

Flash Report
Consolidated Basis
Results for Fiscal 2020
(April 1, 2020—March 31, 2021)
< under IFRS >

May 7, 2021

Company name:	Nippon Steel Corporation
Stock listing:	Tokyo, Nagoya, Sapporo, Fukuoka stock exchanges
Code number:	5401
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Scheduled date to Ordinary General Meeting of Shareholders:	June 23, 2021
Scheduled date to pay dividends:	June 24, 2021
Scheduled date to submit Securities Report:	June 23, 2021
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 2020

(April 1, 2020—March 31, 2021)

(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	%
Fiscal 2020	4,829,272	(18.4)	110,046	—	11,381	—	(8,656)	—	(19,327)	—	(32,432)	—
Fiscal 2019	5,921,525	(4.2)	(284,417)	—	(406,119)	—	(423,572)	—	(426,120)	—	(431,513)	—

	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	%	%	%	%
Fiscal 2020	143,233	—	(35.22)	—	(1.2)	(0.1)	2.3	0.2
Fiscal 2019	(543,642)	—	(468.74)	—	(14.7)	(5.5)	(4.8)	(6.9)

(For reference) Share of profit in investments accounted for using the equity method: Fiscal 2020 ¥55,220 million
Fiscal 2019 ¥38,395 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
Fiscal 2020	7,573,946	3,131,387	2,759,996	36.4	2,997.53
Fiscal 2019	7,444,965	2,996,631	2,641,618	35.5	2,869.19

(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
Fiscal 2020	403,185	(389,035)	52,694	359,465
Fiscal 2019	494,330	(345,627)	(14,582)	289,459

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	—	10.00	10.00
Fiscal 2021 (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 2019	9,220	—	0.3
Fiscal 2020	9,219	—	0.3
Fiscal 2021 (Forecasts)		—	

Notes: The Company has not determined a dividend distribution plan for the second quarter of fiscal 2021 and fiscal 2021. The dividend distribution plan will be disclosed when it becomes available.

3. Consolidated Financial Forecasts for Fiscal 2021 (April 1, 2021—March 31, 2022)

(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
The first half of fiscal 2021	3,000,000	33.8	250,000	—	130,000	—	141.00
Fiscal 2021	6,000,000	24.2	450,000	308.9	240,000	—	261.00

For further details, please refer to page 7, “1. Summary of Operating Results (2) Outlook for the Fiscal Year Ending March 31, 2022 (Fiscal 2021)” and “Results and dividends of Fiscal 2020 (Year ended March 31, 2021).”

* 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 15, “3. Consolidated Financial Statements and Major Notes

(5) Notes to the 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)

Fiscal 2020 950,321,402 shares

Fiscal 2019 950,321,402 shares

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

Fiscal 2020 29,564,533 shares

Fiscal 2019 29,638,468 shares

(c) Weighted average number of shares outstanding

Fiscal 2020 920,745,340 shares

Fiscal 2019 920,570,952 shares

(For Reference)

1. A Summary of Non-Consolidated Operating Results and Financial Position for Fiscal 2020

(April 1, 2020—March 31, 2021)

(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	%
Fiscal 2020	2,820,992	(14.8)	(104,779)	—	(25,446)	—	(42,098)	—
Fiscal 2019	3,312,949	(7.0)	(119,374)	—	(40,410)	—	(455,641)	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal 2020	(45.66)	—
Fiscal 2019	(494.18)	—

(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
Fiscal 2020	5,253,847	1,467,570	27.9	1,591.76
Fiscal 2019	5,009,656	1,446,409	28.9	1,568.77

(For reference) Shareholders' equity: Fiscal 2020 ¥1,467,570 million
Fiscal 2019 ¥1,446,409 million

2. Non-Consolidated Financial Forecasts for Fiscal 2021 (April 1, 2021—March 31, 2022)

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

	Net sales		Ordinary profit		Profit for the year		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2021	4,000,000	41.8	270,000	—	200,000	—	217.00

* 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 Operating Results

(1) Summary of Operating Results and Financial Position for Fiscal Year Ended March 31, 2021 (Fiscal 2020)

Overview of Conditions in Fiscal 2020

In fiscal 2020, the global economy substantially decelerated as economic activity was reduced mainly in the first half by the spread of COVID-19 worldwide. The Japanese economy also deteriorated due to global economic developments and the spread of COVID-19. In the second half of the year, the domestic and overseas economies began to show signs of recovery but the pace of recovery varied by country. In Japan, private consumption and other aspects of the economy showed signs of improvement but have faltered again, while China was one of the first countries that resumed economic activity and steadily recovered, mainly driven by fixed asset investment.

Demand for steel materials declined sharply in the first half of the year, both in Japan and overseas, due to the spread of COVID-19. In the second half, Japan recovered mainly in the manufacturing sector, notably in the automobile sector, but the level of economic recovery remained at a low level compared to before the COVID-19 outbreak. The steel market rose due to continued high levels of domestic demand and production in China, which accounts for about 60% of world crude steel production. Other regions' tighter steel supply-demand conditions, which were in line with their economic resumption, also helped to boost the steel market.

In this business environment, the Nippon Steel Group ("the Group") strived to fully establish the overall stability of its facilities and operations, improve its long-term contractual prices and variable costs, and substantially reduce fixed costs. In addition, the Group has been working to enhance its earnings base, including the structural measures for production facilities decided in February of last year, and to reform the management structure. The Group has also been working swiftly and appropriately to respond to changes in steel demand, caused by the spread of COVID-19.

Operating Results by Segment in Fiscal 2020

The Nippon Steel Group's business segments strived to respond to their changing business environments and have applied their utmost management effort. The operating results by business segment are as follows.

	Revenue		Business Profit	
	Fiscal 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019
Steelmaking and Steel Fabrication	4,228.4	5,257.3	63.5	(325.3)
Engineering and Construction	324.4	340.4	17.7	10.7
Chemicals and Materials	178.6	215.7	7.6	18.4
System Solutions	252.4	273.2	23.9	26.1
Total	4,984.0	6,086.7	112.8	(269.9)
Adjustments	(154.7)	(165.2)	(2.7)	(14.4)
Consolidated total	4,829.2	5,921.5	110.0	(284.4)

(Billions of yen)

Steelmaking and Steel Fabrication

The Steelmaking and Steel Fabrication segment strived to fully establish the overall stability of its facilities and operations, while taking every possible measures on the safety, environment, disaster prevention, quality management, and compliance, improve its long-term contractual prices and variable costs, and substantially reduce fixed costs. In addition, the segment has been working to enhance its earnings base, including the structural measures for production facilities decided in February of last year, and to reform the management structure. In response to changes in steel demand, caused by the spread of COVID-19, the segment has promptly and appropriately implemented measures, such as production management (including temporary suspension and re-operation of blast furnaces), implementation of the business continuity plan (BCP), temporary business shutdowns, and measures in light of the deterioration in operating cash flow. As for the Steelmaking and Steel Fabrication segment's operating results in fiscal 2020, it recorded a significant loss in the first half, mainly due to a decline in production and shipping volumes, driven by the decline in steel demand, and deterioration in Group companies' profits. In the second half, the segment worked on production in prompt, appropriate response to a recovery in steel demand, mainly from the manufacturing industry, and substantially reduced fixed costs and improved variable costs, which resulted in turning into a profitable structure in non-consolidated operating income. For the full year, the segment recorded revenue of ¥4,228.4 billion (compared to ¥5,257.3 billion in fiscal 2019) and business profit of ¥63.5 billion (compared to business loss of ¥325.3 billion).

