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**NIPPON STEEL &  
SUMITOMO METAL  
CORPORATION**

# Third Quarter FY2014 Earnings Summary

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January 29, 2015

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In this presentation,

- 'NIPPON STEEL & SUMITOMO METAL CORPORATION' is abbreviated as 'NSSMC'
- All output figures are presented in metric tons
- Unless otherwise noted, all financial figures are consolidated

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**1. FY2014 3Q Results & Full Year Forecast**

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# 1. FY 2014 3Q Results & Full Year Forecast

# Overview: FY2014 3Q Results & Full Year Forecast

## Business Environment (FY2014 3Q)

### Domestic:

- ◆ Demand fell short of expected level and remained same level as 2Q

### Overseas:

- ◆ Exports from China increased significantly
  - Led weak market price

## Operational Highlights (FY2014 2H)

### Production<sup>\*1</sup>:

- ◆ 0.9<sub>MMT</sub> reduction of crude steel production in response to demand decline trend
  - Leads to proper inventory level

### Other Efforts:

- ◆ Maximize efforts to achieve stable operation & supply
- ◆ Ensure stable start up of overseas JVs

## Financial Highlights (FY2014)

### FY2014 3Q Earnings:

- ◆ Ordinary profit : + 64% from 2Q
- ◆ Net income : - 35% from 2Q
  - Due to Impairment loss on VSB project
- ◆ ROS: 11.9%, ROE: 5.8%

### FY2014 Full Year Guidance:

- ◆ Ordinary profit : + ¥10 bn from previous forecast<sup>\*2</sup>
- ◆ Net income : - ¥70 bn from previous forecast<sup>\*2</sup>
  - Due to Impairment loss on VSB project
- ◆ Full-year dividend : ¥5/share (Payout ratio 25%)
- ◆ ROS: 7.3%

\*1 Non-consolidated volume, but includes NIPPON STEEL & SUMIKIN KOUTETSU WAKAYAMA

\*2 Forecast as of October. 30th, 2014

# Key Indicators of Demand

	FY13		FY14										Change			
	1H	2H	1Q	2Q	1H	*2	*2	*1	*2	*1	*2	14/2Q VS. 14/3Q	14/1H VS. 14/2H(E)	FY13 VS. FY14(E)	FY14[E]*1 VS. FY14(E)	
						3Q	4Q(E)	[2H(E)]	2H(E)	[E]	(E)					
Housing Starts (million houses)	0.50	0.49	0.99	0.22	0.22	0.44	0.23	0.21	[0.45]	0.44	[0.89]	0.88	+0.01	-0.00	-0.11	-0.01
Non-residential Construction Starts (million m <sup>3</sup> )	29.15	27.12	56.27	13.98	13.36	27.34	14.09	13.35	[28.64]	27.44	[56.82]	54.78	+0.73	+0.10	-1.49	-2.04
Public Works Orders (¥ in billion)	4,943	5,362	10,305	2,649	3,104	5,752	2,200	2,300	/	4,500	/	10,252	-904	-1,252	-52	/
Finished Auto Production (million cars)	4.74	5.17	9.91	2.40	2.38	4.78	2.32	2.50	[4.95]	4.83	[9.75]	9.61	-0.06	+0.04	-0.30	-0.14
Export of Finished Auto (million cars)	2.35	2.28	4.63	1.09	1.15	2.24	1.20	1.22	[2.44]	2.41	[4.75]	4.65	+0.05	+0.18	+0.02	-0.10
Overseas Auto Production (8 Japanese car makers)(million cars)	7.88	8.46	16.34	4.27	4.15	8.42	4.37	/	/	/	/	/	+0.22	/	/	/
Large & Middle sized Shovel Production (thousand units)	38	42	80	19	21	39	16	16	[34]	32	[71]	71	-5	-8	-9	-0
Metal Machine Tool Production (thousand tons)	154	190	344	108	123	231	109	112	[202]	221	[404]	452	-14	-10	+108	+48
Keel-laid New Ships (m. gross tons)	5.77	6.45	12.22	3.28	3.28	6.55	3.40	3.40	/	6.80	/	13.35	+0.13	+0.25	+1.13	/

Rig Count	CY09	CY10	CY11	CY12	CY13	CY14*3	Latest
USA	1,089	1,546	1,875	1,919	1,761	1,862	1,663 (January 23, 2015)
Deep well (≥ 15,000ft)	249	249	395	324	326	354	377 (November, 2014)
World total (Except N. America, Russia & China)	997	1,094	1,167	1,234	1,296	1,337	1,311 (December, 2014)

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

\*1 Figures as of October 30<sup>th</sup>, 2014

\*2 Estimates as of mid-December, 2014

\*3 Average from January to November

# Domestic Steel Consumption by Industrial Sector

(Million tons)	FY13			FY14								Change				
	1H	2H		1Q	2Q	1H	*2 3Q(E)	*2 4Q(E)	*1 [2H(E)]	*2 2H(E)	*1 [E]	*2 (E)	14/2Q VS. 14/3Q	14/1H VS. 14/2H(E)	FY13 VS. FY14(E)	FY14[E]*1 VS. FY14(E)
<b>Crude Steel Production in Japan</b>	55.82	55.71	111.52	27.67	27.89	55.56	27.54	27.30		54.84		110.40	-0.35	-0.72	-1.12	
<b>Domestic Steel Consumption (A + B)</b>	31.75	33.34	65.09	15.93	16.14	32.06	16.18	16.04	[32.78]	32.22	[64.71]	64.29	+0.04	+0.16	-0.80	-0.42
<i>% for manufacturing sector</i>	63.0	62.6	62.8	63.6	63.1	63.3	62.2	63.3	[62.2]	62.7	[62.6]	63.0	-0.9	-0.6	+0.2	+0.4
<b>Ordinary Steel Consumption (A)</b>	25.13	26.64	51.77	12.62	12.84	25.46	12.92	12.82	[26.25]	25.73	[51.65]	51.20	+0.08	+0.27	-0.57	-0.45
<b>Construction</b>	11.16	11.85	23.01	5.51	5.66	11.16	5.82	5.60	[11.77]	11.42	[22.95]	22.58	+0.16	+0.26	-0.43	-0.37
<b>Manufacturing</b>	13.97	14.78	28.75	7.12	7.18	14.30	7.10	7.22	[14.48]	14.31	[28.70]	28.61	-0.09	+0.01	-0.14	-0.09
Shipbuilding	1.95	2.16	4.11	1.09	1.11	2.20	1.14	1.14	[2.26]	2.28	[4.51]	4.48	+0.03	+0.08	+0.37	-0.03
Automotive	5.64	5.84	11.48	2.76	2.78	5.54	2.74	2.82	[5.73]	5.56	[11.28]	11.10	-0.04	+0.02	-0.38	-0.18
Industrial Machine	2.43	2.62	5.05	1.31	1.37	2.67	1.21	1.23	[2.43]	2.44	[4.97]	5.11	-0.15	-0.23	+0.06	+0.14
Electronic Machine	1.53	1.59	3.11	0.79	0.76	1.55	0.76	0.78	[1.58]	1.54	[3.17]	3.09	+0.00	-0.02	-0.02	-0.08
<b>Specialty Steel Consumption (B)</b>	6.62	6.70	13.32	3.30	3.30	6.60	3.27	3.22	[6.53]	6.49	[13.06]	13.09	-0.03	-0.11	-0.23	+0.03
<b>Steel Imports</b>	2.77	3.78	6.55	1.76	1.76	3.52										
<b>Steel Exports</b>	20.28	18.87	39.15	9.53	9.90	19.43										

( Source : NSSMC est.) \*1 Figures as of October 30<sup>th</sup>, 2014

\*2 Estimates as of mid-December, 2014

# NSSMC Operational Highlights

(million tons)	FY13			FY14								Change				
	1H	2H		1Q	2Q	1H	3Q	4Q(E)	*2 [2H(E)]	2H(E)	*2 [E]	(E)	14/2Q VS. 14/3Q	14/1H VS. 14/2H(E)	FY13 VS. FY14(E)	FY14[E]*2 VS. FY14(E)
Pig-iron production *1	22.77	22.03	44.80	11.05	11.60	22.64	11.35	11.10	[23.30]	22.50	[45.90]	45.10	-0.25	-0.14	+0.30	-0.80
Consolidated Crude Steel Production	24.27	23.89	48.16	11.86	12.16	24.02	11.83	11.80	[24.60]	23.60	[48.60]	47.60	-0.33	-0.42	-0.56	-1.00
Non-Consolidated Crude Steel Production	23.02	22.64	45.67	11.29	11.59	22.88	11.20	11.10	[23.20]	22.30	[46.10]	45.20	-0.39	-0.58	-0.47	-0.90
Steel Shipments	20.97	21.05	42.02	10.43	10.68	21.11	10.32	10.70	[21.80]	21.00	[42.90]	42.10	-0.35	-0.11	+0.08	-0.80
Seamless Pipe Shipments	0.58	0.62	1.20	0.30	0.29	0.58	0.30	0.31	[0.60]	0.62	[1.18]	1.20	+0.01	+0.04	0	+0.02
Average Steel Selling Price (000 yen/ ton)	84.4	87.6	86.0	87.6	86.0	86.8	88.7	86.0	[85]	87	[86]	87	+2.7	0	+1	+1
Steel Export Ratio (value basis (%))	48	45	46	46	47	46	48	48	[47]	48	[47]	47	+1	+2	+1	0
FOREX (¥/\$)	98	102	100	102	103	103	113	115	[107]	114	[105]	108	Depreciate 10	Depreciate 11	Depreciate 8	Depreciate 3

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

\*2 Figures as of October 30<sup>th</sup>, 2014

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# FY2014 3Q Results & Full Year Forecast

(¥ in billion)	FY13		FY14										Change			
	1H	2H	FY13 5,516.1	1Q	2Q	1H	3Q	4Q(E)	*1 [2H(E)]	2H(E)	*1 [E]	(E)	14/2Q VS. 14/3Q	14/1H VS. 14/2H(E)	FY13 VS. FY14(E)	FY14[E]*1 VS. FY14(E)
				1,361.4	1,417.0	2,778.4	1,403.2	1,468.4	[2,871.6]	2,871.6	[5,650.0]	5,650.0	-13.8	+93.2	+133.9	+0.0
Net Sales	2,674.5	2,841.5	5,516.1	1,361.4	1,417.0	2,778.4	1,403.2	1,468.4	[2,871.6]	2,871.6	[5,650.0]	5,650.0	-13.8	+93.2	+133.9	+0.0
Operating Profit	139.2	159.0	298.3	59.6	75.8	135.5	119.6						+43.8			
Ordinary Profit	173.6	187.4	361.0	74.3	102.0	176.3	166.8	66.9	[223.7]	233.7	[400.0]	410.0	+64.8	+57.4	+49.0	+10.0
Special Profit (Loss)	16.5	21.5	38.0	-	(4.9)	(4.9)	(73.4)						-68.5			
Net Income	115.5	127.1	242.7	48.3	63.9	112.2	41.3	26.5	[137.8]	67.8	[250.0]	180.0	-22.6	-44.4	-62.7	-70.0
[ EPS ]	[ 12.7 ]	[ 13.9 ]	[ 26.7 ]	[ 5.3 ]	[ 7.0 ]	[ 12.3 ]	[ 4.5 ]	[ 3 ]	[ 15.1 ]	[ 7 ]	[ 27 ]	[ 20 ]	[ -2.5 ]	[ -5 ]	[ -7 ]	[ -7 ]
<b>EBITDA</b>	300.7	329.4	630.2	135.8	154.2	290.1	200.9						+46.7			
<b>EBITDA / Sales</b>	11.2%	11.6%	11.4%	10.0%	10.9%	10.4%	14.3%						+3.4%			
<b>ROS</b>	6.5%	6.6%	6.5%	5.5%	7.2%	6.3%	11.9%	4.6%	[7.8%]	8.1%	[7.1%]	7.3%	+4.7%	+1.8%	+0.8%	+0.2%
<b>ROE</b>	9.4%	9.8%	9.6%	7.2%	9.2%	8.2%	5.8%						-3.4%			

\*1 Figures as of October 30<sup>th</sup>, 2014

# Special Profit & Loss

(Yen in billion)	FY14			
	1Q	2Q	1H	3Q
Gain on sales of investments in securities	—	5.2	5.2	0.9
<b>Special profit</b>	—	5.2	5.2	0.9
Loss on inactive facilities	—	(10.1)	(10.1)	(5.7)
Loss on on business of subsidiaries and affiliates	—	—	—	(68.6)
<b>Special Loss</b>	—	(10.1)	(10.1)	(74.3)
<b>Special Profit &amp; Loss</b>	—	(4.9)	(4.9)	(73.4)

\*1  
Impairment loss on VSB project - 68.6 bn

( Recognized consolidated impairment loss on investment in securities of VSB )

**Reason:** Recent decline in oil prices is expected to impair oil & gas related markets and future cash flows of VSB project

**Recovery** NSSMC and Vallourec are considering together all possibilities to

**Plans:** enhance VSB performance, such as operational synergy with VBR<sup>\*2</sup>

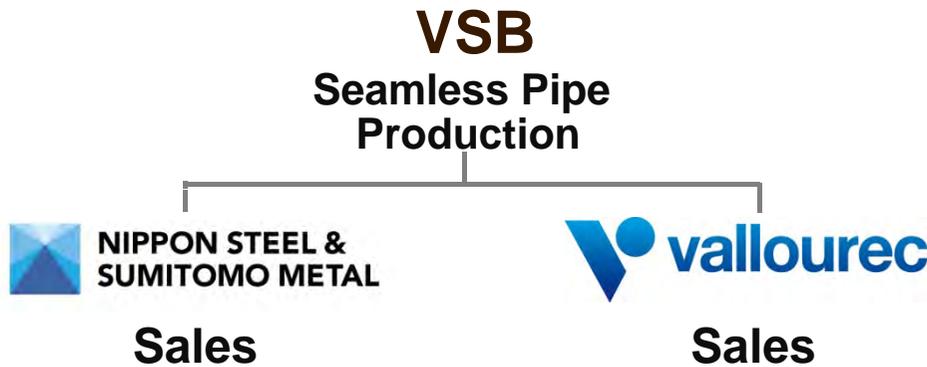
\*1 VSB project: VSB is seamless pipe production company in Brazil. Established by NSSMC and Vallourec as JV. Each of mother companies individually sells VSB products to customers.

