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NSSMY: ADR (US)



**NIPPON STEEL &
SUMITOMO METAL
CORPORATION**

Second Quarter FY2016 Earnings Summary

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Managing Executive Officer

November 1st, 2016

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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Agenda

1. **FY2016 1H Results & Full Year Forecast**
2. **Progress in Mid-term Management Plan**
3. **Business in Brazil**
4. **Appendix**

1. FY2016 1H Results & Full Year Forecast

Overview: FY2016 1H Results & Full Year Forecast

Business Environment

- **Domestic Steel Demand: [1H]** Decreased on YoY basis due to Kumamoto earthquake & delayed recovery of construction demand. / **[2H]** Expect recovery slowly but steadily along with autos & construction demand increase.
- **Overseas Steel Demand:** Seems to bottom out in China. Firm increase in ASEAN & India. Surge of coking coal prices is expected to be reflected in steel market prices hereafter.

Our Approach

- **Mother Mills:** Started up Kashima 1F & Kimitsu 4A coke ovens in Aug. Kimitsu 4B coke oven will operate in Jan., 2017.
- **Overseas Bases: [SUS & NSGT]** Integrated into NS-SUS (Sep. 1)
 - [NSBS] Decided to install No.3 metal coating line (announced on Sep. 15),
 - [AGIS] Started commercial production of 2CGL (announced on Oct. 11)
 - [VSB & VBR] Integrated into VSB (Oct. 1) cf. p34
 - [Usiminas] Consummated debt restructuring (Sep. 12) cf.33
- **Cost Reduction:** Aim at ¥60bn. or more (FY2015 → FY2016).
- **Announced to raise prices of each products as a result of soaring coking coal prices.**

Financial Highlights

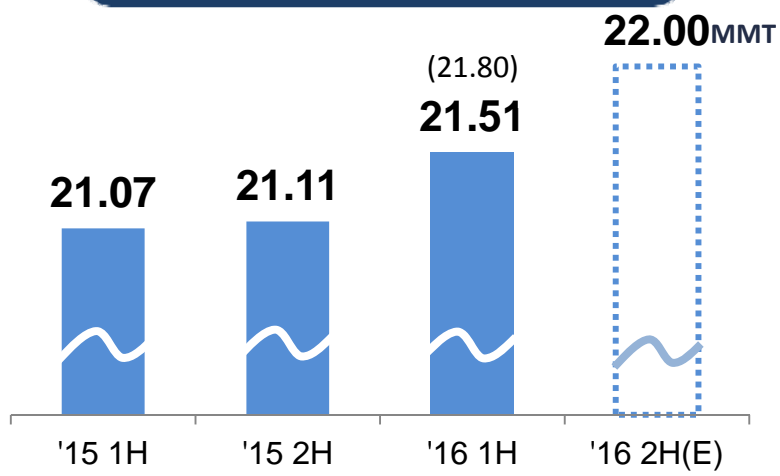
	FY2016 1H	FY2016 (E)
Ordinary Profit (bn ¥)	28.0	130.0 [EPS 12.4 ¥/share]
Net Profit (bn ¥) *	11.0	60.0 [EPS 68.0 ¥/share]

* Profit attributable to owners of parent

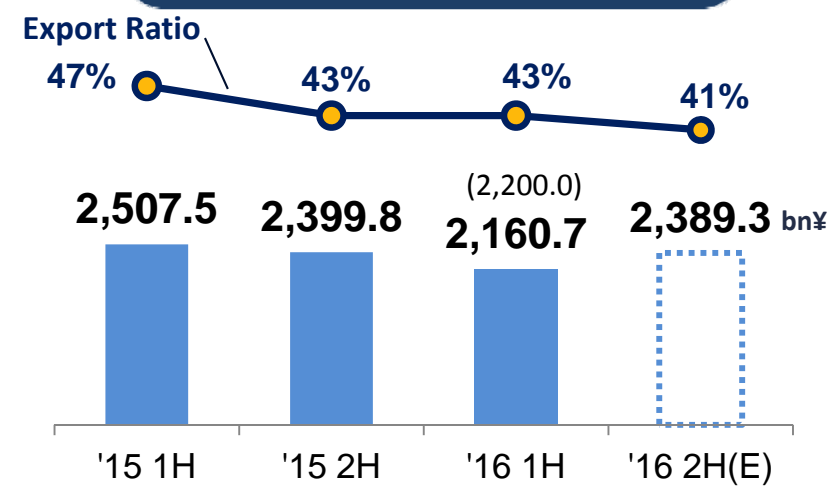


Key Indicators: FY2016 1H Results & Full Year Forecast

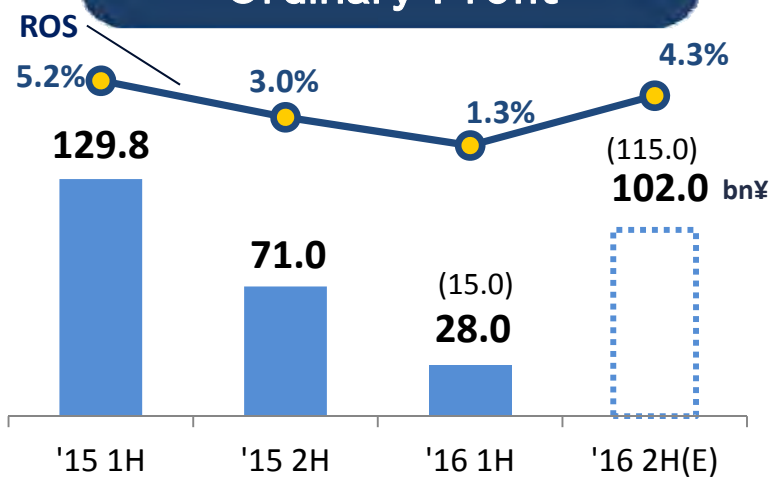
Crude Steel Production



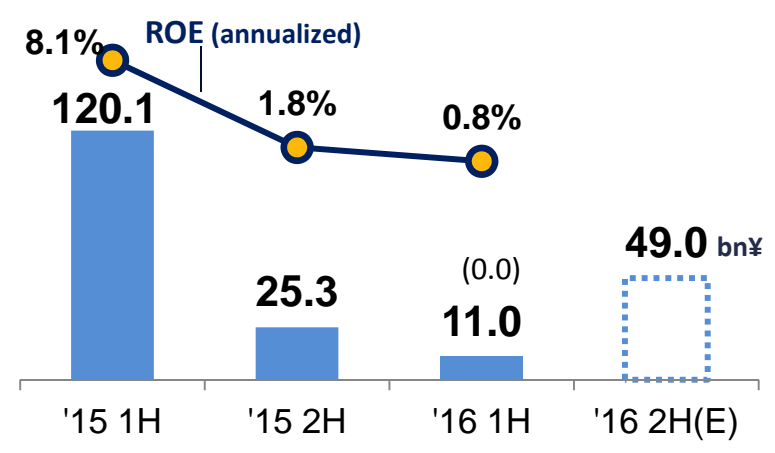
Sales



Ordinary Profit



Net Income *2



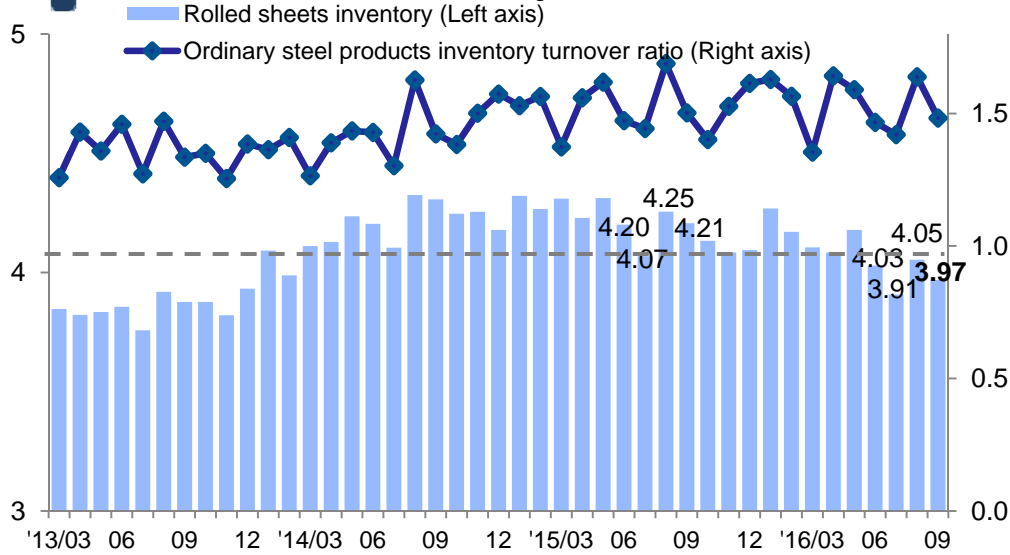
*1 Figures in parentheses: Forecast as of July 28.

*2 Profit attribute to owners of parent

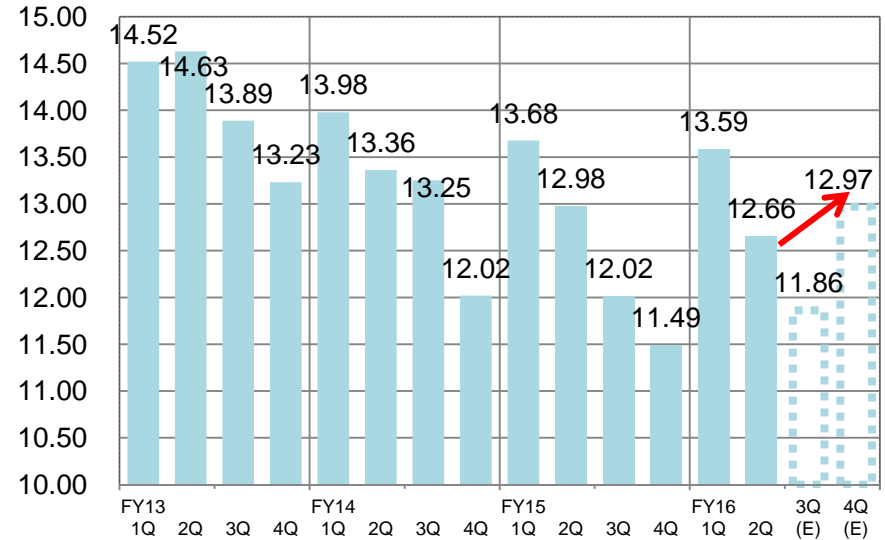


Business Environment in Japan

Rolled Sheets Inventory* (MMT)

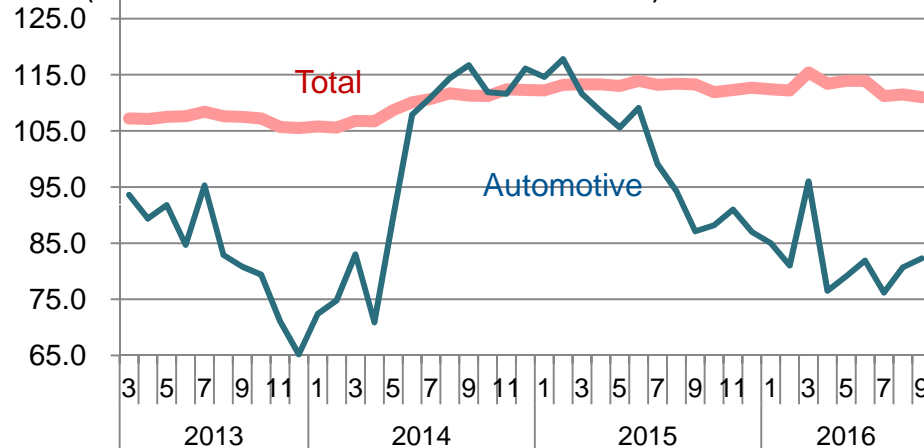


Non-Residential Construction Starts (million m²)

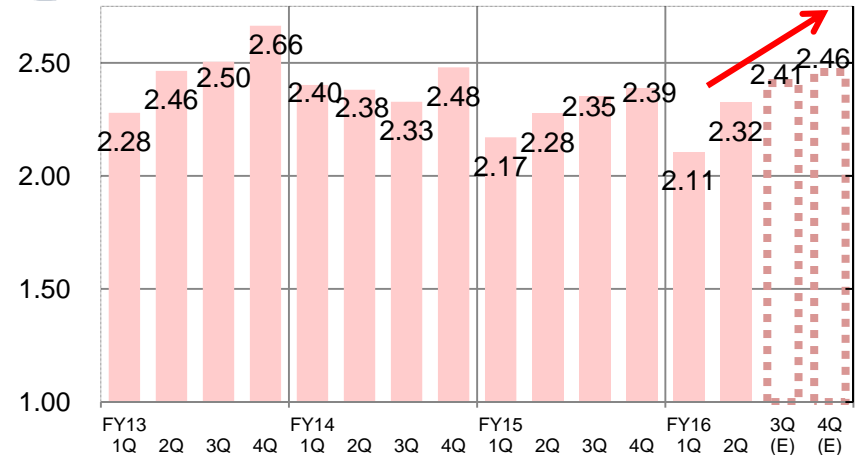


Index of Industrial Inventories

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



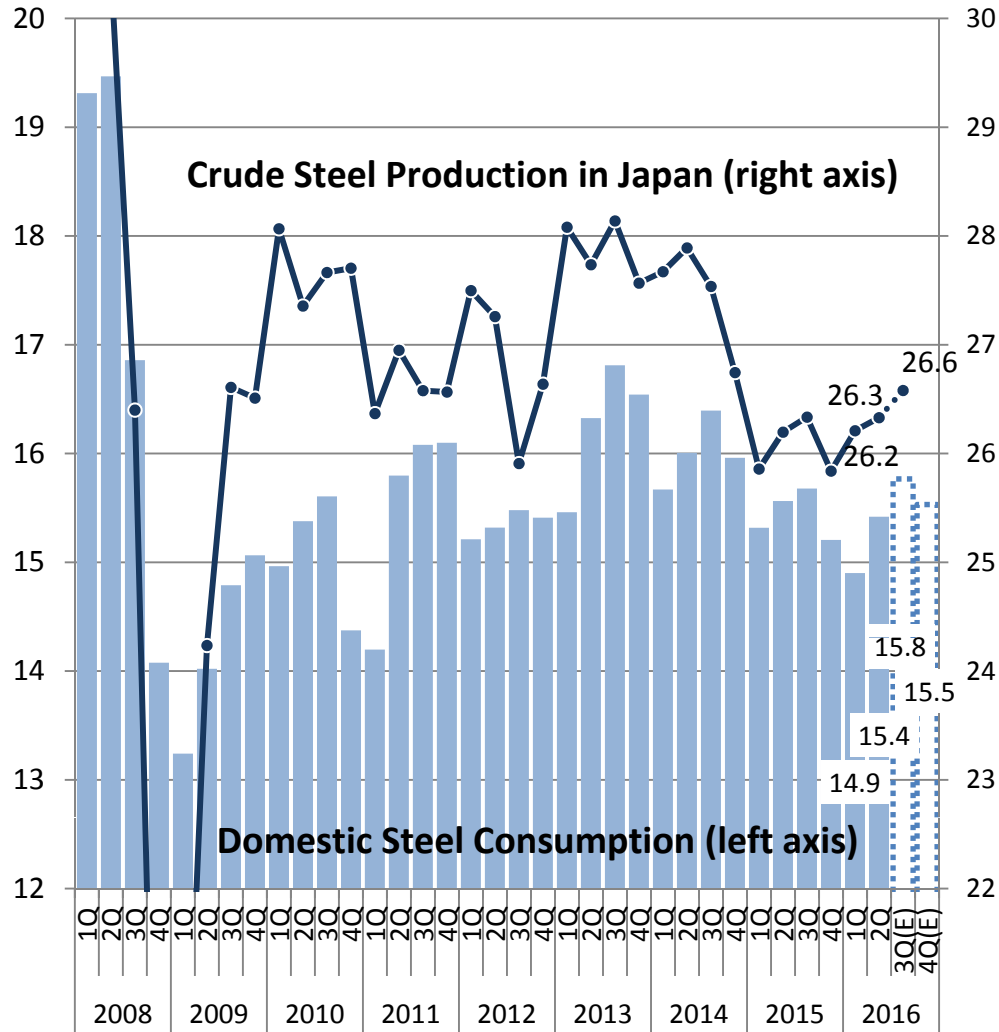
Finished Auto Production (million units)



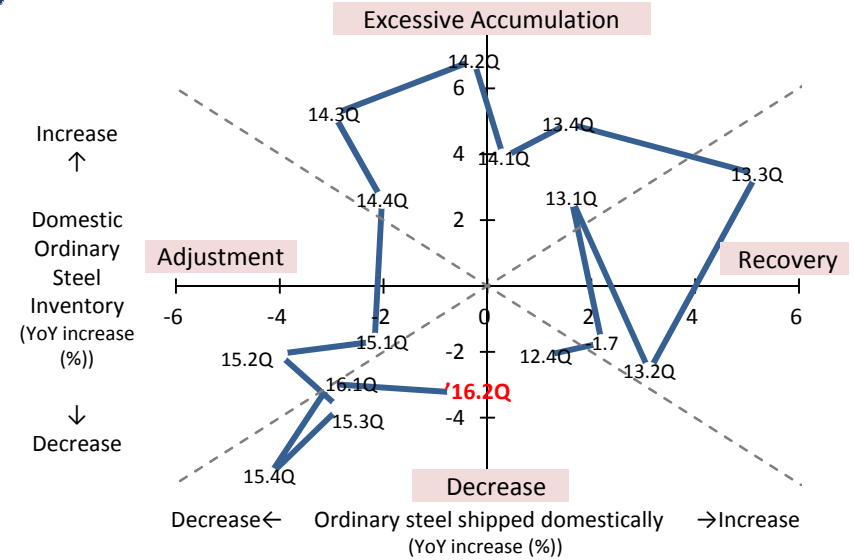
* Hot-rolled, Cold-rolled and Coated sheets

Business Environment in Japan

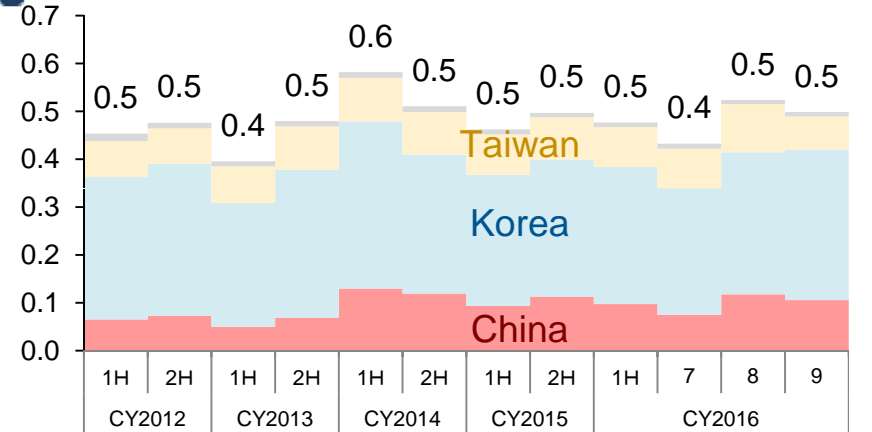
Domestic Steel Consumption (MMT/Q)



Domestic Steel Inventory Cycle

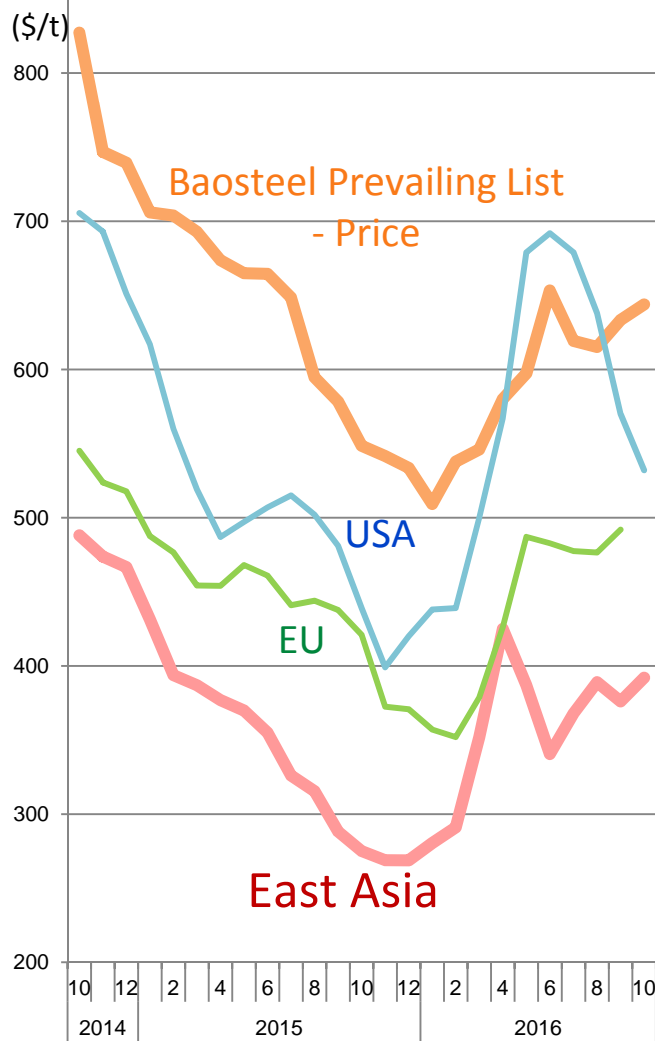


Japan's Steel Imports by Region (MMT/Month)

