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**NIPPON STEEL &
SUMITOMO METAL
CORPORATION**

First Quarter FY2018 Earnings Summary

August 2nd, 2018

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. FY2018 1Q Results & 1H Forecast
2. FY2018 Full Year Forecast
3. Progress in Mid-Term Management Plan
4. Appendix

1. FY2018 1Q Results & 1H Forecast

Overview: FY2018 1Q Results & 1H Forecast

Business Environment

- **Domestic steel demand** : Firm, especially in the autos & industrial equipment sectors.
- **Overseas' steel demand** : Increased steadily as a whole due to world economy's recovery.
(USA : Solid, China : Stable, Europe & emerging countries : Moderate recovery)

Topics

- **Non-consolidated crude steel production** :
1Q 10.29MMT : Molten steel spill trouble at Nagoya Works, congested periodic facility maintenances
2Q - 4Q forecast 11.00MMT/Q : Strengthen manufacturing capabilities both in facilities and human resources
- **Impact from heavy rainfall in July** : Resulted in suspend of operation at NSSMC's Wakayama & Yawata Works and Nisshin Steel's Kure Works. Nisshin estimates losses of over ¥10 bil. for the recovery of in-plant power generation etc. (included in NSSMC's consolidated earning forecast)
- **Special steel business** : June 1st – OVAKO has become NSSMC's wholly owned subsidiary
Aug 2nd – Execution of agreements, (a) making Sanyo Special Steel a subsidiary of NSSMC, (b) transferring all the shares of OVAKO to Sanyo from NSSMC
- **Making Nisshin Steel a wholly owned subsidiary & integrating NSSMC Group's stainless steel business**
(released on May 16th) Make Nisshin Steel a wholly owned subsidiary (planned in Jan, 2019)
Integrate stainless steel sheet business of NSSMC, Nisshin & NSSC*** (planned in Apr, 2019)
(released on Aug 2nd) Integrate & reorganize welded stainless steel pipe & tube business (planned in Apr, 2019)
- **Essar Steel** : Ongoing screening eligibility regarding bidding procedure

Financial Highlights

	1Q	1H [E]		2H [E]	FY2018 [E]
	[JGAAP]	[JGAAP]	[IFRS]	[IFRS]	[IFRS]
(¥ in billions)					
Ordinary / Business Profit*	87.7	150.0	160.0	190.0	350.0
Net Profit**	96.3	130.0	110.0	130.0	240.0
ROS	6.1%	5.0%	5.3%	5.8%	5.6%

- Interim dividend (E)
¥40.00/share
- Consolidated payout ratio (E)
(IFRS basis) 32%
(JGAAP basis) 27%

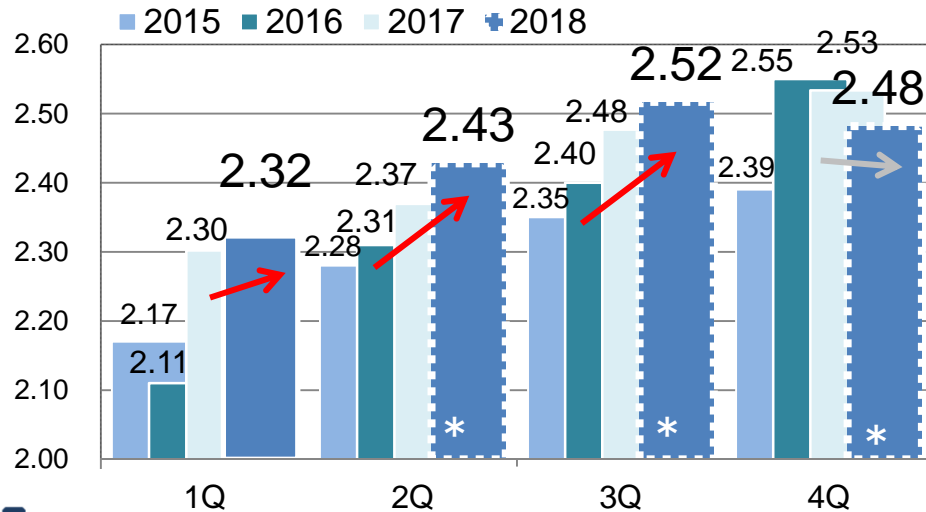
* Business profit = Profit before income taxes – net financial cost – additional line items
(Additional line items are large amount of profits or losses from non-business activities)

** Profit attributable to owners of parent

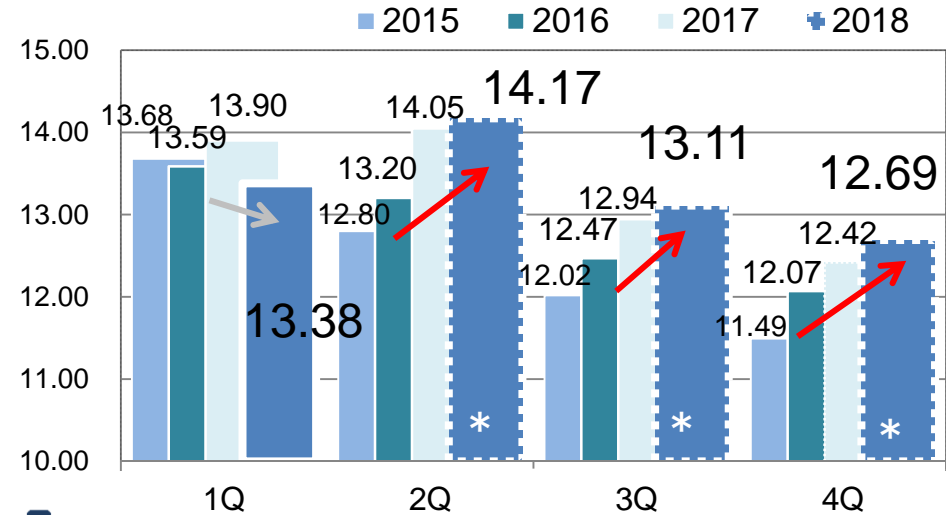
*** Nippon Steel & Sumikin Stainless Steel Corporation

Key Indicators of Domestic Steel Demand

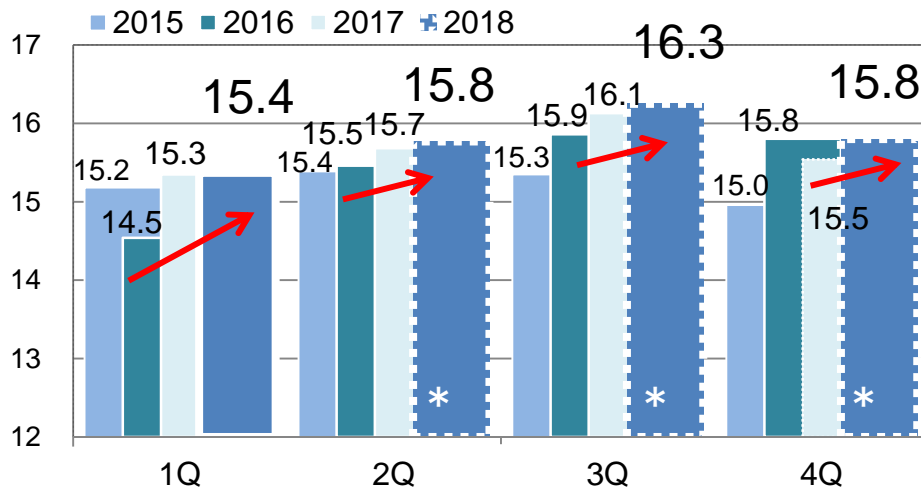
Finished Auto Production (million units)



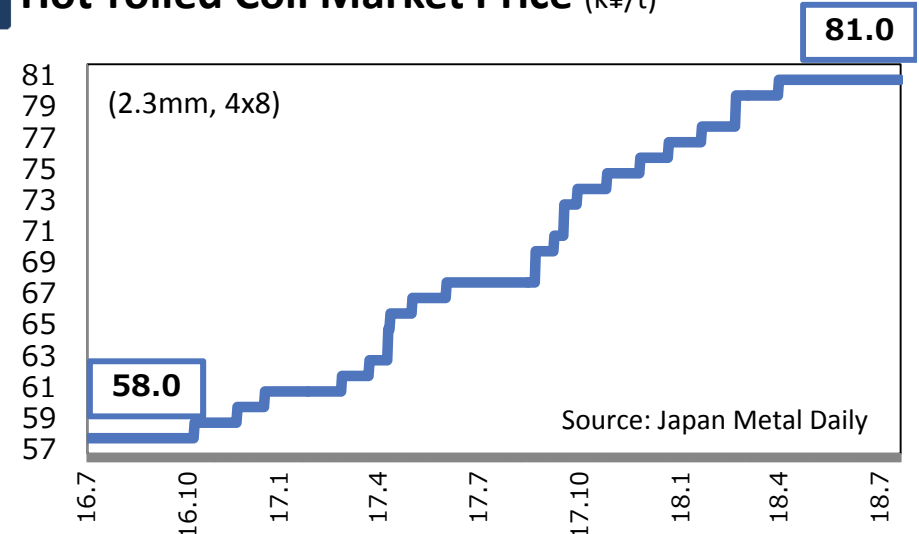
Non-Residential Construction Starts (million m²)



Steel Consumption (MMT)



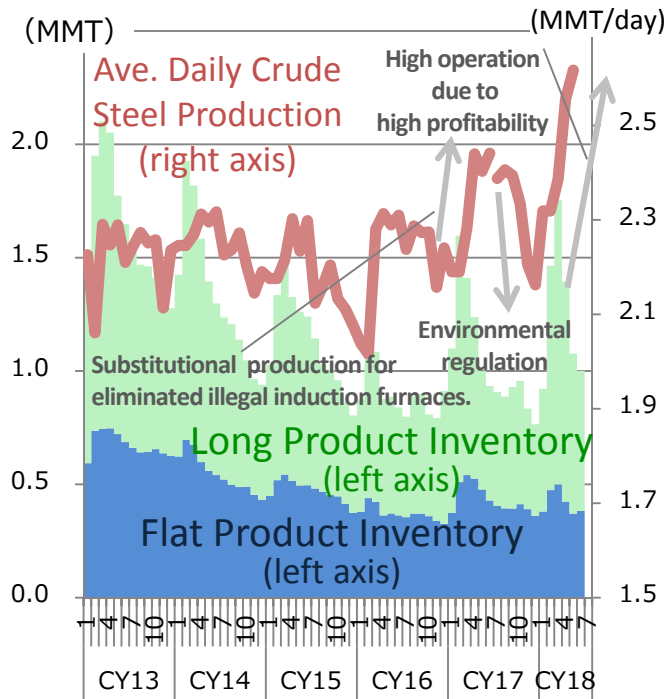
Hot-rolled Coil Market Price (k¥/t)



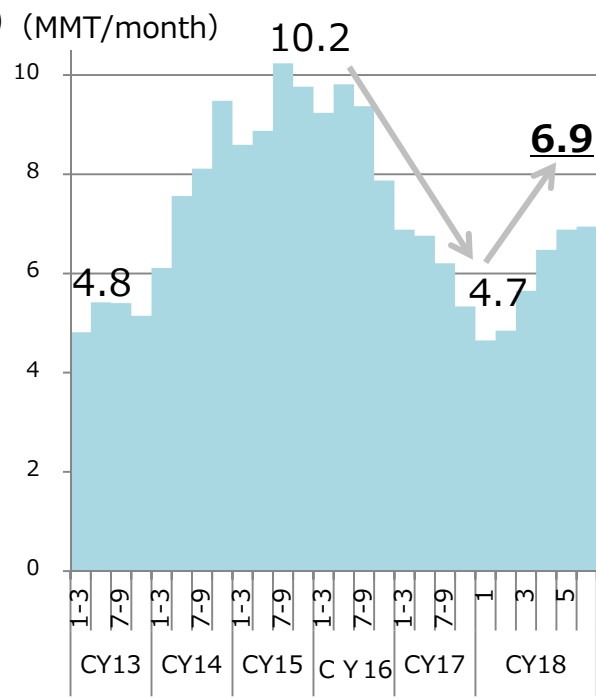
* Estimates as of early in Jul, 2018.

China's Steel Supply-Demand & Market Trend

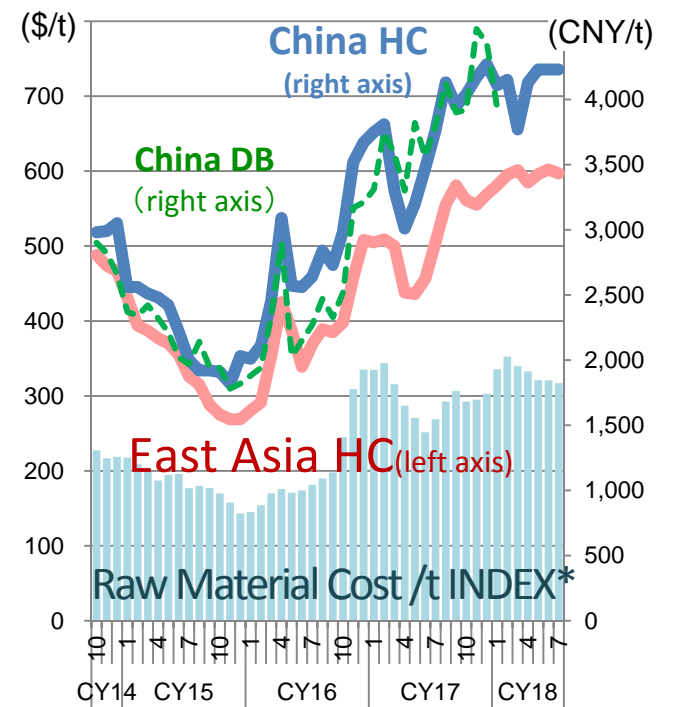
Crude Steel Production & Channel Inventories in China



China's Export by Product



Hot Rolled Sheets Prices by Region



*Calculated by iron ore market price x 1.7 + coal market price x 0.9

Crude Steel Production : Record high (May : 81.13MMT, June : 80.20MMT)

Inventory : Remain relatively low due to strong demand

Export : Increased for 5 consecutive months. Need to watch on its impact on global market prices.

Market Prices : Prices remain high with the estimate of tighter SD situation by enforcement of environmental regulation

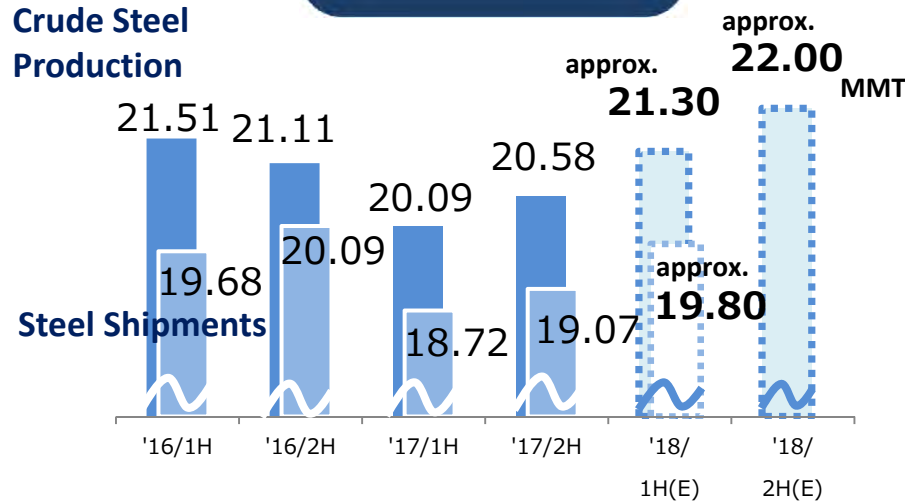
(eg. newly announced "Blue sky initiative"), even though seasonal drop in demand in summer(high temp.) is likely a concern.

(Source: Japan Steel Association, Steel Home, CISA, MYSTEEL, NSSMC, etc.)

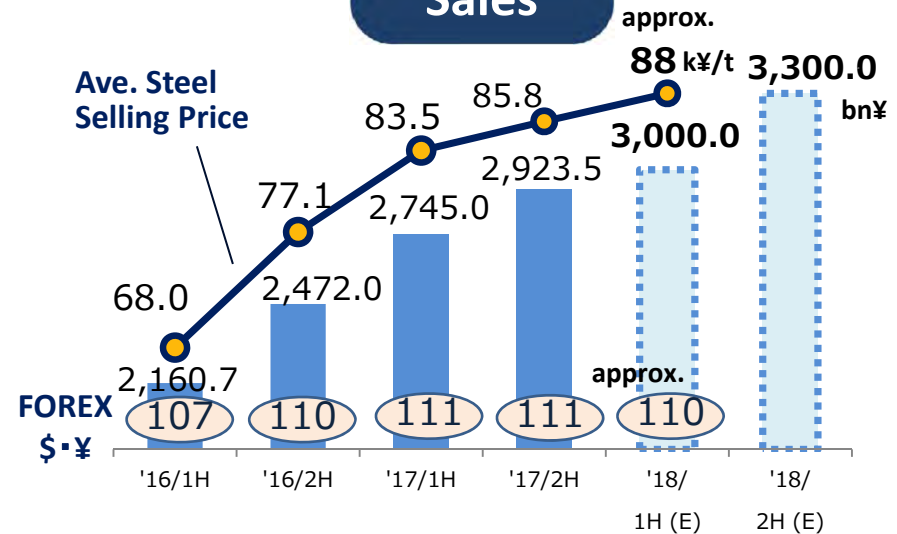


Key Indicators: FY2018 1Q Results

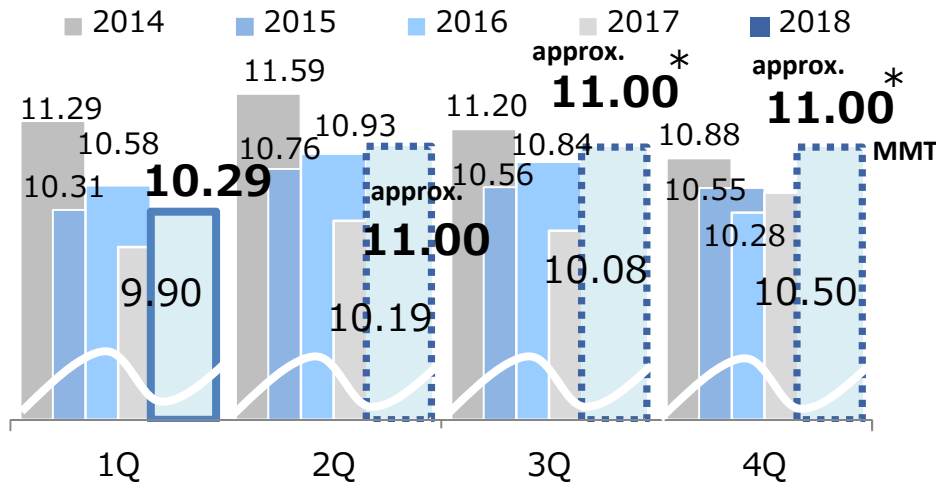
Volume



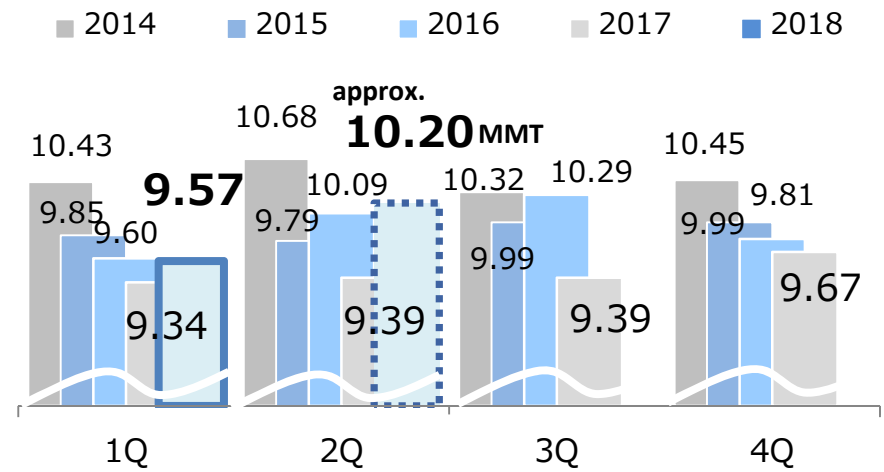
Sales



Non-consolidated Crude Steel Production



Steel shipment

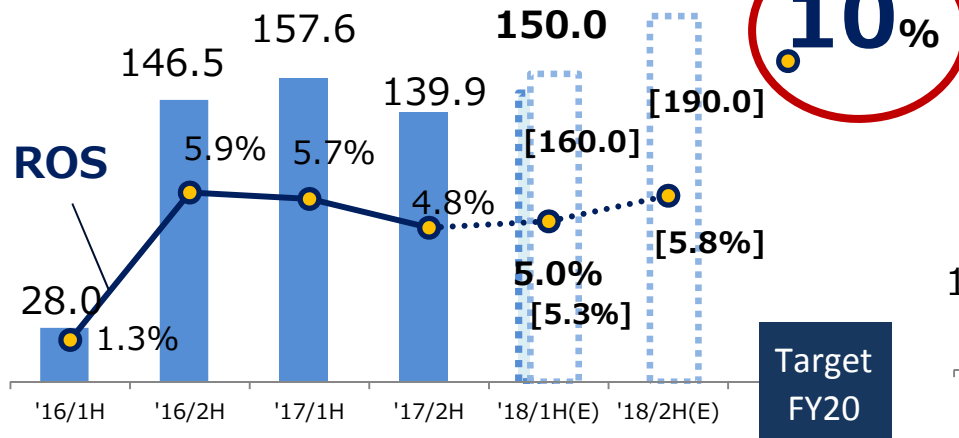


* FY2018 3Q,4Q = FY2018 2H (E) / 2

Key Indicators: FY2018 1Q Results

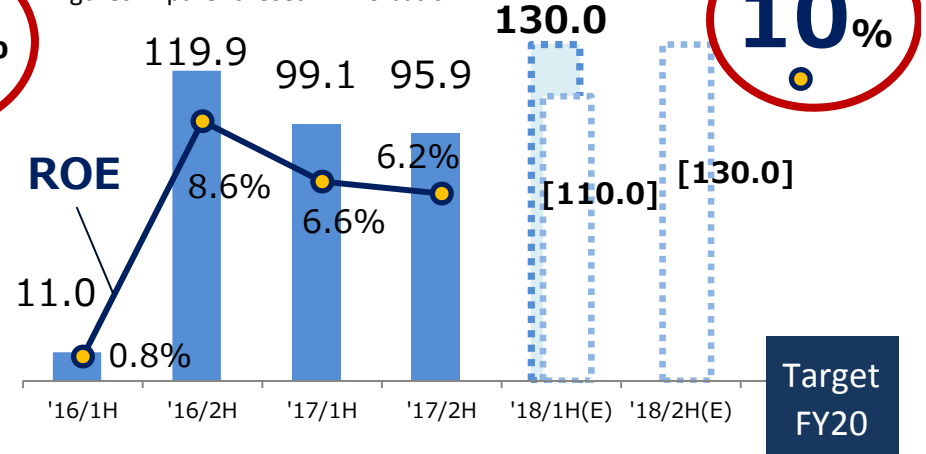
Ordinary Profit / Business Profit (bn.¥)

