

5401: JP **NSSMY: ADR**

2020 Mid-Term **Management Plan**

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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.

1. Objectives

2. Major Initiatives

3. Review of 2017 Plan and Targets of 2020 Plan



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1. Objectives







Steadily increase over the long term

Source: World Steel Association

Changes in Business Environment in the Long Term - Opportunities and Risks -

Changes in steel supply-demand structure

Declining population in Japan

Protectionism

Local production

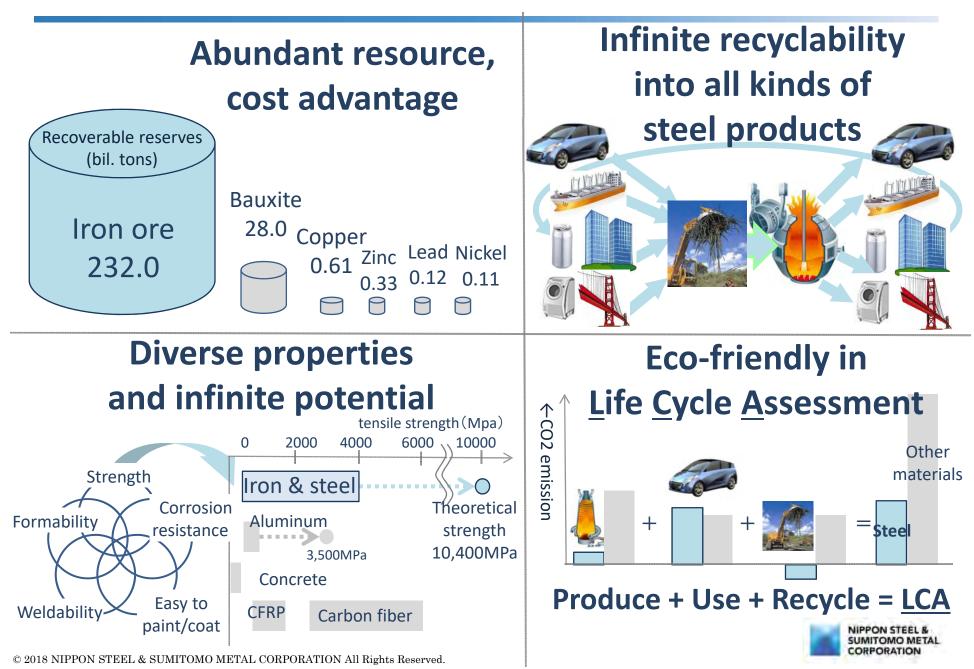
Changes in society and industries

Use of advanced IT Electric vehicles; self-driving vehicles

