

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

<Consolidated Operating Result>

	FY 2021			1st half ⇒	FY 2020	FY 2020 ⇒	Previous Forecasts (Released on Feb 3, 2022)
		1st half	2nd half	2nd half		FY 2021	
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 [13.8%]	477.8 [15.1%]	460.2 [12.6%]	※5 (-17.6) [-2.5%]	110.0 [2.3%]	※5 (+828.1) [+11.5%]	800.0 [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

	FY 2021	1st half	2nd half	1st half ⇒ 2nd half	FY 2020	FY 2020 ⇒ FY 2021	Previous Forecasts (Released on Feb 3, 2022)
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

	FY 2021	1st half	2nd half	1st half ⇒ 2nd half	FY 2020	FY 2020 ⇒ FY 2021	Previous Forecasts (Released on Feb 3, 2022)
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 (3,435)	2,712 (1,667)	2,810 (1,768)	+ 98 (+ 101)	5,277 (3,334)	+ 245 (+ 101)	Approx. 5,570 (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>

	FY 2021	1st half	2nd half	1st half ⇒ 2nd half	FY 2020	FY 2020 ⇒ FY 2021	Previous Forecasts (Released on Feb 3, 2022)
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

	Changes from the previous forecasts		Changes from the previous forecasts
	1st half ⇒ 2nd half	FY 2020 ⇒ FY 2021	
Change in Business Profit	-18.0	+828.0	+138.0
1. Ferrous materials business	-26.0	+808.0	+121.0
① Manufacturing shipment volume	-40.0	+80.0	~
② Spread	+55.0	+245.0	+45.0
③ Cost improvement	+5.0	+60.0	~
④ Domestic group companies	+10.0	+40.0	+15.0
⑤ Overseas group companies	-10.0	+125.0	+10.0
⑥ Inventory valuation impact etc. (including group companies)	-5.0	+305.0	+45.0
⑦ Others	-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

	FY 2021	FY 2020	FY 2020 ⇒ 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’ 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
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Supplementary Information on the Financial Results for Fiscal 2021

Japanese Steel Industry

1. Crude Steel Production

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

8. Foreign Exchange Rate

(¥ / \$)

			1st half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
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