Joint Acquisition of Essar Steel

Dec. 16th, 2019

NIPPON STEEL CORPORATION
1. Outline of Essar Steel Acquisition
About Essar Steel

Business Scale

Establishment
1976
Nominal capacity
9.6 MMT/Y (crude steel)
Revenue (stand-alone)
INR 260.3bn. (Fiscal 2017 ended on March 31, 2018)
Number of employees
3,806 (as of March 31, 2018)

Locations: Facilities are strategically located

- Integrated steel mill in Western India; a focal area for investment and economic development
- Self-sufficient pellet production in Eastern area
- Nationwide coverage of service centers in major cities

Hazira (Gujarat)
Integrated steel mill

Hazira mill is located in Western India, where many steel buyers are located.

India’s steel consumption by region

Hazira mill is located in Western India, where many steel buyers are located.
Essar Steel: Facilities

**Hazira; The 3rd largest* integrated steel mill in India**

**Eastern area**
- Beneficiation
  - Kirandul (‘13)
  - Dabuna (‘14) <16MMT/Y>
- Pipeline
- Pelletization
  - Vizag (‘05/’06)
  - Paradeep (‘14) <14MMT/Y>

**Hazira**
- Sintering Line
- Blast furnace (‘10) <1.7MMT/Y>
- COREX (‘11/’12) Direct reduction by coal <1.7MMT/Y>
- MIDREX (‘90/’92/’04/’06/’10) Direct reduction by gas <6.7MMT/Y>
- Electric arc furnace (‘96/’06/’10) <4.6MMT/Y>
- Crude steel production capacity <9.6MMT/Y>
- CONARC (‘11) <5MMT/Y>
- COREX (‘11/’12) Direct reduction by coal <1.7MMT/Y>
- MIDREX (‘90/’92/’04/’06/’10) Direct reduction by gas <6.7MMT/Y>
- Electric arc furnace (‘96/’06/’10) <4.6MMT/Y>
- Crude steel production capacity <9.6MMT/Y>
- CONARC (‘11) <5MMT/Y>
- Thin slab caster & Hot strip mill (‘11/’18) <3.6MMT/Y>
- Plate mill (‘10) <1.5MMT/Y>
- Hot-strip mill (‘95) <4MMT/Y>
- Spiral pipe mill (‘96) <0.3MMT/Y>
- JCO pipe mill (‘09) <0.3MMT/Y>

**Pune**
- Pickling, cold-rolling in Hazira (‘04/’05) <1.4MMT/Y>
- in Pune (‘96/’05) <0.7MMT/Y>
- Color coating in Pune (‘06) <0.4MMT/Y>
- Hot-dip galvanizing in Hazira (‘04/’05) <0.5MMT/Y>
- in Pune (‘96/’05) <0.5MMT/Y>

* Single site basis

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Essar Steel : Product Mix

Fully diversified range of products, mainly flat steel products

- Pellets 1.5MMT/Y
- Hot-rolled sheets 3.1MMT/Y
- Cold-rolled sheets 0.8MMT/Y
- Hot-dip-galvanized sheets 0.6MMT/Y
- Plates 0.4MMT/Y
- Color coated sheets 0.3MMT/Y
- Tubes & pipes 0.1MMT/Y

Sales mix * (INR 219.6bn)

- Others 5%
- 48%
- 12%
- 14%
- 8%
- 7%
- 2%

* Composition of sales in fiscal year ended in Mar. 2017
Summary of the Joint Acquisition

Nippon Steel and ArcelorMittal will jointly manage the JV ArcelorMittal Nippon Steel India, working in an equal partnership.

