TYO : 5401 OTC : NPSCY(ADR)



# First Quarter FY2019 Earnings Summary

Aug 1<sup>st</sup>, 2019

NIPPON STEEL CORPORATION

Notes on this presentation material

Unless otherwise noted, all volume figures are presented in metric tons Unless otherwise noted, all financial figures are on consolidated basis







1. Business Environment & Our Strategy

# 2. FY2019 1Q Results & Full Year Forecast

# 3. Progress in 2020 Mid-Term Management Plan

# 4. Appendix





# . Business Environment & Our Strategy



### FY2019 Business Environment "Decoupling of Raw Material Prices & Steel Product Prices"



#### The US-China trade issue is anticipated to weaken world economic growth and steel demand.

The growth of steel demand has been sluggish mainly in flat steel products' market under the prolonged US-China trade war and an economic slowdown in China ; particularly weaker consumer sentiment. Asian market prices of flat steel products have dropped since June 2019.

Some of export industries in Japan seem to be slowing down and decreasing steel demand.

# "Another China Risk" has emerged, in which the growing demand for iron ore caused by the economic stimulus measures in China boosts raw material prices despite of weak steel product prices.

Economic stimulus have rapidly increased crude steel production in China, mainly for long products, resulting in a surge in iron ore prices. Iron ore inventory in China remains low, therefore the prices are expected to stay at high level. China accounts for almost a half of the world's steel demand and production, and for almost 60% of pig iron production. While economic stimulus boosts raw material prices, the prolonged US-China trade issue damps steel product prices. "Another China Risk" has emerged, which had not been expected when we developed our 2020 mid-term management plan. The new risk is different from "existing China Risk" (excess supply & export). Decoupling of raw material prices & steel product prices are expected to continue for some time in the future.

Under this condition, we implement (1) Initiatives to secure & strengthen profit base,

(2) Promotion of mid-to-long term growth strategy,

(3) Disciplined cash management.

Moreover, as preparations for unexpected risks, we are also planning on

(4) Structural measures to strengthen profitability.



### FY2019 1Q Results & Full Year Forecast

#### ■ FY2019 1Q Results

Consolidated Business Profit: JPY 60.6 bn., ROS: 4.0%, Net profit \* : JPY 33.3 bn.

#### FY2019 Full Year Forecast

- Consolidated Business Profit: JPY 150.0 bn. (1H: 70.0 2H: 80.0)
- Business Profit Variance from FY18: JPY -186.9 bn.

#### **External factors :**

- Margin deterioration mainly in overseas spot markets due to "decoupling of raw material prices & steel product prices"
- Product mix deterioration due to weaker domestic demand
  - caused by slow-down in exporting industries & destocking
- Negative impacts from blackout in Kimitsu Works JPY 10.0bn.

Estimated lost earnings : JPY 5.0 bn. (Crude steel production -280kt) Cost damage (incl. recovery cost) : JPY 5.0 bn. etc.

Internal negative factors : Increase in depreciation, decrease in inventory valuation, etc.

Internal positive factors : Cost reduction, increase in long-term contractual steel prices,

making Sanyo a subsidiary, OVAKO fully consolidated, etc.

#### Interim Dividend Forecast

> JPY 10.00/share (1H consolidated payout ratio approx. 31%)

\* Profit attributable to owners of the parent





### (1) Initiatives to Secure & Strengthen Profit Base



- > Persistently negotiate price raise and establish long-term win-win relationships with our customers.
  - $\rightarrow$  Build a coexisting relationship that shares the burden of cost increases across the supply chain.

→ Realize "appropriate price" reflecting our comprehensive contributions to satisfy customers' sophisticated and diversified needs. Promote reevaluation of what we provide (high quality products, delivery systems, solution proposals and global supply framework).

 $\rightarrow$  We intend to overcome a major structural reform, which may be described as "our second foundation stage", rebuilding manufacturing capabilities of both facilities and those who operate/maintain them.

#### 2. Recover manufacturing capabilities

- Through continuous efforts such as initiatives for strengthening line management at operations and maintenance sites, manufacturing standardization, and support for particular steel works and lines with company-wide expert teams, manufacturing capabilities have recovered to a certain extent.
- Reduction of crude steel production caused by facility troubles is halved in FY2019. 1Q<sup>\*1</sup> vs. FY2018<sup>\*2</sup>.
   \*1 Excl. impacts from a power outage accident in Kimitsu Works on May 4<sup>th</sup>, caused by lightning strikes to transmission facilities outside of our site
   \*2 Excl. impacts from natural disasters
- Crude steel production in FY2019.1Q = 10.27 MMT (=Excl. impacts from Kimitsu's blackout 10.55 MMT=42MMT p.a.)

#### 3. Shift from "full potential production" to "profitability oriented production"

While continuously promoting recovery of manufacturing capabilities, we intend to shift to "profitability oriented production" reflecting current business environment, such as the deterioration of margins in the overseas spot markets and the demand decrease in some of export industries in Japan.





### (2) Promotion of Mid-to-Long Term Growth Strategy



#### **1.** Business integration synergies

- Acquisition of Nisshin steel & Realignment of stainless steel business
  - Mar. 2017 Made Nisshin our subsidiary, Dec. 2018 Realignments of trading firms that specialize in steel products for construction sector, Jan. 2019 Made Nisshin our wholly owned subsidiary, Apr. 2019 Stainless steel business realignment, Jul. 2020(plan) Realignments of steel making facility engineering & maintenance companies
     Promoting early and full realization of synergies (JPY 30.0 bn.)

#### Realignment of special steel business

- > Jun. 2018 Made OVAKO our subsidiary,
  - Mar. 2019 Made Sanyo Special Steel our subsidiary, and made OVAKO a subsidiary of Sanyo
- > Promoting early and full realization of synergies (JPY 10.0 bn.)

#### 2. Promoting investment on demand-growing sectors and regions

- Investments in electrical steel sheets business for capacity & quality improvement (originally intended in 2020MTMP)
  - Promoting investment on electrical steel sheets manufacturing facilities to address increasing demand for high energy efficiency for transformers and eco-cars.
  - Have decided investment on facilities in Yawata works as the first step. Further CAPEX plan is ongoing, the details will be posted once it's decided.
- Joint Acquisition of Essar Steel with ArcelorMittal (originally intended in 2020MTMP)

> Indian Supreme Court's hearing will be held on Aug 7<sup>th</sup> regarding fund distribution among creditors.

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### (3) Cash Management

#### 1. Asset compression

- Already accomplished JPY 100 bn. of asset compression 2 years ahead of original 2020MTMP
- Rough outline of additional JPY 200 bn. is already set mainly by selling strategic share holdings.
- Now examining further measures.

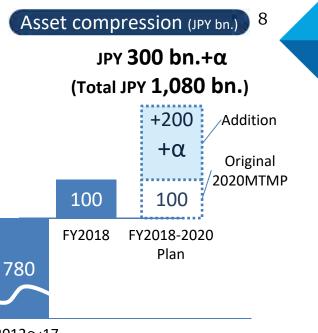
#### 2. CAPEX

- Pursue efficient CAPEX based on long-term refurbishing plan
- Plan to scale back on CAPEX cf. CAPEX plan in original 2020MTMP : JPY 1,700 bn./3 years (decision making basis)

#### 3. Large scale funding

- Decided to raise up to JPY 300 bn. by public issue of hybrid bonds. Terms and conditions will be determined in or after Sep. 2019.
- D/E ratio at the end of FY2020 (forecast) : 0.8 0.9
   Adjusted D/E ratio at the end of FY2020 (forecast) : 0.65 0.75\*
   cf. D/E ratio target in original 2020MTMP : approx. 0.7

\*Adjustment method : Deem 50% of the existing hybrid loans and newly issued hybrid bonds as equity, as assessed by rating agencies



FY2012~17



### (4) Structural Measures to Strengthen Profitability

Dealing with recently emerged "Another China Risk", and preparing for competition with cutting-edge new steel mills along Asian coasts and long-term decline of domestic steel demand caused by falling population, we are also planning on long-term structural measures to strengthen our profitability.

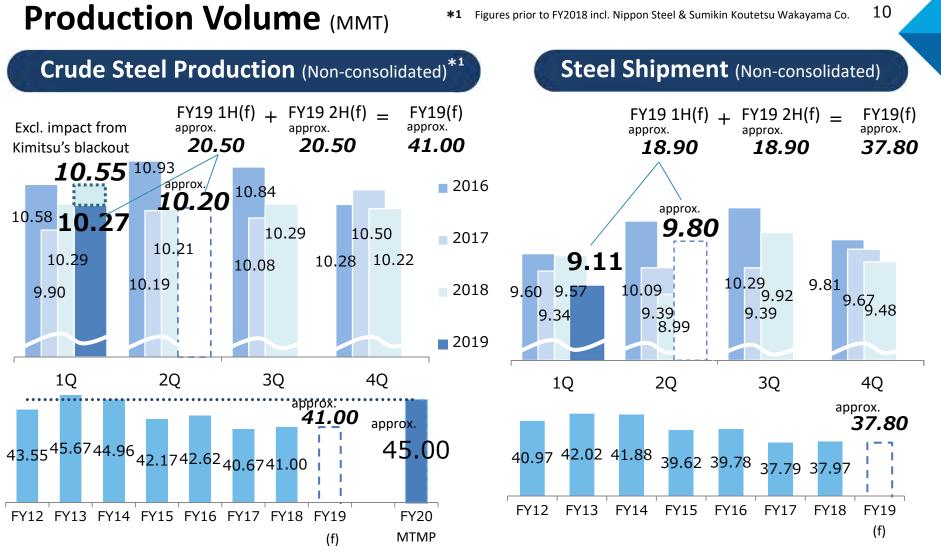
#### 1. Build lean & optimal production framework

- Promote concentrated investment in competitive production lines and improve their operation rates coupled with productivity improvement through implementation of advanced IT.
- ➤ Utilize the advantages of our production framework and overcome our drawbacks
   → Evaluate each product/each area of business to define direction
- Plans will be announced one by one as they put into concrete shape.
   As the first step, reinforcement of UO pipe business was announced on May 9<sup>th</sup> 2019.
   (By the end of Oct. 2019(plan), UO pipe mill in Kashima Works will be closed, Its production will be transferred to Kimitsu Works)

#### 2. Reinforce overseas businesses

In terms of increasing overseas businesses profit and re-distribution of management resources, we thoroughly examine measures, including withdrawal from businesses that cannot move into the black, businesses that have completed their roles, or businesses that are losing synergies.





