Flash Report

Consolidated Basis

Results for the First Half of Fiscal 2020 (April 1, 2020—September 30, 2020) <under IFRS>

November 6, 2020

Nippon Steel Corporation Company name:

Stock listing: Tokyo, Nagoya, Sapporo, Fukuoka stock exchanges

Code number:

https://www.nipponsteel.com/en/index.html **URL:**

Representative: Eiji Hashimoto, Representative Director and President **Contact:** Shinnosuke Arita, General Manager, Public Relations Center

Telephone: +81-3-6867-2135, 2146, 2977, 3419

Scheduled date to submit Securities Report: November 12, 2020

Scheduled date to pay dividends:

Preparation of supplemental explanatory materials:

Yes (for investment analysts) Holding of quarterly financial results meeting:

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

1. Consolidated Operating Results and Financial Position through the First Half of Fiscal 2020 (April 1, 2020—September 30, 2020)

(1) Consolidated Operating Results (Accumulated)

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

	Revenue		Business profit (*)		Operating profit		Profit before income taxes		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half of Fiscal 2020	2,241,992	(26.4)	(106,523)	_	(148,810)	_	(159,678)	_	(188,244)	_
First half of Fiscal 2019	3,047,183	3.6	73,100	(53.7)	73,100	(46.6)	64,471	(49.9)	49,440	(57.3)

	Profit attributable to owners of the parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
First half of Fiscal 2020	(191,164)	_	(207,106)	_	(207.62)	_
First half of Fiscal 2019	38,750	(66.8)	12,246	(85.5)	42.09	_

^(*)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, Loss on disposal of fixed assets.

(2) Consolidated Financial Position

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	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				
	Millions of yen	Millions of yen	Millions of yen	%				
First half of Fiscal 2020	7,182,543	2,782,195	2,429,679	33.8				
Fiscal 2019	7,444,965	2,996,631	2,641,618	35.5				

2 Dividende

2. Dividends										
		Dividends per share								
	End of first quarter	nd of first quarter		End of fiscal year	Fiscal year					
	Yen	Yen	Yen	Yen	Yen					
Fiscal 2019	_	10.00	_	0.00	10.00					
Fiscal 2020	_	0.00								
Fiscal 2020 (Forecasts)			_	_	_					

Notes: 1. Whether the dividends forecasts have been revised: No

^{2.} The Company plans to determine the forecast for the year-end dividend distribution amount, with due consideration of forecasts for the full fiscal year performance, and to announce it at the time of its third-quarter result announcement.

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

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

	Revenue		Revenue Business profit		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2020	4,800,000	(18.9)	(60,000)	_	(170,000)	_	(185.00)

Notes: 1. Whether the consolidated financial forecasts for fiscal 2020 under review have been revised: Yes

* 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: None
 - (b) Changes other than those in (a) above: None
 - (c) Changes in accounting estimates: Yes

Note: For further details, please refer to page 7, "Quarterly Condensed Consolidated Financial Statements and Major Notes (4) Notes to the Quarterly Condensed Consolidated Financial Statements (Changes in Accounting Estimates)."

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

First half of Fiscal 2020 950,321,402 shares Fiscal 2019 950,321,402 shares

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

First half of Fiscal 2020 29,545,639 shares Fiscal 2019 29,638,468 shares

(c) Weighted average number of shares outstanding

First half of Fiscal 2020 920,727,590 shares First half of Fiscal 2019 920,469,296 shares

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.

^{*} This quarterly flash report is not subject to quarterly review procedures.

