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**NSSMY: ADR (US)** 



# **NIPPON STEEL & SUMITOMO METAL** CORPORATION

# **FY2016 Earnings Summary**

### Toshiharu Sakae

Representative Director and Executive Vice President (CFO)

April 28<sup>th</sup>, 2017

#### 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

# **Agenda**

1. FY2016 Results

2. FY2017 Business Environment

3. Progress in Mid-Term Management Plan

4. Appendix



# 1. FY2016 Results

### **Overview: FY2016 Results**

#### **Business Environment**

- **Domestic Steel Demand:** Increase in autos & construction sectors. Bottomed out in 1Q and began to recover, approx. 1 mil. tons increase on YoY basis
- Steel Demand Overseas: [International market] After bottoming out at the beginning of 2016, continuous recover from 3Q driven by soaring coking coal and other raw material prices. Market remains stable backed by recovery in supply-demand balance. [China] Domestic demand is steady due to stimulus measures by government [ASEAN] Moderate recovery

### **Topics**

- Nisshin Steel: TOB (Feb. 3 Mar. 6, 8.3% → 51%) → Mar. 13 Nisshin Steel became our subsidiary.

  Promote business under common business policies as a member of NSSMC Group.
- Vallourec: Approval of the appointment of a Supervisory Board Member recommended by NSSMC will be submitted to GMS on May 12. Vallourec issued new shares to its employees in Dec. 2016

  → Partnership has been progressing as planed even though Vallourec is unlikely to become NSSMC's equity-method affiliate for the time being.
- Mitsubishi Steel Muroran (MSR): Technology transfer to MSR and increasing the volume of outsourced bullet-manufacturing. →Optimizing production framework in Muroran, Voting rights ratio 11%→30%

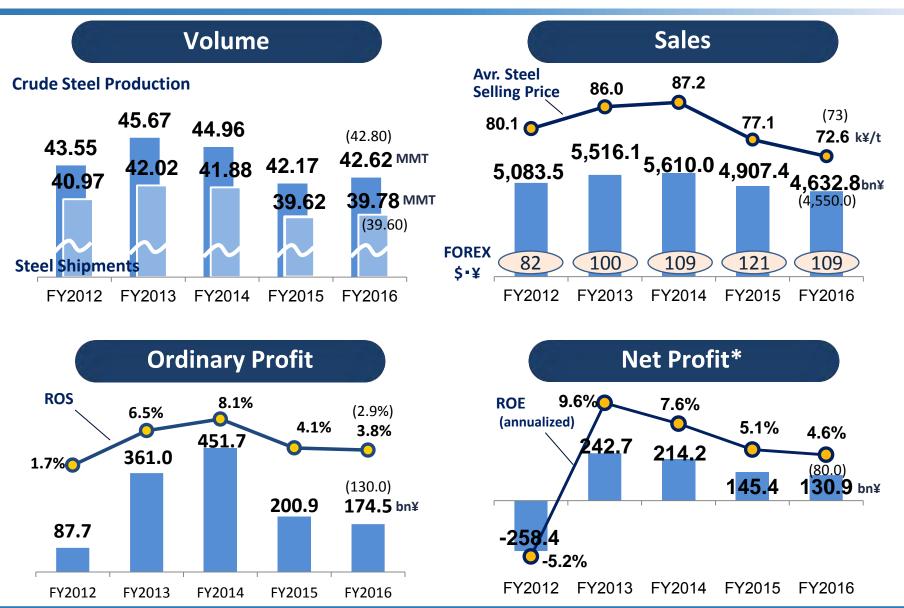
### Financial Highlights

	FY2016
Ordinary Profit (bn ¥)	174.5
Net Profit (bn ¥) *1	130.9 (148¥/share)

- ROS=3.8%, ROE=4.6%, D/E ratio=0.71 (excluding impacts of Nisshin consolidation: 0.63)
- Year-end Dividend: ¥45.00/share (Full-year Dividend: ¥45.00/share) Consolidated Payout Ratio: 30.4%



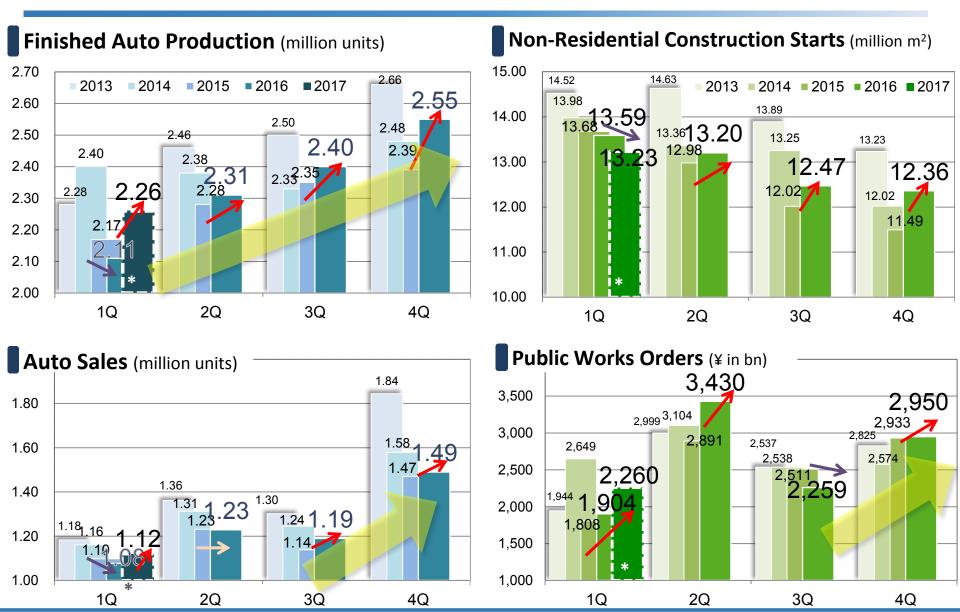
# **Key Indicators: FY2016 Results**



Figures in parentheses: Forecast as of Feb. 2<sup>nd</sup>, 2017



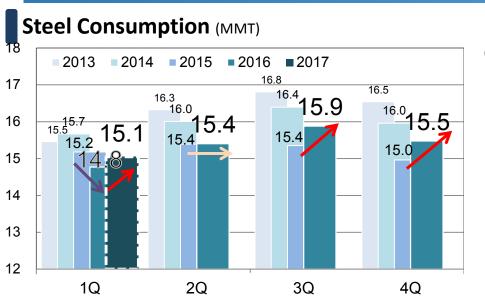
# **Key Indicators of Domestic Steel Demand**

