Flash Report Consolidated Basis

Results for the Third Quarter of Fiscal 2020

(April 1, 2020—December 31, 2020) <under IFRS>

February 5, 2021

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

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

Scheduled date to submit Securities Report: February 10, 2021

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 Third Quarter of Fiscal 2020 (April 1, 2020—December 31, 2020)

(1) Consolidated Operating Results (Accumulated)

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

	Revenue	•	Business profit (*)		Operating p	rofit	Profit before income taxes		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter of Fiscal 2020	3,449,817	(22.9)	(33,169)		(67,385)		(81,478)		(116,484)	_
Third quarter of Fiscal 2019	4,476,014	(2.2)	(279,300)	_	(372,502)	_	(385,629)	_	(351,561)	_

	Profit attributa		Total compreh income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Third quarter of Fiscal 2020	(123,800)	_	(71,990)	_	(134.45)	_
Third quarter of Fiscal 2019	(357,379)	_	(361,388)	_	(388.23)	_

^(*)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

(_)					
	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	%	
Third quarter of Fiscal 2020	7,272,787	2,916,976	2,560,291	35.2	
Fiscal 2019	7,444,965	2,996,631	2,641,618	35.5	

2. Dividends

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 2019	_	10.00	_	0.00	10.00				
Fiscal 2020	_	0.00	_						
Fiscal 2020 (Forecasts)				10.00	10.00				

Notes: 1. Whether the dividends forecasts have been revised: Yes

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		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	4,850,000	(18.1)	30,000	_	(120,000)	_	(130.00)	

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)

Third quarter of Fiscal 2020 950,321,402 shares Fiscal 2019 950,321,402 shares

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

Third quarter of Fiscal 2020 29,554,833 shares Fiscal 2019 29,638,468 shares

(c) Weighted average number of shares outstanding

Third quarter of Fiscal 2020 920,740,512 shares Third quarter of Fiscal 2019 920,536,633 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)

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Quarterly Condensed Consolidated Financial Statements and Major Notes

(1) Quarterly Condensed Consolidated Statements of Financial Position

		(Millions of Yen)
ASSETS	March 31, 2020	December 31, 2020
Current assets :		
Cash and cash equivalents	289,459	329,482
Trade and other receivables	826,596	684,269
Inventories	1,532,181	1,373,254
Other financial assets	17,340	26,391
Other current assets	119,396	121,216
Total current assets	2,784,974	2,534,614
Non-current assets :		
Property, plant and equipment	2,812,542	2,903,265
Right-of-use assets	93,663	91,222
Goodwill	45,486	45,440
Intangible assets	96,677	93,196
Investments accounted for using the equity method	878,271	794,677
Other financial assets	481,117	573,221
Defined benefit assets	58,643	82,013
Deferred tax assets	186,457	148,166
Other non-current assets	7,132	6,967
Total non-current assets	4,659,990	4,738,172
Total assets	7,444,965	7,272,787

(Millions of Yen)

LIABILITIES	March 31, 2020	December 31, 2020
Current liabilities :		
Trade and other payables	1,449,801	1,150,623
Bonds, borrowings and lease liabilities	376,900	384,170
Other financial liabilities	2,189	3,015
Income taxes payable	27,323	14,452
Other current liabilities	38,978	38,548
Total current liabilities	1,895,192	1,590,810
Non-current liabilities :		
Bonds, borrowings and lease liabilities	2,111,841	2,305,788
Other financial liabilities	4,621	7,584
Defined benefit liabilities	236,758	231,955
Deferred tax liabilities	27,765	37,416
Other non-current liabilities	172,154	182,254
Total non-current liabilities	2,553,141	2,765,000
Total liabilities	4,448,333	4,355,810
EQUITY		
Common stock	419,524	419,524
Capital surplus	394,404	393,574
Retained earnings	1,870,948	1,788,277
Treasury stock	(58,505)	(58,327)
Other components of equity	15,245	17,241
Total equity attributable to owners of the parent	2,641,618	2,560,291
Non-controlling interests	355,013	356,685
Total equity	2,996,631	2,916,976
Total liabilities and equity	7,444,965	7,272,787