Specifically, the following efforts were made during fiscal 2020.

In order to strengthen the competitiveness of the domestic mother mills that support the global strategy, Nippon Steel (“the Company”) needs to invest in leading-edge facilities and expanding the supply capacity of strategic products, and to reduce costs by concentrating production of high-value-added products. In order to achieve these aims, the Steelmaking and Steel Fabrication segment has moved forward with the transition to an optimal production framework in Japan based on thorough selection of products and facilities. In fiscal 2020, the blast furnace and continuous casting machine in the Kyushu Works Yawata Area (Kokura), the small-diameter seamless steel pipe mill in the East Nippon Works Kimitsu Area (Tokyo), the tin production line in the Setouchi Works Hirohata Area, and the electro-galvanizing lines in the Setouchi Works Hanshin Area (Sakai) were shut down, and production was consolidated into competitive lines. In addition, the No. 2 blast furnace of Hokkai Steel Co., Ltd. (on the Muroran Works site) was relined in order to maintain and strengthen the health of the facilities and to further improve productivity.

Utilizing the world's largest and best-in-class technology development capabilities, Nippon Steel has been striving to strengthen both the quality and volume of its globally-competitive strategic products, maximize marginal profits, and contribute to the realization of a sustainable society. In fiscal 2020, the Company decided to expand the production facilities for electrical steel sheets in the Setouchi Works Hirohata Area, with the aim of meeting growing steel demand related to automobiles and electric power and the need for higher-grade products. In January 2021, the No. 6 CGL (Continuous Hot-Dip Galvanizing Line) in the East Nippon Works Kimitsu Area started commercial operation to strengthen the Company's supply of ultra-high-tensile steel sheets.

Overseas, the Steelmaking and Steel Fabrication segment focused on areas where growth in steel demand is anticipated, and areas where the Group's technological and product capabilities can be utilized, contributing to the development of countries and regions, and striving to increase the corporate value of Nippon Steel. In fiscal 2020, the Company decided to establish a new electric arc furnace at AM/NS Calvert LLC, a joint venture with ArcelorMittal in the United States, in order to strengthen the production and supply of full-line high-grade steel sheets in North America, including leading-edge products. In contrast, the segment sold shares of the automobile steel sheet businesses in the United States, reorganized its tin business in China and other areas, and withdrew from the seamless pipe joint venture business in Brazil. The aim of these efforts to select and concentrate businesses is to properly reallocate management resources.

In order to appropriately respond to greater fluctuation in the business environment and acceleration in the speed of change, Nippon Steel has reformed the management structure. With regard to corporate governance, the Company moved to a "Company with an Audit & Supervisory Committee" in June 2020 to expedite management decision-making, enhance discussions at the Board of Directors, and strengthen its function to supervise management. In addition, the Company decided to further streamline its business operations by slimming down the company-wide organization, including the integration and reorganization of its steel mills in April 2020.

Nippon Steel is actively promoting digital transformation (DX) and strengthening its business competitiveness by use of data and digital technologies. The Company intends to carry out business process innovation and production process innovation by creating Kaizen (improvement) and Kaikaku (reform) cycles through the building of a system to share and utilize a vast amount of corporate-wide data and the use of connected data, aiming to accelerate decision-making and improve problem solving capabilities. In fiscal 2020, the Steelmaking and Steel Fabrication segment accelerated DX at manufacturing sites by starting long-term operational tests of AI technology software utilizing NEC Corporation's "invariant analysis technology" in order to build a facility condition monitoring platform at the steelworks.

On the environmental front, Nippon Steel has contributed to energy conservation, CO₂ emissions reduction, and the creation of a circular economy by further improving energy efficiency at the steel manufacturing stage, which is at the highest level in the world, and by developing and producing eco-friendly products. Amid increasing global awareness of climate change issues, the Company has established a cross-functional Zero Carbon Steel Committee, which began discussions on the Company's scenario for a decarbonized society (the target for 2030 and vision for 2050) and research and development on low CO₂ technology. In March 2021, the Company announced "Nippon Steel Carbon Neutral Vision 2050 - A Challenge of Zero-Carbon Steel"—a new, unique initiative to take up the challenge to realize carbon neutrality in 2050 as the Company's priority issue.

Nippon Steel has also been actively engaged in diversity and inclusion in order to create a company where its diverse workforce can be proud, feel rewarded, and be empowered. In fiscal 2020, the Company decided to open its own childcare nursery in the East Nippon Works Kashima Area and the Muroran Works. In March 2021, the Company was selected as a "Nadeshiko" brand name by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, which signifies a "company with excellent performance in promoting women's activities."

Following its corporate philosophy of pursuing world-leading technologies and manufacturing capabilities and contributing to society by providing excellent products and services, the Nippon Steel Group will strive to contribute to the realization of a sustainable society and to enhance corporate value.

Engineering and Construction

Nippon Steel Engineering Co., Ltd. posted a decrease in overall revenue due to a decline in the scale of its electric power business, but the overall Engineering and Construction segment recorded an increase in profit, supported mainly by the steady implementation and management of large-scale projects that were ordered in the past fiscal year, and the completion of several projects. These large-scale projects included facility renovation works in the steelmaking plant sector, a gas-fired melting furnace in the environment and energy sector, and the construction of distribution facilities in the urban infrastructure sector. The spread of COVID-19 caused delays in orders and processes for some projects but the segment endeavored to thoroughly respond to changes in the business environment. The Engineering and Construction segment recorded revenue of ¥324.4 billion (compared to ¥340.4 billion in fiscal 2019) and business profit of ¥17.7 billion (compared to ¥10.7 billion).

Chemicals and Materials

Nippon Steel Chemical & Materials Co., Ltd. experienced severe profit conditions in the first half of fiscal 2020, amid the global economic slowdown caused by the spread of COVID-19. In the second half, however, the business environment improved, and partly due to efforts to improve profitability, such as cost reduction, and changes in the retirement benefit system, the company managed to record a profit for the full year. In the Coal Chemical business, demand for needle coke used in graphite electrodes continued to decline. In the Chemicals business, the market for styrene monomer and bisphenol A, which had been weak since the beginning of 2020, recovered in the second half. In the Functional Materials business, sales of semiconductor-related materials and LCD materials remained strong throughout the fiscal year, and sales of smartphone materials, which had been sluggish at the beginning of the fiscal year, started to recover. In the Composite Materials business, carbon fiber reinforced materials for civil engineering and construction recorded record-high annual sales, and epoxy resin sales increased for automotive equipment and semiconductor package substrates. The Chemicals & Materials segment recorded revenue of ¥178.6 billion (compared to ¥215.7 billion in fiscal 2019) and business profit of ¥7.6 billion (compared to ¥18.4 billion).