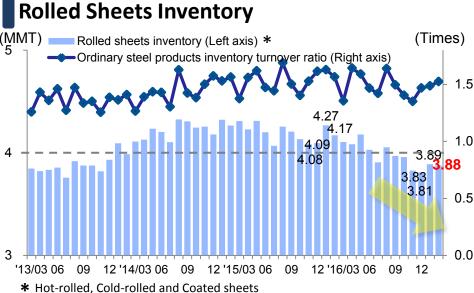


<sup>\*</sup> Estimates as of early in Mar., 2017

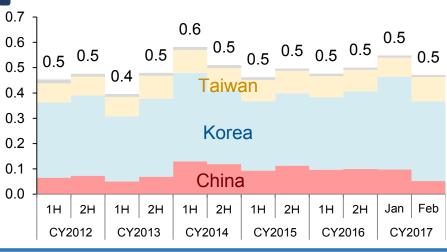


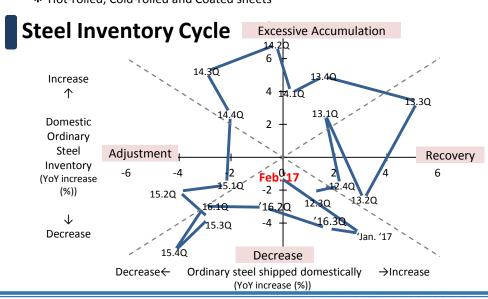
### **Domestic Steel Supply-Demand**





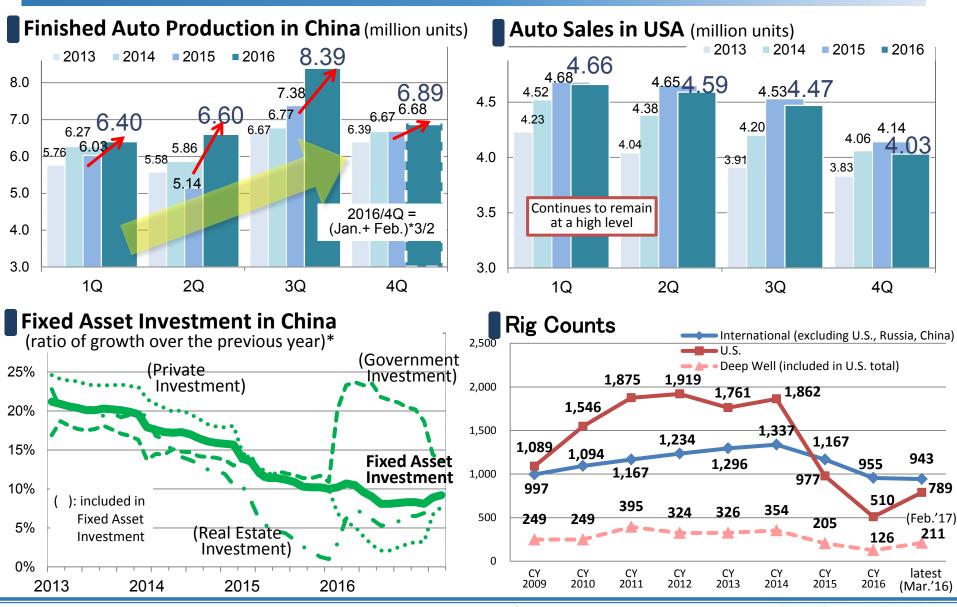








# **Key Indicators of Steel Demand Overseas**



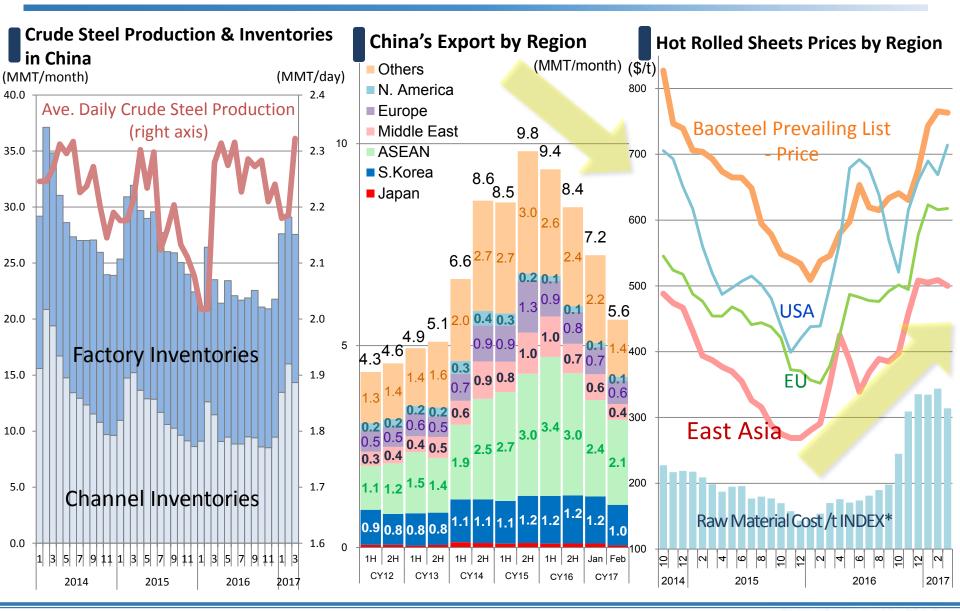
(Source: National Bureau of Statistics of China)

(Source: Baker Hughes)

NIPPON STEEL &
SUMITOMO METAL
CORPORATION

<sup>\*</sup>Calculated by using cumulative figures from Jan. in each year

# China's Steel Supply-Demand, Global Steel Market

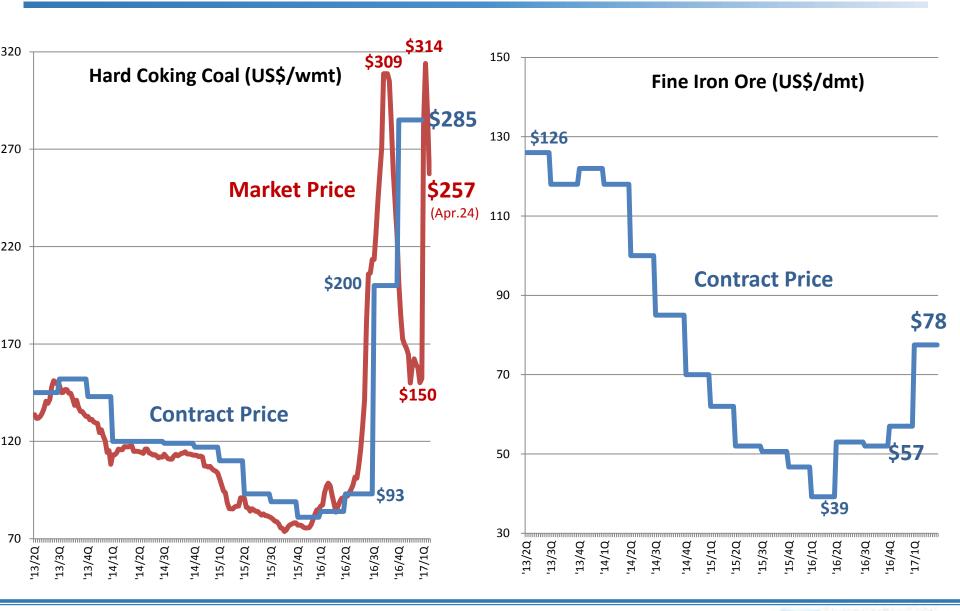


(Source: CISA, MYSTEEL)

<sup>\*</sup> Calculated by Iron Ore Market Price x 1.7 + Coal Market Price x 0.9



### **Iron Ore & Coking Coal Prices**



(Source: Bloomberg)



### **NSSMC Operational Highlights**

	FY15		FY16							Cha	nge		
(million tons)		1Q	2Q	1H	3Q	4Q	2H	*2 <i>[E]</i>		16/3Q VS. 16/4Q	16/1H VS. 16/2H	FY15 VS. FY16	FY16[E]* VS. FY16
Pig-iron production *1	42.51	10.49	10.76	21.26	10.66	10.24	20.89	[42.30]	42.15	-0.42	-0.37	-0.36	-0.15
Consolidated Crude Steel Production	44.53	11.16	11.53	22.70	11.52	10.95	22.47	[45.30]	45.17	-0.57	-0.22	+0.65	-0.13
Non-Consolidated Crude Steel Production	42.17	10.58	10.93	21.51	10.84	10.28	21.11	[42.80]	42.62	-0.56	-0.40	+0.45	-0.18
Steel Shipments	39.62	9.60	10.09	19.68	10.29	9.81	20.09	[39.60]	39.78	-0.48	+0.41	+0.16	+0.18
Seamless Pipe Shipments	0.83	0.24	0.23	0.47	0.23	0.23	0.46	[0.94]	0.93	+0.00	-0.01	+0.10	-0.01
Average Steel Selling Price (000 yen/ ton)	77.1	68.1	67.9	68.0	70.9	83.6	77.1	[73]	72.6	+12.7	+9.0	-4.5	-0.4
Steel Export Ratio (Value basis (%))	45	43	43	43	42	41	42	[42]	42	-1	-1	-3	+0
										Depreciate	Depreciate	Appreciate	
Forex (\$•¥)	121	111	103	107	106	114	110	[109]	109	Depreciate 8	Depreciate 3	<b>12</b>	_

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

<sup>\*2</sup> Figures as of Feb. 2, 2017

NIPPON STEEL & SUMITOMO METAL CORPORATION

### **FY2016 Results**

	FY15	FY16							Cha	nge	
(¥ in billions)		1H	3Q	4Q	2H	*3 <i>[E]</i>		16/3Q VS. 16/4Q	16/1H VS. 16/2H	FY15 VS. FY16	FY16[E]* <sup>3</sup> VS. FY16
Net Sales	4,907.4	2,160.7	1,171.2	1,300.8	2,472.0	[4,550.0]	4,632.8	+129.6	+311.3	-274.6	+82.8
Operating Profit	167.7	17.8	44.3	52.0	96.3		114.2	+7.7	+78.5	-53.5	
Ordinary Profit	200.9	28.0	80.5	66.0	146.5	[130.0]	174.5	-14.5	+118.5	-26.4	+44.5
Extraordinary Profit (Loss)	29.8	(9.1)	(7.4)	23.7	16.2		7.1	+31.1	+25.3	-22.7	
Net Profit*1	145.4	11.0	48.3	71.5	119.9	[80.0]	130.9	+23.2	+108.9	-14.5	+50.9
[ EPS ]*2	[158.7]	[ 12.4 ]	[54.8]	[81.1]	[135.9]	[90.0]	[148.0]	[ +26.2 ]	+123.5 ]	[ -10.7 ]	[ +58.0 ]
EBITDA	475.9	163.0	122.9	132.9	255.9		418.9	+10.0	+92.8	-57.0	
EBITDA / Sales	9.7%	7.5%	10.5%	10.2%	10.4%		9.0%	-0.3%	+2.8%	-0.7%	
ROS	4.1%	1.3%	6.9%	5.1%	5.9%	[2.9%]	3.8%	-1.8%	+4.6%	-0.3%	+0.9%
ROE	5.1%	0.8%	7.1%	10.0%	8.6%		4.6%	+2.8%	+7.8%	-0.5%	

<sup>\*1</sup> Profit attribute to owners of parent



<sup>\*2</sup> 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 begging of FY15.

**<sup>\*3</sup>** Figures as of Feb. 2, 2017

### **Extraordinary Profit & Loss**

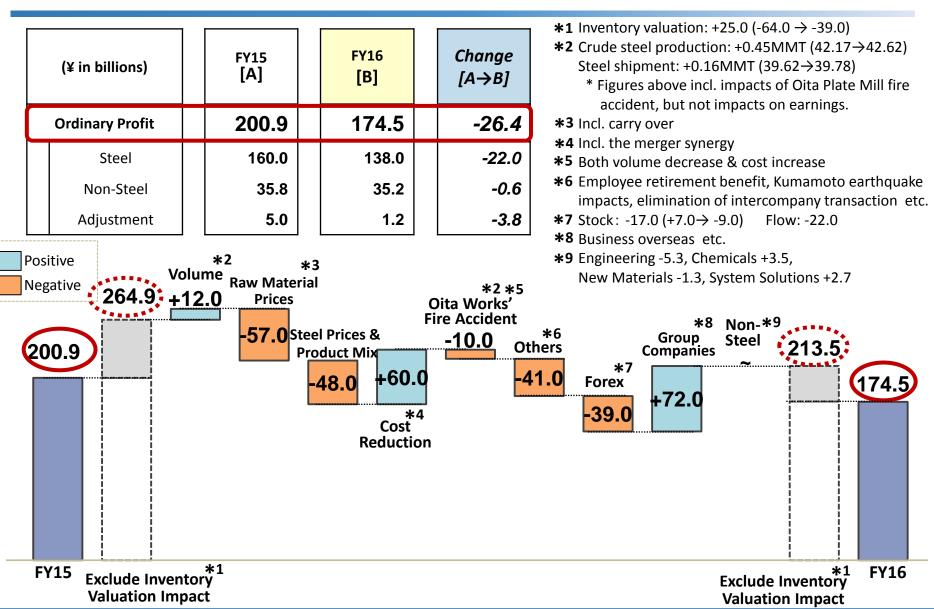
	FY15			FY16			change
(¥ in billions)		1H	3Q	4Q	2H		FY15 vs. FY16
Extraordinary Profit (Loss)	29.8	(9.1)	(7.4)	23.7	16.2	7.1	-22.7
Gain on sales of shares of subsidiaries and associates	32.6	_	_	24.1	24.1	24.1	-8.5
Settlement received	30.0						-30.0
Gain on step acquisitions				10.0	10.0	10.0	+10.0
Impairment loss	(13.7)	_	_	_	_	_	+13.7
Loss on inactive facilities	(19.0)	(2.7)	(7.4)	(2.6)	(10.0)	(12.7)	+6.3
Loss on disaster			000000000000000000000000000000000000000	(7.8)	(7.8)	(7.8)	-7.8
Restructuring Loss	<u> </u>	(6.4)	<del>-</del>	<del></del>	<del>-</del>	(6.4)	-6.4

