5401: JP

**NSSMY: ADR (US)** 



## **NIPPON STEEL & SUMITOMO METAL** CORPORATION

# **Third Quarter FY2018 Earnings Summary**

February 6<sup>th</sup>, 2019

- '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

1. FY2018 3Q Results & Full Year Forecast

2. Progress in Mid-Term Management Plan

3. Appendix

1. FY2018 3Q Results & Full Year Forecast

### Overview: FY2018 3Q Results & Full Year Forecast

Financial Highlights									
i manciai mgmgnts	3Q		1-3Q			4Q(f)	2H(f)	FY2018(f)	vs. prev. FY18(f) *4
(bn.JPY)	[JGAAP]	[IFRS]	[JGAAP]	vs. FY17.1-3Q	[IFRS]	[IFRS]	[IFRS]	[IFRS]	[IFRS]
Net Sales / Revenue	1,615.6	1,630.0	4,519.1	+354.6	4,570.0	1,630.0	3,260.0	6,200.0	
Ordinary / Business Profit*1	101.7	102.0	253.2	+27.8	260.0	70.0	172.0	330.0	-20.0
Extraordinary Profit(Loss)	0.2		7.9	-4.5					
Net Profit <sup>*2</sup>	90.3	83.0	231.6	+75.6	200.0	30.0	113.0	230.0	-10.0
EBITDA*3	202.9	202.0	547.3	+54.3	560.0	190.0	392.0	750.0	-30.0
ROS	6.3%	6.3%	5.6%	+0.2%	5.7%	4.3%	5.3%	5.3%	-0.3%
ROE	11.5%		9.9%	+3.1%					-

### **Dividend forecast**

Year-end dividend JPY40.00/share Full-year dividend JPY80.00/share Consolidated payout ratio

[IFRS basis] approx. 31%

### **Extraordinary Profit(Loss)**

Total (bn.JPY)					
Gain on sales of shares of subsidiaries and associates					
Loss on inactive facilities					
Loss on disastors					
Restructuring loss					

FY17 1-3Q	FY18 1-3Q	change
12.4	7.9	-4.5
24.5	30.3	5.8
(5.9)	-	5.9
-	(22.3)	-22.3
(6.2)	-	6.2

<sup>\*1</sup> Business Profit: Results of sustainable business activities, and an important measure to compare & evaluate NSSMC's consolidated performance continuously.

<sup>=</sup> Revenue - Cost of sales, Selling general & administrative expenses and Other operating expenses

<sup>+</sup> Equity in profit of unconsolidated subsidiaries and affiliates and Other operating income.

Other operating income and expenses is composed mainly of Dividend income, Foreign exchange gains or losses, Loss on disposal of fixed assets.

<sup>\*2</sup> Profit attributable to owners of parent \*3 [JGAAP] Ordinary profit + Net finance costs + Depreciation + Amortization , [IFRS] Business Profit + Depreciation + Amortization

**<sup>\*4</sup>** Prev. FY18(f) : As of Nov.2<sup>nd</sup>,2018

### Overview: FY2018 3Q Results & Full Year Forecast

#### **Global Steel Demand**

- **Domestic**: Continued moderate recovery. Further improvements in employment & increase in capital investments.
- Overseas: Prices declined in 3Q due to uncertainty over China's economic outlook, but bottomed out currently.

  Need to keep close watch on impacts from trade war and China's economic performance.

### **Topics**

■ FY18 2H Non-consolidated crude steel production forecast (MMT):

Prev. time (2Q Result on 2<sup>nd</sup> Nov.) approx. **21.60**  $\rightarrow$  This time approx. **20.80 (3Q 10.29 + 4Q(f)** approx. **10.50)** 

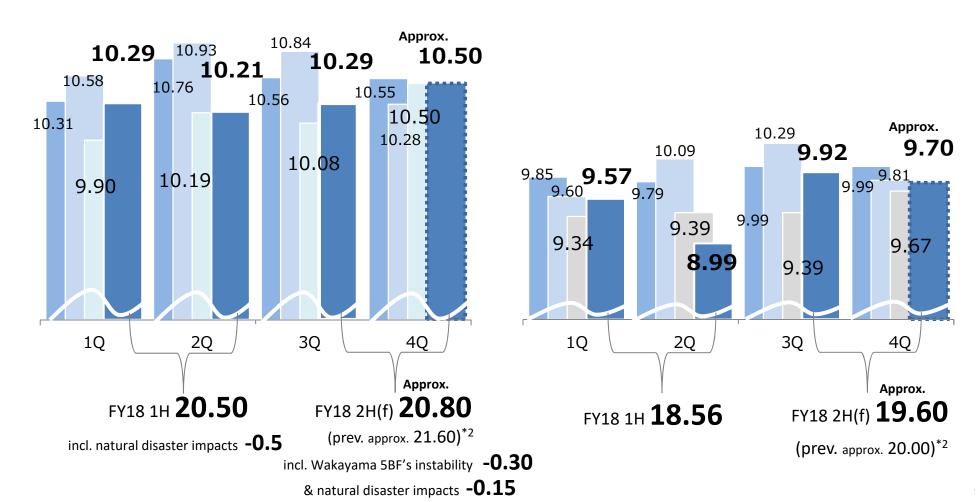
#### Downward revision by 0.8 due to :

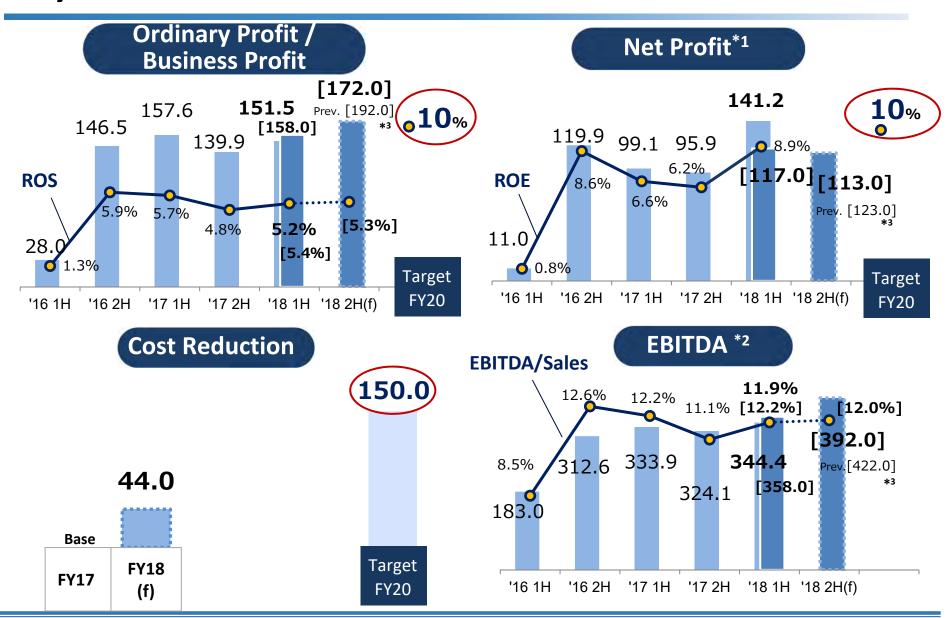
- 3Q Oita Works Blast furnace (BF)'s productivity declined, but already normalized.
- 4Q Wakayama Works BF's instability at the end of its long service life (World record running period : approx. 30 years & 11 months) Switching to new 2BF is scheduled for mid-Feb. 2019
- Making Sanyo Special Steel our subsidiary
  - 18th Jan. Received "Notice stating that the Japan Fair Trade Commission will not issue a cease-and-desist order"
- 28<sup>th</sup> Feb. Extraordinary general shareholders' meeting of Sanyo (plan)
- 28<sup>th</sup> Mar. Payment date of Third-Party Allotment to make Sanyo our subsidiary. (plan)
- Making Nisshin Steel our wholly owned subsidiary & Stainless steel business's realignment
- 1<sup>st</sup> Jan. Made Nisshin our wholly owned subsidiary
- 6<sup>th</sup> Feb. Exchange of basic agreements on integration each of stainless sheet business & stainless pipe business
- 1st Apr. 2 new integrated companies "NIPPON STEEL STAINLESS STEEL" "NIPPON STEEL STAINLESS STEEL PIPE" will start up
- Essar Steel: The resolution plan submitted by ArcelorMittal India Private Limited for the joint acquisition of the ESIL is under examination in the Indian National Company Law Tribunal.
- **NSafe®-AutoConcept**: 30% weight reduction with all steel Automobile structure concept, achieving equal light-weighting to all aluminum vehicle & better crash safety performance.



### **Production Volume (MMT)**





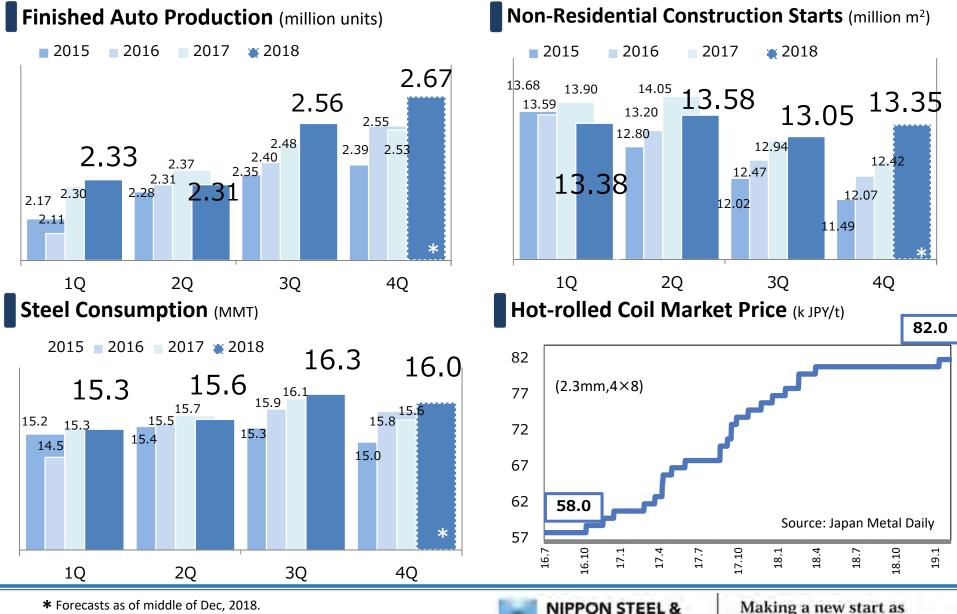


<sup>\*1</sup> Profit attribute to owners of parent

**<sup>\*3</sup>** Prev. : As of Nov.2<sup>nd</sup>.2018

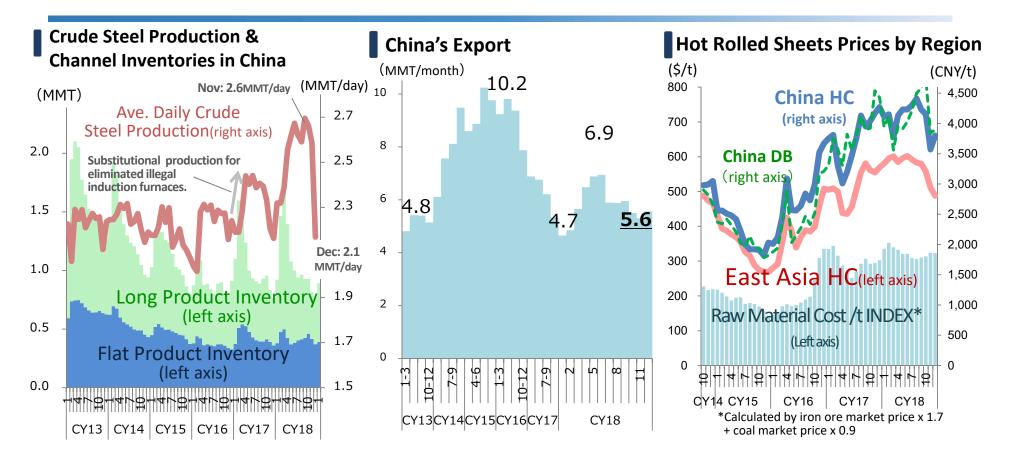
<sup>\*2 [</sup>JGAAP] Ordinary profit + Net finance costs + Depreciation + Amortization , [IFRS] Business Profit + Depreciation + Amortization

### **Key Indicators of Domestic Steel Demand**





### China's Steel SD & Market Trend



Crude steel production decreased in Dec. due to tightening regulations of winter cut, but resulting in YoY +10%. Inventory remains relatively low and export volume was YoY -8%.

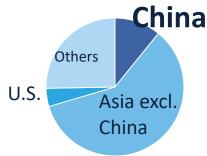
While market prices dropped sharply in Oct. and Nov. because of economic uncertainty, bottomed out currently. Need to watch on impacts from trade war and Chinese gov.'s wide range of stimulus programs\*.

