

To Our Shareholders

The 96th Term Interim Report

April 1, 2020 to September 30, 2020

Message from the President

We would like to thank you for your continued understanding and support. With the aim of securing a position of the best steelmaker with the world-leading capabilities, using our three key drivers of “technology,” “cost,” and “being global,” we are working hard; 1) to rebuild our profit base by restoring our “strength in manufacturing*1” and enhancing our “strength in sales and marketing*2”; 2) to expand profit of the overseas business; and 3) to promote business innovation, digital transformation (DX), and workstyle reform. These efforts are, as always, based on all possible measures related to safety, environment, disaster prevention, quality assurance, and compliance.

*1: Capability of stable production as planned in line with demand, with a focus on cost control
*2: Capability to realize appropriate pricing that matches our product value and contribution

► Overview of Business Operations and Performance for the First Half of Fiscal 2020 and Full-Year Outlook

The Nippon Steel Group's mainstay steelmaking business is subject to an extremely harsh business environment partly due to the COVID-19 crisis, which has further aggravated the unprecedented environment of “higher raw material prices and lower steel product prices.” Demand for steel products is expected to recover in the second half of fiscal 2020 from the bottom in the first half, albeit at a low level compared to pre-COVID-19 levels. In the face of such a business environment, we promptly responded by cutting production, including the temporary suspension of blast furnaces, improving variable costs, and reducing fixed costs. However, mainly due to a significant drop in production and shipment volume, profit decreased year-on-year. Nippon Steel recorded consolidated revenue of ¥2,241.9 billion, a business loss of ¥106.5 billion, and a loss attributable to owners of the parent of ¥191.1 billion in the first half of fiscal 2020 (April 1, 2020 to September 30, 2020).

In the current fiscal year 2020, we are working on improving variable costs by more than ¥50 billion and reducing fixed costs

► Medium- to long-term business environment and Nippon Steel's initiatives aimed at enhanced profit base

We anticipate that the COVID-19 pandemic is accelerating the pre-existing structural changes in the steel market, which makes our steelmaking business exposed to a dire environment. On the demand side, the base demand in Japan may be depressed further, along with declining, aging population, while a decline in indirect exports has to be assumed due to reduction in trade flows, driven by the U.S.-China conflict becoming the new norm. The COVID-19 outbreak is likely to accelerate the manufacturing industry's “local production and local consumption” and “favoring domestic production”, leading to a harsher environment for exports. Looking at the competitive landscape, on the back of

on a scale of ¥210 billion, as well as undertaking production that responds appropriately and promptly to changes in demand. We are expecting to generate ¥46.5 billion in consolidated business profit in the second half of fiscal 2020 but to record a loss of ¥60 billion for the full year, due to the loss in the first half.

Regarding the dividend from retained earnings for the end of the second quarter (interim), we have decided to forgo an interim dividend payment, based on consideration of interim performance figures and forecasts for the full fiscal year performance. We plan to determine the forecast for the year-end dividend distribution amount, with due consideration of forecasts for the full fiscal year performance, and announce it at the time of the third-quarter results announcement. We are determined to rebuild profit base and improve financial soundness as quickly as possible and to resume profit distribution to our shareholders. We would like to thank you for your continued understanding of Nippon Steel Corporation.

swift resumption of post-COVID-19 economic activities, Chinese major steelmakers are expected to expand their relative predominance.

In response to the harsh changes in the steelmaking business environment, we are seeking to completely entrench the stability of our production, which is the base for profit generation, and to further improve long-term contractual steel prices and reduce fixed costs. In the medium to longer term, we will carry out stringent selection of facilities, products, and businesses and work on the business strategies stated on the next page, in order to restore our profit base and achieve sustainable growth.

