

**Flash Report**  
**Consolidated Basis**  
**Results for Fiscal 2019**  
**(April 1, 2019—March 31, 2020)**  
**< under IFRS >**

May 8, 2020

**Company name:** Nippon Steel Corporation  
**Stock listing:** Tokyo, Nagoya, Sapporo, Fukuoka stock exchanges  
**Code number:** 5401  
**URL:** <https://www.nipponsteel.com/en/index.html>  
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**Scheduled date to Ordinary General Meeting of Shareholders:** June 24, 2020  
**Scheduled date to pay dividends:** —  
**Scheduled date to submit Securities Report:** June 24, 2020  
**Preparation of supplemental explanatory materials:** Yes  
**Holding of financial results meeting:** Yes (for investment analysts)

(All amounts have been truncated to the nearest millions of Japanese yen.)

**1. Consolidated Operating Results, Financial Position and Cash-Flows for Fiscal 2019**  
**(April 1, 2019—March 31, 2020)**

**(1) Consolidated Operating Results**

(Percentage figures are changes from the same period of the previous fiscal year.)

	Revenue		Business profit (*)		Operating profit		Profit before income taxes		Profit for the year		Profit for the year attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Fiscal 2019</b>	<b>5,921,525</b>	<b>(4.2)</b>	<b>(284,417)</b>	<b>—</b>	<b>(406,119)</b>	<b>—</b>	<b>(423,572)</b>	<b>—</b>	<b>(426,120)</b>	<b>—</b>	<b>(431,513)</b>	<b>—</b>
Fiscal 2018	6,177,947	8.1	336,941	16.7	265,111	(8.2)	248,769	(8.5)	257,579	21.4	251,169	38.9

	Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share	Ratio of profit to total equity attributable to owners of the parent	Ratio of profit before income taxes to total assets	Ratio of business profit to revenue	Ratio of operating profit to revenue
	Millions of yen	%	Yen	Yen	%	%	%	%
<b>Fiscal 2019</b>	<b>(543,642)</b>	<b>—</b>	<b>(468.74)</b>	<b>—</b>	<b>(14.7)</b>	<b>(5.5)</b>	<b>(4.8)</b>	<b>(6.9)</b>
Fiscal 2018	85,114	(72.7)	281.77	—	7.9	3.1	5.5	4.3

(For reference) Share of profit in investments accounted for using the equity method :  
Fiscal 2019 ¥38,395 million  
Fiscal 2018 ¥86,411 million

(\*)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, Losses on disposal of fixed assets.

**(2) Consolidated Financial Position**

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of total equity attributable to owners of the parent to total assets	Total equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
<b>Fiscal 2019</b>	<b>7,444,965</b>	<b>2,996,631</b>	<b>2,641,618</b>	<b>35.5</b>	<b>2,869.19</b>
Fiscal 2018	8,049,528	3,607,367	3,230,788	40.1	3,509.72

**(3) Consolidated Statements of Cash-Flows**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
<b>Fiscal 2019</b>	<b>494,330</b>	<b>(345,627)</b>	<b>(14,582)</b>	<b>289,459</b>
Fiscal 2018	452,341	(381,805)	(42,900)	163,176

## 2. Dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Fiscal year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	—	40.00	—	40.00	80.00
<b>Fiscal 2019</b>	—	<b>10.00</b>	—	<b>0.00</b>	<b>10.00</b>
Fiscal 2020 (Forecasts)	—	—	—	—	—

	Cash dividends	Ratio of cash dividends to profit	Ratio of cash dividends to total equity attributable to owners of the parent
	Millions of yen	%	%
Fiscal 2018	72,236	28.4	2.3
<b>Fiscal 2019</b>	<b>9,220</b>	—	<b>0.3</b>
Fiscal 2020 (Forecasts)	—	—	—

Notes: The Company has not determined a dividend distribution plan for the second quarter of fiscal 2020 and fiscal 2020. The dividend distribution plan will be disclosed when it becomes available.

## 3. Consolidated Financial Forecasts for Fiscal 2020 (April 1, 2020—March 31, 2021)

The earnings forecasts for fiscal 2020 are not presented because the outlook has not been determined due to the difficulty formulating reasonably accurate estimates at this time. For further details, please refer to page 8, “1. Summary of Results of Operations (2) Outlook for the Fiscal Year Ending March 31, 2021 (Fiscal 2020).”

### \* Notes

(1) Changes in significant subsidiaries during the period: None

(2) Changes in accounting policies and changes in accounting estimates

(a) Changes in accounting policies required by IFRS: Yes

(b) Changes other than those in (a) above: None

(c) Changes in accounting estimates: None

Note: For further details, please refer to page 16, “3. Consolidated Financial Statements and Major Notes (5) Notes to the Consolidated Financial Statements (Changes in Accounting Policies Required by IFRS).”

(3) Number of shares outstanding (common shares)

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

Fiscal 2019 950,321,402 shares

Fiscal 2018 950,321,402 shares

(b) Number of treasury stock at the end of the period

Fiscal 2019 29,638,468 shares

Fiscal 2018 29,797,955 shares

(c) Weighted average number of shares outstanding

Fiscal 2019 920,570,952 shares

Fiscal 2018 891,387,729 shares

**(For Reference) A Summary of Non-Consolidated Operating Results and Financial Position for Fiscal 2019  
(April 1, 2019—March 31, 2020)**

**(1) Non-Consolidated Operating Results**

(Percentage figures are changes from the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Fiscal 2019</b>	<b>3,312,949</b>	<b>(7.0)</b>	<b>(119,374)</b>	<b>—</b>	<b>(40,410)</b>	<b>—</b>	<b>(455,641)</b>	<b>—</b>
Fiscal 2018	3,562,226	9.0	25,114	291.9	112,319	4.8	145,319	22.9

	Earnings per share	Diluted earnings per share
	Yen	Yen
<b>Fiscal 2019</b>	<b>(494.18)</b>	<b>—</b>
Fiscal 2018	162.79	—

**(2) Non-Consolidated Financial Position**

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>Fiscal 2019</b>	<b>5,009,656</b>	<b>1,446,409</b>	<b>28.9</b>	<b>1,568.77</b>
Fiscal 2018	5,462,897	2,072,452	37.9	2,247.72

(For reference) Shareholders' equity: Fiscal 2019 ¥ 1,446,409 million  
Fiscal 2018 ¥ 2,072,452 million

\* This flash report is not subject to audit procedures.

