2017 Mid-Term Management Plan

March 3, 2015

Kosei Shindo
Representative Director & President
2017 Mid-Term Management Plan

1. Objectives

2. Major initiatives

3. Financial strategy and shareholder return policy
1. Objectives
Three keywords of the business strategy

Pursue world-leading technologies and manufacturing capabilities and contribute to society by providing excellent products and services.
2013 Mid-Term Plan*: Objectives and five initiatives

Enhance **technological superiority**

Increase **cost competitiveness**

Optimize **production network**

Promote **global strategy**

Strengthen **steelmaking group companies**

**Attain world-leading competitive strength by 2015**

ROS target:
- Approx. **5%** at min.;
- **10%** after that

* The 2013 Mid-Term Plan was announced in March 2013

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
# 2013 Mid-Term Plan: Steady Improvement in Targets

## ROS

- **Then to 10%**
  - 8.1%
  - 6.5%
  - 6.6%
  - 6.3%
  - 2.3%
  - 1.2%*

## Merger Synergy

- **¥140bn per year**
- **Over ¥200bn per year**
- **Base**
  - 20
  - 50
  - 70
  - 100

## Asset Compression

- **¥470bn**
- **Over ¥300bn**
- **Base**
  - 100
  - 240
  - 330
  - 400

## D/E Ratio

- **0.71**
- **Less than 1.0**
- **Then to 0.8**
- **Target**
  - 1.20
  - 1.06
  - 0.96
  - 0.86
  - 0.74

### Notes:

- *FY2012/1H: Using the combined results of NSC and SMI

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
Global steel demand will expand moderately
A supply & demand gap in China will remain for a considerable period

Steady increase in demand for high-grade steel
Increase in investment in energy saving, env’t responsiveness and infrastructure

Firm steel demand in Japan
Increase in demand for the national resilience project, urban infrastructure replacement, and from domestic manufacturing sectors
2017 Mid-Term Plan: Major themes

**Japan**
Enhance competitiveness of mother mills
Strengthen both equipment and human resources

Crude steel production capacity
50 MMT

**Overseas**
Improve profitability of local bases
Increase competitiveness of downstream bases
Seek new expansion opportunities

Production capacity (JV Total)
2012 9 MMT  2014 19 MMT

* Before adjusting for NSSMC’s investment ratios and excluding capacity of Usiminas (Brazil)

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
2017 Mid-Term Plan: **Moving into the next phase**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Feb. 2011: Integration announcement
- Mar. 2013: 2013 Mid-Term Plan
- Mar. 2015: 2017 Mid-Term Plan
- Mar. 2018: Integration announcement

**Enhance business**

**Realize merger synergies**

**Prepare**

**Visioning**

**Integrating**

**The best steelmaker**

with world-leading capabilities
2. Major initiatives
Capture growth markets with

Globally specialized production framework

Upstream

- Mother mills
- Maximize competitiveness

Downstream

- Support collaboration
- Improve profit

Japan

Overseas

Local JV Partners

Semi-finished products

Overseas bases

Continue to seek opportunities to invest in overseas upstream bases in addition to Usiminas, VSB

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
Maximize competitiveness of mother mills

- **Newly employed**
  - 1,300 per year
  - (Unconsolidated basis)
  - (+600 per year vs. FY2013-14(E) avg.)

- **CAPEX in Japan**
  - ¥1,350 bn for 3 years
  - (+¥300 bn for 3 years vs. FY2013-14(E) avg.)

- **Cost reduction**
  - ¥150 bn or more per year
  - (Unconsolidated basis)
Establish world-leading cost competitiveness

- **Cost reduction** (Unconsolidated basis) **¥150bn or more per year**
  - Maximize synergy effects **¥60bn**
    - (¥200bn since integration)
  - Investment effects etc. (Investments in coke ovens, etc.) **¥90bn**
Strengthen
Iron & steelmaking cost competitiveness

**Kimitsu works**
Shift to 2BF*-operation by end of FY2015 (cease No.3BF’s operation)

**Yawata works**
Reorganize production framework by end of FY2018
- Strengthen competitiveness of Bar & Wire rod products
  - Maximize Tobata No.4 BF’s productivity
  - Install a Tobata - Kokura railway
  - Other mills supply billets to Kokura
- Cease operation of Kokura No.2 BF, etc.
  - Utilize Kokura 4CC, cease 3CC’s operation
  - Maintain Kokura’s production level

- **Tobata area**
  - Tobata No.4 BF (5,000㎥ relined in 2014)
  - Start preparation for switch from No. 5 BF to new No. 2 BF
  - Switching will be executed at an appropriate time, depending on demand outlook