NIPPON STEEL CORPORATION

Securities Code 5401



Representative Director and President,
Eiji Hashimoto

1 Early transition to an optimal production framework in Japan and enhancement of competitiveness

Our sources of strengths in development and technology lie in integrated blast furnace steelmaking. In order to maintain and advance these strengths, maintaining integrated steelworks at a certain level of production in Japan is a must. We will therefore invest in adopting new, powerful equipment in our major steelworks in Japan and increasing supply capacity of advanced strategic products. By concentrating production of high-value-added products, cost will be reduced. Along with

execution of this measure, we cannot avoid stringent selection of products and facilities. Implementation of drastic measures, including the production facility structural measures announced in February 2020, is difficult and painstaking but we are determined to move forward certain measures, consider and implement additional ones, and enhance competitiveness of our domestic mother mills.

2 Enhancement of globally-competitive strategic products in terms of quality and quantity

By making use of our world-class scale and technological prowess, we will proactively enhance globally-competitive, unrivaled, strategic products in quality and quantity, maximize marginal profit, and contribute to the creation of a sustainable

society. We have recently decided to expand our manufacturing facilities of electrical steel sheets to respond to demand growth from the automotive and electric power sectors and needs for higher-grade products.

3 Deepening of overseas business, addressing to local production and local consumption

We were ahead of our peers in establishing overseas production and sales bases, as well as a global production and supply framework. Going forward, with a focus on “markets where we see assurance of demand growth potential” and “areas where our technology and product capacity can be used,” we are committed to contributing to development in key countries and regions and to creating corporate value. While the global trend of “local production and local consumption” and “favoring domestic

production” is accelerating, we seek to collaborate with a major company or work on M&A in an agile, flexible manner and become an insider in the target countries and regions. We will also withdraw from businesses that cannot be returned to the black, those that have completed their roles, or those that are losing synergies, and redistribute and optimize management resources.

4 Promotion of digital transformation

As a part of management reform measures, driven by reforms to our corporate governance and organizational and business management, we are promoting digital transformation by establishing a Digital Innovation Division and taking other measures. We intend to utilize digital technology and establish a scheme to share our enormous volume of data across the

Company. At the same time, we will use connected data in creating a cycle of improvement and innovation. Through these efforts, we seek to structurally enhance the productivity of our business and production processes and to further strengthen our business competitiveness.

► Innovative technology development as a response to climate change issues

Amid the intensifying awareness on the climate change issues worldwide, we have established a cross-divisional “Zero Carbon Steel Committee,” which began discussion on subjects such as Nippon Steel's scenarios for Zero Carbon Steel (targets for 2030 and vision for 2050) and R&D related to low CO₂ emission technologies. We are going to formulate a decarbonization

strategy with the government policy of 2050 carbon neutral in mind, while comprehensively considering how we could share the burden and roles of R&D and infrastructure development in society. We plan to disclose our specific scenarios within fiscal 2020.

We are committed to appropriately responding to greater fluctuation in the business environment and acceleration in the speed of change, steadily implementing our business strategy, and sustainably raising corporate value.

I would like to thank all our stakeholders for their continued understanding and support of Nippon Steel Corporation.

Introduction to Nippon Steel's Integrated Report

The Integrated Report 2020 covers the Company's value creation process, risks and opportunities, strategies, and other subjects. See the report from our website : <https://www.nipponsteel.com/en>

Financial Results for the First Half of Fiscal 2020 and Earnings Outlook for Fiscal 2020

During the first half of fiscal 2020, Nippon Steel recorded a consolidated business loss of ¥106.5 billion due to a significant drop in production and shipment volume, reflecting a sharp drop in demand for steel products caused by the COVID-19 outbreak. Demand for steel products is expected to pick up in the second half from the bottom in the first half but the level will be low compared to the pre-COVID-19 level. We are expecting to generate a profit of ¥46.5 billion in the second half, as we intend to work on producing by appropriately and promptly responding to changes in demand, and implement measures to improve profit. In fiscal 2020 we are committed to improved variable cost control and a reduction in fixed costs, which are on a scale of ¥260 billion when combined. Nevertheless, we are forecasting a consolidated business loss of ¥60 billion for the full year mainly due to a profit decline by ¥254 billion (of which, ¥177 billion in the first half), driven by a drop in production and shipment volume on a non-consolidated basis; and deterioration in the earnings of group companies.