### Oita Works' Fire Accident in Plate Mill ~ Impacts on Earnings

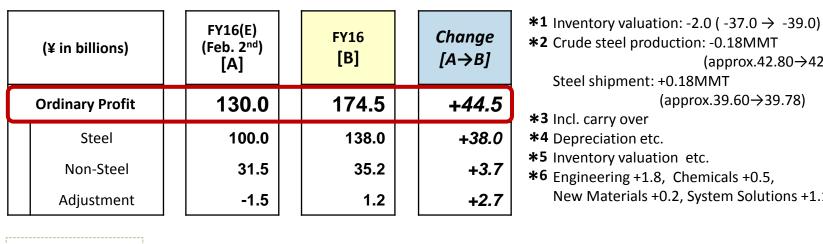
	¥ in billions	2016	2017		
_	# III DIIIIOIIS	4Q	(E)		
	Ordinary loss	(10.0)	(10.0)	(20.0)	Volume decrease, Cost increase
	Extraordinary loss	(7.8)		(7.8)	Restoration expense
	Profit before income tax	(17.8)	(10.0)	(27.8)	

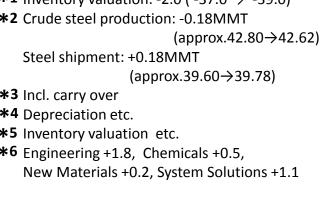


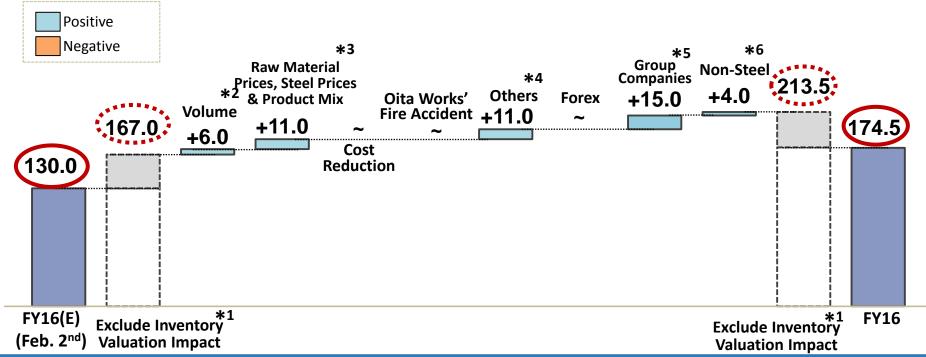
# **Ordinary Profit Variance Analysis [FY15 vs. FY16]**



### Ordinary Profit Variance Analysis [FY16(E)(Feb.2nd ) vs. FY16]



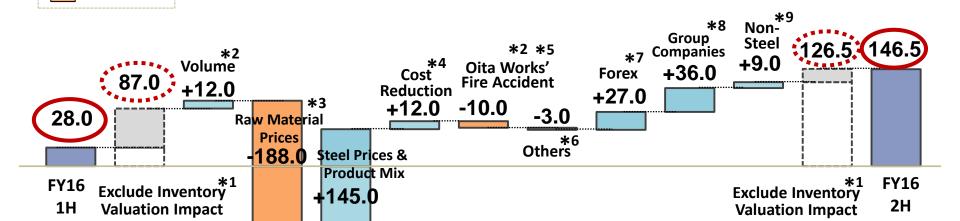




### Ordinary Profit Variance Analysis [FY16/1H vs. FY16/2H]

(¥ in billions)	FY16/1H [A]	FY16/2H [B]	Change [A→B]
Ordinary Profit	28.0	146.5	+118.5
Steel	14.0	123.9	+109.9
Non-Steel	13.4	21.7	+8.3
Adjustment	0.4	0.7	+0.3

- **\*1** Inventory valuation:  $+79.0 (-59.0 \rightarrow 20.0)$
- **\*2** Crude steel production: -0.40MMT (21.51 $\rightarrow$ 21.11) Steel shipment: approx. +0.41MMT (19.68  $\rightarrow$ 20.09)
  - \* Figures above incl. impacts of Oita Plate Mill fire accident, but not impacts on earnings.
- \*3 Incl. carry over
- **\*4** Incl. the merger synergy
- **\*5** Both volume decrease & cost increase
- **\*6** Depreciation etc
- **\*7** Stock: +31.0 (-20.0→ +11.0) Flow: -4.0
- **\*8** Inventory valuation, Seasonal factors, etc.
- **\*9** Engineering +3.7, Chemicals +2.9, New Materials +0.3, System Solutions +1.4



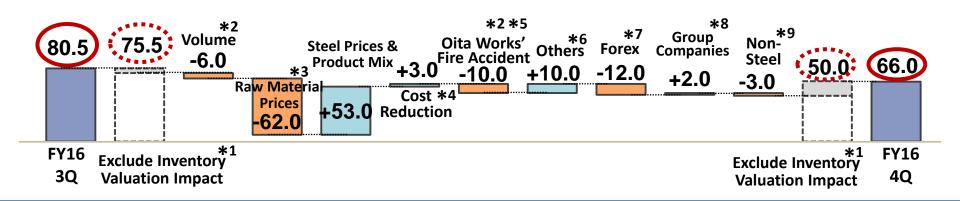
Positive Negative

### Ordinary Profit Variance Analysis [FY16/3Q vs. FY16/4Q]

(¥ in billions)		FY16/3Q [A]	FY16/4Q [B]	Change [A→B]
Ordinary Profit		80.5	66.0	-14.5
Steel		67.8	56.1	-11.7
Non-Steel		12.3	9.4	-2.9
Adjustment		0.3	0.4	+0.1



- \*1 Inventory valuation: +11.0 (  $5.0 \rightarrow 16.0$ )
- **\*2** Crude steel production: -0.56MMT (10.84 $\rightarrow$ 10.28) Steel shipment: -0.48MMT (10.29  $\rightarrow$  9.81)
  - \* Figures above incl. impacts of Oita Plate Mill fire accident, but not impacts on earnings.
- \*3 Incl. carry over
- \*4 Incl. the merger synergy
- \*5 Both volume decrease & cost increase
- \*6 Time lag of uneven fixed cost etc.
- \*7 Stock:  $-8.0 (+9.0 \rightarrow +1.0)$  Flow: -4.0
- **\*8** Seasonal factors etc.
- **\*9** Engineering -0.9, Chemicals -2.7, New Materials -0.2, System Solutions +0.8



### **Non-Steel Business**

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



Engine Const	ering & ruction	FY2014	FY2015	FY2016
	Sales	348.6	315.7	267.5
	Ordinary Profit	18.7	12.1	6.8

New Ma	aterials	FY2014	FY2015	FY2016
	Sales	36.4	36.2	34.5
A THE THE PARTY OF	Ordinary Profit	2.4	3.0	1.7

#### **Change in Ordinary Profit** (FY15 vs. FY16)

١	Engineering & Construction	Sales & profit decline due to drop in oil prices & overseas steel makers' investment.
	Chemicals	Although yen app. reduces sales, strong sales of functional materials (Espanex®/display) & chemicals, Increase shrank inv't valuation loss increase profit.
	New Materials	Despite demand of coated copper increases, sales & profit drop due to yen appreciation & fiercer competition.
<b>J</b>	System Solutions	Both business & service solution increase sales & profit by improving gross margin rate even Increase though SG&A increase.

(¥ in billions)

Chem	nicals	FY2014	FY2015	FY2016
ı ili	Sales	212.7	181.8	174.2
	Ordinary Profit	6.8	1.0	4.5
System Solutions				
		FY2014	FY2015	FY2016
		FY2014 206.0	FY2015 218.9	FY2016 232.5



### **Balance Sheet**

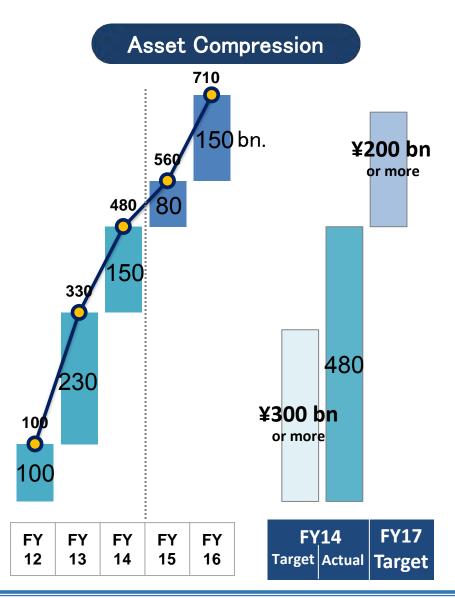
		(¥ in billions)	End of Mar. 2016	End of Mar. 2017
	C	Current assets	1,990.0	2,244.4
		Inventories	1,110.9	1,215.6
	Fixed assets		4,434.9	5,017.4
		Tangible fixed assets	2,579.2	2,840.8
		Investment in securities	592.4	816.3
		Investment	979.8	1,041.3
,	A	ssets	6,425.0	7,261.9

