made into semi-finished products, such as slabs, blooms and billets, in various standardized sizes and shapes through the continuous casting process. Continuous casting improves product quality by imparting a homogenous structure to the steel.

Nippon Steel's production facilities that have blast furnaces are equipped with continuous casters. Slabs, blooms and billets are used to produce further-processed products or sold to other steelmakers that produce further-processed steel products.

In the EAF method, scrap iron is heated, melted, reduced in an EAF, and the molten steel is then transferred to a continuous caster, or to a conventional caster to produce slabs or ingots. Heating and melting of the scrap iron inside the EAF occurs as a result of the arc heat generated between the scrap and the electrodes and of the electric resistance generated within the scrap.

Engineering and Construction Segment

Through its Engineering and Construction segment, Nippon Steel plans, designs and constructs a variety of construction projects, including industrial plants, environmental and energy plants, civil engineering projects, large steel structures such as skyscrapers and oil and gas pipelines. Also, through its energy solution business line, Nippon Steel provides electric power companies, and energy consumers, mainly in the manufacturing business, with various energy solutions, including retail electricity supply, on-site energy supply, power generation engineering, wind power generation and geothermal steam production equipment. Nippon Steel's Engineering and Construction segment is comprised of two business lines: environmental and energy solutions, and building and infrastructure.

Nippon Steel's principal customers in its Engineering and Construction segment are the energy industry and the public sector. Its largest market by total revenue from external customers is Japan, and Nippon Steel has expanded its sales activities into Asia, such as Vietnam, Indonesia and Thailand.

Chemicals and Materials Segment

In its Chemicals and Materials segment, Nippon Steel produces and sells a variety of materials including coal-based chemical products, petrochemicals, electronic materials, materials and components for semiconductors and electronic parts, carbon fiber and composite products, and products that apply technologies for metal processing.

Nippon Steel's principal customers in the Chemicals and Materials segment are the automobile industry, the semiconductor industry, and the EAF steel-making industry. Its largest market by total revenue from external customers is Japan, and Nippon Steel has expanded its sales activities into several countries in East Asia, including China and Korea.

System Solutions Segment

Through its System Solution segment, Nippon Steel provides computer system engineering and consulting services, information technology outsourcing services and other client-oriented information technology business solutions to customers in a wide range of industries, including manufacturing and consumer products. Building upon the system technologies that Nippon Steel has accumulated over many years of operation in the steelmaking business, Nippon Steel launched this business in 1986. Since then, the segment has not only provided a source of external sales, but also reinforced the infrastructure of its Group by providing information technology solutions to its businesses. Nippon Steel operates its system solutions business through its consolidated subsidiary, NS Solutions Corporation ("NS Solutions"), a publicly traded company listed on the Prime Market of the TSE, of which Nippon Steel holds 63.4% of the voting rights as of March 31, 2026.

NS Solutions provides customer-oriented solutions to global business operations of a wide range of clients. NS Solutions has overseas branches in six countries, including the United States, the United Kingdom, China, Singapore, Thailand and Indonesia, helping it better market to overseas businesses.

Principal Markets

The following table includes a breakdown of Nippon Steel's total consolidated revenue by geographic market for the fiscal years ended March 31, 2024, 2025 and 2026.

	For the fiscal year ended March 31,		
	2024	2025	2026
	(millions of yen)		
Japan	¥ 5,286,846	¥ 5,109,771	¥ 4,860,147
Asia	1,992,906	2,076,558	1,848,773

	For the fiscal year ended March 31,		
	2024	2025	2026
		(millions of yen)	
Middle East	195,754	192,236	179,168
Europe	419,278	345,076	655,858
North America	484,502	498,754	2,005,476
Central and South America	410,908	389,805	414,209
Africa	60,192	61,822	81,611
Pacific	17,707	21,503	17,971
Total	<u>¥8,868,097</u>	<u>¥8,695,526</u>	<u>¥10,063,216</u>

Note:

(1) Revenue is calculated based on the location of its customers and classified by region.

Raw Materials

The principal raw materials that Nippon Steel uses in its business are iron ore and coking coal. Nippon Steel imports all of the coking coal and all of the iron ore that Nippon Steel uses. In the fiscal year ended March 31, 2026, Nippon Steel imported approximately 49.0 million dry metric tons of iron ore and 25.4 million wet metric tons of coking coal. Nippon Steel primarily imports iron ore from Australia and Brazil and primarily import coking coal from Australia, Canada and the United States. The prices of iron ore and coking coal are linked to the international demand for and supply of such resources, and there have been significant fluctuations in recent years. In the future, major fluctuations could occur in the prices of iron ore and coking coal due to a number of factors, including the global economic outlook, the global market prices of raw materials and steel products, the supply and demand outlook of raw materials and the production costs of raw materials.

Nippon Steel makes investments in exploration and production projects outside of Japan to enhance its ability to meet its requirements for high-quality raw materials. Nippon Steel secured approximately 20% of its iron ore and 35% of its coking coal imports in the fiscal year ended March 31, 2026 from foreign mines in which Nippon Steel has made investments. Its major investments to procure supplies of iron ore and coking coal are primarily located in Australia, Brazil and Canada.

On January 4, 2024, Nippon Steel acquired a 20% interest in EVR JV, which is located in Canada, through its wholly-owned subsidiary, NS Canadian Resources Inc. In addition, Nippon Steel entered into an offtake rights agreement with EVR JV for the purpose of securing long-term and stable source of coking coal. On August 22, 2024, through its wholly-owned subsidiary, Nippon Steel Australia, Nippon Steel entered into an equity participation agreement with WHC to acquire a 20% interest in the Blackwater coal mine in Australia (whose results are consolidated into Nippon Steel's on a proportionate basis), and Nippon Steel entered into a long-term coal offtake rights agreement with WHC, pursuant to which WHC will supply coking coal produced at the Blackwater coal mine to Nippon Steel. On March 31, 2025, Nippon Steel completed the acquisition of a 20% interest in Blackwater coal mine.

On December 19, 2024, Nippon Steel announced the execution of the master agreement with CI and Sojitz to participate in the development of the Kami Project, owned by CI, located in Canada's Newfoundland and Labrador, and under consideration for new development, along with the establishment of a joint venture for its development and operation. The Kami Project is an advanced-stage open-pit iron ore mining project in eastern Canada. It offers an opportunity to produce iron ore that is optimal for DRI production of a high quality that is globally rare. Furthermore, the Kami Project has abundant resources that enable long-term supply of such high-quality iron ore. On July 22, 2025, Nippon Steel entered into the definitive joint venture agreement with CI and Sojitz, and on September 30, 2025, Nippon Steel completed the acquisition of a 30% interest in the newly formed Kami Partnership. Upon closing, Nippon Steel paid the initial installment of C\$42 million to secure its interest. The remaining consideration of C\$108 million is payable following a positive final investment decision, which is contingent on the results of the feasibility study currently being conducted by the Kami Partnership and expected to be completed by the end of 2026.

Additionally, upon the completion of the U. S. Steel Transaction, U. S. Steel's Minntac and Keetac iron ore pellet operations in the United States became Nippon Steel's wholly owned assets that produce ore grade suitable for high-grade/direct reduced-grade pellet production. U. S. Steel's new DRI plant at BRS is also expected to produce high-quality, cost-competitive DRI utilizing the pellets at its Keetac mine. Nippon Steel plans to continue to selectively seek opportunities to enter into additional strategic relationships that could enhance its ability to meet its requirements for its principal raw materials.

In order to meet its transportation needs for iron ore and coking coal, Nippon Steel has entered into contracts with shipping companies in Japan to retain a fleet of dedicated vessels.

In addition to iron ore and coking coal, Nippon Steel also procures iron scrap, iron alloy and lime, mainly from Japanese sources. The prices for such materials are sometimes volatile.

Marketing Channels

Nippon Steel engages in marketing and sales activities for the sale of its products, and its distribution routes for the sale of iron and steel products in Japan consist of the following:

- *Direct contract-based sales.* A steelmaker receives a customer's order description, which includes price, volume, specifications and other information. Steel products conforming to the order description are produced for a specific customer. Contracts are executed between the steelmaker and a trading firm as well as between such trading firm and the customer.
- *Retail sales.* Retailers and trading firms purchase steel products from a steelmaker without a specified end user. Such retailers and trading firms stockpile the steel products and subsequently sell them based on their own sales efforts, taking into account market and other conditions, but do so at their own risk and responsibility of finding end users to purchase such products.

Nippon Steel also conducts marketing and sales activities abroad at the local level through each of its production subsidiaries, which each target third-party customers in their respective country or region. While Nippon Steel does reach out to new customers, the primary goal of its marketing and sales activities is to maintain and strengthen its relationships with its existing customers. Specifically, its production subsidiaries regularly conduct local market research and customer visits to better understand its customers' needs. Furthermore, since its sales of products are made through or to trading firms, Nippon Steel believes that it is important to establish good relationships with such trading firms in order to expand and strengthen its end-user customer base, because trading firms engage in marketing and sales activities of their own toward end-user customers and provide Nippon Steel with information about the market and end-user customers.

Intellectual Property

Nippon Steel relies in part on proprietary manufacturing technologies, proprietary rights in products and processes and on its ability to obtain patents, licenses and other intellectual property rights over such technologies from third parties. As of March 31, 2026, Nippon Steel holds approximately 32,000 patents globally. While Nippon Steel believes that all of its intellectual property rights are important, Nippon Steel believes that neither the expiration nor termination of any specific intellectual property right would have a significant impact on its operations, as a whole.

Competition

Nippon Steel's principal businesses operate in markets that are highly competitive. In addition, the global steel industry is cyclical and historically has been subject to overcapacity. The Japanese steel market is expected to shrink gradually going forward while steel supply in Asia (excluding Japan) is expected to increase, meaning that competition is likely to intensify in the future, with cost competitiveness playing a major role in determining the success of market participants. Increasingly, end users of steel products are sourcing steel from sources local to them, which has led to decreased concentration in the industry and increased competition localized in areas where such end users are concentrated, such as the ASEAN countries, India and China.

With respect to all of its principal businesses, Nippon Steel competes on the basis of price, product performance, product quality and customer service. Nippon Steel strives to develop products that offer unique value and performance to customers, and its brand names, brand strength and the brand loyalty of its customers also impact its competitive position. Nippon Steel's principal competitors in the Steelmaking and Steel Fabrication segment include Chinese steelmaking companies such as Baosteel, ArcelorMittal, POSCO, JFE Steel Corporation and Kobe Steel.

Research and Development

Nippon Steel believes that strategic research and development initiatives aimed at achieving sustainable growth are a key priority for its business. On a consolidated basis, Nippon Steel recorded a total of

¥82,788 million of research and development costs in the fiscal year ended March 31, 2026, and plan to continue to commit significant resources to research and development, particularly as Nippon Steel pursues its goal of, eventually, achieving carbonless steel production.

Financial resources for research and development are allocated according to priority, and each project is carried out according to a road map defining milestones and goals and tracking delivered returns. Nippon Steel has identified four major areas of development that its research emphasizes and that Nippon Steel believes will align with potential shifts in consumer needs: 1) development of high-function products and related design and processing technology; 2) development of innovative processes; 3) responses to sustainability issues, such as carbon dioxide emission reductions and recycling and 4) use of advanced Information and Communication Technology (commonly known as “ICT”) and artificial intelligence technologies. In March 2021, Nippon Steel established “Carbon Neutral Vision 2050”, under which Nippon Steel aims to achieve carbon neutrality by 2050 by (i) mass production of high-grade steel using EAF, (ii) carbon reduction through the development of hydrogen reduction steelmaking for blast furnace such as Super-COURSE50, (iii) challenging itself to achieve technological innovations such as DRI manufacturing method using hydrogen and (iv) carbon offset measures such as carbon capture use and storage (CCUS). In order to achieve these goals through technological innovations, Nippon Steel is expecting to need ¥500 billion in research and development costs, as well as what it now believes will be in excess of the originally estimated ¥4 trillion to ¥5 trillion for capital investments and increases in operational costs.

NSC’s research and development employees are located in three core research centers in Japan, located in 1) Futtsu, Chiba Prefecture, 2) Amagasaki, Hyogo Prefecture and 3) Hasaki, Ibaraki Prefecture. Research and development employees are also located in the Plant Engineering and Facility Management in its corporate headquarters and at research and development laboratories at its steelworks across Japan. These employees collaborate to ensure integrated research and development activities that encompass basic and fundamental research, application development and engineering.

Nippon Steel believes its research and development functions have five particular strengths:

- comprehensiveness and speed of development, facilitated by the integration of research and development and engineering;
- a research and development network with locations near its customers and the ability to propose suitable solutions in response to customer needs;
- the ability to develop new technology based on sophisticated fundamental technologies;
- the ability to address environmental and energy-related concerns with solutions based on steelmaking process technology; and
- collaborations between industry and academic institutions, overseas alliances and joint research with customers.

Regulation

Nippon Steel’s business activities are subject to various governmental regulations in the countries that Nippon Steel operates in. Such regulations include investment approvals, export regulations, tariffs, antitrust, anti-bribery, intellectual property, data protection, product safety, taxation, exchange controls, and environmental and recycling requirements.

Significant environment-related regulations to which its business activities in Japan are subject include:

- *Air Pollution Control Act.* Under this law, Nippon Steel must limit its emission of harmful gases in accordance with standards set by the Ministry of Environment of Japan. Nippon Steel is required to indemnify aggrieved parties against damages and losses caused by its emission of harmful gases irrespective of its fault.
- *Water Pollution Prevention Act.* Under this law, Nippon Steel is required to limit its discharge of wastewater in accordance with standards set forth by the Ministry of Environment of Japan. Nippon Steel is required to indemnify aggrieved parties against damages and losses caused by its discharge of wastewater irrespective of its fault.

- *Waste management and Public Cleansing Act.* Under this law, any person or company doing business is required to dispose of industrial waste by itself or delegate an authorized waste disposer to dispose of the waste in accordance with the relevant government standards.
- *Soil Contamination Countermeasures Act.* Under this law, owners of land with sources of potential pollution must survey their soil to determine the presence of hazardous substances such as lead, arsenic and trichloroethylene, and take steps to remove any such contamination, as required.

Moreover, the operations and facilities of its overseas subsidiaries are subject to analogous laws and regulations in the relevant jurisdiction. For example, the U.S. facilities of U. S. Steel and other U.S. subsidiaries are subject to environmental laws applicable in the U.S., including the Clean Air Act (CAA), the Clean Water Act (CWA), the Resource Conservation and Recovery Act (RCRA) and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), as well as state and local laws and regulations.

Employees

Consolidated number of employees

As of March 31, 2026, Nippon Steel had 138,453 employees on a consolidated basis, not including temporary employees. The average number of temporary employees during the fiscal year ended March 31, 2026 was 12,925 on a consolidated basis.

Compared with the end of the previous fiscal year, the number of employees on a consolidated basis increased by 24,608. The primary reasons for this increase were the inclusion of United States Steel Corporation as a consolidated subsidiary in the Steelmaking and Steel Fabrication segment and the inclusion of Infocom Corporation as a consolidated subsidiary in the System Solutions segment.

The number of employees on a consolidated basis represents the number of personnel employed, excluding employees seconded from its Group to companies outside of the Group and including employees seconded to its Group from outside the Group.

Non-consolidated number of employees

As of March 31, 2026, Nippon Steel had 32,102 employees on a non-consolidated basis, not including temporary employees. The average number of temporary employees on a non-consolidated basis during the fiscal year ended March 31, 2026 was 1,159.

The number of employees on a non-consolidated basis represents the number of personnel employed, excluding employees seconded from Nippon Steel to other companies and including employees seconded to Nippon Steel from other companies.

Labor relations

Group-wide, Nippon Steel enjoys good relations with its employees. Certain of its employees (a total of 90,030 employees on a consolidated basis as of March 31, 2026) belong to labor unions. Nippon Steel believes the level of remuneration, fringe benefits, working conditions and other allowances, provided to its employees is generally competitive with those offered in Japan by other companies in similar industries.

Legal Proceedings

The Group is involved from time to time in claims, proceedings and litigation in the ordinary course of its business. The outcomes of its legal proceedings are inherently unpredictable, subject to significant uncertainties, and could be material to its operating results and cash flows for a particular period. In addition, for some matters for which a loss is probable or reasonably possible, an estimate of the amount of loss or range of loss is not possible and Nippon Steel may be unable to estimate the possible loss or range of losses that could potentially result from the application of nonmonetary remedies.

Draftee Cases in the Republic of Korea

On October 30, 2018, December 21, 2023 and December 11, 2025, the Supreme Court of Korea dismissed Nippon Steel's appeals of decisions concerning three lawsuits originally filed in the Republic of Korea

by fifteen South Korean plaintiffs claiming damages for their work as draftees, or as families of the deceased draftees, for Japan Iron & Steel Co., Ltd. during the Second World War. The court ordered Nippon Steel to pay to the fifteen plaintiffs in the three lawsuits an aggregate of 1.2 billion Korean won (approximately ¥130.0 million) plus late payment interest. Additionally, in connection with the series of so-called draftee cases in the Republic of Korea including the above lawsuit, Nippon Steel's assets located in the country (a portion of the shares in Posco-Nippon Steel RHF Joint Venture Co., Ltd. owned by Nippon Steel) are currently under seizure, and proceedings for the liquidation of such assets are pending.

With respect to the separate case in which the Supreme Court of Korea dismissed Nippon Steel's appeal on January 11, 2024 and ordered Nippon Steel to pay an aggregate of 100 million Korean won (approximately ¥10.0 million) plus late payment interest to three plaintiffs, all seizure and liquidation proceedings against Nippon Steel's assets were withdrawn by the plaintiffs and the case was concluded by August 13, 2025.

Nippon Steel will deal with this matter appropriately, taking into account the status of diplomatic negotiations between the governments of Japan and the Republic of Korea and other factors.

MANAGEMENT OF NIPPON STEEL CORPORATION

Corporate Governance System

Currently, Nippon Steel Corporation's Board of Directors is comprised of fifteen (15) Directors of whom ten (10) are Directors who are not Audit & Supervisory Committee Members and five (5) are Directors who are Audit & Supervisory Committee Members, and is chaired by the Representative Director, President and Chief Operating Officer. Outside Directors account for one-third (5 out of 15) of all members of the Guarantor's Board of Directors.

Of the above, the Directors who are not Audit & Supervisory Committee Members are comprised of eight (8) Executive Directors who were the Guarantor's employees with intimate knowledge of its businesses, and two (2) Outside Directors who have vast experience in, and deep insights into, such areas as corporate planning and business strategy, employment and labor, corporate governance and risk management, legal compliance, international affairs, environment and sustainability. The Directors who are Audit & Supervisory Committee Members are comprised of two (2) Directors who were the Guarantor's employees with intimate knowledge of its businesses, and three (3) Outside Directors who have vast experience in, and deep insights into, such areas as finance and accounting, corporate governance and risk management, legal compliance, international affairs, environment and sustainability, public administration and public policy.

In accordance with a provision in the Guarantor's Articles of Incorporation, the Guarantor's Board of Directors delegates part of the decisions regarding execution of important operations (excluding matters listed in each item of Article 399-13, Paragraph 5 of the Companies Act) to the Representative Director and Chairman and Representative Director and President, thereby expediting management decision-making. In order to enable all Outside Directors to receive all necessary information for the fulfillment of their roles, the Guarantor holds periodic meetings among the Chairman, President and Outside Directors to share managerial challenges and exchange opinions.

At Nippon Steel Corporation, by all Directors appropriately fulfilling their roles and responsibilities, prompt decision-makings are achieved corresponding to changes in the management environment, and multifaceted deliberations and objective and transparent decision-making by the Guarantor's Board of Directors are secured. In addition, Directors who are Audit & Supervisory Committee Members have voting rights on the Guarantor's Board of Directors regarding decisions on proposals for the election and dismissal of Directors as well as on election and dismissal of Representative Directors, and other decisions in general regarding business execution (excluding decisions that have been delegated to Directors). The Guarantor's Audit & Supervisory Committee has the authority to give its opinions at the general meeting of shareholders regarding the election, compensation, etc. of Directors who are not Audit & Supervisory Committee Members.

The Guarantor's Board of Directors has the ultimate responsibility for the administration of Nippon Steel's affairs. The Guarantor's Articles of Incorporation provide for a Board of Directors of not more than twenty (20) Directors and for Directors who are Audit & Supervisory Committee Members of not more than seven (7) Directors. The election of Directors shall be implemented by shareholders by distinguishing between Directors who are Audit & Supervisory Committee Members and other Directors at the general meeting of shareholders. The term of office of Directors who are not Audit & Supervisory Committee Members shall expire upon the conclusion of the next ordinary general meeting of shareholders convened following the assumption of office of such Director and that of Directors who are Audit & Supervisory Committee Members shall expire upon the conclusion of the ordinary general meeting of shareholders for the last business year which ends within two (2) years following the assumption of office of such Director. The term of office of a Director who is an Audit & Supervisory Committee Member elected to fill a vacancy caused by retirement of a Director who was an Audit & Supervisory Committee Member prior to the expiry of his/her term of office is up to the expiry of the term of office of such retiring Director who was an Audit & Supervisory Committee Member. Members of the Guarantor's Board of Directors and Audit & Supervisory Committee Members may serve any number of consecutive terms.

The Guarantor's Board of Directors may, by resolution, appoint, among the Directors who are not Audit & Supervisory Committee Members, one Chairman of the Guarantor's Board of Directors and one President, as well as Vice Chairmen, Executive Vice Presidents and Managing Directors. The Guarantor's Board of Directors may, by resolution, appoint Representative Directors from among the Directors who are not Audit & Supervisory Committee Members. Each Representative Director represents Nippon Steel Corporation generally in the conduct of its affairs. None of the Guarantor's Directors is a party to any service contract with Nippon Steel Corporation or any of its subsidiaries that provides for benefits upon termination of employment.

Under the Companies Act and its Articles of Incorporation, the Guarantor may, by a resolution of the Guarantor's Board of Directors, limit the liability of each Director to the sum of the amounts set forth in Article 425, Paragraph 1 of the Companies Act (the "Minimum Liability"). In addition, the Guarantor may enter into an agreement with its Directors (excluding executive directors and others) which limits the liability of such Directors to the greater of (1) an amount determined in advance by the Guarantor which shall not be less than twenty million yen (¥20,000,000) and (2) the Minimum Liability.

Under the Guarantor's Articles of Incorporation, the Audit & Supervisory Committee shall, by resolution, elect full-time Audit & Supervisory Committee Members from among the Audit & Supervisory Committee Members. The Audit & Supervisory Committee, may by resolution, elect Senior Audit & Supervisory Committee Members from among the Audit & Supervisory Committee Members. Any matters relating to the Audit & Supervisory Committee not provided for in the Articles of Incorporation may be governed by the regulations of the Audit & Supervisory Committee prescribed by the Audit & Supervisory Committee.

The Guarantor must appoint independent registered public accountants or an audit firm as an independent auditor. Such independent registered public accountants or audit firm have the statutory duty of auditing the financial statements, prepared in accordance with the Companies Act, to be submitted by a Representative Director to general meetings of shareholders and preparing audit reports. The Guarantor's independent auditor for such purposes is KPMG AZSA LLC.

The "Nomination and Compensation Committee" shall be comprised of a majority of Outside Directors, and it is a place for discussion and review of the composition of the Board of Directors and the Audit & Supervisory Committee, compensation scheme and the level of compensation for Directors and general matters relating to the nomination and compensation of Directors. The Nomination and Compensation Committee is currently comprised of five (5) members, Mr. Eiji Hashimoto, the Representative Director and the Chairman, Mr. Tadashi Imai, the Representative Director and the President, Mr. Jun Sawada, Outside Director, Ms. Miharu Koezuka, Outside Director and Mr. Kenji Hiramatsu, Outside Audit & Supervisory Committee Member. The Nomination and Compensation Committee meets twice a year, and the President presides as the Chairperson of the meetings.

