Flash Report Consolidated Basis

Results for the First Quarter of Fiscal 2019 (April 1, 2019—June 30, 2019) <under IFRS>

August 1, 2019

Company name: Nippon Steel Corporation

Stock listing: Tokyo, Nagoya, Sapporo, Fukuoka stock exchanges

Code number: 540

URL: https://www.nipponsteel.com/en/index.html

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Telephone: +81-3-6867-2130 **Scheduled date to submit Securities Report:** August 8, 2019

Scheduled date to pay dividends:

Preparation of supplemental explanatory materials: Yes

Holding of quarterly financial results meeting:

Yes (for investment analysts)

(All amounts have been truncated to the nearest millions of Japanese yen.)

1. Consolidated Operating Results and Financial Position through the First Quarter of Fiscal 2019 (April 1, 2019—June 30, 2019)

(1) Consolidated Operating Results (Accumulated)

(Percentage figures are changes from the same period of the previous fiscal year.)

(= +-+++++++++++++++++++++++++++++++++++										
	Revenue		Business profit (*)		Operating profit		Profit before income taxes		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter of Fiscal 2019	1,522,479	4.3	60,600	(33.1)	60,600	(33.1)	56,241	(34.8)	38,904	(56.8)
First quarter of Fiscal 2018	1,459,992	_	90,615	_	90,615	_	86,270	_	89,959	_

Profit attributab owners of the pa			I		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
First quarter of Fiscal 2019	33,325	(61.0)	28,006	(35.7)	36.20	_
First quarter of Fiscal 2018	85,397	_	43,539	_	96.75	_

^(*)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 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) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of total equity attributable to owners of the parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
First quarter of Fiscal 2019	8,011,751	3,593,248	3,213,507	40.1
Fiscal 2018	8,049,528	3,607,367	3,230,788	40.1

2. Dividends

2. Dividends								
		Dividends per share						
	End of first quarter				Fiscal year			
	Yen	Yen	Yen	Yen	Yen			
Fiscal 2018	_	40.00	_	40.00	80.00			
Fiscal 2019	_							
Fiscal 2019 (Forecasts)		10.00	_	_	_			

Notes: Whether the dividends forecasts under review have been revised: Yes

3. Consolidated Financial Forecasts for Fiscal 2019 (April 1, 2019—March 31, 2020)

(Percentage figures are changes from the same period of the previous fiscal year.)

	Revenue		Revenue Business profit		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half of Fiscal 2019	3,000,000	2.0	70,000	(55.7)	30,000	(74.3)	33.0
Fiscal 2019	_	_	150,000	(55.5)	_	_	_

Notes: 1. Whether the consolidated financial forecasts for fiscal 2019 under review have been revised: Yes

2. For further details, please refer to page 4, "1. Qualitative Information for the First Quarter of Fiscal 2019 (2) Explanation of Information on Future Estimates, Including Consolidated Earnings Forecasts."

* Notes

- (1) Changes in significant subsidiaries during the period: None
- (2) Changes in accounting policies and changes in accounting estimates
 - (a) Changes in accounting policies required by IFRS: Yes
 - (b) Changes other than those in (a) above: None
 - (c) Changes in accounting estimates: None

Note: For further details, please refer to page 11, "2. Quarterly Condensed Consolidated Financial Statements and Major Notes (4) Notes to the Quarterly Condensed Consolidated Financial Statements (Changes in Accounting Policies Required by IFRS)."

- (3) Number of shares outstanding (common shares)
 - (a) Number of shares outstanding at the end of the period (including treasury stock)

First quarter of Fiscal 2019 950,321,402 shares Fiscal 2018 950,321,402 shares

(b) Number of treasury stock at the end of the period

First quarter of Fiscal 2019 29,905,466 shares Fiscal 2018 29,797,955 shares

(c) Weighted average number of shares outstanding

First quarter of Fiscal 2019 920,440,643 shares First quarter of Fiscal 2018 882,608,431 shares

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.

^{*} This quarterly flash report is not subject to quarterly review procedures.