**Outline of the JV**
- **Name**: ArcelorMittal Nippon Steel India
- **Head office**: Hazira, Gujarat
- **CEO**: Dilip Oommen

**Total cash injection**
- INR 500bn. (approx. JPY 770bn.)
  - INR 420bn. (approx. JPY 650bn.)
    - Repayment of Essar’s existing debts
  - INR 80bn. (approx. JPY 120bn.)
    - Cash injection of initial working capital including capital expenditures

**Timeline**
- **Oct. 23, 2017**: Nippon Steel and ArcelorMittal respectively submitted EOI (Expression of Interest)
- **Feb. 12, 2018**: First bidding by ArcelorMittal
- **Mar. 2, 2018**: Nippon Steel and ArcelorMittal executed the Joint Venture Formation Agreement
- **Apr. 2, 2018**: Second bidding by ArcelorMittal
- **Oct. 25, 2018**: The Committee of Creditors selected ArcelorMittal as the successful applicant
- **Nov. 15, 2019**: The Indian Supreme Court approved the resolution plan submitted by ArcelorMittal
- **Dec. 16, 2019**: Closing

**JV structure**
- NIPPON STEEL (40%)<br>Equity method affiliate<br>- ArcelorMittal (60%)<br>Equity method affiliate

- Both companies will nominate the same number of directors for the JV.
- ArcelorMittal Nippon Steel India will be managed by both companies as equal partners.
- Both companies consolidate ArcelorMittal Nippon Steel India as an equity method affiliate.
Financial performance of Essar Steel

Reasons & countermeasures for the low profitability

Low operation rate
- Operation rate of MiDREX, the main upstream facility, has been low due to LNG procurement problems.
- Projects of adding non-LNG-using upstream facilities (blast furnace, COREX) have been held up because of funds shortage.

Realize capacity expansion and cost reduction through appropriate CAPEX & reconfiguration of current production processes

Excessive interest burden
- Interest bearing debt increased as a result of heavy investments, and the interest burden was extremely heavy.

<End of Mar. 2018>

<table>
<thead>
<tr>
<th></th>
<th>INR 543.6bn.</th>
<th>INR 642.7bn.</th>
<th>14.2%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average interest rate</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

· EBIT is in the black but net profit is in the red.

Existing debt is cleared off
by injection of INR 420bn.

→ Released from the interest burden.

*Based on Essar Steel Annual Report
Resolution Plan

- Realize capacity expansion and productivity improvement through appropriate CAPEX

  - Productivity improvement via completion of ongoing CAPEX projects
    The ongoing CAPEX projects:
    - coke oven, CSP (Compact Strip Production),
    - Dabuna beneficiation plant, Paradeep pellet,
    - environment investment, etc.

  - Capacity expansion via CAPEX for upstream facilities (expansion of capacity to the full potential)
    Expected future CAPEX projects:
    - blast furnace, coke oven, and oxygen furnace

- There is also a long-term aspiration to increase the steel production volume to 12〜15MMT/Y* through large scale CAPEX.
  *Considering the possibility of further expansion

- Examine further details of CAPEX considering business environment.
Impacts on Nippon Steel’s Financial Statements

- **Cash flows**
  - Debt payment: approx. JPY 310.0bn. (INR 500.0bn. X 40% = INR 200.0bn.)
  - Equity: approx. JPY 103.0bn. (JPY 310.0bn. X 1/3)
  - Inter-company loan: approx. JPY 207.0bn. (JPY 310.0bn. X 2/3)
  - Dec. 11  Payment completed

- **Balance sheet**
  - Investment / Loan to the JV appear in our consolidated B/S at the end of Dec. 2019
  - Fund procurement: Public hybrid bonds*1 issued in Sep. 2019
  - D/E ratio forecast (Mar. 2020): 0.8-0.9
    (estimated as of Nov.1, 2019) 0.65-0.75 (adjusted D/E*2)
  - *1 50% of the funds is deemed as equity credit for the purpose of agencies’ rating.
  - *2 Equity credits of hybrid bonds and loans are taken into consideration.

- **Profit & loss**
  - The amount and accounting procedure of goodwill will be examined in the days ahead.
2. The Benefits of Investment
Attractiveness of Indian Steel Market: Promising Potential Growth


Steel demand growth is expected to be driven by population and economic growth. By 2030, the demand for steel is forecasted to reach 230 MMT, compared to 96 MMT in 2018.

Steel demand per capita in India is expected to grow from 61 kg/Y in 2018 to 158 kg/Y by 2030, indicating a promising potential for growth.

Source: World Steel Association, Nippon Steel's estimation etc.

