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NIPPON STEEL & SUMITOMO METAL CORPORATION

FY2017 Earnings Summary

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Executive Vice President (CFO)

April 26th, 2018

Notes on this presentation material

 ^{&#}x27;NIPPON STEEL & SUMITOMO METAL CORPORATION' is abbreviated as 'NSSMC'

<sup>All volume figures are presented in metric tons
Unless otherwise noted, all financial figures are on a consolidated basis</sup>

1. FY2017 Results

2. FY2018 Business Environment

3. 2020 Mid-Term Management Plan

4. Appendix

1. FY2017 Results



Overview: FY2017 Results

Business Environment

 Domestic: Economy continued moderate recovery, supported by improvement in private consumption & capital investment. Steel demand stayed firm, especially in the auto & construction sectors.
 Overseas: Economy stayed on a recovery trend overall. Solid undertone in USA and Europe. Stable in China, and moderate recovery in developing countries.
 Steel demand increased moderately as a whole. Steel market remained stable at high level because of the tight supply-demand situation.

Topics

Commodity price: Prices of alloys and freight cost remain at high level

■ Sales price: Ongoing negotiation to secure appropriate sales price for continuous supply

Enhance special steel business : Making OVAKO a subsidiary and

discussions regarding making Sanyo Special Steel a subsidiary

- Address changes in Auto Sector : Strengthening Ultra-high-tensile steel supply capacity (New CGL in Kimitsu) Organizational reinforcement "Automotive Material Planning Dept." & "Integrated Steel-Solution Research Lab."
- Utilization of advanced IT : Establishment of Intelligent Algorithm Research Center (Apr. 2018)
- Corporate governance : Increase in the number of outside director (scheduled for 26th June, 2018)

Financial Highlights

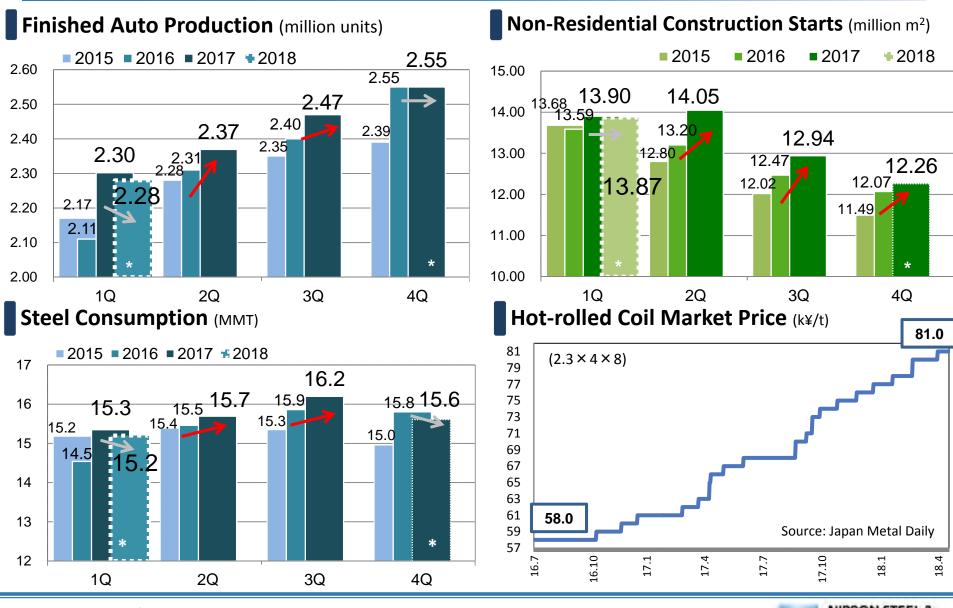
	FY2017
Ordinary Profit (bn ¥)	297.5 (ROS 5.2%)
Net Profit (bn ¥) *1	195.0 (¥221.0/share)

- ROS=5.2%, ROE=6.4%, D/E ratio=0.66
- Year-end Dividend: ¥40.00/share (Full-year Dividend: ¥70.00/share) Consolidated Payout Ratio: 31.7%

***1** Profit attributable to owners of parent



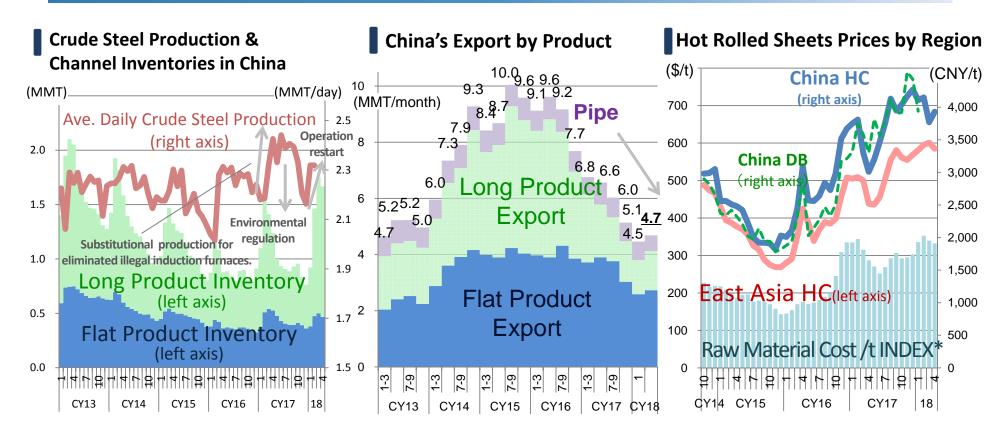
Key Indicators of Domestic Steel Demand



* Estimates as of early in Mar, 2018.



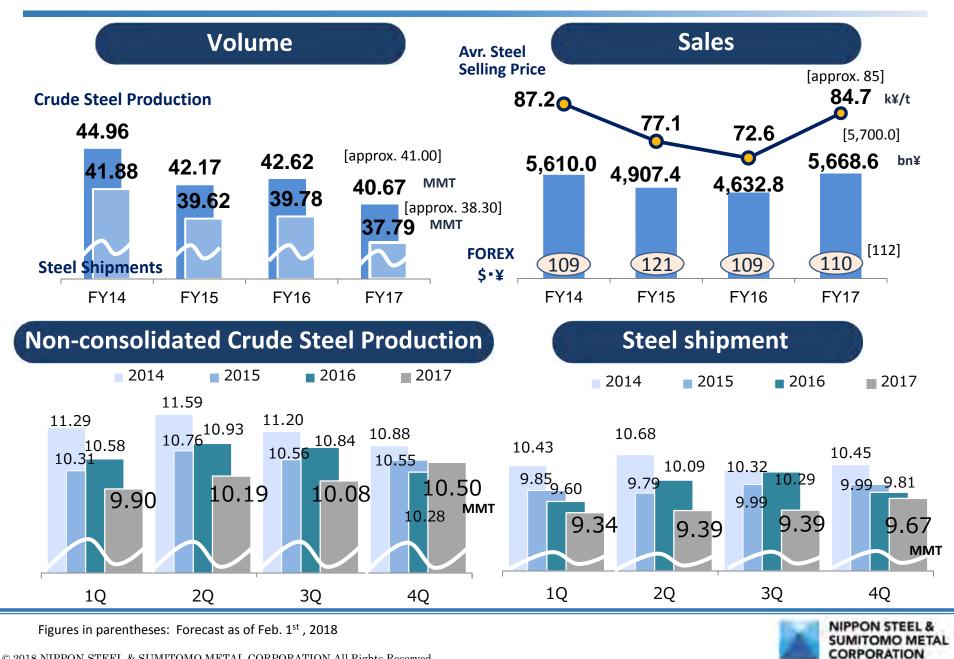
China's Steel Supply-Demand & Market Trend



<u>Crude Steel Production</u>: Accelerating production resumption, while in some areas remaining tighter environmental regulations.
 <u>Inventory</u>: Jan. to Feb. - High level due to winter restocking. Apr. - Stable destocking by spring demand.
 <u>Market Prices</u>: Late in Mar. - Dropped sharply due to growing concern about trade frictions between China & the US.
 After President Xi's speech on open economy and lower tariffs, concerns has receded and price volatility has decreased. Steel demand remains firm.

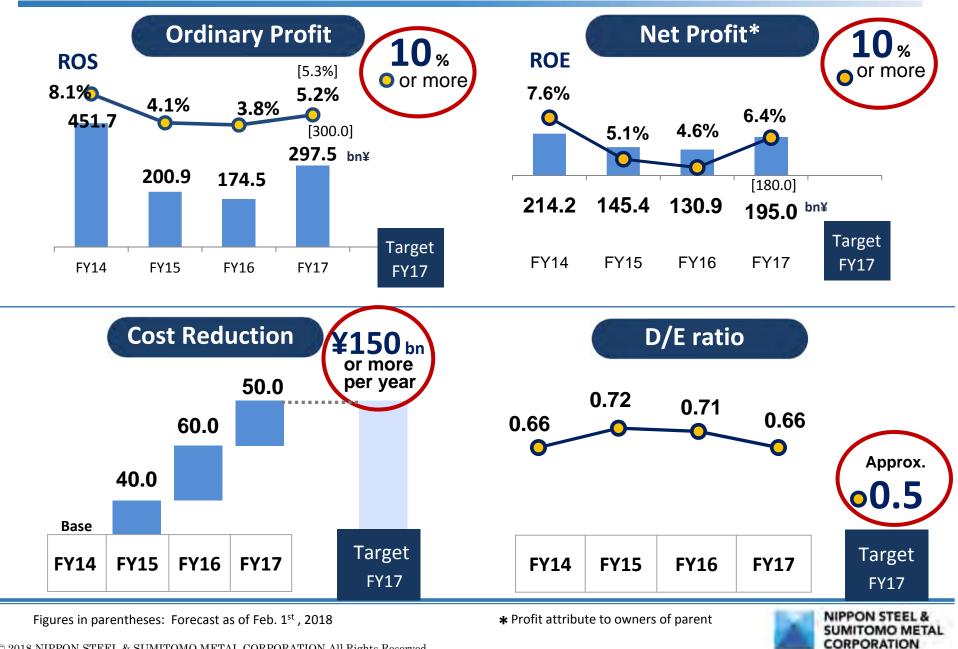


Key Indicators: FY2017 Results



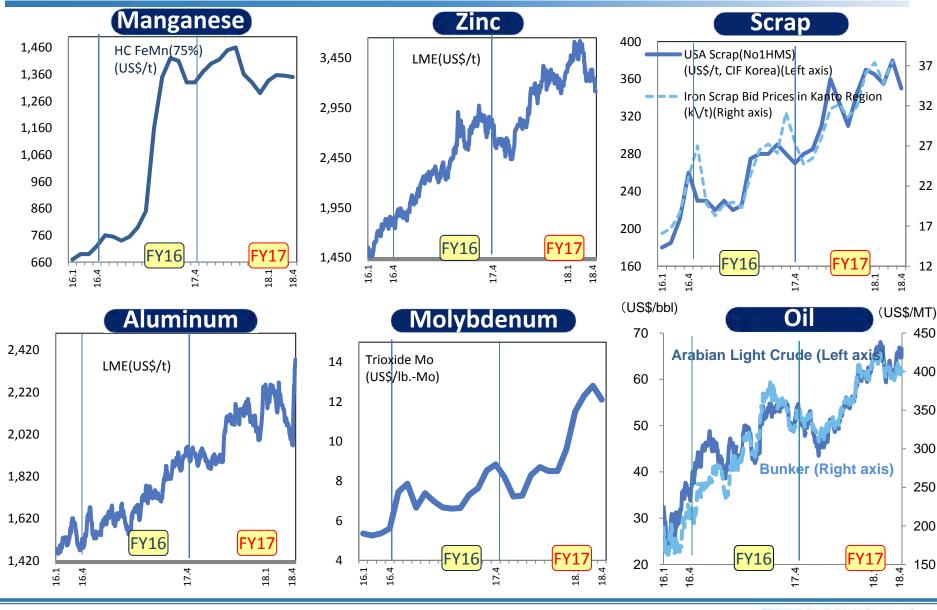
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Key Indicators: FY2017 Results