System Solutions

NS Solutions Corporation has provided digital workplace solutions and other services for IT needs to accommodate new workstyles amid harsh economic activities caused by the spread of COVID-19. In order to support customers' promotion of DX, the company has made efforts to provide digital innovation co-creation programs and promote local 5G and IoX solutions, centered on the manufacturing and energy industries.

However, the System Solutions segment recorded a decline in revenue mainly due to a decrease relative to the booking of a large-scale infrastructure project in fiscal 2019. The segment's business profit also decreased from the previous year,

mainly reflecting a decline in gross profit. The System Solutions segment recorded revenue of ¥252.4 billion (compared to ¥273.2 billion in fiscal 2019) and business profit of ¥23.9 billion (compared to ¥26.1 billion).

Revenue and Profit

With regard to the consolidated business results for fiscal 2020, Nippon Steel recorded a significant loss in the first half, mainly due to a decline in production and shipping volumes, driven by the decline in steel demand as affected by the spread of COVID-19, and deterioration in Group companies' profits. In the second half, the Company worked on production in prompt, appropriate response to a recovery in steel demand, mainly from the manufacturing industry, and substantially reduced fixed costs and improved variable costs, which resulted in turning into a profitable structure in non-consolidated operating income. For the full fiscal year, the Company recorded consolidated revenue of ¥4,829.2 billion (compared to ¥5,921.5 billion in fiscal 2019) and business profit of ¥110.0 billion (compared to business loss of ¥284.4 billion). In addition, due to losses from reorganization and other factors, the Company posted loss attributable to owners of the parent of ¥32.4 billion (compared to loss of ¥431.5 billion).

Assets, Liabilities, Equity, and Cash Flows

Consolidated total assets as of March 31, 2021 were ¥7,573.9 billion, an increase of ¥128.9 billion from ¥7,444.9 billion as of March 31, 2020. The main factors were an increase of ¥70.0 billion in cash and cash equivalents, an increase of ¥142.3 billion in property, plant and equipment, and an increase of ¥147.1 billion in other financial assets (non-current assets). The increase was partially offset by a decrease of ¥182.8 billion in inventories, caused by production in response to changes in steel demand in Japan and overseas, and a decrease of ¥60.9 billion in investments accounted for using the equity method, such as the sale of shares of I/N Tek and I/N Kote, which were engaged in the cold-rolling and galvanizing steel sheet business in the United States, and the sale of shares of VSB, which was engaged in the seamless pipe business in Brazil.

Consolidated total liabilities as of March 31, 2021 were ¥4,442.5 billion, a decrease of ¥5.7 billion from ¥4,448.3 billion as of March 31, 2020. Trade and other payables decreased by ¥67.0 billion, while interest-bearing debt increased by ¥70.5 billion, from ¥2,488.7 billion as of March 31, 2020 to ¥2,559.2 billion as of March 31, 2021, stemming from the refinancing of subordinated bonds and other factors.

Consolidated total equity as of March 31, 2021 was ¥3,131.3 billion, an increase of ¥134.7 billion from ¥2,996.6 billion as of March 31, 2020. This was primarily contributed by an increase of ¥122.0 billion in the fair value of financial assets measured at fair value through other comprehensive income and an increase of ¥45.1 billion in remeasurements of defined benefit plans, which more than offset a decrease from loss for the year attributable to owners of the parent of ¥32.4 billion. As a result, total equity attributable to owners of the parent as of March 31, 2021 amounted to ¥2,759.9 billion, and the ratio of interest-bearing debt to total equity attributable to owners of the parent (D/E ratio) was 0.93 times (0.70 times after adjusting for equity credit attributes of subordinated loans and subordinated bonds).

Cash flows from operating activities in fiscal 2020 amounted to an inflow of ¥403.1 billion (compared to an inflow of ¥494.3 billion in fiscal 2019). The main inflow factors were depreciation and amortization of ¥290.8 billion, losses from

reorganization of ¥98.6 billion, and a decrease of ¥171.3 billion in inventories, on top of loss before income taxes of ¥8.6 billion. The outflow factors included deduction adjustment for share of profit in investments accounted for using the equity method of ¥55.2 billion and a decrease of ¥66.3 billion in trade and other payables.

Cash flows from investing activities amounted to an outflow of ¥389.0 billion (compared to an outflow of ¥345.6 billion in fiscal 2019), as an outflow of ¥459.8 billion from purchases of property, plant and equipment and intangible assets and other outflows exceeded inflows, such as proceeds of ¥37.3 billion from sales of investment securities and proceeds of ¥20.5 billion from sale of investments in associates. As a result, free cash flow was an inflow of ¥14.1 billion (compared to an inflow of ¥148.7 billion in fiscal 2019).

Cash flows from financing activities amounted to an inflow of ¥52.6 billion (compared to an outflow of ¥14.5 billion in fiscal 2019), largely due to an increase in interest-bearing debt of ¥45.9 billion. As a result of these cash flows, cash and cash equivalents at the end of the fiscal year stood at ¥359.4 billion.

Basic Policy on Profit Distribution and Fiscal 2020 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.

Nippon Steel forwent an interim dividend payment, in accordance with the basic profit distribution policy. Regarding the fiscal year-end dividend, in line with the previously stated policy and after giving due consideration to the recent performance recovery, performance outlook, and other factors, management has decided to propose a year-end dividend payment of ¥10 per share (making an annual dividend of ¥10 per share), as announced at the time of third quarter performance results (February 5, 2021), at the General Meeting of Shareholders.

(2) Outlook for the Fiscal Year Ending March 31, 2022 (Fiscal 2021)

Outlook for Operating Performance in Fiscal 2021

The world economy is expected to recover from the slowdown caused by the spread of COVID-19, and Japan's economy will also recover. As for the steel-making business environment, however, severe conditions are likely to continue, including a decline in domestic steel demand, which has continued since before the spread of COVID-19, the persistently high prices of iron ore and other main raw materials due to the high level of pig iron production in China, and sluggish new investments in the energy sector due to the sluggish oil prices.

Steel demand is expected to maintain the recovery trend in Japan and overseas and the tightening supply-demand environment is likely to continue. In China, the government's continued economic stimulus measures are likely to result in high levels of steel consumption and crude steel production. The steel market is on an upward trend both in Japan and overseas, reflecting the tight supply-demand conditions, and conditions, including the impact of further spread of COVID-19, will warrant continued monitoring.

Under these circumstances, based on the non-consolidated operating profit generating structure, which was established by significant reduction in fixed costs and improvement in variable costs, Nippon Steel will continue to work on fully establishing the overall stability of its facilities and operations, improve its long-term contractual prices, and implement measures to securely benefit from the solid business environment, including the export market. The Company thereby strives for high-level profit generation even at a low level in production and shipment volumes. As for the Company's forecasts for fiscal 2021, it is projecting consolidated revenue of ¥6,000 billion, business profit of ¥450 billion, and profit attributable to owners of the parent of ¥240 billion.