Sustainable society to be achieved

Green house gas reduction Recycle-oriented society

Steel is an Essential Material

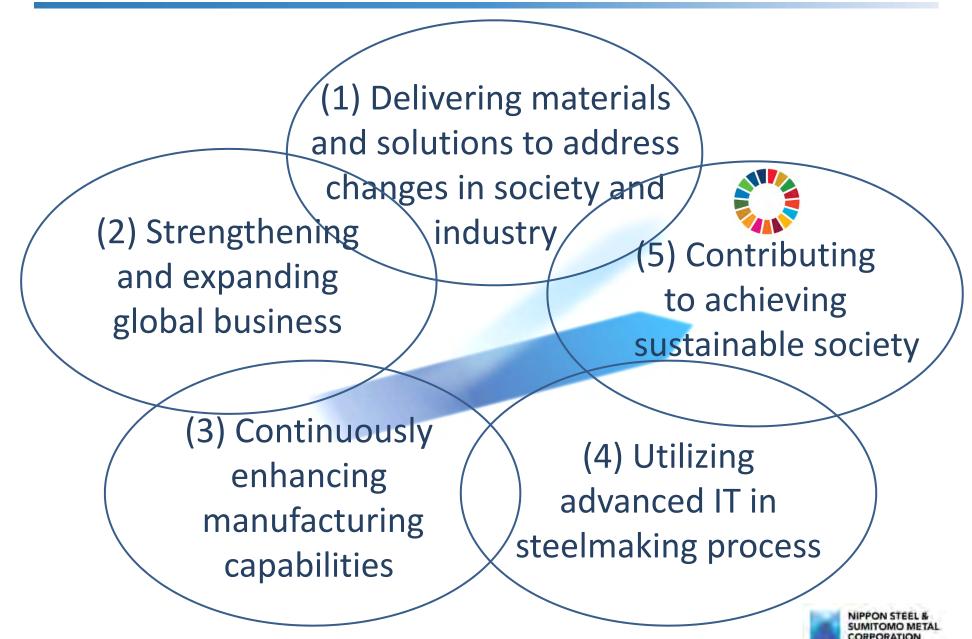


Continue to Advance

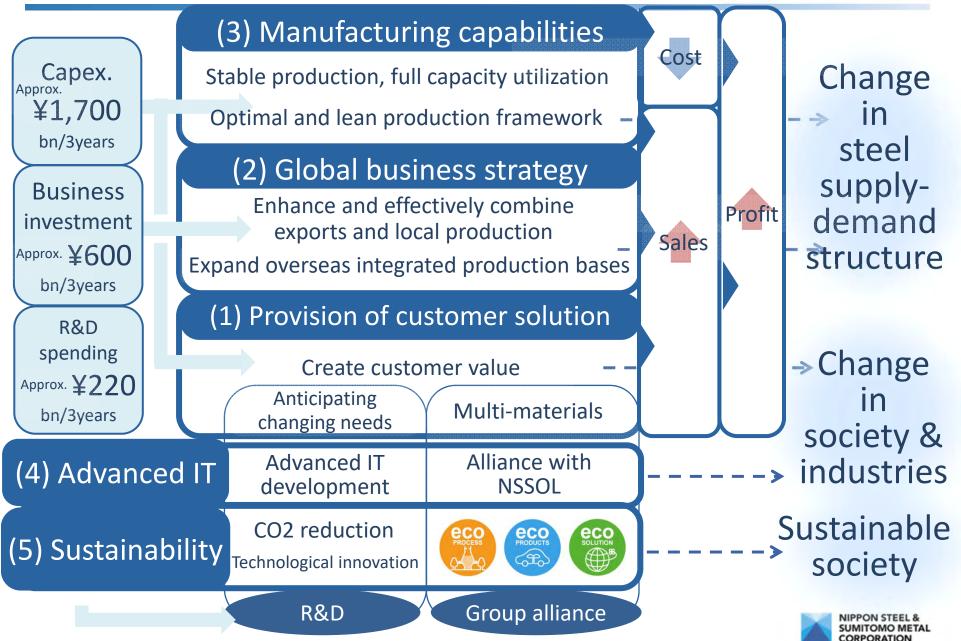




Five Major Initiatives



Organic Linkage of Five Initiatives



2. Major Initiatives





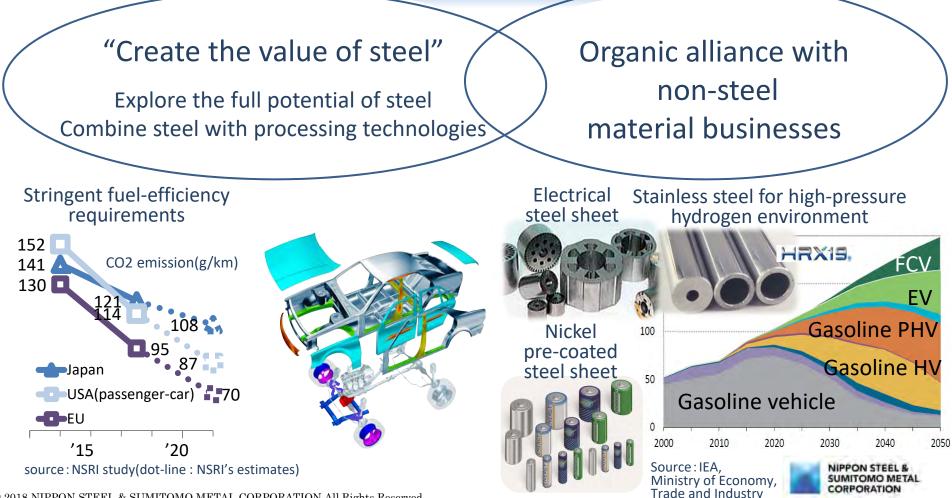
(1)-1 Create Customer Value with Materials and Solutions

Expand earnings(added value) through capturing demand for high-grade steel and growing demand for infrastructure-building



(1)-2 Address Changes in Auto Sector

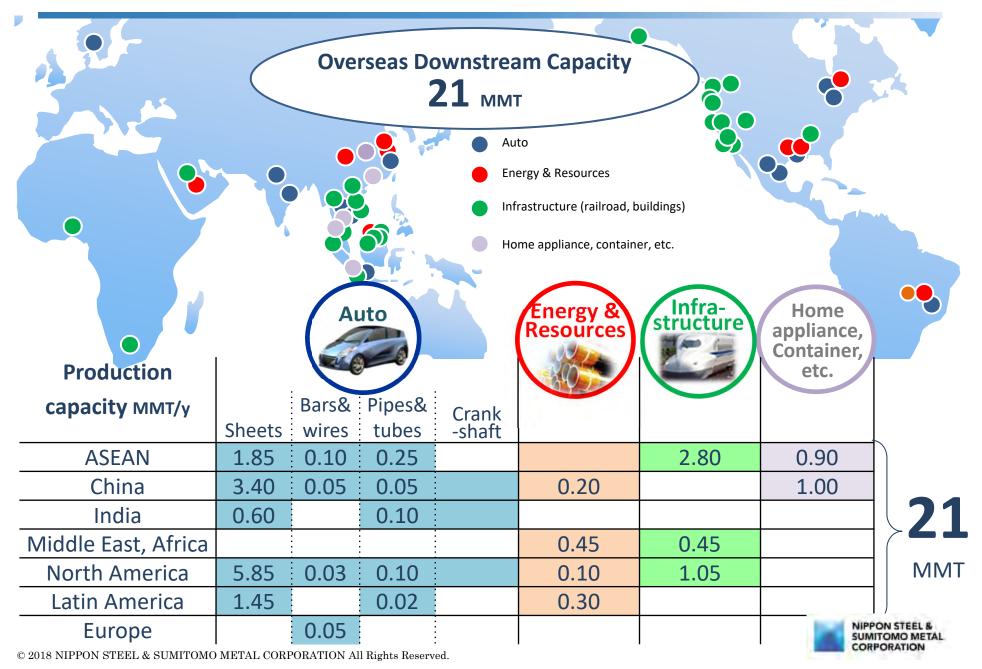
Addressing the trends toward lighter yet stronger materials, electrification and increase of electronic equipments in vehicles



