



**NIPPON STEEL &
SUMITOMO METAL
CORPORATION**

Shareholder Letter 2019

To Our Shareholders,

As always, we are thankful for your support and cooperation. Together with our sincerest greetings, we are pleased to provide you with this Shareholder Letter and to tell you about the NSSMC Group's management policies and overview of business operations.

We are also pleased to announce you that Nippon Steel & Sumitomo Metal Corp. (NSSMC) will change its name to Nippon Steel Corporation on April 1, 2019.

We will appreciate our shareholders' continued support.

February 2019

Nippon Steel & Sumitomo Metal Corporation



To Our Shareholders

Let us thank you first and foremost for your understanding and support. We are grateful of this opportunity to give you an update on our business performance and strategy as well as recent developments.

Business environment

The surrounding environment of the steel industry is at a major crossroads, due to ongoing long-term, significant structural changes, such as rising protectionism at the U.S. and other countries, emerging countries' shift towards domestically-produced steel products, the trend of automotive electrification and autonomous driving, and use of advanced IT, which indicate some of the ongoing dynamic changes in society and industry.

We, at NSSMC, anticipate that the overall global economy will continue to stay on a recovery trend but the outlook is becoming increasingly uncertain mainly due to intensifying U.S.-China trade friction and the slowdown in the Chinese economy in 2019. We therefore must pay full attention to downside risks. The global steel market in general had been robust but market prices declined over the end of 2018 due to uncertainties over the global economy outlook. More recently, market prices have appeared to stop declining and some positive impacts can be anticipated from the Chinese government's economic stimulus measures. Developments will require close monitoring.

Our priority challenges in 2019

Rebuilding our profit base

In the current fiscal year ending March 2019, we are aiming at increasing our consolidated business profit from the previous year to 330 billion yen. In order to benefit the current favorable environment for steelmaking business at maximum, we intend to re-establish our strength in manufacturing and sales in the safety-first environment and enhance our profit base. There are three major points in realizing this.

Focus on safety and quality, and realizing steady levels of production

We believe that confidence and credibility extended by society are a major premise for sustainable business operations. Therefore, "safety, environment, disaster prevention," as well as "quality" are our first and foremost priority in manufacturing. Each and all of us in the NSSMC Group will keep in mind the basic value to pursue "production" under such conditions, and engage in our daily tasks to realize stable production.



Sales and marketing activities that maximize added value

We will timely capture needs of customers and society, make use of our technological and product capabilities, and undertake sales and marketing activities aimed at maximizing added value with the close coordination of the manufacturing divisions. At the time when our production lines are increasingly burdened with surges in costs of distribution and material procurement, and with further advance in the product types we make, we are continuing efforts to engage in dialogue with customers and seek for their understanding so that we can secure appropriate margins.

Strengthening overseas business

Our overseas business, which functions as the two halves of the whole, together with our domestic business, is on a trend of profit expansion, thanks to our efforts for improvements, such as sales expansion and promotion of steady operation and structural measures against the background of a favorable market environment. We will continue to enhance our management practices in order to generate steady earnings even at the time of market fluctuations.

Completion of the Mid-Term Management Plan, and structural measures

We intend to continue working systematically at "revamping facilities and workforce," such as to refurbish key facilities, as this concerns the foundation of our competitiveness. In particular, in order to establish an optimal production

system, we are determined to be well prepared for the start-up of Yawata Works' new No. 5 continuous caster (CC) and Wakayama Works' new No.2 blast furnace, and aim at benefiting from our investment as early as possible.

The year of 2019 is also a start-up year as we are reaching a phase when we will see the outcome of integration or restructuring of some of our group companies and businesses, processes that began in 2018.

On January 1, we completed the procedure to make Nisshin Steel a wholly owned subsidiary of NSSMC. It will change its name to Nippon Steel Nisshin Co., Ltd. in April, along with the integration of the stainless steel sheet, pipes and tubes businesses. As for the special steel business, Ovako AB, a major special steel manufacturer in Sweden, became a wholly owned subsidiary of NSSMC last year and was placed under the umbrella of Sanyo Special Steel. We are currently taking procedures to make Sanyo Special Steel our subsidiary. Moreover, the chemicals and new materials segments were integrated and Nippon Steel Chemical & Material Co., Ltd. was established in October 2018. These integrations and restructuring are aimed at enhancing the respective business foundations of these units. We are working hard to realize the fruits of these changes as early as possible.