\*2 VBR is one of Vallourec's subsidiaries located in Brazil. It produces and sells seamless pipes.

# [ Reference ]

## Overview: VSB

**Name** : Vallourec & Sumitomo Tubos do Brasil Ltda.  
**Location** : Minas Gerais State, Brazil  
**Capital** : 5,376BRL **Established** : July, 2007  
**Investment %** : Vallourec Group 56.0%, NSSMC Group 40.4%, SC (\*1) 3.6%  
**Business activities:** Production of seamless pipes  
 (Mother companies individually sell VSB products)  
**Production capacity:** 600Kt / year of seamless pipes  
**Major facilities:** Upstream facilities for iron & steel making process  
 Seamless pipe mill and finishing facilities  
**Employees** : Approx 2,400

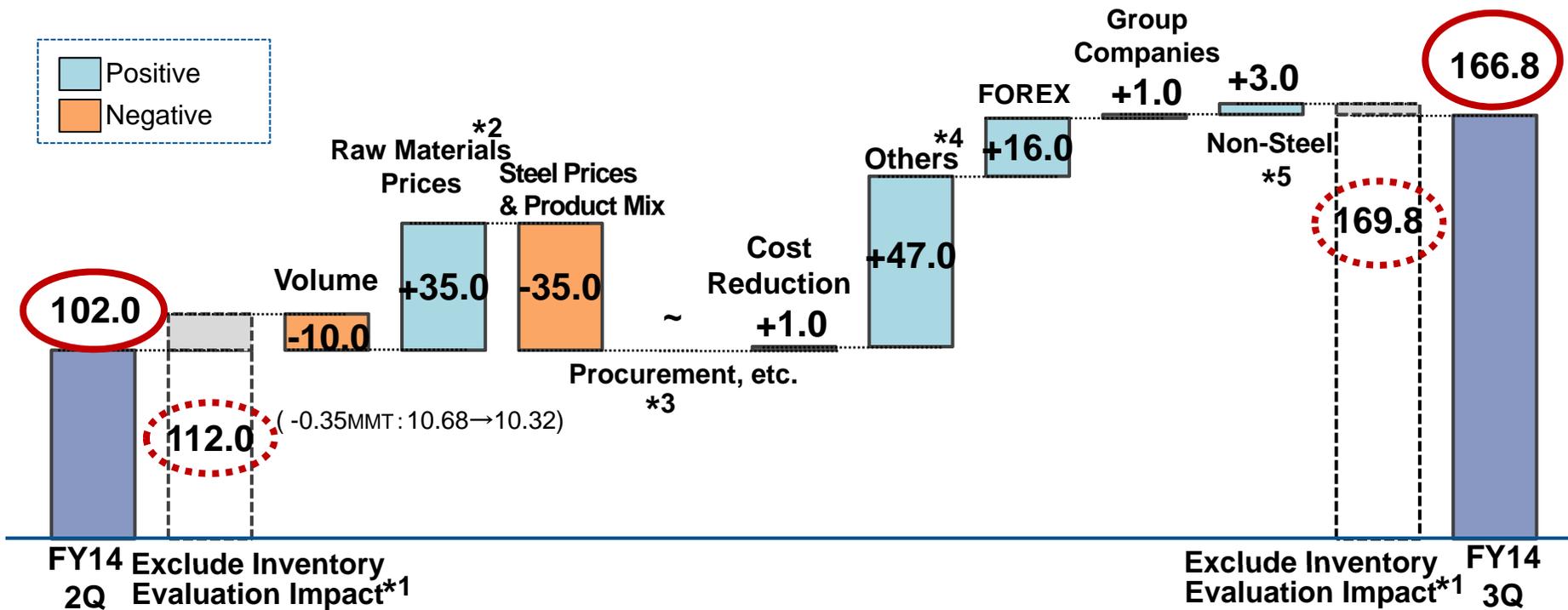
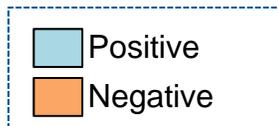


\*1 Sumitomo Corporation

# Ordinary Profit Variance Analysis [FY14/2Q→FY14/3Q ]

(¥ in billion)	FY14/2Q [A]	FY14/3Q [B]	Change [A→B]
<b>Ordinary Profit</b>	<b>102.0</b>	<b>166.8</b>	<b>+64.8</b>
Steel	88.1	148.8	+60.7
Non-Steel	11.1	14.5	+3.4
Adjustment	2.6	3.3	+0.7

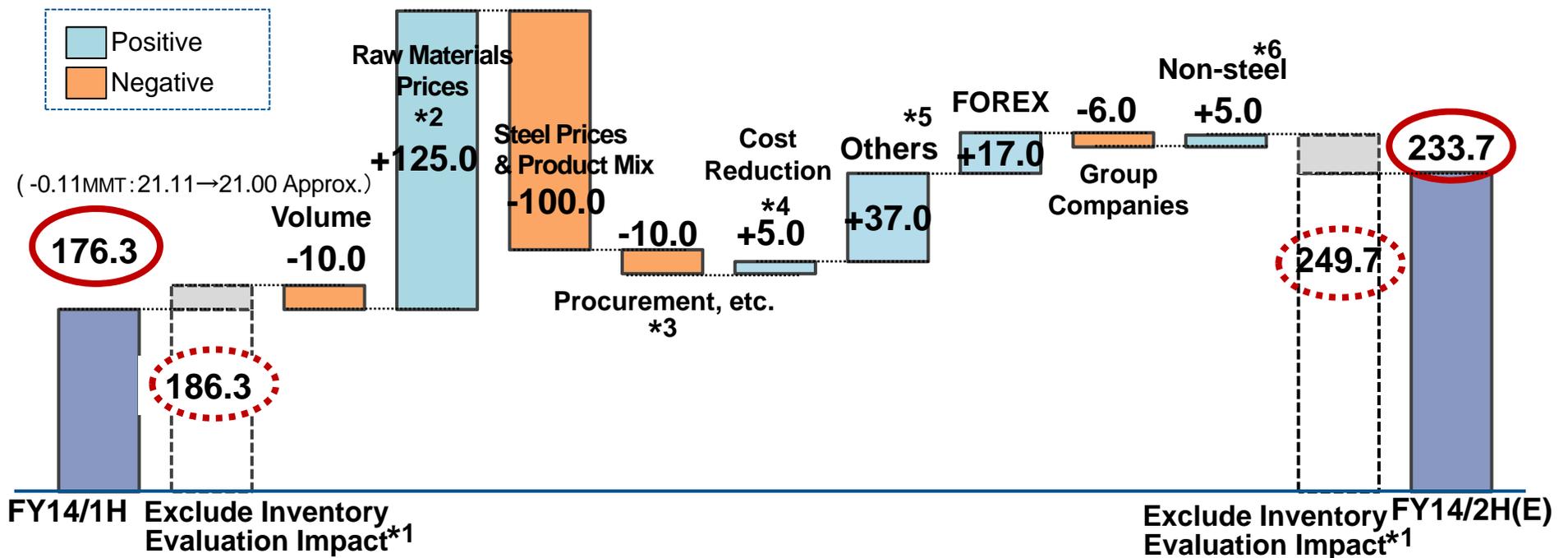
- \*1 Inventory evaluation  
FY14/2Q:-10.0 → FY14/3Q:-3.0
- \*2 Incl. carry over, sub-raw materials
- \*3 Price increase in logistics & electricity, etc.
- \*4 Nagoya accident+3.5, one-off factor such as DEP and disposal of facilities, etc.
- \*5 Engineering +5.0, Chemical-1.5, New Materials~, System Solution -0.1



# Ordinary Profit Variance Analysis [FY14/1H→FY14/2H(E)] <sup>12</sup>

(¥ in billion)	FY14/1H [A]	FY14/2H(E) [B]	Change [A→B]
<b>Ordinary Profit</b>	<b>176.3</b>	<b>233.7</b>	<b>+57.4</b>
Steel	159.1	207.9	+48.8
Non-Steel	17.6	22.4	+4.8
Adjustment	-0.5	3.5	+4.0

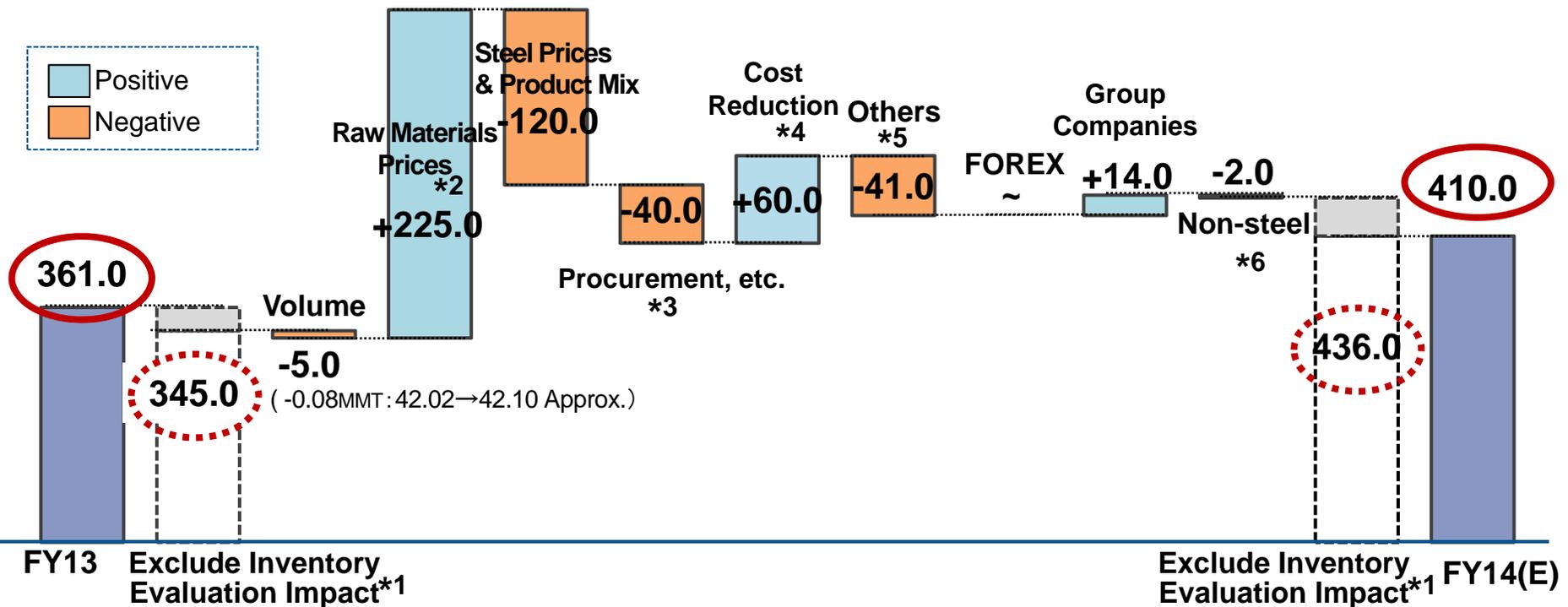
- \*1 Inventory evaluation  
FY14/1H: -10.0 → FY14/2H(E): -16.0
- \*2 Incl. carry over, sub-raw materials
- \*3 Price increase in logistics & electricity, etc.
- \*4 Incl. the merger synergy+14.0
- \*5 Incl. Nagoya accident: +20(FY14/1H-17.0→FY14/2H(E)-15.0),  
Relining blast furnace : +10.0(FY14/1H-10.0→FY14/2H(E)-)
- \*6 Engineering+7.0, Chemical-3.0,  
New Materials~, System Solution+1.0



# Ordinary Profit Variance Analysis [FY13 → FY14 (E)]

(¥ in billion)	FY13 [A]	FY14(E) [B]	Change [A→B]
<b>Ordinary Profit</b>	<b>361.0</b>	<b>410.0</b>	<b>+49.0</b>
Steel	321.2	367.0	+45.8
Non-Steel	41.9	40.0	-1.9
Adjustment	-2.1	3.0	+5.1

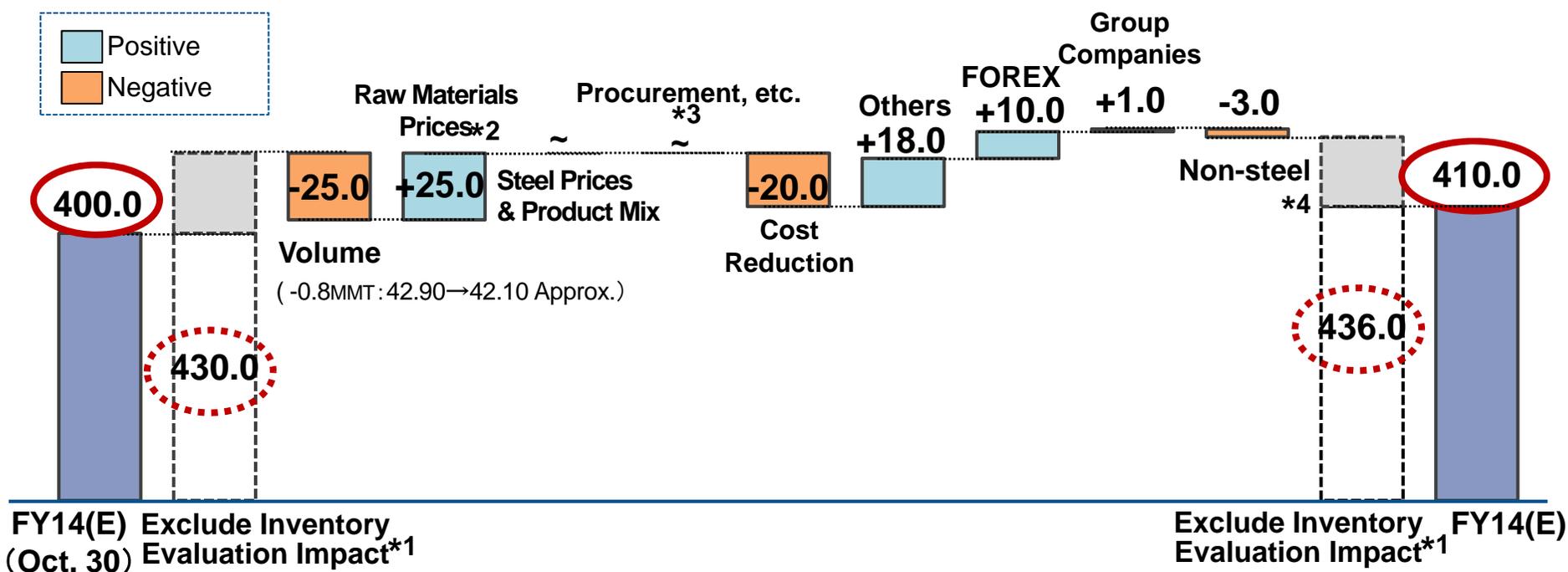
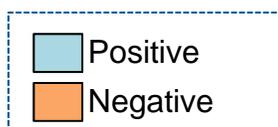
- \*1 Inventory evaluation  
FY13: +16.0 → FY14(E): -26.0
- \*2 Incl. carry over, sub-raw materials
- \*3 Price increase in logistics & electricity, etc.
- \*4 Incl. the merger synergy +40.0
- \*5 Incl. Nagoya accident -24.0
- \*6 Engineering -1.0, Chemical -4.0, New Materials +0.5, System Solution +2.5