(1)-3 Integrate Chemicals & Materials, Enhance Alliance with Steel

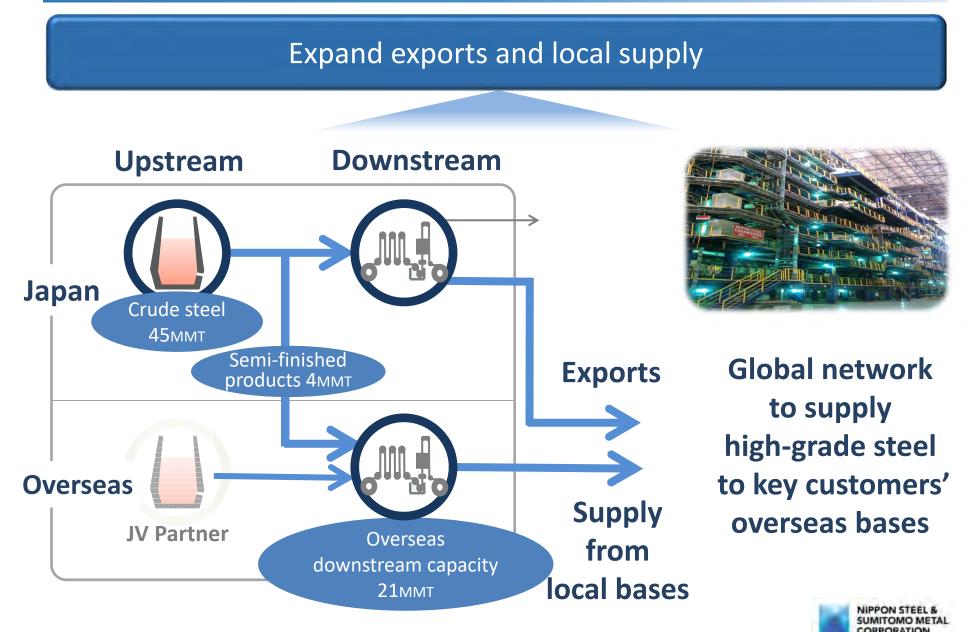


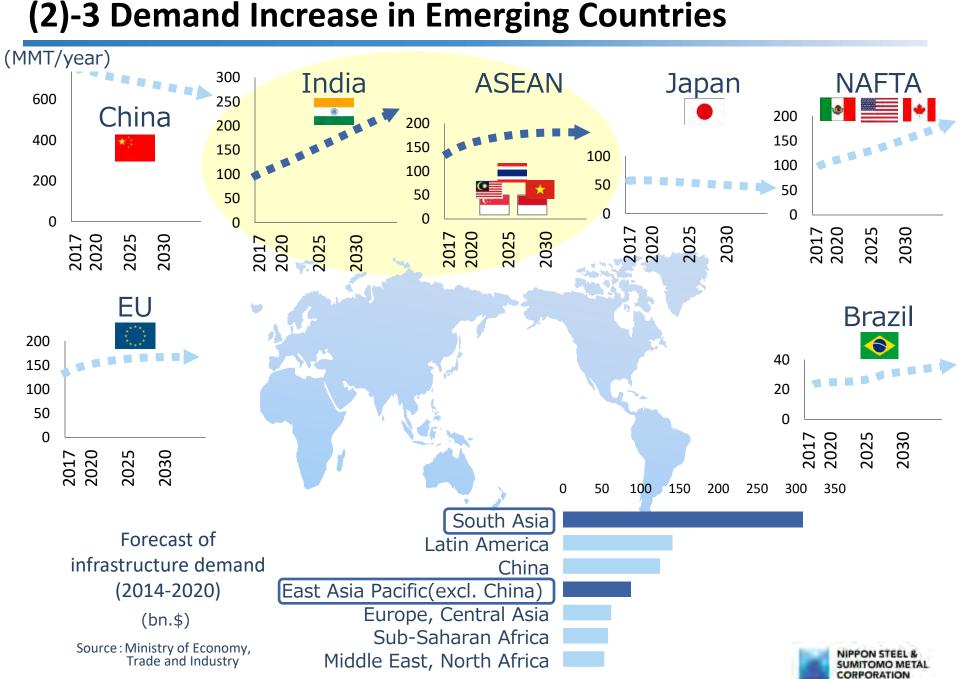
(2)-1 Global Supply Network of High-Grade Products