\* Explanation of the appropriate use of performance forecasts and other related items

(Explanation of the appropriate use of performance forecasts)

The forward-looking statements included in this flash report are based on the assumptions, forecasts, and plans of the Company as of the date on which this document is made public. The Company's actual results may differ substantially from such statements due to various risks and uncertainties.

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## 1. Summary of Results of Operations

### (1) Summary of Results of Operations and Financial Position for Fiscal Year Ended March 31, 2020 (Fiscal 2019)

#### Overview of Conditions in Fiscal 2019

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

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

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

#### Operating Results by Business Segment in Fiscal 2019

The Nippon Steel Group's business segments strived to respond to their changing business environments and have applied their utmost management effort. Following is an overview of the operating results by business segment.

	(Billions of yen)			
	Revenue		Business Profit	
	Fiscal 2019	Fiscal 2018	Fiscal 2019	Fiscal 2018
Steelmaking and Steel Fabrication	5,257.3	5,454.5	(325.3)	274.6
Engineering and Construction	340.4	356.7	10.7	9.4
Chemicals and Materials*	215.7	247.0	18.4	25.0
System Solutions	273.2	267.5	26.1	26.5
Total	6,086.7	6,325.8	(269.9)	335.8
Adjustments	(165.2)	(147.8)	(14.4)	1.1
Consolidated total	5,921.5	6,177.9	(284.4)	336.9

\* The Chemicals segment and New Materials segment were merged to form the Chemicals and Materials segment after Nippon Steel Chemical & Material Co., Ltd. was established in October 2018 following the merger of Nippon Steel & Sumikin Chemical Co., Ltd. and Nippon Steel & Sumikin Materials Co., Ltd.

The figures for the Chemicals and Materials segment in fiscal 2018 are calculated based on the new segmentation.

## **Steelmaking and Steel Fabrication**

The Steelmaking and Steel Fabrication segment, while placing top priority on safety, strived to advance measures to enhance the overall stability of its facilities and operations, improve its cost performance and long-term contractual prices, and establish economical production operations by realizing optimal production and shipment volumes while continuing to advance the strategies of the 2020 Mid-Term Management Plan. The segment faced numerous factors that negatively impacted its earnings for the year, including reduced production and shipment volumes due to sluggish worldwide demand for steel products, particularly from manufacturers, amid the U.S.-China trade friction; smaller profit margins in the face of severe business conditions, namely, high raw material market prices and low steel market prices; the impacts of natural disasters; inventory valuation differences; deteriorating earnings at group companies; the recording of impairment losses on operating assets; and other factors. The Steelmaking and Steel Fabrication segment recorded revenue of ¥5,257.3 billion (compared to ¥5,454.5 billion in fiscal 2018) and business loss of ¥325.3 billion (business profit of ¥274.6 billion).

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

Overseas, the segment continued developing business in markets where demand for steel products can be expected to grow with certainty and in fields where the Group can leverage its technological and product capabilities. In December 2019, Nippon Steel Corporation and ArcelorMittal jointly acquired Essar Steel India Limited and relaunched the integrated blast furnace steelmaker as ArcelorMittal Nippon Steel India. As a newly forged entity in India's steel industry, the Company will seek to steadily capture the anticipated growing demand for steel in the country.

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

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

In the environmental arena, the Company took on measures to further improve the energy efficiency of its steel manufacturing operations, which are already the most efficient in the world, and continued to develop and produce environmentally friendly products that contribute to a low energy consumption, low CO<sub>2</sub> emissions, recycling society. Nippon Steel declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2019 and is expanding the content of disclosure, including the scenario analysis espoused by the TCFD, concerning its business activities that have an impact on climate change.

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

## **Engineering and Construction**

Nippon Steel Engineering Co., Ltd. builds and operates plants in the steelworks, environmental, and energy fields and provides services utilizing comprehensive engineering technology worldwide in various areas, including construction and building of marine/port steel structures and pipeline facilities. In fiscal 2019, the company steadily achieved favorable outcome from establishing a dedicated team for promotion of digital transformation (DX) and raising internal work efficiency at an accelerated rate, and from starting operation of a data collection/analysis platform system of plants and enabling a unified data management. While being mainly affected by a surge in labor costs and material costs, the company continuously implemented and managed projects, such as a shaft-type gasification melting furnace project of the environmental solutions business and a large distribution facility project of the building construction and steel structures business, which retained high-level order backlogs. As a result, the Engineering and Construction segment recorded revenue of ¥340.4 billion (¥356.7 billion in fiscal 2018) and business profit of ¥10.7 billion (¥9.4 billion).

## **Chemicals and Materials**

Nippon Steel Chemical & Material Co., Ltd. recorded strong demand for needle coke used in graphite electrodes in the first half of fiscal 2019, but demand stalled in the second half and the business environment became harsher in the fourth quarter partly due to the spread of COVID-19. In the chemicals business, demand for styrene monomer was already sluggish, then the COVID-19 pandemic and decline in crude oil prices triggered a sharp drop in the market at the end of fiscal 2019. The functional materials business struggled to record sales of materials for smartphones and semiconductors, but posted strong sales of spherical alumina, which is used as material for insulation and heat dissipation in automobiles and electronic equipment. The composite materials business generated increased sales of carbon fiber composite materials, mainly for civil engineering and construction repair and reinforcement applications. The Chemicals and Materials segment recorded revenue of ¥215.7 billion (¥247.0 billion in fiscal 2018) and business profit of ¥18.4 billion (¥25.0 billion).