# Ordinary Profit Variance Analysis [FY14(E)(Oct. 30) → FY14 (E)]<sup>14</sup>

(¥ in billion)	FY14(E) (10/30) [A]	FY14(E) [B]	Change [A→B]
<b>Ordinary Profit</b>	<b>400.0</b>	<b>410.0</b>	<b>+10.0</b>
Steel	355.0	367.0	+12.0
Non-Steel	43.0	40.0	-3.0
Adjustment	2.0	3.0	+1.0

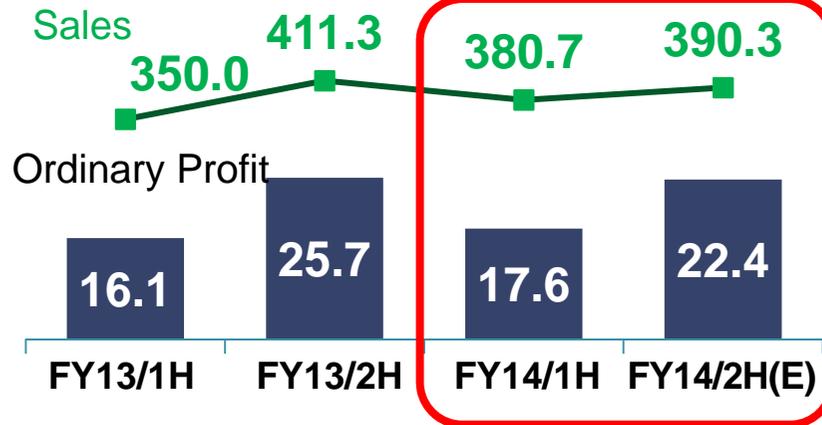
- \*1 Inventory evaluation  
FY14(E)(Oct. 30): -30.0 → FY14(E): -26.0
- \*2 Incl. carry over, sub-raw materials
- \*3 Price increase in logistics & electricity, etc.
- \*4 Engineering~, Chemical-3.0,  
New Materials~, System Solution~



# Non-Steel Business: FY2014 1~3Q Results & Full Year Forecast

## Sales & Ordinary Profit Trend

(Non-steel business total) (¥ in billion)



## Change in Ordinary Profit (FY13 → FY14(E))

<b>Engineering &amp; Construction</b>	Flat	: Steady progress in efforts for cost reduction & margin improvement, but profit will decrease slightly due to change in sales mix
<b>Chemicals</b>	Decrease	: Decline of margin because of weak chemical market
<b>System Solutions</b>	Increase	: SG&A increase, but profit will increase due to strong earning of solution business
<b>New Materials</b>	Increase	: Demand shift from gold to copper wire continued & sales will decrease, but cost reduction efforts will work effectively to increase profit.

(¥ in billion)

Engineering & Construction		FY2013		FY2014(E)	
		1~3Q		1~3Q	
	Sales	203.8	314.1	244.5	330.0
	Ordinary Profit	7.6	17.7	12.7	16.5

Chemicals		FY2013		FY2014(E)	
		1~3Q		1~3Q	
	Sales	174.2	230.1	165.7	210.0
	Ordinary Profit	10.0	10.0	6.3	6.0

System Solutions		FY2013		FY2014(E)	
		1~3Q		1~3Q	
	Sales	121.7	179.8	143.1	195.0
	Ordinary Profit	7.3	12.7	11.1	15.5

New Materials		FY2013		FY2014(E)	
		1~3Q		1~3Q	
	Sales	28.4	37.2	27.3	36.0
	Ordinary Profit	1.4	1.3	1.9	2.0

# Balance Sheets

As of March 31, 2014

(¥ in billion)

Current Assets 2,273.3	Other Liabilities 1,547.9
Fixed Assets 4,808.9	Interest-bearing Debt 2,296.3
	Equity Capital 2,683.6
	554.3

As of December 31, 2014

(¥ in billion)

Current Assets 2,383.2	Other Liabilities 1,696.5
Fixed Assets 4,804.4	Interest-bearing Debt 2,040.2
	Equity Capital 2,882.6
	568.4

Minority Interests in Consolidated Subsidiaries

	End of March, 2014	End of December, 2014	Changes
Total assets (bn¥)	7,082.2	7,187.7	+105.4
Interest-bearing debt (bn¥)	2,296.3	2,040.2	-256.1
Equity Capital (bn¥)	2,683.6	2,882.6	+199.0
DER	0.86	0.71	-0.15

# Year-end Dividend Forecast

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- ◆ In accordance with the basic profit distribution policy described below, NSSMC intends to distribute a year-end dividend of ¥3.0 per share.
- ◆ This would bring the full-year dividend distribution amount to ¥5.0 per share (Consolidated dividend payout ratio of 25%).

## [Cash Dividend 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
- ◆ Target dividend payout ratio: approx. 20% (consolidated basis)

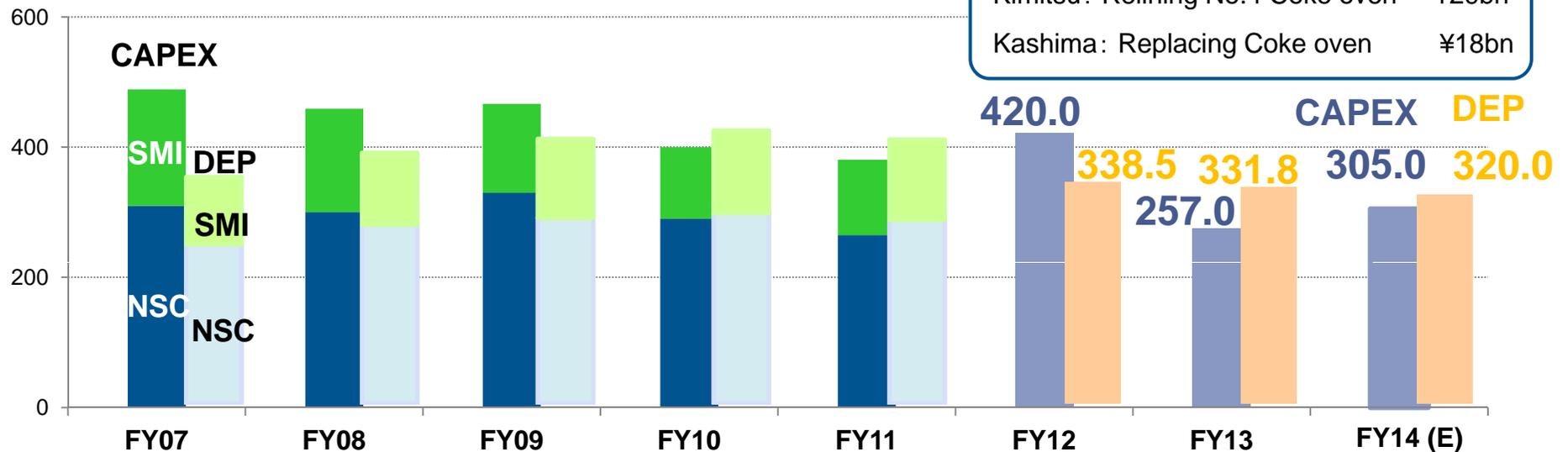
# CAPEX and Depreciation

( ¥ in billion)

NSSMC (Upper : NSC Lower : SMI)	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14 (E)
<b>C A P E X</b>	<b>490.0</b> (310.0) (178.8)	<b>460.0</b> (300.0) (159.1)	<b>465.0</b> (330.0) (136.6)	<b>400.0</b> (290.0) (109.9)	<b>380.0</b> (265.0) (115.7)	<b>420.0</b>	<b>257.0</b>	<b>305.0</b>
<b>Depreciation</b>	<b>346.5</b> (244.0) (102.5)	<b>383.5</b> (273.7) (109.8)	<b>404.8</b> (284.0) (120.8)	<b>417.7</b> (291.5) (126.2)	<b>403.8</b> (280.9) (122.9)	<b>338.5</b>	<b>331.8</b>	<b>320.0</b>

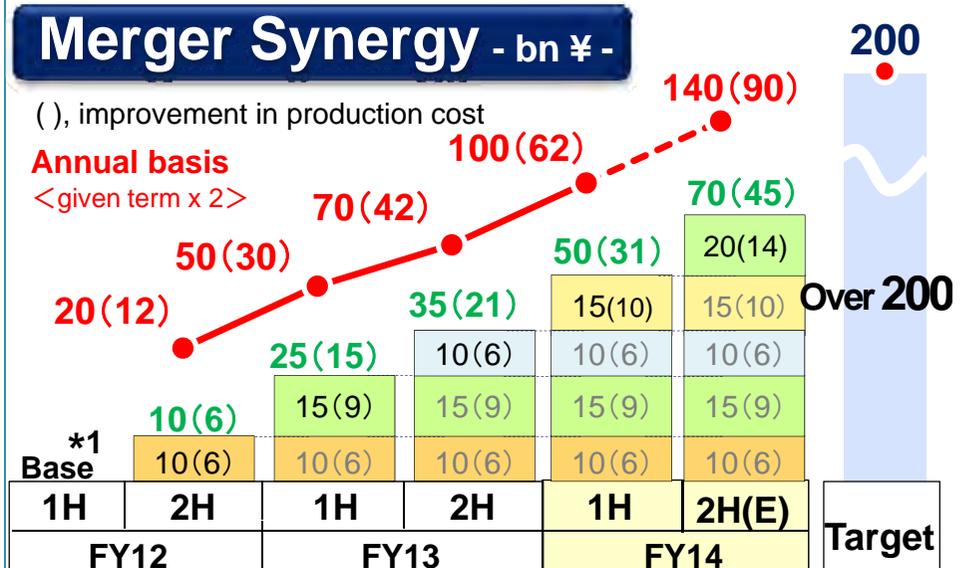
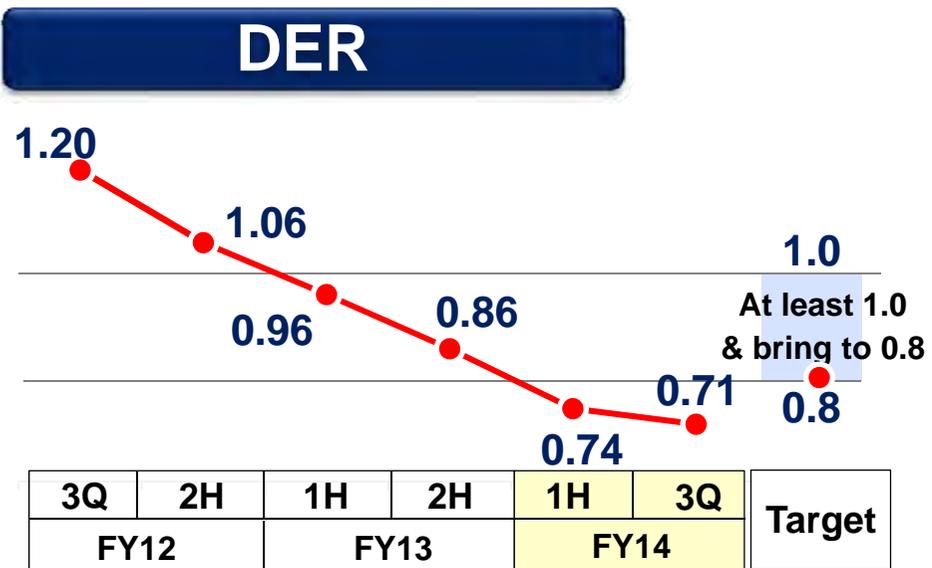
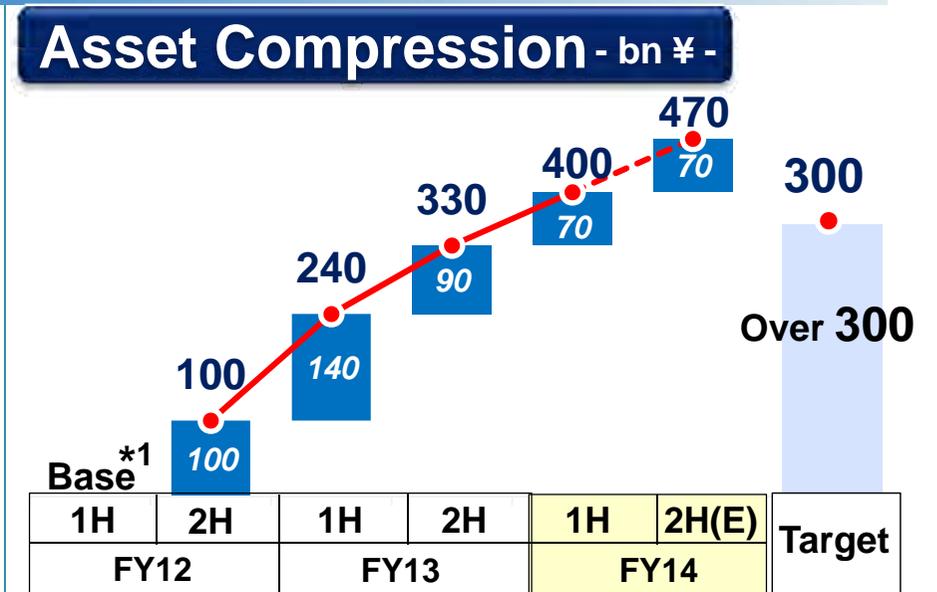
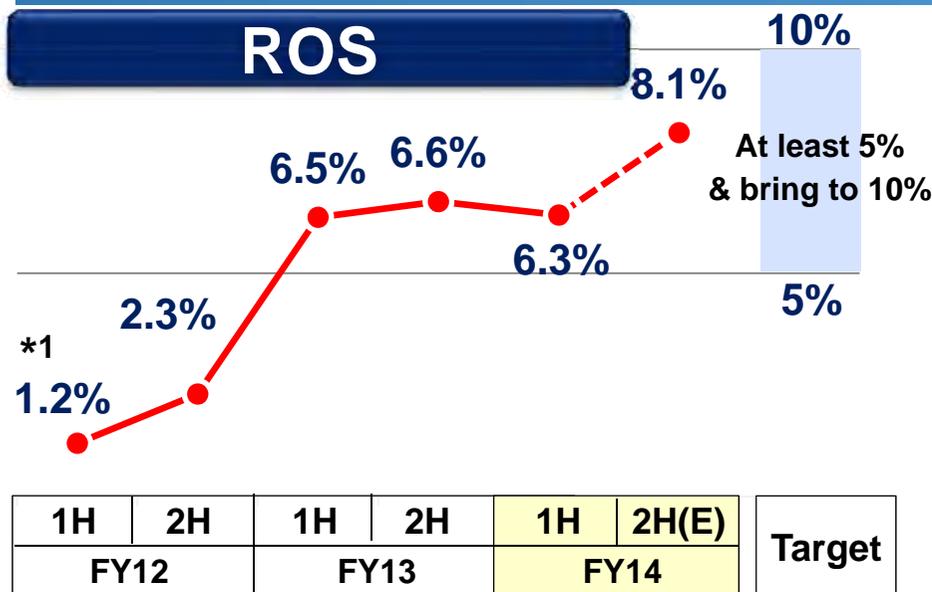
Major CAPEX plan