Directors and Audit & Supervisory Committee Members

The following table sets out certain information on those individuals who are members of the Guarantor's Board of Directors and Audit & Supervisory Committee Members as of June 23, 2026, as well as the number of shares held by those individuals as of May 31, 2026:

Name	Title	Date of Birth	Brief Personal History		Number of Shares owned as of May 31, 2026 (Hundreds)
Eiji Hashimoto ⁽¹⁾	Representative Director, Chairman and CEO	December 7, 1955	April 1979 April 2009 April 2011 October 2012 April 2013 July 2015 April 2016	Joined Nippon Steel Corporation Director (under the Executive Management System), Director, Plate Division and Director, Structurals Division of Nippon Steel Corporation Director (under the Executive Management System) of Nippon Steel Corporation Executive Officer of NSC Managing Executive Officer of NSC Managing Executive Officer, Vice Head of Global Business Development and Project Leader, Usiminas Project, Global Business Development Sector of NSC Executive Vice President and Head of Global Business Development of NSC	2,946

Name	Title	Date of Birth	Brief Personal History		Number of Shares owned as of May 31, 2026 (Hundreds)
Tadashi Imai ⁽¹⁾	Representative Director, President and COO	May 22, 1963	June 2016	Representative Director. Executive Vice President and Head of Global Business Development of NSC	1,362
			April 2019	Representative Director and President of Nippon Steel Corporation	
			April 2024	Representative Director, Chairman and CEO of Nippon Steel Corporation (incumbent)	
			April 1988	Joined Nippon Steel Corporation	
			April 2016	Executive Officer and Head of Works, Nagoya Works of NSC	
			April 2019	Managing Executive Officer of Nippon Steel Corporation	
			June 2020	Managing Director, Member of the Board of Nippon Steel Corporation	
			April 2021	Managing Director, Member of the Board, and Deputy Project Leader, Zero-Carbon Steel Project; Deputy Project Leader, Next-Generation Hot Strip Mill Project of Nippon Steel Corporation	
			February 2022	Managing Director, Member of the Board, Project Leader, Thai Steel Project, Global Business Development Sector; Deputy Project Leader, Zero-Carbon Steel Project; and Deputy Project Leader, Next-Generation Hot Strip Mill Project of Nippon Steel Corporation	
			April 2022	Managing Director, Member of the Board, Project Leader, Thai Steel Project, Global Business Development Sector; Vice Head of Green Transformation Development; and Deputy Project Leader, Next-Generation Hot Strip Mill Project of Nippon Steel Corporation	
			April 2023	Representative Director and Executive Vice President, Head of Green Transformation Development; and Deputy Project Leader, Next Generation Hot Strip Mill Project of Nippon Steel Corporation	
			June 2023	Representative Director and Executive Vice President, Head of Green Transformation Development; Project Leader, Electric Furnace Project; and Deputy Project Leader, Next Generation Hot Strip Mill Project of Nippon Steel Corporation	

Name	Title	Date of Birth	Brief Personal History		Number of Shares owned as of May 31, 2026 (Hundreds)
Takahiro Mori ⁽¹⁾	Representative Director, Vice Chairman and Executive Vice President	October 3, 1957	April 2024	Representative Director, President and COO of Nippon Steel Corporation (incumbent)	1,317
			April 1983	Joined Nippon Steel Corporation	
			April 2021	Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector of Nippon Steel Corporation	
			June 2021	Representative Director and Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector of Nippon Steel Corporation	
			April 2023	Representative Director and Executive Vice President, Head of Global Business Development, and Project Leader, India Project, Global Business Development Sector of Nippon Steel Corporation	
			April 2024	Representative Director, Vice Chairman and Executive Vice President, Head of Global Business Development, Project Leader, India Project, Global Business Development Sector, and Project Leader, USS Project of Nippon Steel Corporation	
Naoki Sato ⁽¹⁾	Representative Director and Executive Vice President	March 23, 1961	April 2026	Representative Director, Vice Chairman and Executive Vice President, Head of Global Business Development, Project Leader, India Project, Global Business Development Sector, Project Leader, Thai Project, Global Business Development Sector, and Project Leader, USS Project of Nippon Steel Corporation (incumbent)	726
			April 1983	Joined Nippon Steel Corporation	
			April 2021	Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of Nippon Steel Corporation	

Name	Title	Date of Birth	Brief Personal History		Number of Shares owned as of May 31, 2026 (Hundreds)
Takashi Hirose ⁽¹⁾	Representative Director and Executive Vice President	April 19, 1962	June 2021	Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of Nippon Steel Corporation	145
			April 2022	Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, Project Leader, Ironmaking Operations Project, and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of Nippon Steel Corporation	
			April 2023	Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, Project Leader, Ironmaking Operations Project, and Deputy Project Leader, India Project, Global Business Development Sector of Nippon Steel Corporation	
			April 2024	Representative Director and Executive Vice President, Deputy Project Leader, India Project, Global Business Development Sector, Deputy Project Leader, Thai Steel Project, Global Business Development Sector; Deputy Project Leader, USS Project of Nippon Steel Corporation	
			April 2026	Representative Director and Executive Vice President, Deputy Project Leader, India Project, Global Business Development Sector, Deputy Project Leader, Thai Project, Global Business Development Sector; Deputy Project Leader, USS Project of Nippon Steel Corporation (incumbent)	
			April 1986	Joined Nippon Steel Corporation	
			April 2021	Managing Executive Officer, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector, and Deputy Project Leader, Next-Generation Hot Strip Mill Project of Nippon Steel Corporation	

Name	Title	Date of Birth	Brief Personal History		Number of Shares owned as of May 31, 2026 (Hundreds)
Hirofumi Funakoshi ⁽¹⁾	Representative Director and Executive Vice President	June 17, 1963	April 2022	Executive Vice President, Head of Unit, Flat Products Unit, and Deputy Project Leader, Next-Generation Hot Strip Mill Project of Nippon Steel Corporation	302
			June 2022	Representative Director and Executive Vice President, Head of Unit, Flat Products Unit, and Deputy Project Leader, Next-Generation Hot Strip Mill Project of Nippon Steel Corporation	
			April 2023	Representative Director and Executive Vice President and Deputy Project Leader, Next-Generation Hot Strip Mill Project of Nippon Steel Corporation	
			January 2024	Representative Director and Executive Vice President, Head of Unit, Pipe & Tube Unit, and Deputy Project Leader, Next-Generation Hot Strip Mill Project of Nippon Steel Corporation	
			April 2024	Representative Director and Executive Vice President and Deputy Project Leader, Next-Generation Hot Strip Mill Project of Nippon Steel Corporation	
			June 2025	Representative Director and Executive Vice President and Deputy Project Leader, USS Project and Deputy Project Leader, Next-Generation Hot Strip Mill Project of Nippon Steel Corporation (incumbent)	
			July 1987	Joined Nippon Steel Corporation	
			April 2019	Executive Officer and Head of Division, Corporate Planning Division of Nippon Steel Corporation	
			April 2021	Managing Executive Officer of Nippon Steel Corporation	
			April 2022	Managing Executive Officer and Vice Head of Green Transformation Department of Nippon Steel Corporation	
Hirofumi Funakoshi ⁽¹⁾	Representative Director and Executive Vice President	June 17, 1963	April 2023	Executive Vice President of Nippon Steel Corporation	302
			June 2023	Representative Director and Executive Vice President of Nippon Steel Corporation	
			June 2025	Representative Director and Executive Vice President and Deputy Project Leader, USS Project of Nippon Steel Corporation (incumbent)	
			April 1989	Joined Nippon Steel Corporation	
Hirofumi Funakoshi ⁽¹⁾	Representative Director and Executive Vice President	February 23, 1965	April 1989	Joined Nippon Steel Corporation	479

					Number of Shares owned as of May 31, 2026 (Hundreds)
Name	Title	Date of Birth	Brief Personal History		
			April 2021	Managing Executive Officer and Head of Muroran Works of Nippon Steel Corporation	
			April 2022	Managing Executive Officer of Nippon Steel Corporation	
			April 2023	Managing Executive Officer and Deputy Project Leader, Thai Steel Project, Global Business Development Sector of Nippon Steel Corporation	
			April 2024	Executive Vice President, Project Leader, Next- Generation Hot Strip Mill Project, and Project Leader, Electric Furnace Project of Nippon Steel Corporation	
			June 2024	Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, and Project Leader, Electric Furnace Project of Nippon Steel Corporation	
			June 2025	Representative Director and Executive Vice President, Deputy Project Leader, USS Project, Project Leader, Next-Generation Hot Strip Mill Project, and Project Leader, Electric Furnace Project of Nippon Steel Corporation (incumbent)	
Nobuhiro Fujita ⁽¹⁾	Representative Director and Executive Vice President	September 20, 1964	April 1989	Joined Nippon Steel Corporation	134
			April 2021	Managing Executive Officer and Head of Steel Research Laboratories, Research and Development of Nippon Steel Corporation	
			April 2024	Senior Managing Executive Officer and Head of Steel Research Laboratories, Research and Development of Nippon Steel Corporation	
			April 2025	Executive Vice President and Head of Research and Development of Nippon Steel Corporation	
			June 2025	Representative Director and Executive Vice President, Head of Research and Development, Deputy Project Leader, USS Project of Nippon Steel Corporation (incumbent)	
Jun Sawada ⁽¹⁾	Director (Outside Director)	July 30, 1955	April 1978	Joined Nippon Telegraph and Telephone Public Corporation	0
			April 1985	Joined Nippon Telegraph and Telephone Corporation (currently NTT, Inc.)	

Name	Title	Date of Birth	Brief Personal History	Number of Shares owned as of May 31, 2026 (Hundreds)
			June 2008 Senior Vice President, Executive Manager of Corporate Strategy Planning Department and Member of the Board of NTT Communications Corporation (currently NTT DOCOMO BUSINESS, Inc.)	
			June 2011 Executive Vice President, Executive Manager of Corporate Strategy Planning Department and Member of the Board of NTT Communications Corporation	
			June 2012 Senior Executive Vice President, Executive Manager of Corporate Strategy Planning Department and Representative Member of the Board of NTT Communications Corporation	
			June 2013 Senior Executive Vice President and Representative Member of the Board of NTT Communications Corporation	
			June 2014 Senior Executive Vice President and Representative Member of the Board of Nippon Telegraph and Telephone Corporation	
			June 2018 President and Chief Executive Officer and Representative Member of the Board of Nippon Telegraph and Telephone Corporation	
			June 2020 President and Chief Executive Officer and Representative Member of the Board of Nippon Telegraph and Telephone Corporation	
			June 2022 Chairman and Representative Member of the Board of Nippon Telegraph and Telephone Corporation	
			June 2024 Chairman and Member of the Board of Nippon Telegraph and Telephone Corporation	
			June 2026 Director (Outside Director) of Nippon Steel Corporation (incumbent)	
Miharu Koezuka ⁽¹⁾	Director (Outside Director)	September 2, 1955	April 1979 Joined Takashimaya Company, Limited	0
			May 2013 Director of Takashimaya Company, Limited	
			September 2013 Senior Managing Director (Representative Director) and General Manager of Planning Headquarters (General Manager of Reform Promotion Headquarters) of Takashimaya Company, Limited	

Name	Title	Date of Birth	Brief Personal History		Number of Shares owned as of May 31, 2026 (Hundreds)
Kazumasa Shinkai ⁽²⁾	Director, Senior Audit & Supervisory Committee Member (full-time)	October 4, 1962	March 2014	Senior Managing Director (Representative Director) and General Manager of Sales Headquarters of Takashimaya Company, Limited	310
			March 2016	Director of Takashimaya Company, Limited	
			May 2016	Consultant of Takashimaya Company, Limited	
			March 2020	Advisor of Takashimaya Company, Limited (retired in March 2021)	
			June 2026	Director (Outside Director) of Nippon Steel Corporation (incumbent)	
			April 1987	Joined Nippon Steel Corporation	
			April 2021	Managing Executive Officer and Head of Division, General Administration Division of Nippon Steel Corporation	
			April 2023	Managing Executive Officer of Nippon Steel Corporation	
			April 2024	Executive Officer and Advisor to the President of Nippon Steel Corporation	
			June 2024	Director, Senior Audit & Supervisory Committee Member (full-time) of Nippon Steel Corporation (incumbent)	
Takeshi Yamane ⁽²⁾	Director, Audit & Supervisory Committee Member (full-time)	June 22, 1970	April 1993	Joined Nippon Steel Corporation	48
			April 2020	General Manager, General Administration Division, Setouchi Works of Nippon Steel Corporation	
			April 2022	Acting General Manager, General Administration Division of Nippon Steel Corporation	
			April 2023	General Manager, General Administration Division of Nippon Steel Corporation	
			April 2024	Executive Officer and General Manager, General Administration Division of Nippon Steel Corporation	
			April 2026	Executive Officer and Advisor to the President of Nippon Steel Corporation	
			June 2026	Director, Audit & Supervisory Committee Member (full-time) of Nippon Steel Corporation (incumbent)	

Name	Title	Date of Birth	Brief Personal History		Number of Shares owned as of May 31, 2026 (Hundreds)
Kenji Hiramatsu ⁽²⁾	Director, Audit & Supervisory Committee Member (Outside Director)	December 22, 1956	April 1979	Joined Ministry of Foreign Affairs of Japan	1
			July 2008	Director-General for Latin American and Caribbean Affairs Bureau of Ministry of Foreign Affairs of Japan	
			January 2011	Director-General for Global Issues of Ministry of Foreign Affairs of Japan	
			September 2012	Director-General, Foreign Policy Bureau of Ministry of Foreign Affairs of Japan	
			November 2015	Ambassador of Japan to the Republic of India	
			January 2016	Ambassador of Japan to the Republic of India and Ambassador of Japan to the Kingdom of Bhutan	
			September 2019	Ambassador of Japan to the Kingdom of Spain	
			November 2022	Retired from Ministry of Foreign Affairs of Japan	
			December 2022	Chairman of the Institute, Institute for International Strategy, Japan Research Institute (incumbent)	
			June 2024	Director, Audit & Supervisory Committee Member (Outside Director) of Nippon Steel Corporation (incumbent)	
Aiko Sekine ⁽²⁾	Director, Audit & Supervisory Committee Member (Outside Director)	May 13, 1958	April 1981	Joined Citibank, N.A., Tokyo Branch	50
			October 1985	Joined Aoyama Audit Corporation	
			March 1989	Certified as Public Accountant, Japan	
			July 2001	Partner of Chuo Aoyama Audit Corporation	
			September 2006	Partner of Arata Audit Corporation (currently PricewaterhouseCoopers Japan LLC)	
			July 2016	Chairman and President of Japanese Institute of Certified Public Accountants	
			July 2019	Advisor of Japanese Institute of Certified Public Accountants (incumbent)	
			September 2020	Professor of Waseda University, Faculty of Commerce (incumbent)	
			June 2024	Director, Audit & Supervisory Committee Member (Outside Director) of Nippon Steel Corporation (incumbent)	0
Sumiko Takeuchi ⁽²⁾	Director, Audit & Supervisory Committee Member (Outside Director)	June 21, 1971	April 1994	Joined Tokyo Electric Power Company, Incorporated	
			January 2012	Director and Senior Fellow of International Environment and Economy Institute (incumbent)	
			April 2016	Visiting Professor of University of Tsukuba	

Name	Title	Date of Birth	Brief Personal History	Number of Shares owned as of May 31, 2026 (Hundreds)
		April 1988	Visiting Professor of Kansai University	
		October 1988	Co-representative of U3Innovations LLC (incumbent)	
		April 2020	Specially Appointed Professor of Tohoku University (incumbent)	
		June 2024	Director, Audit & Supervisory Committee Member (Outside Director) of Nippon Steel Corporation (incumbent)	

Notes:

- (1) The term of office is from the end of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2026 through the end of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2027.
- (2) The term of office is from the end of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2026 through the end of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2028.
- (3) Mr. Jun Sawada, Ms. Mihar Koezuka, Mr. Kenji Hiramatsu, Ms. Aiko Sekine and Ms. Sumiko Takeuchi are the Guarantor's Outside Directors.
- (4) Ms. Aiko Sekine's name in the family register is Aiko Sano, and Ms. Sumiko Takeuchi's name in the family register is Sumiko Kobayashi.

At the annual general meeting of shareholders held on June 23, 2026, the Guarantor proposed certain changes to its Directors and Audit & Supervisory Committee Members and the below candidates were elected:

- Mr. Jun Sawada, Chairman and Member of the Board of NTT, Inc., and Ms. Mihar Koezuka, Outside Director of NANKAI Co., Ltd. and Outside Director of SEKISUI CHEMICAL CO., LTD., were newly elected as Directors, and Mr. Tetsuro Tomita and Ms. Kuniko Urano retired as Directors, in each case effective as of the close of such meeting;
- Mr. Takeshi Yamane, Executive Officer and Advisor to the President, was newly elected as a Director and Audit & Supervisory Committee Member, and Mr. Eiji Sogoh retired as a Director and Senior Audit & Supervisory Committee Member, effective as of the close of such meeting; and
- the other Directors and Audit & Supervisory Committee Members listed above remain unchanged.

Compensation

Directors' Compensation

The total amount of remuneration paid to all Directors (including Audit & Supervisory Committee Members) in the fiscal years ended March 31, 2025 and 2026 was ¥2,311 million and ¥2,584 million (including stock-based compensation), respectively.

The following chart shows the compensation for the Guarantor's individual Directors and Audit & Supervisory Committee Members who received annual compensation in excess of ¥100,000,000 for the fiscal year ended March 31, 2026.

Name	Position	Total compensation for the fiscal year ended March 31, 2026	
Eiji Hashimoto	Director (excluding directors who are Audit & Supervisory Committee Members)	¥	467,409,879
Tadashi Imai	Director (excluding directors who are Audit & Supervisory Committee Members)	¥	467,409,879
Takahiro Mori	Director (excluding directors who are Audit & Supervisory Committee Members)	¥	338,806,929
Naoki Sato	Director (excluding directors who are Audit & Supervisory Committee Members)	¥	218,087,307
Takashi Hirose	Director (excluding directors who are Audit & Supervisory Committee Members)	¥	218,087,307
Hirofumi Funakoshi	Director (excluding directors who are Audit & Supervisory Committee Members)	¥	218,087,307
Hiroyuki Minato	Director (excluding directors who are Audit & Supervisory Committee Members)	¥	218,087,307
Nobuhiro Fujita	Director (excluding directors who are Audit & Supervisory Committee Members) ⁽¹⁾	¥	161,837,307

Note:

- (1) Mr. Nobuhiro Fujita's current title is Representative Director and Executive Vice President. He was elected as a director at the general meeting of shareholders held on June 24, 2025. The amount of compensation shown above is the total amount of consolidated compensation paid to Mr. Nobuhiro Fujita from the date of his election as a director through June 24, 2025 and does not include compensation paid to him in his capacity as the Executive Vice President from April 1, 2025 to June 30, 2025, which consisted of fixed compensation of ¥17,490,000 and performance-linked compensation of ¥15,990,000 (the "Pre-Director Compensation"). The total amount of compensation paid to Mr. Nobuhiro Fujita during the fiscal year ended March 31, 2026 including the Pre-Director Compensation is ¥195,317,307.

Executive Officers' Compensation

The following table shows the name and position of the Guarantor's individual executive officers (excluding executive officers who are directors) who received annual compensation in excess of ¥100,000,000 for the fiscal year ended March 31, 2026.

Name	Position
Yuji Nomiyama	Executive Vice President
Ichiro Sato	Senior Managing Executive Officer ⁽¹⁾
Takahiko Iwai	Senior Managing Executive Officer
Takeshi Imai	Managing Executive Officer
Hidenori Ogawa	Managing Executive Officer
Masashi Kishimoto	Managing Executive Officer
Noriyuki Hiramitsu	Managing Executive Officer
Eiji Orihashi	Managing Executive Officer
Satoru Endo	Managing Executive Officer
Masahiro Nakata	Managing Executive Officer
Tsuyoshi Harada	Managing Executive Officer
Nobuo Okochi	Managing Executive Officer
Kenichi Onoda	Managing Executive Officer
Hiroshi Ono	Managing Executive Officer
Hiroto Sonoda	Managing Executive Officer ⁽¹⁾
Masashi Imoto	Managing Executive Officer
Hiroto Naitoh	Managing Executive Officer
Shigekazu Iwamoto	Managing Executive Officer
Hideki Ogawa	Managing Executive Officer
Ryuichi Nagai	Managing Executive Officer

Note:

- (1) Mr. Ichiro Sato and Mr. Hiroto Sonoda retired as an executive officer at the close of the general meeting of shareholders held on June 23, 2026.

Stock-Based Compensation System

The Guarantor does not grant, and does not currently have plans to grant, stock acquisition rights (*shinkabu yoyakuken*) to its management. On May 16, 2025, the Guarantor announced that, pursuant to the resolution of the Guarantor's Board of Directors at the meeting of its Board of Directors held on the same date, it plans to introduce for its Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) and executive officers a performance-linked stock compensation system using a trust, and to submit a proposal regarding the introduction of the performance-linked stock compensation system at the general meeting of its shareholders to be held on June 24, 2025. Subsequently, on June 24, 2025, the Guarantor announced that this proposal was approved and adopted by its shareholders at the general meeting of its shareholders held on June 24, 2025. Under this system, the Guarantor contributes funds to a trust that acquires treasury shares, and points are awarded to eligible management members based on their performance and position, with shares subsequently delivered from the trust upon their retirement. On March 11, 2026, the Guarantor established such trust and disposed a total of 3,130,300 shares of treasury stock to such trust on the same date for an aggregate consideration of ¥2,109.5 million, or ¥673.9 per share.

SUBSIDIARIES AND AFFILIATES

As of March 31, 2026, Nippon Steel had 493 consolidated subsidiaries and 112 equity-method and proportionate-consolidation affiliates (associates, joint operations and joint ventures). The following table includes certain basic information regarding each of Nippon Steel's principal subsidiaries and equity-method affiliates, including their principal business activities and percentage of voting rights held by Nippon Steel as of March 31, 2026, except as otherwise stated.

Name	Country	Percentage of voting rights interest (%)	Principal business
Steelmaking and Steel Fabrication:			
<i>Principal Consolidated Subsidiaries</i>			
United States Steel Corporation	United States	100.0 ⁽¹⁾	Manufactures and markets steel products
Sanyo Special Steel Co., Ltd.	Japan	100.0 ⁽²⁾	Manufactures and markets special steel products
NIPPON STEEL TRADING CORPORATION ..	Japan	80.0	Marketing and import/export of steel, industrial supply and infrastructure, foodstuffs, textiles and others
NIPPON STEEL COATED SHEET CORPORATION	Japan	100.0	Manufactures and markets galvanized sheets, pre-painted galvanized sheets, coated sheets and construction materials
Osaka Steel Co., Ltd.	Japan	56.1 ⁽¹⁾	Manufactures and markets shapes, bars, flat steels and billets
NIPPON STEEL METAL PRODUCTS CO., LTD.	Japan	100.0	Manufactures and markets structural materials for buildings and civil engineering work, pre-painted galvanized sheets, steelmaking fluxes and CC powders
Krosaki Harima Corporation	Japan	91.0	Manufactures, markets and constructs refractories
NIPPON STEEL TEXENG. CO., LTD.	Japan	100.0	Conducts engineering, maintenance and operations relating to machinery, electrical instrumentation, systems and construction for steel-production and other facilities
NIPPON STEEL LOGISTICS CO., LTD.	Japan	100.0	Undertakes ocean and land transportation and warehousing
NIPPON STEEL SG WIRE CO., LTD.	Japan	100.0	Manufactures and markets bars and wire rods
GEOSTR Corporation	Japan	45.0 ⁽¹⁾⁽⁴⁾	Manufactures and markets concrete and metal products for civil engineering and building construction work
NIPPON STEEL WELDING & ENGINEERING CO., LTD.	Japan	100.0	Manufactures and markets welding materials and apparatus
NIPPON STEEL DRUM CO., LTD.	Japan	100.0	Manufactures and markets drums
NIPPON STEEL PROCESSING Co., LTD.	Japan	68.3 ⁽¹⁾	Manufactures, 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.	Japan	85.0 ⁽³⁾	Manufactures and markets cement
NIPPON STEEL FINANCE Co., Ltd.	Japan	100.0	Engages in the Group's financing operations
NIPPON STEEL STAINLESS STEELPIPE CO., LTD.	Japan	100.0	Manufactures and markets stainless steel pipes

Name	Country	Percentage of voting rights interest (%)	Principal business
NIPPON STEEL Eco-Tech Corporation	Japan	85.1 ⁽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	Thailand	60.2 ⁽¹⁾	Manufactures and markets hot-rolled steel sheets
G J Steel Public Company Limited	Thailand	57.6 ⁽¹⁾	Manufactures and markets hot-rolled steel sheets
NS-Siam United Steel Co., Ltd.	Thailand	95.2 ⁽¹⁾	Manufactures and markets cold-rolled sheets, galvanized sheets and tinplate sheets
NIPPON STEEL PIPE (THAILAND) CO., LTD.	Thailand	100.0 ⁽¹⁾	Manufactures, coats and markets steel pipes and tubes
PT KRAKATAU NIPPON STEEL SYNERGY	Indonesia	80.0	Manufactures and markets cold-rolled sheets and galvanized sheets
Standard Steel, LLC	United States	100.0 ⁽¹⁾	Manufactures and markets railway wheels and axles
WHEELING-NIPPON STEEL, INC.	United States	100.0 ⁽¹⁾	Manufactures and markets galvanized sheets
PT PELAT TIMAH NUSANTARA TBK	Indonesia	40.0 ⁽¹⁾⁽⁴⁾	Manufactures and markets tinplate
NIPPON STEEL Steel Processing (Thailand) Co., Ltd.	Thailand	70.1 ⁽¹⁾	Manufactures and markets cold-heading wire and cold-finished bars
NIPPON STEEL PIPE AMERICA, INC.	United States	80.0 ⁽¹⁾	Manufactures and markets steel pipes and tubes
Principal Equity-method Affiliates:			
WISCO-NIPPON STEEL Tinplate Co., Ltd.	China	50.0	Manufactures and markets tinplate and tinplate sheets
AMNS Luxembourg Holding S.A.	Luxembourg	40.0	A holding company of ArcelorMittal Nippon Steel India Limited
Jamshedpur Continuous Annealing & Processing Company Private Limited	India	49.0	Manufactures and markets automotive cold-rolled steel sheets
UNIGAL Ltda.	Brazil	30.0 ⁽¹⁾	Manufactures galvanized sheets
Engineering and Construction:			
Principal Consolidated subsidiaries:			
NIPPON STEEL ENGINEERING CO., LTD.	Japan	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.