Figures in parentheses = IFRS basis



Net Profit* (bn.¥)

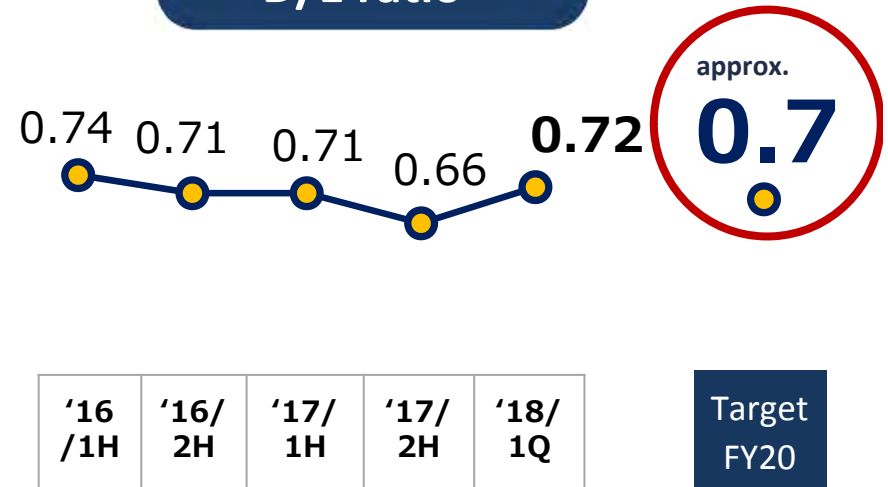
Figures in parentheses = IFRS basis



Cost Reduction (bn.¥)

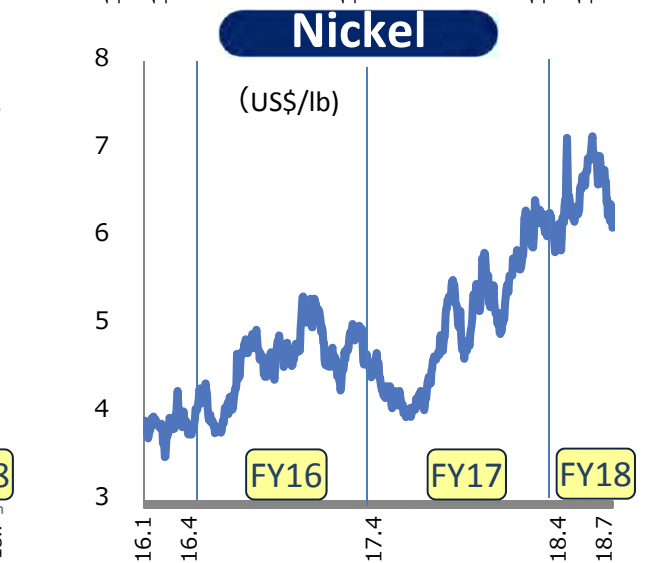
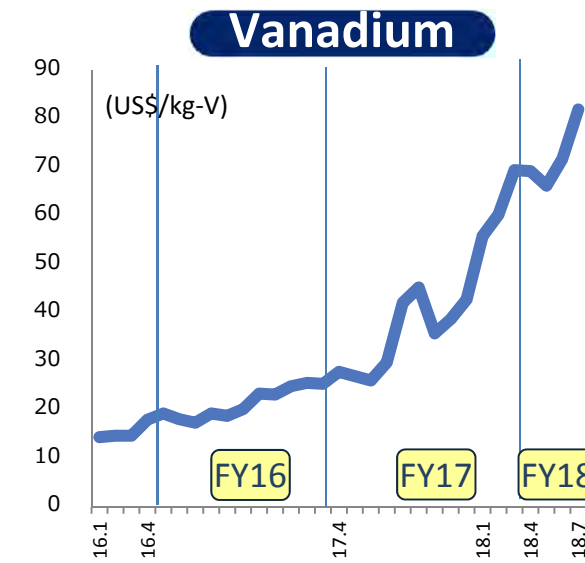
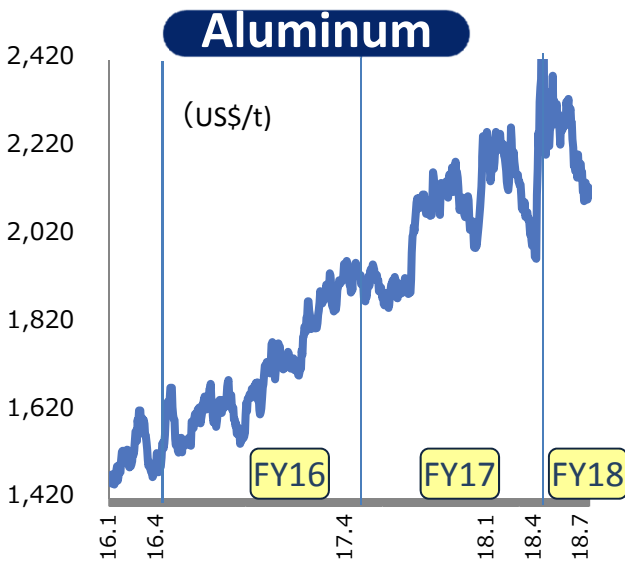
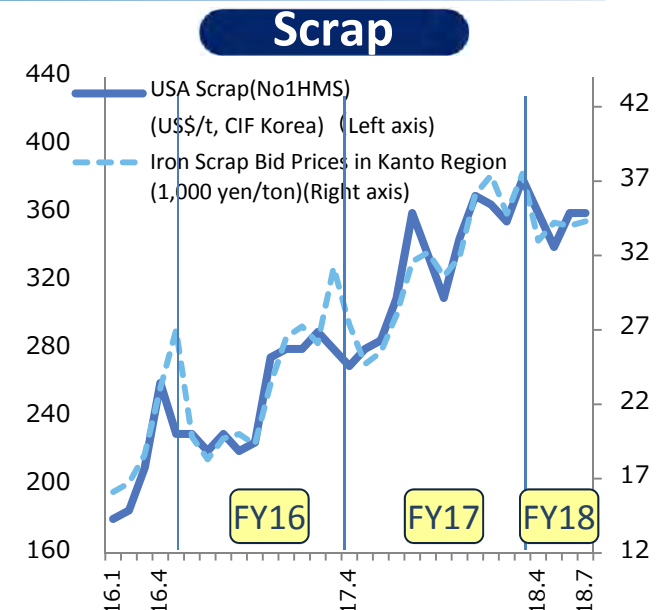
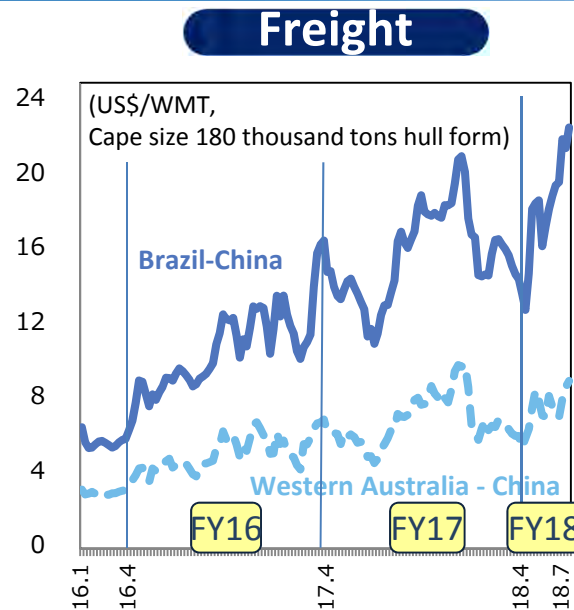
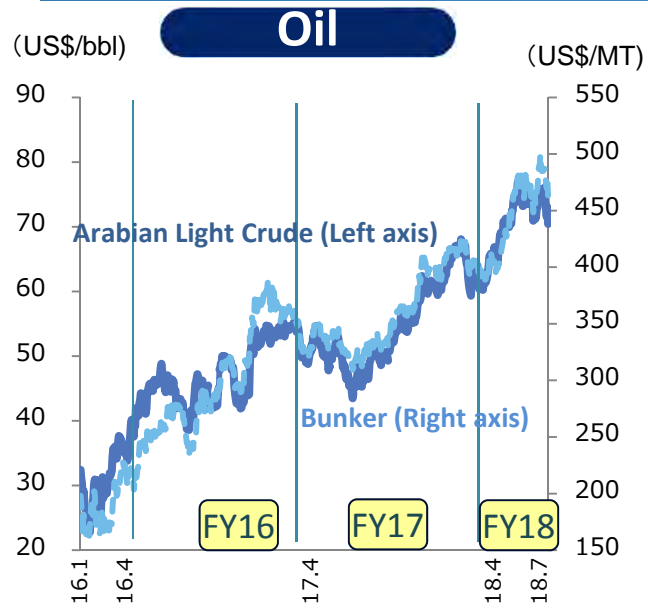


D/E ratio



* Profit attribute to owners of parent

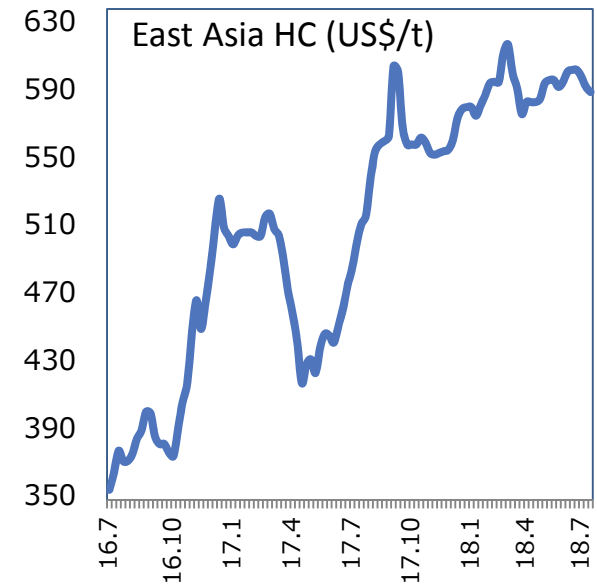
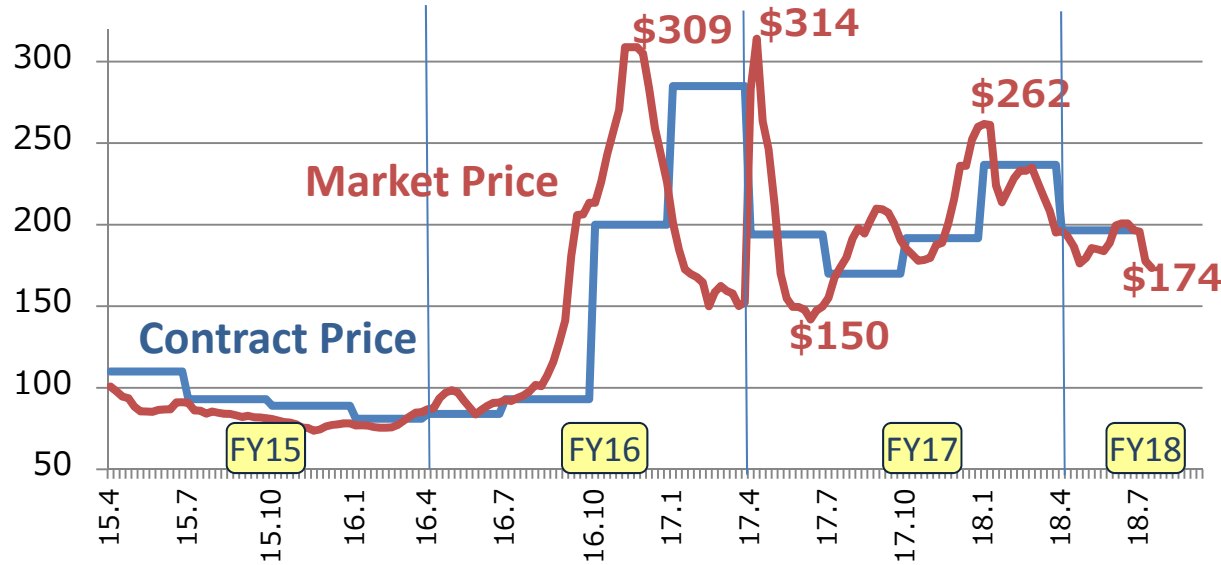
Commodity Price Hike



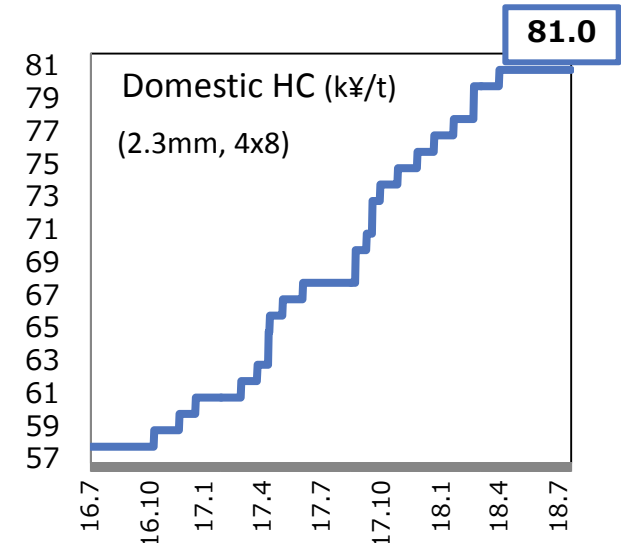
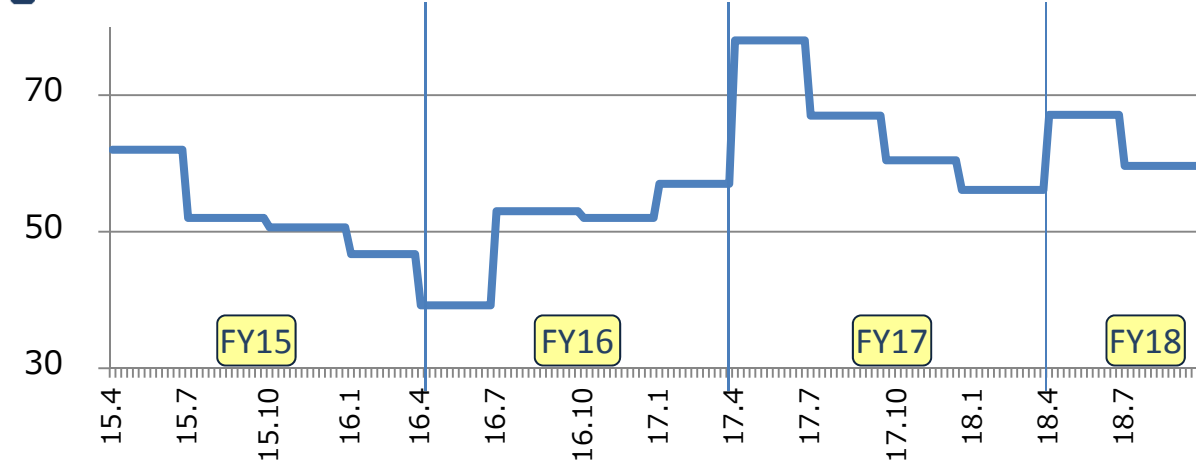
(Source : LME, Bloomberg, Japan Metal Daily)

Raw Materials and HC Prices Trend

Hard Coking Coal Price (US\$/wmt)



Fine Iron Ore Price (US\$/dmt)



(Source: LME, Bloomberg, Japan Metal Daily)

NSSMC Operational Highlights

(million tons)	FY17						FY18			Change	
	1Q	2Q	1H	4Q	2H		1Q	2Q[E]	1H[E]	17/1Q vs. 18/1Q	17/1H vs. 18/1H[E]
Pig-iron production ^{*1}	9.92	10.13	20.05	10.49	20.57	40.61	10.25	11.00 approx.	21.20 approx.	+0.33	+1.15 approx.
Consolidated Crude Steel Production	11.44	11.69	23.12	12.02	23.70	46.82	11.84	12.50 approx.	24.40 approx.	+0.40	+1.28 approx.
Non-Consolidated ^{*2} Crude Steel Production	9.90	10.19	20.09	10.50	20.58	40.67	10.29	11.00 approx.	21.30 approx.	+0.39	+1.21 approx.
Steel Shipments	9.34	9.39	18.72	9.67	19.07	37.79	9.57	10.20 approx.	19.80 approx.	+0.23	+1.08 approx.
Seamless Pipe Shipments	0.24	0.23	0.47	0.25	0.49	0.96	0.25	0.27 approx.	0.51 approx.	+0.01	+0.04 approx.
Average Steel Selling Price (1,000 yen/ ton)	84.0	83.0	83.5	85.7	85.8	84.7	87.2	88 approx.	88 approx.	+3.3	+4.5 approx.
Steel Export Ratio (Value basis (%))	41.6	41.5	41.6	40.9	40.8	41.2	40.6	42 approx.	41 approx.	-1.0%	-0.1% approx.
Forex (\$•¥)	111	111	111	110	111	111	108	110 approx.	110 approx.	Appreciate 3	Appreciate approx. 1

*1 Figures of FY2017 Includes pig-iron production of Hokkai Iron & Coke corp. and Nippon Steel & Sumikin Koutetsu Wakayama Co.

*2 Figures of FY2017 Includes crude steel production of Nippon Steel & Sumikin Koutetsu Wakayama Co.

