

Flash Report
Consolidated Basis
Results for Fiscal 2021
(April 1, 2021—March 31, 2022)
< under IFRS >

May 10, 2022

Company name: Nippon Steel Corporation
Stock listing: Tokyo, Nagoya, Fukuoka, Sapporo 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, 2022
Scheduled date to pay dividends: June 24, 2022
Scheduled date to submit Securities Report: June 23, 2022
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 2021

(April 1, 2021—March 31, 2022)

(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	%
Fiscal 2021	6,808,890	41.0	938,130	752.5	840,901	—	816,583	—	667,530	—	637,321	—
Fiscal 2020	4,829,272	(18.4)	110,046	—	11,381	—	(8,656)	—	(19,327)	—	(32,432)	—

	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	%	%	%	%
Fiscal 2021	816,342	469.9	692.16	657.48	20.5	10.0	13.8	12.4
Fiscal 2020	143,233	—	(35.22)	(35.22)	(1.2)	(0.1)	2.3	0.2

(For reference) Share of profit in investments accounted for using the equity method: Fiscal 2021 ¥214,480 million
Fiscal 2020 ¥55,220 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
Fiscal 2021	8,752,346	3,897,008	3,466,799	39.6	3,764.69
Fiscal 2020	7,573,946	3,131,387	2,759,996	36.4	2,997.53

(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
Fiscal 2021	615,635	(378,866)	(61,304)	551,049
Fiscal 2020	403,185	(389,035)	52,694	359,465

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 2020	—	0.00	—	10.00	10.00
Fiscal 2021	—	70.00	—	90.00	160.00
Fiscal 2022 (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 2020	9,219	—	0.3
Fiscal 2021	147,512	23.1	4.7
Fiscal 2022 (Forecasts)		—	

Notes: The Company has not determined a dividend distribution plan for the second quarter of fiscal 2022 and fiscal 2022. The dividend distribution plan will be disclosed when it becomes available.

3. Consolidated Financial Forecasts for Fiscal 2022 (April 1, 2022—March 31, 2023)

Under the circumstance that the outlook is extremely uncertain due to the Russia-Ukraine situation etc., it is difficult to produce reasonable calculations concerning earnings forecasts for FY2022. The Company has therefore left its forecasts undecided and will disclose them as soon as reasonable calculations can be made.

Facing such uncertainty, the company is working to maximize profits by continuing the ongoing drastic measures to enhance its profit structure that were previously implemented, and by flexibly responding to changes in the supply and demand aspects of the global steel market (the shortening of management cycle time) in FY2022. We will thus continue efforts aimed at realizing a business profit of ¥600 billion or more excluding one-off factors.

For further details, please refer to page 7, “1. Summary of Operating Results (2) Outlook for the Fiscal Year Ending March 31, 2023 (Fiscal 2022)” and “Results and dividends of Fiscal 2021 (Year ended March 31, 2022).”

* Notes

- (1) Changes in significant subsidiaries during the period: Yes
 Number of newly consolidated: 2 Company name: G Steel Public Company Limited, G J Steel Public Company Limited
 Number of excluded from consolidation: 0
- (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: None
- (3) Number of shares outstanding (common shares)
 (a) Number of shares outstanding at the end of the period (including treasury stock)
 Fiscal 2021 950,321,402 shares
 Fiscal 2020 950,321,402 shares
 (b) Number of treasury stock at the end of the period
 Fiscal 2021 29,449,711 shares
 Fiscal 2020 29,564,533 shares
 (c) Weighted average number of shares outstanding
 Fiscal 2021 920,765,686 shares
 Fiscal 2020 920,745,340 shares

(For Reference)**A Summary of Non-Consolidated Operating Results and Financial Position for Fiscal 2021****(April 1, 2021—March 31, 2022)****(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	%
Fiscal 2021	4,365,970	54.8	403,736	—	536,792	—	393,022	—
Fiscal 2020	2,820,992	(14.8)	(104,779)	—	(25,446)	—	(42,098)	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal 2021	426.28	404.95
Fiscal 2020	(45.66)	—

(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
Fiscal 2021	5,926,165	1,780,048	30.0	1,930.74
Fiscal 2020	5,253,847	1,467,570	27.9	1,591.76

(For reference) Shareholders' equity:

Fiscal 2021 ¥1,780,048 million

Fiscal 2020 ¥1,467,570 million

* 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 the Fiscal Year Ended March 31, 2022 (Fiscal 2021)	2
(2) Outlook for the Fiscal Year Ending March 31, 2023 (Fiscal 2022)	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
(Segment Information)	15
(Earnings per Share)	16
(Significant Subsequent Events)	17

1. Summary of Operating Results

(1) Summary of Operating Results and Financial Position for the Fiscal Year Ended March 31, 2022 (Fiscal 2021)

(Overview of Conditions in Fiscal 2021)

In fiscal 2021, although the global economy was affected by the spread of the COVID-19 pandemic, there were signs of a recovery with the resumption of economic activity supported by the dissemination of vaccines and other factors. The Japanese economy also recovered gradually, reflecting an increase in capital investment and an improvement in private consumption, despite being affected by the outbreak of the COVID variants.

In the first half of the fiscal year, on the back of an economic pick-up from the slowdown in Japan and overseas caused by the COVID-19 pandemic, demand for steel continued to recover mainly in the manufacturing sector, and steel market prices were at a high level, partly due to the influence of China's policy of reducing steel production. In the second half, the recovery in domestic steel demand slowed down, due to a delay in restoring production in the automotive sector, coupled with supply chain disruptions caused by a shortage of semiconductors and stagnant logistics, as well as a labor shortage associated with the resurgence of COVID-19 infections caused by its variants.

In this business environment, the Nippon Steel Group (“the Group”) implemented various measures aimed at achieving the four pillars of its medium- to long-term management plan: “Rebuilding the domestic steel business and strengthening the Group’s management”; “Promoting a global strategy to deepen and expand the overseas business”; “Taking on the challenge of carbon neutrality”; and “Promoting digital transformation strategies”.

(Operating Results by Segment in Fiscal 2021)

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.

