

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

<Consolidated Operating Result>

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

(※2) Business Profit on Consolidated Statements of Profit or Loss indicates the results of sustainable business activities, and is an important measure to compare and evaluate the Company's consolidated performance continuously. It is defined as being deducted Cost of sales, Selling general and administrative expenses and Other operating expenses from Revenue, and added Share of profit in investments accounted for using the equity method and Other operating income. Other operating income and expenses are composed mainly of Dividend income, Foreign exchange gains or losses, Losses on disposal of fixed assets.

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

<Factors Influencing Performance>

(1)Nippon Steel Corporation

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

(2)All Japan

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

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

<Segment Information>

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

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

(※1) Impairment losses and Additional line items

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

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

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

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

		Losses on natural disaster in 2019FY (billions of yen)				
		quantity effect	cost effect	Changes from previous release in Feb '20	1st half 2nd half	
Lightning strikes in Chiba	The Company	-5	-5	[-10]	-10	—
A fire at the Nippon Steel Nisshin Kure Works	Consolidated basis	-2	-10	[-12]	-5	-7
Typhoon 15 (Faxai)	The Company	-7	-13	[-20]	-8	-12
Total	Consolidated basis	-14	-28	[-42]	-23	-19

(※3) Additional line items

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

【Dividends】

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

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

Current Business Environment and Nippon Steel's Response and Measures

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

(1) Overview of business environment

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

(2) Nippon Steel's response and measures

1) Response to the impact of COVID-19

(i) Decrease in scale of demand and Production cuts

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

(ii) Business continuity planning (BCP) initiatives

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

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

Responding to bottlenecks in raw material supply chains and logistics

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

2) Fiscal 2020 sales and profit

(i) Profit level

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

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

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

3) Production facility structural measures

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

End

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Supplementary Information on the Financial Results for Fiscal 2019

Japanese Steel Industry

1. Crude Steel Production

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

2. Inventory Volume

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

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

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

*3 Preliminary report

Nippon Steel Corporation

3. Pig Iron Production

(million tons)

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

Including Hokkai Iron & Coke Co., Ltd.

4. Crude Steel Production

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

(million tons)

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

(Non-consolidated basis)

(million tons)

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

5. Steel Products Shipment

(million tons)

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

6. Average Price of Steel Products

(thousands of yen / ton)

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

7. Export Ratio of Steel Products (Value basis)

(%)

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

8. Foreign Exchange Rate

(¥ / \$)

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

9. Amount of Capital Expenditure and Depreciation

(Consolidated basis)

(billions of yen)

	Capital Expenditure	Depreciation
2018FY	440.8	408.6
2019FY	481.3	417.3