- Kimitsu: Relining No.4 Coke oven    ¥29bn
- Kashima: Replacing Coke oven    ¥18bn



## 2. Progress in Mid-term management plan

# I. Financial Indicators Target & Progress



\*1 Total of NSC+SMI

## II. With Distinctive Advanced Technology

# Contribution to 'Hydrogen energy society'

Over 50% of hydrogen stations<sup>\*1</sup> adapted our 'HRX19™'

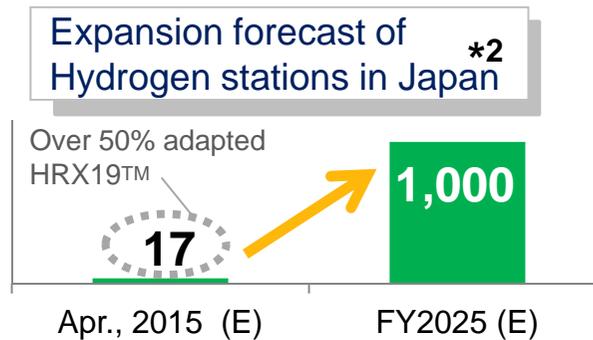
**HRX19™** : New stainless steel for use in high pressure hydrogen env't  
Used for heat exchangers, joints and valves of hydrogen stations

### 3 Distinctive features

- **Excellent resistance:** to hydrogen gas embrittlement
  - Contributes to lengthen piping life of stations & improve safety
- **High strength:** Twice as strong as existing products, but lighter & thinner
  - Greater inside diameters ⇒ larger capacity & shorter hydrogen filling time
- **Excellent weldability:**
  - Unlike existed products, it can be welded
  - Reduce construction & maintenance costs



Left : Existed product (SUS316L),  
Right 2 pipes made of HRX19®



Hydrogen station  
(From website of Tokyo Gas)

\*1 Commercial hydrogen stations in Japan

\*2 Expansion forecast of Hydrogen stations in Japan : Fuel Cell Commercialization Conference of Japan

## II . With Distinctive Advanced Technology

### New plate with improved collision safety Contributes to Safer & Securer Voyages

Imabari Shipbuilding Co., Ltd. adopted 'NSafe®-Hull' in bulk carrier

**NSafe®-Hull**: highly ductile plate developed by NSSMC

- In case of side collision, excellent ductility absorb impact energy  
**3** times more before breaking hull

Adopted in structural parts such as fuel tanks & cargo holds

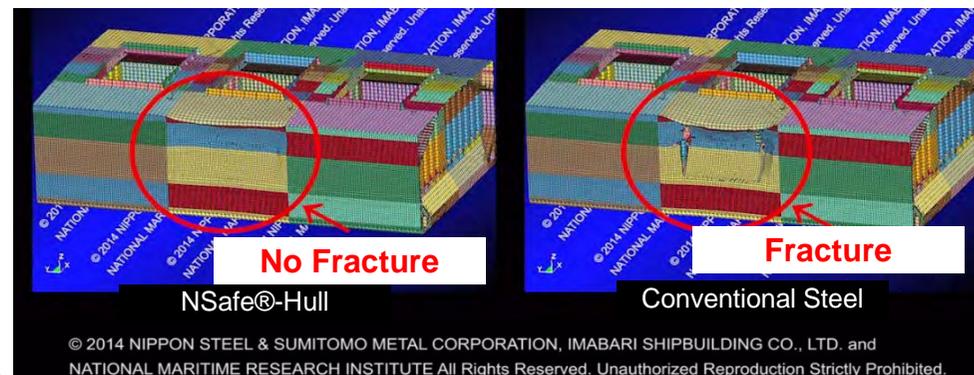
- Prevent oil leakage which causes environmental pollution
- Prevent water ingress which causes cargo damage and capsizing

#### Usage of NSafe®-Hull (parts in red & yellow)



Deadweight: 206.6kt, Length: 299.94m, Breadth: 50m,  
Draught: 24.7m Amount of NSafe®-Hull used: **3,000t**

#### Simulation of collision (1.4sec after collision in 12knots)



### III. Key Overseas Investment Plan & Progress

%: NSSMC group investment ratio		Investment Amount *	Major Facility	Production Capacity	FY13	FY14	FY15
Auto	 <b>AM/NS Calvert</b> 50% (USA) (JV with ArcelorMittal)	Approx. <b>1.55bn\$</b>	Hot Strip, PLCL, CGL, etc	<b>5.3MMT/Y</b> - Hot strip	★ Feb/14		
	 <b>TENIGAL</b> 49% (Mexico) (JV with Ternium)	Approx. <b>300MM\$</b>	CGL	<b>0.4MMT/Y</b>	★ Aug/13		
	 <b>JCAPCPL</b> 49% (India) (JV with TATA)	Approx. <b>40bn₹</b>	CAPL	<b>0.6MMT/Y</b>		★ May/14	
	 <b>KNSS</b> 80% (Indonesia) (JV with PTKS)	Approx. <b>300MM\$</b>	GAPL	<b>0.48MMT/Y</b>			FY17 Start-up
	 <b>NSGT</b> 100% (Thailand)	Approx. <b>300MM\$</b>	CGL	<b>0.36MMT/Y</b>	★ Oct/13		
	 <b>ICI</b> 80% (USA) (New Forging Press Line)	Approx. <b>46MM\$</b>	No4 Forging Press Line	Approx. <b>1.3MM</b> crankshafts/Y	Forging press capacity (2.7 → 4.0MM Crankshafts/Y)		★ FY15 Start-up
	 <b>BNA</b> 50% (China) (JV with Bao)	Approx. <b>1.1 bn CNY</b>	No4 CGL (New line)	<b>0.42MMT/Y</b>	CGL capacity (1.25 → 1.67MMT/Y)		★ FY15 Start-up
Const- ruction	 <b>NSBS</b> 50% (Singapore, etc.) (JV with BSL)	<b>554MM\$</b>	CGL, etc	<b>1.40MMT/Y</b> - CGL	★ Mar/13 JV Established		
	 <b>CSVC</b> 30% (Vietnam) (JV with CSC)	<b>1,150MM\$</b> (JV total)	CDCM	<b>1.20MMT/Y</b>	★ Apr/13		
	 <b>KOS</b> 80% (Indonesia) (JV between OSC & PTKS)	Approx. <b>200MM\$</b>	Small & middle shapes, Rebar, Flat bar mills	<b>0.5MMT/Y</b>			FY16 Start-up
Pipe & Tube	 <b>VAM@ BRN</b>  (Brunei) (JV with SC) %: TBD	Approx. <b>36MM\$</b>	Small & Middle-Diameter steelpipe threading service	<b>0.018MMT/Y</b>			FY16 Start-up

\* Figures are from press releases announced when JV agreements were concluded or investment decisions were made.

# IV. Pursuing Domestic Business Strategy

## Restructuring of production framework

### ◆ Facility close down schedule

Products	Works	Action	Equipment	FY13	FY14	FY15
Up stream process	Kimitsu	Close	No.3 BF	4Q		
			No.5 CC	2Q Done		
	Wakayama	Suspend	No.2 BF (Postpone opening of new BF)			
Sheet	Kashima	Close	No.2 CPL, No.1 Cold Strip Mill No.1 CAL , BAL No.1 CGL, No.2 EGL	4Q		
	Wakayama	Close	No.3 PL, No.1 Cold Strip Mill, CGL, ACL	1Q Done		
	Nagoya	Close	No.4 CGL	1Q Done		
			EGL	4Q		
Kimitsu	Close	No.1 CAPL	3Q Done			
Pipe & tube	Kimitsu	Close	Butt welded pipe line	4Q Done		

### ◆ Works and facility close down schedule at subsidiary

Company	Description	FY13	FY14	FY15
NSPC *1 (ERW reorganization)	Close: 24-inch mill at Wakayama works	3Q Done		
	Close: Sakai Works (Aug. 2015), Kawasaki Works (Nov.,2015)	2Q~3Q		
NISC *2 (Sheet reorganization)	Close: PL and Cold strip mill at Nishi-Nihon Works Amagasaki	4Q Done		
	Close: PL and Cold strip mill at Funabashi Works	1Q Done		

\*1 Nippon Steel & Sumikin Pipe Corporation    \*2 Nippon Steel & Sumikin Coated Sheet Corporation

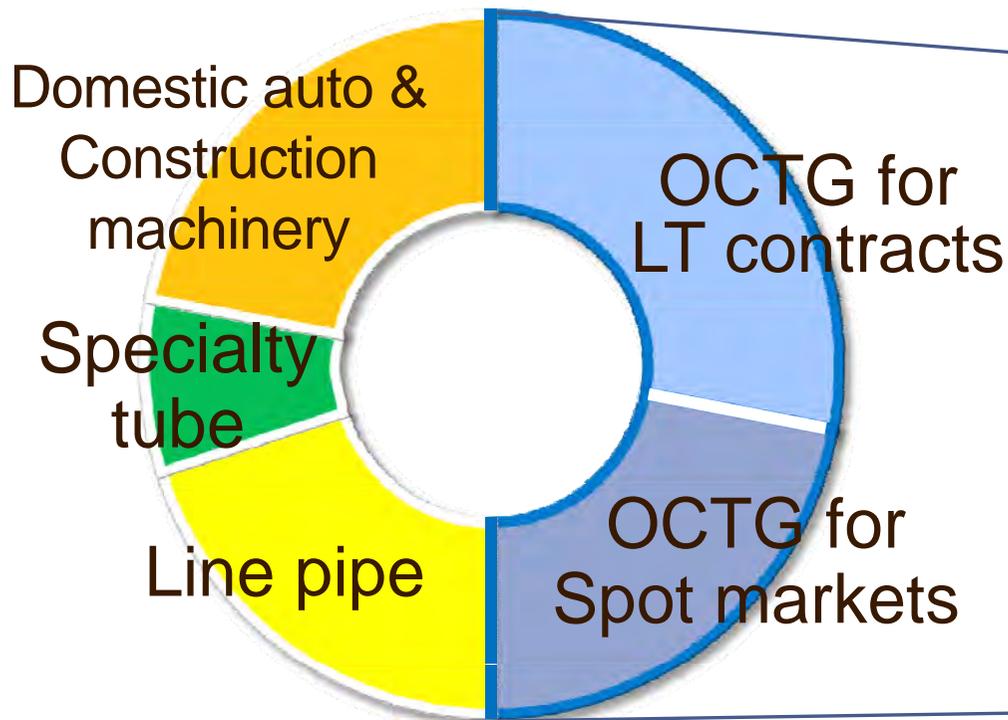


## 3. Reference

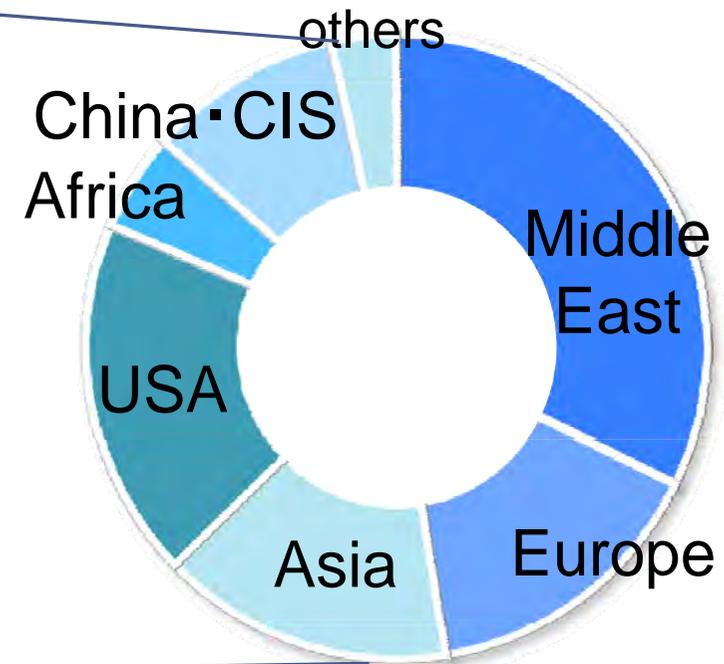
# 《Reference》 Seamless Pipe Business

Seamless pipe Shipments	FY2013	➔	FY2014 (E)	< FY14 (E)* >
	1.2 <sub>MMT</sub>		1.2 <sub>MMT</sub>	< 1.18 <sub>MMT</sub> >