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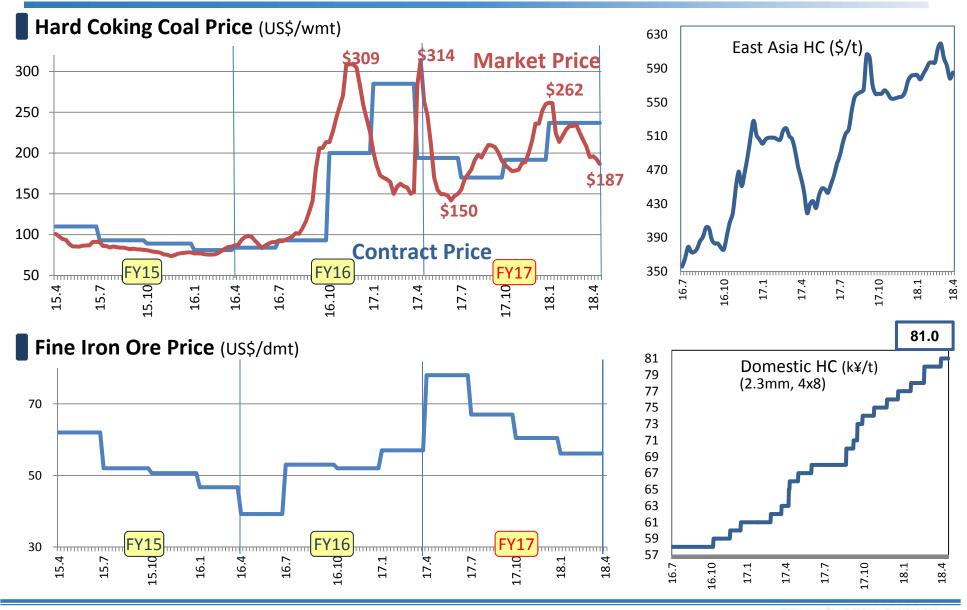
Commodity Price Hike



(Source : LME, Bloomberg, Japan Metal Daily)



Raw Materials and HC Prices Trend



(Source: LME, Bloomberg, Japan Metal Daily)





NSSMC Operational Highlights

	FY16				FY	′17					Cha	nge	
(million tons)		1Q	2Q	1H	3Q	4Q	2H	[E] ^{*3}		17/3Q vs. 17/4Q	17/1H vs. 17/2H	FY16 vs. FY17	FY17[Ĕ] ³ VS. FY17
Pig-iron production *1	42.15	9.92	10.13	20.05	10.08	10.49	20.57	[40.90] approx.	40.61	+0.41	+0.52	-1.54	-0.29 approx.
Consolidated Crude Steel Production	45.17	11.44	11.69	23.12	11.68	12.02	23.70	[47.20] approx.	46.82	+0.34	+0.58	+1.65	-0.38 approx.
Non-Consolidated *2 Crude Steel Production	42.62	9.90	10.19	20.09	10.08	10.50	20.58	[41.00] approx.	40.67	+0.42	+0.50	-1.95	-0.33 approx.
Steel Shipments	39.78	9.34	9.39	18.72	9.39	9.67	19.07	[38.30] approx.	37.79	+0.28	+0.34	-1.99	-0.51 approx.
Seamless Pipe Shipments	0.93	0.24	0.23	0.47	0.24	0.25	0.49	[0.97] approx.	0.96	+0.01	+0.02	+0.03	-0.01 approx.
Average Steel Selling Price (1,000 yen/ ton)	72.6	84.0	83.0	83.5	86.0	85.7	85.8	[85] approx.	84.7	-0.2	+2.3	+12.1	-0.3 approx.
Steel Export Ratio (Value basis (%))	42.3	41.6	41.5	41.6	40.6	40.9	40.8	[41] approx.	41.2	+0.3	-0.8	-1.1	+0.2 approx.
Forex (\$•¥)	109	111	111	111	113	110	111	[112] approx.	111	Appreciate 2	Depreciate 0	Depreciate 2	Appreciate 1 approx.

*1 Includes pig-iron production of Hokkai Iron & Coke corp. and Nippon Steel & Sumikin Koutetsu Wakayama Co.

*2 Includes crude steel production of Nippon Steel & Sumikin Koutetsu Wakayama Co.

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***3** Figures as of Feb 1st, 2018



FY2017 Results

	FY16				F	Y17			Cha	ange			
(¥ in billions)		1Q	2Q	1H	3Q	4Q	2H	*2 [E]		17/3Q vs. 17/4Q	17/1H vs. 17/2H	FY16 vs. FY17	FY17[E] VS. ^{*2} FY17
Net Sales	4,632.8	1,355.4	1,389.6	2,745.0	1,419.4	1,504.1	2,923.5	[5,700]	5,668.6	+84.7	+178.5	+1,035.8	-31.4
Operating Profit	114.2	66.5	33.4	99.9	38.0	44.3	82.3		182.3	+6.3	-17.6	+68.1	
Ordinary Profit	174.5	107.9	49.6	157.6	67.8	72.0	139.9	[300]	297.5	+4.2	-17.7	+123.0	-2.5
Extraordinary Profit (Loss)	7.1	-	(2.9)	(2.9)	15.3	(20.0)	(4.7)		(7.6)	-35.3	-1.8	-14.7	
Net Profit *1	130.9	71.3	27.8	99.1	56.9	39.0	95.9	[180]	195.0	-17.9	-3.2	+64.1	+15.0
[EPS]	[148.0]	[80.8]	[31.5]	[112.3]	[64.5]	[44.2]	[108.7]	[204.0]	[221.0]	[-20.3]	[-3.7]	[+73.0]	[+17.0]
EBITDA	422.9	149.7	118.5	268.2	125.7	133.9	259.6		527.8	+8.2	-8.6	+104.9	
EBITDA / Sales	9.1%	11.0%	8.5%	9.8%	8.9%	8.9%	8.9%		9.3%	+0.0%	-0.9%	+0.2%	
ROS	3.8%	8.0%	3.6%	5.7%	4.8%	4.8%	4.8%	[5.3%]	5.2%	+0.0%	-1.0%	+1.5%	-0.0%
ROE	4.6%	9.6%	3.7%	6.6%	7.3%	4.9%	6.2%		6.4%	-2.4%	-0.4%	+1.8%	

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	FY16			FY17			change
(¥ in billions)		1H	3Q	4Q	2H		FY16 →FY17
Extraordinary Profit (Loss)	7.1	(2.9)	15.3	(20.0)	(4.7)	(7.6)	(14.7)
Gain on sales of investment securities	_	_	24.5	1.1	25.6	25.6	25.6
Gain on sales of shares of subsidiaries and associates	24.1	_	_	_	_	_	(24.1)
Gain on step acquisitions	10.0	_	_	_	_	_	(10.0)
Impairment loss	_	_	_	(15.6)	(15.6)	(15.6)	(15.6)
Loss on inactive facilities	(12.7)	(2.9)	(3.0)	(5.7)	(8.7)	(11.6)	1.1
Loss on disaster	(7.8)	_	_	_	_	_	7.8
Restructuring Loss	(6.4)	_	(6.2)	0.1	(6.1)	(6.1)	0.3

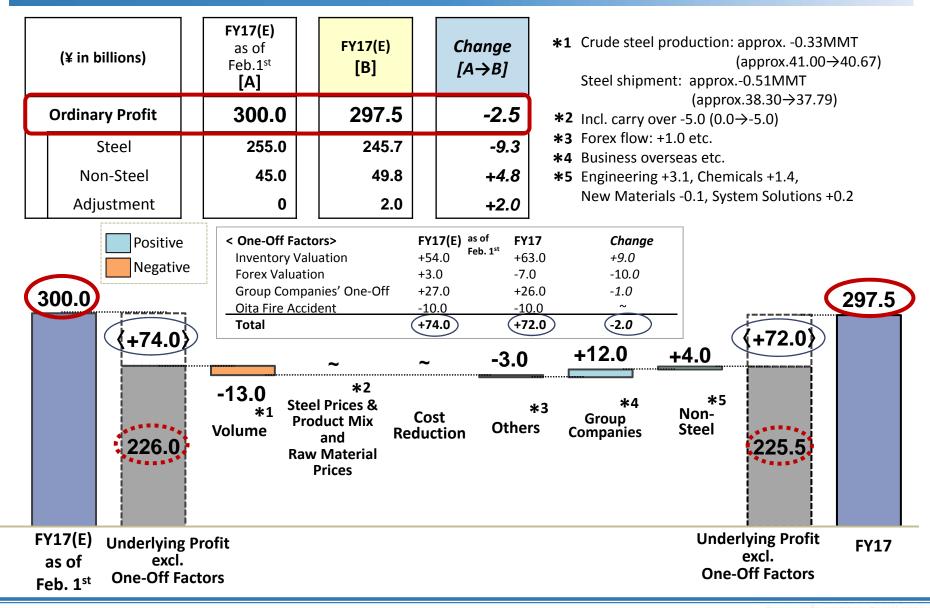
Ordinary Profit Variance Analysis [FY16 vs. FY17]

(¥ in billions)	FY16 [A]	FY17 [B]	Change [A→B]	 *1 Crude steel production: -1.95MMT(42.62→40.67 Steel shipment: -1.99MMT (39.78→37.79) * Figures above incl. impacts of Oita Plate Mill f accident, but not incl. impacts on earnings.
Ordinary Profit	174.5	297.5	+123.0	
Steel	138.0	245.7	+107.7	Decrease in non-operating assets sales,
Non-Steel	35.2	49.8	+14.6	Facility trouble etc. *4 Mining interests, Nisshin Steel, Business oversea
Adjustment	1.2	2.0	+0.8	*5 Engineering +2.3, Chemicals +10.9, New Materials +0.2, System Solutions +1.1
Positive Negative 217.5 (-43.0)	< One-Off Factor Inventory Valua Forex Valuation Group Compan Oita Fire Accide Total	ation -3 n -9 ies' One-Off +1 ent -1 -4	16 FY17 9.0 +63.0 .0 -7.0 15.0 +26.0 0.0 -10.0 3.0 +72.0	
174.5	*1 s Volume	+23.0 Re Steel Prices & Product Mix and Raw Material Prices *2	Cost eduction Othe	* ³ Crow *4 Non-
FY16 Underlying excl. One-Off Fa				Underlying Profit excl. One-Off Factors