^{*} Explanation of the appropriate use of performance forecasts and other related items (Explanation of the appropriate use of performance forecasts)

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1. Qualitative Information for the First Quarter of Fiscal 2019

(1) Explanation of Operating Results

Global and Domestic Economic Conditions in the First Quarter of Fiscal 2019

The global economy was characterized by firm private consumption and capital expenditure in the United States and slower growth in China, particularly for private consumption, against the backdrop of the trade friction between the United States and China, which prompted the Chinese government to focus on infrastructure investment to support the economy. Japanese economic conditions have continued to improve moderately on the back of improving employment and income conditions, but with exports and production activity remaining weak, economic sentiment is still somewhat subdued.

Operating Results by Business Segment in the First Quarter of Fiscal 2019

The Nippon Steel Corporation Group's business segments strived to respond to the changing business environment and to improve revenue and profit. An overview of operating results by business segment is shown below.

(Billions of yen) **Business Profit** Revenue 1Q FY2019 1Q FY2018 1Q FY2019 1Q FY2018 Steelmaking and Steel Fabrication 1.346.7 1.301.8 56.0 84.1 **Engineering and Construction** 78.4 70.2 3.8 (0.3)59.9 54.4 3.5 6.2 Chemicals and Materials* 7.9 **System Solutions** 82.1 59.0 5.4 Total 1,491.0 71.4 95.4 1,561.7 Adjustments (39.2)(10.8)(4.8)(31.0)Consolidated total 1,522.4 1,459.9 60.6 90.6

Steelmaking and Steel Fabrication

The Steelmaking and Steel Fabrication segment saw generally solid demand in Japan from the automotive and construction industries but weak demand growth overseas, particularly for flat steel products, owing largely to reduced production of consumer goods in China amid concern regarding deteriorating economic conditions. Steel prices in Japan remained generally at high levels, while the overseas market showed a slower recovery pace from the declines in the second half of the previous fiscal year.

In these conditions, profit declined year on year in the first quarter of fiscal 2019 due to a rise in raw material prices, the impacts from the electricity outage caused by lightning at the Kimitsu Works, inventory valuation difference, and other factors.

The Steelmaking and Steel Fabrication segment recorded revenue of \(\xi\$1,346.7 billion (\xi\$1,301.8 billion in the same period of the previous fiscal year) and business profit of \(\xi\$56.0 billion (\xi\$84.1 billion).

^{*} The Chemicals segment and New Materials segment were merged to form the Chemicals and Materials segment after Nippon Steel Chemical & Material Co., Ltd. was established in October 2018 following the merger of Nippon Steel & Sumikin Chemical Co., Ltd. and Nippon Steel & Sumikin Materials Co., Ltd. The figures for the Chemicals and Materials segment in fiscal 2018 are the total sum of the Chemicals segment and the New Materials segment.

Engineering and Construction

Nippon Steel Engineering Co., Ltd. builds and operates plants in the steelworks, environmental, and energy fields and provides comprehensive engineering technology worldwide for various types of structures, including large steel structure buildings, ultra-high-rise buildings, and pipeline facilities. In the first quarter of fiscal 2019, the company achieved steady progress in projects in various fields through strict project execution management and completed a number of projects in Japan. In addition, its affiliated companies generated improved earnings.

As a result, the Engineering and Construction segment recorded revenue of \(\xi\)78.4 billion (\(\xi\)70.2 billion in the same period of the previous fiscal year) and business profit of \(\xi\)3.8 billion (business loss of \(\xi\)0.3 billion).

Chemicals and Materials

Nippon Steel Chemical & Material Co., Ltd. continued to attract strong demand for its core needle coke in the coal chemical business and increased sales of carbon fiber composite materials, primarily for repair and reinforcement applications, in the civil engineering and construction fields. Sales were weak in the chemicals business owing to sluggish benzene prices and severe business conditions for smartphone and semiconductor materials amid the US-China trade friction in the electronics and functional materials field.

The Chemicals and Materials segment posted revenue of ¥54.4 billion (¥59.9 billion in the same period of the previous fiscal year) and business profit of ¥3.5 billion (¥6.2 billion).

System Solutions

Nippon Steel Solutions Co., Ltd. (NS Solutions) provides advanced solution services in the planning, configuration, operation, and maintenance of IT systems for clients in a wide range of business fields to keep pace with the changing business environments. Business conditions continued to be favorable for the company in the first quarter of fiscal 2019 amid active investment in systems of clients. NS Solutions provided preventive maintenance solutions using IoT and AI for facilities and supplied construction support to Nippon Steel for data analysis and AI development platforms using advanced IT technologies.