\*eg. Cutting reserve required ratio, reductions in various taxes, and boosting infrastructure investments and consumptions



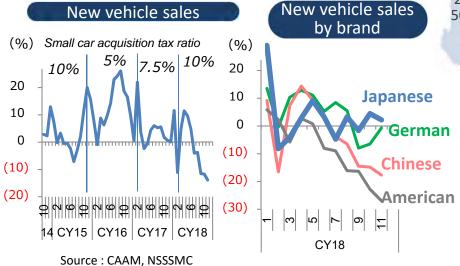
### **Our Business in China**





China accounts for approx.10% of our export. Mainly HCR for our downstream JV.

### **Auto Sales in China**



### NSSMC Capacity in China

<legend>

Year of establishment

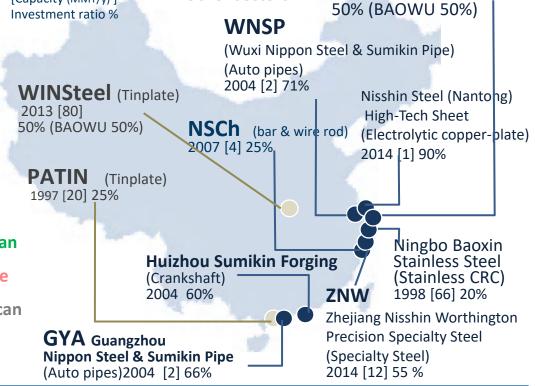
[Capacity (MMT/y)]

Overseas downstream capacity total 21\* MMT



Other sectors

Auto



<sup>\*</sup>excl. integrated steel mills (eg. USIMINAS, OVAKO)
Simple aggregation of each JV's capacity without taking investment ratio into consideration
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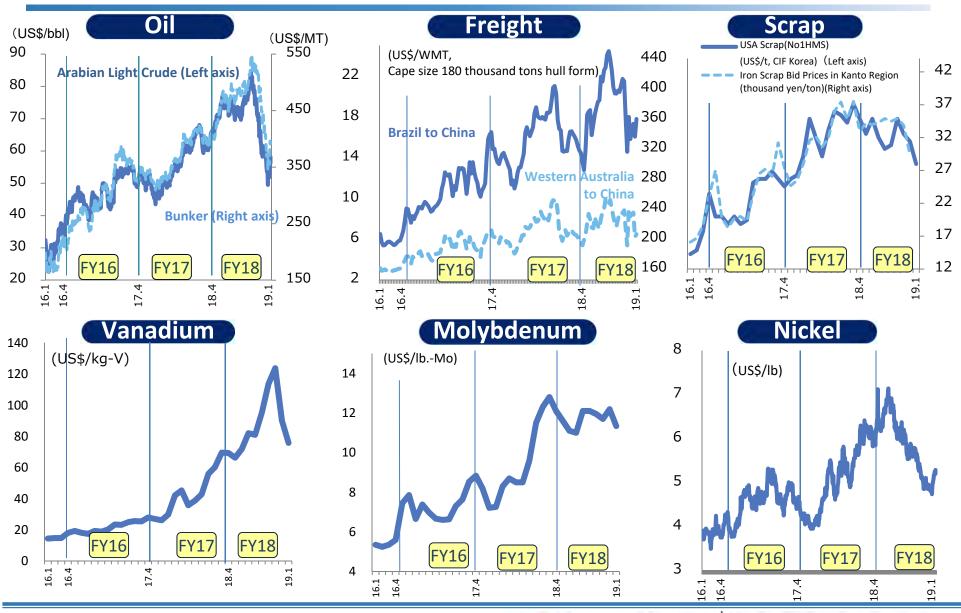


Making a new start as NIPPON STEEL in April 2019

**BNA** (Auto sheets)

2005 [260]

### **Commodity Price Hike (1)**



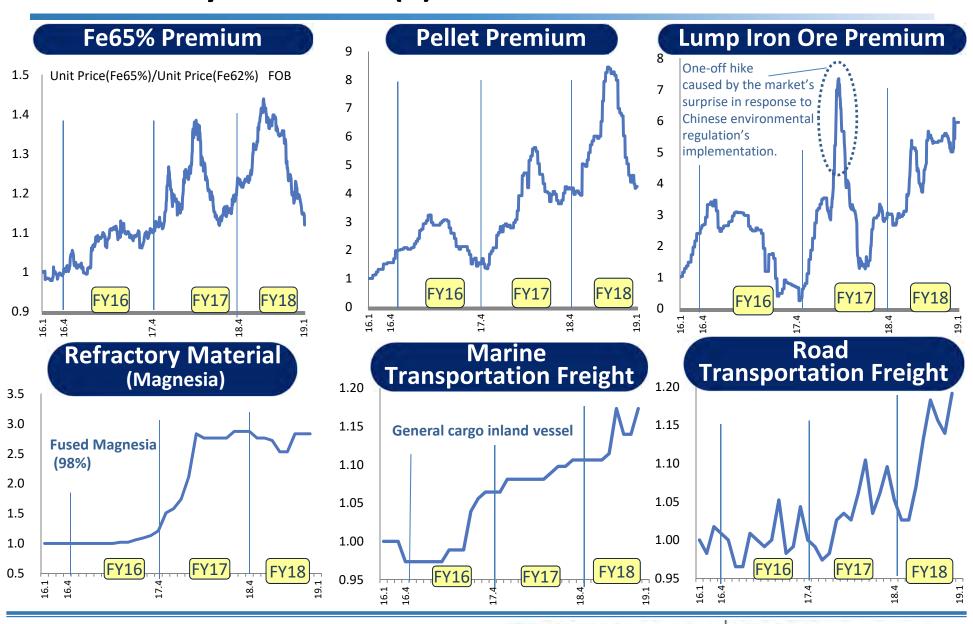
(Source: LME, Bloomberg, Japan Metal Daily)



Making a new start as NIPPON STEEL in April 2019

### **Commodity Price Hike (2)**

(The beginning of CY2016 = 1)



Source : Bank of Japan , NSSMC estimation



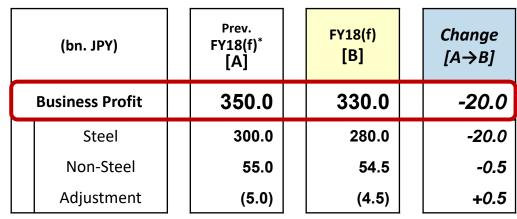
### **Raw Materials and HC Prices Trend**



(Source: LME, Bloomberg, Japan Metal Daily)



### **Business Profit Variance Analysis [prev.FY18(f)\* vs. FY18(f)]** [IFRS]



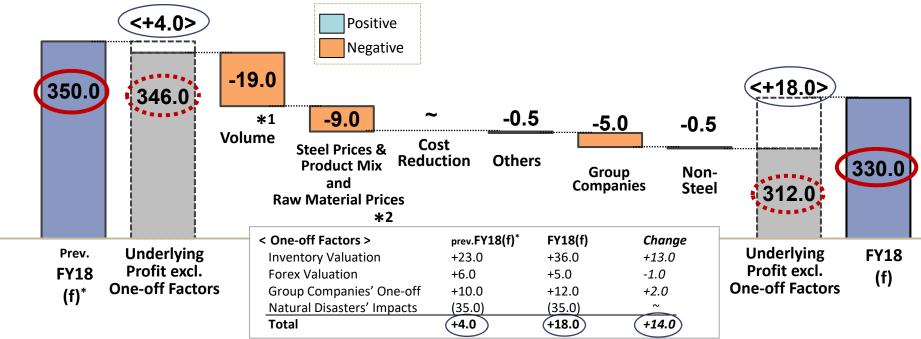
\*1 Crude steel production:

approx. -0.80MMT (approx.21.60→approx.20.80)

Steel shipment:

approx. -0.40MMT (approx. 20.00→approx. 19.60) Volume of FY18(f) incl. impacts from natural disasters, but the bridge analysis chart below does not incl. the impacts.

**\*2** Incl. carry over +9.0(  $3.0 \rightarrow 12.0$ )





<sup>\*</sup>prev. FY18(f) : As of Nov.2<sup>nd</sup>, 2018

### **Business Profit Variance Analysis [FY18 1H vs. FY18 2H(f)]** [IFRS]

(bn. JPY)		FY18 1H * [A]		FY18 2H(f) [B]		Change [A→B]
Business Profit		158.0		172.0		+14.0
Steel		132.0		148.0		+16.0
Non-Steel		27.5		27.0		-0.5
Adjustment		(1.5)		(3.0)		-1.5

**\*1** Crude steel production:

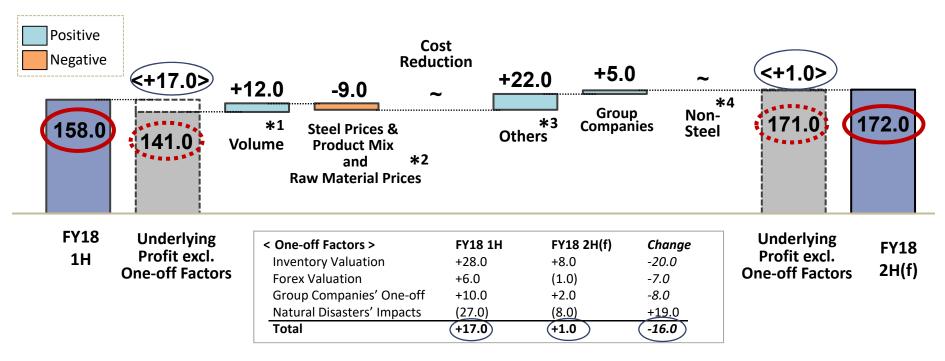
approx. +0.30MMT (20.50→approx. 20.80)

Steel shipment:

approx. +1.04MMT (18.56→approx. 19.60)

Volume of FY18/1H&2H(f) incl. impacts from natural disasters, but the bridge analysis chart below does not incl. the impacts.

- **\*2** Incl. carry over +14.0(-1.0 $\rightarrow$ 13.0)
- **\*3** Forex flow: -2.0, Increase in depreciation, Congested periodic facility maintenances in FY18 1H etc.
- **\*4** Engineering +2.5, Chemicals & Materials -4.0, System Solutions +1.0



<sup>\*</sup>Tentative calculation basis



### **Business Profit Variance Analysis [FY17 vs. FY18(f)]** [IFRS]

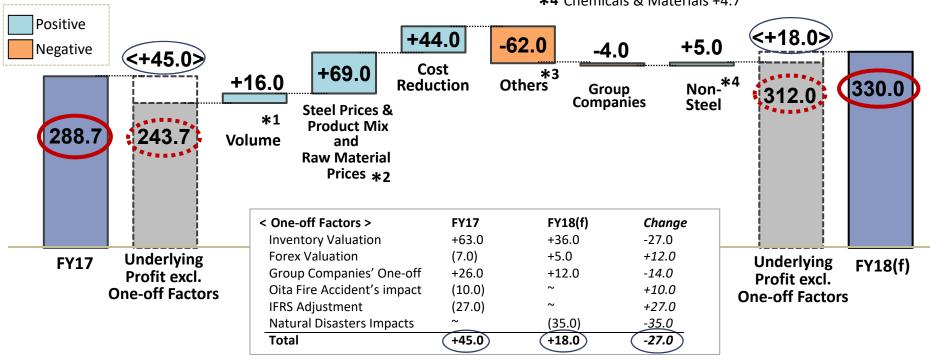
(bn. JPY)		FY17 [A]		FY18(f) [B]		Change [A→B]
Business Profit		288.7		330.0		+41.3
Steel		236.8*		280.0		+43.2
Non-Steel		49.8*		54.5		+4.7
Adjustment		2.0		(4.5)		-6.5

- \*1 Crude steel production:

  approx.+0.63MMT (40.67→approx.41.30)

  Steel shipment: approx.+0.31MMT (37.79→approx.38.10)

  Volume of FY17 incl. impacts from Oita fire accident, and volume of FY18(f) incl. impacts from natural disasters, but the bridge analysis chart below does not incl. the impacts.
- **\*2** Incl. carry over +17.0(-5.0 $\rightarrow$ 12.0)
- \*3 Forex flow: -3.0, Increase in depreciation,
  Congested periodic facility maintenances in FY18 1H,
  Reclassification of long-life machinery parts (eg. Mill rolls) into fixed assets etc.
- \*4 Chemicals & Materials +4.7

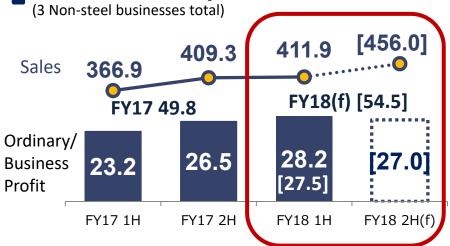


<sup>\*</sup>Business profit of FY17 non-steel segment is JGAAP basis ,
Business profit of FY17 steel segment includes the adjustments between JGAAP and IFRS
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### Non-Steel Business (bn. JPY)

### Sales & Ordinary Profit Figures in parentheses = IFRS basis



#### Change in Ordinary Profit (FY17 vs. FY18(f))

Engineering & Construction	$\bigcirc$	Slightly lower profit as material price hike offsets sales increase brought by moderate recovery in business environment.
Chemicals & Materials		Profit increases thanks to needle coke's price improvement while functional materials' sales volume goes down.
System Solutions	介	Both service & operational solution businesses are performing well. Profit increase despite of SG&A

Engineering &	FY	17	FY18			
Construction	1-3Q		1-3Q	(f)*		
Sales	205.2	294.2	253.7	360.0		
Ordinary Profit	4.8	9.1	5.2	8.5		

Chemicals &	FY	17	FY18		
Materials	1-3Q		1-3Q	(f)*	
Chemicals	151.6	200.7			
Materials	27.7	37.0			
Sales	179.4	237.7	191.0	250.0	
Chemicals	12.9	15.4			
Materials	1.5	1.9			
Ordinary Profit	14.5	17.3	20.6	22.0	

System	FY	17	FY18		
System Solutions	1-3Q		1-3Q	(f)*	
Sales	168.2	244.2	187.2	258.0	
Ordinary Profit	14.7	23.2	18.0	24.0	

increase.