(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	Third quarter of	(Millions of Yen) Third quarter of
	Fiscal 2019	Fiscal 2020
Revenue	4,476,014	3,449,81
Cost of sales	(4,023,034)	(3,112,648
Gross profit	452,980	337,169
Selling, general and administrative expenses	(430,973)	(361,234
Share of profit in investments accounted for using the equity method	37,918	25,648
Other operating income	63,855	39,070
Other operating expenses	(403,080)	(73,822
Business profit (loss)	(279,300)	(33,169
Losses on reorganization	(93,202)	(34,216
Operating profit (loss)	(372,502)	(67,385
Finance income	4,885	4,808
Finance costs	(18,013)	(18,900
Profit (loss) before income taxes	(385,629)	(81,478)
Income tax expense	34,068	(35,006)
Profit (loss)	(351,561)	(116,484
Profit (loss) attributable to :		
Owners of the parent	(357,379)	(123,800)
Non-controlling interests	5,818	7,315
Earnings (loss) per share		
Basic earnings (loss) per share (Yen)	(388.23)	(134.45

	come or Loss	(Millions of Yen
	Third quarter of Fiscal 2019	Third quarter of Fiscal 2020
rofit (loss)	(351,561)	(116,484)
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	13,480	67,875
Remeasurements of defined benefit plans	16,511	24,196
Share of other comprehensive income of investments accounted for using the equity method	2,487	7,253
Subtotal	32,480	99,325
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	(515) (26,536)	691 (16,539)
Share of other comprehensive income of investments accounted for using the equity method	(15,255)	` ', '
Share of other comprehensive income of investments accounted for using the equity method Subtotal	(15,255) (42,306)	(38,983)
for using the equity method		(38,983)
for using the equity method Subtotal	(42,306)	(38,983)
for using the equity method Subtotal Total other comprehensive income, net of tax	(42,306) (9,826)	(38,983) (54,831) 44,494

(Millions of Yen)

(3) Quarterly Condensed Consolidated Statements of Changes in Equity

Third Quarter of Fiscal 2019

Equity attributable to owners of the parent

	1		Equity attributable	to owners or the	Parent	
					Other compo	nents 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, 2019	419,524	393,917	2,300,175	(58,831)	248,020	_
Changes of the year						
Comprehensive income						
Profit (loss)			(357,379)			
Other comprehensive income					12,893	17,392
Total comprehensive income	_	_	(357,379)		12,893	17,392
Transactions with owners and others						
Cash dividends			(46,101)			
Purchases of treasury stock				(38)		
Disposals of treasury stock		(104)		623		
Changes in ownership interests in subsidiaries		494				
Transfer from other components of equity to retained earnings			67,934		(50,541)	(17,392)
Changes in scope of consolidation				(241)		
Subtotal	_	390	21,833	344	(50,541)	(17,392)
Balance as of December 31, 2019	419,524	394,308	1,964,629	(58,487)	210,371	_

	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, 2019	(4,433)	(67,585)	176,000	3,230,788	376,579	3,607,367
Changes of the year						
Comprehensive income						
Profit (loss)			_	(357,379)	5,818	(351,561)
Other comprehensive income	631	(39,956)	(9,038)	(9,038)	(788)	(9,826)
Total comprehensive income	631	(39,956)	(9,038)	(366,418)	5,030	(361,388)
Transactions with owners and others						
Cash dividends			_	(46,101)	(8,035)	(54,136)
Purchases of treasury stock			_	(38)		(38)
Disposals of treasury stock			_	519		519
Changes in ownership interests in subsidiaries			_	494	(320)	173
Transfer from other components of equity to retained earnings			(67,934)	_		_
Changes in scope of consolidation			_	(241)	(13,194)	(13,435)
Subtotal	_	_	(67,934)	(45,366)	(21,550)	(66,916)
Balance as of December 31, 2019	(3,802)	(107,541)	99,027	2,819,003	360,059	3,179,062

Third Quarter of Fiscal 2020 (Millions of Yen)