## **System Solutions**

Nippon Steel Solutions Co., Ltd. provides advanced solution services in the planning, configuration, operation, and maintenance of IT systems, enabling clients in a wide range of business fields to keep pace with changing business environments. In fiscal 2019, The company assisted Nippon Steel to configure the NS-DIG™, a platform for data analysis and AI development used for sophisticated IT applications. The segment continued aggressively promoting sales of solutions incorporating IoT and AI, and prepared and subsequently launched sales and services for 5G-related solutions. Business conditions remained favorable, as clients continued to actively invest in IT in pursuit of DX. The System Solutions segment recorded revenue of ¥273.2 billion (¥267.5 billion in fiscal 2018) and business profit of ¥26.1 billion (¥26.5 billion).

## **Revenue and Profit**

In fiscal 2019, the Company continued advancing measures to enhance the overall stability of its facilities and operations, improve its cost performance and long-term contractual prices, and establish economical production operations by optimizing production and shipments volumes. However, consolidated earnings were impacted by lower production and shipment volumes due to sluggish worldwide demand for steel products, smaller profit margins caused



by high raw material market prices and low steel market prices, the impacts of natural disasters, inventory valuation differences, deteriorating earnings at group companies, and the recording of impairment losses on operating assets. In the fiscal year under review, Nippon Steel recorded consolidated revenue of ¥5,921.5 billion (compared to ¥6,177.9 billion in fiscal 2018) and business loss of ¥284.4 billion (business profit of ¥336.9 billion). In addition, due to the posting of losses on reorganization, the partial reversal of deferred tax assets, and other factors, the Company recorded loss attributable to owners of the parent of ¥431.5 billion (profit attributable to owners of the parent of ¥251.1 billion).

#### **Assets, Liabilities, Equity, and Cash Flows**

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

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

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

Cash flows from operating activities in fiscal 2019 amounted to an inflow of ¥494.3 billion (compared to an inflow of ¥452.3 billion in fiscal 2018). The main inflow factors were ¥423.5 billion loss before income taxes, depreciation and amortization of ¥417.3 billion, impairment losses of ¥333.9 billion, and adjustment of ¥121.7 billion from losses from reorganization, as well as a decrease in trade and other receivables of ¥157.6 billion and dividends received of ¥61.0 billion. The outflow factors include a decrease in trade and other payables of ¥152.8 billion and income taxes paid of ¥92.5 billion.

Cash flows from investing activities amounted to an outflow of ¥345.6 billion (compared to an outflow of ¥381.8 billion in fiscal 2018), as outflows from purchases of property, plant and equipment and intangible assets of ¥460.5 billion, purchase of investments in associates of ¥112.3 billion, including AMNS Luxembourg Holding S.A., and other outflows exceeded inflows from proceeds of ¥191.9 billion from sales of investment securities. As a result, free cash flow was an inflow of ¥148.7 billion (compared to an inflow of ¥70.5 billion in fiscal 2018).

Cash flows from financing activities amounted to an outflow of ¥14.5 billion (compared to an outflow of ¥42.9 billion in fiscal 2018), largely due to an effective increase in interest-bearing debt of ¥62.4 billion mainly from the issuance of public hybrid bonds (public subordinated bonds) after deducting an increase from bringing operating leases on balance sheet, which was partially offset by the cash dividends paid of ¥46.1 billion for the end of fiscal 2018 and first half of fiscal 2019. As a result of these cash flows, cash and cash equivalents at the end of the fiscal year stood at ¥289.4 billion.

### **Basic Profit Distribution Policy and the Year-End Dividend Distribution**

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

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

### **(2) Outlook for the Fiscal Year Ending March 31, 2021 (Fiscal 2020)**

#### **Outlook for Operations in Fiscal 2020**

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

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

At present, the extent and duration of the COVID-19 pandemic are unpredictable, and this will make it impossible to formulate an earnings forecast for the Company for fiscal 2020 with any realistic degree of accuracy. Earnings forecasts therefore have not been produced but will be announced as soon as a reasonable estimation becomes possible.

The Nippon Steel Group is taking swift and appropriate steps to strengthen business continuity planning (BCP) and address the reduced production caused by the sharp decrease in steel demand accompanying the spread of the COVID-19. Responding to lower production levels will entail cutting blast furnace tap ratios and extending blowing-stop times. The Company has decided to temporarily stop production at the No. 1 blast furnaces in the East Nippon Works

Kashima Area and the Kansai Works Wakayama Area, as well as the No. 2 blast furnace in the East Nippon Works Kimitsu Area, which nonetheless will be prepared for restarting operation. This procedure is being implemented successively. Together, operations at some of the coke ovens in the East Nippon Works Kashima Area and Kimitsu Area and the Kansai Works Wakayama Area have also been temporarily suspended. Moreover, Hokkai Iron & Coke Corporation (within the site of the Muroran Works) will move forward the stopping of blowing of its No. 2 blast furnace, which originally planned relining, and the No. 2 blast furnace in the Kyushu Works Yawata Area (Kokura) will stop blowing as soon as preparations are completed (and plan to shift into shutting down by the end of September). Implementation of BCP encompasses thorough disease prevention measures, limiting work attendance to the minimum necessary to continue business activities, and when possible enabling employees to work from home. Measures to support continuing employment include allowing employees at the business sites in Japan to take temporary holidays of two days each month on average. The Company is also taking steps to address the deterioration in corporate free cash flow.

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

#### **Outlook for Distribution of Dividends for Fiscal 2020**

Nippon Steel has not determined a dividend distribution plan for fiscal 2020 due to the inability to establish reasonable earnings forecast, as stated above. Management will promptly announce the dividend distribution plan for fiscal 2020 when the plan is able to be formulated with reasonable accuracy.

## **2. Basic Rationale for Selection of Accounting Standards**

The Nippon Steel Group has applied the International Financial Reporting Standards (IFRS) to financial statements for purposes of increasing corporate value through enhancement of global business development and improving international comparability of financial information in capital markets.