In March 2021, Nippon Steel developed “the Nippon Steel Group’s Medium- to Long-term Management Plan” with the aim of continually growing to become “the best steelmaker with world-leading capabilities” that contributes to Japan’s industrial competitiveness from the present and into the future. In the domestic steel business, the Company will build a strong framework that enables efficient production of the highest grade products. In overseas steel business, the Group will expand its integrated production framework in the center of demand and ensure that local demand is captured in growing markets. The plan is to achieve 100 million tons of global crude steel capacity per annum for the Group by combining the efforts of its mother mills in Japan and local mills located overseas. The Company will also continue to respond to climate change, aiming to achieve carbon neutrality by 2050. Furthermore, it will push hard for DX while aiming to become a digitally advanced company in the steel industry.

Outlook for Distribution of Dividends for Fiscal 2021

Nippon Steel has not determined a dividend distribution plan for fiscal 2021. The dividend forecast will be announced as soon as disclosure is possible.

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)

ASSETS	March 31, 2020	March 31, 2021
Current assets :		
Cash and cash equivalents	289,459	359,465
Trade and other receivables	826,596	805,306
Inventories	1,532,181	1,349,355
Other financial assets	17,340	27,772
Other current assets	119,396	130,786
Total current assets	2,784,974	2,672,686
Non-current assets :		
Property, plant and equipment	2,812,542	2,954,938
Right-of-use assets	93,663	88,559
Goodwill	45,486	46,341
Intangible assets	96,677	95,826
Investments accounted for using the equity method	878,271	817,328
Other financial assets	481,117	628,226
Defined benefit assets	58,643	110,396
Deferred tax assets	186,457	153,123
Other non-current assets	7,132	6,519
Total non-current assets	4,659,990	4,901,260
Total assets	7,444,965	7,573,946

(Millions of Yen)

LIABILITIES	March 31, 2020	March 31, 2021
Current liabilities :		
Trade and other payables	1,449,801	1,382,761
Bonds, borrowings and lease liabilities	376,900	308,985
Other financial liabilities	2,189	1,250
Income taxes payable	27,323	24,256
Other current liabilities	38,978	54,077
Total current liabilities	1,895,192	1,771,331
Non-current liabilities :		
Bonds, borrowings and lease liabilities	2,111,841	2,250,246
Other financial liabilities	4,621	4,784
Defined benefit liabilities	236,758	189,453
Deferred tax liabilities	27,765	37,385
Other non-current liabilities	172,154	189,358
Total non-current liabilities	2,553,141	2,671,228
Total liabilities	4,448,333	4,442,559
EQUITY		
Common stock	419,524	419,524
Capital surplus	394,404	393,168
Retained earnings	1,870,948	1,910,333
Treasury stock	(58,505)	(58,342)
Other components of equity	15,245	95,311
Total equity attributable to owners of the parent	2,641,618	2,759,996
Non-controlling interests	355,013	371,390
Total equity	2,996,631	3,131,387
Total liabilities and equity	7,444,965	7,573,946

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

Consolidated Statements of Profit or Loss		(Millions of Yen)	
	Fiscal 2019	Fiscal 2020	
Revenue	5,921,525	4,829,272	
Cost of sales	(5,312,367)	(4,263,940)	
Gross profit	609,158	565,332	
Selling, general and administrative expenses	(571,781)	(469,133)	
Share of profit in investments accounted for using the equity method	38,395	55,220	
Other operating income	104,844	49,710	
Other operating expenses	(465,035)	(91,083)	
Business profit (loss)	(284,417)	110,046	
Losses on reorganization	(121,702)	(98,665)	
Operating profit (loss)	(406,119)	11,381	
Finance income	7,706	5,367	
Finance costs	(25,159)	(25,404)	
Profit (loss) before income taxes	(423,572)	(8,656)	
Income tax expense	(2,548)	(10,671)	
Profit (loss) for the year	(426,120)	(19,327)	
Profit (loss) for the year attributable to :			
Owners of the parent	(431,513)	(32,432)	
Non-controlling interests	5,393	13,105	
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	(468.74)	(35.22)	

Consolidated Statements of Comprehensive Income		(Millions of Yen)	
	Fiscal 2019	Fiscal 2020	
Profit (loss) for the year	(426,120)	(19,327)	
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	(83,305)	125,471	
Remeasurements of defined benefit plans	(1,449)	42,307	
Share of other comprehensive income of investments accounted for using the equity method	(6,785)	10,062	
Subtotal	(91,540)	177,841	
Items that might be reclassified to profit or loss			
Changes in fair value of cash flow hedges	(1,821)	5,029	
Foreign exchange differences on translation of foreign operations	(14,812)	2,752	
Share of other comprehensive income of investments accounted for using the equity method	(9,346)	(23,062)	
Subtotal	(25,981)	(15,280)	
Total other comprehensive income, net of tax	(117,521)	162,561	
Total comprehensive income for the year	(543,642)	143,233	
Comprehensive income for the year attributable to:			
Owners of the parent	(543,881)	119,451	
Non-controlling interests	238	23,781	

(3) Consolidated Statements of Changes in Equity

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
Balance as of March 31, 2020	419,524	394,404	1,870,948	(58,505)	111,924	—

	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)
Balance as of March 31, 2020	(4,821)	(91,857)	15,245	2,641,618	355,013	2,996,631

Fiscal 2020

(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, 2020	419,524	394,404	1,870,948	(58,505)	111,924	—
Changes of the year						
Comprehensive income						
Profit (loss) for the year			(32,432)			
Other comprehensive income					122,023	45,171
Total comprehensive income	—	—	(32,432)	—	122,023	45,171
Transactions with owners and others						
Cash dividends						
Purchases of treasury stock				(52)		
Disposals of treasury stock		(1)		2		
Changes in ownership interests in subsidiaries		1,528				
Transfer from other components of equity to retained earnings			71,818		(26,647)	(45,171)
Changes in scope of consolidation		(2,763)		213		
Subtotal	—	(1,236)	71,818	163	(26,647)	(45,171)
Balance as of March 31, 2021	419,524	393,168	1,910,333	(58,342)	207,300	—

	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, 2020	(4,821)	(91,857)	15,245	2,641,618	355,013	2,996,631
Changes of the year						
Comprehensive income						
Profit (loss) for the year			—	(32,432)	13,105	(19,327)
Other comprehensive income	8,218	(23,528)	151,884	151,884	10,676	162,561
Total comprehensive income	8,218	(23,528)	151,884	119,451	23,781	143,233
Transactions with owners and others						
Cash dividends			—	—	(6,450)	(6,450)
Purchases of treasury stock			—	(52)		(52)
Disposals of treasury stock			—	1		1
Changes in ownership interests in subsidiaries			—	1,528	949	2,477
Transfer from other components of equity to retained earnings			(71,818)	—		—
Changes in scope of consolidation			—	(2,549)	(1,904)	(4,454)
Subtotal	—	—	(71,818)	(1,072)	(7,404)	(8,477)
Balance as of March 31, 2021	3,397	(115,385)	95,311	2,759,996	371,390	3,131,387