Name	Country	Percentage of voting rights interest (%)	Principal business
Chemicals and Materials:			
<i>Principal Consolidated subsidiaries:</i>			
NIPPON STEEL Chemical & Material Co., Ltd.	Japan	100.0	Manufactures 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:			
<i>Principal Consolidated subsidiaries:</i>			
NS Solutions Corporation	Japan	63.4	Provides computer systems engineering and consulting services; IT-enabled outsourcing and other services

Notes:

- (1) Includes voting interests held indirectly through subsidiaries.
- (2) On May 13, 2026, NSC and Sanyo Special Steel announced that, pursuant to the resolutions of their respective boards of directors, NSC and Sanyo Special Steel will conduct an absorption-type merger, with Nippon Steel Corporation as the surviving company, effective April 1, 2027. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Merger between Nippon Steel Corporation and Sanyo Special Steel Co., Ltd.”
- (3) NIPPON STEEL CEMENT CO., LTD was dissolved following an absorption-type merger into NIPPON STEEL BLAST FURNACE SLAG CEMENT CO., LTD., effective as of April 1, 2026.
- (4) Although the proportion of Nippon Steel’s voting interest is less than 50.0%, Nippon Steel has judged that it effectively has control over these companies as a practical matter and accordingly treats them as consolidated subsidiaries.

PRINCIPAL SHAREHOLDERS

The following table provides information regarding major shareholders appearing on the Guarantor's register of shareholders as of March 31, 2026 that held its outstanding shares:

Name of Shareholder ⁽¹⁾⁽²⁾	Number of Shares held (Hundreds) ⁽³⁾	Percentage of ownership ⁽⁴⁾ (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,294,153	13.9
Custody Bank of Japan, Ltd. (Trust Account)	2,088,248	4.0
THE CHASE MANHATTAN BANK, N.A. LONDONSECS LENDING OMNIBUS ACCOUNT	969,335	1.9
Nippon Life Insurance Company	958,959	1.8
JP MORGAN CHASE BANK 385632	940,091	1.8
JP MORGAN CHASE BANK 385781	726,656	1.4
STATE STREET BANK AND TRUST COMPANY 505001	726,419	1.4
Nippon Steel Group Employee Shareholding Association	703,017	1.3
Meiji Yasuda Life Insurance Company	685,635	1.3
Mizuho Bank, Ltd.	552,333	1.1
Total	15,644,851	29.9

Notes:

- (1) In addition to the above, the Guarantor also held 1,390,701 hundreds of its shares as treasury stock as of March 31, 2026 (2.7% of the total number of issued shares). On March 11, 2026, the Guarantor deposited 3,130 thousand shares of treasury stock to a trust established for the purposes of the Guarantor's performance-linked stock based compensation system for certain of its management members. See "Management of Nippon Steel Corporation—Stock Based Compensation System." Shares held by the trust are included in treasury stock at the end of the period.
- (2) The FIEA and its related regulations require any person, regardless of residence, who has become beneficially, solely or jointly, a holder of more than 5 per cent of the total issued shares of common stock of a corporation that is listed on a Japanese stock exchange, or that is traded on an over-the-counter market in Japan, to file with the Director of the relevant Local Finance Bureau of the Ministry of Finance, within five business days, a report concerning such shareholdings ("Large Shareholding Report").

As at the date of this offering memorandum, the Guarantor is aware of the following reports in relation to which it was unable to confirm beneficial ownership as of March 31, 2026:

- On April 6, 2026, Nomura Securities Co., Ltd. filed a Large Shareholding Report, indicating that Nomura Securities Co., Ltd., and its joint holders, Nomura International Plc, Nomura Securities International, Inc. and Nomura Asset Management Co., Ltd., own the shares listed below as of March 31, 2026. However, as the Guarantor is unable to confirm the number of shares beneficially owned as of March 31, 2026, the aforementioned shareholders are not included in the above table.

The details of the Large Shareholding Report are as follows:

Name of Shareholder	Number of Shares held	Percentage of ownership (%)
Nomura Securities Co., Ltd.	13,810,167	0.26
Nomura International Plc	42,523,701	0.78
Nomura Securities International, Inc.	0	0.00
Nomura Asset Management Co., Ltd.	228,922,550	4.26
Total	285,256,418	5.23

- (3) Pursuant to the resolution of the Guarantor's board of directors on August 1, 2025, the Guarantor implemented a five-for-one stock split on October 1, 2025, which increased the total number of authorized shares from 2 billion shares to 10 billion shares. Share numbers in the table above give effect to the stock split.
- (4) The percentage of ownership is calculated based on the total number of shares issued excluding shares of treasury stock.

RELATED-PARTY TRANSACTIONS

From time to time, Nippon Steel enters into agreements and engage in transactions with its affiliates.

Details of significant transactions with related parties for the fiscal year ended March 31, 2026 are as follows:

Category	Name	Description of transaction	Amount (millions of yen)
Joint venture	AMNS Luxembourg Holdings S.A.	Loan guarantee ⁽¹⁾	¥474,097

Note:

- (1) Nippon Steel Corporation provided a guarantee for 40% of the loan which AMNS Luxembourg Holdings S.A. procured from banks.

For further detail on these transactions during the fiscal years ended March 31, 2024, 2025 and 2026, see Note 33 to Nippon Steel's audited consolidated financial statements as of and for the fiscal year ended March 31, 2025 and Note 35 to Nippon Steel's audited consolidated financial statements as of and for the fiscal year ended March 31, 2026 included elsewhere herein.

DESCRIPTION OF THE NOTES AND THE GUARANTEE

The following is a summary of the detailed provisions of the Notes, the Guarantee and the Indenture (as defined below). It does not purport to be complete. This summary is subject to and is qualified in its entirety by reference to all the provisions of the Notes, the Guarantee and the Indenture, including the definitions of certain terms used therein. You are urged to read those documents in their entirety prior to making an investment decision because they, and not this description, define the rights of holders of the notes. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. You may request copies of those documents upon written request from the corporate trust office of the trustee located at 500 Ross Street, 12th Floor, Pittsburgh, PA 15262, United States of America. The holders of the Notes are deemed to have notice of all the provisions of the Notes, the Guarantee and the Indenture.

When the Guarantor or the Issuer is referred to in this section, it means Nippon Steel Corporation and United States Steel Corporation, respectively, excluding, in each case, unless otherwise expressly stated, any existing or future subsidiaries. “Holders” refer to the persons in whose names the Notes are registered.

The Notes will be issued pursuant to an indenture to be dated on or around July 14, 2026, as supplemented by the supplemental indenture thereto, to be dated on or around July 14, 2026 (the “Indenture”), among the Issuer, the Guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee, paying agent, transfer agent and note registrar.

General

The Notes will be issued in fully registered form without interest coupons in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof. The Notes do not provide for any sinking fund.

The Indenture, the Notes and the Guarantee do not contain any financial covenants or restrictions on the Issuer’s or the Guarantor’s ability to pay dividends on their common stock, incur additional indebtedness, including other senior indebtedness (other than as set forth below under “—Negative Pledge”), or issue new securities or repurchase their respective existing securities. In addition, there are only limited restrictions on the Issuer’s and the Guarantor’s ability to pledge assets or secure other indebtedness. The Indenture, the Notes and the Guarantee do not contain any covenants or other provisions to afford more than limited protection to holders of the Notes in the event of a highly-leveraged transaction or a change of control of the Issuer or the Guarantor.

Payments on the Notes will be made in accordance with any laws, regulations or administrative practices applicable to the Issuer or the Guarantor, as the case may be, and their respective agents in respect thereof.

The Notes (including the Guarantee) have not been registered with the U.S. Securities and Exchange Commission (the “SEC”), and are being offered and sold by the initial purchasers or their affiliates outside the United States in offshore transactions only to non-U.S. persons in reliance on Regulation S and by the initial purchasers or their affiliates inside the United States to Qualified Institutional Buyers in reliance on Rule 144A. Accordingly, the Indenture is not required to be, and has not been, qualified under the Trust Indenture Act of 1939, as amended.

Status of the Notes

The Notes will be the Issuer’s senior and unsecured indebtedness and will rank equally with all of its other existing and future senior and unsecured indebtedness. The Notes will effectively rank junior to any of the Issuer’s existing and future secured indebtedness, including all borrowings under the U. S. Steel Credit Facility Agreement, to the extent of the assets securing such indebtedness, and will be structurally subordinated to any indebtedness and other liabilities of the Issuer’s subsidiaries. Indebtedness of the Issuer’s subsidiaries and obligations and liabilities of its subsidiaries, including the 6.625% Senior Secured Notes due 2029 issued by Big River Steel LLC (to the extent not redeemed with the proceeds of this offering), are structurally senior to the Notes since, in the event of the Issuer’s bankruptcy, liquidation, dissolution, reorganization or other winding up, the assets of the Issuer’s subsidiaries will be available to pay the Notes only after the subsidiaries’ indebtedness and obligations and liabilities are paid in full. Because the Issuer generally stands as an equity holder, rather than a creditor, of its subsidiaries, creditors of those subsidiaries will have their debt satisfied out of the subsidiaries’ assets before the Issuer’s creditors, including the holders of the Notes. See “Risk Factors—Risks Related to the Notes and the Guarantee—The Notes and the Guarantee will be structurally subordinated to indebtedness and other liabilities of the respective subsidiaries of the Issuer and the Guarantor, respectively.”

Principal and Maturity

The initial aggregate principal amount of the 2031 Notes is \$700,000,000 and the initial aggregate principal amount of the 2036 Notes is \$500,000,000. The 2031 Notes will mature on August 1, 2031 and the 2036 Notes will mature on August 1, 2036. The Notes of each series will be repaid at maturity at a price of 100% of the principal amount thereof. The Notes will not be redeemable prior to maturity, except as set forth below under “—Optional Redemption” and “—Optional Tax Redemption” and will not be subject to any sinking fund.

Interest

The Notes will bear interest at the respective per annum rates set forth on the cover page of this offering memorandum, payable semi-annually in arrears as described in “Summary—The Offering—Interest and Interest Payment Dates.” Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest will be paid on each interest payment date to the holders of record as at 5:00 p.m. (New York City time) on January 15 and July 15 of each year. In any case where the date of payment of interest, redemption or stated maturity of the Notes is not a Business Day (as defined below), the payment of principal and interest may be made on the next succeeding Business Day with the same force and effect as if made on such date of payment and no interest shall accrue in respect of such delay.

Where the context requires, references to payment of principal also include any premium paid in respect thereof.

The term “Business Day” means a day which is not a day on which banking institutions in The City of New York or Tokyo are authorized by law or regulation to close.

Guarantee

The Guarantor will fully, irrevocably and unconditionally guarantee all amounts due by the Issuer in respect of each series of the Notes to the holders thereof. The Guarantee is set forth in, and forms part of, the Indenture under which the Notes will be issued by the Issuer. If, for any reason, the Issuer does not make any required payment in respect of the Notes when due, the Guarantor will cause the payment to be made.

The Guarantee will be the Guarantor’s direct, unconditional, unsubordinated and unsecured general obligation and will rank *pari passu* with all of the Guarantor’s other unsubordinated and unsecured obligations (except for statutorily preferred obligations) from time to time outstanding.

Holders of the Notes may bring a claim against the Guarantor to enforce their rights under the Guarantee without first asserting any rights against any other person or entity.

Further Issuances

The Issuer (and the Guarantor, with respect to the Guarantee) reserves the right, from time to time, without the consent of the holders of the Notes, to issue additional notes on terms and conditions identical to those of the Notes of a series offered hereby, which additional notes shall increase the aggregate principal amount of, and may be consolidated and form a single series with the Notes of such series. Any such additional notes will not have the same CUSIP, ISIN or other identifying number as the outstanding Notes of the relevant series unless such additional notes are fungible with the outstanding Notes of the relevant series for U.S. federal income tax purposes. The Issuer may also issue other securities under the Indenture as part of a separate series that may have different terms from the Notes offered hereby.

Repurchase

The Issuer, the Guarantor or any of their respective subsidiaries, may at any time purchase any or all of the Notes in the open market or otherwise at any price. Subject to applicable law, none of the Issuer, the Guarantor or any of their respective subsidiaries shall have any obligation to offer to purchase any Notes held by any holder as a result of its purchase or offer to purchase Notes held by any other holder in the open market or otherwise. Any Notes so repurchased shall be cancelled.

Optional Redemption

The Issuer has the option to redeem the Notes of each series, in whole or in part, at any time and from time to time prior to July 1, 2031 (the date that is one month before maturity) (the “2031 Par Call Date”) in the case of the 2031 Notes and May 1, 2036 (the date that is three months before maturity) (the “2036 Par Call Date”) and, together with the 2031 Par Call Date, the “Par Call Dates” and each, a “Par Call Date”) in the case of the 2036 Notes, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(i) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the Notes matured on the applicable Par Call Date for such Notes) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points in the case of the 2031 Notes and at the Treasury Rate plus 20 basis points in the case of the 2036 Notes less (b) interest accrued to the date of redemption, and

(ii) 100% of the principal amount of the Notes to be redeemed,

plus, in either case, accrued and unpaid interest thereon to the redemption date.

On or after the applicable Par Call Date for such series of Notes, the Issuer may redeem the Notes of such series, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the Notes of such series being redeemed plus accrued and unpaid interest thereon to the redemption date.

“Treasury Rate” means, with respect to any redemption date, the yield determined by the Issuer in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Issuer after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third Business Day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as “Selected Interest Rates (Daily)—H.15” (or any successor designation or publication) (“H.15”) under the caption “U.S. government securities—Treasury constant maturities—Nominal” (or any successor caption or heading) (“H.15 TCM”). In determining the Treasury Rate, the Issuer shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the applicable Par Call Date (the “Remaining Life”); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields—one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life—and shall interpolate to the applicable Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third Business Day preceding the redemption date H.15 TCM is no longer published, the Issuer shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second Business Day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the applicable Par Call Date, as applicable. If there is no United States Treasury security maturing on the applicable Par Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the applicable Par Call Date, one with a maturity date preceding the applicable Par Call Date and one with a maturity date following the applicable Par Call Date, the Issuer shall select the United States Treasury security with a maturity date preceding the applicable Par Call Date. If there are two or more United States Treasury securities maturing on the applicable Par Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States

Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Issuer's actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error. The trustee shall have no obligation to determine the redemption price of the Notes.

Notice of any redemption will be mailed or electronically delivered (or otherwise transmitted in accordance with the depository's procedures) at least 10 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed.

In the case of a partial redemption of the Notes of a series, selection of the Notes of such series for redemption will be made by the trustee by lot. No Notes of a principal amount of less than the minimum denomination will be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption that relates to the Note will state the portion of the principal amount of the Note to be redeemed. A new Note in a principal amount equal to the unredeemed portion of the Note will be issued in the name of the holder of the Note upon surrender for cancellation of the original Note. For so long as the Notes are held by DTC (or another depository), the redemption of the Notes shall be done in accordance with the policies and procedures of the depository, which in the case of DTC will be made on a "*pro rata* pass-through distribution of principal" basis.

Any redemption may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. If a redemption is subject to the satisfaction of one or more conditions precedent, the Issuer may delay the redemption date until such time as any or all such conditions shall be satisfied, and any related redemption notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Unless the Issuer defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes or portions thereof called for redemption.

Optional Tax Redemption

Each series of the Notes may be redeemed at the option of the Issuer, in whole, but not in part, at any time, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes of such series then outstanding (plus accrued and unpaid interest to, but excluding, the date fixed for redemption and "additional amounts" (as described below), if any), if, with respect to the Notes of such series, the Issuer determines and certifies to the trustee in writing prior to giving notice of redemption that, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Tax Jurisdiction affecting taxation, or any change in the official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment, or order by a court of competent jurisdiction), which change, amendment, application or interpretation becomes effective on or after the date of this offering memorandum, the Issuer (or, if applicable, the Guarantor) is, or on the next interest payment date would be, required to pay any additional amounts in respect of taxes imposed by such Tax Jurisdiction which cannot be avoided by measures reasonably available to the Issuer (or, if applicable, the Guarantor); provided that, no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer (or, if applicable, the Guarantor) would be obligated to make such payment of additional amounts if a payment in respect of the Notes were then due. Additional amounts are payable by the Issuer (or, if applicable, the Guarantor) under the circumstances described below under "—Payment of Additional Amounts." Prior to the transmission of any notice of redemption of the Notes pursuant to the foregoing, the Indenture requires that the Issuer deliver to the trustee an opinion of an independent tax counsel or tax consultant of recognized standing reasonably satisfactory to the trustee to the effect that the circumstances referred to above exist. Such opinion, in the absence of manifest error, shall be deemed to be sufficient and conclusive evidence of the satisfaction of the conditions precedent described above and shall be final and binding on the holders of the Notes and the trustee.

"Tax Jurisdiction" as used in this offering memorandum means the United States or any political subdivision or any authority thereof or therein having power to tax in the case of payments by the Issuer (or any successor entity), and Japan or any political subdivision or any authority thereof or therein having power to tax in the case of payments by the Guarantor (or any successor entity).

Payment of Additional Amounts

All payments of principal and interest by the Issuer in respect of the Notes (or Guarantor in respect of the Guarantee) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless such withholding or deduction is required by law. If any such withholding or deduction is imposed or levied by or on behalf of a Tax Jurisdiction with respect to payments of principal and interest by the Issuer in respect of the Notes (or by the Guarantor in respect of the Guarantee), the Issuer or the Guarantor (as the case may be) shall pay to the holder of each Note such additional amounts (all such amounts being referred to herein as “additional amounts”) as may be necessary so that the net amounts received by that holder after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such Note in the absence of such withholding or deduction.

However, no such additional amounts shall be payable in relation to any such withholding or deduction in respect of any Note or the Guarantee:

- (i) in respect of any tax, duty, assessment or governmental charge that would not have been so imposed but for the existence of any present or former connection between the holder or beneficial owner of such Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or holder of a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, trust, partnership or corporation) and a Tax Jurisdiction (other than a connection arising solely from the ownership of the Notes or the receipt of payments or enforcement of rights in respect thereof), including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or holder of a power) being considered as:
 - (a) being or having been present or engaged in a trade or business in a Tax Jurisdiction or having or having had a permanent establishment therein; or
 - (b) having a current or former relationship with a Tax Jurisdiction, including a relationship as a citizen or resident or being treated as a resident thereof;
- (ii) in respect of any tax, duty, assessment or governmental charge that would not have been so imposed but for the holder or beneficial owner of the Note (or a fiduciary, settlor, beneficiary, member or shareholder of, or holder of a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, trust, partnership or corporation) being or having been treated as:
 - (a) a controlled foreign corporation, a passive foreign investment company, a personal holding company or a corporation that has accumulated earnings to avoid U.S. federal income tax or a private foundation or other tax-exempt organization; or
 - (b) an actual or a constructive “10-percent shareholder” of the Issuer within the meaning of Section 871(h)(3) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”); or
 - (c) a bank that is described in Section 881(c)(3)(A) of the Code;
- (iii) to any holder or beneficial owner of a Note who is a fiduciary or partnership to the extent that a beneficiary or settlor with respect to such fiduciary or member of such partnership would not have been entitled to the payment of additional amounts had such beneficiary, settlor or member been the holder or beneficial owner of such Note;
- (iv) in respect of any tax, duty, assessment or governmental charge that would not have been imposed or withheld but for the failure of the holder or beneficial owner of the Note to comply with applicable certification, identification or information reporting requirements under the relevant Tax Jurisdiction’s income tax laws, concerning the nationality, residence, identity or connection (or lack of connection) with the Tax Jurisdiction of the holder or beneficial owner, if such compliance is required by the income tax laws of the relevant Tax Jurisdiction as a precondition to relief or exemption from such tax, duty, assessment or governmental charge;

- (v) presented for payment more than 30 days after the relevant date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such 30-day period assuming that day to have been a Business Day; or
- (vi) in any case that is a combination of any of (i) through (v) above.

General Provisions

As used in this “—Payment of Additional Amounts” section, the “relevant date” means the date on which any payment in respect of a Note first becomes due, except that, if the full amount of the moneys payable has not been duly received by the trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders in accordance with the Indenture.

The Issuer or the Guarantor, as the case may be, will make any required withholding or deduction of taxes, duties, assessments or governmental charges imposed by a Tax Jurisdiction and will remit the full amount withheld or deducted to the applicable Tax Jurisdiction in accordance with applicable law. The Issuer or the Guarantor, as the case may be, will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment or other governmental charge so withheld or deducted from the Tax Jurisdiction imposing such tax, duty, assessment or other governmental charge, and if certified copies are not available, the Issuer or the Guarantor, as the case may be, will use reasonable efforts to obtain other evidence satisfactory to the trustee. The trustee shall make such certified copies or other evidence available to the holders or the beneficial owners of the Notes upon reasonable written request to the trustee.

The obligation to pay additional amounts shall not apply to (i) any estate, inheritance, gift, excise, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (ii) any tax, duty, assessment, fee or other governmental charge that is payable otherwise than by deduction or withholding from payments of principal of or interest on the Notes or the Guarantee; provided that, except as otherwise set forth in the Notes and the Indenture, the Issuer and the Guarantor, as the case may be, shall pay all stamp, court or documentary taxes or any other excise, property or similar taxes, charges or levies and other duties, if any, which may be imposed by a Tax Jurisdiction, with respect to the Indenture or as a consequence of the issuance, execution, delivery or registration of the Notes and the Guarantee.

In addition, no additional amounts will be payable by the Issuer or the Guarantor for or on account of any deduction or withholding imposed pursuant to Sections 1471-1474 of the Code, the U.S. Treasury regulations thereunder and any other official guidance thereunder (collectively, “FATCA”), any intergovernmental agreement entered into with respect to FATCA, or any law, regulation or other official guidance enacted or issued in any jurisdiction implementing, or relating to, FATCA, similar legislation under the laws of any other jurisdiction, or any such intergovernmental agreement.

References to principal or interest in respect of the Notes or the Guarantee shall be deemed to include any additional amounts due which may be payable as set forth in the Notes, the Guarantee and the Indenture.

Change of Control Offer

If a Change of Control Repurchase Event occurs, unless the Issuer has exercised its right to redeem the Notes as already described, the Issuer will be required to make an offer to each holder of the Notes to repurchase all or any part (in excess of \$200,000 and in integral multiples of \$1,000) of that holder’s Notes at a repurchase price in cash equal to 101% of the aggregate principal amount of the Notes repurchased plus any accrued and unpaid interest on the Notes repurchased to, but not including, the date of repurchase. Within 30 days following any Change of Control Repurchase Event or, at the option of the Issuer, prior to any Change of Control, but after the public announcement of the Change of Control, the Issuer will send a notice to each holder, with a copy to the trustee, describing the transaction or transactions that constitute or may constitute the Change of Control Repurchase Event and offering to repurchase the Notes on the payment date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is sent. The notice shall, if sent prior to the date of consummation of the Change of Control, state that the offer to purchase is conditioned on a Change of Control Repurchase Event occurring on or prior to the payment date specified in the notice. The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the Notes, the

Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Repurchase Event provisions of the Notes by virtue of such conflict.

On the repurchase date following a Change of Control Repurchase Event, the Issuer will, to the extent lawful:

- (1) accept for payment all the Notes or portions of the Notes properly tendered pursuant to its offer;
- (2) deposit with the paying agent an amount equal to the aggregate purchase price in respect of all the Notes or portions of the Notes properly tendered; and
- (3) deliver or cause to be delivered to the trustee for cancellation the Notes properly accepted, together with an officer's certificate stating the aggregate principal amount of Notes being purchased by the Issuer.

The paying agent will promptly pay to each holder of Notes properly tendered the purchase price for the Notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of any Notes surrendered.

The Issuer will not be required to make an offer to repurchase the Notes upon a Change of Control Repurchase Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Issuer and such third party purchases all Notes properly tendered and not withdrawn under its offer.

The Change of Control Repurchase Event feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of the Issuer or the Guarantor and, thus, the removal of incumbent management. The Change of Control Repurchase Event feature is a result of negotiations between the Issuer, the Guarantor and the initial purchasers. Neither the Issuer nor the Guarantor has present intention to engage in a transaction involving a Change of Control, although it is possible that either the Issuer or the Guarantor could decide to do so in the future. As contemplated by the definition of Change of Control, the Issuer or the Guarantor could enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect the capital structure of the Issuer or the Guarantor or the credit ratings of the Notes. Limited restrictions on the ability of the Issuer and the Guarantor to incur secured indebtedness are described under the caption "—Negative Pledge." Moreover, the definition of Change of Control refers to the sale, assignment, conveyance, transfer, lease or other disposition of "all or substantially all" of the properties or assets of the Issuer and its subsidiaries or of any direct or indirect parent entity of the Issuer (which includes the Guarantor) and its subsidiaries, in each case taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise, established definition of the phrase under applicable law. Accordingly, the applicability of the requirement that the Issuer offers to purchase the Notes as a result of a sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties or assets of the Issuer and its subsidiaries or of any direct or indirect parent entity of the Issuer (which includes the Guarantor) and its subsidiaries, in each case taken as a whole, to another "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) (assuming the other conditions are also met), may be uncertain. Except for the limitations contained in such covenant and the covenant relating to repurchases upon the occurrence of a Change of Control Repurchase Event, the Indenture will not contain any covenants or provisions that may afford holders of the Notes protection in the event of a highly leveraged transaction.