FY2018 1Q Results and 1H Forecast

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(¥ in billions)	FY17						FY18			Change	
	1Q	2Q	1H	4Q	2H		1Q	2Q[E]	1H[E]	17/1Q vs. 18/1Q	17/1H vs. 18/1H[E]
Net Sales	1,355.4	1,389.6	2,745.0	1,504.1	2,923.5	5,668.6	1,440.8	1,559.2	3,000.0	+85.4	+255.0
Operating Profit	66.5	33.4	99.9	44.3	82.3	182.3	48.1			-18.4	
Ordinary Profit	107.9	49.6	157.6	72.0	139.9	297.5	87.7	62.3	150.0	-20.2	-7.6
Extraordinary Profit (Loss)	-	(2.9)	(2.9)	(20.0)	(4.7)	(7.6)	10.2			+10.2	
Net Profit *1	71.3	27.8	99.1	39.0	95.9	195.0	96.3	33.7	130.0	+25.0	+30.9
[EPS]	[80.8]	[31.5]	[112.3]	[44.2]	[108.7]	[221.0]	[109.2]	[37.8]	[147.0]	[+28.3]	[+34.7]
EBITDA *2	149.7	118.5	268.2	133.9	259.6	527.8	140.7			-9.0	
EBITDA / Sales	11.0%	8.5%	9.8%	8.9%	8.9%	9.3%	9.8%			-1.3%	
ROS	8.0%	3.6%	5.7%	4.8%	4.8%	5.2%	6.1%	4.0%	5.0%	-1.9%	-0.7%
ROE	9.6%	3.7%	6.6%	4.9%	6.2%	6.4%	12.2%			+2.6%	

*1 Profit attribute to owners of parent

*2 Operating profit + Depreciation + Amortization

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Making a new start as
NIPPON STEEL in April 2019

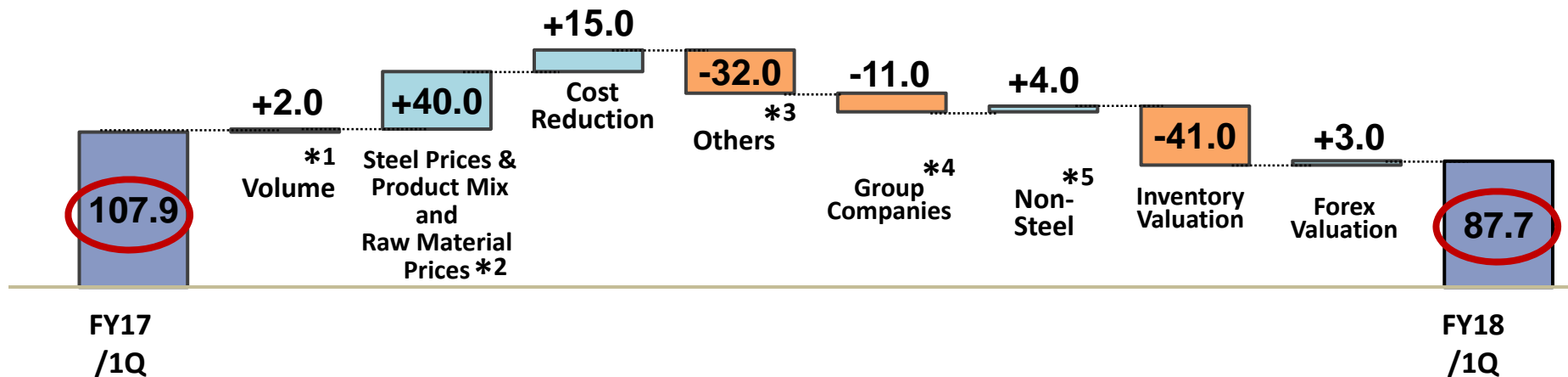
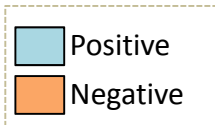
Extraordinary Profit & Loss

(¥ in billions)	FY17						FY18
	1Q	2Q	1H	4Q	2H		1Q
Extraordinary Profit (Loss)	—	(2.9)	(2.9)	(20.0)	(4.7)	(7.6)	10.2
Gain on sales of investment securities	—	—	—	1.1	25.6	25.6	10.2
Impairment loss	—	—	—	(15.6)	(15.6)	(15.6)	
Loss on inactive facilities	—	(2.9)	(2.9)	(5.7)	(8.7)	(11.6)	
Restructuring loss	—	—	—	0.1	(6.1)	(6.1)	

Ordinary Profit Variance Analysis [FY17/1Q vs. FY18/1Q] [JGAAP]

(¥ in billions)	FY17/ 1Q [A]	FY18/ 1Q [B]	Change [A→B]
Ordinary Profit	107.9	87.7	-20.2
Steel	98.7	81.6	-17.1
Non-Steel	7.4	11.4	+4.0
Adjustment	1.8	(5.3)	-7.1

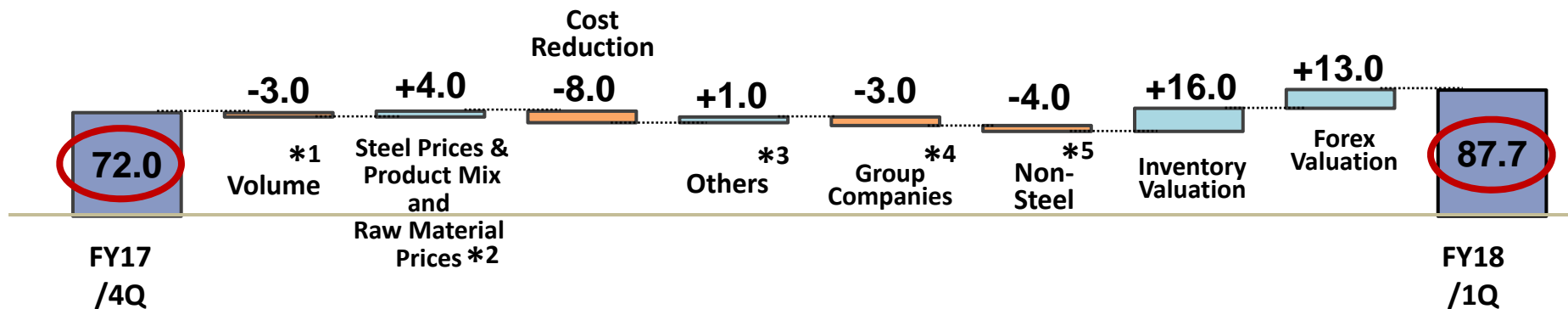
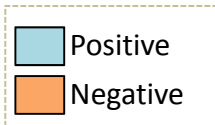
- *1 Crude steel production: +0.39MMT(9.90→10.29)
Steel shipment: +0.23MMT (9.34→9.57)
* Figures of FY17/1Q incl. impacts of Oita Plate Mill fire accident, but not incl. impacts on earnings.
- *2 Incl. carry over ~(+6.0→+6.0)
- *3 Forex flow: ~,
Congested periodic facility maintenances in FY18/1H, Reclassification of long-life machinery parts* into fixed assets *eg. mill rolls, segments of continuous casting
- *4 Business overseas, Nisshin Steel etc.
- *5 Engineering +0.4, Chemicals +3.2, New Materials +0.3, System Solutions +0.2



Ordinary Profit Variance Analysis [FY17/4Q vs. FY18/1Q] [JGAAP]

(¥ in billions)	FY17/ 4Q [A]	FY18/ 1Q [B]	Change [A→B]
Ordinary Profit	72.0	87.7	+15.7
Steel	55.9	81.6	+25.7
Non-Steel	15.5	11.4	-4.1
Adjustment	0.4	(5.3)	-5.7

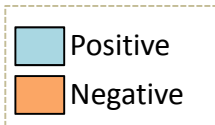
- *1 Crude steel production: -0.21MMT(10.50→10.29)
Steel shipment: -0.10MMT (9.67→9.57)
- *2 Incl. carry over -3.0(+9.0→+6.0)
- *3 Forex flow: +1.0,
Reclassification of long-life machinery parts into fixed assets
- *4 Business overseas, Nisshin Steel etc.
- *5 Engineering -4.4, Chemicals +3.2,
New Materials +0.4, System Solutions -3.2



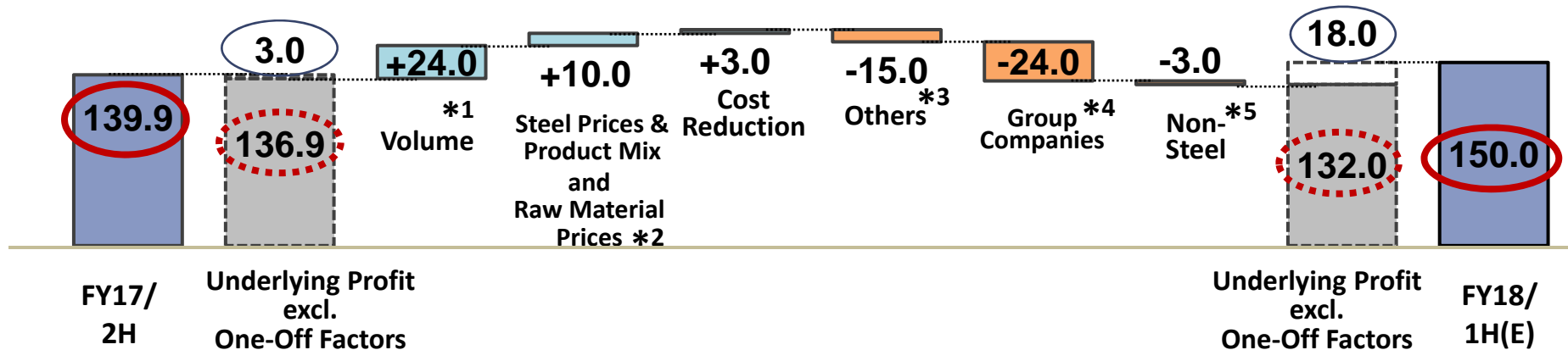
Ordinary Profit Variance Analysis [FY17/2H vs. FY18/1H(E)] [JGAAP]

(¥ in billions)	FY17/ 2H [A]	FY18/ 1H(E) [B]	Change [A→B]
Ordinary Profit	139.9	150.0	+10.1
Steel	116.9	130.0	+13.1
Non-Steel	26.5	23.5	-3.0
Adjustment	(3.6)	(3.5)	+0.1

- *1 Crude steel production:
approx.+0.72MMT (20.58→approx.21.30)
Steel shipment: approx.+0.73MMT (19.07→approx.19.80)
- *2 Incl. carry over -6.0(+8.0→+2.0)
- *3 Forex flow: +1.0,
Reclassification of long-life machinery parts into fixed assets, Impacts from heavy rainfall in July etc.
- *4 Business overseas, Mining interests, Nisshin Steel etc.
- *5 Engineering -4.6, Chemicals +2.9,
New Materials +0.3, System Solutions -1.5

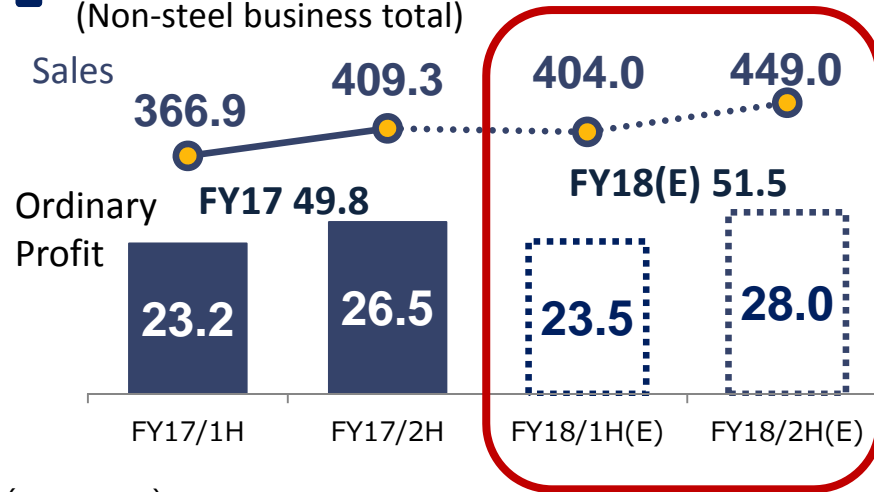


< One-Off Factors >	FY17/2H	FY18/1H(E)	Change
Inventory Valuation	+3.0	+6.0	+3.0
Forex Valuation	(6.0)	+5.0	+11.0
Group Companies' One-Off	+6.0	+7.0	+1.0
Total	+3.0	+18.0	+15.0



Non-Steel Business

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



(¥ in billions)

Change in Ordinary Profit (FY17/1H vs. FY18/1H(E))

Engineering & Construction	Increase	Moderate recovery in business environment. Sales & profit increase thanks to steady progress in respective projects.
Chemicals	Decrease	Profit slightly decrease due to functional materials' sale volume down, regardless of sales increase thanks to needle coke's price improvement etc.
New Materials	Decrease	Profit slightly decrease primarily due to heavy competition regardless sales increase thanks to strong demand for electrical industries' materials such as copper wires and metal foils etc.
System Solutions	Increase	Sales increase in service solution. Profit increase despite of SG&A increase.

Engineering & Construction	2017			2018 (E)*		
	1Q	1H		1Q	1H	
Sales	60.8	134.1	294.2	70.2	160.0	350.0
Ordinary Profit	(0.6)	1.9	9.1	(0.2)	2.5	8.5*

New Materials	2017			2018 (E)*		
	1Q	1H		1Q	1H	
Sales	9.0	17.9	37.0	10.7	21.0	41.0
Ordinary Profit	0.4	1.1	1.9	0.7	1.0	2.0*

Chemicals	2017			2018 (E)*		
	1Q	1H		1Q	1H	
Sales	46.5	98.3	200.7	49.2	105.0	215.0
Ordinary Profit	2.5	9.3	15.4	5.7	9.0	17.0*

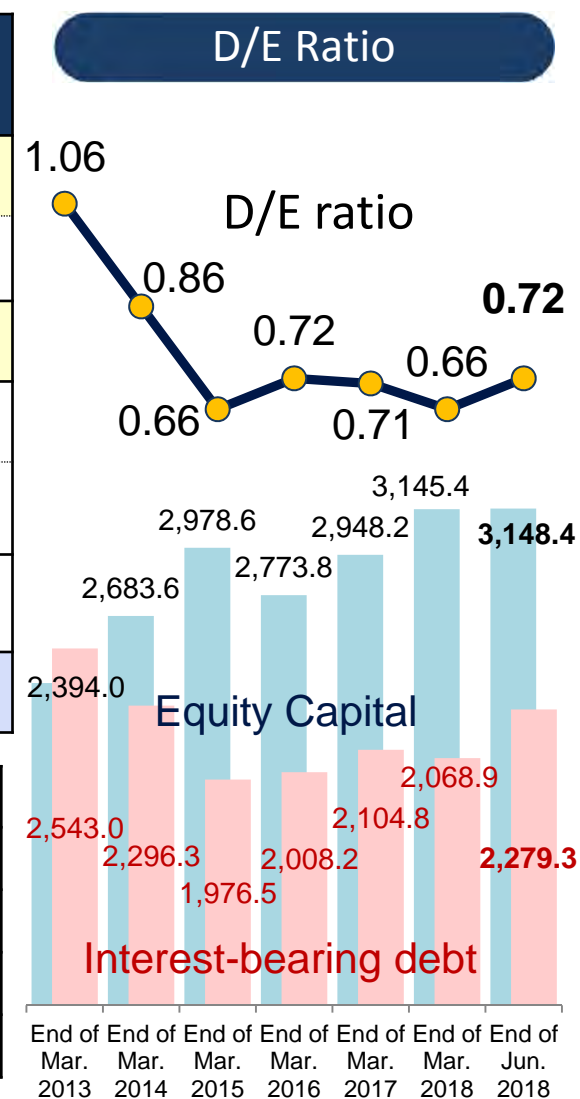
System Solutions	2017			2018 (E)*		
	1Q	1H		1Q	1H	
Sales	58.1	116.5	244.2	58.4	118.0	247.0
Ordinary Profit	5.0	10.7	23.2	5.2	11.0	24.0*

* Figures of FY2018 full year (E) = IFRS basis business profit, which only have minor difference with JGAAP basis.

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Balance Sheet

(¥ in billions)	End of Mar. 2018	End of Jun. 2018	(¥ in billions)	End of Mar. 2018	End of Jun. 2018
Current Assets	2,399.5	2,440.9	Liabilities	4,010.8	4,125.9
Inventories	1,380.0	1,436.7	Interest-bearing debt	2,068.9	2,279.3
Fixed Assets	5,126.8	5,199.0	Net Assets	3,515.5	3,514.0
Tangible fixed assets	2,874.9	2,956.5	Equity capital	3,145.4	3,148.4
Investment in securities	871.3	848.5	Unrealized gains on available-for-sale securities	313.1	299.0
Investment	1,069.6	1,017.8	non-controlling Interest in consolidated subsidiaries	370.0	365.6
Assets	7,526.3	7,639.9	Liabilities & net assets	7,526.3	7,639.9



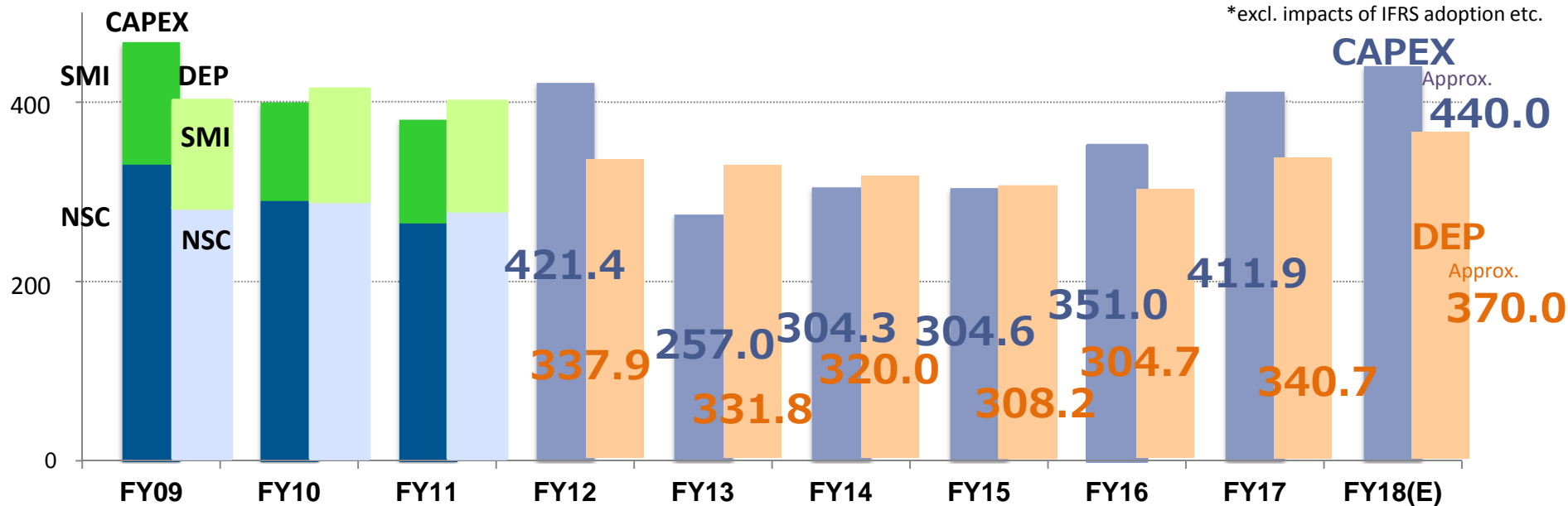
	End of Mar. 2018	End of Jun. 2018	Change
Total assets (bn¥)	7,526.3	7,639.9	+113.6
Interest bearing debt (bn¥)	2,068.9	2,279.3	+210.3
Equity capital (bn¥)	3,145.4	3,148.4	+3.0
D/E Ratio	0.66	0.72	+0.06

CAPEX and Depreciation

(¥ in billions)

NSSMC (Upper : NSC Lower : SMI)	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18(E)	FY17→ FY18(E) change
CAPEX	466.0 (329.4) (136.6)	397.1 (287.2) (109.9)	397.4 (281.7) (115.7)	421.4	257.0	304.3	304.6	351.0	411.9 Incl. Nisshin 36.1	Approx. 440.0 *	Approx. +28.0 *
Depreciation	404.9 (284.1) (120.8)	417.8 (291.6) (126.2)	403.8 (280.9) (122.9)	337.9	331.8	320.0	308.2	304.7	340.7 Incl. Nisshin 34.6	Approx. 370.0 *	Approx. +29.0 *

*excl. impacts of IFRS adoption etc.



