

5401: JP
NPSCY: ADR (US)



FY2018

Earnings Summary

May 9th, 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

Agenda

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1. FY2018 Results

2. Progress in 2020 Mid-Term Management Plan

3. Appendix

1. FY2018 Results

FY2018 Results

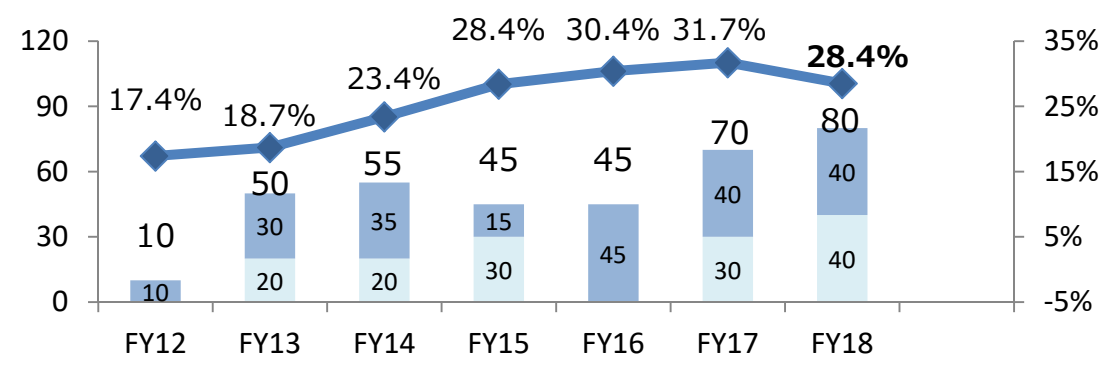
Financial Highlights

(JPY bn.)	1H ^{*3}	2H ^{*3}	FY2018	vs. prev. FY2018(f) ^{*4}	vs. FY2017
Revenue	2,940.0	3,237.9	6,177.9	-22.1	+465.0
Business profit	158.0	178.9	336.9	+6.9	+48.2
Non-consolidated operating profit			25.1		+18.7
Additional line items	(21.0)	(50.7)	(71.8)		
Net Profit ^{*1}	117.0	134.1	251.1	+21.1	+70.3
EBITDA ^{*2}	358.0	387.5	745.5	-4.5	+90.2
ROS	5.4%	5.5%	5.5%	+0.1%	+0.4%
ROE			7.9%		+1.9%

Stable production
Cost reduction
Sales price improvement
etc.

Dividend

Year-end dividend JPY40.00/share
Full-year dividend JPY80.00/share
Consolidated payout ratio 28.4%



^{*1} Profit attributable to owners of the parent ^{*2} Business Profit + Depreciation + Amortization ^{*3} Tentative calculation basis ^{*4} Prev. FY18(f) : As of Feb. 6th, 2019

FY2018 Topics

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■ FY18 Non-consolidated crude steel production (MMT)

Prev. guidance (3Q results on 6th Feb.) approx. **41.30** (4Q(f) approx. 10.50) → **Actual 41.00** (4Q 10.22)

0.3 MMT's decline due to BF's instability in one of integrated steel mills and accumulation of other troubles.

■ Realignment of special steel business ; Completion of making Sanyo Special Steel our subsidiary

28th Feb. – Extraordinary general shareholders' meeting of Sanyo

28th Mar. – Sanyo became our subsidiary & Ovako became Sanyo's wholly-owned subsidiary

Nippon Steel, Sanyo Special Steel and Ovako are to integrally promote business operations under the brandmark of "NIPPON STEEL"

■ Essar steel (ESIL)

8th Mar. - The Indian National Company Law Tribunal gave a conditional approval to the resolution plan submitted by ArcelorMittal India Private Limited for the joint acquisition of ESIL.

Currently, the way of funds distribution is under examination of National Company Law Appellate Tribunal.

Further information will come after the closing.

■ Cash management reinforcement

Asset compression : Achieved 2020MTMP's target (100 bn.) 2 years ahead. +100~200 bn. is to be added on top.

CAPEX : Pursue efficient fund infusion based on long term refurbishing plan

■ Closure of Kashima Works' UO pipe mill & transfer its production to Kimitsu (End of Oct. 2019 (plan))

Reinforce UO pipe business by establishing lean production framework and targeting the high-end market

■ Non-renewal of "Fair Rules for the Acquisition of Substantial Shareholdings"

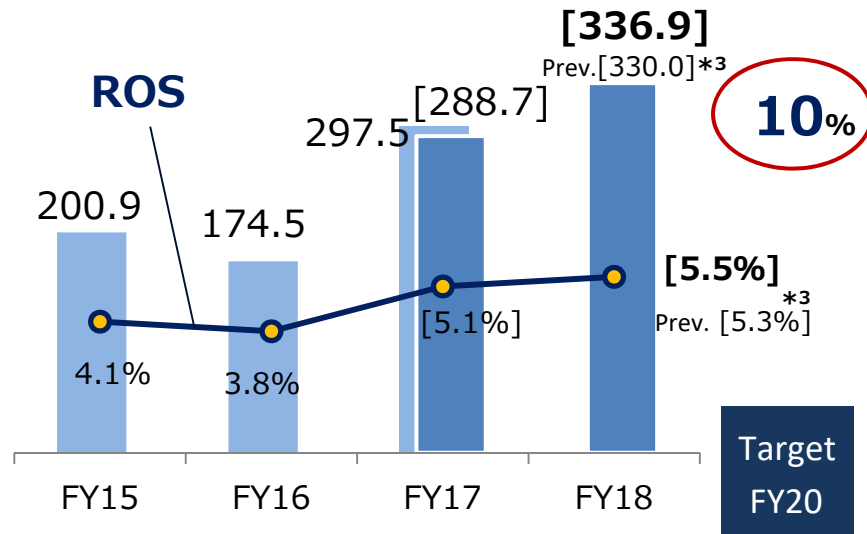
(Takeover Defense Measures for the Protection and Enhancement of Shareholders' Common Interests)

Effective term of the Fair Rules expires at the conclusion of the General Meeting of Shareholders to be held in Jun. 2019

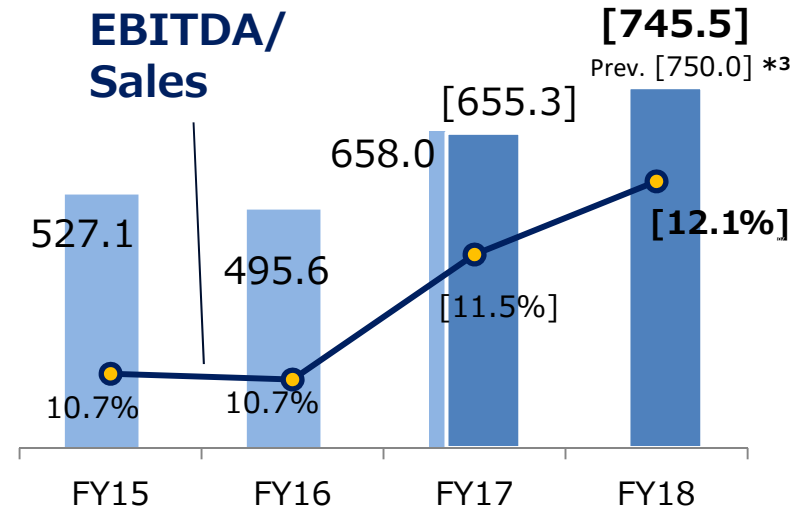
Key Indicators (bn. JPY)

Figures in parentheses = IFRS basis

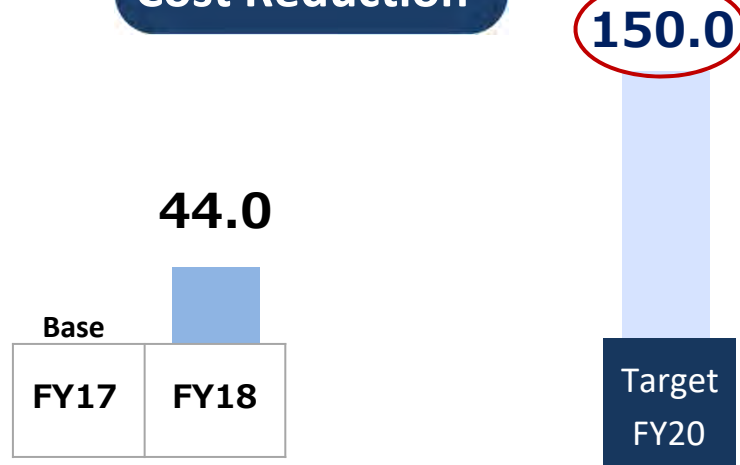
Business Profit / Ordinary Profit



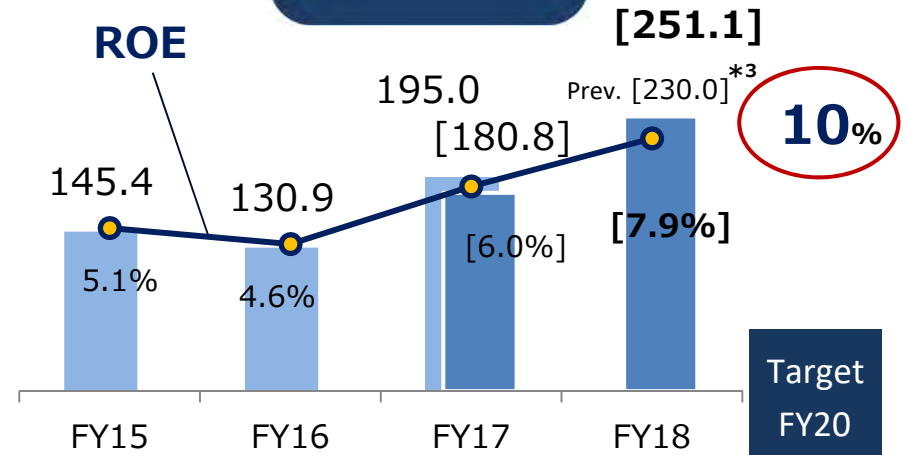
EBITDA*1



Cost Reduction



Net Profit*2

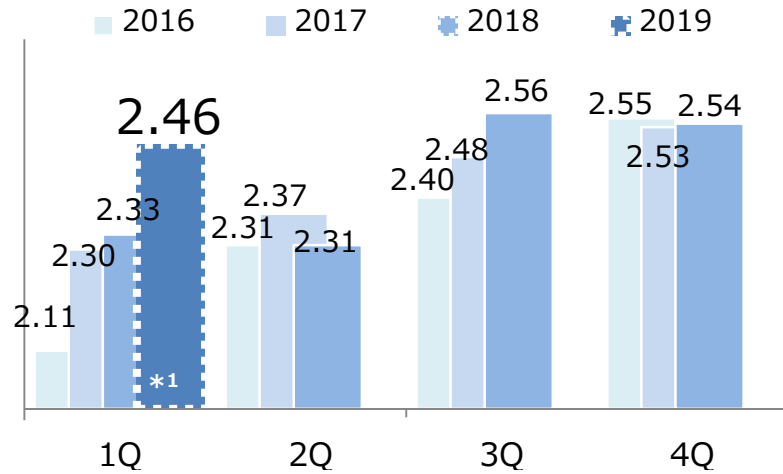


*1 [JGAAP] Ordinary profit + Net finance costs + Depreciation + Amortization, [IFRS] Business Profit + Depreciation + Amortization

