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NSSMY: ADR (US)



**NIPPON STEEL &  
SUMITOMO METAL  
CORPORATION**

# Second Quarter FY2015 Earnings Summary

**Katsuhiko Ota**

Representative Director and Executive Vice President

October 29<sup>th</sup>, 2015

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Notes on this presentation material

- 'NIPPON STEEL & SUMITOMO METAL CORPORATION' is abbreviated as 'NSSMC'
- All volume figures are presented in metric tons
- Unless otherwise noted, all financial figures are on a consolidated basis

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**1. FY2015 1H Results & Full Year Forecast**

**2. Progress in Mid-term Management Plan**

**3. Appendix**

# 1. FY 2015 1H Results & Full Year Forecast

# Overview: FY2015 1H Results & Full Year Forecast

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## 1H / FY2015 Results

- Missed our previous guidance in ordinary profit, Kept net profit due to special profit.
- Market Condition:
  - Domestic : Slowing demand led to delay in inventory adjustment.
  - Overseas : Asian market-prices have plummeted due to China's overproduction.

## 2H / FY2015 Forecast

- Market Condition:
  - Domestic : Demand is expected to recover as Auto production & Public Works increase.
  - Overseas : Severe situation persists for the foreseeable future.
- Estimated Ordinary Profit : approx. at 1H level (¥120 bn), Revised down profit target.
  - Reinforce customer relations to ensure sales volume & focus on cost reduction.

## Financial Highlights

	1H / FY15	2H / FY15 Forecast	FY15 / Forecast	Previous Forecast
Crude Steel Production (mt)	21.1	21.7	42.8	43.0*1 (- 0.2)*2
Sales (bn ¥)	2,507.5	2,492.5	5,000	5,100 (- 100)
Ordinary Profit (bn ¥)	129.8	120.2	250	370 (- 120)
Net Profit (bn ¥) *3	120.1	59.9	180	260 (- 80)

\*1 Previous Forecast 1H + 2Q × 2

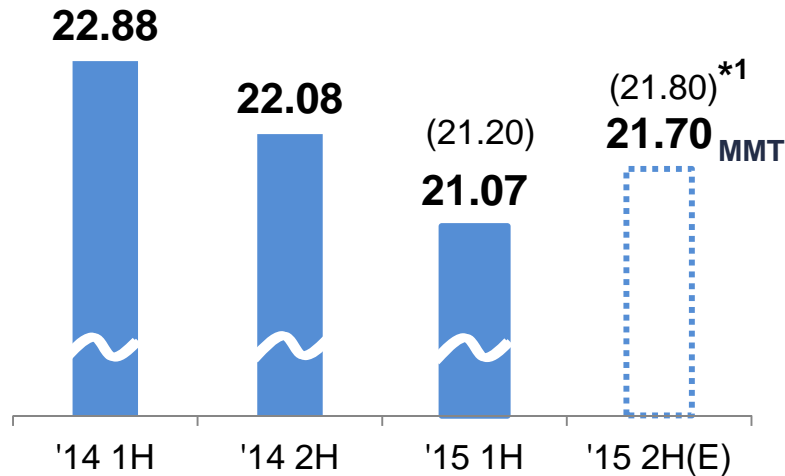
\*3 Profit attributable to owners of parent

\*2 Figures in parentheses are changes from previous forecast as of July 29.

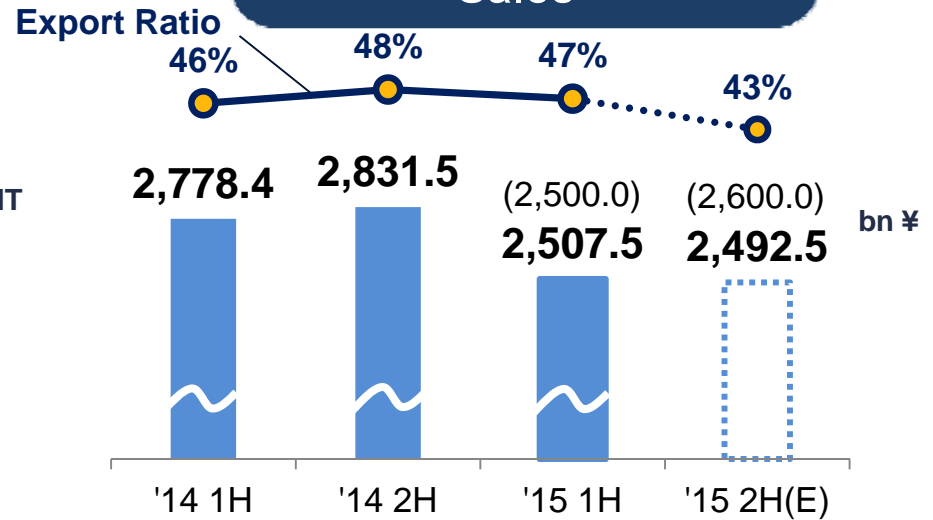


# Key Indicators : FY2015 1H Results & Full Year Forecast

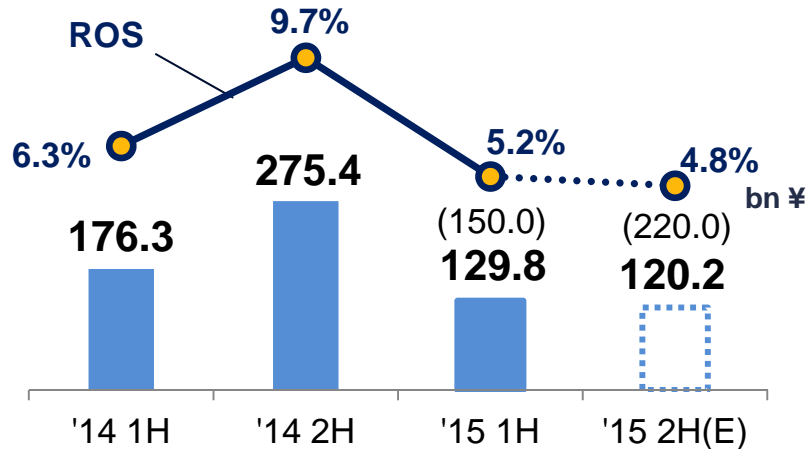
## Crude Steel Production



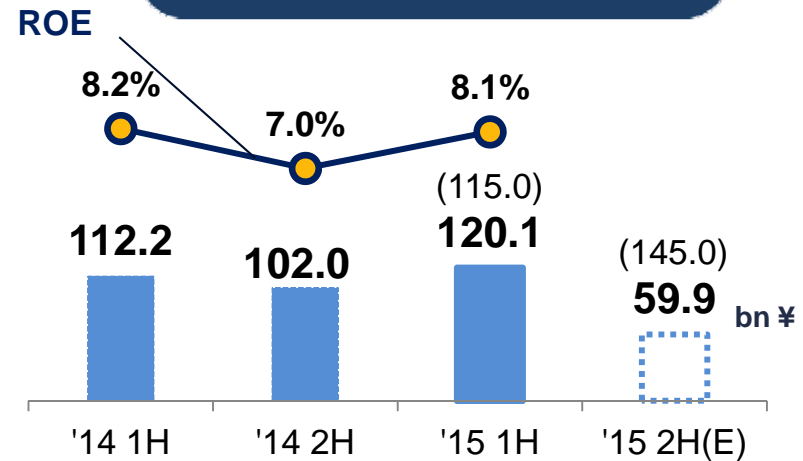
## Sales



## Ordinary Profit



## Net Profit\*2



※Figures in parentheses : Forecast as of July 29

\*1 Previous estimated 2Q as of July 29 × 2

\*2 Profit attribute to owners of parent

# Business Env't Change & Revise Down Profit Target

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## [ Ordinary Profit ]

¥ **370** bn (Forecast as of Jul. 29)    ▶    ¥ **250** bn (¥ **-120** bn) 1H: ¥ -20 bn

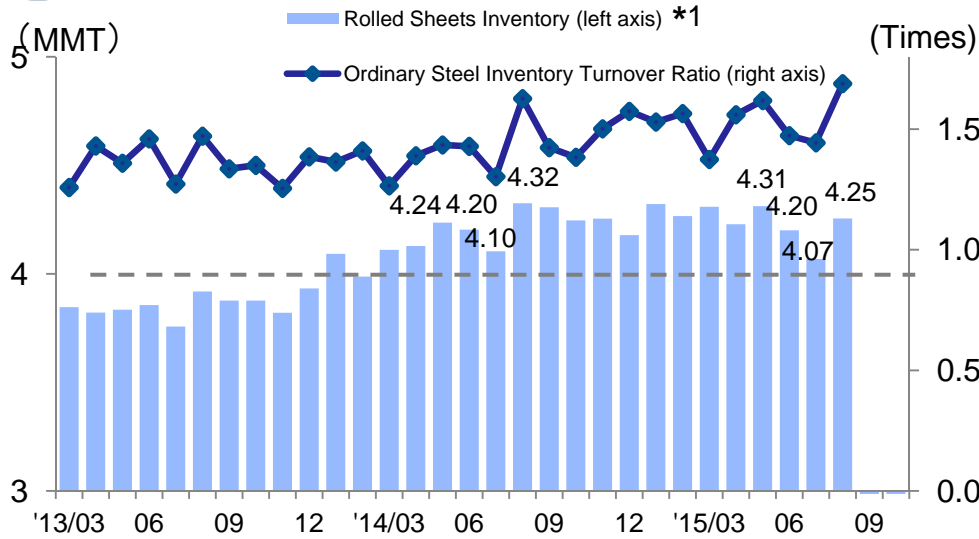
## Steel Business    ¥ **-115** bn

	Full Year	( 1H )
■ Decrease in Sales Volume.....	¥ <b>-7</b> bn	(¥ -8 bn)
■ Product Mix & Profit Margin.....	¥ <b>-65</b> bn	(¥ ~ bn)
■ Cost Reduction.....	¥ <b>-10</b> bn	(¥ ~ bn)
■ Invt. Valuation Loss & Shrink FX Profit.....	¥ <b>-13</b> bn	(¥ 1 bn)
■ Decline in Profit of Group Companies.....	¥ <b>-15</b> bn	(¥ -5 bn)
■ Others.....	¥ <b>-5</b> bn	(¥ -8 bn)

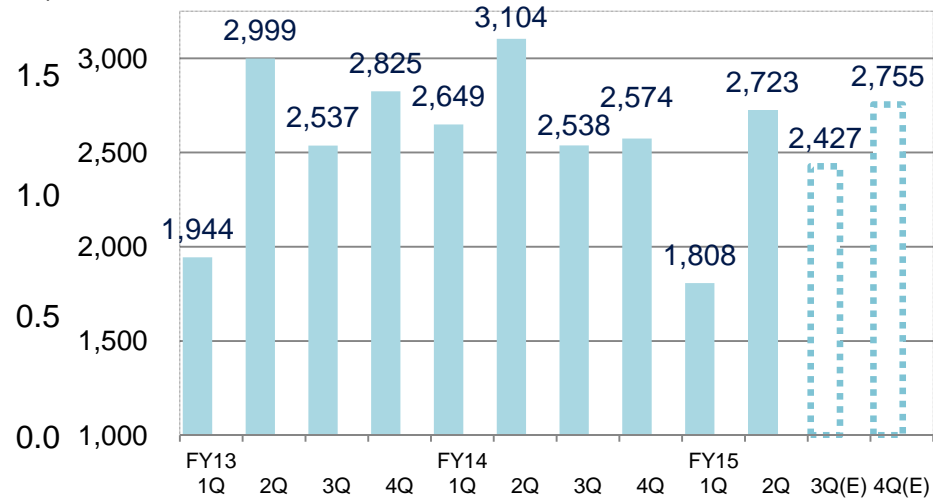
## Non-Steel Business    ¥ **-5** bn

# Business Env't in Japan: Delay in Inventory Adjustment

## Rolled Sheets Inventory\*1

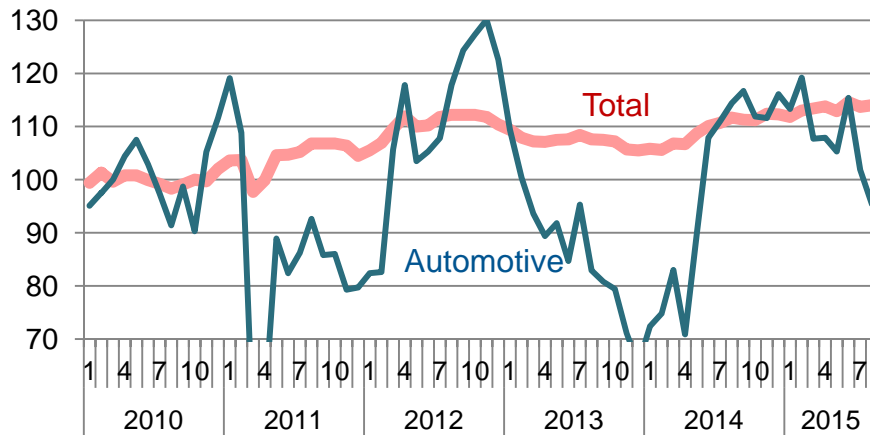


## Public Works Orders (bn¥)

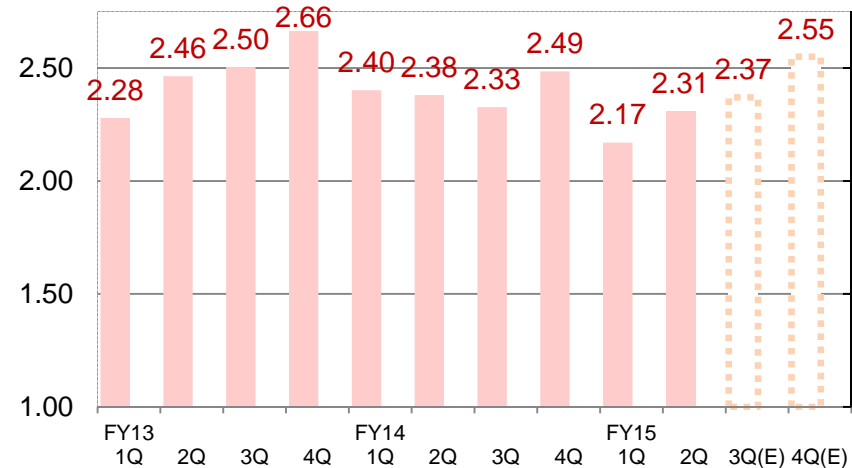


## Index of Industrial Inventories

(Volume of Inventories as of Jan. 2010=100)



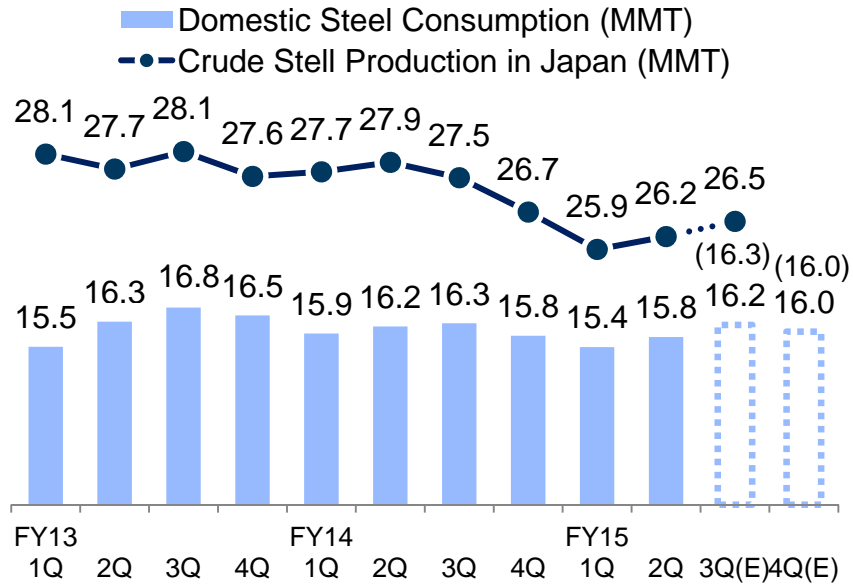
## Finished Auto Production (million cars)