### **3. Consolidated Financial Statements and Major Notes**

#### (1) Consolidated Statements of Financial Position

	(Millions of Yen)	
<b>ASSETS</b>	March 31, 2019	<b>March 31, 2020</b>
<b>Current assets :</b>		
Cash and cash equivalents	163,176	<b>289,459</b>
Trade and other receivables	968,333	<b>826,596</b>
Inventories	1,567,116	<b>1,532,181</b>
Other financial assets	16,915	<b>17,340</b>
Other current assets	143,669	<b>119,396</b>
<b>Total current assets</b>	2,859,211	<b>2,784,974</b>
<b>Non-current assets :</b>		
Property, plant and equipment	3,246,669	<b>2,812,542</b>
Right-of-use assets	—	<b>93,663</b>
Goodwill	52,803	<b>45,486</b>
Intangible assets	106,131	<b>96,677</b>
Investments accounted for using the equity method	793,146	<b>878,271</b>
Other financial assets	812,668	<b>481,117</b>
Defined benefit assets	82,247	<b>58,643</b>
Deferred tax assets	88,357	<b>186,457</b>
Other non-current assets	8,292	<b>7,132</b>
<b>Total non-current assets</b>	5,190,316	<b>4,659,990</b>
<b>Total assets</b>	8,049,528	<b>7,444,965</b>

(Millions of Yen)

<b>LIABILITIES</b>	March 31, 2019	March 31, 2020
<b>Current liabilities :</b>		
Trade and other payables	1,611,403	1,449,801
Bonds, borrowings and lease liabilities	515,355	376,900
Other financial liabilities	1,017	2,189
Income taxes payable	38,719	27,323
Other current liabilities	34,042	38,978
<b>Total current liabilities</b>	2,200,538	1,895,192
<b>Non-current liabilities :</b>		
Bonds, borrowings and lease liabilities	1,853,876	2,111,841
Other financial liabilities	6,501	4,621
Defined benefit liabilities	186,755	236,758
Deferred tax liabilities	28,253	27,765
Other non-current liabilities	166,235	172,154
<b>Total non-current liabilities</b>	2,241,622	2,553,141
<b>Total liabilities</b>	4,442,160	4,448,333
<b>EQUITY</b>		
Common stock	419,524	419,524
Capital surplus	393,917	394,404
Retained earnings	2,300,175	1,870,948
Treasury stock	(58,831)	(58,505)
Other components of equity	176,000	15,245
<b>Total equity attributable to owners of the parent</b>	3,230,788	2,641,618
Non-controlling interests	376,579	355,013
<b>Total equity</b>	3,607,367	2,996,631
<b>Total liabilities and equity</b>	8,049,528	7,444,965

(2) Consolidated Statements of Profit or Loss and  
Consolidated Statements of Comprehensive Income or Loss

Consolidated Statements of Profit or Loss		(Millions of Yen)	
	Fiscal 2018	Fiscal 2019	
Revenue	6,177,947	5,921,525	
Cost of sales	(5,391,493)	(5,312,367)	
<b>Gross profit</b>	786,453	<b>609,158</b>	
Selling, general and administrative expenses	(568,409)	(571,781)	
Share of profit in investments accounted for using the equity method	86,411	38,395	
Other operating income	102,606	104,844	
Other operating expenses	(70,120)	(465,035)	
<b>Business profit(loss)</b>	336,941	<b>(284,417)</b>	
Losses on natural disaster	(22,349)	—	
Losses on reorganization	(49,480)	(121,702)	
<b>Operating profit(loss)</b>	265,111	<b>(406,119)</b>	
Finance income	6,104	7,706	
Finance costs	(22,445)	(25,159)	
<b>Profit(loss) before income taxes</b>	248,769	<b>(423,572)</b>	
Income tax expense	8,809	(2,548)	
<b>Profit (loss) for the year</b>	257,579	<b>(426,120)</b>	
<b>Profit(loss) for the year attributable to :</b>			
Owners of the parent	251,169	(431,513)	
Non-controlling interests	6,409	5,393	
<b>Earnings(loss) per share</b>			
Basic earnings(loss) per share (Yen)	281.77	(468.74)	

Consolidated Statements of Comprehensive Income or Loss		(Millions of Yen)	
	Fiscal 2018	Fiscal 2019	
Profit(loss) for the year	257,579	(426,120)	
Other comprehensive income			
Items that cannot be reclassified to profit or loss			
Changes in fair value of financial assets measured at fair value through other comprehensive income	(104,557)	(83,305)	
Remeasurements of defined benefit plans	(3,531)	(1,449)	
Share of other comprehensive income of investments accounted for using the equity method	(2,953)	(6,785)	
Subtotal	(111,042)	(91,540)	
Items that might be reclassified to profit or loss			
Changes in fair value of cash flow hedges	1,522	(1,821)	
Foreign exchange differences on translation of foreign operations	(41,256)	(14,812)	
Share of other comprehensive income of investments accounted for using the equity method	(21,687)	(9,346)	
Subtotal	(61,421)	(25,981)	
<b>Total other comprehensive income, net of tax</b>	(172,464)	<b>(117,521)</b>	
<b>Total comprehensive income for the year</b>	85,114	<b>(543,642)</b>	
<b>Comprehensive income for the year attributable to:</b>			
Owners of the parent	84,126	(543,881)	
Non-controlling interests	988	238	

**(3) Consolidated Statements of Changes in Equity**

Fiscal 2018

(Millions of Yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance as of March 31, 2018	419,524	386,867	2,141,658	(132,162)	334,701	—
Changes of the year						
Comprehensive income						
Profit(loss) for the year			251,169			
Other comprehensive income					(104,254)	(4,369)
Total comprehensive income	—	—	251,169	—	(104,254)	(4,369)
Transactions with owners and others						
Cash dividends			(70,710)			
Purchases of treasury stock				(82)		
Disposals of treasury stock		(1,427)		73,656		
Changes in ownership interests in subsidiaries		8,477				
Transfer from other components of equity to retained earnings			(21,942)		17,573	4,369
Changes in scope of consolidation				(242)		
Subtotal	—	7,050	(92,652)	73,331	17,573	4,369
<b>Balance as of March 31, 2019</b>	<b>419,524</b>	<b>393,917</b>	<b>2,300,175</b>	<b>(58,831)</b>	<b>248,020</b>	<b>—</b>