^{*} Explanation of the appropriate use of performance forecasts and other related items (Explanation of the appropriate use of performance forecasts)

Index of Attached Documents

Quarterly Condensed Consolidated Financial Statements and Major Notes	2
(1) Quarterly Condensed Consolidated Statements of Financial Position	
(2) Quarterly Condensed Consolidated Statements of Profit or Loss and Quarterly Condensed Consolidated Statements of Comprehensive Income or Loss	4
(3) Quarterly Condensed Consolidated Statements of Changes in Equity	5
(4) Notes to the Quarterly Condensed Consolidated Financial Statements	7
(Going Concern Assumption)	7
(Changes in Accounting Estimates)	7
(Segment Information)	7

Quarterly Condensed Consolidated Financial Statements and Major Notes

(1) Quarterly Condensed Consolidated Statements of Financial Position

		(Millions of Yen)
ASSETS	March 31, 2020	September 30, 2020
Current assets :		
Cash and cash equivalents	289,459	330,548
Trade and other receivables	826,596	648,697
Inventories	1,532,181	1,390,826
Other financial assets	17,340	17,827
Other current assets	119,396	130,295
Total current assets	2,784,974	2,518,194
Non-current assets:		
Property, plant and equipment	2,812,542	2,858,113
Right-of-use assets	93,663	93,931
Goodwill	45,486	45,075
Intangible assets	96,677	94,401
Investments accounted for using the equity method	878,271	797,994
Other financial assets	481,117	528,300
Defined benefit assets	58,643	72,381
Deferred tax assets	186,457	167,007
Other non-current assets	7,132	7,142
Total non-current assets	4,659,990	4,664,348
Total assets	7,444,965	7,182,543

(Millions of Yen)

LIABILITIES	March 31, 2020	(Millions of Yen) September 30, 2020
Current liabilities :		
Trade and other payables	1,449,801	1,097,782
Bonds, borrowings and lease liabilities	376,900	424,335
Other financial liabilities	2,189	2,515
Income taxes payable	27,323	18,147
Other current liabilities	38,978	39,361
Total current liabilities	1,895,192	1,582,142
Non-current liabilities :		
Bonds, borrowings and lease liabilities	2,111,841	2,344,910
Other financial liabilities	4,621	7,529
Defined benefit liabilities	236,758	231,986
Deferred tax liabilities	27,765	37,316
Other non-current liabilities	172,154	196,461
Total non-current liabilities	2,553,141	2,818,205
Total liabilities	4,448,333	4,400,347
EQUITY		
Common stock	419,524	419,524
Capital surplus	394,404	393,574
Retained earnings	1,870,948	1,708,005
Treasury stock	(58,505)	(58,313)
Other components of equity	15,245	(33,113)
Total equity attributable to owners of the parent	2,641,618	2,429,679
Non-controlling interests	355,013	352,515
Total equity	2,996,631	2,782,195
Total liabilities and equity	7,444,965	7,182,543

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

Quarterly Condensed Consolidated Statements of Profit or Loss	First half of	(Millions of Yen) First half of
		First nair of Fiscal 2020
	First half of Fiscal 2019 3,047,183 (2,722,803) 324,380 (292,890) 28,533 49,785 (36,707) 73,100 — 73,100 3,087 (11,716) 64,471 (15,031) 49,440 38,750 10,689	130412020
Revenue	3,047,183	2,241,992
Cost of sales	(2,722,803)	(2,086,638)
Gross profit	324,380	155,353
Selling, general and administrative expenses	(292,890)	(239,542)
Share of profit in investments accounted for using the equity method	28,533	11,137
Other operating income	49,785	23,161
Other operating expenses	(36,707)	(56,633)
Business profit (loss)	73,100	(106,523)
Losses on reorganization	_	(42,287)
Operating profit (loss)	73,100	(148,810)
Finance income	3,087	1,613
Finance costs	(11,716)	(12,482)
Profit (loss) before income taxes	64,471	(159,678)
Income tax expense	(15,031)	(28,565)
Profit (loss)	49,440	(188,244)
Profit (loss) attributable to :		
Owners of the parent	38,750	(191,164)
Non-controlling interests	10,689	2,920
Earnings (loss) per share		
Basic earnings (loss) per share (Yen)	42.09	(207.62)