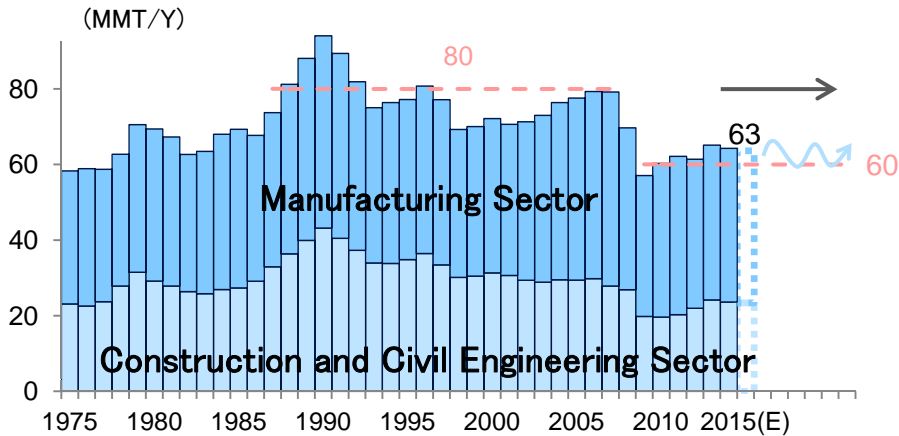
\*1 Hot-rolled, Cold-rolled and Coated sheets

# Business Environment in Japan

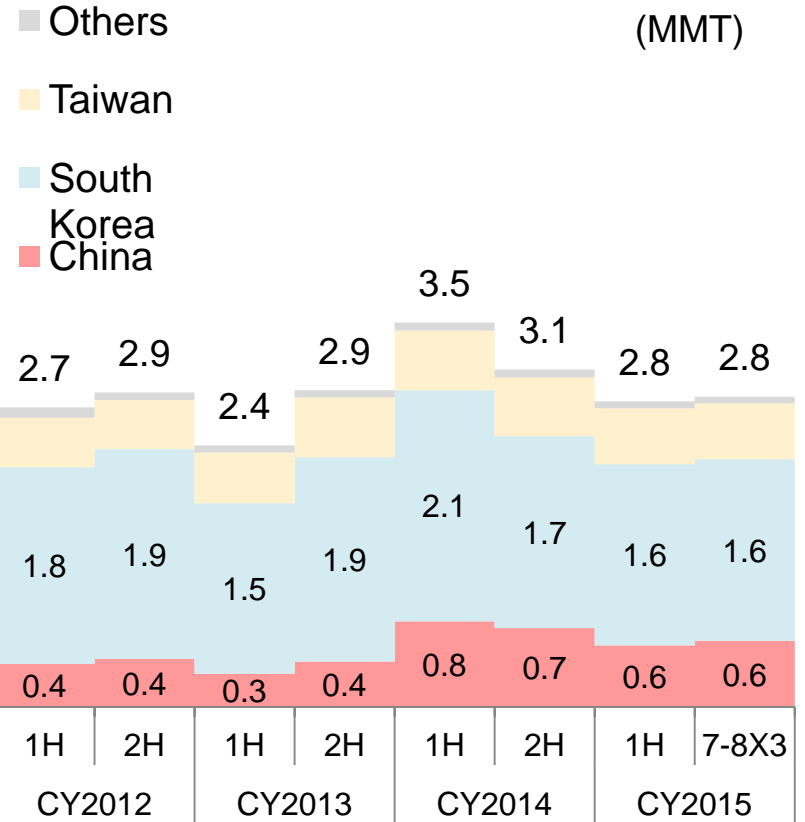
## Domestic Steel Consumption & Crude Steel Production in Japan



\* Figures in Parentheses as of 29<sup>th</sup> July, 2015



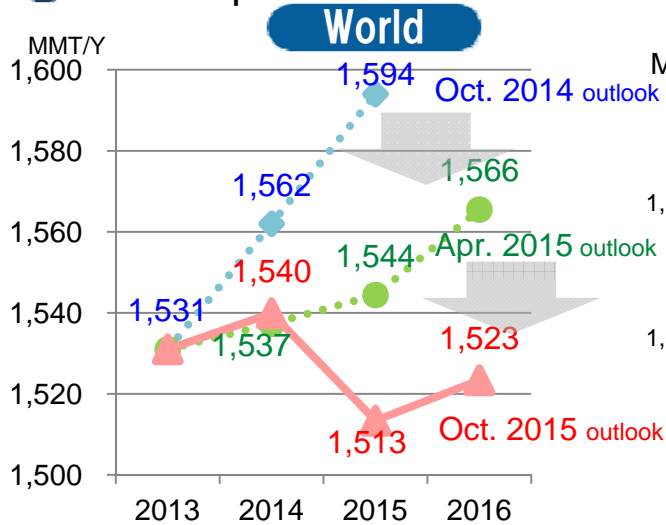
## Japan's Steel Imports by Region



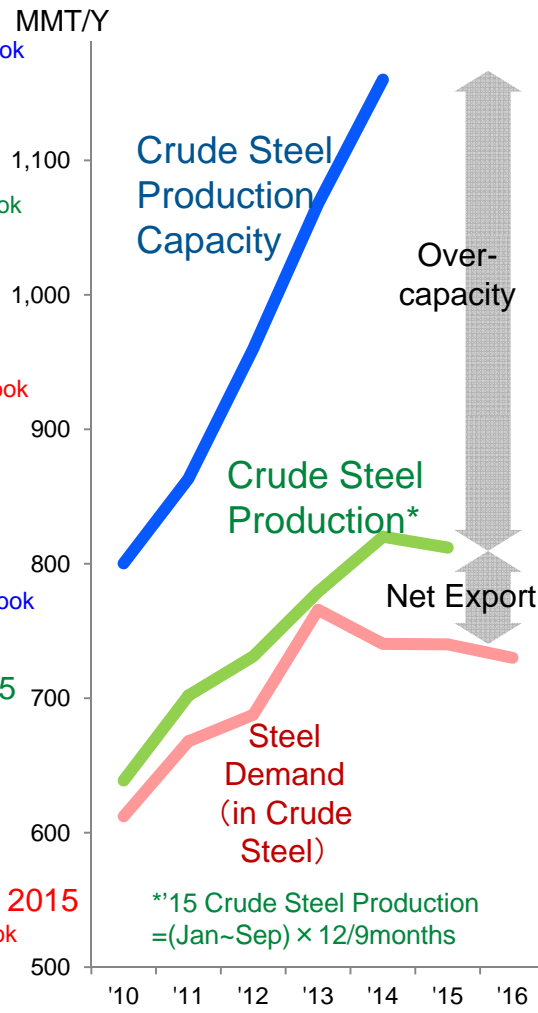
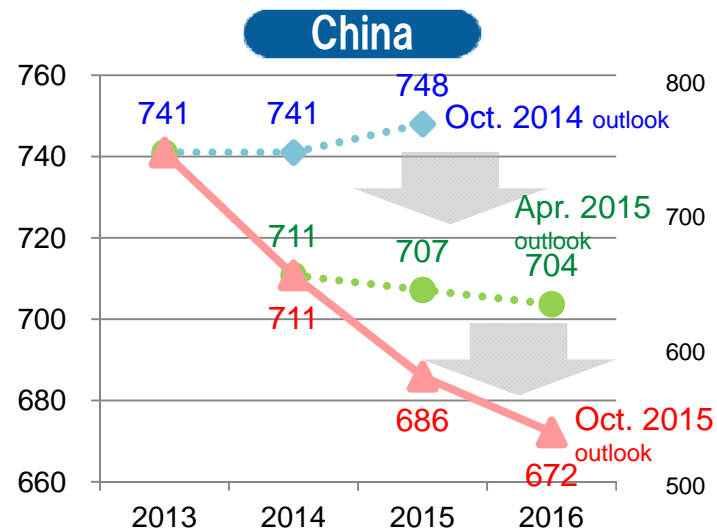


# Business Environment Overseas

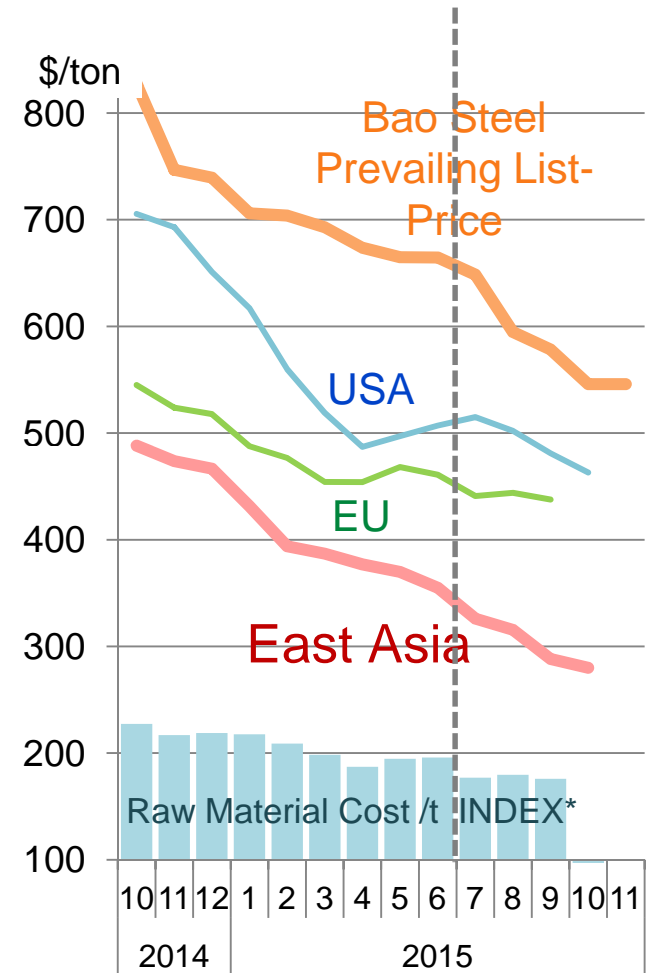
Change in Steel Consumption Outlook



Crude Steel Capacity, Production & Demand in China



Hot Rolled Sheets Prices by Region



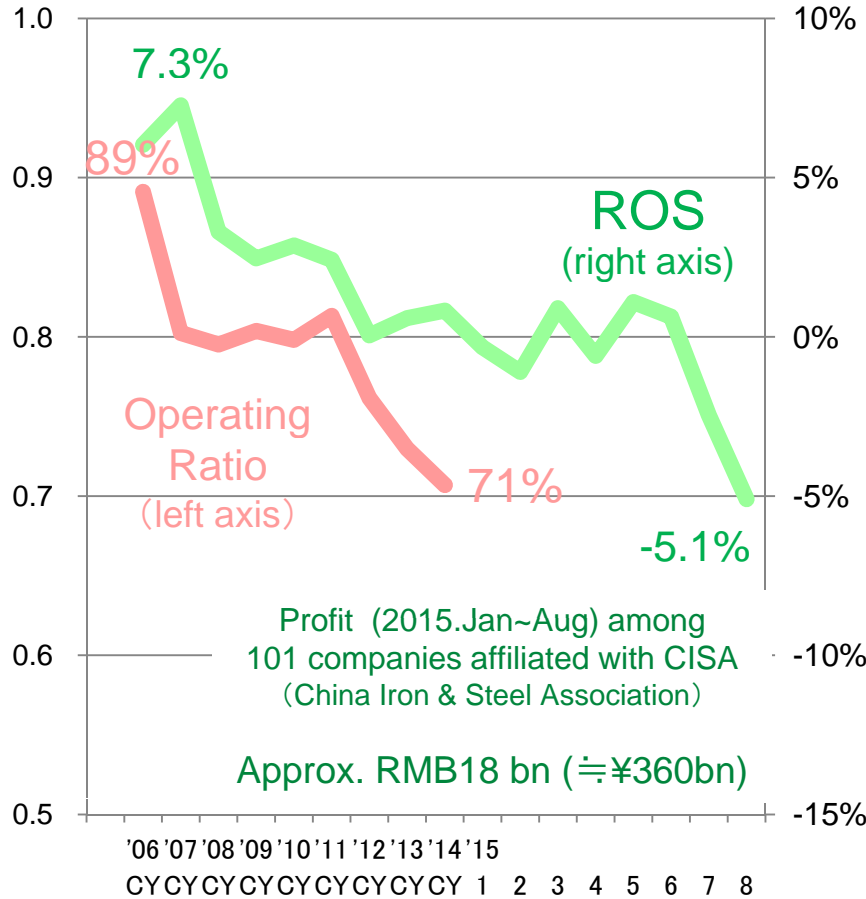
\* Calculated by Iron Ore Market Price × 1.7 + Coal Market Price × 0.9

(Source: World Steel Association)



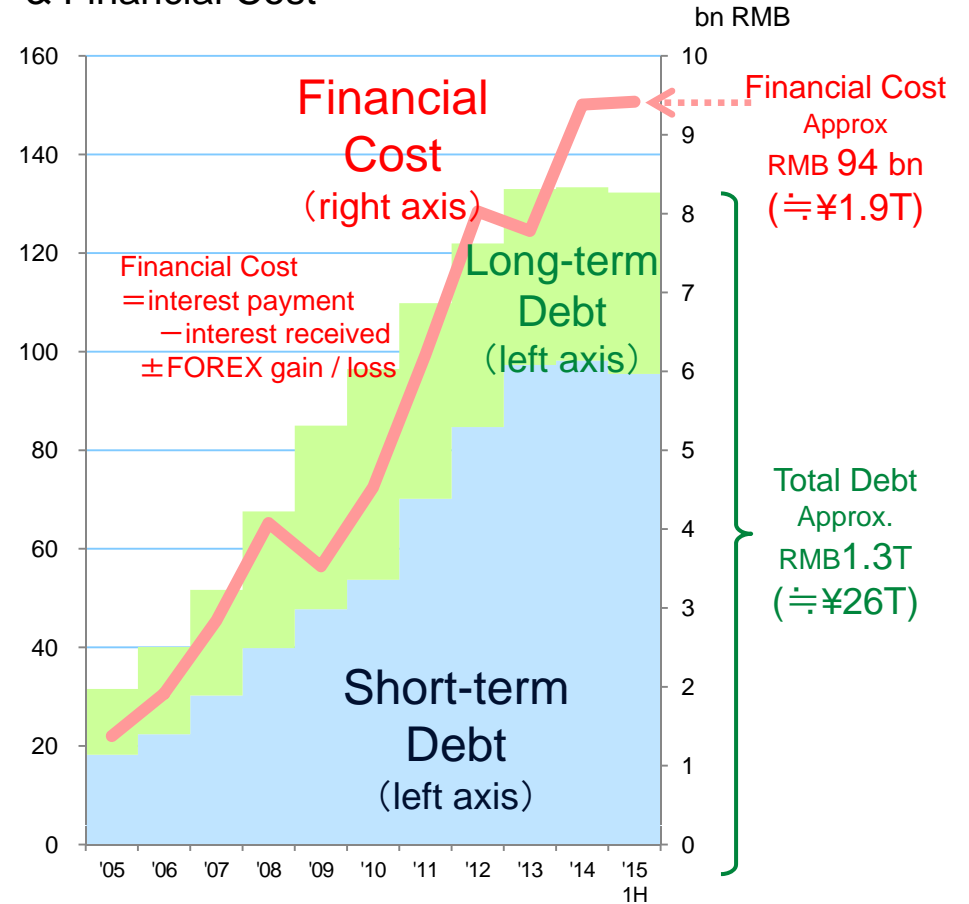
# China's Steel Supply & Demand

## Operating Ratio & ROS of Chinese Steel Companies



※ Operating Ratio : approx. 80 major/middle size Chinese steel companies affiliated with CISA  
 ROS : approx. 110 companies affiliated with CISA