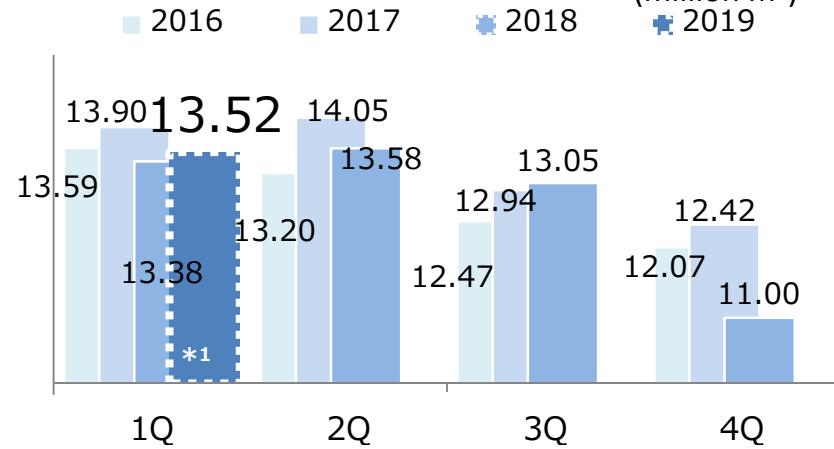
*2 Profit attribute to owners of the parent *3 Prev. FY18(f) : As of Feb. 6th, 2019

Key Indicators of Domestic Steel Demand

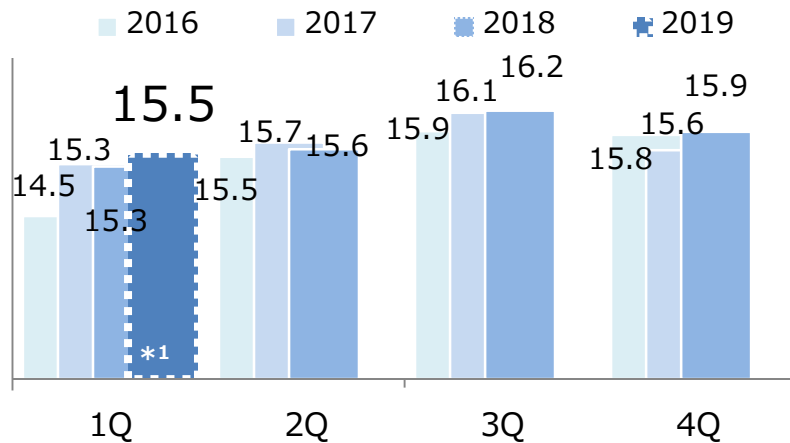
Finished Auto Production (million units)



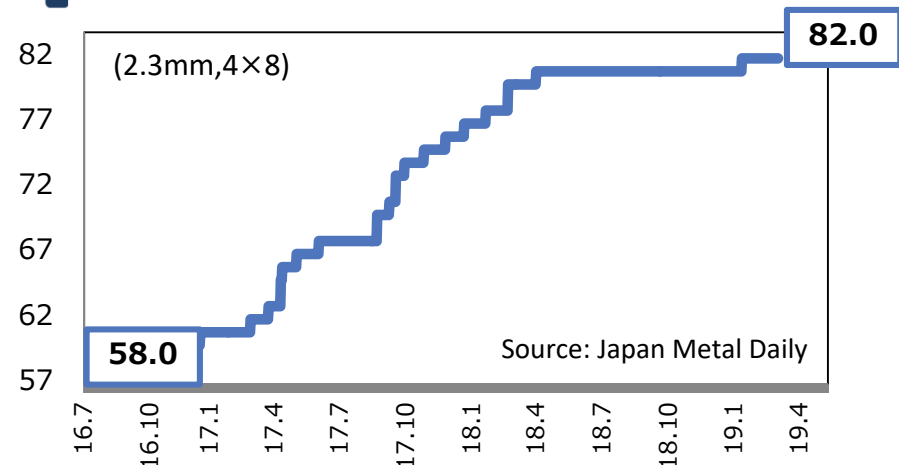
Non-Residential Construction Starts (million m²)



Steel Consumption (MMT)



Hot-rolled Coil Market Price (k JPY/t)

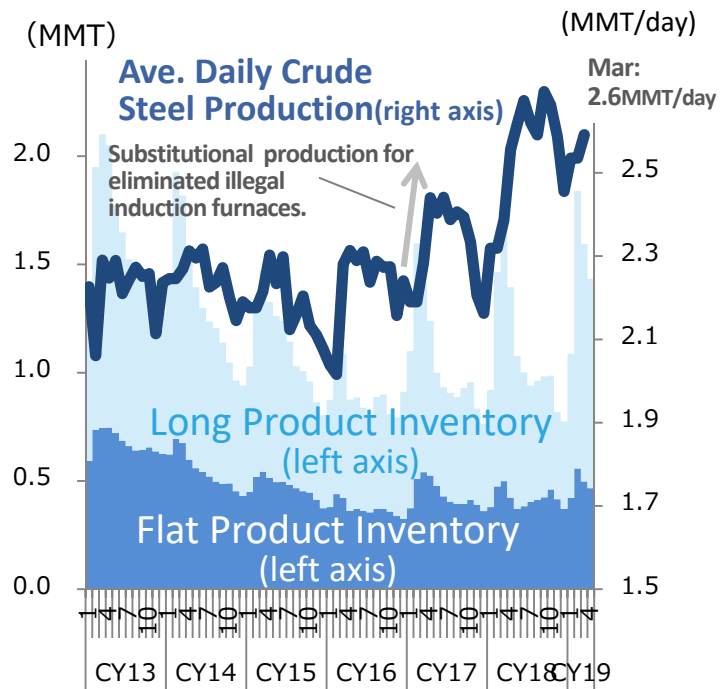


Domestic economy continued moderate recovery supported by further improvements in employment & increase in capital investments. Domestic steel market stayed at relatively high due to robust demand.

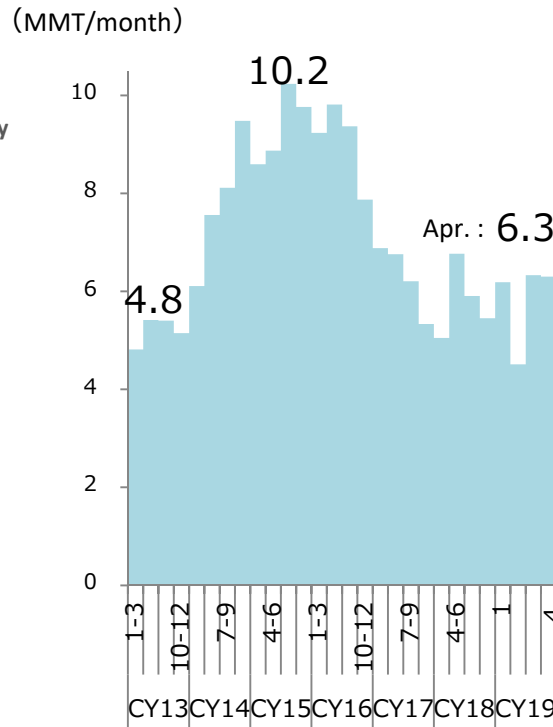
*1 Forecasts as of late Mar. 2019

China's Steel SD & Market Trend

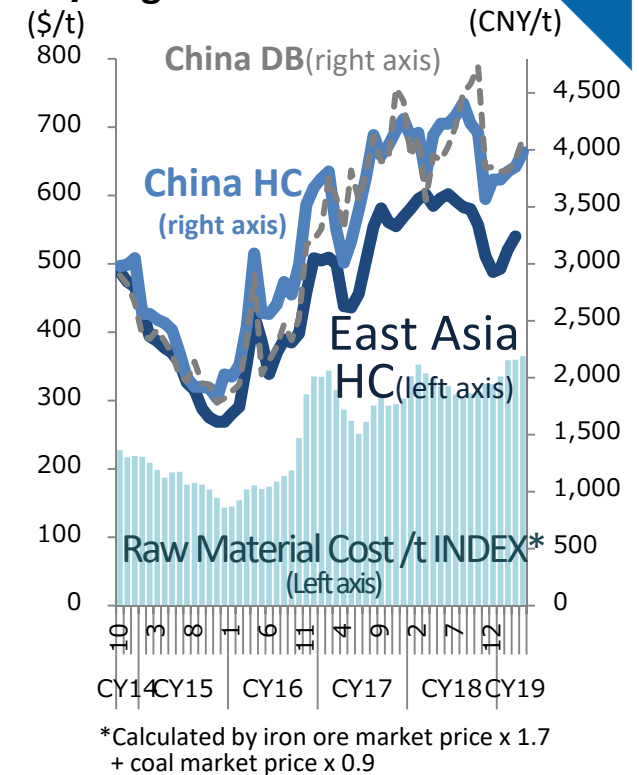
Crude Steel Production & Channel Inventories in China



China's Export



Hot Rolled Sheets Prices by Region



Regardless crude steel production has come back to a high level responding to ending of winter cut regulation, inventory has been declining & export volume remains relatively low.

Major indices recorded favorable turn in Mar, suggesting arising steel demand supported by Chinese gov.'s stimulus measures.