2. FY2018 Full Year Forecast

FY2018 2H and Full Year Forecast

	FY2017		FY2018				change	
	1H	[JGAAP]	1H(E)		2H(E)	(E)	17/1H → 18/1H(E)	18/1H(E) → 18/2H(E)
	[JGAAP]		[JGAAP]	[IFRS]	[IFRS]	[IFRS]	[JGAAP]	[IFRS]
Net Sales (bn.¥)	2,745.0	5,668.6	3,000.0	3,000.0	3,300.0	6,300.0	+255.0	+300.0
Ordinary / Business Profit * (bn.¥)	157.6	297.5	150.0	160.0	190.0	350.0	-7.6	+30.0
Steel (bn.¥)	128.7	245.7	130.0	140.0	160.0	300.0	+1.3	+20.0
Net Profit ** (bn.¥)	99.1	195.0	130.0	110.0	130.0	240.0	+30.9	+20.0
ROS	5.7%	5.2%	5.0%	5.3%	5.8%	5.6%	-0.7%	+0.4%
EPS (¥/share)	[112.3]	[221.0]	[147.0]	[125.0]	[144.0]	[269.0]	[+34.7]	[+19.0]
Consolidated Crude Steel Production (MMT)	23.12	46.82	Approx. 24.40		Approx. 25.10	Approx. 49.50	Approx. +1.28	Approx. +0.70
Non-Consolidated Crude Steel Production (MMT)	20.09	40.67	Approx. 21.30		Approx. 22.00	Approx. 43.30	Approx. +1.21	Approx. +0.70
Steel Shipments (MMT)	18.72	37.79	Approx. 19.80				Approx. +1.08	

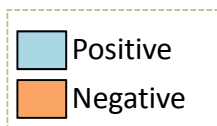
* Business profit = Profit before income taxes – net financial cost – additional line items
(Additional line items are large amount of profits or losses from non-business activities)

** Profit attributable to owners of parent

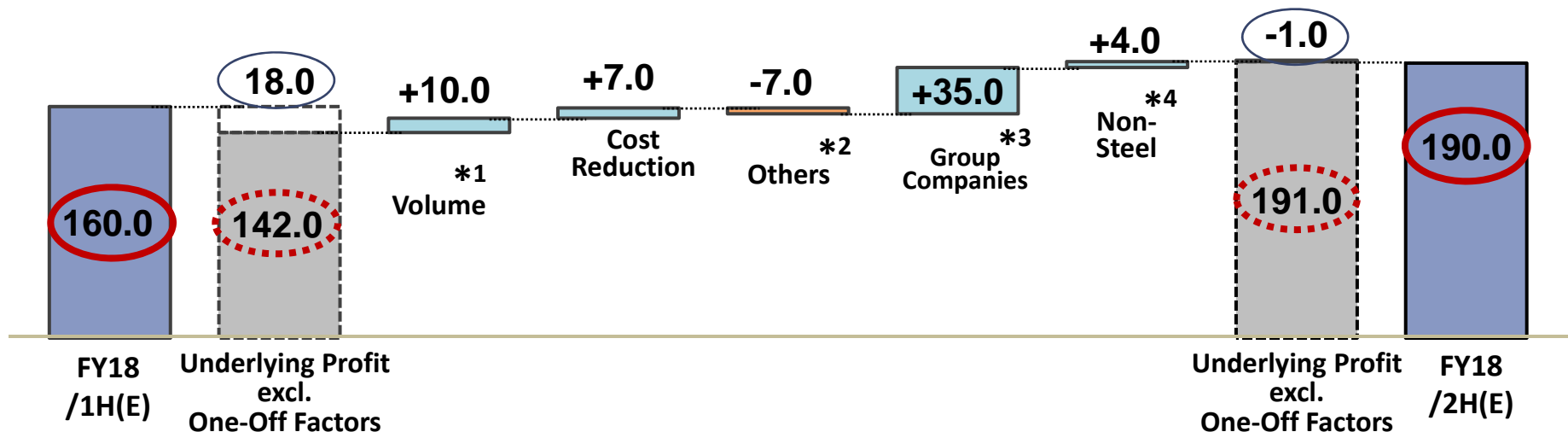
Business Profit Variance Analysis [FY18/1H(E) vs. FY18/2H(E)] [IFRS]

(¥ in billions)	FY18/ 1H(E) [A]	FY18/ 2H(E) [B]	Change [A→B]
Business Profit *	160.0	190.0	+30.0
Steel	140.0	160.0	+20.0
Non-Steel	23.5	28.0	+4.5
Adjustment	(3.5)	2.0	+5.5

- *1 Crude steel production: approx.+0.7MMT(approx.21.30→approx.22.00)
- *2 Forex flow: +1.0, Increase in depreciation, Recover from heavy rainfall impact etc.
- *3 Nisshin Steel, Business overseas etc.
- *4 Engineering +3.0, Chemicals -1.0, New Materials +0.3, System Solutions +1.3



< One-Off Factors >	FY18/1H(E)	FY18/2H(E)	Change
Inventory Valuation	+6.0	~	-6.0
Forex Valuation	+5.0	~	-5.0
Group Companies' One-Off	+7.0	(1.0)	-8.0
Total	+18.0	(1.0)	-19.0



* 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)

Major adjustments between JGAAP and IFRS

	FY2018/1H(E)	
	Ordinary / Business Profit	Net Profit
JGAAP	150.0	130.0

IFRS *	160.0	110.0 **
--------	-------	----------

** Figure of FY2018/1H(E) on IFRS basis is a tentative calculation

<i>change</i>	+10.0	-20.0
(1) Adjustment to the difference in recognition and measurement	+0.0	-20.0
Goodwill amortization	+6.0	+6.0
Employee benefits etc.	-6.0	-6.0
Investment securities	—	-20.0
(2) Reclassification	+10.0	—
Financial cost	+10.0	—

< Disclosure plan >

■ Mandatory disclosure

- FY2018/1~3Q : JGAAP basis
- FY2018 year end : IFRS basis
- FY2019/1~3Q or later : IFRS basis
also plan to disclose IFRS basis figures in the same period of previous year (FY2018/1~3Q)

■ Voluntary disclosure

- FY2018/2Q : FY2018/1H Business profit (IFRS basis)
(Tentative calculation)
- FY2018 year end : FY2018 Ordinary profit (JGAAP basis)
(Tentative calculation)

Goodwill is not subjected to amortization under IFRS.

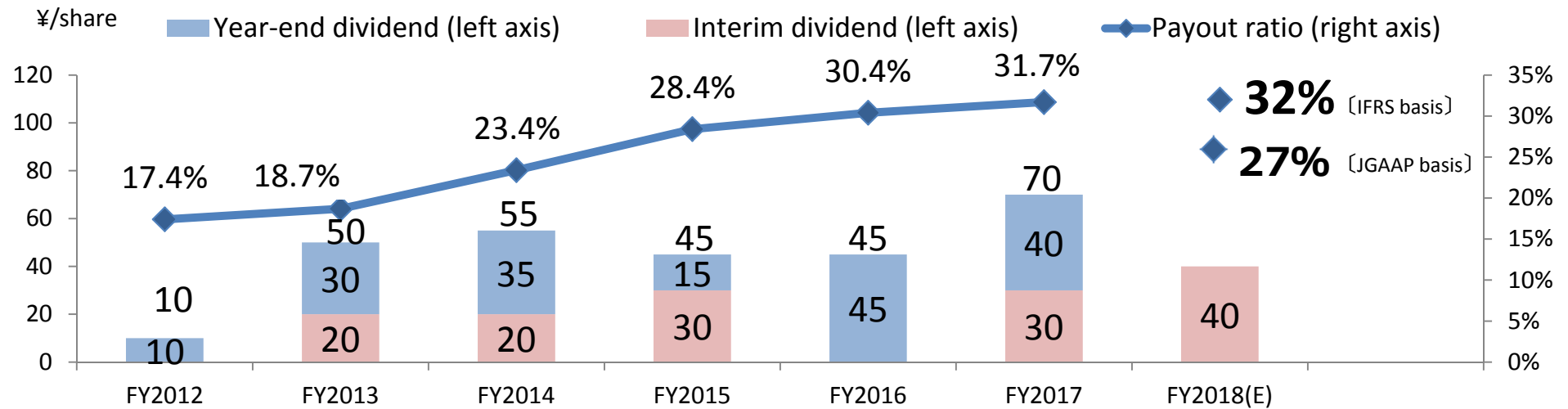
Actuarial gains/losses are recognized in other comprehensive income as incurred and not amortized.
Gains/losses on sales of investment securities is not subjected to booking on PL (non-recycling)

Interests income/expense are not presented in business profit

*NSSMC continues to adopt declining-balance method for tangible fixed assets' depreciation after applying IFRS.

Interim Dividend Forecast

In accordance with the basic profit distribution policy, NSSMC plans the interim dividend payment of ¥40 per share. (representing a consolidated payout ratio of 32% (IFRS basis))



[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 30% (consolidated basis)

Technological Superiority

New Version of CLEANWELL® DRY,
Environmentally Friendly OCTG Premium Connection,
First Running in Offshore Norway
-Achieving Both Utmost Performance and
Environmental Responsiveness-

- ✓ Applied in offshore Norway where the world's most strict HSE* regulation placed
- ✓ Simple and cost effective to maintain, handle, and repair
- maximize the operational benefits onshore & offshore

Received “Supplier of the Year” Award from
Railway Systems Business Unit of Hitachi, Ltd.

- ✓ Supplying high-grade, high performance railway parts, including wheels & axles and bodies for many years.
- ✓ Proactive cooperation with Hitachi's global projects



*HSE = Health, Safety, Ecology

Received the “2017 Top 100
Global Innovator Award”

- ✓ NSSMC is the only steel company given an award for the sixth consecutive year from 2012





Nippon Steel Corporation

Apr. 2019

Accerlalte and
enhance cooperation with
other steel manufacturers



Continue growth
in global markets
with origins in Japan

Oct. 2012
Business Integration



**NIPPON STEEL &
SUMITOMO METAL**

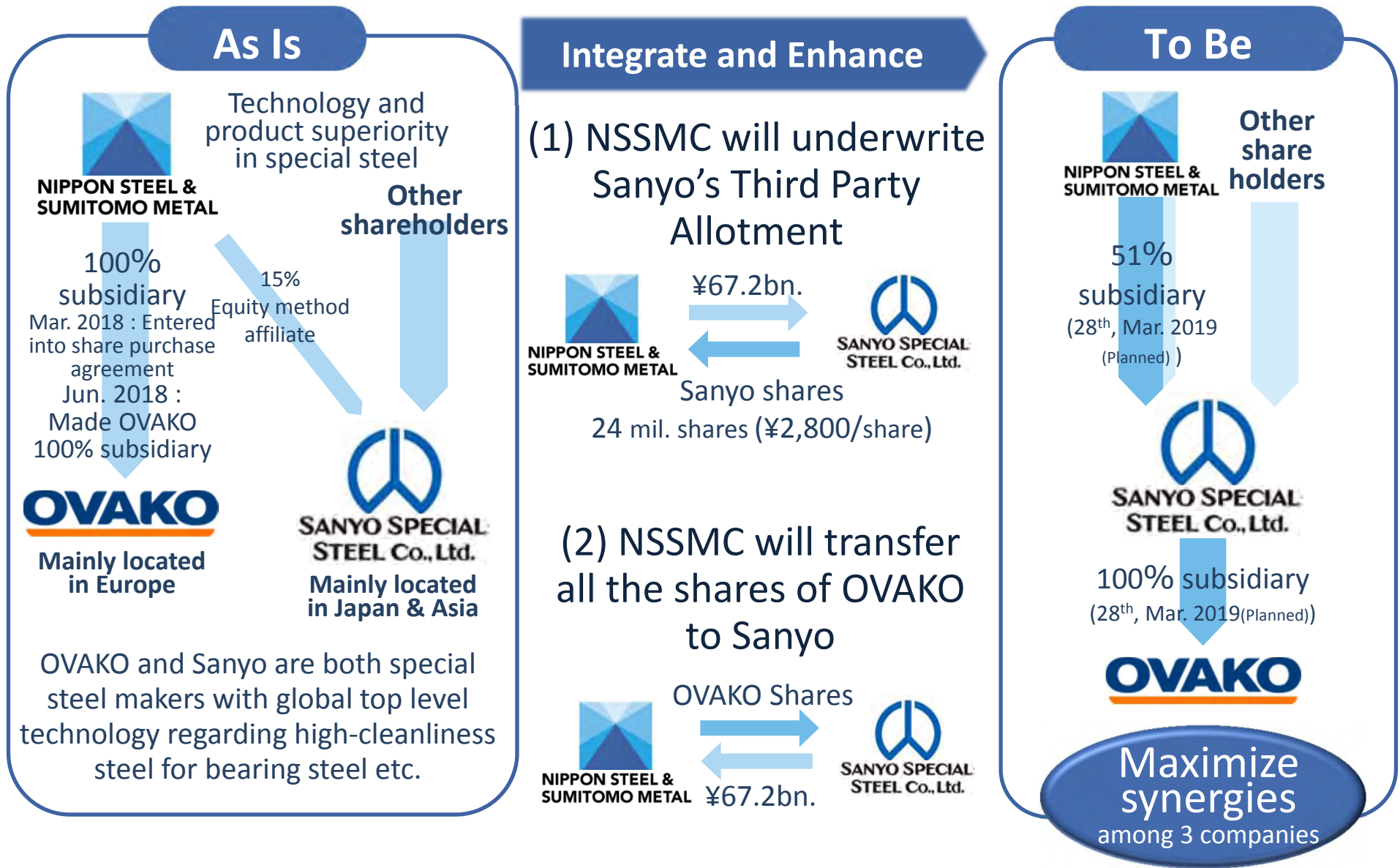
NIPPON STEEL

 **SUMITOMO METALS**



3. Progress in Mid-Term Management Plan

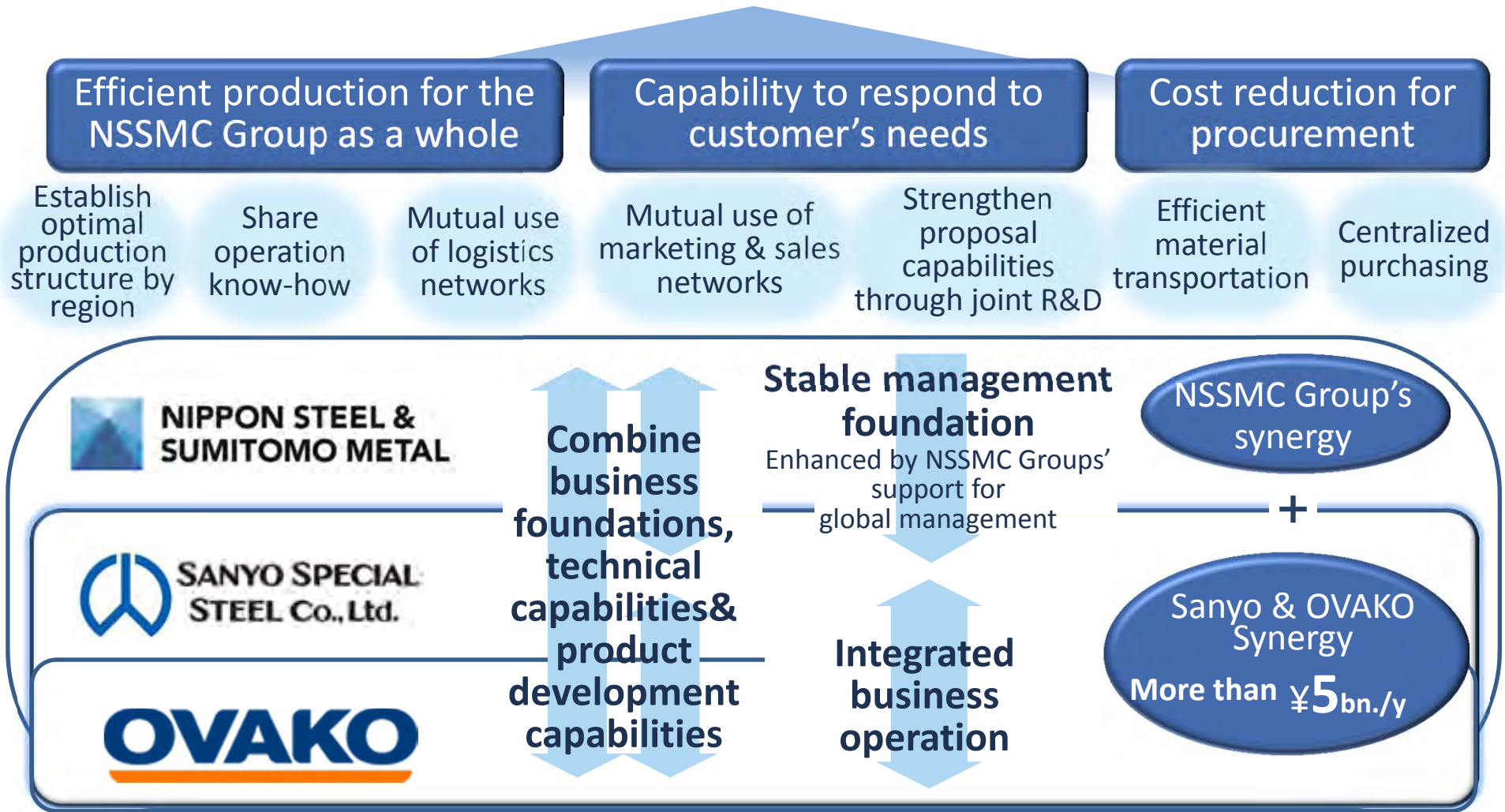
Overview of Special Steel Business's Integration & Reorganization



Vision and Expected Synergies

Realize synergies of ¥10 bn. /year as NSSMC Group

by addressing globalization of customers' business & increasing needs for high-quality special steel products



Schedule

Aug 2nd, 2018 – Execution of agreements, (a) making Sanyo Special Steel a subsidiary of NSSMC,
(b) transferring all the shares of OVAKO to Sanyo from NSSMC

After Aug, 2018 – Approval from competition authorities in Japan and overseas

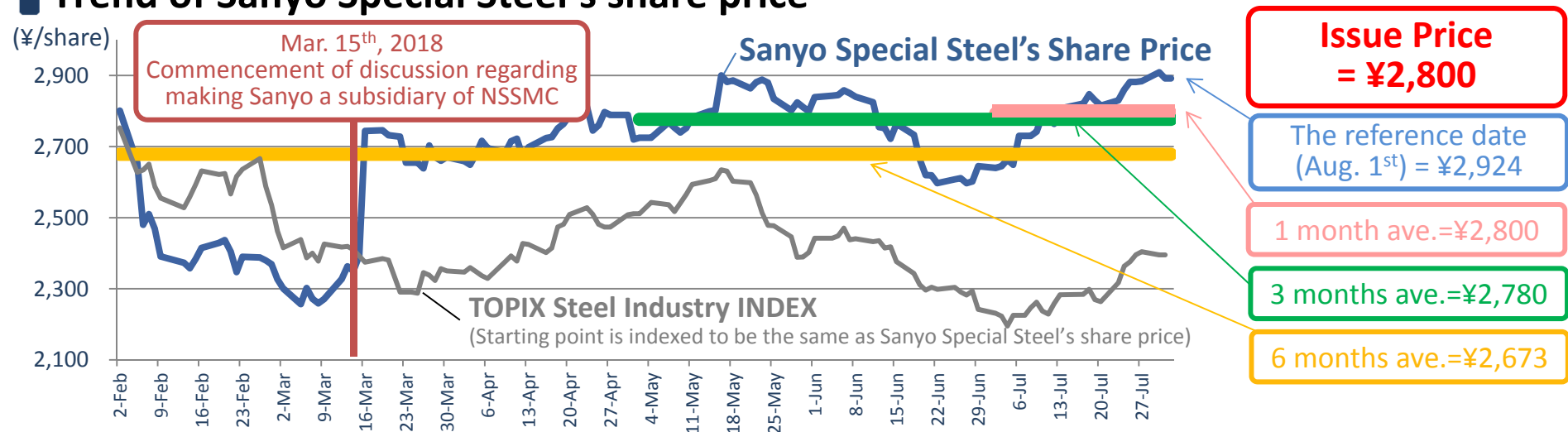
Around Feb. 2019 (plan) – Extraordinary general shareholders' meeting of Sanyo

Mar. 28th, 2019 (plan) – Payment date of Third-Party Allotment

Transfer all the shares of OVAKO to Sanyo

In addition, the policy is to maintain the listing of Sanyo Special Steel on the First Section of the TSE.

Trend of Sanyo Special Steel's share price



Cf.1 **Taking OVAKO into NSSMC's consolidated accounting**

BS : End of FY2018.1Q (Apr. to Jun.) ~

PL : Taking OVAKO's FY2018.3Q (Jul. - Sep.) into
NSSMC's FY2018.3Q (Oct. - Dec.)

Cf.2 **Taking OVAKO into Sanyo's consolidated accounting**

BS : End of FY2018.4Q (Jan. to Mar.) ~

PL : Taking OVAKO's FY2019.1Q (Jan. - Mar.) into
Sanyo's FY2019.1Q (Apr. - Jun.)

Overview of NSSMC's Special Steel Bar & Wire Rod Business

<Location>

- Special Steel Bar & Wire Rod
- Other products



	Muroran	Yawata (Kokura Area)
Crude steel production (FY2017)	1.43MMT/year	1.20MMT/year

Initiatives for strengthening special steel business' competitiveness

Yawata (Kokura Area) - Optimize upstream

(announced on Mar. 30th, 2016)

- Start operating new continuous casting facility in Yawata (FY2019)
- Cease upstream processes in Kokura Area (the end of FY2020)
- Maintain Kokura's production level of special steel bar & wire rods

Muroran - Enhance Joint Venture (Mitsubishi Steel Muroran Inc.*) with Mitsubishi Steel Mfg. Co., Ltd.

(announced on Apr. 28th, 2017)

- Increase volume in outsourced manufacturing of steel billets to MSR*
- Establishment of organization in MSR and technology transfer from NSSMC to MSR*, to secure the quality of steel billets



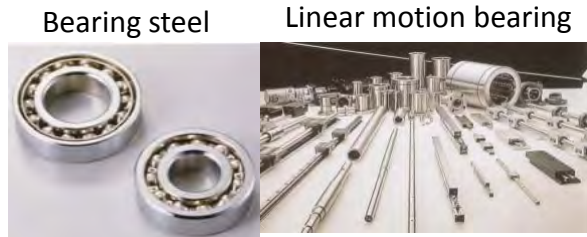
*MSR = Mitsubishi Steel Muroran Inc.

Product Lineup of Sanyo Special Steel and OVAKO

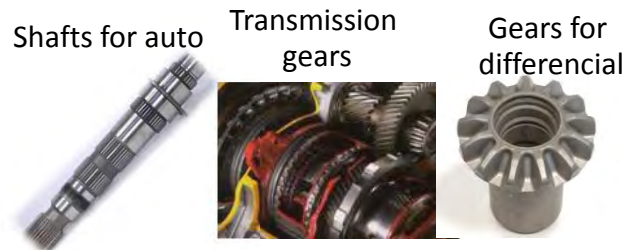
SANYO SPECIAL STEEL

Bearing steel

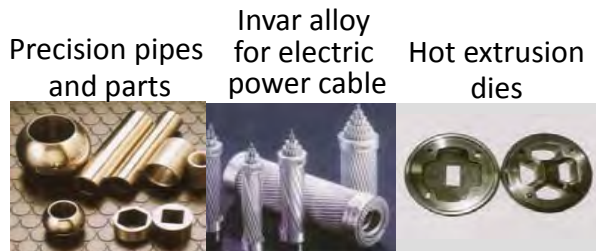
High-carbon chromium steel



Alloy steel



High alloy steel



OVAKO

BQ-Steel

Bearing Quality

High cleanliness steel used for bearings, with higher loads, downsizing effect, and longer service life



IQ-Steel

Isotropic Quality

Isotropic and ultra clean steel with multidirectional fatigue strength. Contributes to smart solution of components.



Special Steel Market

Material in critical parts for various industries (autos, industrial machinery, wind power generation & robot etc.)

Demand for high-quality special steel will continue to grow steadily.