## Debt of Major/Middle size Chinese Steel Companies & Financial Cost

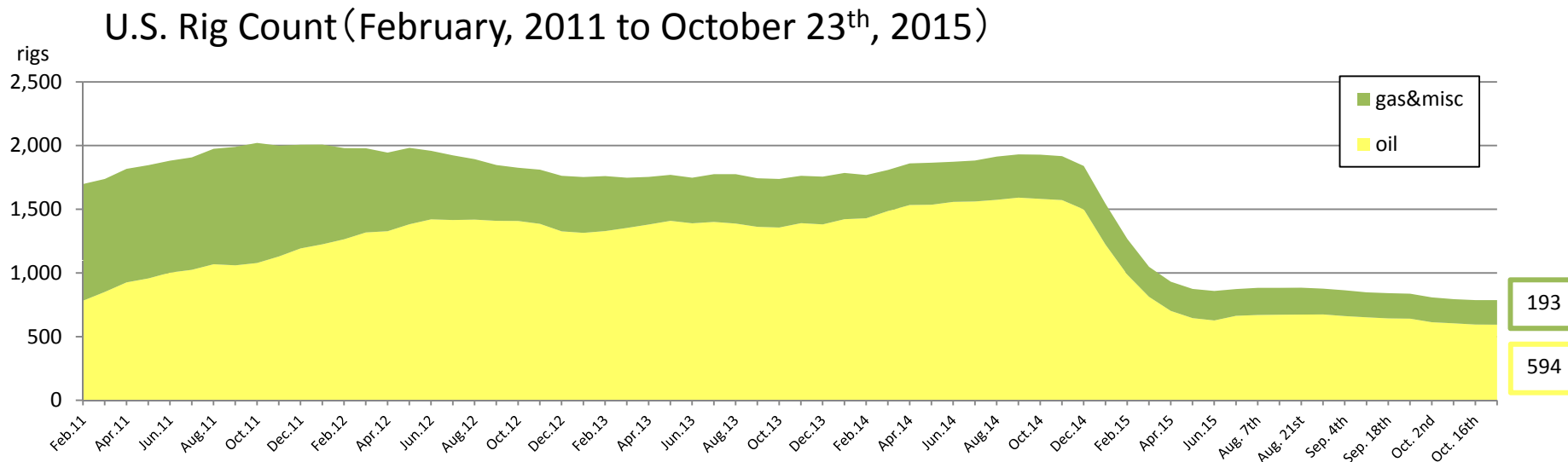
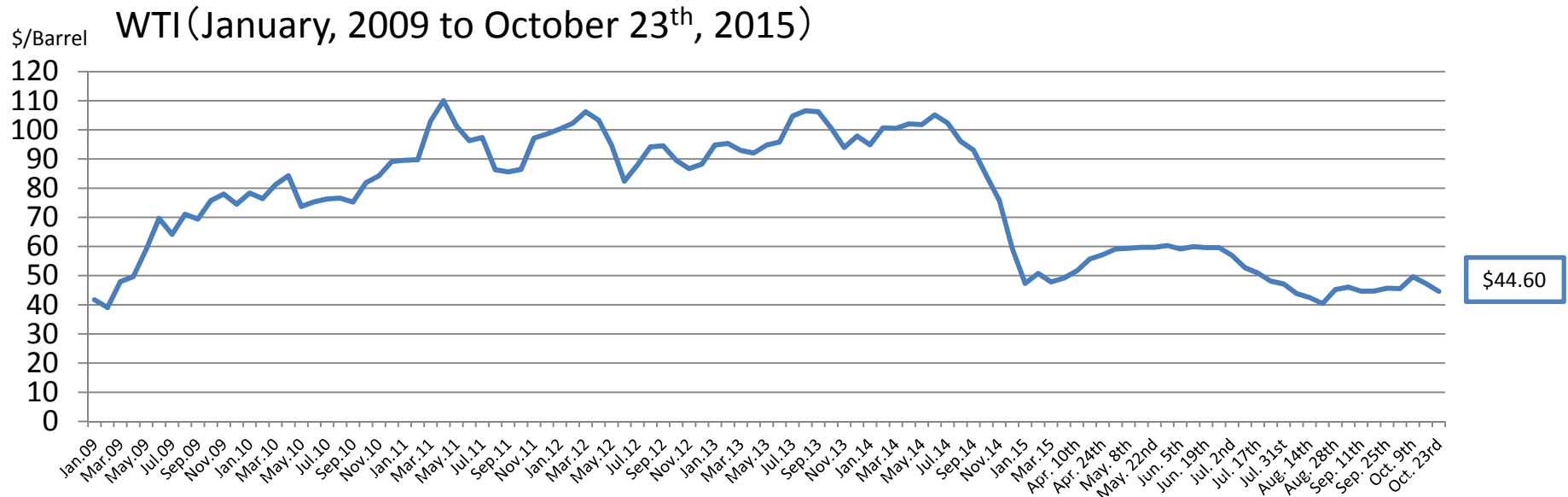


※ Approx. 80 major/middle size Chinese steel companies affiliated with CISA

(Source: Nippon Steel & Sumikin Research Institute)



# Energy Sector in U.S. : WTI/U.S. Rig Count



# World Crude Steel Production

(million tons)	CY14 [A]	CY15						CY15 [C] (B*12/9)	Change (A → C)
		Jan-Jun	Jul	Aug	Sep	Jul - Sep	Jan-Sep [B]		
World *1 Total (YoY)	<b>1,646.7</b> (+4.1%)	<b>814.0</b> (-1.8%)	<b>132.9</b> (-4.2%)	<b>132.3</b> (-3.2%)	<b>130.9</b> (-3.7%)	<b>396.1</b> (-3.7%)	<b>1,212.3</b> (-2.2%)	<b>1,616.4</b>	<b>-30.3</b> (-1.8%)
Japan (YoY)	<b>110.7</b> (+0.1%)	<b>52.6</b> (-4.8%)	<b>8.8</b> (-4.9%)	<b>8.8</b> (-5.9%)	<b>8.6</b> (-7.3%)	<b>26.2</b> (-6.0%)	<b>78.8</b> (-5.2%)	<b>105.1</b>	<b>-5.6</b> (-5.0%)
Korea (YoY)	<b>71.0</b> (+7.6%)	<b>34.5</b> (-4.9%)	<b>5.9</b> (-0.7%)	<b>5.8</b> (+2.8%)	<b>5.6</b> (-2.7%)	<b>17.3</b> (-0.2%)	<b>51.9</b> (-3.4%)	<b>69.2</b>	<b>-1.9</b> (-2.7%)
USA	<b>88.2</b>	<b>40.0</b>	<b>7.0</b>	<b>6.9</b>	<b>6.7</b>	<b>20.6</b>	<b>60.6</b>	<b>80.8</b>	<b>-7.3</b>
EU28	<b>169.3</b>	<b>88.1</b>	<b>13.6</b>	<b>12.2</b>	<b>13.6</b>	<b>39.4</b>	<b>127.5</b>	<b>170.0</b>	<b>+0.6</b>
Russia	<b>71.5</b>	<b>35.7</b>	<b>6.1</b>	<b>6.0</b>	<b>5.5</b>	<b>17.6</b>	<b>53.3</b>	<b>71.1</b>	<b>-0.4</b>
Brazil	<b>33.9</b>	<b>17.1</b>	<b>2.9</b>	<b>2.8</b>	<b>2.5</b>	<b>8.2</b>	<b>25.3</b>	<b>33.7</b>	<b>-0.2</b>
India	<b>87.3</b>	<b>45.2</b>	<b>7.7</b>	<b>7.4</b>	<b>7.3</b>	<b>22.3</b>	<b>67.6</b>	<b>90.1</b>	<b>+2.8</b>
China (YoY)	<b>822.7</b> (+5.6%)	<b>407.8</b> (-1.2%)	<b>65.8</b> (-4.6%)	<b>66.9</b> (-3.5%)	<b>66.1</b> (-3.0%)	<b>198.9</b> (-3.7%)	<b>608.9</b> (-1.7%)	<b>811.9</b>	<b>-10.8</b> (-1.3%)

\*1 Total of 65 countries

# Key Indicators of Demand

[ Domestic ]	FY14					FY15						Change			
	1Q	2Q	1H	2H		*2	*2	*1	*2	*2	*2	14/1H	15/1H[E]	15/1H	FY14
						1Q	2Q	1H[E]	1H	2H[E]	[E]	VS.	VS.	VS.	VS.
Housing Starts (million houses)	0.22	0.22	0.44	0.44	0.88	0.24	0.23	[ 0.46 ]	0.46	0.44	0.91	+0.02	+0.00	-0.02	+0.03
Non-residential Construction Starts (million m <sup>3</sup> )	13.98	13.36	27.34	25.27	52.61	13.68	13.43	[ 26.95 ]	27.11	26.53	53.64	-0.23	+0.15	-0.57	+1.03
Public Works Orders (¥ in billion)	2,649	3,104	5,752	5,112	10,864	1,808	2,723	[ 4,623 ]	4,531	5,182	9,713	-1,222	-92	+651	-1,151
Finished Auto Production (million cars)	2.40	2.38	4.78	4.81	9.59	2.17	2.31	[ 4.50 ]	4.48	4.92	9.40	-0.31	-0.02	+0.45	-0.19
Export of Finished Auto (million cars)	1.09	1.15	2.24	2.25	4.49	1.07	1.15	[ 2.30 ]	2.22	2.50	4.72	-0.02	-0.08	+0.28	+0.23
Overseas Auto Production ( 8 Japanese car makers ) (million cars)	4.27	4.15	8.43	8.65	17.08	4.43	4.34		8.77			+0.34			
Large & Middle sized Shovel Production (thousand units)	19	21	39	39	78	16	17	[ 32 ]	33	35	68	-7	+1	+3	-10
Metal Machine Tool Production (thousand tons)	108	123	231	250	481	119	120	[ 245 ]	239	242	482	+9	-6	+3	+1
Keel-laid New Ships (m. gross tons)	3.35	3.25	6.60	6.40	13.00	3.20	3.20	[ 6.40 ]	6.40	6.40	12.80	-0.20	+0.00	+0.00	-0.20

Rig Count	CY09	CY10	CY11	CY12	CY13	CY14	Latest	
USA	1,089	1,546	1,875	1,919	1,761	1,862	787	(October 23, 2015)
Deep well (≥ 15,000ft)	249	249	395	324	326	354	170	(September, 2015)
World total (Except N. America, Russia & China)	997	1,094	1,167	1,234	1,296	1,337	1,140	(September, 2015)

(Source: Baker Hughes, Smith international, NSSMC est.)

\*1 Figures as of July 29<sup>th</sup>, 2015

\*2 Estimates as of late August, 2015



# Domestic Steel Consumption by Industrial Sector

(million tons)	FY14					FY15						Change			
	1Q	2Q	1H	2H		*2 1Q	*2 2Q	*1 1H[E]	*2 1H	*2 2H[E]	*2 [E]	14/1H VS. 15/1H	15/1H[E] VS. 15/1H	15/1H VS. 15/2H[E]	FY14 VS. FY15[E]
<b>Crude Steel Production in Japan</b>	27.67	27.89	55.56	54.28	109.84	25.85	26.21	[ 52.06 ]	52.07			-3.50	+0.01		
<b>Domestic Steel Consumption (A + B)</b>	15.92	16.16	32.08	32.11	64.19	15.44	15.80	[ 31.20 ]	31.24	32.19	63.43	-0.84	+0.04	+0.95	-0.75
<i>% for manufacturing sector</i>	63.6	63.1	63.3	63.2	63.3	63.5	63.2	[ 63.3 ]	63.3	63.1	63.2	-0.0	-0.0	-0.2	-0.1
<b>Ordinary Steel Consumption (A)</b>	12.62	12.82	25.44	25.61	51.05	12.22	12.49	[ 24.67 ]	24.71	25.68	50.38	-0.73	+0.04	+0.97	-0.66
<b>Construction</b>	5.51	5.65	11.16	11.22	22.38	5.36	5.52	[ 10.86 ]	10.88	11.30	22.18	-0.28	+0.02	+0.42	-0.20
<b>Manufacturing</b>	7.11	7.17	14.28	14.39	28.67	6.86	6.97	[ 13.81 ]	13.83	14.38	28.21	-0.45	+0.02	+0.54	-0.46
Shipbuilding	1.10	1.10	2.20	2.16	4.36	1.07	1.07	[ 2.14 ]	2.14	2.13	4.27	-0.06	+0.00	-0.01	-0.09
Automotive	2.75	2.78	5.54	5.57	11.11	2.61	2.75	[ 5.35 ]	5.35	5.79	11.15	-0.18	+0.01	+0.44	+0.04
Industrial Machine	1.32	1.38	2.70	2.71	5.41	1.30	1.28	[ 2.51 ]	2.58	2.56	5.14	-0.12	+0.07	-0.02	-0.27
Electronic Machine	0.79	0.76	1.55	1.53	3.08	0.76	0.74	[ 1.54 ]	1.51	1.52	3.02	-0.05	-0.03	+0.01	-0.06
<b>Specialty Steel Consumption (B)</b>	3.30	3.34	6.64	6.50	13.14	3.22	3.31	[ 6.53 ]	6.53	6.52	13.05	-0.11	-0.00	-0.02	-0.09
<b>Steel Imports</b>	1.76	1.69	3.46	3.21	6.66	1.50									
<b>Steel Exports</b>	9.53	9.94	19.47	19.51	38.98	9.47									

( Source : NSSMC est.)

\*1 Figures as of July 29<sup>th</sup>, 2015

\*2 Estimates as of late August, 2015

# NSSMC Operational Highlights

(million tons)	FY14					FY15						Change			
	1Q	2Q	1H	2H		1Q	2Q	*2 [1H(E)]	1H	2H[E]	[E]	14/1H VS. 15/1H	15/1H[E] VS. 15/1H	FY15/1H VS. FY15/2H[E]	FY14 VS. FY15[E]
Pig-iron production *1	11.05	11.60	22.64	22.27	44.91	10.45	10.91	[21.40]	21.36	21.90	43.30	-1.28	-0.04	+0.54	-1.61
Consolidated Crude Steel Production	11.86	12.16	24.02	23.30	47.32	10.89	11.38	[22.30]	22.27	22.90	45.20	-1.76	-0.03	+0.63	-2.12
Non-Consolidated Crude Steel Production	11.29	11.59	22.88	22.08	44.96	10.31	10.76	[21.20]	21.07	21.70	42.80	-1.81	-0.13	+0.63	-2.16
Steel Shipments	10.43	10.68	21.11	20.77	41.88	9.85	9.79	[19.90]	19.64	20.40	40.00	-1.46	-0.26	+0.76	-1.88
Seamless Pipe Shipments	0.30	0.29	0.58	0.59	1.18	0.23	0.21	[0.43]	0.44	0.38	0.82	-0.14	+0.01	-0.06	-0.36
Average Steel Selling Price (000 yen/ ton)	87.6	86.0	86.8	87.5	87.2	82.8	79.8	[81]	81.3	73	77	-5.5	0.3	-8.3	-10.2
Steel Export Ratio (value basis (%))	46	47	46	48	47	48	46	[48]	47	43	45	+1	-1	-4	-2
FOREX (¥/\$)	102	103	103	116	109	121	122	[123]	122	120	121	Depreciate 19	Appreciate 1	Appreciate 2	Depreciate 12

\*1 Includes pig-iron production of Hokkai Iron & Coke corp. and NIPPON STEEL & SUMIKIN KOUTETSU WAKAYAMA CORP.