1Q's crude steel production 10.27MMT⇒excl. impacts from Kimitsu's blackout 10.55MMT = 42.00MMT per annum. While promoting further recovery of manufacturing capability, we intend to make a shift to "profitability oriented production" that put more emphasis on economic rationality in production volume in line with order intake, in accordance with demand slowdown in some of domestic industrial sectors & margin deterioration in exports for spot markets.

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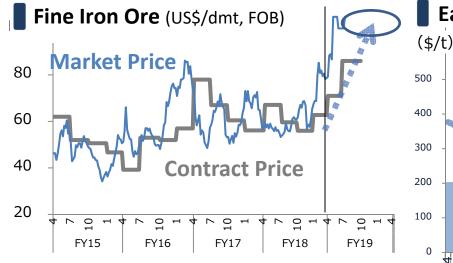


- Robust infrastructure investments have boosted demand in long steel products and resulted in the record-high crude steel production. The EAF's production volume has grew as it substitutes the removed illegal induction furnaces production. Due to the poor scrap supply chain in China, the demand of pig iron for the EAFs has increased and pig iron production also reached the record-high level.
- Iron ore inventory remains low.
- The long products' SD situation stays firm, while flat products market bear a weak tone. The polarization between long & flat prices is anticipated to expand as infrastructure investments gain more momentum.

Source: Steel Home, CISA, Nippon Steel 's estimate etc.

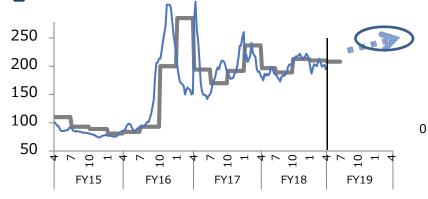


#### Margin Shrink brought by "High Raw Material Prices & Low Steel Product Prices"

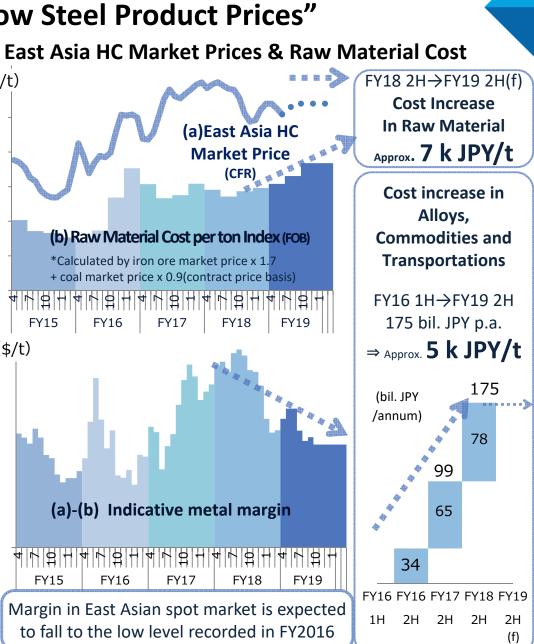


Iron ore prices remained at high level due to growing pig iron production in China. The impacts from Vale's accident & RioTinto's underproduction will be subdued and speculative transactions will recede, but in terms of the current low level of inventory, iron ore prices remain high for now.

#### Hard Coking Coal (US\$/wmt, FOB)



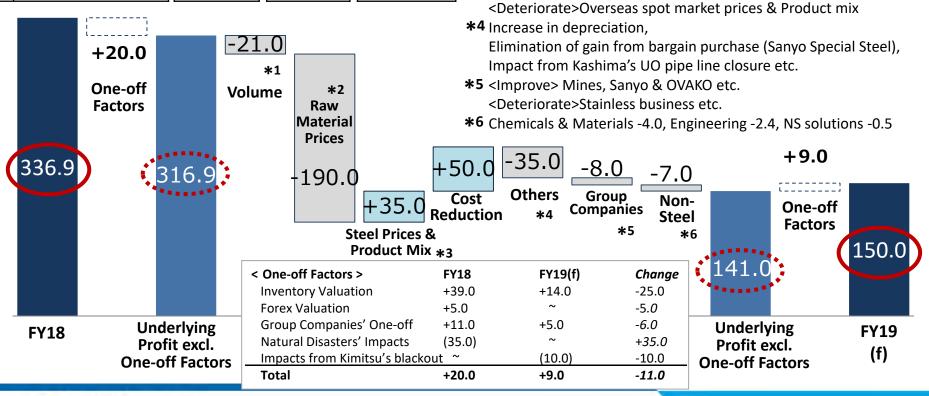
Strong demand in China & India and the fragile nature of Australian supplying infrastructure (trains and ports) poses risks of price hike in the second half(rainy season).



Source : LME, Bloomberg, Japan Metal Daily

### FY2019 Forecast

	(bn. JPY)	FY18 [A]	FY19(f) [B]	Change [A→B]
ſ	Business Profit	336.9	150.0	-186.9
<	Underlying Profit>	<316.9>	<141.0>	<-175.9>
	Steel	274.6	100.0	-174.6
	Non-Steel	61.1	54.0	-7.1
	Adjustment	1.1	(4.0)	-5.1



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**\*1** Crude steel production :  $\pm 0$  MMT (41.00 $\rightarrow$ approx.41.00)

**\*2** Cost increase in iron ore & coking coal JPY 180.0bn. Incl. C/O.

**\*3** <Improve> Long-term contractual price(Domestic & overseas), Domestic spot market prices (incl. time lag for price change

Coking coal price increases in 2H due to seasonality

FY19(f) excl. one-off factors impacts approx.41.28 Steel shipment: -0.17MMT (37.97→approx. 37.80)

Excl. One-off Factors : approx.-0.37MMT

Excl. One-off Factors : approx.-0.97MMT

FY19(f) excl. one-off factors approx.37.85

Assumption : Iron ore prices stays flat,

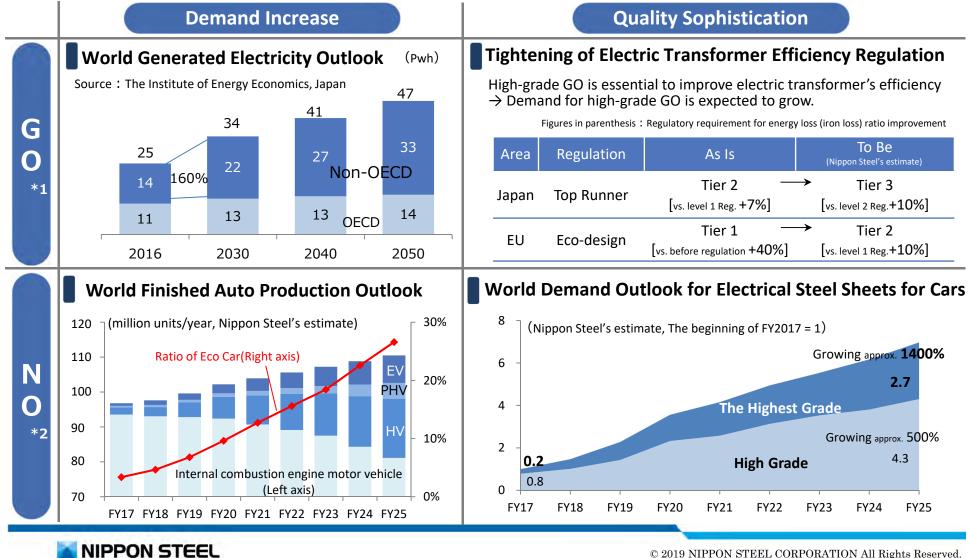
FY18 excl. one-off factors 41.65

FY18 excl. one-off factors 38.82

penetration)

### Electrical Steel Sheets - Investments for Capacity & Quality Improvement -

Nippon Steel has decided a new CAPEX in Yawata Works in response to an increasing demand for more sophisticated electrical steel sheets ; Grain Oriented electrical steel sheets<sup>\*1</sup> (GO) for transformers etc. and Non Oriented electrical steel sheets<sup>\*2</sup> (NO) for eco-cars. Further CAPEX plan is ongoing, the details will be posted once it's decided.

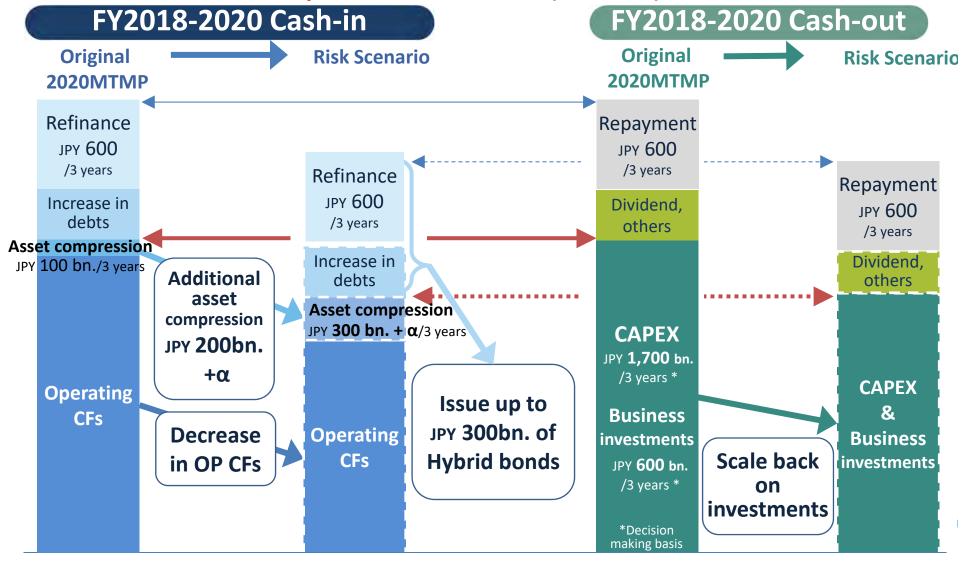


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### **Cash Management**

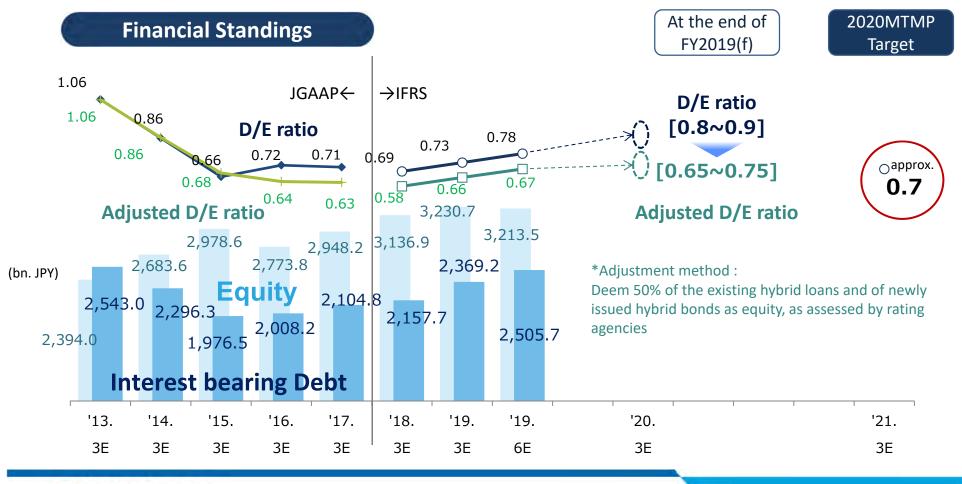
We execute the essential strategic investments timely and appropriately while adhering to our original cash management policy ;

Operating CFs + Asset compression ≥ CAPEX (to rebuild manufacturing capability)+ Business Investment (for mid-to-long term growth) & Keep current D/E ratio level (=approx. 0.7),



### Issue of Hybrid Bonds (Up to JPY 300 bn.)

- Purpose and background of the issue : To finance the acquisition of Essar Steel and other growth investment projects based on 2020 MTMP while maintaining financial health.
- 50% of the funds will be deemed as equity for the purpose of agencies' rating , while not causing dilution to stockholders.



