

**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  
**URL:** <https://www.nipponsteel.com/en/index.html>  
**Representative:** Eiji Hashimoto, Representative Director and President  
**Contact:** Shinnosuke Arita, General Manager, Public Relations Center  
**Telephone:** +81-3-6867-2135, 2146, 2977, 3419  
**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	%
<b>Fiscal 2020</b>	<b>4,829,272</b>	<b>(18.4)</b>	<b>110,046</b>	<b>—</b>	<b>11,381</b>	<b>—</b>	<b>(8,656)</b>	<b>—</b>	<b>(19,327)</b>	<b>—</b>	<b>(32,432)</b>	<b>—</b>
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	%	%	%	%
<b>Fiscal 2020</b>	<b>143,233</b>	<b>—</b>	<b>(35.22)</b>	<b>—</b>	<b>(1.2)</b>	<b>(0.1)</b>	<b>2.3</b>	<b>0.2</b>
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
<b>Fiscal 2020</b>	<b>7,573,946</b>	<b>3,131,387</b>	<b>2,759,996</b>	<b>36.4</b>	<b>2,997.53</b>
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
<b>Fiscal 2020</b>	<b>403,185</b>	<b>(389,035)</b>	<b>52,694</b>	<b>359,465</b>
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
<b>Fiscal 2020</b>	—	<b>0.00</b>	—	<b>10.00</b>	<b>10.00</b>
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
<b>Fiscal 2020</b>	<b>9,219</b>	—	<b>0.3</b>
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		Total equity 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	%
<b>Fiscal 2020</b>	<b>2,820,992</b>	<b>(14.8)</b>	<b>(104,779)</b>	—	<b>(25,446)</b>	—	<b>(42,098)</b>	—
Fiscal 2019	3,312,949	(7.0)	(119,374)	—	(40,410)	—	(455,641)	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
<b>Fiscal 2020</b>	<b>(45.66)</b>	—
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
<b>Fiscal 2020</b>	<b>5,253,847</b>	<b>1,467,570</b>	<b>27.9</b>	<b>1,591.76</b>
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.

## Index of Attached Documents

1. Summary of Operating Results .....	2
(1) Summary of Operating Results and Financial Position for Fiscal Year Ended March 31, 2021 (Fiscal 2020) .....	2
(2) Outlook for the Fiscal Year Ending March 31, 2022 (Fiscal 2021) .....	7
2. Basic Rationale for Selection of Accounting Standards .....	8
3. Consolidated Financial Statements and Major Notes .....	9
(1) Consolidated Statements of Financial Position .....	9
(2) Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income .....	11
(3) Consolidated Statements of Changes in Equity .....	12
(4) Consolidated Statements of Cash-Flows .....	14
(5) Notes to the Consolidated Financial Statements .....	15
(Going Concern Assumption) .....	15
(Changes in Accounting Estimates) .....	15
(Segment Information) .....	16
(Earnings per Share) .....	17
(Significant Subsequent Events) .....	17

## 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, CO<sub>2</sub> 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 CO<sub>2</sub> 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)

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

(Millions of Yen)

<b>LIABILITIES</b>	March 31, 2020	March 31, 2021
<b>Current liabilities :</b>		
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
<b>Total current liabilities</b>	1,895,192	1,771,331
<b>Non-current liabilities :</b>		
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
<b>Total non-current liabilities</b>	2,553,141	2,671,228
<b>Total liabilities</b>	4,448,333	4,442,559
<b>EQUITY</b>		
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
<b>Total equity attributable to owners of the parent</b>	2,641,618	2,759,996
Non-controlling interests	355,013	371,390
<b>Total equity</b>	2,996,631	3,131,387
<b>Total liabilities and equity</b>	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)	
<b>Gross profit</b>	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)	
<b>Business profit (loss)</b>	(284,417)	110,046	
Losses on reorganization	(121,702)	(98,665)	
<b>Operating profit (loss)</b>	(406,119)	11,381	
Finance income	7,706	5,367	
Finance costs	(25,159)	(25,404)	
<b>Profit (loss) before income taxes</b>	(423,572)	(8,656)	
Income tax expense	(2,548)	(10,671)	
<b>Profit (loss) for the year</b>	(426,120)	(19,327)	
<b>Profit (loss) for the year attributable to :</b>			
Owners of the parent	(431,513)	(32,432)	
Non-controlling interests	5,393	13,105	
<b>Earnings (loss) per share</b>			
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)	
<b>Total other comprehensive income, net of tax</b>	(117,521)	162,561	
<b>Total comprehensive income for the year</b>	(543,642)	143,233	
<b>Comprehensive income for the year attributable to:</b>			
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
<b>Balance as of March 31, 2020</b>	<b>419,524</b>	<b>394,404</b>	<b>1,870,948</b>	<b>(58,505)</b>	<b>111,924</b>	<b>—</b>

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

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)
<b>Balance as of March 31, 2021</b>	<b>419,524</b>	<b>393,168</b>	<b>1,910,333</b>	<b>(58,342)</b>	<b>207,300</b>	<b>—</b>

	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)
<b>Balance as of March 31, 2021</b>	<b>3,397</b>	<b>(115,385)</b>	<b>95,311</b>	<b>2,759,996</b>	<b>371,390</b>	<b>3,131,387</b>



**(4) Consolidated Statements of Cash-Flows**

	(Millions of Yen)	
	Fiscal 2019	Fiscal 2020
<b>Cash flows from operating activities :</b>		
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)
<b>Net cash flows provided by operating activities</b>	<b>494,330</b>	<b>403,185</b>
<b>Cash flows from investing activities :</b>		
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
<b>Net cash flows used in investing activities</b>	<b>(345,627)</b>	<b>(389,035)</b>
<b>Cash flows from financing activities :</b>		
(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
<b>Net cash flows used in financing activities</b>	<b>(14,582)</b>	<b>52,694</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(7,838)</b>	<b>3,161</b>
<b>Net increase in cash and cash equivalents</b>	<b>126,283</b>	<b>70,006</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>163,176</b>	<b>289,459</b>
<b>Cash and cash equivalents at end of the year</b>	<b>289,459</b>	<b>359,465</b>

## **(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.