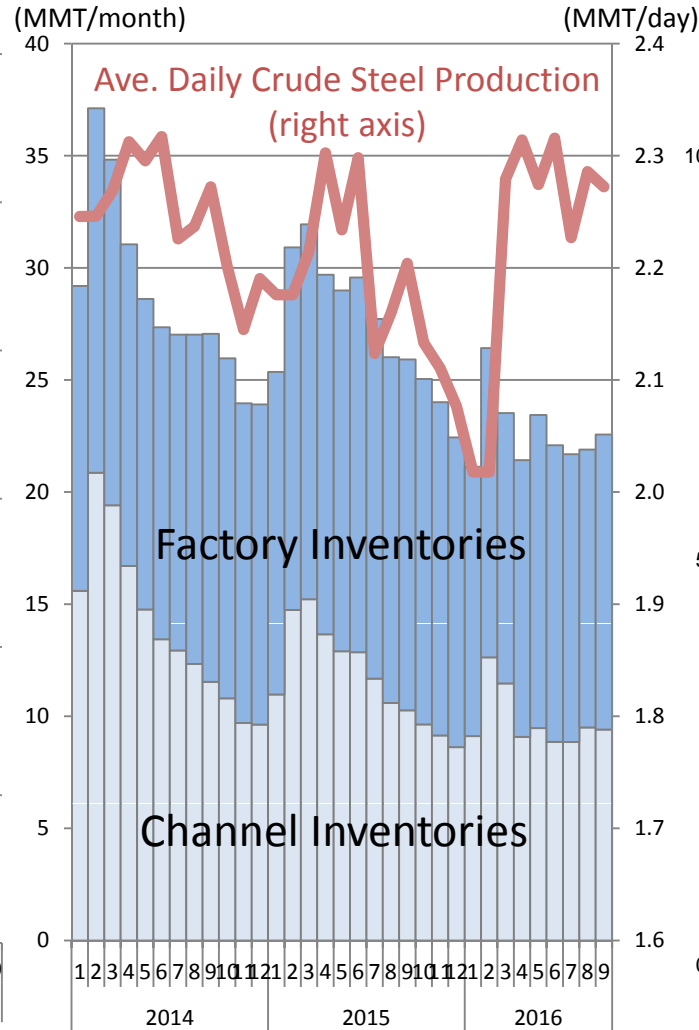


Business Environment Overseas

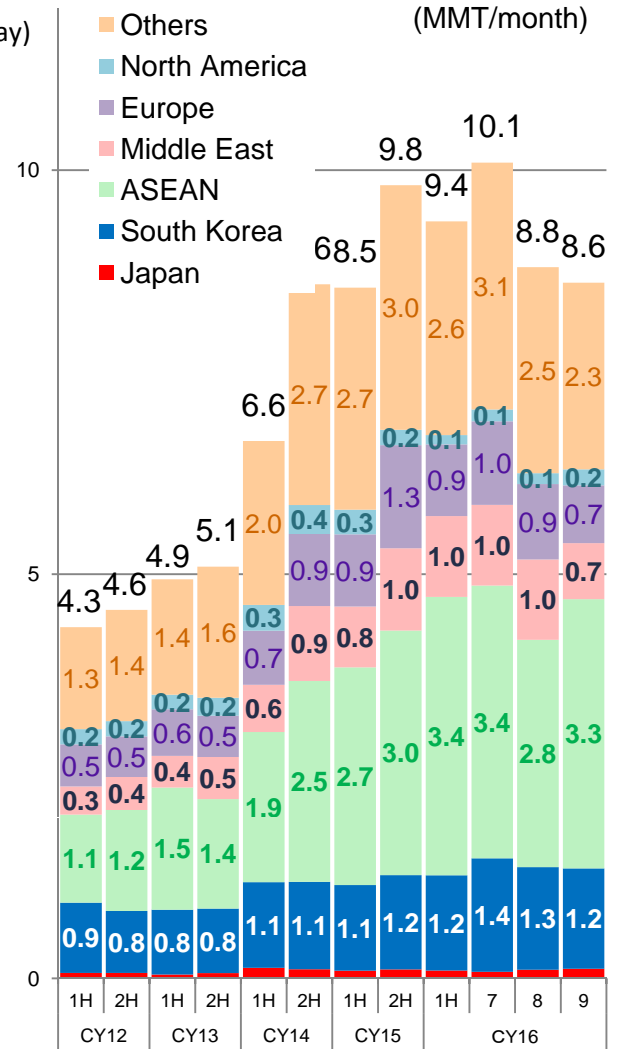
Hot Rolled Sheets Prices by Region



Crude Steel Production & Inventories in China



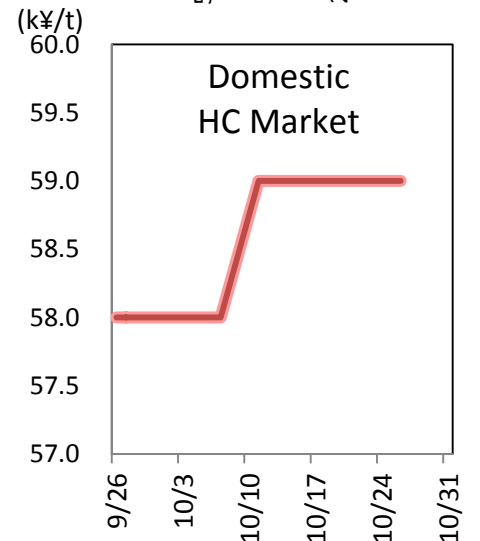
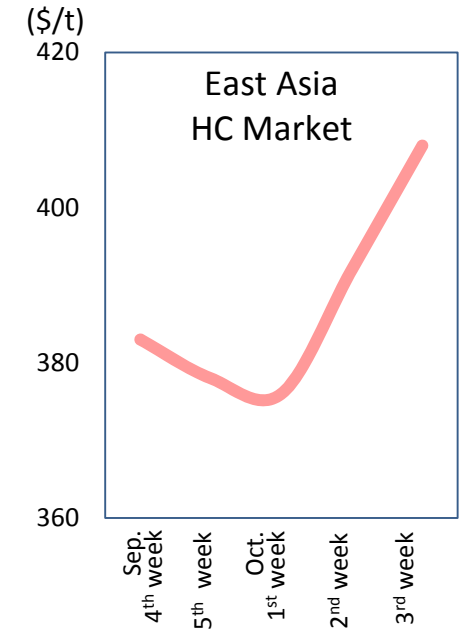
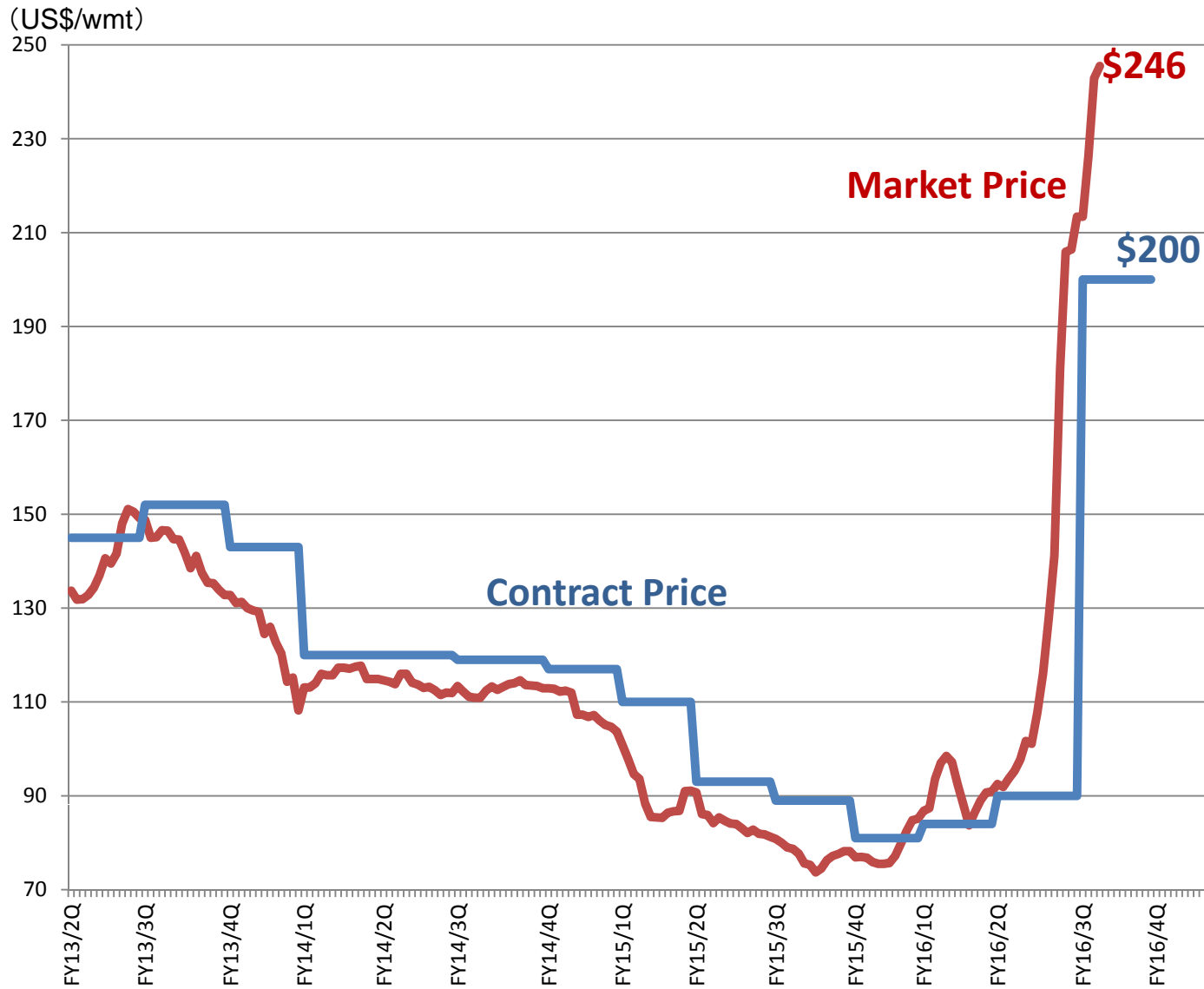
China's Export by Region



(Source: CISA, MYSTEEL)



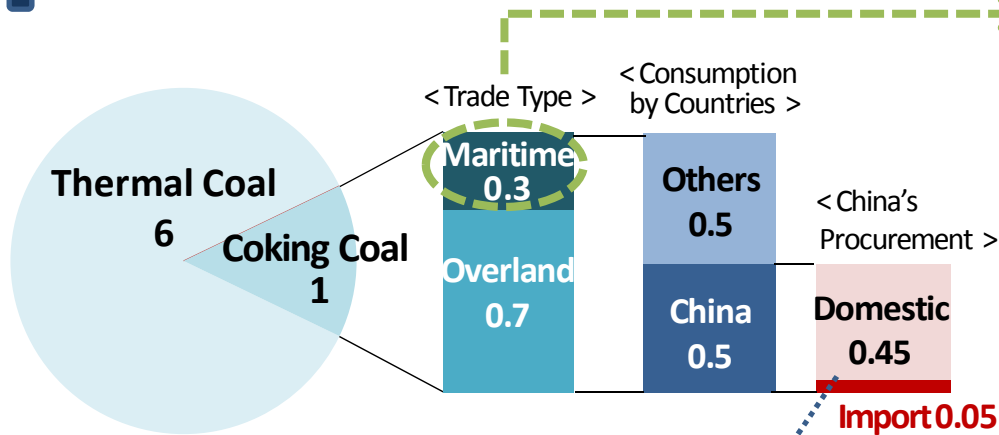
Hard Coking Coal Prices



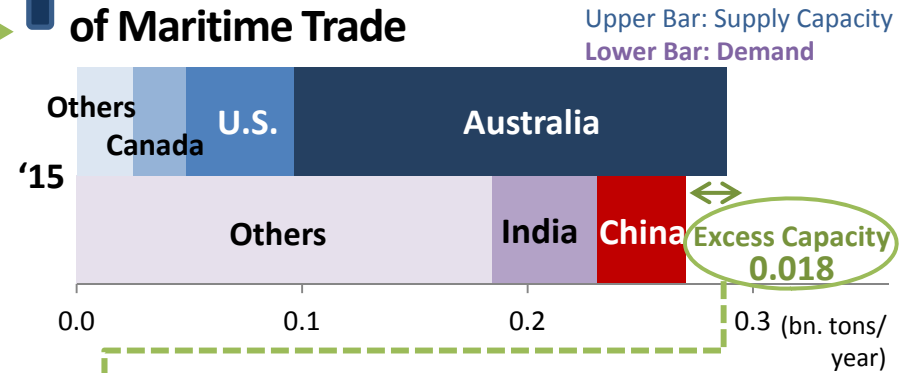
(Source: Bloomberg)

Coking Coal Supply-Demand Balance

Break Down of Coal Consumption (bn. tons/year)

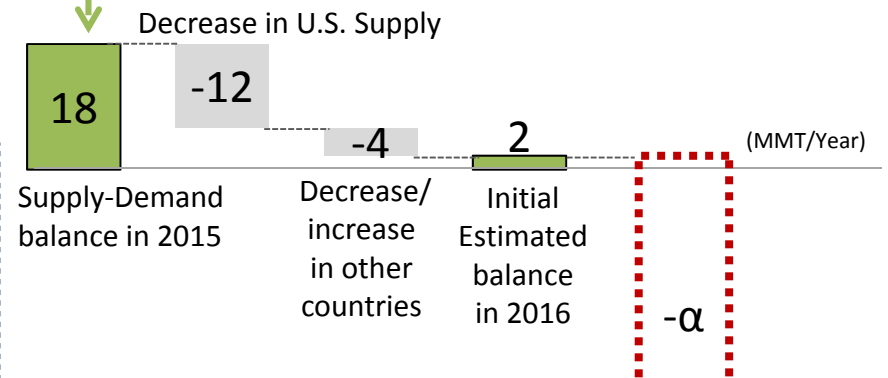


Coking Coal Supply-Demand Balance of Maritime Trade



Chinese Government's Regulation on Coal Mine Operations:

330-day → 276-day limit (-54 days/year) ÷ 16% decrease
 ↓
 Chinese domestic consumption of coking coal approx. 0.45bn. tons * 16%
 ÷ **max. 0.07bn. tons** on annual basis is calculated to be short supply.



Chinese gov's coal production regulation
(up to 70 mil. tons on annual basis)

Heavy rain in China, mine's collapse in Australia, etc. **-β**

Change Factors in 2H

- Recover from supply shortage caused by one-time factors (heavy rain in China & mine's collapse in Australia. (Jul.-Oct., 2016))
- Supply shortage due to heavy seasonal rain forecast in Australia. (Jan.-Mar., 2017)
- Increase in China's imports of coking coal after using up inventories.

Key Indicators of Demand

[Domestic]	FY15					FY16						Change			
	1Q	2Q	1H	2H		*2 1Q	*2 2Q	*1 1H[E]	*2 1H	*2 2H[E]	*2 [E]	15/1H vs. 16/1H	16/1H[E] vs. 16/1H	16/1H vs. 16/2H[E]	FY15 vs. FY16[E]
Housing Starts (million houses)	0.24	0.24	0.47	0.45	0.92	0.25	0.25	[0.46]	0.48	0.44	0.92	+0.01	+0.02	-0.04	+0.00
Non-residential Construction Starts (million m ³)	13.68	12.98	26.66	23.51	50.17	13.59	13.20	[24.55]	26.24	24.83	51.08	-0.41	+1.69	-1.41	+0.91
Public Works Orders (¥ in billion)	1,808	2,891	4,699	5,444	10,142	1,904	2,778	[4,567]	4,682	5,233	9,915	-17	+115	+551	-228
Finished Auto Production (million units)	2.17	2.28	4.45	4.74	9.19	2.11	2.31	[4.41]	4.43	4.87	9.30	-0.02	+0.03	+0.44	+0.11
Export of Finished Auto (million units)	1.07	1.16	2.23	2.35	4.58	1.08	1.18	[2.31]	2.31	2.48	4.79	+0.08	+0.00	+0.17	+0.21
Overseas Auto Production (8 Japanese car makers) (million units)	4.43	4.34	8.77	9.07	17.84	4.62	4.56		9.18			+0.41			
Large & Middle sized Shovel Production (thousand units)	16	16	32	31	63	15	14	[26]	30	29	59	-2	+3	-1	-3
Metal Machine Tool Production (thousand tons)	119	118	237	214	452	88	96	[216]	184	211	395	-53	-32	+27	-57
Keel-laid New Ships (m. gross tons)	3.27	3.20	6.47	6.15	12.62	3.05	3.05	[6.05]	6.10	5.83	11.93	-0.37	+0.05	-0.27	-0.69

Rig Count	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	Latest	Peak	Bottom
USA	1,089	1,546	1,875	1,919	1,761	1,862	977	485	553 (Oct. 21, '16)	2,031 (Sep. 12, '08)	404 (May. 20, '16)
Deep well (≥15,000ft)	249	249	395	324	326	354	205	117	122 (Sep. '16)	413 (Nov. '11)	98 (May. '16)
World Total (Exc. N. America, Russia & China)	997	1,094	1,167	1,234	1,296	1,337	1,167	965	934 (Sep. '16)	1,382 (Jul. '14)	927 (Jun. '16)

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

*1 Figures as of July 28, 2016

*2 Estimates as of early in Sep., 2016

Figures in blue are published on Oct. 31, 2016



Domestic Steel Consumption by Industrial Sector

12

(million tons)	FY15					FY16						Change			
	1Q	2Q	1H	2H		1Q ^{*2}	2Q ^{*2}	1H[E] ^{*1}	1H ^{*2}	2H[E] ^{*2}	2H[E] ^{*2}	15/1H VS. 16/1H	16/1H[E] VS. 16/1H	16/1H vs. 16/2H[E]	FY15 vs. FY16[E]
Crude Steel Production in Japan	25.86	26.20	52.05	52.17	104.23	26.21	26.33	[52.56]	52.54			+0.48	-0.02		
Domestic Steel Consumption (A + B)	15.32	15.56	30.88	30.88	61.77	14.90	15.42	[30.05]	30.32	31.30	61.62	-0.56	+0.27	+0.98	-0.15
<i>% for manufacturing sector</i>	63.2	62.6	62.9	62.9	62.9	62.9	63.0	[63.5]	63.0	62.6	62.8	+0.1	-0.5	-0.4	-0.2
Ordinary Steel Consumption (A)	12.20	12.40	24.59	24.58	49.17	11.78	12.21	[23.75]	23.99	24.86	48.84	-0.61	+0.24	+0.87	-0.33
Construction	5.36	5.53	10.89	10.87	21.76	5.25	5.43	[10.42]	10.67	11.14	21.81	-0.22	+0.25	+0.47	+0.04
Manufacturing	6.84	6.87	13.70	13.70	27.40	6.53	6.78	[13.32]	13.31	13.72	27.03	-0.39	-0.01	+0.41	-0.37
Shipbuilding	1.11	1.09	2.20	2.09	4.29	1.05	1.04	[2.10]	2.09	1.98	4.07	-0.11	-0.01	-0.11	-0.22
Automotive	2.61	2.71	5.32	5.46	10.78	2.55	2.72	[5.24]	5.28	5.61	10.89	-0.04	+0.04	+0.33	+0.11
Industrial Machine	1.24	1.19	2.43	2.32	4.75	1.12	1.16	[2.30]	2.28	2.34	4.62	-0.15	-0.02	+0.06	-0.13
Electronic Machine	0.73	0.73	1.46	1.45	2.91	0.69	0.72	[1.42]	1.41	1.43	2.84	-0.05	-0.01	+0.03	-0.06
Specialty Steel Consumption (B)	3.12	3.17	6.29	6.31	12.60	3.12	3.21	[6.31]	6.34	6.44	12.78	+0.05	+0.03	+0.10	+0.18
Steel Imports	1.50	1.59	3.09	3.29	6.38	1.50									
Steel Exports	9.49	9.46	18.95	18.67	37.62	9.79									

(Source : NSSMC est.)

