

Flash Report
Consolidated Basis
Results for the First Quarter of Fiscal 2020
(April 1, 2020—June 30, 2020)
< under IFRS >

August 4, 2020

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:	August 7, 2020
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 First Quarter of Fiscal 2020
(April 1, 2020—June 30, 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	%
First quarter of Fiscal 2020	1,131,604	(25.7)	(27,510)	—	(27,510)	—	(32,577)	—	(41,422)	—
First quarter of Fiscal 2019	1,522,479	4.3	60,600	(33.1)	60,600	(33.1)	56,241	(34.8)	38,904	(56.8)

	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
First quarter of Fiscal 2020	(42,071)	—	(91,911)	—	(45.69)	—
First quarter of Fiscal 2019	33,325	(61.0)	28,006	(35.7)	36.20	—

(*)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	%
First quarter of Fiscal 2020	7,361,501	2,902,699	2,552,968	34.7
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	—	—	—	—	—
Fiscal 2020 (Forecasts)	—	0.00	—	—	—

Notes: 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
First half of Fiscal 2020	2,200,000	(27.8)	(150,000)	—	(200,000)	—	(217.0)
Fiscal 2020	—	—	(120,000)	—	—	—	—

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)

First 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

First quarter of Fiscal 2020 29,641,883 shares

Fiscal 2019 29,638,468 shares

(c) Weighted average number of shares outstanding

First quarter of Fiscal 2020 920,681,631 shares

First quarter of Fiscal 2019 920,440,643 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	June 30, 2020
Current assets :		
Cash and cash equivalents	289,459	390,616
Trade and other receivables	826,596	669,953
Inventories	1,532,181	1,508,352
Other financial assets	17,340	20,868
Other current assets	119,396	109,550
Total current assets	2,784,974	2,699,340
Non-current assets :		
Property, plant and equipment	2,812,542	2,824,549
Right-of-use assets	93,663	97,903
Goodwill	45,486	44,934
Intangible assets	96,677	91,616
Investments accounted for using the equity method	878,271	854,327
Other financial assets	481,117	493,302
Defined benefit assets	58,643	71,160
Deferred tax assets	186,457	177,418
Other non-current assets	7,132	6,948
Total non-current assets	4,659,990	4,662,160
Total assets	7,444,965	7,361,501

(Millions of Yen)

LIABILITIES	March 31, 2020	June 30, 2020
Current liabilities :		
Trade and other payables	1,449,801	1,211,967
Bonds, borrowings and lease liabilities	376,900	509,274
Other financial liabilities	2,189	3,077
Income taxes payable	27,323	22,392
Other current liabilities	38,978	47,836
Total current liabilities	1,895,192	1,794,547
Non-current liabilities :		
Bonds, borrowings and lease liabilities	2,111,841	2,224,417
Other financial liabilities	4,621	4,953
Defined benefit liabilities	236,758	228,663
Deferred tax liabilities	27,765	30,489
Other non-current liabilities	172,154	175,729
Total non-current liabilities	2,553,141	2,664,254
Total liabilities	4,448,333	4,458,802
EQUITY		
Common stock	419,524	419,524
Capital surplus	394,404	396,340
Retained earnings	1,870,948	1,849,083
Treasury stock	(58,505)	(58,508)
Other components of equity	15,245	(53,471)
Total equity attributable to owners of the parent	2,641,618	2,552,968
Non-controlling interests	355,013	349,731
Total equity	2,996,631	2,902,699
Total liabilities and equity	7,444,965	7,361,501

**(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)	
	First quarter of Fiscal 2019	First quarter of Fiscal 2020	
Revenue	1,522,479	1,131,604	
Cost of sales	(1,349,543)	(1,040,808)	
Gross profit	172,935	90,796	
Selling, general and administrative expenses	(148,725)	(121,386)	
Share of profit in investments accounted for using the equity method	17,287	14,748	
Other operating income	32,288	13,243	
Other operating expenses	(13,185)	(24,912)	
Business profit(loss)	60,600	(27,510)	
Operating profit(loss)	60,600	(27,510)	
Finance income	1,513	971	
Finance costs	(5,872)	(6,038)	
Profit(loss) before income taxes	56,241	(32,577)	
Income tax expense	(17,337)	(8,844)	
Profit(loss)	38,904	(41,422)	
Profit(loss) attributable to :			
Owners of the parent	33,325	(42,071)	
Non-controlling interests	5,578	648	
Earnings(loss) per share			
Basic earnings(loss) per share (Yen)	36.20	(45.69)	