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Ordinary Profit Variance Analysis [FY17(E)(Feb.1st) vs. FY17]





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Ordinary Profit Variance Analysis [FY17/1H vs. FY17/2H]

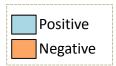
(¥ in billions)	ғү17/1н [А]	FY17/2H [B]	Change [A→B]	 *1 Crude steel production: +0.50MMT (20.09→20.58) Steel shipment: +0.34MMT (18.72→19.07) * Figures above incl. impacts of Oita Plate Mill fire accident, but not incl. impacts on earnings.
0	rdinary Profit	157.6	139.9	-17.7	*2 Incl. carry over +21.0 (-13.0→+8.0)
	Steel	128.7	116.9	-11.8	 *3 Forex flow: -1.0, Increase in depreciation etc. *4 Business overseas etc.
	Non-Steel	23.2	26.5	+3.3	*5 Engineering +5.2, Chemicals -3.2, New Materials -0.4, System Solutions +1.8
	Adjustment	5.6	(3.6)	-9.2	
	Positive Negative	< One-Off Factors> Inventory Valuation Forex Valuation Group Companies Oita Fire Accident Total	on +60.0 -1.0 ' One-Off +20.0	+3.0 -6.0 +6.0 ~	2H Change -57.0 -5.0 -14.0 +10.0 -66.0
15	7.6 88.6	*1 Ste Volume ^{Pr}	+38 -40.0 Co Reduce Prices & oduct Mix and	st	*3 *5
	717 Underlying excl. 1H One-Off Fa	Profit	w Material Prices *2		Underlying Profit FY17 excl. /2H One-Off Factors

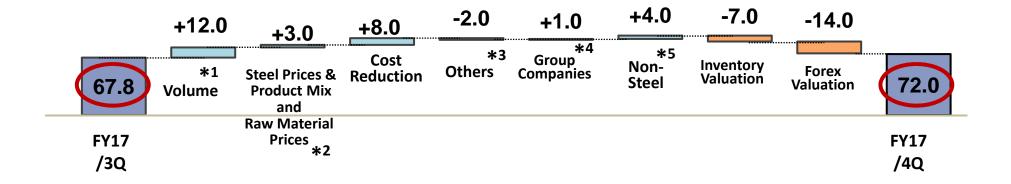


Ordinary Profit Variance Analysis [FY17/3Q vs. FY17/4Q]

(¥ in billions)		fy17/3Q [A]	FY17/4Q [B]	Change [A→B]
Ordinary Profit		67.8	72.0	+4.2
Steel		60.9	55.9	-5.0
Non-Steel		10.9	15.5	+4.6
Adjustment		(4.0)	0.4	+4.4

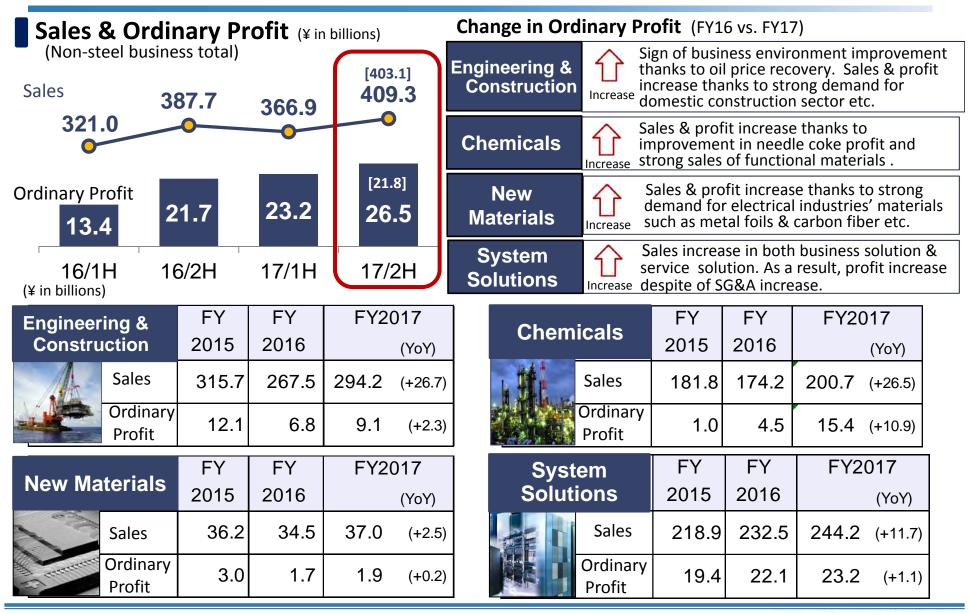
- ***1** Crude steel production: +0.42MMT (10.08→10.50) Steel shipment: +0.28MMT (9.39→9.67)
- ***2** Incl. carry over +10.0 (-1.0 \rightarrow +9.0)
- ***3** Forex flow: +1.0 etc.
- ***4** Business overseas etc.
- ***5** Engineering +1.3, Chemicals -1.0, New Materials -0.1, System Solutions +4.4





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Non-Steel Business



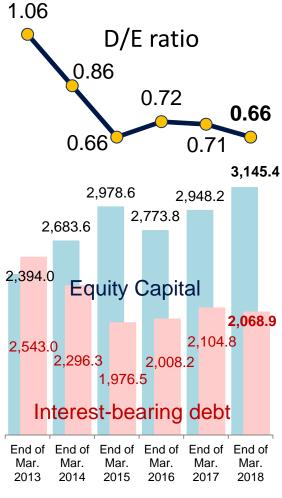
Figures in parentheses: Forecast as of Feb. 1st , 2018

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		(¥ in billions)	End of Mar. 2017	End of Mar.2018		(¥ in billions)	End of Mar. 2017	End of Mar. 2018		D/	E Ratio	
	С	urrent Assets	2,244.4	2,476.8		Liabilities	3,970.9	4,076.9	1.06	П	/E ratio	
		Inventories	1,215.6	1,380.0		Interest-bearing debt	2,104.8	2,068.9	0.1			
	F	ixed Assets	5,017.4	5,115.5		Net Assets	3,291.0	3,515.5			0.72	0.6
		Tangible fixed assets	2,840.8	2,874.9		Equity capital	2,948.2	3,145.4	0.6	6	0.7	-
		Investment in securities	816.3	871.3		Unrealized gains on available-for-sale securities	269.2	313.1	2	,978	2,010.	3,14 2
		Investment	1,041.3	1,069.6		non-controlling Interest in consolidated subsidiaries	342.7	370.0	2,683.6		2,773.8	
ŀ	ss	sets	7,261.9	7,592.4	Lia	abilities & net assets	7,261.9	7,592.4	2, <mark>394.</mark> 0 Ec	uity	/ Capital	

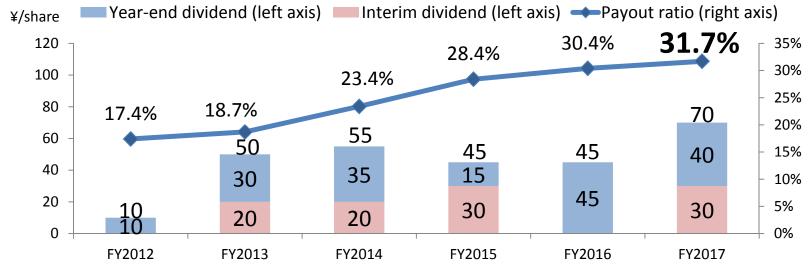
	End of Mar. 2017	End of Mar. 2018	Change
Total assets (bn¥)	7,261.9	7,592.4	+330.4
Interest bearing debt (bn¥)	2,104.8	2,068.9	-35.9
Equity capital (bn¥)	2,948.2	3,145.4	+197.2
D/E Ratio	0.71	0.66	-0.05





Year-end Dividend

In accordance with the basic profit distribution policy & in view of the improvement in our performance since the announcement of the financial results for 3Q, NSSMC plans to request the approval of the General Meeting of Shareholders to distribute **a year-end dividend payment of ¥40 per share**. This will bring **the dividend for the full year to ¥70 per share**, **consolidated payout ratio of 31.7%**.



[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: (~FY2017) Around **20**% - **30**% (consolidated basis)

(FY2018~2020) Around **30**% (consolidated basis)

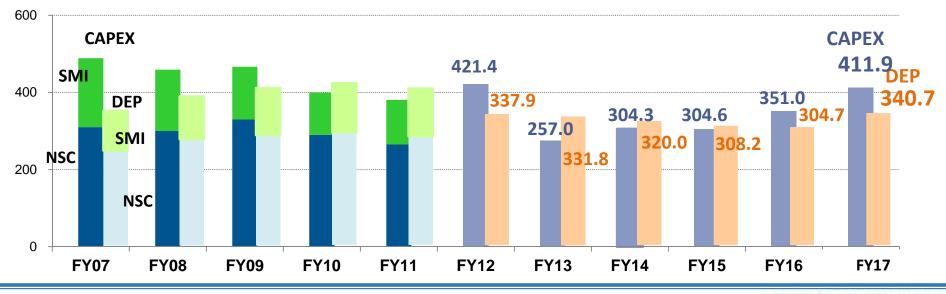


Cash Flows (CFs)

	(¥ in billions)	FY2016	FY2017	Cash Flows
	Operating CFs	484.2	458.8	(¥ in billions)
	Ordinary Profit	174.5	297.5	
c	DEP	304.7	340.7	800.0 - 150.0
Cash-in	Equity in net income of affiliates & unconsolidated subsidiaries	-79.1	-122.6	600.0 230.0 80.0 150.0 Asset
-	Income taxes	-41.7	-63.4	400.0 377.9 320.7 70.0 Compression Operating CFs
	WC and others	125.8	6.6	660.5 0
	Asset compression	150.0	70.0	200.0 512.0 562.9 140.5 105.4
	Acquisition of fixed assets & investments	-493.7	-423.4	0.0 FCF 484.2 458.8
	Free Cash Flow	140.5	105.4	-364.1 -493.7 -363.2 -493.7 -493.7
Cash-out	Cash dividends	-13.6	-66.2	-322.2 -423.4 fixed assets & investments
Casl	Buy back	-44.3	-	-400.0 - 27.3-45.7-59.7 -41.8 -13.6-66.2 Cash dividends
	Net increase (decrease) of debts	-165.3	-44.7	-253.2 -265.7 -44.3 -44.7 Buy back -600.0 -253.2 -265.7 -44.3 -44.7 Buy back -165.3
	Others	88.8	25.9	-333.0 Net increase (decrease) of debts
	Changes in cash & cash equivalents	+6.1	+20.3	-800.0 - debts FY13 FY14 FY15 FY16 FY17



NSSMC (Upper : NSC Lower : SMI)	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
	487.8	464.8	466.0	397.1	397.4	421.4	257.0	304.3	304.6	351.0	411.9
CAPEX	(309.0)	(305.7)	(329.4)	(287.2)	(281.7)					Ĺ	ncl. Nisshin
	(178.8)	(159.1)	(136.6)	(109.9)	(115.7)						36.1
	346.5	383.5	404.9	417.8	403.8	337.9	331.8	320.0	308.2	304.7	340.7
Depreciation	(244.0)	(273.7)	(284.1)	(291.6)	(280.9)					Ĺ	ncl. Nisshin
	(102.5)	(109.8)	(120.8)	(126.2)	(122.9)						34.6





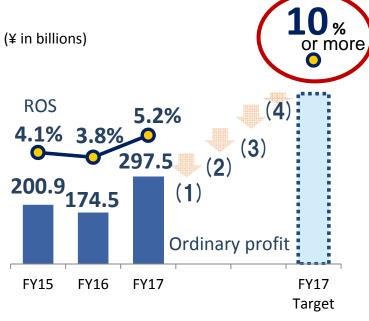
(¥ in billions)

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2. FY2018 Business Environment



Review of 2017 Mid-Term Management Plan and Recovery Action²⁴



(3) Production volume

Production loss of approx. -2MMT/year due to facility troubles, extension of construction/engineering work period, impact of typhoons etc.

