

Company name: Nippon Steel Corporation
Representative: Eiji Hashimoto, Representative Director and President
Code number: 5401
Contact: Fumiaki Ohnishi, General Manager, Public Relations Center
Telephone: +81-3-6867-2135, 2146, 2977, 3419

Announcement of Recording of Impairment Losses on Operating Assets

Nippon Steel Corporation (“the Company”) has decided to record impairment losses on operating assets for the third quarter of the current fiscal year ending March 31, 2020 as follows.

1. Recording of impairment losses on operating assets

(1) Reasons for recording of impairment losses

The Kashima Works, Nagoya Works, and Hirohata Works were continuously in deficit, having been adversely affected by current high prices for raw materials and low prices for steel products, increases in costs of other raw materials, consumables, and logistics, weak domestic demand for indirect exports, and other factors.

After conducting a calculation of future cash flows based on the current business environment, the recoverable amount has been estimated to be less than the book value of operating assets held in these steelworks. The Company has therefore reduced the book value of the operating assets held by these steelworks to the present value of future cash flows and recorded the reduction as impairment losses.

Nippon Steel Nisshin Co., Ltd. (“Nippon Steel Nisshin”), which is one of the subsidiaries of the Company, is also continuously in deficit, having been affected by disasters caused by torrential rains in the previous fiscal year, and a fire at the No. 1 steelmaking plant of Nippon Steel Nisshin’s Kure Works in the current fiscal year, as well as by deteriorating economic conditions. As part of building an optimal production structure as the Nippon Steel Group, the Company has decided to close all the facilities of the Kure Works. After considering a significant decline in the recoverable amount pertaining to the operating assets planned to be closed in the works and conducting a recoverability test, the Company has decided to record an impairment loss.

The Company will strive to improve profit and at the same time is committed to enhancing stable supply of steel products, securing employment, and making contributions to local economies by taking various measures. These include strengthening the business foundation by building an optimal production structure; enhancing competence through steady cost improvements, and realizing “appropriate sales prices” that reflect the Company’s comprehensive contribution to its customers. The latter will be carried out by providing value of products; ensuring development, production, and delivery of high quality steel products that meet increasingly advanced needs; proposing solutions; and building a global supply network.

(2) Details of impairment losses for the third quarter of the current fiscal year ending March 31, 2020

(Unit : Billion yen)

	Kashima Works	Nagoya Works	Hirohata Works	the Company (Non-consolidated Basis)	Nippon Steel Nisshin (Subsidiary)	Consolidated Basis
Business profit	150.4	122.8	44.7	317.9	—	317.9
Losses on reorganization	—	—	—	—	78.7	78.7
Impairment losses	150.4	122.8	44.7	317.9	78.7	396.6

2. Operating Performance Forecasts

Please also refer to the “Announcement of Revision to Forecasts of Operating Performance” released today.