(2)-2 Basic Strategy; Mother Mill in Japan & Downstream in Overseas

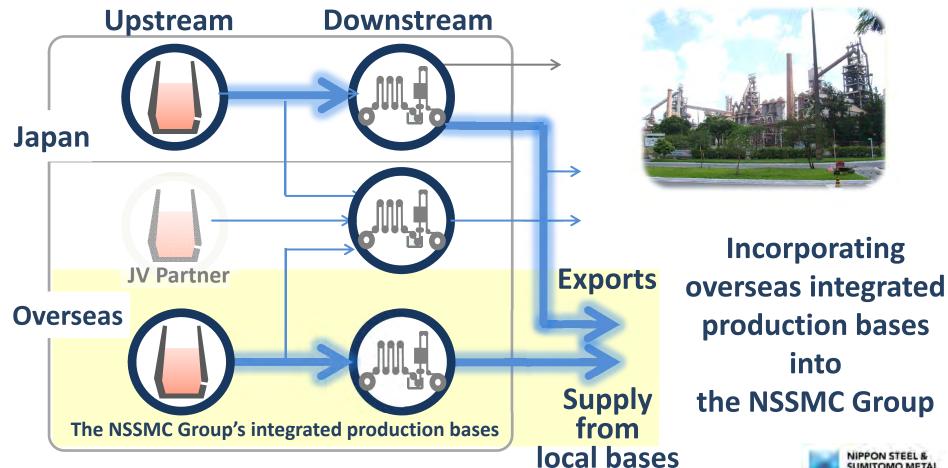
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(2)-4 Expand Integrated Production Bases in Growing Markets

Capture increasing demand and prepare for rising protectionism and a shift towards self-sufficient markets





(2)-5 Business Investment

Conduct investment and M&As to actively strengthen NSSMC's business strategy both in Japan and overseas

Business Investment ¥600bn / 3 years (FY2018-2020)

Cf. FY2015-2017

2017 Plan Forecasts ¥300bn / 3 years ¥210bn / 3 years

At present, NSSMC is working with ArcelorMittal for joint acquisition of Essar Steel India Limited in India, and establishment of the joint venture.

On March 2, NSSMC and Arcelor Mittal entered into an agreement on basic terms and conditions to jointly acquire and manage Essar.

<About Essar Steel India Limited>

Nominal crude steel production capacity : 10MMT (integrated steel mill) Revenue(consolidated) : 219.6 bn. INR (FY2016)

Number of employees : 3,988 (as of the end of March, 2017)

Products : Hot-rolled/cold-rolled/hot-dip-galvanized sheets, plates and pipes



(3)-1 Strengthen Manufacturing Capabilities

Achieve stable production and full capacity utilization Facilities Human resources Image: Comparison of the stable production of the

CAPEX in Japan + ¥100 bn / year (vs. 2017 Plan)

Introduce advanced facilities Refurbish blast furnaces & coke ovens Succession of skills & know-how Employee training

Labor-saving measures (IT, automated or unmanned facilities)

Address labor shortage



(3)-2 Continue to Focus on Cost Reduction

Achieve world-leading cost competitiveness

Cost Reduction ¥150 bn or more/ year

- Refurbishment of facilities (eg. Coke ovens)
- More energy efficiency
- More resource recycling
- Optimal and lean production framework etc.





(3)-3 Establish an Optimal and Lean Production Framework²²

Maximize capacity utilization rate and adopt state-of-the-art facilities

Yawata (Kokura Area)

Optimize upstream

(as already annouced)



Start operating the new continuous casting facility in Yawata (FY2019)
 Stop upstream processes in Kokura Area (the end of FY2020)

Maintain Kokura's production level of special steel bar & wire rods

<u>Kimitsu</u>

Stop small-diameter seamless pipe & tube mill

Stop Kimitsu's small-diameter seamless pipe & tube mill (former Tokyo Works) (May 2020) and transfer its production to Kainan Area of Wakayama



<u>Wakayama</u>

Switch to new No.2 BF, Optimize steelmaking process



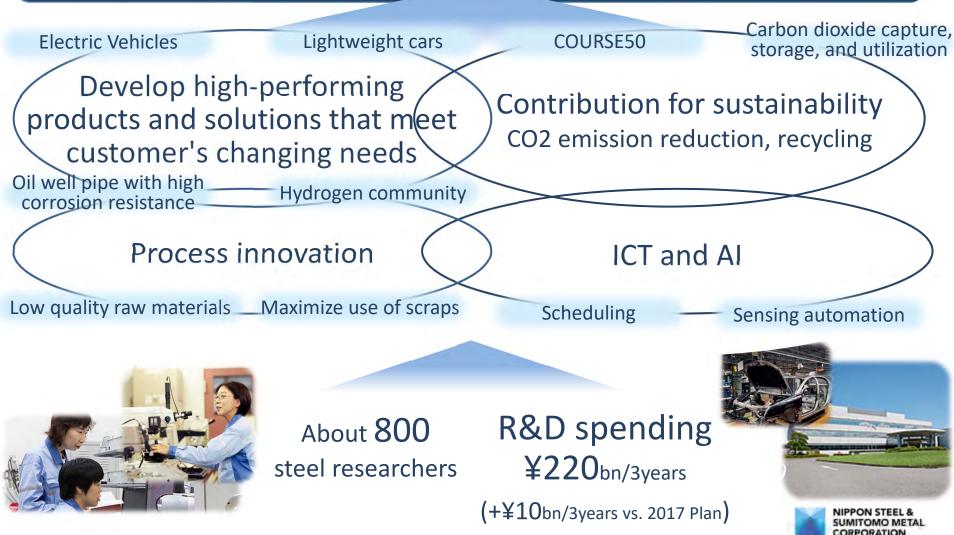
Switch from No. 5 BF to new No. 2 BF, currently on standby, in Wakayama (the end of FY2018) \rightarrow Crude steel production capacity : +0.5MMT/year