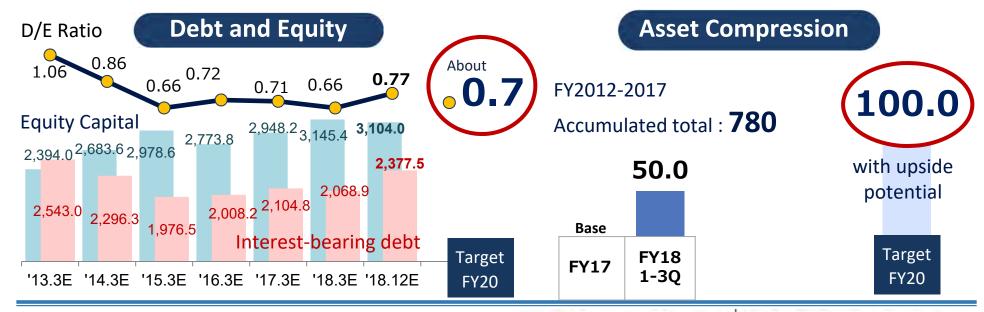


<sup>\*</sup> Figures of FY2018 full year (f) = IFRS basis business profit, which only have minor difference with JGAAP basis.

### Balance Sheet (bn. JPY)

			End of Mar. 2018	End of Dec.2018
	Cι	urrent Assets	2,399.5	2,609.0
		Inventories	1,380.0	1,513.3
	Fixed Assets		sets 5,126.8	
		Tangible fixed assets	2,874.9	2,964.8
		Investment in securities	871.3	668.4
		Investment	1,069.6	1,047.7
As	Assets		7,526.3	7,710.1

			End of Mar. 2018	End of Dec. 2018
	Lia	abilities	4,010.8	4,250.2
		Interest-bearing debt	2,068.9	2,377.5
	Ne	et Assets	3,515.5	3,459.9
		Equity capital	3,145.4	3,104.0
		Unrealized gains on available-for-sale securities	313.1	180.8
		Non-controlling Interest in consolidated subsidiaries	370.0	355.9
L	iak	oilities & Net assets	7,526.3	7,710.1



### **CAPEX and Depreciation**

### **Accounting change (FY2018~)**

No impact on cash flows.

Change in the asset title, account title and the way of periodical cost allocation

■ Reclassification of long-life machinery parts (eg. Mill rolls) into fixed assets

Asset title : Inventory → Tangible fixed asset

approx.

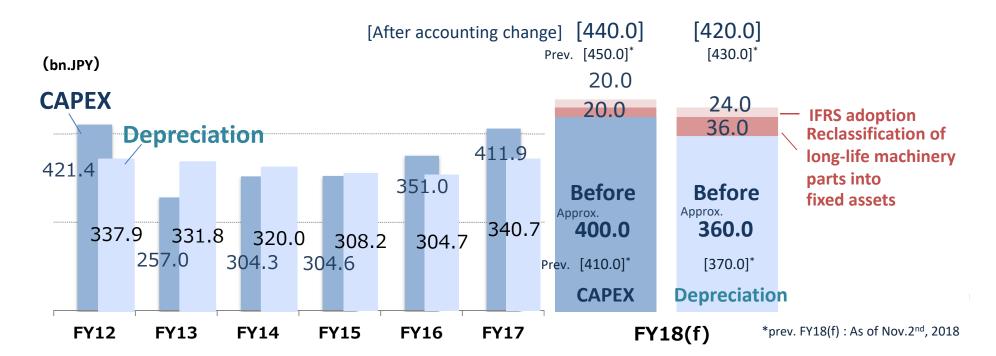
Cost title : Material Cost (Depletion based) → Depreciation Cost (Declining balance method)

JPY 36.0 bn/FY2018(f)

Due to depreciation of the balance at the beginning of FY2018, depreciation cost will be greater than actual purchase for a couple of years.

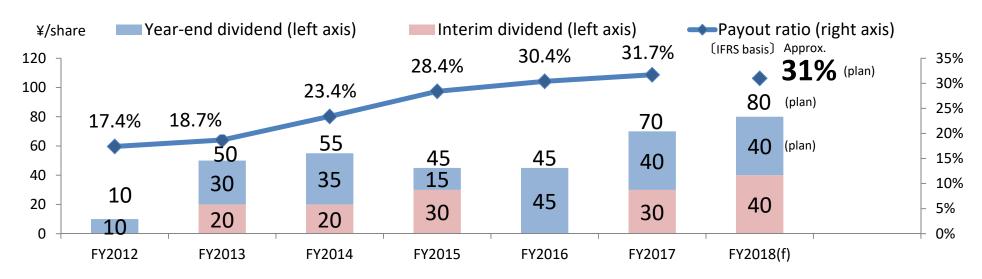
Cash Flows title: Material cost  $\rightarrow$  CAPEX Purchases of approx. JPY 20.0bn/y

- **IFRS** ➤ Difference in the scope of consolidation : Certain associates/investments accounted for using the equity method under JGGAP are consolidated as subsidiaries/joint operations.
  - ➤ Off-balanced facilities owned by subcontractor company will be accounted as lease assets
     → Increase in leased assets(fixed assets) which are depreciated by declining-balance method



### **Year-end Dividend Forecast**

Year-end dividend: JPY 40 per share Full-year dividend: JPY 80 per share Consolidated payout ratio: approx. 31% (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 Annual payout ratio target : Around 30% (consolidated basis)



# 2. Progress in Mid-Term Management Plan

### **Making Sanyo Special Steel Our Subsidiary**

### Approval from the Japan Fair Trade Commission (JFTC)

- ➤ On Jan. 18<sup>th</sup>, JFTC approved not issuing a cease-and-desist-order on the condition that the remedies below are taken.
- Foreign FTCs have already approved by the end of 2018.

#### **Remedies**

#### (1) Facility transfer

Sanyo transfers a part of co-ownership interests in Sanyo's rolling mill of domestic small diameter seamless pipes for bearings & its right of use (15kt/year (max. 16kt)) to Kobe Steel

#### (2) Business transfer

NSSMC & Sanyo transfer trade right of total 14kt/year to Kobe Steel

### Schedule

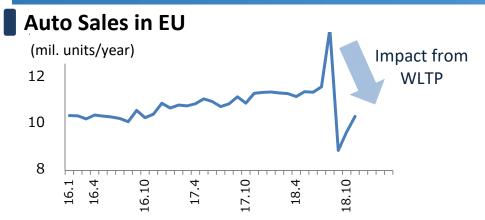
Feb. 28<sup>th</sup>, 2019 – Extraordinary general shareholders' meeting of Sanyo (plan)
Mar. 28<sup>th</sup>, 2019 – Payment date of Third-Party Allotment
(Sanyo will become our 51% subsidiary)
& Transfer all the shares of OVAKO to Sanyo
(OVAKO will become Sanyo's 100% subsidiary) (plan)

# To Be Other NIPPON STEEL & holders subsidiary (28th, Mar. 2019) STEEL Co., Ltd. 100% subsidiary (28th, Mar. 2019(Plan)) OVAKO Maximize

### Realize synergies of JPY 10 bn./year as NSSMC Group



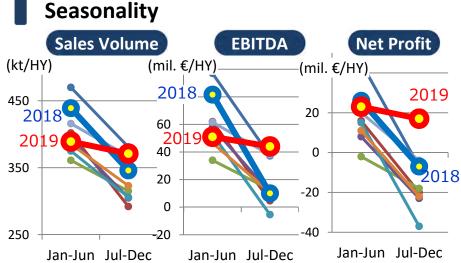
### **OVAKO Financial Performance**



Because of the delay in certification acquisition under new WLTP\*, auto sales in Europe has suffered a one-off sharp decline.

And the influence will continue over FY19 1H.

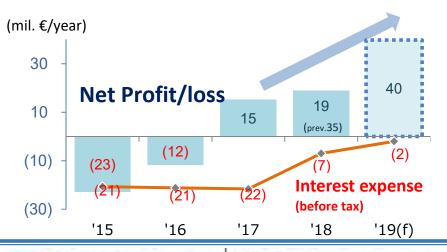
\*WLTP: Worldwide harmonized Light vehicles Test Procedure introduced in Sep.2018



WLTP negatively affected sales volume & profit in FY18 2H &FY19 1H.

#### Sales Volume & EBITDA (kt/year) (mil. €/year) 785 783 800 760 708 (prev. 805) 160 Sales Volume (right axis) 140 600 120 100 EBITDA\* 400 100 80 95 92 (left axis) (prev.115) 60 200 57 40 48 20 '15 '16 '17 '18 '19(f)

### Net Profit & Interest Expense



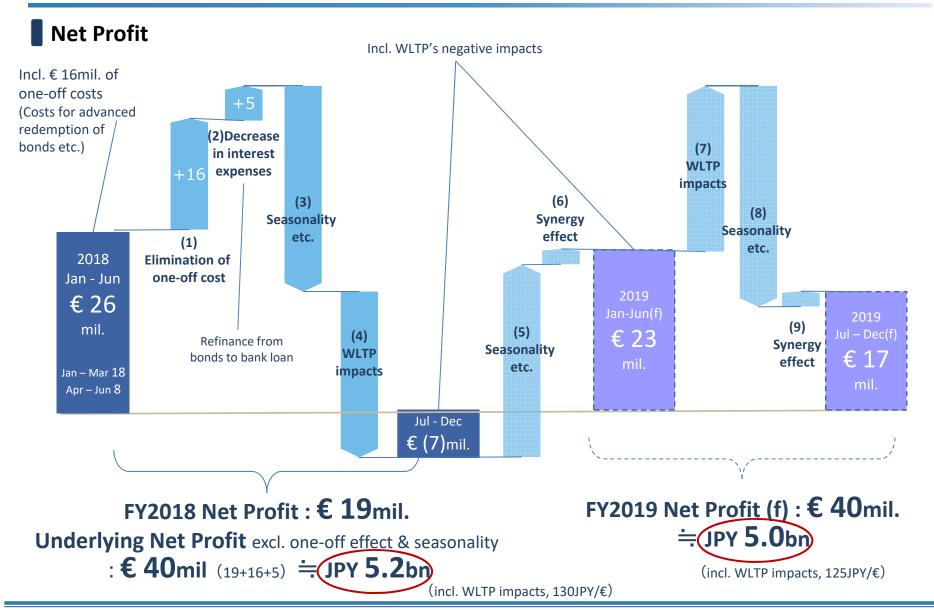
(prev.) = As of Nov.  $2^{nd}$ 



Making a new start as NIPPON STEEL in April 2019

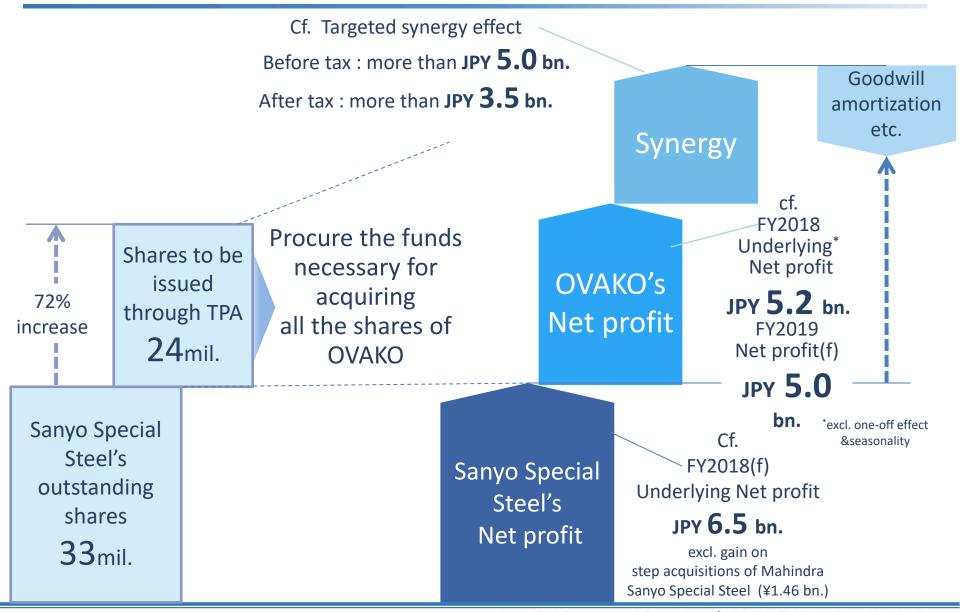
<sup>\*</sup>excl. restructuring costs

### **OVAKO FY2018 Result & FY2019 Forecast** (mil. €)





### **Basic Concept of Impacts on Sanyo's Consolidated Net Profit**



### **Integrate & Enhance NSSMC Group's Stainless Steel Business**

Making Nisshin Steel a wholly owned subsidiary (Jan. 2019)

<Investment ratio> Mar. 2017:  $8 \rightarrow 51\%$  (Tender offer) Jan. 1st, 2019:  $51\% \rightarrow 100\%$  (Share swap)

Realignment of NSSMC group's stainless steel business

Aug. 2<sup>nd</sup>, 2018: Basic agreement exchange Apr. 1<sup>st</sup>, 2019: Effective Date

#### **Integration of stainless steel sheet business**

Integrate stainless steel sheet business of NSSMC, Nisshin & NSSC\*1

→ "NIPPON STEEL STAINLESS STEEL Corporation" (Apr. 2019 (plan))

<Application>
Auto, Machinery,
Construction etc.