*1 Figures as of July 28, 2016

*2 Estimates as of early in Sep., 2016

NSSMC Operational Highlights

(million tons)	FY15					FY16						Change			
	1Q	2Q	1H	2H		1Q	2Q	1H[E]	1H	2H[E]	[E]	15/1H VS. 16/1H	16/1H[E] VS. 16/1H	16/1H VS. 16/2H[E]	FY15 VS. FY16[E]
Pig-iron production *	10.45	10.89	21.35	21.17	42.51	10.49	10.76	[21.70]	21.26	21.90	43.20	-0.09	-0.44	+0.64	+0.69
Consolidated Crude Steel Production	10.89	11.39	22.27	22.26	44.53	11.16	11.53	[23.00]	22.70	23.30	46.00	+0.43	-0.31	+0.60	+1.47
Non-Consolidated Crude Steel Production	10.31	10.76	21.07	21.11	42.17	10.58	10.93	[21.80]	21.51	22.00	43.50	+0.44	-0.29	+0.49	+1.33
Steel Shipments	9.85	9.79	19.64	19.98	39.62	9.60	10.09	[20.30]	19.68	20.60	40.30	+0.04	-0.62	+0.92	+0.68
Seamless Pipe Shipments	0.23	0.21	0.44	0.40	0.83	0.24	0.24	[0.47]	0.48	0.45	0.93	+0.04	+0.01	-0.03	+0.10
Average Steel Selling Price (000 yen/ ton)	82.8	79.8	81.3	73.1	77.1	68.1	67.9	[67]	68.0	74	71	-13.3	+1.0	+6	-6
Steel Export Ratio (Value basis (%))	48	46	47	43	45	43	43	[43]	43	41	42	-4	+0	-2	-3
Forex (\$/¥)	121	122	122	120	121	111	103	[105]	107	100	103	Appreciate 15	Depreciate 2	Appreciate 7	Appreciate 18

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



FY2016 1H Results & Full Year Forecast

(¥ in billions)	FY15					FY16					Change				
	1Q	2Q	1H	2H		1Q	2Q	1H[E]	1H	2H[E]	[E]	15/1H VS. 16/1H	16/1H[E] VS. 16/1H	16/1H VS. 16/2H[E]	FY15 VS. FY16[E]
Net Sales	1,264.9	1,242.6	2,507.5	2,399.8	4,907.4	1,051.1	1,109.6	[2,200.0]	2,160.7	2,389.3	4,550.0	-346.8	-39.3	+228.6	-357.4
Operating Profit (Loss)	52.3	45.9	98.3	69.3	167.7	(7.3)	25.2	/	17.8	/	/	-80.5	/	/	/
Ordinary Profit (Loss)	84.4	45.4	129.8	71.0	200.9	(12.0)	40.0	[15.0]	28.0	102.0	130.0	-101.8	+13.0	+74.0	-70.9
Extraordinary Profit (Loss)	19.2	28.2	47.5	(17.7)	29.8	(6.2)	(2.9)	/	(9.1)	/	/	-56.6	/	/	/
Net Profit(Loss) *1	72.7	47.3	120.1	25.3	145.4	(14.6)	25.6	[0.0]	11.0	49.0	60.0	-109.1	+11.0	+38.0	-85.4
[EPS] *2	[79.7]	[51.7]	[131.2]	[27.6]	[158.7]	[(16.4)]	[29.1]	[0.0]	[12.4]	[55.6]	[68.0]	[-118.8]	[12.4]	[43.2]	[-90.7]
EBITDA	125.7	124.5	250.2	225.7	475.9	64.1	99.0	/	163.0	/	/	-87.2	/	/	/
EBITDA / Sales	9.9%	10.0%	10.0%	9.4%	9.7%	6.1%	8.9%	/	7.5%	/	/	-2.5%	/	/	/
ROS	6.7%	3.7%	5.2%	3.0%	4.1%	-1.1%	3.6%	[0.7%]	1.3%	4.3%	2.9%	-3.9%	0.6%	3.0%	-1.2%
ROE	9.8%	6.4%	8.1%	1.8%	5.1%	-2.2%	3.9%	/	0.8%	/	/	-7.3%	/	/	/

*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 FY15.

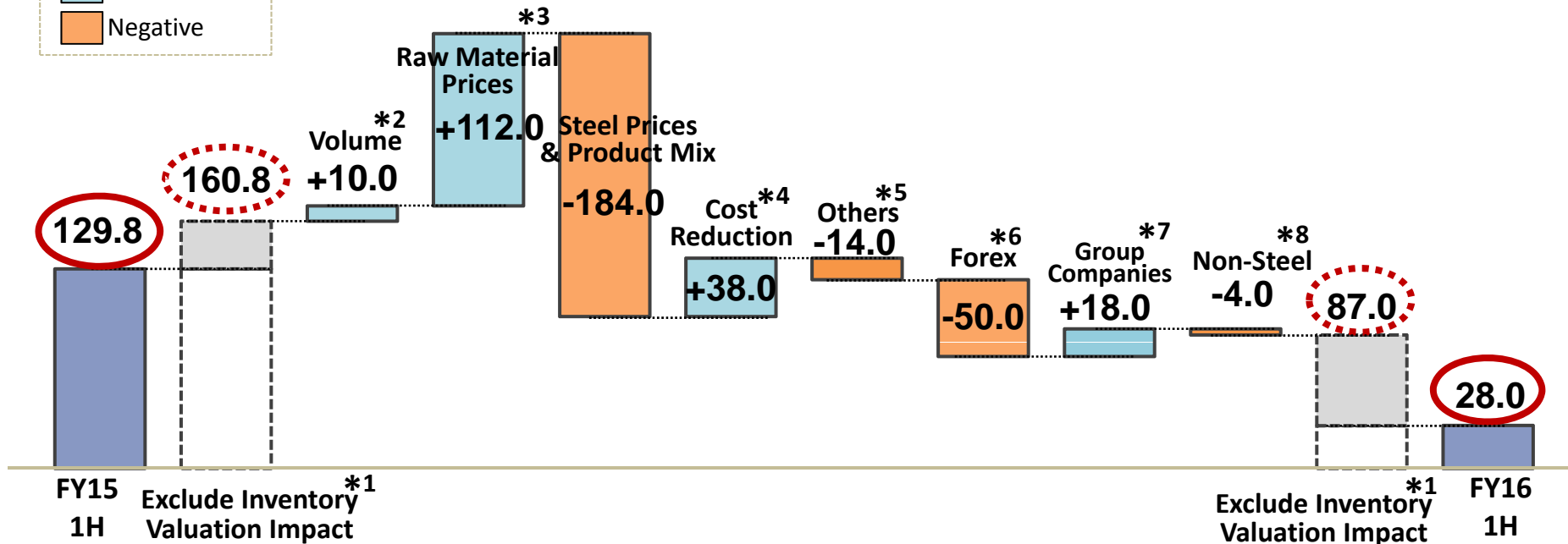
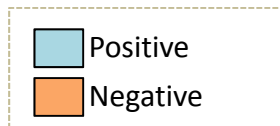
Extraordinary Profit & Loss

(¥ in billions)	FY15			FY16		
	1H	2H		1Q	2Q	1H
Gain on sales of shares of subsidiaries and associates	33.4	(0.8)	32.6	—	—	—
Settlement received	30.0	—	30.0	—	—	—
Loss on impairment	—	(13.7)	(13.7)	—	—	—
Loss on inactive facilities	(15.8)	(3.2)	(19.0)	—	(2.7)	(2.7)
Restructuring Loss	—	—	—	(6.2)	(0.2)	(6.4)
Extraordinary Profit (Loss)	47.5	(17.7)	29.8	(6.2)	(2.9)	(9.1)

Ordinary Profit Variance Analysis [FY15/1H vs. FY16/1H]

(¥ in billions)	FY15/1H [A]	FY16/1H [B]	Change [A→B]
Ordinary Profit (Loss)	129.8	28.0	-101.8
Steel	110.7	14.0	-96.7
Non-Steel	17.0	13.4	-3.6
Adjustment	2.0	0.4	-1.6

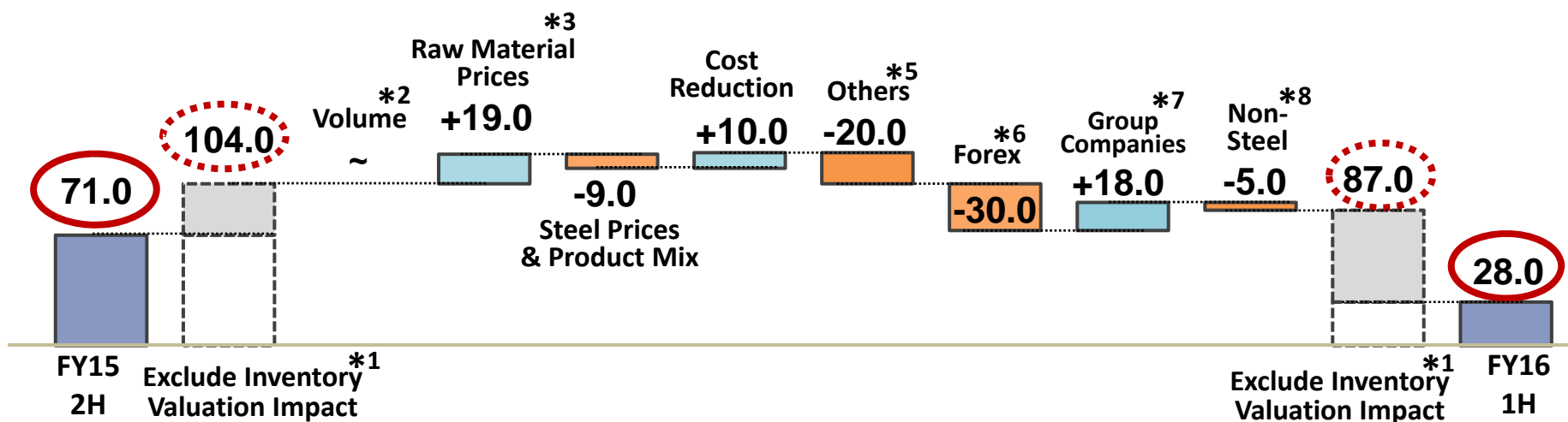
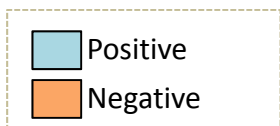
- *1 Inventory valuation: -28.0 (-31.0 → -59.0)
- *2 Crude steel production: +0.44MMT (21.07→21.51)
Steel shipment: +0.04MMT (19.64 →19.68)
- *3 Incl. carry over
- *4 Incl. the merger synergy
- *5 Employee retirement benefit, Kumamoto earthquake impacts, etc.
- *6 Stock: -32.0 (+12.0→ -20.0) Flow: -18.0
- *7 Usiminas, NSSC, etc
- *8 Engineering -0.6, Chemicals -2.3,
New Materials -0.9, System Solutions+0.2



Ordinary Profit Variance Analysis [FY15/2H vs. FY16/1H]

(¥ in billions)	FY15/2H [A]	FY16/1H [B]	Change [A→B]
Ordinary Profit (Loss)	71.0	28.0	-43.0
Steel	49.3	14.0	-35.3
Non-Steel	18.7	13.4	-5.3
Adjustment	3.0	0.4	-2.6

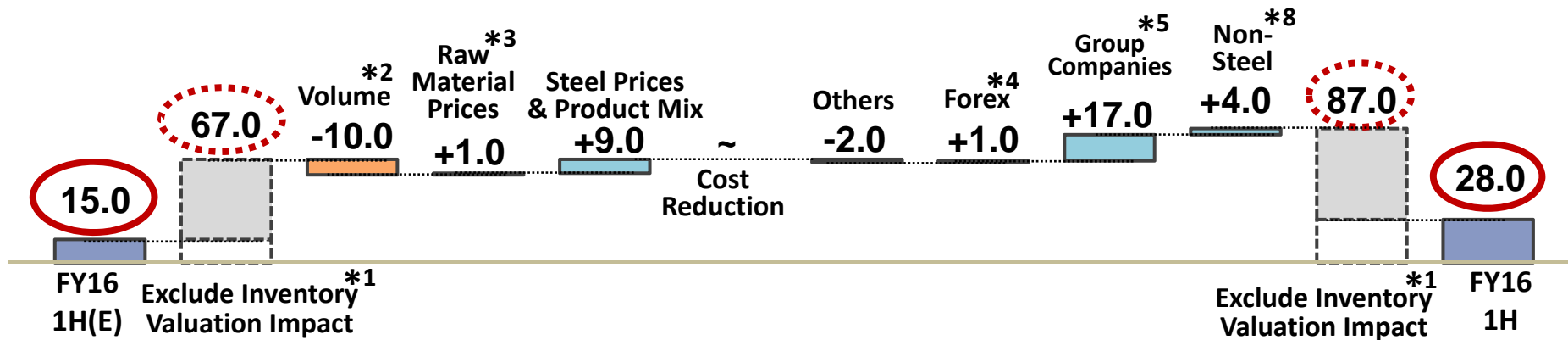
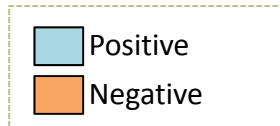
- *1 Inventory valuation: -26.0 (-33.0 → -59.0)
- *2 Crude steel production: +0.40MMT (21.11→21.51)
Steel shipment: -0.29MMT (19.98 →19.68)
- *3 Incl. carry over
- *4 Incl. the merger synergy
- *5 Employee retirement benefit, Kumamoto earthquake impacts, maintenance on IPP facility, etc.
- *6 Stock: -15.0 (-5.0→ -20.0) Flow: -15.0
- *7 One-time factors +12.0 (Inventory valuation, Forex impacts, etc)
- *8 Engineering -8.4, Chemicals +2.8, New Materials -0.7, System Solutions +1.0



Ordinary Profit Variance Analysis [FY16/1H(E) vs. FY16/1H]

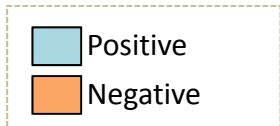
(¥ in billions)	FY16/1H(E) [A]	FY16/1H [B]	Change [A→B]
Ordinary Profit (Loss)	15.0	28.0	+13.0
Steel	5.0	14.0	+9.0
Non-Steel	9.5	13.4	+3.9
Adjustment	0.5	0.4	-0.1

- *1 Inventory valuation: -7.0 (-52.0 → -59.0)
- *2 Crude steel production: approx. -0.29MMT
(approx. 21.80 → 21.51)
Steel shipment: approx. -0.62MMT
(approx. 20.30 → 19.68)
- *3 Incl. carry over
- *4 Flow: +1.0
- *5 NSSC, Usiminas, etc.
- *6 Engineering +2.5, Chemicals -0.2,
New Materials +0.2, System Solutions +1.3

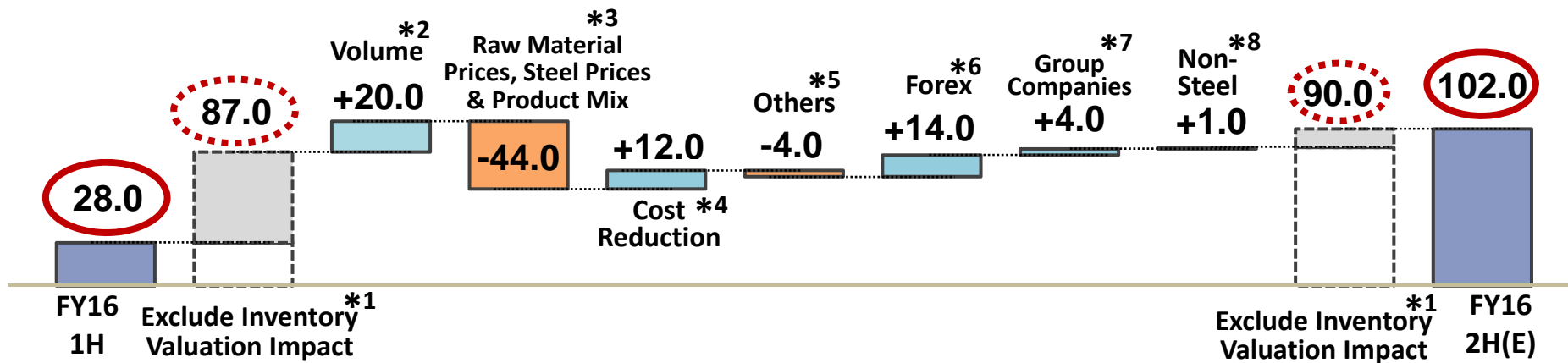


Ordinary Profit Variance Analysis [FY16/1H vs. FY16/2H(E)]

(¥ in billions)	FY16/1H [A]	FY16/2H(E) [B]	Change [A→B]
Ordinary Profit (Loss)	28.0	102.0	+74.0
Steel	14.0	86.0	+72.0
Non-Steel	13.4	14.6	+1.2
Adjustment	0.4	1.6	+1.2



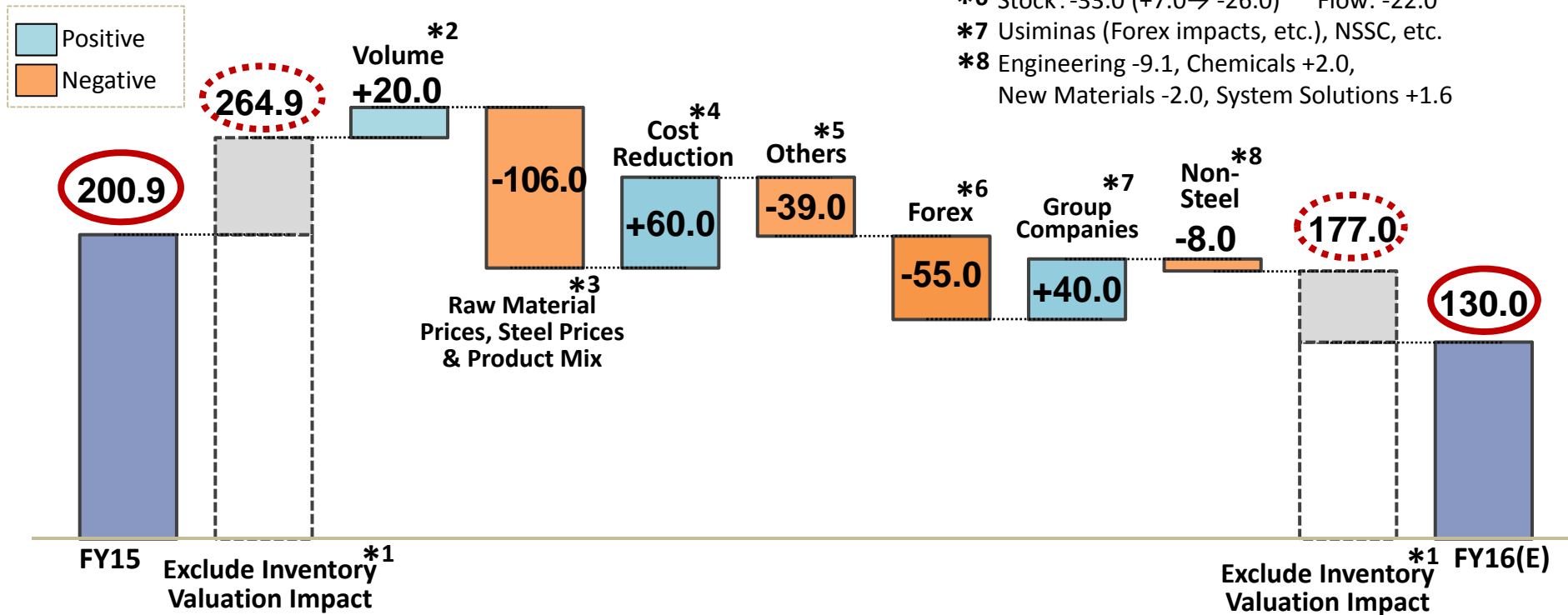
- *1 Inventory valuation: +71.0 (-59.0 → 12.0)
- *2 Crude steel production: approx. +0.49MMT (21.51→approx. 22.00)
Steel shipment: approx. +0.92MMT (19.68 →approx. 20.60)
- *3 Incl. carry over
- *4 Incl. the merger synergy
- *5 Kumamoto earthquake impacts, depreciation, etc
- *6 Stock: +14.0 (-20.0→ -6.0) Flow: ~
- *7 Seasonal Factors, etc.
- *8 Engineering ~, Chemicals +1.4, New Materials -0.4, System Solutions +0.4



Ordinary Profit Variance Analysis [FY15 vs. FY16(E)]

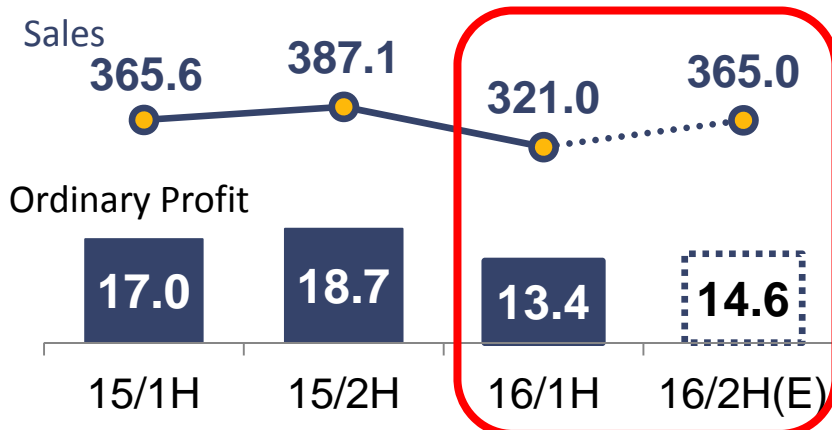
(¥ in billions)	FY15 [A]	FY16(E) [B]	Change [A→B]
Ordinary Profit (Loss)	200.9	130.0	-70.9
Steel	160.0	100.0	-60.0
Non-Steel	35.8	28.0	-7.8
Adjustment	5.0	2.0	-3.0

- *1 Inventory valuation: +17.0 (-64.0 → -47.0)
- *2 Crude steel production: approx. +1.33MMT (42.17→approx. 43.50)
Steel shipment: approx. +0.68MMT (39.62→approx. 40.30)
- *3 Incl. carry over
- *4 Incl. the merger synergy
- *5 Employee retirement benefit, Kumamoto earthquake impacts, dividend received etc.
- *6 Stock: -33.0 (+7.0→ -26.0) Flow: -22.0
- *7 Usiminas (Forex impacts, etc.), NSSC, etc.
- *8 Engineering -9.1, Chemicals +2.0, New Materials -2.0, System Solutions +1.6



Non-Steel Business

Sales & Ordinary Profit (¥ in billions) (Non-steel business total)



Change in Ordinary Profit (FY15 vs. FY16(E))

Engineering & Construction	↓ Decrease	Sales & profit decline due to fall in oil prices & yen appreciation.
Chemicals	↑ Increase	Although yen appreciation & market decline in chemicals reduce sales, strong sales of Espanex® & shrank inv't valuation loss increase profit.
New Materials	↓ Decrease	Despite demand of coated copper wires & carbon fiber increase, sales & profit drop due to yen appreciation & fiercer competition.
System Solutions	↑ Increase	Both business & service solution increase sales & profit by improving gross margin rate even though SG&A increase.