WR-Steel

Wear Resistant

Wear-resistant steel with excellent formability and weldability which contributes to design flexibility and longer service life



M-Steel

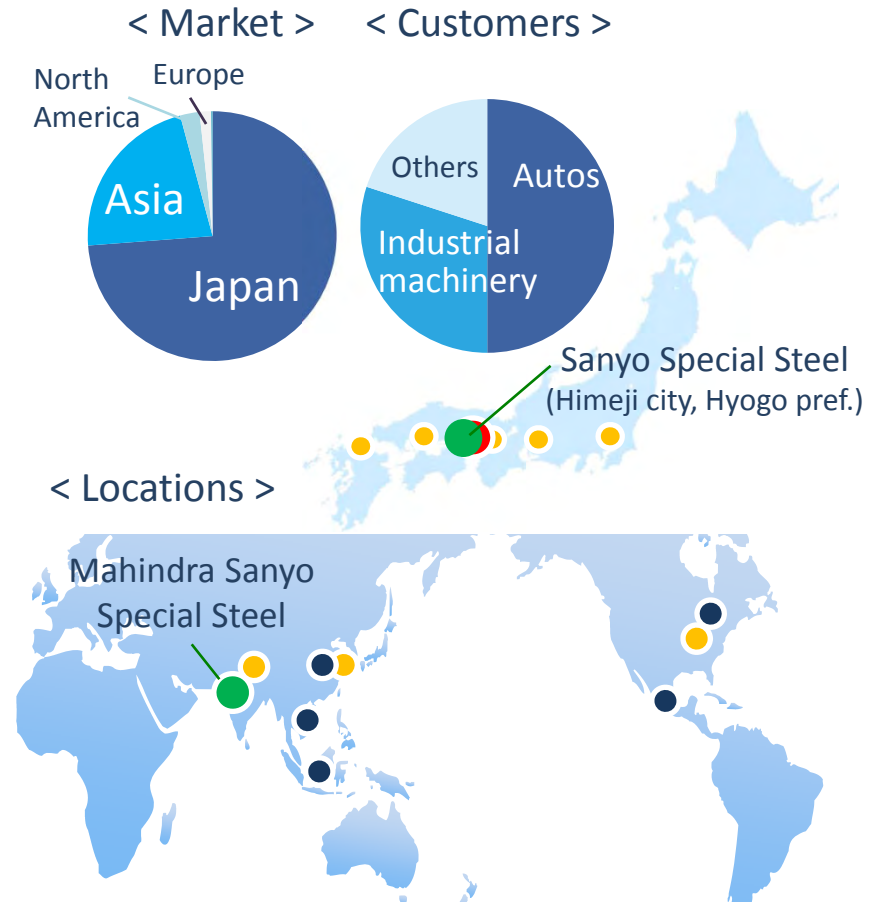
Machinability

Low alloyed free cutting steel with exceptional toughness and fatigue strength. Contributes to operational efficiency and cost reduction of component manufacturers

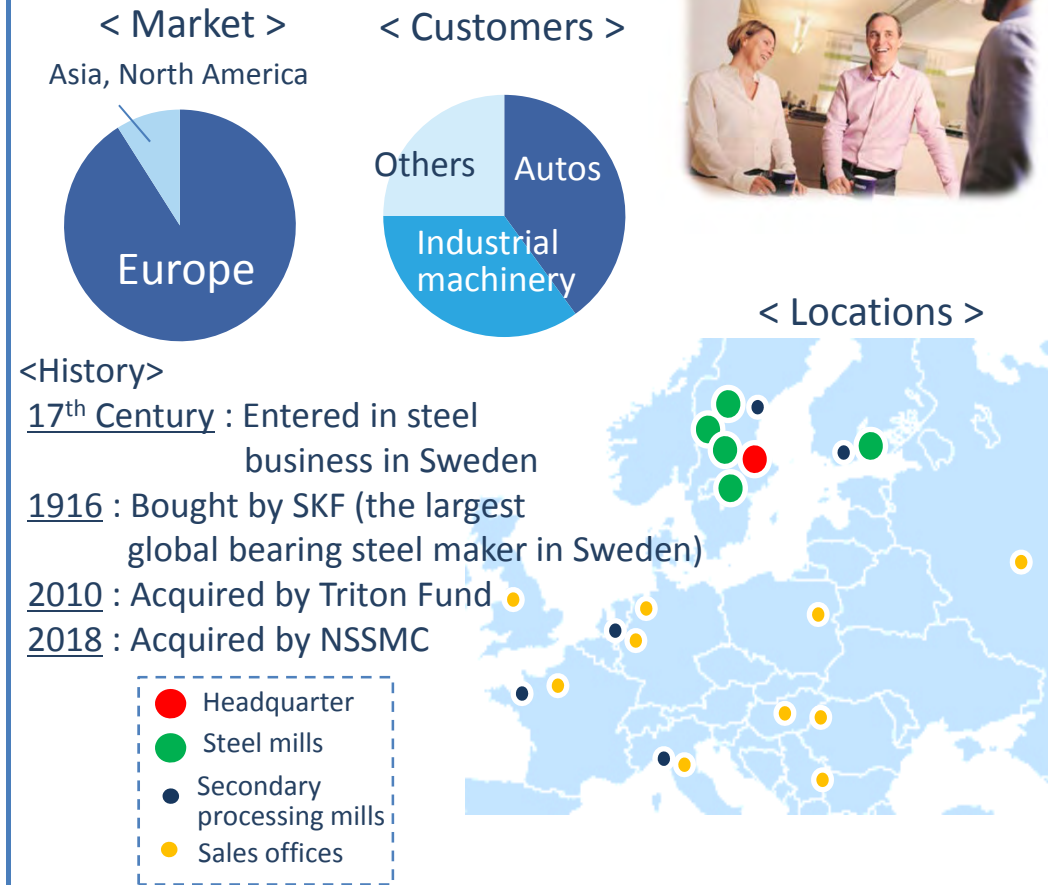


Main Markets & Locations of Sanyo Special Steel and OVAKO

SANYO SPECIAL STEEL



OVAKO



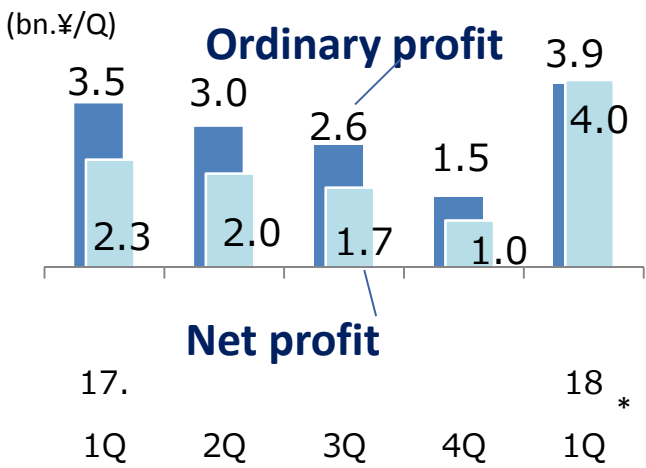
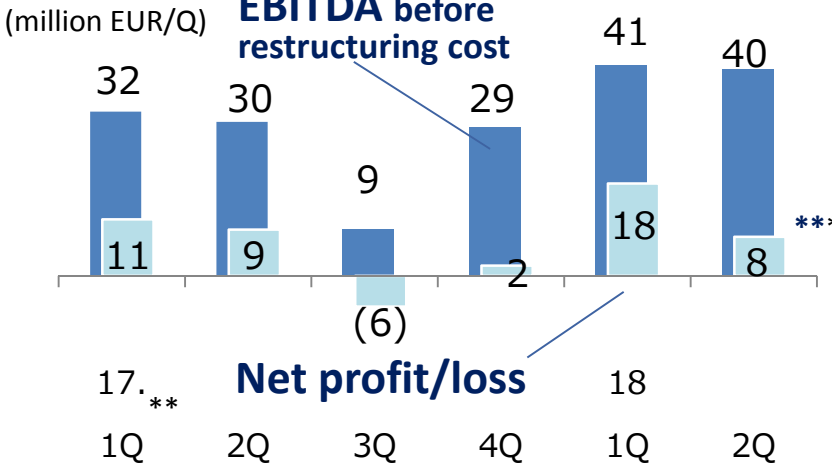


cf. World's major bearing steel manufacturers

Sanyo Special Steel & OVAKO are the main suppliers for the companies below.

- (1) SKF <Sweden>, (2) Schaeffler <German>, (3) NSK <Japan>, (4) NTN <Japan>, (5) JTEKT <Japan>

Financial Highlights of Sanyo Special Steel and OVAKO

	 SANYO SPECIAL STEEL FY2017	 OVAKO CY2017 (130¥/€)
Crude steel	1.30 MMT/year (2EAFs)	1.01 MMT/year (3EAFs)
Sales volume	1.07 MMT/year	0.78 MMT/year
Net sales	¥157.4 bn.	€ 921 mil. (approx. ¥120.0 bn.)
Net profit	¥7.0 bn. 【FY2018(E) ¥8.0 bn.】	€ 15.2 mil. (approx. ¥2.0 bn.) 【Jan.-Jun, FY2018 €26mil. (approx. ¥3.4 bn.)】
Total assets	¥210.2 bn.	€ 743mil. (approx. ¥97.0 bn.)
Interest bearing debt	¥28.4 bn.	€ 251mil. (approx. ¥34.6 bn.)
Employees	2,666	Approx. 3,000
Profit	<p>(bn.¥/Q)</p>  <p>Ordinary profit</p> <p>Net profit</p> <p>17. 18 *</p> <p>1Q 2Q 3Q 4Q 1Q</p>	<p>(million EUR/Q)</p>  <p>EBITDA before restructuring cost</p> <p>Net profit/loss</p> <p>17. ** 18 ***</p> <p>1Q 2Q 3Q 4Q 1Q 2Q</p>

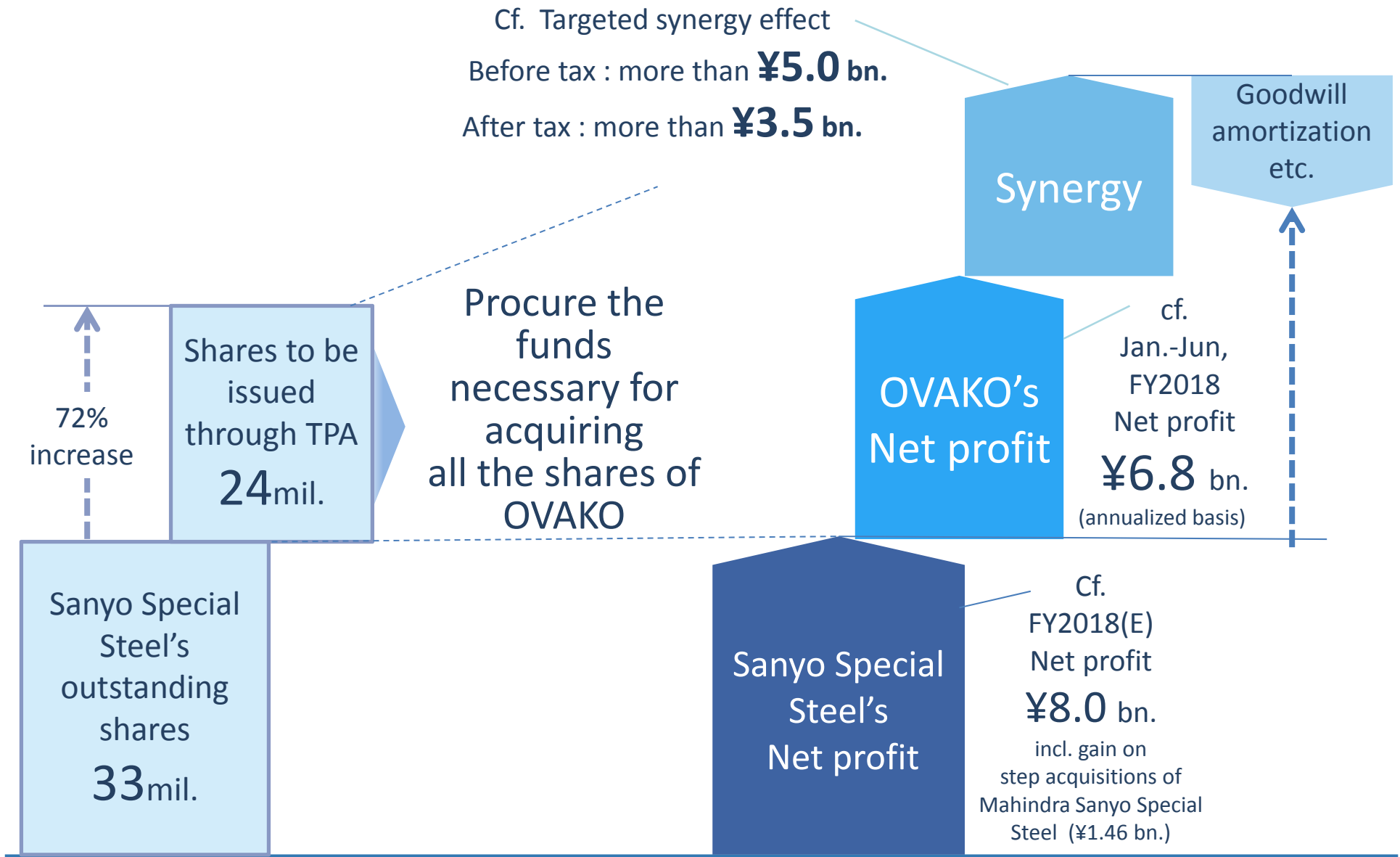
*Sanyo's FY18.1Q net profit incl. gain on step acquisitions of Mahindra Sanyo Special Steel (¥1.46bn.)

**OVAKO 1Q=Jan.-Mar.

***OVAKO 18.2Q

Net Profit incl. one-off costs (costs for advanced redemption of bonds etc.) (€12.2mil.)

Basic Concept of Impacts on Sanyo's Consolidated Net Profit



Integrate & Enhance NSSMC Group's Stainless Steel Business

- (1)* Making Nisshin a wholly owned subsidiary (Jan. 2019 (planned))
- (2)* Integrate stainless steel sheet business of NSSMC, Nisshin & NSSC** (Apr. 2019(planned))
- (3) Integrate & reorganize welded stainless steel pipe & tube business

Aug. 2nd, 2018 - Basic agreement exchange

The TIG¹ welded & laser welded steel pipes & tubes business

1: TIG = Tungsten Inert Gas arc welding

<Use application>
 · Piping for chemical plant
 · Piping for boiler etc.

Merge & integrate Nisshin Stainless Steel Tubing and
 Nippon Steel & Sumikin Stainless Steel Pipe Co., Ltd. (NSSP) (Apr. 2019 (planned))

The automotive ERW² stainless steel pipe & tube business

2: ERW =Electric Resistance Welding

<Use application>
 · Automobile exhaust
 systems(muffler)
 · Oil fill tubes etc.

Integrate Nisshin Steel's stainless ERW business into
 Nippon Steel & Sumikin Pipe Co., Ltd. (NSPC) (Apr. 2019 (planned))

◆ Nisshin Steel's stainless ERW business

Sales by Nisshin Steel → Integrate Nisshin Steel's operating rights into NSPC from Apr. 1st, 2019 onward
 Manufacturing by Nisshin Stainless Steel Tubing
 → Integrate into NSPC once the transfer of manufacturing has been approved by customers

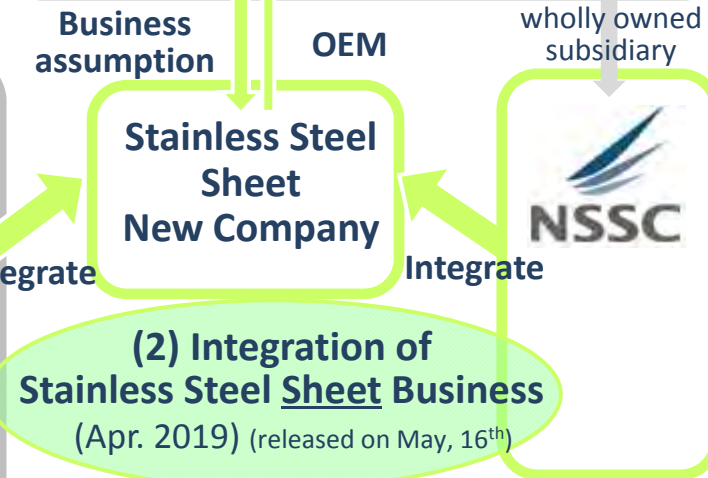
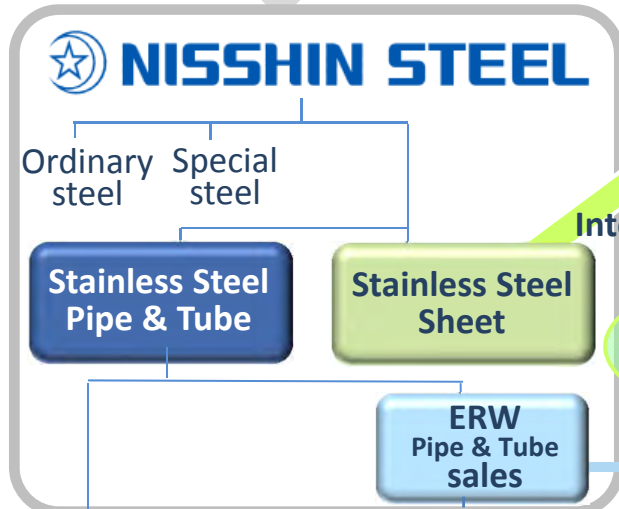
* (1) & (2) were both released on May 16th

**Nippon Steel & Sumikin Stainless Steel Corporation

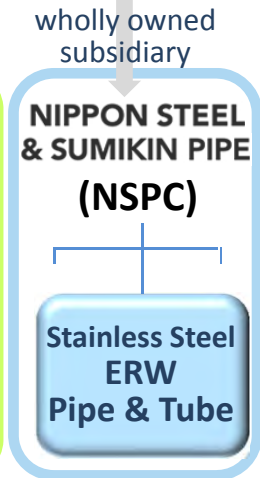
Overview

Current investment ratio 51% +
Additional acquisition by share exchange 49%

(1) Making Nisshin a Wholly Owned Subsidiary
(Jan. 2019) (released on May, 16th)



(2) Integration of Stainless Steel Sheet Business
(Apr. 2019) (released on May, 16th)



(3) Integration of Stainless Steel Pipe & Tube Business
(Apr. 2019) (released on Aug, 2nd)

Realize approx. ¥10 bn. synergy
(on top of the ¥20 bn. synergy from making Nisshin subsidiary (51%))
and enhance competitiveness

Making Nisshin a wholly owned subsidiary (Jan. 2019)
Integration of stainless steel businesses (Apr. 2019)

The harsh business environment

Supply

Overcapacity in China & ongoing substantial global oversupply situation

The rise of integrated manufacturers (from mining of nickels to final products)

Increasing giant manufacturers



Demand

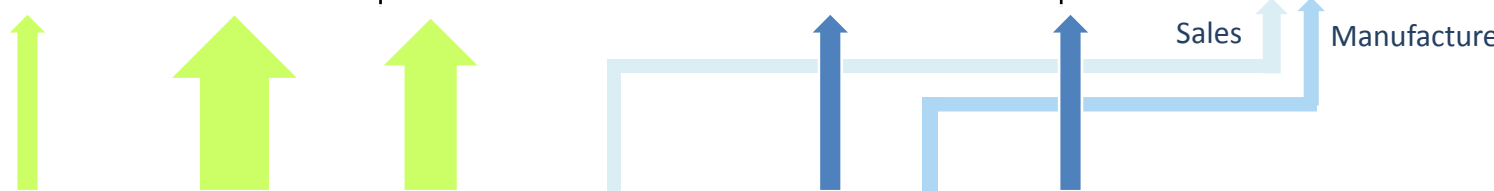
Protectionism in US, EU & ASEAN

Generation of new demand & shrinkage of existing demand caused by industrial structure change

Business Scale of Stainless Sheet / Pipe & Tube

To Be

	Stainless Steel Sheet New Company Stainless sheet and bar & wire business	  Stainless Steel Pipe & Tube New Company TIG/laser welded pipe & tube business	NIPPON STEEL & SUMIKIN PIPE (NSPC) ERW pipe & tube business
Sales volume	Approx. 1.50 MMT/year	Approx. 0.35 MMT/year	Approx. 0.35 MMT/year
Net sales	Approx. ¥400 bn./year	Approx. ¥25.0 bn./year	Approx. ¥10.0 bn./year



As Is

	 Special stainless steel	 (sheet/bar & wire)	 Stainless steel (sheet/pipe & tube)	 (TIG/laser welded pipe & tube)	 ERW welded pipe & tube	NIPPON STEEL & SUMIKIN PIPE (NSPC) ERW welded pipe & tube
FY2017	Special stainless steel	(sheet/bar & wire)	Stainless steel (sheet/pipe & tube)	(TIG/laser welded pipe & tube)	ERW welded pipe & tube	ERW welded pipe & tube
Sales volume	Approx. 0.03 MMT/year	0.97 MMT/year	0.56 MMT/year	Approx. 0.04 MMT/year	Approx. 0.02 MMT/year	Approx. 0.02 MMT/year
Net sales		¥258.8bn./year	¥175.0bn./year	¥14.3bn./year	¥14.7bn./year	