### Seamless pipe sales mix



### OCTG sales mix by region

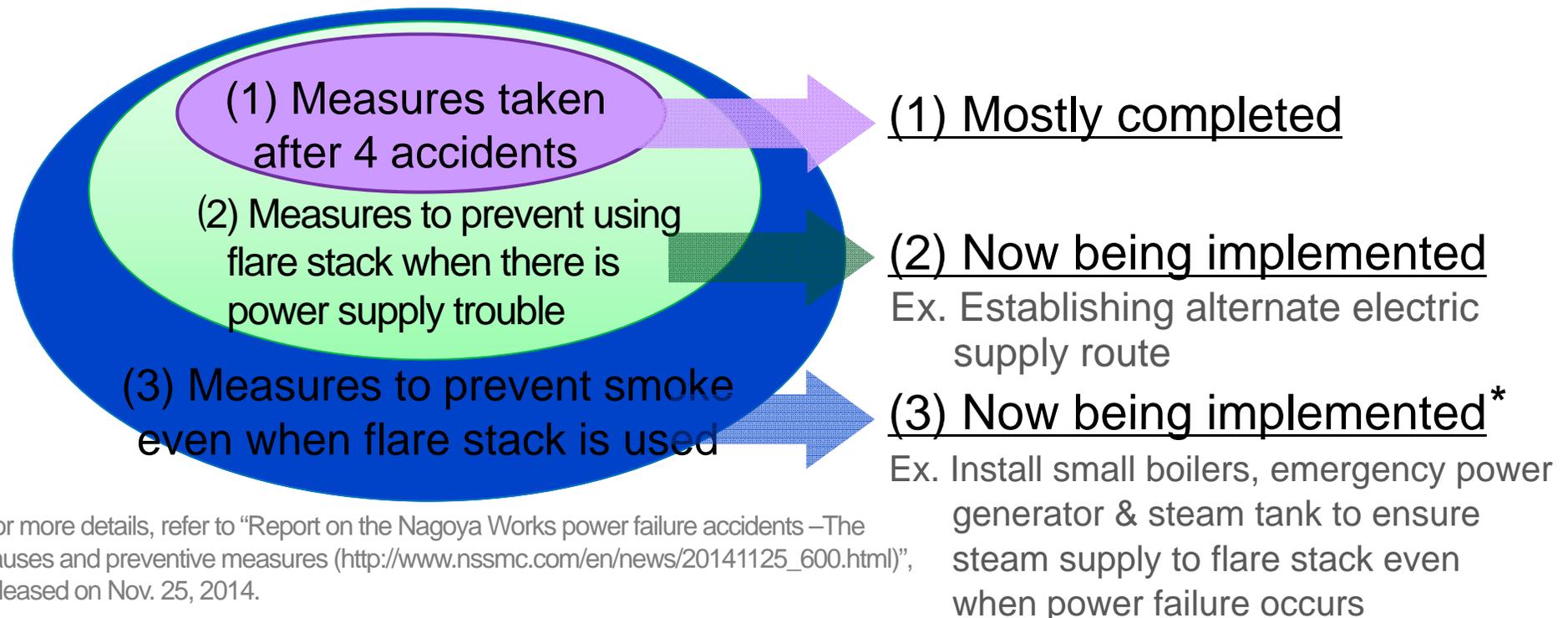


\* Figures as of October 30<sup>th</sup>, 2014

## « Reference » Report on Nagoya Works power accidents

Report on 4 power accidents at Nagoya works was released on Nov. 25, 2014. The report was issued by 'Power Failure Accident Response Committee,' including outside expert members.

As quickly as possible, we will complete implementation of 3 sets of measures to prevent generation of smoke



For more details, refer to "Report on the Nagoya Works power failure accidents –The causes and preventive measures ([http://www.nssmc.com/en/news/20141125\\_600.html](http://www.nssmc.com/en/news/20141125_600.html))", released on Nov. 25, 2014.

\* Small boilers and an emergency power generator were installed by Nov. 2014.

## 4. Appendix

# World Economic Outlook

<Released on January 20, 2015 by IMF>

( ): Outlook as of October. 7, 2014

	2008	2009	2010	2011	2012	2013	2014	2015 outlook	2016 outlook
<b>World Total</b>	<b>3.0</b>	<b>-0.5</b>	<b>5.3</b>	<b>3.9</b>	<b>3.4</b>	<b>3.3</b>	<b>(3.3) 3.3</b>	<b>(3.8) 3.5</b>	<b>3.7</b>
Developed Countries	0.5	-3.4	3.2	1.7	1.2	1.3	(1.8) 1.8	(2.3) 2.4	2.4
USA	0.4	-2.6	3.0	1.8	2.3	2.2	(2.2) 2.4	(3.1) 3.6	3.3
EU27	0.6	-4.1	1.9	1.5	-0.7	-0.5	(0.8) 0.8	(1.3) 1.2	1.4
Japan	-1.2	-6.3	4.4	-0.6	1.5	1.6	(0.9) 0.1	(0.8) 0.6	0.8
Developing Countries	6.1	2.7	7.5	6.2	5.1	4.7	(4.4) 4.4	(5.0) 4.3	4.7
China	9.6	9.2	10.4	9.3	7.7	7.8	(7.4) 7.4	(7.1) 6.8	6.3
India	7.3	6.8	10.6	6.3	4.7	5.0	(5.6) 5.8	(6.4) 6.3	6.5
ASEAN5 <sup>*1</sup>	4.7	1.7	7.0	4.5	6.2	5.2	(4.7) 4.5	(5.4) 5.2	5.3
Russia	5.6	-7.8	4.3	4.3	3.4	1.3	(0.2) 0.6	(0.5) -3.0	-1.0
Brazil	5.1	-0.6	7.5	2.7	1.0	2.5	(0.3) 0.1	(1.4) 0.3	1.5

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

(Source : IMF)



# Worldwide Steel Demand Trend

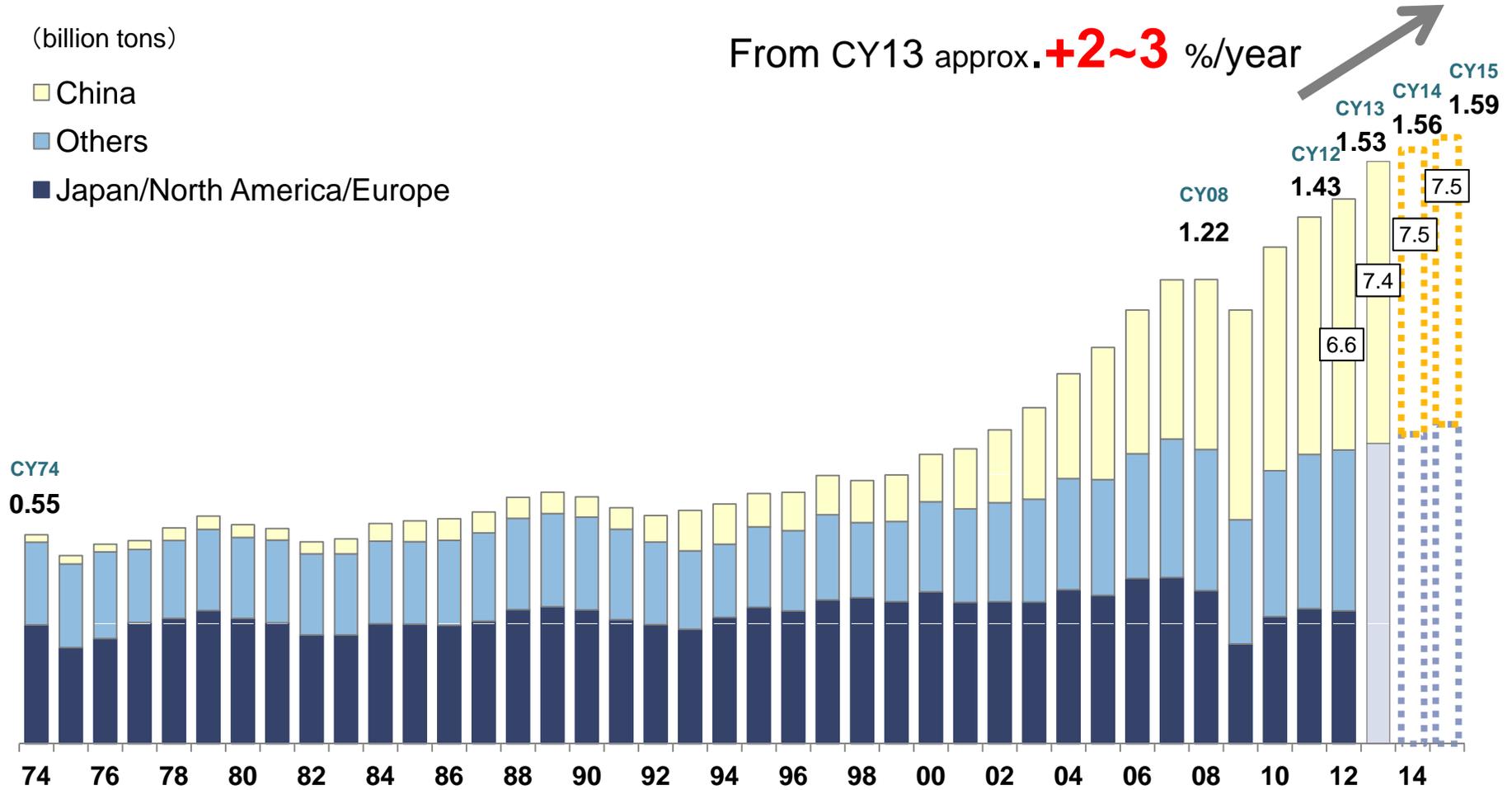
\* (Source: WSA, Apparent finished steel consumption released in October, 2014)

<b>Worldwide Total</b>	<CY11> <b>1.38</b>	→	<CY12> <b>1.43</b>	→	<CY13> <b>1.53*</b>	→	<CY14(E)> <b>1.56*</b>	→	<CY15(E)> <b>1.59*</b> bn tons
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(billion tons)

- China
- Others
- Japan/North America/Europe

From CY13 approx. **+2~3** %/year



# World Crude Steel Production

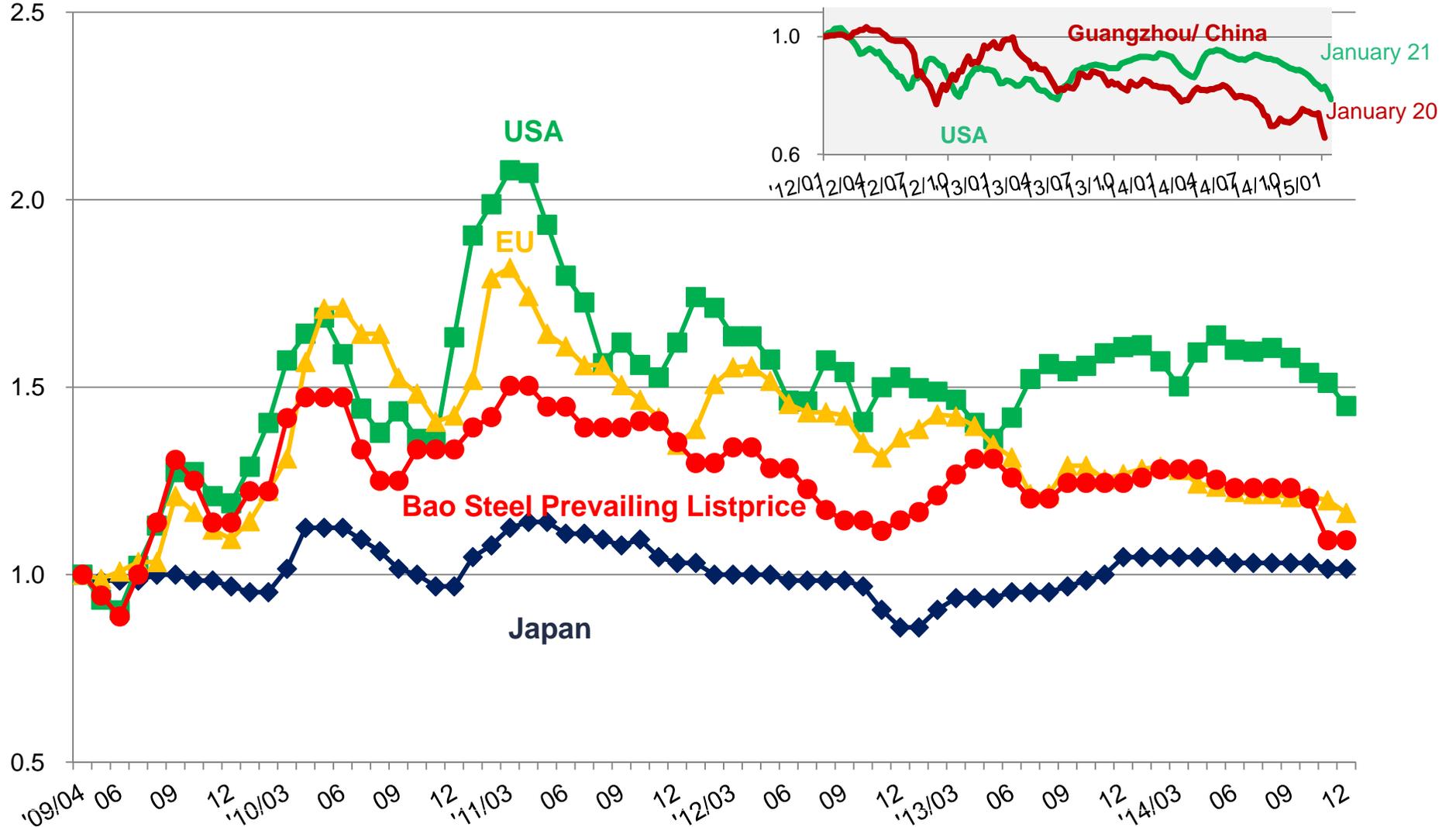
(million tons)	CY13 [A]	CY14					[B]	Change (A → B)
		Jan - Sep	Oct	Nov	Dec	Oct - Dec		
World *1 Total (RC)*2	<b>1,582.5</b> (+4.0%)	<b>1,227.1</b> (+3.4%)	<b>136.4</b> (+1.6%)	<b>130.3</b> (+1.7%)	<b>143.1</b> (+7.1%)	<b>409.8</b> (+3.5%)	<b>1,637.0</b>	<b>+54.5</b> (3.4%)
Japan (RC)*2	<b>110.6</b> (+3.1%)	<b>83.1</b> (+0.8%)	<b>9.4</b> (-1.7%)	<b>9.2</b> (-1.1%)	<b>9.0</b> (-3.6%)	<b>27.5</b> (-2.1%)	<b>110.7</b>	<b>+0.1</b> (0.1%)
Korea (RC)*2	<b>66.0</b> (-4.4%)	<b>53.3</b> (+9.5%)	<b>6.1</b> (+3.9%)	<b>5.9</b> (+4.7%)	<b>5.8</b> (-1.6%)	<b>17.7</b> (+2.3%)	<b>71.0</b>	<b>+5.0</b> (7.6%)
USA	<b>87.0</b>	<b>66.4</b>	<b>7.4</b>	<b>7.2</b>	<b>7.4</b>	<b>22.0</b>	<b>88.3</b>	<b>+1.4</b>
EU28	<b>165.8</b>	<b>127.8</b>	<b>14.7</b>	<b>14.2</b>	<b>12.6</b>	<b>41.5</b>	<b>169.2</b>	<b>+3.4</b>
Russia	<b>69.4</b>	<b>53.1</b>	<b>5.7</b>	<b>5.8</b>	<b>5.9</b>	<b>17.5</b>	<b>70.7</b>	<b>+1.2</b>
Brazil	<b>34.2</b>	<b>25.6</b>	<b>3.1</b>	<b>2.7</b>	<b>2.6</b>	<b>8.4</b>	<b>33.9</b>	<b>-0.3</b>
India	<b>81.2</b>	<b>62.5</b>	<b>6.8</b>	<b>6.8</b>	<b>7.1</b>	<b>20.7</b>	<b>83.2</b>	<b>+2.0</b>
China (RC)*2	<b>779.0</b> (+8.7%)	<b>614.4</b> (+4.8%)	<b>67.5</b> (+3.7%)	<b>63.3</b> (+4.0%)	<b>77.5</b> (+16.0%)	<b>208.3</b> (+8.1%)	<b>822.7</b>	<b>+43.7</b> (5.6%)