	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, 2018	(6,600)	(6,998)	321,101	3,136,991	387,905	3,524,896
Changes of the year						
Comprehensive income						
Profit(loss) for the year			—	251,169	6,409	257,579
Other comprehensive income	2,166	(60,586)	(167,043)	(167,043)	(5,420)	(172,464)
Total comprehensive income	2,166	(60,586)	(167,043)	84,126	988	85,114
Transactions with owners and others						
Cash dividends			—	(70,710)	(7,604)	(78,315)
Purchases of treasury stock			—	(82)		(82)
Disposals of treasury stock			—	72,228		72,228
Changes in ownership interests in subsidiaries			—	8,477	(94,092)	(85,614)
Transfer from other components of equity to retained earnings			21,942	—		—
Changes in scope of consolidation			—	(242)	89,383	89,140
Subtotal	—	—	21,942	9,670	(12,314)	(2,643)
<b>Balance as of March 31, 2019</b>	<b>(4,433)</b>	<b>(67,585)</b>	<b>176,000</b>	<b>3,230,788</b>	<b>376,579</b>	<b>3,607,367</b>



Fiscal 2019

(Millions of Yen)

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

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

#### (4) Consolidated Statements of Cash-Flows

	(Millions of yen)	
	Fiscal 2018	Fiscal 2019
<b>Cash flows from operating activities :</b>		
Profit before income taxes	248,769	(423,572)
Depreciation and amortization	408,616	417,339
Impairment losses	—	333,968
Finance income	(6,104)	(7,706)
Finance costs	22,445	25,159
Share of profit in investments accounted for using the equity method	(86,411)	(38,395)
Gains on sales of property, plant and equipment and intangible assets	(5,801)	(6,105)
Losses from reorganization	49,480	121,702
(Increase) decrease in trade and other receivables	(114,662)	157,635
(Increase) in inventories	(129,483)	13,864
Increase in trade and other payables	81,058	(152,856)
Other, net	21,640	98,809
Subtotal	489,547	539,842
Interest received	5,796	7,887
Dividends received	57,088	61,024
Interest paid	(19,278)	(21,913)
Income taxes paid	(80,811)	(92,510)
<b>Net cash flows provided by operating activities</b>	<b>452,341</b>	<b>494,330</b>
<b>Cash flows from investing activities :</b>		
Purchases of property, plant and equipment and intangible assets	(438,758)	(460,555)
Proceeds from sale of property, plant and equipment and intangible assets	12,841	13,283
Purchases of investment securities	(8,362)	(1,793)
Proceeds from sales of investment securities	87,693	191,924
Purchases of investments in associates	(2,787)	(112,302)
Proceeds from sale of investments in associates	5,348	12,404
Purchases of shares of subsidiaries resulting in change in scope of consolidation	(35,658)	—
Loans to associates and others	(11,870)	(225,850)
Collection of loans from associates and others	3,948	238,418
Other, net	5,798	(1,155)
<b>Net cash flows used in investing activities</b>	<b>(381,805)</b>	<b>(345,627)</b>
<b>Cash flows from financing activities :</b>		
Increase in short-term borrowings, net	67,401	(89,452)
Proceeds from long-term borrowings	285,857	46,020
Repayments of long-term borrowings	(192,799)	(211,628)
Proceeds from issuance of bonds	60,000	377,550
Redemption of bonds	(85,700)	(60,000)
Purchases of treasury stock	(55)	(43)
Cash dividends paid	(70,710)	(46,101)
Dividends paid to non-controlling interests	(7,604)	(8,045)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	1,910
Other, net	(99,289)	(24,791)
<b>Net cash flows used in financing activities</b>	<b>(42,900)</b>	<b>(14,582)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(7,328)</b>	<b>(7,838)</b>
<b>Net increase in cash and cash equivalents</b>	<b>20,306</b>	<b>126,283</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>142,869</b>	<b>163,176</b>
<b>Cash and cash equivalents at end of the year</b>	<b>163,176</b>	<b>289,459</b>

## (5) Notes to the Consolidated Financial Statements

### (Going Concern Assumption)

None

### (Changes in Accounting Policies Required by IFRS)

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

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

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

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

The breakdown of difference between the amount of non-cancellable operating lease contracts under IAS 17 as of the end of the Fiscal 2018 and the amount of lease liabilities recognized in the Consolidated Statements of Financial Position as of the date of initial application is as follows.

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

The right-of-use assets recognized at the date of initial application in the Statements of Financial Position is ¥79,770 million.

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

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

**(Segment Information)**

**1) Summary of reportable segment**

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 product and service, 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 companies of the Group. The following summary describes the operations of each reportable segment:

Reportable segment	Principal businesses
Steelmaking and steel fabrication	Manufacturing and marketing of steel products
Engineering and construction	Manufacturing and marketing of industrial machinery and equipment as well as steel structures, performance of construction work under contract, waste processing and recycling, and supplying electricity, gas, and heat
Chemicals and Materials	Manufacturing and marketing of coal-based chemical products, petrochemicals, electronic materials, materials and components for semiconductors and electronic parts, carbon fiber and composite products, and products that apply technologies for metal processing
System solutions	Computer systems engineering and consulting services; IT-enabled outsourcing and other services

**2) Information on the amounts of revenue and profit for reportable segments**

**Fiscal 2018 (April 1, 2018—March 31, 2019)**

(Millions of Yen)

	Reportable segment				Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals and Materials*	System solutions			
Revenue							
Revenue from external customers	5,408,633	321,346	243,014	204,952	6,177,947	—	6,177,947
Inter-segment revenue or transfers	45,902	35,360	4,052	62,550	147,867	(147,867)	—
Total	5,454,536	356,707	247,067	267,503	6,325,814	(147,867)	6,177,947
Segment profit(loss) <Business Profit>	274,672	9,474	25,095	26,576	335,818	1,122	336,941

\* The Chemicals segment and New Materials segment were merged to form the Chemicals and Materials segment after Nippon Steel Chemical & Material Co., Ltd. was established in October 2018 following the merger of Nippon Steel & Sumikin Chemical Co., Ltd. and Nippon Steel & Sumikin Materials Co., Ltd. The figures for the Chemicals and Materials segment in fiscal 2018 are calculated based on the new segmentation.

