

Results and dividends of Fiscal 2018 (Year ended March 31, 2019)

(Billions of Yen)

	2018FY			1st half ⇒ 2nd half	2017FY	2017FY⇒ 2018FY	Previous Forecasts (Released on Feb 6, 2019)
		1st half	2nd half				
Revenue	6,177.9	2,940.0	3,237.9	+ 297.9	5,712.9	+ 465.0	6,200.0
Business Profit ※ 1 [R O S]	336.9 [5.5%]	158.0 [5.4%]	178.9 [5.5%]	※4 + 20.9 [+0.2%]	288.7 [5.1%]	※5 + 48.2 [+0.4%]	330.0 [5.3%]
Operating profit on Non-Consolidated	25.1				6.4	+ 18.7	
Additional line items ※2	- 71.8	- 21.0	- 50.7	- 29.7			
Profit for the year attributable to owners of the parent	251.1	117.0	134.1	+ 17.1	180.8	70.3	230.0
< Earnings per share (Yen) > [R O E]	< 281.8 > [7.9%]	< 132.6 >	< 149.2 >	< +16.7 >	< 204.9 > [6.0%]	< +76.9 > [+1.9%]	< 258.0 >
E B I T D A ※ 3	745.5	358.0	387.5	+ 29.5	655.3	+ 90.2	750.0
Interest-bearing debt	2,369.2				2,157.7	+ 211.5	
D/E ratio	0.73				0.69	+0.04	

Each figure on the consolidated financial result for 1st half and 2nd half of fiscal 2018 as well as fiscal 2017 is calculated based on International Financial Reporting Standards(IFRS), as the Company has disclosed the consolidated financial statements for the fiscal 2018 onwards based on IFRS.

(※1) Business Profit 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 Equity in profit of unconsolidated subsidiaries and affiliates and Other operating income. Other operating income and expenses is composed mainly of Dividend income, Foreign exchange gains or losses, Loss 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

< Factors Influencing Performance >

(1) Nippon Steel Corporation

Consolidated crude steel output volume (10,000 tons)	4,784	2,365	2,419	+ 54	4,702	+ 82	Approx. 4,820
Non-Consolidated crude steel output volume (10,000 tons) *1	4,100	2,050	2,050	+ 0	4,067	+ 33	Approx. 4,130
Steel materials shipment volume (10,000 tons) *1	3,797	1,856	1,941	+ 84	3,779	+ 18	Approx. 3,810
Steel materials price (¥1,000/ton) *1	89.9	88.7	91.2	+ 2.5	84.7	+ 5.3	Approx. 89
Exchange rate (¥/\$)	111	109	112	+ 3	111	- 0	Approx. 111

*1 Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation in FY2017

(2) All Japan

Crude steel output volume (10,000 tons)	10,289	5,222	5,067	- 155	10,484	- 195	Approx. 10,423
Steel consumption (10,000 tons)*2 (In manufacturing industries) <% of manufacturing>	6,290 (4,069) < 64.7% >	3,088 (1,993) < 64.5% >	3,202 (2,077) < 64.8% >	+ 114 (+ 84) < + 0.3% >	6,289 (4,040) < 64.2% >	+ 2 (+ 29) < + 0.4% >	6,320 (4,071) < 64.4% >
Plain carbon steel consumption	4,967	2,431	2,536	+ 105	4,974	- 7	4,996
In construction	2,141	1,056	1,085	+ 29	2,167	- 26	2,167
In manufacturing	2,826	1,375	1,451	+ 76	2,808	+ 19	2,829
Specialty steel consumption	1,323	657	666	+ 9	1,314	+ 9	1,324
Inventory volume(10,000 tons)	591	623	591	- 32	583	+ 8	
Rolled sheets(10,000 tons)	446	440	446	+ 7	421	+ 25	