We are also taking steps to acquire Essar Steel India Limited, which has a nominal annual production capacity of 10 million tons, jointly with ArcelorMittal. India is one of the most promising markets in the world with significant growth potential in the medium- and long-term. The population exceeds one billion and consumption of steel per capita is still low. The significance of acquiring a currently-operating steelworks in India is that we can speedily acquire an integrated steel production base to capture huge and growing demand in India. When acquisition is completed we will make full use of our accumulated knowhow in overseas business management and intend to focus on putting the project on track at an early stage.

"Forge manufacturing capability, address megatrends, and create the value of steel." NSSMC will be on an uninterrupted quest for securing the optimal production structure that allows us to outperform our competitors in productivity, and to refine competitiveness. In consideration of the increasing importance of innovations in providing optimal solutions to various needs of society, including



the realization of a sustainable society, we will remain vigilant in pursuing and maximizing the potential of steel by continually working at technology development on a medium- to long-term basis.

Promoting operational reforms, standardization, and workstyle reforms

As our operational challenges are becoming more complex and advanced along with the rapid changes in the surrounding environment, more efficient, focused execution of business is critically important. We must promote operational reforms and standardization so as to revamp the way we operate and devote the resultant newly available time to more value-added work. Workstyle reform is also inextricably linked with these initiatives and is recognized as an immediate priority issue.

Specifically, we will further standardize ways of doing work, establish a common operational-and-execution infrastructure such as diverse systems, and adopt advanced IT and other tools. In addition, we will standardize each operation and keep improving it in use, and standardize more at a higher level. We are expecting that this cycle to standardize, do, check, and improve will eventually lead us to a virtuous cycle of enhancing our operation levels.

Fiscal 2018 operating forecasts and year-end dividend policy

For fiscal 2018 (ending March 31, 2019), we are projecting business profit of ¥330 billion (IFRS base) and profit attributable to owners of the parent of ¥230 billion.

Regarding the year-end dividend distribution, we plan to distribute a dividend of ¥40.0 per share (¥80.0 per share for the year and the IFRS-based consolidated payout ratio of around 31%), in consideration of earnings forecasts and other factors. (Please see "Operating results published on February 6, 2019" on page 3 for details.)

Changing corporate name

Lastly, in April 2019, we will change our corporate name to "Nippon Steel Corporation." As a steel company that originated in Japan, this simple comprehensive corporate name, embracing a diversity of DNAs of our group companies, will help propel us forward in executing business strategy on the world stage. Under the new "Nippon Steel" landmark, which combines our present corporate mark and a new English logo, we will unify our Group's power for further development.



日本製鉄グループのブランドマーク

We would like to ask for your continued support and understanding.

Representative Director and President,
Kosei Shindo

Overview of Business Operations

(Disclosed on February 6, 2019)

Forecasts for Fiscal 2018 and Year-End Dividend Distribution Policy

Business environment

NSSMC anticipates that the overall global economy will continue growing moderately despite concerns about a slowdown in China's economy, as the government in China has been focusing on implementing various measures to support its economy and the United States is likely to sustain stable economic conditions. The Japanese economy is also expected to maintain its recovery, supported by further improvements in the employment and income environments.

In Japan, demand for steel, and steel market prices, are forecast to remain firm. While overseas steel demand and market conditions are becoming more uncertain mainly due to intensifying U.S.-China trade friction and the slowdown in the Chinese economy, which partly stems from the former development, market prices have recently appeared to stop declining and some impact can be anticipated from the Chinese government's economic stimulus measures. Developments will require close monitoring.