(4) Consolidated Statements of Cash-Flows

	(Millions of Yen)	
	Fiscal 2019	Fiscal 2020
Cash flows from operating activities :		
Profit (loss) before income taxes	(423,572)	(8,656)
Depreciation and amortization	417,339	290,863
Impairment losses	333,968	—
Finance income	(7,706)	(5,367)
Finance costs	25,159	25,404
Share of profit in investments accounted for using the equity method	(38,395)	(55,220)
Losses on reorganization	121,702	98,665
(Increase) decrease in trade and other receivables	157,635	(26,775)
Decrease in inventories	13,864	171,376
(Decrease) in trade and other payables	(152,856)	(66,325)
Other, net	92,703	(18,192)
Subtotal	539,842	405,772
Interest received	7,887	5,432
Dividends received	61,024	40,446
Interest paid	(21,913)	(21,733)
Income taxes paid	(92,510)	(26,731)
Net cash flows provided by operating activities	494,330	403,185
Cash flows from investing activities :		
Purchases of property, plant and equipment and intangible assets	(460,555)	(459,811)
Proceeds from sales of property, plant and equipment and intangible assets	13,283	21,754
Purchases of investment securities	(1,793)	(3,623)
Proceeds from sales of investment securities	191,924	37,336
Purchases of investments in affiliates	(112,302)	(8,047)
Proceeds from sales of investments in affiliates	12,404	20,521
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	1,482
Loans to associates and others	(225,850)	(9,868)
Collection of loans from associates and others	238,418	9,252
Other, net	(1,155)	1,968
Net cash flows used in investing activities	(345,627)	(389,035)
Cash flows from financing activities :		
(Decrease) in short-term borrowings, net	(89,452)	(133,514)
Proceeds from long-term borrowings	46,020	570,068
Repayments of long-term borrowings	(211,628)	(425,609)
Proceeds from issuance of bonds	377,550	80,000
Redemption of bonds	(60,000)	(45,000)
Purchases of treasury stock	(43)	(30)
Cash dividends paid	(46,101)	—
Dividends paid to non-controlling interests	(8,045)	(6,450)
Purchases of shares of subsidiaries that do not result in change in scope of consolidation	—	(3,631)
Other, net	(22,881)	16,863
Net cash flows used in financing activities	(14,582)	52,694
Effect of exchange rate changes on cash and cash equivalents	(7,838)	3,161
Net increase in cash and cash equivalents	126,283	70,006
Cash and cash equivalents at beginning of the year	163,176	289,459
Cash and cash equivalents at end of the year	289,459	359,465

(5) Notes to the Consolidated Financial Statements

(Going Concern Assumption)

None

(Changes in Accounting Estimates)

Effective from the beginning of fiscal 2020, the Company 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 reflects the pattern of time based consumption of the future economic benefits associated with the asset over the useful life, is more in line with the current actual situation of Nippon Steel compared to the declining-balance method.

With this change, compared to the previous method, depreciation expenses decreased by ¥ 67,848 million and business profit, operating profit, and profit before income taxes increased by ¥ 57,779 million, respectively, during fiscal 2020.

(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 products and services, which are Steelmaking and Steel Fabrication, Engineering and Construction, Chemicals and Materials, and System Solutions. Each operating segment shares the management strategy of the Group, while conducting its business activities independently from and in parallel with other companies of the Group. The following summary describes the operations of each reportable segment:

Reportable segments	Principal businesses
Steelmaking and Steel Fabrication	Manufacturing and sale of steel products
Engineering and Construction	Manufacturing and sale of industrial machinery, equipment and steel structures, construction projects under contract, waste processing and recycling, and supplying electricity, gas, and heat
Chemicals and Materials	Manufacturing and sale of coal-based chemical products, petrochemicals, electronic materials, materials and components for semiconductors and electronic parts, carbon fiber and composite products, and products that utilize technologies for metal processing
System Solutions	Computer systems engineering and consulting services; IT-enabled outsourcing and other services

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

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

(Millions of Yen)

	Reportable segments				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)

Fiscal 2020 (April 1, 2020—March 31, 2021)

(Millions of Yen)

	Reportable segments				Total	Adjustments	Consolidated
	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions			
Revenue							
Revenue from external customers	4,190,348	276,241	174,056	188,626	4,829,272	—	4,829,272
Inter-segment revenue or transfers	38,101	48,226	4,622	63,849	154,799	(154,799)	—
Total	4,228,449	324,468	178,678	252,476	4,984,072	(154,799)	4,829,272
Segment profit (loss) <Business Profit>	63,522	17,708	7,631	23,948	112,811	(2,764)	110,046

(Earnings per Share)

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

(Millions of Yen)

	Fiscal 2019 (April 1, 2019—March 31, 2020)	Fiscal 2020 (April 1, 2020—March 31, 2021)
Profit (loss) for the year attributable to owners of parent	(431,513)	(32,432)
Profit (loss) for the year not attributable to ordinary equity holders of the parent	—	—
Profit (loss) for the year used to calculate basic earnings per share	(431,513)	(32,432)

2. Weighted average number of ordinary shares outstanding

	Fiscal 2019 (April 1, 2019—March 31, 2020)	Fiscal 2020 (April 1, 2020—March 31, 2021)
Weighted average number of ordinary shares outstanding	920,570,952 Shares	920,745,340 Shares

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

(Significant Subsequent Events)

There are no significant subsequent events.

Results and dividends of Fiscal 2020 (Year ended March 31, 2021)

<Consolidated Operating Result>

	2020 FY		2nd half	1st half ⇒ 2nd half	2019 FY	2019 FY ⇒ 2020 FY		Previous Forecasts (Released on Feb 5, 2021)
	1st half	2nd half				2020 FY	2020 FY	
Revenue	4,829.2	2,241.9	2,587.2	+ 345.3	5,921.5	- 1,092.3	4,850.0	
Business profit before Impairment losses and others	110.0	(106.5)	216.5	+ 323.0	76.5	+ 33.5	30.0	
[R O S]	[2.3%]	[-4.8%]	[8.4%]	※4 [+13.1%]	[1.3%]	※4 [+1.0%]	[0.6%]	
Impairment losses and others					(360.9)	+ 360.9		
Business Profit※1	110.0	(106.5)	216.5	+ 323.0	(284.4)	+ 394.4	30.0	
[R O S]	[2.3%]	[-4.8%]	[8.4%]	[+13.1%]	[-4.8%]	[+7.1%]	[0.6%]	
Additional line items※2	(98.6)	(42.2)	(56.3)	- 14.1	(121.7)	+ 23.1	(75.0)	
Profit for the year attributable to owners of the parent	(32.4)	(191.1)	158.7	+ 349.8	(431.5)	+ 399.1	(120.0)	
< Earnings per share (Yen) >	<-35.2>	<-207.6>	<172.4>	<+380.0>	<-468.7>	<+433.5>	<-130.0>	
EBITDA ※3	400.9	36.7	364.2	+ 327.5	466.8	- 65.9	330.0	
Interest-bearing debt	2,559.2	2,769.2	2,559.2	- 210.0	2,488.7	+ 70.5		
	0.70	0.85	0.70	-0.15	0.74	-0.04		

D/E ratio after adjusting for equity credit attributes of subordinated loans and subordinated bonds

