NIPPON STEEL CORPORATION

Financial Report for

The Year Ended March 31, 2026

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					
						Other components of equity	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance as of March 31, 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)		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)
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					
						Other components of equity	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance as of March 31, 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)						
Cash dividends	(Note 21)			(146,480)			
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			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, 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 *Presentation of Financial Statements* and introduces new requirements primarily regarding the presentation and disclosure of financial performance in the Statements of Profit or Loss.

6. Segment Information

(1) Description of reportable segments

The Company engages in the Steelmaking and Steel Fabrication business and acts as the holding company of the Group. The Group has four operating segments determined mainly based on products and services, which are Steelmaking and Steel Fabrication, Engineering and Construction, Chemicals and Materials, and System Solutions. Each operating segment shares the management strategy of the Group, while conducting its business activities independently from and in parallel with other 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				Total
		North America	Asia	Other	
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				Total
		North America	Asia	Other	
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			Total
		North America	Other	
3,368,684	712,035	43,782	668,253	4,080,720

(As of March 31, 2026)

(Millions of Yen)

Japan	Overseas			Total
		North America	Other	
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:

(Millions of Yen)

	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**

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 59th Issue of Unsecured Corporate Bonds	September 2, 2008	10,000	**10,000**	June 20, 2028
The 1st Issue of Unsecured Corporate Bonds	September 26, 2016	10,000	**10,000**	September 18, 2026
The 2nd Issue of Unsecured Corporate Bonds	September 26, 2016	10,000	**10,000**	September 19, 2031
The 4th Issue of Unsecured Corporate Bonds	May 25, 2017	10,000	**10,000**	May 20, 2027
The 6th Issue of Unsecured Corporate Bonds	December 8, 2017	10,000	**10,000**	December 20, 2027
The 8th Issue of Unsecured Corporate Bonds	June 12, 2018	20,000	—	June 20, 2025
The 9th Issue of Unsecured Corporate Bonds	June 12, 2018	20,000	**20,000**	June 20, 2028
The 9th Issue of Unsecured Corporate Bonds (Note 1)	March 5, 2018	15,000	**15,000**	March 3, 2028
The 10th Issue of Unsecured Corporate Bonds (Note 1)	June 14, 2018	20,000	—	June 13, 2025
The 11th Issue of Unsecured Corporate Bonds (Note 1)	June 14, 2018	10,000	**10,000**	June 14, 2038
The 12th Issue of Unsecured Corporate Bonds (Note 1)	April 17, 2019	10,000	**10,000**	April 17, 2029
The 2nd Issue of Unsecured Corporate Bonds	June 14, 2019	30,000	**30,000**	June 19, 2026
The 3rd Issue of Unsecured Corporate Bonds	June 14, 2019	20,000	**20,000**	June 20, 2029
The 2nd Issue of Unsecured Subordinated Corporate Bonds (Note 2)	September 12, 2019	30,000	**30,000**	September 12, 2079
The 3rd Issue of Unsecured Subordinated Corporate Bonds (Note 3)	September 12, 2019	200,000	**200,000**	September 12, 2079
The 5th Issue of Unsecured Corporate Bonds	June 17, 2020	30,000	—	June 20, 2025
The 6th Issue of Unsecured Corporate Bonds	June 17, 2020	10,000	**10,000**	June 20, 2030
The 7th Issue of Unsecured Corporate Bonds (Green Bond)	March 9, 2023	30,000	**30,000**	March 17, 2028
The 8th Issue of Unsecured Corporate Bonds (Green Bond)	March 9, 2023	20,000	**20,000**	March 18, 2033
The 4th Issue of Unsecured Subordinated Corporate Bonds (Note 4)	June 13, 2024	67,500	**67,500**	June 13, 2059
The 5th Issue of Unsecured Subordinated Corporate Bonds (Note 5)	June 13, 2024	20,000	**20,000**	June 13, 2061
The 6th 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 celling	(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		
Convertible bonds with stock acquisition rights	234,722,390	—
Performance-linked stock compensation system	—	**182,105**
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
G Steel Public Company Limited	THB 144,643 million	60.2 (50.0)	Makes and markets hot-rolled steel sheets
G J Steel Public Company Limited	THB 24,467 million	57.6 (49.9)	Makes and markets hot-rolled steel sheets
NS-Siam United Steel Co., Ltd.	THB 13,007 million	95.2 (0.3)	Makes and markets cold-rolled sheets, galvanized sheets and tinplate sheets
NIPPON STEEL PIPE (THAILAND) CO., LTD.	THB 8,336 million	100.0 (100.0)	Makes, coats and markets steel pipes and tubes
PT KRAKATAU NIPPON STEEL SYNERGY	USD186 million	80.0	Makes and markets cold-rolled sheets and galvanized sheets
Standard Steel, LLC	USD77 million	100.0 (100.0)	Makes and markets railway wheels and axles
WHEELING－NIPPON STEEL, INC.	USD71 million	100.0 (100.0)	Makes and markets galvanized sheets
PT. PELAT TIMAH NUSANTARA TBK.	USD26 million	40.0 (5.0)	Makes and markets tinplate
NIPPON STEEL Processing (Thailand) Co., Ltd.	THB571 million	70.1 (11.2)	Makes and markets cold-heading wire and cold-finished bars
NIPPON STEEL PIPE AMERICA, INC.	USD10 million	80.0 (80.0)	Makes and markets steel pipes and tubes

Company	Paid-in Capital (Millions of yen)	% of voting rights interest	Business Content
Steelmaking and Steel Fabrication (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.

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 (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

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.

(Other Information)

Audit fees

Compensation for certified public accountants, etc. conducting audits

Category	Year ended March 31, 2025		Year ended March 31, 2026	
	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)
Reporting company	175	26	189	5
Consolidated subsidiaries	981	2	993	7
Total	1,156	29	1,182	13

The Company and its consolidated subsidiaries have engaged the Accounting Auditor to perform non-audit services, including preparation of letters to the lead underwriter for corporate bond issuance, and have paid compensation for such services.

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

Category	Year ended March 31, 2025		Year ended March 31, 2026	
	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)
Reporting company	—	33	—	76
Consolidated subsidiaries	547	224	788	787
Total	547	257	788	864

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

KPMG

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	The primary procedures we performed to assess the appropriateness of the Company's judgment with respect to whether an impairment loss should be

¥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 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	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. (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:

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.	• 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.

Yutaka Terasawa

Designated Engagement Partner

Certified Public Accountant

Makoto Yamada

Designated Engagement Partner

Certified Public Accountant

Takahiro Toyama

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 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.