\*1 Total of 65 countries \*2 Rate of Change from a year earlier period

# Hot Rolled Sheets Prices by Region

( Prices of Hot Rolled Sheets in local currency as of Apr. 2009=1.0 )

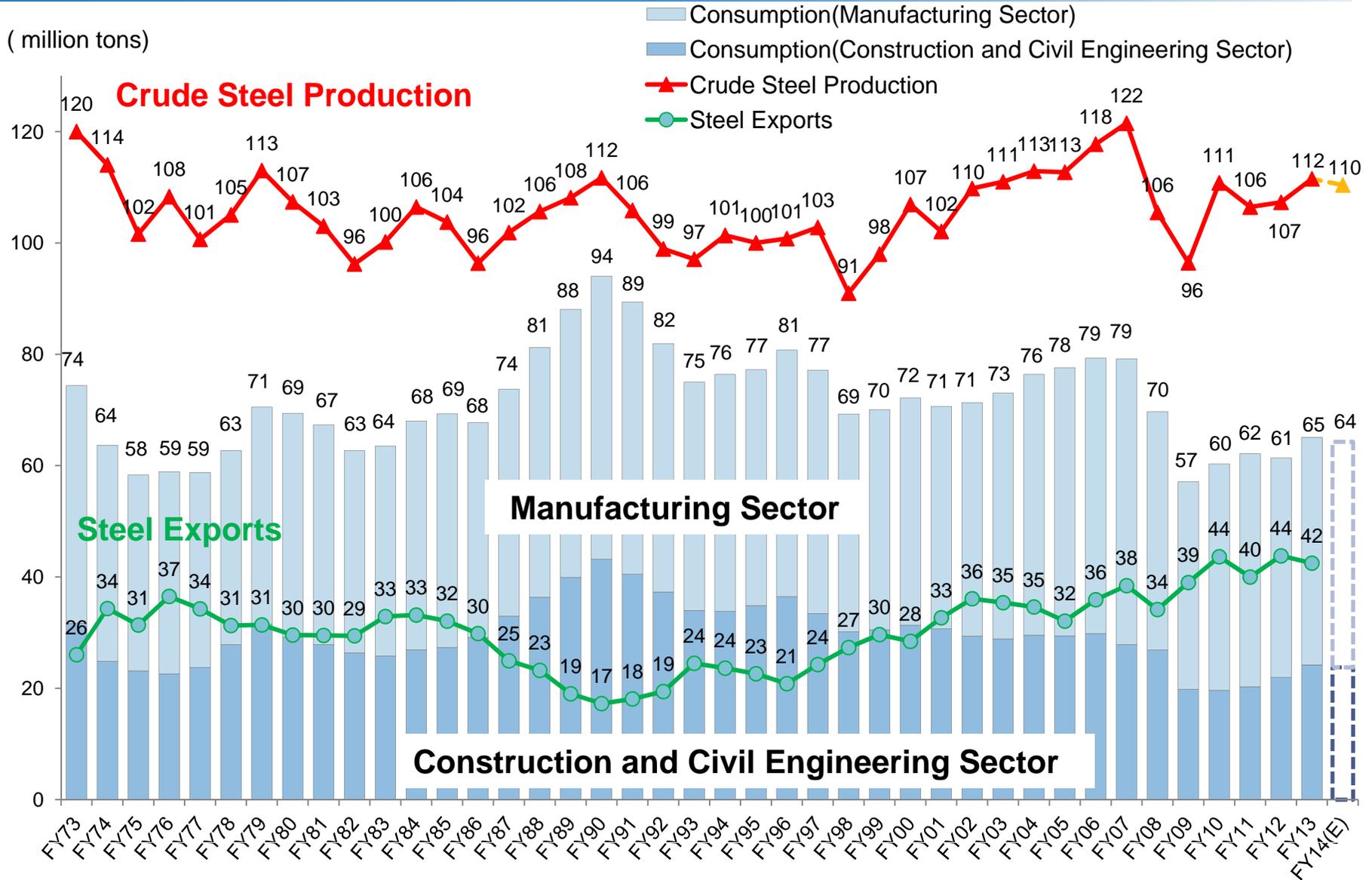
Cf.) The Latest Spot Price of Hot Rolled Sheets



( Source : The Japan Iron and Steel Federation )



# Domestic Steel Consumption Trend – Long Term



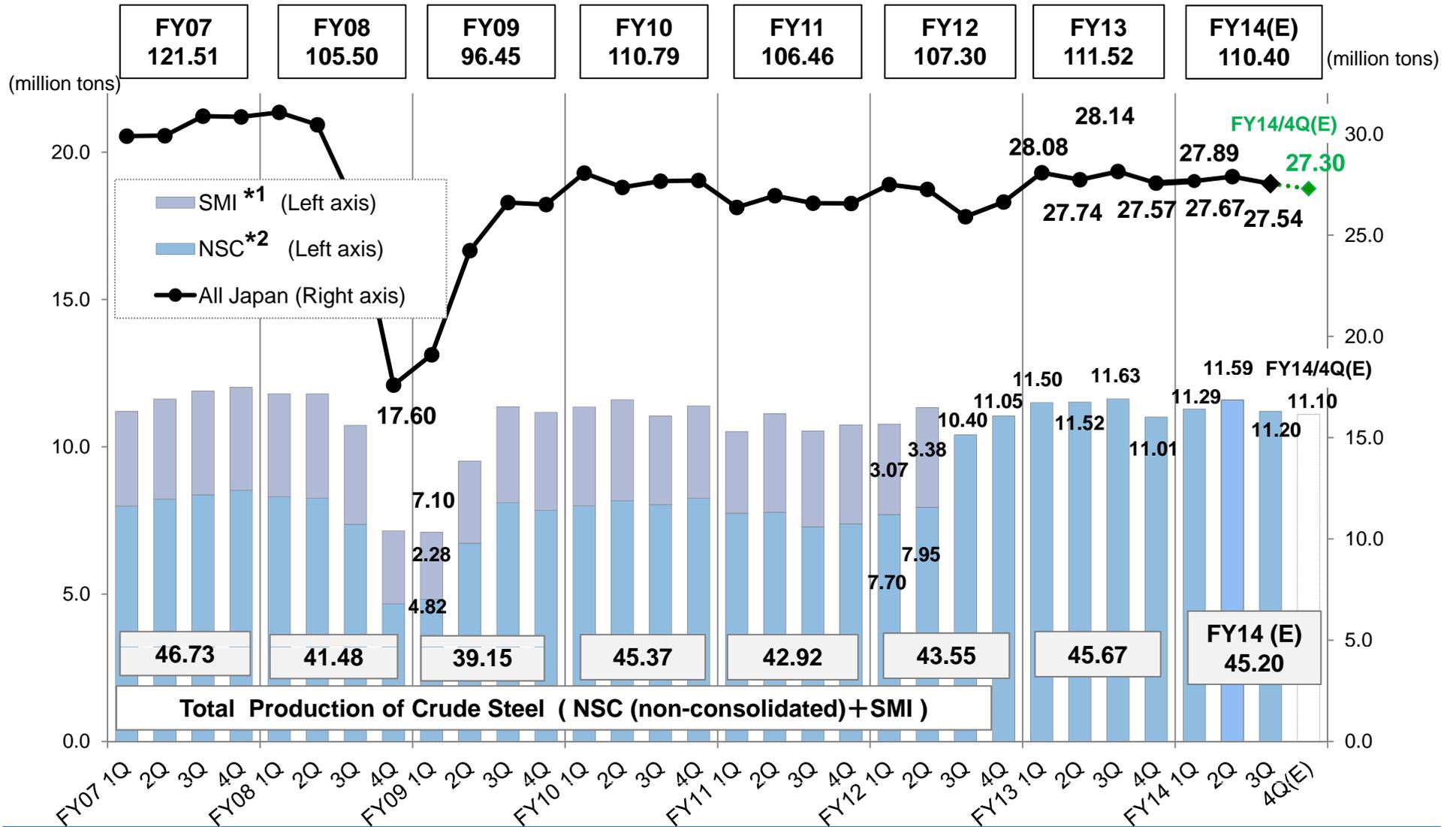
( Source : JISF Steel Consumption/ NSSMC est.)



# Domestic Crude Steel Production Trend

All Japan (million tons)

(Domestic Crude Steel Production of 4Q (E), FY14 released by METI on December 24, 2014)

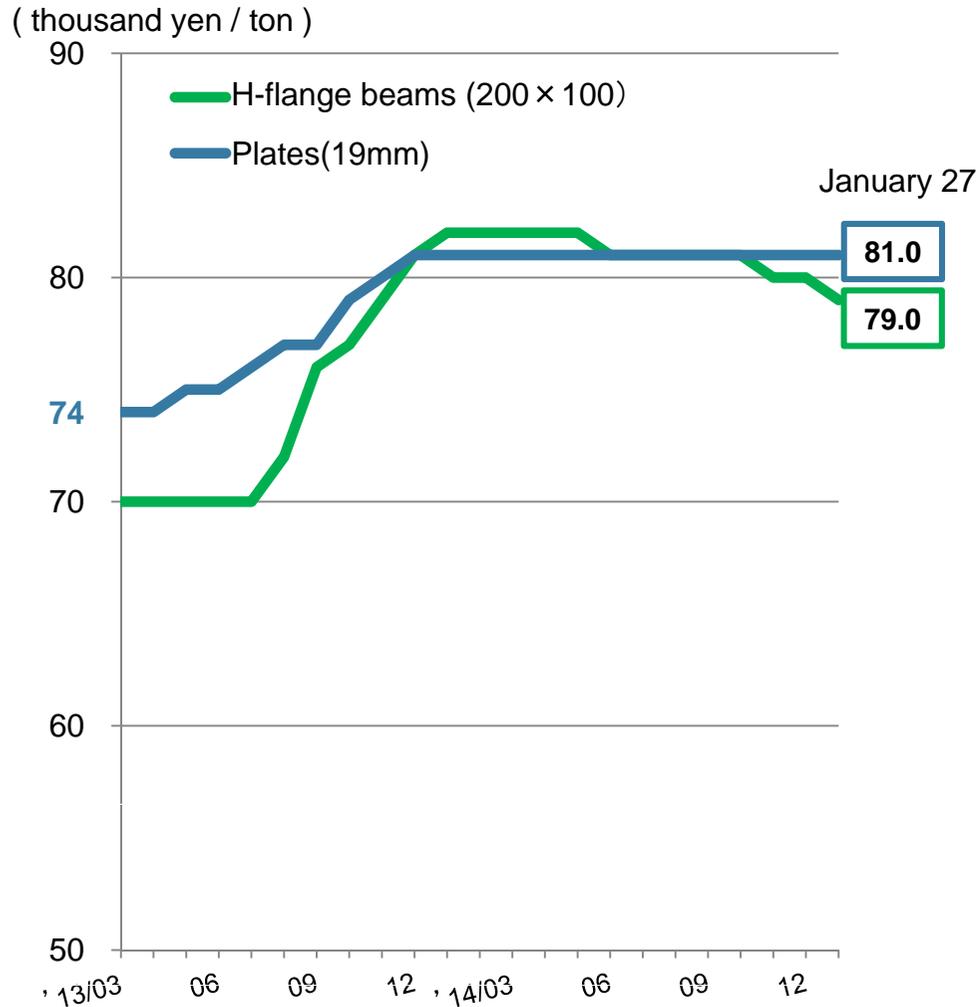


\*1 Includes Sumitomo Metals(Kokura), Sumitomo Metals(Naoetsu) and Sumikin Iron & Steel Co.