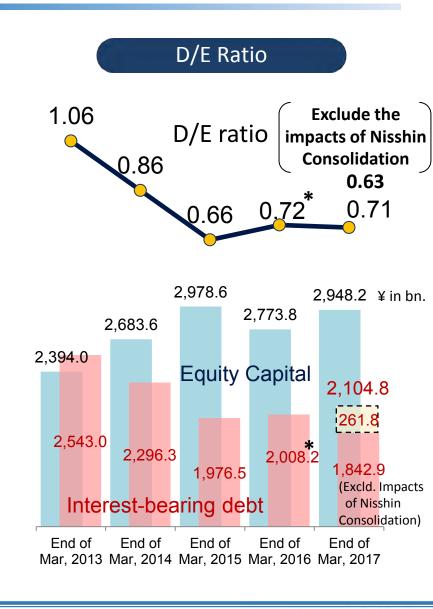
	(¥ in billions)	End of Mar. 2016	End of Mar. 2017
	Liabilities	3,415.9	3,970.9
	Interest-bearing debt	2,008.2	2,104.8
	Net Assets	3,009.0	3,291.0
	Equity capital	2,773.8	2,948.2
	Unrealized gains on available-for-sale securities	171.3	269.2
	non-controlling Interest in consolidated subsidiaries	235.2	342.7
L	iabilities & net assets	6,425.0	7,261.9

	End of Mar. 2016	End of Mar. 2017	Change (Impacts of Nisshin consolidation)
Total assets (bn¥)	6,425.0	7,261.9	+836.8 (+589.9)
Interest bearing debt (bn¥)	2,008.2	2,104.8	+96.5 (+245.6)
Equity capital (bn¥)	2,773.8	2,948.2	+174.4 ( +9.3)
DER	0.72	0.71	-0.01 ( +0.09)



### Financial Soundness





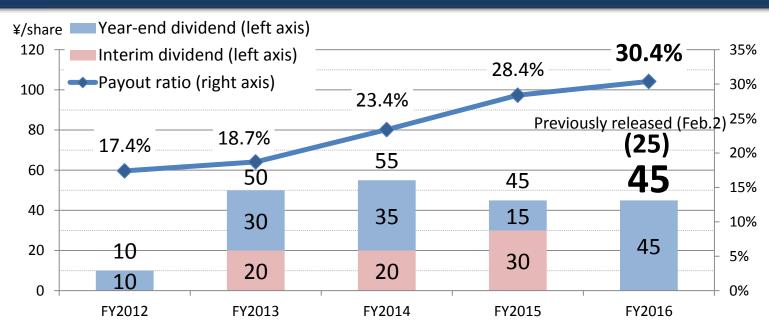
<sup>\*</sup> Effect of refinancing from hybrid securities to subordinated loans carried out in July, 2015



<sup>•</sup>Interest-bearing debt +¥300bn / •D/E approx.+0.1

### **Year-end Dividend Forecast**

In view of the improvement in the Company performance from the time the financial results through 3<sup>rd</sup> quarter were disclosed on Feb. 2, 2017, we plan to request the approval of the General Meeting of Shareholders to distribute a year-end dividend payment of ¥45.00 per share. (representing a dividend payout ratio of 30.4%)



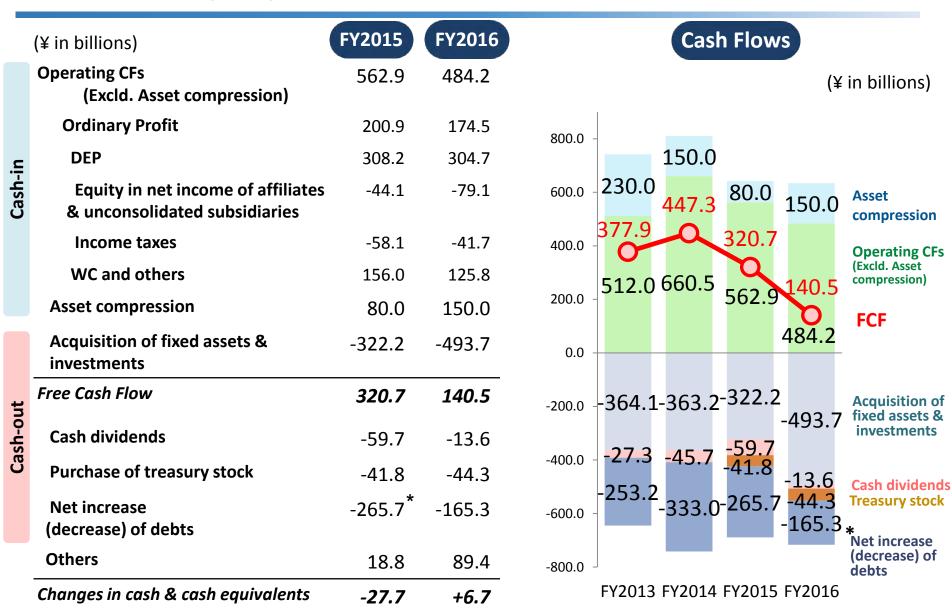
#### [Basic Profit Distribution Policy]

- ◆ 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)



# Cash Flows (CFs)



<sup>\*</sup> Net increase (decrease) of debts:-265.7bn\(\frac{1}{2}\) + Effect of refinancing from hybrid securities:300.0bn\(\frac{1}{2}\) - Change in number of consolidated companies & Impact from FOREX:2.7bn\(\frac{1}{2}\) = Change in interest

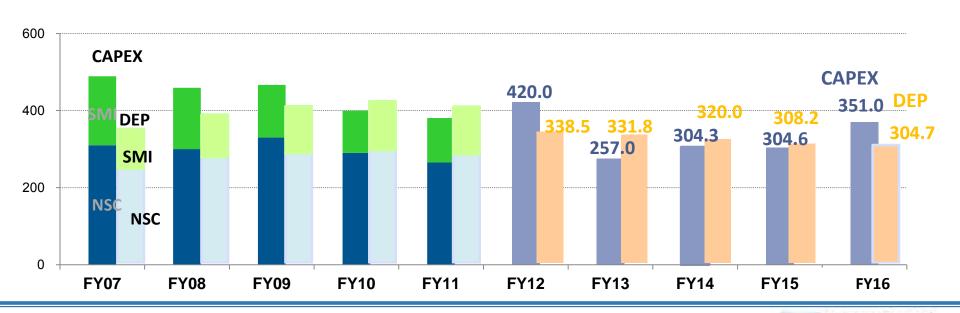
<sup>-</sup> Change in number of consolidated companies & Impact from FOREX:2.7bn¥ = Change in interest bearing debt:+31.6bn¥



### **CAPEX and Depreciation**

(¥ in billions)

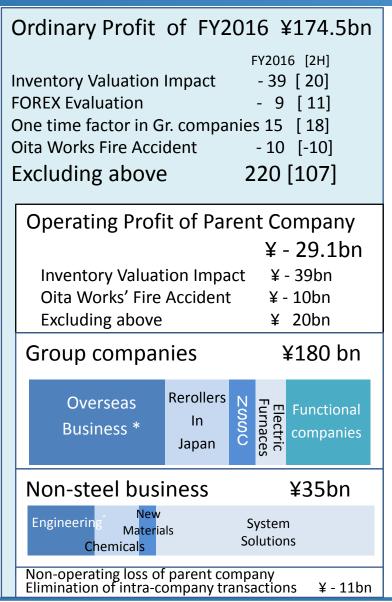
NSSMC (Upper : NSC Lower : SMI)	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
CAPEX	490.0 (310.0) (178.8)	460.0 (300.0) (159.1)	465.0 (330.0) (136.6)	400.0 (290.0) (109.9)	380.0 (265.0) (115.7)	420.0	257.0	304.3	304.6	351.0
Depreciation	346.5 (244.0) (102.5)	383.5 (273.7) (109.8)	404.8 (284.0) (120.8)	417.7 (291.5) (126.2)	403.8 (280.9) (122.9)	338.5	331.8	320.0	308.2	304.7

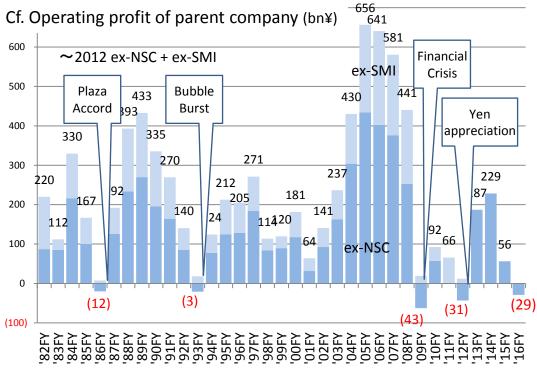




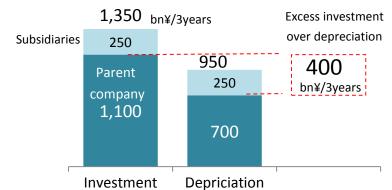
# 2. FY2017 Business Environment

### **Review of FY2016 Results for FY2017 Performance**





#### Cf. Investment in domestic facilities in 2015-17 Mid-Term plan





<sup>\*</sup> Including raw material mine

### **FY2017: Factors Influence on Our Business Performance**

Cost Reduction

¥50bn/year remains in 3years (FY 2015-2017) plan in the Mid-Term Management Plan

(vs. FY2016)

increase

Group Companies

Nisshin Steel became our subsidiary

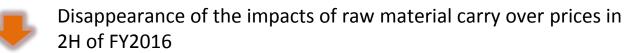
decrease

1

Overseas business

Penetration of steel price rise in 2H of FY2016 corresponding the price hike of raw material

Raw material Prices,
Steel Prices
& Product Mix



Steel price rise for the appropriate margin for maintaining the capability of reproduction



FOREX

Flow: depends on raw material prices, export prices of steel products, and export ratio

Stock: approx. 1bn USD assets

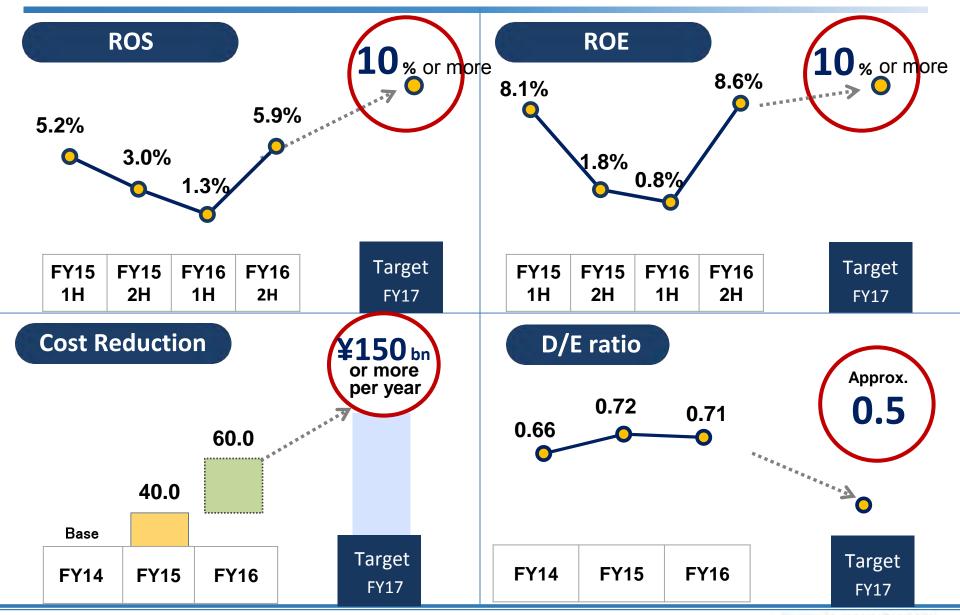
**Inventory Valuation** 

Depends on raw material prices, FOREX, etc.