(¥ in billions)

Engineering & Construction	FY2015		FY2016		
	1H		1H	(E)	(YoY)
Sales	140.2	315.7	116.5	270.0	(-45.7)
Ordinary Profit	2.1	12.1	1.5	3.0	(-9.1)

Chemicals	FY2015		FY2016		
	1H		1H	(E)	(YoY)
Sales	101.3	181.8	81.2	160.0	(-21.8)
Ordinary Profit	3.1	1.0	0.8	3.0	(+2.0)

New Materials	FY2015		FY2016		
	1H		1H	(E)	(YoY)
Sales	17.8	36.2	17.1	33.0	(-3.2)
Ordinary Profit	1.6	3.0	0.7	1.0	(-2.0)

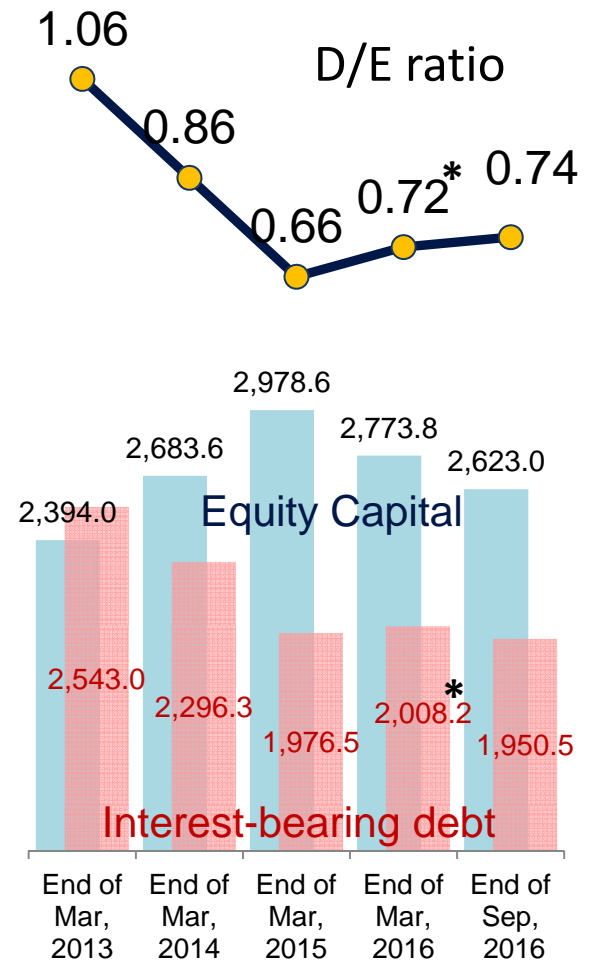
System Solutions	FY2015		FY2016		
	1H		1H	(E)	(YoY)
Sales	106.2	218.9	106.0	223.0	(+4.1)
Ordinary Profit	10.1	19.4	10.3	21.0	(+1.6)

Balance Sheet

(¥ in billions)	End of Mar. 2016	End of Sep. 2016	(¥ in billions)	End of Mar. 2016	End of Sep. 2016
Current assets	1,990.0	1,820.0	Liabilities	3,415.9	3,324.3
Inventories	1,110.9	1,062.1	Interest-bearing debt	2,008.2	1,950.5
Fixed assets	4,434.9	4,359.0	Net Assets	3,009.0	2,854.8
Tangible fixed assets	2,579.2	2,553.1	Equity capital	2,773.8	2,623.0
Investment in securities	592.4	598.9	Unrealized gains on available-for-sale securities	171.3	155.0
Investment	979.8	930.2	non-controlling interest in consolidated subsidiaries	235.2	231.7
Assets	6,425.0	6,179.1	Liabilities & net assets	6,425.0	6,179.1

	End of Mar. 2016	End of Sep. 2016	Change
Total assets (bn¥)	6,425.0	6,179.1	-245.9
Interest bearing debt (bn¥)	2,008.2	1,950.5	-57.6
Equity capital (bn¥)	2,773.8	2,623.0	-150.7
DER	0.72	0.74	+0.02

Financial Soundness



* Effect of refinancing from hybrid securities to subordinated loans carried out in July, 2015
 • Interest-bearing debt +¥300bn / • D/E approx.+0.1

Interim Dividend Forecast

In accordance with the basic profit distribution policy, NSSMC sincerely regrets that it has decided to forgo the first-half dividend distribution, as disclosed at the time of the first-quarter results announcement.

NSSMC plans to determine the forecast for the year-end dividend distribution amount, with due consideration of the full-year outlook of profit attributable to owners of parent, and announce it at the time of its third-quarter results announcement.

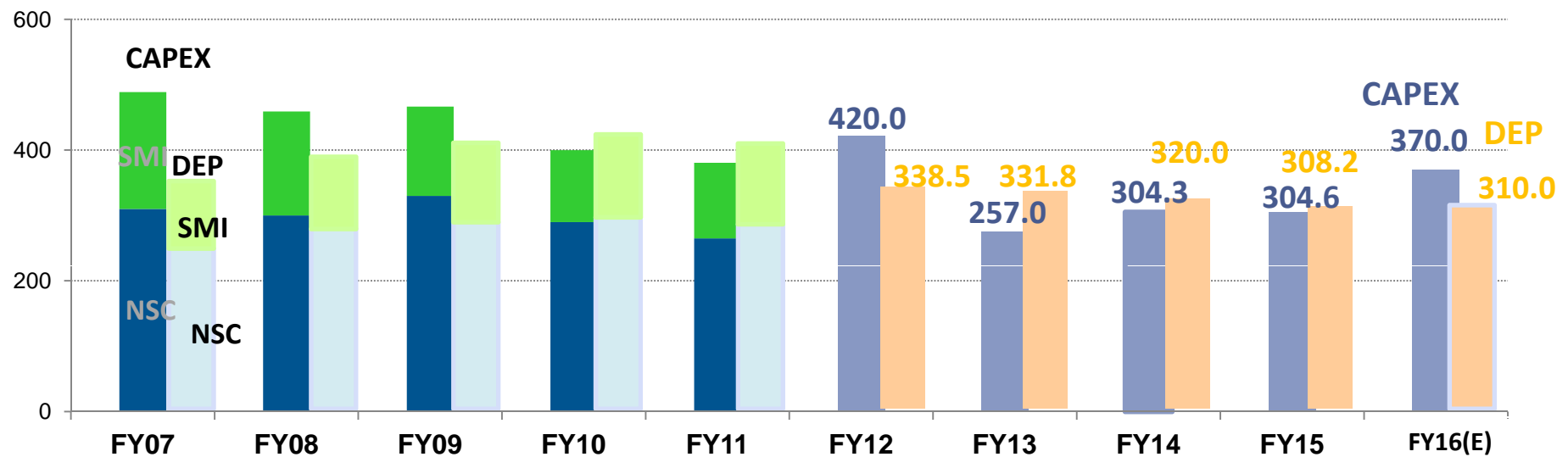
[Basic Profit Distribution Policy]

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

CAPEX and Depreciation

(¥ in billions)

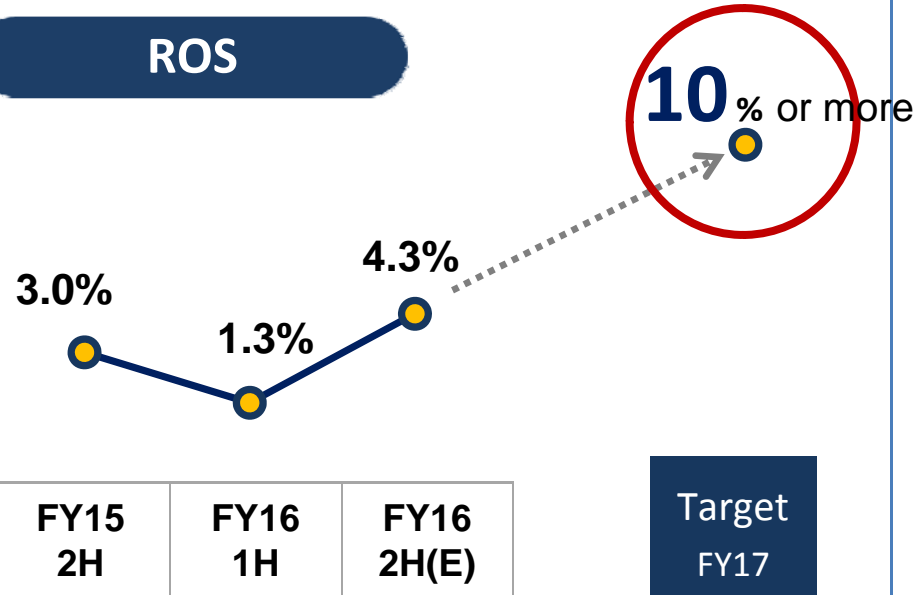
NSSMC (Upper : NSC Lower : SMI)	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16 (E)
CAPEX	490.0 (310.0) (178.8)	460.0 (300.0) (159.1)	465.0 (330.0) (136.6)	400.0 (290.0) (109.9)	380.0 (265.0) (115.7)	420.0	257.0	304.3	304.6	370.0 approx.
Depreciation	346.5 (244.0) (102.5)	383.5 (273.7) (109.8)	404.8 (284.0) (120.8)	417.7 (291.5) (126.2)	403.8 (280.9) (122.9)	338.5	331.8	320.0	308.2	310.0 approx.



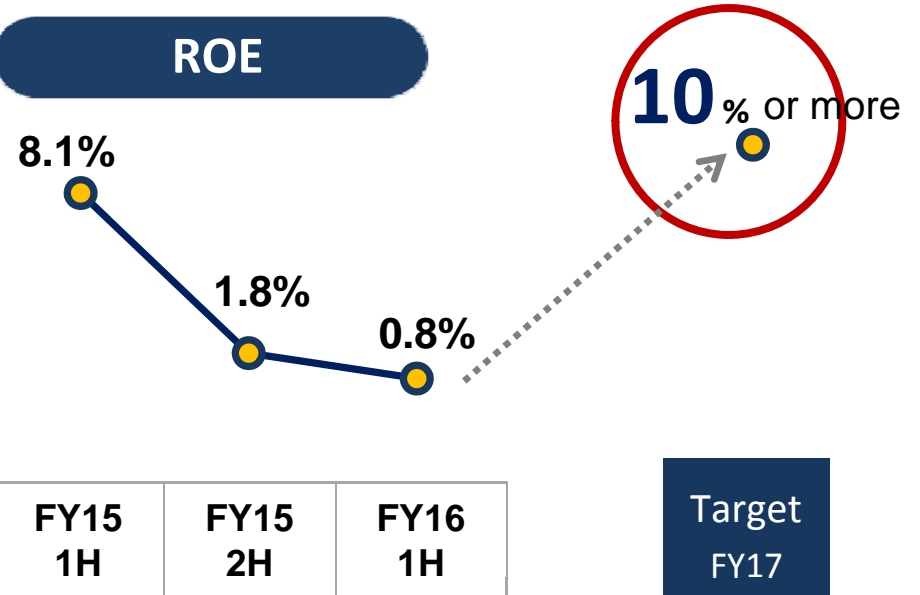
2. Progress in Mid-term Management Plan

2017 Mid-Term Plan : Targeted KPIs

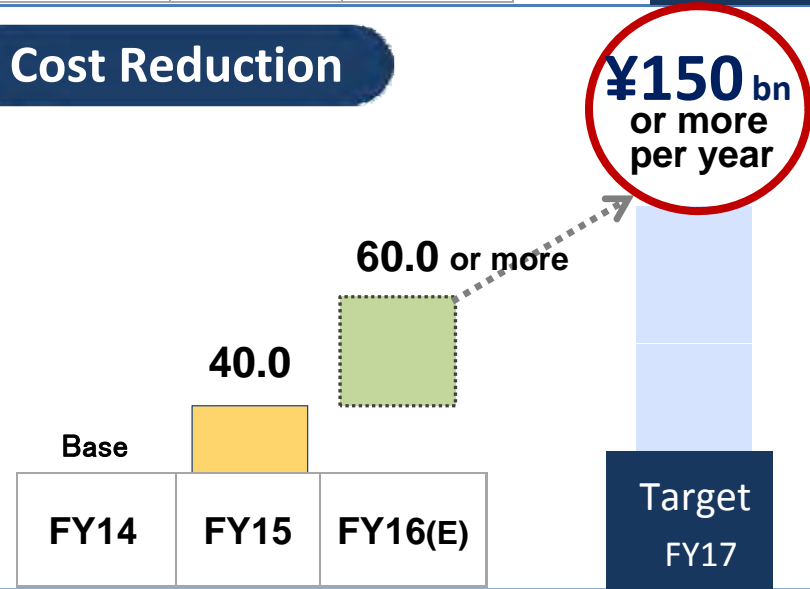
ROS



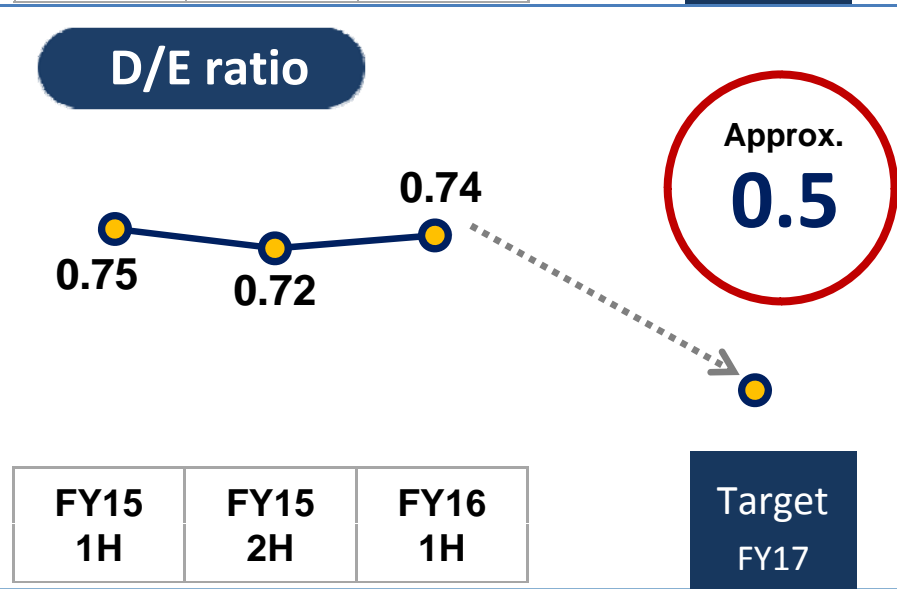
ROE



Cost Reduction



D/E ratio



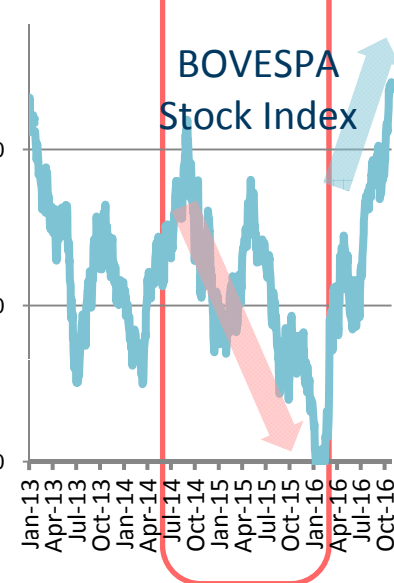
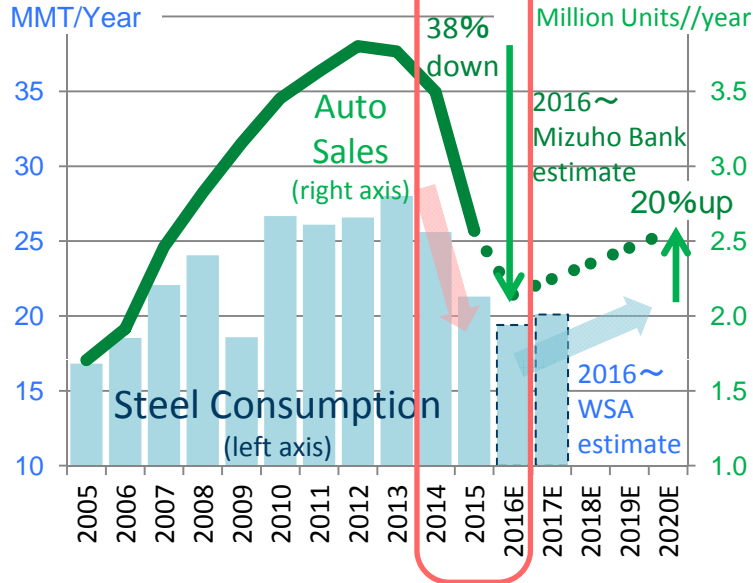
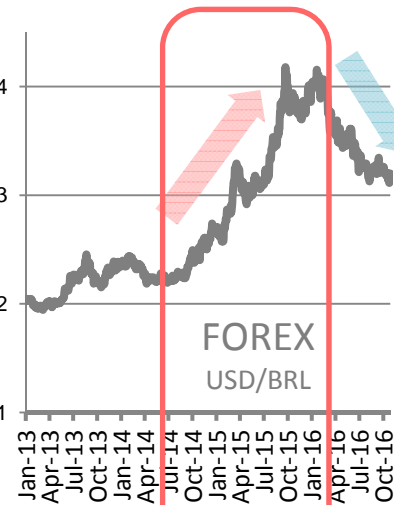
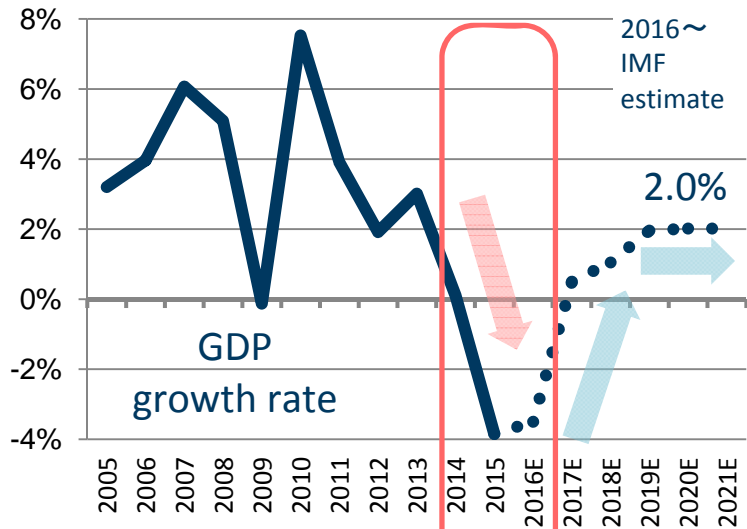
Progress of Mid-Term Plan

Company / Works		Action	FY15		FY16		FY17	FY18 Later
			1H	2H	1H	2H		
Domestic	Kimitsu	Close No.3 BF		★ Mar.12				
	Yawata	Reorganize production frame work						★ FY18~20(E)
	Kashima / Kimitsu	Start up Coke Oven			★ Kashima/1F Aug.25	★ Kimitsu/4B Jan.(E)		★ Kimitsu/No.5:2H(E)
Overseas	BNA (China: Auto/ JV with Bao Steel)	Started operation of No.4CGL	★	Sep.15				
	ICI (USA: Crankshaft/ No.4 Forging Press Line)	Started operation		★ Oct.30				
	NSCh (China: Auto/ Ramp up capacity of NBC)	Started operation		★ Dec.11				
	VAM® BRN (Brunei: Pipe/ JV with SC and Vallourec)	Start operation(E)				★ FY16(E)		
	KOS (Indonesia: Structural/ JV with Osaka & PTKS)	Start operation(E)				★ FY16(E)		
	KNSS (Indonesia: Auto/ JV with PTKS)	Start operation(E)					★ FY17(E)	
	NSCI (USA: Auto/ JV with secondary processors)	Start operation(E)					★ FY17(E)	
	VSB · VBR Integration (Brazil: Merger with Vallourec's subsidiary)	Business merger				★ Oct.1		
	NS BlueScope (Thailand: Construction/ JV with BlueScope Steel)	Installation of No.3 Metal Coating Line						★ FY18(E)
	AGIS (UAE: Construction/ JV with Saif Al Ghurair Gr.)	Started operation of No.2 galvanizing Line				★ Oct.		

Overseas Capacities
 FY 2012
9 MMT
 ↓
 Current
19MMT

3. Business in Brazil

Brazilian Economy: Getting Through The Worst Time



- Slump in natural resource prices
- Political turmoil (Petrobras etc.)
- Recession since 2014 is more serious than Lehman crisis in 2008. (esp. in auto and energy sectors)
- Policy shift to fiscal austerity and structural reform under the new administration.
- Economy bottomed out and shows signs of a gradual recovery

Auto Sales by Country (million units/year)

	2014	2015
1	China 23.5	China 24.6
2	USA 16.9	USA 17.9
3	Japan 5.6	Japan 5.0
4	Brazil 3.5	Germany 3.5
5	Germany 3.3	India 3.4
6	India 3.2	UK 3.1
7	UK 2.8	Brazil 2.6



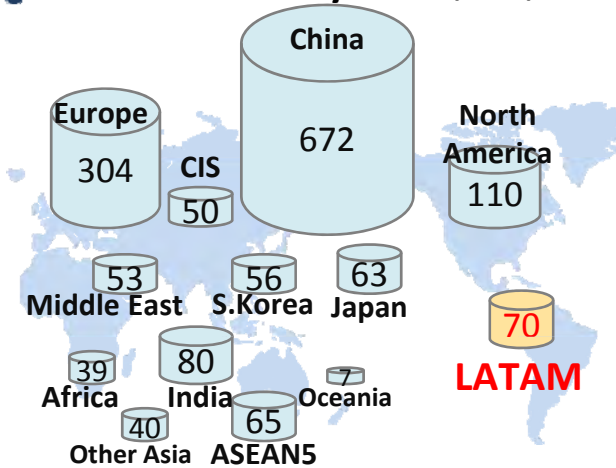
Steel Market in Brazil: Growth Potential

- Even in the downside phase, steel demand in Brazil is still very large in the worldwide market.
- Foothold in local market is important under prevailing protectionism.