The System Solutions segment recorded revenue of \(\frac{\pmax}{82.1}\) billion (\(\frac{\pmax}{59.0}\) billion in the same period of the previous fiscal year) and business profit of \(\frac{\pmax}{7.9}\) billion (\(\frac{\pmax}{5.4}\) billion).

Sales and Profit for the First Quarter of Fiscal 2019

In the first quarter of fiscal 2019, Nippon Steel posted revenue of \(\xi\)1,522.4 billion (\(\xi\)1,459.9 billion in the same period of the previous fiscal year), business profit of \(\xi\)60.6 billion (\(\xi\)90.6 billion), and profit for the quarter attributable to owners of the parent of \(\xi\)33.3 billion (\(\xi\)85.3 billion).

(2) Explanation of Information on Future Estimates, Including Consolidated Earnings Forecasts Consolidated Earnings Forecasts

Nippon Steel expects the broadening impact from the prolonged trade friction between the United States and China to lead to ongoing strong concern about an overall economic slowdown, particularly in China. The Company anticipates that conditions in the Japanese economy will reflect heightened concern about future uncertainty stemming from the potential impact of global economic conditions.

Concerning demand and prices for steel, steel demand in Japan for indirect exports are sluggish, as some export industries are showing signs of a slowdown. In addition, there is some concern over potential economic deceleration overseas from prolonged US-China trade friction and other factors. Future developments will require close monitoring.

In these conditions, Nippon Steel plans to report revenue of ¥3,000 billion, business profit of ¥70 billion, and profit for the first half attributable to owners of the parent of ¥30 billion in its consolidated earnings for the first half of fiscal 2019.

With regard to full-year 2019 consolidated earnings, the Company intends to promote measures to enhance the overall stability of its facilities and operations, to improve the cost structure, and to steadily raise long-term contractual prices amid the heightened uncertain outlook described above. However, the Company is also encountering unexpected developments, such as significant narrowing of profit margins, particularly for export products for spot markets, and a deteriorating product mix associated with a decline in steel demand for indirect exports, both of which are based on the assumption that the current state of high raw material prices and low steel product prices persists, in addition to the impact of the electrical outage caused by lightning at the Kimitsu Works. The Company is also projecting an increased depreciation burden and lower inventory valuation gains. Business profit is therefore likely to reach only ¥150 billion for fiscal 2019.

In these conditions, the Company will take steps to improve its current earnings while also implementing measures geared to medium- and long-term growth. Specific measures include prompt generation of maximum synergies from the integration and reorganization with Nippon Steel Nisshin Co., Ltd., Sanyo Special Steel Co., Ltd. and Ovako AB, and decision on capital expenditure on electrical steel sheet production at the Yawata Works, promoting investment in fields and regions where demand is expected to continue growing and where the Company's competitive edge can be demonstrated. The Company will also execute cash management (raising efficiency in implementing asset compression and capital expenditures) with a focus on financial discipline. Moreover, the Company will start to work out specific plans on far-sighted drastic measures to be prepared even for the emergence of new risks and to enhance profit base. Plans will be announced one by one as they are put into concrete shape.

Basic Profit Distribution Policy and the Interim Dividend Distribution

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 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 first-half dividend is determined based on consideration of interim performance figures and forecasts for the full fiscal year performance.

Regarding the dividend from retained earnings for the end of the second quarter (interim), in accordance with the policy described above, the Company is planning to pay a dividend of ¥10 per share (representing a consolidated dividend payout ratio of around 31%).

2. Quarterly Condensed Consolidated Financial Statements and Major Notes

(1) Quarterly Condensed Consolidated Statements of Financial Position

(Mill	lions	of	Yen)

		(Millions of Yen)
ASSETS	March 31, 2019	June 30, 2019
Current assets :		
Cash and cash equivalents	163,176	185,370
Trade and other receivables	968,333	847,906
Inventories	1,567,116	1,626,949
Other financial assets	16,915	23,035
Other current assets	143,669	143,567
Total current assets	2,859,211	2,826,829
Non-current assets :		
Property, plant and equipment	3,246,669	3,203,126
Right-of-use assets	_	78,450
Goodwill	52,803	52,137
Intangible assets	106,131	102,784
Investments accounted for using the equity method	793,146	791,835
Other financial assets	812,668	770,842
Defined benefit assets	82,247	84,520
Deferred tax assets	88,357	92,926
Other non-current assets	8,292	8,297
Total non-current assets	5,190,316	5,184,922
Total assets	8,049,528	8,011,751