The Issuer may not have sufficient funds to repurchase all the Notes upon a Change of Control Repurchase Event. Even if it has sufficient funds, the Issuer may be prohibited from repurchasing the Notes under the terms of its future debt instruments. See "Risk Factors—Risks Related to the Notes and the Guarantee—The Indenture and the Notes contain only very limited restrictions on the Issuer and the Guarantor's ability to pledge, dispose or securitize their respective assets, pay dividends, incur indebtedness or issue or repurchase securities, and the Issuer will only be required to repurchase the Notes upon a "Change of Control" if it is accompanied by a "Ratings Event" and the other conditions before such repurchase is required are met."

For purposes of the foregoing discussion of a repurchase at the option of holders, the following definitions are applicable:

"Change of Control" shall occur if: (1) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) becomes the beneficial owner (as defined in Rules 13d-3

and 13d-5 under the Exchange Act, except that such person or group shall be deemed to have “beneficial ownership” of all shares that any such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer (other than the Guarantor and its subsidiaries) or any of its direct or indirect parent entities (which includes the Guarantor) (or their successors by merger, consolidation or purchase of all or substantially all of their properties or assets); (2) the merger or consolidation of the Issuer or the Guarantor with or into another Person (as defined below) or the merger of another Person with or into the Issuer or the Guarantor or the merger of any Person with or into a Principal Subsidiary (as defined below), unless the holders of a majority of the aggregate voting power of the Voting Stock of the Issuer or the Guarantor, as the case may be, immediately prior to such transaction, hold securities of the surviving or transferee Person that represent, immediately after such transaction, at least a majority of the aggregate voting power of the Voting Stock of the surviving or transferee Person; (3) the sale, assignment, conveyance, transfer, lease or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its subsidiaries or of any direct or indirect parent entity of the Issuer (including the Guarantor) and its subsidiaries, in each case, taken as a whole, to any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Guarantor or any of its subsidiaries; or (4) the adoption by the stockholders of the Issuer or any direct or indirect parent entity of the Issuer (which includes the Guarantor) of a plan or proposal for the liquidation or dissolution of the Issuer or any such parent entity.

“Change of Control Repurchase Event” means the occurrence of both a Change of Control and a Ratings Event.

“Investment Grade” means a rating of Baa3 or better by Moody’s (or its equivalent under any successor Rating Categories of Moody’s), a rating of BBB- or better by S&P (or its equivalent under any successor Rating Categories of S&P) and the equivalent Investment Grade credit rating from any additional Rating Agency or Rating Agencies selected by the Issuer.

“Moody’s” means Moody’s Investors Service Inc. and any successor to its rating agency business.

“Rating Agency” means (1) each of Moody’s and S&P and (2) if either of Moody’s or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the control of the Issuer, a “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) under the Exchange Act, selected by the Issuer (as certified by a resolution of the board of directors of the Issuer) as a replacement agency for Moody’s or S&P, or both, as the case may be.

“Rating Category” means (i) with respect to S&P, any of the following categories: BBB, BB, B, CCC, CC, C and D (or equivalent successor categories); (ii) with respect to Moody’s, any of the following categories: Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories); and (iii) the equivalent of any such category of S&P or Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (+ and — for S&P; 1, 2 and 3 for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from BB+ to BB, as well as from BB- to B+, will constitute a decrease of one gradation).

“Rating Date” means the date that is 60 days prior to the earlier of (i) a Change of Control or (ii) public notice of the occurrence of a Change of Control or of the intention by the Issuer or the Guarantor to effect a Change of Control.

“Ratings Event” means the occurrence of the events described in (a) or (b) of this definition on, or within 60 days after the earlier of, (i) the occurrence of a Change of Control or (ii) public notice of the occurrence of a Change of Control or the intention by the Issuer or the Guarantor to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for a possible downgrade by any of the Rating Agencies): (a) if the Notes are rated by both Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes shall be reduced so that the Notes are rated below Investment Grade by both Rating Agencies, or (b) if the Notes are rated below Investment Grade by at least one Rating Agency, the ratings of the Notes by both Rating Agencies shall be decreased by one or more gradations (including gradations within Rating Categories, as well as between Rating Categories) and the Notes are then rated below Investment Grade by both Rating Agencies.

Notwithstanding the foregoing, a Ratings Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Ratings Event for purposes of the definition of Change of Control Repurchase Event hereunder) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Ratings Event).

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

“Principal Subsidiary” means any subsidiary of the Guarantor (A) whose revenue, as shown by the latest audited financial statements of such subsidiary, constitutes at least 10% of the consolidated revenue of the Guarantor and its consolidated subsidiaries as shown by the Guarantor’s latest audited consolidated financial statements or (B) whose total assets, as shown by the latest audited financial statements of such subsidiary, constitute at least 10% of the total assets of the Guarantor and its consolidated subsidiaries as shown on the Guarantor’s latest audited consolidated financial statements.

“S&P” means S&P Global Ratings service, a division of S&P Global Inc., and any successor to its rating agency business.

“Voting Stock” of any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date means the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

Negative Pledge

So long as any of the Notes remain outstanding, neither the Issuer nor the Guarantor will create or permit to subsist any Lien (as defined below) on any of their respective property or assets, present or future, to secure, for the benefit of the holders of Public External Indebtedness (as defined below), payment of any sum owing in respect of any such Public External Indebtedness, any payment under any guarantee of any such Public External Indebtedness or any payment under any indemnity or other like obligation relating to any such Public External Indebtedness, unless contemporaneously therewith effective provision is made to secure the Notes or the Guarantee, as the case may be, equally and ratably with such Public External Indebtedness with a similar Lien on the same property or assets securing such Public External Indebtedness for so long as such Public External Indebtedness are secured by such Lien. Notwithstanding the foregoing, this restriction will not apply to Liens on money paid to or money or securities deposited by the Issuer or the Guarantor with a fiscal agent, trustee or depository to pay, defease or discharge in full over time its obligations in respect of other Public External Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full).

“Lien” means, with respect to any property or asset, any pledge, lien, mortgage, charge or other security interest of any kind in respect of such property or asset and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

“Public External Indebtedness” means bonds, debentures, notes or other similar investment securities of the Issuer, the Guarantor or any other person evidencing indebtedness for borrowed moneys of, or any guarantees thereof, which (a) are either (i) by their terms payable, or confer a right to receive payment, in any currency other than yen or (ii) denominated in yen and more than 50% of the aggregate principal amount thereof is initially distributed outside of Japan by or with the authorization of the issuer thereof; and (b) are capable of being or are intended to be, quoted, listed, ordinarily dealt in or traded on a stock exchange or over-the-counter or other securities market outside Japan.

Events of Default

Holders of the Notes of a series will have certain rights if an event of default occurs. An event of default is defined under the Indenture as any one or more of the following events, subject to modification in a supplemental indenture, each of which is referred to in this offering memorandum as an event of default, having occurred and be continuing:

- (i) default by the Issuer (or, if applicable, the Guarantor) in the payment when due of the principal or of premium, if any, in respect of any of the Notes or the Guarantee of such series;

- (ii) default by the Issuer (or, if applicable, the Guarantor) in the payment when due of interest or additional amounts in respect of any of the Notes or the Guarantee of such series and the continuance of any such default for a period of 30 days after the date when due, unless the Issuer (or, if applicable, the Guarantor) shall have cured such default by payment within such period;
- (iii) the Issuer (or, if applicable, the Guarantor) shall fail duly to perform or observe any other term, covenant or agreement contained in any of the Notes of such series or in the Indenture in respect of the Notes of such series for a period of 60 days after the date on which written notice of such failure, requiring the Issuer or the Guarantor to remedy the same, shall have been given first to the Issuer or the Guarantor (and to the trustee in the case of notice by the holders referred to below) by the trustee or holders of at least 25% in principal amount of the then outstanding Notes of such series (such notification must specify the event of default, demand that it be remedied and state that the notification is a “notice of default” under the Indenture);
- (iv) the maturity of any indebtedness for borrowed moneys having a total principal amount then outstanding of at least \$150.0 million (or its equivalent in any other currency or currencies) by the Issuer, the Guarantor or any Principal Subsidiaries (defined under “—Change of Control Offer”) shall have been accelerated in accordance with the terms thereof or any agreement relating thereto, or any such indebtedness shall not have been paid when due on maturity and such failure shall not have been cured within the grace period, if any;
- (v) cessation of business by the Issuer or the Guarantor or disposal (other than in the ordinary course of business) of all or substantially all of the properties or assets of the Issuer or the Guarantor (in either case, other than for the purpose of an amalgamation or merger as permitted under “—Consolidation, Merger, Sale or Conveyance”);
- (vi) the Guarantee is held to be unenforceable or invalid in a judicial proceeding, or is claimed in writing by either the Issuer or the Guarantor not to be valid and enforceable, or the Guarantee is denied or disaffirmed in writing by either the Issuer or the Guarantor;
- (vii) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Issuer or the Guarantor in an involuntary case or proceeding under any applicable bankruptcy, insolvency, reorganization, civil rehabilitation or other similar law or (B) a decree or order adjudging the Issuer or the Guarantor as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer or the Guarantor under any applicable law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer or the Guarantor or of any substantial part of the Issuer’s or the Guarantor’s property, or ordering the winding up or liquidation of the Issuer’s or Guarantor’s affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days;
- (viii) the commencement by the Issuer or the Guarantor of a voluntary case or proceeding under any applicable bankruptcy, insolvency, reorganization, civil rehabilitation or other similar law or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Issuer or the Guarantor in an involuntary case or proceeding under any applicable bankruptcy, insolvency, reorganization, civil rehabilitation or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by the Issuer or the Guarantor of a petition or answer or consent seeking reorganization or relief under any applicable law, or the consent by the Issuer or the Guarantor to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer or the Guarantor or of any substantial part of the Issuer’s or the Guarantor’s property, or the making by the Issuer or the Guarantor of an assignment for the benefit of creditors, or the admission by the Issuer or the Guarantor in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Issuer or Guarantor in furtherance of any such action; or
- (ix) a failure by the Issuer to repurchase Notes of such series tendered for repurchase following the occurrence of a Change of Control Repurchase Event.

Provision and Withholding of Notice of Default. Pursuant to the Indenture, the trustee shall give notice to the holders of all events of default which have occurred, provided, a responsible officer of the trustee has received at the trustee's corporate trust office written notice of any such event which is in fact an event of default, and such notice references the Notes and the Indenture. The trustee shall transmit the notice within 90 days after the occurrence of such an event of default, unless, to the actual knowledge of a responsible officer of the trustee, such defaults have been cured before the transmission of such notice. However, except in the case of default in the payment of principal of or interest on the Notes, the trustee may withhold notice of default if and so long as the board of directors, the executive committee, or a trust committee of directors or trustees and/or responsible officers of the trustee determines in good faith that the withholding of the notice is in the interests of the holders.

Acceleration of Notes upon an Event of Default

The Indenture provides that, unless otherwise set forth in a supplemental indenture, if any event of default occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding Notes of each affected series, by notice in writing to the Issuer and the Guarantor (and to the trustee if given by the holders) may declare the entire principal of and accrued interest on all the Notes of such series to be due and payable immediately and upon any such declaration the same shall become immediately due and payable.

Annulment of Acceleration and Waiver of Defaults

In some circumstances, if any or all of the events leading to acceleration under the Indenture, other than the non-payment of the principal of the Notes of a series that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then the holders of a majority in aggregate principal amount of the Notes of each affected series may (if certain conditions are satisfied) annul past declarations of acceleration or waive past defaults of the Notes of such series.

Application of Proceeds

Any money collected from the Issuer or the Guarantor by a trustee under the Indenture upon an event of default shall be applied in the order described below:

- (i) first, to the payment of all amounts due to the trustee pursuant to the Indenture;
- (ii) second, to the payment of the amounts then due and unpaid for principal of and any interest on the Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and any premium and interest, respectively; and
- (iii) finally, to the payment of the remainder, if any, to the Issuer or the Guarantor or any other person lawfully entitled thereto.

Indemnification of Trustee for Actions Taken on Your Behalf

Under the Indenture, the trustee is entitled to be indemnified by the holders under the Indenture before proceeding to exercise any right or power at the request of holders. Subject to these provisions and specified other limitations, the holders of a majority in aggregate principal amount of the Notes of a series outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee.

Limitation on Suits

The Indenture provides that no individual holder may institute any action against the Issuer or the Guarantor under the Indenture, except actions for payment of overdue principal and interest, unless the following actions have occurred:

- (i) the holder must have previously given written notice to the trustee of the continuing default;

- (ii) the holders of not less than 25% in aggregate principal amount of the outstanding Notes of each affected series issued under the Indenture, with each such series treated as a single class, must have:
 - (a) made written request to the trustee to institute that action; and
 - (b) offered the trustee indemnity reasonably satisfactory to it;
- (iii) the trustee must have failed to institute that action within 60 days after receipt of the request referred to above; and
- (iv) the holders of a majority in principal amount of the outstanding Notes of each affected series issued under the Indenture, with each such series treated as a single class, must not have given directions to the trustee inconsistent with those of the holders referred to above.

However, the right of any holder to institute suit for the enforcement of any such payment of overdue principal and interest on or after the respective due dates shall not be affected or impaired.

No holder shall have any right by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other holder (it being expressly understood and agreed that the trustee shall not have an affirmative duty to ascertain whether such action is prejudicial), or to obtain or to seek to obtain priority or preference over any other holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all of such holders.

Consolidation, Merger, Sale or Conveyance

The Indenture contains provisions permitting the Issuer and the Guarantor, without the consent of the holders, to merge or consolidate with or merge into, or sell, assign, transfer, lease or convey all or substantially all of the properties or assets of the Issuer and its subsidiaries or of the Guarantor and its subsidiaries, in each case taken as a whole, to any person or persons, provided that, in the case where the successor entity is not the Issuer or the Guarantor, as the case may be, the successor entity is organized and validly existing as a corporation under the laws of the United States of America, any state thereof or the District of Columbia (in the case of the Issuer) or the laws of Japan (in the case of the Guarantor) and assumes the Issuer's or the Guarantor's obligations, as applicable, on the Notes and the Guarantee and under the Indenture (and, if such entity is organized in a jurisdiction other than a Tax Jurisdiction, (i) such entity agrees to pay any additional amounts in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of organization or tax residence of such successor entity or any authority therein or thereof having power to tax, corresponding to the obligation (and related exceptions) to pay additional amounts as set forth above under "—Payment of Additional Amounts," and (ii) the provisions of "—Optional Tax Redemption" shall also apply to that other jurisdiction as if it were a Tax Jurisdiction, provided that the change, amendment, application or interpretation described therein becomes effective after the date of the merger, consolidation, sale, assignment, transfer, lease or conveyance), and provided further that, immediately after giving effect to such transaction, no event of default under the Indenture has occurred and is continuing.

Discharge, Defeasance and Covenant Defeasance

Unless otherwise set forth in a supplemental indenture, the Issuer and the Guarantor have the ability to eliminate most or all of their respective obligations on any series of Notes prior to maturity if the Issuer or the Guarantor complies, among other conditions, with the following provisions:

Discharge of Indenture. The Issuer and the Guarantor may discharge all of their respective obligations, other than as to transfers and exchanges, under the Indenture after they have:

- (i) paid or caused to be paid the principal of and interest on all of the outstanding Notes in accordance with their terms;
- (ii) delivered to the trustee for cancellation all of the outstanding Notes; or
- (iii) irrevocably deposited with the trustee cash or U.S. government obligations in trust for the benefit of the holders of Notes issued under the Indenture that have either become due and

payable, or are by their terms due and payable, or are scheduled for redemption, within one year, in an amount sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the trustee, to pay on each date that they become due and payable, the principal of and interest on those Notes. However, the deposit of cash or U.S. government obligations for the benefit of holders of Notes that are due and payable, or are scheduled for redemption, within one year will discharge obligations under the Indenture relating only to the Notes.

Defeasance of the Notes at Any Time. The Issuer and the Guarantor may also discharge all of their respective obligations, other than as to transfers and exchanges, under the Notes of any series at any time (“Defeasance”). Alternatively, the Issuer and the Guarantor may be released with respect to the Notes of any series from the obligations imposed by the covenants described above limiting the creation of security interests on assets, consolidations, mergers, asset sales and leases, and elect not to comply with those sections without creating an event of default (“Covenant Defeasance”).

Defeasance or Covenant Defeasance may be effected with respect to the Notes of any series only if, among other things:

- (i) the Issuer or the Guarantor irrevocably deposits with the trustee cash or U.S. government obligations as trust funds in an amount sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the trustee, to pay on each date that they become due and payable, the principal of and interest on the Notes of such series; and
- (ii) the Issuer or the Guarantor delivers to the trustee an opinion of counsel of recognized standing to the effect that:
 - (a) the beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Defeasance or Covenant Defeasance; and
 - (b) the beneficial owners will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Defeasance or Covenant Defeasance had not occurred.

In the case of a Defeasance, the opinion must be based on a ruling of the U.S. Internal Revenue Service (the “IRS”), or a change in U.S. federal income tax law occurring after the date of this offering memorandum.

Modification of the Indenture

Modification without Consent of Holders. The Issuer, the Guarantor and the trustee may enter into supplemental indentures without the consent of the holders of Notes issued under the Indenture to:

- (i) secure all or any series of Notes, provided it does not breach the negative pledge described under “—Negative Pledge”;
- (ii) evidence the succession of another person to the Issuer or the Guarantor, as applicable, and the assumption by any such successor of the covenants of the Issuer or the Guarantor, as applicable, in the Indenture and the Notes;
- (iii) add to the covenants of the Issuer or the Guarantor, as applicable, further covenants for the benefit or protection of the holders of any or all series of Notes or to surrender any right or power conferred upon the Issuer or Guarantor by the Indenture;
- (iv) add any additional events of default with respect to all or any series of Notes;
- (v) add to or change any of the provisions of the Indenture to facilitate the issuance of Notes in bearer form with or without coupons, or to permit or facilitate the issuance of Notes in uncertificated form;

- (vi) add to, change or eliminate any of the provisions of the Indenture in respect of one or more series of Notes thereunder, under certain conditions designed to protect the rights of any existing holder of those Notes;
- (vii) establish the forms or terms of Notes of any series;
- (viii) evidence the appointment of a successor trustee and to add to or change provisions of the Indenture necessary to provide for or facilitate the administration of the trusts under the Indenture by more than one trustee; or
- (ix) cure any ambiguity, to correct or supplement any provision of the Indenture which may be defective or inconsistent with another provision of the Indenture or to make other amendments that do not adversely affect the interests of the holders of any series of Notes in any material respect.

Modification with Consent of Holders. The Issuer, the Guarantor and the trustee, with the consent of the holders of not less than a majority in aggregate principal amount of each affected series of outstanding Notes, with each such series voting as one class, may add any provisions to, or change in any manner or eliminate any of the provisions of, the Indenture or modify in any manner the rights of the holders of the Notes issued pursuant to the Indenture. However, the Issuer, the Guarantor and the trustee may not make any of the following changes to any outstanding Notes and the Guarantee, without the consent of each holder that would be affected by the change:

- (i) extend the fixed maturity of any Notes or any installment of interest on any Notes, or reduce the principal amount thereof or reduce the rate of interest payable upon redemption, or reduce the amount of principal of an original issue discount Note or any other Note that would be due and payable upon a declaration of acceleration of the maturity thereof, or change the currency in which the Notes are payable or impair the right to institute suit for the enforcement of any payment after the stated maturity thereof or the redemption date, if applicable, or adversely affect any right of the holder of any Note to require the Issuer to repurchase that Note;
- (ii) change any terms or conditions of the Guarantee, to the extent such change adversely affects the interests of the holders;
- (iii) reduce the percentage in principal amount of outstanding Notes of any series, the consent of the holders of which is required for any waiver or supplemental indenture;
- (iv) modify the provisions of the Indenture relating to the waiver of past defaults or the waiver of certain covenants or the provisions described under the heading “Modification of the Indenture,” except to increase any percentage set forth in those provisions or to provide that other provisions of the Indenture may not be modified without the consent of the holder of each Note affected thereby;
- (v) change any obligation of the Issuer to maintain an office or agency;
- (vi) change any obligation of the Issuer or the Guarantor to pay additional amounts;
- (vii) adversely affect the right of repayment or repurchase at the option of the holder; or
- (viii) reduce or postpone any sinking fund or similar provision.

New York Law to Govern

The Indenture, the Notes and the Guarantee will be governed by and construed in accordance with the laws of the State of New York.

Reporting Requirements

For as long as any Notes of any series are outstanding, the Guarantor will promptly furnish to the trustee (for the benefit of the holders of the Notes of such series):

- (i) (x) within three months after the end of each fiscal year, the consolidated statements of financial position and consolidated statements of profit or loss, changes in equity and cash

flows of the Guarantor in English and (y) within six months after the end of each fiscal year, an annual report including the consolidated statements of financial position and consolidated statements of profit or loss, changes in equity and cash flows of the Guarantor prepared in accordance with IFRS and audited by its independent auditor; and

- (ii) as soon as practicable after the end of each quarterly period (other than the last quarterly period of a fiscal year), the Guarantor's interim consolidated statements of financial position and consolidated statements of profit or loss and cash flows in English prepared in accordance with IFRS, provided that quarterly consolidated statements of cash flows will not be required if disclosure of quarterly consolidated statements of cash flows is not required for such corresponding quarterly period for companies listed on the main board of the Tokyo Stock Exchange pursuant to the listing rules or other regulations generally applicable to such companies and provided further that such interim consolidated statements of financial position and consolidated statements of profit or loss and cash flows (to the extent prepared) may omit footnote and other disclosures to the extent permitted pursuant to the listing rules or other regulations generally applicable to companies listed on the main board of the Tokyo Stock Exchange.

To the extent any reports or other documents are published by the Guarantor on its investor relations website for such reports or documents or any other publicly available electronic medium, such reports or other documents shall be deemed to have been furnished to the trustee (for the benefit of the holders of the Notes of such series).

The trustee shall have no responsibility to determine whether, if, and when such report or documents are publicly available and/or accessible electronically. Delivery or publication by the Guarantor on its investor relations website of such reports, information and documents is for the trustee's informational purposes only and the trustee's receipt of such (or, as the case may be, publication on the Guarantor's investor relations website) shall not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Guarantor's compliance with any of its respective covenants hereunder (as to which the trustee is entitled to conclusively rely exclusively on officer's certificates).

Consent to Service of Process and Submission to Jurisdiction

Under the Indenture, the Guarantor irrevocably designates the Issuer as its authorized agent for service of process in any legal action or proceeding arising out of or relating to the Indenture, the Notes or the Guarantee brought in any federal or state court in the County of New York and the Issuer and the Guarantor irrevocably submit to the jurisdiction of those courts.

Methods of Receiving Payments

The principal of, and interest and additional amounts on, the Notes represented by the Global Notes will be payable in U.S. dollars. Payments under the Guarantee, if any, will also be made in U.S. dollars. The paying agent will hold all sums received by it for the payment of the principal and interest on the Notes in trust for the benefit of the holders of the Notes. The Issuer or the Guarantor, as the case may be, will cause the trustee or the paying agent to pay such amounts, on the dates payments are to be made, directly to DTC.

Book-Entry; Delivery and Form

DTC

The Notes will initially be issued to investors only in book-entry form. The Notes sold in reliance on Rule 144A under the U.S. Securities Act will initially be in the form of one or more fully registered Global Notes, (the "Rule 144A Global Notes"), and the Notes sold in reliance on Regulation S under the U.S. Securities Act will initially be in the form of one or more fully registered Global Notes (the "Regulation S Global Notes"). The Global Notes will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depository for the Notes. The Global Notes will initially be deposited with The Bank of New York Mellon Trust Company, N.A., acting as custodian for DTC.

The Notes (including any beneficial interest in a Global Note) will be subject to certain restrictions on transfer set forth in the Notes and the Indenture and will bear a legend regarding the restrictions as set forth under

“Transfer Restrictions.” Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification (in the form provided in the Indenture).

On or prior to the 40th day after the later of the commencement of the offering and the date of the issuance of the Notes, a beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through a Rule 144A Global Note only upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a “qualified institutional buyer” within the meaning of Rule 144A purchasing for its own account (or for the account of one or more qualified institutional buyers over which account it exercises sole investment discretion), (ii) transfers such Note in a transaction meeting the requirements of Rule 144A and (iii) has notified the transferee of the restrictions on transfer set forth under “Transfer Restrictions.”

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions set forth under “Transfer Restrictions” and in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act.

Any beneficial interest in one of the Global Notes that is transferred to an entity that takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC, or participants, or persons who hold interests through participants (including Euroclear and Clearstream). Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Unless and until Notes in certificated form are issued, the only holder of the Notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depository.

Qualified institutional buyers may hold their interests in a Global Note directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through DTC. Beneficial owners will be permitted to exercise their rights only indirectly through DTC, Euroclear, Clearstream and their participants.

DTC advises that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “Clearing Agency” registered pursuant to the provisions of Section 17A of the U.S. Exchange Act. DTC holds securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly, or indirect participants.

Euroclear

Euroclear holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers,

banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations.