<Application>

Piping for chemical plant,

Piping for boiler etc.

# Synergy effect

FY2017~ Total

JPY 30.0 bn.

#### The TIG\*2 welded & laser welded steel pipes & tubes business

Merge & integrate Nisshin Stainless Steel Tubing and Nippon Steel & Sumikin Stainless Steel Pipe Co., Ltd.

→ "NIPPON STEEL STAINLESS STEEL PIPE CO., LTD." (Apr. 2019 (plan))

#### The automotive stainless steel pipe & tube business

Integrate Nisshin Steel's automotive stainless steel pipe & tube business into Nippon Steel & Sumikin Pipe Co., Ltd. (Apr. 2019 (plan))

Nisshin Steel's automotive stainless steel pipe & tube business

Sales by Nisshin Steel  $\rightarrow$  Integrate Nisshin Steel's operating rights into NSPC from Apr. 1st, 2019 onward Manufacturing by Nisshin Stainless Steel Tubing  $\rightarrow$  Integrate into NSPC once the transfer of manufacturing has been approved by customers, and close ERW line of NIPPON STEEL STAINLESS STEEL PIPE CO., LTD

<Application>
Automobile exhaust
systems(muffler),
Oil fill tubes etc.



<sup>\*1</sup> Nippon Steel & Sumikin Stainless Steel Corporation

<sup>\*2:</sup> TIG = Tungsten Inert Gas arc welding \*3: ERW = Electric Resistance Welding © 2019 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.

### **Establishment of Next-generation Automobile Structure Concept**

It is our mission to become a partner who envisions and co-designs every possible future around Automobiles.



30% weight reduction
with new all steel Automobile structure concept,
being equal to aluminum vehicle

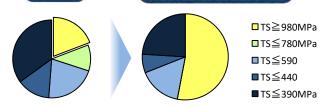
- Increase the high tensile steel application ratio through exploring the full potential of steel
- Advanced structural design & Forming/joining methods proposal

#### Provide solutions for component structure designing

- Proposal of high tensile strength steel up to TS 2GPa, in order to best meet the component requirements
   → Contribution to thickness reduction & component integration
- Development of steel structure concept for EV/HV battery with high corrosion resistance and fire endurance
- Realization of efficient, compact, light-weight, and quiet motor with advanced electrical steel sheets & evaluation/analysis technology

#### NSSMC Group's comprehensive strength

Proposal of comprehensive material solutions and services that cover wide range of customers needs;
 from conventional gasoline vehicle's components to batteries and motors that are becoming increasingly important with progress of electrification



High tensile steel application ratio

As is



NSafe®-AutoConcept

## NSafe®-AutoConcept







## **ESG Topics**





# NSSMC & Mazda Co-Develops World's First Cold-Stamped Parts Using 1,310 MPa-Class High-Strength Steel (Jan. 2019)



- By de-bottlenecking the formability and dimensional accuracy problems after processing, application of 1,310 MPa-Class High-Strength Steel has been expanded to car structural parts with more complexed configuration
- > This results in a lighter and strong vehicle body that ensures improved fuel economy and crash safety performance





FCO ·VC Gold Award from Panasonic for (Jan. 2019)
9 consecutive years

"Development of new Electrical steel series for better motor performance" → Realized significant CO<sub>2</sub> emission reduction





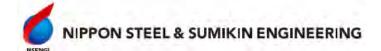


Expanded 24-hour in-house nurseries in Hirohata Works (Feb. 2019)

The 5<sup>th</sup> nursery will open in Apr. 2019. Oita, Kimitsu, Yawata, Nagoya and Hirohata (New open)







### **ESG Topics**



# Completion of the 2<sup>nd</sup> Commercial Plant of ESCAP® (Energy Saving CO<sub>2</sub> Absorption Process) (Dec. 2018)



The Features of ESCAP®

 Separate & collect high-purity CO<sub>2</sub> from exhaust gas with high heat efficiency based on COURSE50 project technology

Materials: Exhaust gas from electric power plants or steel mills etc. Products: High-purity CO<sub>2</sub> for food application (eg. Carbonated drinks)

- More than 40% higher heat efficiency in comparison with the conventional process in chemical absorption method
- Broadly applicable for CCUS\*1, contributes to realization of low carbon society
- Completed in NIIHAMA WEST THERMAL POWER STATION of SUMITOMO JOINT ELECTRIC POWER CO.,LTD. The first commercial CO<sub>2</sub> absorption plant that can separate & collect food applicable CO<sub>2</sub> from coal thermal power plant

Cf. The 1st plant is in AIR WATER CARBONIC INC. located in Muroran Works (completed in Nov. 2014)





# \*1 CCUS (Carbon dioxide Capture, Utilization and Storage New order of Core Component of Waste to Energy (WtE) Plant in Taiwan/Taoyuan City

(Dec. 2018)

- ➤ NSENGI group has track records of over 600 WtE\*2 plants in 25 countries backed by its ample experience in providing optimal solution & world's leading technology in thorough treatment and high efficiency.
- This is the first WtE plant under the Regulatory Measures for the Establishment of Renewable Energy Power Generation Equipment (introduced in 2017) in Taiwan and the plant has the highest electricity generation efficiency (above 25%) in Taiwan



<sup>\*2</sup> NSENGI group's consolidated basis (incl. Steinmuller Babcock Environment GmbH)



### **2020MTMP: Strengthen Manufacturing Capabilities**



Action	Publication	~FY17	FY18	FY19	FY20	FY21~
(Wakayama) BF Switch Nippon Steel & Sumikin Shapes Corp.("NS&S	18 2H : Switch from 5BF to New 2BF  End of FY19 : Close steelmaking facility in NS&S Shapes & transfer its production to NSSMC Wakayama Works					
(HOKKAI IRON & COKE CORP. in Muroran) Reline 2BF	Nov.18				*	FY20 2H : Completion
(Yawata) Optimize Upstream Tobata - Start new continuous casting Kokura - Close upstream process Tobata - Close continuous casting faci	End of FY18 : Completion  Full-scale operation  End of FY20 : Close  End of FY20 : Close					
(Nisshin Kure) Close 2BF Reline & expand 1BF	Jul. 17	(orig	inally intende at th	ed to close 2 e end of FY:		Close 2BF after 1BF's relining End of FY23
(Kimitsu) 5 Coke Oven Refurbishment	Apr.16		★Er	nd of FY18 :	Completion	
(Hokkai) 5 Coke Oven Refurbishment Jun.17		FY19 1H : Completion				
(Nagoya) 3 Coke Oven Refurbishment	Nov.18	FY19 1H: Construction start FY21 1H: Completion				FY21 1H : Completion
(Kimitsu) Close Small-diameter Seamless Pipe & Tube Mill	Mar. 18	Mar.20 : Close & transfer production to Wakayama				



# 2020MTMP: Global Business Development & Domestic Realignment 32

Action	Publi cation	~FY17	FY18	FY19	FY20				
Essar Steel	Mar.18	Mar.18: ★ Oct.18: CoC declared  Basic agreement AM as the successful applicant Current situlation AM's resolution exam in the Ind Company Law							
Special Steel Business OVAKO Sanyo Special Steel	Mar.18 Aug.18	<ul> <li>★Jun. 18: OVAKO became NSSMC's 100% subsidiary</li> <li>★ Jan.19: Approval from JFTC regarding NSSMC making Sanyo subsidiary</li> <li>★ Feb. 19: Sanyo's Extraordinary general shareholder's meeting</li> <li>★ Mar. 19: Sanyo will become NSSMC's 51% subsidiar OVAKO will become Sanyo's 100% subsidiar</li> </ul>							
Nisshin Steel		★Mar.17 : Nisshin becar NSSMC's subsidiary (8	<del>→</del> 51%)	n. 1 <sup>st</sup> , 19 : Nisshin	o Stock Exchange b became NSSMC's ubsidiary				
Stainless sheets business Stainless Pipe&Tube business	Mar.18 Aug.18		May.18: Basic agree		STAINLESS STEEL"	- n -			
Realignments of Trading Companies Nihon Teppan Tokai Color Nisshin Stainlesss Steel Trading	Sep.18		sı ★ Ja ★ D ri	ubsidiary nn. 19 : Tokai Color ec.18 : Nihon Tepp	pan became NSSB's*  r became NISC's* subsition  oan Stainless 's comme erred & consolidated to eel Trading	ercial			

\*NSBS : Nippon Steel & Sumikin Bussan Corporation,

NISC: Nippon Steel & Sumikin Coated Sheet Corporation



### **2020MTMP: Other Measures**

~FY17	FY18	FY19	FY20						
<ul> <li>★ Apr. 16: NSSOL newly-created "I</li> <li>★ Apr. 17: NSSMC newly-created "A</li> <li>★ Oct.17: NSSOL newly-created "A</li> </ul>	oX Solution Business p Information Security N I Research & Developr rp.18: NSSMC newly-c ★ Sep.18 Con	romotion Dep."  Nanagement Dept."  nent Center"  reated Intelligent Algoropany-wide Safety Sup	rithm Research Center port Project						
	<ul> <li>★ Apr.18 : Newly-created "Automotive Material Planning Dept."</li> <li>★ Apr.18 : Newly-created "Integrated Steel Solution Research Laborated "NIPPON STEEL Chemical &amp; Material Technology"</li> <li>★ Oct.18 : Established "NIPPON STEEL Chemical &amp; Material Technology"</li> <li>★ Jan.19 : Established "NSafe®-AutoConcept" (Our Mission, Designing the Future of Automobile Technology)</li> <li>★ Jan.19 : Exhibited in AUTOMOTIVE WORLD 20</li> </ul>								
	*FTSE Blossom Japar  ★ Nov.18 : Iss regarding L for steel pr	n Index", Leading Indice sue of international sta ife cycle inventory calc oducts	ndard (ISO 20915) ulation methodology our in-house nursery Works						
	★ Apr. 16: NSSMC newly-created " ★ Apr. 16: NSSOL newly-created " ★ Apr. 17: NSSMC newly-created " ★ Oct.17: NSSOL newly-created " A	<ul> <li>★ Apr. 16: NSSMC newly-created "Advanced Application</li> <li>★ Apr. 16: NSSOL newly-created "IoX Solution Business p</li> <li>★ Apr. 17: NSSMC newly-created "Information Security N</li> <li>★ Oct.17: NSSOL newly-created "Al Research &amp; Developed Arp.18: NSSMC newly-created "Apr.18: NSSMC newly-created Apr.18: Newly-created Apr.18: Newly-created Apr.18: Newly-created Apr.18: Newly-created Apr.18: Newly-created Apr.18: NSSMC Selection</li> <li>★ Sep.18: NSSMC Selection</li> <li>★ Sep.18: NSSMC Selection</li> <li>★ Nov.18: Issued approximately appro</li></ul>	<ul> <li>★ Apr. 16: NSSMC newly-created "Advanced Application Technology Planning D         ★ Apr. 16: NSSOL newly-created "IoX Solution Business promotion Dep."         ★ Apr. 17: NSSMC newly-created "Information Security Management Dept."         ★ Oct.17: NSSOL newly-created "AI Research &amp; Development Center"         ★ Arp.18: NSSMC newly-created Intelligent Algoing</li></ul>						