*2 The Company estimates *3 preliminary figures

< Segment Information >

	2018FY			1st half ⇒ 2nd half	2017FY	2017FY⇒ 2018FY	(Billions of Yen)
Revenue	6,177.9	2,940.0	3,237.9	+ 297.9	5,712.9	+ 465.0	6,200.0
Steelmaking and Steel Fabrication	5,454.5	2,590.0	2,864.5	+ 274.5	5,017.2	+ 437.3	5,500.0
Engineering and Construction	356.7	161.0	195.7	+ 34.7	294.2	+ 62.5	360.0
Chemicals and Materials	247.0	126.0	121.0	- 5.0	237.8	+ 9.2	250.0
System Solutions	267.5	125.0	142.5	+ 17.5	244.2	+ 23.3	258.0
Adjustment *4	(147.8)	(62.0)	(85.8)	- 23.8	(80.5)	- 67.3	(168.0)
Business Profit	336.9	158.0	178.9	+ 20.9	288.7	+ 48.2	330.0
Steelmaking and Steel Fabrication	274.6	132.0	142.6	+ 10.6	245.7	+ 28.9	280.0
Engineering and Construction	9.4	3.0	6.4	+ 3.4	9.1	+ 0.3	8.5
Chemicals and Materials	25.0	13.0	12.0	- 1.0	17.3	+ 7.7	22.0
System Solutions	26.5	11.5	15.0	+ 3.5	23.2	+ 3.3	24.0
Adjustment *4	1.1	(1.5)	2.6	+ 4.1	(6.8)	+ 7.9	(4.5)

*4 Including the amount of adjustment for IFRS

※2 Additional line items

	2018FY			1st half ⇒ 2nd half	2016FY ⇒2017FY change	Change from the previous forecasts
Additional line items Total	▲ 71.8	▲ 21.0	▲ 50.7			
Losses on natural disaster	▲ 22.3	▲ 21.0	▲ 1.3			
Losses from reorganization	▲ 49.4	-	▲ 49.4			

(※4, 5) Analysis in Business Profit (Billions of Yen)

	1st half ⇒ 2nd half change	2016FY ⇒2017FY change	Change from the previous forecasts
Change in Business Profit	+ 21.0	+ 48.0	+ 7.0
1. Ferrous materials business	+ 11.0	+ 29.0	- 5.0
① Manufacturing shipment volume	+ 3.0	+ 7.0	- 9.0
② Selling prices and production mix	+ 17.0	+ 179.0	~
③ Raw materials prices (including carry-over of raw materials)	- 26.0	- 110.0	~
④ Cost improvement	~	+ 44.0	~
⑤ Inventory evaluation impact	- 17.0	- 24.0	+ 3.0
⑥ Group companies (including raw materials interests and inventory evaluation impact)	+ 5.0	- 10.0	+ 8.0
⑦ FOREX	- 9.0	+ 9.0	~
⑧ Loss on disaster	+ 19.0	- 35.0	~
⑨ Other	+ 19.0	- 31.0	- 7.0
2. Non-ferrous materials business	+ 6.0	+ 11.0	+ 6.0
3. Adjustments	+ 4.0	+ 8.0	+ 6.0

【Dividends】

As announced on February 6, 2019, the Company plans to request the approval of the General Meeting of Shareholders to distribute a year-end dividend payment of ¥40 per share in accordance with the basic profit distribution policy previously described. This would bring the full-year dividend distribution amount to ¥80 per share, representing a consolidated payout ratio of 28.5%(IFRS basis) for fiscal 2018.

【Outlook for Operations in Fiscal 2019】

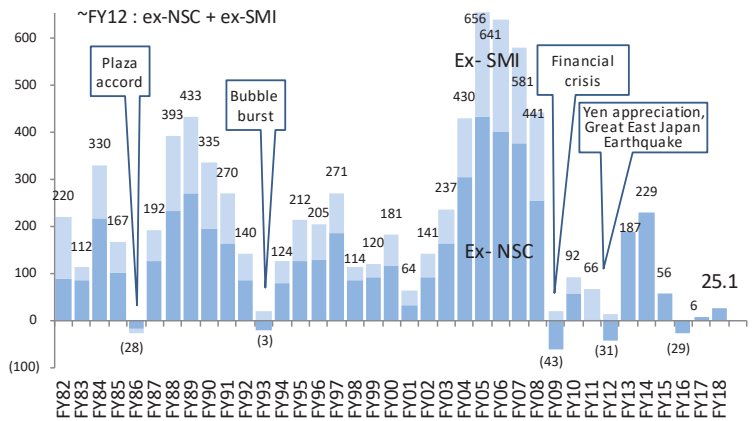
The Company is unable at this time to establish reasonably accurate earnings estimates for fiscal 2019. This is due to ongoing initiatives to secure appropriate sales prices to maintain continuity in supply, and the fact that the Company is under negotiation with customers regarding possible improvement of steel products, in light of the impacts of increased costs, stemming from a rise in prices of primary raw materials as well as rises in costs of commodity materials, other materials procurement, and distribution. The Company will disclose earnings forecasts when reasonable estimates become possible.