(Mill	lions	of	Yen)
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LIABILITIES	March 31, 2019	June 30, 2019
		,
Current liabilities :		
Trade and other payables	1,611,403	1,456,564
Bonds, borrowings and lease liabilities	515,355	619,452
Other financial liabilities	1,017	4,465
Income taxes payable	38,719	22,309
Other current liabilities	34,042	44,838
Total current liabilities	2,200,538	2,147,631
Non-current liabilities :		
Bonds, borrowings and lease liabilities	1,853,876	1,886,314
Other financial liabilities	6,501	6,413
Defined benefit liabilities	186,755	186,105
Deferred tax liabilities	28,253	29,987
Other non-current liabilities	166,235	162,049
Total non-current liabilities	2,241,622	2,270,871
Total liabilities	4,442,160	4,418,503
EQUITY		
Common stock	419,524	419,524
Capital surplus	393,917	391,737
Retained earnings	2,300,175	2,303,032
Treasury stock	(58,831)	(59,030)
Other components of equity	176,000	158,242
Total equity attributable to owners of the parent	3,230,788	3,213,507
Non-controlling interests	376,579	379,741
Total equity	3,607,367	3,593,248
Total liabilities and equity	8,049,528	8,011,751

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

Quarterly Condensed Consolidated Statements of Profit or Loss	First quarter of Fiscal 2018	(Millions of Yen First quarter of Fiscal 2019
Revenue	1,459,992	1,522,479
Cost of sales	(1,261,736)	(1,349,543
Gross profit	198,256	172,935
Selling, general and administrative expenses	(141,000)	(148,725
Share of profit in investments accounted for using the equity method	21,451	17,28
Other operating income	22,040	32,28
Other operating expenses	(10,133)	(13,185
Business profit	90,615	60,60
Operating profit	90,615	60,600
Finance income	1,516	1,51
Finance costs	(5,861)	(5,872
Profit before income taxes	86,270	56,24
Income tax expense	3,688	(17,337
Profit	89,959	38,90
Profit attributable to :		
Owners of the parent	85,397	33,32
Non-controlling interests	4,561	5,57
Earnings per share		
Basic earnings per share (Yen)	96.75	36.2

Quarterly Condensed Consolidated Statements of Comprehensive Inco	ome or Loss	(Millions of Yen
	First quarter of Fiscal 2018	First quarter of Fiscal 2019
Profit	89,959	38,904
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	(4,179)	(8,713
Remeasurements of defined benefit plans	3,986	2,81
Share of other comprehensive income of investments accounted for using the equity method	(284)	(1,398)
Subtotal	(477)	(7,300
Items that might be reclassified to profit or loss Changes in fair value of cash flow hedges Foreign exchange differences on translation of foreign operations	1,622 (36,094)	(3,471 (481
Share of other comprehensive income of investments accounted for using the equity method	(11,469)	355
Subtotal	(45,941)	(3,596
Total other comprehensive income, net of tax	(46,419)	(10,897
Total comprehensive income	43,539	28,000
Comprehensive income attributable to:		
Owners of the parent	42,290	21,979
Non-controlling interests	1,249	6,020

(3) Quarterly Condensed Consolidated Statements of Changes in Equity

First quarter of Fiscal 2018 (Millions of Yen)

Balance as of June 30, 2018	419,524	388,722	2,200,586	(132,175)	324,679	_
Subtotal		1,854	(26,470)	(13)	(4,712)	(4,172)
Business combinations and others				(3)		
Transfer from other components of equity to retained earnings			8,885		(4,712)	(4,172)
Changes in ownership interests in subsidiaries		1,854				
Disposals of treasury stock		0		1		
Purchases of treasury stock				(10)		
Cash dividends			(35,355)	<u>'</u>		
Transactions with owners and others						
Total comprehensive income		_	85,397	_	(5,309)	4,172
Other comprehensive income					(5,309)	4,172
Profit			85,397			
Comprehensive income						
Changes of the year						
Balance at beginning of the year	stock 419,524	surplus 386,867	earnings 2,141,658	stock (132,162)	assets measured at fair value through other comprehensive income 334,701	defined benefit plans
	Common	Capital	Retained	Treasury	Changes in fair value of financial assets measured at	Remeasurements of
]	Equity attributable	to owners of the		