# 3. Appendix

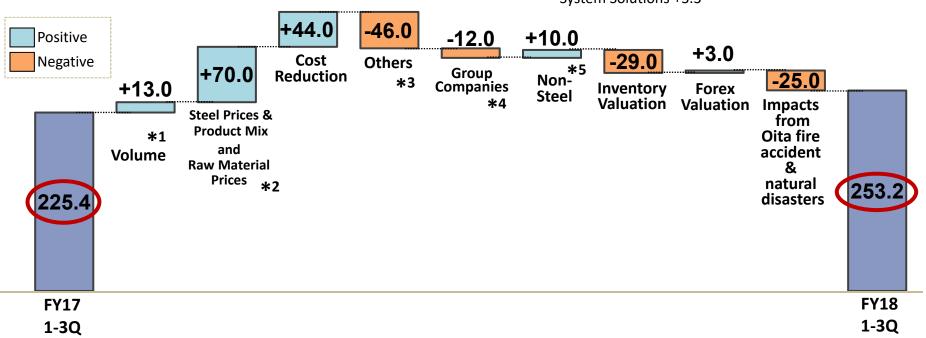
### Ordinary Profit Variance Analysis [FY17 1-3Q vs. FY18 1-3Q] [JGAAP]

(bn. JPY)		FY17 1-3Q [A]	FY18 1-3Q [B]		Change [A→B]
Ordinary Profit		225.4	253.2		+27.8
Steel		189.7	212.5		+22.8
Non-Steel		34.2	43.9		+9.7
Adjustment		1.5	(3.1)		-4.6

- \*1 Crude steel production: +0.61MMT (30.17 $\rightarrow$ 30.78) Steel shipment: +0.37MMT (28.12 $\rightarrow$ 28.49)
  - \* Volume of FY17 1-3Q incl. impacts from Oita fire accident, Volume of FY18 1-3Q incl. impacts from natural disasters, but the bridge analysis chart below does not incl. the impacts.
- **\*2** Incl. carry over +15.0(-14.0 → 1.0)
- \*3 Increase in depreciation,

  Congested periodic facility maintenances in FY18 1H,

  Reclassification of long-life machinery parts into
  fixed assets etc.
- \*4 Nisshin steel, overseas JVs etc.
- **\*5** Engineering +0.4, Chemicals & Materials +6.3, System Solutions +3.3



## FY2018 3Q Results and Full Year Forecast [IFRS] (bn. JPY)

		FY2018					change					
	FY2017	1H *5	prev. 2H(f) <sup>*6</sup>	2H(f)	3Q <sup>*5</sup>	1-3Q <sup>*5</sup>	4Q(f)	prev. (f) <sup>*6</sup>	(f)	18 1H → 18 2H(f)	FY17 → FY18(f)	*6 prev. FY18(f) → FY18(f)
Revenue	5,712.9	2,940.0	[3,260.0]	3,260.0	1,630.0	4,570.0	1,630.0	[6,200.0]	6,200.0	+320.0	+487.1	-
Business Profit *1	288.7	158.0	[192.0]	172.0	102.0	260.0	70.0	[350.0]	330.0	+14.0	+41.3	-20.0
Steel *2	236.8	132.0	[168.0]	148.0	87.0	219.0	61.0	[300.0]	280.0	+16.0	+43.2	-20.0
Net Profit *3	180.8	117.0	[123.0]	113.0	83.0	200.0	30.0	[240.0]	230.0	-4.0	+49.2	-10.0
ROS	5.1%	5.4%	[5.9%]	5.3%	6.3%	5.7%	4.3%	[5.6%]	5.3%	-0.1%	+0.3%	-0.3%
EPS (JPY/share)	204.9	132.6	[136.4]	125.4	94.0	226.6	32.9	[269.0]	258.0	-7.1	+53.1	-11.0
EBITDA *4	655.3	358.0	[422.0]	392.0	202.0	560.0	190.0	[780.0]	750.0	+34.0	+94.7	-30.0
EBITDA/Sales	11.5%	12.2%	[12.9%]	12.0%	12.4%	12.3%	11.7%	[12.4%]	12.1%	-0.2%	+0.6%	-0.3%
EBITDA/t (k JPY/t)	14.0	15.1	[16.3]	16.0	16.7	15.7	15.3	[15.9]	15.6	+0.9	+1.6	-0.3

<sup>\*1</sup> Business Profit: Results of sustainable business activities, & the important measure to compare & evaluate NSSMC's consolidated performance continuously.

Other operating income and expenses is composed mainly of Dividend income, Foreign exchange gains or losses, Loss on disposal of fixed assets.

<sup>=</sup> Revenue - Cost of sales, Selling general & administrative expenses and Other operating expenses

<sup>+</sup> Equity in profit of unconsolidated subsidiaries and affiliates and Other operating income.

<sup>\*2</sup> Business profit of FY2017 non-steel segment is JGAAP basis, and Business profit of FY2017 steel segment includes the adjustments between JGAAP and IFRS.

<sup>\*3</sup> Profit attributable to owners of parent \*4 Business Profit + Depreciation + Amortization \*5 Tentative calculation basis \*6 prev. : As of Nov.2<sup>nd</sup>, 2018

#### FY2018 3Q Results [JGAAP] (bn. JPY)

	FY	17		F`	Y18		Cha	nge
	1-3Q		2Q	1H	3Q	1-3Q	17 1-3Q vs. 18 1-3Q	18 2Q vs. 18 3Q
Net Sales	4,164.5	5,668.6	1,462.5	2,903.4	1,615.6	4,519.1	+354.6	+153.1
Operating Profit	138.0	182.3	38.5	86.7	64.0	150.7	+12.7	+25.5
Ordinary Profit	225.4	297.5	63.8	151.5	101.7	253.2	+27.8	+37.9
ROS	5.4%	5.2%	4.4%	5.2%	6.3%	5.6%	+0.2%	+1.9%
Extraordinary Profit (Loss)	12.4	(7.6)	(2.5)	7.7	0.2	7.9	-4.5	+2.7
Net Profit*1	156.0	195.0	44.9	141.2	90.3	231.6	+75.6	+45.4
ROE	6.8%	6.4%	5.7%	8.9%	11.5%	9.9%	+3.1%	+5.8%
EPS	176.8	221.0	50.9	160.1	102.4	262.4	+85.6	+51.5
EBITDA *2	493.0	658.0	160.9	344.4	202.9	547.3	+54.3	+42.0
EBITDA / Sales	11.8%	11.6%	11.0%	11.9%	12.6%	12.1%	+0.3%	+1.6%
EBITDA / t (k JPY/t)	14.2	14.1	13.7	14.6	16.7	15.7	+1.5	+3.0

**<sup>\*1</sup>** Profit attribute to owners of parent



**<sup>★2</sup>** Ordinary profit + Net finance costs + Depreciation + Amortization © 2019 NIPPON STEEL & SUMITOMO METAL CORPORATION All Rights Reserved.

### **Extraordinary Profit & Loss [JGAAP]** (bn. JPY)

	FY	17	FY18					
	1-3Q		2Q	1H	3Q	1-3Q		
Extraordinary Profit (Loss)	12.4	(7.6)	(2.5)	7.7	0.2	7.9		
Gain on sales of investment securities	24.5	25.6	18.5	28.7	1.5	30.3		
Impairment loss		(15.6)						
Loss on inactive facilities	(5.9)	(11.6)						
Loss on disasters			(21.0)	(21.0)	(1.3)	(22.3)		
Restructuring loss	(6.2)	(6.1)						

#### Impacts from Natural Disasters (Jul. 6: Heavy rainfall, Sep.4: Typhoon Jebi (#21), Sep 6: Earthquake in Hokkaido, Sep. 30: Typhoon Trami (#24))

		1H	2H(f)	FY18(f)
T	<b>Total</b>	(48.0)	(9.3)	(57.3)
	Ordinary Profit	(27.0)	(8.0)	(35.0)
	NSSMC	(22.0)	(5.0)	(27.0)
	Shipment	[-0.70 MMT] (18.0)	[-0.15 MMT] (5.0)	[-0.85 MMT] (23.0)
	Cost	(4.0)		(4.0)
	Nisshin Steel	(5.0)	(3.0)	(8.0)
	Extraordinary Profit (Loss)	(21.0)	(1.3)	(22.3)

Underlined figures = Shipment volume loss

The recovery of in-plant power generation in Nisshin steel's Kure Works etc.

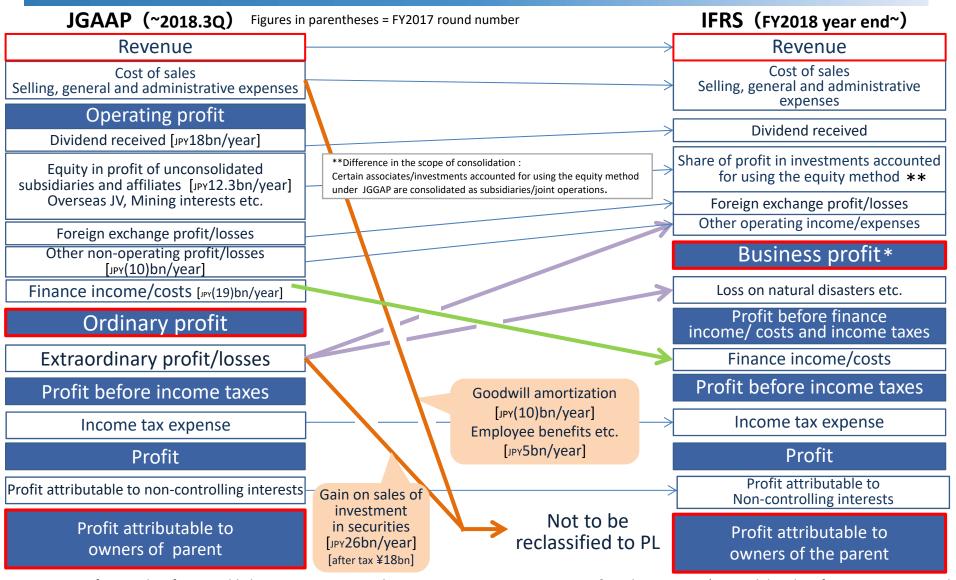
#### Adjustments between JGAAP and IFRS (bn. JPY)

	FY2	017	FY201	8 1-3Q
	Ordinary / Business Profit	Net Profit *2	Ordinary / Business Profit	Net Profit *2
JGAAP	297.5	195.0	253.2	231.6
IFRS*1	288.7	180.8	260.0 <sup>*3</sup>	200.0 *3
change	-8.8	-14.2	+7.0	-31.0
(1) Adjustment to the difference in recognition & measurement	+5.4	-14.2	-5.0	-31.0
Goodwill amortization	+10.5	+10.3	+7.0	+7.0
Employee benefits etc.	-5.1	-6.9	-12.0	-17.0
Investment securities	_	-17.6	-	-21.0
(2) Reclassification	-14.2	_	+12.0	-
Finaicial cost (out of business profit)	+19.2	_	+12.0	-
Extraordinary profit/loss (into business profit)	-33.4	_	-	-

<sup>\*1</sup> NSSMC continues to adopt declining-balance method for tangible fixed assets' depreciation after applying IFRS.

**<sup>\*2</sup>** Profit attributable to owners of parent **\*3** Tentative calculation basis

#### **Comparative Table of JGAAP & IFRS PL**



- \* Business Profit: Results of sustainable business activities, and an important measure to compare & evaluate NSSMC's consolidated performance continuously.
  - = Revenue Cost of sales, Selling general & administrative expenses and Other operating expenses
  - + Equity in profit of unconsolidated subsidiaries and affiliates and Other operating income.

Other operating income and expenses is composed mainly of Dividend income, Foreign exchange gains or losses, Loss on disposal of fixed assets.