(Billions of yen)

	Revenue		Business Profit	
	Fiscal 2021	Fiscal 2020	Fiscal 2021	Fiscal 2020
Steelmaking and Steel Fabrication	6,153.6	4,228.4	871.0	63.5
Engineering and Construction	279.2	324.4	6.3	17.7
Chemicals and Materials	249.8	178.6	25.3	7.6
System Solutions	271.3	252.4	30.8	23.9
Total	6,954.0	4,984.0	933.5	112.8
Adjustments	(145.1)	(154.7)	4.5	(2.7)
Consolidated total	6,808.8	4,829.2	938.1	110.0

[Steelmaking and Steel Fabrication]

While the recovery in domestic steel demand began to slow down in the second half of 2021, the Steelmaking and Steel Fabrication segment strived to establish a profit structure that ensures a high level of business profit regardless of the external environment. The actions taken included significant reduction in the breakeven point which resulted from a drastic cost improvement that was implemented in fiscal 2020, improvement in direct contract-based prices for customers, effects of selection and concentration of order intake with streamlined integrated production capacity, and improved profitability of the overseas Group companies. As a result, the segment recorded revenue of ¥6,153.6 billion (compared to ¥4,228.4 billion in fiscal 2020) and a business profit of ¥871.0 billion (compared to ¥63.5 billion), significantly exceeding the results in the previous fiscal year.

Specifically, the following efforts were made during fiscal 2021.

With the aim of steadily implementing the production facility structural measures and establishing a more robust earnings base, regardless of the short-term improvement in the environment, Nippon Steel (“the Company”) shut down the upstream facilities of the Setouchi Works Kure Area, the One Series of upstream facilities of the Kansai Works Wakayama Area, the steel plate mill of the Nagoya Works, and the continuous caster, the large-shape mill, and the UO pipe line of the East Nippon Works Kimitsu Area, and consolidated production into more competitive lines in fiscal 2021. The net effect of these structural measures has amounted to ¥20 billion (cumulative ¥55 billion since the announcement of the production facility structural measures / the target of ¥150 billion). Moreover, to promote higher product grades in the order mix through active investment in strategic products, and to ensure that technological capabilities resulting from the advancement of facilities lead to profitability, the Company worked on relining the No. 3 blast furnace at the Nagoya Works and investing in measures to improve the production capacity and quality of electrical steel sheets. The Company also made efforts to reduce costs by continuing efforts to stabilize operations and facilities and to reduce variable costs through further improvements in operational efficiency to steadily improve fundamental operational capabilities. In the business with direct contract-based prices for customers, while we strived to ensure stable supply, including long-term supply capability, to develop high-grade products that customers demand, and to achieve carbon neutrality, we have asked customers for their understanding in order to correct direct contract prices and ensure we can obtain an internationally appropriate margin from the viewpoint of proportionate sharing of the impacts of rising costs of raw materials and fuels in the supply chain, and of the value of the products and solutions provided by the Company.

Overseas, the Steelmaking and Steel Fabrication segment made progress in selectively concentrating overseas business operations and strengthened the foundation of integrated production processes, which included the decision to sell all businesses of Siam Tinplate Co., Ltd. to NS-Siam United Steel Co., Ltd. in Thailand. As measures to achieve 100 million tons of global crude steel capacity per annum, Nippon Steel acquired G Steel Public Company Limited and GJ Steel Public Company Limited—steel producers with electric arc furnaces and

hot strip mills in Thailand—which became subsidiaries of Nippon Steel, and promoted capacity expansion of ArcelorMittal Nippon Steel India Limited. These are parts of efforts aimed at expanding the Nippon Steel Group’s integrated production system in overseas markets. As a result of improved business profits stemming from the capture of overseas demand and the completion of the withdrawal from unprofitable businesses, overseas business profits reached record levels in fiscal 2021.

On the environmental front, Nippon Steel established a dedicated project in April 2021 and has been making efforts to promote the development and practical implementation of three breakthrough technologies (blast furnace hydrogen reduction, 100% hydrogen use in the direct reduction process, and high-grade steel production in large-sized electric arc furnaces) ahead of other countries, as part of its initiatives to realize carbon neutral production. In fiscal 2021, Nippon Steel and three other companies jointly proposed the “Green Innovation Fund Project/Hydrogen Utilization Project in Steelmaking Process, ” for which the New Energy and Industrial Technology Development Organization (NEDO) publicly solicited proposals, and it was adopted in December 2021 (about ¥193.5 billion in financial support). The Company is also working on various initiatives aimed at realizing a carbon-neutral society, including offering Eco-Products™ such as ultra-high-tensile steel sheets that contribute to the reduction of automobile weight and electrical steel sheets that contribute to the improvement of the efficiency of EV electric motors and transformers, as well as the use of hydrogen in heating furnaces and the construction of a carbon-free hydrogen production plant at Ovako AB, a subsidiary in Europe.

In the DX strategy, Nippon Steel is working to improve productivity through the use of the Internet of Things (IoT) and AI to support remote operations, visualization of facility maintenance and predictive monitoring, and corporate-wide optimization of production management through centralized data management from order taking to production. In fiscal 2021, the Company built a data analysis platform to achieve efficient skills transfer for highly skilled operations by digitizing heavy machinery operations at manufacturing sites using AI, and started a demonstration experiment at the East Nippon Works Kimitsu Area. Moreover, the Company has obtained a local 5G radio station license with the largest power output in Japan, has started verification of local 5G applications using large amounts of data on the vast premises of the Muroran Works (the current North Nippon Works Muroran Area), and is working to promote DX at manufacturing sites.

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 2021, the Company opened its own nursery facilities at the East Nippon Works Kashima Area and the Muroran Works (now renamed as above). With the aim of encouraging all male employees with young children to become involved in childcare, the Company has been encouraging them to take childcare leave (the use of leaflets to make eligible employees understand the system, etc.) when they report pregnancy and childbirth plans, since October 2021, prior to the enforcement of the Amended Childcare and Family Care Leave Act in Japan in April 2022.