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

(Millions of Yen)

	Reportable segment				Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals and Materials	System solutions			
Revenue							
Revenue from external customers	5,207,033	296,443	210,338	207,709	5,921,525	—	5,921,525
Inter-segment revenue or transfers	50,310	43,960	5,395	65,584	165,251	(165,251)	—
Total	5,257,344	340,404	215,733	273,294	6,086,777	(165,251)	5,921,525
Segment profit(loss) <Business Profit>	(325,341)	10,717	18,477	26,162	(269,984)	(14,433)	(284,417)

**(Earnings per Share)**

1. Profit for the year attributable to common shares of parent

(Millions of Yen)

	Fiscal 2018 (April 1, 2018—March 31, 2019)	Fiscal 2019 (April 1, 2019—March 31, 2020)
Profit for the year attributable to owners of parent	251,169	(431,513)
Profit for the year not attributable to ordinary equity holders of the parent	—	—
Profit for the year used to calculate basic earnings per share	251,169	(431,513)

2. Average number of outstanding common shares during the period

	Fiscal 2018 (April 1, 2018—March 31, 2019)	Fiscal 2019 (April 1, 2019—March 31, 2020)
Average number of outstanding common shares during the period	891,387,729 Shares	920,570,952 Shares

Diluted earnings per share is not presented as there are no potential dilutive shares.

**(Significant Subsequent Events)**

None

## Results and dividends of Fiscal 2019 (Year ended March 31, 2020)

<Consolidated Operating Result>

	2019FY		1st half ⇒ 2nd half		2018FY	2018FY ⇒ 2019FY		Previous Forecasts (Released on Feb 7, 2020)
	1st half	2nd half	1st half	2nd half		1st half	2nd half	
<b>Revenue</b>	5,921.5	3,047.1	2,874.3	- 172.8	6,177.9	- 256.4	5,900.0	
<b>Business profit before Impairment losses and others</b>	76.5	73.1	3.4	- 69.7	336.9	- 260.4	54.0	
[ R O S ]	[1.3%]	[2.4%]	[0.1%]	※5 [-2.3%]	[5.5%]	※5 [-4.2%]	[0.9%]	
<b>Impairment losses and others※1</b>	(360.9)	—	(360.9)	- 360.9	—	- 360.9	(364.0)	
<b>Business Profit※2</b>	(284.4)	73.1	(357.5)	- 430.6	336.9	- 621.3	(310.0)	
[ R O S ]	[-4.8%]	[2.4%]	[-12.4%]	[-14.8%]	[5.5%]	[-10.3%]	[-5.3%]	
<b>Additional line items※1, ※3</b>	(121.7)	—	(121.7)	- 121.7	(71.8)	- 49.9	(126.0)	
<b>Profit for the year attributable to owners of the parent</b>	(431.5)	38.7	(470.2)	- 508.9	251.1	- 682.6	(440.0)	
< Earnings per share (Yen) >	<-468.7>	<42.1>	<-510.8>	<-552.9>	<281.8>	<-750.5>	<-478.0>	
<b>EBITDA※4</b>	466.8	284.9	181.9	- 103.0	745.5	- 278.7	437.9	
<b>Interest-bearing debt</b>	2,488.7	2,575.1	2,488.7	- 86.4	2,369.2	+ 119.5		
D/E ratio	0.74	0.65	0.74	+0.09	0.66	+0.08		

(※2) 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, Losses on disposal of fixed assets.

(※3) Additional line items refer to the items that are not recurrent and are remotely related to operational activities, but have a material impact in terms of amount. (※4) Business Profit + Depreciation + Impairment losses

<Factors Influencing Performance>

(1)Nippon Steel Corporation

	2019FY	1st half	2nd half	1st half ⇒ 2nd half	2018FY	2018FY ⇒ 2019FY	Previous Forecasts (Released on Feb 7, 2020)
Consolidated crude steel output volume (10,000 tons)	4,705	2,427	2,279	- 148	4,784	- 79	Approx. 4,730
Non-Consolidated crude steel output volume (10,000 tons)	3,954	2,022	1,932	- 91	4,100	- 146	Approx. 3,970
Steel materials shipment volume (10,000 tons)	3,631	1,843	1,788	- 55	3,797	- 166	Approx. 3,640
Steel materials price (¥1,000/ton)	87.3	87.9	86.7	- 1.3	89.9	- 2.6	Approx. 87
Exchange rate (¥/\$)	109	109	109	- 0	111	- 2	Approx. 110

(2)All Japan

	2019FY	1st half	2nd half	1st half ⇒ 2nd half	2018FY	2018FY ⇒ 2019FY	Previous Forecasts (Released on Feb 7, 2020)
Crude steel output volume (10,000 tons)	9,842	5,066	4,776	- 290	10,289	- 446	Approx. 9,863
Steel consumption (10,000 tons)*1 (In manufacturing industries)	5,886 ( 3,758)	3,036 ( 1,962)	2,850 ( 1,796)	- 185 (- 166)	6,232 ( 4,033)	- 346 (- 275)	5,980 ( 3,839)
<% of manufacturing>	< 63.8%>	< 64.6%>	< 63.0%>	<- 1.6%>	< 64.7%>	<- 0.9%>	< 64.2%>
Plain carbon steel consumption (10,000 tons)	4,716	2,408	2,308	- 100	4,928	- 212	4,726
In construction	2,042	1,034	1,008	- 26	2,119	- 77	2,062
In manufacturing	2,674	1,374	1,300	- 73	2,809	- 135	2,664
Specialty steel consumption (10,000 tons)	1,170	628	542	- 86	1,304	- 134	1,254
Inventory volume(10,000 tons)	*2 595	595	595	- 0	593	+ 2	
Rolled sheets(10,000 tons)	*2 448	445	448	+ 3	447	+ 2	