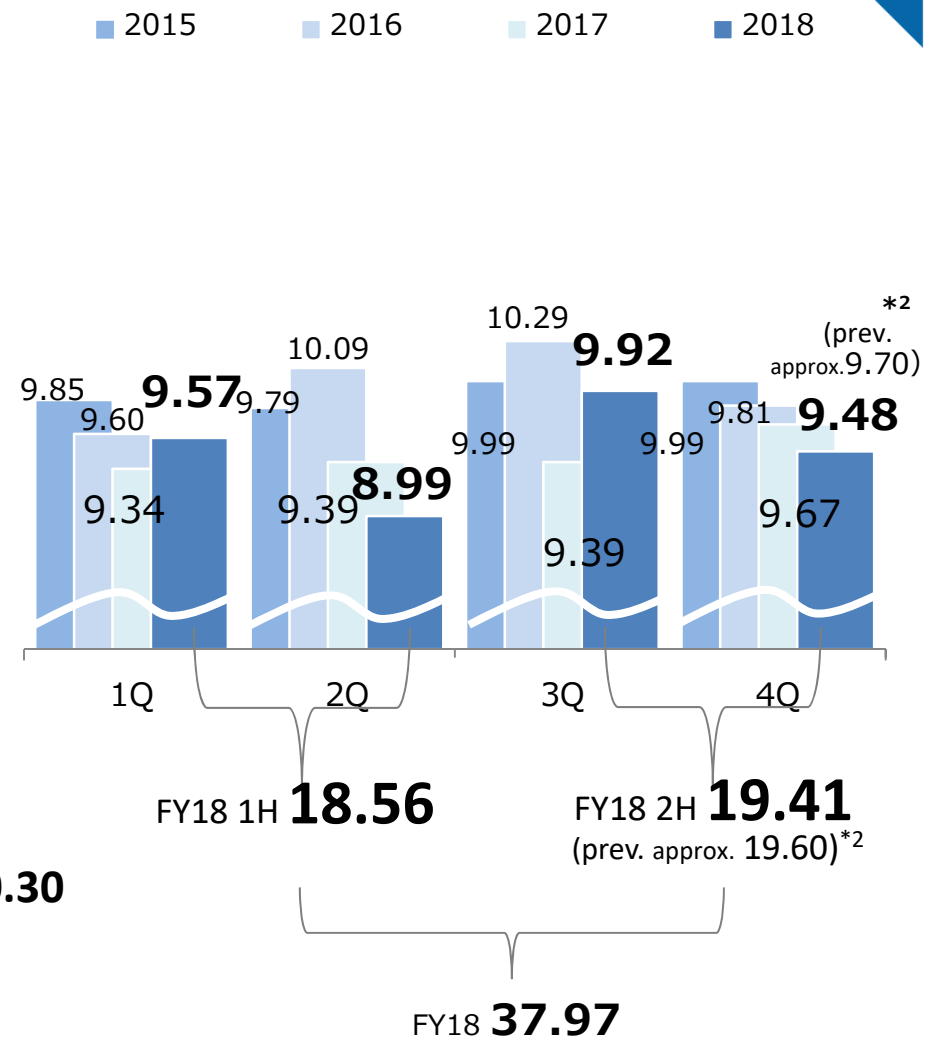
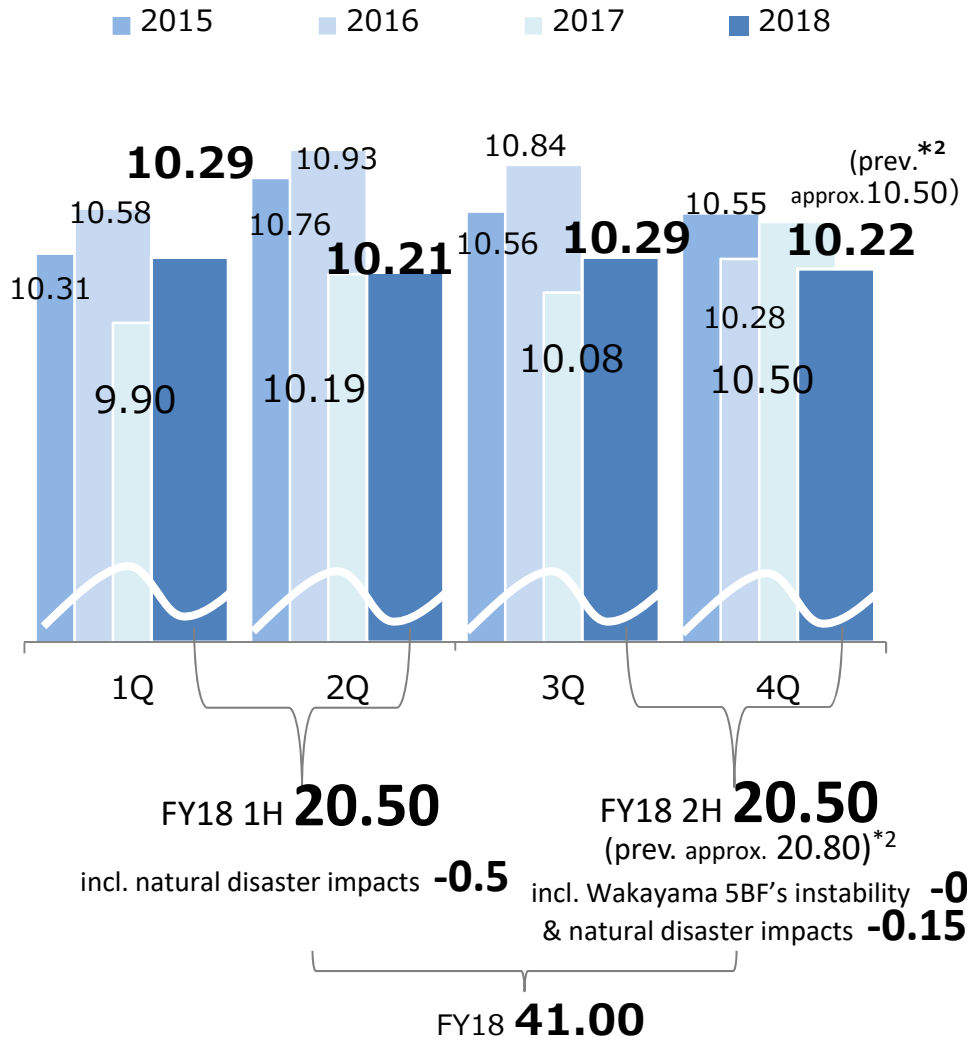
Need to keep monitoring impacts from trade war and stimulus measures and how they affect SD situation.

Source: Japan Steel Association, Steel Home, CISA, MYSTEEL, Nippon Steel etc.

Production Volume (MMT)

Non-consolidated Crude Steel Production ^{*1}

Steel Shipment

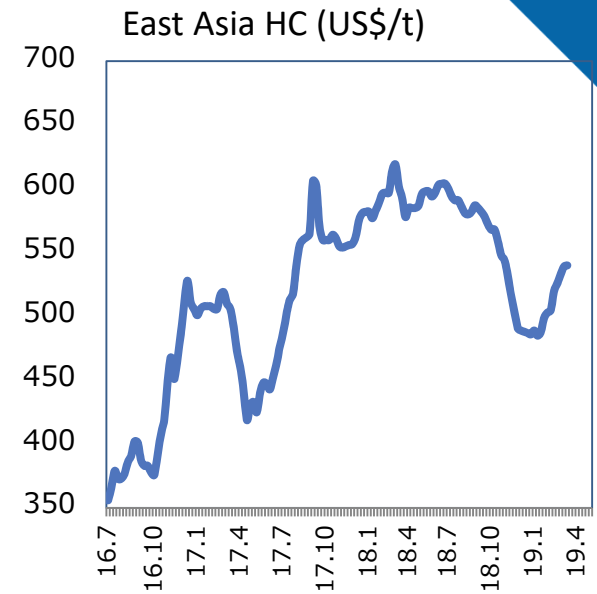
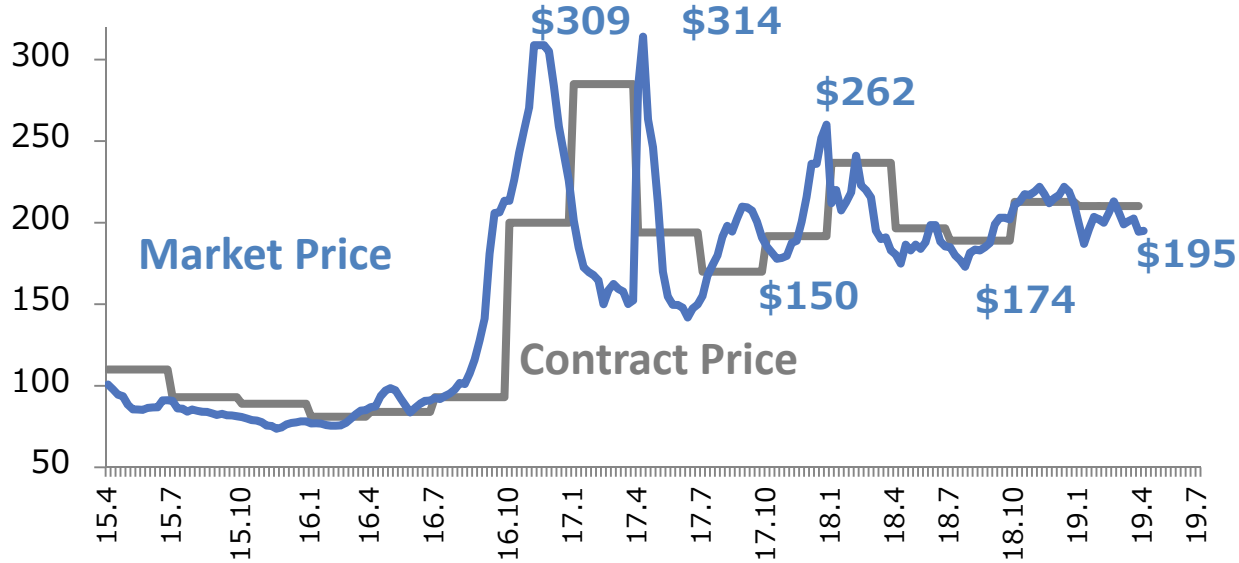


^{*1} Figures of ~FY2017 Incl. Nippon Steel & Sumikin Koutetsu Wakayama Co.

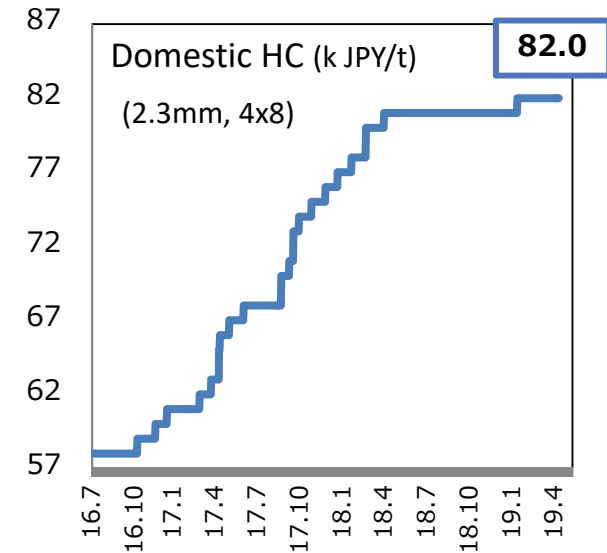
^{*2} Prev. : As of Feb. 6th, 2019

Raw Materials and HC Prices Trend

Hard Coking Coal Price (US\$/wmt)