Stop steelmaking mill of Nippon Steel & Sumikin Shapes Corp. in Wakayama (the end of FY2019), and transfer its production to the steelmaking mill in Wakayama.



(3)-4 World-leading Technology Development

Promote technology development - key driver for innovation



(3)-5 Synergies with Nisshin Steel

Timely realizing maximum synergies

By the end of FY2020

¥20

Mutual supply of semi-products6Shared sales & marketing strategy3Effective utilization of capacity3

Transfer of best technological practices

Shared procurement strategy



Deferred refurbishment of Kure No.1 BF by utilizing NSSMC's technology (from FY2019-end to FY2023-end)

Nisshin will have more room for investment

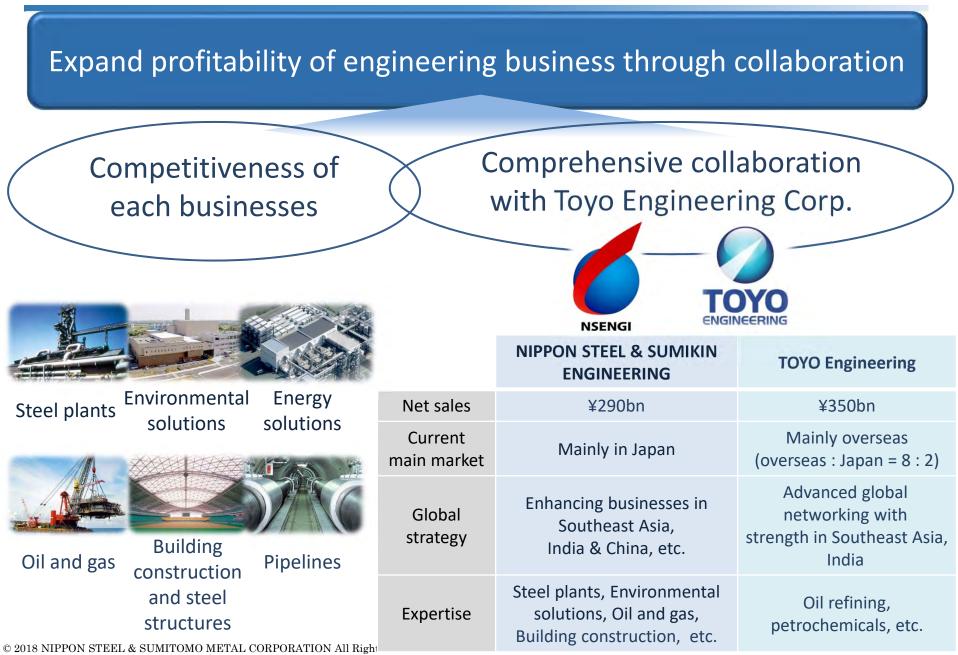
Further promote alliances in steel sheet, stainless steel, and upstream steelmaking