\*2 Figures as of July 29<sup>th</sup>, 2015

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# FY2015 1H Results & Full Year Forecast

(¥ in billion)	FY14					FY15						Change			
	1Q	2Q	1H	2H	[E]	1Q	2Q	[1H(E)]	1H	2H[E]	[E]	14/1H	15/1H[E]	15/1H	14
												VS.	VS.	VS.	VS.
Net Sales	1,361.4	1,417.0	2,778.4	2,831.5	5,610.0	1,264.9	1,242.6	[2,500.0]	2,507.5	2,492.5	5,000.0	-270.9	+7.5	-15.0	-610.0
Operating Profit	59.6	75.8	135.5	213.9	349.5	52.3	45.9	/	98.3	/	/	-37.2	/	/	/
Ordinary Profit	74.3	102.0	176.3	275.4	451.7	84.4	45.4	[150.0]	129.8	120.2	250.0	-46.5	-20.2	-9.6	-201.7
Special Profit (Loss)	-	(4.9)	(4.9)	(70.6)	(75.5)	19.2	28.2	/	47.5	/	/	+52.4	/	/	/
Net Profit *1	48.3	63.9	112.2	102.0	214.2	72.7	47.3	[115.0]	120.1	59.9	180.0	+7.9	+5.1	-60.2	-34.2
*2 [EPS]	[53.0]	[70.0]	[123.0]	[111.8]	[234.8]	[79.7]	[51.7]	[125.6]	[131.2]	[64.8]	[196.0]	[+8.2]	[+5.6]	[-66.4]	[-38.8]
<b>EBITDA</b>	135.8	154.2	290.1	379.4	669.5	125.7	124.5	/	250.2	/	/	-39.9	/	/	/
<b>EBITDA / Sales</b>	10.0%	10.9%	10.4%	13.4%	11.9%	9.9%	10.0%	/	10.0%	/	/	-0.4%	/	/	/
<b>ROS</b>	5.5%	7.2%	6.3%	9.7%	8.1%	6.7%	3.7%	[6.0%]	5.2%	4.8%	5.0%	-1.1%	-0.8%	-0.4%	-3.1%
<b>ROE</b>	7.2%	9.2%	8.2%	7.0%	7.6%	9.8%	6.4%	/	8.1%	/	/	-0.1%	/	/	/

\*1 Profit attribute to owners of parent

\*2 NSSMC carried out the share consolidation at the ratio of 10 shares to 1 share effective Oct. 1, 2015. In accordance with it, EPS is calculated based on the assumption that the share consolidation had been carried out at the beginning of FY14.

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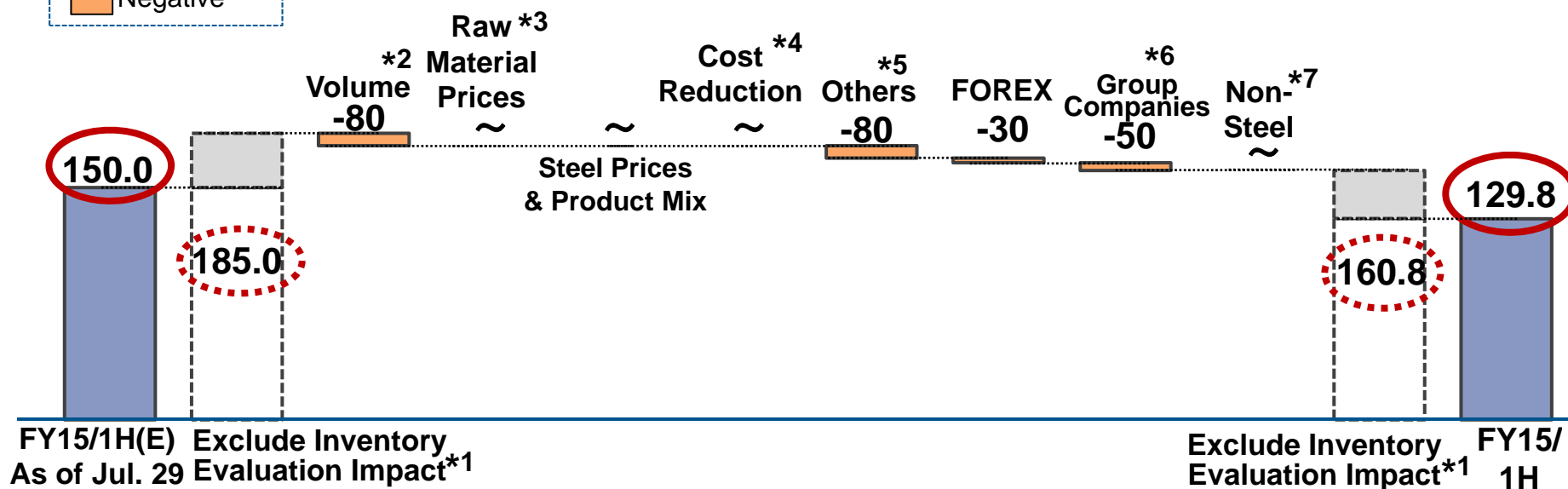
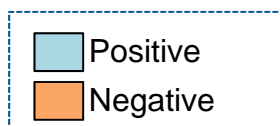
# Special Profit & Loss

(¥ in billion)	FY14			FY15		
	1H	2H		1Q	2Q	1H
Gain on sales of shares of investment in securities	5.2	9.1	14.3	—	—	—
Gain on sales of shares of subsidiaries and associates	—	—	—	33.4	(0.0)	33.4
Settlement received	—	—	—	—	30.0	30.0
<b>Special profit</b>	<b>5.2</b>	<b>9.1</b>	<b>14.3</b>	<b>33.4</b>	<b>30.0</b>	<b>63.4</b>
Loss on inactive facilities	(10.1)	(11.1)	(21.2)	(14.1)	(1.7)	(15.8)
Loss on on business of subsidiaries and affiliates	—	(68.6)	(68.6)	—	—	—
<b>Special Loss</b>	<b>(10.1)</b>	<b>(79.7)</b>	<b>(89.8)</b>	<b>(14.1)</b>	<b>(1.7)</b>	<b>(15.8)</b>
<b>Special Profit &amp; Loss</b>	<b>(4.9)</b>	<b>(70.6)</b>	<b>(75.5)</b>	<b>19.2</b>	<b>28.2</b>	<b>47.5</b>

# Ordinary Profit Variance Analysis [FY15/1H(E) vs. 15/1H]

(¥ in billion)	FY15/1H Forecast (as of Jul.29) [A]	FY15/1H [B]	Change [A→B]
<b>Ordinary Profit</b>	<b>150.0</b>	<b>129.8</b>	<b>-20.2</b>
Steel	130.0	110.7	-19.3
Non-Steel	17.0	17.0	0
Adjustment	3.0	2.0	-1.0

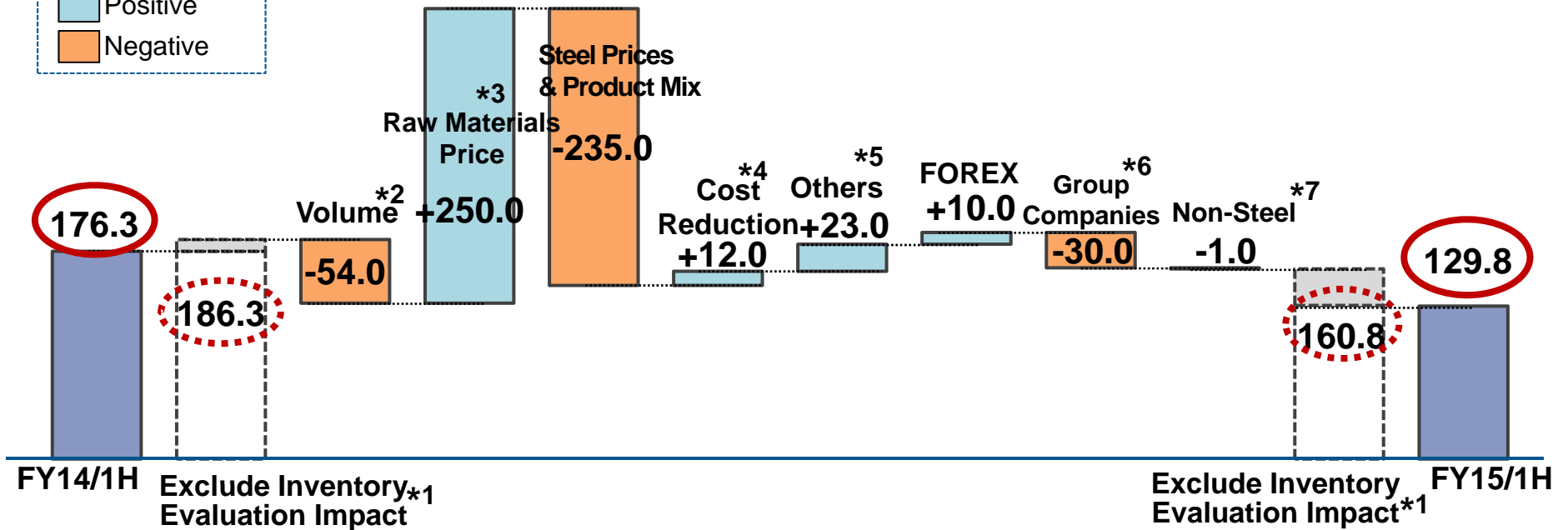
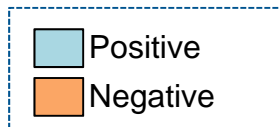
- \*1 Inventory evaluation  
FY15/1H(E) : -35 → FY15/1H : -31
- \*2 Crude Steel Production approx. -0.13MMT  
(Approx. 21.20→21.07)  
Steel shipments approx. -0.26MMT  
(Approx. 19.90→19.64)
- \*3 Incl. carry over
- \*4 Incl. the merger synergy
- \*5 Impairment loss on securities
- \*6 Impairment loss on Usiminas interest
- \*7 Engineering -1.9, Chemicals -0.9,  
New materials+0.6, System Solutions+2.1



# Ordinary Profit Variance Analysis [FY14/1H vs. 15/1H]

(¥ in billion)	FY14/1H [A]	FY15/1H [B]	Change [A→B]
<b>Ordinary Profit</b>	<b>176.3</b>	<b>129.8</b>	<b>-46.5</b>
Steel	159.1	110.7	-48.4
Non-Steel	17.6	17.0	-0.6
Adjustment	-0.5	2.0	+2.5

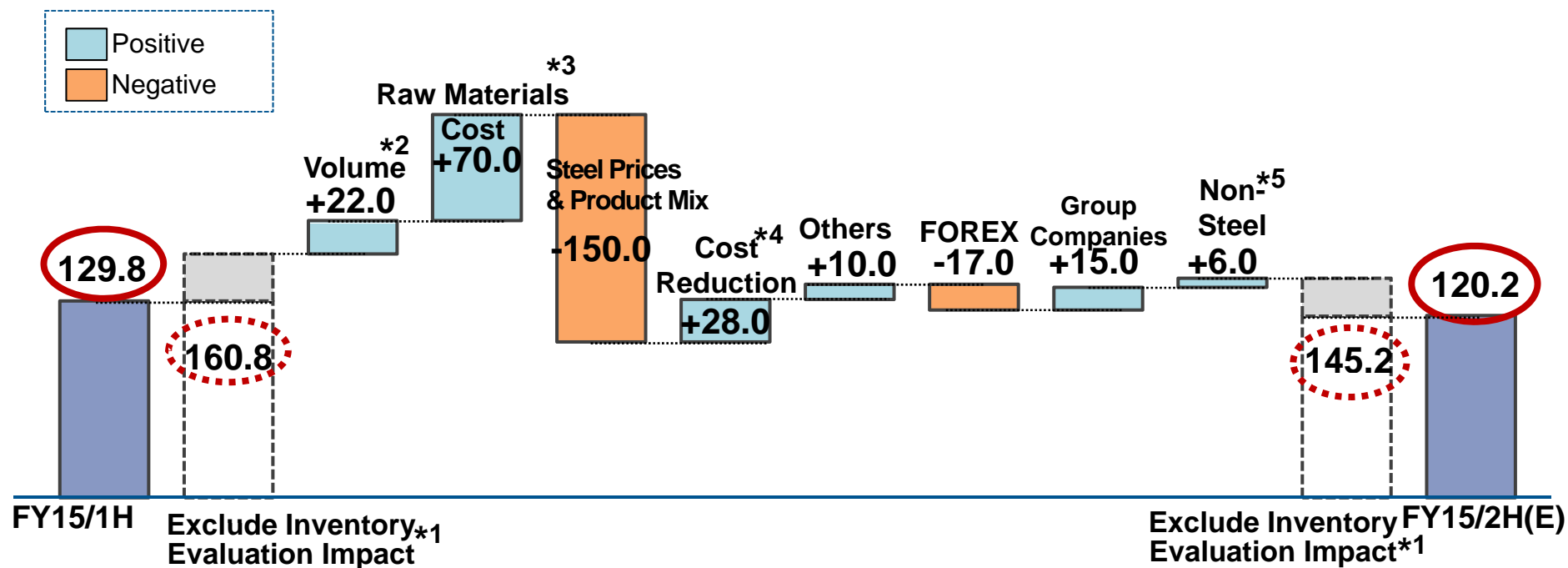
- \*1 Inventory evaluation  
FY14/1H: -10 → FY15/1H: -31
- \*2 Crude Steel Production -1.81MMT (22.88→21.07)  
Steel Shipments -1.46MMT (21.11→19.64)
- \*3 Incl. carry over
- \*4 Incl. the merger synergy
- \*5 BF relining +10(-10→0)
- \*6 Loss in inventory valuation & FOREX ,  
Interests loss in raw materials
- \*7 Engineering -2.7, Chemicals -1.2  
New Materials+0.5, System Solutions +2.9



# Ordinary Profit Variance Analysis [FY15/1H vs. 15/2H(E)]

(¥ in billion)	FY15/1H [A]	FY15/2H (E) [B]	change [A→B]
<b>Ordinary Profit</b>	<b>129.8</b>	<b>120.2</b>	<b>-9.6</b>
Steel	110.7	99.3	-11.4
Non-Steel	17.0	23.5	+6.5
Adjustment	2.0	-2.5	-4.5