<table>
<thead>
<tr>
<th>Country</th>
<th>Steel demand per capita (Kg/Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>590</td>
</tr>
<tr>
<td>Brazil</td>
<td>132</td>
</tr>
<tr>
<td>India</td>
<td>100</td>
</tr>
<tr>
<td>Japan</td>
<td>514</td>
</tr>
</tbody>
</table>

Cf. India National Steel Policy (NSP): Ministry of Steel 2017

<table>
<thead>
<tr>
<th>Mar. 2016</th>
<th>Mar. 2031(f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude steel capacity</td>
<td>120MMT</td>
</tr>
<tr>
<td>Domestic steel demand</td>
<td>80MMT</td>
</tr>
<tr>
<td>” per capita</td>
<td>61kg/Y</td>
</tr>
</tbody>
</table>

Source: NIPPON STEEL
Attractiveness of Indian Steel Market:

India’s steel demand by sector
India National Steel Policy (NSP): Ministry of Steel 2017

India 2015
81 MMT

India 2030(f)
230 MMT

Infrastructure & construction
Auto
Others

Infrastructure demand forecast
(total amount)
(2014-2020)

South Asia
*Incl. India

Latin America

China

East Asia Pacific excl. China

Europe, Central Asia

Sub-Saharan Africa

Middle East, North Africa

Source: Japanese Ministry of Economy, Trade and Industry

cf. Japan*
63 MMT

Infrastructure & construction
Auto
Others

* As of 2018
Attractiveness of Indian Steel Market:

High Domestic Production Rate

✓ “Make In India” Initiative brought high domestic production rate.

- Regarded as a key industry, India’s steel production is guided by the government’s policy “Make in India”.
  (Hot-rolled sheets, plates, cold rolled sheets are currently protected by trade remedy.)

- Increase of steel demand in India has been fulfilled by capacity expansion of domestic steelmakers, which results in domestic steel production ratio in 2018: 90%.

It is expected that domestic products will continue to prevail over imports while domestic demand expands.
Attractiveness of Indian Steel Market:

Progress of Industry Realignment

Top makers’ share is relatively low in Indian steel industry (compared with the other countries). Until recently, huge number of steel manufacturers has been existing. (without being concentrated in numbers)

Progress of Industry Realignment under Insolvency and Bankruptcy Code

Since Insolvency and Bankruptcy Code was implemented in 2016, steelmakers with excessive debt are now under the process of M&A and resolution.

Essar Steel is the largest case in light of steelmaking capacity and acquisition price among the bankrupt steelmakers.

Further realignments and concentrations into major steelmakers and market stabilization are expected.

Expected consolidation

- **Essar Steel**<9.6MMT>
  - Nippon Steel/Arcelor Mittal
  - **Buyer**: Nippon Steel/Arcelor Mittal
  - **Acquisition Price**: 420 bn. INR

- **Bhushan**<5.6MMT>
  - Tata Steel
  - **Buyer**: Tata Steel
  - **Acquisition Price**: 352 bn. INR

- **BPSL**<3.5MMT>
  - JSW (Under trial)
  - **Buyer**: JSW
  - **Acquisition Price**: 197 bn. INR

- **Monnet Ispat**<1.8MMT>
  - JSW
  - **Buyer**: JSW
  - **Acquisition Price**: 28.8 bn. INR

- **Electrosteel**<1.5MMT>
  - Vedanta
  - **Buyer**: Vedanta
  - **Acquisition Price**: 53.2 bn. INR

*Price reported by news medias*

*Numbers of the other companies are as of 2016*
Major steel-makers in India have been generating relatively high profits.

In case steel production capacity expansion does not fully cover growing demand, supply-demand balance will be tightened. (Indian national steel policy expects certain level of supply and demand tightening.)

- Acquisition and utilization of sites for new steelworks is not easy in India. (Some projects of new steelworks construction took long time to get started or cancelled in the past)
- Cf. Indian company A: Took 10 years to start its operation
- Foreign company B: Resulted in withdrawal from the new steelworks project before starting construction

Indian major steel-makers’ ROS (EBIT/net sales)

Forecast of S&D balance (2017 India National Steel Policy)

* demand: product, capacity: crude steel × 90%
Advantage of Joint Acquisition of Essar Steel

Value investment in acquiring an integrated steel mill

The amount of investment per crude steel production capacity is relatively low.

\[
\text{INR 500 bn.} / 9.60\text{MMT} = \text{INR 52 k/t} = 730\$/t = JPY 80\text{ k/t}
\]