Quarterly Condensed Consolidated Statements of Comprehensive Inco	ome or Loss	(Millions of Yen
	First half of	First half of
	Fiscal 2019	Fiscal 2020
Profit (loss)	49,440	(188,244)
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	(14,927)	21,801
Remeasurements of defined benefit plans	6,078	14,500
Share of other comprehensive income of investments accounted for using the equity method	1,014	4,799
Subtotal	(7,834)	41,101
Items that might be reclassified to profit or loss Changes in fair value of cash flow hedges Foreign exchange differences on translation of foreign operations Share of other comprehensive income of investments accounted	(2,927) (20,166)	(1,693 (15,985
for using the equity method	(6,266)	(42,284)
Subtotal	(29,359)	(59,963)
Total other comprehensive income, net of tax	(37,193)	(18,861
Total comprehensive income	12,246	(207,106
Comprehensive income attributable to:		
Owners of the parent	4,429	(211,301
Non-controlling interests	7,817	4,195

(3) Quarterly Condensed Consolidated Statements of Changes in Equity

Changes in scope of consolidation

Balance as of September 30, 2019

Subtotal

First Half of Fiscal 2019 (Millions of Yen) Equity attributable to owners of the parent Other components of equity Changes in fair value of financial Common Capital Retained Treasury assets measured at Remeasurements of fair value through defined benefit stock surplusearnings stock other plans comprehensive income 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) 38,750 Other comprehensive income (13,965) 6,406 38,750 (13,965) 6,406 Total comprehensive income Transactions with owners and others Cash dividends (36,880) Purchases of treasury stock (24) (104) Disposals of treasury stock 623 (1,226) Changes in ownership interests in subsidiaries Transfer from other components of equity 29,384 (22,978) (6,406) to retained earnings

(1,330)

392,587

419,524

(7,496)

2,331,429

(249)

(58,481)

349

(22,978)

211,076

(6,406)

Balance as of September 30, 2019	(6,510)	(92,270)	112,294	3,197,355	377,923	3,575,279
Subtotal	_	_	(29,384)	(37,861)	(6,473)	(44,334)
Changes in scope of consolidation			_	(249)	(545)	(794)
Transfer from other components of equity to retained earnings			(29,384)	_		_
Changes in ownership interests in subsidiaries			_	(1,226)	(211)	(1,438)
Disposals of treasury stock			_	519		519
Purchases of treasury stock			_	(24)		(24)
Cash dividends			_	(36,880)	(5,715)	(42,596)
Transactions with owners and others	(2,070)	(24,083)	(34,321)	4,429	7,017	12,240
Other comprehensive income Total comprehensive income	(2,076)	(24,685)	(34,321)	(34,321)	(2,872) 7,817	(37,193)
Profit (loss)	(2.07.6)	(24.605)	(24.221)	38,750	10,689	49,440
Comprehensive income						
Changes of the year						
Balance as of March 31, 2019	(4,433)	(67,585)	176,000	3,230,788	376,579	3,607,367
	Changes in fair value of cash flow hedges	Foreign exchange differences on translation of foreign operations	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	-	r components of e	ent			

First Half of Fiscal 2020 (Millions of Yen)

Balance as of September 30, 2020	419,524	393,574	1,708,005	(58,313)	120,610	_
Subtotal	_	(829)	28,222	192	(9,799)	(18,422)
Changes in scope of consolidation		(2,763)		218		
Transfer from other components of equity to retained earnings			28,222		(9,799)	(18,422)
Changes in ownership interests in subsidiaries		1,934				
Disposals of treasury stock		(1)		2		
Purchases of treasury stock				(28)		
Cash dividends						
Transactions with owners and others						
Total comprehensive income	_	_	(191,164)	_	18,485	18,422
Other comprehensive income					18,485	18,422
Profit (loss)			(191,164)			
Comprehensive income						
Changes of the year						
Balance as of March 31, 2020	419,524	394,404	1,870,948	(58,505)	111,924	_
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other comport Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
First Half of Fiscal 2020			Equity attributable	to owners of the	parent	(Millions of Yen)