Profit Structure (JPY bn.)

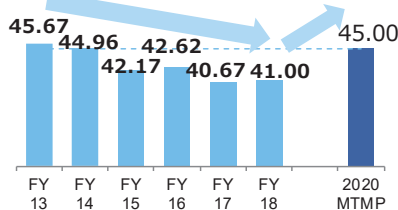
The majority of consolidated business profit came from group companies for the past 3 years.

FY18 Consolidated Business Profit 336.9						
Non-consolidated operating profit 25.1						
Inventory valuation +39.0						
excl. Inventory valuation (14.0)						
Cf. Trend of non-consolidated operating profit						
	FY13	FY14	FY15	FY16	FY17	FY18
Non-consolidated OP	186.9	228.6	56.2	(29.1)	6.4	25.1
Inventory Valuation	16.0	(15.0)	(64.0)	(39.0)	63.0	39.0
excl. Inventory Valuation	171.0	244.0	120.0	10.0	(57.0)	(14.0)
Group companies 231.3						
Overseas		Domestic	EAFF	Others		
NIPPON STEEL		Stainless		Trading firm, transportation & vessel ownership etc.		
Non steel businesses 61.1						
Engineering	Chemicals & Materials	System solutions				
9.4	25.0	26.5				
Non-operating profit/loss of parent company, Elimination of intra-company transactions etc.						19.4

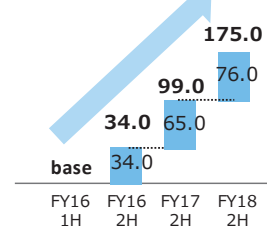
Cf. Trend of non-consolidated operating profit



Cf. Crude steel production (non-consolidated) (MMT/year)



Cf. Price hike of commodity materials and transportations etc. (JPY bn./year)



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Initiatives for Profitability & Financial Soundness

Accelerating initiatives to secure & strengthen the profit base,

1) initiatives to be carried out immediately and 2) initiatives to be taken when plans become concrete.

Steady implementation of 2020MTMP's initiatives

Rebuild & enhance strength in manufacturing & sales and marketing

Manufacturing : Strengthen production line management & stabilize steel mills' operation

→ Realize our full potential of production & shipment

Sales and marketing : Make the value of our products/services and improve prices in light of impacts from cost increase (Key raw materials (iron ore & coking coal), auxiliary raw materials (alloys), refractory materials and transportation etc.)

→ Secure appropriate sales price

Cash management reinforcement

Asset compression + 100~200 bn. on top of the original 2020 MTMP

Efficient CAPEX infusion based on long-term refurbishing plan

Drastic measures for boosting profitability

Build lean & optimal production framework

Improve operating level of competitive production lines and increase productivity by adopting advanced IT

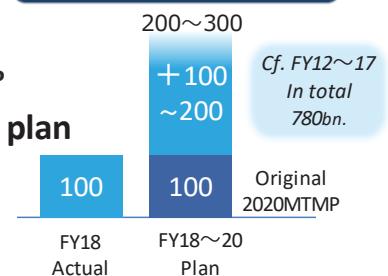
→ Utilize the advantages of our production framework and overcome our drawbacks

Evaluate each product / each area of business to define direction

➤ Closure of Kashima Works' UO pipe mill by the end of Oct. 2019 (plan)

Reflecting the change of SD situation, decided to close Kashima's UO pipe mill and to transfer its production to Kimitsu, aiming to build stronger UO pipe business targeting at high-end market.

Asset compression (JPY bn.)