Consolidated earnings results and outlook

			FY2020 (f)			Vs. FY2019	
	1H	2H (f)					
Revenue	2,241.9	2,558.1	4,800.0	5,921.5	-1,121.5		
Business profit (before impairment loss, etc.)	(106.5)	46.5	(60.0)	76.5	-136.5		
Impairment loss, etc.	—	—	—	(360.9)	+360.9		
Business Profit	(106.5)	46.5	(60.0)	(284.4)	+224.4		
Profit attributable to owners of the parent	(191.1)	21.1	(170.0)	(431.5)	+261.5		

Consolidated business profit (before impairment loss, etc.): Breakdown of difference in fiscal 2020 forecasts vs. fiscal 2019 results

	(¥ billion)
Production and shipment volume	-254.0
Steel prices and product mix, raw material prices	-45.0
Cost reduction, depreciation cost	+260.0
Group companies, non-steel business	-107.0
Others	+9.5
Total	-136.5

Business Environment: the COVID-19 Impact and Nippon Steel's Response

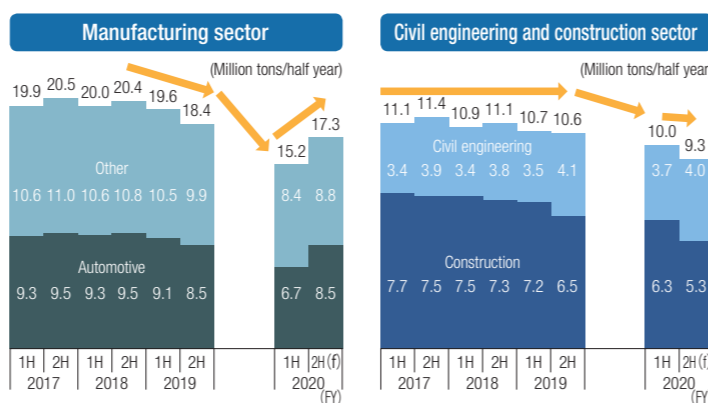
During the first half of fiscal 2020, demand for steel products dropped sharply in Japan and abroad in response to the global economic slowdown associated with the COVID-19 outbreak. Demand in Japan decreased by 20% year-on-year to 25.1 million tons in the first half but is expected to increase to around 26.6 million tons in the second half, mainly driven by a recovery in the automotive and other manufacturing sectors. The level of demand, however, is low compared to the pre-COVID-19 levels.

We have implemented measures to cut production, such as the temporary suspension of blast furnace operation, in response to the significant decline in demand. As a result, non-consolidated crude steel production volume was 14.64 million tons in the first half, a decrease of 6.91 million tons from the first half of fiscal 2019.

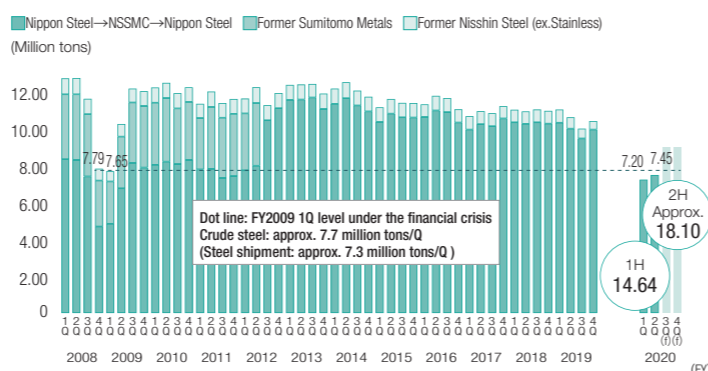
In light of the demand outlook, we plan to resume operation of the No. 2 blast furnace in the East Nippon Works Kimitsu Area and to start operating a blast furnace in the Muroran Works upon completion of its relining in late November, 2020. In the second half of fiscal 2020, crude steel production volume is expected to reach 18.10 million tons, an increase of 3.46 million tons from the first half.

We are committed to pursuing an optimal operation system that is compatible with products and sectors with anticipated demand growth.

Domestic steel consumption



Nippon Steel's crude steel production (non-consol.)