Opportunity loss and cost damage

(4) Group companies

(1) Demand decline in energy/resources area

Drop of oil price resulted in slowdown in volume and prices in energy sector (seamless pipes and plates etc.)

Strengthen energy/resources business to make it steadily profitable even the oil price stays around 40~60\$/bbl.

(2) Commodity price hike

Unrealized passing on price hike of alloys, scraps, furnace lining materials and distribution cost etc.

Accomplish passing on the commodity price hike to steel product price and improve the metal margin

To Realize stable production and full capacity utilization

- Strengthen the capability of prediction-based maintenance by improving the facility soundness checking method
- Exercise company-wide (incl. other steel mills) intensive support to steel mills or specific manufacturing lines with troubles agilely
- Improve the integrated capability of plant engineering, maintenance
 & operation corresponding to the rise of manufacturing difficulty level

Nisshin Steel + ¥19bn. Overseas businesses approx. - ¥20bn.

¥20bn. Engineering approx.- ¥13bn.



FY2018: Factors Influence on Our Business Performance

Underlying profit excl. one-off factors

Increase in production volume

Improve the metal margin

- Normalize output by recovery from the facility troubles etc. in FY2017
- Accomplish steel product price rise to secure "the appropriate sales price for continuous supply" Pass on price hike of commodities and distribution cost to sales prices

Cost Reduction

Increase in repairing expense and depreciation



Group Companies



Overseas businesses' improvement etc.

In line with 2020 Mid-Term Management Plan

Cash flow

FY2018's Free Cash Flow will go into red due to increase in CAPEX & business investment, giving one-off negative impact on our B/S at the year end of FY2018.

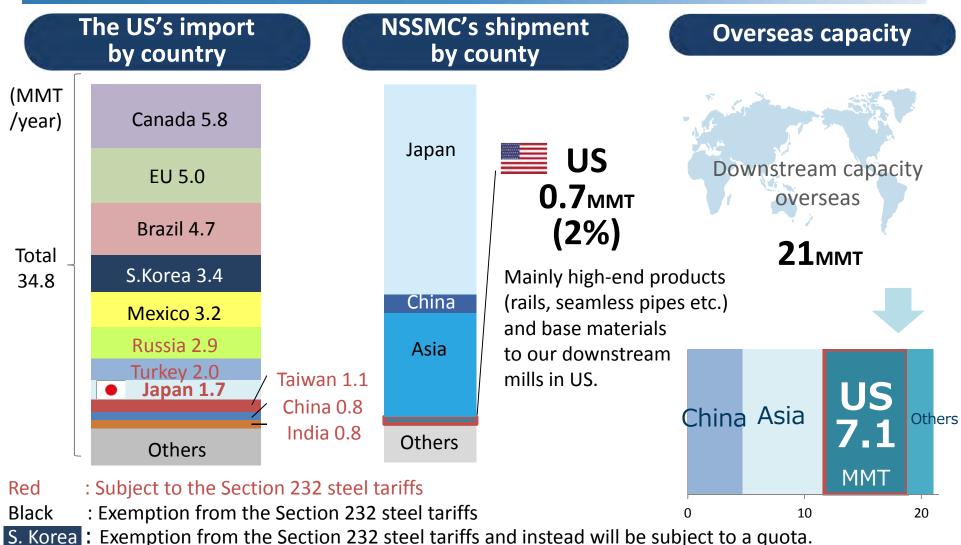


Plan to adopt IFRS from the year end of FY2018 (will adopt Japanese standard until FY2018 3Q) (vs. FY2017.2H *2)

increase

decrease

Minor Direct Impact on Our Performance from the US Section 232 Steel Tariffs



(roughly equivalent to 70% of S. Korea's annual export volume to the US between 2015 and 2017)

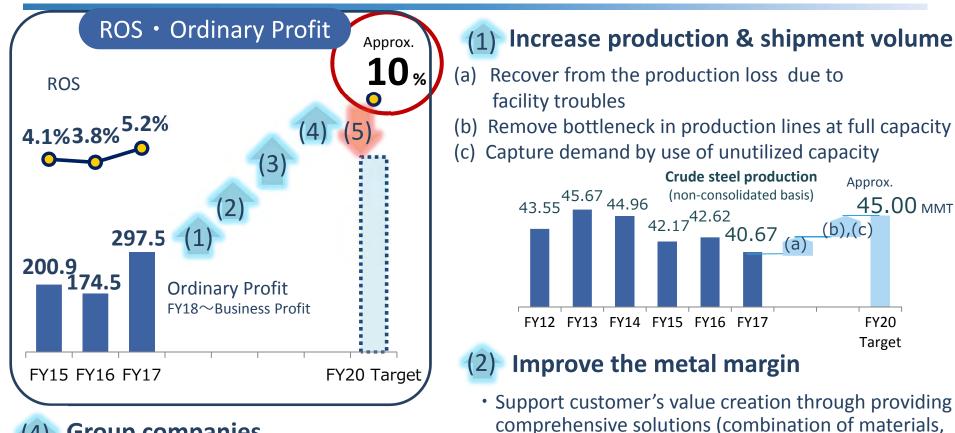
Source: the Japan Iron and Steel Federation



3. 2020 Mid-Term Management Plan



Road Map for 2020 Financial Target



(4) Group companies

- Nisshin Steel + ¥22 bn. (incl. synergy effect ¥16 bn.)
- Profit increase in overseas businesses, domestic group companies, and non-steel businesses



applications and processing technologies) Accomplish securing "appropriate sales price for

• Accomplish securing appropriate sales price for continuous supply"

(3) Cost reduction ¥150 bn. (annual basis)

Incl. effects from CAPEX approx. ¥100 bn.



Cash Flows & Investment Plan

Increase operating CFs by volume increase, the metal margin improvement and cost reduction

Strategic investment on

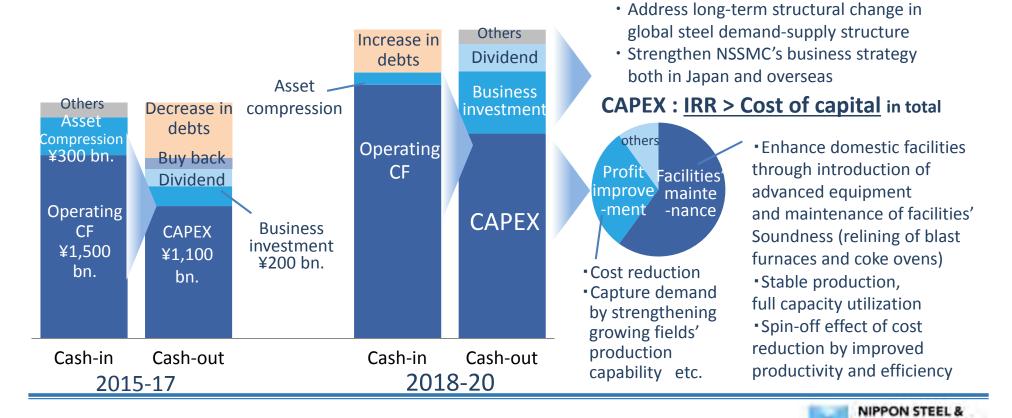
(1) Enhancing our strength "technology, cost & global business" to address the megatrend

(2) Strengthening manufacturing capability

Operating CFs + Asset compression ≥ CAPEX + business investment

Keep current D/E ratio level (=0.7)

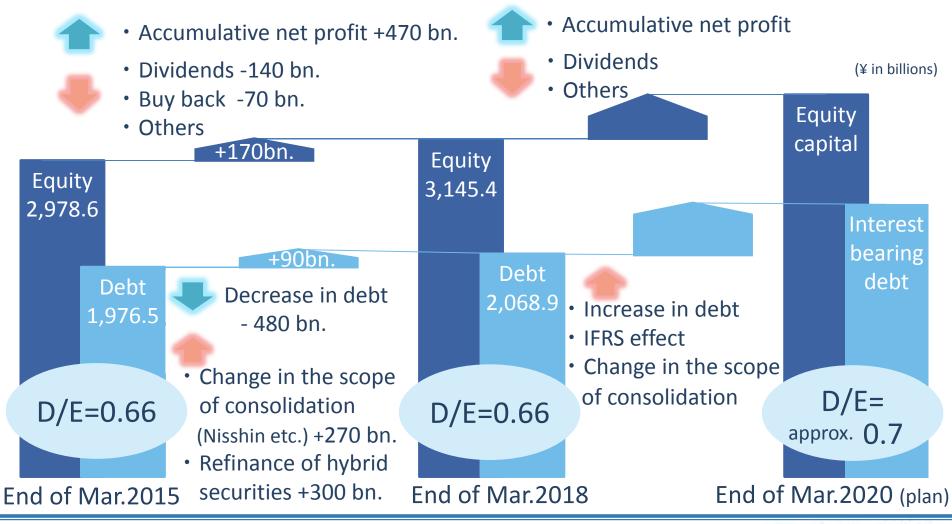




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Balance Sheet

Capital growth by accumulative profit will offset increase in debt and secure the current D/E ratio (=0.7) level.





Address Changes in Auto Sector

Strengthening supply system for Ultra-high-tensile steel sheets,* New CGL to be installed at Kimitsu Works *Steel sheets with

*Steel sheets with a tensile strength of 1.0 GPa or more

Capacity : 0.4 MMT/year (Maximum strength : 1.5 Gpa) Schedule : Start operation in FY2020.2Q (plan) The No.4 CGL at Kimitsu Works (capacity : 0.4 MMT/year) will shut down.