Brown field acquisition enables early return

No procedures for land acquisition or environmental permit required
Minimal risks for construction and start-up of facilities
Availability of using existing human resources, sales networks and assets

Partnership with ArcelorMittal, Nippon Steel’s long-time business partner, which has abundant experience in business re-construction
Conclusion

Attractiveness of Indian Steel Market
✓ Promising Demand Growth Potential
✓ High Domestic Production Ratio
✓ Progress of Steelmakers’ Realignment
✓ Supply and Demand Tightening

Advantage of Joint Acquisition of Essar Steel

In order to capture promised growth of steel demand in India, Nippon Steel has acquired Essar Steel, taking advantage of an opportunity of the industrial restructuring ⇒ Enters Indian market and aims to expand production as an insider
Appendix
(Our Global Strategy)
World’s Steelmaking Industry and Our Global Strategy
– Becoming an Insider of Growing Markets

Steelmaking is a huge local industry.

- Steel is a basic material for all industries.
- The demand growth in each area was covered by imports in an early stage of economic development, then domestic steelmaking industry developed under national policy and covered domestic demand in later stage.
- As a result, top-makers’ shares in world steel market are lower than those in other industries. (Each country or area has its domestic steelmakers respectively.)

Demand growth and further domestic production in emerging countries.

- World’s steel demand expansion is driven by emerging countries, and demands in emerging countries are highly fulfilled by their domestic production expansion.

Being an insider is the key to capturing demand growth in emerging countries.
Nippon Steel’s Global Strategy

On our view of the supply-demand trend in each area, supported by worldwide customer network, Nippon Steel promotes the best suited business model in each area.

- Difficulty of export (Shift to domestic production)
- Market size & growth potential
- Difficulty of new entry to the market

- Japanese customers’ local production
- Local customers’ demand
Established supply network of Japanese quality high-grade products in ASEAN countries.

Nippon Steel builds local production bases of downstream process, which control quality and distribution. Semi-products are supplied from Japan to the downstream mills in ASEAN countries.
Nippon Steel’s Global Strategy -China • NAFTA-

Japanese customers’ local production
High domestic production ratio

JV with leading steelmaker
In each area
- China: BAOWU
- US: ArcelorMittal

Found JV production bases of downstream process, which control quality and distribution.
- Nippon Steel infuses technology
- JV partner supplies semi-finished products
In order to capture promised growth of steel demand in India, Nippon Steel has acquired Essar Steel, taking advantage of an golden opportunity of the industrial restructuring ⇒ Enters Indian market and aims to expand production as an insider
Nippon Steel Group Overseas Location & Capacity

Overseas steel production capacity approx. 39MMT/Y*1 (worldsteel basis*2 approx. 19)

Domestic capacity approx. 54MMT/Y (worldsteel basis*2 approx. 53)

→Total global capacity approx. 90MMT/Y*1 (worldsteel basis*2 approx. 68)

*1 100% of capacities of companies within World Steel Association definition of crude steel production statistics (parent company, subsidiaries, and equity method affiliates with over 30% ownership (incl. USIMINAS)) are included. In addition, 100% of capacities of some equity method affiliates less than 30% ownership are included, in either case Nippon Steel provides semi-finished products to those companies or Nippon Steel sells those companies’ products (AGIS, PATIN, STP, NSCh, VSB).

*2 Worldsteel basis: 100% of capacities of companies with more than 50% ownership, pro-rata capacities of companies with 30-50% ownership, and pro-rata capacities of some equity method affiliates less than 30% ownership (AGIS, PATIN, STP, NSCh, VSB) are included.