Measures aimed at profit improvement in fiscal 2020 and return to operating profit on a non-consolidated basis in the post-COVID-19 world

Nippon Steel's non-consolidated steelmaking business has been in the red for the past three years. We have been striving for improvements in variable costs, a significant reduction in fixed costs, and long-term contract prices, and other measures, with the aim of structurally improving profitability.

The COVID-19 outbreak severely depressed demand for steel products, which has caused an increase in variable cost due to low production, but we are making utmost efforts to improve profitability through additional cost reduction, driven by production cutback, to offset cost increase caused by low production.

We are determined to implement the following measures and restore profitability in terms of non-consolidated operating profit whatever the ambient circumstances may be in the post-COVID-19 world.

- Reduction in variable cost: more than ¥50 billion/ year**
- Reduction in fixed cost: approx. ¥210 billion/ year**
- Continued efforts to improve long-term contractual steel prices**
 - Fair sharing of burden across the supply chain for increasing costs other than main raw materials
 - Appropriate reflection of our product value and contribution to customers
- Additional cost reduction, driven by production cutback, to offset cost increase caused by low production**
- Further profit-oriented production**
 - Placing great importance on profitability in accepting order and production
 - Implementing flexible adjustment of production volume

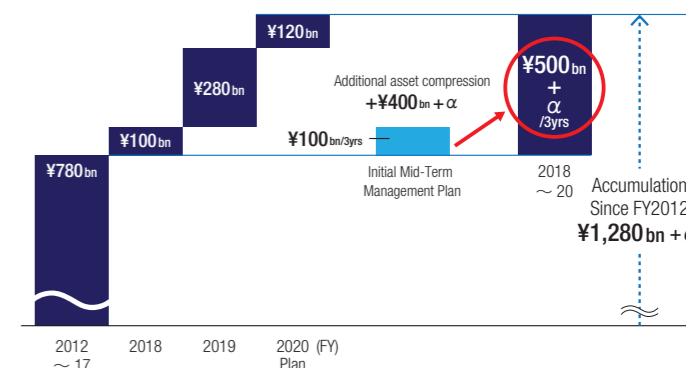
Cash flow measures

Nippon Steel is promoting the dual tactics of selection and concentration in facilities and business investment, and at the same time is exercising financially-disciplined cash flow management, with the aim of maximizing corporate value.

We are reducing capital expenditures in the 2018-2020 Mid-Term Management Plan from an initial ¥1.7 trillion to ¥1.4 trillion by stringently selecting projects and raising efficiency. We have also raised the target for asset compression from ¥100 billion in the initial Mid-Term Plan to over ¥500 billion, as a part of measures to improve cash flow.

We intend to conduct financing via the optimal means at the optimal time, in response to deteriorating operating cash flow, caused by the COVID-19 impact, and the need for refinancing.

Asset compression

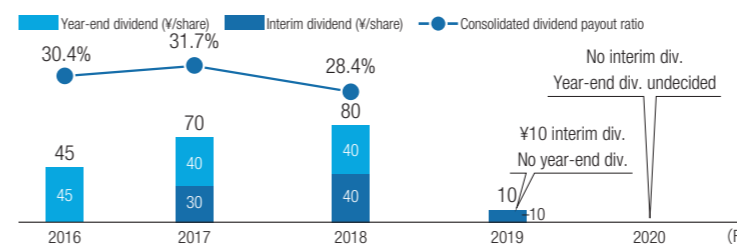


Basic Dividend Policy and Distribution of Dividend at End of First Half of Fiscal 2020

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 first-half dividend is determined based on

consideration of interim performance figures and forecasts for the full fiscal year performance. Regarding the dividend from retained earnings for the end of the second quarter (interim), in accordance with the basic dividend policy described above, we have decided to forgo an interim dividend payment, as announced on August 4, 2020 at the time of the announcement of results for the first quarter. We plan to determine the forecast for the year-end dividend distribution amount, with due consideration of forecasts for the full fiscal year performance, and announce it at the time of the third-quarter results announcement.