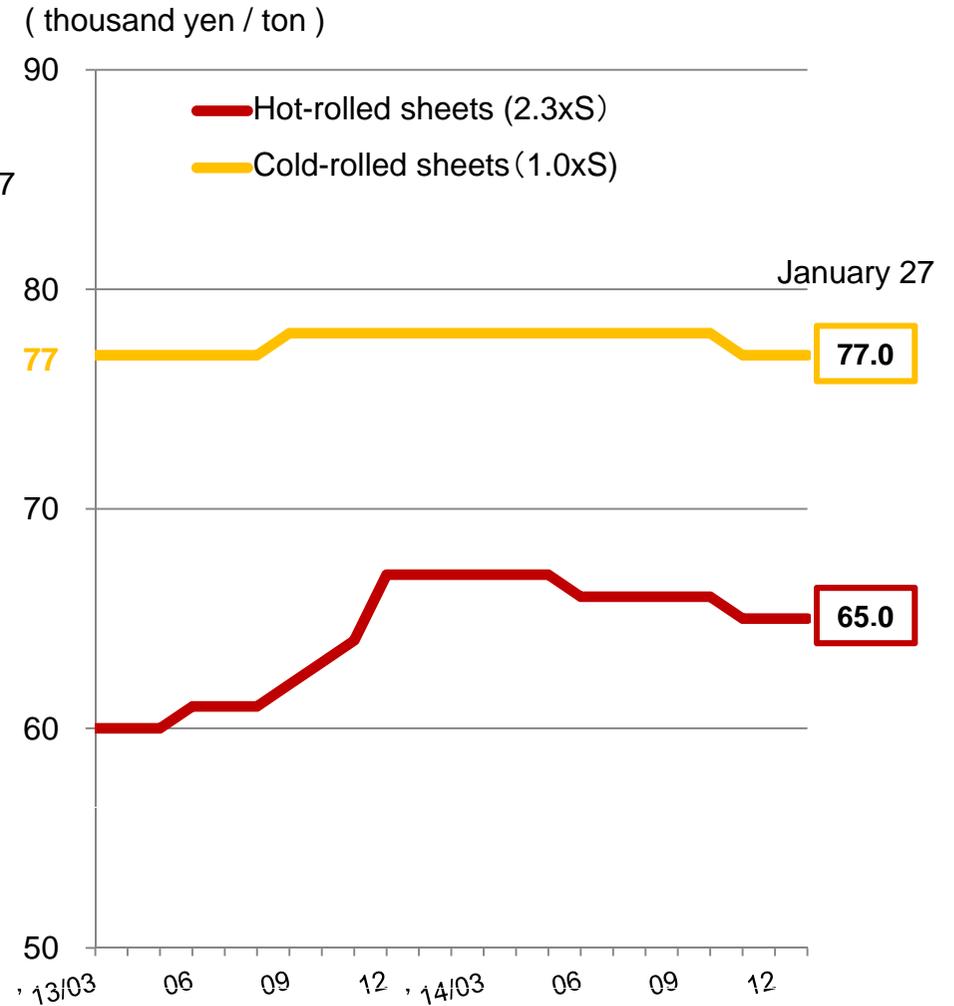
\*2 Includes NIPPON STEEL & SUMIKIN KOUTETSU WAKAYAMA CORP

# Domestic Steel Products Prices

## Plates & H-flange beams

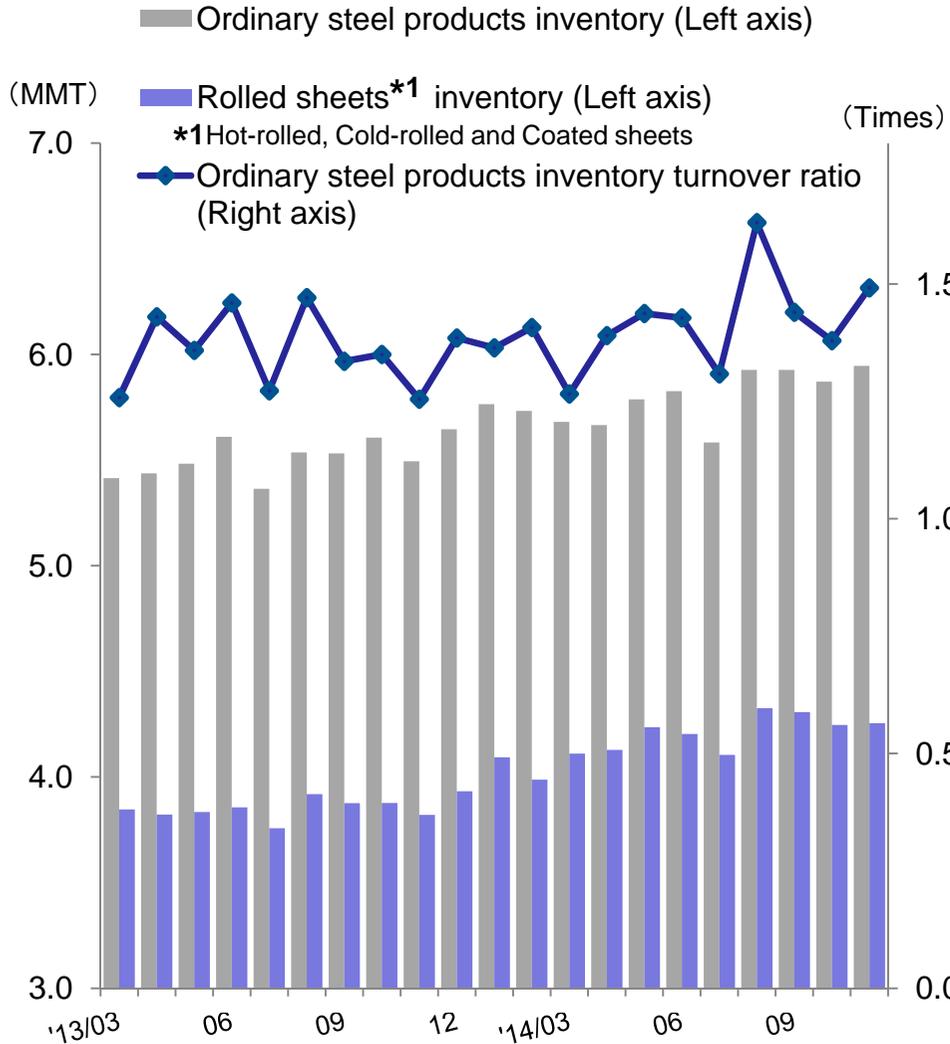


## Hot-rolled sheets & Cold-rolled sheets

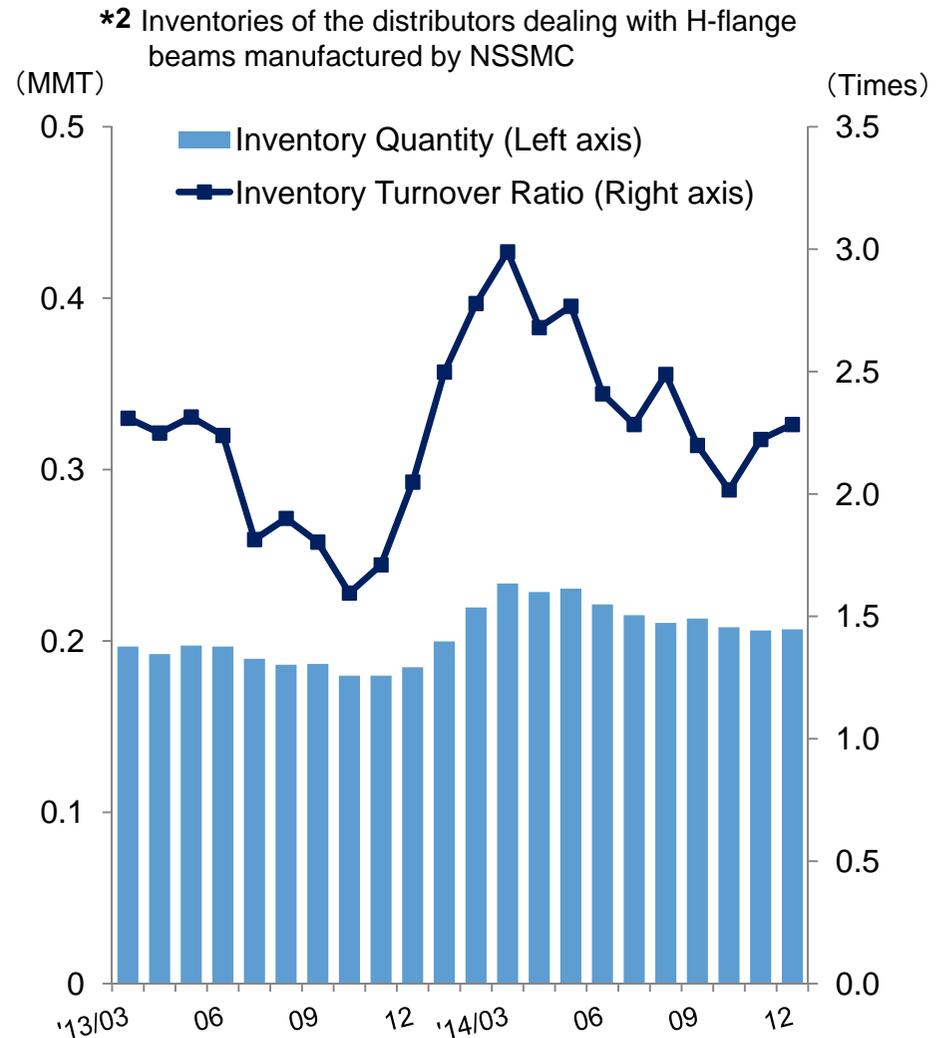


# Domestic Steel Inventory Trends

## Rolled Sheets Inventory



## H-flange beams\*<sup>2</sup> Inventory

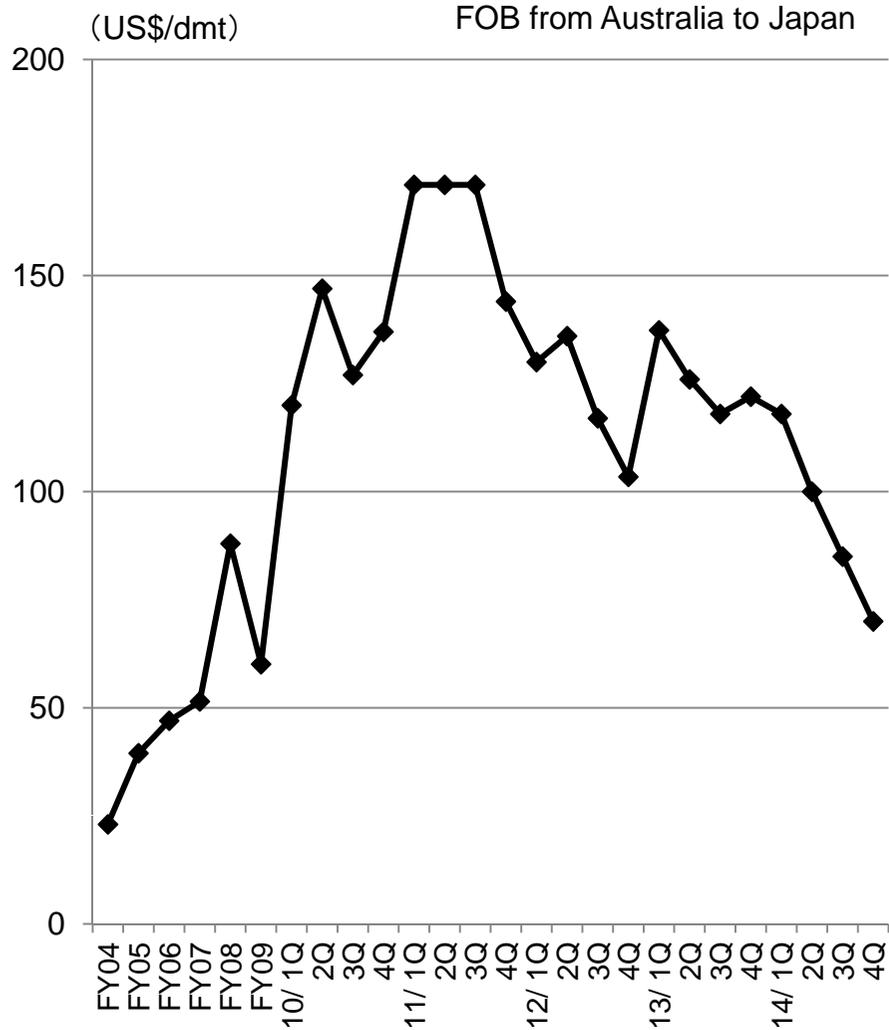


( Source : Japan Iron and Steel Federation )