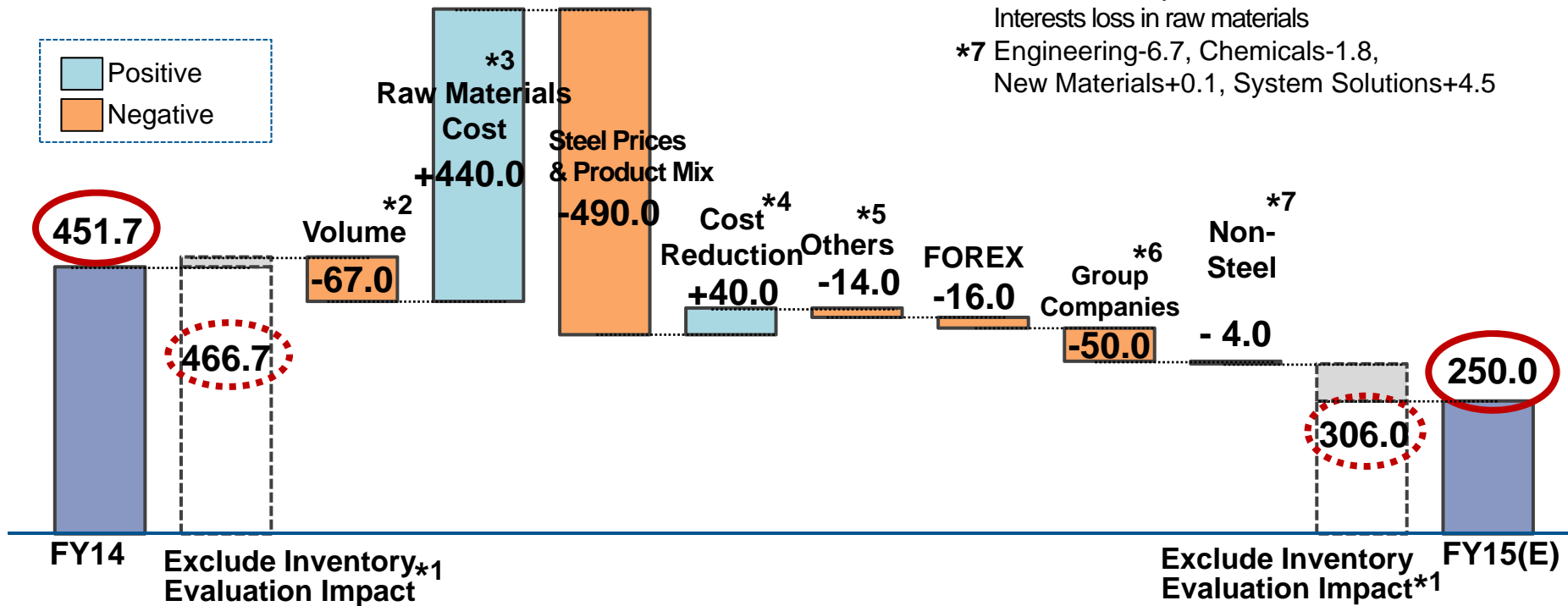
- \*1 Inventory evaluation  
FY15/1H: -31 → FY15/2H(E): -25
- \*2 Crude Steel Production approx.+0.63MMT  
(21.07→ approx. 21.70)  
Steel shipments approx.+0.76MMT  
(19.64→ approx. 20.40)
- \*3 Incl. carry over
- \*4 Incl. the merger synergy
- \*5 Engineering+7.8, Chemicals-1.2  
New Materials-0.7, System Solutions+0.8



# Ordinary Profit Variance Analysis [FY14 vs. FY15(E)]

(¥ in billion)	FY14 [A]	FY15 (E) [B]	Change [A→B]
<b>Ordinary Profit</b>	<b>451.7</b>	<b>250.0</b>	<b>-201.7</b>
Steel	401.9	210.0	-191.9
Non-Steel	44.7	40.5	-4.2
Adjustment	5.0	-0.5	-5.5

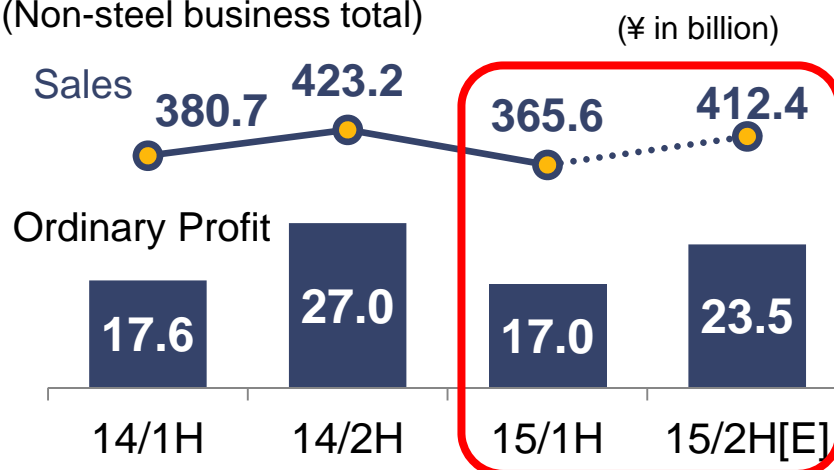
- \*1 Inventory evaluation  
FY14: -15 → FY15(E): -56
- \*2 Crude steel production approx. -2.16MMT  
(449.6 → approx. 428.0)  
Steel shipments approx. -1.88MMT  
(41.88 → approx. 40.00)
- \*3 Incl. carry over
- \*4 Incl. the merger synergy
- \*5 BF relining +10 (-10 → 0)
- \*6 Loss in inventory valuation & FOREX ,  
Interests loss in raw materials
- \*7 Engineering -6.7, Chemicals -1.8,  
New Materials +0.1, System Solutions +4.5



# Non-Steel Business: FY2015 1H Results & Full Year Forecast <sup>22</sup>

## Sales & Ordinary Profit

(Non-steel business total)



## Full Year Forecast for FY2015 (YoY)

<b>Engineering &amp; Construction</b>	↓ Decrease	: Revise down because deterioration in energy area by oil price down, though improving in construction.
<b>Chemicals</b>	→ Flat	: Despite strong sales in chemical & PWB materials, severe condition for needle coke decrease profit
<b>New Materials</b>	→ Flat	: Increase in sales volume offset price decline in coated copper wires.
<b>System Solutions</b>	↑ Increase	: SG&A increase, but strong gross margin rate & solution business contribute to profit increase

(¥ in billion)

Engineering & Construction	2014		2015[E]		(YoY)
	1H		1H		
Sales	155.3	348.6	140.2	320.0	(-28.6)
Ordinary Profit	4.8	18.7	2.1	12.0	(-6.7)

Chemicals	2014		2015[E]		(YoY)
	1H		1H		
Sales	112.2	212.7	101.3	200.0	(-12.7)
Ordinary Profit	4.3	6.8	3.1	5.0	(-1.8)

New Materials	2014		2015[E]		(YoY)
	1H		1H		
Sales	18.2	36.4	17.8	36.0	(-0.4)
Ordinary Profit	1.1	2.4	1.6	2.5	(+0.1)

System Solutions	2014		2015[E]		(YoY)
	1H		1H		
Sales	94.8	206.0	106.2	222.0	(+16.0)
Ordinary Profit	7.2	16.5	10.1	21.0	(+4.5)

# Balance Sheets

(¥ in billion)	End of Mar. 2015	End of Sep. 2015
Current assets	2,333.8	2,186.3
Inventories	1,254.2	1,194.7
Fixed assets	4,824.1	4,571.8
Tangible fixed assets	2,597.8	2,596.1
Investments in securities	768.7	629.4
Investments in subsidiaries & affiliates	1,079.5	1,040.3
<b>Assets</b>	<b>7,157.9</b>	<b>6,758.2</b>

(¥ in billion)	End of Mar. 2015	End of Sep. 2015
Liabilities	3,610.8	3,598.3
Interest-bearing debt	1,976.5	2,179.5
Net assets	3,547.0	3,159.8
Equity capital	2,978.6	2,920.8
Unrealized gains on available-for-sale securities	279.6	187.5
Non-controlling Interest in consolidated subsidiaries	568.3	238.9
<b>Liabilities &amp; net assets</b>	<b>7,157.9</b>	<b>6,758.2</b>

	End of Mar. 2015	End of Sep 2015	Change
Total assets (¥ in bn)	7,157.9	6,758.2	-399.7
Interest bearing debt (¥ in bn)	1,976.5	2,179.5	+203.0
Equity capital (¥ in bn)	2,978.6	2,920.8	-57.8
DER	0.66	0.75	+0.09

- ※ Impact from redemption of hybrid securities and financing by subordinated loans in July 2015
- Non-controlling interest in consolidated subsidiaries -¥300bn
  - Interest-bearing debt +¥300bn
  - D/E approx.+0.1 (No impact on international credit rating evaluation)

# Interim Dividend

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- ◆ As announced on July 29, 2015, NSSMC has decided In accordance with the basic profit distribution policy described below, to distribute a interim dividend of ¥3.0 per share(consolidated dividend payout ratio of 22.9%).
- ◆ NSSMC plans to determine the forecast of the year-end dividend distribution amount, with due consideration of full-year outlook of profit attributable to owners of parent, and to announce it at the time of its third-quarter result announcement.

## [Cash Dividend Policy]

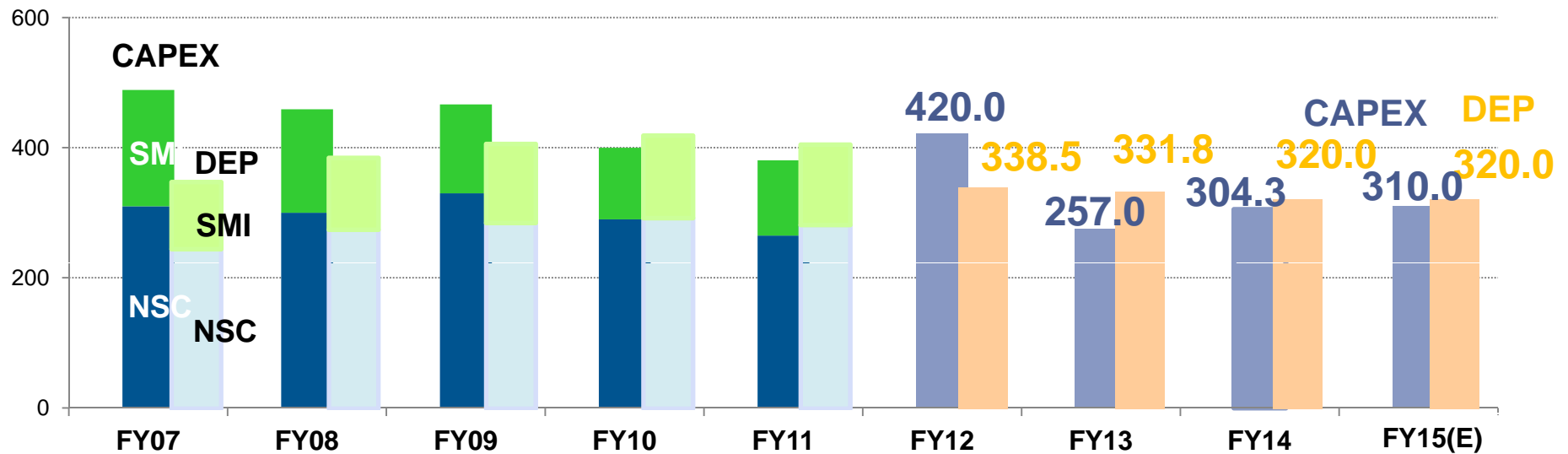
- ◆ Allocate profits according to earnings
- ◆ Factors below need to be considered as well
  - Reserves for future investment
  - Earnings forecast
  - Consolidated and non-consolidated financial structure
- ◆ Targeted dividend payout ratio: around **20% - 30%** (consolidated basis)



# CAPEX and Depreciation

( ¥ in billion)

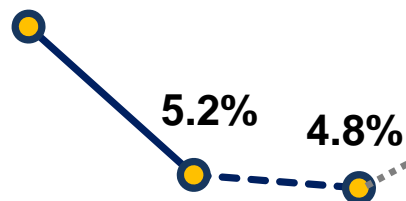
NSSMC (Upper : NSC Lower : SMI)	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15(E)
<b>C A P E X</b>	<b>490.0</b> (310.0) (178.8)	<b>460.0</b> (300.0) (159.1)	<b>465.0</b> (330.0) (136.6)	<b>400.0</b> (290.0) (109.9)	<b>380.0</b> (265.0) (115.7)	<b>420.0</b>	<b>257.0</b>	<b>304.3</b>	<b>310.0</b>
<b>Depreciation</b>	<b>346.5</b> (244.0) (102.5)	<b>383.5</b> (273.7) (109.8)	<b>404.8</b> (284.0) (120.8)	<b>417.7</b> (291.5) (126.2)	<b>403.8</b> (280.9) (122.9)	<b>338.5</b>	<b>331.8</b>	<b>320.0</b>	<b>320.0</b>



## 2. Progress in Mid-term Management Plan

## ROS

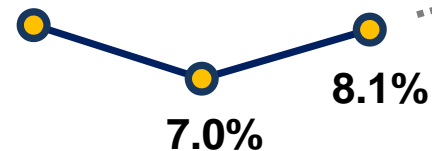
9.7%



**10%** or more

## ROE

8.2%



**10%** or more

FY14  
2H

FY15  
1H

FY15  
2H[E]

Target  
FY17

FY14  
1H

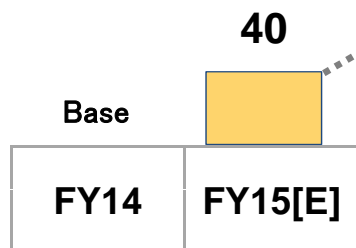
FY14  
2H

FY15  
1H

Target  
FY17

## Cost Reduction

**¥150** bn  
or more  
per year



Target  
FY17

## D/E ratio

0.74

0.66

0.75

Approx.  
**0.5**

FY14  
1H

FY14  
2H

FY15  
1H

Target  
FY17

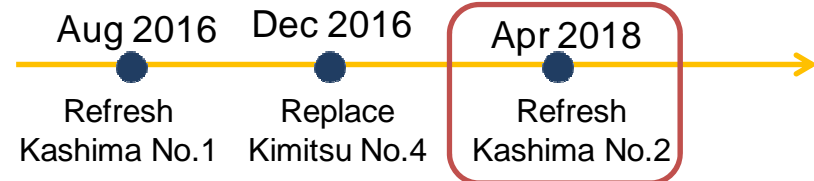
## Japan

### Enhance competitiveness of mother mills

Strengthen both equipment & human resources

Plans for refreshment of coke ovens

Increase new employees and enhance quality of human resources



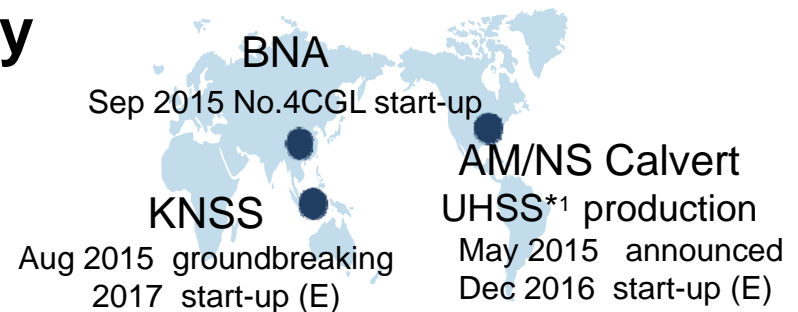
New Employment (unconsolidated)

FY13	FY14	FY15	FY16(target)
790	570	890	1,770

## Overseas

### Promote Global Strategy

Expand production bases for automotive high-grade steel



## Group Co.

### Pursue Selection and Concentration

- Additional Acquisition of Unipres Co. Shares (May 2015 implemented)
- Exercise SUMCO's Class Stock Put Option & Offer a Portion of Common Stock (May 2015 implemented)
- Planned Commencement of Tender Offer by Osaka Steel Co. (Sep 2015 announced)
- Acquire 100% ownership of Nippon Steel & Sumikin TEXENG. Co. (Apr 2015 announced, Aug 2015 implemented)
- Acquire 100% ownership of Suzuki Metal Industry Co. \*2 (Apr 2015 announced, Sep 2015 implemented)

\*1 Ultra High - tensile Strength Steel

\*2 Renamed Nippon Steel & Sumikin SG Wire Co. Ltd.