Per-share dividend and consolidated dividend payout ratio



Notes regarding forecasts

The descriptions of future performance and such stated in this document include predictions made based on assumptions, forecasts and plans regarding the future as of the results announcement on November 6, 2020. Actual performance may differ significantly from the descriptions due to various factors.



Steelmaking and Steel Fabrication

We are working on adopting new, powerful equipment in our major steelworks in Japan - a base to support our global strategy - and increasing supply capacity for advanced strategic products. In June 2020, we decided to reline the No. 3 blast furnace of the Nagoya Works, which is one of the world's leading steelworks in optimal integrated manufacturing technology of steel sheets for automobiles. After relining, the blast furnace will adopt advanced IT and other leading-edge technologies from Japan and abroad in order to realize more stable production and higher productivity. As a measure to improve capacity and quality of electrical steel sheets, following the investment in the Kyushu Works Yawata Area, we decided to make a further investment in the Setouchi Works Hirohata Area in November 2020. A series of investments in electrical steel sheet (¥104 billion in total) will enable us to establish a structure to stably provide electrical steel sheet with the world's top-class quality. Outside Japan, we are considering construction of an electric arc furnace at AM/NS Calvert, a joint venture with ArcelorMittal in the U.S.A., which offers a favorable environment for an electric arc furnace, thanks to the stable supply of low cost

electricity and ample supply of various raw materials for electric arc furnaces. The use of electric arc furnaces will enable us to address stricter import restrictions on semi-finished steel products and shorter lead times, and consequently maintain and enhance our competitiveness. Moreover, we believe that to acquire knowledge on integrated production process of steel sheets with electric arc furnace, including production of ultra-high-tensile will enable us to secure a new option in our global business strategy.



Nagoya Works No.3 blast furnace



Iron core of motors, made of non-oriented electrical steel sheet



Engineering and Construction

Nippon Steel Engineering Co., Ltd. has constructed many innovative, earthquake-proof large logistics facilities. In May 2020 the company completed construction of "MUCD Ageo," which was ordered by Mitsubishi Corporation Urban Development, Inc. Nippon Steel Engineering is dedicated to contributing to the realization of a safe, reliable society through the provision of products and technology which utilize its steel structure engineering capability and knowledge regarding steel.



Large logistics facilities "MUCD Ageo" upon completion



Chemicals and Materials

NS-TEPreg™, a thermoplastic pitch-based carbon fiber prepreg developed by Nippon Steel Chemical and Material CO., Ltd., has been adopted in the body (bottom part) of NEC's latest mobile PC, "LAVIE Pro Mobile". The material's rigidity, which helps to realize thinner, more lightweight notebook PCs, as well as its excellent moldability, and heat dissipation characteristics, which prevent a rise in the temperature of the body, have been highly evaluated.



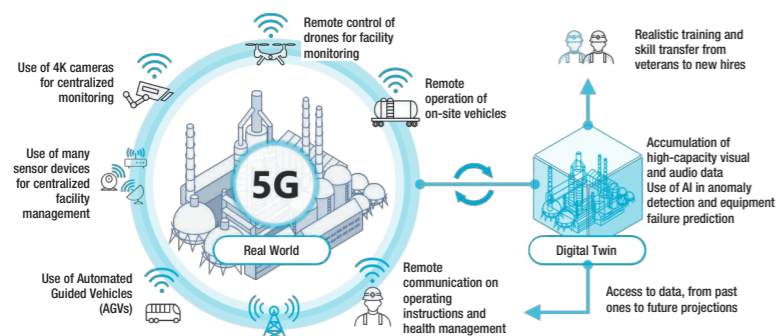
NEC's notebook PC that uses NS-TEPreg™



NS-TEPreg™, a thermoplastic pitch-based carbon fiber prepreg



System Solutions



Since April 2020, NS Solutions Corporation has enhanced its organization in order to cope with digital transformation (DX) and has been utilizing its digital and data utilization technologies in contributing to customers' promotion of DX. NS Solutions has started demonstration of a private network system aimed for local 5G in the Muroran Works to promote DX at manufacturing sites.