	Eq	uity attributable to	owners of the par	ent		
	Othe	r components of e	quity			
	Changes in fair value of cash flow hedges	Foreign exchange differences on translation of foreign operations	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of March 31, 2020	(4,821)	(91,857)	15,245	2,641,618	355,013	2,996,631
Changes of the year						
Comprehensive income						ļ
Profit (loss)			_	(191,164)	2,920	(188,244)
Other comprehensive income	(5,119)	(51,925)	(20,136)	(20,136)	1,275	(18,861)
Total comprehensive income	(5,119)	(51,925)	(20,136)	(211,301)	4,195	(207,106)
Transactions with owners and others						
Cash dividends			_	_	(4,572)	(4,572)
Purchases of treasury stock			_	(28)		(28)
Disposals of treasury stock			_	0		0
Changes in ownership interests in subsidiaries			_	1,934	(132)	1,801
Transfer from other components of equity to retained earnings			(28,222)	_		_
Changes in scope of consolidation				(2,544)	(1,987)	(4,532)
Subtotal	_		(28,222)	(637)	(6,692)	(7,330)
Balance as of September 30, 2020	(9,941)	(143,782)	(33,113)	2,429,679	352,515	2,782,195

(4) Notes to the Quarterly Condensed Consolidated Financial Statements (Going Concern Assumption)

None

(Changes in Accounting Estimates)

Effective from the beginning of the first quarter of fiscal 2020, Nippon Steel changed the depreciation method for property, plant and equipment from the declining-balance to the straight-line method.

The Company's domestic steelworks have been operating for about 50 years, and their workforce is experiencing a transition to the next generation. In the midst of this trend, the Company is working to rebuild its "strength in manufacturing" and this includes the prevention of facility troubles. The Company also strives to rebuild a profit base that can be sustainable as a business. To achieve that, the Company takes up major structural reforms that can be described as the "second foundation stage" by promoting manufacturing infrastructure development including the refurbishing of core facilities. In addition, the Company is implementing thorough preventive and planned maintenance to prevent operational and facility troubles from taking place and has been striving to maximize the use of current production capacity to ensure stable production volume and reduced cost. The Company's future plans for facilities stipulate large-scale investment projects such as refurbishment of coke ovens and relining of blast furnaces. The Company expects that large-scale investment for aging facilities may increase and represent a larger portion of the total capital investments. Accordingly, the Company considers that the straight-line method, which equalizes the annual amount of depreciation cost over the useful life, is more in line with the actual situation of recent Nippon Steel compared to the declining-balance method.

With this change, compared to the previous method, depreciation expenses decreased by ¥31,568 million and business profit, operating profit, and profit before income taxes increased by ¥22,851 million, respectively, during the first half of fiscal 2020.

(Segment Information)

Information on the amounts of revenue and profit for reportable segments

First Half of Fiscal 2019 (April 1, 2019—September 30, 2019)

(Millions of Yen)

		Reportable	e segment				G 111 . 1	
	Steelmaking and	Engineering and	Chemicals and System		Total	Adjustments	Consolidated	
	steel fabrication	construction	Materials	solutions				
Revenue	2,704,196	157,916	114,177	150,241	3,126,531	(79,347)	3,047,183	
Segment profit (loss) <business profit=""></business>	49,205	5,149	11,397	14,971	80,724	(7,623)	73,100	

First Half of Fiscal 2020 (April 1, 2020—September 30, 2020)

(Millions of Yen)

		Reportabl					
	Steelmaking and	Engineering and	Chemicals and	System	Total	Adjustments	Consolidated
	steel fabrication	construction	Materials	solutions			
Revenue	1,965,815	151,511	78,968	121,740	2,318,036	(76,043)	2,241,992
Segment profit (loss) <business profit=""></business>	(116,757)	7,211	(3,637)	10,636	(102,546)	(3,976)	(106,523)

Nippon Steel Corporation

Code Number: 5401

Listings: Tokyo, Nagoya, Sapporo and Fukuoka Stock Exchanges

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Supplementary Information on the Financial Results for the First Half of Fiscal 2020

Japanese Steel Industry

1.Crude Steel Production

(million tons)

			ļ				
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2019 FY	26.11	24.55	50.66	23.65	24.11	47.76	98.43
2020 FY	18.12	18.98	37.09	(*)Approx. 21.11			