[Engineering and Construction]

Nippon Steel Engineering Co., Ltd. posted a decrease in revenue in each sector from the previous fiscal year mainly because the Environment and Energy sector's waste to energy plants business was subject to a lull in revenue recognition of construction project orders and there were few completed construction projects for large-scale logistics centers in the Urban Infrastructure sector and for refurbishments in the Steelmaking Plant sector. In terms of business profit, the Engineering and Construction segment strived to minimize the impact of the COVID-19 pandemic but business profit decreased due to a decline in revenue. The segment will continue to carefully monitor changes in the business environment, such as the current weakening of the yen and the sharp rise in resource prices. For fiscal 2021 the Engineering and Construction segment recorded revenue of ¥279.2 billion (compared to ¥324.4 billion in fiscal 2020) and business profit of ¥6.3 billion (compared to ¥17.7 billion).

[Chemicals and Materials]

Nippon Steel Chemical & Material Co., Ltd. was affected by the continuing COVID-19 pandemic, the rise in raw material prices, the global semiconductor shortage, and the disruption in logistics, but recorded a significant increase in revenue and profit compared with fiscal 2020 mainly by passing on the rise in raw material prices to sales prices and taking measures aimed at sales expansion. In the Coal Chemical business, demand for needle coke used in graphite electrodes recovered and prices remained firm. In the Chemicals business, market conditions for benzene and bisphenol A were generally firm, contributing to improved earnings. In the Functional Materials business, sales of semiconductor-related materials, circuit board materials, LCD materials, and organic EL materials showed continued strength. In the Composite Materials business, sales of epoxy resin for semiconductor package substrates, carbon fiber composite materials for civil engineering and construction reinforcement, industrial rolls, and carbon fiber for the sports and space industries expanded. The overall Chemicals and Materials segment recorded revenue of ¥249.8 billion (compared to ¥178.6 billion in fiscal 2020) and business profit of ¥25.3 billion (compared to ¥7.6 billion).

[System Solutions]

NS Solutions Corporation has been making corporate-wide efforts to maximize DX needs and expand its business, while deepening relationships with customers, with a view to the full-scale DX deployment of Japanese companies. In the digital manufacturing area, which is one of the key areas of focus, NS Solutions has integrated its solutions, services, and know-how into a unified brand called "Planetary" to support the promotion of DX for manufacturing customers. In other areas of focus, the company has expanded sales of digital workplace solutions to meet the IT needs of new working styles and has also promoted internet services as support for platformers and DX in the EC operators and financial services areas. Customers have been increasing their IT investment on the back of DX promotion, and the segment increased revenue and profit compared to fiscal 2020. The System Solutions segment recorded revenue of ¥271.3 billion (compared to ¥252.4 billion in fiscal 2020) and business profit of ¥30.8 billion (compared to ¥23.9 billion).

(Revenue and Profit)

For fiscal 2021, Nippon Steel recorded consolidated revenue of ¥6,808.8 billion (compared to ¥4,829.2 billion in fiscal 2020), business profit of ¥938.1 billion (compared to ¥110.0 billion), and profit attributable to owners of the parent of ¥637.3 billion (compared to loss of ¥32.4 billion). Contributing factors included significant reduction in the breakeven point which resulted from a drastic cost improvement that was implemented in fiscal 2020, improvement in direct contract-based prices for customers, effects of selection and concentration of order intake with streamlined integrated production capacity, a recovery in production and shipping volumes, improved profitability of the overseas Group companies, and inventory valuation.

(Assets, Liabilities, Equity, and Cash Flows)

Consolidated total assets as of March 31, 2022 were ¥8,752.3 billion, an increase of ¥1,178.3 billion from ¥7,573.9 billion as of March 31, 2021. The main factors were an increase in cash and cash equivalents (¥191.5 billion), an increase in trade and other receivables (¥134.0 billion), an increase in inventories (¥407.2 billion), an increase in property, plant and equipment (¥97.7 billion), and an increase in investments accounted for using the equity method (¥261.7 billion).

Consolidated total liabilities as of March 31, 2022 were ¥4,855.3 billion, an increase of ¥412.7 billion from ¥4,442.5 billion as of March 31, 2021. Interest-bearing debt increased by ¥94.1 billion from ¥2,559.2 billion as of March 31, 2021 to ¥2,653.3 billion due to the issuance of convertible bonds with stock acquisition rights. In addition, trade and other payables increased (¥143.9 billion) and income taxes payable increased (¥85.7 billion).

Consolidated total equity as of March 31, 2022 was ¥3,897.0 billion, an increase of ¥765.6 billion from ¥3,131.3 billion as of March 31, 2021. This was primarily contributed by an increase from profit attributable to owners of the parent of ¥637.3 billion, a decrease in dividend payment (¥73.7 billion), an increase in the foreign exchange differences on translation of foreign operations (¥75.0 billion) and an increase in non-controlling interests (¥58.8 billion). As a result, total equity attributable to owners of the parent as of March 31, 2022 amounted to ¥3,466.7 billion, and the ratio of interest-bearing debt to total equity attributable to owners of the parent (D/E ratio) was 0.77 times (0.59 times after adjusting for equity credit attributes of subordinated loans and subordinated bonds).

Cash flows from operating activities in fiscal 2021 amounted to an inflow of ¥615.6 billion (compared to an inflow of ¥403.1 billion in fiscal 2020). The main inflow factors were profit before income taxes of ¥816.5 billion and depreciation and amortization (¥330.6 billion), while the outflow factors included an increase in inventories (¥383.4 billion) and deduction adjustment for share of profit in investments accounted for using the equity method (¥214.4 billion).

Cash flows from investing activities amounted to an outflow of ¥378.8 billion (compared to an outflow of ¥389.0 billion in fiscal 2020). The main inflow factors were proceeds from sales of property, plant and equipment and intangible assets (¥70.2 billion) and proceeds from sales of investment securities (¥81.7 billion), while the outflow

factors included purchases of property, plant and equipment and intangible assets (¥466.9 billion) and purchases of shares of subsidiaries resulting in change in scope of consolidation (¥48.9 billion).

As a result, free cash flow was an inflow of ¥236.7 billion (compared to an inflow of ¥14.1 billion in fiscal 2020).

Cash flows from financing activities amounted to an outflow of ¥61.3 billion (compared to an inflow of ¥52.6 billion in fiscal 2020), largely due to an inflow from increase in interest-bearing debt (¥63.9 billion) and an outflow from cash dividends paid (¥73.7 billion). As a result of these cash flows, the cash and cash equivalents at the end of fiscal 2021 were ¥551.0 billion.

(Basic Policy on Profit Distribution and Fiscal 2021 Dividend)

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.