3. Progress in Mid-Term Management Plan

### 2017 Mid-Term Plan: Targeted KPIs

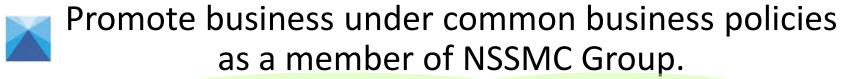


# **Progress of Mid-Term Plan**

	Commons / Monks	Action	FY15	F۱	/16	FV4.7	FY18
	Company / Works	Action	2H	1H	2H	FY17	Later
	Kimitsu	Close No.3 BF	☆	Mar.			
Domestic	Yawata	Reorganize production frame work					<b>☆</b> FY18~20(E)
	Kashima / Kimitsu	Start up Coke Oven		ashima/1F A		u/4B Jan. Kashima/2E	Kimitsu/ No.5:2H(E) Apr.(E)
	ICI (USA: Crankshaft/ No.4 Forging Press Line)	Started operation	<b>☆</b> Oct.				
	NSCh (China: Auto/ Ramp up capacity of NBC)	Started operation	☆Dec				
	VSB • VBR Integration (Brazil: Pipe / Merger with Vallourec's subsidiary)	Business merger			<b>☆</b> Oct.		
	AGIS (UAE: Construction/ JV with Saif Al Ghurair Gr.)	Started operation of No.2 galvanizing Line			<b>⇔</b> Oct.		
Overseas	VAM® BRN (Brunei: Pipe/ JV with SC and Vallourec)	Started operation			☆No	v.	
Overseas	WTC (USA: ERW / Agreement to sell shares)	Execution of Agreement to sell shares			☆De	с.	
	KOS (Indonesia: Structural/ JV with Osaka & PTKS)	Started operation			☆J	an.	
	KNSS (Indonesia: Auto/ JV with PTKS)	Start operation(E)				FY17(E)	
	NSCI (USA: Auto/ JV with secondary processors)	Start operation(E)				<b>☆</b> FY17(E)	
	NS BlueScope (Thailand: Construction/ JV with BlueScope Steel)	Installation of No.3 Metal Coating Line					<b>★</b> FY18(E)



### Nisshin Steel Became a Member of NSSMC Group





Technological superiority Cost-competitiveness Worldwide capacities Customer- and market-readiness, enabled by meticulous development marketing



### Expected Synergies

- ➤ Stop operation of Kure No.2 BF
- ⇒Avoid large-scale investments ~utilize resources to enhance the core products strategy
- ⇒Improve operation ratio through supply of steel slabs
- ➤ Transferring best practices (operation ,facilities and maintenance)
- ➤ Reducing procurement costs (raw materials, resources and equipment)
- ➤ Reorganize production framework
- ➤ Improving efficiency in group companies
- ➤ Measures regarding funds and cash flow

Expected synergy effects : **¥20bn** or more /year

Started work on details of synergy since approval of FTCs on Jan. 27, 2017



CORPORATION

### **Overseas Capacity**

Brazil

[Sheet] UNIGAL (29%)

★ Before adjusting for NSSMC's investment ratios and excluding capacity of Usiminas and Acerinox
 <u>Underlined : Subsidiaries</u> no underlined : Affiliated companies (Investment ratio)
 Nissin Steel Group

End of FY2016  $19^{*}$ After Adding Nisshin 21 MMt End of FY2012 9MMT Energy & Infrastructure Auto **Others** Resources [Sheet] NS-SUS (80%) [Tinplate] STP (16%) **Thailand** [Pipe] NSPCT (58%) [Sheet] NSBS (50%) [Bar&Wire] NSSPT (59%) [Sheet] KNSS (80%) 2017~ [Sheet] NSBS (50%) Indonesia [Tinplate] Latinusa (35%) [Pipe] INP (90%) [Shape] KOS (80%) 2017~ [Sheet] CSVC (30%) 2013~ [Pipe] VSP (60%) NSBS (50%) **Viet Nam** [Pipe] NPV (76%) [Sheet] NSBS (50%) [Sheet]N-EGALV (50%) [Sheet] BNA (50%) [Stainless Sheet Bahru (30%) Malaysia Nantong (90%) ZNW(55%) [Stainless Sheet | Baoxin (20%) [Pipe] Baoji (25%) [Tinplate] [Bar&Wire] NSCh (25%) 2015~ WINSteel (50%) 2013 Suzuki Garphyttann(100%) China **PATIN** (25%) [Pipe] GYA(66%), WNSP(71%) [Crankshaft]Huizhou(60%) [Sheet] JCAPCPL (49%) 2014~ India [Pipe] NPI (99%) [Joint] VAM BRN 2015~ Other Asian [Crankshaft] SMAC (40%) Countries Middle East [Pipe] NPC (60%) [Sheet] AGIS (20%) [Bar&Wire] Suzuki Europe Garphyttann(100%) [Sheet] I/N TEK(40%) I/N KOTE(50%) [Sheet] AM/NS Calvert (50%) NSBS (50%) [Pipe] PEXCO (30%) [Bar&Wire] NSCI (42%) 2017(E) Wheeling-Nisshin (100%) [Pipe] STI (80%) US STL(100%) Suzuki Garphyttann(100%) [Joint] VAMUSA(34%) [Pipe NAT (89%) [Railway Wheel] [Crankshaft]ICI (80%) SS (80%) [Sheet] TENIGAL (49%) 2013~ Mexico [Pipe] NPM (74%)2013~

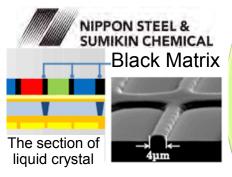
[Pipe] VSB (15%)

# **Enhance Technological Superiority**

### The Ichimura Prize in Industry for Excellent Achievement

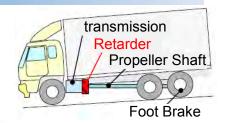
Developed black photoresist ink for high resolution LCD (Liquid Crystal

Display): ESFINE® series



Science & Technology Award (Development Category) by MEXT

Development of permanent magnetic retarder (small size and light weight auxiliary brake device)



2016

**TOP 100** 

GLOBAL **INNOVATORS** 

Clarivate

2016 Top 100 Global Innovator Award

Prized 5 consecutive years on high evaluation of constantly high patent success rate High Corrosion Resistant Black Galvanized Sheet "BLACK ZAM TM"



Plated layer itself blackened beautiful surface even in bend part

Black thin film pre-coated sheet





Square tube Automotive Body Framework by Three-dimensional Hot Bending and Direct Quench Technology

Enables highly efficient production of ultra high tensile (1,500MPa) tube in complicated shape without using die



# 4. Appendix

# **Key Indicators of Demand**

		F	-Y15			F	Y16				FY17		Chan	ge	
[ Domestic ]				1Q	1H	4Q	2H		*1 <i>[E]</i>		1Q(E)	16/1H vs. 16/2H	vs.	FY15 16/1Q vs. vs. FY16 17/1Q(E	
Housing Starts (million hou	uses)		0.92	0.25	0.50	0.21	0.4	<mark>16</mark> [0.	95]	0.96	0.24	-0.04	+0.		0.01
Non-residential Construction Starts (million	n m³)	•	49.99	13.59	26.79	12.36	24.8	<mark>33</mark> [51	.62]	51.62	13.23	-1.96	+1.	63 -0	0.36
Public Works Orders (¥ in bil	llion)	10	0,142	1,904	5,333	2,950	5,20	[10,	803] 10	0,542	2,260	-124	+4	00 +	356
Finished Auto Production (million u	ınits)		9.19	2.11	4.41	2.55	4.9	<mark>)5</mark> [9.	40]	9.36	2.26	+0.54	+0.	17 +0	).15
Export of Finished Auto (million u	ınits)		4.58	1.08	2.26	1.24	2.5	51 [4.	77]	4.77	1.20	+0.26	+0.	19 +0	).12
Overseas Auto Production (8 Japanese car makers) (million u	ınits)	,	17.84	4.62	9.19	4.89	9.7	71	1	18.90		+0.52	+1.	06	
Large & Middle sized Shovel Production (thousand u	nits)		63	15	31	14	3	<b>30</b> [6	61]	61	17	-1		-2	+1
Metal Machine Tool Production (thousand t	cons)		452	88	178	93	18	35 [30	60]	363	85	+7		88	-2
Keel-laid New Ships (m. gross t	ons)		12.83	3.07	6.34	2.90	5.8	30 [11	.94] 1	12.14	2.90	-0.54	-0.	69 -0	).17
Rig Count	CY09	CY10	CY11	1 CY12	CY13	CY14	CY15	CY16	CY17	La	atest	Peak		Botto	n
USA	1,089	1,546	1,87	5 1,919	1,761	1,862	977	510	739	847	(Apr.'17)	<b>2,031</b> (S	ep.'08)	<b>404</b> (Ma	y.'16)
Deep well (≧15,000ft)	249	249	39	5 324	326	354	205	126	204	211	(Feb.'17)	413 (	ov.'11)	<b>98</b> (Ma	y.'16)
World Total (Exc. N. America,	997	1,094	1,16	7 1,234	1,296	1,337	1,167	955	939	943	(Mar.'17)	1,382	Jul.'14)	<b>920</b> (Od	ct.'16)