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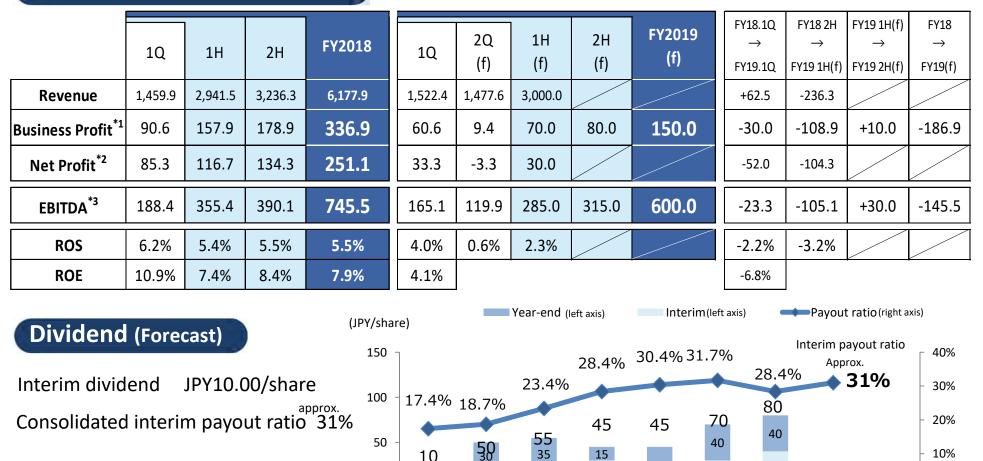
# 2. FY2019 1Q Results & Full Year Forecast



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### FY2019 1Q Results & Full Year Forecast

#### Financial Highlights (JPY bn.)



\*1 Business Profit : Results of sustainable business activities, & the important measure to compare & evaluate Nippon Steel's consolidated performance continuously.

FY12

20

FY13

20

FY14

45

FY16

30

**FY15** 

40

**FY18** 

10

FY19(f)

0%

30

FY17

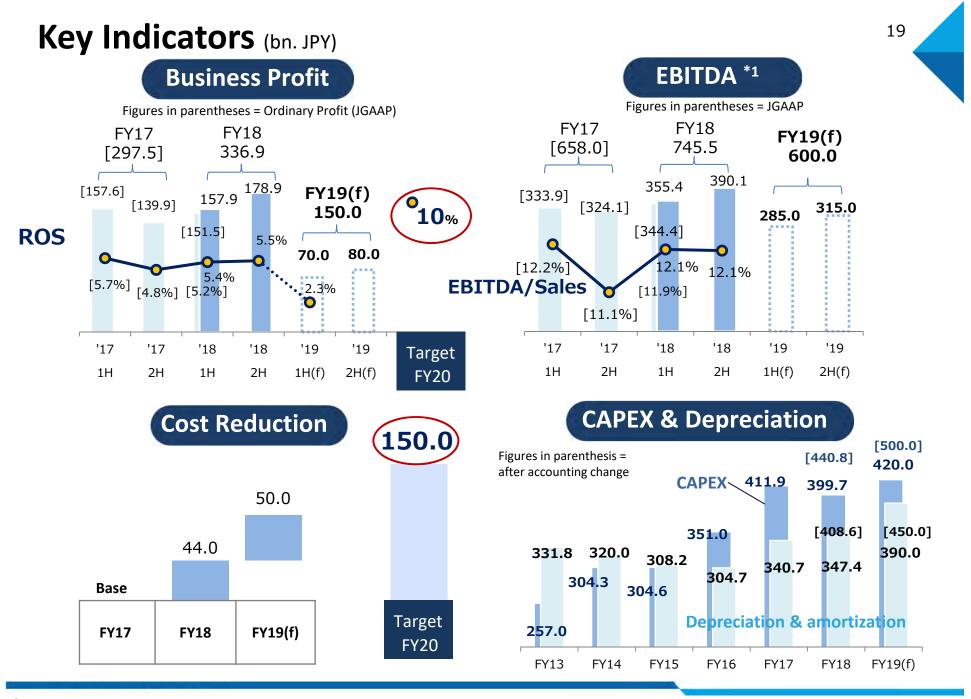
= Revenue - Cost of sales, Selling general & administrative expenses and Other operating expenses

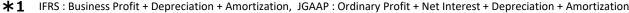
+ Equity in profit of unconsolidated subsidiaries and affiliates and Other operating income.

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

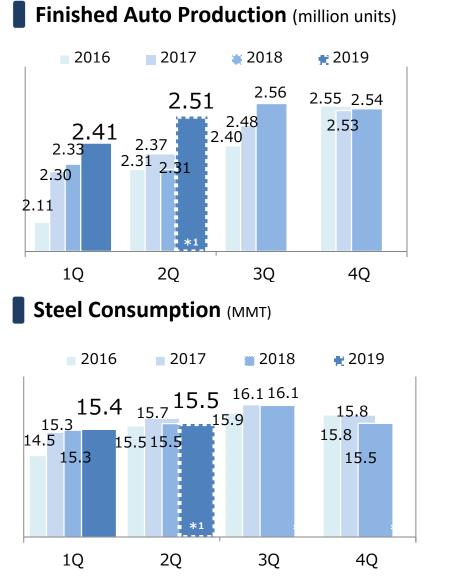
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\*2 Profit attributable to owners of the parent \*3 Business Profit + Depreciation + Amortization



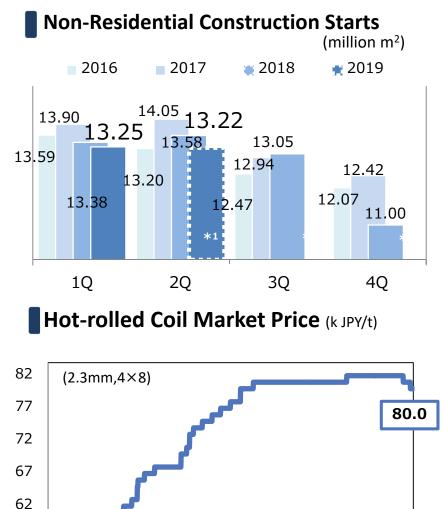


### **Key Indicators of Domestic Steel Demand**



\*1 Forecasts as of late Jun.2019

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17.7 .7.10 .7.10 18.4 18.4

58.0

l6.10

17.1

17.4

16.7

57

Source: Japan Metal Daily

19.1

19.7

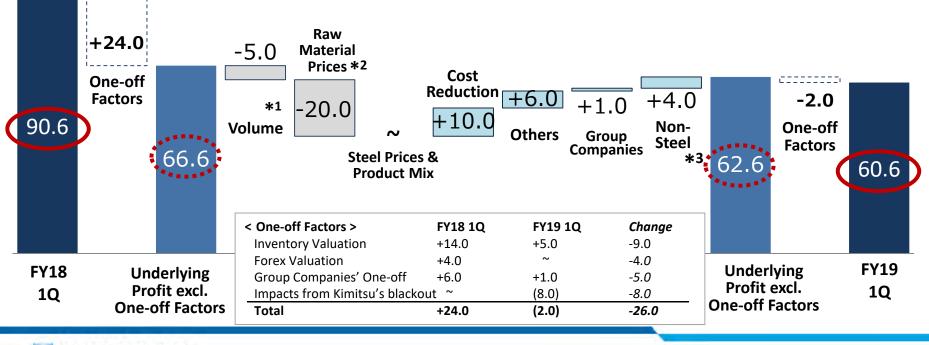
19.4

8.10

### Business Profit Variance Analysis [FY18 1Q vs. FY19 1Q]

	(bn. JPY)	FY18 1Q [A]	FY19 1Q [B]	Change [A→B]		
Γ	Business Profit	90.6	60.6	-30.0		
<	Underlying Profit>	<66.6>	<62.6>	-4.0		
	Steel	84.1	56.0	-28.1		
	Non-Steel	11.3	15.4	+4.1		
	Adjustment	(4.8)	(10.8)	-6.0		

- \*1 Crude steel production : -0.02 MMT (10.29→10.27) Excl. One-off Factors : +0.26MMT FY19 1Q excl. one-off factors 10.55 Steel shipment: -0.46MMT (9.57→9.11) Excl. One-off Factors : -0.41MMT FY19 1Q excl. one-off factors 9.16
- **\*2** Incl. Carry over -2.0 (6.0→4.0)
- **\*3** Engineering +4.1, Chemicals & Materials -2.7, NS solutions +2.5



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### Business Profit Variance Analysis [FY19 1Q vs. FY19 2Q(f)]

**FY19** FY19 change 2Q(f) 1Q (bn. JPY) **\*1** Crude steel production : -0.07 MMT ( $10.27 \rightarrow approx.10.20$ )  $[A \rightarrow B]$ [A] [B] Excl. One-off Factors : approx.-0.35MMT FY19 1Q excl. one-off factors 10.55 **Business Profit** -51.2 60.6 9.4 Steel shipment: +0.69MMT ( $9.11 \rightarrow approx.9.80$ ) Excl. One-off Factors : +0.64MMT <62.6> <8.4> <-54.2> <Underlying Profit> FY19 10 excl. one-off factors 9.16 **\*2** Incl. Carry over +6.0 (4.0→10.0) 56.0 (6.0) -62.0 Steel **\*3** Engineering -3.6, Chemicals & Materials +3.0, NS solutions -2.8 Non-Steel 15.4 -3.8 11.6 Adjustment (10.8) 3.8 +14.6 +5.0\*1 -21.0Cost -2.0 Reduction Volume **One-off**  $\sim$  $\sim$ Raw **Factors Material Steel Prices &** Others Product Mix Prices -28.0 60.6 62.6 **One-off** Non-\*2 Group Steel<sub>\*3</sub> Companies **Factors** -4.0 +1.0-6.0 8.4 < One-off Factors > Chanae FY18 1Q FY19 2Q(f) **Inventory Valuation** +5.0(3.0)-8.0 Underlying Underlying FY19 **FY19** ~ **Forex Valuation** Profit excl. Profit excl. 1Q Group Companies' One-off 2Q(f) +1.0 +6.0+5.0 One-off One-off Impacts from Kimitsu's blackout (8.0) (2.0)+6.0 **Factors** Factors Total (2.0) +1.0 +3.0