World's Finished **Fuel-efficiency** High-tensile steel usage ratio / auto unit *1 **Auto Production***2 requirements^{*3} 590 1800 1470 112 152 CO2 emission(g/km) 590 1180 440-540 91 141 1320 980 130 340-390 590 (Mpa) World 780 60 108 48 Japan ٩ı Asia, Middle & Near East 260-270 US (million units) 70 EU '15 '25E '15 '19E '27E '04 '15 '20 '25E

Organizational reinforcement

Newly create "Automotive Materials Planning Dept." in Automotive Flat Products Sales Div. Strengthen solution offering in vehicle components. Promote collaboration between with non-steel and steel materials. Accelerate cross-section & cross-company management to address rapid changes in auto sector.

Create "Integrated Steel-Solution Research Lab." in R&D Laboratories (integration of 2 existing lab.) Integrate and accelerate the entire auto related R&D (materials, application and construction method etc.)

*1 Source : The handbook of press forming difficulty level (the Nikkan Kogyo Simbun) *3 Source : NSRI Study (dot-line : NSRI's estimates) *2 Source : Research and outlook of world's automotive production and sales (2018) (IRC Co., Ltd.) © 2018 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.



Example of Our Contribution to Auto Sector Customer



Our ultra-high-tensile strength steel and solution technology was employed for new-model Honda N-BOX *HTSS = High Tensile Strength Steel

(1) 1180-Mpa-class HTSS center pillar



(2) 980-Mpa-class HTSS* front side frame (body framework)

(3) Developed original joining method of two pieces of HTSS^{*} together in T-shape \rightarrow Higher rigidity of joint



(1) World's first employment of 1180-MPa-class HTSS^{*}

 \rightarrow Eliminated the reinforcement material inside

for the body framework by improving hole expansibility (contributes to high formability and shock absorption)

for the outer panel of the center pillar

exterior appearance, crack, wrinkles

 \rightarrow Realized the thinner steel sheet

by eliminating the bottleneck of

 \rightarrow Reduced car weight

 \rightarrow Reduced car weight



Flange with notches

<new> Continuous flange



(2) World's first employment of 980-MPa-class HTSS^{*} (3) Continuous flange

Source of the picture : Honda Motor Co., Ltd.

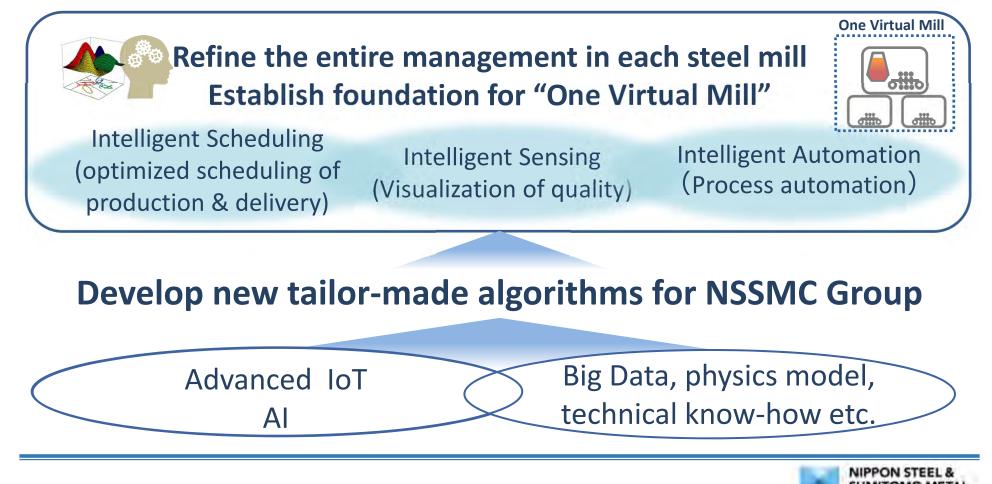
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Utilization of Advanced IT

Establishment of Intelligent Algorithm Research Center (Apr. 2018)

Abbr. name : IA3^{*} Center

- * Intelligent Algorithm, Intelligence Artificielle, Intelligent Automation
- Newly set up in R&D Laboratories
- Elite force of about 30 top-class researchers in this area from the whole NSSMC group



Corporate Governance ; Increase Outside Director

NSSMC plans to request the approval of the General Meeting of Shareholders (scheduled for 26th June, 2018) to increase the number of outside director .

Board member composition	Board members	Audit & Supervisory Board	Total								
Outsiders' ratio = 33%	Insiders	11	3	14							
Non-executives' ratio = 48%	Independent Outsiders	2 →3	4	6 → 7							
(10 out of 21)	Total	13→14	7	$20 \rightarrow 21$							
 Outside Directors With deep insight & knowledge on corporate management / international affairs & economy / employment & labor & human resource Mr. Mutsutake Otsuka (Former president of JR EAST), Mr. Ichiro Fujisaki (Former ambassador to the US) [Newly appointed] Ms. Noriko Iki (Former Director-General of Tokyo Labor Bureau, Ministry of Health, Labor and Welfare) Outside A&S Board[*] Members With deep insight and knowledge on corporate accounting / law / public & financial administration / corporate management 											
Mr. Katsunori Nagayasu (Former chairman of the MUFG Bank), Mr. Hiroshi Obayashi (Former attorney general) Mr. Jiro Makino (Former Commissioner of the national Tax Agency), Mr. Seiichiro Azuma (Former partner of Deloitte Touche Tohmatsu)											
Inside A&S Board [*] Members : With deep in (corporate planning / f											
* A&S Board = Audit & Supervisory Board				VIPPON STEEL &							

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- Strong legal audit authority
 - If an adverse opinion is given in an audit report, the management responsible will be replaced in practice.
- Independent agent system
 - Each A&S Board Member may independently exercise its full authority without a majority vote at the A&S Board.
- Stability
 - A&S Board Members' term of office is 4 years while one year for a director
- The Board cannot make any A&S Board Member appointment without a majority vote at the A&S Board.
- An issue of "self-audit" will not arise, as they are specialized in audit and supervision of the director.
- Regular and substantial audit activities by full-time A&S Board Members



^{*} A&S Board = Audit & Supervisory Board

Enhance Special Steel Business



Special steel bar and wire business mainly for machine structure

Making OVAKO subsidiary (

Discussions regarding making Sanyo a subsidiary

Optimal formats for 3 companies' cooperation



(I) SANYO SPECIAL STEEL Co., Ltd.

OVAKO and Sanyo are both special steel makers with global top level technology regarding high-cleanliness steel for bearing steel

Strengthen technological capabilities, product quality and R&D while enhancing & expanding global business



Material in critical parts for various industries (auto, industrial machinery, wind power generation & robot etc.) Demand for special steel will continue to grow steadily.



36

Making OVAKO a Subsidiary

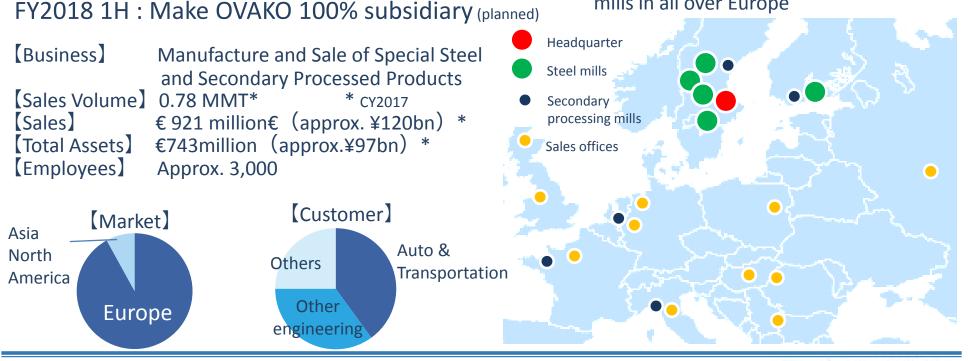


(History)

<u>17th Century</u> : Entered in the steel business in Sweden 1916 : Bought by SKF (the largest global bearing steel maker in Sweden) 2010 : Acquired by Triton Fund

[Locations]

Steel mills in Sweden and Finland Sales offices and secondary processing mills in all over Europe





Discussions regarding Making Sanyo Special Steel a Subsidiary





4. Appendix



Key Indicators of Demand

		FY1	6	FY17							FY18	8		Char	nge			
[Domestic]				1Q	1H	I	4Q	21	4		[E] *1		1Q [E]	2 V	/1H /s. /2H	FY16 vs. FY17	FY17[E] VS. ^{*1} FY17	17/1Q vs. *2 18/1Q[E]
Housing Starts (million	0	.97	0.25	0.5	50	0.21	0.4	45		[0.93]	0.95	5 0.23	3 -(0.04	-0.02	+0.02	-0.02	
Non-residential Construction Starts (million m ³)			.33	13.90	27.9)5	12.26	25.:	20	[[53.70]	53.15	5 13.87	· -2	2.75	+1.82	-0.55	-0.03
Public Works Orders (¥i	n billion)	10,7	'90	1,920	4,87	7	3,428	6,1	23	[1	1,000]	11,000	2,000) +1,	246	+210	-0	+80
Finished Auto Productio	n ion units)	9	.36	2.30	4.6	67	2.55	5.	02		[9.70]	9.69	2.28	3 +(0.35	+0.33	-0.01	-0.02
Export of Finished Auto	Export of Finished Auto (million units)			1.12	2.3	31	1.20	2.	48		[4.89]	4.79	1.16	5 +(0.17	+0.15	-0.10	+0.04
Overseas Auto Productio (8 Japanese car makers) (milli	18	.90	4.74	9.4	8													
Large & Middle sized Sh Production (thousand			66	20	4	10	19	:	39		[78]	79	21		-1	+13	+1	+1
Metal Machine Tool Production (thousand	tons)	3	866	102	21	5	107	2	23		[429]	438	3 107	,	+8	+72	+9	+6
Keel-laid New Ships (mil. gross	12	.51	3.10	6.1	0	3.00	6.	01	[[12.10]	12.10	3.00) -(0.09	-0.41	-0.00	-0.10	
Rig Count CY09		CY10	CY	′11 C`	Y12	CY	′13 CY	(14	′14 CY1		CY16	CY17	Late	est		Peak	В	ottom
USA 1,089		1,546	1,8	875 1,	919	1,7	761 1,8	862	9	77	510	875	931 (N	lar.'18)	2,03	1 (Sep.'	⁰⁸⁾ 404	(May.'16)
Deep well (≧15,000ft) 249		249	3	95	324	3	326	354	2	05	126	211	208 (F	eb.'18)	41	3 (Nov.'	11) 98	(May.'16)
World Total (Exc. N. America, Russia & China)		1,094	1,1	67 1,	234	1,2	296 1,3	337	1,1	67	955	948	956 (N	lar.'18)	1,38	2 (Jul.'	¹⁴⁾ 920	(Oct.'16)