Forecasts for fiscal 2018

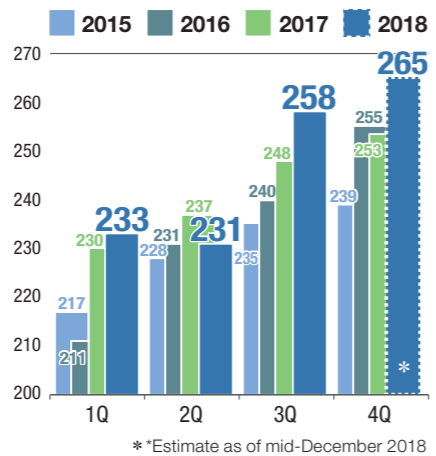
In such an environment, we are expecting business profit of ¥330.0 billion (IFRS base), which is ¥20.0 billion less than the amount forecasted at the time of our second-quarter earnings announcement (November 2, 2018), due to the meaningful effects of a decline in production and shipment caused by upstream operation fluctuation and operation interference caused by unforeseen events, including problems in the No. 5 blast furnace operation at the Wakayama Works, as well as by the decline in overseas steel prices in the third quarter of fiscal 2018. Profit attributable to owners of the parent is expected to be ¥230.0 billion, which is ¥10.0 billion less than the amount forecasted at the second-quarter earnings announcement but indicates an increase of ¥49.2 billion year-on-year.

Year-end dividend distribution policy

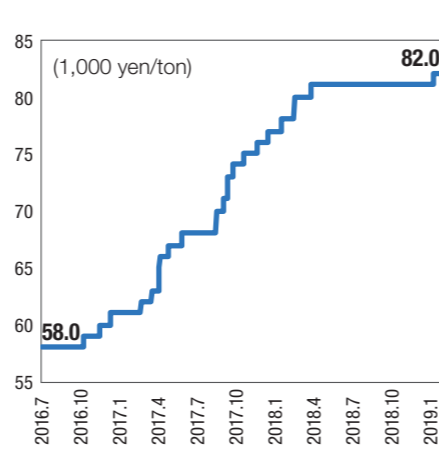
NSSMC's basic profit distribution policy is to pay dividends from distributable funds (around 30% in terms of the consolidated payout ratio) in consideration of the operating results and such factors as capital requirements for investment aimed at raising corporate value and performance prospects while also considering the financial structure of the company. Regarding the year-end dividend distribution, in accordance with the basic profit distribution policy, we plan to distribute a dividend of ¥40.0 per share (bringing the dividend for the full year to ¥80 per share and representing a consolidated payout ratio of approximately 31%, IFRS base).

Conditions of steel markets

Automobile Production in Japan (10,000 units)

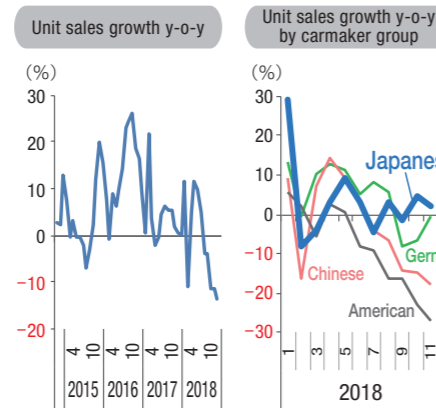


Hot-rolled Coil Market Price in Japan

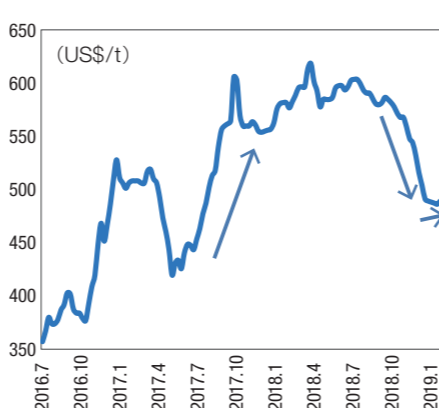


In Japan, both automobile production and steel market prices have been robust.

Automobile Sales in China



Hot-rolled Coil Market Price in East Asia



Overseas steel market prices had been on a downtrend since October 2018 but have recently stopped declining, while China's automobile sales have been slowing down (with the exception of Japanese makers which maintained steady sales). We will closely monitor developments.