(※1) 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) 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. (※3) Business Profit + Depreciation + Impairment losses

<Factors Influencing Performance>

(1)Nippon Steel Corporation

Consolidated crude steel output volume (10,000 tons)	3,765	1,678	2,087	+409	4,705	- 941	Approx. 3,780
Non-Consolidated crude steel output volume (10,000 tons)	3,300	1,464	1,836	+372	4,185	- 885	Approx. 3,320
Steel materials shipment volume (10,000 tons)	3,122	1,446	1,677	+ 231	3,870	- 748	Approx. 3,120
Steel materials price (¥1,000/ton)	86.1	83.6	88.3	+ 4.7	88.3	- 2.2	Approx. 86
Exchange rate (¥/\$)	106	107	105	- 2	109	- 3	Approx. 106

(2)All Japan

Crude steel output volume (10,000 tons)	8,279	3,709	4,570	+ 861	9,843	- 1,563	Approx. 8,260
Steel consumption (10,000 tons)*1 (In manufacturing industries)	5,266	2,513	2,753	+ 241	5,914	- 649	Approx. 5,230
<% of manufacturing>	(3,300)	(1,526)	(1,774)	(+ 248)	(3,835)	(- 535)	(Approx. 3,280)
<% of manufacturing>	< 62.7%>	< 60.7%>	< 64.4%>	<+ 3.7%>	< 64.8%>	<- 2.2%>	<Approx. 63%>
Plain carbon steel consumption (10,000 tons)	4,181	1,999	2,182	+ 183	4,669	- 488	Approx. 4,150
In construction	1,902	953	948	- 5	2,007	- 106	Approx. 1,880
In manufacturing	2,280	1,046	1,234	+ 188	2,662	- 382	Approx. 2,270
Specialty steel consumption (10,000 tons)	1,085	513	571	+ 58	1,245	- 160	Approx. 1,080
Inventory volume (10,000 tons)	507 ^{※2}	516	507	- 9	579	- 72	
Rolled sheets (10,000 tons)	352 ^{※2}	367	352	- 15	439	- 87	

*1 The Company estimates *2 The end of Mar. 2021, preliminary figures

<Segment Information>

	2020 FY		2nd half	1st half ⇒ 2nd half	2019 FY ⇒ 2020 FY		Previous Forecasts (Billions of Yen)
	1st half	2nd half			2020 FY	2020 FY	
Revenue	4,829.2	2,241.9	2,587.2	+ 345.3	5,921.5	- 1,092.3	4,850.0
Steelmaking and Steel Fabrication	4,228.4	1,965.8	2,262.6	+ 296.8	5,257.3	- 1,028.9	4,240.0
Engineering and Construction	324.4	151.5	172.9	+ 21.4	340.4	- 16.0	330.0
Chemicals and Materials	178.6	78.9	99.7	+ 20.8	215.7	- 37.1	175.0
System Solutions	252.4	121.7	130.7	+ 9.0	273.2	- 20.8	255.0
Adjustment	(154.7)	(76.0)	(78.7)	- 2.7	(165.2)	+ 10.5	(150.0)
Business Profit	110.0	(106.5)	216.5	+ 323.0	(284.4)	+ 394.4	30.0
Steelmaking and Steel Fabrication	63.5	(116.7)	180.2	+ 296.9	(325.3)	+ 388.8	0.0
Engineering and Construction	17.7	7.2	10.4	+ 3.2	10.7	+ 7.0	15.0
Chemicals and Materials	7.6	(3.6)	11.2	+ 14.8	18.4	- 10.8	0.0
System Solutions	23.9	10.6	13.3	+ 2.7	26.1	- 2.2	22.0
Adjustment	(2.7)	(3.9)	1.2	+ 5.1	(14.4)	+ 11.7	(7.0)

(※4) Analysis in Business Profit before impairment losses and others (Billions of Yen)

	1st half ⇒2nd half	Changes from the previous forecasts	2019 FY ⇒2020 FY
Change in Business Profit	+ 323.0	+ 80.0	+ 33.0
1. Ferrous materials business	+ 297.0	+ 64.0	+ 31.0
① Manufacturing shipment volume	+ 80.0	~	- 249.0
② Selling prices and production mix	+ 87.0	+ 8.0	- 38.0
③ Raw materials prices (including carry-over of raw materials)	- 52.0	- 1.0	+ 33.0
④ Cost improvement (including cost disadvantages due to production cuts)	+ 53.0	+ 15.0	+ 165.0
⑤ Depreciation (including the impact of changes in depreciation method and impairment)	- 9.0	~	+ 120.0
⑥ Inventory evaluation impact	+ 43.0	- 2.0	- 18.0
⑦ Group companies	+ 83.0	+ 34.0	- 30.0
⑧ FOREX	+ 1.0	+ 2.0	+ 1.0
⑨ Loss on disaster 19 FY	~	~	+ 42.0
⑩ Others	+ 11.0	+ 8.0	+ 5.0
2. Non-ferrous materials business	+ 21.0	+ 12.0	- 6.0
3. Adjustments	+ 5.0	+ 4.0	+ 8.0

(※2) Additional line items

	2020 FY	2019 FY	19 FY ⇒20 FY
Additional line items Total	(98.6)	(121.7)	+ 23.1
Losses from reorganization	(98.6)	(121.7)	+ 23.1

<2020 FY>

* Losses on inactive facilities: ¥79.9 billion (associated with the decision to close the upstream facility in Kokura Area for ¥39.8 billion and all the facilities at Kinuura Works of NIPPON STEEL Stainless Steel for ¥25.1 billion, etc.)

* Losses on business withdrawal: ¥18.7 billion (Sale of shares of VSB which resulted in a loss of ¥23.6 billion and sale of the shares of I/N Tek and I/N Kote, etc.)

<2019 FY>

* Impairment losses: ¥78.7 billion (associated with the decision to close all the facilities at Kure Works of Nippon Steel Nisshin)

* Losses on business withdrawal: ¥20.2 billion

(ZNV and an overseas subsidiary in Engineering and Construction segment, etc.)

* Losses on inactive facilities: ¥22.7 billion (UO mill of Kashima Works and hot-rolling mill dedicated for precision products at Kinuura Works of NIPPON STEEL Stainless Steel, etc.)

【Dividends】

In fiscal 2020, Nippon Steel Corporation recorded a loss attributable to owners of the parent of ¥32.4 billion (representing a loss of 191.1 billion yen in the first half and a profit of ¥158.7 billion in the second half) affected by the decrease in production and shipment volume partly due to the COVID-19 outbreak.

After the due consideration of the recent trend of recovery and the outlook for the operating performance, the Company is planning to propose a dividend payment of ¥10 per share (representing a total dividend of ¥10 per share for the full fiscal year) at the ordinary general meeting of shareholders as released on February 5, 2021 at the time of the announcement of the financial results for the third quarter of fiscal 2020.