Auto (Downstream mill)
Energy, resources (〃)
Infrastructure (〃)
Home appliance, container (〃)

Integrated mill
Downstream base of integrated steel mill
Auto (Downstream mill)
Appendix
Global crude steel capacity
approx. 71 MMT/Y\(^{\ast1}\) (worldsteel basis\(^{\ast2}\) 60)

Crude steel capacity
54 MMT/Y\(^{\ast1}\) (worldsteel basis\(^{\ast2}\) 53)
Parent company 45, group companies 9 (worldsteel basis 8)

Integrated steel mill
Crude steel capacity
17 MMT/Y\(^{\ast2}\) (worldsteel basis 7)

Downstream capacity
20 MMT/Y\(^{\ast1}\) (worldsteel basis\(^{\ast2}\) 11)

Semi-finished products
4 MMT/Y

Overseas downstream capacity
approx. 39 MMT/Y\(^{\ast1}\) (worldsteel basis\(^{\ast2}\) 19)

Exports

Japanese Market

Overseas Market

Global steel production Capacity
54 + 20 + 19 - 4 = approx. 90 MMT/Y\(^{\ast1}\)
(worldsteel basis\(^{\ast2}\) 68)

Integrating steel mill
Downstream capacity
19 MMT/Y\(^{\ast2}\) (worldsteel basis\(^{\ast2}\) 8)

Overseas
downstream capacity

[1] 100% of capacities of companies within World Steel Association definition of crude steel production statistics (parent company, subsidiaries, and equity method affiliates with over 30% ownership (incl. USIMINAS)) are included. In addition, 100% of capacities of some equity method affiliates less than 30% ownership are included, in either case Nippon Steel provides semi-finished products to those companies or Nippon Steel sells those companies’ products (AGIS, PATIN, STP, NSCh, VSB).

[2] Worldsteel basis: 100% of capacities of companies with more than 50% ownership, pro-rata capacities of companies with 30-50% ownership, and pro-rata capacities of some equity method affiliates less than 30% ownership (AGIS, PATIN, STP, NSCh, VSB) are included.
Nippon Steel Group Overseas Location & Capacity

Overseas Steel Production Capacity: approx. 39MMT/Y*1 (worldsteel basis approx. 19)

Steel Production Capacity*1 (MMT/Y)

Integrated Mill

Downstream base of integrated steel mill

For auto

For energy and resources

For infrastructure

For electric appliances, container and others

<table>
<thead>
<tr>
<th>Region</th>
<th>Shefs (MMT/Y)</th>
<th>Bar&amp;Wire (MMT/Y)</th>
<th>Pipe (MMT/Y)</th>
<th>Crank-shaft*2 (MMT/Y)</th>
<th>Downstream Total*3 (MMT/Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas total</td>
<td>12.50</td>
<td>1.70</td>
<td>0.45</td>
<td>0.15</td>
<td>1.55</td>
</tr>
<tr>
<td>ASEAN</td>
<td>1.84</td>
<td>0.13</td>
<td>0.25</td>
<td></td>
<td>2.84</td>
</tr>
<tr>
<td>China</td>
<td>2.75</td>
<td>0.09</td>
<td>0.05</td>
<td>0.04</td>
<td>1.00</td>
</tr>
<tr>
<td>India</td>
<td>9.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MENA</td>
<td>0.60</td>
<td>0.24*4</td>
<td>0.02</td>
<td>0.04</td>
<td>0.43</td>
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<tr>
<td>N&amp;S America</td>
<td>8.2</td>
<td></td>
<td></td>
<td></td>
<td>1.11*5</td>
</tr>
<tr>
<td>Europe</td>
<td>1.1</td>
<td></td>
<td></td>
<td></td>
<td>1.13*7</td>
</tr>
<tr>
<td>Total</td>
<td>19.0</td>
<td></td>
<td></td>
<td></td>
<td>20.0</td>
</tr>
</tbody>
</table>

*1 Simple aggregation of capacities of parent company, subsidiaries, companies with over 30% ownership, and some equity method affiliates less than 30% ownership (AGIS, PATIN, STP, NSCh, VSB)

*2 Calculated by number of units * t/unit

*3 Excl. overlaps with integrated mills (Mahindra Sanyo, VSB, Standard Steel, Ovako)

*4 Mahindra Sanyo 0.24MMT/Y  *5 Incl. VSB 1.10 MMT/Y  *6 Incl. Standard Steel 0.20MMT/Y  *7 Incl. Ovako 1.10MMT/Y
## Nippon Steel Group Major Production Bases in ASEAN