Illustration of local 5G solutions

Corporate Profile

Company name	NIPPON STEEL CORPORATION
Head office	6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8071, Japan
Paid-in capital	¥419.5 billion
Business	Steelmaking and steel fabrication / Engineering and construction / Chemicals and materials / System solutions
Number of employees (consolidated)	106,599 (as of March 31, 2020)
Stock listings	Tokyo, Nagoya, Fukuoka, Sapporo

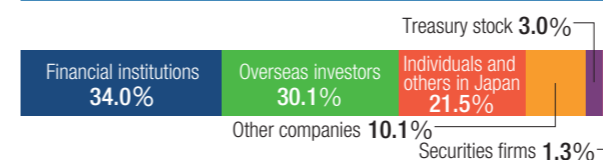
Overview of Shares (as of September 30, 2020)

Total number of shares authorized to be issued ... 2,000,000,000 shares
 Total number of shares issued 950,321,402 shares
 Number of shareholders 438,921

Principal shareholders (as of September 30, 2020)

Name of shareholder	Shares held (Thousand shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	62,780	6.6
Custody Bank of Japan, Ltd. (Trust Account)	40,206	4.2
Nippon Life Insurance Company	24,532	2.6
Custody Bank of Japan, Ltd. (Trust Account 5)	18,482	1.9
Custody Bank of Japan, Ltd. (Trust Account 9)	14,510	1.5
Meiji Yasuda Life Insurance Company	14,064	1.5
J.P. MORGAN BANK LUXEMBOURG S.A.1300000	13,562	1.4
JP MORGAN CHASE BANK 385781	13,462	1.4
Mizuho Bank, Ltd.	12,199	1.3
Sumitomo Corporation	12,179	1.3
Total	225,980	23.8

Percentage of ownership by shareholder composition (as of September 30, 2020)



Shareholder Benefits

Summary of benefits	Applicable shareholders
Company calendar	Shareholders who own 500 or more shares as of the end of September
Plant tours (by lottery)	Shareholders who own 1,000 or more shares as of the end of September and March
Business briefings (by lottery)	
Invitation to football games of Kashima Antlers (by lottery)	Shareholders who own 5,000 or more shares as of the end of September and March
Invitation to concerts at Kioi Hall (by lottery)	

Notice Benefits for shareholders as of September 30, 2020

- We have decided not to send out company calendars for the year 2021, considering factors including the current harsh business environment and the outlook for the current fiscal year.
- Placing the utmost priority on our shareholders' health and safety, we have decided not to conduct plant tours in order to eliminate the risk of visitors getting infected with COVID-19.
- After considering conditions in the future, we will decide whether or not to invite shareholders to football games of Kashima Antlers and concerts at the Kioi Hall. If we have decided not to invite shareholders to those events, the decision will be announced on the "Investors" section of our website.

Shareholder Reference Information

Fiscal year	April 1 to March 31
General Meeting of Shareholders	Latter part of June
Record date for the General Meeting of Shareholders	March 31
Record date for dividends	March 31, September 30 and such other date as determined by the Board of Directors
Number of shares in a unit of shares of the Company	100 shares
Website for electronic public notices	https://www.nipponsteel.com/en/
Articles of Incorporation and Regulations Relating to Shares	Articles of Incorporation and Regulations Relating to Shares are posted on NIPPON STEEL's website under "Investors."
Registration agent	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan (Telephone enquiries) Toll free within Japan: 9 am-5 pm Telephone number designated for NIPPON STEEL's shareholders: 0120-785-401

NIPPON STEEL CORPORATION GROUP Corporate Philosophy

Our Values

Nippon Steel Corporation Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services.

Management Principles

1. We continue to emphasize the importance of integrity and reliability in our actions.
2. We provide products and services that benefit society, and grow in partnership with our customers.
3. We pursue world-leading technologies and manufacturing capabilities.
4. We continually anticipate and address future changes, innovative from within, and pursue unending progress.
5. We develop and bring out the best in our people to make our Group rich with energy and enthusiasm.

NIPPON STEEL CORPORATION

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