In accordance with the basic profit distribution policy described above, Nippon Steel paid a dividend of ¥70 per share at the end of the first half. Regarding the fiscal year-end dividend, based on the improvement in business performance since the previous forecast announcement and with a view to maintaining a high-level return to shareholders from the next fiscal year, management has decided to propose an increase of ¥20 per share from the previous dividend forecast in the third quarter results announcement (February 3, 2022), and a year-end dividend of ¥90 per share (the annual dividend is ¥160 per share, substantially exceeding the previous highest amount) at the General Meeting of Shareholders.

(2) Outlook for the Fiscal Year Ending March 31, 2023 (Fiscal 2022)

(Outlook for Operating Performance in Fiscal 2022)

The ongoing Russia-Ukraine situation has been amplifying the magnitude of the world economy's three main risks—China's slowdown in economic growth, supply constraints mainly for semiconductors, and a surge in energy and resource prices on the back of a "greenflation."

Under these circumstances, new risks such as a deterioration in Japan's trade balance prompted by the sharp depreciation of the yen are emerging, while steel market prices, mainly in the U.S. and Europe, are rising sharply. This means that the external environment has been fluctuating beyond the normal economic rationale and the outlook is extremely uncertain, therefore it is difficult to produce reasonable calculations concerning earnings

forecasts for fiscal 2022. Facing such uncertainty, Nippon Steel is working to maximize profits by continuing the ongoing drastic measures to enhance its profit structure that were previously implemented, and by flexibly responding to changes in the supply and demand aspects of the global steel market (the shortening of management cycle time) in fiscal 2022. We will thus continue efforts aimed at realizing a business profit of ¥600 billion or more excluding one-off factors.

With the aim of becoming “the best steelmaker with world-leading capabilities,” Nippon Steel is committed to steadily implementing various measures aimed at achieving the four pillars of its medium- to long-term management plan: “Rebuilding the domestic steel business and strengthening the Group’s management”; “Promoting a global strategy to deepen and expand the overseas business”; “Taking on the challenge of carbon neutrality” and “Promoting digital transformation strategies.”

(Outlook for Dividends for Fiscal 2022)

Nippon Steel has not determined a dividend plan for fiscal 2022. 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)

ASSETS	March 31, 2021	March 31, 2022
Current assets :		
Cash and cash equivalents	359,465	551,049
Trade and other receivables	805,306	939,406
Inventories	1,349,355	1,756,589
Other financial assets	27,772	41,357
Other current assets	130,786	226,253
Total current assets	2,672,686	3,514,655
Non-current assets :		
Property, plant and equipment	2,954,938	3,052,640
Right-of-use assets	88,559	78,162
Goodwill	46,341	61,741
Intangible assets	95,826	130,497
Investments accounted for using the equity method	817,328	1,079,068
Other financial assets	628,226	548,283
Defined benefit assets	110,396	123,563
Deferred tax assets	153,123	158,031
Other non-current assets	6,519	5,701
Total non-current assets	4,901,260	5,237,691
Total assets	7,573,946	8,752,346

(Millions of Yen)

LIABILITIES	March 31, 2021	March 31, 2022
Current liabilities :		
Trade and other payables	1,382,761	1,526,719
Bonds, borrowings and lease liabilities	308,985	344,056
Other financial liabilities	1,250	1,042
Income taxes payable	24,256	109,958
Other current liabilities	54,077	36,852
Total current liabilities	1,771,331	2,018,630
Non-current liabilities :		
Bonds, borrowings and lease liabilities	2,250,246	2,309,339
Other financial liabilities	4,784	1,207
Defined benefit liabilities	189,453	188,350
Deferred tax liabilities	37,385	39,805
Other non-current liabilities	189,358	298,005
Total non-current liabilities	2,671,228	2,836,707
Total liabilities	4,442,559	4,855,337
EQUITY		
Common stock	419,524	419,524
Capital surplus	393,168	393,547
Retained earnings	1,910,333	2,514,775
Treasury stock	(58,342)	(57,977)
Other components of equity	95,311	196,928
Total equity attributable to owners of the parent	2,759,996	3,466,799
Non-controlling interests	371,390	430,209
Total equity	3,131,387	3,897,008
Total liabilities and equity	7,573,946	8,752,346

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

Consolidated Statements of Profit or Loss		(Millions of Yen)
	Fiscal 2020	Fiscal 2021
Revenue	4,829,272	6,808,890
Cost of sales	(4,263,940)	(5,587,331)
Gross profit	565,332	1,221,559
Selling, general and administrative expenses	(469,133)	(544,725)
Share of profit in investments accounted for using the equity method	55,220	214,480
Other operating income	49,710	128,417
Other operating expenses	(91,083)	(81,601)
Business profit	110,046	938,130
Losses on reorganization	(98,665)	(97,229)
Operating profit	11,381	840,901
Finance income	5,367	1,928
Finance costs	(25,404)	(26,245)
Profit (loss) before income taxes	(8,656)	816,583
Income tax expense	(10,671)	(149,052)
Profit (loss) for the year	(19,327)	667,530
Profit (loss) for the year attributable to :		
Owners of the parent	(32,432)	637,321
Non-controlling interests	13,105	30,209
Earnings (loss) per share		
Basic earnings (loss) per share (Yen)	(35.22)	692.16
Diluted earnings (loss) per share (Yen)	(35.22)	657.48

Consolidated Statements of Comprehensive Income		(Millions of Yen)
	Fiscal 2020	Fiscal 2021
Profit (loss) for the year	(19,327)	667,530
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	125,471	(7,962)
Remeasurements of defined benefit plans	42,307	14,324
Share of other comprehensive income of investments accounted for using the equity method	10,062	5,293
Subtotal	177,841	11,655
Items that might be reclassified to profit or loss		
Changes in fair value of cash flow hedges	5,029	11,995
Foreign exchange differences on translation of foreign operations	2,752	56,497
Share of other comprehensive income of investments accounted for using the equity method	(23,062)	68,663
Subtotal	(15,280)	137,156
Total other comprehensive income, net of tax	162,561	148,811
Total comprehensive income for the year	143,233	816,342
Comprehensive income for the year attributable to:		
Owners of the parent	119,451	779,815
Non-controlling interests	23,781	36,526