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

***1** Figures published on Feb. 1st, 2018

*2 Estimates as of early Mar. 2018



Domestic Steel Consumption by Industrial Sector

	FY16			F	Y17			Change							
(million tons)		1Q	1H	4Q	2H	[E] ^{*1}		1Q[E] ^{*2}	17/1H vs. 17/2H	FY16 vs. FY17	FY17[E] VS.*1 FY17	FY17/1Q VS. _{*2} FY18/1Q[E]			
Crude Steel Production in Japan	105.17	26.10	<mark>52.04</mark>	26.41	52.80	104.83	104.84	* ³ 26.34	+0.76	-0.34	+0.01	+0.24			
Domestic Steel Consumption (A + B)	61.67	15.35	31.04	15.58	31.73	[62.77]	62.77	15.17	+0.69	+1.10	-0.00	-0.18			
% for manufacturing sector	63.7	62.8	63.8	64.0	63.8	[63.6]	63.8	64.1	+0.0	+0.1	+0.2	+1.3			
Ordinary Steel Consumption (A)	49.00	12.17	24.58	12.43	25.23	[49.82]	49.79	.79 12.00 +0.65 +0.80		-0.02	-0.16				
Construction	21.57	5.33	10.79	5.38	11.04	[21.95]	21.83	5.23	+0.25	+0.26	-0.12	-0.10			
Manufacturing	27.43	6.84	13.77	7.05	14.19	[27.86]	27.96	6.77	+0.42	+0.53	+0.10	-0.07			
Shipbuilding	4.33	1.04	2.05	0.99	2.00	[4.05]	4.05	1.02	-0.05	-0.28	+0.00	-0.02			
Automotive	10.95	2.71	5.50	2.83	5.72	[11.22]	11.22	2.67	+0.22	+0.27	+0.00	-0.04			
Industrial Machine	4.58	1.23	2.48	1.24	2.51	[4.97]	5.00	1.25	+0.03	+0.42	+0.03	+0.02			
Electronic Machine	2.97	0.74	1.50	0.80	1.60	[3.02]	3.10	0.74	+0.09	+0.13	+0.08	+0.01			
Specialty Steel Consumption (B)	12.67	3.18	6.47	3.15	6.51	[12.95]	12.97	3.17	+0.04	+0.30	+0.02	-0.02			
Steel Imports	6.45	1.72	3.37												
Steel Exports	40.47	9.36	18.62								_	SSMC est.)			

***1** Figures published on Feb. 1st, 2018 ***2** Estimates as of early Mar. 2018



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[] : Outlook as of Jan.	22 nd , 2	2018
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(GDP growth rate)		growth rate CY08 CY09		CY10 CY11		CY12 CY13		CY14	CY15	CY16	CY17		CY18 [E]		CY19 [E]	
	World Total	3.0	-0.5	5.3	3.9	3.4	3.4	3.4	3.4	3.2	[3.7]	3.8	[3.9]	3.9	[3.9]	3.9
	Developed Countries	0.5	-3.4	3.2	1.7	1.2	1.4	1.9	2.1	1.7	[2.3]	2.3	[2.3]	2.5	[2.2]	2.2
	USA	0.4	-2.6	3.0	1.8	2.3	2.2	2.4	2.6	1.5	[2.3]	2.3	[2.7]	2.9	[2.5]	2.7
	EU27	0.6	-4.1	1.9	1.5	-0.7	-0.4	0.9	2.0	1.8	[2.4]	2.3	[2.2]	2.4	[2.0]	2.0
	Japan	-1.2	-6.3	4.4	-0.6	1.5	1.6	0.0	1.1	0.9	[1.8]	1.7	[1.2]	1.2	[0.9]	0.9
	Developing Countries	6.1	2.7	7.5	6.2	5.1	5.0	4.6	4.3	4.4	[4.7]	4.8	[4.9]	4.9	[5.0]	5.1
	China	9.6	9.2	10.4	9.3	7.7	7.7	7.3	6.9	6.7	[6.8]	6.9	[6.6]	6.6	[6.4]	6.4
	India	7.3	6.8	10.6	6.3	4.7	6.9	7.2	8.0	7.1	[6.7]	6.7	[7.4]	7.4	[7.8]	7.8
	ASEAN5 *	4.7	1.7	7.0	4.5	6.2	5.1	4.6	4.9	4.9	[5.3]	5.3	[5.3]	5.3	[5.3]	5.4
	Russia	5.6	-7.8	4.3	4.3	3.4	1.3	0.7	-2.8	-0.2	[1.8]	1.5	[1.7]	1.7	[1.5]	1.5
	Brazil	5.1	-0.6	7.5	2.7	1.0	2.7	0.1	-3.8	-3.5	[1.1]	1.0	[1.9]	2.3	[2.1]	2.5

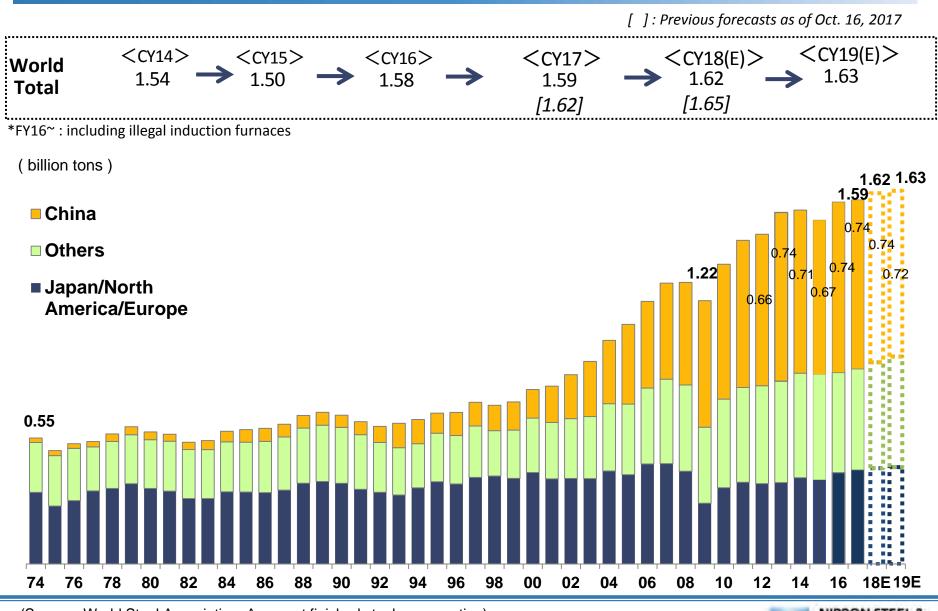
(Source : IMF)

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



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World Steel Demand <Released on Apr. 17th, 2018 by WSA>



(Source : World Steel Association, Apparent finished steel consumption)



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World Crude Steel Production

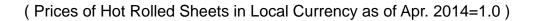
,					C	Y17					CY	18		
(million tons)	CY16 [A]	Jan - Mar	Apr - Jun	Jul - Sep	Oct	Nov	Dec	Oct - Dec	[B]	Jan	Feb	Mar	Jan - Mar	Change (A → B)
World *	1,587.2	408.5	427.1	430.5	144.5	136.3	137.4	418.2	1,672.9	144.5	132.4	148.3	425.2	+7.0
Total [YoY]	[-0.7%]	[5.2%]	[3.6%]	[6.7%]	[5.3%]	[3.7%]	[3.4%]	[4.2%]	[5.4%]	[4.3%]	[4.0%]	[4.0%]	[4.1%]	[-0.1%]
Japan	104.8	26.2	26.1	25.9	9.0	8.7	8.7	26.4	104.7	9.0	8.3	9.1	26.4	+0.0
[YoY]	[-0.4%]	[1.5%]	[-0.4%]	[-1.5%]	[-1.0%]	[1.0%]	[0.1%]	[0.0%]	[-0.1%]	[0.3%]	[-0.5%]	[2.2%]	[0.7%]	[0.7%]
Korea	68.6	17.3	17.5	18.3	6.0	5.9	6.1	17.9	71.0	6.3	5.4	6.1	17.8	-0.1
[YoY]	[-1.6%]	[4.9%]	[3.2%]	[4.1%]	[0.2%]	[2.9%]	[3.6%]	[2.2%]	[3.6%]	[5.5%]	[-2.1%]	[4.7%]	[2.8%]	[0.6%]
USA	78.5	20.3	20.4	20.7	6.9	6.6	6.7	20.2	81.6	6.9	6.6	7.3	20.7	+0.5
EU28	162.0	42.7	43.3	40.3	14.8	14.0	13.4	42.1	168.4	14.2	13.8	15.1	43.1	+0.9
Russia	70.5	17.7	17.7	18.3	5.9	5.7	5.9	17.6	71.3	5.7	5.2	5.7	16.6	-1.0
Brazil	31.3	8.2	8.5	8.7	3.0	3.0	2.8	8.9	34.4	2.9	2.7	3.1	8.6	-0.3
India	95.5	25.7	24.6	25.2	8.7	8.4	8.8	25.9	101.4	9.0	8.4	9.2	26.7	+0.8
China	786.9	200.0	218.3	220.4	72.4	66.2	67.0	205.6	831.7	71.9	64.9	74.0	210.8	+5.2
[YoY]	[-2.1%]	[4.0%]	[4.1%]	[8.1%]	[6.1%]	[2.2%]	[1.8%]	[3.4%]	[5.7%]	[5.9%]	[5.9%]	[4.5%]	[5.4%]	[2.0%]

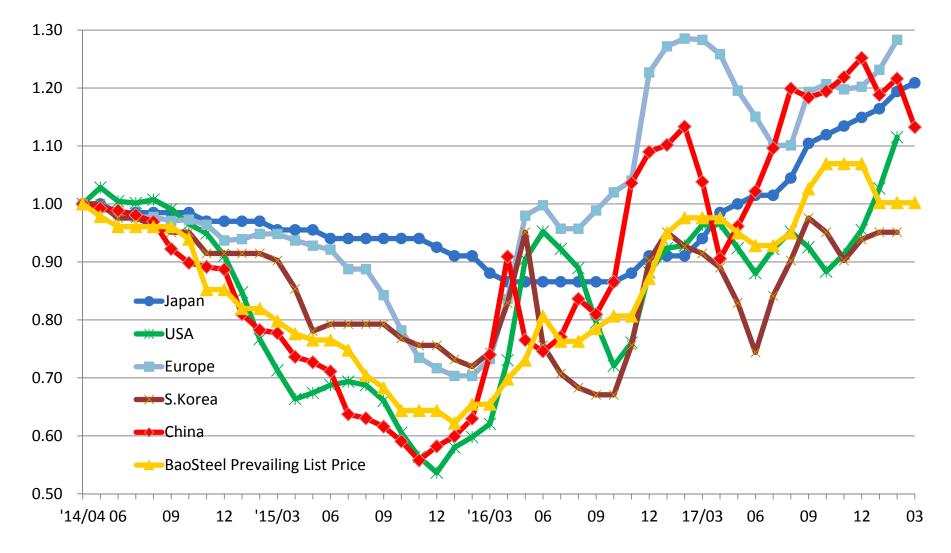
(Source : World Steel Association)