\*1 The Company estimates \*2 The end of Feb. 2020, preliminary figures

<Segment Information>

	2019FY	1st half	2nd half	1st half ⇒ 2nd half	2018FY	2018FY ⇒ 2019FY	Previous Forecasts (Released on Feb 7, 2020)
<b>Revenue</b>	<b>5,921.5</b>	<b>3,047.1</b>	<b>2,874.3</b>	<b>- 172.8</b>	<b>6,177.9</b>	<b>- 256.4</b>	<b>5,900.0</b>
Steelmaking and Steel Fabrication	5,257.3	2,704.1	2,553.1	- 151.0	5,454.5	- 197.2	5,270.0
Engineering and Construction	340.4	157.9	182.4	+ 24.5	356.7	- 16.3	340.0
Chemicals and Materials	215.7	114.1	101.5	- 12.6	247.0	- 31.3	220.0
System Solutions	273.2	150.2	123.0	- 27.2	267.5	+ 5.7	274.0
Adjustment	(165.2)	(79.3)	(85.9)	- 6.6	(147.8)	- 17.4	(204.0)
<b>Business Profit</b>	<b>(284.4)</b>	<b>73.1</b>	<b>(357.5)</b>	<b>- 430.6</b>	<b>336.9</b>	<b>- 621.3</b>	<b>(310.0)</b>
Steelmaking and Steel Fabrication	(325.3)	49.2	(374.5)	- 423.7	274.6	- 599.9	(355.0)
Engineering and Construction	10.7	5.1	5.5	+ 0.4	9.4	+ 1.3	10.0
Chemicals and Materials	18.4	11.3	7.0	- 4.3	25.0	- 6.6	19.0
System Solutions	*3 26.1	14.9	11.1	- 3.8	26.5	- 0.4	27.0
Adjustment	*3 (14.4)	(7.6)	(6.8)	+ 0.8	1.1	- 15.5	(11.0)

\*3 Corrections concerning NS Solution's certain purchase and resale of goods transactions are reflected in 3Q of fiscal 2019.

(※1) Impairment losses and Additional line items

	2019FY	2018FY	'18.FY ⇒'19.FY	Reference
<b>Business profit</b>	(150.4)	—	(150.4)	
<b>Additional line items</b>	(122.8)	—	(122.8)	
<b>Total</b>	(317.9)	—	(317.9)	
Kashima Works	(150.4)	—	(150.4)	
Nagoya Works	(122.8)	—	(122.8)	
Hirohata Works	(44.7)	—	(44.7)	
The Company	(317.9)	—	(317.9)	
Nisshin Co. Ltd.	—	(78.7)	(78.7)	
Subtotal	(317.9)	(78.7)	(396.6)	
Others	(43.0)	(43.0)	(86.0)	
<b>Total</b>	(360.9)	(121.7)	(482.6)	

(※5) Analysis in Business Profit before impairment losses and others

	1st half ⇒2nd half	Changes from the previous forecasts	2018FY ⇒2019FY
<b>Change in Business Profit</b>	<b>-69.0</b>	<b>+23.0</b>	<b>-260.0</b>
<b>1. Ferrous materials business</b>	<b>-67.0</b>	<b>+27.0</b>	<b>-244.0</b>
①Manufacturing shipment volume	-25.0	+3.0	-70.0
②Selling prices and production mix	-25.0	~	-30.0
③Raw materials prices	-25.0	~	-89.0
④Cost improvement	+40.0	+10.0	+60.0
⑤Inventory evaluation impact	-9.0	+4.0	-40.0
⑥Group companies	-9.0	+4.0	-52.0
⑦FOREX	-2.0	~	-9.0
⑧Loss on disaster18FY	~	~	+35.0
⑨Loss on disaster19FY(※6)	+4.0	~	-42.0
⑩Others	-16.0	+6.0	-7.0
<b>2. Non-ferrous materials business</b>	<b>-8.0</b>	<b>-1.0</b>	<b>-6.0</b>
<b>3. Adjustments</b>	<b>+6.0</b>	<b>-3.0</b>	<b>-10.0</b>

(※6)19FY details of losses on natural disaster

		Losses on natural disaster in 2019FY (billions of yen)			
		quantity effect	cost effect	Changes from previous release in Feb '20	2nd half
Lightning strikes in Chiba	The Company	-5	-5	[-10]	-10
A fire at the Nippon Steel Nisshin Kure Works	Consolidated basis	-2	-10	[-12]	-7
Typhoon 15 (Faxai)	The Company	-7	-13	[-20]	-12
<b>Total</b>	<b>Consolidated basis</b>	<b>-14</b>	<b>-28</b>	<b>[-42]</b>	<b>-19</b>

(※3) Additional line items

	2019FY	2018FY	'18.FY ⇒'19.FY	Reference
<b>Additional line items Total</b>	<b>(121.7)</b>	<b>(71.8)</b>	<b>- 49.9</b>	
losses on natural disaster	—	(22.3)	+ 22.3	Typhoon and heavy rainfall
Losses from reorganization	(121.7)	(49.4)	- 72.3	Impairment losses, losses on business withdrawal, losses on inactive facilities and others

【Dividends】

In fiscal 2019, Nippon Steel Corporation recorded loss for the year attributable to owners of the parent of ¥431.5 billion due to deteriorating domestic and overseas steel demand, disasters that occurred in fiscal 2019, and posting of impairment losses of operating assets.

As announced on February 7, 2020, the Company plans to forgo a year-end dividend payment for the current fiscal year (the dividend for the full fiscal year therefore is ¥10 per share).

## Current Business Environment and Nippon Steel's Response and Measures

**Difficulty in assuming the extent and duration of the COVID-19 pandemic makes it impossible to formulate an earnings forecast for the Company for fiscal 2020 with any realistic degree of accuracy. We therefore have not produced an earnings forecast at this time. We will announce a forecast as soon as a reasonable estimation becomes possible.**

### (1) Overview of business environment

- Harsh environment for the steel industry due to multiple factors
  - Since 2019: the U.S.-China conflict, China's economic slowdown, and high prices for main raw materials
  - Since 2020: emerging countries' weakening purchase power, caused by the spread of the COVID-19, drop in oil prices, and weakening foreign exchange rates
- Considering bringing forward or adding structural measures needed, assuming the harsh environment will continue even as the spread of the COVID-19 subsides

### (2) Nippon Steel's response and measures

#### 1) Response to the impact of COVID-19

##### (i) Decrease in scale of demand and Production cuts

- The scale of demand is currently shrinking drastically, and we anticipate our crude steel production level to be at an approx. 60% operating rate, while more time is likely to be needed for a recovery, (assuming the COVID-19 impact to continue in 2Q and the recovery timing to remain uncertain.)
- In addition to a shift to "economical production operations", which have already been implemented, blast furnace banking and other measures to rapidly cut production in response to the current drastic decrease in scale of demand are carried out. They include banking of the No. 1 blast furnaces (BF) in Kashima and Wakayama, the No. 2 BFs in Kimitsu and Kokura and related coke ovens, and moving forward the stopping of blowing of the No. 2 BF in Muroran.