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

Russia & China)



**<sup>\*1</sup>** Figures as of Feb.2, 2017

<sup>\*2</sup> Estimates as of early in Mar., 2017

### **Domestic Steel Consumption by Industrial Sector**

		FY16											
	(million tons)		1Q 1H		4Q	2H	*1 [E]		1Q(E)	16/1H vs. 16/2H	FY15 vs. FY16	16/1Q vs. 17/1Q(E)*	
Crude Steel Production in Japan		104.23	26.21	52.55	26.23	52.61	[105.23]	105.16	25.99	+0.06	+0.93	-0.22	
Domestic Steel Consumption (A + B)		60.88	14.79	30.24	15.48	31.37	[61.61]	61.61	15.05	+1.13	+0.73	+0.25	
% fc	or manufacturing sector	63.9	63.3	63.1	62.9	62.5	[62.7]	62.8	63.2	-0.6	-1.1	-0.1	
Or	dinary Steel Consumption (A)	48.43	11.69	23.91	12.38	24.97	[48.88]	48.88	11.86	+1.06	+0.45	+0.17	
(	Construction	21.15	5.17	10.58	5.50	11.23	[21.87]	21.81	5.26	+0.65	+0.66	+0.10	
r	Manufacturing	27.28	6.52	13.32	6.88	13.74	[27.01]	27.07	6.60	+0.42	-0.21	+0.07	
	Shipbuilding	4.32	1.06	2.13	0.99	1.99	[4.08]	4.12	0.99	-0.14	-0.20	-0.07	
	Automotive	10.76	2.56	5.31	2.86	5.71	[11.03]	11.02	2.69	+0.40	+0.26	+0.13	
	Industrial Machine	4.61	1.09	2.23	1.12	2.24	[4.48]	4.47	1.12	+0.01	-0.14	+0.03	
Electronic Machine 2.		2.92	0.68	1.42	0.74	1.44	[2.86]	2.85	0.67	+0.02	-0.06	-0.01	
Sp	Specialty Steel Consumption (B)		3.10	6.33	3.10	6.40	[12.73]	12.73	3.19	+0.06	+0.28	+0.08	
Ste	el Imports	6.37	1.50	3.08									

(Source: NSSMC est.)

**Steel Exports** 

20.70

10.28

41.19

**<sup>\*1</sup>** Figures as of Feb. 2, 2017

<sup>\*2</sup> Estimates as of early in Mar., 2017

# World Economic Outlook <Released on Apr. 18, 2017 by IMF>

( ): Outlook as of Jan. 16, 2017

(G	DP growth rate)	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16		CY16		CY (E		
W	orld Total	3.0	-0.5	5.3	3.9	3.4	3.4	3.4	3.4	(3.1)	3.1	(3.4)	3.5			
	Developed Countries	0.5	-3.4	3.2	1.7	1.2	1.4	1.9	2.1	(1.6)	1.7	(1.9)	2.0	Ī		
	USA	0.4	-2.6	3.0	1.8	2.3	2.2	2.4	2.6	(1.6)	1.6	(2.3)	2.3	Ī		
	EU27	0.6	-4.1	1.9	1.5	-0.7	-0.4	0.9	2.0	(1.7)	1.7	(1.6)	1.7	Ī		
	Japan	-1.2	-6.3	4.4	-0.6	1.5	1.6	0.0	1.2	(0.9)	1.0	(0.8)	1.2	Ī		
	Developing Countries	6.1	2.7	7.5	6.2	5.1	5.0	4.6	4.2	(4.1)	4.1	(4.5)	4.5	Ī		
	China	9.6	9.2	10.4	9.3	7.7	7.7	7.3	6.9	(6.7)	6.7	(6.5)	6.6	Ī		
	India	7.3	6.8	10.6	6.3	4.7	6.9	7.2	7.9	(6.6)	6.8	(7.2)	7.2	Ī		
	ASEAN5 *	4.7	1.7	7.0	4.5	6.2	5.1	4.6	4.8	(4.8)	4.9	(4.9)	5.0	Ī		
	Russia	5.6	-7.8	4.3	4.3	3.4	1.3	0.7	-2.8	(-0.6)	-0.2	(1.1)	1.4	Ī		
	Brazil	5.1	-0.6	7.5	2.7	1.0	2.7	0.1	-3.8	(-3.5)	-3.6	(0.2)	0.2	I		

CY (E		CY <sup>·</sup>	
(3.4)	3.5	(3.6)	3.6
(1.9)	2.0	(2.0)	2.0
(2.3)	2.3	(2.5)	2.5
(1.6)	1.7	(2.3)	1.6
(0.8)	1.2	(0.5)	0.6
(4.5)	4.5	(4.8)	4.8
(6.5)	6.6	(6.0)	6.2
(7.2)	7.2	(7.7)	7.7
(4.9)	5.0	(5.2)	5.2
(1.1)	1.4	(1.2)	1.4
(0.2)	0.2	(1.5)	1.7

(Source: IMF)

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

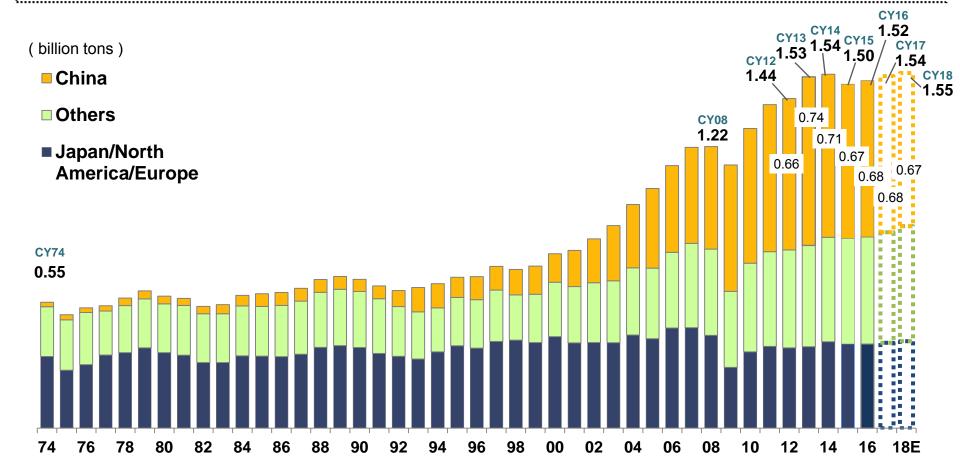


#### **World Steel Demand**

<Released on Apr. 21, 2017 by WSA>

Figures in parentheses are previous forecasts as of Oct.11, 2016

World 
$$CY12> \longrightarrow CY13> \longrightarrow CY14> \longrightarrow CY15> \longrightarrow CY16> \longrightarrow CY17(E)> \longrightarrow CY18(E)> \longrightarrow CY16> \longrightarrow CY17(E)> \longrightarrow CY18(E)> \longrightarrow$$



(Source: WSA, Apparent finished steel consumption)



#### **World Crude Steel Production**

	CY15	CY16								CY17				
(million tons)		Jan - Mar	Apr - Jun	Jul - Sep	Oct	Nov	Dec	Oct - Dec [A]		Jan	Feb	Mar	Jan - Mar [B]	Change (A → B)
World *	1,597.8	386.0	410.2	401.8	136.8	132.1	134.1	403.0	1,604.0	137.8	126.6	145.0	410.5	+7.6
Total (YoY)	(-3.0%)	(-3.3%)	(-0.1%)	(+1.6%)	(+3.2%)	(+4.6%)	(+6.2%)	(+4.6%)	(+0.4%)	(+8.6%)	(+4.5%)	(+5.1%)	(+6.4%)	(+1.9%)
Japan	105.2	25.8	26.2	26.3	9.1	8.6	8.7	26.4	104.8	9.0	8.3	8.9	26.2	-0.2
(YoY)	(-5.0%)	(-3.4%)	(+1.4%)	(+0.5%)	(+0.5%)	(-1.4%)	(+1.5%)	(+0.2%)	(-0.4%)	(+2.7%)	(-0.1%)	(+1.8%)	(+1.5%)	(-0.6%)
Korea	69.7	16.5	16.9	17.6	6.0	5.7	5.9	17.5	68.6	5.6	5.5	6.1	17.3	-0.3
(YoY)	(-1.9%)	(-2.4%)	(-3.8%)	(+1.6%)	(-2.0%)	(-2.5%)	(-0.2%)	(-1.6%)	(-1.6%)	(-0.5%)	(+8.3%)	(+6.4%)	(+4.6%)	(-1.5%)
USA	78.8	19.7	20.4	19.5	6.2	6.2	6.6	19.0	78.6	7.0	6.4	7.0	20.4	+1.4
EU28	166.1	40.9	41.8	38.7	14.3	13.5	13.1	40.9	162.3	14.1	13.4	15.0	42.5	+1.7
Russia	70.9	17.2	17.8	17.7	5.9	5.9	6.2	18.1	70.8	6.2	5.6	6.2	18.0	-0.1
Brazil	33.3	7.4	7.4	8.1	2.7	2.4	2.1	7.3	30.2	2.8	2.6	2.9	8.2	+1.0
India	89.4	23.3	23.7	24.3	8.3	7.7	8.4	24.4	95.6	8.6	8.1	9.0	25.8	+1.4
China	803.8	191.7	209.4	203.5	68.5	66.3	67.2	202.0	808.4	67.6	61.2	72.0	201.1	-0.9
(YoY)	(-2.3%)	(-3.2%)	(+1.3%)	(+2.3%)	(+3.6%)	(+4.7%)	(+4.4%)	(+4.2%)	(+0.6%)	(+8.0%)	(+4.6%)	(+1.9%)	(+4.9%)	(-0.5%)