Forecasts for Fiscal 2018 (IFRS base)

(Billion yen)	Fiscal 2017	Fiscal 2018 forecast (Comparison to Fiscal 2017)
Net sales	5,712.9	6,200.0 (+487.1)
Ordinary profit / Business profit	288.7	330.0 (+41.3)
ROS	5.1%	5.3% (+0.3%)
Profit attributable to owners of parent	180.8	230.0 (+0.3%)
Crude steel production (non-consolidated basis; million tons)	40.67	App. 41.30 (+0.63)
Foreign exchange rate (¥/\$)	111	App. 111 (~)

See NSSMC's website for details: <https://www.nipponsteel.com/ir/>

IR Calendar

Early May 2019	Earnings announcement of fiscal 2018 (ending March 31, 2019) and proposal for year-end dividend distribution
Early June 2019	Notice of convocation of the 95th Annual General Meeting of Shareholders
Late June 2019	The 95th Annual General Meeting of Shareholders

TOPICS

Change in Chairman and President as of April 1, 2019

At a meeting of the board of directors held on January 10, 2019, it was resolved to make the appointments set forth below for Chairman and President.

Effective as of April 1, 2019

Representative Director and Chairman, **Kosei SHINDO** (Currently, Representative Director and President)

Representative Director and President, **Eiji HASHIMOTO** (Currently, Representative Director and Executive Vice President)



New Chairman Shindo (left), New President Hashimoto (right)

The planned joint acquisition of Essar Steel in India is progressing

ArcelorMittal, NSSMC's joint acquisition partner, was selected as the preferred bidder by Essar Steel's Committee of Creditors

NSSMC has been engaged in acquisition procedures aimed at jointly acquiring and managing Essar Steel India Limited (ESIL), which is undergoing reconstruction based on India's insolvency law. The acquisition will be done in partnership with ArcelorMittal S.A. (AM). On October 23, 2018, ArcelorMittal India Private Limited, a subsidiary of AM that is the bidding entity, was selected as the preferred bidder by ESIL's Committee of Creditors. The acquisition will be implemented following an examination and approval by India's National Company Law Tribunal and once the necessary approvals and licenses have been obtained from relevant domestic and overseas institutions.

Outline of Essar Steel

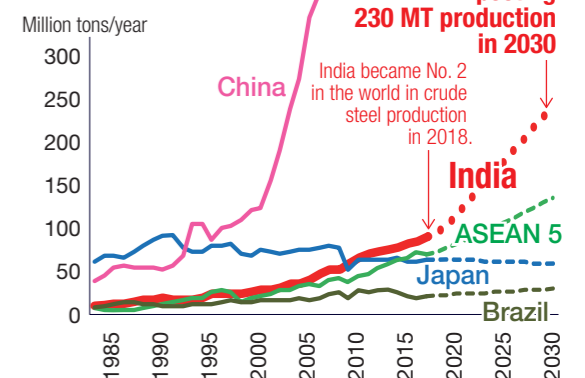


One of India's four major steelmakers (JSW, SAIL, TATA, ESIL)

Production capacity (nominal)	10 million tons/year (Fiscal year ended March 2017)
Revenue (unconsolidated)	219.6 billion INR (360.1 billion yen*) (Fiscal year ended March 2017)
Number of employees	3,988 (as of March 31, 2017)
Product types	Hot-rolled, cold-rolled and galvanized steel sheets; steel plates; steel pipes

* At the exchange rate of 1.64 yen/INR

Total Finished Steel Consumption



* National Steel Policy 2017: Ministry of Steel

World's first adoption of NSSMC's 1310 MPa high-tensile steel sheet for automotive structural cold-rolled pressed components

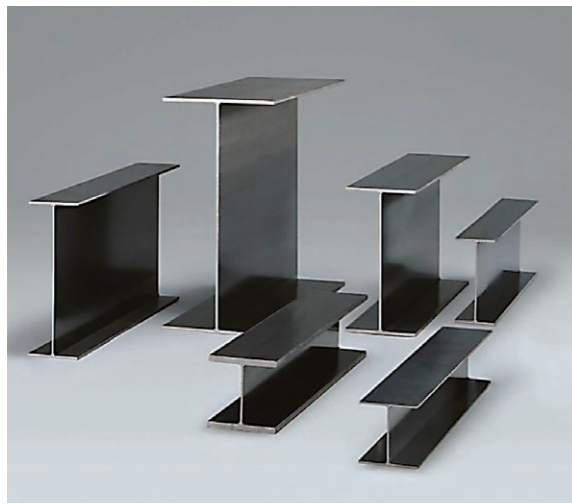
NSSMC's 1310 Megapascal (MPa) high-tensile cold-rolled steel sheet was adopted for Mazda Motor Corporation's new MAZDA3.