- Steel demand per capita is still at low level.
- Population is increasing.

➤ Steel demand is expected to increase above GDP growth.

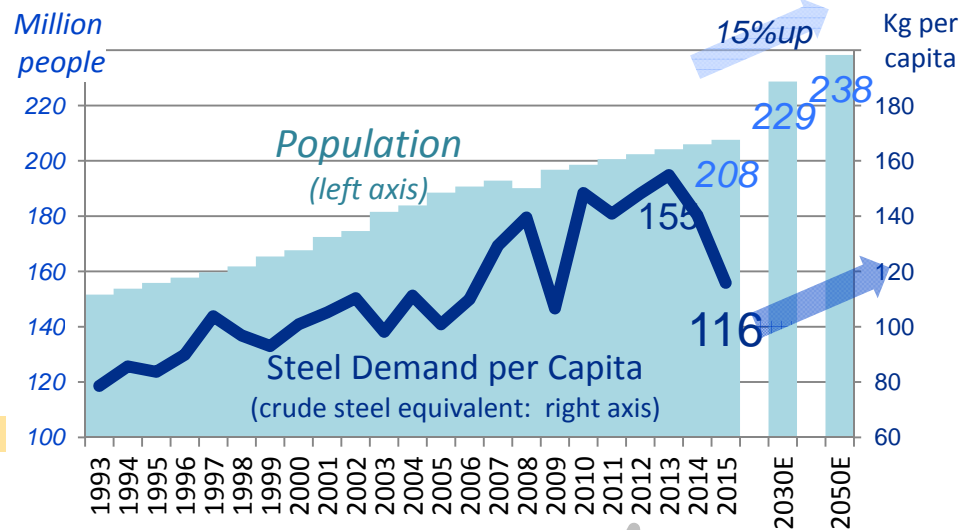
Steel Demand by Area (2015)



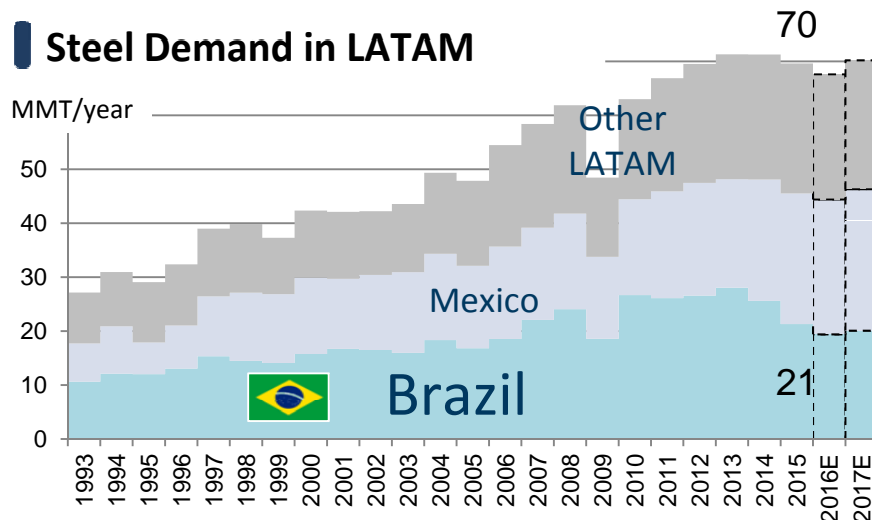
Steel Demand
World Total
1,499MMT

1	China	672
2	USA	96
3	India	80
4	Japan	63
5	S. Korea	56
6	Russia	39
7	Germany	39
8	Turkey	34
9	Mexico	24
10	Italy	24
11	Brazil	21

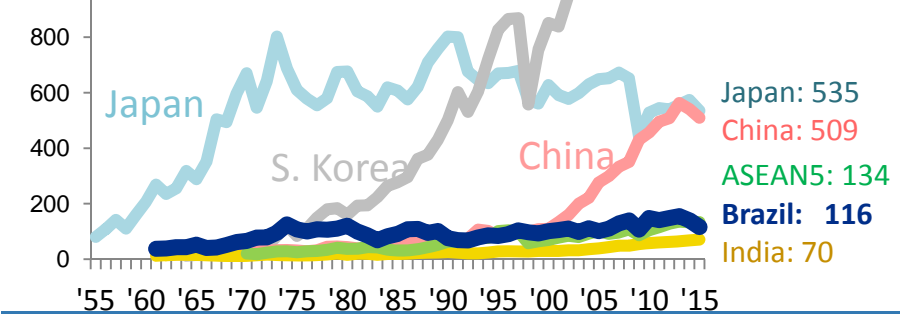
Steel Demand per Capita and Population in Brazil



Steel Demand in LATAM



Cf. Steel Demand per Capita (crude steel equivalent)



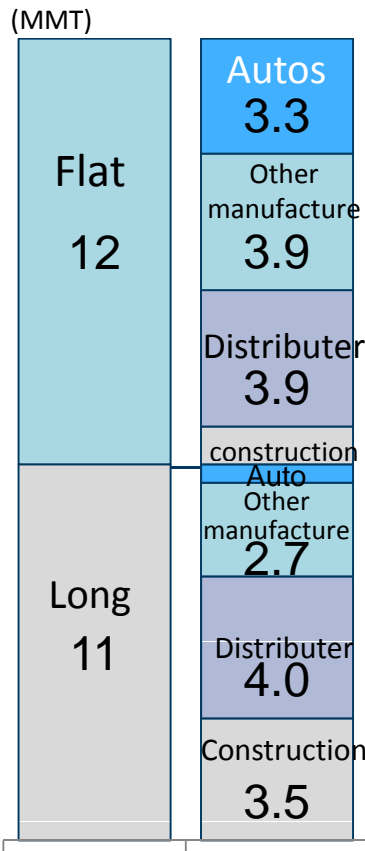
(Source: World Steel Association)

Manufacturing Oriented Market Fitting for Usiminas

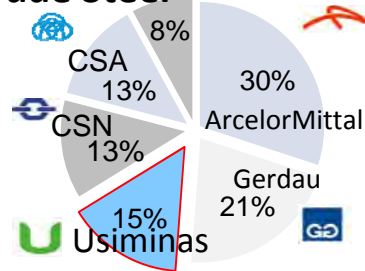
- Proportion of manufacturing sector (esp. Autos) in steel market is high.
- Our technology is advantageous.

- [Strength of Usiminas]
- Top supplier in flat steel sector.
- Equipments for high-grade steel like auto-sheet (UNIGAL) and plates for energy sector (CLC).

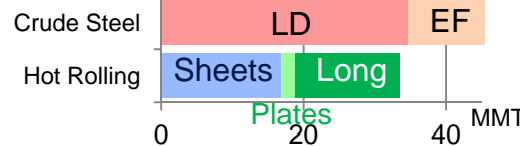
Steel Demand by Sector (2013)



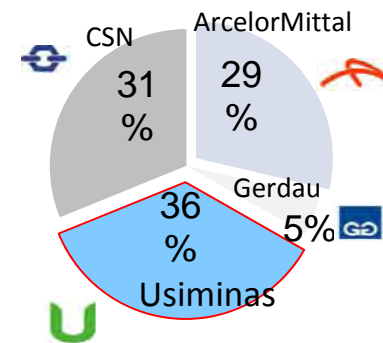
Production Share of Crude Steel



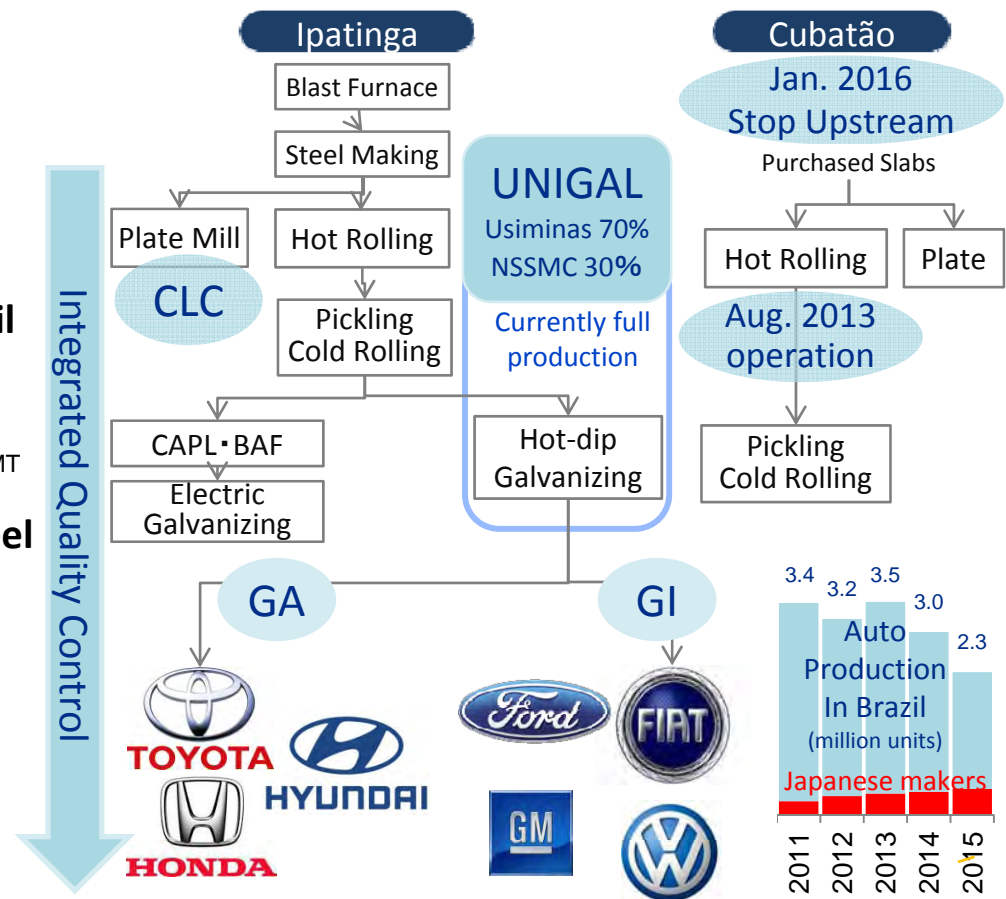
Capacity of Crude Steel and Hot Rolling in Brazil



Production Share of Flat Steel

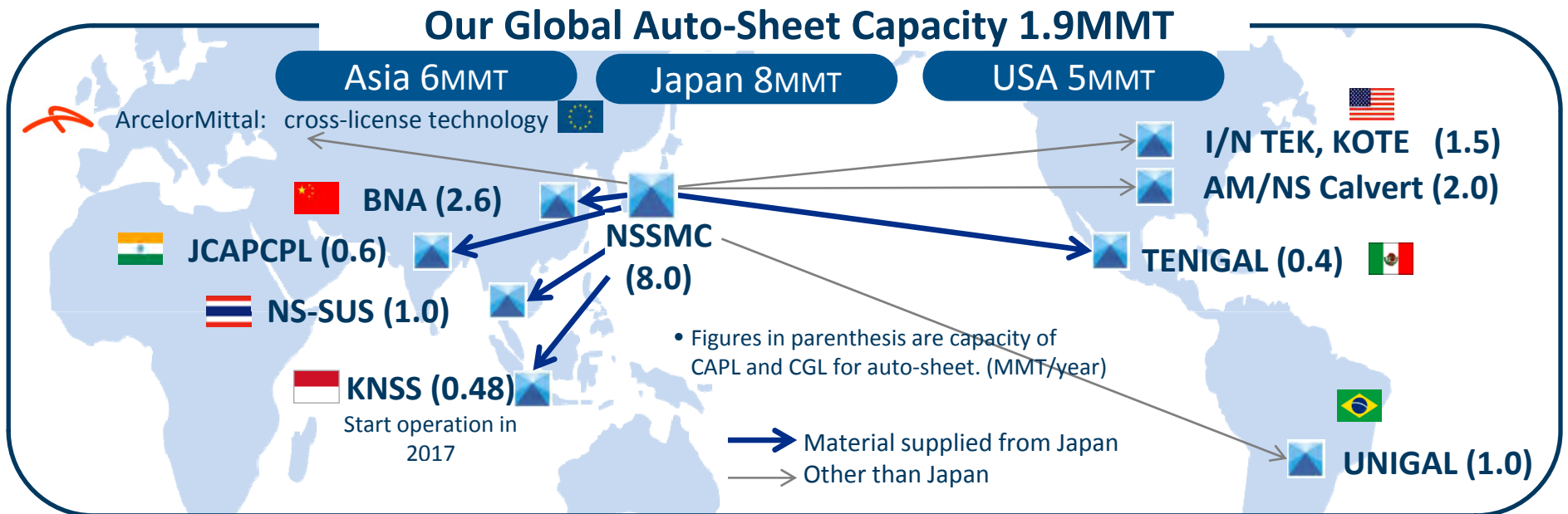
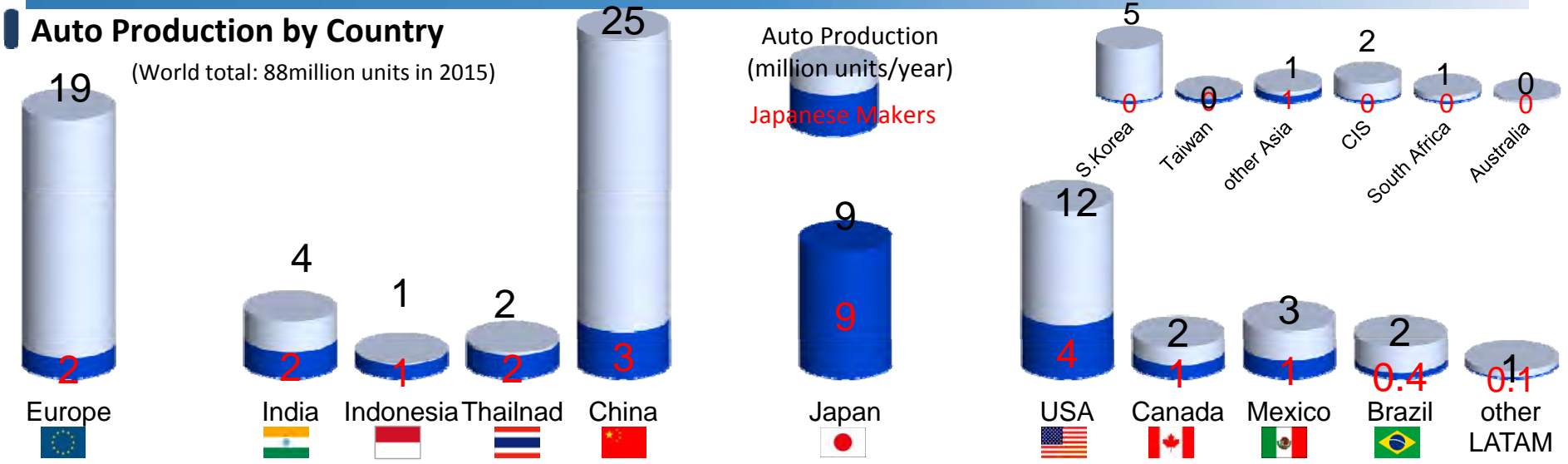


Process Flow and Strength of Usiminas



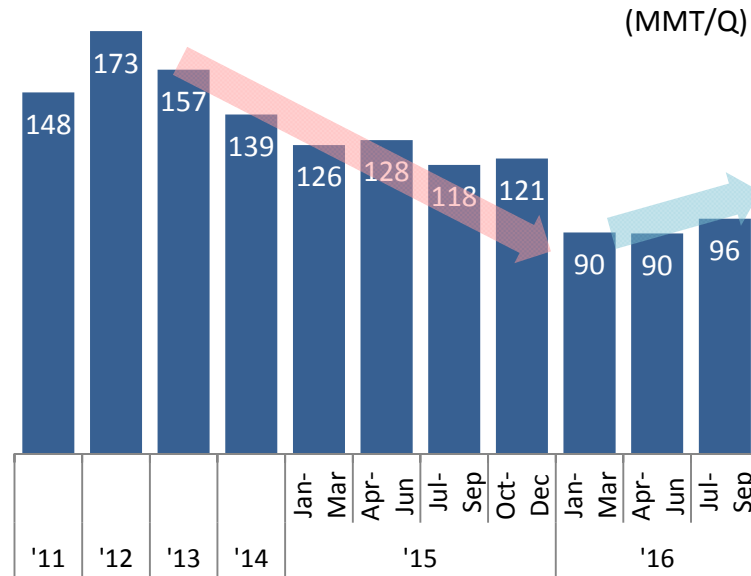
(Source: IABr)

Cf. Our Global Supply Network of Auto-Sheets

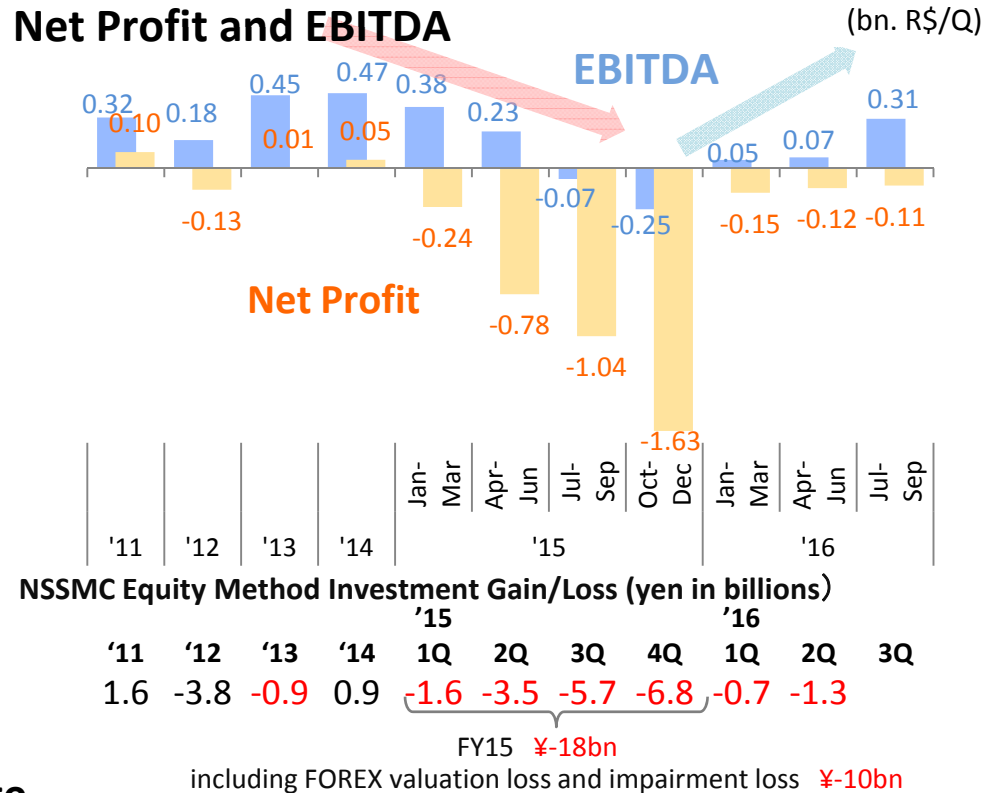


Usiminas Situation: Bottomed Out and Financially Stabilized

Shipment of Steel Products



Net Profit and EBITDA



NSSMC Equity Method Investment Gain/Loss (yen in billions)

				'15				'16		
'11	'12	'13	'14	1Q	2Q	3Q	4Q	1Q	2Q	3Q
1.6	-3.8	-0.9	0.9	-1.6	-3.5	-5.7	-6.8	-0.7	-1.3	
								FY15 ¥-18bn		
								including FOREX valuation loss and impairment loss ¥-10bn		

Counter Measures against Liquidity Shortage

[Capital Increase]