## 3. Appendix

# World Economic Outlook

<Released on October 6, 2015 by IMF>

( ): Outlook as of July 9 2015

(GDP growth rate)	2008	2009	2010	2011	2012	2013	2014	2015 outlook	2016 outlook
<b>World Total</b>	<b>3.0</b>	<b>-0.5</b>	<b>5.3</b>	<b>3.9</b>	<b>3.4</b>	<b>3.4</b>	<b>(3.4) 3.4</b>	<b>(3.3) 3.1</b>	<b>(3.8) 3.6</b>
Developed Countries	0.5	-3.4	3.2	1.7	1.2	1.4	(1.8) 1.8	(2.1) 2.0	(2.4) 2.2
USA	0.4	-2.6	3.0	1.8	2.3	2.2	(2.4) 2.4	(2.5) 2.6	(3.0) 2.8
EU27	0.6	-4.1	1.9	1.5	-0.7	-0.4	(0.8) 0.9	(1.5) 1.5	(1.7) 1.6
Japan	-1.2	-6.3	4.4	-0.6	1.5	1.6	(-0.1) -0.1	(0.8) 0.6	(1.2) 1.0
Developing Countries	6.1	2.7	7.5	6.2	5.1	5.0	(4.6) 4.6	(4.2) 4.0	(4.7) 4.5
China	9.6	9.2	10.4	9.3	7.7	7.7	(7.4) 7.3	(6.8) 6.8	(6.3) 6.3
India	7.3	6.8	10.6	6.3	4.7	6.9	(7.3) 7.3	(7.5) 7.3	(7.5) 7.5
ASEAN5 <sup>*1</sup>	4.7	1.7	7.0	4.5	6.2	5.1	(4.6) 4.6	(4.7) 4.6	(5.1) 4.9
Russia	5.6	-7.8	4.3	4.3	3.4	1.3	(0.6) 0.6	(-3.4) -3.8	(0.2) -0.6
Brazil	5.1	-0.6	7.5	2.7	1.0	2.7	(0.1) 0.1	(-1.5) -3.0	(0.7) -1.0

\* ASEAN 5 : Thailand, Malaysia, Indonesia, Philippines, Vietnam

(Source : IMF)



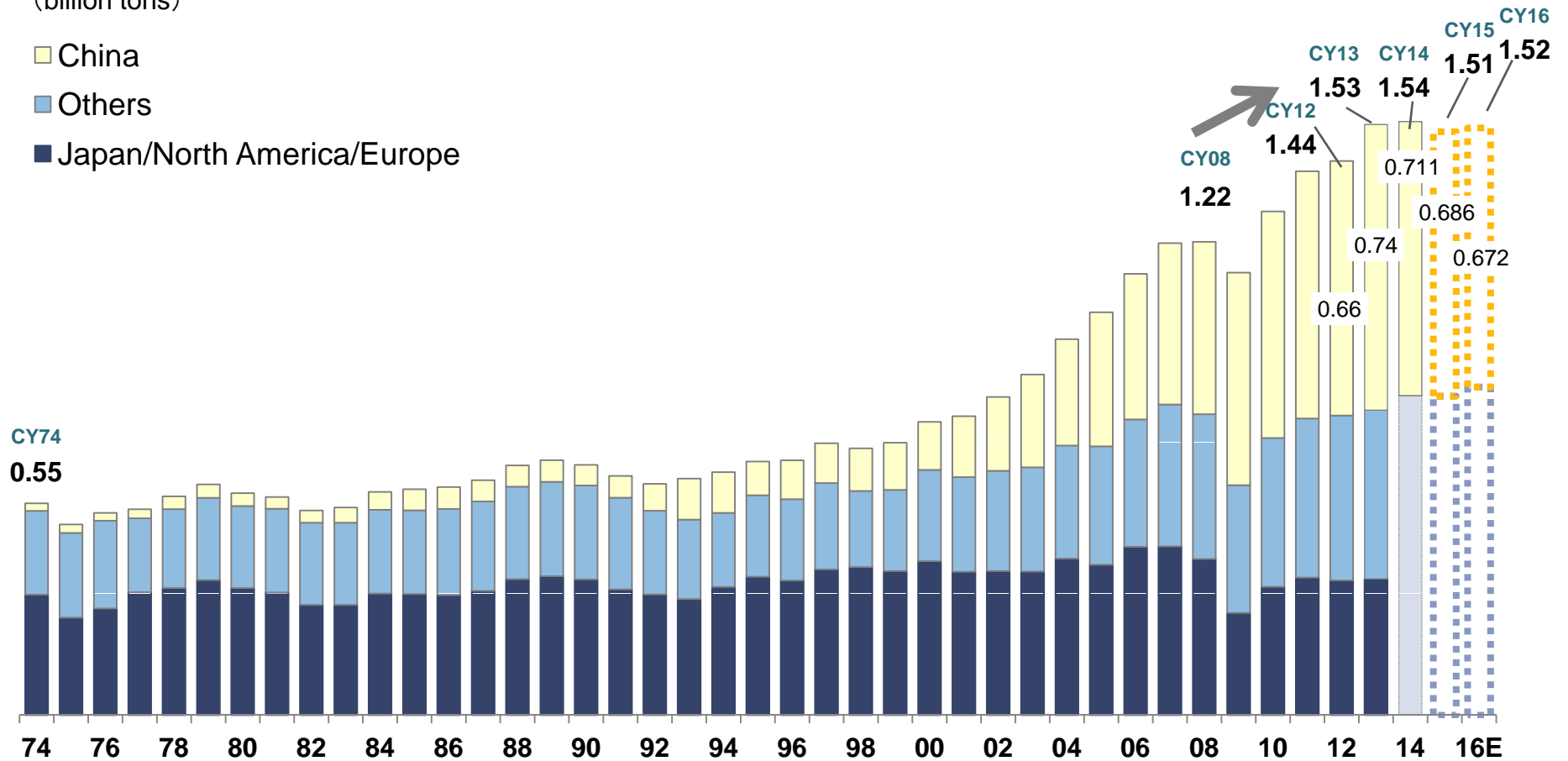
# Worldwide Steel Demand

\* (Source: WSA, Apparent finished steel consumption released in October 12, 2015)

<b>Worldwide Total</b>	<CY12> <b>1.44</b>	→	<CY13> <b>1.53</b>	→	<CY14> <b>1.54*</b>	→	<CY15(E)> <b>1.51*</b>	→	<CY16(E)> <b>1.52</b> bn tons
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(billion tons)

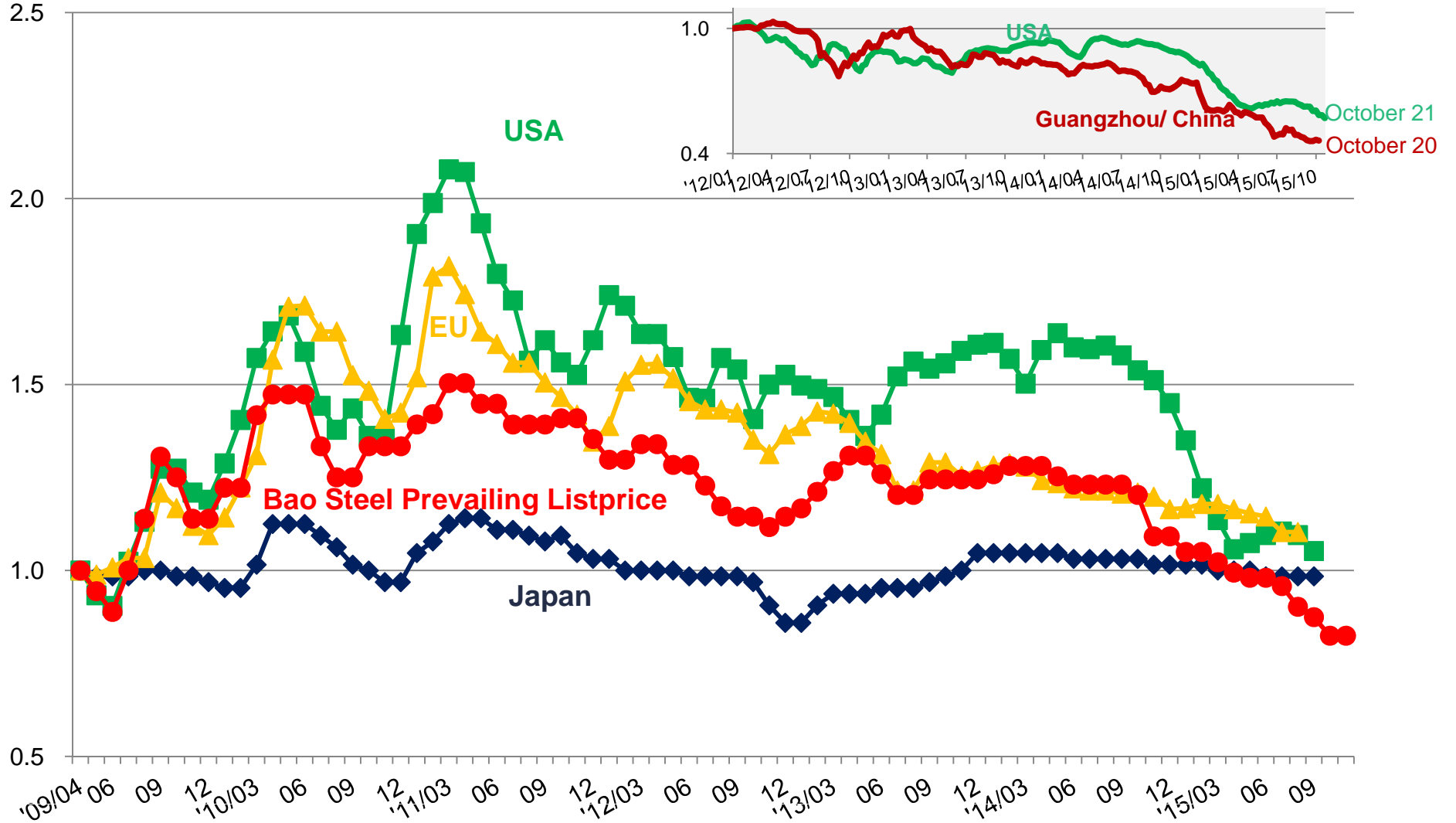
- China
- Others
- Japan/North America/Europe



# Hot Rolled Sheets Prices by Region

( Prices of Hot Rolled Sheets in Local Currency as of Apr. 2009=1.0 )

Cf.) The Latest Spot Prices of Hot Rolled Sheets

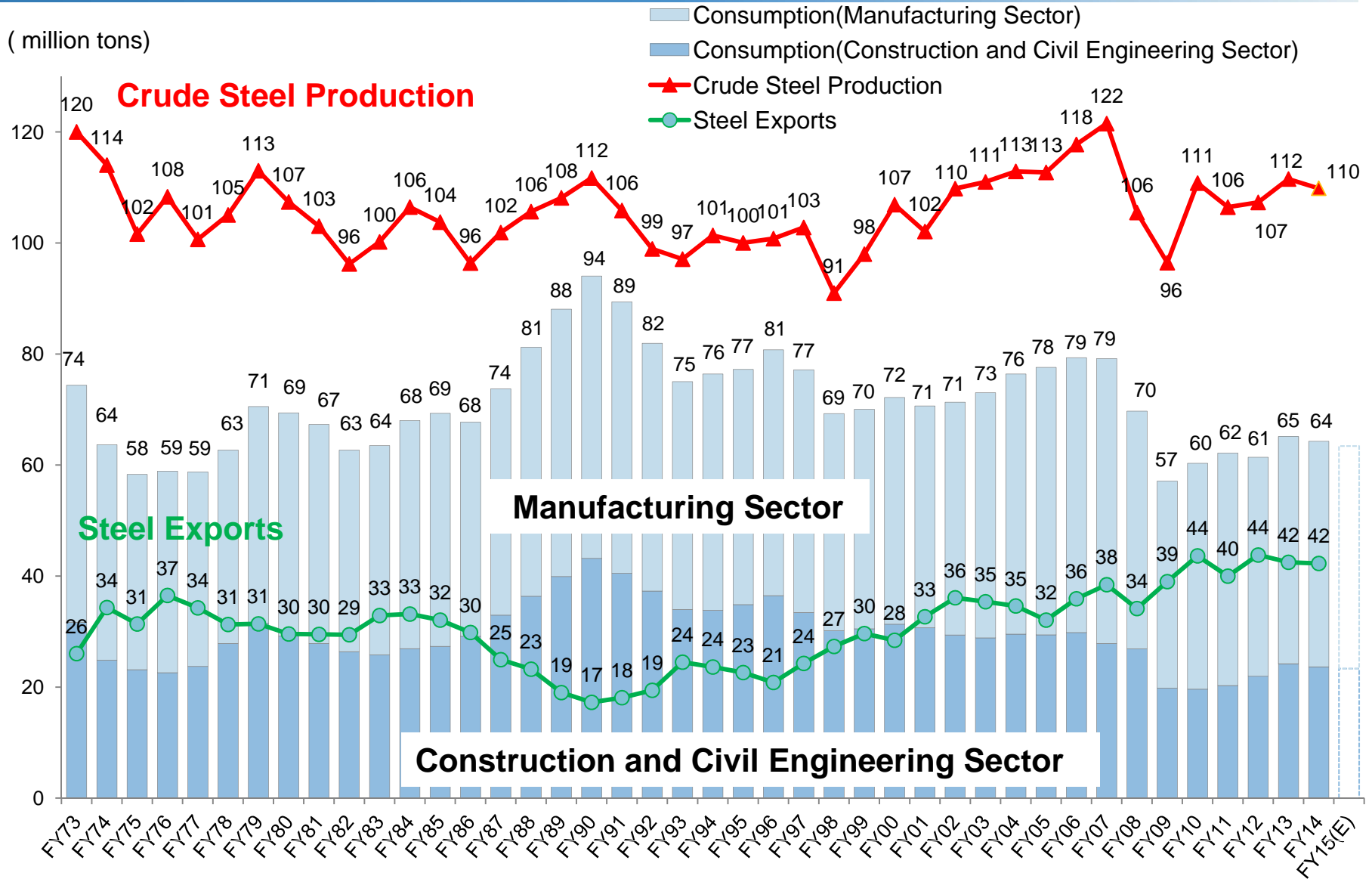


( Source : The Japan Iron and Steel Federation )