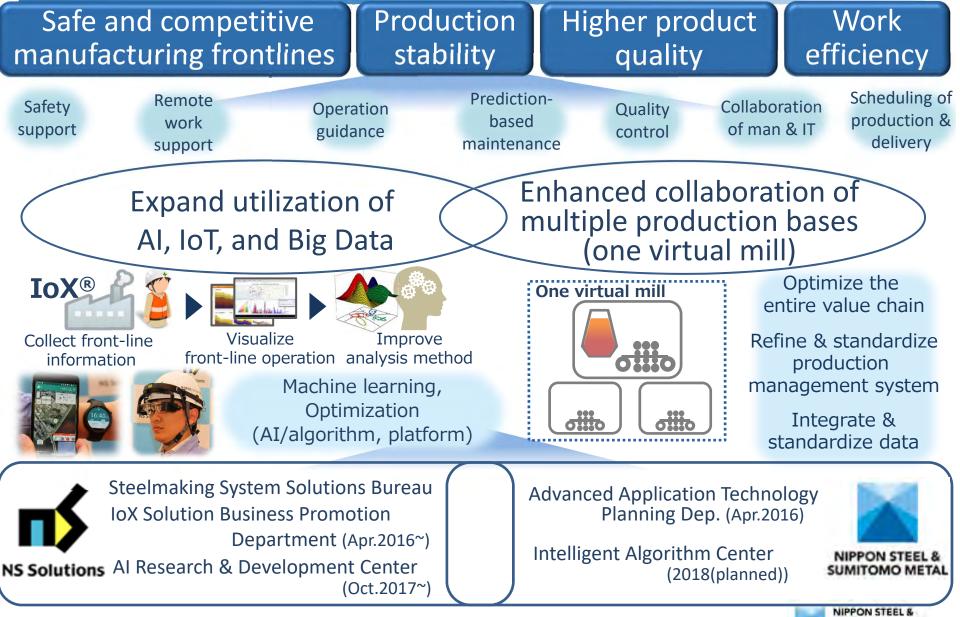




(3)-6 Engineering Business



(4) Utilization of Advanced IT; Alliance with NS Solutions



NIPPON STEEL & SUMITOMO METAL CORPORATION

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(5)-1 Corporate Philosophy



NIPPON STEEL & SUMITOMO METAL CORPORATION GROUP will



Pursue world-leading technologies and manufacturing capabilities

Provide excellent products and services Contribute to society



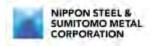
(5)-2 To Be a Company with Integrity, Reliability & Sustainability

< Priorities in manufacturing> 1. Safety, environment and disaster prevention 2. Quality 3. Production **Reform operational Global warming countermeasures** management **Environment preservation** Promote **Recycle-oriented society** Use of normalization /advanced IT and efficiency PRODUCTS SOLUTIO +Achieve the Work Style Reform Develop innovative Validity and efficiency technology Credibility of the Compliance financial report Improve internal control systems continuously



3. Review of 2017 Plan and Targets of 2020 Plan



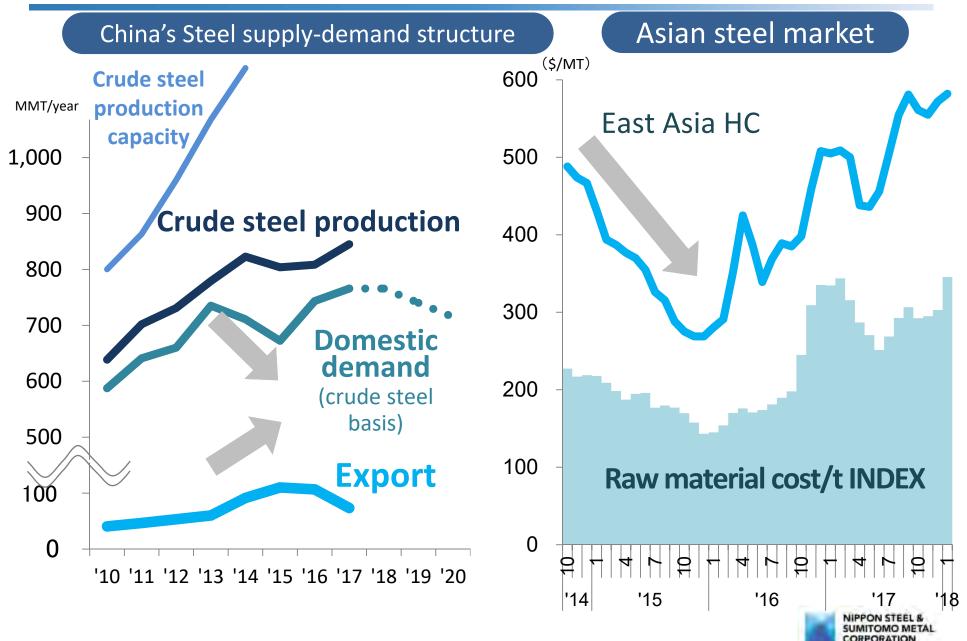


Review of 2017 Plan – Initiatives –

2012. Integra		FY2015 - 2017	FY2018 -
Enhance mother mills BF Coke oven	Mar.13 Nagoya No.5 Apr.14 Tobata No.4BF 2014 Nagoya fire accident	Aug.16 Kashima No.1F Jan.17 Kimitsu No.4 2017.1 Oita fire acciden	Kashima Kimitsu Muroran
Optimal &lean production framework Start Stop	2013 - 2014 14 rolling and surface treatment lines	Mar.16 Kimitsu No.3BF	2019 Tobata new CC 2020 Kokura Upstream
Alliance		Feb.16 Mar.17 Enhanced Made Vallourec Nisshin a alliance subsidiary	Feb.18 Introduced a new governance rule to Usiminas
Overseas capacity	9ммт 19мг	мт 21мг	
Concentration on core business operations	Integrated Unipres	From May.15 Sold SUMCO shares Aug.15 NS-TEXENG a wholly owned subsidiary Subsidiary	etal y j →Tokyo