(3) Consolidated Statements of Changes in Equity

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

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

Fiscal 2021

(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, 2021	419,524	393,168	1,910,333	(58,342)	207,300	—
Changes of the year						
Comprehensive income						
Profit (loss) for the year			637,321			
Other comprehensive income					(3,091)	15,110
Total comprehensive income	—	—	637,321	—	(3,091)	15,110
Transactions with owners and others						
Cash dividends			(73,757)			
Purchases of treasury stock				(66)		
Disposals of treasury stock		0		19		
Changes in ownership interests in subsidiaries		(288)				
Transfer from other components of equity to retained earnings			40,877		(25,766)	(15,110)
Changes in scope of consolidation		667		411		
Subtotal	—	379	(32,880)	365	(25,766)	(15,110)
Balance as of March 31, 2022	419,524	393,547	2,514,775	(57,977)	178,442	—

	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, 2021	3,397	(115,385)	95,311	2,759,996	371,390	3,131,387
Changes of the year						
Comprehensive income						
Profit (loss) for the year			—	637,321	30,209	667,530
Other comprehensive income	55,455	75,019	142,494	142,494	6,317	148,811
Total comprehensive income	55,455	75,019	142,494	779,815	36,526	816,342
Transactions with owners and others						
Cash dividends			—	(73,757)	(6,805)	(80,562)
Purchases of treasury stock			—	(66)		(66)
Disposals of treasury stock			—	20		20
Changes in ownership interests in subsidiaries			—	(288)	(361)	(649)
Transfer from other components of equity to retained earnings			(40,877)	—		—
Changes in scope of consolidation			—	1,078	29,459	30,537
Subtotal	—	—	(40,877)	(73,012)	22,292	(50,720)
Balance as of March 31, 2022	58,852	(40,366)	196,928	3,466,799	430,209	3,897,008

(4) Consolidated Statements of Cash-Flows

	(Millions of yen)	
	Fiscal 2020	Fiscal 2021
Cash flows from operating activities :		
Profit (loss) before income taxes	(8,656)	816,583
Depreciation and amortization	290,863	330,611
Impairment losses	—	21,500
Finance income	(5,367)	(1,928)
Finance costs	25,404	26,245
Share of profit in investments accounted for using the equity method	(55,220)	(214,480)
Losses on reorganization	98,665	97,229
(Increase) in trade and other receivables	(26,775)	(116,242)
(Increase) decrease in inventories	171,376	(383,438)
Increase (decrease) in trade and other payables	(66,325)	211,354
Other, net	(18,192)	(110,687)
Subtotal	405,772	676,747
Interest received	5,432	1,890
Dividends received	40,446	44,905
Interest paid	(21,733)	(21,899)
Income taxes paid	(26,731)	(86,008)
Net cash flows provided by operating activities	403,185	615,635
Cash flows from investing activities :		
Purchases of property, plant and equipment and intangible assets	(459,811)	(466,902)
Proceeds from sales of property, plant and equipment and intangible assets	21,754	70,251
Purchases of investment securities	(3,623)	(9,267)
Proceeds from sales of investment securities	37,336	81,717
Purchases of investments in affiliates	(8,047)	(4,064)
Proceeds from sales of investments in affiliates	20,521	3,898
Purchases of shares of subsidiaries resulting in change in scope of consolidation	—	(48,950)
Proceeds from (payments for) sales of shares of subsidiaries resulting in change in scope of consolidation	1,482	(6,170)
Loans to associates and others	(9,868)	(3,150)
Collection of loans from associates and others	9,252	1,062
Other, net	1,968	2,710
Net cash flows used in investing activities	(389,035)	(378,866)
Cash flows from financing activities :		
Increase (decrease) in short-term borrowings, net	(133,514)	11,112
Proceeds from long-term borrowings	570,068	20,322
Repayments of long-term borrowings	(425,609)	(252,478)
Proceeds from issuance of bonds	80,000	300,000
Redemption of bonds	(45,000)	(15,000)
Purchases of treasury stock	(30)	(59)
Cash dividends paid	—	(73,757)
Dividends paid to non-controlling interests	(6,450)	(6,805)
Proceeds from issuance of common stock to non-controlling shareholders	—	2,888
Other, net	13,231	(47,528)
Net cash flows provided by (used in) financing activities	52,694	(61,304)
Effect of exchange rate changes on cash and cash equivalents	3,161	16,119
Net increase in cash and cash equivalents	70,006	191,583
Cash and cash equivalents at beginning of the year	289,459	359,465
Cash and cash equivalents at end of the year	359,465	551,049

(5) Notes to the Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(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 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 <Business Profit>	63,522	17,708	7,631	23,948	112,811	(2,764)	110,046

Fiscal 2021 (April 1, 2021—March 31, 2022)

(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	6,105,157	253,415	245,083	205,233	6,808,890	—	6,808,890
Inter-segment revenue or transfers	48,474	25,844	4,733	66,091	145,144	(145,144)	—
Total	6,153,632	279,260	249,816	271,325	6,954,034	(145,144)	6,808,890
Segment profit <Business Profit>	871,051	6,302	25,377	30,859	933,591	4,539	938,130

(Earnings per Share)

1) Basic earnings per share

Profit (loss) for the year attributable to common shares of the parent

(Millions of Yen)

	Fiscal 2020 (April 1, 2020—March 31, 2021)	Fiscal 2021 (April 1, 2021—March 31, 2022)
Profit (loss) for the year attributable to owners of the parent	(32,432)	637,321
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	(32,432)	637,321

Weighted average number of ordinary shares outstanding

	Fiscal 2020 (April 1, 2020—March 31, 2021)	Fiscal 2021 (April 1, 2021—March 31, 2022)
Weighted average number of ordinary shares outstanding	920,745,340 Shares	920,765,686 Shares

2) Diluted earnings per share

Profit (loss) for the year attributable to common shares of the parent after adjustment for the effects of dilutive potential shares

(Millions of Yen)

	Fiscal 2020 (April 1, 2020—March 31, 2021)	Fiscal 2021 (April 1, 2021—March 31, 2022)
Profit (loss) for the year used to calculate basic earnings per share	(32,432)	637,321
Adjustment to profit	—	—
Profit (loss) for the year used to calculate diluted earnings per share	(32,432)	637,321

Weighted average number of ordinary shares outstanding

	Fiscal 2020 (April 1, 2020—March 31, 2021)	Fiscal 2021 (April 1, 2021—March 31, 2022)
Weighted average number of ordinary shares outstanding	920,745,340 Shares	920,765,686 Shares
Dilutive effect	—	48,559,263 Shares
Weighted average number of ordinary shares used to calculate diluted earnings per share	920,745,340 Shares	969,324,949 Shares

(Significant Subsequent Events)

Significant capital investment

At the Board of Directors' meeting held on May 10, 2022, the Company decided to establish a next-generation hot strip mill at the Nagoya Works.