Non-participants in the Euroclear system may hold and transfer book-entry interests in the Notes through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Investors electing to acquire, hold or transfer Notes through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such intermediary with respect to the settlement of secondary market transactions in Notes. Euroclear will not monitor or enforce any transfer restrictions with respect to the Notes. Investors that acquire, hold and transfer interests in the Notes by book-entry through accounts with Euroclear or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such intermediary and each other intermediary, if any, standing between themselves and the individual Notes.

Euroclear has advised that, under Belgian law, investors that are credited with securities on the records of Euroclear have a co-property right in the fungible pool of interests in securities on deposit with Euroclear in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear, Euroclear participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear. If Euroclear did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all participants credited with such interests in securities on Euroclear's records, all participants having an amount of interests in securities of such type credited to their accounts with Euroclear would have the right under Belgian law to the return of their pro rata share of the amount of interests in securities actually on deposit. Under Belgian law, Euroclear is required to pass on the benefits of ownership in any interests in Notes on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Distributions with respect to the Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants to the extent received by its sub-custodian at DTC and in accordance with the Euroclear terms and conditions.

Clearstream

Clearstream advises that it is incorporated under the laws of Luxembourg and licensed as a bank and professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

Distributions with respect to Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants to the extent received by its sub-custodian at DTC and in accordance with its rules and procedures.

Transfers

Purchases of Notes within the DTC system must be made by or through DTC participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of Notes, a beneficial owner of an interest in a Global Note, is in turn to be recorded on the DTC participants' and indirect participants' records. Beneficial owners of interests in a Global Note will not receive written confirmation from DTC of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they hold the Notes. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of DTC participants and indirect participants acting on behalf of beneficial owners of

interests in a Global Note. Beneficial owners of interests in a Global Note will not receive Notes in certificated form representing their ownership interests in the Notes unless use of the book-entry system for the Notes is discontinued or there is an event of default.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers within a Global Note between persons holding, directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depository; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositories.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the Notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a Global Note. DTC's records reflect only the identity of the DTC participants to whose accounts those Notes are credited, which may or may not be the beneficial owners of interests in a Global Note. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those Notes are credited, which also may or may not be the beneficial owners of interests in a Global Note. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the Global Note for all purposes under the Notes and the Indenture. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

It is expected that DTC will take any action permitted to be taken by a holder, including the presentation of Notes for exchange, only at the direction of one or more of its participants to whose account DTC's interests in the Global Notes are credited and only in respect of that portion of the aggregate principal amount of Notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a Global Note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The trustee will send any notices in respect of the Notes held in book-entry form to Cede & Co.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC

mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those participants to whose account the Notes are credited on the record date.

Payment of principal of and interest on the Notes held in book-entry form will be made to Cede & Co. or another nominee of DTC by the paying agent in immediately available funds. DTC's practice is to credit its participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC's participants and indirect participants to beneficial owners of interests in a Global Note will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not of DTC, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of and interest on the Notes or other amounts to DTC is the responsibility of the Issuer or the Guarantor, as the case may be, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a Global Note is the responsibility of participants and indirect participants.

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Guarantor nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their respective operations.

Exchange of Global Notes for Certificated Notes

If DTC is at any time unwilling or unable to continue as a depository for the Global Notes and a successor depository is not appointed by the Issuer within 90 days, or if there shall have occurred and be continuing an acceleration event with respect to the Notes, the Issuer will issue notes in certificated form in exchange for the Global Notes. The certificated notes delivered in exchange for beneficial interests in any Global Note will be registered in the names, and issued in denominations of \$200,000 or integral multiples of \$1,000 in excess thereof, requested by or on behalf of DTC (in accordance with its customary procedures). Any such exchange shall be made free of charge to the beneficial owners of the Global Notes, except that a person receiving certificated notes must bear the cost of insurance, postage, transportation and other related costs in the event that such person does not take delivery of such certificated notes at the offices of the trustee or the paying agent. The Notes are not issuable in bearer form. Except in the limited circumstances described above, owners of interests in the Global Notes will not be entitled to receive physical delivery of Notes in certificated form.

Payment of principal and interest in respect of the certificated notes shall be payable at the office or agency of the Issuer maintained for such purpose, which office or agency shall be the designated corporate trust office of the trustee located at 500 Ross Street, 12th Floor, Pittsburgh, PA 15262, provided that, at the Issuer's option, payment may be made by wire transfer or by mailing checks for such interest payable to or upon the written order of such holders at their last addresses as they appear on the Issuer's registry books (in the case of registered securities) or at such other addresses as may be specified in the written orders of the holders; and provided further that, payments of any interest on certificated notes (other than at maturity) may be made by the paying agent, in the case of a registered holder of at least U.S. \$10,000,000 principal amount of Notes, by electronic funds transfer of immediately available funds to a U.S. dollar account maintained by the payee, provided such registered holder so elects by giving written notice to the trustee designating such account, no later than 15 days immediately preceding the relevant date for payment. Unless such designation is revoked, any such designation made by such holder with respect to such Notes shall remain in effect with respect to any future payments with respect to such Notes payable to such holder.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Registration, Transfer and Exchange of Notes

The trustee will maintain at its designated corporate trust office a Note register with respect to the Notes. The name of the registered holder of each Note will be recorded in the Note register. The Issuer, the

Guarantor, the trustee, the note registrar and the paying agent may treat the person in whose name any Note is registered as the absolute owner of the Note for all purposes and none of them shall be affected by, or incur any liability for, any notice to the contrary.

At the option of the holder, subject to the restrictions contained in the Notes and in the Indenture, the Notes may be transferred or exchanged for a like aggregate principal amount of Notes of different authorized denominations, upon surrender for exchange or registration of transfer, at the designated corporate trust office of the trustee. Any Note surrendered for exchange or presented for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer or other documentation in a form identified in the Indenture. Notes issued upon exchange or transfer shall be registered in the name of the holder requesting the exchange or, as the case may be, the designated transferee or transferees and delivered at the trustee's designated corporate trust office, or mailed, at the request, risk and expense of, and to the address requested by, the designated transferee or transferees. No service charge, other than any cost of delivery not made by regular mail, shall be imposed for any transfer or exchange of Notes, but the Issuer, the Guarantor or the trustee may require payment of a sum sufficient to cover any stamp duty, tax or governmental charge or insurance charge that may be imposed in connection with any transfer or exchange of Notes.

Upon the transfer, exchange or replacement of certificated notes bearing the legend, the trustee will deliver only certificated notes bearing such legend unless otherwise directed by the Issuer.

Paying Agent and Note Registrar

The Bank of New York Mellon Trust Company, N.A., 500 Ross Street, 12th Floor, Pittsburgh, PA 15262, United States of America, will initially act as paying agent and note registrar for the Notes. The Issuer (or the Guarantor, as the case may be) may change the paying agent and note registrar without prior notice to the holders of the Notes, and the Issuer, the Guarantor or any of their respective subsidiaries may act as paying agent or note registrar.

The Trustee

The trustee, The Bank of New York Mellon Trust Company, N.A., is organized under the laws of the United States of America, with its designated corporate trust office located in Pittsburgh, Pennsylvania. The Indenture provides that during the existence of an event of default with respect to the Notes, the trustee will exercise the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. In the absence of an event of default with respect to the Notes, the trustee need only perform the duties specifically set forth in the Indenture.

The Indenture does not contain limitations on the rights of the trustee under the Indenture, should it be or become a creditor of the Issuer or the Guarantor, to obtain payment of claims, and the trustee is not precluded from engaging in other transactions.

Clearance and Settlement

The Notes have been accepted for clearance through DTC for the accounts of its participants, including Euroclear and Clearstream.

Minimum Board Lot Size on the SGX-ST

The Notes will be traded on the SGX-ST in a minimum board lot size of \$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

TAXATION

Japanese Taxation

The following general description of certain aspects of Japanese taxation (limited to those regarding national taxes) is applicable to the Notes. It is not intended to constitute a complete analysis of all the tax consequences relating to the purchase, ownership and disposition of the Notes. Prospective purchasers should consult their own tax advisers as to the exact tax consequences of their particular situations.

The payment of principal and interest in respect of the Notes or the Guarantee to an individual non-resident of Japan or a non-Japanese corporation will not, in general, be subject to any Japanese income tax or corporation tax, unless the receipt of the relevant payment is the income of such individual non-resident or non-Japanese corporation from sources in Japan.

Payment by the Guarantor under the Guarantee to an individual non-resident of Japan or a non-Japanese corporation will not, in general, be considered to be from sources in Japan, and will therefore not be subject to Japanese withholding tax.

Gains derived from the sale of Notes outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Notes in connection with the issue of the Notes.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired Notes from another individual as legatee, heir or donee.

Certain United States Federal Income Taxation Considerations

The following describes certain United States federal income tax consequences of the ownership and disposition of the Notes. This discussion applies only to those initial investors that purchase Notes in this offering at the offering price indicated on the first page of this offering memorandum and that hold their Notes as capital assets for United States federal income tax purposes. This section addresses only United States federal income taxation and does not discuss all of the tax consequences that may be relevant to you in light of your individual circumstances, including foreign, state or local tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. This section does not discuss all of the tax consequences that apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- a person that owns Notes that are a hedge or that are hedged against interest rate or currency risks,
- a person that owns Notes as part of a straddle or conversion transaction for tax purposes,
- a person that purchases or sells Notes as part of a wash sale for tax purposes or
- a U.S. Holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis

If an entity or arrangement that is treated as a partnership for United States federal income tax purposes holds the Notes, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Notes should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the Notes.

Please consult your own tax advisor concerning the consequences of owning the Notes in your particular circumstances under the Code and the laws of any other taxing jurisdiction.

Effect of Certain Contingencies

As described above under the heading “Description of the Notes and the Guarantee—Payment of Additional Amounts” and “Description of the Notes and the Guarantee—Change of Control Offer,” we may be obligated to make payments in excess of the stated principal amount and interest payments on the Notes. This possibility may implicate the provisions of the U.S. Treasury regulations relating to “contingent payment debt instruments.” We intend to take the position, however, that this possibility does not cause the Notes to be treated as contingent payment debt instruments. Our position is based, in part, on our determination that, as of the date of the issuance of the Notes, the possibility that we might be required to make any such contingent payments is a remote or incidental contingency within the meaning of applicable U.S. Treasury regulations.

Our position is binding on a holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury regulations. However, our position is not binding on the IRS, and it is possible that the IRS may take a different position, in which case, if the IRS’s position is sustained, a holder might be required to accrue ordinary interest income at a higher rate than the stated interest rate (based upon a “comparable yield,” as such term is defined in the U.S. Treasury regulations) and to treat as ordinary income rather than capital gain any gain recognized on a taxable disposition of a Note. You should consult your own tax advisor regarding the possible application of the contingent payment debt instrument rules to the Notes. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments.

Tax Consequences to U.S. Holders

This subsection describes the tax consequences to a U.S. Holder. You are a U.S. Holder if you are a beneficial owner of a Note and you are, for United States federal income tax purposes:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source or
- a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a U.S. Holder, this subsection does not apply to you and you should refer to “Tax Consequences to Non-U.S. Holders” below.

Stated Interest

It is expected, and the following discussion assumes, that the Notes will be issued with less than a de minimis amount of original issue discount for U.S. federal income tax purposes. You will be taxed on interest on your Note as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes. Interest (whether paid by the Issuer, or by the Guarantor under the Guarantee) will be treated as U.S.-source for United States federal income tax purposes.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Note

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, you will recognize taxable gain or loss equal to the difference between the amount realized on such disposition and your adjusted tax basis in the Note. Your adjusted tax basis in a Note generally will equal the amount paid for the Note. For these purposes, the amount realized does not include any amount attributable to accrued stated interest, which will be taxed as stated interest, as described above under “—Stated Interest.”

Any gain or loss recognized on the sale, exchange, redemption, retirement or other taxable disposition of a Note generally will be capital gain or loss and will be long-term capital gain or loss if the Note has been held for more than one year at the time of such disposition. Long-term capital gains recognized by non-corporate U.S. Holders (including individuals) generally are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

In general, if you are a non-corporate U.S. Holder, the applicable withholding agent will be required to report to the IRS all payments of principal, any premium and interest on your Note (unless you are an exempt recipient). In addition, the applicable withholding agent will be required to report to the IRS any payment of proceeds of the sale of your Note before maturity within the United States (unless you are an exempt recipient). Additionally, backup withholding would apply to any such payments if you fail to provide an accurate taxpayer identification number, or (in the case of interest payments) you are notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the IRS.

Tax Consequences to Non-U.S. Holders

This subsection describes the tax consequences to a Non-U.S. Holder. You are a Non-U.S. Holder if you are a beneficial owner of a Note and you are, for United States federal income tax purposes:

- a nonresident alien individual,
- a foreign corporation or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Note.

If you are a U.S. Holder, this subsection does not apply to you.

Stated Interest

Subject to the discussion below under “—Backup Withholding and Information Reporting” and “—FATCA,” payments of interest on a Note (or under the Guarantee) that are not effectively connected with your conduct of a trade or business in the United States will generally be exempt from United States federal income and withholding tax under the “portfolio interest exemption,” provided that (i) you do not, actually or constructively, own 10% or more of the voting stock of the Issuer, (ii) you are not a controlled foreign corporation that is related to the Issuer, actually or constructively, and (iii) either (a) you provide to the applicable withholding agent an IRS Form W-8BEN or W-8BEN-E (or other applicable form), signed under penalties of perjury, that includes your name and address and that certifies your non-United States status in compliance with applicable law and regulations, or (b) a securities clearing organization, bank or other financial institution that holds customers’ securities in the ordinary course of its trade or business provides a statement to the applicable withholding agent under penalties of perjury on which it certifies that an applicable IRS Form W-8BEN or W-8BEN-E (or other applicable form) has been received by it from you or a qualifying intermediary and furnishes a copy to the applicable withholding agent. This certification requirement may be satisfied with other documentary evidence in the case of a Note held in an offshore account or through certain foreign intermediaries. The applicable withholding agent for purposes of the certification requirement described above is generally the last U.S. payor (or a non-U.S. payor that is a qualified intermediary or a U.S. branch of a foreign person) in the chain of payment before payment to you.

If you cannot satisfy the requirements of the portfolio interest exemption described above, then payments of interest made to you (including under the Guarantee) generally will be subject to United States federal withholding tax at the rate of 30%, unless either (i) you provide the applicable withholding agent with a properly executed IRS Form W-8BEN or W-8BEN-E establishing an exemption from or reduction of the withholding tax under the benefit of an applicable income tax treaty or (ii) the interest is effectively connected with your conduct of a trade or business in the United States and you provide an appropriate statement to that effect on a properly completed and duly executed IRS Form W-8ECI.

If you are engaged in a trade or business in the United States and interest on a Note is effectively connected with the conduct of that trade or business, you will be subject to United States federal income tax on such interest on a net income basis in generally the same manner as a U.S. Holder, unless an applicable income tax treaty provides otherwise. If you are a Non-U.S. Holder that is treated as a foreign corporation for United States federal income tax purposes, you may also be subject to a branch profits tax at a 30% rate (or lower applicable treaty rate) on your effectively connected earnings and profits, subject to adjustments.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Note

Subject to the discussion below under “—Backup Withholding and Information Reporting”, you generally will not be subject to United States federal income or withholding tax on any gain realized on a sale, exchange, redemption, retirement or other taxable disposition of the Notes (other than any amount representing accrued but unpaid interest on the Note, which will be treated as interest and will generally be subject to the rules discussed above under “—Stated Interest”) unless:

- you are an individual who was present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met or
- the gain is effectively connected with your conduct of a trade or business in the United States.

If you are described in the first bullet point above, you generally will be subject to United States federal income tax at a flat rate of 30% (unless a lower treaty rate applies) on your gain from the disposition, which may be offset by certain United States-source capital losses. If you are described in the second bullet point above, you will be subject to United States federal income tax on such gain on a net income basis in generally the same manner as a U.S. Holder, unless an applicable income tax treaty provides otherwise. If you are a Non-U.S. Holder that is treated as a foreign corporation for United States federal income tax purposes, you may also be subject to a branch profits tax at a 30% rate (or lower applicable treaty rate) on your effectively connected earnings and profits, subject to adjustments.

Backup Withholding and Information Reporting

In general, if you are a Non-U.S. Holder, the applicable withholding agent will be required to report payments of interest on your Notes on IRS Form 1042-S. Payments of principal, premium or interest on the Notes would otherwise not be subject to information reporting and backup withholding, provided that the certification requirements described above under “—Stated Interest” are satisfied or you otherwise establish an exemption. In addition, payment of the proceeds from the sale of Notes effected at a United States office of a broker will not be subject to backup withholding and information reporting if you have furnished to the applicable withholding agent an appropriate IRS Form W-8, an acceptable substitute form or other documentation upon which it may rely to treat the payment as made to a non-United States person.

In general, payment of the proceeds from the sale of Notes effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if (i) the broker has certain connections to the United States, (ii) the proceeds or confirmation are sent to the United States or (iii) the sale has certain other specified connections with the United States.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the IRS.

FATCA

Pursuant to FATCA, a 30% withholding tax (“FATCA withholding”) may be imposed on certain payments to you or to certain foreign financial institutions, investment funds and other non-U.S. persons receiving payments on your behalf if you or such persons fail to comply with certain information reporting requirements. Payments of interest that you receive in respect of the Notes could be affected by this withholding if you are subject to the FATCA information reporting requirements and fail to comply with them or if you hold Notes through a non-U.S. person (*e.g.*, a foreign bank or broker) that fails to comply with these requirements (even if payments to you would not otherwise have been subject to FATCA withholding). You should consult your own tax advisors regarding the relevant U.S. law and other official guidance on FATCA withholding.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction. Accordingly, the Notes may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except (a) to Qualified Institutional Buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) outside the U.S. to persons other than “U.S. persons” (as defined in Rule 902 under the Securities Act) in offshore transactions in compliance with Regulation S.

For a discussion of the requirements to effect exchanges or transfers of interests in the Global Notes, see “Description of the Notes and the Guarantee—Book-Entry; Delivery and Form.”

Rule 144A Notes

Each purchaser of the Notes offered hereby in reliance on Rule 144A (the “Rule 144A Notes”) will be deemed to have represented and agreed as follows:

- (1) It (A) is a Qualified Institutional Buyer, (B) is aware that the sale of the Notes to it is being made in reliance on Rule 144A, and (C) is acquiring the Notes for its own account or for the account of a Qualifying Institutional Buyer, as the case may be.
- (2) It understands that the Notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except as permitted by the legend set forth in paragraph (3) below.
- (3) Either (i) it is not acquiring or holding the Rule 144A Notes on behalf of or with the assets of (a) an employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), (b) a plan or other arrangement (including an individual retirement account and Keogh plan) subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or (c) a governmental plan, church plan or non-U.S. plan subject to laws or regulations that are similar to such provisions of ERISA or the Code (collectively, “Similar Laws”) or (ii) (a) its acquisition, holding and subsequent disposition of the Rule 144A Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Law, and (b) none of the Issuer, the Guarantor, the initial purchasers, the Trustee or any of their respective affiliates is a fiduciary of, or has been relied upon for any investment advice by, the purchaser in connection with its acquisition and holding of the Rule 144A Notes, unless a statutory or administrative exemption applies (all of the applicable conditions of which are satisfied) or the transaction is not otherwise prohibited.
- (4) It understands that the Notes will bear a legend to the following effect, unless the Company determines otherwise in compliance with applicable law:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THE HOLDER HEREOF AGREES FOR THE BENEFIT OF UNITED STATES STEEL CORPORATION (THE “COMPANY”) THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)) OR A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF

COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION (IF AVAILABLE), OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER HEREOF, BY, PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THIS LEGEND WILL BE REMOVED ONLY AT THE OPTION OF THE COMPANY.”

Regulation S Notes

Each purchaser of Notes other than the Rule 144A Notes (the “Regulation S Notes”) will be deemed to have represented and agreed as follows:

- (1) It is a non-U.S. person who is acquiring such Regulation S Notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.
- (2) Until the expiration of the distribution compliance period, it shall not make any offer or sale of the Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rules 902 and 903 of Regulation S of the Securities Act, except in compliance with the applicable securities laws.
- (3) Either (i) it is not acquiring or holding the Regulation S Notes on behalf of or with the assets of (a) an employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), (b) a plan or other arrangement (including an individual retirement account and Keogh plan) subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or (c) a governmental plan, church plan or non-U.S. plan subject to laws or regulations that are similar to such provisions of ERISA or the Code (collectively, “Similar Laws”) or (ii) (a) its acquisition, holding and subsequent disposition of the Regulation S Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Law, and (b) none of the Issuer, the Guarantor, the initial purchasers, the Trustee or any of their respective affiliates is a fiduciary of, or has been relied upon for any investment advice by, the purchaser in connection with its acquisition and holding of the Regulation S Notes, unless a statutory or administrative exemption applies (all of the applicable conditions of which are satisfied) or the transaction is not otherwise prohibited.
- (4) It understands that the Notes will bear a legend to the following effect, unless the Company determines otherwise in compliance with applicable law:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.”

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement, dated July 7, 2026, or the purchase agreement, among the Issuer, the Guarantor and the initial purchasers named below, for whom BofA Securities, Inc., SMBC Nikko Securities America, Inc., Goldman Sachs & Co. LLC, Mizuho Securities USA LLC, Morgan Stanley & Co. LLC and Barclays Capital Inc. are acting as representatives, the initial purchasers have severally, and not jointly, agreed to purchase, and the Issuer has agreed to sell to the initial purchasers, the respective principal amount of the Notes listed opposite their names below.

Initial Purchasers	Principal amount of the 5-Year Notes	Principal amount of the 10-Year Notes
BofA Securities, Inc.	\$105,000,000	\$75,000,000
SMBC Nikko Securities America, Inc.	105,000,000	75,000,000
Goldman Sachs & Co. LLC	70,000,000	50,000,000
Mizuho Securities USA LLC	70,000,000	50,000,000
Morgan Stanley & Co. LLC	70,000,000	50,000,000
Barclays Capital Inc.	42,000,000	30,000,000
PNC Capital Markets LLC	42,000,000	30,000,000
Citigroup Global Markets Inc.	35,000,000	25,000,000
J.P. Morgan Securities LLC	35,000,000	25,000,000
Truist Securities, Inc.	35,000,000	25,000,000
ING Financial Markets LLC	21,000,000	15,000,000
BMO Capital Markets Corp.	14,000,000	10,000,000
Citizens JMP Securities, LLC	14,000,000	10,000,000
Fifth Third Securities Inc.	14,000,000	10,000,000
Huntington Securities, Inc.	14,000,000	10,000,000
U.S. Bancorp Investments, Inc.	14,000,000	10,000,000
Total	<u>\$700,000,000</u>	<u>\$500,000,000</u>

The initial purchasers have advised us that they propose initially to offer the Notes (and the Guarantee endorsed thereon) at the issue price listed on the cover page of this offering memorandum. After the initial offering, the issue price, concessions or any other term of the offering may be changed. The initial purchasers have agreed to purchase the Notes from us at a purchase price that reflects a discount from the issue price, and the initial purchasers will retain the difference between such purchase price and issue price as compensation.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the Notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased. The initial purchasers are offering the Notes subject to their acceptance of the Notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the Notes are subject to approval of certain legal matters by their counsel and to certain other conditions. The initial purchasers reserve the right to withdraw, cancel or modify offers and to reject orders in whole or in part.

The purchase agreement provides that the Issuer and the Guarantor will indemnify the initial purchasers and their affiliates against specified liabilities, including liabilities under the U.S. Securities Act, in connection with the offer and sale of the Notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The Notes and the Guarantee are being offered by the initial purchasers or affiliates of certain of the initial purchasers outside the United States in offshore transactions to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act and by the initial purchasers or affiliates of certain of the initial purchasers to persons reasonably believed to be QIBs as defined in Rule 144A under the Securities Act.

No Sale of Similar Securities

Each of the Issuer and the Guarantor has agreed that, during a period beginning the date hereof and ending 30 days after the date hereof, it will not, without the prior written consent of the representatives of the initial purchasers, directly or indirectly, issue, sell, offer or contract to sell, grant any option for the sale of or otherwise transfer or dispose of, any other U.S. dollar-denominated senior debt securities of the Issuer or the

Guarantor, as the case may be, with a maturity greater than one year or any securities that are convertible into, or exchangeable for, the Notes or such other U.S. dollar-denominated senior debt securities of the Issuer or the Guarantor, as the case may be.

Short Positions

In connection with this offering, the initial purchasers may purchase and sell the Notes in the open market, subject to applicable laws and regulations. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of Notes in excess of the principal amount of Notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, the initial purchasers have no obligation to engage in these transactions, and these transactions, once commenced, may be discontinued at any time.

New Issue of the Notes

The Notes are a new issue of securities with no established trading market. In addition, the Notes are subject to certain restrictions on resale and transfer as described under “Transfer Restrictions.” Approval in-principle has been received for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of \$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require. The initial purchasers have advised us that they presently intend to make a market in the Notes after completion of this offering. Such market-making activity will be subject to the limits imposed by applicable laws. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active trading market for any of the Notes may not develop. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If such Notes are traded, they may trade at a discount from the initial offering price, depending on the market for similar securities, our performance and other factors. See “Risk Factors—Risks Relating to the Notes and the Guarantee—The market for the Notes may have limited liquidity.”