End of

FY22

End of

FY21

1

End of

FY20

#### (Ref.) Simulation of the Impacts from <Assumption> Duration of use=4 years, Legal durable years =4 years

4<sup>th</sup> year

End of

FY14

End of

**FY15** 

End of

**FY16** 

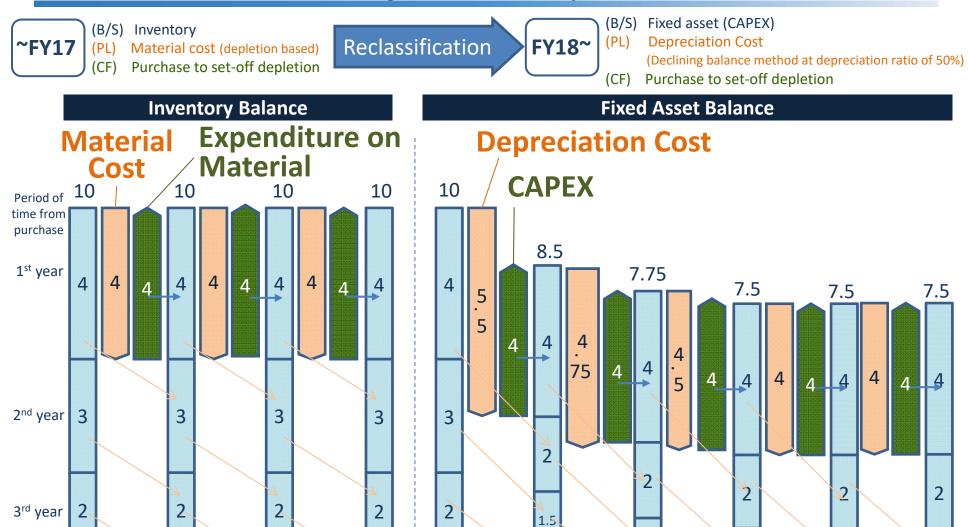
End of

FY17

End of

FY17

**Reclassification of Long-life Machinery Parts into Fixed Assets** 



End of

FY18

End of

**FY19** 

#### **Operational Highlights**

					FY18						Change		
(MMT)	FY17	2Q	1H	3Q	4Q <sup>*5</sup> (f)	2H (f)	*4,5 prev. (f)	*5 (f)	18/2Q vs. 18/3Q	18/3Q vs. 18/4Q(f) <sup>5</sup>	18/1H vs. *5 18/2H(f)	FY17 vs. FY18(f)	prev.* <sup>4,5</sup> FY18(f) vs. FY18(f) *5
*1 Pig-iron production	40.61	10.24	20.49	10.24	10.50	20.70	[41.80]	41.20	-	+0.26	+0.21	+0.59	-0.60
Consolidated Crude *2 Steel Production	47.02	11.76	23.65	12.13	12.40	24.50	[49.00]	48.20	+0.37	+0.27	+0.85	+1.18	-0.80
Non-Consolidated *3 Crude Steel Production	40.67	10.21	20.50	10.29	10.50	20.80	[42.10]	41.30	+0.08	+0.21	+0.30	+0.63	-0.80
Steel Shipments	37.79	8.99	18.56	9.92	9.70	19.60	[38.50]	38.10	+0.93	-0.22	+1.04	+0.31	-0.40
Seamless Pipe Shipments	0.96	0.22	0.47	0.30	0.25	0.54	[1.02]	1.01	+0.08	-0.05	+0.07	+0.05	-0.01
Average Steel Selling Price (k JPY/ton)	84.7	90.2	88.7	91.5	90	90	[89]	89	+1.3	-1.5	+1.3	+4.3	-
Steel Export Ratio (Value basis (%))	41.2	41.2	40.9	40.2	37	39	[41]	40	-1.0	-3.2	-1.9	-1.2	-1
Forex (USD•JPY)	111	111	109	113	110	112	[110]	111	Depreciate <b>2</b>	Appreciate <b>3</b>	Depreciate <b>3</b>	-	Depreciate <b>1</b>

<sup>\*1</sup> Figures of FY2017 Incl. Hokkai Iron & Coke corp. and Nippon Steel & Sumikin Koutetsu Wakayama Co.

<sup>\*2</sup> Figures of FY2017 Incl. Nippon Steel & Sumikin Koutetsu Wakayama Co. and Figures of FY2018 2H Incl. OVAKO

<sup>\*3</sup> Figures of FY2017 Incl. Nippon Steel & Sumikin Koutetsu Wakayama Co

**<sup>\*4</sup>** Prev. : As of Nov.2<sup>nd</sup>,2018

**<sup>★5</sup>** Forecasts : Rough figures

#### **Key Indicators of Demand**

					FY1	.8					Change		
[ Domestic ]	FY17	2Q	1H	3Q	*1 4Q(f)	2H (f)*1	prev. (f)*2	(f)*1	18 2Q vs. 18 3Q	18 3Q vs. *1 18 4Q(f)	18 1H vs. *1 18 2H(f)	FY17 vs. *1 FY18(f)	prev. FY18(f) vs. *2 FY18(f) <sub>*1</sub>
Housing Starts (mil. houses)	0.95	0.25	0.49	0.25	0.21	0.46	[0.94]	0.95	-	-0.04	-0.05	-	+0.01
Non-residential Construction Starts (mil. m²)	53.31	13.58	26.97	13.05	13.35	26.40	[53.36]	53.36	-0.53	+0.31	-0.57	+0.05	-
Public Works Orders (bn. JPY)	10,508	2,826	4,735	2,800	2,970	5,770	[10,760]	10,505	-26	+170	+1,035	-3	-255
Finished Auto Production (mil. units)	9.68	2.31	4.63	2.56	2.67	5.23	[9.80]	9.86	+0.25	+0.11	+0.60	+0.18	+0.06
Export of Finished Auto (mil. units)	4.79	1.15	2.35	1.29	1.22	2.50	[4.95]	4.85	+0.14	-0.07	+0.15	+0.06	-0.10
Overseas Auto Production (8 Japanese car makers) (mil. units)	19.29	4.77	9.65	4.91					+0.14				
Large & Middle Sized Shovel Production (k units)	79	19	39	21	22	43	[83]	82	+2	+1	+4	+3	-1
Metal Machine Tool Production (k tons)	458	114	223	113	129	242	[462]	465	-1	+16	+19	+7	+3
Keel-laid New Ships (mil. gross tons)	12.06	3.00	5.92	3.00	3.10	6.10	[12.10]	12.02	-	+0.10	+0.18	-0.04	-0.08

	Rig Count	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	La	test	P	eak	Вс	ottom
U	SA	1,089	1,546	1,875	1,919	1,761	1,862	977	510	875	1,075	(Jan.19)	2,031	(Sep.'08)	404	(May.'16)
	Deep well (≧15,000ft)	249	249	395	324	326	354	205	126	222	235	(Jan.19)	413	(Nov.'11)	98	(May.'16)
	Vorld Total cl. N. America, Russia & China	997	1,094	1,167	1,234	1,296	1,337	1,167	955	948	991	(Nov.18)	1,382	(Jul.'14)	920	(Oct.'16)

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



**<sup>\*1</sup>** Forecasts as of middle of Dec. 2018 **\*2** Figures as of Nov, 2<sup>nd</sup>, 2018.

#### **Domestic Steel Consumption by Industrial Sector**

						FY18						Change		
	(MMT)	FY17	2Q	1H	3Q	4Q(f)*1	2H(f)*1	prev. <b>*2</b> (f)	(f)*1	18 2Q vs. 18 3Q	18 3Q vs. *1 18 4Q(f)	18 1H vs. *1 18 2H(f)	FY17 vs. *1 FY18(f)	prev. FY18(f) vs. FY18(f)
Cr	ude Steel Production	104.84	25.65	52.22	25.70	Approx. <b>26.31</b>	52.01		Approx. 104.23	+0.05	Approx. <b>+0.61</b>	Approx. - <b>0.21</b>	Approx. - <b>0.61</b>	
	omestic Steel onsumption (A + B)	62.89	15.58	30.89	16.27	16.04	32.31	[63.08]	63.20	+0.69	-0.23	+1.42	+0.31	+0.12
% f	or manufacturing sector	64.2	64.0	64.5	63.9	64.7	64.3	[64.1]	64.4	-0.1	+0.8	-0.2	+0.2	+0.3
0	rdinary Steel Consumption (A)	49.74	12.29	24.34	12.88	12.74	25.62	[49.98]	49.96	+0.59	-0.15	+1.29	+0.21	-0.02
	Construction	21.67	5.40	10.57	5.65	5.45	11.10	[21.77]	21.67	+0.25	-0.20	+0.54	+0.01	-0.10
	Manufacturing	28.08	6.89	13.77	7.23	7.29	14.52	[28.22]	28.29	+0.34	+0.06	+0.75	+0.21	+0.07
	Shipbuilding	4.08	1.01	2.01	1.03	1.04	2.07	[4.09]	4.08	+0.02	+0.01	+0.06	-	-0.01
	Automotive	11.31	2.76	5.51	2.97	2.97	5.94	[11.41]	11.45	+0.21	-	+0.43	+0.14	+0.04
	Industrial Machine	5.04	1.26	2.53	1.27	1.28	2.55	[5.05]	5.08	+0.01	+0.01	+0.02	+0.04	+0.03
	Electronic Machine	3.10	0.78	1.54	0.77	0.82	1.59	[3.14]	3.14	-0.01	+0.04	+0.05	+0.04	-
S	pecialty Steel Consumption (B)	13.14	3.29	6.56	3.38	3.30	6.69	[13.10]	13.24	+0.09	-0.08	+0.13	+0.10	+0.14
S	teel Imports	6.55	1.48	3.12	1.77									
S	teel Exports	37.52	8.84	17.99	8.92									· NICCNAC\

(Source: NSSMC)



**<sup>\*1</sup>** Forecasts as of middle of Dec. 2018

**<sup>\*2</sup>** Figures as of Nov. 2<sup>nd</sup>, 2018

[ ]: Outlook as of Oct. 2018

(GDP growth rate)

	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18 (f)	8	<b>CY1</b> (f)	_	<b>CY2</b> (f)	0
World Total	3.0	-0.5	5.3	3.9	3.4	3.4	3.4	3.4	3.2	3.8	[3.7]	3.7	[3.7]	3.5	[3.7]	3.6
Developed Countries	0.5	-3.4	3.2	1.7	1.2	1.4	1.9	2.1	1.7	2.3	[2.4]	2.3	[2.1]	2.0	[1.7]	1.7
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	[2.5]	2.5	[1.8]	1.8
EU27	0.6	-4.1	1.9	1.5	-0.7	-0.4	0.9	2.0	1.8	2.3	[2.0]	1.8	[1.9]	1.6	[1.7]	1.7
Japan	-1.2	-6.3	4.4	-0.6	1.5	1.6	0.0	1.1	0.9	1.7	[1.1]	0.9	[0.9]	1.1	[0.3]	0.5
Developing Countries	6.1	2.7	7.5	6.2	5.1	5.0	4.6	4.3	4.4	4.7	[4.7]	4.6	[4.7]	4.5	[4.9]	4.9
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	[6.2]	6.2	[6.2]	6.2
India	7.3	6.8	10.6	6.3	4.7	6.9	7.2	8.0	7.1	6.7	[7.3]	7.3	[7.4]	7.5	[7.7]	7.7
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	[1.8]	1.6	[1.8]	1.7
Brazil	5.1	-0.6	7.5	2.7	1.0	2.7	0.1	-3.8	-3.5	1.0	[1.4]	1.3	[2.4]	2.5	[2.3]	2.2

(Source: IMF)



#### **World Steel Demand**

< Released on Oct. 2018 by World Steel Association >

[ ]: Previous forecasts as of Apr. 2018



<sup>\*</sup>FY16~: including illegal induction furnaces

1.66 (bn. tons) 1.60 China Others 1.22 ■ Japan/North America/Europe 0.55 76 78 80 82 84 86 88 90 94 96 98 00 04 06 80 10 12 14 16 18(f) 19(f)

Source: World Steel Association, Apparent finished steel consumption



#### **World Crude Steel Production**

				C.	Y18			
(MMT)	CY17 [A]	Jan Sep. [B]	Oct.	Nov.	Dec.	Oct Dec.	[B]	Change (A →B)
World *	1,712.3	1,336.6	155.7	149.7	147.1	452.4	1,789.6	+77.3
Total [YoY]	[7.9%]	[4.6%]	[5.1%]	[6.5%]	[4.2%]	[5.3%]	[4.5%]	[-3.4%]
Japan	104.7	78.6	8.6	8.7	8.5	25.7	104.3	-0.3
[YoY]	[-0.1%]	[0.5%]	[-4.4%]	[-0.5%]	[-2.9%]	[-2.6%]	[-0.3%]	[-0.2%]
Korea	71.0	54.2	6.2	5.9	6.2	18.3	72.5	+1.4
[YoY]	[3.6%]	[2.0%]	[3.7%]	[1.0%]	[1.5%]	[2.1%]	[2.0%]	[-1.6%]
USA	81.6	64.2	7.6	7.4	7.6	22.5	86.7	+5.1
EU28	168.5	125.9	14.6	14.5	13.2	42.3	168.1	-0.4
Russia	71.5	54.3	5.9	5.7	5.9	17.4	71.7	+0.2
Brazil	34.4	26.1	3.2	2.8	2.6	8.6	34.7	+0.4
India	101.5	79.7	8.8	9.0	9.0	26.8	106.5	+5.0
China	870.9	691.2	82.6	77.6	76.1	236.3	928.3	+57.4
[YoY]	[10.7%]	[6.1%]	[9.1%]	[10.8%]	[8.2%]	[9.4%]	[6.6%]	[-4.1%]