As the 1310MPa high-tensile steel was too strong and hence was difficult to be press-formed, it had been used in automobiles only for bumpers, which have simple forms. However, NSSMC's development of a new pressing technology and its joint solution of production technology-related issues with Mazda led to the world's first adoption of the material for automotive structural components.



Adoption of the above structural component by a new MAZDA3 (Photo by Mazda Motor Corporation)

Increase in adoption of SMart BEAM™, a welded light gauge H-beam, by major convenience stores



SMart BEAM™, a welded light gauge H section steel

NSSMC's SMart BEAM™, a welded light gauge H-beam, was first adopted as beams of the attic of a roadside outlet of a major convenience store operated by Daiwa Lease Co., Ltd. After a year, the number of stores which adopted the material exceeded 200, steadily boosting sales of SMart BEAM™. The switch from conventional rolled H-beam to SMart BEAM™ has led to a significant reduction in the material weight, while the necessary design strength has been ensured.



Adoption of SMart BEAM™ for constructing a convenience store

SMart BEAM™'s unique product features, developed by NSSMC, will continue contributing to reduction in the environmental impact of processing and construction work, and to productivity improvement.

Use of NSSMC's COR-TENT™ with excellent weather resistance for the Second Torii Gate of Izumo-taisha Grand Shrine

As a part of "Heisei Daisengu," Izumo-taisha Grand Shrine's major restoration, the Second Torii Gate (Seidamari Grand Torii) was rebuilt by using NSSMC's COR-TENT™ steel plate. This plate has 4-8 times higher weather resistance than ordinary steel. The newly-constructed gate with heavy-duty coating will satisfy requirements for anticorrosion as well as aesthetic beauty. Due to excellent durability, the gate will last longer than the conventional torii's durability of about 50 years.

This was the second time that NSSMC's steel product was adopted by Izumo-taisha, following its adoption for the Third Torii Gate. The completion ceremony was held on October 2, 2018 and NSSMC received a letter of gratitude from Izumo-taisha.



Izumo-taisha Grand Shrine's Second Torii Gate

Waste plastics recycling amount reached 3 million tons on an accumulated basis

Chemical recycling process using a coke oven

Since 2000, NSSMC has been recycling waste plastics by a chemical recycling process using a coke oven. The total disposal amount reached a milestone of 3 million tons on November 14, 2018.

NSSMC accepts about 30% of waste plastic containers and packaging collected by municipalities nationwide at five of its steelworks. The plastics are processed, thermally decomposed at the coke oven of the steelworks, and efficiently recycled.

The chemical recycling process using a coke oven leaves no residual of harmful substance, as waste plastics are carbonized at a high temperature. In addition, existing facilities and processes of coke ovens or chemical plants are effectively utilized. The method therefore is highly efficient and ensures safety in recycling.

The reduction of 3 million tons of wasted plastics has the environmental impact equivalent to around 9.6 million tons of CO₂ reduction and to elimination of 12 million m³ of landfill space.

NSSMC will continue this initiative of using the chemical recycling process, contributing to energy saving, CO₂ emission reduction, and creation of a recycle-oriented society.



Collected waste plastics



Coke oven

Collected waste plastics are thermally decomposed in a coke oven, and hydrocarbon oil (i.e., raw materials for plastics), coke and coke oven gas are separately collected and fully reused.

Participating exhibitions in Japan, promoting attractiveness of steel

◆ Fifth Highly-functional Metal Expo



NSSMC participated in the fifth Highly-functional Metal Expo ("Metal Japan"), held in Makuhari Messe near Tokyo on December 5-7, 2018. This was the fourth consecutive year that NSSMC set up the booth.