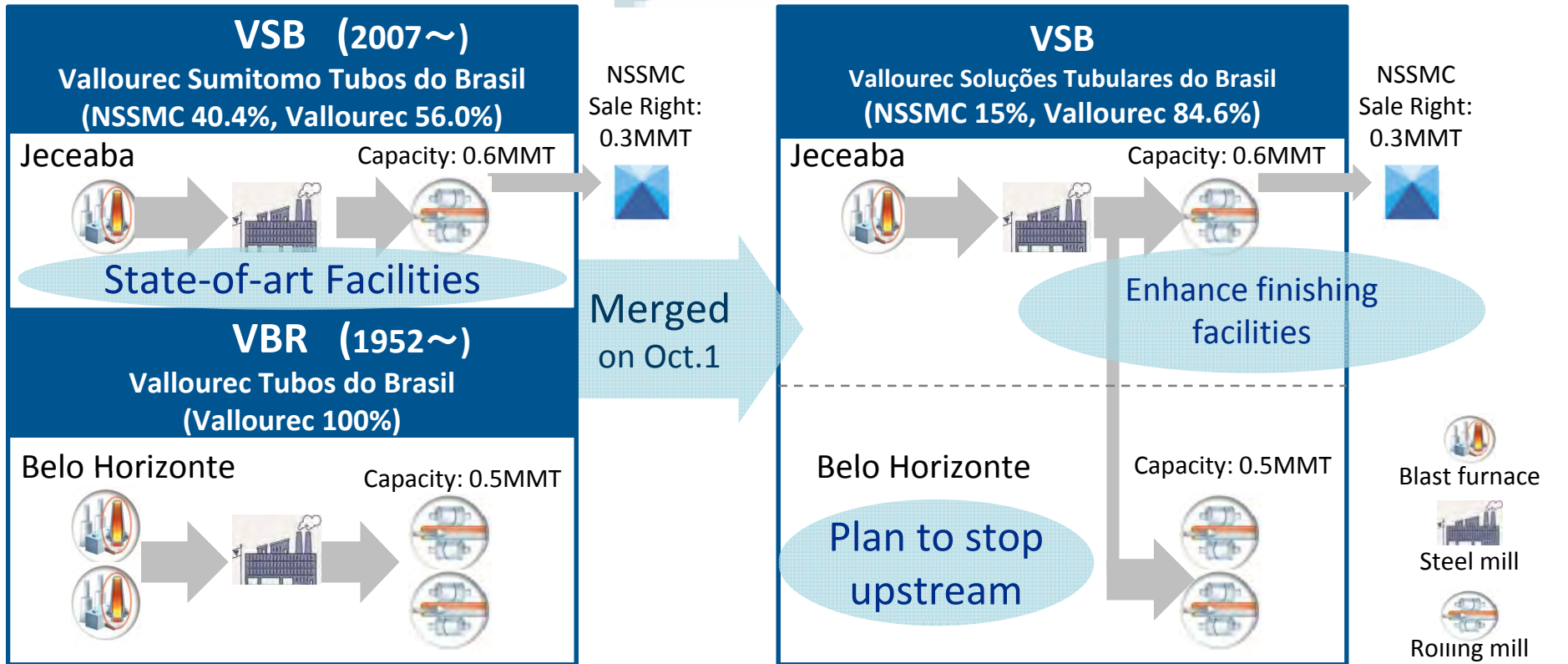
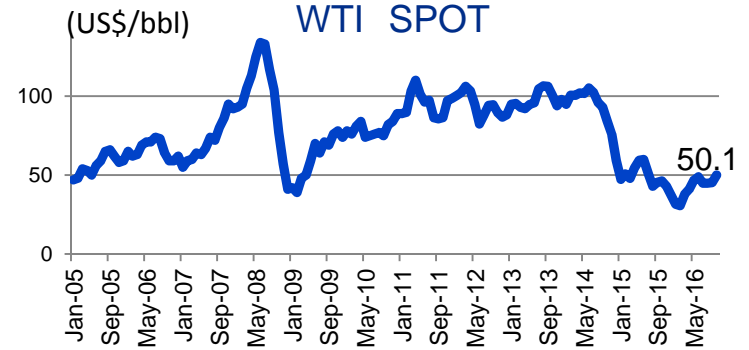
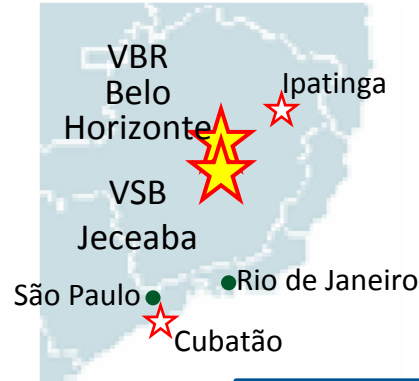
- Approval on Apr.18/ Completion on Jul.19
- Ordinary share R\$ 1bn (approx. ¥ 30bn)
- NSSMC R\$.0365bn (¥11.4bn)
- NSSMC registered shares 43.57%→43.57%
- NSSMC ordinary shares 29.30%→31.35%
- NSSMC economic interests 15.44%→17.49%

[Debt Restructuring]

- Execution on Sep.12 (92% of total debt)
- Maturity / 10 years with 3 years' grace period

Pipe Business with Vallourec in Brazil

- Integrated VSB and VBR on Oct. 1
 - Industrial Synergies(upstream process)
 - Administrative synergies
- Enhance finishing facilities in Jeceaba.



Business in Brazil: Significance and Our Action

Significance for NSSMC group

- Capture the growth in large steel market where our technology is advantageous.
Already has the foothold in Brazil, which is an advantage against protectionism prevailing worldwide.
- One of the important bases of our Global Auto-Sheet Supply Network
Has large share in Japanese auto makers but also supplies for non-Japanese (getting GI know-how)
- Integrated steel mill
Able to supply high-end products through integrated quality control from upstream to downstream, even in the market far away from Japan. cf. Investment for integrated steel mill in green field = 1,500 US\$/t, 7MMT → US\$10bn

Situation of Usiminas

- Capital increase (Jul. 19), Debt restructuring (Sep.12) → Financial stability until recovery of business environment under the joint supports from shareholders and creditors.
- Court decision on Oct.5 (preliminary relief) → Supports NSSMC's argument on compliance with the Shareholders' Agreement by reinstating Mr. Romel Erwin de Souza as CEO.
- Concentration on enhancing profitability toward completion of debt restructuring

Our Action

[Usiminas]

- Continue to be committed to support Usiminas as before.
- Continue discussion in good faith with other controlling shareholders for stable management of the JV under the equal partnership (Alternate nomination of CEO, etc.).

[VSB]

- Integration of VSB and VBR(Oct.1) → rationalize upstream in 2017, enhance finishing facilities.
- Establish global specialization framework: Wakayama for high-end, VSB for middle-end for the majors.

4. Appendix

(): Outlook as of Jul. 19, 2016

(GDP growth rate)	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15		CY16 (E)	CY17 (E)		
World Total	3.0	-0.5	5.3	3.9	3.4	3.4	3.4	(3.1)	3.2	(3.1)	3.1	(3.4)	3.4
Developed Countries	0.5	-3.4	3.2	1.7	1.2	1.4	1.9	(1.9)	2.1	(1.8)	1.6	(1.8)	1.8
USA	0.4	-2.6	3.0	1.8	2.3	2.2	2.4	(2.4)	2.6	(2.2)	1.6	(2.5)	2.2
EU27	0.6	-4.1	1.9	1.5	-0.7	-0.4	0.9	(1.7)	2.0	(1.6)	1.7	(1.4)	1.5
Japan	-1.2	-6.3	4.4	-0.6	1.5	1.6	0.0	(0.5)	0.5	(0.3)	0.5	(0.1)	0.6
Developing Countries	6.1	2.7	7.5	6.2	5.1	5.0	4.6	(4.0)	4.0	(4.1)	4.2	(4.6)	4.6
China	9.6	9.2	10.4	9.3	7.7	7.7	7.3	(6.9)	6.9	(6.6)	6.6	(6.2)	6.2
India	7.3	6.8	10.6	6.3	4.7	6.9	7.2	(7.6)	7.6	(7.4)	7.6	(7.4)	7.6
ASEAN5*	4.7	1.7	7.0	4.5	6.2	5.1	4.6	(4.8)	4.8	(4.8)	4.8	(5.1)	5.1
Russia	5.6	-7.8	4.3	4.3	3.4	1.3	0.7	(-3.7)	-3.7	(-1.2)	-0.8	(1.0)	1.1
Brazil	5.1	-0.6	7.5	2.7	1.0	2.7	0.1	(-3.8)	-3.8	(-3.3)	-3.3	(0.5)	0.5

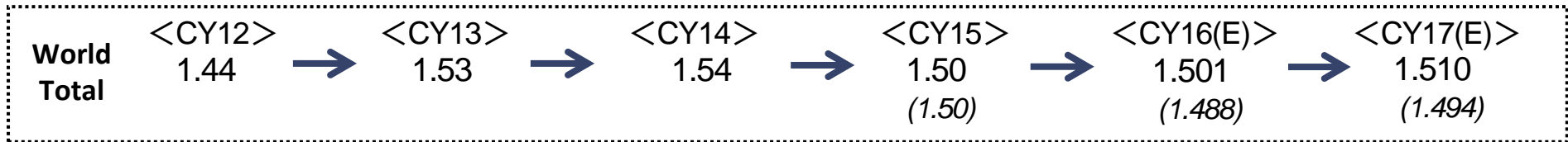
(Source : IMF)

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

World Steel Demand

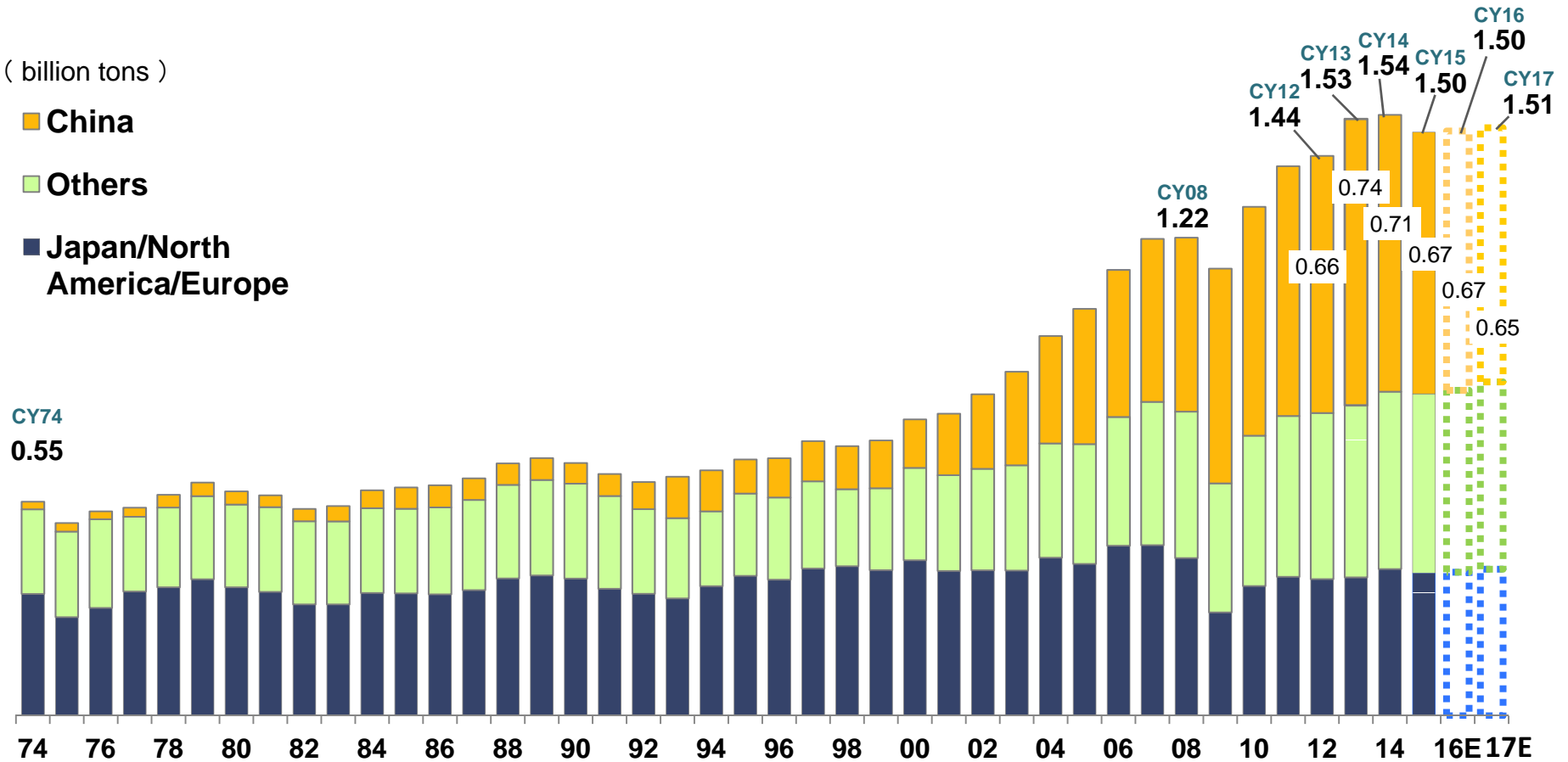
< Released on Oct. 11, 2016 by WSA >

Figures in parentheses are previous forecasts as of Apr. 13, 2016



(billion tons)

- China
- Others
- Japan/North America/Europe



(Source : WSA, Apparent finished steel consumption)



World Crude Steel Production

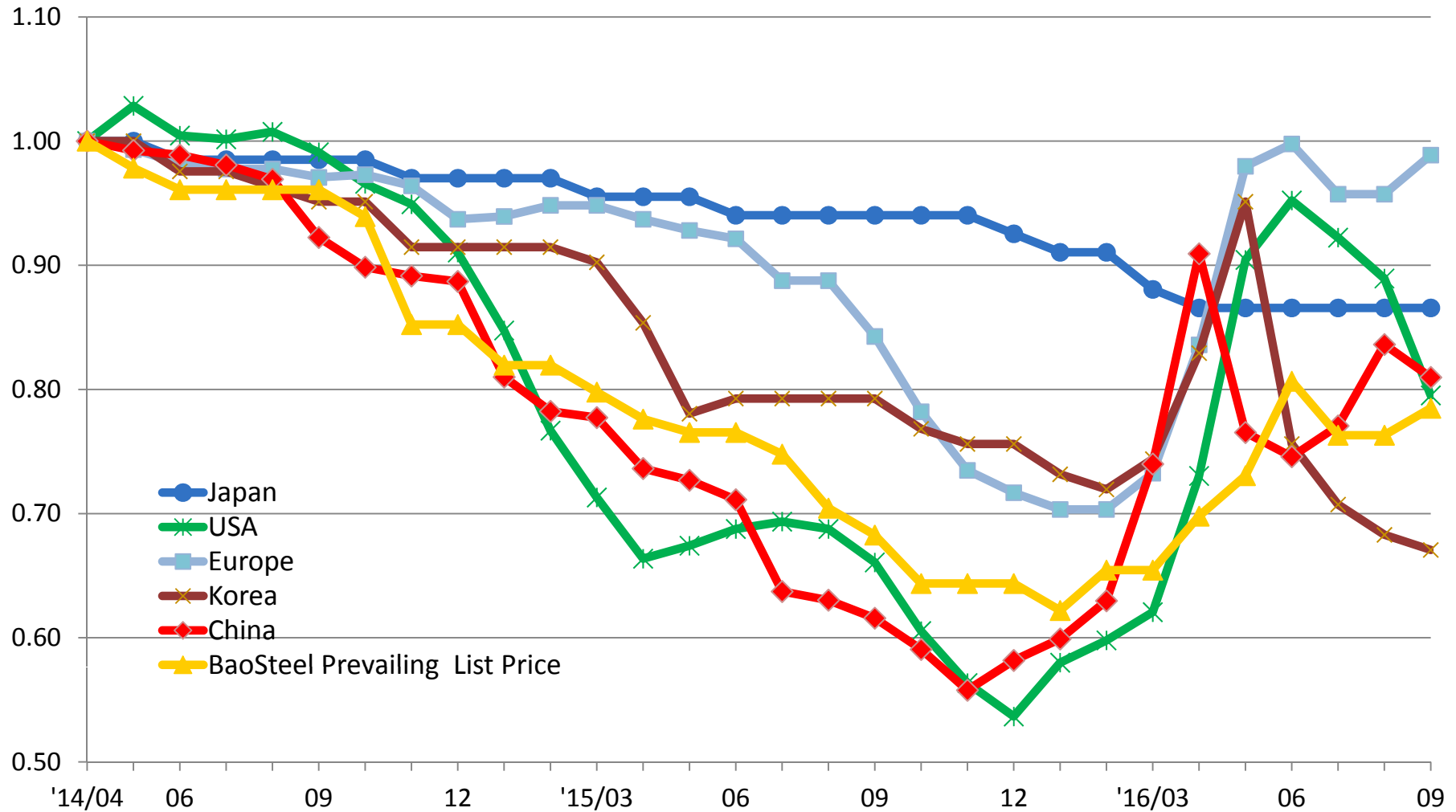
(million tons)	CY15 [A]	CY16						CY16 [C] (B*12/9)	Change (A → C)
		Jan - Jun	Jul	Aug	Sep	Jul - Sep	Jan - Sep [B]		
World* Total (YoY)	1,597.8 (-3.0%)	797.2 (-1.5%)	133.9 (+0.8%)	134.1 (+1.7%)	132.9 (+1.6%)	400.0 (+1.4%)	1,197.2 (-0.6%)	1,596.3	-1.5 (-0.1%)
Japan (YoY)	105.2 (-5.0%)	52.0 (-1.1%)	9.0 (+1.5%)	8.9 (+1.4%)	8.4 (-1.5%)	26.3 (+0.5%)	78.4 (-0.5%)	104.5	-0.6 (-0.6%)
Korea (YoY)	69.7 (-1.9%)	33.4 (-3.4%)	6.0 (+1.5%)	5.9 (+1.8%)	5.7 (+1.1%)	17.6 (+1.5%)	51.0 (-1.8%)	67.9	-1.7 (-2.5%)
USA	78.8	40.1	6.7	6.6	6.3	19.7	59.7	79.6	+0.8
EU28	166.1	82.9	13.1	12.0	13.3	38.4	121.3	161.7	-4.4
Russia	70.9	35.1	6.1	5.9	5.7	17.7	52.7	70.3	-0.6
Brazil	33.3	14.9	2.7	2.8	2.6	8.1	22.9	30.6	-2.7
India	89.4	47.0	8.1	8.1	7.9	24.1	71.1	94.8	+5.4
China (YoY)	803.8 (-2.3%)	401.1 (-0.9%)	66.8 (+1.5%)	68.6 (+2.4%)	68.2 (+3.1%)	202.7 (+2.3%)	603.8 (+0.2%)	805.0	+1.2 (0.2%)

(Source : World Steel Association)

* Total of 66 countries

Hot Rolled Sheets Prices by Region

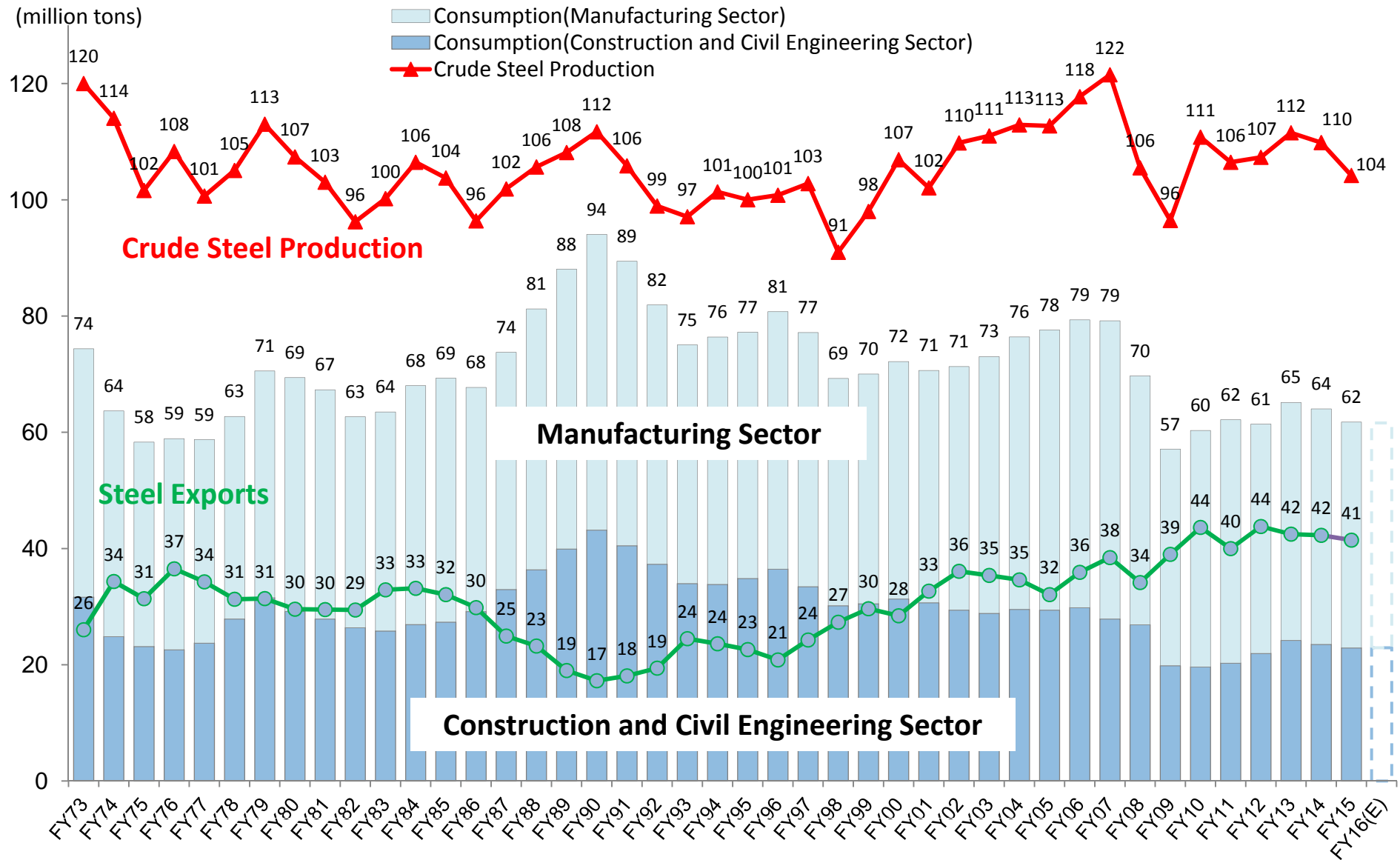
(Prices of Hot Rolled Sheets in Local Currency as of Apr. 2014=1.0)



(Source : The Japan Iron and Steel Federation)