- **Kokura area**
  - Install a molten iron transportation route
  - Kokura Steelmaking plant (renovated in 2010)

*BF stands for blast furnace

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
Improve profitability of overseas bases

Capture growth markets

- **Business investment** ¥300 bn for 3 years

Ensure competitiveness of existing bases

- **Shipment in volume** +20% for 3 years vs. FY2014(E)
- **Profit improvement** + ¥50 bn for 3 years vs. FY2014(E)
(Reference) Expanding overseas bases

New and growing major bases

- **China**
  - NSCh
  - FY 2015 (Plan)
  - Increase capacity
- **India**
  - JCAPCPL
  - May 2014 Start-up
- **Thailand**
  - NSGT
  - Oct. 2013 Start-up
- **Singapore etc.**
  - NSBS
  - Mar. 2013 Founded JV
- **Vietnam**
  - CSVC
  - Apr. 2013 Start-up
- **Brunei**
  - VAM®BRN
  - FY 2016 (Plan) Start-up
- **China**
  - BNA
  - FY 2015 (Plan)
  - Increase capacity
- **U.S.A.**
  - ICI
  - FY 2015 (Plan)
  - Increase capacity
- **U.S.A.**
  - Standard Steel
  - FY 2014 (Plan)
  - Upgrade investment
- **U.S.A.**
  - AM/NS Calvert
  - Feb. 2014 Founded JV
- **Mexico**
  - TENIGAL
  - Aug. 2013 Start-up
- **Brazil**
  - VSB
  - Sep. 2011 Start-up

- **Auto**
- **Energy & resources**
- **Infrastructure**
Enhance technological superiority

R&D spending

Approx. + 10% vs. FY2013-14(E) avg.

High-functioning products

Innovative production processes

Next generation steel & basic technologies

Auto

Energy & resources

Infra-structure

Advanced piercer technology

SCOPE21 Coke oven

Right 2 pipes made of HRX19®

* HRX19®: New stainless steel for high-pressure hydrogen environments

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
Lead the world with ‘comprehensive solutions’

Superior solution-proposing capability

Our solution =
Advanced materials +
Structural design +
Production engineering

Unrivalled global supply network

Auto steel sheet production capacity

<table>
<thead>
<tr>
<th>Region</th>
<th>Capacity (MMT/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>5</td>
</tr>
<tr>
<td>Japan</td>
<td>8</td>
</tr>
<tr>
<td>Americas</td>
<td>5</td>
</tr>
</tbody>
</table>

High-tensile steel sheet production bases

<table>
<thead>
<tr>
<th>Region</th>
<th>Production Bases (including cross licensing)</th>
</tr>
</thead>
</table>

Produce high-tensile sheet world-wide
Contribute to global auto weight reduction

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
Strengthen group companies

Maximize synergies among integrated group companies

< Examples of integration of group companies >

- Logistics: Nippon Steel & Sumikin Logistics (2 companies)
- Technology research: Nippon Steel & Sumikin Technology (2 companies)
- Welded pipes & tubes: Nippon Steel & Sumikin Pipe (2 companies)
- Trading: Nippon Steel & Sumikin Bussan (2 companies)
- Slag sales: Nippon Steel & Sumikin Slag Products (4 companies)
- Equipment engineering & maintenance: Nippon Steel & Sumikin Texeng (9 companies)

More reorganization to come

Expand group-wide synergies

Concentration on core group companies
Non-steel businesses: Mission

<table>
<thead>
<tr>
<th>Engineering &amp; construction</th>
<th>Chemicals</th>
<th>New materials</th>
<th>System solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Steelmaking plants" /></td>
<td><img src="image2" alt="Chemical plant" /></td>
<td><img src="image3" alt="New materials" /></td>
<td><img src="image4" alt="System solutions" /></td>
</tr>
</tbody>
</table>

Pursue synergies with steelmaking

- Construct steelmaking plants
- Utilize coal tar
- Share R&D seeds & basic research
- Deliver system solutions

Reach top-class profitability in each sector

- Environment & energy related engineering
- Chemical products & ESPANEX
- Electronic, infrastructure & env’t related materials
- System solutions for private & public sectors

Steelmaking business

Business developed from steelmaking

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
Enhance four non-steel businesses

Overseas bases of non-steel businesses

ROS and Ordinary profit of non-steel businesses

Synergies with steelmaking business and profit improvement in each sector

Ordinary profit of non-steel businesses + 50% for 3 years vs. FY2014(E)
3. Financial strategy and shareholder return policy
Profitability target