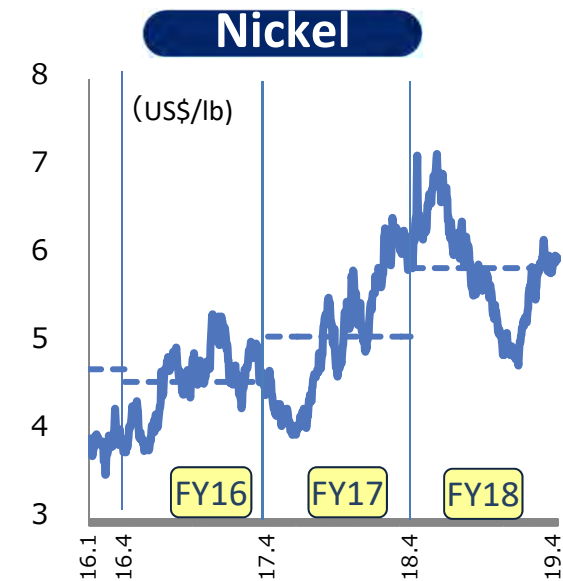
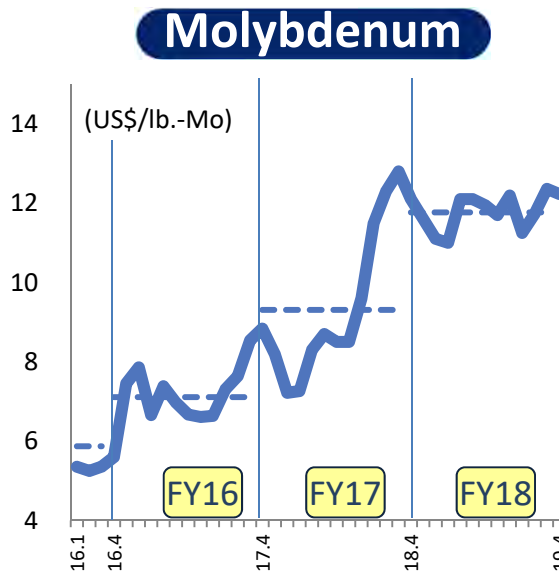
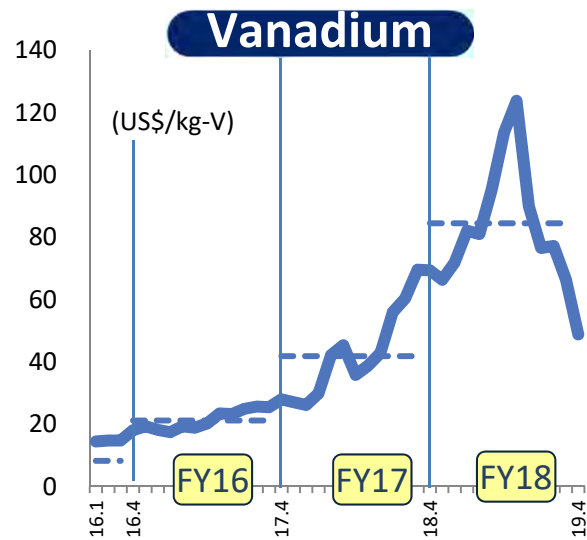
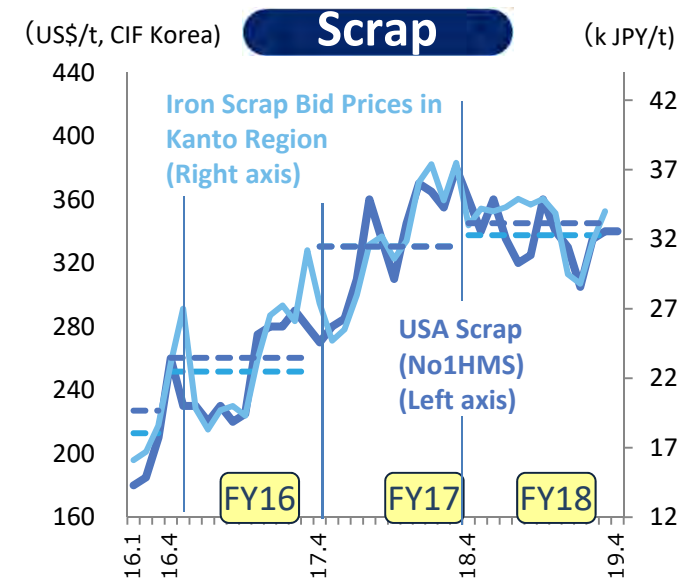
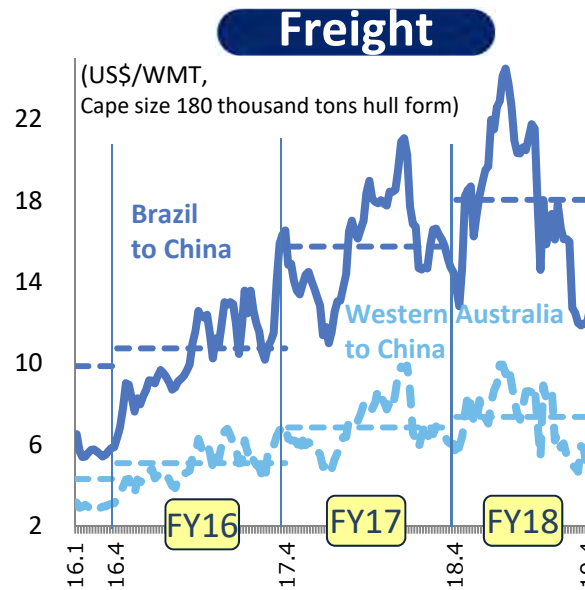
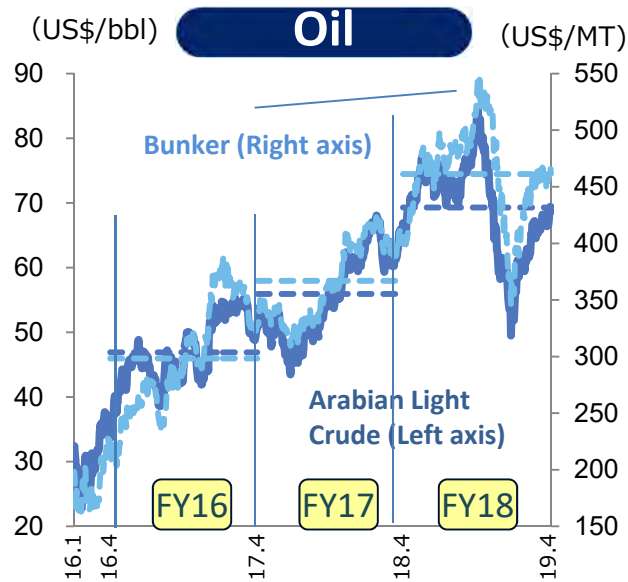


Fine Iron Ore Price (US\$/dmt)



Source: LME, Bloomberg, Japan Metal Daily

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

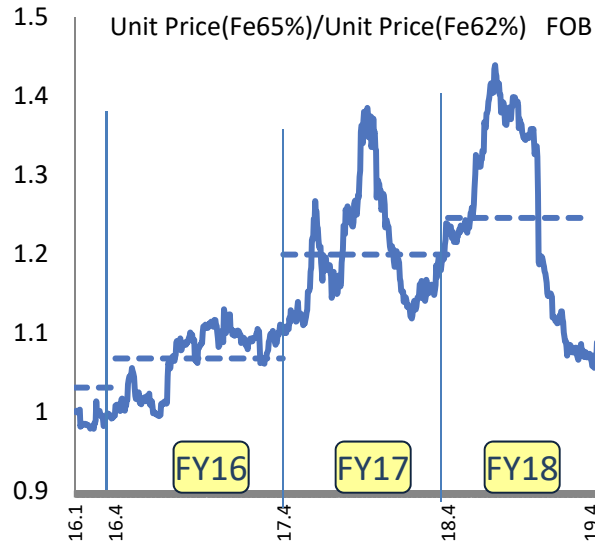


Source : LME, Bloomberg, Japan Metal Daily

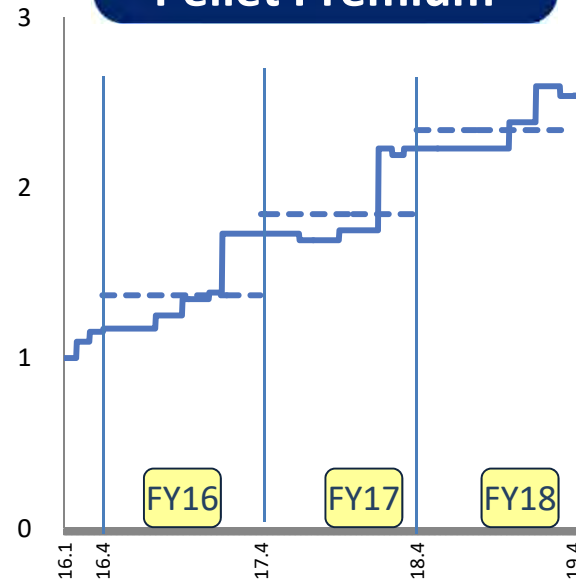
Commodity Prices Hike 2

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

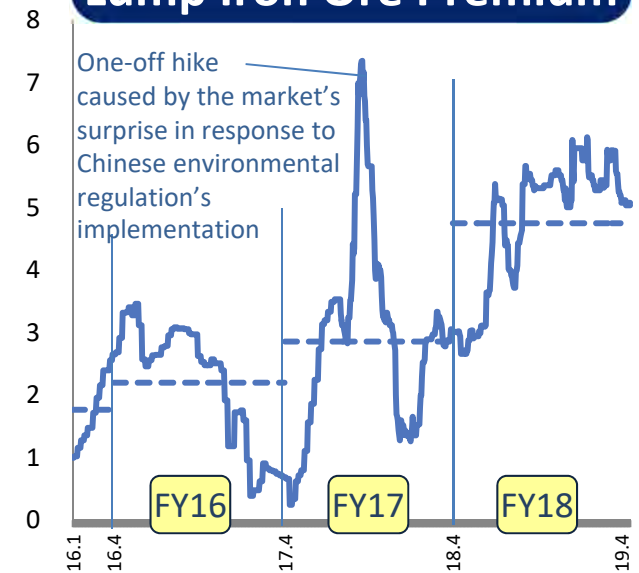
Fe65% Premium



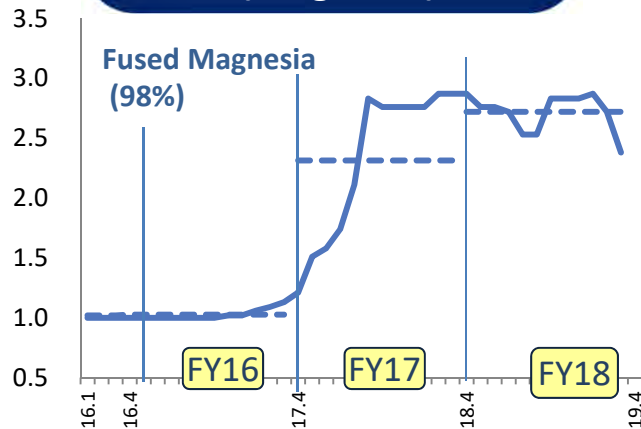
Pellet Premium



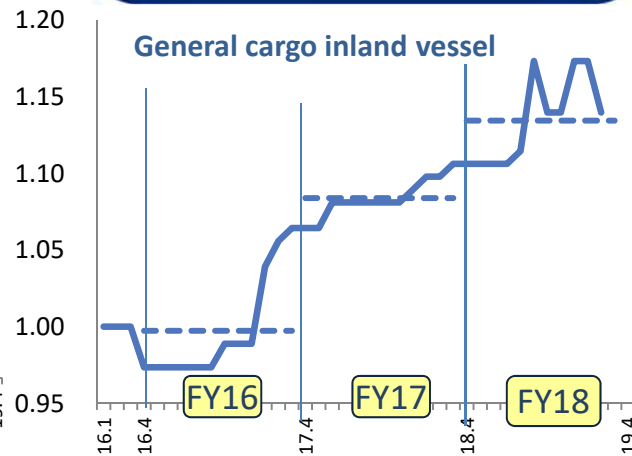
Lump Iron Ore Premium



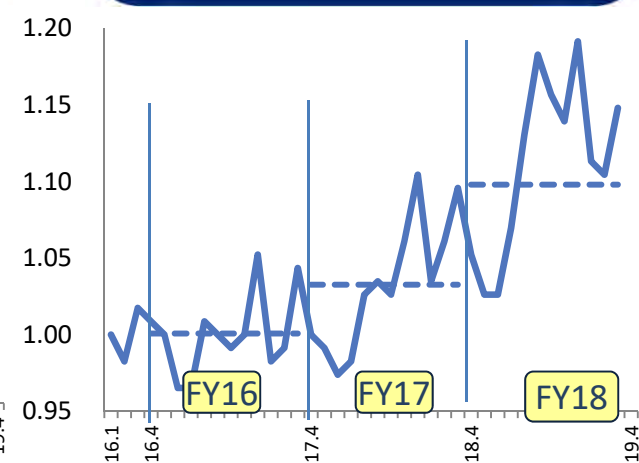
Refractory Material (Magnesia)