Forecasts for Fiscal 2021 (Year ending March 31, 2022)

<Forecasts of Consolidated Operating Result>

	2021 FY forecasts		2020 FY		2020 FY 2nd half ⇒ 2021 FY 1st half forecasts	(Billions of Yen)
	2021 FY 1st half forecasts	2021 FY forecasts	2020 FY	2nd half	2020 FY ⇒ 2021 FY forecasts	
Revenue	6,000.0	3,000.0	4,829.2	2,587.2	+ 412.8	+ 1,170.8
Business Profit ※1 [R O S]	450.0 [7.5%]	250.0 [8.3%]	110.0 [2.3%]	216.5 [8.4%]	※4 + 33.5 [-0.0%]	※4 - 340.0 [+5.2%]
Additional line items ※2	(85.0)	(45.0)	(98.6)	(56.3)	+ 11.3	+ 13.6
Profit for the year attributable to owners of the parent	240.0	130.0	(32.4)	158.7	- 28.7	+ 272.4
< Earnings per share (Yen) >	< 261.0 >	< 141.0 >	< -35.2 >	< 172.4 >	< -31.4 >	< +296.2 >
EBITDA ※3	780.0	410.0	400.9	364.2	+ 45.8	+ 379.1

(※1) 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) 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. (※3) Business Profit + Depreciation

<Factors Influencing Performance>

(1) Nippon Steel Corporation

Consolidated crude steel output volume (10,000 tons)	Approx. 4,600	Approx. 2,350	3,765	2,087	Approx.+ 263	Approx.+ 835
Non-Consolidated crude steel output volume (10,000 tons)	Approx. 4,000	Approx. 2,050	3,300	1,836	Approx.+ 214	Approx.+ 700
Steel materials shipment volume (10,000 tons)	Approx. 3,600	Approx. 1,850	3,122	1,677	Approx.+ 173	Approx.+ 478
Exchange rate (¥/\$)	Approx. 105	Approx. 105	106	105	Approx.+ 0	Approx. - 1

(2) All Japan

Steel consumption (10,000 tons)*1 (In manufacturing industries)	Approx. 5,500 (Approx. 3,500)	Approx. 2,700 (Approx. 1,700)	5,266 (3,300)	2,753 (1,774)	Approx. - 53 (Approx. - 74)	Approx.+ 234 (Approx.+ 200)
<% of manufacturing>	<Approx. 64%>	<Approx. 63%>	< 62.7%>	< 64.4%>	<Approx. - 1%>	<Approx.+ 1%>
Plain carbon steel consumption (10,000 tons)	Approx. 4,300	Approx. 2,100	4,181	2,182	Approx. - 82	Approx.+ 119
In construction	Approx. 1,900	Approx. 900	1,902	948	Approx. - 48	Approx. - 2
In manufacturing	Approx. 2,400	Approx. 1,200	2,280	1,234	Approx. - 34	Approx.+ 120
Specialty steel consumption (10,000 tons)	Approx. 1,200	Approx. 600	1,085	571	Approx.+ 29	Approx.+ 115

*1 The Company estimates

<Segment Information>

	2021 FY forecasts		2020 FY		2020 FY 2nd half ⇒ 2021 FY 1st half forecasts	(Billions of Yen)
Revenue	6,000.0	3,000.0	4,829.2	2,587.2	+ 412.8	+ 1,170.8
Steelmaking and Steel Fabrication	5,450.0	2,750.0	4,228.4	2,262.6	+ 487.4	+ 1,221.6
Engineering and Construction	270.0	110.0	324.4	172.9	- 62.9	- 54.4
Chemicals and Materials	200.0	100.0	178.6	99.7	+ 0.3	+ 21.4
System Solutions	265.0	127.0	252.4	130.7	- 3.7	+ 12.6
Adjustment	(185.0)	(87.0)	(154.7)	(78.7)	- 8.3	- 30.3
Business Profit	450.0	250.0	110.0	216.5	+ 33.5	+ 340.0
Steelmaking and Steel Fabrication	420.0	240.0	63.5	180.2	+ 59.8	+ 356.5
Engineering and Construction	3.0	0.0	17.7	10.4	- 10.4	- 14.7
Chemicals and Materials	8.5	1.0	7.6	11.2	- 10.2	+ 0.9
System Solutions	25.0	11.0	23.9	13.3	- 2.3	+ 1.1
Adjustment	(6.5)	(2.0)	(2.7)	1.2	- 3.2	- 3.8

(※4) Analysis in Business Profit

	2020 FY 2nd half →2021 FY 1st half forecasts		2020 FY →2021 FY forecasts	
Change in Business Profit	+ 34.0		+ 340.0	
1. Ferrous materials business	+ 60.0		+ 357.0	
① Manufacturing shipment volume	+ 35.0	+ 115.0		
② Margin	~	+ 30.0		
③ Cost improvement	+ 5.0	+ 60.0		
④ Inventory evaluation impact	+ 50.0	+ 100.0		
⑤ Group companies	+ 5.0	+ 85.0		
⑥ Others	- 35.0	- 33.0		
2. Non-ferrous materials business	- 23.0		- 13.0	
3. Adjustments	- 3.0		- 4.0	

(※2) Additional line items

(Billions of Yen)

	2021 FY forecasts	2020 FY	20 FY →21 FY forecasts
Additional line items Total	(85.0)	(98.6)	+13.6
Losses from reorganization	(85.0)	(98.6)	+13.6

<2021 FY>

• Losses on inactive facilities: Approx. ¥125.0 billion
(1st half: Upstream facilities in Kure Area, One series of upstream facilities in Wakayama Area, etc.,
2nd half: Steel plate of Nagoya Works, etc.)
• Gain on sale of land (former Tokyo Works):
Approx. ¥40.0 billion

<2020 FY>

• Losses on inactive facilities: ¥79.9 billion (associated with the decision to close the upstream facility in Kokura Area for ¥39.8 billion and all the facilities at Kinuura Works of NIPPON STEEL Stainless Steel for ¥25.1 billion, etc.)
• Losses on business withdrawal: ¥18.7 billion (Sale of shares of VSB which resulted in a loss of ¥23.6 billion and sale of shares of I/N Tek and I/N Kote, etc.,)

Note: The forward-looking statements included in this 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.

Nippon Steel's Business Environment and Actions Taken and To Be Taken

1. FY 2020 operating results

- Steel demand bottomed in 1H and recovered in 2H, particularly in the manufacturing sector (although to a lower level compared to before the COVID-19 outbreak).
 - From the COVID-19 outbreak in 1H to the recovery phase in 2H, Nippon Steel emphasized both stable production and profit-oriented production, and implemented **speedy, flexible production response** to changes in steel demand in Japan and overseas (1H: banking and suspension of 6 blast furnaces, 2H: resumption of 3 blast furnaces).
 - **In the domestic steelmaking business, Nippon Steel significantly reduced fixed costs (¥230.0 billion per year for FY 2020) and variable costs (by ¥55.0 billion), substantially lowered the breakeven point, and have thereby realized a turnaround to a profitable structure for non-consolidated operating profit.**
 - **The selective concentration of overseas business operations has largely been completed.**
 - ◆ Business sales/withdrawals: Steel sheets - I/N Tek and I/N Kote (North America), Bar & wire rod-NSCI (North America), Tin - PATIN (China), Steel tubes and pipes - VSB (Brazil), etc.
 - ◆ Enhanced/concentrated business: Integrated steelmaking – AM/NS India (India), Steel sheets - AM/NS Calvert to install an electric arc furnace (North America), Tin - STP to become a subsidiary (Thailand), etc.
- As a result of these measures to improve profit structure, Nippon Steel achieved consolidated business profit of over ¥400.0 billion on an annualized basis (and turned around to generate non-consolidated operating profit) in 2H, and **became profitable on a full-year basis.**

[Consolidated business profit in FY 2020] ¥110.0 billion (1H: loss of ¥106.5 billion, 2H: profit of ¥216.5 billion), ¥80 billion improvement vs. previous forecast.

