

Flash Report
Consolidated Basis
Results for the Third Quarter of Fiscal 2020
(April 1, 2020—December 31, 2020)
< under IFRS >

February 5, 2021

Company name: Nippon Steel Corporation
Stock listing: Tokyo, Nagoya, Sapporo, Fukuoka stock exchanges
Code number: 5401
URL: <https://www.nipponsteel.com/en/index.html>
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Scheduled date to submit Securities Report: February 10, 2021
Scheduled date to pay dividends: -
Preparation of supplemental explanatory materials: Yes
Holding of quarterly financial results meeting: Yes (for investment analysts)

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

1. Consolidated Operating Results and Financial Position through the Third Quarter of Fiscal 2020
(April 1, 2020—December 31, 2020)

(1) Consolidated Operating Results (Accumulated)

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

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

	Profit attributable to owners of the parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Third quarter of Fiscal 2020	(123,800)	—	(71,990)	—	(134.45)	—
Third quarter of Fiscal 2019	(357,379)	—	(361,388)	—	(388.23)	—

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

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of total equity attributable to owners of the parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
Third quarter of Fiscal 2020	7,272,787	2,916,976	2,560,291	35.2
Fiscal 2019	7,444,965	2,996,631	2,641,618	35.5

2. Dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Fiscal year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	—	10.00	—	0.00	10.00
Fiscal 2020	—	0.00	—		
Fiscal 2020 (Forecasts)				10.00	10.00

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

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

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

	Revenue		Business profit		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2020	4,850,000	(18.1)	30,000	—	(120,000)	—	(130.00)

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

* Notes

(1) Changes in significant subsidiaries during the period: None

(2) Changes in accounting policies and changes in accounting estimates

(a) Changes in accounting policies required by IFRS: None

(b) Changes other than those in (a) above: None

(c) Changes in accounting estimates: Yes

Note: For further details, please refer to page 7, “Quarterly Condensed Consolidated Financial Statements and Major Notes

(4) Notes to the Quarterly Condensed Consolidated Financial Statements (Changes in Accounting Estimates).”

(3) Number of shares outstanding (common shares)

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

Third quarter of Fiscal 2020 950,321,402 shares

Fiscal 2019 950,321,402 shares

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

Third quarter of Fiscal 2020 29,554,833 shares

Fiscal 2019 29,638,468 shares

(c) Weighted average number of shares outstanding

Third quarter of Fiscal 2020 920,740,512 shares

Third quarter of Fiscal 2019 920,536,633 shares

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

* Explanation of the appropriate use of performance forecasts and other related items

(Explanation of the appropriate use of performance forecasts)

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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Quarterly Condensed Consolidated Financial Statements and Major Notes

(1) Quarterly Condensed Consolidated Statements of Financial Position

(Millions of Yen)

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

(Millions of Yen)

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

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

Quarterly Condensed Consolidated Statements of Profit or Loss		(Millions of Yen)	
	Third quarter of Fiscal 2019	Third quarter of Fiscal 2020	
Revenue	4,476,014	3,449,817	
Cost of sales	(4,023,034)	(3,112,648)	
Gross profit	452,980	337,168	
Selling, general and administrative expenses	(430,973)	(361,234)	
Share of profit in investments accounted for using the equity method	37,918	25,648	
Other operating income	63,855	39,070	
Other operating expenses	(403,080)	(73,822)	
Business profit (loss)	(279,300)	(33,169)	
Losses on reorganization	(93,202)	(34,216)	
Operating profit (loss)	(372,502)	(67,385)	
Finance income	4,885	4,808	
Finance costs	(18,013)	(18,900)	
Profit (loss) before income taxes	(385,629)	(81,478)	
Income tax expense	34,068	(35,006)	
Profit (loss)	(351,561)	(116,484)	
Profit (loss) attributable to :			
Owners of the parent	(357,379)	(123,800)	
Non-controlling interests	5,818	7,315	
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	(388.23)	(134.45)	

Quarterly Condensed Consolidated Statements of Comprehensive Income or Loss		(Millions of Yen)	
	Third quarter of Fiscal 2019	Third quarter of Fiscal 2020	
Profit (loss)	(351,561)	(116,484)	
Other comprehensive income			
Items that cannot be reclassified to profit or loss			
Changes in fair value of financial assets measured at fair value through other comprehensive income	13,480	67,875	
Remeasurements of defined benefit plans	16,511	24,196	
Share of other comprehensive income of investments accounted for using the equity method	2,487	7,253	
Subtotal	32,480	99,325	
Items that might be reclassified to profit or loss			
Changes in fair value of cash flow hedges	(515)	691	
Foreign exchange differences on translation of foreign operations	(26,536)	(16,539)	
Share of other comprehensive income of investments accounted for using the equity method	(15,255)	(38,983)	
Subtotal	(42,306)	(54,831)	
Total other comprehensive income, net of tax	(9,826)	44,494	
Total comprehensive income	(361,388)	(71,990)	
Comprehensive income attributable to:			
Owners of the parent	(366,418)	(80,675)	
Non-controlling interests	5,030	8,685	

(3) Quarterly Condensed Consolidated Statements of Changes in Equity

Third Quarter of 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)			(357,379)			
Other comprehensive income					12,893	17,392
Total comprehensive income	—	—	(357,379)	—	12,893	17,392
Transactions with owners and others						
Cash dividends			(46,101)			
Purchases of treasury stock				(38)		
Disposals of treasury stock		(104)		623		
Changes in ownership interests in subsidiaries		494				
Transfer from other components of equity to retained earnings			67,934		(50,541)	(17,392)
Changes in scope of consolidation				(241)		
Subtotal	—	390	21,833	344	(50,541)	(17,392)
Balance as of December 31, 2019	419,524	394,308	1,964,629	(58,487)	210,371	—

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

Third Quarter of Fiscal 2020

(Millions of Yen)

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

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

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

None

(Changes in Accounting Estimates)

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

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

With this change, compared to the previous method, depreciation expenses decreased by ¥49,229 million and business profit, operating profit, and profit before income taxes increased by ¥39,794 million, respectively, during the third quarter of fiscal 2020.

(Segment Information)

Information on the amounts of revenue and profit for reportable segments

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

(Millions of Yen)

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

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

(Millions of Yen)

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