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### Business Profit Variance Analysis [FY18 2H vs. FY19 1H(f)]

(bn. JPY)	FY18 2H [A]	FY19 1H(f) [B]	change [A→B]	Excl. One-o FY18 2H ex	ff Factors : ar cl. one-off fa	oprox.+0.13MMT	5			
Business Profit	178.9	70.0	-108.9	Steel shipm	ent: approx0	.51MMT (19.41→				
<underlying profit=""></underlying>	<175.9>	5.9> <71.0>	<-104.9>	FY18 2H ex	cl. one-off fa	oprox0.61MMT octors 19.56 factors approx.18.9	95			
Steel	142.4	50.0	-92.4	*2 Incl. Carry of	•	,	<i>.</i>			
Non-Steel	33.2	27.0	-6.2	spot marke	t & product					
Adjustment	3.2	(7.0)	-10.2		-	n bargain purchas rseas start-up JVs	e (Sanyo Special Steel),			
+3.0 One-off Factors	- <u>13.(</u> Volume *	e 1 -32.0 Raw Material Prices Ste *2 P	Cost Reducti +10.0 16.0 el Prices & roduct Mix *3	on Others <sup>4</sup> -21.0 -2 <sup>-</sup> Gro	oup panies -6. *5	el *6 0	-1.0			
	Inven Forex	off Factors > tory Valuation Valuation	<b>FY18 2H</b> +11.0 (1.0)	<b>FY19 1H(f)</b> +2.0 ~	<b>Change</b> -9.0 +1.0		One-off 70.0			
FY18 Under Profit 2H One	excl. Impac	o Companies' One cts from natural di ts from Kimitsu's l	sasters (8.0)	+7.0 ~ (10.0)	+6.0 +8.0 -10.0	Underlying Profit excl. One-off	FY19 1H(f)			
Fact	Total	Total		(1.0)	-4.0	Factors	.,			

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### Business Profit Variance Analysis [FY18 1H vs. FY19 1H(f)]

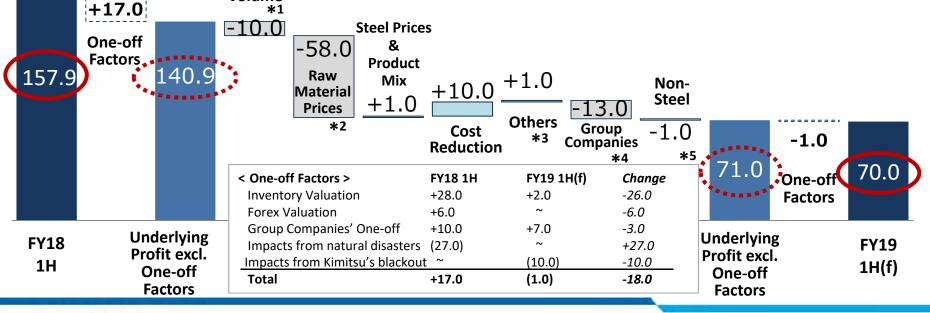
(bn. JPY)	FY18 1H [A]	FY19 1H(f) [B]	change [A→B]
Business Profit	157.9	70.0	-87.9
<underlying profit=""></underlying>	<140.9>	<71.0>	<-69.9>
Steel	132.1	50.0	-82.1
Non-Steel	27.9	27.0	-0.9
Adjustment	(2.1)	(7.0)	-4.9

Volume

**\*1** Crude steel production : approx.±0 MMT (20.50→approx.20.50) Excl. One-off Factors : approx.-0.22MMT FY18 1H excl. one-off factors 21.00 FY19 1H(f) excl. one-off factors approx.20.78 Steel shipment: approx.+0.34MMT (18.56→approx. 18.90) Excl. One-off Factors : approx.-0.31MMT FY18 1H excl. one-off factors 19.26 FY19 1H(f) excl. one-off factors approx.18.95

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- **\*2** Incl. Carry over +15.0(-1.0→14.0)
- **\*3** Increase in depreciation, Elimination of congested periodic facility maintenances in FY18 1H etc.
- \*4 <Improve> Mines, Sanyo & OVAKO etc. <Deteriorate>Stainless business etc.
- **\*5** Engineering +0.9, Chemicals & Materials -2.7, NS solutions +1.0



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### Business Profit Variance Analysis [FY19 1H(f) vs. FY19 2H(f)]<sup>25</sup>

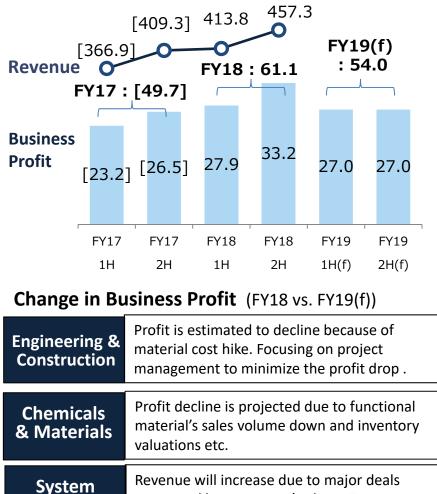
				off Factors : approx						
70.0	80.0	+10.0	Steel ship	FY19 1H(f) excl. one-off factors $approx.20.78$ Steel shipment: $approx$ . $\pm 0$ MMT ( $approx.18.90 \rightarrow approx. 18.92$ Excl. One-off Factors : $approx$ 0.05 MMT						
<71.0>	<70.0>	<-1.0>								
50.0	50.0			•	,)					
27.0	27.0			•	ipe line closure et	с.				
(7.0)	3.0	+10.0	<b>*5</b> Engineerir	ng -1.0, Chemicals	& Materials +1.0					
Inventor Forex Va Group C Impacts Total +2.0 Volume *1	ry Valuation aluation companies' One from Kimitsu's Ste 100.0	+2.0 off +7.0 <u>5 blackout (10.0)</u> (1.0) eel Prices & Product +3C Mix - Co	$ \begin{array}{c}         +12.0 \\                                    $	Steel oup *5 panies *4 *4	One-of Factors 70.0 a nderlying rofit excl. One-off	ff				
(	50.0 27.0 (7.0) < One-off Inventor Forex Va Group C Impacts Total +2.0 Volume	50.050.027.027.027.027.0(7.0)3.0< One-off Factors > Inventory Valuation Forex Valuation Group Companies' One Impacts from Kimitsu's Total+2.0 Volume *1Ste F+2.0 Volume *1Ste F-100.0 Hng ccl. fRaw Material Prices	50.050.0 $\sim$ 27.027.0 $\sim$ (7.0)3.0 $+10.0$ < One-off Factors >FY19 1HInventory Valuation $+2.0$ Forex Valuation $\sim$ Group Companies' One-off $+7.0$ Impacts from Kimitsu's blackout (10.0)TotalTotal(1.0) $+2.0$ Steel PricesVolume $*1$ $+2.0$ Nix $+30$ $+2.0$ $Kaw$ $+50.0$ $Cos$ RawMaterial $rices$ $Raw$	$\begin{array}{c c c c c c c c c c c c c c c c c c c $	$\begin{array}{c c c c c c c c c c c c c c c c c c c $	<71.0> $<70.0>$ $<-1.0>$ FY19 1H(f) excl. one-off factors approx.18.9550.050.0~27.027.0~(7.0)3.0 $+10.0$ *1*10.0*2FY19 1H(f)*3FY19 2H(f)*4Mines, seasonality etc.*5Engineering -1.0, Chemicals & Materials +1.0*4Mines, seasonality etc.*5Engineering -1.0, Chemicals & Materials +1.0*5FY19 1H(f)*6FY19 2H(f)*7*				

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### Non-Steel Businesses (bn. JPY)

#### Revenue & Business Profit (3 Non-steel businesses total)

Figures in parentheses = JGAAP basis (Sales , Ordinary profit)



ystem	Revenue will increase due to major deals
olutions	supported by customers' robust IT
	investments , while profit stays broadly flat.

Engineering &		2018	_		2019		FY18→		
Construction	1Q	1H	FY	1Q	1H(f)	FY(f)	FY19(f)		
Revenue	70.2	161.3	356.7	78.4	160.0				
<b>Business Profit</b>	(0.3)	3.1	9.4	3.8	4.0	7.0	-2.4		
Chemicals		2018			2019				
& Materials	1Q	1H	FY	1Q	1H(f)	FY(f)	FY19(f)		
Revenue	59.9	125.9	247.0	54.4	125.0				
<b>Business Profit</b>	6.2	12.7	25.0	3.5	10.0	21.0	-4.0		
System		2018			2019				
Solutions	1Q	1H	FY	1Q	1H(f)	FY(f)	FY19(f)		
Revenue	59.0	126.6	267.5	82.1	142.0				
<b>Business Profit</b>	5.4	12.0	26.5	7.9	13.0	26.0	-0.5		



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### 3. Progress in 2020 Mid-Term Management Plan



#### 2020MTMP : Strengthen Manufacturing Capabilities Legend : New info

*BF = Blast Furnace				rlan ★Done					
Action	Publication	~FY17	FY18	FY19	FY20	FY21~			
(Wakayama) BF Switch Nippon Steel Shapes Corp.	Mar.18	<ul> <li>★ Mid-Feb. 19 : Switch from 5BF to New 2BF</li> <li>★ End of FY19 : Close steelmaking facil NS Shapes &amp; transfer its production Wakayama Works</li> </ul>							
(HOKKAI IRON & COKE CORP. in Muroran) Reline 2BF	Nov.18	🔆 CY20 2H : Completic							
(Yawata) Optimize Upstream Tobata - Start new continuous casting Kokura - Close upstream process Tobata - Close continuous casting facil				🔆 May.1	9 : Completio	n ☆ End of FY20 : full-scale operation ☆ End of FY20 : Close ☆ End of FY20 : Close			
(NIPPON STEEL NISSHIN Kure) Close 2BF, Reline & expand 1BF	Jul. 17	(oriį	nd Close 2BF afte 1BF's relining End of FY23: Expansion						
(Kimitsu) 5 Coke Oven Refurbishment	Apr.16		*	Feb 19 : Co	mpletion				
(Hokkai) 5 Coke Oven Refurbishment	Jun.17			🔆 FY19 1	H : Completio	วท			
(Nagoya) 3 Coke Oven Refurbishment	Nov.18					FY21 1H : Completion			
(Kimitsu) Close Small-diameter Seamless Pipe & Tube Mill	Mar. 18					: Close & transfer its tion to Wakayama Works			
(Kashima) Close UO Pipe Mill	May. 19			*	End of Oct.2	19 : Close & transfer its to Kimitsu			
Electrical Steel Sheets Investments for capacity & quality improv	Aug. 19 vement	FY19 1H : CAPEX decision in Yawata Further CAPEX plan is ongoing, the details will be posted once it's decided.							