Balance as of December 31, 2020	419,524	393,574	1,788,277	(58,327)	165,229	_				
Subtotal	_	(830)	41,129	178	(12,744)	(28,384)				
Changes in scope of consolidation		(2,763)		213						
Transfer from other components of equity to retained earnings			41,129		(12,744)	(28,384)				
Changes in ownership interests in subsidiaries		1,934								
Disposals of treasury stock		(1)		2						
Purchases of treasury stock				(37)						
Cash dividends										
Transactions with owners and others										
Total comprehensive income		_	(123,800)		66,049	28,384				
Other comprehensive income					66,049	28,384				
Profit (loss)			(123,800)							
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				
		Equity attributable to owners of the parent								

	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						
Profit (loss)			_	(123,800)	7,315	(116,484)
Other comprehensive income	(1,668)	(49,641)	43,124	43,124	1,369	44,494
Total comprehensive income	(1,668)	(49,641)	43,124	(80,675)	8,685	(71,990)
Transactions with owners and others Cash dividends Purchases of treasury stock				(37)	(5,827)	(5,827) (37)
Disposals of treasury stock			_	1		1
Changes in ownership interests in subsidiaries			_	1,934	820	2,754
Transfer from other components of equity to retained earnings			(41,129)	_		
Changes in scope of consolidation			_	(2,549)	(2,005)	(4,555)
Subtotal	_	_	(41,129)	(651)	(7,013)	(7,664)
Balance as of December 31, 2020	(6,489)	(141,498)	17,241	2,560,291	356,685	2,916,976

(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 ¥49,229 million and business profit, operating profit, and profit before income taxes increased by ¥39,794 million, respectively, during the third quarter of fiscal 2020.

(Segment Information)

Information on the amounts of revenue and profit for reportable segments

Third quarter of Fiscal 2019 (April 1, 2019—December 31, 2019)

(Millions of Yen)

		Reportable	e segment					
	Steelmaking and steel fabrication	Engineering and construction	Chemicals and Materials	System solutions	Total	Adjustments	Consolidated	
Revenue	3,988,805	239,481	169,330	198,978	4,596,595	(120,580)	4,476,014	
Segment profit (loss) <business profit=""></business>	(315,388)	8,347	17,356	20,265	(269,419)	(9,880)	(279,300)	

Third quarter of Fiscal 2020 (April 1, 2020—December 31, 2020)

(Millions of Yen)

		Reportabl	e segment					
		Engineering and	Chemicals and	System	Total	Adjustments	Consolidated	
	steel fabrication	construction	Materials	solutions				
Revenue	3,016,923	242,519	127,511	183,797	3,570,752	(120,934)	3,449,817	
Segment profit (loss) <business profit=""></business>	(60,528)	14,435	(415)	16,601	(29,908)	(3,261)	(33,169)	

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 Third Quarter of Fiscal 2020

Japanese Steel Industry

1. Crude Steel Production

							(million tons)				
	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	21.99	(*)Approx. 23.50	Approx. 45.50	Approx. 82.60				

(*)METI forecast

<u>2. </u>	<u>Inventory</u>	Vo.	<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)
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.	2020	5.16	(161.3)	3.67	0.166
Oct.	2020	5.00	(143.9)	3.56	0.166
Nov.	2020	5.07	(152.5)	3.54	0.171
Dec. *3	2020	5.12	(158.9)	3.56	0.178

^{*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)

 Ist quarter
 2nd quarter
 1st half
 3rd quarter
 4th quarter
 2nd half
 total

 Nippon Steel
 7.56
 7.27
 14.82
 8.32
 Approx. 10.10
 Approx. 18.40
 Approx. 33.20

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	9.64	Approx. 11.40	Approx. 21.00	Approx. 37.80

(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)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	7.20	7.45	14.64	8.47	Approx. 10.10	Approx. 18.60	Approx. 33.20

5. Steel Products Shipment

2019 FY *1 (million tons)

							,
			r			r	
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	9.08	9.30	18.38	8.77	8.65	17.41	35.80
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	7.93	Approx. 8.90	Approx. 16.80	Approx. 31.20

6. Average Price of Steel Products

2019 FY *1

(thousands of yen / ton)

						Ī	
	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	86.9	Approx. 90	Approx. 88	Approx. 86

7. Export Ratio of Steel Products (Value basis)

2019 FY *1

(%)

							ì
	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	33	Approx. 37	Approx. 35	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	105	Approx. 105	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.