4. Appendix



Key Indicators of Demand

[Domestic]	FY17						FY18			Change	
	1Q	2Q	1H	4Q	2H		1Q	2Q [E] *	1H [E] *	17/1Q vs. 18/1Q	17/1H vs. * 18/1H[E]
Housing Starts (million houses)	0.25	0.25	0.50	0.21	0.45	0.95	0.25	0.23	0.48	-0.00	-0.02
Non-residential Construction Starts (million m ²)	13.90	14.05	27.95	12.42	25.36	53.31	13.38	14.17	27.55	-0.52	-0.40
Public Works Orders (¥ in billion)	1,920	2,958	4,877	2,936	5,631	10,508	1,900	3,000	4,900	-20	+23
Finished Auto Production (million units)	2.30	2.37	4.67	2.53	5.01	9.68	2.32	2.43	4.75	+0.02	+0.08
Export of Finished Auto (million units)	1.12	1.19	2.31	1.20	2.48	4.79	1.21	1.21	2.39	+0.09	+0.08
Overseas Auto Production (8 Japanese car makers) (million units)	4.74	4.74	9.48	4.91	9.81	19.29	4.88			+0.14	
Large & Middle sized Shovel Production (thousand units)	20	20	40	20	39	79	22	20	42	+2	+2
Metal Machine Tool Production (thousand tons)	102	113	215	127	243	458	104	118	222	+2	+7
Keel-laid New Ships (mil. gross tons)	3.18	2.91	6.09	2.85	6.00	12.09	3.00	3.00	6.00	-0.18	-0.09

Rig Count	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	Latest	Peak	Bottom
USA	1,089	1,546	1,875	1,919	1,761	1,862	977	510	875	1,054 (Jul.'18)	2,031 (Sep.'08)	404 (May.'16)
Deep well (≥15,000ft)	249	249	395	324	326	354	205	126	222	251 (Apr.'18)	413 (Nov.'11)	98 (May.'16)
World Total Excl. N. America, Russia & China	997	1,094	1,167	1,234	1,296	1,337	1,167	955	948	959 (Jun.'18)	1,382 (Jul.'14)	920 (Oct.'16)

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

* Estimates as of early Jul. 2018

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Making a new start as
NIPPON STEEL in April 2019

Domestic Steel Consumption by Industrial Sector

(million tons)	FY17						FY18			Change	
	1Q	2Q	1H	4Q	2H		1Q	2Q[E] ^{*1}	1H[E] ^{*1}	17/1Q vs. 18/1Q	17/1H vs. ^{*1} 18/1H[E]
Crude Steel Production in Japan	26.09	25.94	52.04	26.41	52.80	104.84	26.57	26.54 ^{*2} approx.	53.11 ^{*1} approx.	+0.48	+1.08 approx.
Domestic Steel Consumption (A + B)	15.34	15.70	31.03	15.54	31.68	62.71	15.37	15.77	31.14	+0.03	+0.11
<i>% for manufacturing sector</i>	63.9	63.8	63.8	64.3	63.9	63.9	64.6	63.9	64.2	+0.7	+0.4
Ordinary Steel Consumption (A)	12.16	12.41	24.57	12.37	25.13	49.70	12.13	12.45	24.58	-0.03	+0.01
Construction	5.33	5.47	10.79	5.33	10.99	21.78	5.23	5.46	10.70	-0.10	-0.10
Manufacturing	6.83	6.95	13.78	7.04	14.15	27.92	6.90	6.98	13.88	+0.07	+0.11
Shipbuilding	1.04	1.03	2.07	1.02	2.01	4.08	1.01	1.01	2.02	-0.03	-0.05
Automotive	2.71	2.79	5.50	2.82	5.71	11.21	2.74	2.84	5.58	+0.03	+0.08
Industrial Machine	1.22	1.25	2.47	1.27	2.53	5.00	1.28	1.26	2.54	+0.06	+0.07
Electronic Machine	0.74	0.77	1.51	0.79	1.59	3.10	0.78	0.78	1.56	+0.04	+0.06
Specialty Steel Consumption (B)	3.18	3.28	6.46	3.18	6.54	13.01	3.24	3.32	6.56	+0.06	+0.10
Steel Imports	1.72	1.65	3.37	1.62	3.21	6.58					
Steel Exports	9.36	9.26	18.62	9.41	18.90	37.52					

(Source : NSSMC est.)

*1 Estimates as of early Jul. 2018

*2 Domestic Crude Steel Production of
FY18/2Q(E) released by METI

[] : Outlook as of Apr. 17th, 2018

(GDP 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	3.8	[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	[2.5]	2.4	[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	[2.9]	2.9	[2.7]	2.7
EU27	0.6	-4.1	1.9	1.5	-0.7	-0.4	0.9	2.0	1.8	2.3	[2.4]	2.2	[2.0]	1.9
Japan	-1.2	-6.3	4.4	-0.6	1.5	1.6	0.0	1.1	0.9	1.7	[1.2]	1.0	[0.9]	0.9
Developing Countries	6.1	2.7	7.5	6.2	5.1	5.0	4.6	4.3	4.4	4.8	[4.9]	4.9	[5.1]	5.1
China	9.6	9.2	10.4	9.3	7.7	7.7	7.3	6.9	6.7	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	[7.4]	7.3	[7.8]	7.5
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	[5.4]	5.3
Russia	5.6	-7.8	4.3	4.3	3.4	1.3	0.7	-2.8	-0.2	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	1.0	[2.3]	1.8	[2.5]	2.5

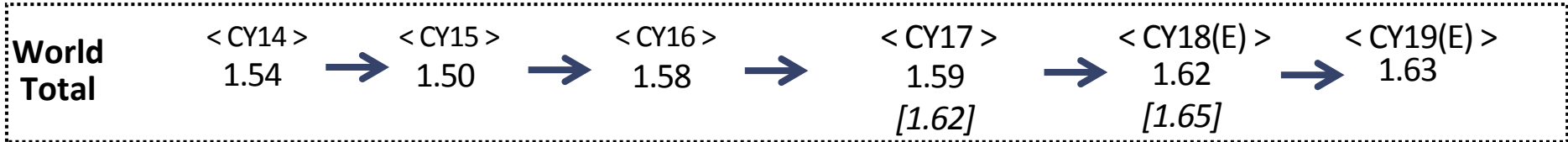
(Source : IMF)

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

World Steel Demand

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

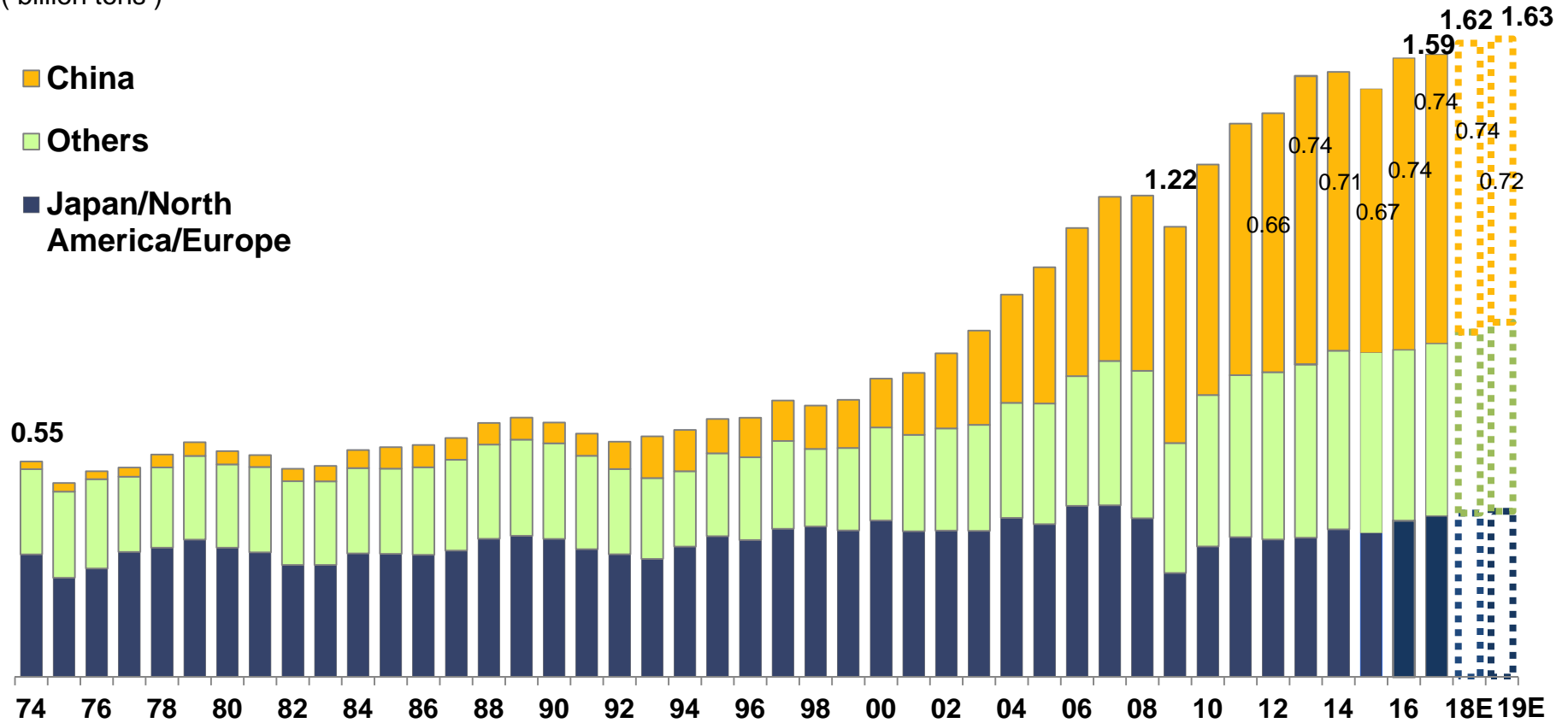
[] : Previous forecasts as of Oct. 16, 2017



*FY16~ : including illegal induction furnaces

(billion tons)

- China
- Others
- Japan/North America/Europe



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



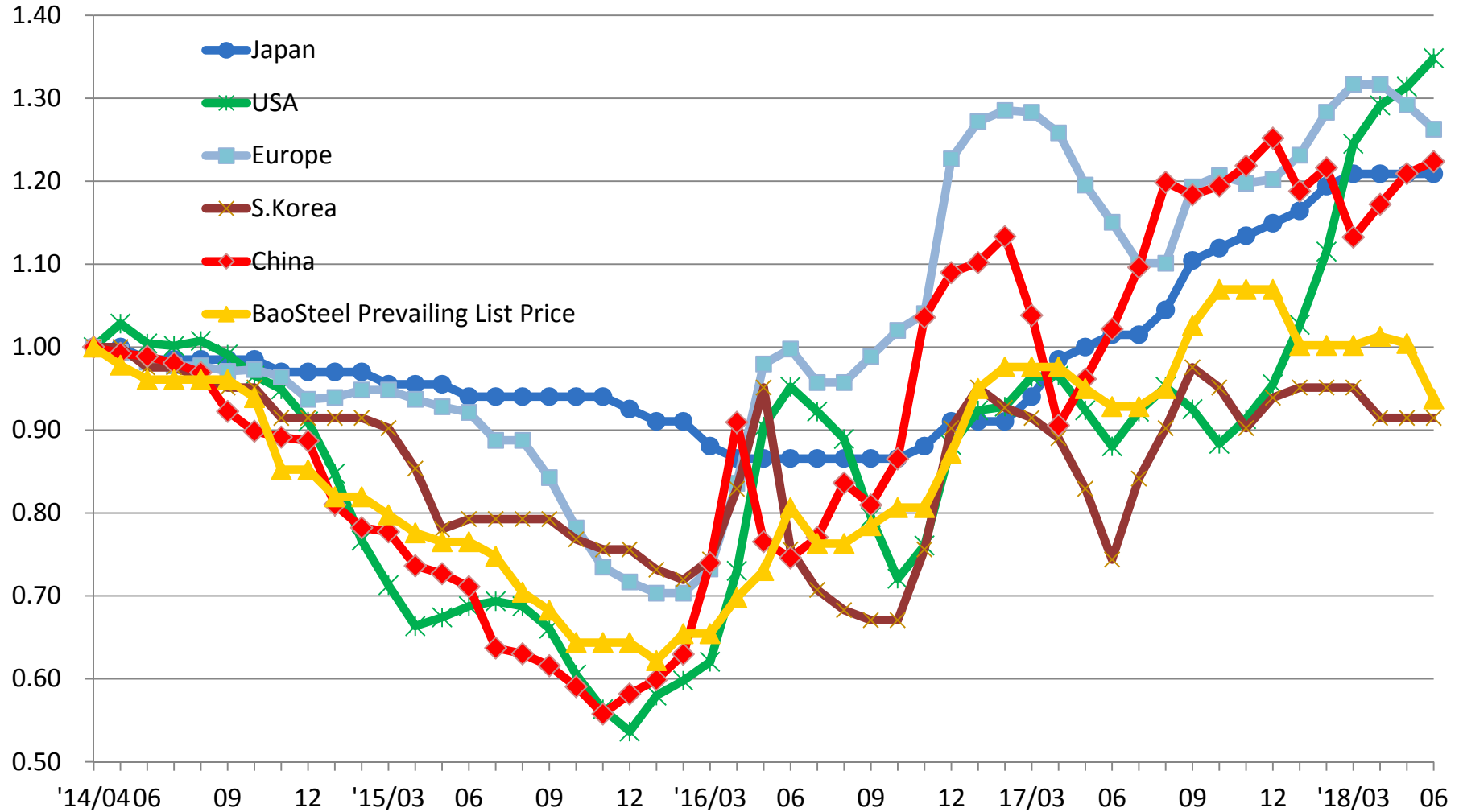
World Crude Steel Production

(million tons)	CY17 [A]	CY18						CY18 [C] (B*12/6)	Change (A → B)
		Jan - Mar	Apr	May	Jun	Apr - Jun	Jan - Jun [B]		
World * Total [YoY]	1,673.0 [5.4%]	425.1 [4.1%]	148.2 [4.1%]	154.4 [6.3%]	151.4 [5.8%]	454.0 [5.4%]	881.5 [5.0%]	1,762.9	+89.9 [5.4%]
Japan [YoY]	104.7 [-0.1%]	26.4 [0.7%]	8.7 [-0.4%]	9.1 [1.9%]	8.8 [4.2%]	26.6 [1.8%]	53.0 [1.3%]	106.0	+1.3 [1.2%]
Korea [YoY]	71.0 [3.6%]	17.8 [2.9%]	5.9 [7.2%]	6.2 [3.1%]	6.1 [3.2%]	18.3 [4.4%]	36.1 [3.7%]	72.1	+1.1 [1.6%]
USA	81.6	20.8	6.9	7.3	6.8	21.0	41.8	83.7	+2.1
EU28	168.4	43.3	14.7	14.9	14.4	44.1	87.3	174.7	+6.3
Russia	71.5	17.8	6.1	6.1	6.1	18.3	36.1	72.1	+0.6
Brazil	34.4	8.6	2.9	2.7	2.6	8.2	16.9	33.7	-0.6
India	101.4	26.7	8.7	8.8	8.7	26.1	52.8	105.7	+4.3
China [YoY]	831.7 [5.7%]	210.8 [5.4%]	76.7 [4.8%]	81.1 [8.9%]	80.2 [7.5%]	238.0 [7.1%]	451.2 [6.8%]	902.3	+70.6 [8.5%]

(Source : World Steel Association) * Total of 64 countries

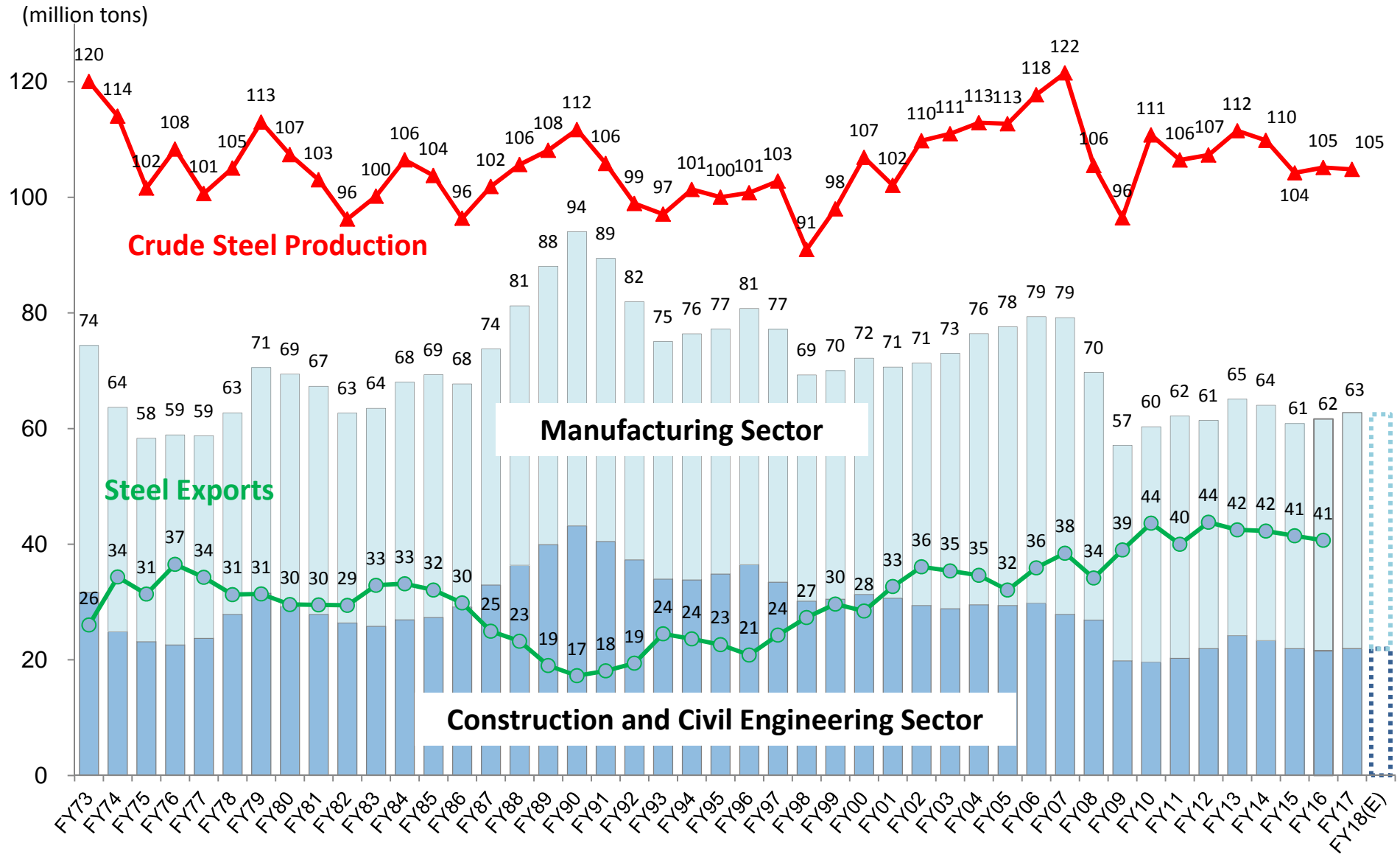
Hot Rolled Sheets Prices by Region

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



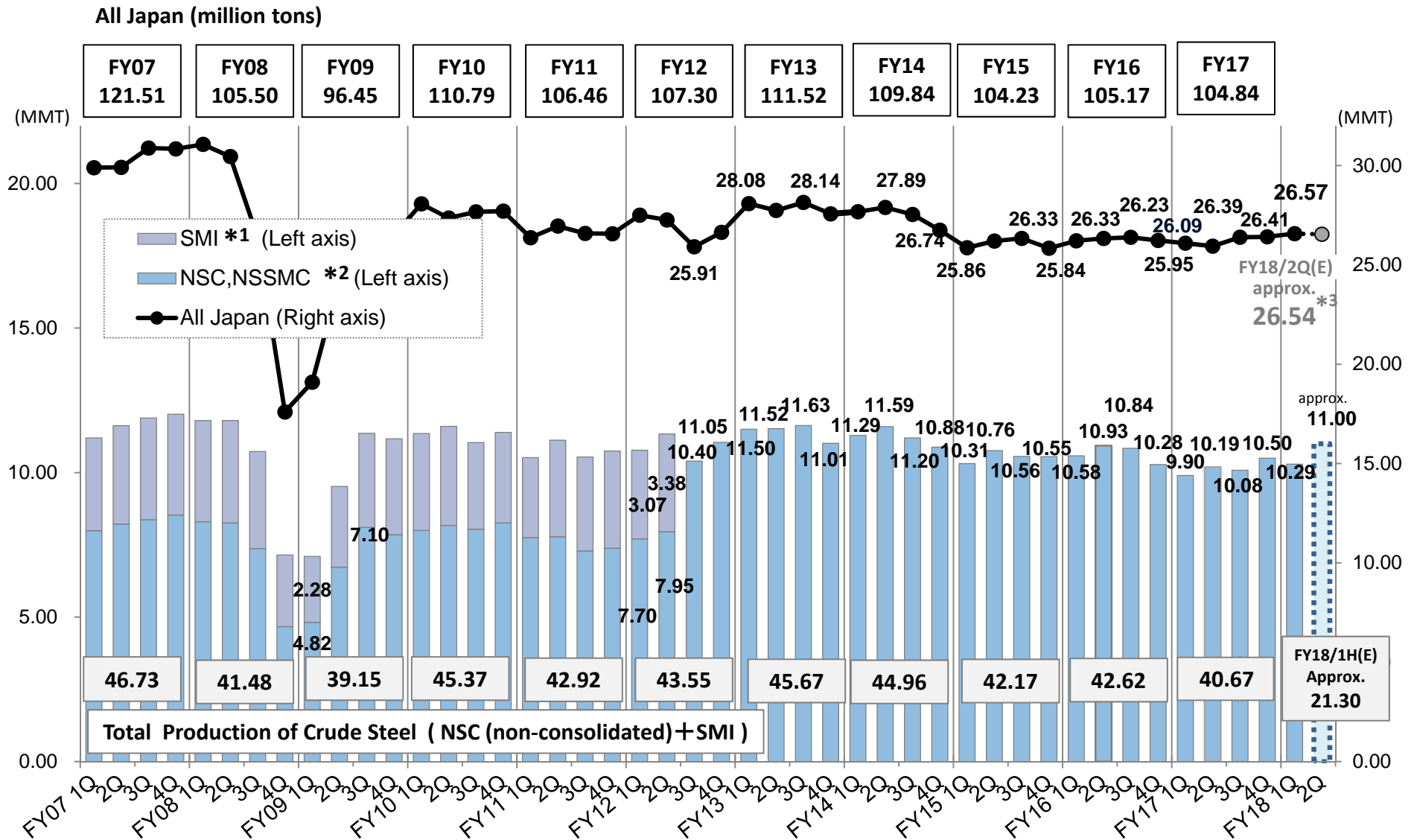
(Source : The Japan Iron and Steel Federation)