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#### **2020MTMP : Global Business Development & Domestic Realignment**

Action	Publi- cation	~FY17	FY18	FY19	FY20				
Essar Steel	Mar.18	★ Mar.1 Basic agree	CoC declared AN	declared AM conditionally approved by NCLT. The successful →Indian Supreme Court's hearing wi					
Special Steel Business Ovako Sanyo Special Steel	Mar.18 Aug.18		★ Jan	came our 100% subsidi 1.19 : Approval from JFT us making Sanyo eb. 19 : Sanyo's Extraor shareholder's n	C regarding subsidiary dinary general				
				1ar. 19 : Sanyo became wako became Sanyo's 1					
NIPPON STEEL NISSHIN		<ul> <li>★Mar.17 : Nisshin became our subsidiary (8→51%)</li> <li>★ Dec. 26<sup>th</sup>, 18 : Nisshin delisted from Tokyo Stock Exchange</li> <li>★ Jan. 1<sup>st</sup>, 19 : Nisshin became our 100</li> </ul>							
Stainless sheets business	May.18	+	May.18 : Basic agreer	sic agreement ★ Apr.19 : "NIPPON STEEL STAINLESS STEEL" start sic agreement ★ Apr.19 : "NIPPON STEEL STAINLESS STEEL PIPE" star ↓ Jun.19 : Basic agreement					
Stainless Pipe&Tube business Realignments of steel making f engineering & maintenance co		Publication	Aug.18 : Basic agreer						
Business integration of Nippon Ste				*	Jul.20 : Integration				
Realignments of Trading Firms	Sep.18			ec.18 : Nihon Teppan b Jbsidiary	ecame NSSB's <sup>*</sup>				
Nihon Teppan Nisshin Stainlesss Steel Trading Tokai Color		opon Steel & Sumikin Bussan Corporat opon Steel & Sumikin Coated Sheet Co	ion, <b>ri</b> į rporation St	★ Dec.18 : Nihon Teppan Stainless 's commerci rights transferred & consolidated to Nisshin Stainless Steel Trading ★ Jan. 19 : Tokai Color became NISC's <sup>*</sup> subsidia					

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

Action	~FY17	FY18	FY19	FY20							
Delivering Materials and Solutions to Address Changes in Society and Industry	<ul> <li>★ Apr.18 : Newly-created "Automotive Material Planning Dept."</li> <li>★ Apr.18 : Newly-created "Integrated Steel Solution Research Lab."</li> <li>★ Oct.18 : Established "NIPPON STEEL Chemical &amp; Material"</li> <li>★ Jan.19 : Established "NSafe<sup>®</sup>-AutoConcept" "Our Mission, Designing the Future of Automobiles "</li> <li>★ Jan.19 : Exhibited in AUTOMOTIVE WORLD 2019</li> </ul>										
Utilizing Advanced IT in Steelmaking Process	<ul> <li>★ Apr. 16 : NSSC</li> <li>★ Apr. 17 : Newl</li> <li>★ Oct.17 : NSSO</li> </ul>	<ul> <li>★ Apr. 16 : Newly-created "Advanced Application Technology Planning Dep."</li> <li>★ Apr. 16 : NSSOL newly-created "IoX Solution Business promotion Dep."</li> <li>★ Apr. 17 : Newly-created "Information Security Management Dept."</li> <li>★ Oct.17 : NSSOL newly-created "AI Research &amp; Development Center"</li> <li>★ Apr.18 : Newly-created Intelligent Algorithm Research Center</li> <li>★ Sep.18 : Company-wide Safety Support Project (Installment of smart devices to manufacturing front-lines)</li> <li>★ Apr. 19 Introduction of NS-DIG<sup>™</sup></li> </ul>									
Contributing to Achieving Sustainable Society (ESG & SDGs)		cycle invent ★ ★ ★	tory calculation methodolog Apr.19 : The 5 <sup>th</sup> 24 hour in- Hirohata Works (Oita, Kimit Apr. 19 Trial implementatio Apr. 19 Set the direction of May. 19 : Express our suppo May. 19 : Express our suppo	house nursery in tsu, Yawata, Nagoya, <u>Hirohata</u> ) n of teleworking retirement extension ort for recommendations of TCFD r "FTSE4Good Index Series" & n Index", Leading Indices for							





# 4. Appendix



### **Operational Highlights**

Forecasts are rough figures .

			FY18					FY19		-	Change			
(MMT)	1Q	2Q	1H	2H		1Q	2Q (f)	1H (f)	2H (f)	(f)	FY18 1Q → FY19 1Q	FY18 2H → FY19 1H(f)	FY19 1H(f) → FY19 2H(f)	FY18 → FY19(f)
Non-Consolidated Pig-iron Production	10.25	10.24	20.49	20.37	40.86	10.33	10.90	21.20			+0.08	+0.83		
Consolidated Crude Steel Production	11.89	11.76	23.65	24.19	47.84	12.44	12.00	24.50	24.50	49.00	+0.55	+0.31	-	+1.16
Non-Consolidated Crude Steel Production	10.29	10.21	20.50	20.50	41.00	10.27	10.20	20.50	20.50	41.00	-0.02	-	-	-
Non-Consolidated Steel Shipments	9.57	8.99	18.56	19.41	37.97	9.11	9.80	18.90	18.90	37.80	-0.46	-0.51	-	-0.17
Seamless Pipe Shipments	0.25	0.22	0.47	0.56	1.03	0.23	0.27	0.50			-0.02	-0.06		
Average Steel Selling Price (k JPY/ton)	87.2	90.2	88.7	91.2	89.9	88.1	88	88			+0.9	-3.2		
Steel Export Ratio (Value basis (%))	40.6	41.2	40.9	38.6	39.7	39.9	42	41			-0.7	+2.4		
Forex (USD•JPY)	108	111	109	112	111	111	110	110			Depreciate <b>3</b>	Appreciate <b>2</b>		



### **Key Indicators of Demand**

				F	Y18					FY19			Cha	nge	
[ Domestic	]	1Q	2Q	1H	4Q	2Н			1Q	*1 2Q(f)	*1 1H(f)	FY18 4Q → FY19 1Q	FY18 1Q → FY19 1Q	FY18 1H → *1 FY19 1H(f)	FY18 2H → *1 FY19 1H(f)
Housing Starts (mil. h	ouses)	0.25	0.25	0.49	0.22	2 0.4	46	0.95	0.23	0.24	0.47	+0.02	-0.01	-0.02	+0.01
Non-residential Construction Starts (mi	. m²)	13.38	13.58	26.97	11.00	24.0	05	51.02	13.25	13.22	26.47	+2.25	-0.13	-0.49	+2.42
Public Works Orders	(bn. JPY)	1,909	2,826	4,735	3,086	5,5 <sup>,</sup>	11 10	0,246	2,050	2,950	5,000	-1,036	+141	+265	-511
Finished Auto Produc (mil.		2.33	2.31	4.63	2.54	<b>5</b> .'	11	9.74	2.41	2.51	4.92	-0.13	+0.08	+0.29	-0.19
Export of Finished Au	<b>Ito</b> il. units)	1.20	1.15	2.35	1.22	2 2.	51	4.86	1.19	1.15	2.34	-0.03	-0.01	-0.01	-0.17
Overseas Auto Produ (8 Japanese car makers) (m	<b>ction</b> il. units)	4.88	4.77	9.65	4.70	9.0	61 <sup>,</sup>	19.25	4.61			-0.09	-0.27		
Large & Middle Sized Shovel Production (thous	and units)	20	19	39	23	3	47	86	21	21	43	-2	+1	+4	-4
Metal Machine Tool Production (thousa	ind tons)	109	111	220	111	<b>2</b> <sup>-</sup>	18	438	93	93	187	-18	-15	-33	-32
Keel-laid New Ships (mil.gr	oss tons)	2.92	2.87	5.79	3.00	5.7	74 <sup>·</sup>	11.53	2.90	3.00	5.90	-0.10	-0.02	+0.11	+0.16
Rig Count	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	L	atest	Peak		Bottom	
USA	1,546	1,875	1,919	1,761	1,862	977	510	875	1,032	2 95	<b>8</b> (Jul.19)	<sup>)</sup> <b>2,03</b> <sup>,</sup>	<b>1</b> (Sep.08)	<b>404</b> (	May.16)
Deep well (≧15,000ft)	249	395	324	326	354	205	126	222	230	24	<b>6</b> (Jul.19)	) 41:	<b>3</b> (Nov.11)	<b>98</b> (	May.16)
World Total Excl. N. America, Russia & China	1,094	1,167	1,234	1,296	1,337	1,167	955	948	988	3 1,13	<b>8</b> (Jun.19)	) 1,38	<b>2</b> (Jul.14)	920	(Oct.16)