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Nippon Steel Corporation

Code Number: 5401

Listings: Tokyo, Nagoya, Sapporo and Fukuoka Stock Exchanges

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Supplementary Information on the Financial Results for Fiscal 2018

Japanese Steel Industry

1. Crude Steel Production

(million tons)							
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2017FY	26.09	25.94	52.04	26.39	26.41	52.80	104.84
2018FY	26.56	25.65	52.22	25.70	24.97	50.67	102.89

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.	2017	5.37	(124.8)	3.80	0.201
Apr.	2017	5.54	(151.7)	3.88	0.197
May	2017	5.78	(155.9)	4.09	0.197
June	2017	5.56	(139.9)	4.01	0.193
July	2017	5.42	(142.0)	3.95	0.189
Aug.	2017	5.66	(158.4)	4.14	0.179
Sep.	2017	5.70	(145.4)	4.16	0.182
Oct.	2017	5.83	(150.1)	4.11	0.176
Nov.	2017	5.66	(139.2)	4.00	0.173
Dec.	2017	5.67	(149.2)	4.04	0.175
Jan.	2018	5.86	(157.5)	4.15	0.185
Feb.	2018	5.81	(154.4)	4.12	0.196
Mar.	2018	5.83	(140.8)	4.21	0.200
Apr.	2018	5.79	(145.8)	4.15	0.196
May	2018	5.87	(150.1)	4.34	0.200
June	2018	5.92	(149.3)	4.41	0.207
July	2018	5.68	(143.1)	4.20	0.208
Aug.	2018	6.01	(170.5)	4.39	0.204
Sep.	2018	6.23	(176.6)	4.40	0.198
Oct.	2018	5.87	(132.0)	4.26	0.184
Nov.	2018	5.59	(133.8)	4.14	0.184
Dec.	2018	5.73	(151.5)	4.17	0.187
Jan.	2019	5.98	(154.4)	4.40	0.195
Feb.	2019	5.93	(152.5)	4.41	0.208
Mar. *3	2019	5.91	(139.5)	4.46	0.219

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

*2 Inventories of 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		
2017FY	9.92	10.13	20.05	10.08	10.49	20.57	40.61
2018FY	10.25	10.24	20.49	10.24	10.13	20.37	40.86

Including Hokkai Iron & Coke Co., Ltd. and Nippon Steel & Sumikin Koutetsu Wakayama Corporation *1

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		
2017FY	11.49	11.74	23.23	11.72	12.07	23.79	47.02
2018FY	11.89	11.76	23.65	12.13	12.06	24.19	47.84

(Non-consolidated basis)

(million tons)

			1st half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
2017FY	9.90	10.19	20.09	10.08	10.50	20.58	40.67
2018FY	10.29	10.21	20.50	10.29	10.22	20.50	41.00

Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation *1

5. Steel Products Shipment

(million tons)

			1st half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
2017FY	9.34	9.39	18.72	9.39	9.67	19.07	37.79
2018FY	9.57	8.99	18.56	9.92	9.48	19.41	37.97

Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation *1

6. Average Price of Steel Products

(thousands of yen / ton)

			1st half			2nd half	total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
2017FY	84.0	83.0	83.5	86.0	85.7	85.8	84.7
2018FY	87.2	90.2	88.7	91.5	90.9	91.2	89.9

Weighted average of the Company and Nippon Steel & Sumikin Koutetsu Wakayama Corporation *1

7. Export Ratio of Steel Products (Value basis)

(%)

	1st half		2nd half			total
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half	
2017FY	42	41	42	41	41	41
2018FY	41	41	41	40	37	39

Weighted average of the Company and Nippon Steel & Sumikin Koutetsu Wakayama Corporation *1

8. Foreign Exchange Rate

(¥ / \$)

	1st half		2nd half			total
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half	
2017FY	111	111	113	110	111	111
2018FY	108	111	109	113	110	112

9. Amount of Capital Expenditure and Depreciation

(Consolidated basis)

(billions of yen)

	Capital Expenditure	Depreciation
2017FY	411.9	340.7
2018FY *2	440.8	408.6

*1 Nippon Steel & Sumikin Koutetsu Wakayama Corporation was merged into Nippon Steel Corporation on April 1, 2018.

*2 included for impacts of transition to IFRS and other impacts