Quarterly Condensed Consolidated Statements of Comprehensive Income or Loss		(Millions of Yen)	
	First quarter of Fiscal 2019	First quarter of Fiscal 2020	
Profit(loss)	38,904	(41,422)	
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	(8,713)	15,483	
Remeasurements of defined benefit plans	2,811	10,543	
Share of other comprehensive income of investments accounted for using the equity method	(1,398)	6,079	
Subtotal	(7,300)	32,107	
Items that might be reclassified to profit or loss			
Changes in fair value of cash flow hedges	(3,471)	(1,456)	
Foreign exchange differences on translation of foreign operations	(481)	(41,033)	
Share of other comprehensive income of investments accounted for using the equity method	355	(40,107)	
Subtotal	(3,596)	(82,596)	
Total other comprehensive income, net of tax	(10,897)	(50,489)	
Total comprehensive income	28,006	(91,911)	
Comprehensive income attributable to:			
Owners of the parent	21,979	(90,583)	
Non-controlling interests	6,026	(1,328)	

(3) Quarterly Condensed Consolidated Statements of Changes in Equity

First 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)			33,325			
Other comprehensive income					(11,008)	3,083
Total comprehensive income	—	—	33,325	—	(11,008)	3,083
Transactions with owners and others						
Cash dividends			(36,880)			
Purchases of treasury stock				(11)		
Disposals of treasury stock		(10)		40		
Changes in ownership interests in subsidiaries		(2,169)				
Transfer from other components of equity to retained earnings			6,412		(3,329)	(3,083)
Changes in scope of consolidation				(228)		
Subtotal	—	(2,180)	(30,468)	(199)	(3,329)	(3,083)
Balance as of June 30, 2019	419,524	391,737	2,303,032	(59,030)	233,682	—

	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)			—	33,325	5,578	38,904
Other comprehensive income	(3,037)	(382)	(11,345)	(11,345)	448	(10,897)
Total comprehensive income	(3,037)	(382)	(11,345)	21,979	6,026	28,006
Transactions with owners and others						
Cash dividends			—	(36,880)	(4,656)	(41,537)
Purchases of treasury stock			—	(11)		(11)
Disposals of treasury stock			—	29		29
Changes in ownership interests in subsidiaries			—	(2,169)	2,117	(52)
Transfer from other components of equity to retained earnings			(6,412)	—		—
Changes in scope of consolidation			—	(228)	(326)	(554)
Subtotal	—	—	(6,412)	(39,260)	(2,865)	(42,126)
Balance as of June 30, 2019	(7,471)	(67,968)	158,242	3,213,507	379,741	3,593,248

First 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)			(42,071)			
Other comprehensive income					15,272	14,045
Total comprehensive income	—	—	(42,071)	—	15,272	14,045
Transactions with owners and others						
Cash dividends						
Purchases of treasury stock				(4)		
Disposals of treasury stock		(0)		1		
Changes in ownership interests in subsidiaries		1,936				
Transfer from other components of equity to retained earnings			20,205		(6,160)	(14,045)
Changes in scope of consolidation						
Subtotal	—	1,935	20,205	(2)	(6,160)	(14,045)
Balance as of June 30, 2020	419,524	396,340	1,849,083	(58,508)	121,036	—

	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)			—	(42,071)	648	(41,422)
Other comprehensive income	(2,792)	(75,037)	(48,511)	(48,511)	(1,977)	(50,489)
Total comprehensive income	(2,792)	(75,037)	(48,511)	(90,583)	(1,328)	(91,911)
Transactions with owners and others						
Cash dividends			—	—	(3,816)	(3,816)
Purchases of treasury stock			—	(4)		(4)
Disposals of treasury stock			—	0		0
Changes in ownership interests in subsidiaries			—	1,936	(131)	1,805
Transfer from other components of equity to retained earnings			(20,205)	—		—
Changes in scope of consolidation			—	—	(6)	(6)
Subtotal	—	—	(20,205)	1,933	(3,953)	(2,020)
Balance as of June 30, 2020	(7,613)	(166,894)	(53,471)	2,552,968	349,731	2,902,699

(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 ¥15,412 million and business profit, operating profit, and profit before income taxes increased by ¥8,374 million, respectively, during the first quarter of fiscal 2020.