<table>
<thead>
<tr>
<th>No.</th>
<th>Year</th>
<th>Company</th>
<th>Sector</th>
<th>Products</th>
<th>Capacity (MMT/Y)</th>
<th>Investment ratio, partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1963</td>
<td>NSPT</td>
<td>Auto</td>
<td>Pipe</td>
<td>0.16</td>
<td>58%</td>
</tr>
<tr>
<td>2</td>
<td>1988</td>
<td>STP*</td>
<td>Container</td>
<td>Tinplate</td>
<td>0.27</td>
<td>16%</td>
</tr>
<tr>
<td>3</td>
<td>1995</td>
<td>NS-SUS</td>
<td>Auto</td>
<td>Sheets</td>
<td>1.36</td>
<td>80%</td>
</tr>
<tr>
<td>4</td>
<td>1997</td>
<td>NSSPT</td>
<td>Auto</td>
<td>Bar&amp;Wire</td>
<td>0.10</td>
<td>59%</td>
</tr>
<tr>
<td>5</td>
<td>1997</td>
<td>VNSP</td>
<td>Auto</td>
<td>Pipe</td>
<td>0.05</td>
<td>60%</td>
</tr>
<tr>
<td>6</td>
<td>2005</td>
<td>INSP</td>
<td>Auto</td>
<td>Pipe</td>
<td>0.04</td>
<td>90%</td>
</tr>
<tr>
<td>7</td>
<td>2006</td>
<td>N-EGALV</td>
<td>Infrastructure</td>
<td>Sheet</td>
<td>0.12</td>
<td>51%</td>
</tr>
<tr>
<td>8</td>
<td>1982</td>
<td>LATINUSA</td>
<td>Container</td>
<td>Tinplate</td>
<td>0.16</td>
<td>35% Krakatau</td>
</tr>
<tr>
<td>9</td>
<td>2009</td>
<td>CSVC</td>
<td>Infrastructure</td>
<td>Sheets</td>
<td>1.20</td>
<td>30% CSC</td>
</tr>
<tr>
<td>10</td>
<td>2010</td>
<td>NPV</td>
<td>Infrastructure</td>
<td>Pipe</td>
<td>0.06</td>
<td>76%</td>
</tr>
<tr>
<td>11</td>
<td>1974</td>
<td>TSW</td>
<td>Auto</td>
<td>Bar&amp;Wire</td>
<td>0.02</td>
<td>51%</td>
</tr>
<tr>
<td>12</td>
<td>2012</td>
<td>KNSS</td>
<td>Auto</td>
<td>Sheets</td>
<td>0.48</td>
<td>80% Krakatau</td>
</tr>
<tr>
<td>13</td>
<td>2013</td>
<td>NSBS</td>
<td>Infrastructure</td>
<td>Sheets</td>
<td>0.96</td>
<td>50% Bluescope</td>
</tr>
<tr>
<td>14</td>
<td>2015</td>
<td>VAM®BRN</td>
<td>Infrastructure</td>
<td>Pipe</td>
<td>0.50</td>
<td>60% Vallourec</td>
</tr>
<tr>
<td>15</td>
<td>2017</td>
<td>KOS</td>
<td>Infrastructure</td>
<td>Shapes</td>
<td>0.50</td>
<td>80% Krakatau</td>
</tr>
</tbody>
</table>

* Important base to which Nippon Steel provides semi-finished products therefore is added to Nippon Steel Group’s steel production capacity on worldsteel basis.

### Steel Production Capacity in ASEAN

<table>
<thead>
<tr>
<th>Region</th>
<th>Capacity (MMT/Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>5.5 MMT/Y</td>
</tr>
</tbody>
</table>

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### Nippon Steel Group Major Production Bases in China