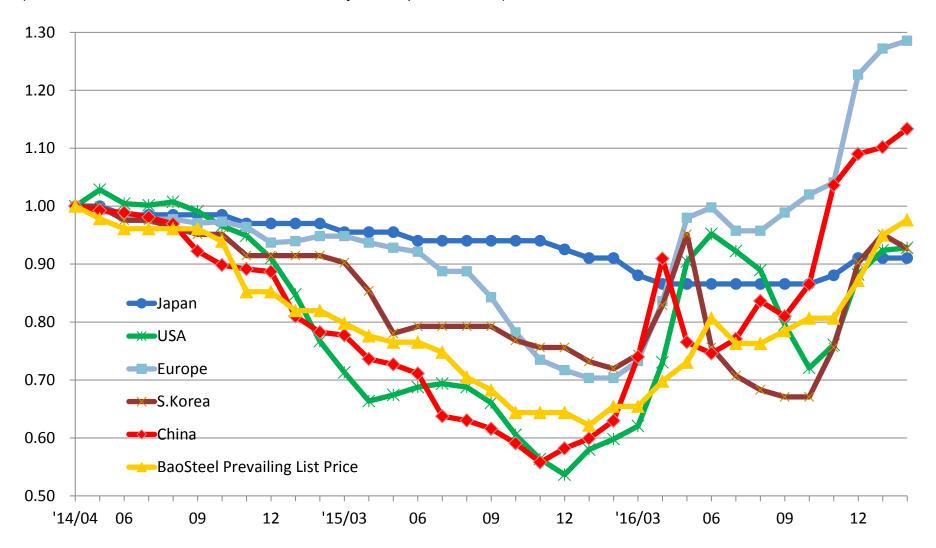
(Source: World Steel Association)



<sup>\*</sup> Total of 66 countries

# **Hot Rolled Sheets Prices by Region**

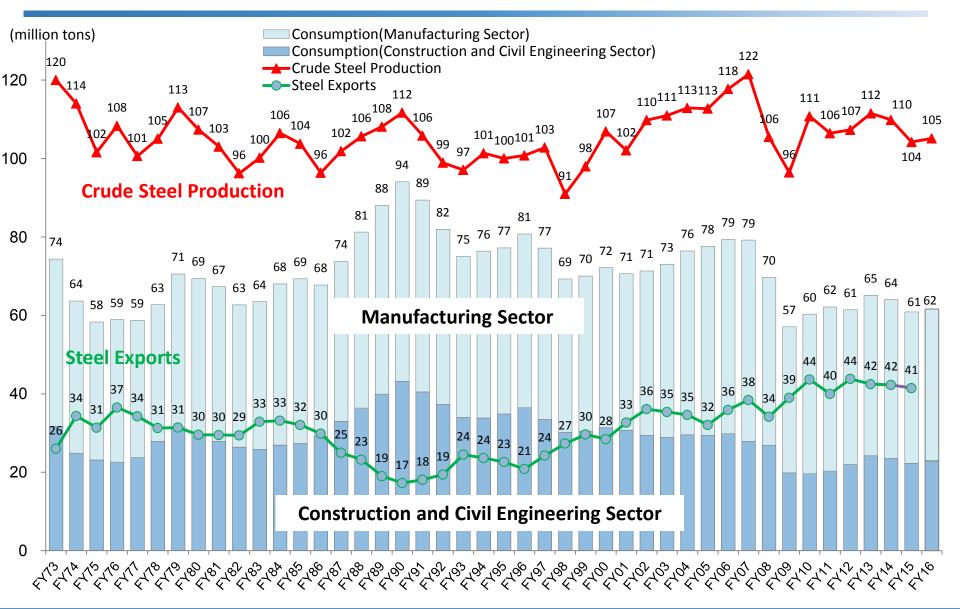
( Prices of Hot Rolled Sheets in Local Currency as of Apr. 2014=1.0 )



(Source : The Japan Iron and Steel Federation)



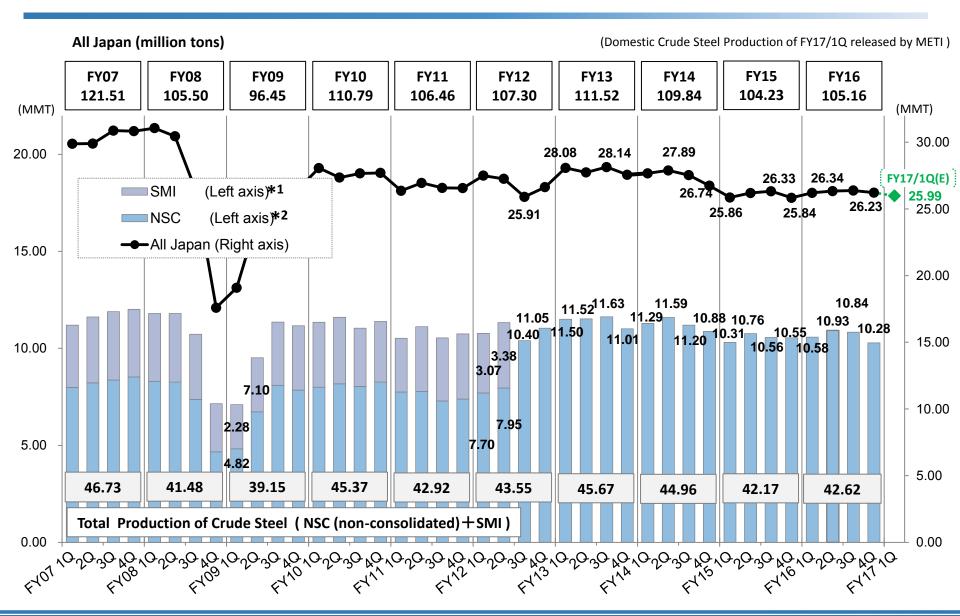
## **Domestic Steel Consumption Trend**



(Source: NSSMC estimation)

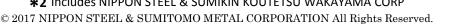


#### **Domestic Crude Steel Production**



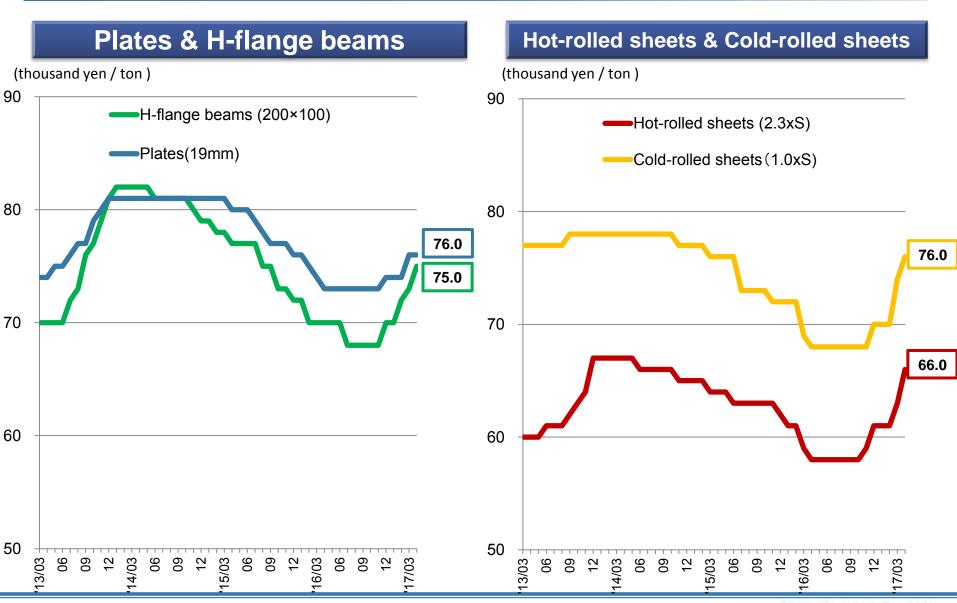
<sup>\*1</sup> Includes Sumitomo Metals(Kokura), Sumitomo Metals(Naoetsu) and Sumikin Iron & Steel Co.

<sup>\*2</sup> Includes NIPPON STEEL & SUMIKIN KOUTETSU WAKAYAMA CORP





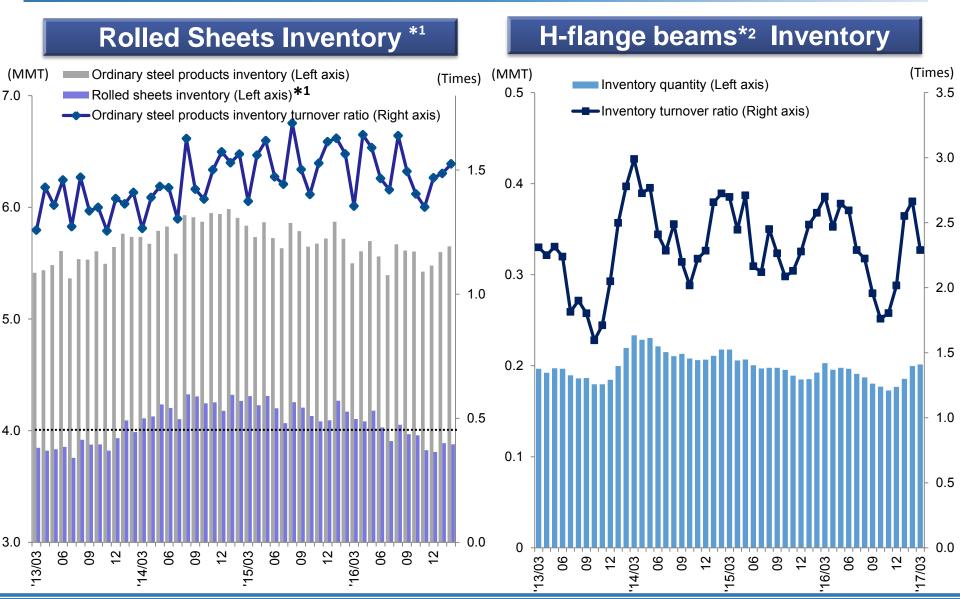
#### **Domestic Steel Products Prices**



(Source: Japan Metal Daily)