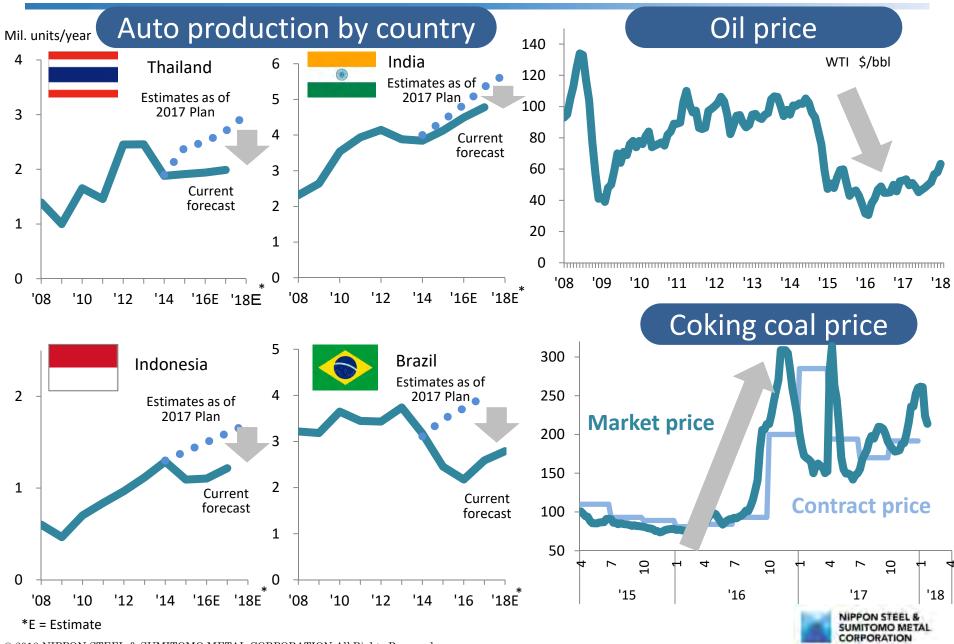
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Review of 2017 Plan - Change in Business Environment -



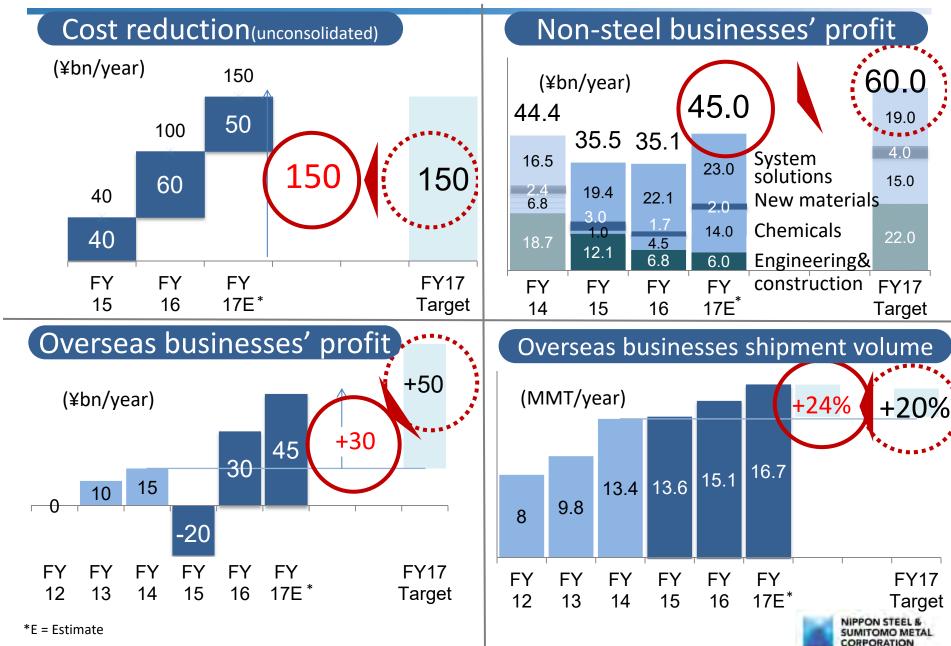
Review of 2017 Plan - Change in Business Environment -

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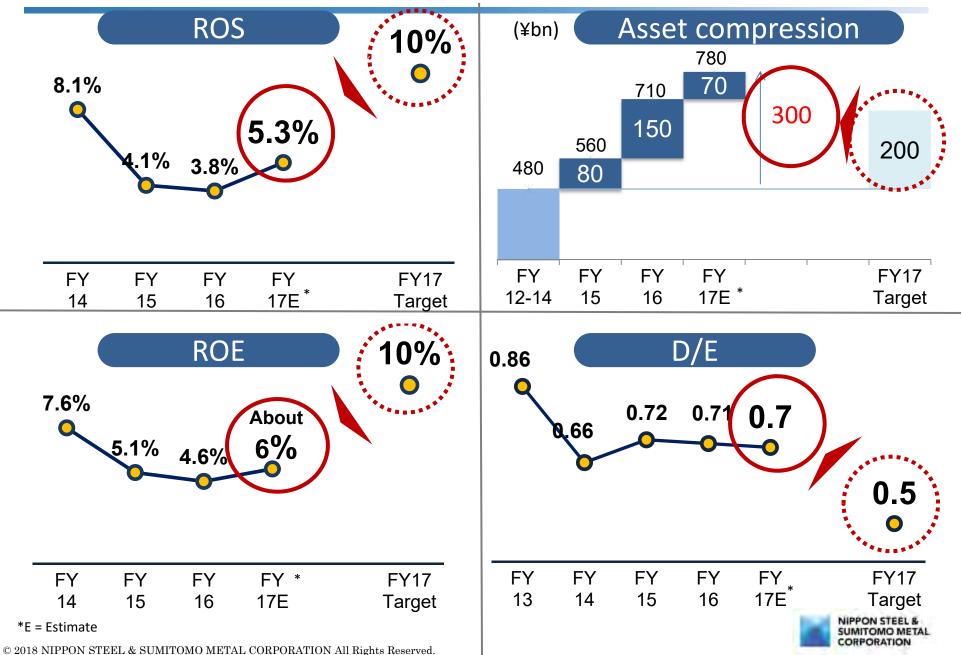
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Review of 2017 Plan - KPIs -