Source: Baker Hughes, Smith international, Nippon Steel's estimate

**\*1** Forecasts as of late Jun. 2019



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

			FY	18				FY19		Change				
(MMT)	1Q	2Q	1H	4Q	2H		1Q	2Q(f) <sup>*1</sup>	1H(f) <sup>*1</sup>	FY18 4Q → FY19 1Q	FY18 1Q → FY19 1Q	FY18 1H → <sub>*1</sub> FY19 1H(f)	FY18 2H → <sub>*1</sub> FY19 1H(f)	
Crude Steel Production	26.56	25.65	52.22	24.97	50.67	102.89	26.10	Approx. *2 25.89	Approx. <b>51.99</b>	+1.13	-0.46	Approx. <b>-0.23</b>	Approx. + <b>1.32</b>	
Domestic Steel Consumption (A + B)	15.33	15.54	30.86	15.54	31.64	62.51	15.35	15.52	30.87	-0.19	+0.03	+0.01	-0.77	
% for manufacturing sector	65.0	64.0	64.5	65.0	64.8	64.7	64.8	64.0	64.4	-0.2	-0.2	-0.1	-0.4	
Ordinary Steel Consumption (A)	12.05	12.25	24.30	12.30	25.06	49.36	12.10	12.31	24.42	-0.19	+0.05	+0.12	-0.64	
Construction	5.17	5.39	10.56	5.23	10.73	21.29	5.21	5.38	10.58	-0.02	+0.04	+0.02	-0.14	
Manufacturing	6.89	6.85	13.74	7.06	14.33	28.07	6.90	6.94	13.83	-0.17	+0.01	+0.09	-0.50	
Shipbuilding	0.99	0.96	1.95	1.01	1.98	3.93	1.00	1.00	2.00	-0.01	+0.01	+0.05	+0.02	
Automotive	2.75	2.76	5.51	2.90	5.86	11.37	2.82	2.85	5.67	-0.08	+0.07	+0.16	-0.19	
Industrial Machine	1.29	1.28	2.57	1.29	2.65	5.22	1.23	1.25	2.48	-0.06	-0.06	-0.09	-0.17	
Electronic Machine	0.76	0.77	1.52	0.76	1.55	3.07	0.73	0.74	1.47	-0.04	-0.03	-0.05	-0.08	
Special Steel Consumption (B)	3.27	3.29	6.56	3.25	6.59	13.15	3.25	3.21	6.46	+0.00	-0.02	-0.11	-0.13	
Steel Imports	1.64	1.48	3.12	1.83	3.60	6.72								
Steel Exports	9.15	8.84	17.99	8.92	7.54	34.45								

Source : Nippon Steel's estimation

\*1 Forecasts as of late Jun. 2019

\*2 Domestic Crude Steel Production of FY19/2Q(E) released by METI



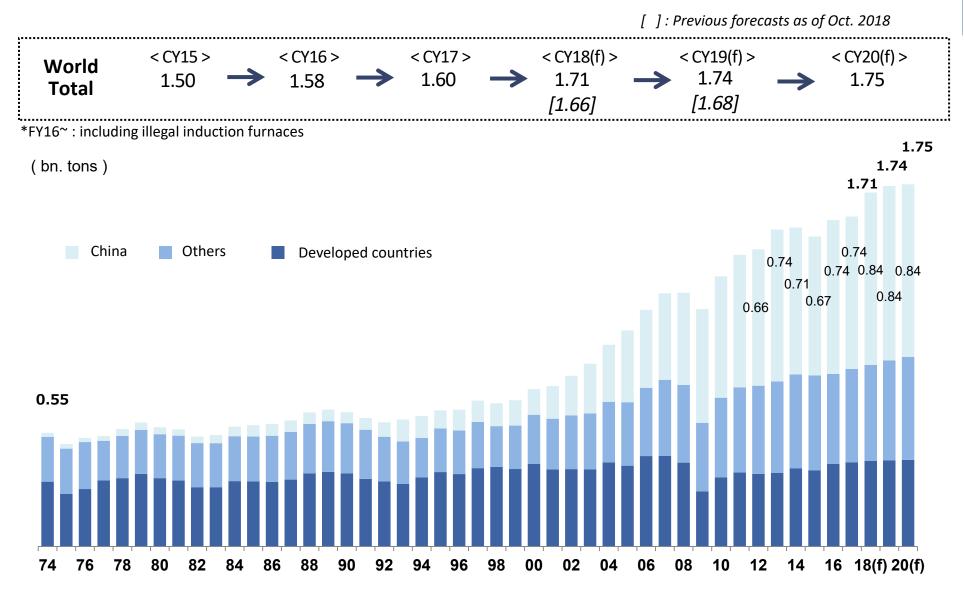
(GDP growth rate)

	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	<b>CY19</b> (f)		CY20 (f)	
World Total	3.0	-0.5	5.3	3.9	3.4	3.4	3.4	3.4	3.2	3.8	3.6	[3.3]	3.2	[3.6]	3.5
Developed Countries	0.5	-3.4	3.2	1.7	1.2	1.4	1.9	2.1	1.7	2.4	2.2	[1.8]	1.9	[1.7]	1.7
USA	0.4	-2.6	3.0	1.8	2.3	2.2	2.4	2.6	1.5	2.2	2.9	[2.3]	2.6	[1.9]	1.9
EU27	0.6	-4.1	1.9	1.5	-0.7	-0.4	0.9	2.0	1.8	2.4	1.9	[1.3]	1.3	[1.5]	1.6
Japan	-1.2	-6.3	4.4	-0.6	1.5	1.6	0.0	1.1	0.9	1.9	0.8	[1.0]	0.9	[0.5]	0.4
Developing Countries	6.1	2.7	7.5	6.2	5.1	5.0	4.6	4.3	4.4	4.8	4.5	[4.4]	4.1	[4.8]	4.7
China	9.6	9.2	10.4	9.3	7.7	7.7	7.3	6.9	6.7	6.8	6.6	[6.3]	6.2	[6.1]	6.0
India	7.3	6.8	10.6	6.3	4.7	6.9	7.2	8.0	7.1	7.2	6.8	[7.3]	7.0	[7.5]	7.2
Russia	5.6	-7.8	4.3	4.3	3.4	1.3	0.7	-2.8	-0.2	1.6	2.3	[1.6]	1.2	[1.7]	1.9
Brazil	5.1	-0.6	7.5	2.7	1.0	2.7	0.1	-3.8	-3.5	1.1	1.1	[2.1]	0.8	[2.5]	2.4

Source : IMF



## **World Steel Demand** < Released in Apr. 2019 by World Steel Association > <sup>36</sup>



Source : World Steel Association, Apparent finished steel consumption



## **World Crude Steel Production**

	CY18	CY19						СҮ19	
(MMT)		Jan - Mar	Apr	May	Jun	Apr - Jun	Jan - Jun [B]	[C] (B*12/6)	Change [A] →[C]
World *	1,791.1	444.1	156.9	162.9	159.3	479.1	925.0	1,850.0	+58.9
Total [YoY]	[4.6%]	[4.4%]	[6.3%]	[5.2%]	[4.8%]	[5.4%]	[5.1%]		-
Japan	104.3	25.0	8.6	8.7	8.8	26.1	51.1	102.2	-2.2
[YoY]	[-0.3%]	[-5.4%]	[-0.8%]	[-4.6%]	[0.4%]	[-1.7%]	[-3.6%]		-
Korea	72.5	18.1	6.0	6.4	6.4	18.8	36.9	73.8	+1.3
[YoY]	[2.0%]	[1.6%]	[1.5%]	[2.2%]	[4.8%]	[2.9%]	[2.3%]		-
USA	86.6	22.2	7.4	7.6	7.3	22.2	44.3	88.7	+2.1
EU28	167.7	42.3	14.0	14.4	13.8	42.2	84.7	169.5	+1.8
Russia	72.0	18.1	5.8	6.1	5.9	17.7	35.8	71.5	-0.5
Brazil	34.9	8.4	2.9	2.8	2.7	8.3	16.7	33.4	-1.6
India	109.3	29.1	9.1	9.4	9.3	27.9	57.0	113.9	+4.6
China	928.3	231.1	85.0	89.1	87.5	261.7	492.2	984.3	+56.1
[YoY]	[6.6%]	[9.9%]	[12.7%]	[10.0%]	[10.0%]	[10.8%]	[10.3%]		-

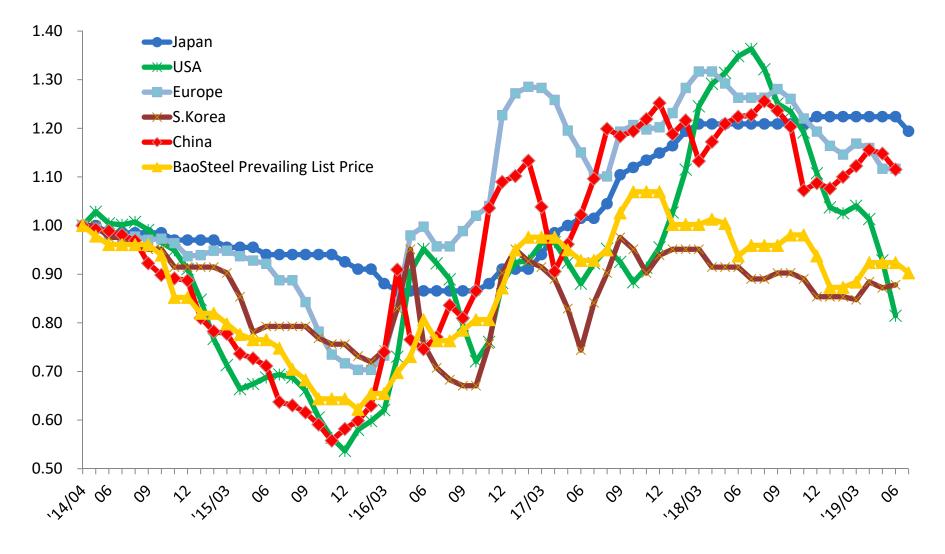
Source : World Steel Association \*

\*Total of 64 countries



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

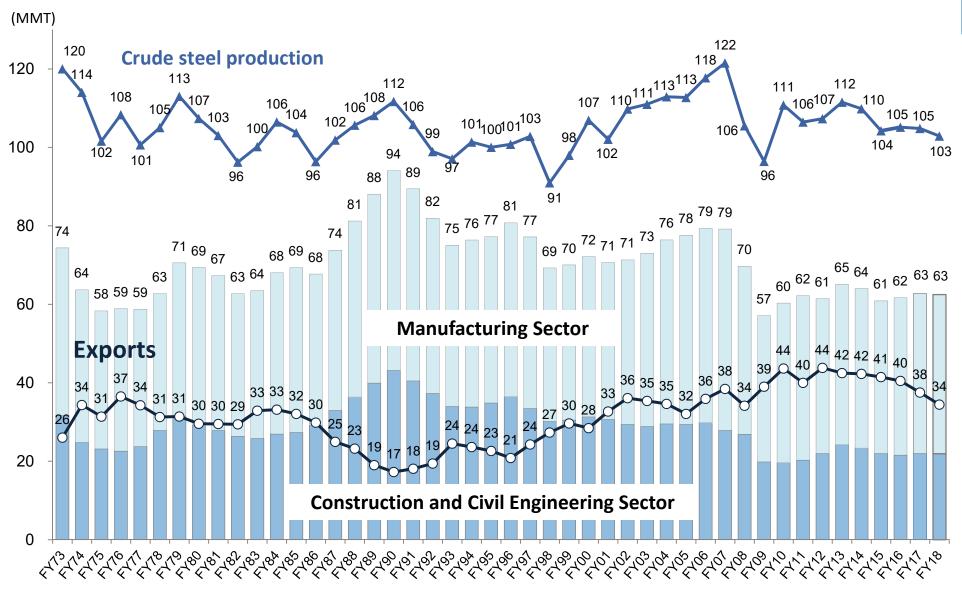
(Prices of Hot Rolled Sheets in Local Currency as of Apr. 2014=1.0)