Marine Transportation Freight



Road Transportation Freight

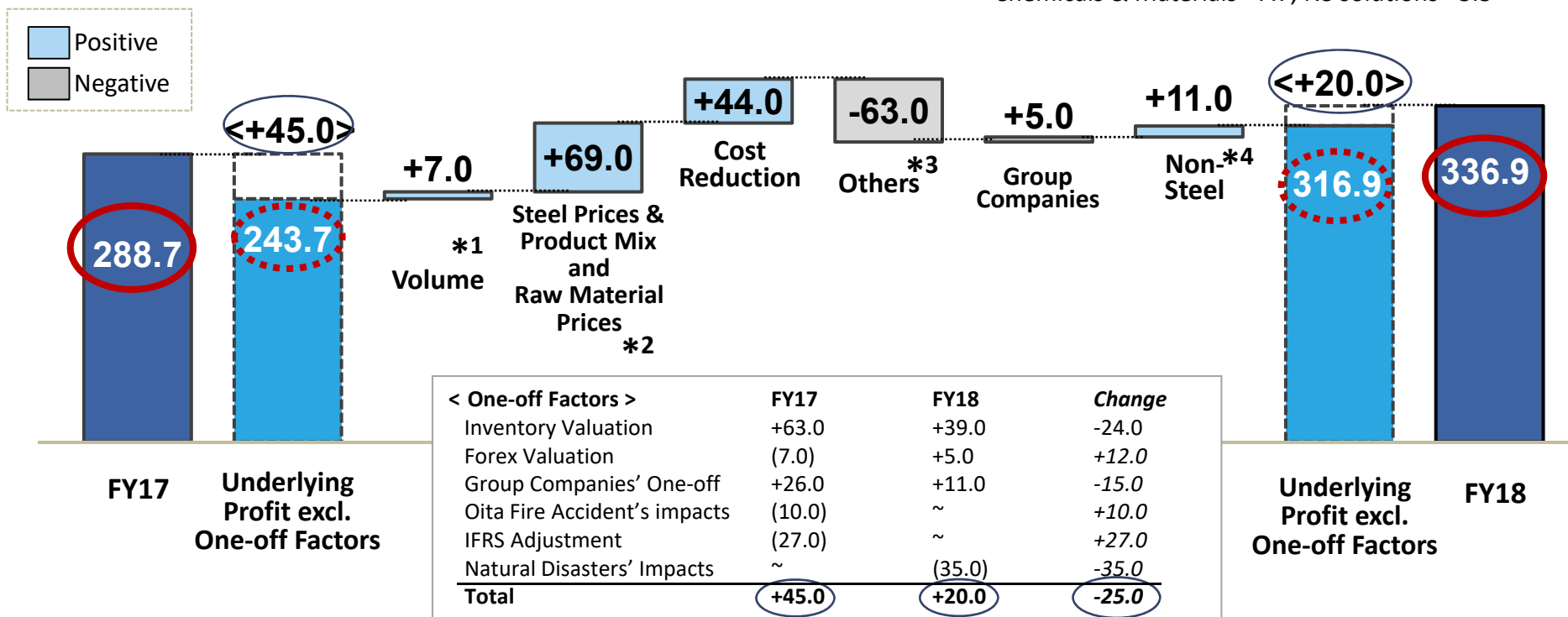


Source : Bank of Japan , Nippon Steel estimation

Business Profit Variance Analysis [FY17 vs. FY18]

(bn. JPY)	FY17 [A]	FY18 [B]	Change [A→B]
Business Profit	288.7	336.9	+48.2
Steel	245.7	274.6	+28.9
Non-Steel	49.8	61.1	+11.3
Adjustment	(6.8)	1.1	+7.9

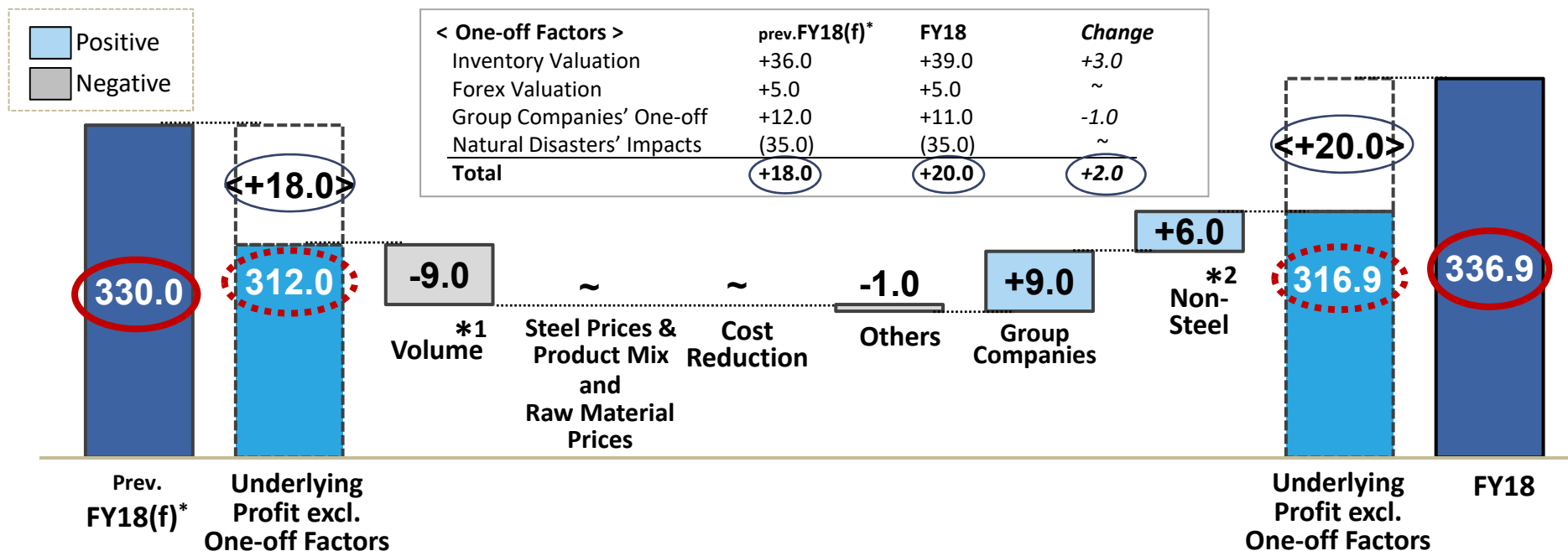
- *1 Crude steel production: +0.33MMT (40.67→41.00)
Steel shipment: +0.18MMT (37.79→37.97)
FY17 volume incl. impacts from Oita fire accident, and FY18 volume incl. impacts from natural disasters, but the bridge analysis chart below does not incl. the impacts.
- *2 Incl. carry over +13.0(-5.0→8.0)
- *3 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 +7.7, NS solutions +3.3



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

(bn. JPY)	Prev. FY18(f)* [A]	FY18 [B]	Change [A→B]
Business Profit	330.0	336.9	+6.9
Steel	280.0	274.6	-5.4
Non-Steel	54.5	61.1	+6.6
Adjustment	(4.5)	1.1	+5.6

*1 Crude steel production: -0.30MMT (41.30→41.00)
 Steel shipment: -0.13MMT (38.10→37.97)
 FY18 volume incl. impacts from natural disasters, but the bridge analysis chart below does not incl. the impacts.
 *2 Engineering +0.9, Chemicals & Materials +3.0, NS solutions +2.5

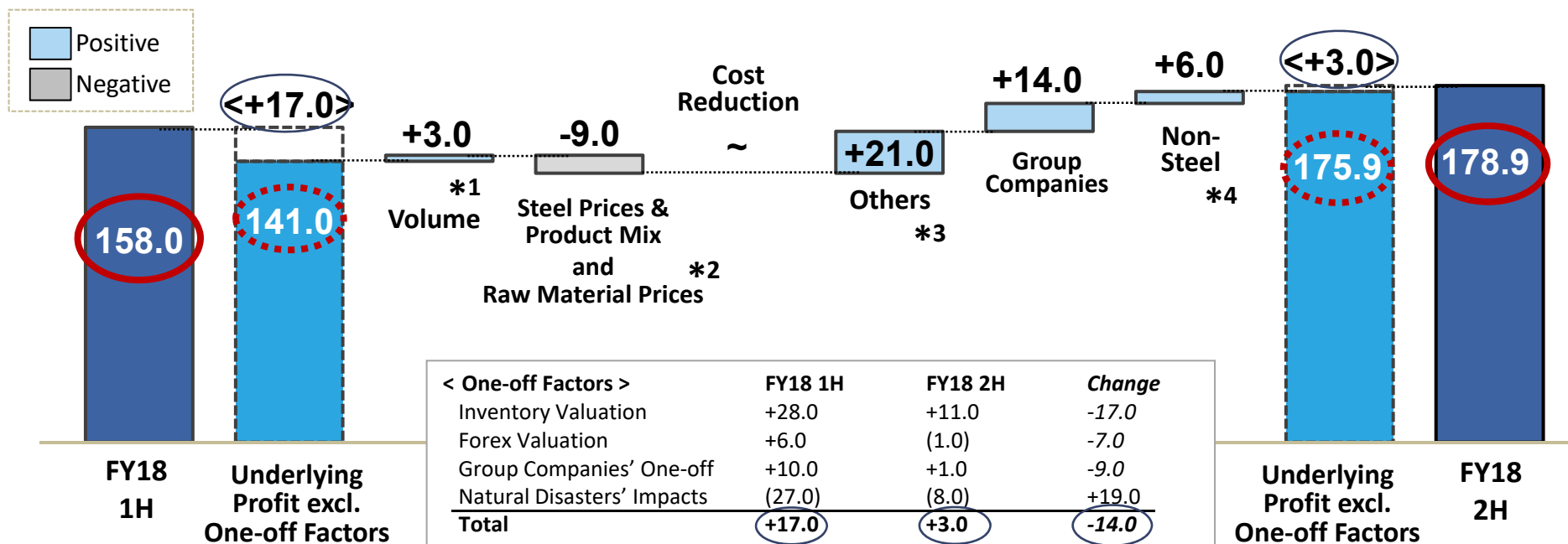


*prev. FY18(f) : As of Feb.6th, 2019

Business Profit Variance Analysis [FY18 1H vs. FY18 2H]

(bn. JPY)	FY18 1H* [A]	FY18 2H* [B]	Change [A→B]
Business Profit	158.0	178.9	+20.9
Steel	132.0	142.6	+10.6
Non-Steel	27.5	33.6	+6.1
Adjustment	(1.5)	2.6	+4.1

- *1 Crude steel production: ~ MMT(20.50→ 20.50)
Steel shipment: +0.84MMT (18.56→19.41)
FY18 1H&2H volume incl. impacts from natural disasters, but the bridge analysis chart below does not incl. the impacts.
- *2 Incl. carry over +10.0(-1.0→9.0)
- *3 Forex flow: -2.0, Increase in depreciation, Congested periodic facility maintenances in FY18 1H etc
- *4 Engineering +3.4, Chemicals & Materials -1.0, NS Solutions +3.5



* Tentative calculation basis

Additional Line Items (JPY bn.)