Settlement

We expect that delivery of the Notes will be made to investors on or about July 14, 2026, which will be the fifth New York business day following the date of this offering memorandum (such settlement being referred to as “T+5”). Under Rule 15c6-1 under the U.S. Exchange Act, trades in the secondary market are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the Notes, or possession or distribution of this offering memorandum, any amendment or supplement thereto, or any other offering or publicity material relating to the Notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering or publicity material relating to the Notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The Notes and the Guarantee have not been registered under the U.S. Securities Act and may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The initial purchasers or U.S. affiliates of the initial purchasers may arrange for the sale of a portion of the Notes in the United States exclusively to persons reasonably believed by them to be QIBs (as defined in Rule 144A) in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act, and each United States purchaser of the Notes is hereby notified that the offer and sale of the Notes to it is being made in reliance upon such exemption. The offering of the Notes to non-U.S. persons will be made outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer is made otherwise than pursuant to Rule 144A under the U.S. Securities Act or another exemption from registration under the U.S. Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgements, representations and agreements as described under “Transfer Restrictions.”

Japan

The Notes have not been and will not be registered under the FIEA. Each initial purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell, any Notes in Japan or to, or for the benefit of, any resident in Japan for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan.

Member States of the European Economic Area

The Notes may not be offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of:

1. a retail client as defined in point (11) of Article 4(1) of MiFID II; or
2. a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is not a professional client, as defined in point (8) of Article 2(1) of the EUWA.

Consequently, no disclosure document required by DISC for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

In addition, in the UK, this offering memorandum is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at, persons who (i) have professional experience in

matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”); (ii) are high net worth companies, unincorporated associations and other bodies falling within Article 49(2)(a) to (d) of the Order; (iii) are outside the UK, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “Relevant Persons”). Any person in the UK that is not a Relevant Person should not act or rely on this offering memorandum or any of its contents. Any investment or investment activity to which this offering memorandum relates is available in the UK only to Relevant Persons and will be engaged in only with Relevant Persons.

Hong Kong

The contents of this offering memorandum have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer and this offering memorandum. If you are in any doubt about any of the contents of this offering memorandum, you should obtain independent professional advice.

Each initial purchaser (i) has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong, or the SFO, and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made under the SFO.

Singapore

Each initial purchaser has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each initial purchaser has represented, warranted and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than:

- (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; or
- (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Canada

The Notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or into Switzerland within the meaning of the Swiss Financial Services Act ("FinSA"), except under the following exemptions under the FinSA:

- (a) to any investor that qualifies as a professional client within the meaning of the FinSA;
- (b) to fewer than 500 investors (other than professional clients within the meaning of the FinSA); or
- (c) in any other circumstances falling within article 36 of the FinSA; provided, in each case, that no such offer of Notes referred to in (a) through (c) above shall require the publication of a prospectus for offers of Notes pursuant to the FinSA.

The Notes will not be listed or admitted to trading on the SIX Swiss Exchange or on any other trading venue in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the offering, the Notes or us constitutes a prospectus as such term is understood pursuant to the FinSA, and neither this offering memorandum nor any other offering or marketing material relating to the offering, the Notes or us may be distributed or otherwise made available in Switzerland in a manner which would require the publication of a prospectus in Switzerland pursuant to the FinSA.

Neither this offering memorandum nor any other offering or marketing material relating to the offering, the Notes or us have been or will be filed with or approved by any Swiss regulatory authority

Stamp Taxes and Other Charges

Purchasers of the Notes offered by this offering memorandum may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the issue price on the cover page of this offering memorandum.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking and commercial banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses.

In particular, as described under "Use of Proceeds," the Issuer plans to use the net proceeds of the issue and sale of the Notes to redeem the outstanding 6.625% Senior Secured Notes due 2029 issued by Big River Steel LLC, co-issued by BRS Finance Corp. and guaranteed by BRS Intermediate Holdings LLC, each of which is the consolidated subsidiary of the Issuer. Any remaining proceeds will be used to redeem the Issuer's outstanding 6.875% Senior Notes due 2029. Certain of the initial purchasers or their affiliates may hold a portion of such notes, and such initial purchasers or affiliates will receive a portion of the proceeds from this offering to the extent such proceeds are used in the repayment of such notes.

In addition, Sumitomo Mitsui Banking Corporation and Mizuho Bank, Ltd. are some of our principal bank lenders, and Sumitomo Mitsui Banking Corporation and Mizuho Bank, Ltd. are among the financial institutions that are providing the Guarantor with short-term borrowings under bridge financing arrangements in connection with the acquisition of our shares by the Guarantor. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—U. S. Steel Transaction” for details regarding the acquisition of U. S. Steel. Sumitomo Mitsui Banking Corporation is an affiliate of SMBC Nikko Securities America, Inc., one of the joint global coordinators and the joint bookrunners for the offering. Further, Mizuho Bank, Ltd. is one of the Guarantor’s principal shareholders and is an affiliate of Mizuho Securities USA LLC, one of the joint bookrunners for the offering.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account (including purchasing the Notes for their own account) and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours or related to our business. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments or in respect of assets, currencies or commodities that may be related to our business, and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities, instruments, currencies or commodities.

LEGAL MATTERS

The validity of the Notes and the Guarantee and certain legal matters will be passed upon for U. S. Steel and Nippon Steel by Sullivan & Cromwell LLP as to matters of United States federal law and New York State law. Certain Japanese legal matters will be passed upon for Nippon Steel by Nishimura & Asahi (Gaikokuho Kyodo Jigyo). The validity of the Notes and the Guarantee will be passed upon for the initial purchasers by Davis Polk & Wardwell LLP as to matters of United States federal law and New York State law.

INDEPENDENT AUDITOR

The consolidated financial statements of the Guarantor and its subsidiaries as of and for the year ended March 31, 2026, included in this offering memorandum, have been audited by KPMG AZSA LLC, independent auditor, as stated in its report appearing herein.

The consolidated financial statements of the Guarantor and its subsidiaries as of and for the year ended March 31, 2025, included in this offering memorandum, have been audited by KPMG AZSA LLC, independent auditor, as stated in its report appearing herein.

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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, 2026, 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, 2026, 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 of public interest entities in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on non-financial assets used in the Steelmaking and Steel Fabrication segment	
The key audit matter	How the matter was addressed in our audit
In the consolidated statement of financial position of the Company at the end of the current fiscal year, property, plant and equipment of ¥5,899,583 million, goodwill of ¥259,746 million and intangible assets of ¥832,800 million were recognized, most of which were non-financial assets used in the Steelmaking and Steel Fabrication segment including the Company and United States Steel Corporation ("U. S. Steel"). 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	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: (1) Internal control testing 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, goodwill and intangible assets should be recognized.

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 an indication of impairment exists, or at least annually for goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, an impairment test is performed. If the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognized to reduce the carrying amount to its recoverable amount.

The balance of property, plant and equipment, goodwill and intangible assets used in the Steelmaking and Steel Fabrication segment is material to the consolidated financial statements. 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, the future cash flows, used for measuring value in use in determining the recoverable amount for the impairment testing, were estimated based on the medium- to long-term management plan and the latest business plan, which incorporated key assumptions, including steel supply and demand forecast, and involved a high degree of uncertainty. Accordingly, management’s judgments thereon would have a significant impact on the estimated future cash flows. In addition, selecting appropriate models and input data in estimating the discount rate used to measure the value in use required a high degree of expertise in valuation.

When an impairment loss is recognized as a result of impairment tests of non-financial assets, the amount of impairment loss could be material, 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.

(2) Assessment of the appropriateness of the judgment concerning the identification of an impairment indication

To assess the appropriateness of the Company’s judgment concerning the identification of an impairment indication, among others, we:

- 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 the index used for identifying impairment indication, which were calculated based on operating profits or losses related to the CGUs, by performing a trend analysis and assessing the consistency between the 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 discontinue or restructure the operation to which the asset belongs.

(3) Assessment of the reasonableness of the estimated value in use used for the impairment testing

With respect to the valuation of the CGU that includes goodwill allocated to U. S. Steel, we assessed the appropriateness of key assumptions adopted by management in preparing the medium- to long-term management plan and the latest business plan of U. S. Steel, which formed the basis for estimating future cash flows, by inquiring of management of the Company and U. S. Steel about the basis on which those assumptions were developed and performing the following procedures, among others:

- assessed the reasonableness of the steel supply and demand forecasts included in the medium- to long-term management plan and the latest business plan as key assumptions by inquiring of personnel in relevant departments regarding methodologies for forecasting the steel supply and demand and inspecting relevant meeting minutes and supporting materials; and
- critically evaluated management’s key assumptions by involving valuation specialists within our overseas network firms who assisted in comparing the steel supply and demand forecasts with market forecast data published by external organizations.

Furthermore, we engaged valuation specialists within our domestic network firms to independently estimate the discount rate using external data, compared this to the rate applied by the Company, and then analyzed the effect, if any, of changes in discount rate on the Company's judgment as to whether an impairment loss should be recognized.

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.

/s/ Yutaka Terasawa

Yutaka Terasawa

Designated Engagement Partner

Certified Public Accountant

/s/ Makoto Yamada

Makoto Yamada

Designated Engagement Partner

Certified Public Accountant

/s/ Takahiro Toyama

Takahiro Toyama

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 23, 2026

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.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

ASSETS		As of March 31, 2025	As of March 31, 2026
Current assets :			
Cash and cash equivalents	(Notes 8 and 34)	672,526	461,262
Trade and other receivables	(Notes 9 and 34)	1,430,435	1,768,226
Inventories	(Note 10)	2,199,096	2,776,012
Other financial assets	(Note 34)	41,425	54,705
Other current assets		205,019	229,363
Total current assets		4,548,503	5,289,570
Non-current assets :			
Property, plant and equipment	(Notes 11, 12 and 23)	3,635,585	5,899,583
Right-of-use assets	(Note 14)	101,934	139,478
Goodwill	(Notes 7, 13 and 30)	71,639	259,746
Intangible assets	(Note 13)	263,231	832,800
Investments accounted for using the equity method	(Note 15)	1,600,366	1,465,536
Other financial assets	(Note 34)	461,378	536,875
Defined benefit assets	(Note 19)	116,415	162,276
Deferred tax assets	(Note 16)	135,074	42,280
Other non-current assets		8,329	32,436
Total non-current assets		6,393,955	9,371,013
Total assets		10,942,458	14,660,583

The accompanying notes are integral parts of these statements.

(Millions of Yen)

LIABILITIES		As of March 31, 2025	As of March 31, 2026
Current liabilities :			
Trade and other payables	(Notes 17 and 34)	1,671,352	2,340,108
Bonds, borrowings and lease liabilities	(Notes 11, 14, 18 and 34)	473,466	506,004
Other financial liabilities	(Note 34)	823	5,493
Income taxes payable		126,428	39,285
Other current liabilities		63,421	81,792
Total current liabilities		2,335,493	2,972,686
Non-current liabilities :			
Bonds, borrowings and lease liabilities	(Notes 11, 14, 18 and 34)	2,034,026	4,668,249
Other financial liabilities	(Note 34)	35	884
Defined benefit liabilities	(Note 19)	111,552	160,207
Deferred tax liabilities	(Note 16)	137,014	335,144
Other non-current liabilities	(Note 34)	420,955	498,851
Total non-current liabilities		2,703,584	5,663,337
Total liabilities		5,039,077	8,636,023
EQUITY			
Common stock	(Note 20)	569,519	569,519
Capital surplus	(Note 20)	578,457	588,011
Retained earnings	(Note 20)	3,819,934	3,752,153
Treasury stock	(Note 20)	(58,236)	(59,023)
Other components of equity		473,635	679,786
Total equity attributable to owners of the parent		5,383,311	5,530,448
Non-controlling interests		520,069	494,111
Total equity		5,903,380	6,024,560
Total liabilities and equity		10,942,458	14,660,583

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, 2025	Year ended March 31, 2026
Revenue	(Note 22)	8,695,526	10,063,216
Cost of sales	(Notes 19, 23 and 25)	(7,323,874)	(8,618,408)
Gross profit		1,371,651	1,444,808
Selling, general and administrative expenses	(Notes 19, 23, 24, 25 and 35)	(815,817)	(993,968)
Share of profit in investments accounted for using the equity method	(Note 15)	126,900	85,412
Other operating income	(Note 26)	79,845	108,782
Other operating expenses	(Note 26)	(79,343)	(130,906)
Business profit	(Note 27)	683,237	514,128
Losses on reorganization	(Note 28)	(135,277)	(271,225)
Operating profit		547,960	242,903
Finance income	(Note 29)	20,841	31,132
Finance costs	(Note 29)	(44,423)	(101,222)
Profit before income taxes		524,377	172,814
Income tax expense	(Note 16)	(141,405)	(128,059)
Profit for the year		382,972	44,754
Profit for the year attributable to :			
Owners of the parent		350,227	17,158
Non-controlling interests		32,744	27,596
Earnings per share	(Note 32)		
Basic earnings per share (Yen)		70.18	3.28
Diluted earnings per share (Yen)		67.03	3.28

Consolidated Statements of Comprehensive Income		(Millions of Yen)	
		Year ended March 31, 2025	Year ended March 31, 2026
Profit for the year		382,972	44,754
Other comprehensive income	(Note 31)		
Items that cannot be reclassified to profit or loss			
Changes in fair value of financial assets measured at fair value through other comprehensive income		(22,747)	72,502
Remeasurements of defined benefit plans		14,546	45,643
Share of other comprehensive income of investments accounted for using the equity method	(Note 15)	(4,613)	6,167
Subtotal		(12,815)	124,313
Items that might be reclassified to profit or loss			
Changes in fair value of financial assets measured at fair value through other comprehensive income		—	(290)
Changes in fair value of cash flow hedges		10,222	23,987
Foreign exchange differences on translation of foreign operations		108,222	204,930
Share of other comprehensive income of investments accounted for using the equity method	(Note 15)	3,004	(39,099)
Subtotal		121,449	189,527
Total other comprehensive income, net of tax		108,634	313,841
Total comprehensive income for the year		491,606	358,595
Comprehensive income for the year attributable to:			
Owners of the parent		438,493	319,952
Non-controlling interests		53,113	38,643

The accompanying notes are integral parts of these statements.

Consolidated Statements of Changes in Equity

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 31)					(32,317)	14,840
Total comprehensive income	—	—	350,227	—	(32,317)	14,840
Transactions with owners and others						
Issuance of convertible bonds (Note 20)						
Conversion of convertible bonds (Note 20)	149,720	147,627				
Cash dividends (Note 21)			(162,085)			
Share-based payment transactions (Note 33)						
Purchases of treasury stock (Note 20)				(69)		
Disposals of treasury stock (Note 20)				2		
Changes in ownership interests in subsidiaries		31,914				
Transfer from other components of equity to retained earnings			106,207		(91,366)	(14,840)
Transfer to non-financial assets (Note 34)						
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 31)	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						
Issuance of convertible bonds (Note 20)			—	—		—
Conversion of convertible bonds (Note 20)			—	297,347		297,347
Cash dividends (Note 21)			—	(162,085)	(16,783)	(178,869)
Share-based payment transactions (Note 33)			—	—		—
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)	—		—
Transfer to non-financial assets (Note 34)			—	—		—
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.

Year ended March 31, 2026

(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, 2025	569,519	578,457	3,819,934	(58,236)	164,118	—
Changes of the year						
Comprehensive income						
Profit for the year			17,158			
Other comprehensive income (Note 31)					74,940	44,580
Total comprehensive income	—	—	17,158	—	74,940	44,580
Transactions with owners and others						
Issuance of convertible bonds (Note 20)		19,971				
Conversion of convertible bonds (Note 20)			(146,480)			
Cash dividends (Note 21)						
Share-based payment transactions (Note 33)		318				
Purchases of treasury stock (Note 20)				(39)		
Disposals of treasury stock (Note 20)		901		4		
Changes in ownership interests in subsidiaries		(11,637)				
Transfer from other components of equity to retained earnings			61,541		(16,961)	(44,580)
Transfer to non-financial assets (Note 34)						
Changes in scope of consolidation				(750)		
Subtotal	—	9,553	(84,939)	(786)	(16,961)	(44,580)
Balance as of March 31, 2026	569,519	588,011	3,752,153	(59,023)	222,097	—

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity					
	Changes in fair value of cash flow hedges	Foreign exchange differences on translation of foreign operations	Total	Total equity attributable to owners of the parent		
Balance as of March 31, 2025	51,808	257,708	473,635	5,383,311	520,069	5,903,380
Changes of the year						
Comprehensive income						
Profit for the year			—	17,158	27,596	44,754
Other comprehensive income (Note 31)	7,925	175,347	302,794	302,794	11,046	313,841
Total comprehensive income	7,925	175,347	302,794	319,952	38,643	358,595
Transactions with owners and others						
Issuance of convertible bonds (Note 20)			—	19,971		19,971
Conversion of convertible bonds (Note 20)			—	—		—
Cash dividends (Note 21)			—	(146,480)	(14,110)	(160,591)
Share-based payment transactions (Note 33)			—	318		318
Purchases of treasury stock (Note 20)			—	(39)		(39)
Disposals of treasury stock (Note 20)			—	905		905
Changes in ownership interests in subsidiaries			—	(11,637)	(65,894)	(77,532)
Transfer from other components of equity to retained earnings			(61,541)	—		—
Transfer to non-financial assets (Note 34)	(35,102)		(35,102)	(35,102)		(35,102)
Changes in scope of consolidation			—	(750)	15,404	14,653
Subtotal	(35,102)	—	(96,643)	(172,815)	(64,601)	(237,416)
Balance as of March 31, 2026	24,632	433,056	679,786	5,530,448	494,111	6,024,560

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash-Flows

(Millions of yen)

	Year ended March 31, 2025	Year ended March 31, 2026
Cash flows from operating activities :		
Profit before income taxes	524,377	172,814
Depreciation and amortization	385,243	573,916
Finance income	(20,841)	(31,132)
Finance costs	44,423	101,222
Share of profit in investments accounted for using the equity method	(126,900)	(85,412)
Losses on reorganization	135,277	271,225
(Increase) decrease in trade and other receivables	204,644	9,096
(Increase) decrease in inventories	95,656	77,671
Increase (decrease) in trade and other payables	(104,577)	(109,301)
Other, net	(13,806)	(41,315)
Subtotal	1,123,496	938,782
Interest received	20,834	20,367
Dividends received	51,512	71,067
Interest paid	(36,354)	(89,955)
Income taxes paid	(180,895)	(223,322)
Net cash flows provided by operating activities	978,593	716,939
Cash flows from investing activities :		
Purchases of property, plant and equipment and intangible assets	(597,938)	(863,176)
Proceeds from sales of property, plant and equipment and intangible assets	13,616	39,131
Payments for disposal of property, plant and equipment	(20,256)	(26,479)
Purchases of investment securities	(6,031)	(2,492)
Proceeds from sales of investment securities	231,023	33,340
Proceeds from sales of investments in affiliates	39,241	100,502
Purchases of shares of subsidiaries resulting in change in scope of consolidation (Note 7)	(35)	(2,015,572)
Proceeds from (payments for) sales of shares of subsidiaries resulting in change in scope of consolidation	—	(92,521)
Loans to associates and others	(5,464)	(1,098)
Collection of loans from associates and others	2,189	104
Other, net	(118,774)	(8,921)
Net cash flows used in investing activities	(462,428)	(2,837,181)
Cash flows from financing activities :		
Increase (decrease) in short-term borrowings, net (Note 18)	44,108	(32,721)
Proceeds from long-term borrowings (Note 18)	160,503	2,052,693
Repayments of long-term borrowings (Note 18)	(159,090)	(544,743)
Proceeds from issuance of bonds (Note 18)	166,284	611,327
Redemption of bonds (Note 18)	(140,010)	(81,327)
Purchases of treasury stock	(58)	(29)
Cash dividends paid (Note 21)	(162,085)	(146,480)
Dividends paid to non-controlling interests	(16,783)	(14,110)
Purchases of shares of subsidiaries that do not result in change in scope of consolidation	(64,586)	(79,300)
Other, net	(141,615)	120,993
Net cash flows provided by (used in) financing activities	(313,334)	1,886,301
Effect of exchange rate changes on cash and cash equivalents	20,803	22,676
Net increase (decrease) in cash and cash equivalents	223,634	(211,264)
Cash and cash equivalents at beginning of the year	448,892	672,526
Cash and cash equivalents at end of the year (Note 8)	672,526	461,262

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, 2026 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 interpretation 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)

“Payment for acquisition of businesses” (¥113,715 million in the year ended March 31, 2025) 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, 2026. The consolidated statements of cash flows for the year ended March 31, 2025 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 23, 2026.

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 is 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 process and other rights.

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: 493 companies

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

In fiscal 2025, the scope of consolidation expanded by 109 companies, including 98 newly acquired companies and 10 newly established companies, etc. 35 companies, including 21 merged companies and 8 liquidations, etc., were eliminated from the scope of consolidation in fiscal 2025.

As part of the above, 87 companies were newly included in the scope of consolidation as a result of the merger between our United States subsidiary and United States Steel Corporation on June 18, 2025.

Number of equity-method and proportionate-consolidation affiliates (associates, joint operations and joint ventures): 112 companies

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

During fiscal 2025, 9 companies were added to the scope of equity-method affiliates including 7 newly acquired companies and 1 newly established company, etc. 7 companies were removed from the scope of equity-method affiliates by sales.

As part of the above, 7 companies were added to the scope of equity-method affiliates as a result of the merger between our United States subsidiary and United States Steel Corporation on June 18, 2025.

(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, at fair value through other comprehensive income or at fair value through profit or loss.

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. Financial assets measured at fair value through profit or loss are initially recognized at their fair value, with

transaction costs directly attributable to the acquisition recognized in profit or loss at the date of occurrence. 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 equity instruments are derecognized or significant deterioration of fair value occurs, the cumulative gain or loss recognized in other comprehensive income is reclassified to retained earnings. Dividends from these equity instruments are recognized in profit or loss when the Group's right to receive dividends is established.

Debt instruments are classified as financial assets measured at fair value through other comprehensive income when these assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt instruments are initially measured at their fair value, and subsequent changes in fair value are recognized in other comprehensive income except for impairment gain or loss and foreign exchange gain or loss. When the debt instruments are derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to profit or loss.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value other than those classified or designated as financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially measured at their fair value, and subsequent changes in fair value are recognized in profit or loss.

(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 and interest rate swaps, to hedge foreign currency risk and interest rate risk and others. 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 and hedges of net investments in foreign operations 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 derivatives as hedging instruments 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 derivatives as hedging instruments 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.

(iii) Hedges of net investments in foreign operations

The Group designates foreign exchange forward contracts and foreign currency borrowings as hedging instruments to hedge the risk of change in exchange rate concerning net investments in foreign operations.

The effective portion of changes in fair value of derivative and foreign currency borrowings as a hedging instrument is recognized in other comprehensive income. Any ineffective portion of changes in fair value of derivative and foreign currency borrowings as the hedging instrument is recognized in profit or loss. The amount accumulated in other comprehensive income is reclassified to profit or loss at the time of disposition of a foreign operation.

(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 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 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 - 35 years
- Machinery: Principally 14 - 15 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 18 - 35 years
- Customer-related intangible assets : Principally 16 - 18 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 applies an exemption of IFRS 16 and elects 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 defined benefit corporate pension plans and lump-sum retirement payment plans, defined contribution plans, and multi-employer 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.

(iii) Multi-employer plans

Certain North American consolidated subsidiaries participate in a multi-employer defined benefit plan. Since the amount of plan assets corresponding to the contribution by the companies cannot be reasonably calculated, the plan is accounted for as a defined contribution plan.

(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) Government grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to the grants and that the grants will be received. Grants related to assets are directly deducted from the acquisition cost of the asset. Grants related to income are deducted from the related expenses.

(15) Share-based payment

The Group has implemented performance-linked stock compensation systems utilizing a trust and other methods as a form of equity-settled share-based payment plan.

The consideration for services received is measured at the fair value of the Company's shares and recognized as an expense over the vesting period, with a corresponding increase in equity.

(16) Income taxes

Income taxes comprise 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.

(17) 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.

Regarding the impact of the Middle East situation on the recoverable amounts used in the impairment of the Group's non-financial assets and on the recoverability of deferred tax assets, as there is no prospect of an end to the situation, the impact cannot be comprehensively and reasonably assessed at this time. Accordingly, these estimates have been made by reflecting only those impacts that can be reasonably assumed. However, these assumptions involve a high degree of uncertainty, and revisions to such assumptions in future periods may result in significant impacts on the estimated amounts and the Group's consolidated financial statements.

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 34 "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 30 "Impairment of Assets"
- Note 3 (11) "Employee benefits" and Note 19 "Employee Benefits"
- Note 3 (13) "Revenue" and Note 22 "Revenue"
- Note 3 (16) "Income taxes" and Note 16 "Income Taxes"
- Note 37 "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, 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 <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.