	Eq	uity attributable to	owners of the par	ent		
	Othe	r components of ed	quity			
	Changes in fair value of cash flow hedges	Foreign exchange differences on translation of foreign operations	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at beginning of the year	(6,600)	(6,998)	321,101	3,136,991	387,905	3,524,896
Changes of the year						
Comprehensive income						
Profit				85,397	4,561	89,959
Other comprehensive income	1,958	(43,929)	(43,107)	(43,107)	(3,312)	(46,419)
Total comprehensive income	1,958	(43,929)	(43,107)	42,290	1,249	43,539
Transactions with owners and others						
Cash dividends				(35,355)	(4,533)	(39,888)
Purchases of treasury stock				(10)		(10)
Disposals of treasury stock				1		1
Changes in ownership interests in subsidiaries				1,854	(1,857)	(3)
Transfer from other components of equity to retained earnings			(8,885)			
Business combinations and others				(3)	(45)	(49)
Subtotal	_	_	(8,885)	(33,513)	(6,436)	(39,950)
Balance as of June 30, 2018	(4,641)	(50,928)	269,109	3,145,767	382,717	3,528,485

First quarter of Fiscal 2019 (Millions of Yen)

Balance as of June 30, 2019	419,524	391,737	2,303,032	(59,030)	233,682	_
Subtotal		(2,180)	(30,468)	(199)	(3,329)	(3,083)
Business combinations and others				(228)		
Transfer from other components of equity to retained earnings			6,412		(3,329)	(3,083)
Changes in ownership interests in subsidiaries		(2,169)				
Disposals of treasury stock		(10)		40		
Purchases of treasury stock				(11)		
Cash dividends			(36,880)			
Transactions with owners and others						
Total comprehensive income		_	33,325	_	(11,008)	3,083
Other comprehensive income					(11,008)	3,083
Profit			33,325			
Comprehensive income						
Changes of the year						
Balance at beginning of the year	Common stock	Capital surplus	Retained earnings	Treasury stock (58,831)	value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
					Other compor	nents of equity
•]	Equity attributable	to owners of the	parent	(Willions of Ten

	Eq	uity attributable to	owners of the par	ent		
	Othe	r components of e	quity			
	Changes in fair value of cash flow hedges	Foreign exchange differences on translation of foreign operations	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at beginning of the year	(4,433)	(67,585)	176,000	3,230,788	376,579	3,607,367
Changes of the year						
Comprehensive income						
Profit				33,325	5,578	38,904
Other comprehensive income	(3,037)	(382)	(11,345)	(11,345)	448	(10,897)
Total comprehensive income	(3,037)	(382)	(11,345)	21,979	6,026	28,006
Transactions with owners and others						
Cash dividends				(36,880)	(4,656)	(41,537)
Purchases of treasury stock				(11)		(11)
Disposals of treasury stock				29		29
Changes in ownership interests in subsidiaries				(2,169)	2,117	(52)
Transfer from other components of equity to retained earnings			(6,412)			_
Business combinations and others				(228)	(326)	(554)
Subtotal	_	_	(6,412)	(39,260)	(2,865)	(42,126)
Balance as of June 30, 2019	(7,471)	(67,968)	158,242	3,213,507	379,741	3,593,248

(4) Notes to the Quarterly Condensed Consolidated Financial Statements (Going Concern Assumption)

None

(Changes in Accounting Policies Required by IFRS)

From the beginning of the first quarter of Fiscal 2019 (April 1, 2019—June 30, 2019), the Group has adopted IFRS 16 "Leases" (Issued in January 2016) ("IFRS 16"). In adopting IFRS 16, the Group has applied an approach of recognizing the cumulative effect of applying the standard as an adjustment to the beginning balance at the date of initial application, which is approved as a transitional measure.

In adopting IFRS 16, the Group has elected to apply the practical expedient detailed in paragraph C3 of IFRS 16 in determining whether a contract is, or contains, a lease by maintaining its previous assessment under IAS 17 "Leases" ("IAS 17") and IFRIC 4 "Determining whether an Arrangement Contains a Lease". On and after the date of initial application, the Group has determined whether a contract is, or contains, a lease in accordance with IFRS 16.