#### **Domestic Steel Inventory**



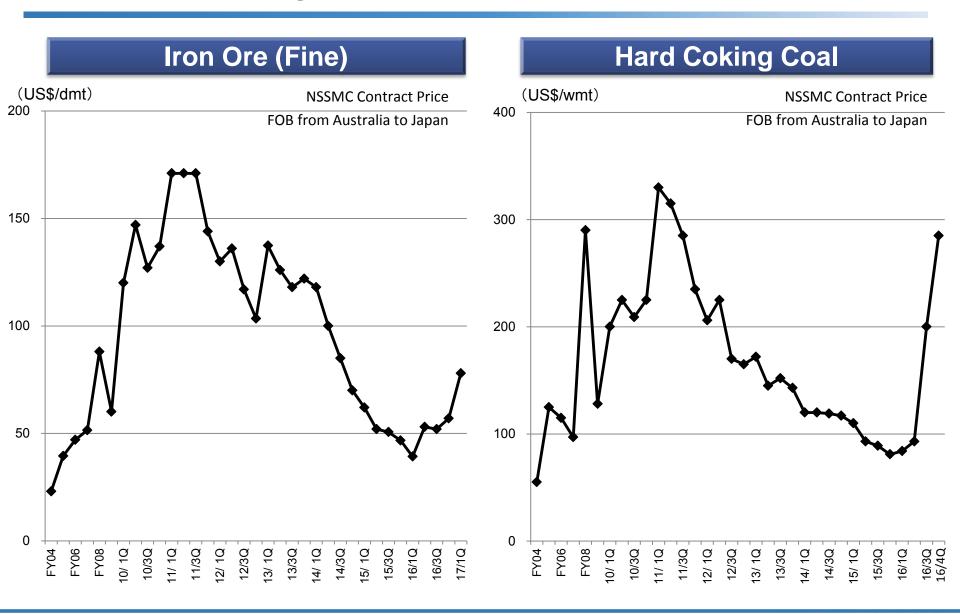
(Source: Japan Iron and Steel Federation)

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

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

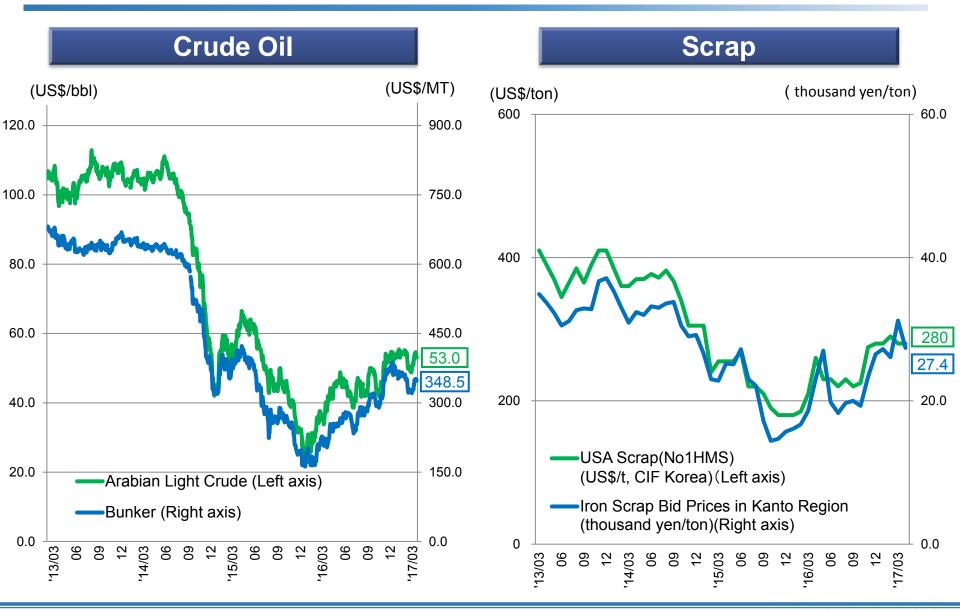
NIPPON STEEL & SUMITOMO METAL CORPORATION

# **Iron Ore & Coking Coal Prices**



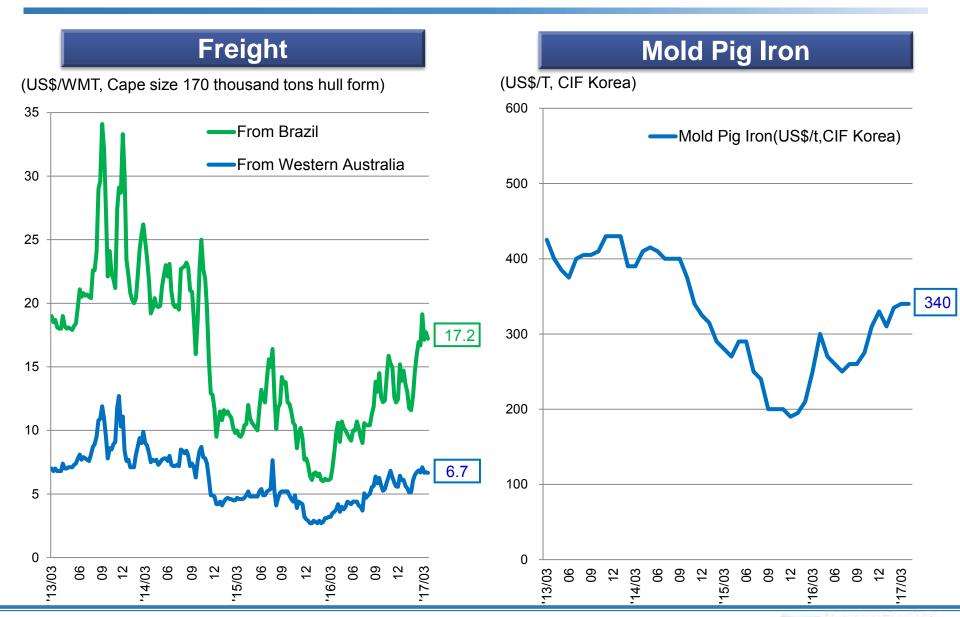


# Market Trends < Crude Oil & Scrap>



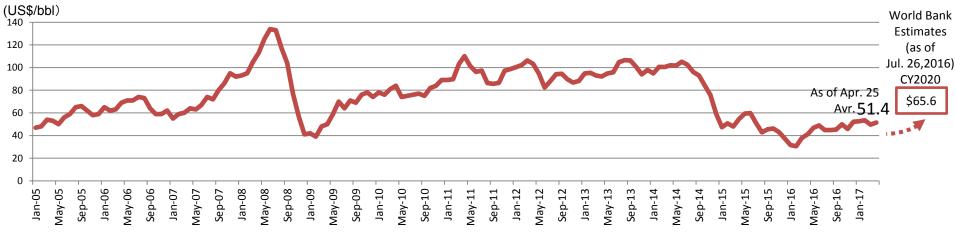


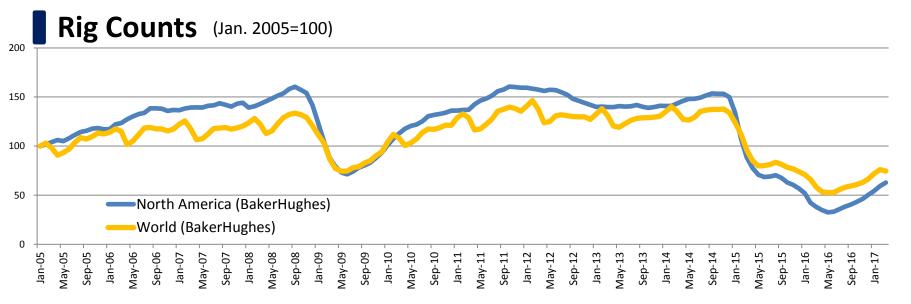
# Market Trends < Freight & Mold Pig Iron>



### **Energy Sector : Oil Price / Rig Count**

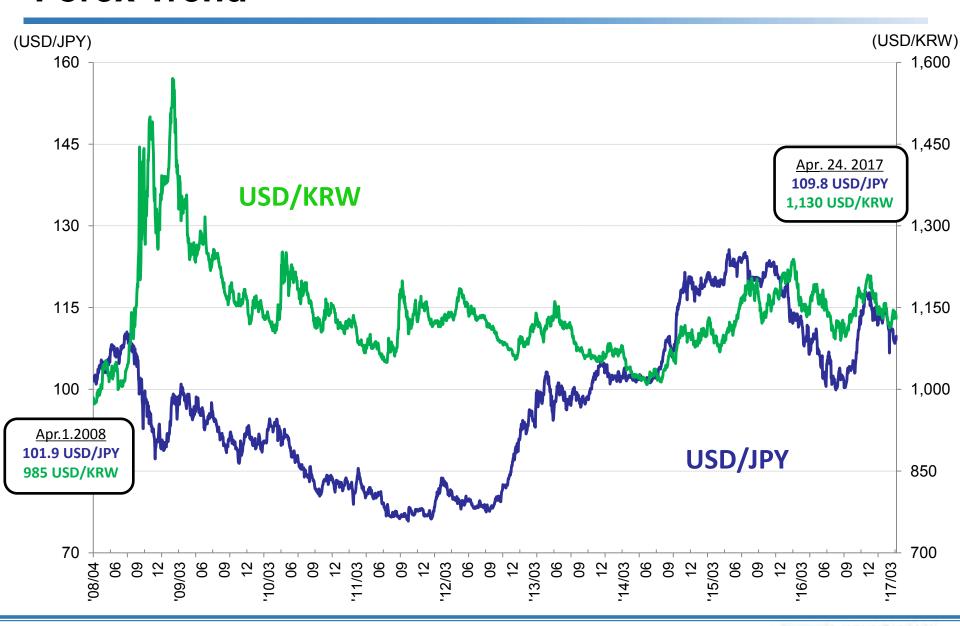
### US Oil Price (WTI Spot)







#### **Forex Trend**



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