* Total of 66 countries



Hot Rolled Sheets Prices by Region

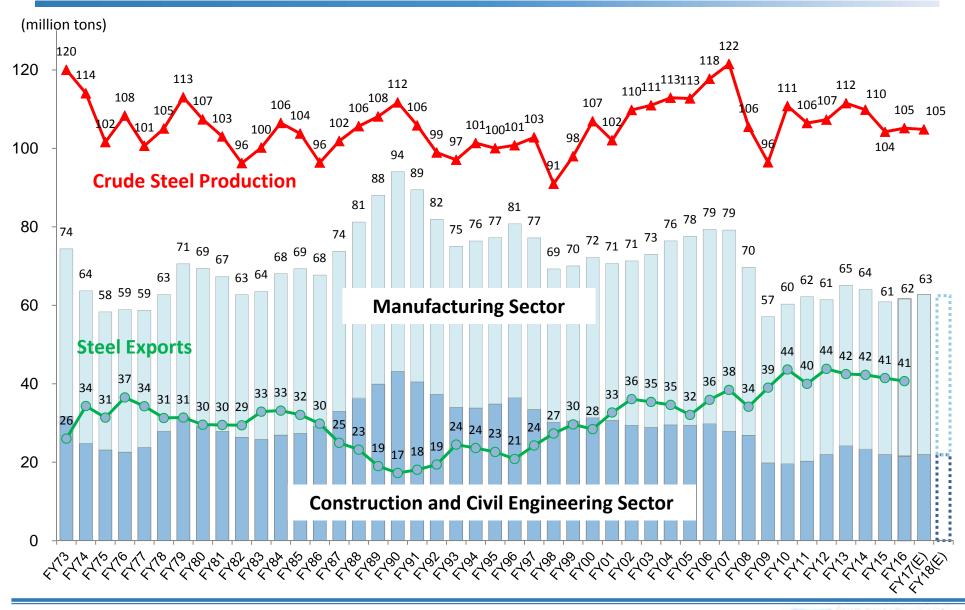




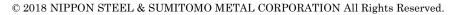
(Source : The Japan Iron and Steel Federation)



Domestic Steel Consumption Trend

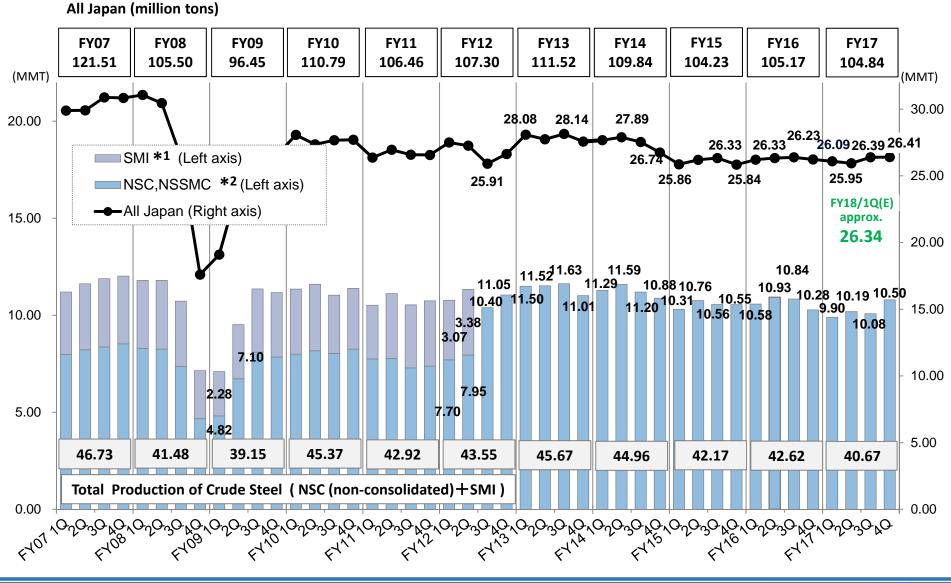






SUMITOMO METAL CORPORATION

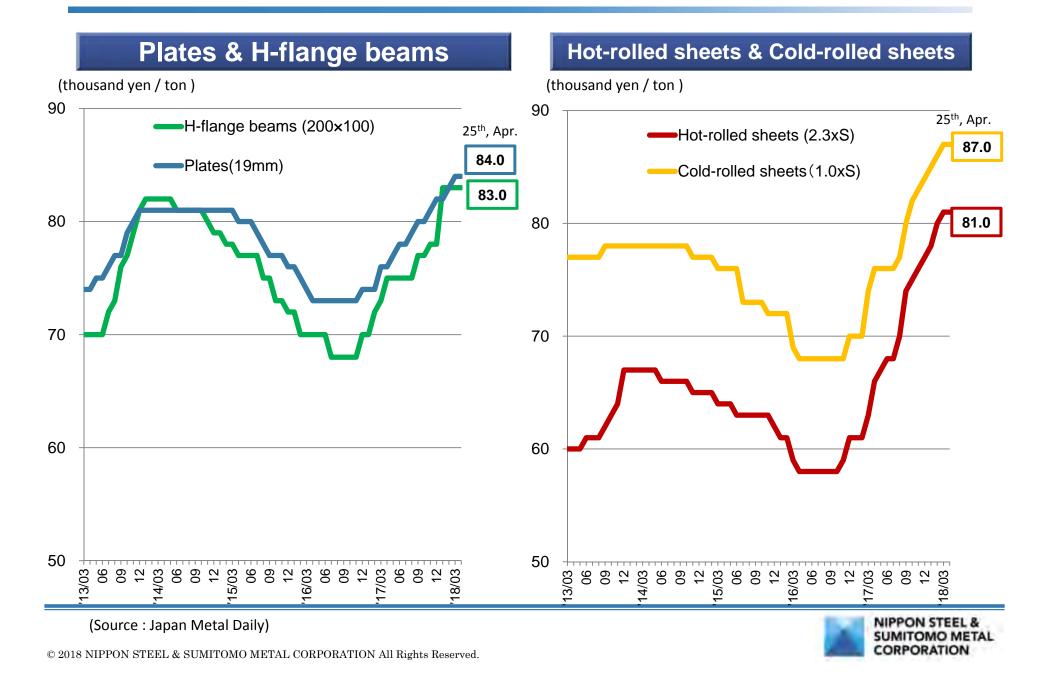
Domestic Crude Steel Production



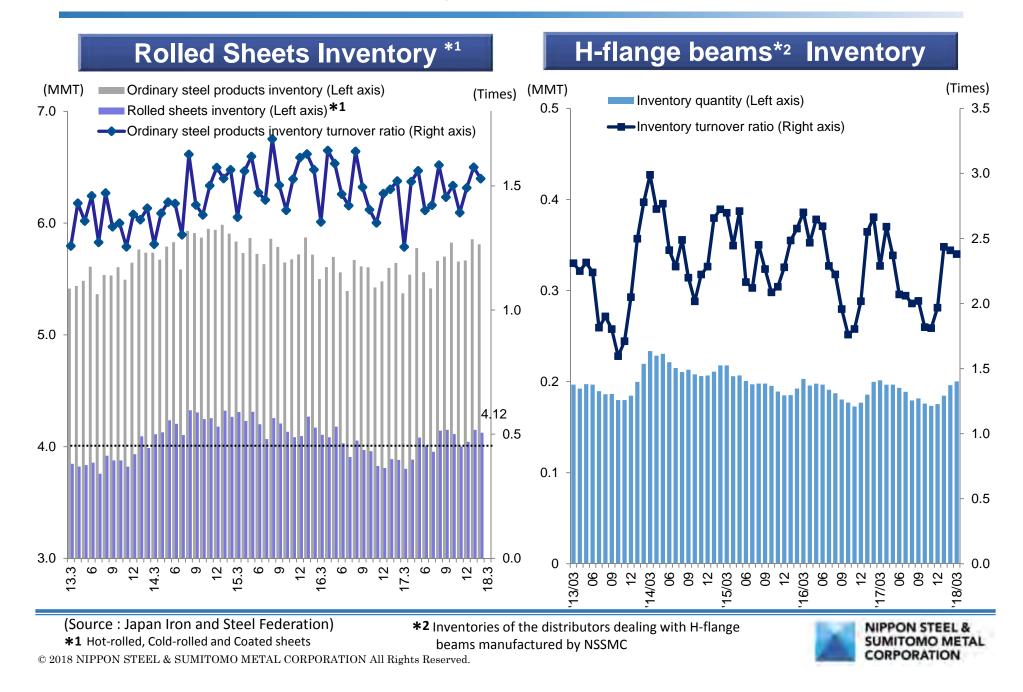
*1 Includes Sumitomo Metals(Kokura), Sumitomo Metals(Naoetsu) and Sumikin Iron & Steel Co.*3 Domestic Crude Steel Production of
FY18/1Q(E) released by METI*2 Includes NIPPON STEEL & SUMIKIN KOUTETSU WAKAYAMA CORPFY18/1Q(E) released by METI