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
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<th>Sector</th>
<th>Products</th>
<th>Capacity MMT</th>
<th>Investment ratio, partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>PATIN*</td>
<td></td>
<td>Container</td>
<td>Tinplate</td>
<td>0.20</td>
<td>25%</td>
</tr>
<tr>
<td>2001</td>
<td>NSSP</td>
<td></td>
<td>Auto</td>
<td>Bar &amp; Wire</td>
<td>0.02</td>
<td>89%</td>
</tr>
<tr>
<td>2003</td>
<td>Huizhou Nippon Steel Forging</td>
<td></td>
<td>Auto</td>
<td>Crankshaft</td>
<td>2.10 M. Units</td>
<td>60%</td>
</tr>
<tr>
<td>2003</td>
<td>NSPG</td>
<td></td>
<td>Auto</td>
<td>Pipe</td>
<td>0.02</td>
<td>66%</td>
</tr>
<tr>
<td>2004</td>
<td>BNA</td>
<td></td>
<td>Auto</td>
<td>Sheets</td>
<td>2.62</td>
<td>50% BAOWU</td>
</tr>
<tr>
<td>2004</td>
<td>NSPW</td>
<td></td>
<td>Auto</td>
<td>Pipe</td>
<td>0.02</td>
<td>71%</td>
</tr>
<tr>
<td>2006</td>
<td>Suzuki Garphyttan</td>
<td></td>
<td>Auto</td>
<td>Bar &amp; Wire</td>
<td>0.01</td>
<td>100% BAOWU</td>
</tr>
<tr>
<td>2011</td>
<td>WINSteel</td>
<td></td>
<td>Container</td>
<td>Tinplate</td>
<td>0.80</td>
<td>50% BAOWU</td>
</tr>
<tr>
<td>2013</td>
<td>NSCh*</td>
<td></td>
<td>Auto</td>
<td>Bar &amp; Wire</td>
<td>0.04</td>
<td>25% Matsubishi Metal</td>
</tr>
<tr>
<td>2013</td>
<td>Nisshin Nantong High-Tech Sheet</td>
<td></td>
<td>Auto</td>
<td>Sheets</td>
<td>0.01</td>
<td>90%</td>
</tr>
<tr>
<td>2014</td>
<td>ZNW</td>
<td></td>
<td>Auto</td>
<td>Specialty Steel</td>
<td>0.12</td>
<td>55%</td>
</tr>
</tbody>
</table>

**Steel Production Capacity in China**

3.9 MMT/Y

**Steel Production Capacity in Middle East**

0.9 MMT/Y

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*Important bases to which Nippon Steel provides semi-finished products therefore their capacities are added to Nippon Steel Group’s steel production capacity on worldsteel basis.*

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### Nippon Steel Group Major Production Bases in NAFTA & Europe

#### Steel Production Capacity in NAFTA
**7.8 MMT/Y**

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Sector</th>
<th>Products</th>
<th>Capacity MMT</th>
<th>Investment ratio, partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>VAM USA</td>
<td>Energy</td>
<td>Pipe</td>
<td>0.60</td>
<td>34% Vallourec</td>
</tr>
<tr>
<td>1984</td>
<td>Wheeling-Nisshin</td>
<td>Infrastructure</td>
<td>Sheets</td>
<td>0.08</td>
<td>100%</td>
</tr>
<tr>
<td>1989</td>
<td>NSPA</td>
<td>Auto</td>
<td>Pipe</td>
<td>1.54</td>
<td>80% ArcelorMittal</td>
</tr>
<tr>
<td>1987</td>
<td>I/N Tek</td>
<td>Auto</td>
<td>Sheets</td>
<td>0.85</td>
<td>40%</td>
</tr>
<tr>
<td>1989</td>
<td>I/N Kote</td>
<td>Auto</td>
<td>Crankshaft</td>
<td>4 m. units</td>
<td>50%</td>
</tr>
<tr>
<td>1992</td>
<td>PEXCO</td>
<td>Energy</td>
<td>Pipe</td>
<td>0.01</td>
<td>80%</td>
</tr>
<tr>
<td>1996</td>
<td>IPF</td>
<td>Auto</td>
<td>Bar&amp;Wire</td>
<td>0.04</td>
<td>30%</td>
</tr>
<tr>
<td>2005</td>
<td>NAT</td>
<td>Auto</td>
<td>Pipe</td>
<td>0.1</td>
<td>100% Ternium</td>
</tr>
<tr>
<td>2008</td>
<td>NSI</td>
<td>Auto</td>
<td>Crankshaft</td>
<td>0.07</td>
<td>60%</td>
</tr>
<tr>
<td>2009</td>
<td>Suzuki Garphyttan</td>
<td>Auto</td>
<td>Bar&amp;Wire</td>
<td>0.02</td>
<td>100%</td>
</tr>
<tr>
<td>2010</td>
<td>Tenigal</td>
<td>Auto</td>
<td>Integrated mill (Infrastructure)</td>
<td>0.40</td>
<td>49% Bluescope</td>
</tr>
<tr>
<td>2011</td>
<td>Standard Steel</td>
<td>Auto</td>
<td>Wheels</td>
<td>0.20</td>
<td>65%</td>
</tr>
<tr>
<td>2012</td>
<td>MNSP</td>
<td>Auto</td>
<td>Pipe</td>
<td>0.02</td>
<td>74% ArcelorMittal</td>
</tr>
<tr>
<td>2013</td>
<td>NSBS</td>
<td>Infrastructure</td>
<td>Sheets</td>
<td>0.44</td>
<td>50%</td>
</tr>
<tr>
<td>2014</td>
<td>AM/NS Calvert</td>
<td>Auto</td>
<td>Sheets</td>
<td>4.30</td>
<td>50%</td>
</tr>
<tr>
<td>2015</td>
<td>SMM</td>
<td>Auto</td>
<td>Bar&amp;Wire</td>
<td>0.03</td>
<td>91%</td>
</tr>
<tr>
<td>2016</td>
<td>NSCI</td>
<td>Auto</td>
<td>Bar&amp;Wire</td>
<td>1.10</td>
<td>42%</td>
</tr>
</tbody>
</table>