(Year ended March 31, 2026)

(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	9,173,227	357,517	239,835	292,636	10,063,216	—	10,063,216
Inter-segment revenue or transfers	48,477	36,936	18,125	90,257	193,797	(193,797)	—
Total	9,221,705	394,453	257,961	382,893	10,257,014	(193,797)	10,063,216
Segment profit <Business profit>	439,961	23,105	21,951	43,315	528,334	(14,205)	514,128
Other items							
Depreciation and amortization	555,583	2,922	8,654	12,006	579,166	(5,250)	573,916
Share of profit in investments accounted for using the equity method	76,807	89	466	20	77,383	8,028	85,412
Segment assets	13,770,053	367,724	260,924	409,091	14,807,794	(147,211)	14,660,583
Other items							
Investments accounted for using the equity method	1,321,942	4,405	30,063	151	1,356,563	108,972	1,465,536
Capital expenditure	976,903	4,548	12,348	6,025	999,826	(12,091)	987,734
Acquisitions through business combinations (property, plant and equipment, goodwill and intangible assets)	2,280,320	509	—	61,641	2,342,471	—	2,342,471
Segment liabilities (Interest-bearing debt)	5,139,779	8,058	10,919	15,508	5,174,266	(12)	5,174,253

Note:

The adjustments of segment profit of ¥(14,205) 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 ¥6,590 million and elimination of inter-segment revenue or transfers of ¥(20,796) 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, 2025)

(Millions of Yen)

Japan	Overseas Subtotal	North America	Asia	Other	Total
5,109,771	3,585,755	498,754	2,076,558	1,010,442	8,695,526

(Year ended March 31, 2026)

(Millions of Yen)

Japan	Overseas Subtotal	North America	Asia	Other	Total
4,860,147	5,203,069	2,005,476	1,848,773	1,348,818	10,063,216

(Changes in presentation methods)

“North America” (¥498,754 million in the year ended March 31, 2025, which had been included in “Other”) has become material and therefore is independently presented for the year ended March 31, 2026. Notes for the year ended March 31, 2025 are reclassified to reflect the change in presentation method.

(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, 2025)

(Millions of Yen)

Japan	Overseas	North America	Other	Total
3,368,684	712,035	43,782	668,253	4,080,720

(As of March 31, 2026)

(Millions of Yen)

Japan	Overseas	North America	Other	Total
3,930,489	3,233,555	2,463,686	769,868	7,164,044

(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, 2026

Merger of United States Steel Corporation

(1) Overview

(a) Name of the acquiree and the description of its business

Name of the acquiree: United States Steel Corporation (U. S. Steel)

Description of business: Manufacturing and distribution of steel sheets for automotive, home appliances and building materials etc. and tubular for energy industry

(b) Acquisition date: June 18, 2025

(c) Ratio of acquired voting equity interest

Ratio of voting rights held prior to the acquisition date: 0%

Ratio of voting rights acquired on the acquisition date: 100%

Ratio of voting rights after acquisition: 100%

(d) Primary reason for business combination

As the “Best Steelmaker with World-Leading Capabilities,” the merger 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 February 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 investment 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 82 million tonnes per year, making it expand reach further. 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.

(e) Form of control acquisition of the acquirees

By way of a merger between U. S. Steel and a wholly-owned subsidiary established by Nippon Steel for the merger (reverse triangular merger)

(2) Consideration transferred

	(Millions of Yen)
Cash consideration transferred	2,058,018
Other payables	4,494
Total consideration transferred	2,062,513

Note:

The acquisition-related costs associated with the business combination of ¥21,984 million for the fiscal year ended March 31, 2025 and ¥7,814 million for the fiscal year ended March 31, 2026 were recognized as “Selling, general and administrative expenses” in the consolidated statements of profit or loss.

In addition, a closing bonus of ¥14,288 million for U. S. Steel employees was recorded as “Other operating expenses” in the consolidated statements of profit or loss for the fiscal year ended March 31, 2026.

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

The fair value of the assets acquired and liabilities assumed, non-controlling interests and goodwill has been confirmed at the end of fiscal year ended March 31, 2026.

	(Millions of Yen)
Current assets	1,003,644
Non-current assets	2,400,847
Total assets	3,404,492
Current liabilities	599,873
Non-current liabilities	904,060
Total liabilities	1,503,933
Total identifiable net assets acquired	1,900,558
Non-controlling interests (Note 1)	13,498
Total equity attributable to owners of the parent	1,887,059
Total consideration transferred	2,062,513
Basis adjustments (Note 2)	(35,102)
Goodwill (Note 3)	140,351

Note1:

Non-controlling interests are due to an Option Agreement granted by U. S. Steel to Stelco Inc.

Note2:

The Company entered into foreign exchange forward contracts to hedge the foreign exchange risk associated with the acquisition consideration and applied hedge accounting. The basis adjustment is the fair value of the hedging instruments at the acquisition date and is included in the initially recognized goodwill adjustment.

Note3:

The goodwill is attributable mainly to an excess earning power expected to be achieved from the synergies between the Group and the acquirees. The goodwill is not tax-deductible.

(4) Net cash used in the transaction

	(Millions of Yen)
Cash consideration transferred	2,058,018
Cash and cash equivalents held by the acquirees at the acquisition date	(62,048)
Basis adjustments	(35,102)
Net cash used in the transaction	1,960,868

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

	(Millions of Yen)
Revenue	1,933,070
Profit or loss	21,249

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

	(Millions of Yen)
Revenue	10,677,338
Profit or loss	19,904

Note:

The note has not been audited.

8. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows:

	(Millions of Yen)	
	As of March 31, 2025	As of March 31, 2026
Cash	671,973	433,893
Cash equivalents	553	27,368
Total	672,526	461,262

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, 2025	As of March 31, 2026
Notes and accounts receivable	1,309,998	1,595,774
Other	124,366	182,359
Allowance for doubtful receivables	(3,929)	(9,906)
Total	1,430,435	1,768,226

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, 2025	As of March 31, 2026
Merchandise and finished goods	1,207,139	1,471,448
Work in progress	112,832	113,694
Raw materials and supplies	879,123	1,190,868
Total	2,199,096	2,776,012

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, 2025	As of March 31, 2026
Inventories	4,727	466,475
Land	5,605	8,294
Buildings and structures	1,966	141,657
Machinery and vehicles	660	303,429
Other	6,523	207,206
Total	19,483	1,127,063

(Millions of Yen)		
Secured debts	As of March 31, 2025	As of March 31, 2026
Short-term borrowings	320	960
Bonds	—	115,000
Long-term borrowings (including current portion of long-term borrowings repayable within one year)	—	85,500
Other	888	—
Total	1,208	201,460

In addition to the pledged assets listed above, shares of associates are pledged as collateral (¥461 million, and ¥611 million as of March 31, 2025 and 2026, respectively).

(Changes in presentation methods)

“Inventories” (¥4,727 million in the year ended March 31, 2025, which had been included in “Other”) has become material and therefore is independently presented for the year ended March 31, 2026. Notes for the year ended March 31, 2025 are reclassified to reflect the change in presentation method.

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, 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
Acquisitions and reclassified from construction in progress	2,458	166,328	562,547	63,790	106,564	901,689
Acquisitions through business combinations	41,304	322,948	1,054,284	56,569	177,354	1,652,461
Disposals and sales	(5,197)	(5,748)	(12,987)	(6,292)	(570)	(30,796)
Depreciation	—	(72,687)	(346,078)	(42,304)	—	(461,070)
Effects of changes in foreign exchange rates	5,677	31,002	148,170	6,756	18,548	210,156
Other	(566)	(409)	2,765	(5,824)	(4,406)	(8,441)
As of March 31, 2026	716,152	1,236,582	2,977,170	174,858	794,819	5,899,583

Note:

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, 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
As of March 31, 2026	783,955	3,695,837	13,162,574	597,391	831,531	19,071,291

(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, 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
As of March 31, 2026	67,803	2,459,255	10,185,404	422,533	36,711	13,171,707

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	Customer-related intangible assets	Other	Total
As of April 1, 2024	70,207	123,781	30,271	18,212	5,588	248,061
Acquisitions	—	54,870	69,968	92	1,318	126,250
Amortization	—	(33,742)	(2,369)	(2,113)	(444)	(38,669)
Effects of changes in foreign exchange rates	1,432	480	522	261	(157)	2,539
Other	—	(982)	—	(2,283)	(44)	(3,310)
As of March 31, 2025	71,639	144,407	98,393	14,169	6,261	334,870
Acquisitions	—	67,460	—	21	7	67,489
Acquisitions through business combinations	168,753	16,174	281,853	210,470	12,757	690,009
Amortization	—	(44,854)	(15,381)	(12,598)	(1,602)	(74,436)
Effects of changes in foreign exchange rates	19,353	2,523	33,971	18,049	2,722	76,620
Other	—	69	(2,890)	—	813	(2,007)
As of March 31, 2026	259,746	185,780	395,946	230,112	20,960	1,092,546

Note:

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	Customer-related intangible assets	Other	Total
As of April 1, 2024	89,964	217,886	65,016	26,216	11,934	411,016
As of March 31, 2025	91,396	258,651	136,030	24,464	10,787	521,329
As of March 31, 2026	260,767	473,586	451,713	252,798	32,303	1,471,168

(Millions of Yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Software	Mining rights	Customer-related intangible assets	Other	Total
As of April 1, 2024	19,756	94,104	34,744	8,004	6,345	162,955
As of March 31, 2025	19,756	114,244	37,636	10,295	4,525	186,458
As of March 31, 2026	1,020	287,806	55,766	22,685	11,345	378,621

(Changes in presentation methods)

“Customer-related intangible assets” (included within “Other” in the year ended March 31, 2025) has become material and therefore is independently presented for the year ended March 31, 2026. Notes for the year ended March 31, 2025 are reclassified to reflect the change in presentation method.

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, 2025	Year ended March 31, 2026
Depreciation charge for right-of-use assets		
Buildings and structures	13,585	16,346
Machinery and vehicles	7,647	19,707
Tools, furniture and fixtures	2,672	2,356
Total depreciation	23,906	38,410
Interest expense on lease liabilities	636	2,849
Total cash outflow for leases	25,083	42,312
Additions to right-of-use assets	25,552	32,529
The carrying amount of right-of-use assets		
Buildings and structures	56,515	52,756
Machinery and vehicles	38,432	78,921
Tools, furniture and fixtures	6,986	7,799
Total balance of right-of-use assets	101,934	139,478

(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, 2025	As of March 31, 2026
Within 1 year	4,080	4,003
Over 1 but within 2 years	3,984	3,696
Over 2 but within 3 years	3,673	3,615
Over 3 but within 4 years	3,592	3,352
Over 4 but within 5 years	3,341	3,184
Over 5 years	32,131	29,106
Total	50,804	46,959

15. Interests in Subsidiaries, Associates and Others

(1) Principal subsidiaries

Principal subsidiaries of the Company as of March 31, 2026 are as follows:

Operating segment	Name	Address	% of voting rights interests
Steelmaking and Steel Fabrication	Sanyo Special Steel Co., Ltd.	Himeji City, Hyogo	100.0
	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	56.1
	NIPPON STEEL METAL PRODUCTS CO., LTD.	Chiyoda-ku, Tokyo	100.0
	Krosaki Harima Corporation	Kitakyushu City, Fukuoka	91.0
	NIPPON STEEL TEXENG. CO., LTD.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL LOGISTICS CO., LTD.	Chuo-ku, Tokyo	100.0
	NIPPON STEEL SG WIRE CO.,LTD.	Chiyoda-ku, Tokyo	100.0
	Geostr Corporation	Bunkyo-ku, Tokyo	* 45.0
	NIPPON STEEL WELDING & ENGINEERING Co., Ltd.	Koto-ku, Tokyo	100.0
	NIPPON STEEL DRUM CO., LTD.	Koto-ku, Tokyo	100.0
	NIPPON STEEL PROCESSING Co., LTD.	Sakai City, Osaka	68.3
	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
	United States Steel Corporation	Pennsylvania, U.S.A.	100.0
	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, U.S.A.	100.0
	WHEELING-NIPPON STEEL, INC.	West Virginia, U.S.A.	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, U.S.A.	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 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, 2025	As of March 31, 2026
Carrying amount of investments in associates	1,023,692	969,430

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

(Millions of Yen)

	Year ended March 31, 2025	Year ended March 31, 2026
Net profit or loss	82,808	55,728
Other comprehensive income	(9,895)	12,605
Total	72,913	68,333

(3) Investments in joint ventures

Carrying amount of investments in joint ventures is as follows:

(Millions of Yen)

	As of March 31, 2025	As of March 31, 2026
Carrying amount of investments in joint ventures	576,674	496,105

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

(Millions of Yen)

	Year ended March 31, 2025	Year ended March 31, 2026
Net profit or loss	44,091	29,683
Other comprehensive income	8,286	(45,537)
Total	52,378	(15,854)

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, 2025 and 2026.

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, 2025	As of March 31, 2026
Deferred tax assets		
Accrued bonus	39,491	39,859
Defined benefit liabilities	33,054	23,296
Impairment losses on assets	48,660	40,746
Unused tax losses	5,201	85,387
Elimination of unrealized gains on property, plant and equipment and others	58,131	59,852
Losses on inactive facilities	73,066	59,365
Other	76,533	172,127
Total deferred tax assets	334,140	480,636
Deferred tax liabilities		
Equity securities	(66,581)	(93,798)
Defined benefit assets	(36,671)	(51,117)
Investments in subsidiaries	(14,316)	(136,374)
Investments in equity-method affiliates and others	(150,005)	(144,336)
Property, plant and equipment and intangible assets	(55,699)	(241,648)
Other	(12,807)	(106,225)
Total deferred tax liabilities	(336,080)	(773,499)
Net deferred tax assets (liabilities)	(1,940)	(292,863)

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

(Changes in presentation methods)

“Investments in subsidiaries” (in the year ended March 31, 2025, ¥14,316 million was included within “Undistributed earnings”) and “Property, plant and equipment and intangible assets” (in the year ended March 31, 2025, ¥55,699 million was included within “Special tax purpose reserves and other”) have become material and therefore are independently presented for the year ended March 31, 2026. Notes for the year ended March 31, 2025 are reclassified to reflect the change in presentation method. In addition, in connection with the independent presentation, “Undistributed earnings” in the year ended March 31, 2025 has been renamed “Investments in equity-method affiliates and others” from the year ended March 31, 2025 and “Special tax purpose reserves and other” in the year ended March 31, 2025 has been renamed “Other” from the year ended March 2026.

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

	(Millions of Yen)	
	Year ended March 31, 2025	Year ended March 31, 2026
Balance at beginning of the year	(64,638)	(1,940)
Recognized in profit or loss	84,210	(40,875)
Recognized in other comprehensive income	(6,962)	(50,276)
Effect of changes in scope of consolidation and other	(14,550)	(199,772)
Balance at end of the year	(1,940)	(292,863)

(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, 2025	As of March 31, 2026
Carryforward of unused tax losses	29,836	42,455
Deductible temporary differences	220,871	253,156
Total	250,708	295,612

(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, 2025	As of March 31, 2026
Within 1 year	1,932	1,316
Over 1 year but within 2 years	877	299
Over 2 years but within 3 years	158	14,746
Over 3 years but within 4 years	14,278	10,541
Over 4 years	12,589	15,552
Total	29,836	42,455

(2) Income tax expense

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

	(Millions of Yen)	
	Year ended March 31, 2025	Year ended March 31, 2026
Current taxes	225,615	87,184
Deferred taxes	(84,210)	40,875
Total	141,405	128,059

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

	Year ended March 31, 2025	Year ended March 31, 2026
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Share of profit in investments accounted for using the equity method	(3.8)	(10.6)
Effects of expense not deductible for tax purposes	0.4	1.3
Effects of income not taxable for tax purposes	(0.5)	(1.0)
Effects of differences in statutory tax rates applied to companies in Japan and foreign companies	(1.6)	(8.8)
Effects of changes in unrecognized deferred tax assets	3.8	12.7
Effects of the transfer of equity interests in AM/NS Calvert	—	49.9
Other	(2.0)	0.2
Average effective tax rate	27.0	74.1

(3) Revision of deferred tax assets and deferred tax liabilities due to changes in the income tax rate
(Year ended March 31, 2025)

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:

	As of March 31, 2025	As of March 31, 2026
Notes and trade accounts payable	774,020	1,139,415
Other payables	637,291	816,900
Other	260,041	383,792
Total	1,671,352	2,340,108

(Millions of Yen)

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, 2025	Average interest rate (%)	As of March 31, 2026	Average interest rate (%)	Maturity date
Short-term borrowings	167,530	3.6	167,112	3.0	—
Current portion of long-term borrowings repayable within one year	173,898	1.6	226,170	1.0	—
Current portion of bonds repayable within one year	70,000	0.3	54,205	1.3	—
Current portion of lease liabilities repayable within one year	22,055	1.1	43,516	1.9	—
Commercial papers	39,982	0.6	15,000	1.1	—
Long-term borrowings	1,341,503	1.1	2,895,691	1.9	July 22, 2080
Bonds	610,601	1.2	1,669,471	2.2	September 12, 2079
Lease liabilities	81,921	1.1	103,086	1.9	March 31, 2076
Total	2,507,492		5,174,253		

Note:

“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, 2025	As of March 31, 2026	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 4 th Issue of Unsecured Corporate Bonds	May 25, 2017	10,000	10,000	May 20, 2027
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	—	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	—	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 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 2 nd Issue of Unsecured Subordinated Corporate Bonds (Note 2)	September 12, 2019	30,000	30,000	September 12, 2079
The 3 rd Issue of Unsecured Subordinated Corporate Bonds (Note 3)	September 12, 2019	200,000	200,000	September 12, 2079
The 5 th Issue of Unsecured Corporate Bonds	June 17, 2020	30,000	—	June 20, 2025
The 6 th Issue of Unsecured Corporate Bonds	June 17, 2020	10,000	10,000	June 20, 2030
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 4)	June 13, 2024	67,500	67,500	June 13, 2059
The 5 th Issue of Unsecured Subordinated Corporate Bonds (Note 5)	June 13, 2024	20,000	20,000	June 13, 2061
The 6 th Issue of Unsecured Subordinated Corporate Bonds (Note 6)	June 13, 2024	80,000	80,000	June 13, 2064
Euro-yen Denominated Convertible Bonds with Stock Acquisition Rights Due 2029	March 12, 2026	—	300,000	February 14, 2029
Euro-yen Denominated Convertible Bonds with Stock Acquisition Rights Due 2031	March 12, 2026	—	300,000	February 14, 2031
Bonds issued by United States Steel Corporation				
2037 Senior Notes (Note 7)	May 21, 2007	—	43,829 [US\$ 274 million]	June 1, 2037
2029 Senior Notes (Note 7)	February 11, 2021	—	75,942 [US\$ 475 million]	March 1, 2029
Environmental Revenue Bonds (Note 7)	August 17, 2012 - March 24, 2026	—	296,472 [US\$ 1,854 million]	December 1, 2026 - May 1, 2053
Bonds issued by Big River Steel				
Environmental Revenue Bonds (Note 7)	May 21, 2019	—	255 [US\$ 2 million]	September 1, 2049
2029 Senior Notes (Note 7)	September 18, 2020	—	115,113 [US\$ 720 million]	January 31, 2029
Total		682,500	1,744,114	

Note1:

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.

Note2:

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.

Note3:

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.

Note4:

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.

Note5:

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.

Note6:

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.

Note7:

Amounts in brackets are denominated in U.S. dollars.

(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, 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
Cash flows from financing activities	(7,739)	(24,982)	1,547,413	530,000	(39,463)	2,005,228
Effects of changes in scope of consolidation	(179)	—	31,544	493,420	40,072	564,857
Effects of changes in foreign exchange rates	7,501	—	23,255	50,591	5,247	86,595
Other	—	—	4,245	(30,936)	36,770	10,079
As of March 31, 2026	167,112	15,000	3,121,861	1,723,676	146,603	5,174,253

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. Certain North American consolidated subsidiaries participate in the multi-employer plan. In addition, certain consolidated subsidiaries in North America provide mainly health care and life insurance benefits to retired employees.

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, 2025	Year ended March 31, 2026
Present value of defined benefit obligations	(527,535)	(1,270,965)
Fair value of plan assets	593,804	1,442,718
Effect of asset ceiling	(61,405)	(169,684)
Net defined benefit assets (liabilities)	4,863	2,069
Defined benefit assets	116,415	162,276
Defined benefit liabilities	(111,552)	(160,207)
Net defined benefit assets (liabilities)	4,863	2,069

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, 2025	Year ended March 31, 2026
The effect of the asset ceiling at beginning of year	(39,272)	(61,405)
Interest income	(625)	(3,698)
Remeasurements		
Changes in the effect of the asset ceiling	(21,507)	(50,259)
Effects of business combinations	—	(49,188)
Foreign currency translation adjustments and other items	—	(5,132)
The effect of the asset ceiling at end of year	(61,405)	(169,684)

(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, 2025	Year ended March 31, 2026
Balance at beginning of the year	554,444	527,535
Current service cost	28,273	28,859
Interest cost	7,895	43,160
Actuarial gains and losses	(43,072)	(54,092)
Past service cost	(2,038)	278
Benefits paid	(22,968)	(85,215)
Effects of business combinations	—	729,767
Foreign currency translation adjustments	728	77,967
Other	4,272	2,705
Balance at end of the year	527,535	1,270,965

Note: The weighted average duration of the defined benefit obligations for the years ended March 31, 2025 and 2026 is 14.0 years and 10.5 years, respectively.

(Changes in presentation methods)

“Foreign currency translation adjustments” (¥728 million in the year ended March 31, 2025, which had been included in “Other”) has become material and therefore is independently presented for the year ended March 31, 2026. Notes for the year ended March 31, 2025 are reclassified to reflect the change in presentation method.

(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, 2025	Year ended March 31, 2026
Balance at beginning of the year	604,986	593,804
Interest income	9,481	45,339
Return on plan assets, excluding interest income	2,293	60,504
Employer contributions	13,836	14,863
Benefits paid	(13,248)	(69,710)
Effects of business combinations	—	724,851
Foreign currency translation adjustments	(32)	75,556
Other	(23,511)	(2,491)
Balance at end of the year	593,804	1,442,718

Note: The Group expects to contribute ¥14,640 million to the defined benefit plans for the year ending March 31, 2027.

(Changes in presentation methods)

“Foreign currency translation adjustments” (¥(32) million in the year ended March 31, 2025, which had been included in “Other”) has become material and therefore is independently presented for the year ended March 31, 2026. Notes for the year ended March 31, 2025 are reclassified to reflect the change in presentation method.

(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, 2025		As of March 31, 2026	
	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	113,779	—	456,435	—
Equity investments	207,209	—	487,517	—
Cash and cash equivalents	24,038	—	58,018	—
General accounts at life insurance company	—	163,322	—	168,890
Other	—	85,455	—	271,855
Total	345,027	248,777	1,001,972	440,746

(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, 2025	As of March 31, 2026
Discount rate	Mainly 2.3%	Mainly 5.0%

Note:

The discount rate represents the weighted average of the discount rates used in the actuarial calculations for the Company and its major consolidated subsidiaries.

(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, 2025	As of March 31, 2026
Effects of incremental increase in discount rate by 0.5%	¥28,033 million decrease	¥51,450 million decrease

Note:

The sensitivity analysis assumes that other assumptions remain unchanged.

(8) Defined contribution plans

The amounts recognized as expenses for defined contribution plans (including multi-employer plans which are accounted for as a defined contribution plan) are ¥11,106 million and ¥31,568 million for the years ended March 31, 2025 and 2026, respectively.

(9) Multi-employer plans**(a) Overview**

Certain North American consolidated subsidiaries participate in a multi-employer defined benefit plan (Steelworkers Pension Trust, hereinafter referred to as “SPT”). Contributions are based on the contribution rate per hour worked as stipulated in the labor agreement. Since the amount of plan assets corresponding to the contribution by the companies cannot be reasonably calculated, the amount of contribution required is accounted for as a defined contribution plan.

SPT carries the following risks:

- (i) Contributions made by North American consolidated subsidiaries to SPT may be used to provide benefits to employees of other participating employers.
- (ii) If a participating employer ceases contributions to SPT, the remaining participating employers may assume any unfunded obligations of the plan.
- (iii) If North American consolidated subsidiaries choose to withdraw from SPT, the subsidiaries may be required to pay an amount based on the plan’s funding shortfall.

(b) Recent financial position of multi-employer plans

Based on the most recent information available, the overall financial position of the plan is as follows:

(Millions of Yen)		
	Year ended March 31, 2025	Year ended March 31, 2026
Benefit obligations based on pension finance calculation	—	1,162,638
Pension assets	—	1,147,121
Net amount	—	15,516

(c) Ratio of the Group's contributions to multi-employer plans

Based on the most recent information available, the overall financial position of the plan is as follows:

Year ended March 31, 2026 29.7%

(d) Contributions to multi-employer plans

The Group expects to contribute 12,862 million yen to the plan for the year ending March 31, 2027.

(10) Employee benefits expenses

The Group recognized employee benefits expenses of ¥1,088,137 million for the year ended March 31, 2025 and ¥1,446,400 million for the year ended March 31, 2026, 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:

(Thousands of Shares)		
	Number of shares authorized to be issued	Number of shares outstanding
As of April 1, 2024	2,000,000	950,549
Changes	—	124,177
As of March 31, 2025	2,000,000	1,074,726
Changes	8,000,000	4,298,907
As of March 31, 2026	10,000,000	5,373,633

Note1:

All the shares authorized to be issued and shares outstanding are without par value. All the shares outstanding are fully paid.