The Metal Expo covers a wide range of technologies related to highly-functional materials, from steel and other metal materials to their processing machines, analysis/testing equipment, and distribution.

NSSMC is targeting to explore maximum potential of steel as a material. Under the main concept, "Steel, a metal with great potential, available in a variety of forms and features," the company exhibited a diversity of products, including high-tensile steel having both high strength and formability, and "HRX19™", a high-strength material with high resistance to high-pressure hydrogen environment and excellent weldability.

◆ 11th Automotive World

NSSMC participated in the 11th Automotive World, held in the Tokyo Big Sight on January 16-18, 2019. In the exhibition booth, "NSafe™-AutoCocept," a next-generation automobile's structural concept, was exhibited for the first time, along with products and solutions by automotive component category. Group companies including Nippon Steel Chemical & Material Co., Ltd., Nippon Steel & Sumikin Texeng Co., Ltd., and Nippon Steel & Sumikin Technology Co., Ltd. jointly exhibited their technology and products, enabling to make solution proposals by the overall NSSMC Group.



Next-generation automobile's structural concept, "NSafe™-AutoCocept"

◆ Eco Pro 2018

The "Eco Pro 2018" exhibition, an annual year-end event of the Tokyo Big Sight, was held on December 3-6, 2018. Under the theme of "Eco initiatives of steel over its life cycle," NSSMC set up a booth with 6 sections of videos and exhibits, emphasizing that steel is an eco-friendly material. Touch-screen exhibits and sensory-type exhibits that allow visitors to actually touch and operate were well received. Over the three days, NSSMC's booth received 8,000 visitors in total.



NSSMC Group Corporate Philosophy

Our Values

Nippon Steel & Sumitomo Metal Corporation Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services.

Management Principles

1. We continue to emphasize the importance of integrity and reliability in our actions.
2. We provide products and services that benefit society, and grow in partnership with our customers.
3. We pursue world-leading technologies and manufacturing capabilities.
4. We continually anticipate and address future changes, innovate from within, and pursue unending progress.
5. We develop and bring out the best in our people to make our Group rich with energy and enthusiasm.

Shareholder benefit programs

We have a shareholder benefit program to express our gratitude to shareholders and to facilitate their understanding of our Group activities.

Details on programs, such as how to apply, will be separately informed to applicable shareholders.

● Plant tours and business briefings

Events	Summary of programs	Period of implementation	Applicable shareholders
Plant tours (by lottery)	Shareholders are invited to a tour of our steelworks and manufacturing sites	Twice a year (March-April and October-November)	Shareholders who own 1,000 or more shares as of the end of September or March
Business briefings (by lottery)	Business briefings are conducted in Tokyo, Osaka, and other locations	Twice a year (February-March and July-September)	

● Other shareholder benefit programs

Events	Summary of programs	Period of implementation	Applicable shareholders
Company calendar	NSSMC's calendar is distributed to shareholders	Once a year (Late November to early December)	Shareholders who own 500 or more shares as of the end of September
Invitation to football games of Kashima Antlers (by lottery)	Shareholders are invited to J1-League football games (home or away)	Twice a year (April-August and August-December)	Shareholders who own 5,000 or more shares as of the end of September or March
Invitation to concerts at Kioi Hall (by lottery)	Shareholders are invited to periodic Kioi Hall Chamber Orchestra concerts and other concerts	Twice a year (April - September and October - March)	

Administrative information for shareholders

Items	Details
Registration agent	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business (Mailing address) 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Japan (Phone inquiries) 0120-785-401 (Toll-free for domestic phone calls only) +81-3-3323-7111 (Outside Japan)
Notification of change of address and request for purchase and sale of fractional unit shares	The request shall be made through a securities company in which shareholders have an account. (With respect to shares administered through a special account, please contact Sumitomo Mitsui Trust Bank, Limited.)
Request for payment of unpaid dividends	Please contact Sumitomo Mitsui Trust Bank, Limited.

● Note on forward-looking statement

The forward-looking comments and forecasts expressed in this document include projections based on the Company's assumptions, judgment, and plans available at the time of the Company's result announcement as of February 6, 2019. Actual results may differ from the above forecasts, due to various factors.