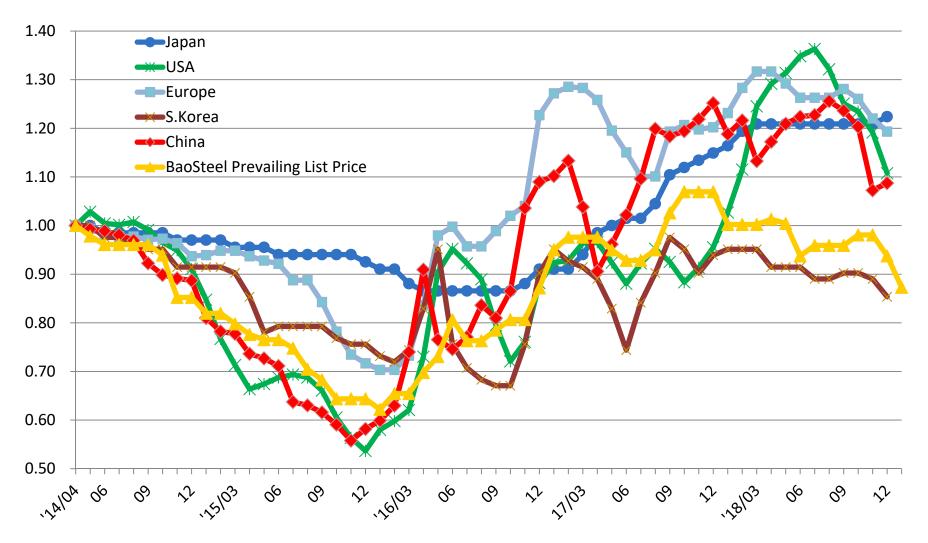
(Source: World Steel Association)



<sup>\*</sup> Total of 64 countries

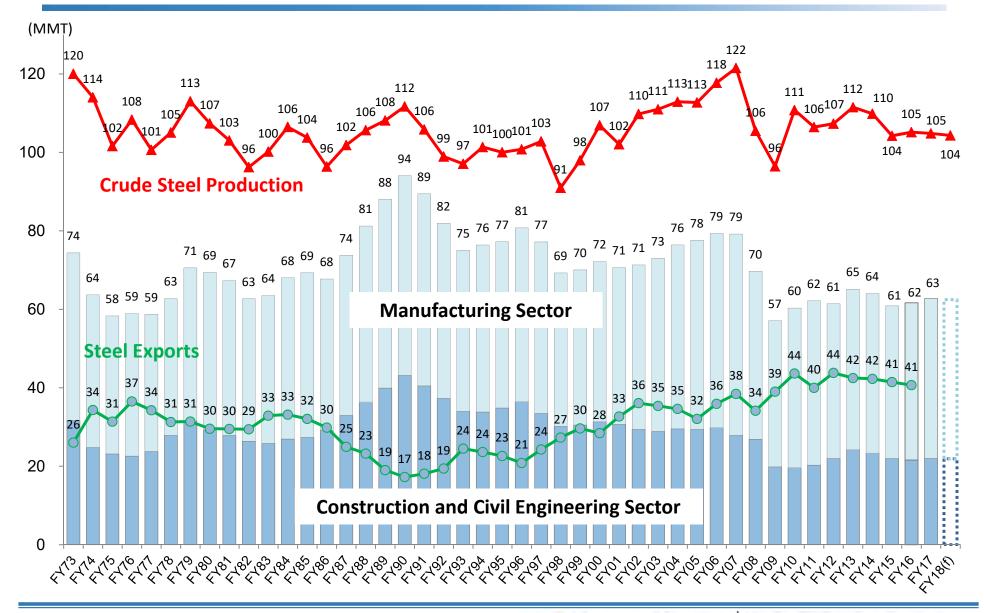
#### **Hot Rolled Sheets Prices by Region**

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





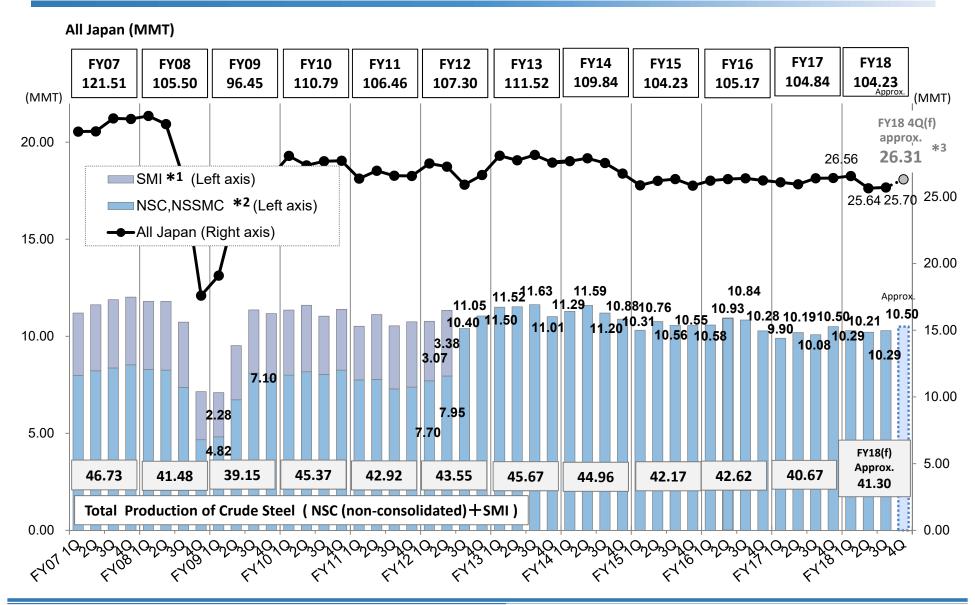
#### **Domestic Steel Consumption Trend**



(Source: NSSMC)



#### **Domestic Crude Steel Production**

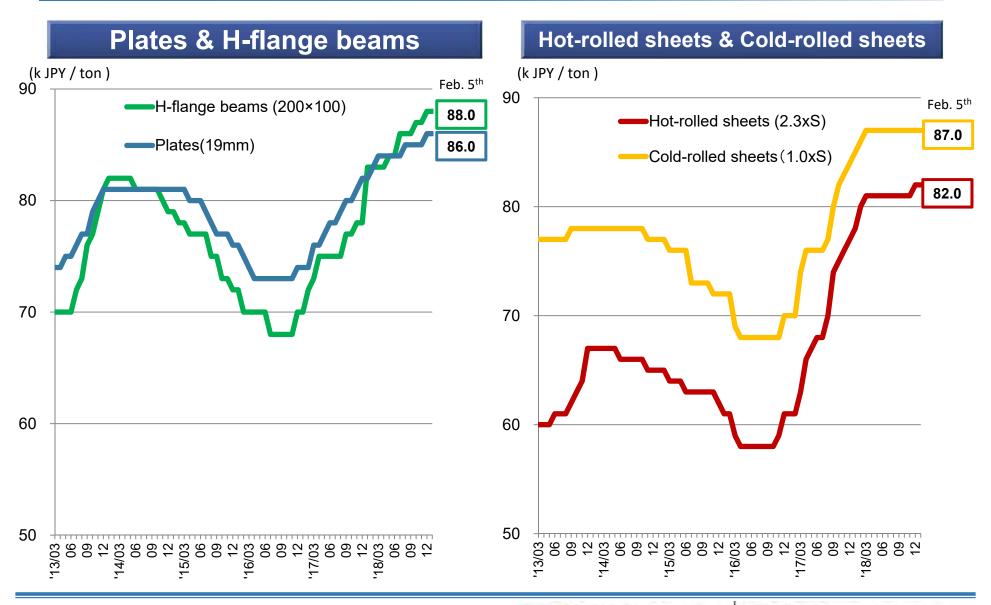


<sup>\*1</sup> Includes Sumitomo Metals(Kokura), Sumitomo Metals(Naoetsu) and Sumikin Iron & Steel Co. \*3 Domestic Crude Steel Production of

<sup>\*2</sup> Includes NIPPON STEEL & SUMIKIN KOUTETSU WAKAYAMA CORP (~FY2017)

<sup>•3</sup> Domestic Crude Steel Production of FY18/4Q(f) released by METI

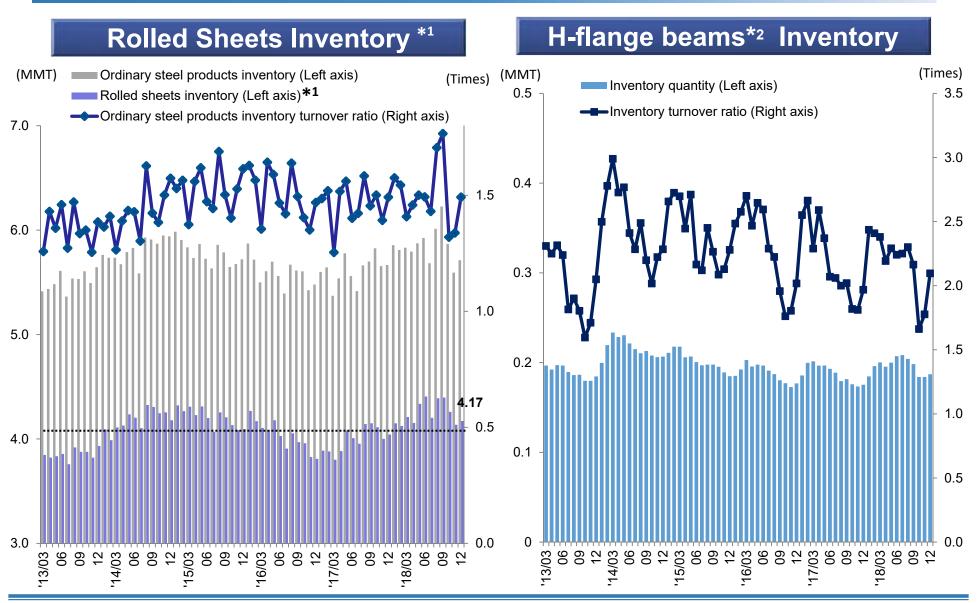
#### **Domestic Steel Products Prices**



(Source: Japan Metal Daily)



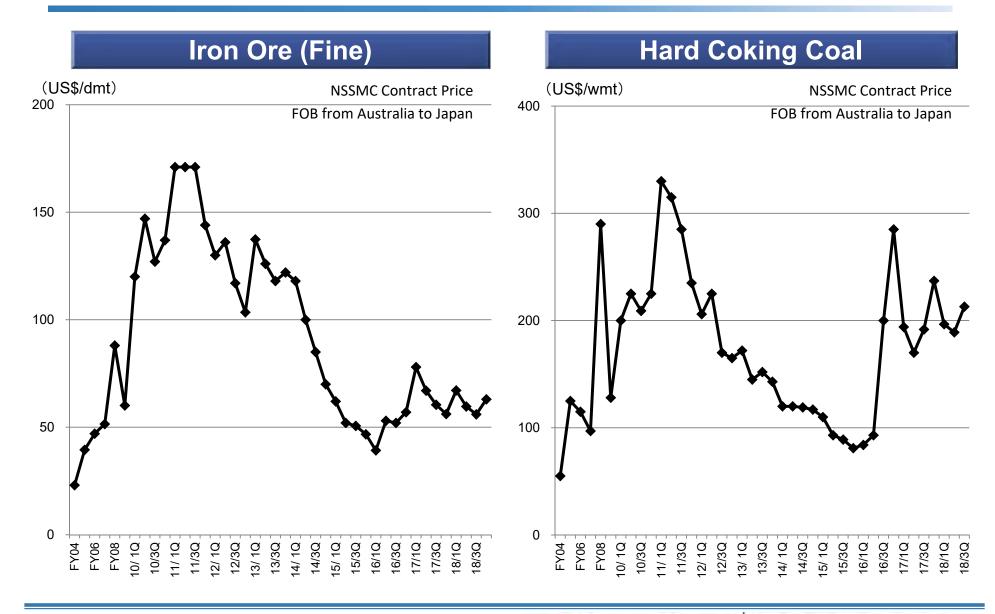
#### **Domestic Steel Inventory**



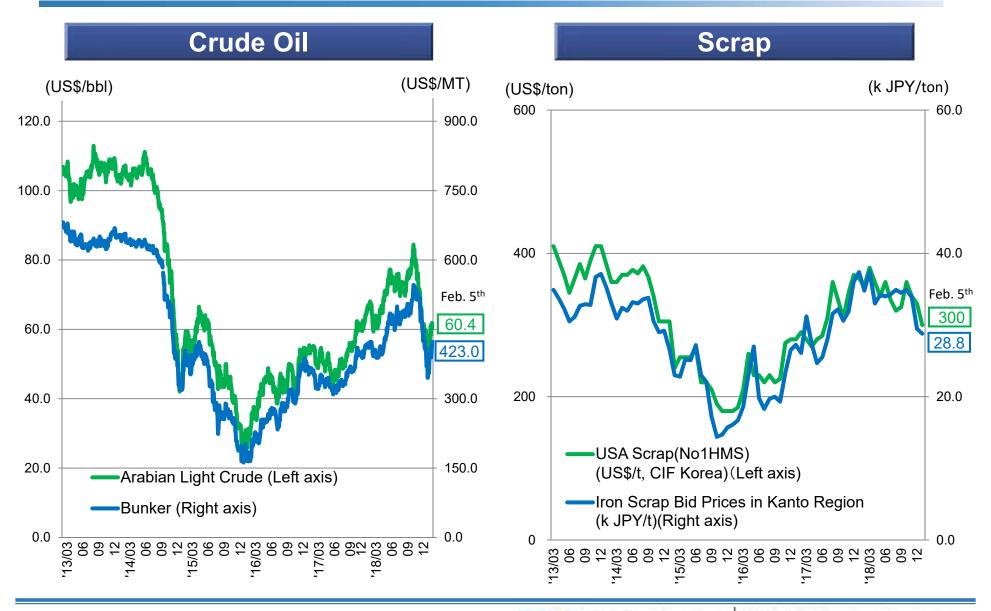
(Source: Japan Iron and Steel Federation) \*1 Hot-rolled, Cold-rolled and Coated sheets