ROS 10% or more

ROS

FY2012 87.7
FY2014(E) 410.0
FY2017

2%*
7%
10% or more

Next stage

Ordinary profit (Billion ¥)

* FY2012/1H: Using the combined results of NSC and SMI

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
ROE target

Higher ROS
More asset turnover
Higher dividend payout ratio
10% or more

Higher ROS
Lower D/E ratio
Impairment loss of domestic facilities
6~7%

FY2012
-5.2%

ROE
ROS × Asset turnover × Financial leverage

ROE = 1H:NSC + 2H:NSSMC

Asset compression
$200bn for 3 years

D/E ratio
0.5

(Approx.
(Equivalent to avg. level of international “A” rating status)

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
Targeted KPIs

**ROS**
- Target 2017: 10% or more
- FY2012: 6.5%
- FY2013: 7.3%
- FY2014: 1.7%*1

**ROE**
- Target 2017: 10% or more
- FY2012: 9.6%
- FY2013: 6~7%
- FY2014: -5.2%*2

**Cost Reduction**
- Target FY2017: ¥150bn or more per year
- FY2012: 120 bn¥/yr
- FY2013: 60 bn¥/yr
- FY2014: Base unknown

**D/E Ratio**
- Target FY2017: Approx. 0.5
- FY2012: 1.06
- FY2013: 0.86
- Dec. 2014: 0.71

*1 FY2012/1H = NSC + SMI  
*2 FY2012= 1H:NSC + 2H:NSSMC

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
New shareholder return policy (Applying from FY2015)

Dividend payout ratio (Consolidated basis)

Around 20% ~ 30%

(Current target: Approx. 20%)
# Growth investment plans

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newly employed</td>
<td>1,300 per year</td>
<td>(Unconsolidated basis) (+ 600 per year)</td>
</tr>
<tr>
<td>CAPEX in Japan</td>
<td>¥1,350 bn for 3 years</td>
<td>(+ ¥300 bn for 3 years)</td>
</tr>
<tr>
<td>Business investment</td>
<td>¥300 bn for 3 years</td>
<td></td>
</tr>
<tr>
<td>R&amp;D spending</td>
<td>¥210 bn for 3 years</td>
<td>(Approx. + 10%)</td>
</tr>
</tbody>
</table>
Profitability targets

- **Cost reduction**
  (Unconsolidated basis)
  - ¥ 150 bn or more per year

- **Overseas bases**
  - Profit improvement
  - + ¥50 bn for 3 years vs. FY2014 (E)

- **Non-steel business**
  - Ordinary profit increase
  - + 50% for 3 years vs. FY2014 (E)

- **ROS**
  - 10% or more

- **ROE**
  - 10% or more
Financial and shareholder return targets

- **Asset compression**: Approx. ¥200bn for 3 years

- **D/E ratio**: Approx. 0.5
  (Equivalent to avg. level of international “A” rating status)

- **Dividend payout ratio** (Consolidated basis)
  (Applying from FY2015)
  Around 20% ~ 30%
  (Current target: Approx. 20%)
Maximize corporate value

|------|------|------|------|------|------|------|------|

- **Preparation**
  - Visioning

- **Business Integration**
  - Integration announcement
  - Business integration

- **2013 Mid-Term Plan**

- **2017 Mid-Term Plan**
  - Mar. 2015

- **Enhance Business**
  - Accelerating ahead

- **The best steelmaker**
  - with integrity and reliability

© 2015 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.
Becoming “the unwavering best steelmaker”

Pursue world-leading technologies and manufacturing capabilities and contribute to society by providing excellent products and services

The best steelmaker

with world-leading capabilities
This presentation does not constitute an offer or invitation to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever. This presentation is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. No warranty is given as to the accuracy or completeness of the information contained herein. Investors and prospective investors in securities of any issuer mentioned herein are required to make their own independent investigation and appraisal of the business and financial condition of such company and the nature of the securities. Any decision to purchase securities in the context of a proposed offering, if any, should be made solely on the basis of information contained in an offering circular published in relation to such an offering. By participating in this presentation, you agree to be bound by the foregoing limitations. This presentation contains statements that constitute forward looking statements. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of Nippon Steel & Sumitomo Metal Corporation or its officers with respect to its financial condition and results of operations, including, without limitation, future loan loss provisions and financial support to certain borrowers. Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in such forward looking statements as a result of various factors. The information contained in this presentation, is subject to change, including but not limited to, change of economic conditions, financial market conditions, and change of legislation / government directives.

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.