(*)METI forecast

<u>2. </u>	Inventory	<u>Vo</u>	<u>lume</u>

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)
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	5.97	(154.0)	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	(160.1)	4.54	0.227
May	2019	6.11	(164.7)	4.62	0.227
June	2019	6.12	(161.2)	4.57	0.220
July	2019	5.82	(145.6)	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.	2020	5.97	(178.4)	4.49	0.196
Mar.	2020	5.79	(158.5)	4.39	0.194
Apr.	2020	5.79	(193.7)	4.35	0.181
May.	2020	5.93	(224.5)	4.46	0.178
June	2020	5.70	(195.8)	4.30	0.166
Jul.	2020	5.35	(173.6)	3.97	0.163
Aug.	2020	5.37	(189.2)	3.93	0.162
Sep. *3	2020	5.15	(160.2)	3.66	0.166

^{*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

2019 FY *1 (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	10.33	10.18	20.52	9.65	9.93	19.58	40.09
Nippon Steel Nisshin Co., Ltd.	0.76	0.65	1.42	0.58	0.49	1.07	2.48
total	11.09	10.84	21.93	10.22	10.42	20.64	42.57

2020 FY *2 (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	7.56	7.27	14.82			Approx. 17.90	Approx. 32.70

Including Hokkai Iron & Coke Co., Ltd..

4. Crude Steel Production

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

(million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2019 FY	12.44	11.82	24.27	11.24	11.55	22.79	47.05
2020 FY	8.30	8.48	16.78			Approx. 20.40	Approx. 37.20

(Non-consolidated basis)

2019 FY *1 (million tons)

			-				
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	10.27	9.95	20.22	9.42	9.90	19.32	39.54
Nippon Steel Nisshin Co., Ltd.	0.71	0.61	1.32	0.53	0.46	0.99	2.31
total	10.99	10.56	21.55	9.94	10.36	20.30	41.85

2020 FY *2 (million tons)

							(IIIIIIOII tollo)
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	7.20	7.45	14.64			Approx. 18.10	Approx. 32.70

5. Steel Products Shipment

2019 FY *1 (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	9.08	1		1	8.65		
Nippon Steel Nisshin Co., Ltd.	0.73	0.75	1.48	0.69	0.73	1.42	2.90
total	9.81	10.05	19.86	9.46	9.38	18.84	38.70

2020 FY *2 _____ (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	7.12	7.33	14.46			Approx. 16.50	Approx. 31.00

6. Average Price of Steel Products

2019 FY *1

2019 FY *1 (thousands of								
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total	
Nippon Steel	88.2	87.8	88.0	87.7	87.0	87.4	87.7	
Nippon Steel Nisshin Co., Ltd.	96.5	96.8	96.6	95.4	95.9	95.7	96.2	
total	88.8	88.5	88.6	88.3	87.7	88.0	88.3	

2020 FY *2

(thousands of yen / ton)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	86.0	81.3	83.6			Approx. 85	Approx. 84

7. Export Ratio of Steel Products (Value basis)

2019 FY *1 (%)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total	
Nippon Steel	40	41	40	40	41	40	40	
Nippon Steel Nisshin Co., Ltd.	11	10	11	10	11	11	11	
total	38	38	38	38	38	38	38	

2020 FY *2 (%)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	39	37	38			Approx. 34	Approx. 36

8. Foreign Exchange Rate

(¥/\$)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2019 FY	111	108	109	109	109	109	109
2020 FY	108	106	107			Approx. 105	Approx. 106

9. Amount of Capital Expenditure and Depreciation

(Consolidated basis)

(billions of yen)

	Capital Expenditure	Depreciation		
2019 FY	481.3	417.3		
2020 FY	Approx. 480.0	Approx. 300.0		

^{*1} For 2019 FY, the table represents the total figures of Nippon Steel and Nippon Steel Nisshin Co., Ltd. (after the adjustment of transactions between them)

^{*2} For 2020 FY, the table represents the figures after the merger of Nippon Steel Nisshin Co., Ltd.