For leases previously classified as finance leases under IAS 17 and in which the Group is a lessee, the carrying amounts of the right-of-use assets and lease obligations as of the date of initial application have been respectively measured at the carrying amounts of the leased assets and lease liabilities under IAS 17 immediately before the date of initial application.

For leases previously classified as operating leases under IAS 17 and in which the Group is a lessee, the Group has recognized the right-of-use assets and lease liabilities as of the date of initial application. The lease liabilities are measured at the present value of the minimum lease payments as of the date of initial application discounted by the lessee's incremental borrowing rate. The weighted average of the incremental borrowing rate is 0.5%. The right-of-use assets are measured at the carrying amounts computed under the assumption of applying the standard at the commencement date of the contract. The discount rate applied is the lessee's incremental borrowing rate as of the date of initial application.

The breakdown of difference between the amount of non-cancellable operating lease contracts under IAS 17 as of the end of the Fiscal 2018 and the amount of lease liabilities recognized in the Quarterly Condensed Consolidated Statements of Financial Position as of the date of initial application is as follows.

(Millions of Yen)

Non-cancellable operating lease contracts as of March 31, 2019	45,800
Finance lease liabilities as of March 31, 2019	46,754
Non-cancellable lease contracts effective on or after the date of initial application	(12,226)
Lease liabilities as of the date of initial application (April 1, 2019)	80,328

The right-of-use assets recognized at the date of initial application in the Quarterly Condensed Statements of Financial Position is ¥79,770 million.

In adopting IFRS 16, the Group has applied the following practical expedients.

- -As an alternative of performing an impairment review, the Group relies on a previous assessment of whether leases are onerous in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application.
- Exclusion of initial direct costs from the measurement of the right-of-use assets as of the date of initial application.
- Use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

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 the First Quarter of Fiscal 2019

Japanese Steel Industry

1. Crude Steel Production

(million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2018FY	26.56	25.65	52.22	25.70	24.97	50.67	102.89
2019FY	26.10	(*)Approx.25.89	Approx.51.99				

(*)METI forecast

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)
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	5.88	(150.2)	4.34	0.200
June	2018	5.93	(149.3)	4.41	0.207
July	2018	5.68	(143.0)	4.20	0.208
Aug.	2018	6.01	(170.7)	4.39	0.204
Sep.	2018	6.23	(176.5)	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	5.74	(151.6)	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.	2019	5.93	(141.6)	4.47	0.219
Apr.	2019	6.02	(160.6)	4.54	0.227
May	2019	6.11	(164.8)	4.62	0.227
June * ³	2019	6.09	(158.8)	4.57	0.220

^{*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 quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2018FY	10.25	10.24	20.49	10.24	10.13	20.37	40.86
2019FY	10.33	Approx.10.90	Approx.21.20				

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
2018FY	11.89	11.76	23.65	12.13	12.06	24.19	47.84
2019FY	12.44	Approx.12.00	Approx.24.50			Approx.24.50	Approx.49.00

(Non-consolidated basis)

(million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2018FY	10.29	10.21	20.50	10.29	10.22	20.50	41.00
2019FY	10.27	Approx.10.20	Approx.20.50			Approx.20.50	Approx.41.00

5. Steel Products Shipment

(million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2018FY	9.57	8.99	18.56	9.92	9.48	19.41	37.97
2019FY	9.11	Approx.9.80	Approx.18.90			Approx.18.90	Approx.37.80

6. Average Price of Steel Products

(thousands of yen / ton)

	1	2.1	1 . 1 10	2.1	4.1	2 11 16	1
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2018FY	87.2	90.2	88.7	91.5	90.9	91.2	89.9
2019FY	88.1	Approx.88	Approx.88				

7. Export Ratio of Steel Products (Value basis)

(%)

						•	
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2018FY	41	41	41	40	37	39	40
2019FY	40	Approx.42	Approx.41				

8. Foreign Exchange Rate

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						1	
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2018FY	108	111	109	113	110	112	111
2019FY	111	Approx.110	Approx.110				

9. Amount of Capital Expenditure and Depreciation

(Consolidated basis)

(billions of yen)

		(011110110 01) 011)
	Capital Expenditure	Depreciation
2018FY	440.8	408.6
2019FY	Approx.500.0	Approx.450.0