# Domestic Steel Consumption Trend – Long Term

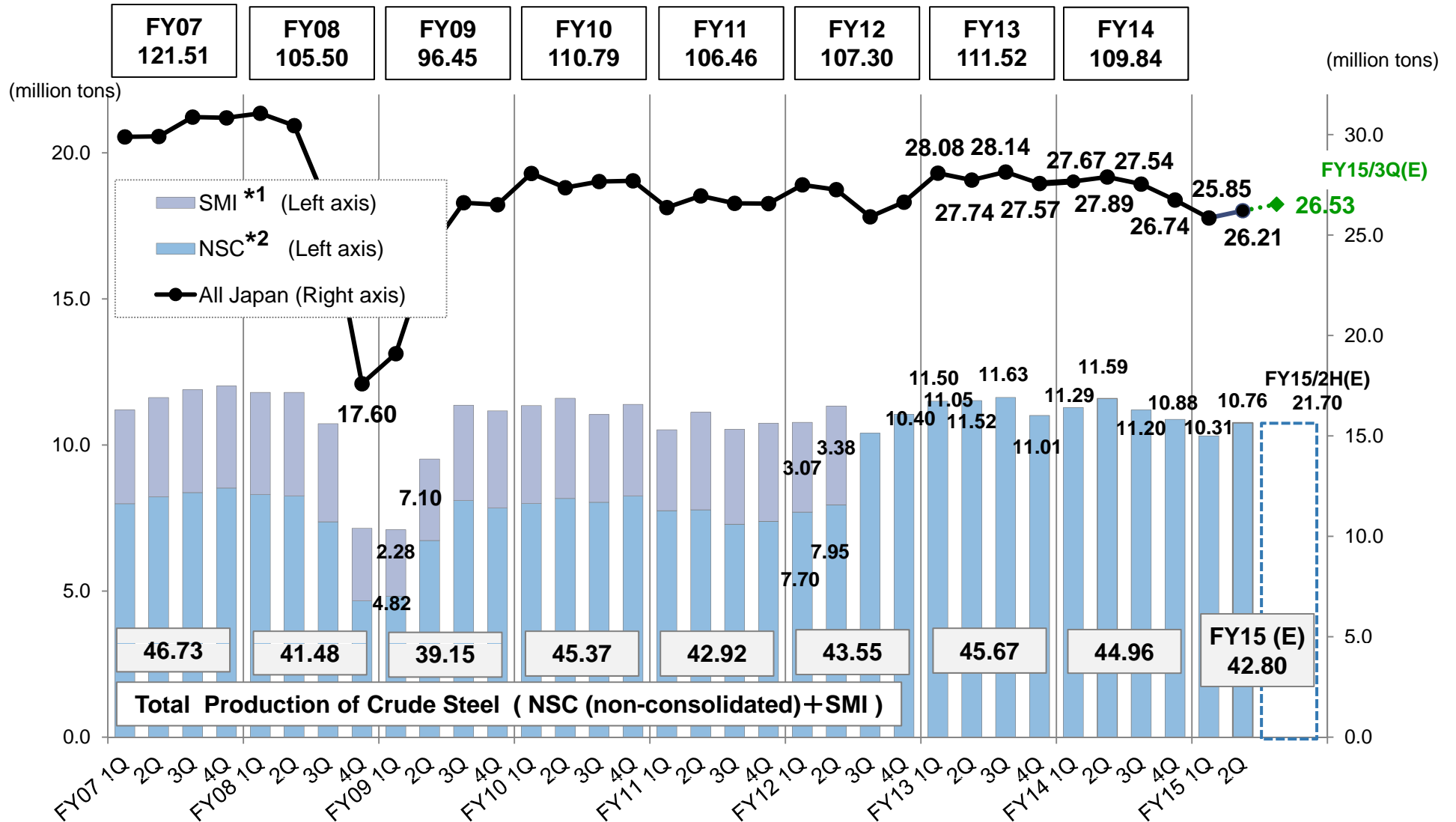


( Source : JISF Steel Consumption/ NSSMC est.)

# Domestic Crude Steel Production

All Japan (million tons)

(Domestic Crude Steel Production of 3Q (E), FY15 released by METI on October 5, 2015)



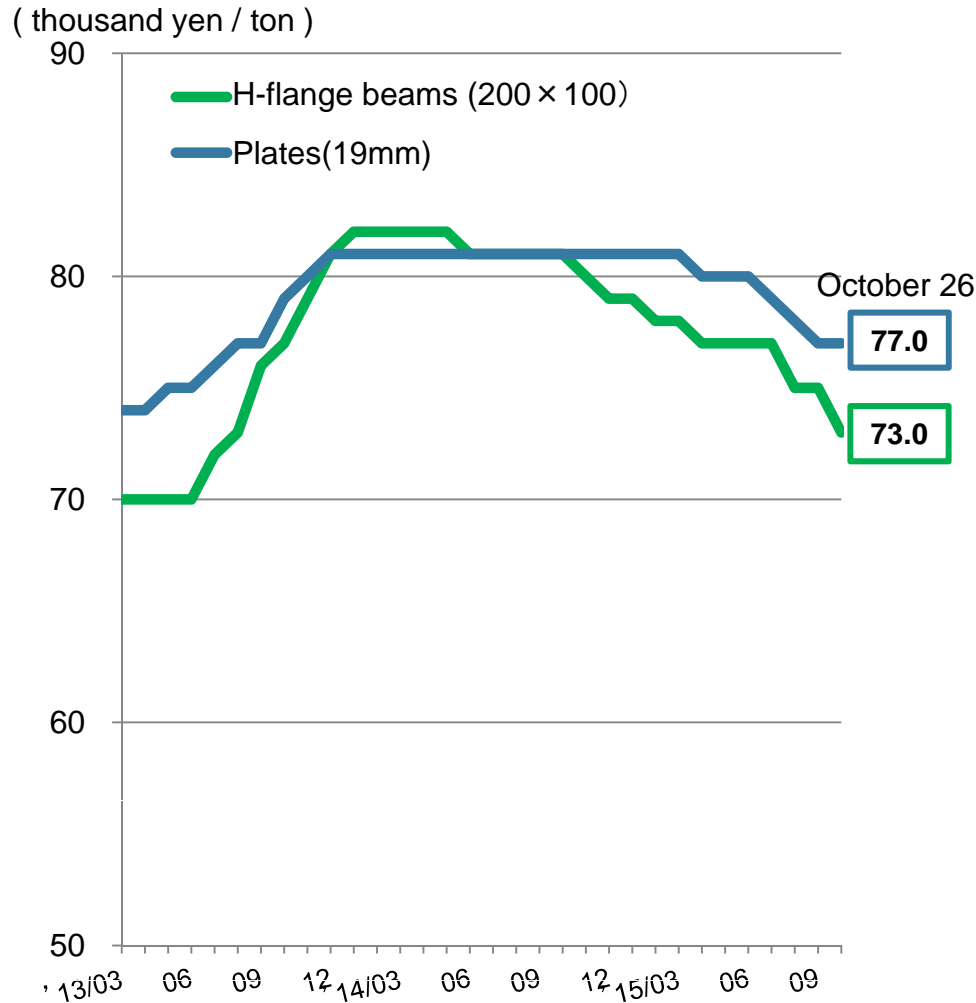
\*1 Includes Sumitomo Metals(Kokura), Sumitomo Metals(Naoetsu) and Sumikin Iron & Steel Co.

\*2 Includes NIPPON STEEL & SUMIKIN KOUTETSU WAKAYAMA CORP

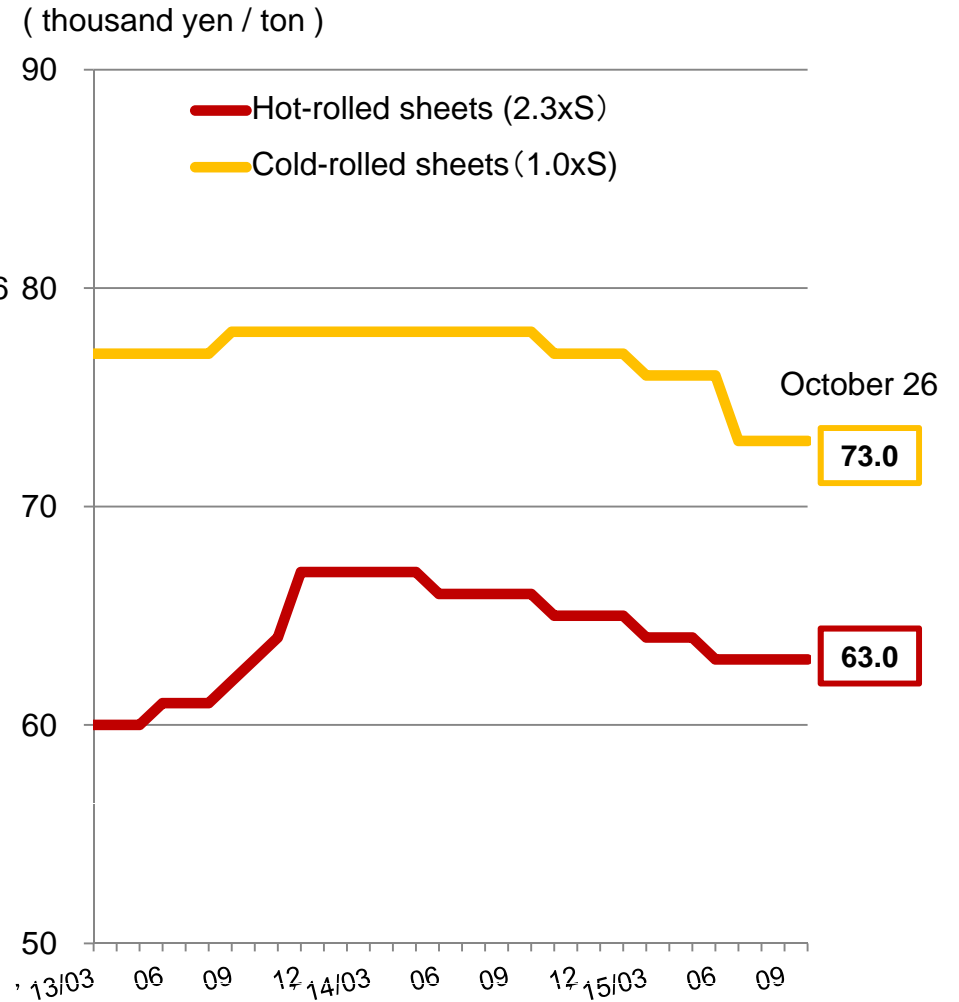


# Domestic Steel Products Prices

## Plates & H-flange beams



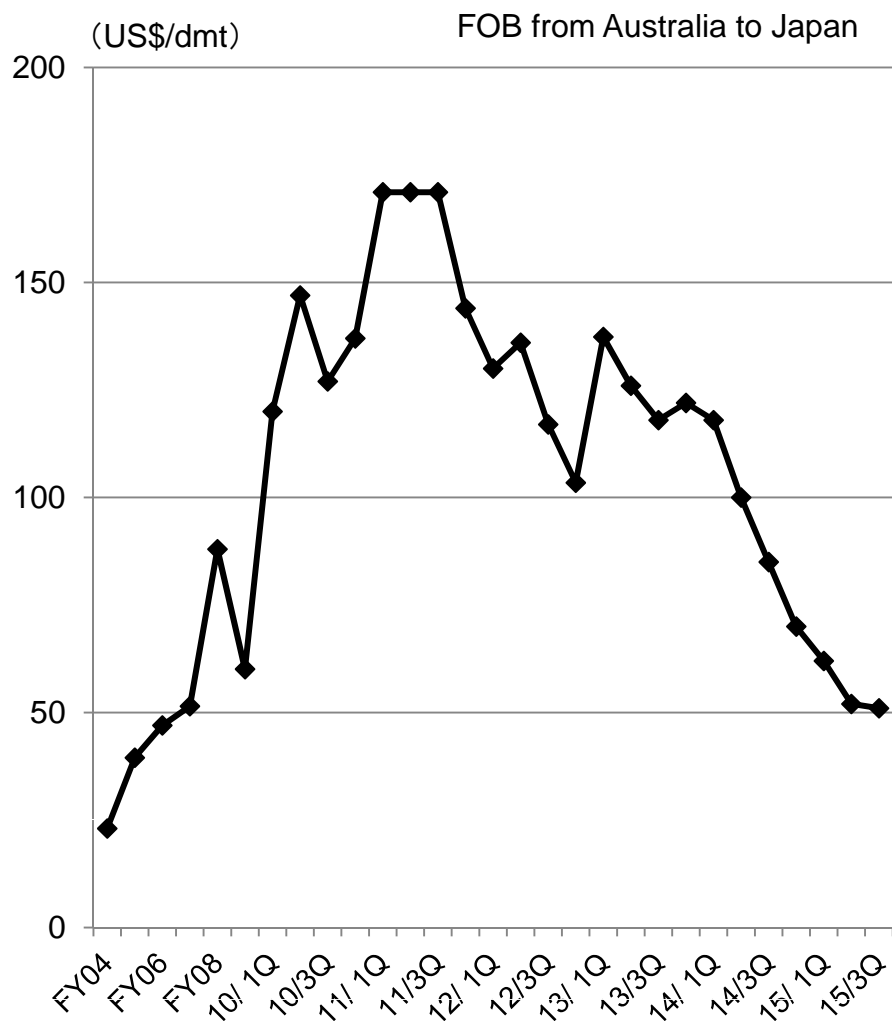
## Hot-rolled sheets & Cold-rolled sheets