#### Steel Production Capacity in Europe
**1.15 MMT/Y**

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Sector</th>
<th>Products</th>
<th>Capacity MMT</th>
<th>Investment ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>Suzuki Garphyttan</td>
<td>Auto</td>
<td>Bar&amp;Wire</td>
<td>0.03</td>
<td>100%</td>
</tr>
<tr>
<td>2014</td>
<td>KTS Wire</td>
<td>Auto</td>
<td>Bar&amp;Wire</td>
<td>0.01</td>
<td>100%</td>
</tr>
<tr>
<td>2018</td>
<td>OVAKO</td>
<td>Integrated mill (Auto)</td>
<td>Bar&amp;Wire</td>
<td>1.10</td>
<td>100%</td>
</tr>
</tbody>
</table>
### Nippon Steel Group Major Production Bases in India & South America

#### Steel Production Capacity in India

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Sector</th>
<th>Products</th>
<th>Capacity MMT/Y</th>
<th>Investment ratio, partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>SMAC</td>
<td>Auto</td>
<td>Crankshaft</td>
<td>2.2 m. Units</td>
<td>40%</td>
</tr>
<tr>
<td>2010</td>
<td>NPI</td>
<td>Auto</td>
<td>Pipe</td>
<td>0.02</td>
<td>99%</td>
</tr>
<tr>
<td>2012</td>
<td>JCAPCPL</td>
<td>Auto</td>
<td>Sheets</td>
<td>0.60</td>
<td>49% Tata Steel</td>
</tr>
<tr>
<td>2011</td>
<td>Mahindra Sanyo</td>
<td>Integrated mill (Auto)</td>
<td>Specialty Steel</td>
<td>0.24</td>
<td>51% Mahindra &amp; Mahindra</td>
</tr>
<tr>
<td>2019</td>
<td>ArcelorMittal Nippon Steel India</td>
<td>Integrated mill</td>
<td>Sheets, Plates &amp; Pipes</td>
<td>9.60</td>
<td>40% ArcelorMittal</td>
</tr>
</tbody>
</table>

#### Steel Production Capacity in South America

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Sector</th>
<th>Products</th>
<th>Capacity MMT/Y</th>
<th>Investment ratio, partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>1958</td>
<td>USIMINAS</td>
<td>Integrated mill</td>
<td>Sheets, Plates</td>
<td>6.90</td>
<td>31%*1 Ternium</td>
</tr>
<tr>
<td>2000</td>
<td>UNIGAL</td>
<td>Auto</td>
<td>Sheets</td>
<td>1.03</td>
<td>30% USIMINAS</td>
</tr>
<tr>
<td>2010</td>
<td>VSB*2</td>
<td>Integrated mill (Energy)</td>
<td>Pipe</td>
<td>1.10</td>
<td>15% Vallourec</td>
</tr>
</tbody>
</table>

*1 Voting share
*2 Nippon Steel sells VSB’s products, therefore VSB’s capacity is added to Nippon Steel Group’s steel production capacity on worldsteel basis.
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