1) Purpose of capital investment

In the automotive industry, demand for high-performance materials is expected to increase further in response to needs for more lightweight and stronger vehicle bodies, as global environmental regulations and collision safety standards are being tightened. Due to the issues of mileage and battery weight, those needs are particularly expected to increase for electric vehicles and other electric-powered vehicles, with their ever-increasing popularity.

In response to these needs, the Company has decided to establish a next-generation hot strip mill as a strategic investment and to suspend the existing facility after the start-up of the new line, with the aim of fundamentally strengthening the production system for high-grade steel sheets, such as ultra-high-tensile steel sheets at the Nagoya Works, the core of automotive steel sheet production.

2) Outline of capital investment

- (1) Capacity: Approximately 6 million tons per year
- (2) Start of operation: 1st quarter of FY2026
- (3) Investment amount: Approximately ¥270 billion

Results and dividends of Fiscal 2021 (Year ended March 31, 2022)

<Consolidated Operating Result>

				1st half ⇒ 2nd half	FY 2020	FY 2020 ⇒ FY 2021	(Billions of Yen) Previous Forecasts (Released on Feb 3, 2022)
	FY 2021	1st half	2nd half				
Revenue	6,808.8	3,163.9	3,644.9	+ 481.0	4,829.2	+ 1,979.6	6,600.0
Business Profit ※1 [R O S]	938.1	477.8	460.2	※5 -17.6	110.0	※5 +828.1	800.0
	[13.8%]	[15.1%]	[12.6%]	[-2.5%]	[2.3%]	[+11.5%]	[12.1%]
Additional line items ※2	(97.2)	(49.4)	(47.7)	+ 1.7	(98.6)	+ 1.4	(80.0)
Profit for the year attributable to owners of the parent	637.3	298.7	338.5	+ 39.8	(32.4)	+ 669.7	520.0
< Earnings per share (Yen) >	< 692.2 >	< 324.4 >	< 367.7 >	< +43.3 >	< -35.2 >	< +727.4 >	< 565.0 >
EBITDA ※3	1,290.2	639.2	651.0	+ 11.8	400.9	+ 889.3	1,130.0
Interest-bearing debt	2,653.3	2,453.8	2,653.3	+ 199.5	2,559.2	+ 94.1	
D/E ratio ※4	0.59	0.59	0.59	-	0.70	-0.11	

(※1) 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) 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.

(※3) Business Profit + Depreciation + Impairment losses

(※4) After adjusting for equity credit attributes of subordinated loans and subordinated bonds

<Factors Influencing Performance>

(1)Nippon Steel Corporation

Consolidated crude steel output volume (10,000 tons)	4,446	2,325	2,120	- 205	3,765	+ 681	Approx. 4,480
Non-Consolidated crude steel output volume (10,000 tons)	3,868	2,023	1,845	- 178	3,300	+ 568	Approx. 3,880
Steel materials shipment volume (10,000 tons)	3,556	1,828	1,728	- 101	3,122	+ 433	Approx. 3,560
Steel materials price (¥1,000/ton)	117.7	106.6	129.3	+ 22.7	86.1	+ 31.5	Approx. 117
Exchange rate (¥/\$)	112	110	114	+ 4	106	+ 6	Approx. 112

(2)All Japan

Crude steel output volume (10,000 tons)	9,564	4,842	4,721	- 121	8,278	+ 1,285	Approx. 9,670
Steel consumption (10,000 tons)*1 (In manufacturing industries)	5,522	2,712	2,810	+ 98	5,277	+ 245	Approx. 5,570
	(3,435)	(1,667)	(1,768)	(+ 101)	(3,334)	(+ 101)	(Approx. 3,490)
<% of manufacturing>	< 62.2% >	< 61.5% >	< 62.9% >	<+ 1.5% >	< 63.2% >	<- 1.0% >	<Approx. 63% >
Plain carbon steel consumption (10,000 tons)	4,367	2,153	2,214	+ 62	4,190	+ 178	Approx. 4,380
In construction	2,011	1,006	1,006	+ 0	1,870	+ 141	Approx. 2,000
In manufacturing	2,355	1,147	1,209	+ 62	2,319	+ 36	Approx. 2,380
Specialty steel consumption (10,000 tons)	1,155	560	595	+ 36	1,087	+ 68	Approx. 1,190
Inventory volume (10,000 tons)	※2 597	587	597	+ 10	507	+ 90	
Rolled sheets (10,000 tons)	※2 452	432	452	+ 20	351	+ 101	

*1 The Company estimates *2 The end of Mar. 2022, preliminary figures

<Segment Information>

							(Billions of Yen)
	FY 2021	FY 2020	FY 2021				
Revenue	6,808.8	3,163.9	3,644.9	+ 481.0	4,829.2	+ 1,979.6	6,600.0
Steelmaking and Steel Fabrication	6,153.6	2,851.4	3,302.2	+ 450.8	4,228.4	+ 1,925.2	5,980.0
Engineering and Construction	279.2	123.8	155.3	+ 31.5	324.4	- 45.2	280.0
Chemicals and Materials	249.8	122.5	127.3	+ 4.8	178.6	+ 71.2	250.0
System Solutions	271.3	131.2	140.0	+ 8.8	252.4	+ 18.9	270.0
Adjustment	(145.1)	(65.1)	(80.0)	- 14.9	(154.7)	+ 9.6	(180.0)
Business Profit	938.1	477.8	460.2	- 17.6	110.0	+ 828.1	800.0
Steelmaking and Steel Fabrication	871.0	448.2	422.7	- 25.5	63.5	+ 807.5	750.0
Engineering and Construction	6.3	(2.9)	9.2	+ 12.1	17.7	- 11.4	1.0
Chemicals and Materials	25.3	13.5	11.8	- 1.7	7.6	+ 17.7	22.0
System Solutions	30.8	14.6	16.2	+ 1.6	23.9	+ 6.9	28.5
Adjustment	4.5	4.3	0.2	- 4.1	(2.7)	+ 7.2	(1.5)