	1H	4Q	2H	FY18
Additional line items	(21.0)	(49.4)	(50.7)	(71.8)
Losses on natural disaster	(21.0)		(1.3)	(22.3)
Losses from reorganization		(49.4)	(49.4)	(49.4)

Included in other comprehensive income FY18 : 54.0 bn.

included in business profit

Cf. FY2017 (JGAAP)

	FY17
Extraordinary Profit (Loss)	(7.6)
Loss on disasters	–
Restructuring loss	(6.1)
Gain on sales of investment securities	25.6
Loss on inactive facilities	(11.6)
Impairment loss	(15.6)

Natural disaster's impacts

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

	1H	2H	FY18
Total	(48.0)	(9.3)	(57.3)
Business Profit	(27.0)	(8.0)	(35.0)
Nippon Steel	(22.0)	(5.0)	(27.0)
Shipment	(18.0)	(5.0)	(23.0)
Cost	(4.0)		(4.0)
NIPPON STEEL NISSHIN	(5.0)	(3.0)	(8.0)
Additional line items	(21.0)	(1.3)	(22.3)

*The recovery of in-plant power generation in NIPPON STEEL NISSHIN's Kure Works etc.

Losses from reorganization

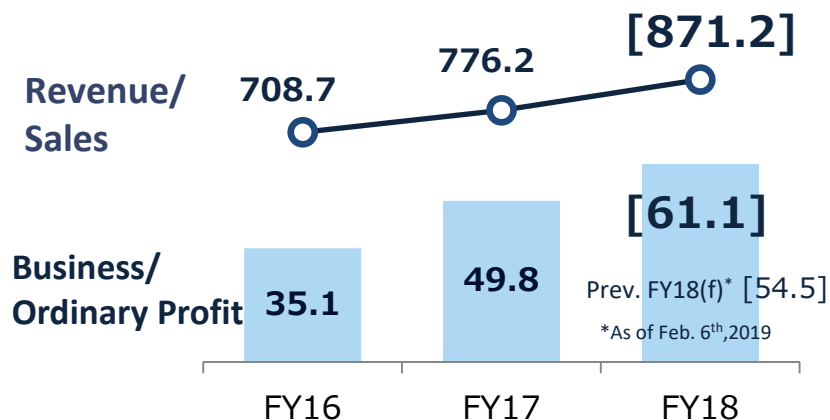
- Impairment losses of the assets held by overseas group companies (16.8) bn.
 - Goodwill of the subsidiary in the US that produces & distributes railway wheels and axles
 - Mining investment owned by the subsidiary in Australia
 - Goodwill of an environmental plant engineering subsidiary in Europe
- Losses on business withdrawals (17.4) bn.
- Loss on retirement and abandonment (Wakayama #5 BF) (15.1)bn.

Non-Steel Businesses (bn. JPY)

Revenue & Business Profit

(3 Non-steel businesses total)

Figures in parentheses = IFRS basis



Change in Business Profit (FY18 vs. FY17)

Engineering & Construction	↑	Robust domestic order and strict control of project execution led to profit increase.
Chemicals & Materials	↑	Profit increased due to needle coke's price improvement despite of decline in revenue of functional material business.
System Solutions	↑	Both service & operational solution businesses performed well. Profit increased despite of SG&A increase.

Engineering & Construction	FY2016 *	FY2017 *	FY2018	vs. prev. FY18(f)
Revenue	267.5	294.2	356.7	-3.3
Business Profit	6.8	9.1	9.4	+0.9

Chemicals & Materials	FY2016 *	FY2017 *	FY2018	vs. prev. FY18(f)
Chemicals	174.2	200.7	/	/
Materials	34.5	37.0		
Revenue	208.7	237.8	247.0	-3.0
Chemicals	4.5	15.4	/	/
Materials	1.7	1.9		
Business Profit	6.3	17.3	25.0	+3.0

System Solutions	FY2016 *	FY2017 *	FY2018	vs. prev. FY18(f)
Revenue	232.5	244.2	267.5	+9.5
Business Profit	22.1	23.2	26.5	+2.5

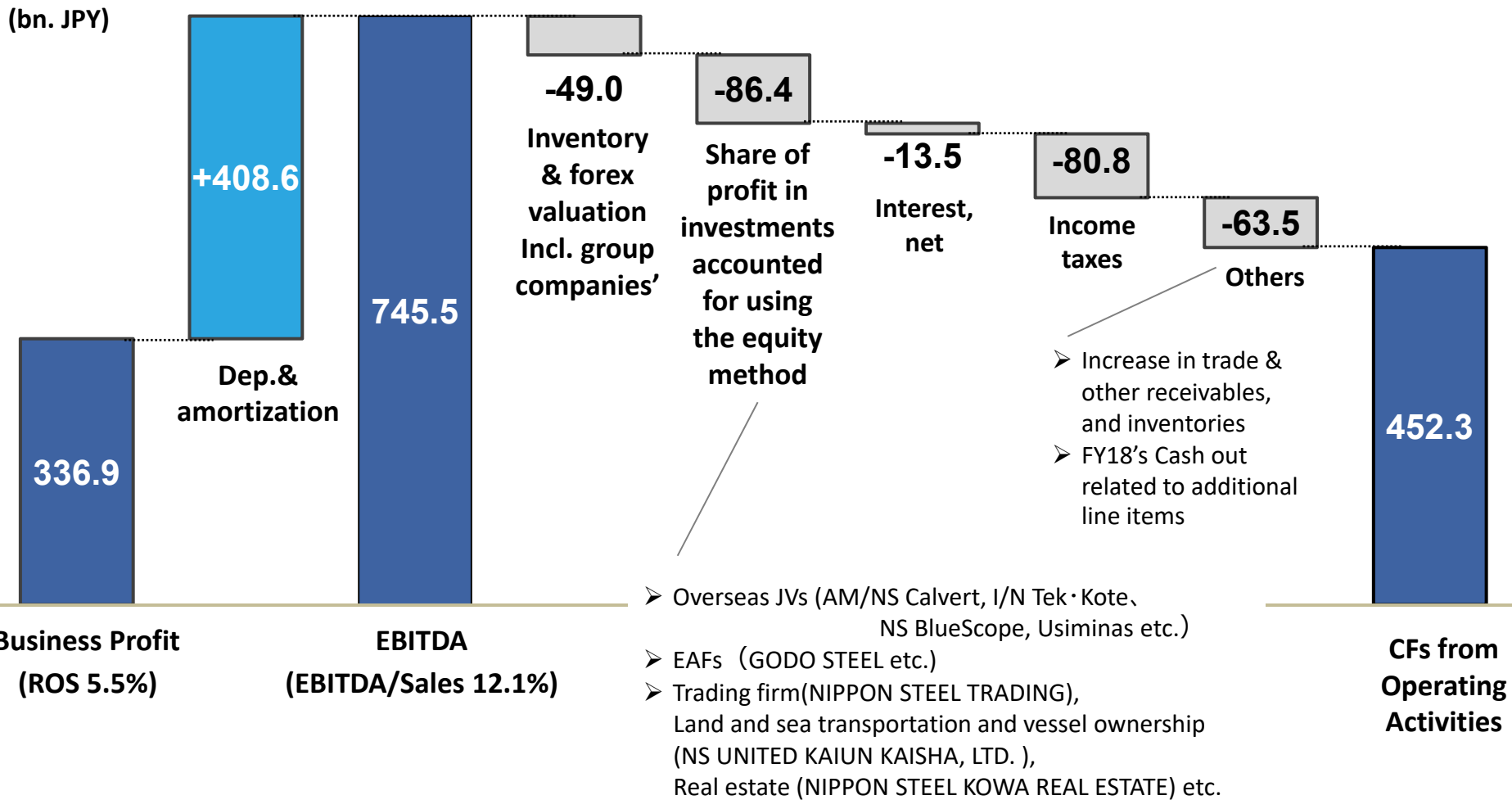
*~FY2017 : JGAAP basis (Sales, Ordinary profit)



(Adjustment page)

FY2018 Cash Analysis

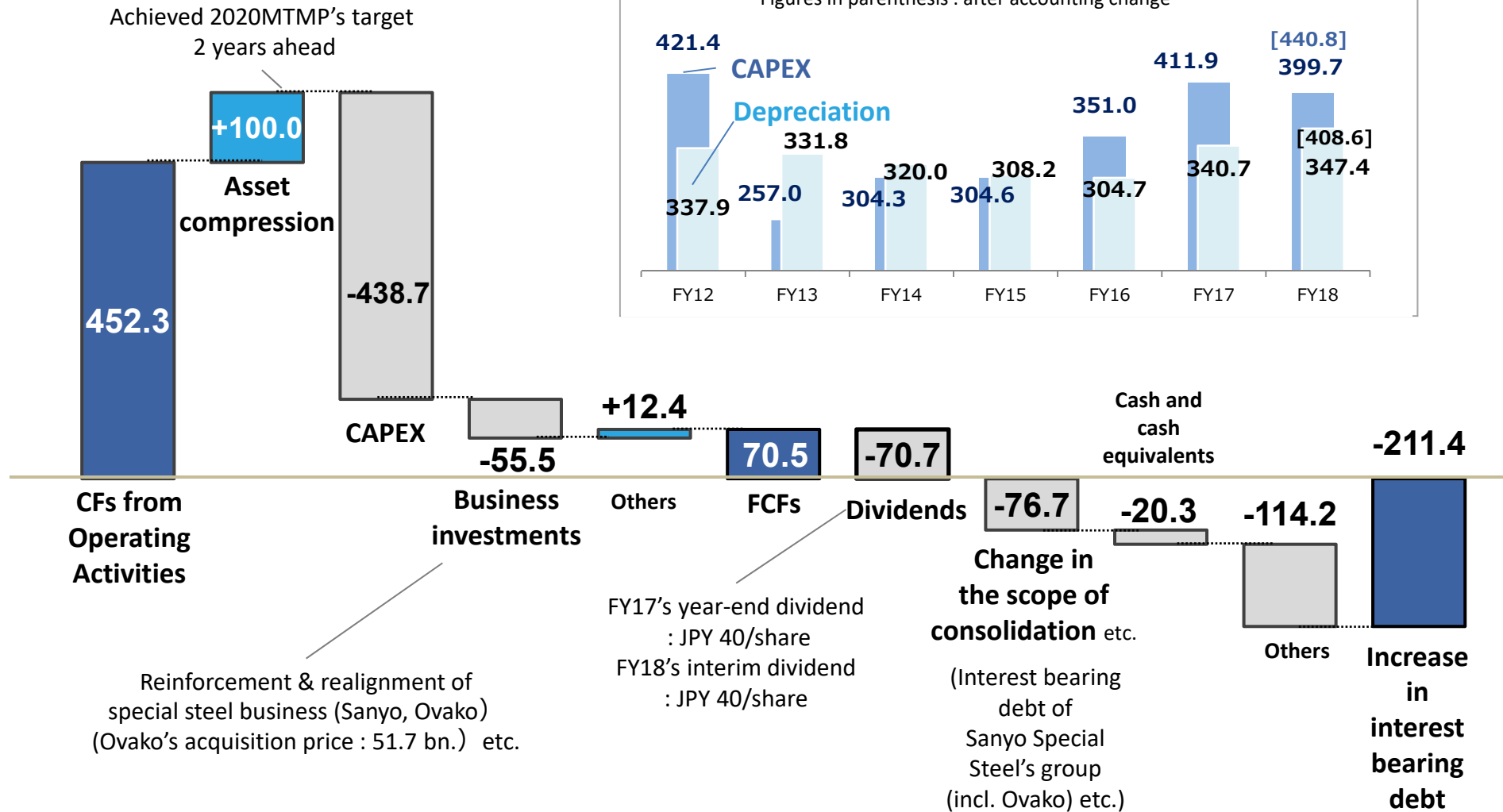
Business Profit to EBITDA to CFs from Operating Activities