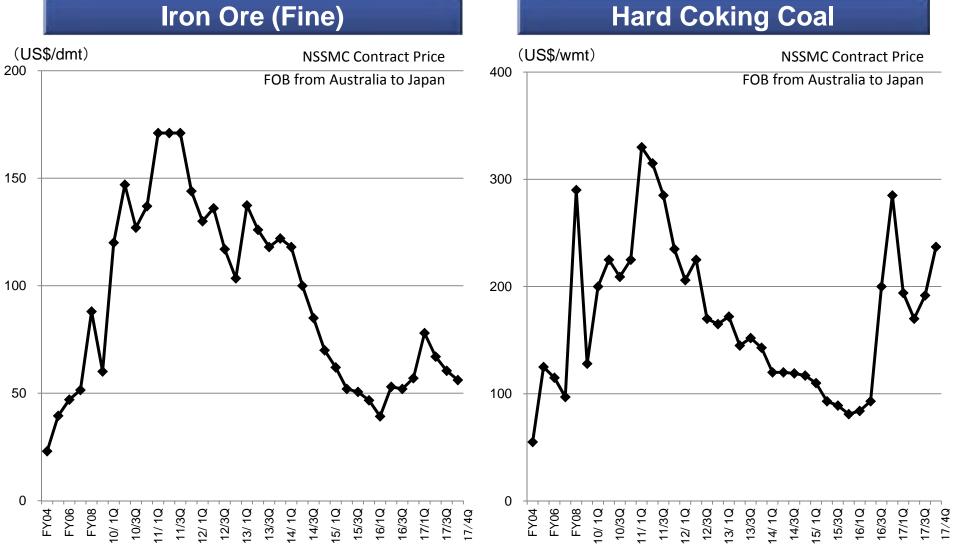


Domestic Steel Products Prices



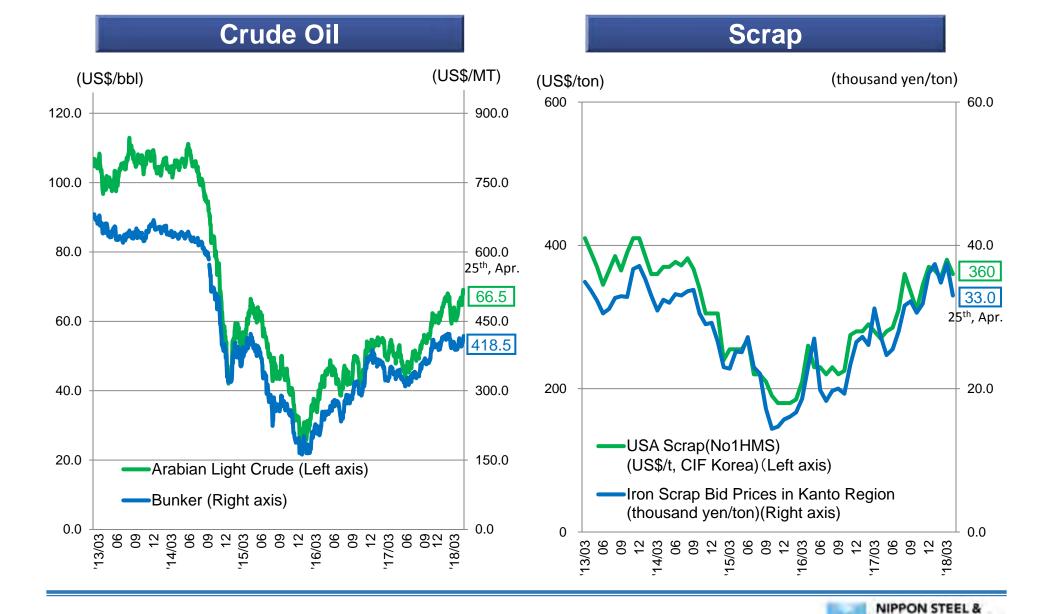
Domestic Steel Inventory







Market Trends < Crude Oil & Scrap>



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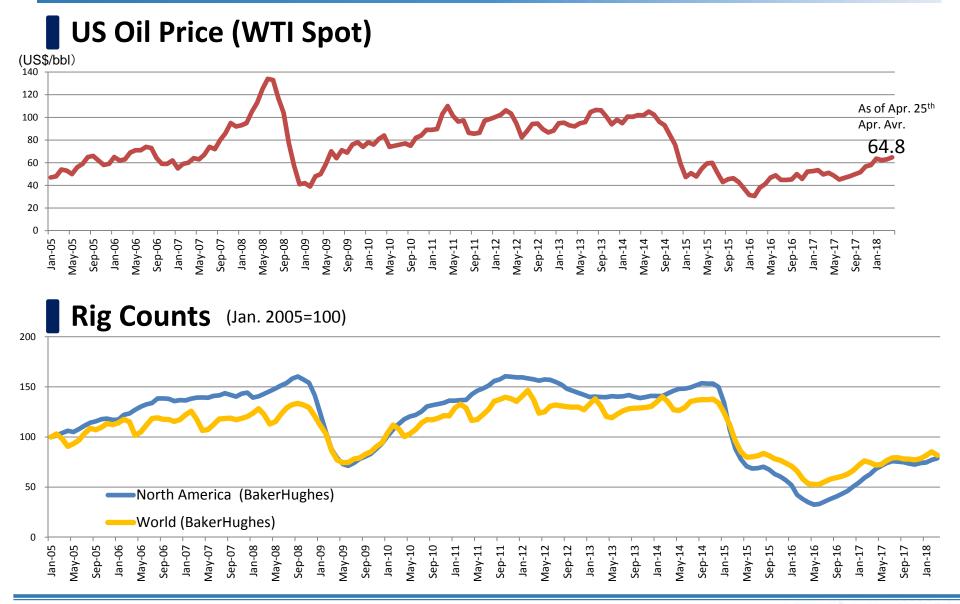
SUMITOMO METAL CORPORATION

Market Trends Freight & Mold Pig Iron

Freight **Mold Pig Iron** (US\$/T, CIF Korea) (US\$/WMT, Cape size 180 thousand tons hull form) 600 35.00 From Brazil to China Mold Pig Iron(US\$/t,CIF Korea) From Western Australia to China 30.00 500 25th, Apr. 25.00 425 400 20.00 300 25th, Apr. 15.00 14.8 200 10.00 6.4 100 5.00 0.00 0 13/03 18/03 3/03 03 90 00 8/03 5 5 **NIPPON STEEL &** SUMITOMO METAL

CORPORATION

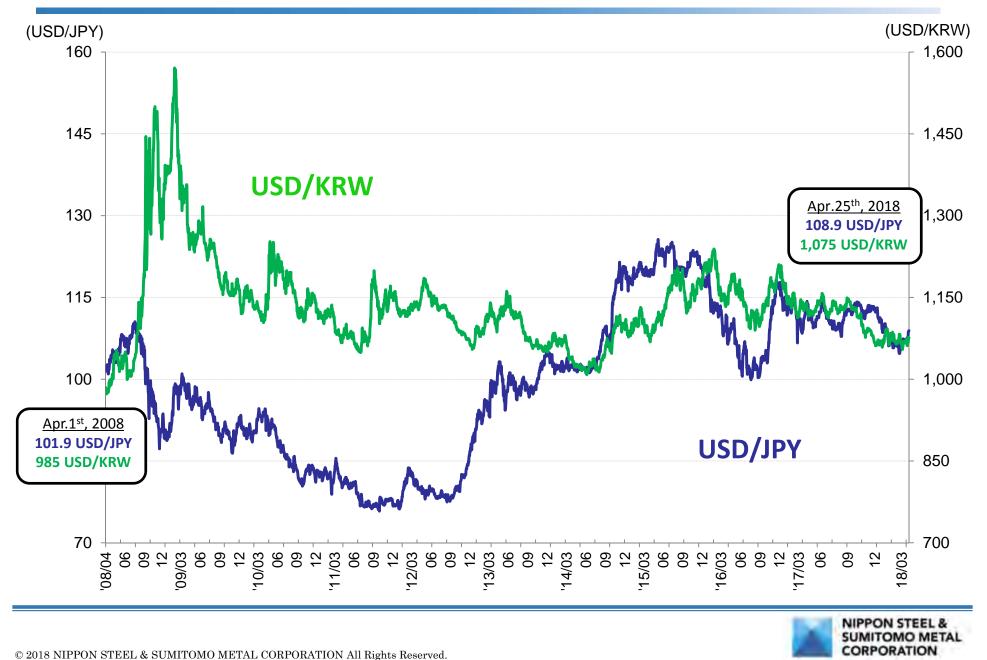
Energy Sector : Oil Price / Rig Count



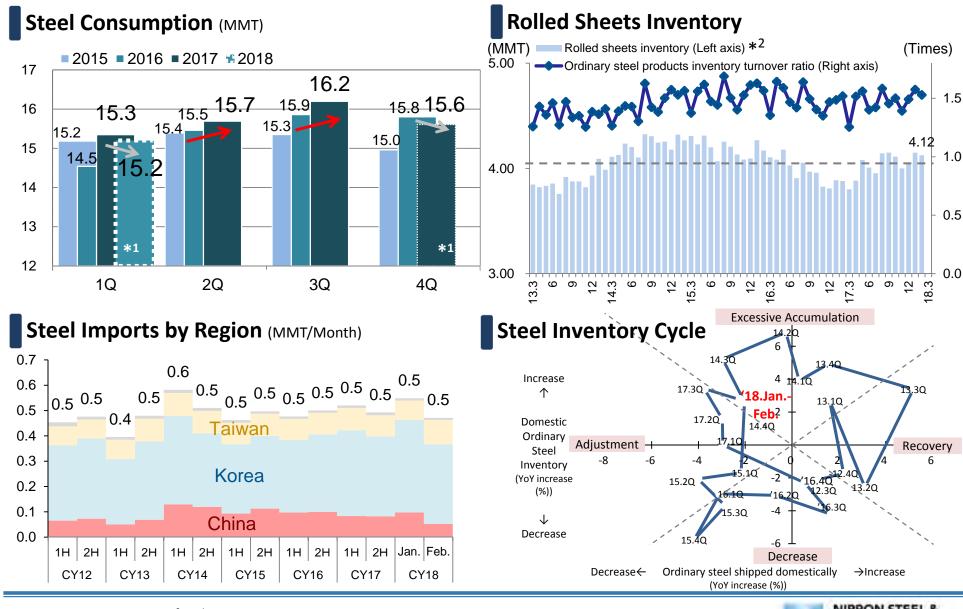


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Forex Trend



Domestic Steel Supply-Demand

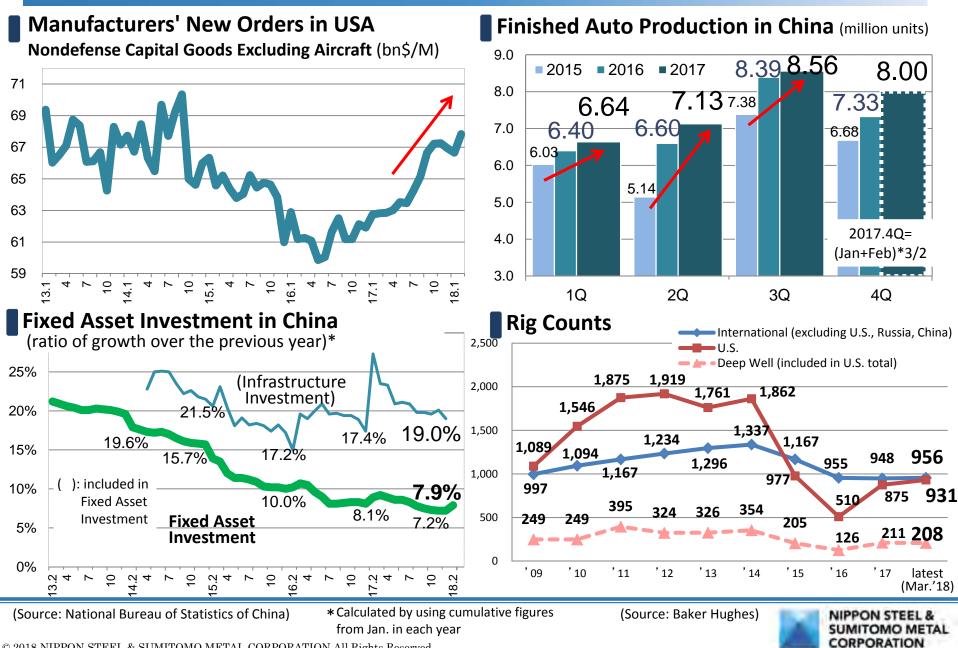


***1** Estimates as of early in Mar,2018.

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



Key Indicators of Steel Demand Overseas



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