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

#### **Iron Ore & Coking Coal Prices**

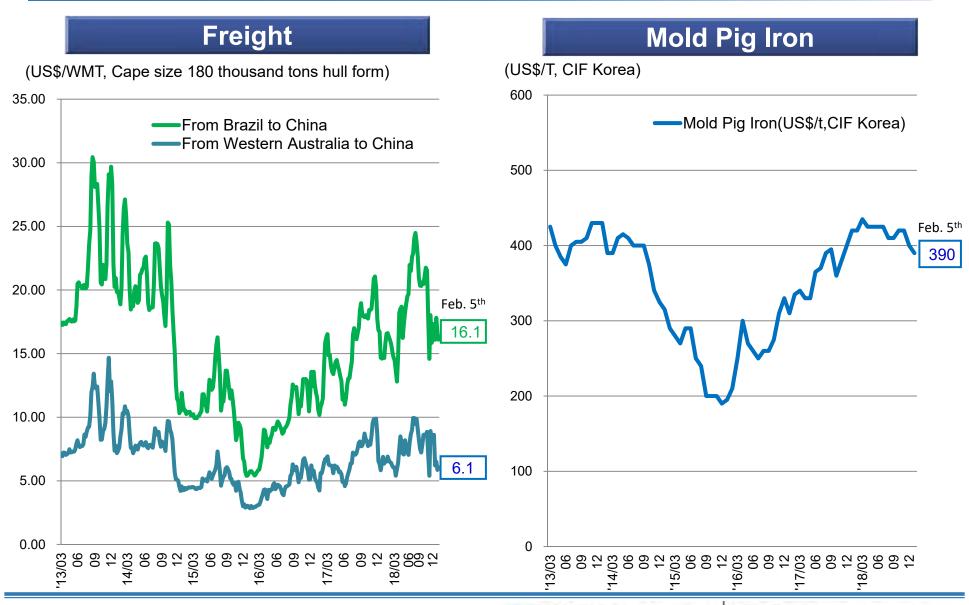


#### Market Trends < Crude Oil & Scrap >





#### Market Trends < Freight & Mold Pig Iron >



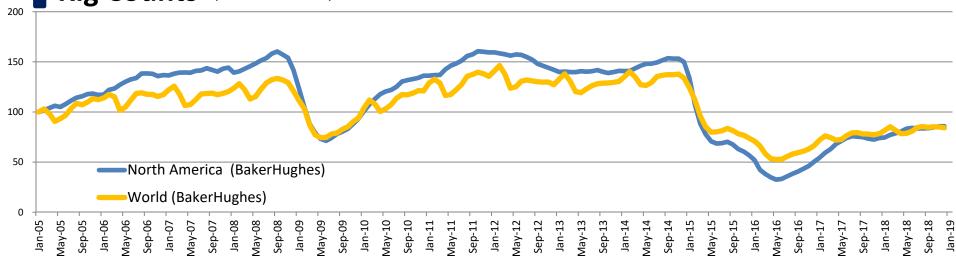


#### **Energy Sector: Oil Price / Rig Count**

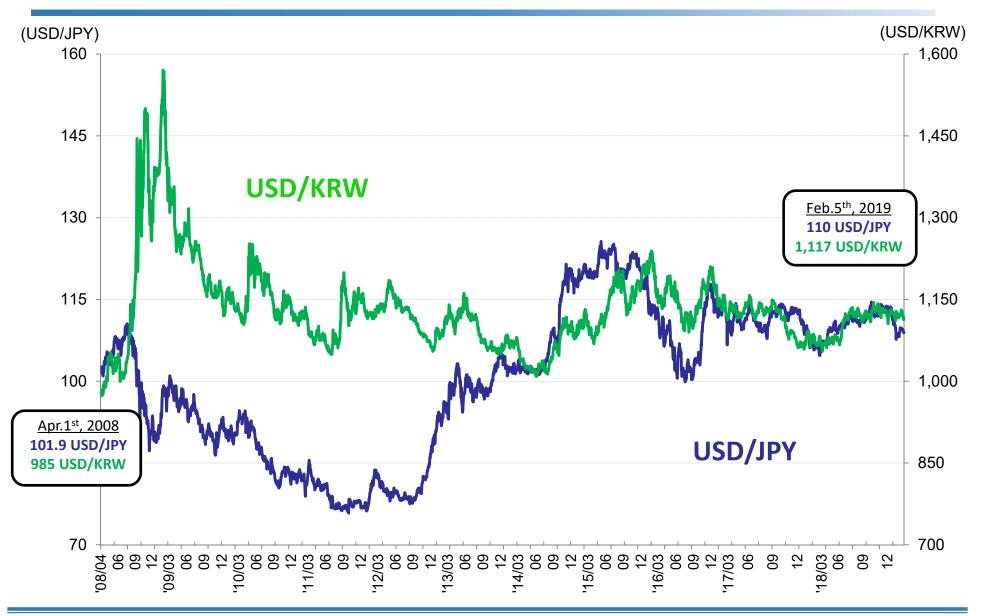
#### **US Oil Price (WTI Spot)**





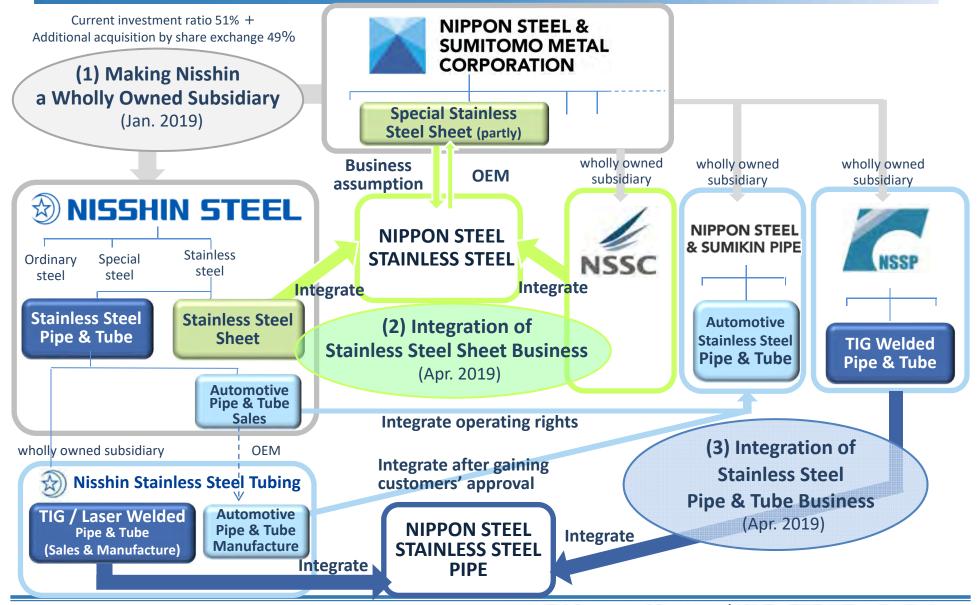


#### **Forex Trend**





#### Integration of NSSMC Group's Stainless Steel Business



#### **Business Scale of Stainless Sheet / Pipe & Tube**

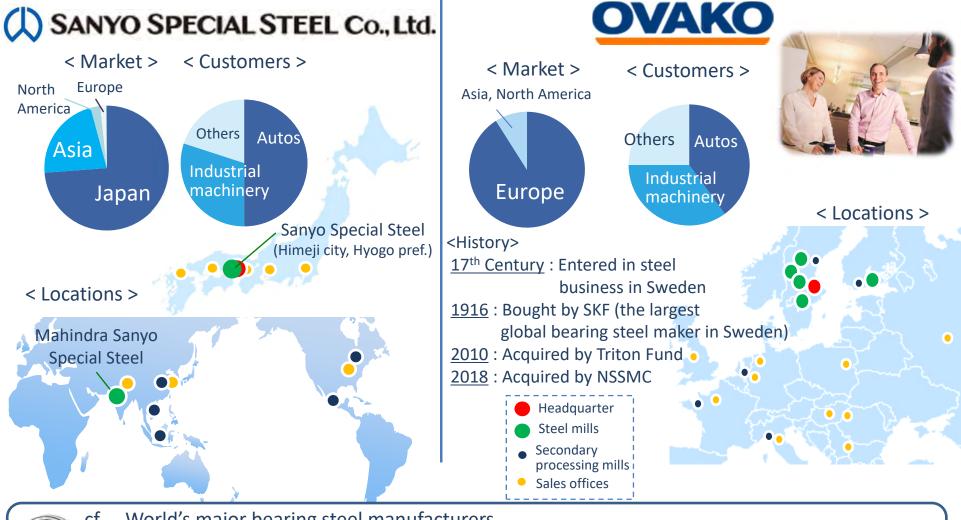
To Be		PON STEEL NLESS STEEL	Nisshin Stainless Steel Tubing	NSSP	NIPPON ST STAINLESS S PIPE	TEEL IVIII V	N STEEL PIPE
		ess sheet and wire business		•	er welded be business		RW be business
Sales volume	Approx. 1.	50 MMT/year	Approx.	0.36	MMT/year	Approx. 0.3	6 MMT/year
Net sales	Approx. JPY	/460 bn./year	Approx.	JPY20	.0 bn./year	Approx. JPY1	5.0 bn./year
As Is						Sales	Manufacture
	NIPPON STEEL SUMITOMO ME CORPORATION	TAL	NISSI STEE		Nisshin Stainless Steel Tubing	NSSP	NIPPON STEEL & SUMIKIN PIPE
FY2017 Spo	ecial stainles: steel		Stainless state stainless state stainless state stat		(TIG/laser welded pipe & tube)		ERW welded pipe & tube
Sales volume	oprox. 0.03 MMT/year	0.97 MMT/year	0.56 MMT/year	r	Approx. 0.04  MMT/year	Approx. 0.02  MMT/year	Approx. 0.02  MMT/year
Net sales		JPY258.8bn./year	JPY <b>175.0</b> bn.	./year	JPY14.3bn./year	JPY14.7bn./year	

#### Financial Highlights of Sanyo Special Steel and OVAKO

	(I) SAN	YO SPE	CIAL ST	FY2017		OVA	<b>(O</b>	CY2017 (130JPY/€)
Crude steel	1.	.30 ммт,	/year <b>(2EA</b>	Fs)	1	.01 MMT/year	(3EAFs)	
Sales volume		1.07	MMT/year			0.78 ммт	√year	_
Net sales		JPY 1	57.4 bn.		€921 r	mil. (approx. J	PY 120.0	bn.)
Net profit	[F		7.0 bn. JPY 8.0 br	າ. ]		2 mil. (approx. . – Dec.) €19mil		•
Total assets		JPY 2	10.2 bn.		€743	mil. (approx. J	PY 97.0 b	on.)
Interest bearing debt		JPY 2	28.4bn.		€251	mil. (approx. J	PY 34.6 k	on.)
Employees		2,	666			Approx. 3,	000	
*Sanyo's FY18.1Q net profit incl. gain on step acquisitions of Mahindra Sanyo Special Steel (¥1.46bn.)  **OVAKO 1H=JanJun.  ***OVAKO 18.2Q  Net Profit incl. one-off costs (costs for advanced redemption of bonds etc.) (€16mil.)	6.5 4.3 17. 1H	4.1 2.7 17. 2H	5.8 5.1 Net pro 18. 1H*	3.7 2.9	20 17. 1H**	Net profit //loss 38 (4) 17.	81	(mil. EUR/HY) Incl. WLTP's negative impacts  10  (7) 18.



#### Main Markets & Locations of Sanyo Special Steel and 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>

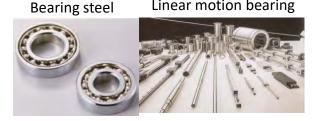


#### **Product Lineup of Sanyo Special Steel and OVAKO**

## SANYO SPECIAL STEEL Co., Ltd.

#### **Bearing steel**

Linear motion bearing





## OVAKO

# **Bearing Quality**



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

# **Isotropic Quality**

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



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

# Machinability



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

High-carbon chromium steel

#### Alloy steel

Shafts for auto



Transmission





### High alloy steel

Precision pipes and parts

Invar allov for electric power cable

Hot extrusion dies





#### **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.

#### Overview of NSSMC's Special Steel Bar Business

# <Location> Muroran Special Steel Bar Other products





	Muroran	Yawata (Kokura Area)
Crude steel production (FY2017)	1.43MMT/year	<b>1.20</b> MMT/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 of 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



<sup>\*</sup>MSR = Mitsubishi Steel Muroran Inc.

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