(※5) Analysis in Business Profit

(Billions of Yen)

Changes
from the
previous
forecasts

Change in Business Profit	1st half ⇒2nd half	FY 2020 ⇒FY 2021	
1.Ferrous materials business	-26.0	+808.0	+121.0
①Manufacturing shipment volume	-40.0	+80.0	~
②Spread	+55.0	+245.0	+45.0
③Cost improvement	+5.0	+60.0	~
④Domestic group companies	+10.0	+40.0	+15.0
⑤Overseas group companies	-10.0	+125.0	+10.0
⑥Inventory valuation impact etc. (including group companies)	-5.0	+305.0	+45.0
⑦Others	-41.0	-47.0	+6.0
2. Non-ferrous materials business	+12.0	+13.0	+11.0
3. Adjustments	-4.0	+7.0	+6.0

(※2) Additional line items

(Billions of Yen)

	FY 2021	FY 2020	FY 20 ⇒FY 21
Additional line items Total	(97.2)	(98.6)	+ 1.4
Losses on reorganization	(97.2)	(98.6)	+ 1.4

<2021 FY>

* Losses on inactive facilities: ¥157.2 billion (associated with the decision to close the upstream facility in Kure Area for ¥69.6 billion, the One Series of upstream facilities in Wakayama Area for ¥23.7 billion, the steel plate mill in Nagoya Works for ¥21.2 billion and the Large-shape mill and the UO pipe line in Kimitsu Area for ¥15.8 billion, etc.)
* Gain on sale of land (ex-Tokyo Works) etc.

<2020 FY>

* Losses on inactive facilities: ¥79.9 billion (associated with the decision to close the upstream facility in Kokura Area for ¥39.8 billion and all the facilities at Kinuura Works of NIPPON STEEL Stainless Steel for ¥25.1 billion, etc.)
* Losses on business withdrawal: ¥18.7 billion (Sale of shares of VSB which resulted in a loss of ¥23.6 billion and sale of the shares of I/N Tek and I/N Kote ,etc.)

【Dividends】

Based on the improvement in business performance since the previous forecast announcement and with a view to maintaining a high-level return to shareholders from the next fiscal year, management has decided to propose an increase of ¥20 per share from the previous dividend forecast in the third quarter results announcement (February 3, 2022), and a year-end dividend of ¥90 per share (the annual dividend is ¥160 per share, substantially exceeding the previous highest amount) at the General Meeting of Shareholders.

Nippon Steel's Business Environment and Actions Taken and to Be Taken

1. FY2021 business environment and operating results

- While the recovery in steel demand began to slow down in the second half of 2021, **Nippon Steel has established a profit structure that secures a consolidated business profit of ¥600 billion excluding one-off factors, regardless of the external environment.** The main contributing factors were a drastic cost improvement (a significant reduction in the breakeven point) in FY2020; improvement in direct contract-based prices for customers; effects of selection and concentration of order intake with streamlined integrated production capacity; and improved profitability of overseas Group companies.
- As a result, in FY2021, Nippon Steel further increased earnings from the previous announcement and **achieved a record-high* post-integration consolidated business profit of ¥938.1 billion (¥477.8 billion in 1H, ¥460.2 billion in 2H, ROS of 13.8%, and ¥690.0 billion excluding one-off factors), close to its future target of ¥1 trillion.**

* Post-integration highest consolidated ordinary profit (FY2014): ¥471.3 billion (Nippon Steel's ¥451.7 billion + Former Nippon Steel Nisshin Steel's ¥19.6 billion)

2. Recognition of business environment and earnings forecasts for FY2022

- Concerning the global steel demand, the ongoing Russia-Ukraine situation has been amplifying the magnitude of the three risks which have been recognized from FY2021—China's slowdown in economic growth, supply constraints mainly for semiconductors, and a surge in energy and resource prices on the back of a greenflation. In this environment, new risks such as a deterioration in Japan's trade balance prompted by the sharp depreciation of the yen are emerging, while steel market prices, mainly in the U.S. and Europe, are rising sharply. This means that the external environment has been fluctuating beyond the normal economic rationale and the outlook is extremely uncertain, therefore it is difficult to produce reasonable calculations concerning earnings forecasts for FY2022.
- Facing such uncertainty, Nippon Steel is working to maximize profits by continuing the ongoing drastic measures to enhance its profit structure that were previously implemented, and by flexibly responding to changes in the supply and demand aspects of the global steel market (the shortening of management cycle time) in FY2022. **We will thus continue efforts aimed at realizing a business profit of ¥600 billion or more excluding one-off factors.**

3. Actions to improve profits at present and achieve medium- to long-term growth

(0) Shortening of management cycle time

Shorten the management cycle time from FY2022 so as to flexibly respond in the more rapidly and more sharply changing environment.

(1) Steady improvement of base operation performance

- 1) Pursue cost reduction by continuing efforts to stabilize operations and facilities, and continue efforts to stabilize production of upstream processes.
- 2) Pursue reduction in variable costs through further improvement of operation efficiency, and minimize costs by flexibly responding to rapid change in demand.

(2) Strengthened efforts in the business with direct contract-based sales to customers

- 1) While ensuring stable supply, including long-term supply capability, developing high-grade products that customers demand, and promoting carbon neutral initiatives, Nippon Steel has greatly improved direct

contract prices, from the viewpoint of fair allocation of the impacts of rising prices of raw materials and fuels in the supply chain, and the value of the products and solutions provided by Nippon Steel. In FY2022, Nippon Steel is making efforts to secure appropriate margins by fairly reflecting the impact of the rapidly changing environment in prices.

- 2) Concerning the business practices for direct contract-based sales to customers, a review of the optimal contract period, negotiation timing, and method has been conducted in view of the circumstances of each customer.