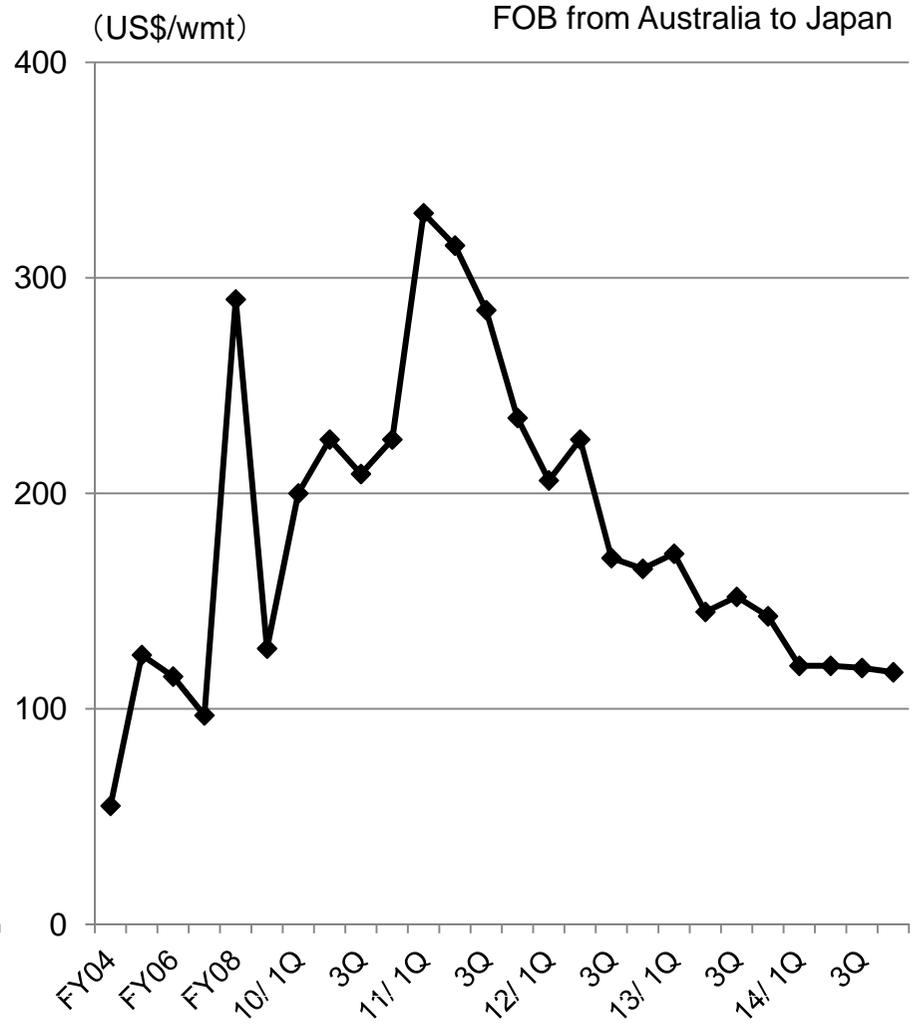


# Iron Ore & Coking Coal Price Trends

## Iron Ore

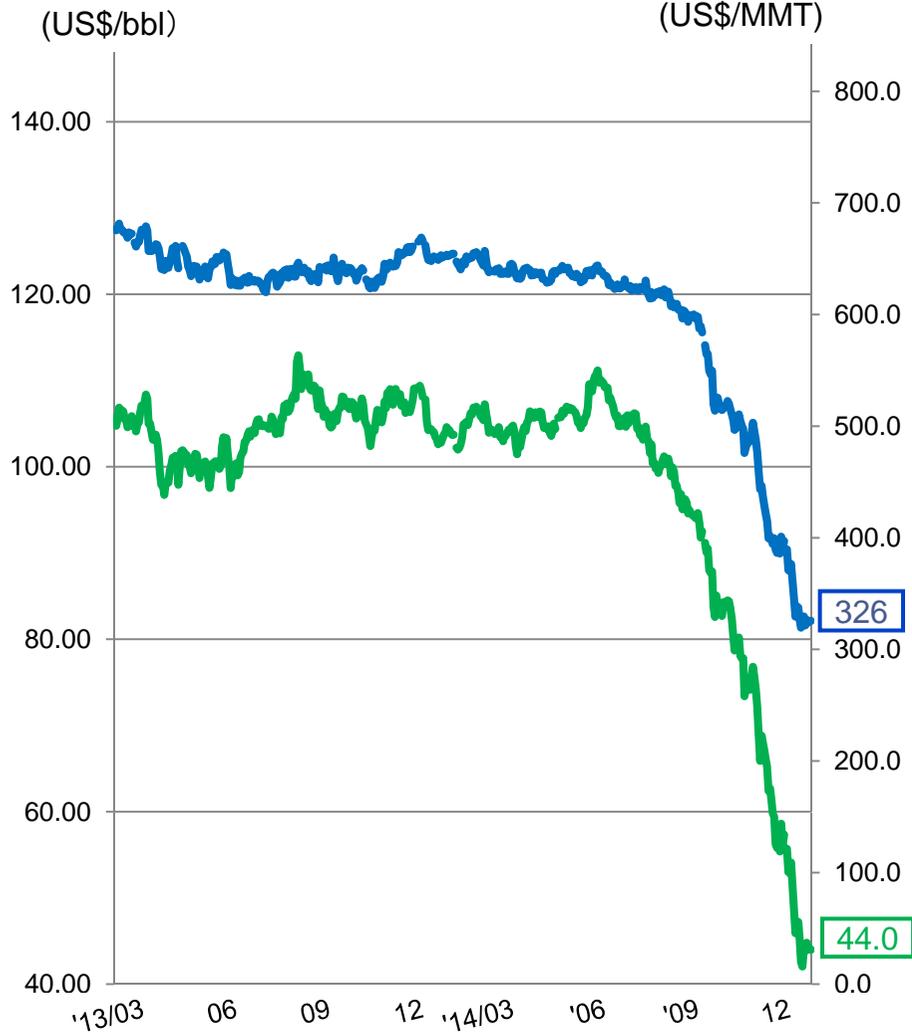


## Coking Coal

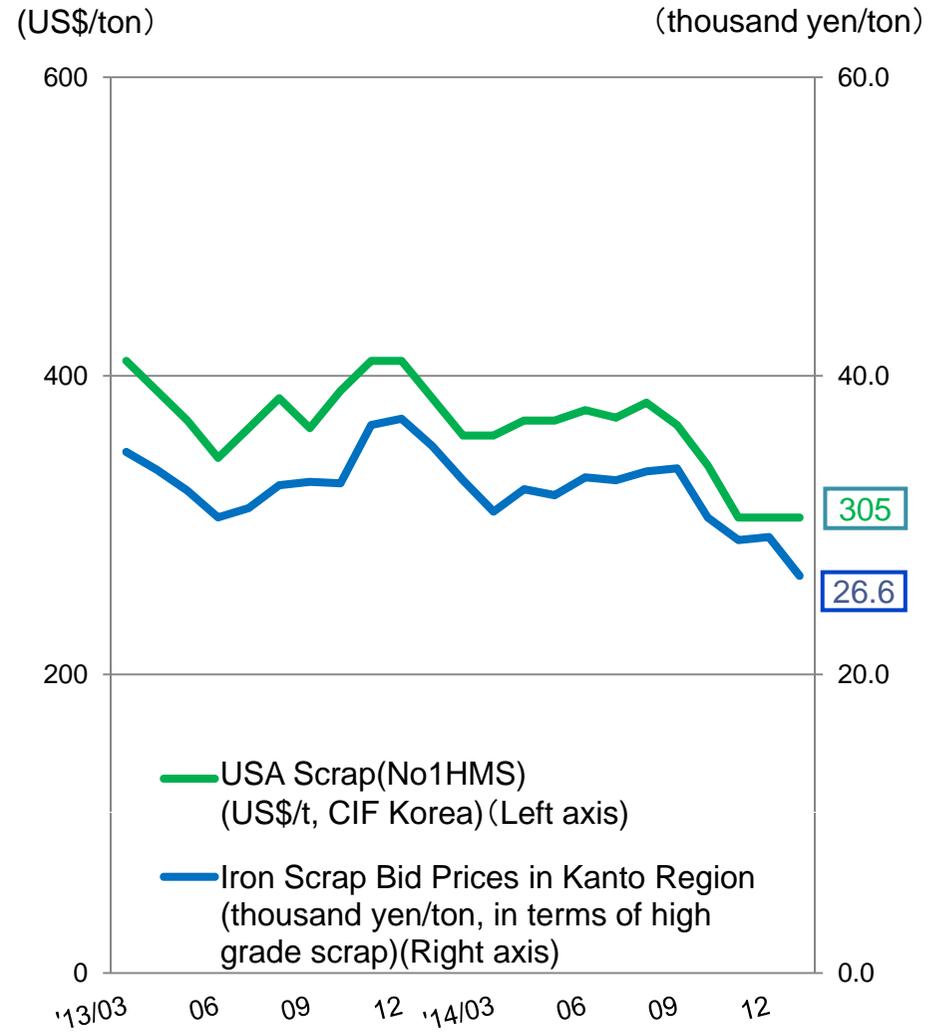


# Market Trends <Crude Oil & Scrap>

## Crude Oil



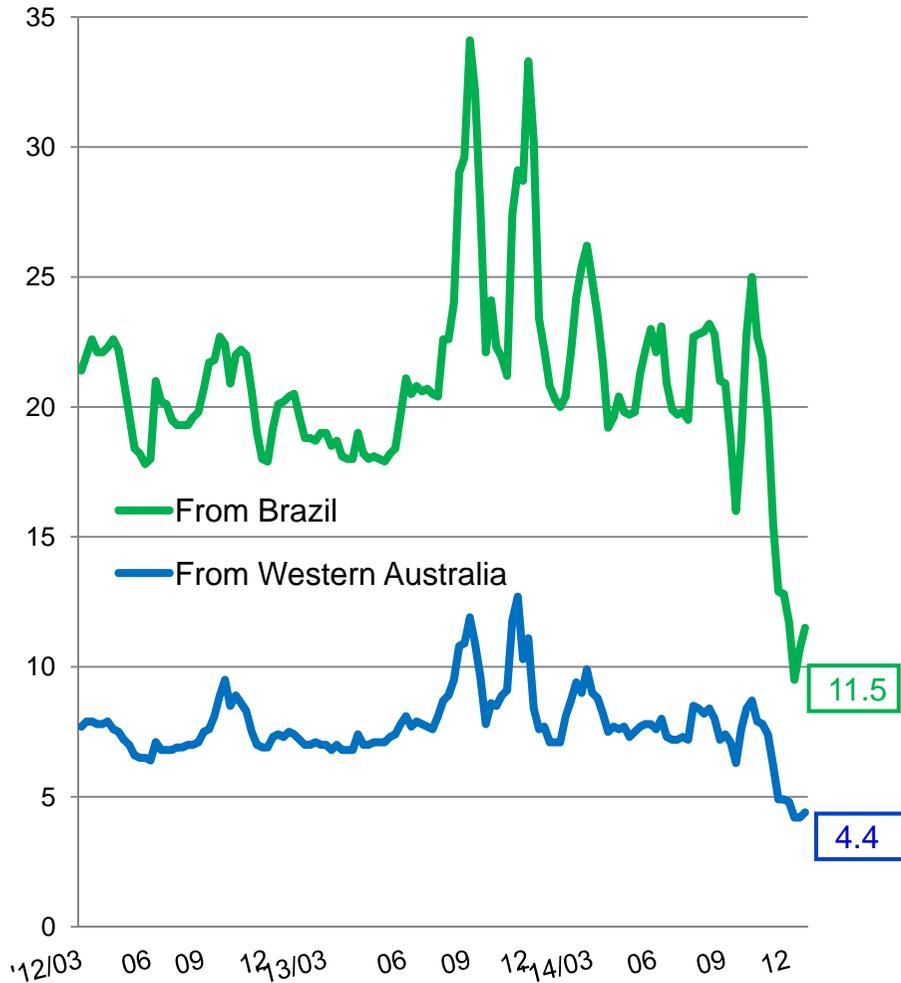
## Scrap



# Market Trends <Freight & Mold Pig Iron>

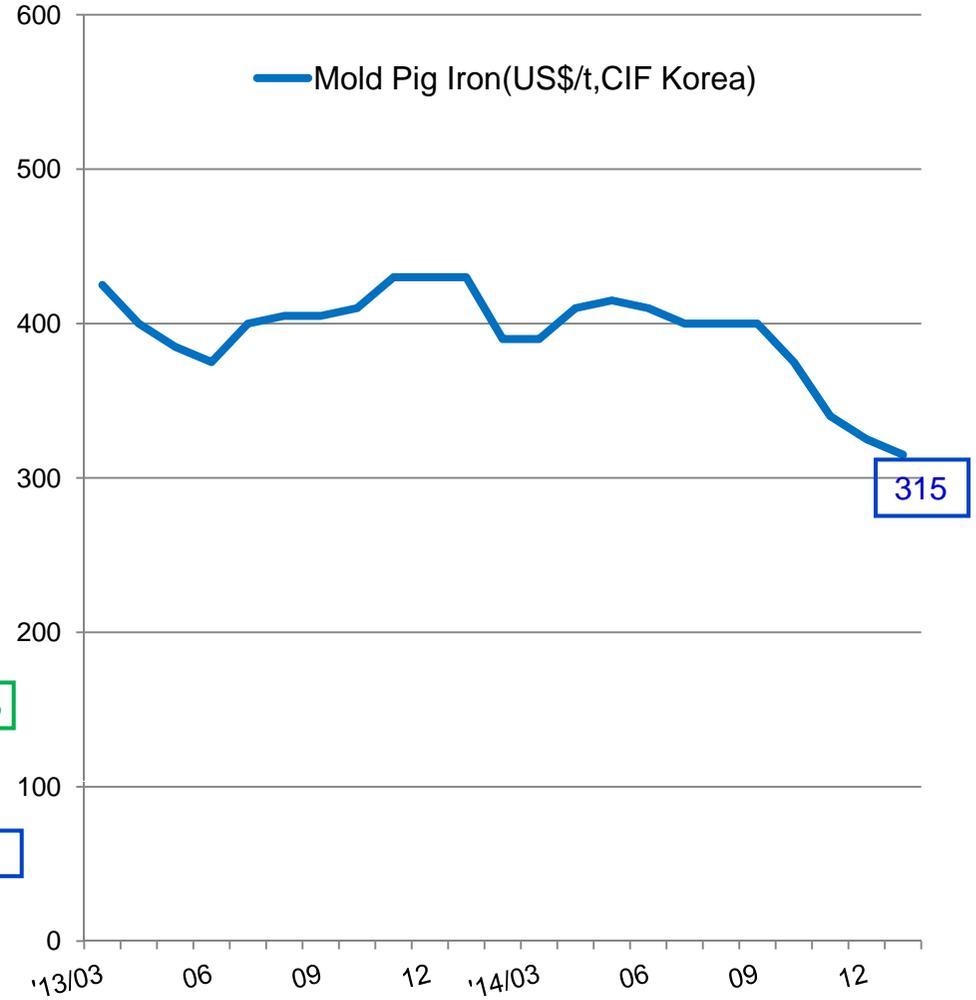
## Freight

(US\$/WMT, Cape size 170 thousand tons hull form)



## Mold Pig Iron

(US\$/T,CIF Korea)



# FOREX Trend



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