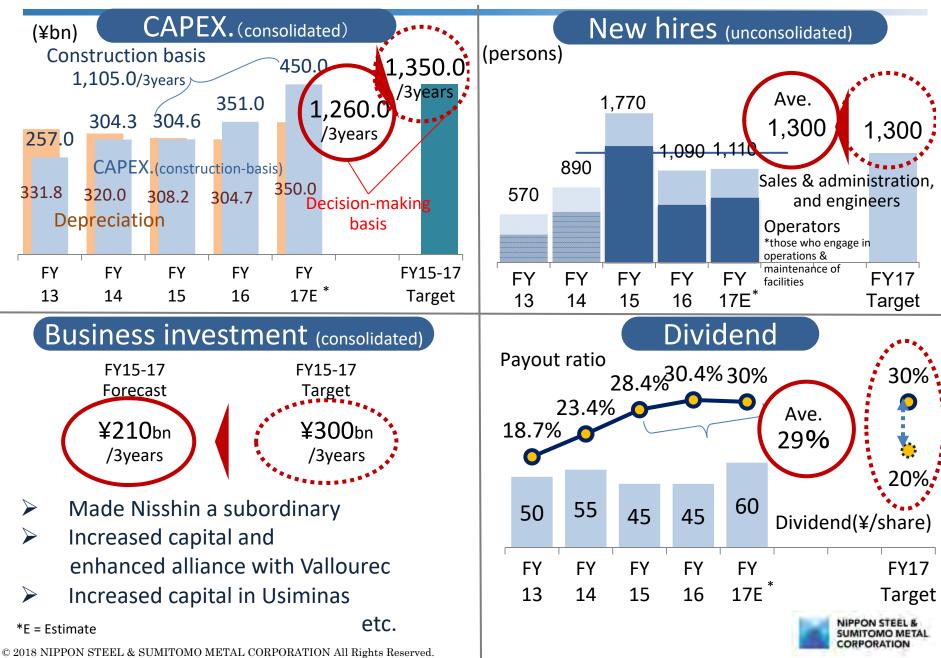


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Review of 2017 Plan - KPIs -



Review of 2017 Plan - KPIs -



2020 Mid-Term Management Plan Targets

	2020 Plan targets	FY2015-2017 forecasts	2017 Plan targets
APEX. In Japan	Approx. ¥1,700 bn	¥1,260 bn / 3 years	Approx. ¥1,350 bn / 3 years
(consolidated basis)	/ 3 years	, 5 years	7 5 years

- Enhance facilities through the introduction of advanced equipment and maintenance of the soundness of facilities (e.g., relining of blast furnaces and coke ovens)
- Capture demand in growth areas by strengthening its production capability etc.

Business investment	Approx.¥600bn	¥210 bn	Approx. ¥300bn
(consolidated basis)	/ 3 years	/ 3 years	/ 3 years

- Growth investment in domestic and overseas businesses to be developed on product, sector, and region bases
- Interests in raw materials \geq
- \geq Large-scale M&As etc.

CAPEX. I

R&D spending (consolidated basis)	Approx.¥220bn / 3 years	¥210 bn / 3 years	Approx. ¥210 bn / 3 years
Number to be newly employed	Approx. 1,100 / year	Approx. 1,300 / year	Approx. 1,300 / year
(non-consolidated basis) Asset compression (consolidated basis)	Approx.¥100bn / 3 years	Approx.¥300bn / 3 years	Approx.¥200bn / 3 years

2020 Mid-Term Management Plan Targets

	2020 Plan targets	FY2015-2017 forecasts	2017 Plan targets
Return On Sales *	About 10%	5.3%	10% or more
Return On Equity	About 10%	About 6%	10% or more
Crude Steel Production (non-consolidated basis)	45 ммт / year	41 MMT / year	—
 Stable production, full of 	capacity utilization		
Cost Reduction (non-consolidated basis)	4150 bn / year	¥150 bn / year	¥150 bn / year
D/E	About 0.7	About 0.7	About 0.5
Payout Ratio	About 30%	About 29%	Around 20-30%
*Dian to adapt IEDC frame the wa			

*Plan to adopt IFRS from the year end of FY2018

Business Profit=Profit before income taxes- net financial cost- additional line items**

**Additional line items is large amount of profits or losses from non-business activities.

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Our Aim; a Roadmap for "the Best Steelmaker"

Committed to <u>continuing to advance</u> towards "the Best Steelmaker," to <u>enhance corporate value</u>

"Create the value of steel"

Address megatrends

Forge our manufacturing capabilities



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