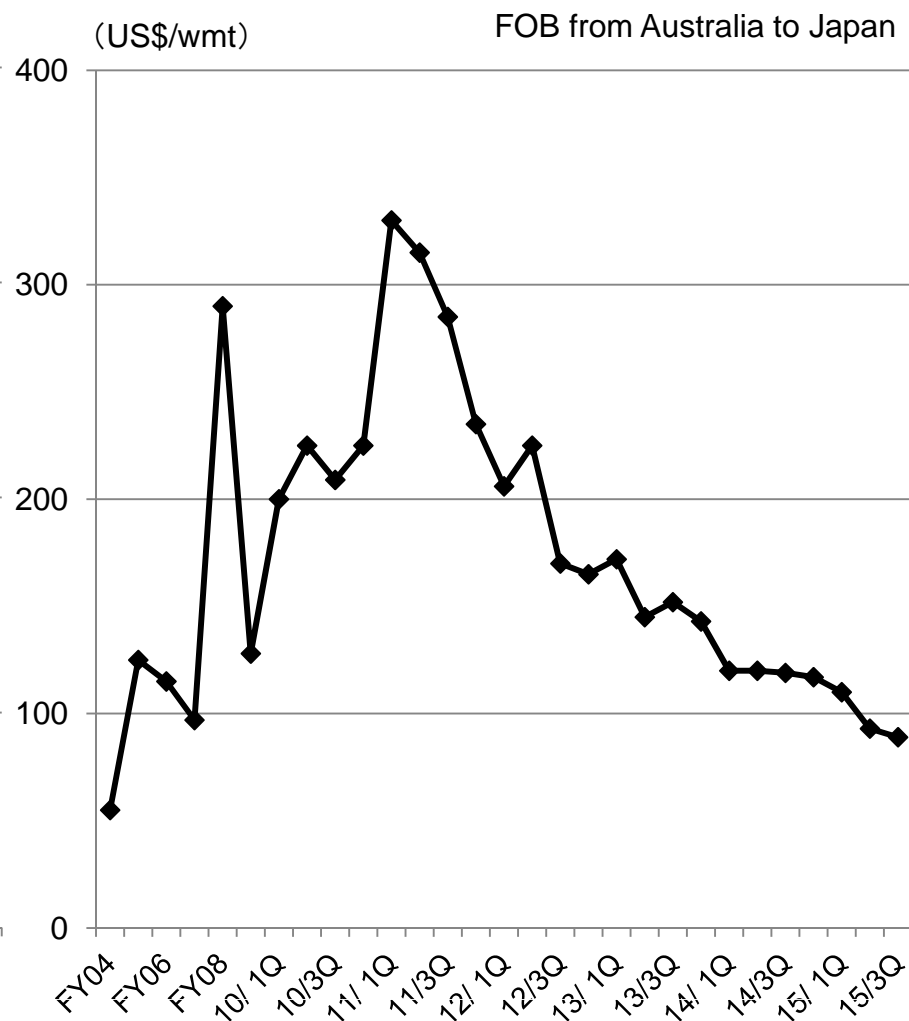


# Iron Ore & Coking Coal Prices

## Iron Ore (Fine)

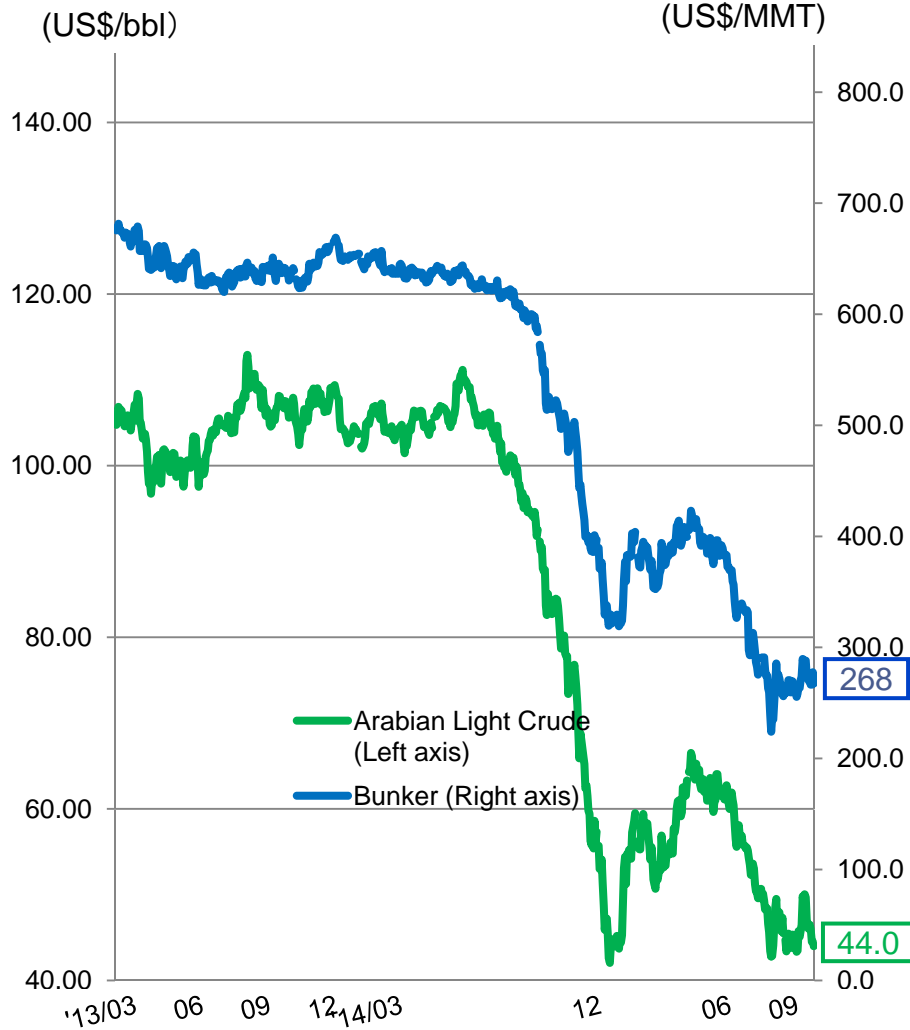


## Hard Coking Coal

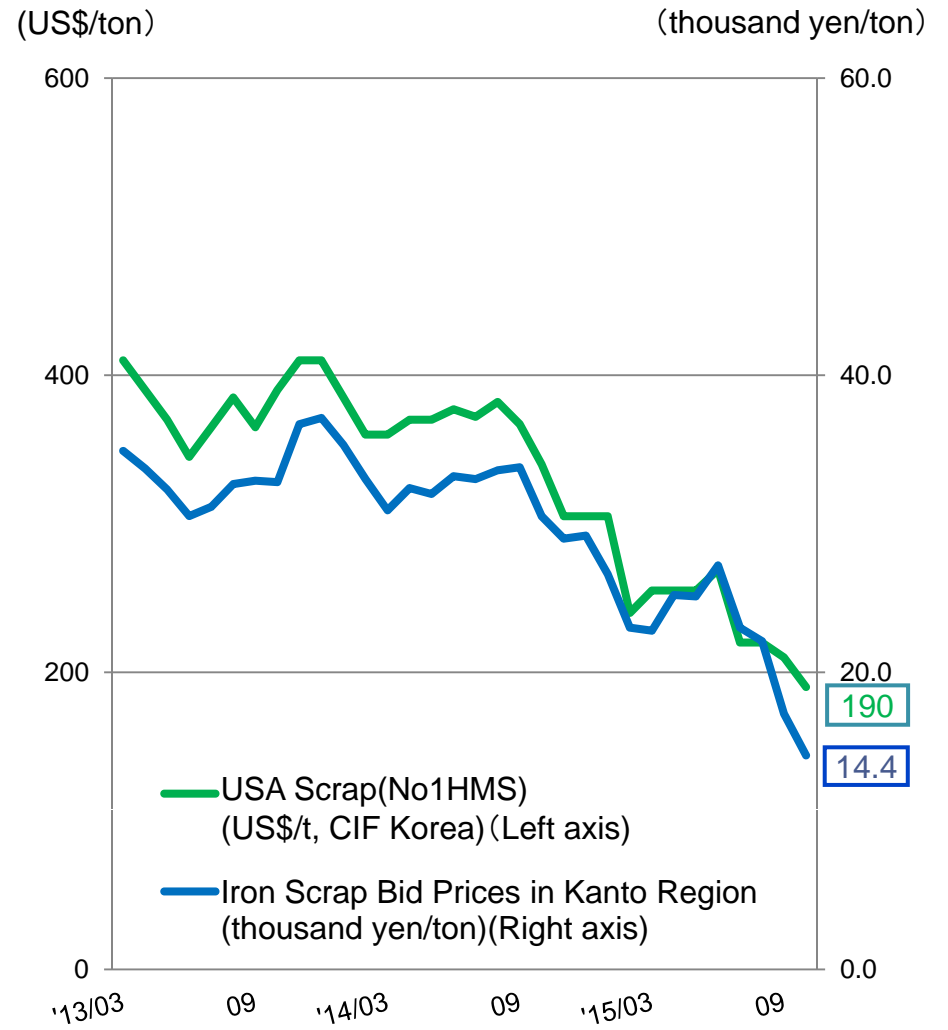


# Market Trends <Crude Oil & Scrap>

## Crude Oil



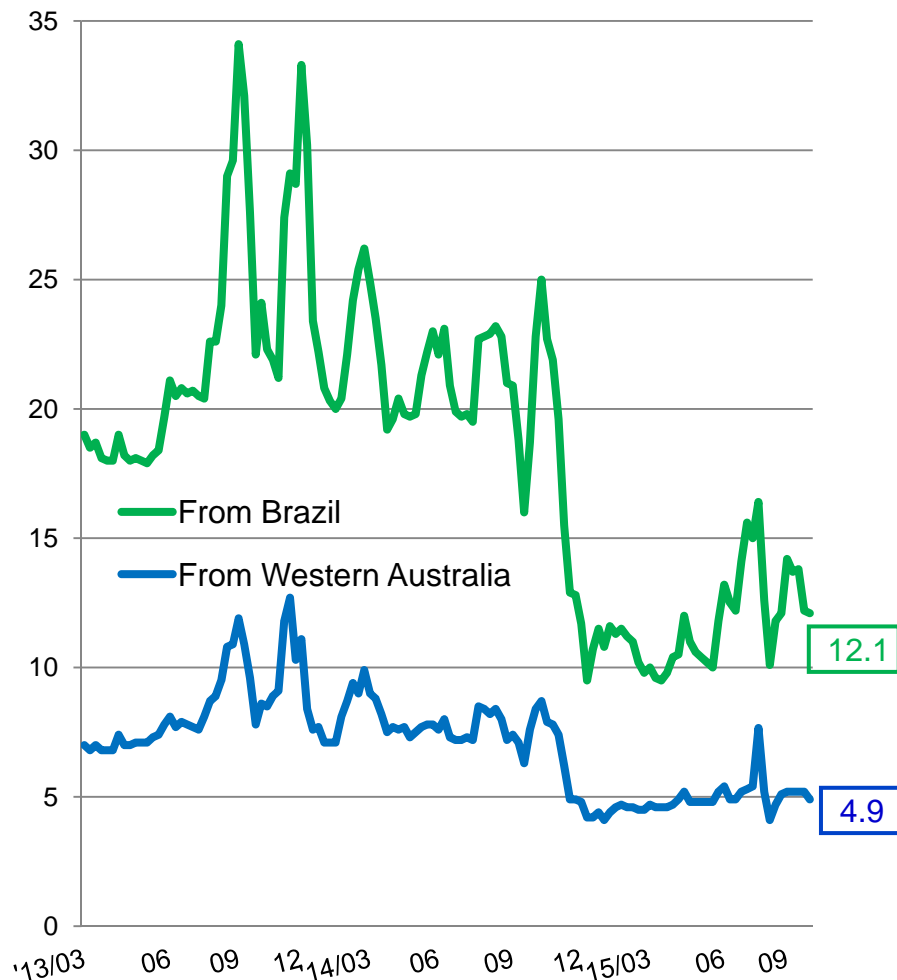
## Scrap



# Market Trends < Freight & Mold Pig Iron >

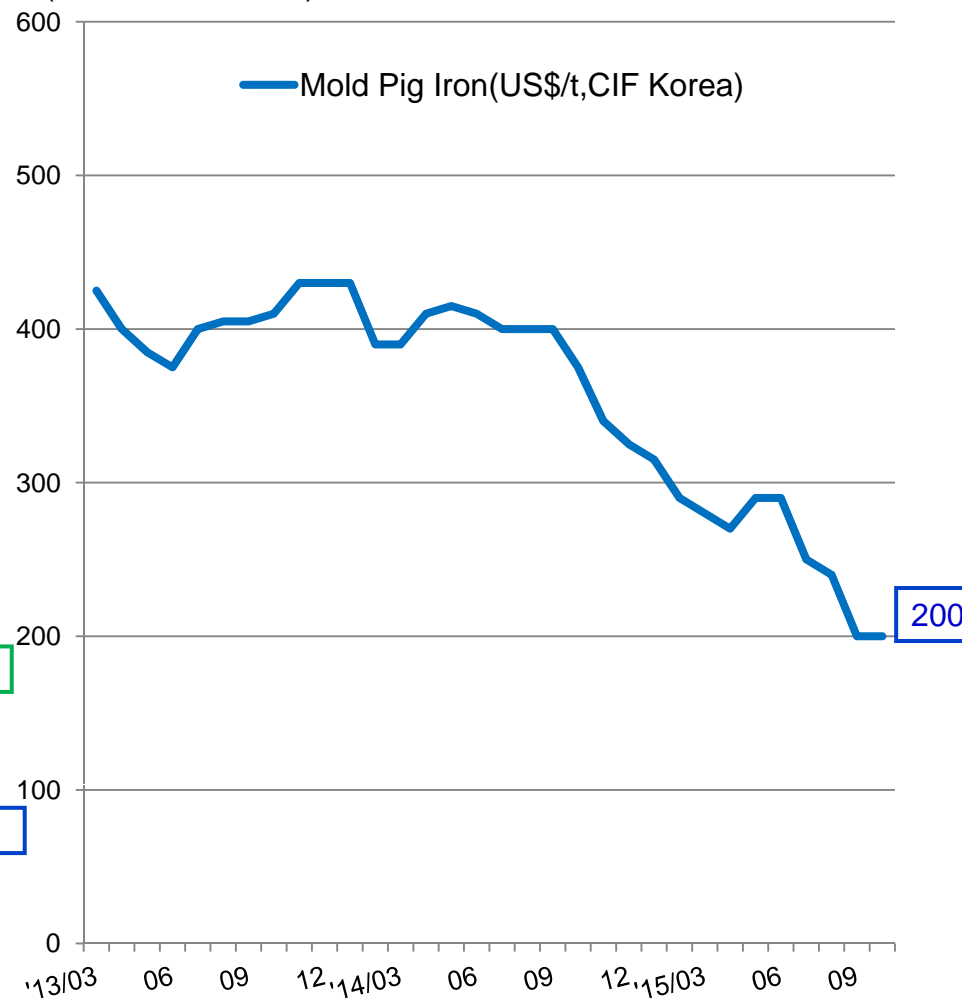
## Freight

(US\$/WMT, Cape size 170 thousand tons hull form)

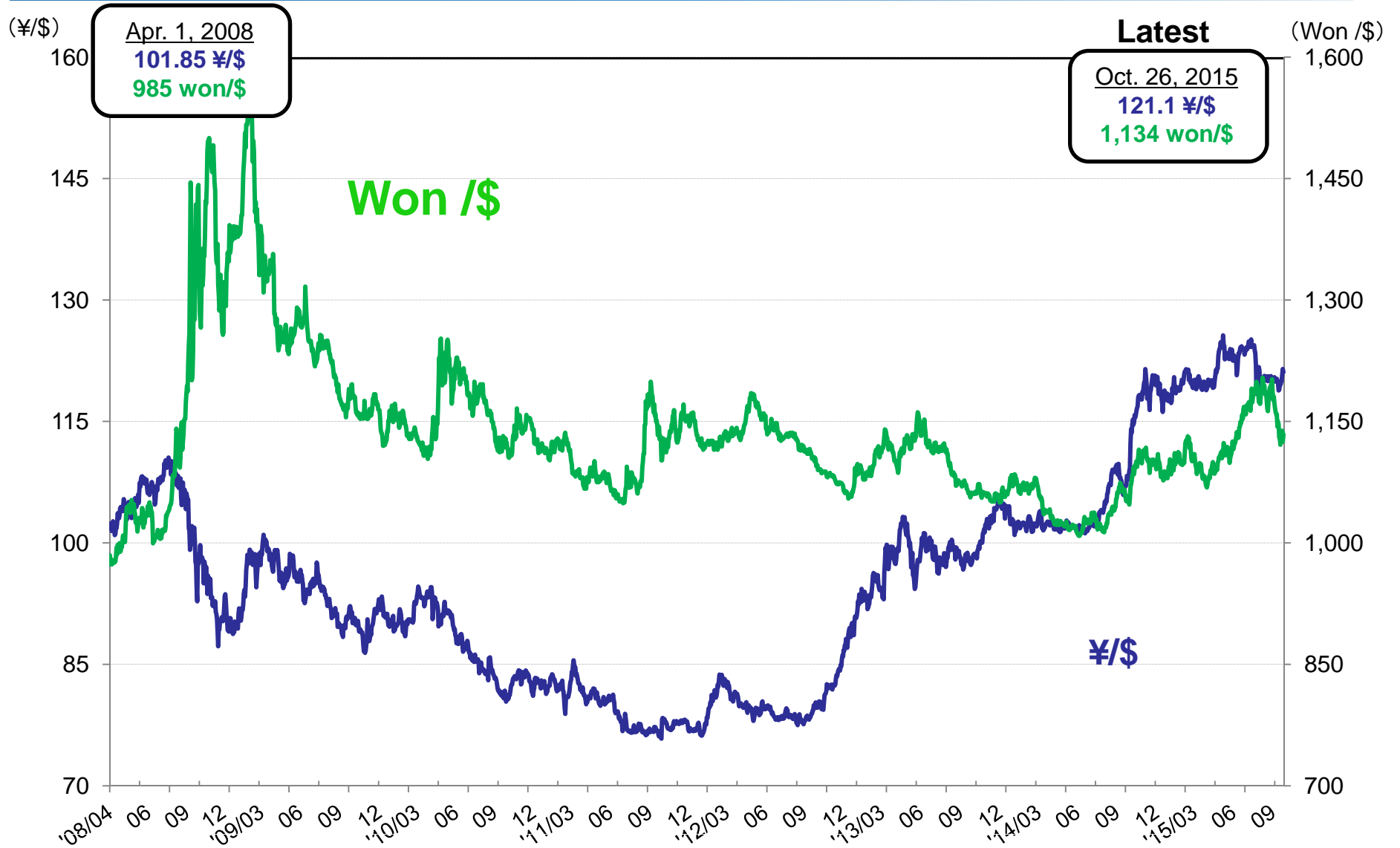


## Mold Pig Iron

(US\$/T, CIF Korea)



# FOREX Trend





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