Domestic Steel Consumption Trend



(Source : NSSMC estimation)

Domestic Crude Steel Production



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

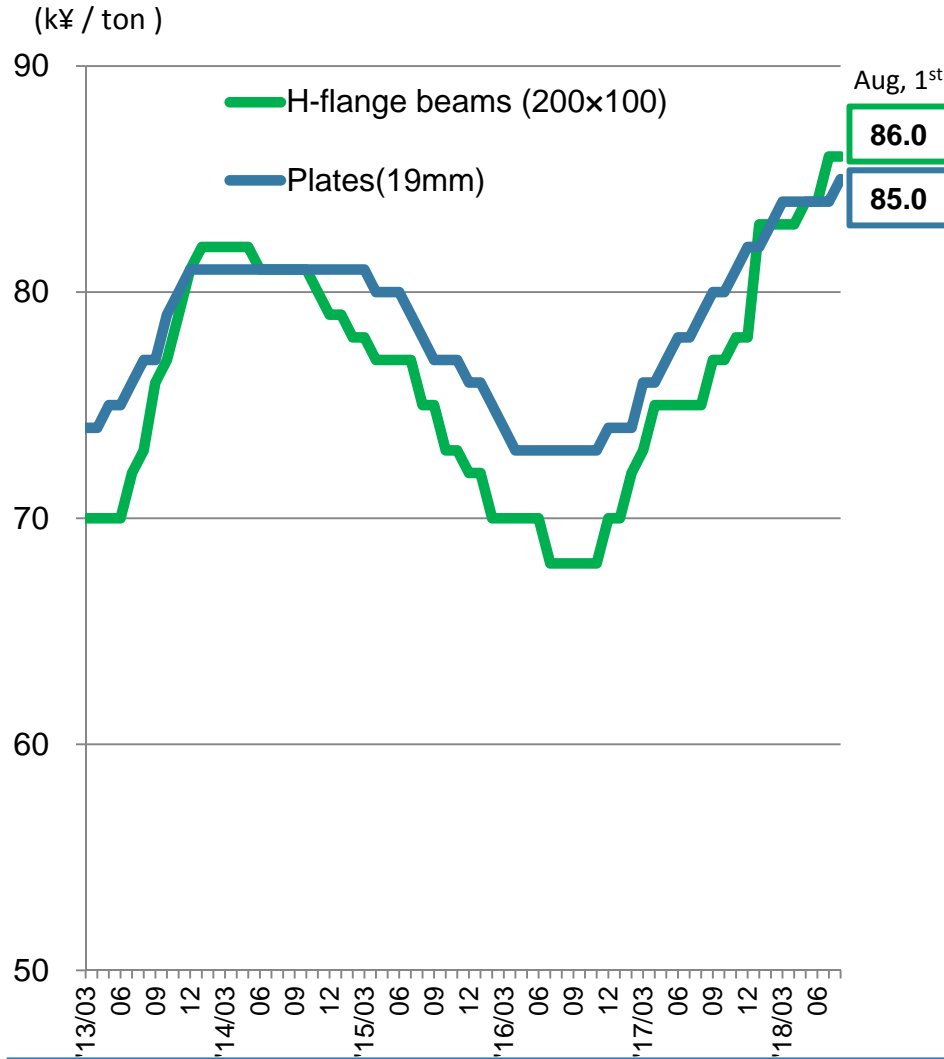
*2 Includes NIPPON STEEL & SUMIKIN KOUTETSU WAKAYAMA CORP (~FY2017)

*3 Domestic Crude Steel Production of

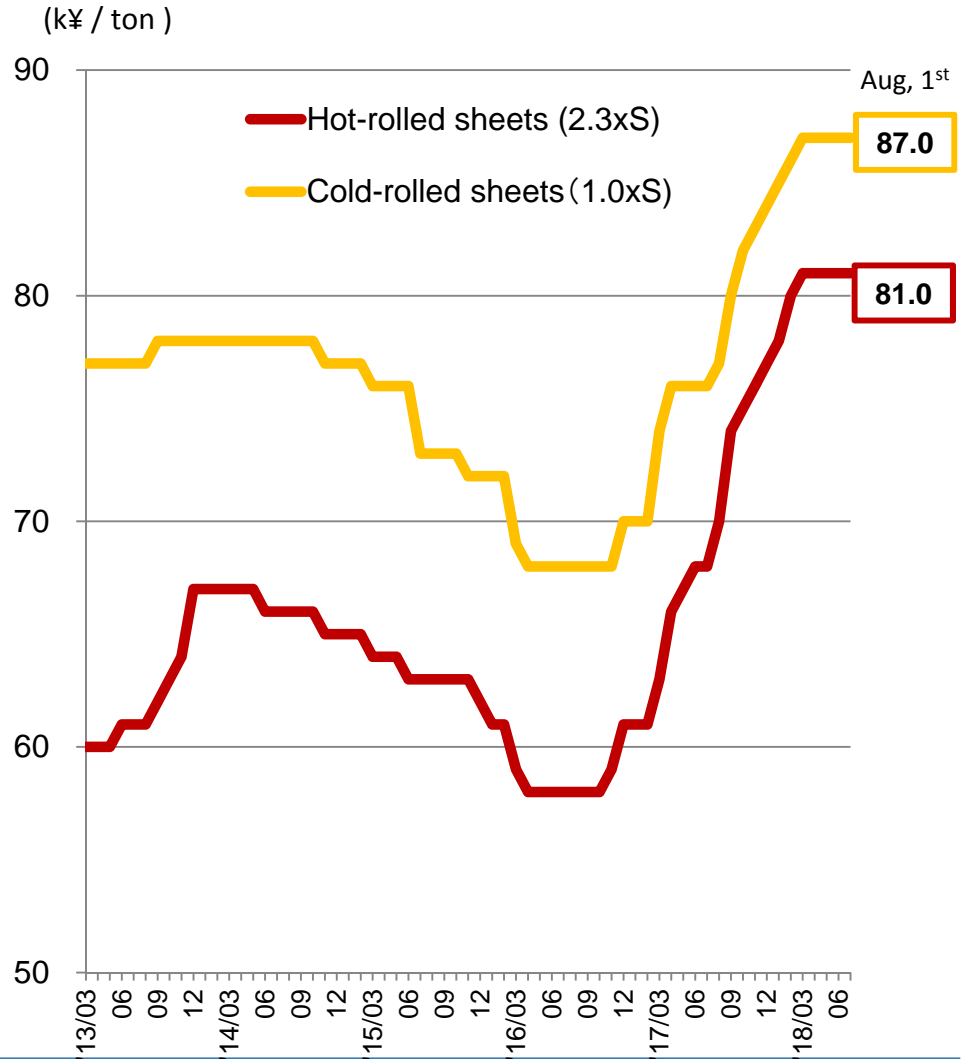
FY18/2Q(E) released by METI

Domestic Steel Products Prices

Plates & H-flange beams



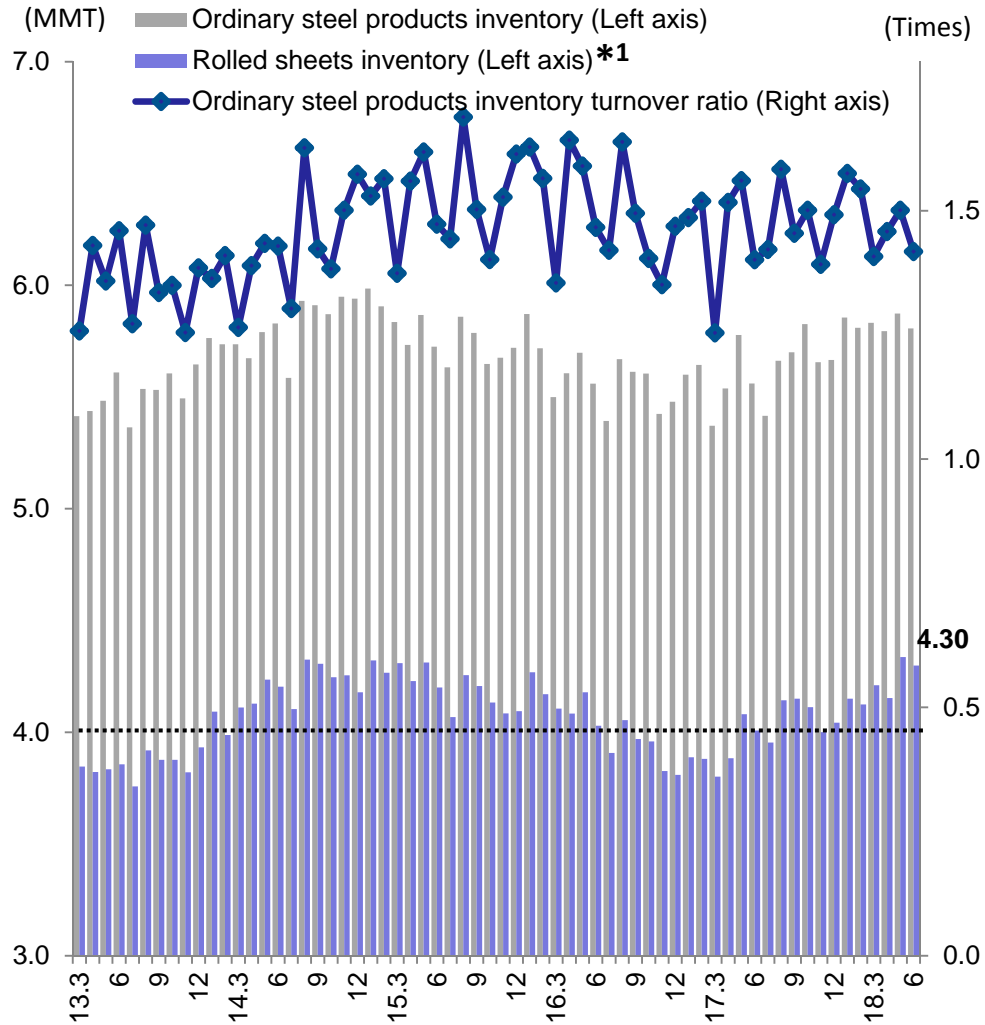
Hot-rolled sheets & Cold-rolled sheets



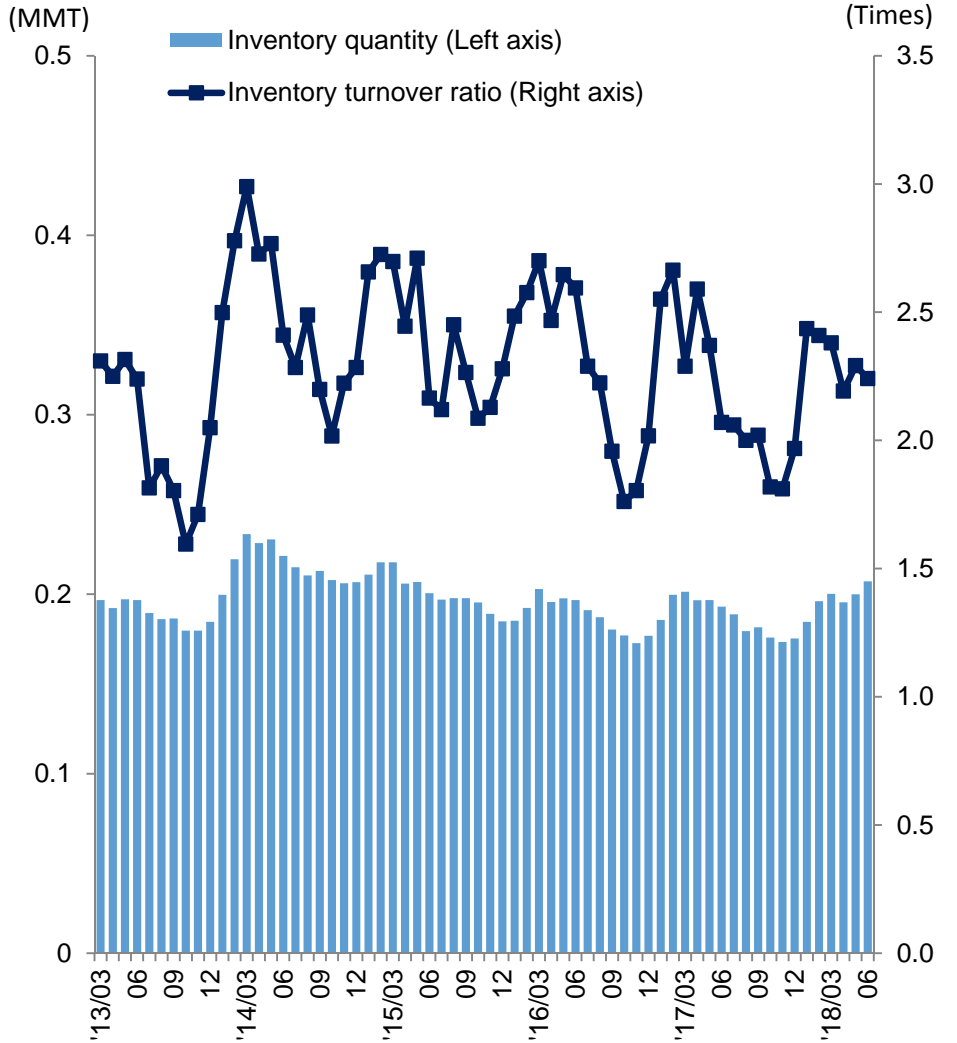
(Source : Japan Metal Daily)

Domestic Steel Inventory

Rolled Sheets Inventory *1



H-flange beams*2 Inventory



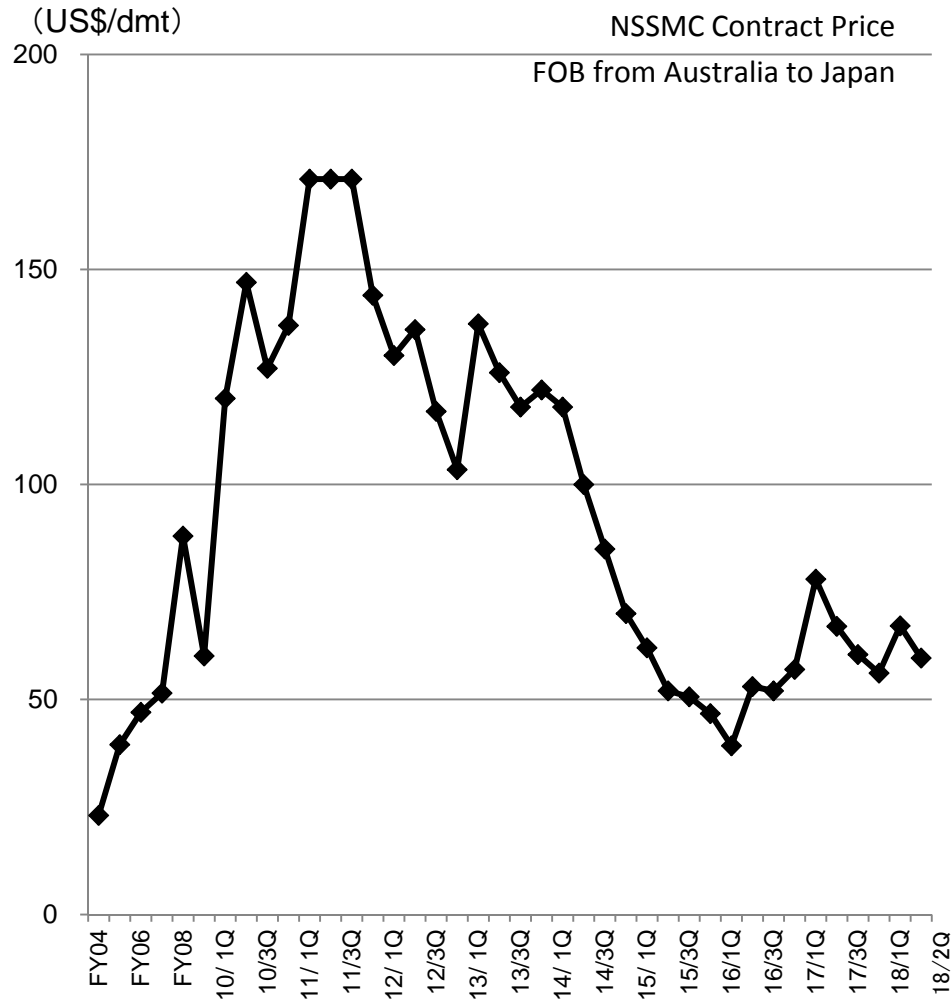
(Source : Japan Iron and Steel Federation)

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

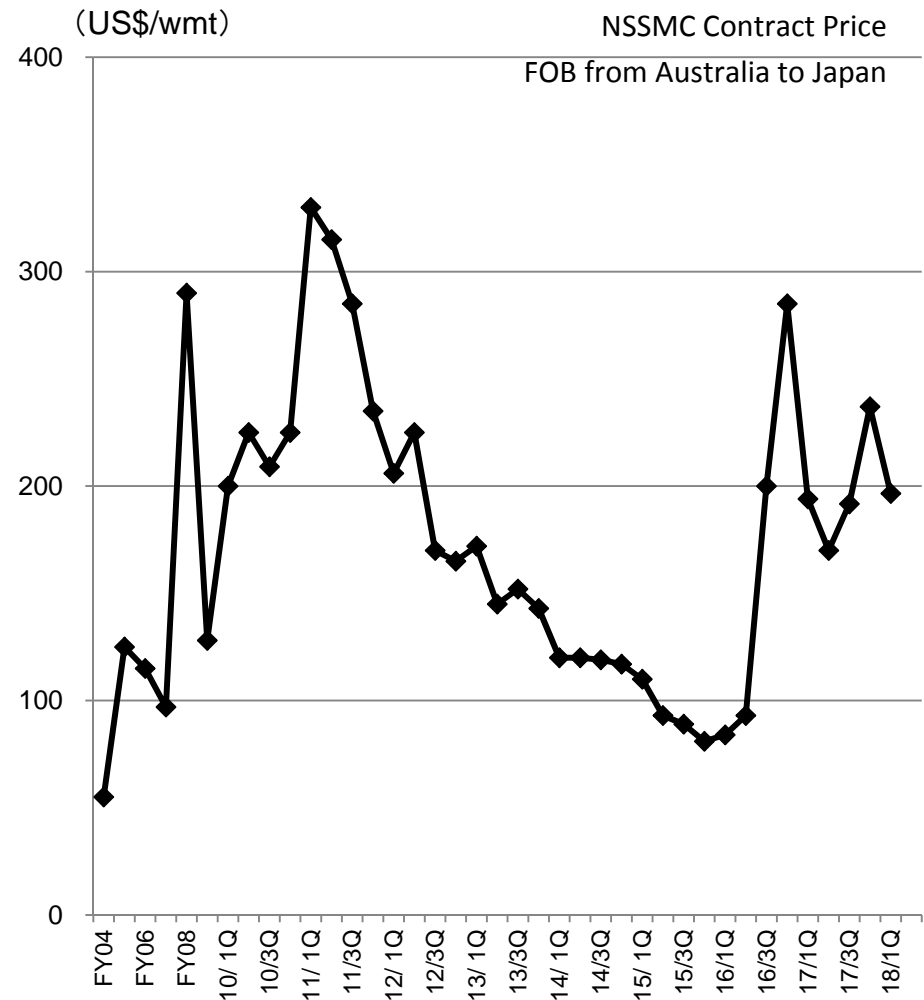
*2 Inventories of the distributors dealing with H-flange beams manufactured by NSSMC

Iron Ore & Coking Coal Prices

Iron Ore (Fine)