(3) Steady implementation of rebuilding the domestic steel business

- Steadily implement the production facility structural measures based on the medium- to long-term management plan (announced on March 5, 2021) to establish a stronger earnings base.
- Decided to install a next-generation hot strip mill at the Nagoya Works. Investment amount: approx. ¥270 billion. Plan to start operation in 2026.
- Consider additional investment in measures to improve production capacity and quality of electrical steel sheets (increase in capacity including the previously determined volume).

Cf. Main facilities to start operation in FY2022: No.3 blast furnace in Nagoya, and an electric arc furnace in Hirohata

(4) Acceleration of global strategy to deepen and expand overseas business: Aiming to achieve “100 million tons of global crude steel capacity per year”

- Completed acquisition of G Steel and GJ Steel, which have integrated steel production facilities from electric arc furnaces to hot-rolling processes in Thailand, to become an insider in the Thai market and capture steadily-growing demand for general-purpose hot-rolled steel sheets.
- At AM/NS India, make efforts to reduce CO₂ emissions by using renewable energy, and expand downstream production (cold-rolled lines, aluminum galvanizing lines, and CGL lines).
- Continue to focus on selective concentration, and securely acquire global steel demand.

(5) Challenge to realize carbon neutral steel making process and contribution to realization of a carbon-neutral society

- 1) Promote plans to reduce CO₂ emissions by 30% by 2030 and achieve carbon neutrality by 2050, which is ambitious compared to global peers and is intended to make a fair contribution to the Japanese government's plan, through the development and practical implementation of breakthrough technologies (steelmaking process) ahead of other countries.
- 2) Provide eco-products that contribute to CO₂ emission reduction in society, and provide carbon neutral steel through decarbonization of the steelmaking process, thereby contribute to the realization of a carbon neutral society and the enhanced competitiveness of customers.
 - Specific examples: a next-generation hot strip mill at the Nagoya Works; measures to improve production capacity and quality of electrical steel sheets; and signing of a memorandum of understanding regarding decarbonization solutions with Vale S.A.

(6) Promotion of digital transformation strategies

- Remote management, predictive monitoring, and automation of operation and facility maintenance using the IoT and AI. Centralized and accelerated performance management and integrated production planning to align with DX measures

(7) Strengthening of the financial base and the financial structure

- Strengthen the financial structure through asset reduction, including the sale of shares and inventory appropriation, in order to continually implement a flexible and robust growth strategy over the medium to long term.

End

Nippon Steel Corporation
Code Number: 5401
Listings: Tokyo, Nagoya, Fukuoka and Sapporo Stock Exchanges
Contact: Shinnosuke Arita, General Manager,
Public Relations Center-Tel: +81-3-6867-2135, 2146, 2977, 3419

Supplementary Information on the Financial Results for Fiscal 2021

Japanese Steel Industry

1. Crude Steel Production

	(million tons)						
							total
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	
FY 2020	18.11	18.98	37.09	21.99	23.71	45.70	82.78
FY 2021	24.35	24.07	48.42	24.20	23.01	47.21	95.64

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.	2020	5.76	(157.6)	4.39	0.194
Apr.	2020	5.76	(192.1)	4.36	0.181
May.	2020	5.90	(222.8)	4.47	0.178
June	2020	5.67	(194.2)	4.30	0.166
July	2020	5.32	(172.1)	3.98	0.163
Aug.	2020	5.34	(187.8)	3.93	0.162
Sep.	2020	5.12	(159.9)	3.67	0.166
Oct.	2020	4.97	(142.7)	3.56	0.166
Nov.	2020	5.03	(151.3)	3.54	0.171
Dec.	2020	5.09	(157.6)	3.56	0.178
Jan.	2021	5.22	(163.9)	3.55	0.189
Feb.	2021	5.22	(165.7)	3.55	0.199
Mar.	2021	5.07	(134.6)	3.51	0.209
Apr.	2021	5.25	(160.6)	3.68	0.207
May	2021	5.52	(172.7)	3.91	0.203
June	2021	5.39	(147.3)	3.88	0.197
July	2021	5.38	(158.2)	3.88	0.189
Aug.	2021	5.62	(184.7)	4.10	0.183
Sep.	2021	5.87	(175.1)	4.32	0.180
Oct.	2021	6.02	(172.5)	4.54	0.183
Nov.	2021	6.04	(170.5)	4.47	0.184
Dec.	2021	6.13	(179.5)	4.55	0.190
Jan.	2022	6.21	(185.8)	4.65	0.200
Feb.	2022	6.23	(202.1)	4.65	0.204
Mar.*3	2022	5.97	(160.1)	4.52	0.203

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

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

*3 Preliminary report

Nippon Steel Corporation

3. Pig Iron Production

(million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
FY 2020	7.56	7.27	14.82	8.32	9.93	18.25	33.07
FY 2021	10.04	9.89	19.93	9.72	8.75	18.48	38.41

Including Hokkai Iron & Coke Co., Ltd.

4. Crude Steel Production

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

(million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
FY 2020	8.30	8.48	16.78	9.64	11.23	20.87	37.65
FY 2021	11.88	11.37	23.25	11.06	10.14	21.20	44.46

(Non-consolidated basis)

(million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
FY 2020	7.20	7.45	14.64	8.47	9.89	18.36	33.00
FY 2021	10.18	10.05	20.23	9.64	8.81	18.45	38.68

5. Steel Products Shipment

(million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
FY 2020	7.12	7.33	14.46	7.93	8.84	16.77	31.22
FY 2021	9.20	9.09	18.28	8.96	8.31	17.28	35.56

6. Average Price of Steel Products

(thousands of yen / ton)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
FY 2020	86.0	81.3	83.6	86.9	89.7	88.3	86.1
FY 2021	97.2	116.1	106.6	124.4	134.6	129.3	117.7

7. Export Ratio of Steel Products (Value basis)

(%)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
FY 2020	39	37	38	33	37	35	36
FY 2021	43	45	44	42	39	40	42

8. Foreign Exchange Rate

(¥ / \$)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
FY 2020	108	106	107	105	105	105	106
FY 2021	110	110	110	113	115	114	112

9. Amount of Capital Expenditure and Depreciation

(Consolidated basis)

(billions of yen)

	Capital Expenditure	Depreciation
FY 2020	474.4	290.8
FY 2021	407.4	330.6