Source : The Japan Iron and Steel Federation



## **Domestic Steel Consumption Trend**



Source : Nippon Steel



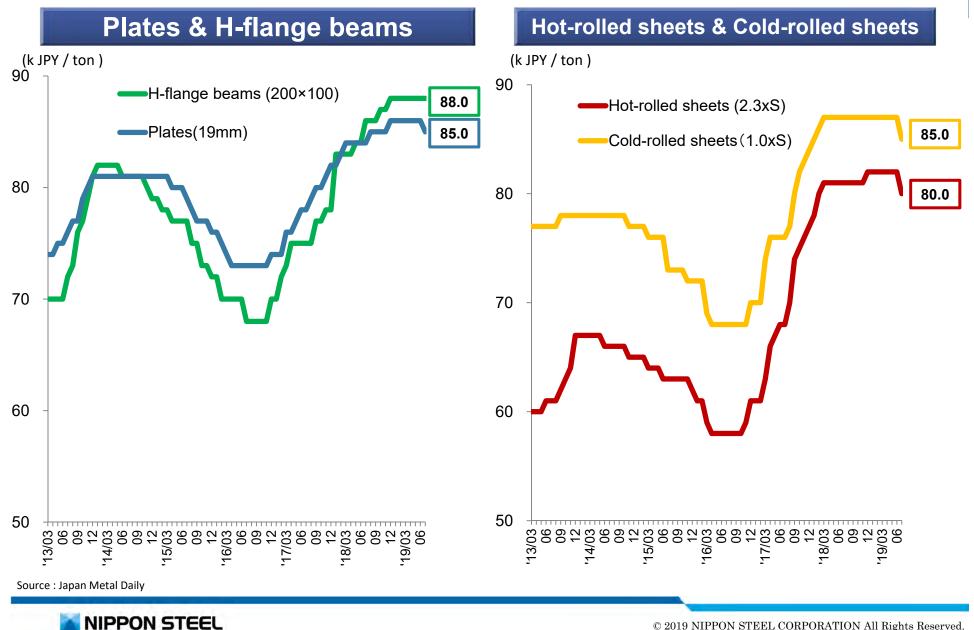
#### **Domestic Crude Steel Production**

All Japan (MMT) FY12 FY16 **FY07 FY08 FY09 FY10** FY11 FY13 **FY14** FY15 FY17 **FY18** 110.79 104.23 105.17 121.51 105.50 96.45 106.46 107.30 111.52 109.84 104.84 102.89 (MMT) (MMT) FY19 2Q(f) approx. 20.00 \*3 25.89 26.56 26.11 25.70  $\cap$ 25.65 24.97 25.00 SMI(Left axis) \*1 NSC,NIPPON STEEL (Left axis) \*2 15.00 FY19 FY19 -O-All Japan (Right axis) 20.00 1H(f) 2H(f) Approx. Approx. 11.05 11.521.63 11.59 10.84 20.50 20.50 11.29 10.8810.76 10.93 10.2810.1910.50 0.21 10.22 10.4011.50 2010.31 10.55 11.01 9.90 15.00 10.00 10.56 10.58 3.38 10.08 10.29 3.07 10.27 10 10.00 7.95 2.28 Approx. 10.20 5.00 70 4.82 5.00 FY19(f) 39.15 45.37 42.92 43.55 45.67 44.96 42.17 42.62 40.67 41.00 46.73 41.48 Approx. 41.00 Total Production of Crude Steel (NSC (non-consolidated)+SMI 0.00 0.00 ᢩᡵᡐᡕᡋᡃ᠋ᡋᡵᡐᢩᡁᡋᡞᢗᡢᠹᡵᡐᡁᡐᡞᠺ᠋ᠭᠪᡵᡐᡁᡐᠺᡚᡋᡪᡐᡁᡐᠺᡚᡋᠢᠺᡚᡋᠢᡐᠧᡐᠿᡵᡐᡁᡐᠺᡚᠪᡪᡐ  $O_{\rm A}O_{\rm A}$  $O_n O_n O_n O_n$ F707 FYID F703 FYNA FYNG F708 51

\*1 Includes Sumitomo Metals(Kokura), Sumitomo Metals(Naoetsu) and Sumikin Iron & Steel Co.
 \*3 Domestic Crude Steel Production of FY19 2Q(f) released by METI

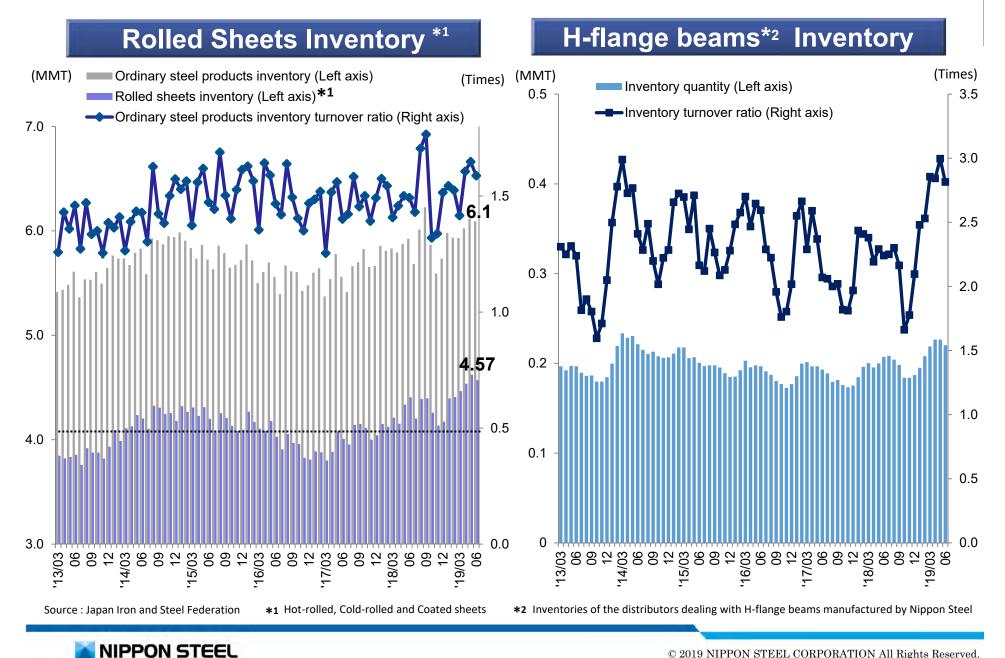
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#### **Domestic Steel Products Prices**



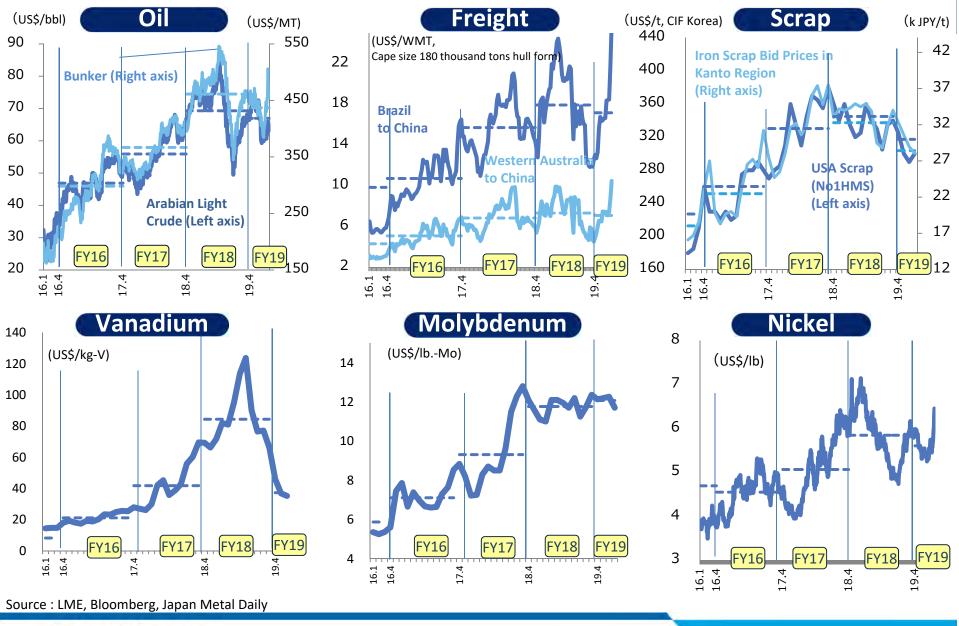
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## **Domestic Steel Inventory**



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# Commodity Prices Hike 1 (Dot lines = each fiscal year's average)

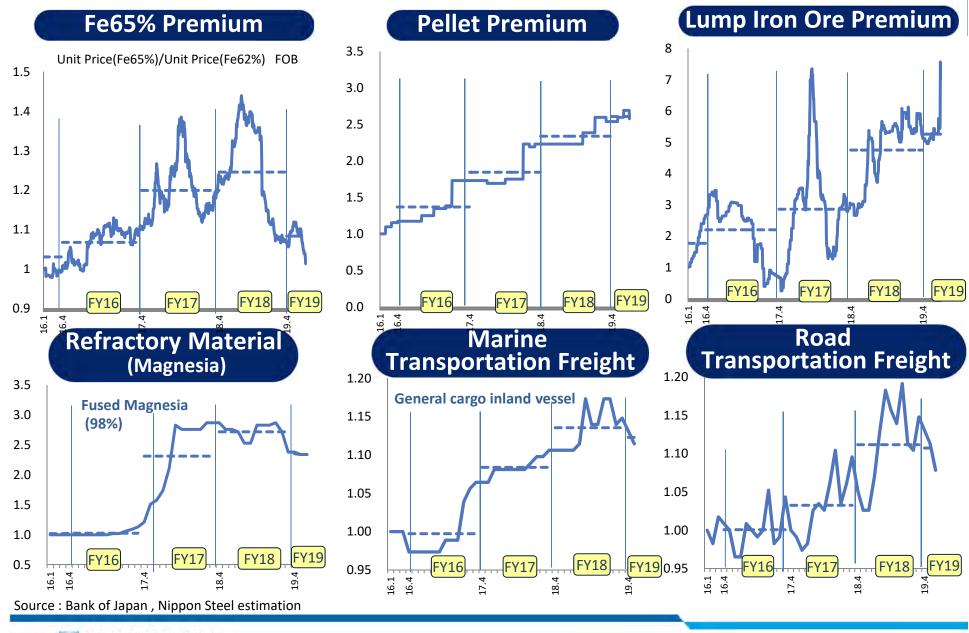


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# **Commodity Prices Hike 2**