FY2018 Cash Analysis

CFs from Operating Activities to Change in Interest Bearing Debt

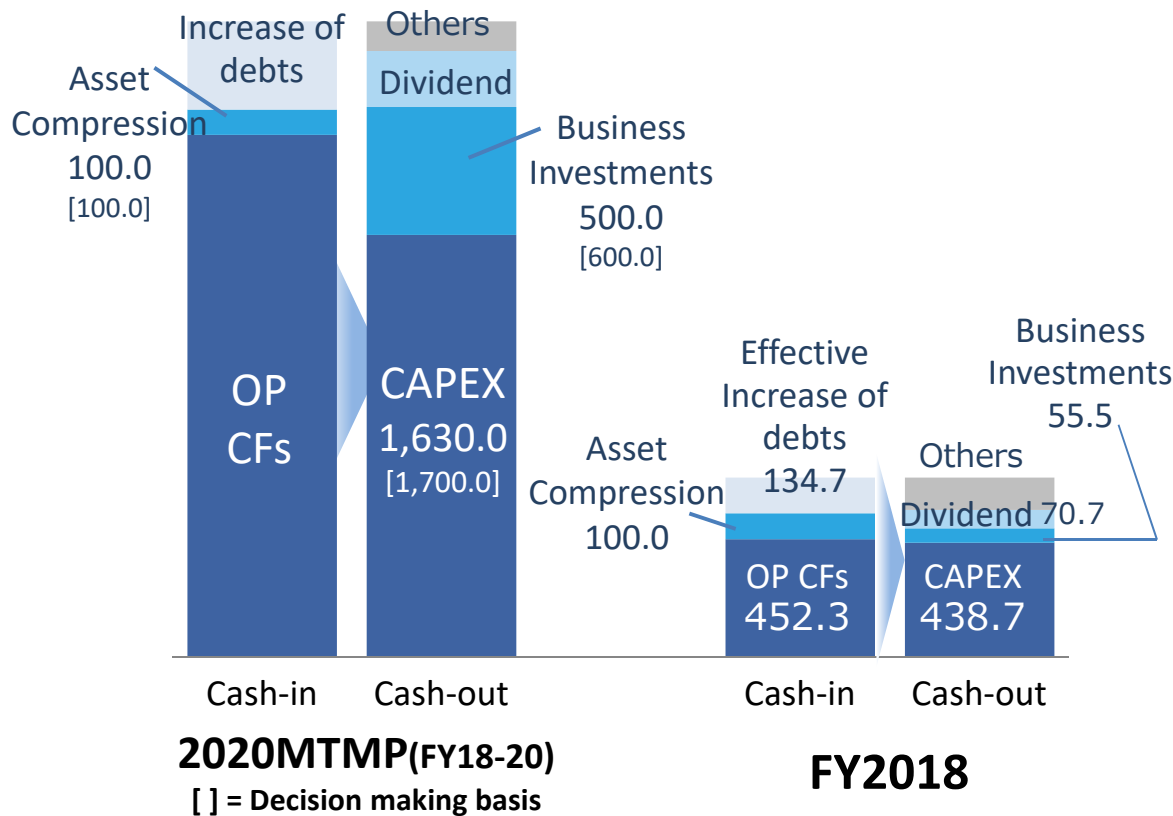
(bn. JPY)



Cash Management

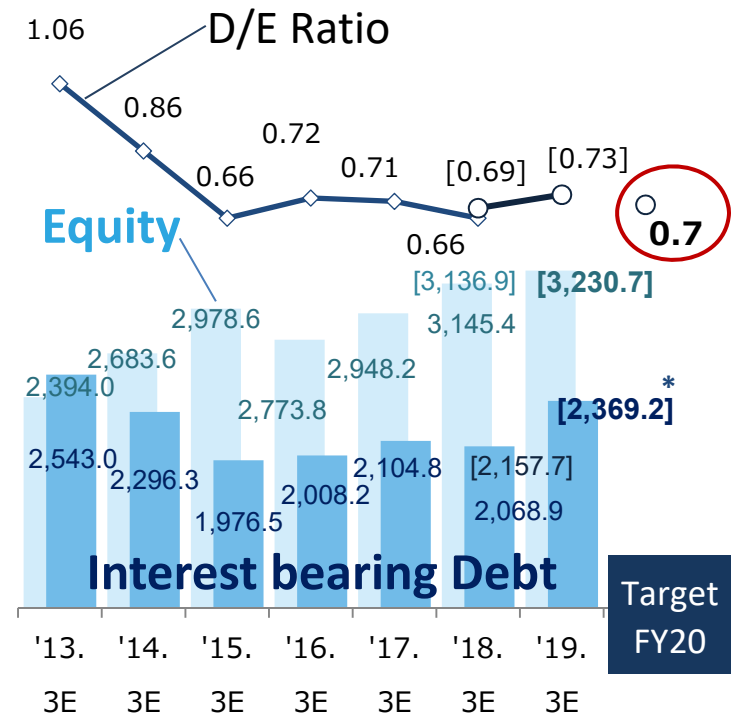
- D/E at the end of FY2018 : 0.73(YoY +0.04), FY2018's Free Cash Flow : Inflow of 70.5bn.
- One off deterioration of financial soundness is expected in FY19 along with the closing of ESIL's acquisition.
- Keep on aiming at 2020MTMP D/E target ; approx. 0.7, by enhancing asset compression and pursuing efficient CAPEX infusion.

CFs & Investment Plan



Debt & Equity

Figures in parentheses = IFRS basis



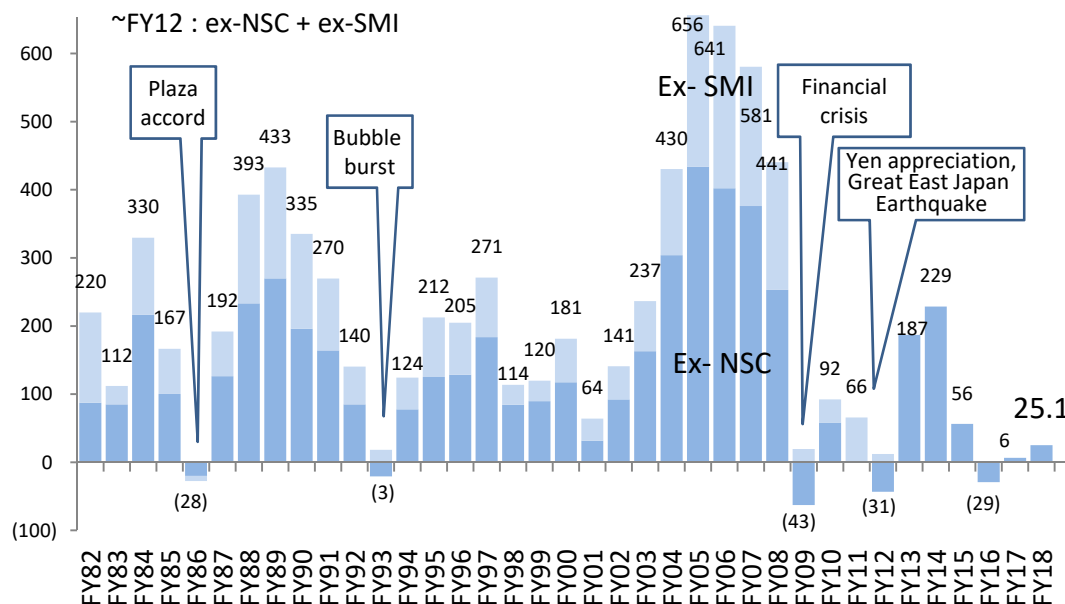
2. Progress in 2020 Mid-Term Management Plan

Profit Structure (JPY bn.)

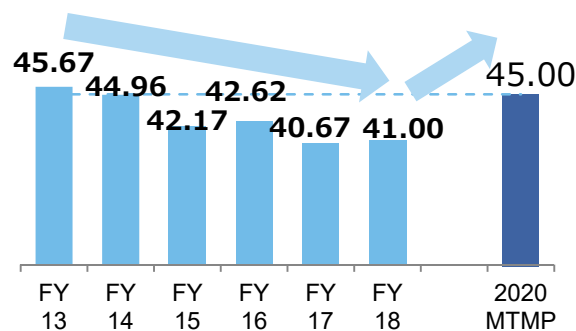
The majority of consolidated business profit came from group companies for the past 3 years.