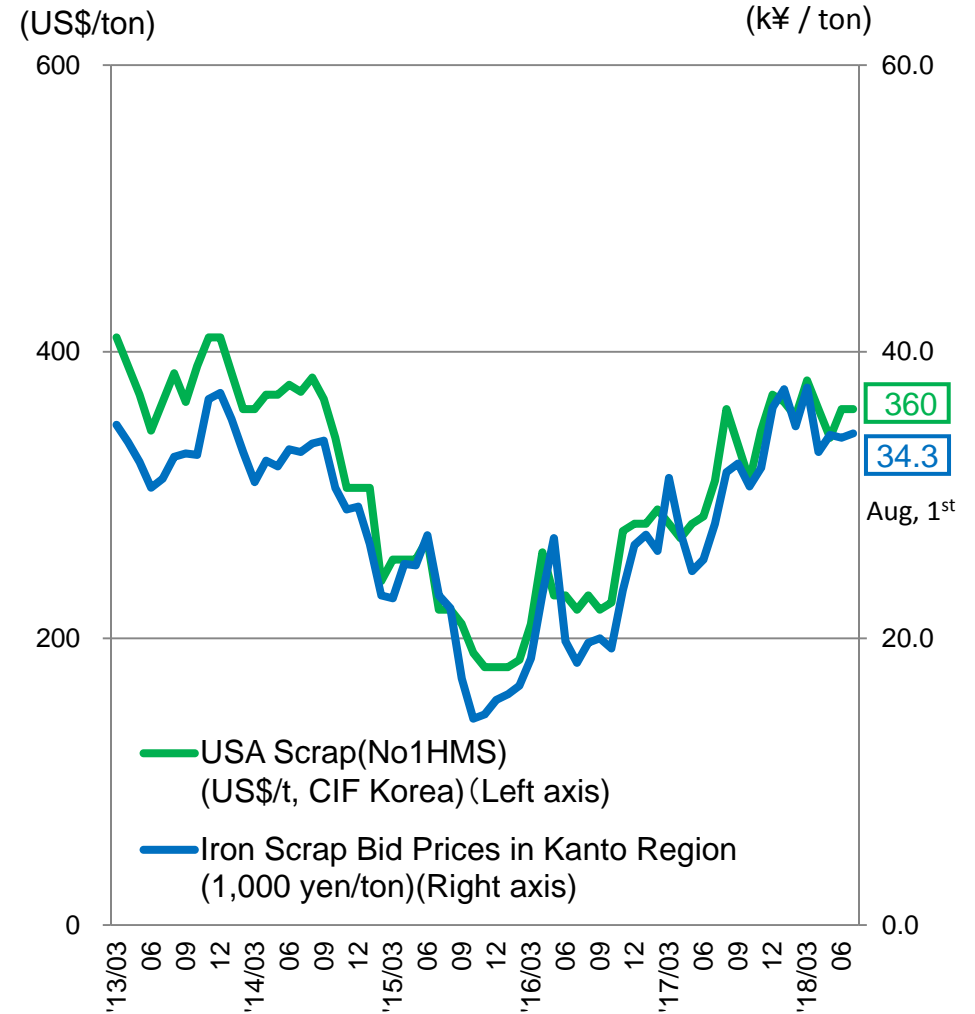
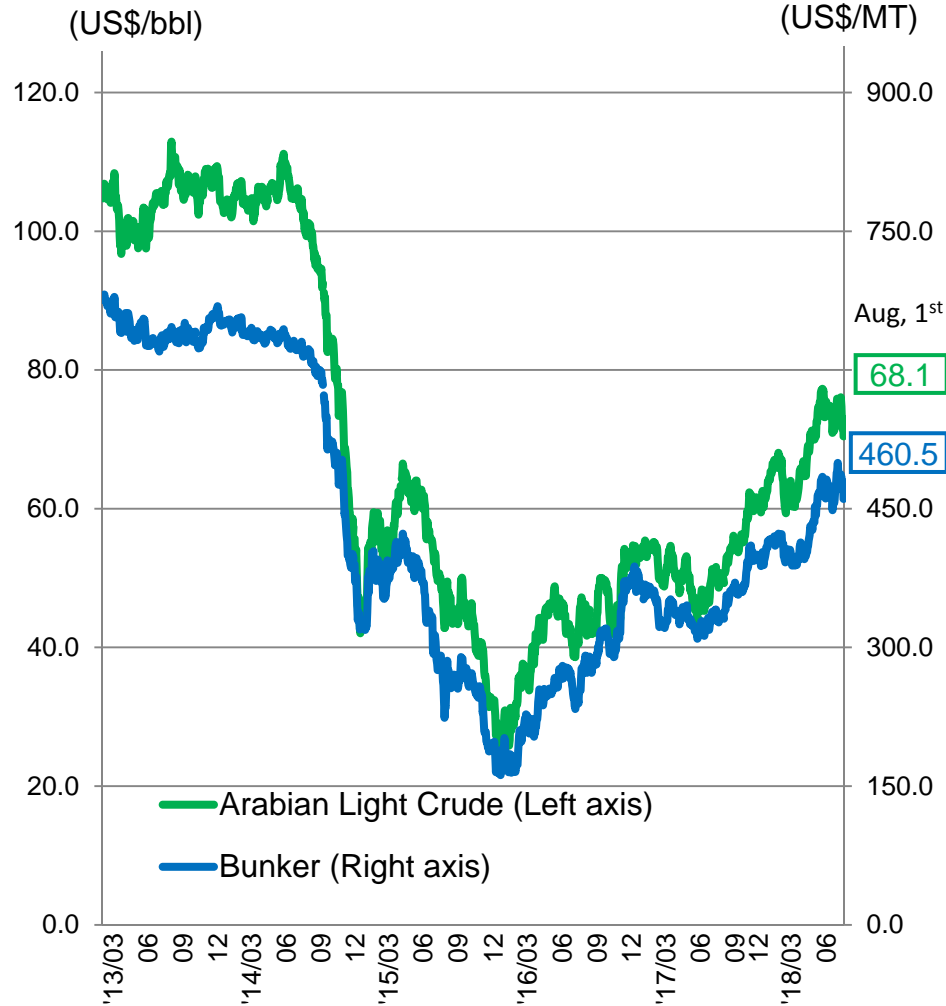
Hard Coking Coal



Market Trends < Crude Oil & Scrap >

Crude Oil

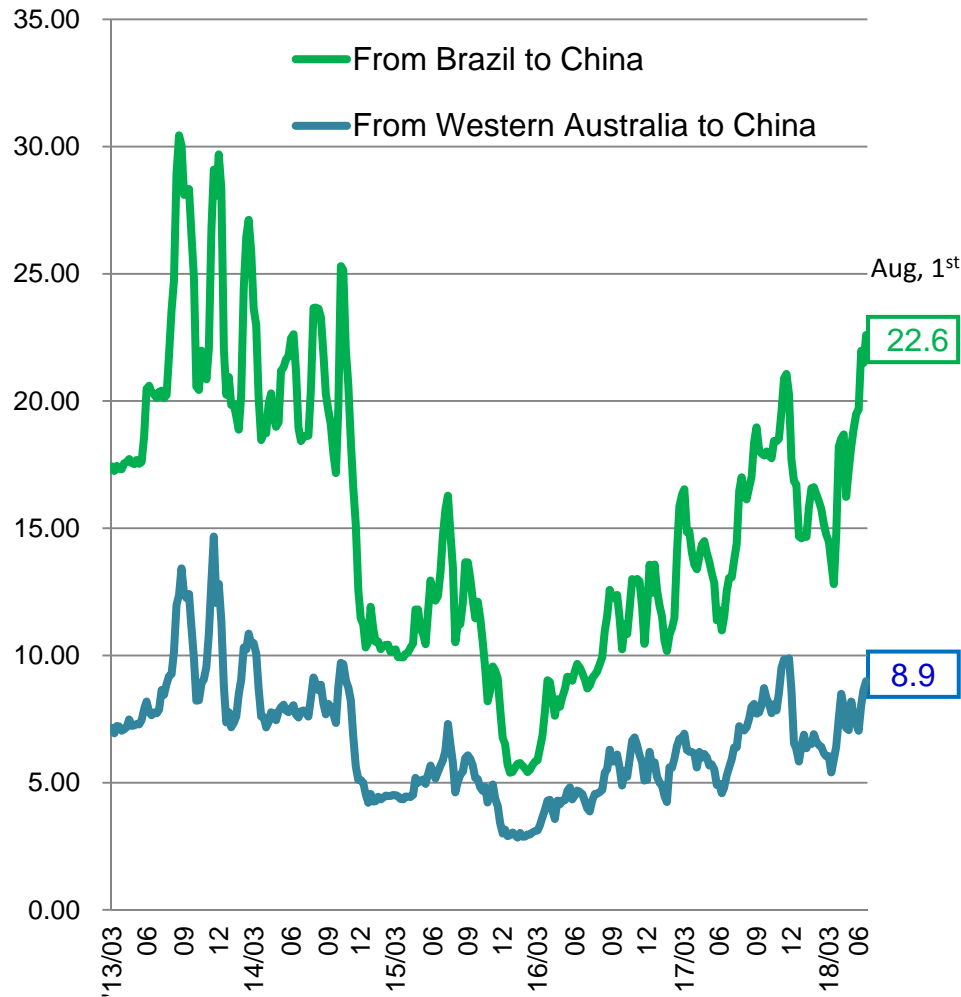
Scrap



Market Trends < Freight & Mold Pig Iron >

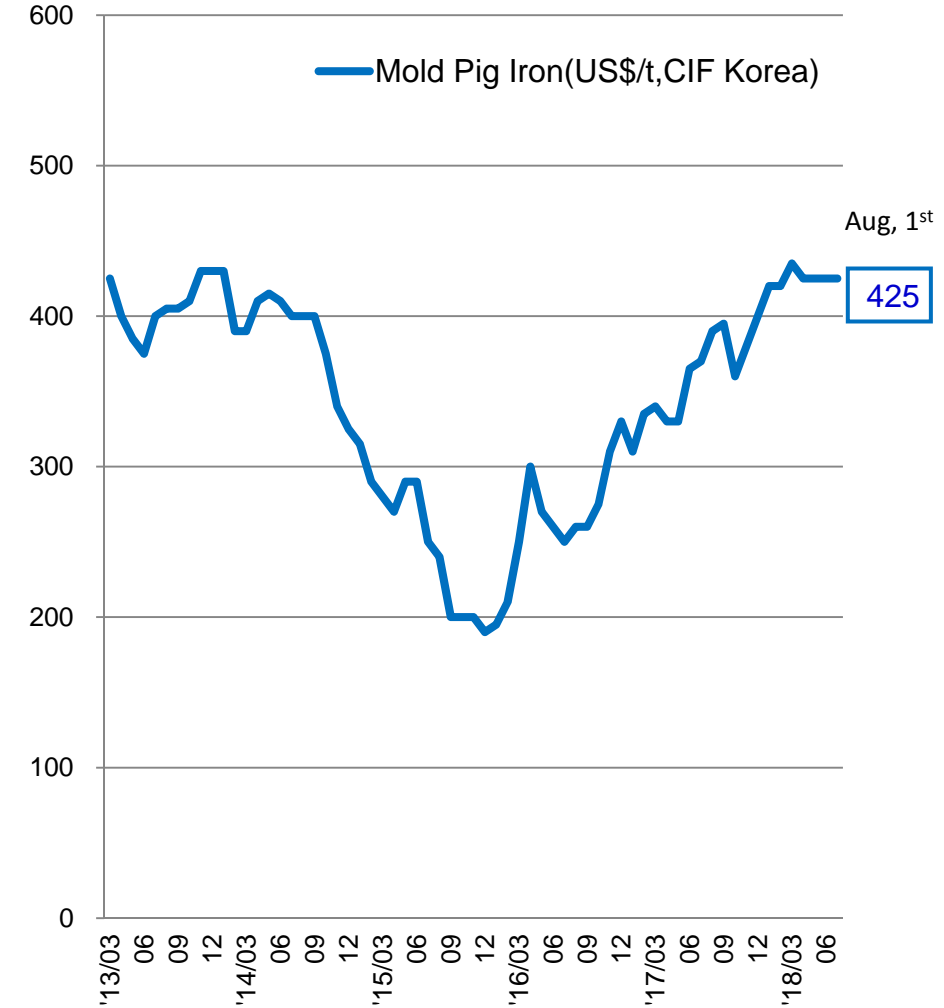
Freight

(US\$/WMT, Cape size 180 thousand tons hull form)



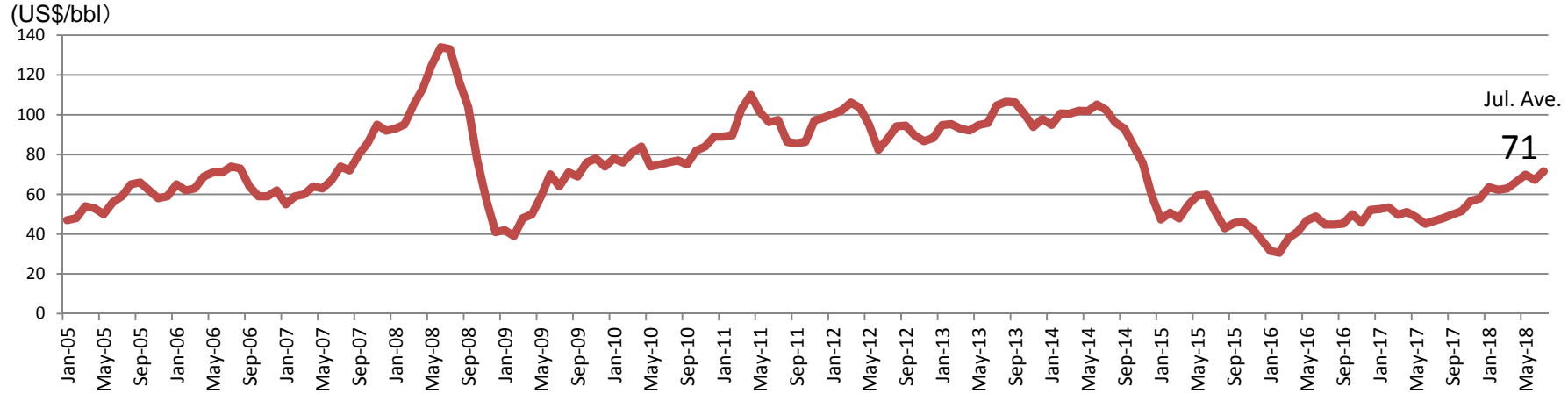
Mold Pig Iron

(US\$/T, CIF Korea)

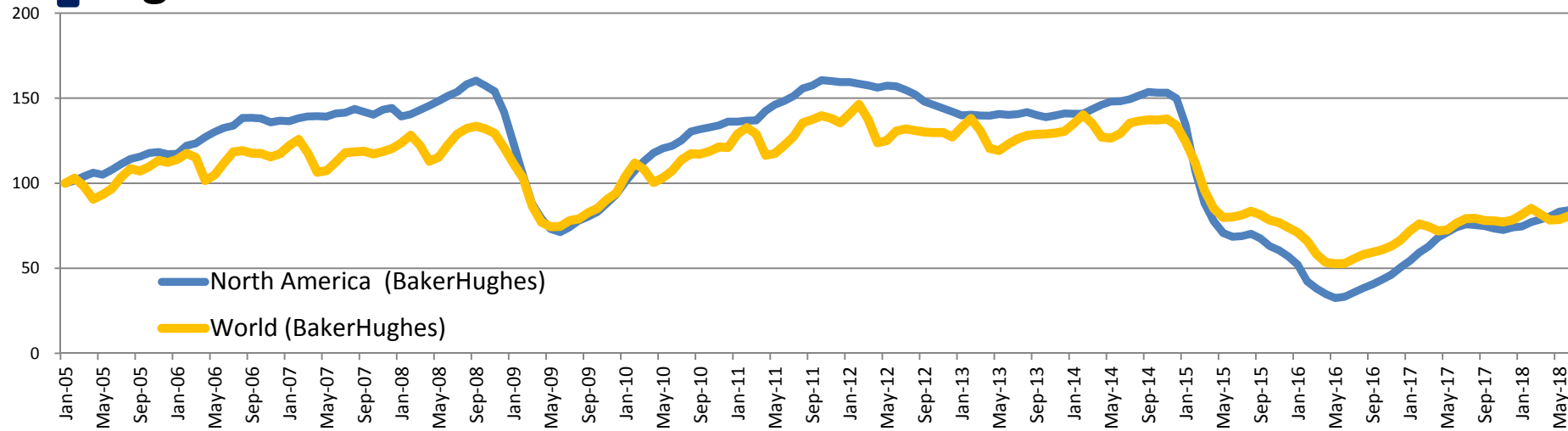


Energy Sector : Oil Price / Rig Count

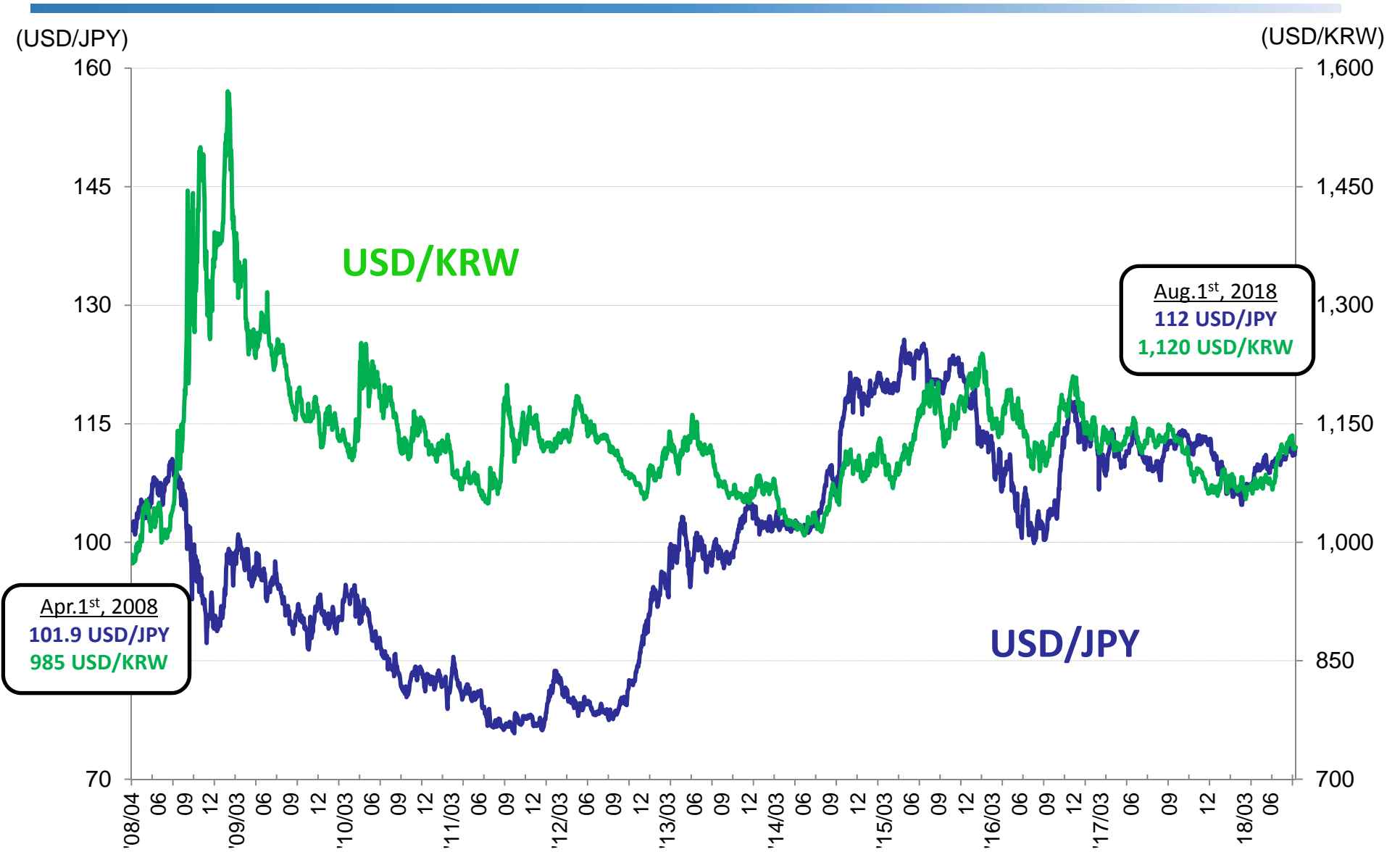
US Oil Price (WTI Spot)



Rig Counts (Jan. 2005=100)



Forex Trend



When NSSMC conducts the Share Exchange with Nisshin Steel, in relation thereto, NSSMC will file a registration statement on Form F-4 with the SEC. Form F-4 will include a prospectus and other documents. When Form F-4 is filed and becomes effective, the prospectus filed as part of Form F-4 will be sent to the U.S. shareholders of Nisshin Steel before the date of shareholders meeting wherein voting rights are scheduled to be exercised to approve the Share Exchange. Form F-4 and the prospectus to be filed will contain important information, such as information on NSSMC and Nisshin Steel, information on the Share Exchange, and other related information. The U.S. shareholders of Nisshin Steel are kindly requested to carefully read Form F-4, the prospectus, and other documents that will be filed with the SEC in relation to the Share Exchange, before exercising their voting rights relating to the Share Exchange at the shareholders meeting. All documents to be filed with the SEC in relation to the Share Exchange will be publicized free of charge on the SEC website at www.sec.gov after filing thereof. Furthermore, such documents will be mailed free of charge upon request. Below is the contact information for mailing such a request.

Contact for inquiries about the Share Exchange:

Company name:	Nippon Steel & Sumitomo Metal Corporation	Company name:	Nisshin Steel Co., Ltd.
Address:	6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	Address:	4-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
Contact person:	Fumiaki Onishi, General Manager, Public Relations Center	Contact person:	Mitsuhiro Murashita, PR Team and Secretary of General Administration Dept.
TEL:	03-6867-2130	TEL:	03-3216-5566
E-mail:	ohnishi.x97.fumiaki@jp.nssmc.com	E-mail:	murashita.m977@nisshin-steel.co.jp

Any statements in this document, other than those of historical facts, are forward-looking statements about future performance of Nippon Steel & Sumitomo Metal Corporation and its group companies, which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.