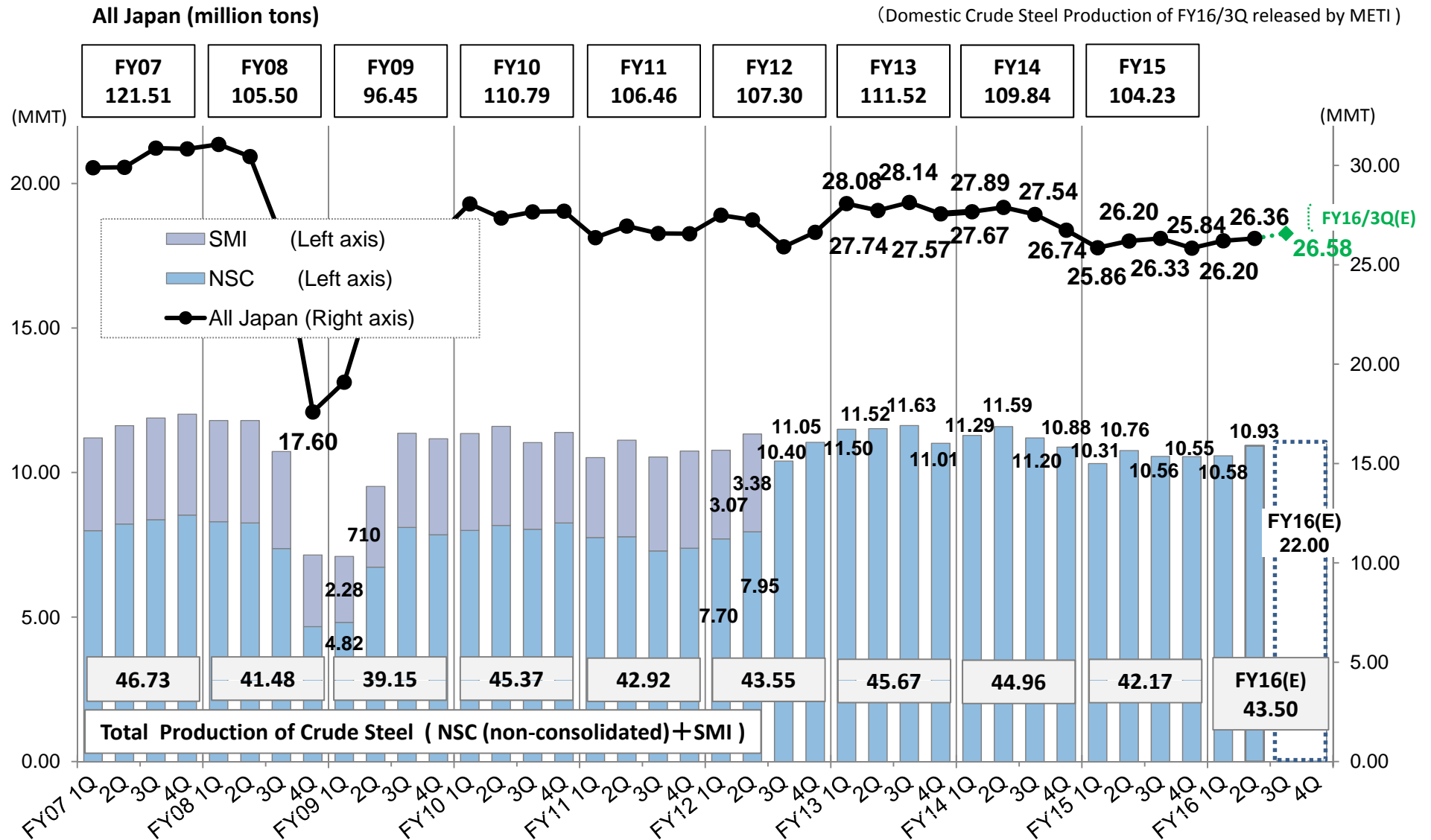
Domestic Steel Consumption Trend



(Source : NSSMC estimation)



Domestic Crude Steel Production

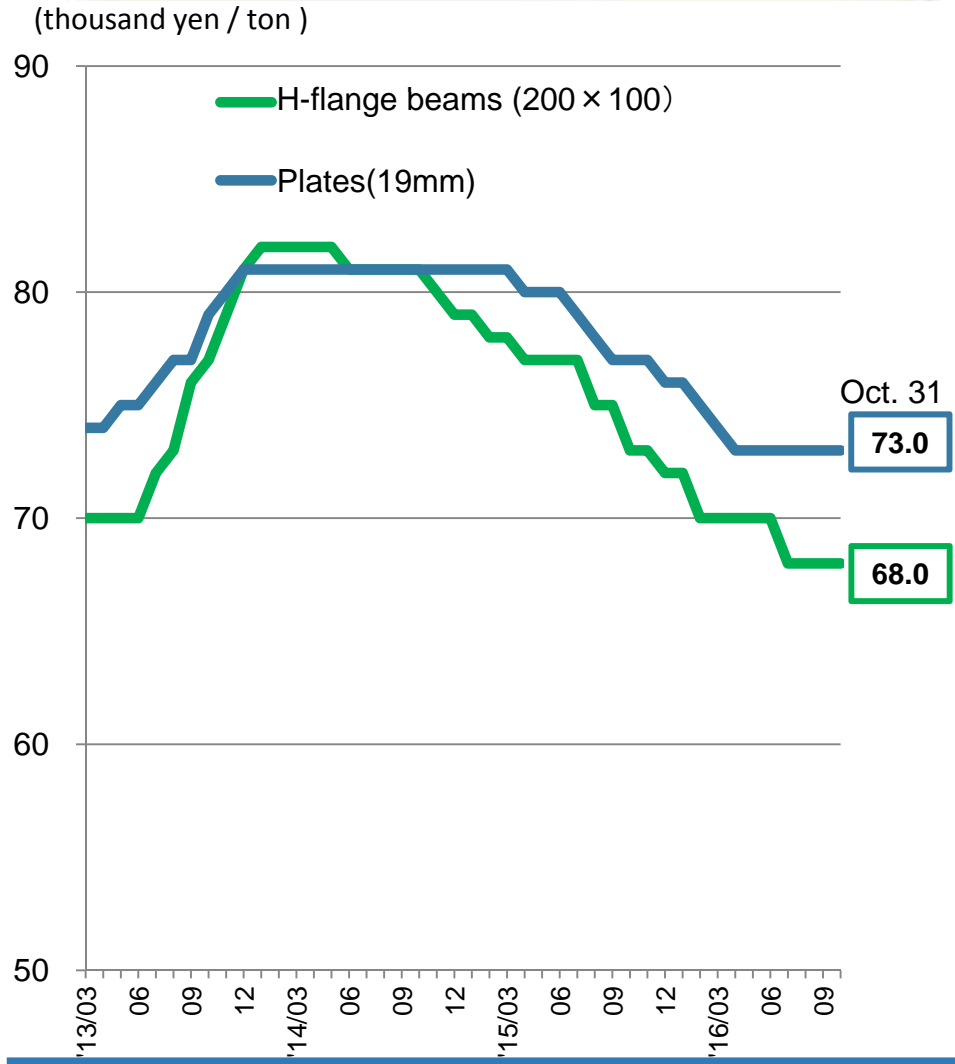


*1 Includes Sumitomo Metals(Kokura), Sumitomo Metals(Naoetsu) and Sumikin Iron & Steel Co.

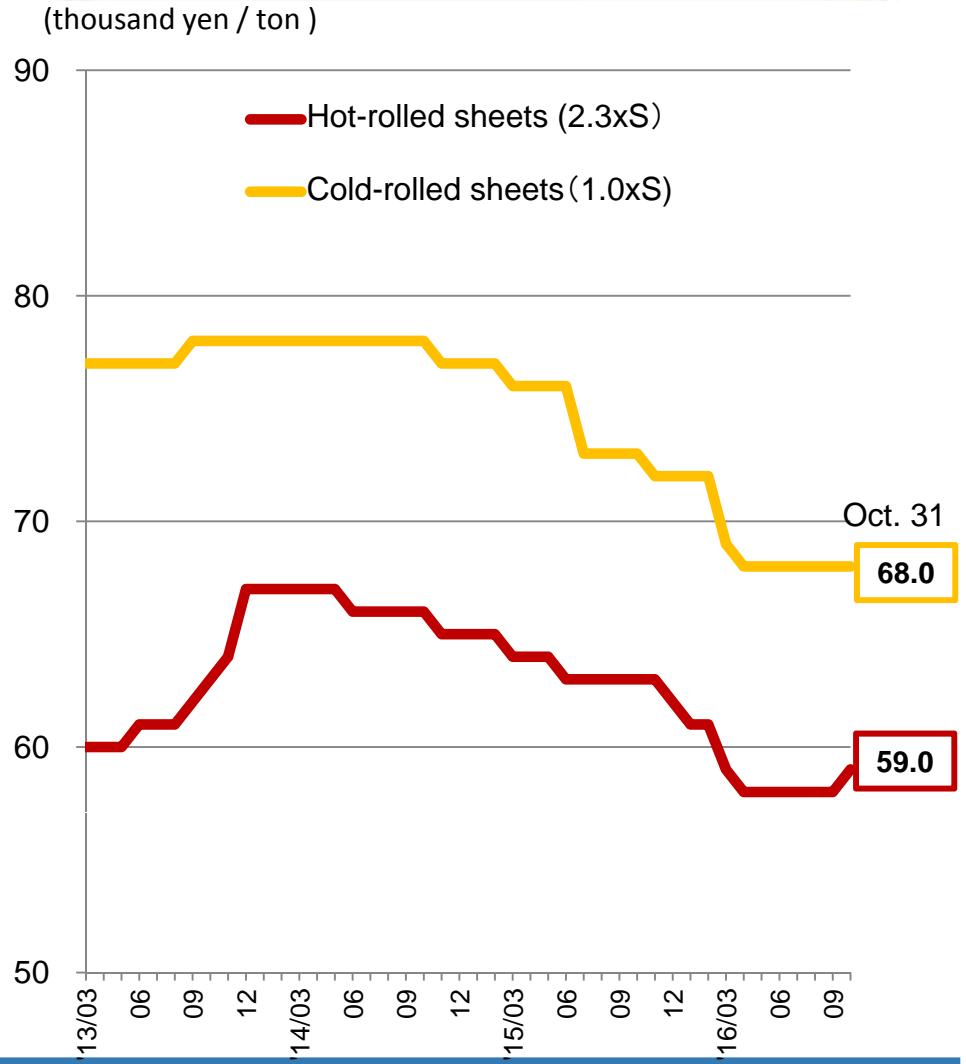
*2 Includes NIPPON STEEL & SUMIKIN KOUTETSU WAKAYAMA CORP

Domestic Steel Products Prices

Plates & H-flange beams



Hot-rolled sheets & Cold-rolled sheets

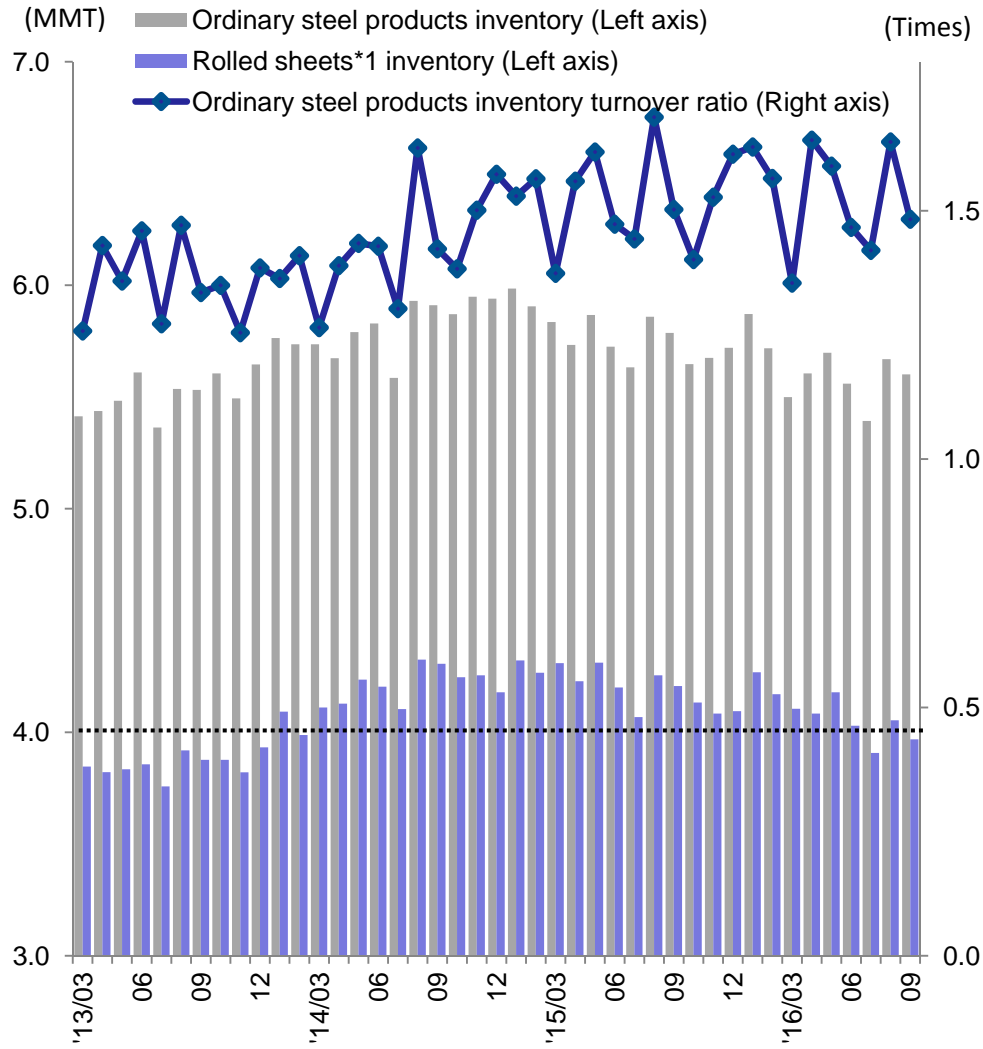


(Source : Japan Metal Daily)

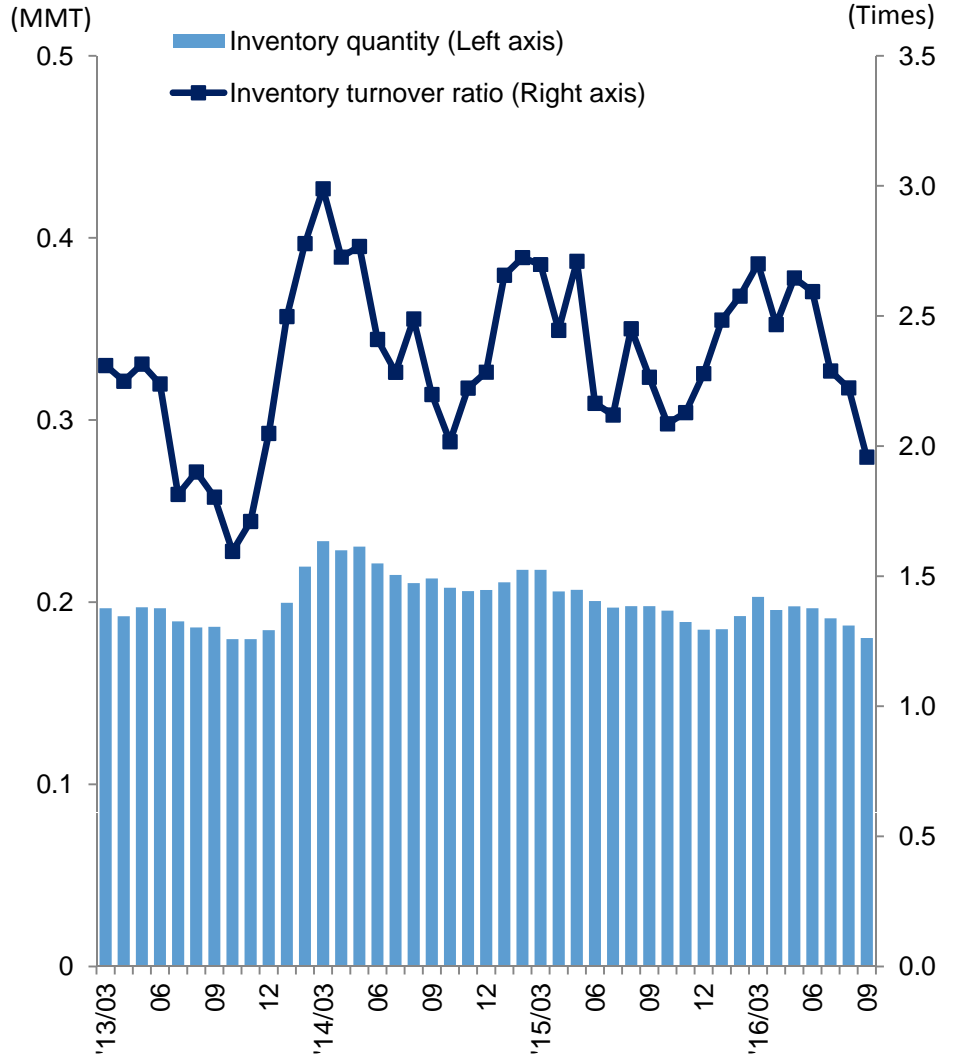


Domestic Steel Inventory

Rolled Sheets Inventory



H-flange beams*2 Inventory



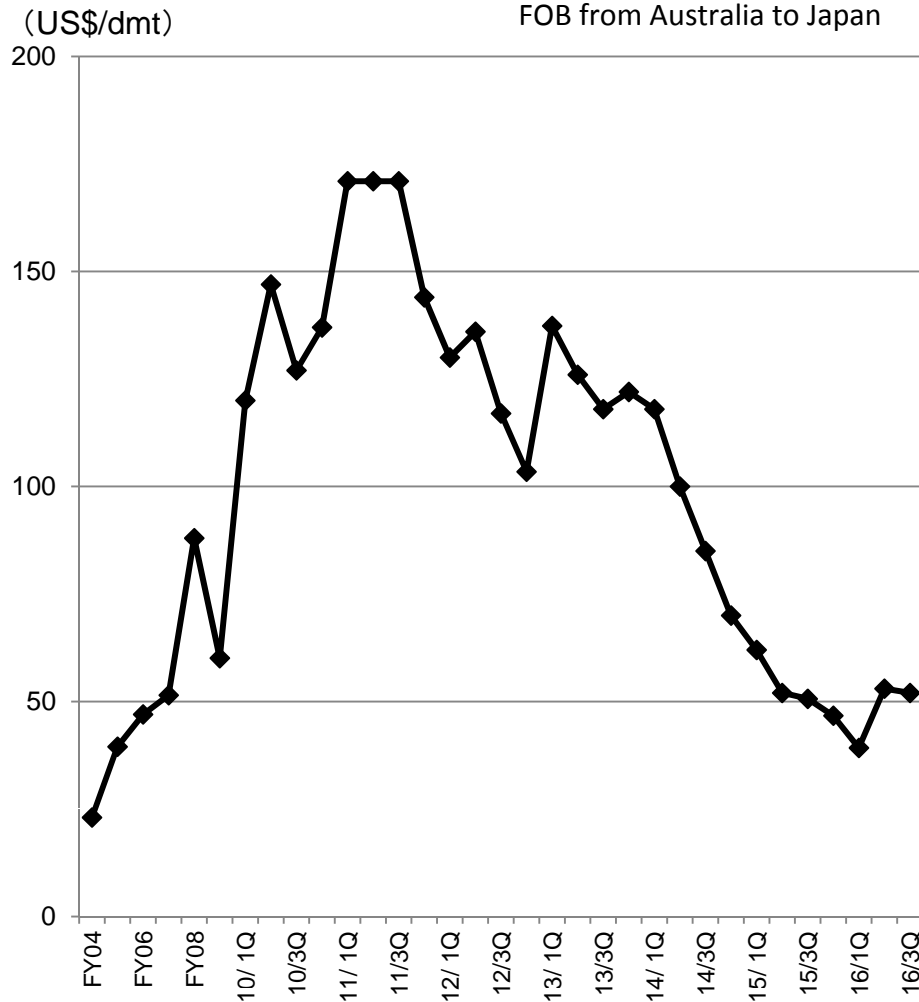
(Source : Japan Iron and Steel Federation)