	(Million tons)			
	FY 2020	1H FY 2020	2H FY 2020	FY 2019
Domestic steel consumption	52.66	25.13	27.53	59.14
Nippon Steel's crude steel production	33.00	14.64	18.36*	41.85
Nippon Steel's steel shipments	31.22	14.46	16.77	38.70

* Capacity utilization rate: 80-90%

- The Mid-term Management Plan (FY 2018-2020)'s financial measures were implemented: asset compression (**¥520.0 billion in 3 years**) and increased efficiency in capital investment (¥300.0 billion reduction in total capital investment, from ¥1.7 trillion to ¥1.4 trillion in 3 years)

2. FY 2021 business environment, profitability and cash flow measures, and actions to maximize non-consolidated operating profit

- **Based on the profitable structure realized in FY 2020,**
 - Nippon Steel will implement measures that enables benefits from the firm business environment, including the steel market, and seek to make **a V-shaped recovery from the significant loss in 1H FY 2020.**
 - **Even in the significantly-deteriorated external environment (e.g. decline in demand for domestic steel products, high raw material prices, and depressed oil prices) compared to that in FY 2014*, the year with most**

recent highest profit, the company aims to substantially achieve the highest profit level after integration of former Nippon Steel and former Sumitomo Metals.

*Post-merger record-high ordinary profit (FY 2014): ¥471.3 billion (Nippon Steel 451.7 + former Nippon Steel Nisshin 19.6)

[Consolidated business profit forecasts for FY 2021] ¥450.0 billion (1H: ¥250.0 billion), non-consolidated operating profit (excluding inventory valuation differences): ¥160.0 billion

(Million tons)

	FY 2021(E)	Vs. FY 2020	1H FY 2021(E)	Vs. 2H FY 2020	FY 2014
Domestic steel consumption	55.0	+2.34	27.0	-0.53	64.03
Nippon Steel's crude steel production	40.0	+7.00	20.5	+2.14	48.23*
Nippon Steel's steel shipments	36.0	+4.78	18.5	+1.73	44.77*

* Summed with former Nippon Steel Nisshin

- Actions to be taken in FY 2021

(1) Steady improvement of base performance

- 1) Maximize profits by continuing efforts to stabilize operations and facilities.
- 2) Pursue reduction in variable costs through further improvement in factors for full-potential operations.
- 3) Maintain and improve margins through continuous efforts to improve long-term contractual prices, including reflection of the effects of cost rises of main raw materials and commodities.

(2) Steady implementation of structural measures for production facilities: positive impact of ¥20.0 billion for FY 2021

Steadily implement the measures, based on the medium- to long-term management plan (announced on March 5, 2021) to establish a stronger earnings base

Shutdown plans by the end of 1H FY 2021	Upstream facilities in Setouchi (Kure), One series of upstream facilities in Wakayama Area, etc.
Shutdown plans by the end of 2H FY 2021	Steel plate mill in Nagoya, etc.
Major facility investments in 4Q FY 2020 and FY 2021	No. 6 CGL in Kimitsu, No. 3 coke oven in Nagoya, and refurbishment of No.3 blast furnace in Nagoya to promote higher product grades in order mix and leading-edge facilities

(3) Acceleration of a global strategy to deepen and expand overseas business

Steadily promote growth strategies such as expansion in profit and capacity of AM/NS India.
Capture global steel demand by overseas business companies and expand profit.

(4) A challenge of Zero-Carbon Steel and contribution to realize a carbon-neutral society

Accelerate study for development and practical implementation of breakthrough technologies (steelmaking process) ahead of other countries (launch of a zero carbon steel project on April 1, 2021, in addition to the existing related committee).

Enhance product appeal that meets advanced social needs toward carbon-neutral society (high-grade electrical steel sheets, ultra-high-tensile steel sheets, etc.).

(5) Cash flow management with an emphasis on financial discipline

Plan to sell land in Itabashi-ku, Tokyo (former Tokyo Works) in June 2021 (approximate profit on sale: ¥40.0 billion (consolidated) and ¥75.0 billion (non-consolidated)).

Nippon Steel Corporation
Code Number: 5401
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Supplementary Information on the Financial Results for 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	23.71	45.70	82.79
2021 FY forecasts	(*)Approx. 23.20						

(*)METI forecast

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. 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. 2020	5.13	(158.9)	3.56	0.178
Jan. 2021	5.22	(161.8)	3.55	0.189
Feb. 2021	5.22	(165.7)	3.55	0.199
Mar. *3 2021	5.07	(134.7)	3.52	0.209

*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 half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
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 half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
Nippon Steel	7.56	7.27	14.82	8.32	9.93	18.25	33.07

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		
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	11.23	20.87	37.65
2021 FY forecasts			Approx. 23.50			Approx. 22.50	Approx. 46.00

(Non-consolidated basis)

2019 FY *1 (million tons)

	1st half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
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 half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
Nippon Steel	7.20	7.45	14.64	8.47	9.89	18.36	33.00

2021 FY Forecasts *2 (million tons)

	1st half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
Nippon Steel			Approx. 20.50			Approx. 19.50	Approx. 40.00

5. Steel Products Shipment

2019 FY *1 (million tons)

	1st half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
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 half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
Nippon Steel	7.12	7.33	14.46	7.93	8.84	16.77	31.22

2021 FY forecasts *2

(million tons)

			1st half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
Nippon Steel			Approx. 18.50			Approx. 17.50	Approx. 36.00

6. Average Price of Steel Products

2019 FY *1

(thousands of yen / ton)

			1st half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
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 half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
Nippon Steel	86.0	81.3	83.6	86.9	89.7	88.3	86.1

7. Export Ratio of Steel Products (Value basis)

2019 FY *1

(%)

			1st half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
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 half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
Nippon Steel	39	37	38	33	37	35	36

8. Foreign Exchange Rate

(¥ / \$)

			1st half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
2019 FY	111	108	109	109	109	109	109
2020 FY	108	106	107	105	105	105	106
2021 FY forecasts			Approx. 105			Approx. 105	Approx. 105

9. Amount of Capital Expenditure and Depreciation

(Consolidated basis)

(billions of yen)

	Capital Expenditure	Depreciation
2019 FY	481.3	417.3
2020 FY	474.4	290.8
2021 FY forecasts	Approx. 480.0	Approx. 330.0

*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 and 2021 FY, the table represents the figures after the merger of Nippon Steel Nisshin Co., Ltd.