(The beginning of CY2016 = 1, Dot lines = each fiscal year's average)

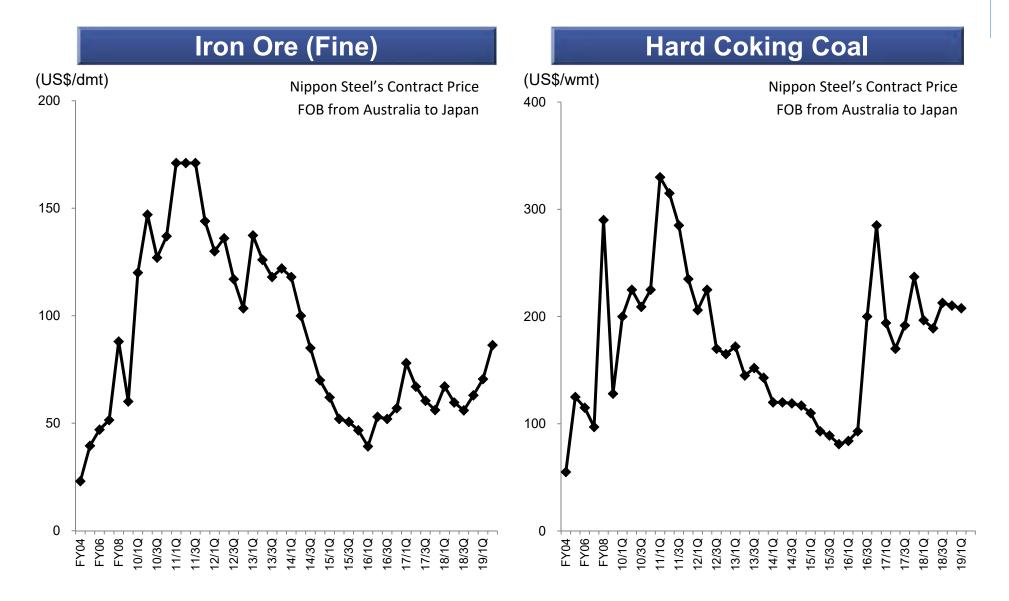


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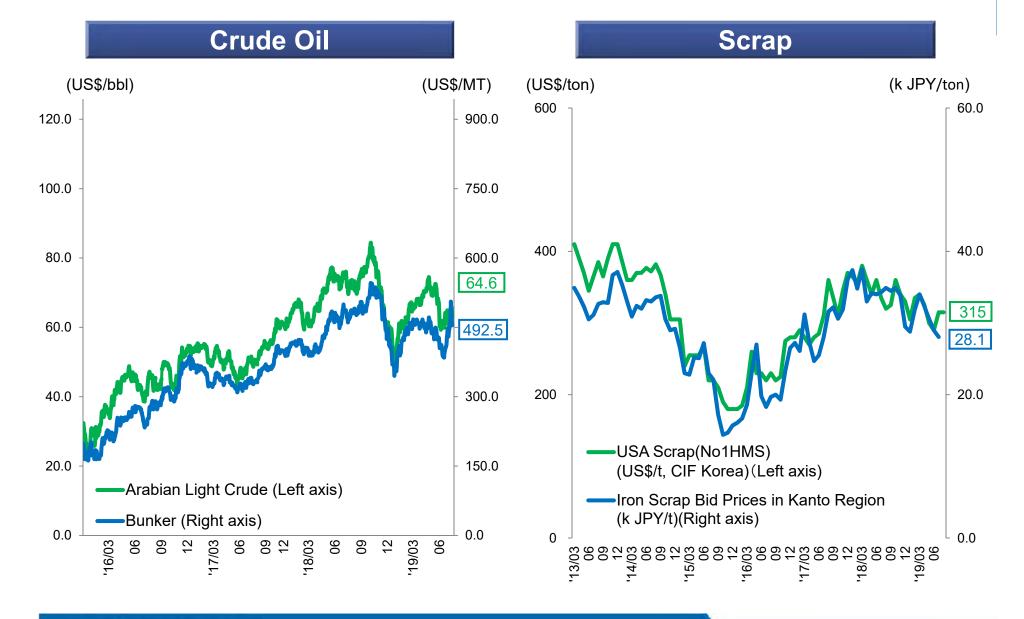
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## **Iron Ore & Coking Coal Prices**

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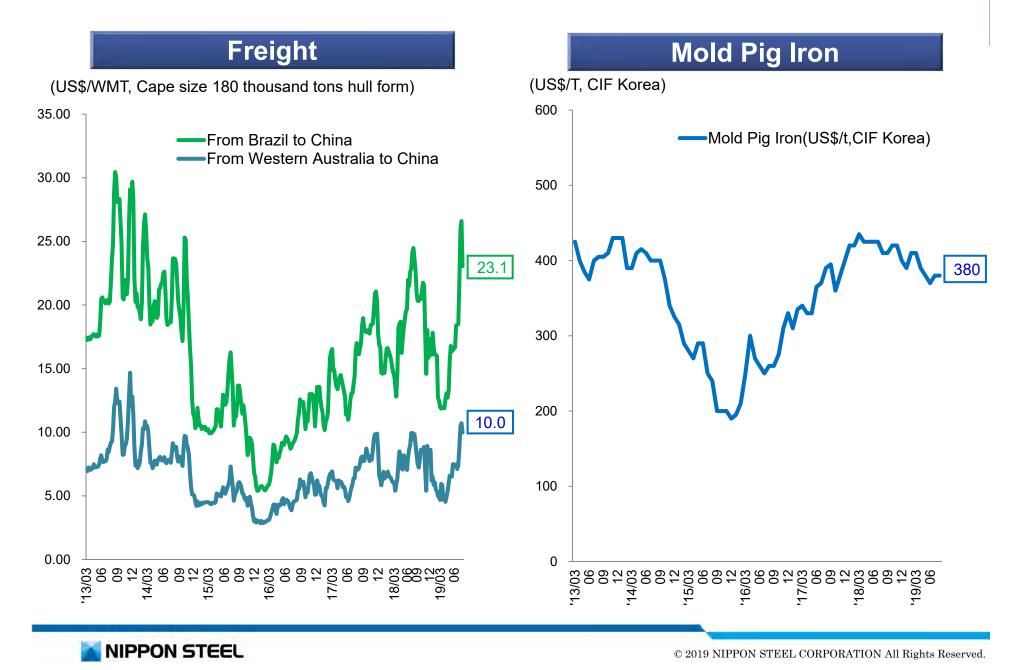


## Market Trends < Crude Oil & Scrap >

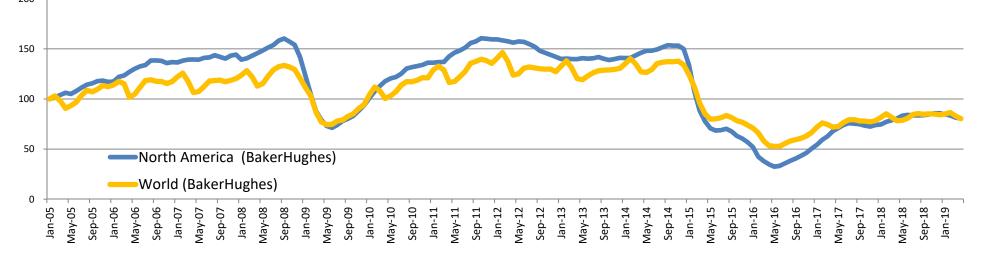


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## Market Trends < Freight & Mold Pig Iron >

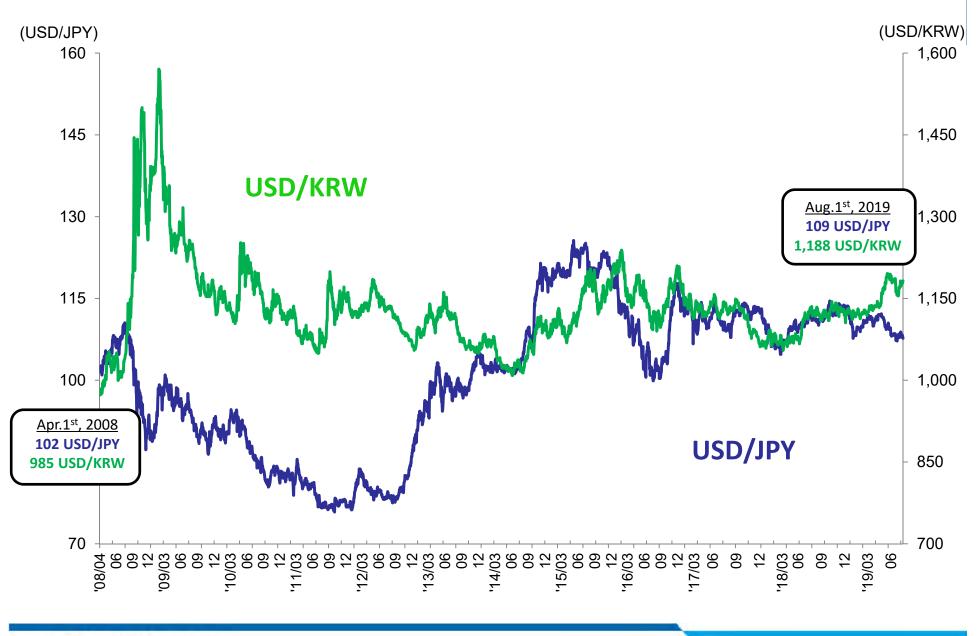


#### **Energy Sector : Oil Price / Rig Count** 48 US Oil Price (WTI Spot) 120 100 Apr.19 Ave. 80 64 60 40 20 0 Jan-05 May-05 Sep-05 May-06 Sep-06 Jan-08 May-08 Sep-08 Jan-09 Иау-09 Jan-10 May-10 Sep-10 Jan-11 Sep-11 May-12 Sep-12 Jan-13 May-13 Sep-13 May-14 Sep-14 Jan-15 May-15 Sep-15 Jan-16 Sep-16 May-18 Sep-18 Jan-19 Jan-06 Jan-07 May-07 Sep-07 Sep-09 May-11 Jan-12 Jan-14 May-16 May-17 Sep-17 Jan-18 Jan-17 Rig Counts (Jan. 2005=100) 200



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**Forex Trend** 



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