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

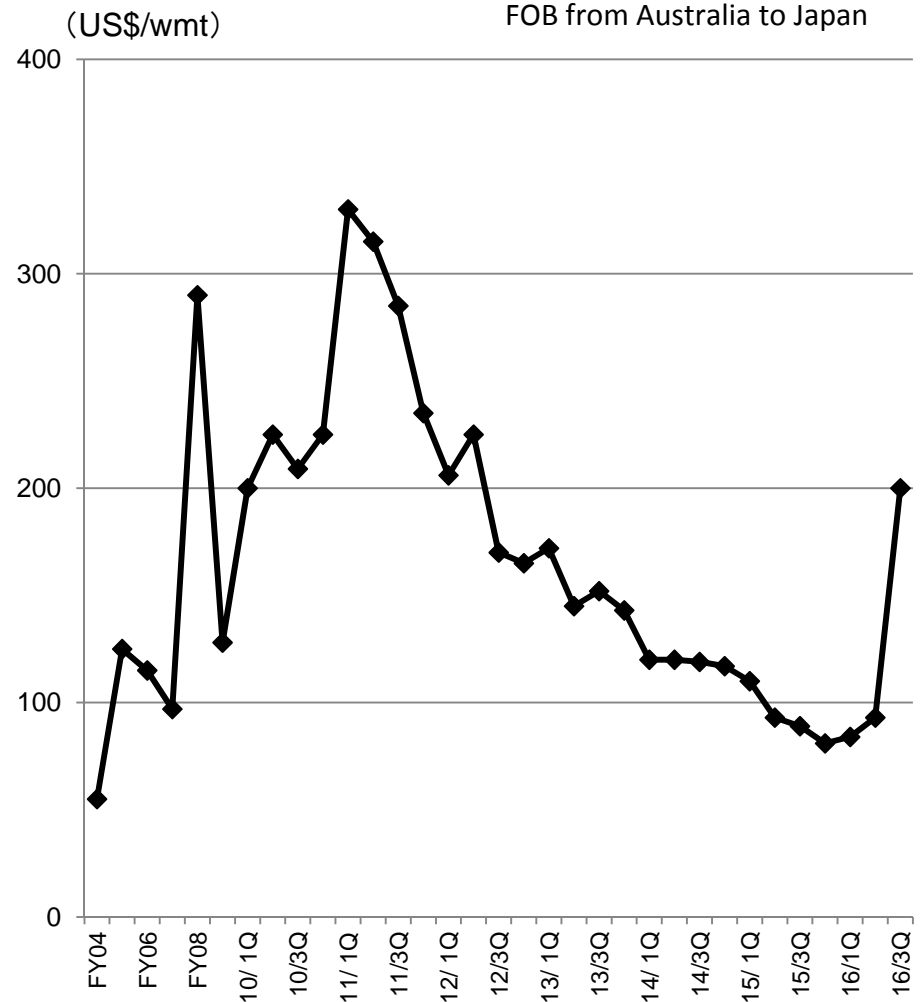
*2 Inventories of the distributors dealing with H-flange beams manufactured by NSSMC

Iron Ore & Coking Coal Prices

Iron Ore (Fine)



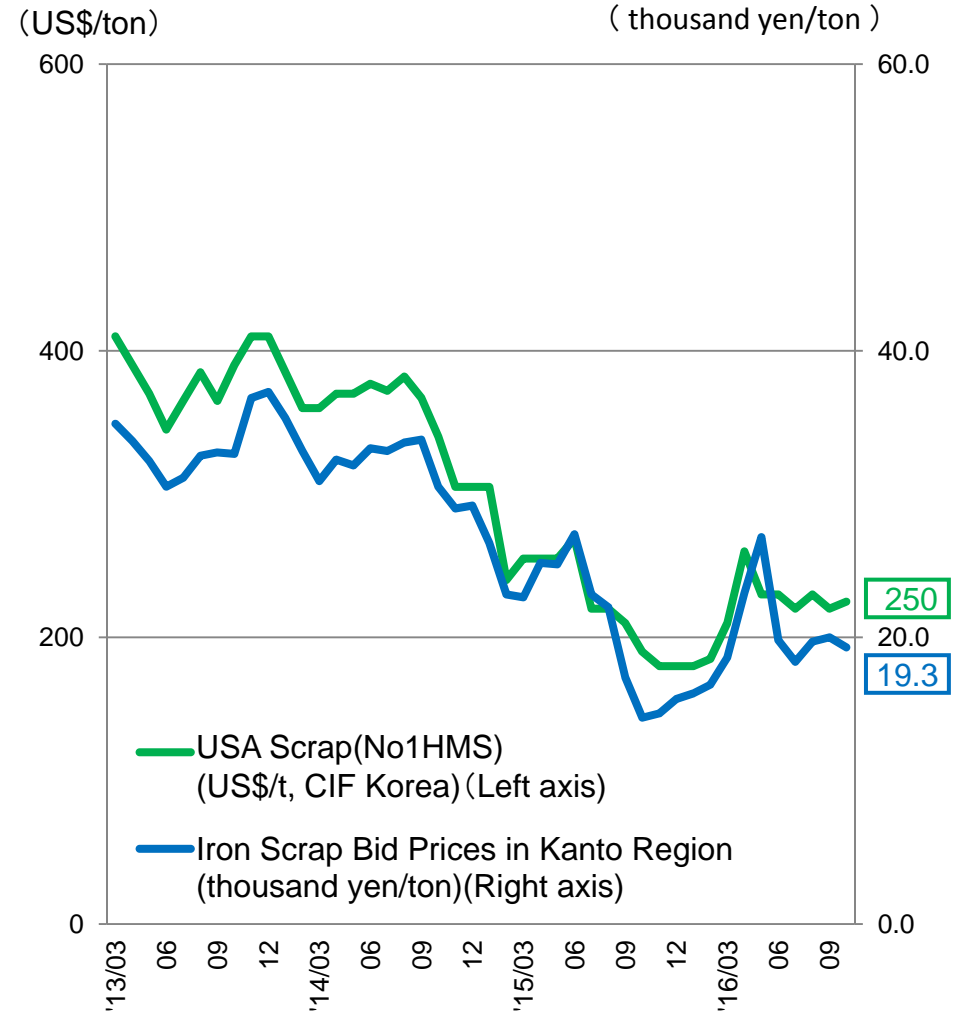
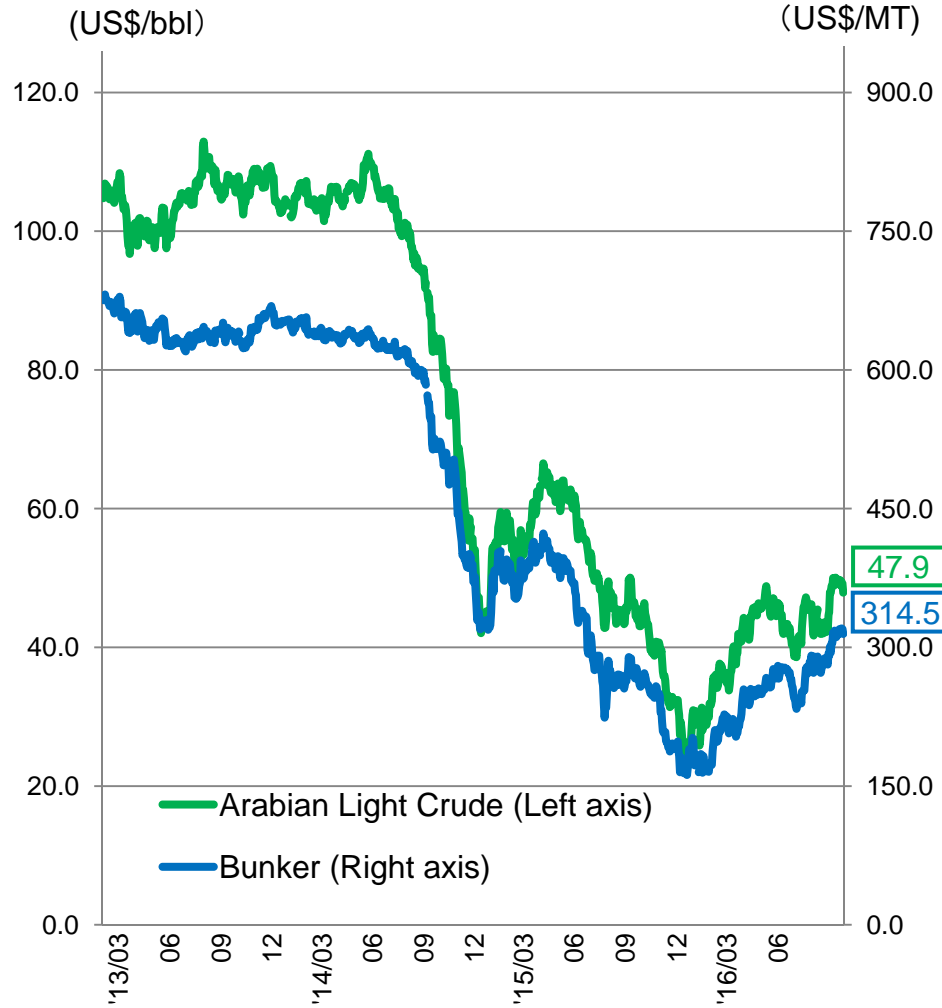
Hard Coking Coal



Market Trends <Crude Oil & Scrap>

Crude Oil

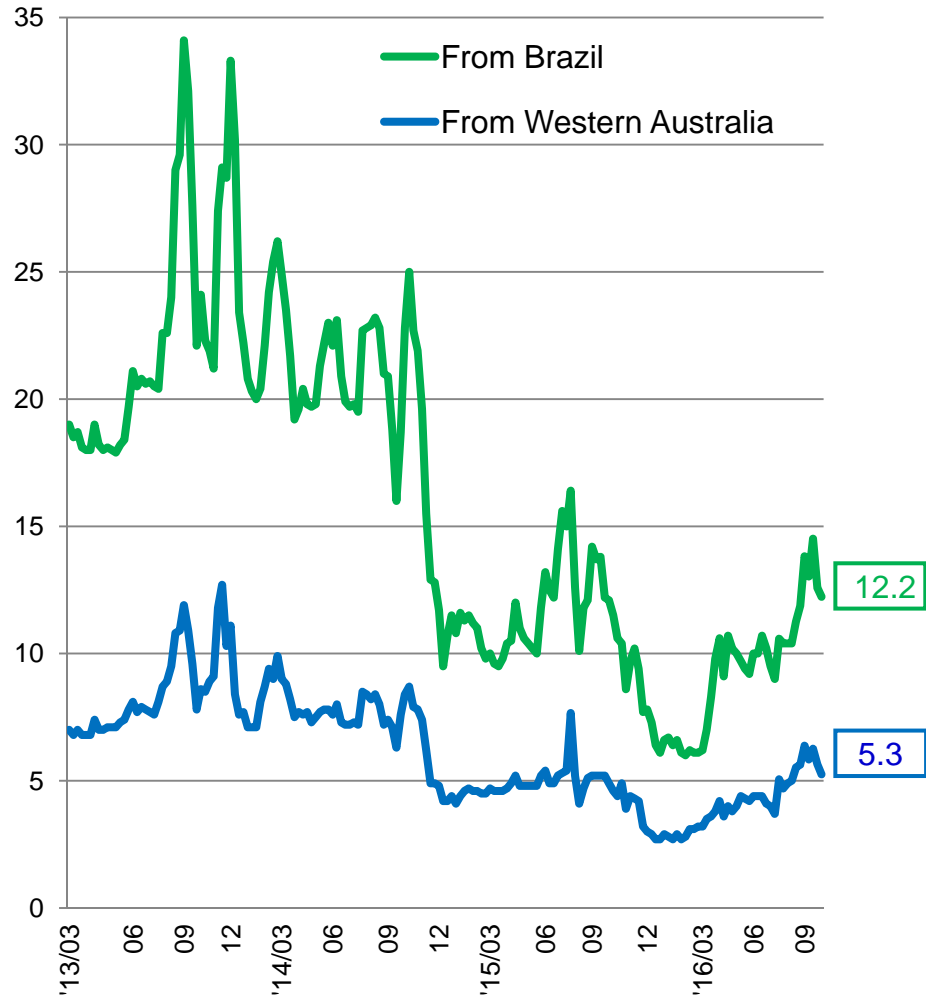
Scrap



Market Trends < Freight & Mold Pig Iron >

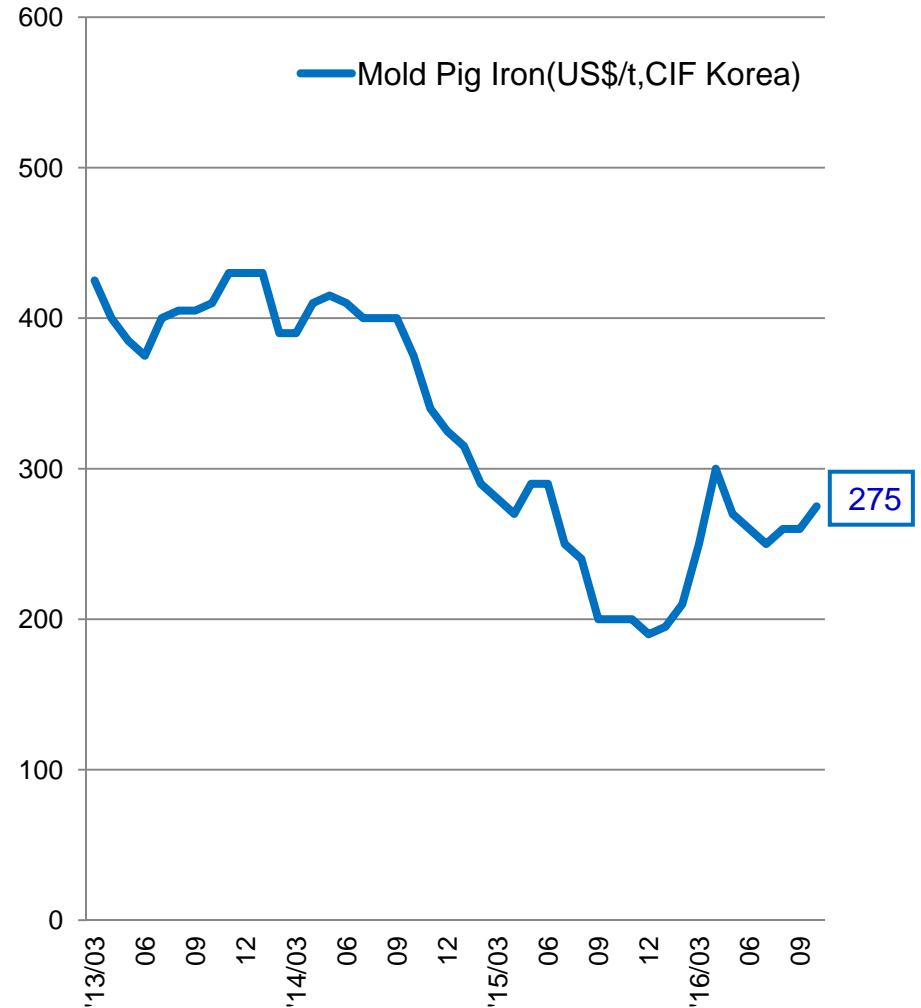
Freight

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



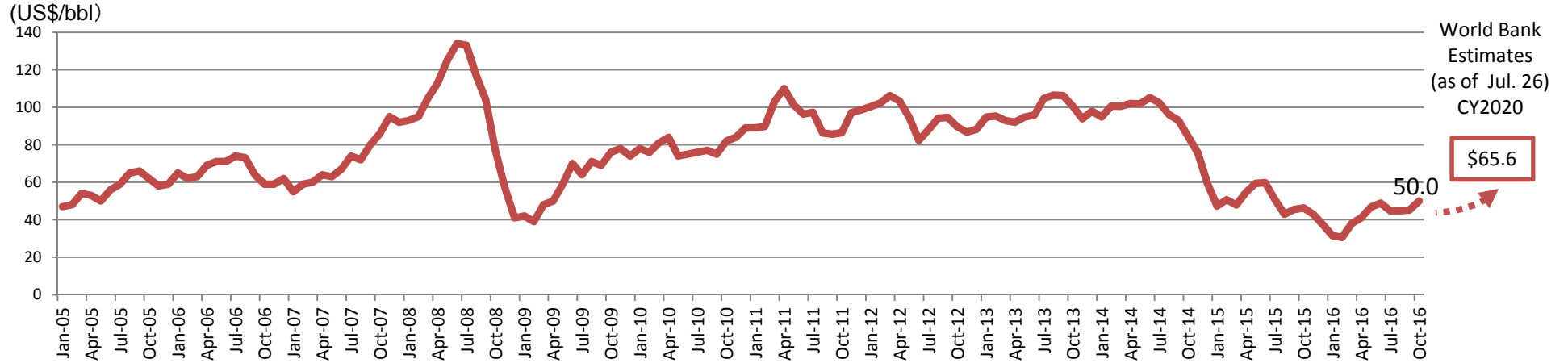
Mold Pig Iron

(US\$/T, CIF Korea)

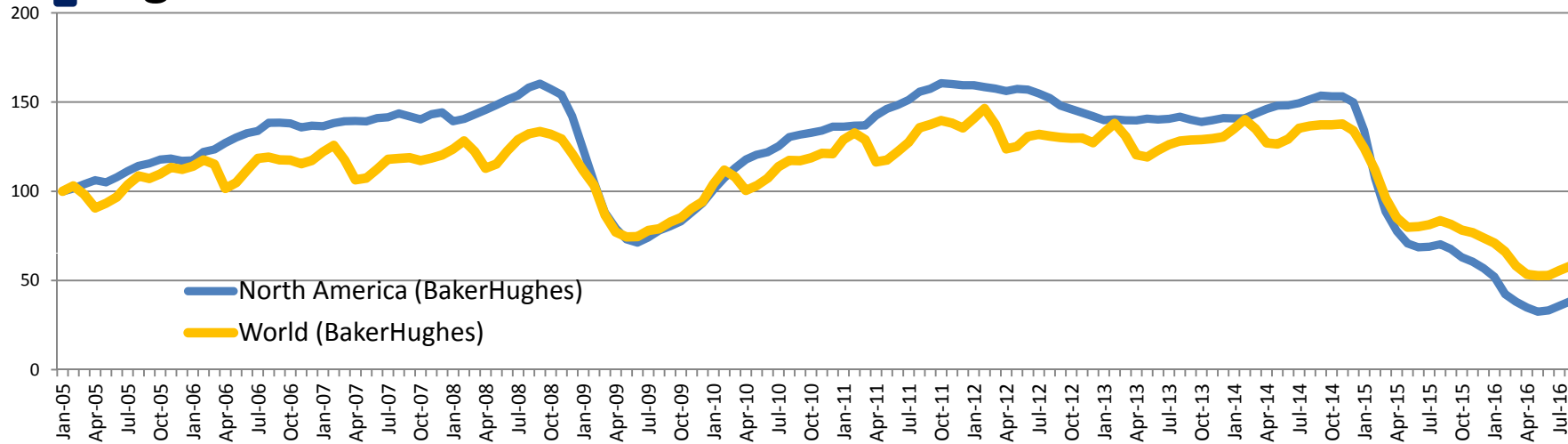


Energy Sector : Oil Price / Rig Count

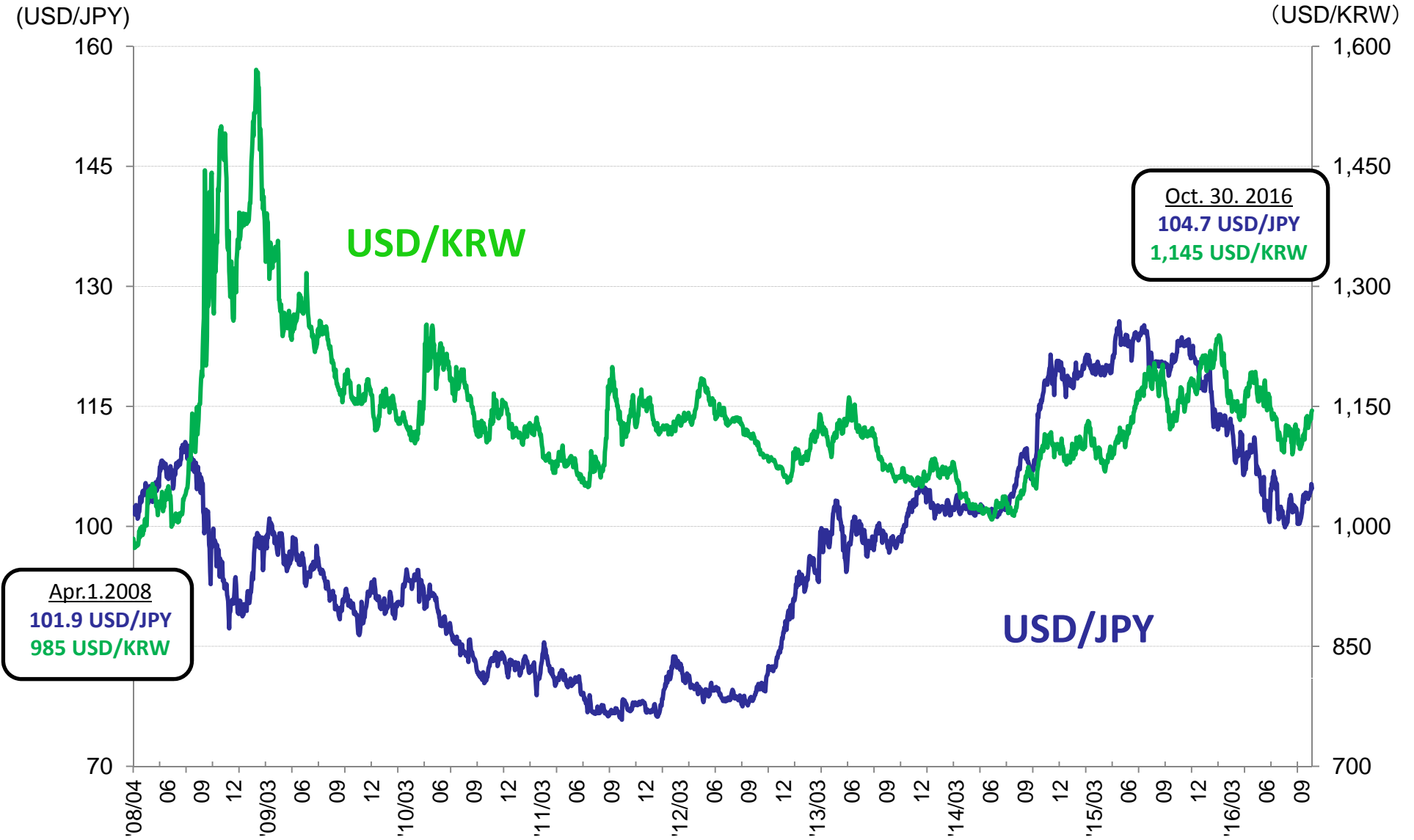
US Oil Price (WTI Spot)



Rig Counts (Jan. 2005=100)



Forex Trend



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