##### (ii) Business continuity planning (BCP) initiatives

Implementing thorough disease prevention measures, downshifting operation, and promoting temporary off-days (applying for the government's employment adjustment subsidies)

- Office employees: promoting working from home and teleworking
- Employees at domestic steelworks: downshifting operation to match production scale and thoroughly implementing temporary off-days
- Overseas operating companies: arranging return to home country and operating remotely, depending on situation with the priority on safety

Responding to bottlenecks in raw material supply chains and logistics

Funding and financial measures: taking steps to address the deterioration in free cash flow

## 2) Fiscal 2020 sales and profit

### (i) Profit level

- Prior to the emergence of the impact from the spread of COVID-19, there were good prospects of generating a profit for fiscal 2020 on a non-consolidated basis.
- After COVID-19 issue is settled, we will maintain to generate operating profit on a non-consolidated basis in any circumstances.

### (ii) Steps to turn to an operating profit on an unconsolidated basis

- **Substantial reduction in fixed costs (about ¥200 billion/year in fiscal 2020)** to lower the breakeven point (including the impact from structural measures ¥26 billion)  
Fixed cash costs (incl. repair costs), ¥110 billion impact from lower depreciation cost (¥60 billion decrease in impairment losses and ¥50 billion decrease resulting from change to straight-line depreciation)
- **Reduction in variable costs by improving operating indicator (¥50 billion or more/year in fiscal 2020)**
- **Continuous improvement in long-term contractual prices**

## 3) Production facility structural measures

Considering and implementing additional measures, if needed, to those disclosed on February 7, 2020.

End



Nippon Steel Corporation  
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## Supplementary Information on the Financial Results for Fiscal 2019

### Japanese Steel Industry

#### 1. Crude Steel Production

(million tons)							
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2018FY	26.56	25.65	52.22	25.70	24.97	50.67	102.89
2019FY	26.12	24.55	50.66	23.65	24.11	47.76	98.42

#### 2. Inventory Volume

At the end of:		Inventory at manufacturers and distributors (million tons)	Inventory /shipment ratio (%)	Rolled sheets *1 (million tons)	H-flange beams *2 (million tons)
Mar.	2018	5.78	(139.4)	4.15	0.200
Apr.	2018	5.80	(148.0)	4.15	0.196
May	2018	5.88	(150.2)	4.34	0.200
June	2018	5.93	(149.3)	4.41	0.207
July	2018	5.68	(143.0)	4.20	0.208
Aug.	2018	6.01	(170.7)	4.39	0.204
Sep.	2018	6.23	(176.5)	4.40	0.198
Oct.	2018	5.87	(132.0)	4.26	0.184
Nov.	2018	5.59	(133.8)	4.14	0.184
Dec.	2018	5.74	(151.6)	4.17	0.187
Jan.	2019	5.98	(154.4)	4.40	0.195
Feb.	2019	5.93	(152.5)	4.41	0.208
Mar.	2019	5.93	(141.6)	4.47	0.219
Apr.	2019	6.02	(160.6)	4.54	0.227
May	2019	6.11	(164.8)	4.62	0.227
June	2019	6.12	(161.0)	4.57	0.220
July	2019	5.82	(145.5)	4.42	0.206
Aug.	2019	6.12	(188.8)	4.57	0.198
Sep.	2019	5.95	(157.7)	4.45	0.191
Oct.	2019	5.85	(155.4)	4.33	0.182
Nov.	2019	5.80	(158.0)	4.34	0.180
Dec.	2019	5.82	(172.0)	4.32	0.191
Jan.	2020	5.91	(173.0)	4.44	0.196
Feb. *3	2020	5.95	(176.3)	4.48	0.196

\*1 Hot-rolled, cold-rolled and coated sheets

\*2 Inventories of distributors dealing with H-flange beams manufactured by Nippon Steel Corporation

\*3 Preliminary report

## Nippon Steel Corporation

### 3. Pig Iron Production

(million tons)

	1st half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
2018FY	10.25	10.24	20.49	10.24	10.13	20.37	40.86
2019FY	10.33	10.18	20.52	9.65	9.93	19.58	40.09

Including Hokkai Iron & Coke Co., Ltd.

### 4. Crude Steel Production

(Consolidated basis (The Company and its consolidated subsidiaries))

(million tons)

	1st half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
2018FY	11.89	11.76	23.65	12.13	12.06	24.19	47.84
2019FY	12.44	11.82	24.27	11.24	11.55	22.79	47.05

(Non-consolidated basis)

(million tons)

	1st half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
2018FY	10.29	10.21	20.50	10.29	10.22	20.50	41.00
2019FY	10.27	9.95	20.22	9.42	9.90	19.32	39.54

### 5. Steel Products Shipment

(million tons)

	1st half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
2018FY	9.57	8.99	18.56	9.92	9.48	19.41	37.97
2019FY	9.11	9.32	18.43	8.91	8.97	17.88	36.31

### 6. Average Price of Steel Products

(thousands of yen / ton)

	1st half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
2018FY	87.2	90.2	88.7	91.5	90.9	91.2	89.9
2019FY	88.1	87.8	87.9	87.4	86.0	86.7	87.3

### 7. Export Ratio of Steel Products (Value basis)

(%)

	1st half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
2018FY	41	41	41	40	37	39	40
2019FY	40	41	40	40	40	40	40

8. Foreign Exchange Rate

(¥ / \$)

			1st half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
2018FY	108	111	109	113	110	112	111
2019FY	111	108	109	109	109	109	109

9. Amount of Capital Expenditure and Depreciation

(Consolidated basis)

(billions of yen)

	Capital Expenditure	Depreciation
2018FY	440.8	408.6
2019FY	481.3	417.3