Note2:

During the year ended March 31, 2025, the number of shares outstanding increased due to the exercises of the stock acquisition rights of the convertible bonds.

Note3:

The changes in the number of shares authorized to be issued and number of shares outstanding during the year ended March 31, 2026 were attributable to a stock split at a ratio of five (5) shares for every one share effective October 1, 2025.

- Capital surplus

Capital surplus comprises 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.

The amount classified as the equity component of convertible bonds with stock acquisition rights at the time of issuance is recognized in capital surplus as part of a compound financial instrument.

- 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:

(Thousands of Shares)

	Number of shares
As of April 1, 2024	29,510
Changes	27
As of March 31, 2025	29,538
Changes	117,801
As of March 31, 2026	147,339

Note1:

The Company implemented a stock split at a ratio of five (5) shares for every one share effective October 1, 2025.

Note2:

The Company has adopted a performance-linked stock compensation system utilizing a trust. Shares of the Company held by the trust are included in treasury stock as of March 31, 2026. (3,130,300 shares)

21. Dividends

The dividends paid by the Company are as follows:

(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

(Year ended March 31, 2026)

(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 24, 2025	Ordinary shares	83,703	80	March 31, 2025	June 25, 2025
Board of directors meeting held on November 5, 2025	Ordinary shares	62,777	60	September 30, 2025	December 4, 2025

Note:

The Company implemented a stock split at a ratio of five (5) shares for every one share effective October 1, 2025. The dividends per share are stated as the amount before the stock split.

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

Date of resolution	Class of share	Source of dividends	Total amount of dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on June 23, 2026	Ordinary shares	Retained earnings	62,814	12	March 31, 2026	June 24, 2026

Note1:

The Company implemented a stock split at a ratio of five (5) shares for every one share effective October 1, 2025. The dividends per share are stated as the amount after the stock split.

Note2:

The total amount of dividends includes dividends of ¥37 million on shares held by a trust in connection with a performance-linked stock compensation system.

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, 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.

(Year ended March 31, 2026)

(Millions of Yen)

	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Consolidated
Japan	4,145,071	287,807	141,919	285,348	4,860,147
Asia	1,676,989	69,707	95,108	6,968	1,848,773
Middle East	179,071	—	96	—	179,168
Europe	653,992	—	1,826	39	655,858
North America	2,004,496	2	713	265	2,005,476
Central and South America	414,023	—	171	14	414,209
Africa	81,611	—	—	—	81,611
Pacific	17,971	—	0	—	17,971
Total	9,173,227	357,517	239,835	292,636	10,063,216

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, 2024	As of March 31, 2025	As of March 31, 2026
Receivables	1,361,399	1,250,807	1,489,556
Contract assets	111,182	59,190	106,217
Contract liabilities	56,634	52,584	58,550

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, 2024 and 2025 and recognized as revenue for the years ended March 31, 2025 and 2026 amounted to ¥53,722 million and ¥42,688 million, respectively.

The amount recognized as revenue for the years ended March 31, 2025 and 2026 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, 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

(Millions of Yen)

	As of March 31, 2026	Engineering and Construction	System Solutions
Within 1 year	299,937	189,693	110,243
Over 1 year	234,826	197,725	37,101
Total	534,763	387,418	147,345

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. Government grants

Government grants received by the Group mainly relate to the acquisition of property, plant and equipment. Government grants recognized during the year ended March 31, 2026 amounted to ¥33,122 million. Of this amount, grants related to assets are deducted from the acquisition cost of the assets, while grants related to income are mainly deducted from research and development expenses. In addition, there are no unfulfilled conditions or other contingencies attached to these government grants.

24. Selling, General and Administrative Expenses

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

	(Millions of Yen)	
	Year ended March 31, 2025	Year ended March 31, 2026
Transportation and storage	226,426	324,157
Salaries and bonuses	212,078	255,588
Retirement benefit expenses	7,700	10,604
Research and development expenses	65,156	71,219
Depreciation and amortization	36,241	53,278
Other	268,214	279,119
Total	815,817	993,968

(Changes in presentation methods)

“Retirement benefit expenses” (¥7,700 million in the year ended March 31, 2025, which had been included in “Other”) has become material and therefore is independently presented for the year ended March 31, 2026. Notes for the year ended March 31, 2025 are reclassified to reflect the change in presentation method.

25. Research and Development Expenses

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

	(Millions of Yen)	
	Year ended March 31, 2025	Year ended March 31, 2026
Research and development expenses	80,794	82,788

Note: The above amount is net of government grants of ¥1,601 million recognized during the year ended March 31, 2026.

26. 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, 2025	Year ended March 31, 2026
Dividends received	14,836	13,141
Foreign exchanges gains (net)	7,041	24,514
Gain on sale of fixed assets	4,777	27,369
Other	53,189	43,757
Total	79,845	108,782

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

(Changes in presentation methods)

“Gain on sale of fixed assets” (¥4,777 million in the year ended March 31, 2025, which had been included in “Other”) has become material and therefore is independently presented for the year ended March 31, 2026. Notes for the year ended March 31, 2025 are reclassified to reflect the change in presentation method.

(2) Other operating expenses

	(Millions of Yen)	
	Year ended March 31, 2025	Year ended March 31, 2026
Losses on disposal of fixed assets	35,607	39,647
Other	43,736	91,258
Total	79,343	130,906

27. 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.

28. Losses on reorganization

(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.

(Year ended March 31, 2026)

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

Losses on business withdrawal and others ¥271,225 million

In the Steelmaking and Steel Fabrication segment, the Company mainly recorded losses from the transfer of all shares of NS Kote, Inc., which held 50% of interest in AM/NS Calvert LLC, a joint venture engaged in the manufacture and sale of steel sheet products in the United States, as well as losses from the transfer of the interest in Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS), which is engaged in the manufacture and sale of steel sheet products in Brazil.

29. 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, 2025	Year ended March 31, 2026
Interest income	20,786	20,212
Other	54	10,920
Total	20,841	31,132

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

(2) Finance costs

	(Millions of Yen)	
	Year ended March 31, 2025	Year ended March 31, 2026
Interest expense	38,196	89,603
Other	6,227	11,618
Total	44,423	101,222

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

30. 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, 2025	As of March 31, 2026
Steelmaking and Steel Fabrication	65,387	225,091
Engineering and Construction	1,226	1,226
Chemicals and Materials	—	—
System Solutions	5,025	33,427
Total	71,639	259,746

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 mainly 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, 2026 is calculated based on the weighted average cost of capital of each cash-generating unit which is the pre-tax discounted rate of mainly 8.0%-12.0% (6.0% for the year ended March 31, 2025).

31. Other Comprehensive Income

The components of other comprehensive income are as follows:

(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 financial assets measured at fair value through other comprehensive income	—	—	—	—	—
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

Note: “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, 2026)

(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	104,851	—	104,851	(32,348)	72,502
Remeasurements of defined benefit assets	64,338	—	64,338	(18,694)	45,643
Share of other comprehensive income of investments accounted for using the equity method	6,167	—	6,167	—	6,167
Subtotal	175,356	—	175,356	(51,043)	124,313
Items that might be reclassified to profit or loss					
Changes in fair value of financial assets measured at fair value through other comprehensive income	201	(581)	(379)	89	(290)
Changes in fair value of cash flow hedges	29,759	(7,097)	22,661	1,326	23,987
Foreign exchange differences on translation of foreign operations	238,326	(32,748)	205,578	(648)	204,930
Share of other comprehensive income of investments accounted for using the equity method	(24,893)	(14,206)	(39,099)	—	(39,099)
Subtotal	243,394	(54,633)	188,760	767	189,527
Total	418,751	(54,633)	364,117	(50,276)	313,841

Note:

“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.

32. 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, 2025	Year ended March 31, 2026
Profit for the year attributable to owners of the parent	350,227	17,158
Profit for the year not attributable to ordinary equity holders of the parent	—	—
Profit for the year used to calculate basic earnings per share	350,227	17,158

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

	(Shares)	
	Year ended March 31, 2025	Year ended March 31, 2026
Weighted average number of ordinary shares outstanding	4,990,068,380	5,226,245,904

Note1:

The Company implemented a stock split at a ratio of five (5) shares for every one share effective October 1, 2025. Accordingly, the weighted average number of ordinary shares outstanding is calculated as if the stock split had occurred at the beginning of the fiscal year ended March 31, 2025.

Note2:

Upon calculation of basic earnings per share, the Company's ordinary shares held by a trust in connection with a performance-linked stock compensation system are included in the treasury stock which is deducted from the number of shares outstanding when the average number of shares during the period are calculated.

(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, 2025	Year ended March 31, 2026
Profit for the year used to calculate basic earnings per share	350,227	17,158
Adjustment to profit	—	—
Profit for the year used to calculate diluted earnings per share	350,227	17,158

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

	(Shares)	
	Year ended March 31, 2025	Year ended March 31, 2026
Weighted average number of ordinary shares outstanding	4,990,068,380	5,226,245,904
Dilutive effect	234,722,390	—
Convertible bonds with stock acquisition rights	—	182,105
Performance-linked stock compensation system		
Weighted average number of ordinary shares used to calculate diluted earnings per share	5,224,790,770	5,226,428,009

Note1:

The Company implemented a stock split at a ratio of five (5) shares for every one share effective October 1, 2025. Accordingly, dilutive effects are calculated as if the stock split had occurred at the beginning of the fiscal year ended March 31, 2025.

Note2:

The potential shares (62,911,209 shares) related to convertible bonds with stock acquisition rights outstanding during the fiscal year ended March 31, 2026, have an anti-dilutive effect and are therefore excluded from the calculation of diluted earnings per share.

33. Share-based payment

(1) Overview of share-based payment plans

The Group has adopted a performance-linked stock compensation system utilizing a trust and other methods for the directors of the Company in Japan (excluding directors who are Audit & Supervisory Committee Members and Outside Directors) and executive officers in Japan (collectively, the "Eligible Officers"). These plans are intended to align the interests of the Eligible Officers with those of shareholders by enabling them to share the benefits and risks arising from fluctuations in the Company's share price, thereby further enhancing their motivation to contribute to the improvement of medium- to long-term performance and corporate value.

The Company has established a share delivery trust (the “Trust”) with the Eligible Officers as beneficiaries, and grants points (one point representing five shares) to the Eligible Officers in accordance with the share delivery rules.

The Trust acquires the Company’s shares using funds contributed by the Company and, in principle, delivers those shares to the Eligible Officers at a prescribed time after their retirement, subject to completion of the prescribed beneficiary determination procedures.

(2) Changes in the number of shares represented by points under the Company’s performance-linked stock compensation system and the weighted average fair value of such shares

	Year ended March 31, 2025	Year ended March 31, 2026
Balance at beginning of the year(Shares)	—	—
Grant(Shares)	—	472,870
Delivery(Shares)	—	—
Balance at end of the year(Shares)	—	472,870
Weighted average fair value(Yen)	—	673.9

(3) Share-based payment expenses in the Group

The total share-based payment expenses included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss for the year ended March 31, 2026 amounted to ¥346 million.

34. 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, 2025	As of March 31, 2026
ROE (%)	6.9	0.3
D/E Ratio (times)	0.47 *0.35	0.94 *0.71

*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 and debt instruments

The fair values of marketable equity instruments and marketable debt instruments are measured using quoted market prices at the end of the reporting period.

The fair values of non-marketable equity instruments and non-marketable debt instruments are 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, 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
Equity instruments	—	—	—	—
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

Note1:

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

Note2:

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 from Contracts with Customers” 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

Note1:

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

Note2:

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.

(As of March 31, 2026)

Financial assets

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current assets				
Cash and cash equivalents	461,262	—	—	461,262
Trade and other receivables	1,662,009	—	—	1,662,009
Other financial assets	29,856	12,533	12,315	54,705
Equity instruments	—	*7,335	—	7,335
Derivatives	—	1,942	10,915	12,857
Debt instruments	29,856	*3,255	*1,400	34,511
Non-current assets				
Other financial assets	45,998	51,410	439,465	536,875
Equity instruments	—	*35,505	425,274	460,779
Derivatives	—	150	7,414	7,564
Debt instruments	45,998	*15,755	*6,776	68,530

Note1:

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

Note2:

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 from Contracts with Customers” which amounts to ¥106,217 million.

* Financial assets marked with an asterisk (*) are financial assets held by United States Steel Corporation (“U. S. Steel”). These financial assets are utilized for employee benefits for active employees and retirees of the United Steelworkers (“USW”) in accordance with agreements between U. S. Steel and USW.

Financial liabilities

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current liabilities				
Trade and other payables	2,340,108	—	—	2,340,108
Bonds and borrowings	462,487	—	—	462,487
Other financial liabilities Derivatives	—	52	5,441	5,493
Non-current liabilities				
Bonds and borrowings	4,565,162	—	—	4,565,162
Other financial liabilities Derivatives	—	805	79	884
Other non-current liabilities	477,567	—	—	477,567

Note1:

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

Note2:

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 ¥21,284 million.

(e) Financial instruments measured at fair value

(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				
Equity instruments	—	—	—	—
Derivatives	—	1,464	—	1,464
Debt instruments	—	—	—	—
FVOCI				
Other financial assets				
Equity instruments	256,903	—	81,190	338,094
Derivatives	—	23,136	—	23,136
Debt instruments	—	—	—	—

Note:

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

Note:

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

(As of March 31, 2026)

Financial assets measured at fair value

(Millions of Yen)				
FVPL	Level 1	Level 2	Level 3	Total
Other financial assets				
Equity instruments	*3,220	—	*39,620	42,841
Derivatives	—	2,092	—	2,092
Debt instruments	*17,351	*1,659	—	19,010
FVOCI				
Other financial assets				
Equity instruments	337,872	—	87,402	425,274
Derivatives	—	18,330	—	18,330
Debt instruments	*8,176	—	—	8,176

Note:

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

* Financial assets marked with an asterisk (*) are financial assets held by United States Steel Corporation (“U. S. Steel”). These financial assets are utilized for employee benefits for active employees and retirees of the United Steelworkers (“USW”) in accordance with agreements between U. S. Steel and USW.

Financial liabilities measured at fair value

(Millions of Yen)				
FVPL	Level 1	Level 2	Level 3	Total
Other financial liabilities				
Derivatives	—	858	—	858
FVOCI				
Other financial liabilities				
Derivatives	—	5,520	—	5,520

Note:

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, 2025	Year ended March 31, 2026
Balance at beginning of the year	82,926	81,190
Net changes in fair value	(1,588)	6,073
Acquisitions	1,663	4,055
Sale / settlements	(1,866)	(2,746)
Effects of changes in scope of consolidation	75	38,178
Other	(19)	270
Balance at end of the year	81,190	127,022

(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, 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

(As of March 31, 2026)

(Millions of Yen)

Nittetsu Mining Co., Ltd.	20,177
Mitsubishi UFJ Financial Group, Inc.	19,827
Daido Steel Co., Ltd.	19,822
Sankyu Inc.	17,982
MITSUI & CO., LTD.	17,272

- (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, 2025	Year ended March 31, 2026
Fair value at the time of derecognition	230,786	24,973
Cumulative gains or losses on disposal (net of tax)	113,361	13,174

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

(Millions of Yen)

	Year ended March 31, 2025	Year ended March 31, 2026
Investment derecognized in the reporting period	4,530	500
Investment held at the end of reporting period	10,306	12,640
Total	14,836	13,141

(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, 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

(As of March 31, 2026)

(Millions of Yen)

	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets (Current)				
Other financial assets				
Debt instruments	29,856	29,774	—	40
Financial assets (Non-current)				
Other financial assets				
Debt instruments	45,998	8,745	—	37,063
Financial liabilities (Current)				
Bonds and borrowings	462,487	54,099	—	408,282
Financial liabilities (Non-current)				
Bonds and borrowings	4,565,162	1,076,887	—	3,451,825

Note:

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 the liability component of a convertible bond with stock acquisition rights is measured at the present value of the total amounts of principal and interest 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, 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 foreign exchange forward contracts, currency swaps, and foreign currency borrowings to hedge foreign currency risk arising from sales, capital transactions, investing and financing activities as part of its business activities.

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 as of March 31, 2025 and 2026 are as follows.

(Millions of USD)

	As of March 31, 2025	As of March 31, 2026
Net exposure (liability)	2,014	1,307

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, 2025 and 2026 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, 2025	Year ended March 31, 2026
Impacts on profit before income taxes	(3,011)	(2,089)

(ii) Interest rate risk

Bonds, borrowings and lease liabilities are floating-rates debts. The interest expenses vary depending on interest rates. The Group enters into interest rate swap contracts in order to mitigate the risk of fluctuations in interest payments on bonds, borrowings and lease liabilities, and to maintain the proportion of assets and liabilities bearing fixed and variable interest rates.

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, 2025	Year ended March 31, 2026
Impacts on profit before income taxes	(2,832)	(20,012)

(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 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 on trade receivables, which are significant financial assets for the Group, is calculated by applying the historical credit loss rates for similar assets to the carrying amount. In addition, for financial assets for which credit risk has increased significantly, the allowance is recognized and measured based on the estimated uncollectible amount, which is determined through an individual assessment of the recoverability.

(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, 2025	As of March 31, 2026
Current	1,395,749	1,743,265
Within 90 days	30,639	22,564
Over 90 days and within 1 year	4,059	5,969
Over 1 year	3,916	6,334
Total	1,434,364	1,778,133

(iii) Changes in allowance for doubtful accounts

The changes in allowance for doubtful accounts are as follows:

	(Millions of Yen)	
	Year ended March 31, 2025	Year ended March 31, 2026
Balance at beginning of the year	12,466	7,659
Increase during the year	2,635	14,508
Decrease during the year	(7,588)	(1,352)
Effects of changes in scope of consolidation	—	4,185
Other	145	438
Balance at end of the year	7,659	25,439

(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 37 "Guarantees".

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

As of March 31, 2026

(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	2,340,108	2,340,108	2,340,108	—	—
Borrowings	3,288,973	3,294,898	393,282	822,017	2,079,598
Bonds	1,723,676	1,744,114	54,198	931,337	758,578
Lease liabilities	146,603	146,603	43,516	75,941	27,144
Commercial paper	15,000	15,000	15,000	—	—
Derivatives	6,378	6,378	5,493	365	519
Total	7,520,741	7,547,103	2,851,601	1,829,661	2,865,841

(5) Derivatives and hedge accounting

(a) Impacts on the consolidated statement of financial position

(i) Carrying amount (fair value) of designated hedging instruments

As of March 31, 2025

(Millions of Yen)

Types of hedges	Hedging instruments	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
Cash flow hedge total		716,341	166,612	23,136	743
Hedges of net investments in foreign operations	US\$ borrowings				

As of March 31, 2026

(Millions of Yen)					
Types of hedges	Hedging instruments	Notional amount		Carrying amount (Fair value) (Note)	
		Total	Settlement in excess of one year	Assets	Liabilities
Cash flow hedge	Foreign exchange forward contract	468,959	7,963	5,781	677
	Interest rate swap	456,972	456,972	3,940	
	Currency swap	49,651	33,187	5,730	
	Commodity derivative	110,997	1,406	2,877	4,842
Cash flow hedge total		1,086,580	499,528	18,330	5,520
Hedges of net investments in foreign operations	US\$ borrowings	594,596	594,596		594,596

Note:

The carrying amounts (fair value) of assets related to hedging instruments are included in “Other financial assets”. The carrying amounts (fair value) of liabilities related to hedging instruments are included in “Other financial liabilities” and “Bonds, borrowings and lease 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, 2025		As of March 31, 2026	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contract	183	115	1,754	338
Interest swap	1,281	—	337	—
Currency swap	—	—	—	—
Total	1,464	115	2,092	338

(b) Impacts on the consolidated statements of profit or loss and comprehensive income

The changes in fair value of hedging instruments designated as cash flow hedges and hedges of net investments in foreign operations of the Group recognized in other comprehensive income in the consolidated statements of comprehensive income are as follows.

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	Transfer to non-financial assets	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)	—	
Foreign currency risk arising from net investments	—	—	—	—

Year ended March 31, 2026

(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	Transfer to non-financial assets	The account in which the reclassification adjustment to profit or loss is recognized
Foreign currency risk	31,060	(5,461)	(35,102)	Other operating income / Other operating expenses
Interest rate risk	664	(781)	—	Finance income / Finance costs
Other	(1,965)	(854)	—	—
Total	29,759	(7,097)	(35,102)	
Foreign currency risk arising from net investments	35,217	—	—	—

35. Related Parties

(1) Related party transactions

Details of significant transactions with related parties are as follows:

Year ended March 31, 2025

(Millions of Yen)

Category	Name	Description of transaction	Amount of transaction	Account	Outstanding balance
Joint venture	AMNS Luxembourg Holding S.A.	Guarantee*	402,338	—	—

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

Year ended March 31, 2026

(Millions of Yen)

Category	Name	Description of transaction	Amount of transaction	Account	Outstanding balance
Joint venture	AMNS Luxembourg Holding S.A.	Guarantee*	474,097	—	—

* The Company provided a guarantee for 40% of the funds 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, 2025	Year ended March 31, 2026
Salary	2,311	2,346
Share-based payment	—	237
Total	2,311	2,584

36. Commitments

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

(Millions of Yen)

	As of March 31, 2025	As of March 31, 2026
Contractual commitments related to acquisition of property, plant and equipment and intangible assets	789,279	1,082,231

37. Guarantees

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

(Millions of Yen)

	As of March 31, 2025	As of March 31, 2026
Guarantees for the obligations of joint ventures and associates	450,184	476,236

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

38. Subsequent Events

There are no significant subsequent events.

(Financial Information)

Principal Subsidiaries and Affiliates (As of March 31, 2026)

Company	Paid-in Capital (Millions of yen)	% of voting rights interest	Business Content
Steelmaking and Steel Fabrication (521 companies) Principal Consolidated Subsidiaries			
Sanyo Special Steel Co., Ltd.	53,800	100.0	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	56.1 (0.5)	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	91.0	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 LOGISTICS CO., LTD.	4,000	100.0	Undertakes ocean and land transportation and warehousing
NIPPON STEEL SG WIRE CO., LTD.	3,634	100.0	Makes and markets bars and wire rods
Geostr Corporation	3,352	45.0 (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	68.3 (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
United States Steel Corporation	USD5,787million (Share Capital)	100.0 (100.0)	Makes and markets steel products

Company	Paid-in Capital (Millions of yen)	% of voting rights interest	Business Content
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

Steelmaking and Steel Fabrication (521 companies) Principal Affiliates Accounted for by the Equity Method

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 (36 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.
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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
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System Solutions (28 companies) Principal Consolidated Subsidiaries

NS Solutions Corporation	12,952	63.4	Provides computer systems engineering and consulting services; IT-enabled outsourcing and other services
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Other (1 company)

Note1:

Total consolidated subsidiaries: 493 companies.

Note2:

Total equity-method affiliates (consisting of associates, joint ventures accounted for by the equity method and joint operations): 112 companies.

Note3:

Voting rights ratio in parentheses stands for indirect voting rights ratio (%) and is included in voting rights ratio as the Group.



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
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. 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. The balance of property, plant and equipment and intangible assets used in the Steelmaking and Steel Fabrication segment is material. In addition, determination as to whether there is any impairment indication involves management judgment, because such determination is made based on information available from internal and external sources at the timing when they are practically available in normal business activities. Furthermore, when there is an indication of impairment of any non-financial assets and an impairment loss is recognized as a result, the amount of the impairment loss might be material, considering the amount of the balance of the non-financial assets. 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.	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: (1) Internal control testing 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. (2) Assessment of the appropriateness of the judgment concerning the identification of an impairment indication To assess the appropriateness of Company's judgment concerning the identification of an impairment indication, among others, we: - 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 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.

/s/ Yutaka Terasawa

Designated Engagement Partner

Certified Public Accountant

/s/ Makoto Yamada

Designated Engagement Partner

Certified Public Accountant

/s/ 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.

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		2,581,874	2,335,493
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		2,776,874	2,703,584
Total liabilities		5,358,748	5,039,077
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		4,777,727	5,383,311
Non-controlling interests		578,150	520,069
Total equity		5,355,878	5,903,380
Total liabilities and equity		10,714,627	10,942,458

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)	(84)		
Purchases of treasury stock (Note 20)				49		
Disposals of treasury stock (Note 20)		1				
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	Asia	Other	Total
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	Asia	Other	Total
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:

	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

(Millions of Yen)

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

Types of hedges	Derivative assets and liabilities	Notional amount Total	(Millions of Yen) Carrying amount (Fair value) (Note)		
			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

	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

Risk classification	(Millions of Yen)		
	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

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	THB144,643 million	60.2 (50.0)	Makes and markets hot-rolled steel sheets
G J Steel Public Company Limited	THB24,467 million	57.6 (49.9)	Makes and markets hot-rolled steel sheets
NS-Siam United Steel Co., Ltd.	THB13,007 million	95.2 (0.3)	Makes and markets cold-rolled sheets, galvanized sheets and tinplate sheets

Company	Paid-in Capital (Millions of yen)	% of voting rights interest	Business Content
NIPPON STEEL PIPE (THAILAND) CO., LTD.	THB8,336 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

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.

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United States Steel



NIPPON STEEL