FY18 Consolidated Business Profit 336.9						
Non-consolidated operating profit	25.1					
Inventory valuation	+39.0					
excl. Inventory valuation	(14.0)					
Cf. Trend of non-consolidated operating profit						
	FY13	FY14	FY15	FY16	FY17	FY18
Non-consolidated OP	186.9	228.6	56.2	(29.1)	6.4	25.1
Inventory Valuation	16.0	(15.0)	(64.0)	(39.0)	63.0	39.0
excl. Inventory Valuation	171.0	244.0	120.0	10.0	(57.0)	(14.0)
Group companies 231.3						
Overseas	Domestic rerollers	EAF	Others Trading firm, transportation & vessel ownership etc.			
NIPPON STEEL Stainless						
Non steel businesses 61.1						
Engi- neering	Chemicals & Materials	System solutions				
9.4	25.0	26.5				
Non-operating profit/loss of parent company, Elimination of intra-company transactions etc.						19.4

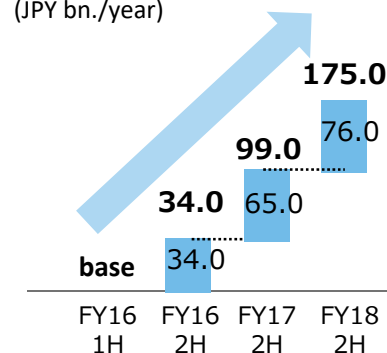
Cf. Trend of non-consolidated operating profit



Cf. Crude steel production (non-consolidated) (MMT/year)



Cf. Price hike of commodity materials and transportations etc. (JPY bn./year)



Initiatives for Profitability & Financial Soundness

Accelerating initiatives to secure & strengthen the profit base,

1) initiatives to be carried out immediately and 2) initiatives to be taken when plans become concrete.

Steady implementation of 2020MTMP's initiatives

Rebuild & enhance strength in manufacturing & sales and marketing

Manufacturing : Strengthen production line management & stabilize steel mills' operation

→ Realize our full potential of production & shipment

Sales and marketing : Make the value of our products/services and improve prices in light of impacts from cost increase

(Key raw materials (iron ore & coking coal), auxiliary raw materials (alloys) , refractory materials and transportation etc.)

→ Secure appropriate sales price

Cash management reinforcement

Asset compression + 100~200 bn. on top of the original 2020 MTMP

Efficient CAPEX infusion based on long-term refurbishing plan

Drastic measures for boosting profitability

Build lean & optimal production framework

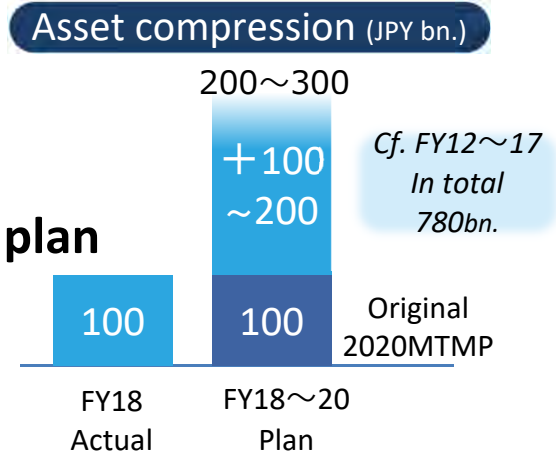
Improve operating level of competitive production lines and increase productivity by adopting advanced IT

→ Utilize the advantages of our production framework and overcome our drawbacks

Evaluate each product / each area of business to define direction

➤ Closure of Kashima Works' UO pipe mill by the end of Oct. 2019 (plan)

Reflecting the change of SD situation, decided to close Kashima's UO pipe mill and to transfer its production to Kimitsu, aiming to build stronger UO pipe business targeting at high-end market.



FY2019 Outlook

25

Positive/negative factors on underlying profit

(vs. FY2018 2H annualized basis)



Positive



Negative

- Production volume** ↑ Stabilizing production by facility trouble resolution
- Cost increase of key raw materials** ↓ Iron ore and coking coal
- Cost increase of commodities** ↓ Alloys, refractory materials and transportation etc.
- Steel product prices** ↑
Securing appropriate margin
Passing the cost increase onto the steel product prices
Recovery in overseas market
- Cost reduction** ↑ In line with 2020MTMP
- Increase in repairing expense and depreciation** ↓ Focusing on preventative measures against facility troubles
- Group companies** ↑ Overseas businesses, Sanyo Special Steel and Ovako, NIPPON STEEL NISSHIN etc.

2020MTMP : Strengthen Manufacturing Capabilities

Legend : New info
★ Plan ★ Done

Action	Publication	~FY17	FY18	FY19	FY20	FY21~
(Wakayama) BF Switch Nippon Steel Shapes Corp.	Mar.18			★ Mid-Feb. 19 : Switch from 5BF to New 2BF		★ End of FY19 : Close steelmaking facility in NS Shapes & transfer its production to Wakayama Works
(HOKKAI IRON & COKE CORP. in Muroran) Reline 2BF	Nov.18					★ FY20 2H : Completion
(Yawata) Optimize Upstream Tobata - Start new continuous casting facility Kokura - Close upstream process Tobata - Close continuous casting facility	Mar.16			★ May.19 : Completion		★ 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			(originally intended to close 2BF at the end of FY19)	extend	★ Close 2BF after 1BF's relining ★ End of FY23
(Kimitsu) 5 Coke Oven Refurbishment	Apr.16			★ Feb 19 : Completion		
(Hokkai) 5 Coke Oven Refurbishment	Jun.17			★ FY19 1H : Completion		
(Nagoya) 3 Coke Oven Refurbishment	Nov.18					★ FY21 1H : Completion
(Kimitsu) Close Small-diameter Seamless Pipe & Tube Mill	Mar. 18					★ May.20 : Close & transfer its production to Wakayama Works
(Kashima) Close UO Pipe Mill	May. 19					★ End of Oct.19 : Close & transfer its production to Kimitsu

*BF = Blast Furnace

2020MTMP : Global Business Development & Domestic Realignment

Action	Publication	~FY17	FY18	FY19	FY20
Essar Steel	Mar.18		★ Mar.18 : Basic agreement	★ Oct.18 : CoC declared AM as the successful applicant	★ Mar. 19 : AM's resolution plan was conditionally approved by NCLT. Now NCLAT is examining the funds distribution plan.
Special Steel Business Ovako Sanyo Special Steel	Mar.18 Aug.18			★ Jun. 18 : Ovako became our 100% subsidiary	★ Jan.19 : Approval from JFTC regarding us making Sanyo subsidiary ★ Feb. 19 : Sanyo's Extraordinary general shareholder's meeting ★ Mar. 19 : Sanyo became our 51% subsidiary & Ovako became Sanyo's 100% subsidiary
NIPPON STEEL NISSHIN		★ Mar.17 : Nisshin became our subsidiary (8→51%)		★ Dec. 26 th , 18 : Nisshin delisted from Tokyo Stock Exchange ★ Jan. 1 st , 19 : Nisshin became our 100% subsidiary	
Stainless sheets business Stainless Pipe&Tube business	May.18 Aug.18		★ May.18 : Basic agreement ★ Aug.18 : Basic agreement	★ Apr.19 : "NIPPON STEEL STAINLESS STEEL" started ★ Apr.19 : "NIPPON STEEL STAINLESS STEEL PIPE" started	
Realignments of Trading Firms Nihon Teppan Nisshin Stainless Steel Trading Tokai Color	Sep.18			★ Dec.18 : Nihon Teppan became NSSB's* subsidiary ★ Dec.18 : Nihon Teppan Stainless's commercial rights transferred & consolidated to Nisshin Stainless Steel Trading ★ Jan. 19 : Tokai Color became NISC's* subsidiary	

*NSBS : Nippon Steel & Sumikin Bussan Corporation,
NISC : Nippon Steel & Sumikin Coated Sheet Corporation

2020MTMP : Other Measures

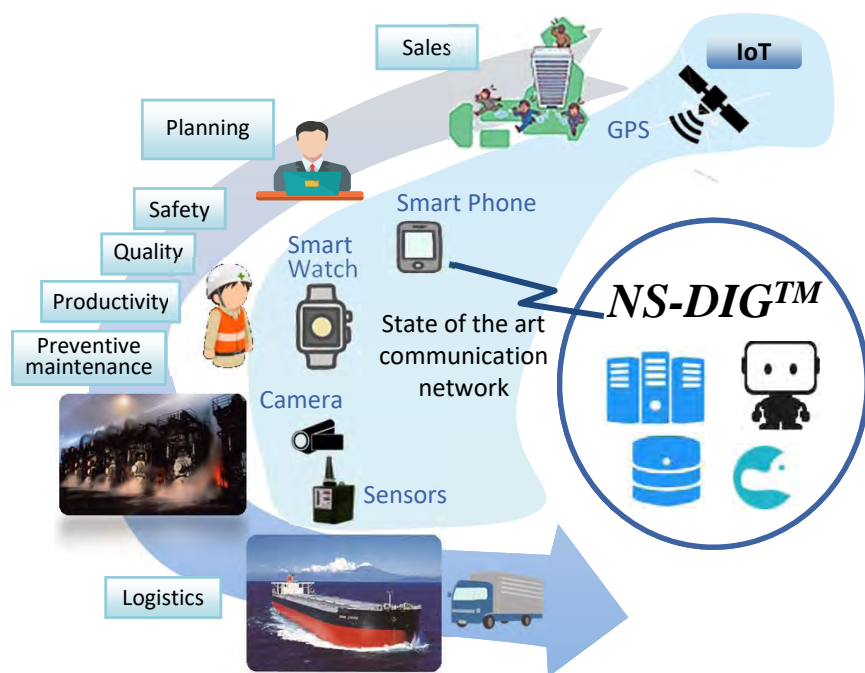
Action	~FY17	FY18	FY19	FY20
Delivering Materials and Solutions to Address Changes in Society and Industry		<ul style="list-style-type: none"> ★ Apr.18 : Newly-created “Automotive Material Planning Dept.” ★ Apr.18 : Newly-created “Integrated Steel Solution Research Lab.” 	<ul style="list-style-type: none"> ★ Oct.18 : Established “NIPPON STEEL Chemical & Material” 	<ul style="list-style-type: none"> ★ Jan.19 : Established “NSafe® AutoConcept” “Our Mission, Designing the Future of Automobiles “ ★ Jan.19 : Exhibited in AUTOMOTIVE WORLD 2019
Utilizing Advanced IT in Steelmaking Process		<ul style="list-style-type: none"> ★ Apr. 16 : Newly-created “Advanced Application Technology Planning Dep.” ★ Apr. 16 : NSSOL newly-created “IoX Solution Business promotion Dep.” ★ Apr. 17 : Newly-created “Information Security Management Dept.” ★ Oct.17 : NSSOL newly-created “AI Research & Development Center” 	<ul style="list-style-type: none"> ★ Apr.18 : Newly-created Intelligent Algorithm Research Center 	<ul style="list-style-type: none"> ★ Sep.18 : Company-wide Safety Support Project (Installation of smart devices incl. manufacturing front-line) ★ Apr. 19 Introduction of NS-DIG™
Contributing to Achieving Sustainable Society (ESG & SDGs)			<ul style="list-style-type: none"> ★ Sep.18 : Selected for “FTSE4Good Index Series” & “FTSE Blossom Japan Index”, Leading Indices for ESG Investment 	<ul style="list-style-type: none"> ★ Nov.18 : Issue of international standard (ISO 20915) regarding Life cycle inventory calculation methodology for steel products ★ Apr.19 : The 5th 24 hour in-house nursery in Hirohata Works (Oita, Kimitsu, Yawata, Nagoya, <u>Hirohata</u>) ★ Apr. 19 Trial implementation of teleworking ★ Apr. 19 Set the direction of retirement extension

Promoting Utilization of Advanced IT

-Introduction of NS-DIG™ capable of advanced data analysis and AI development-

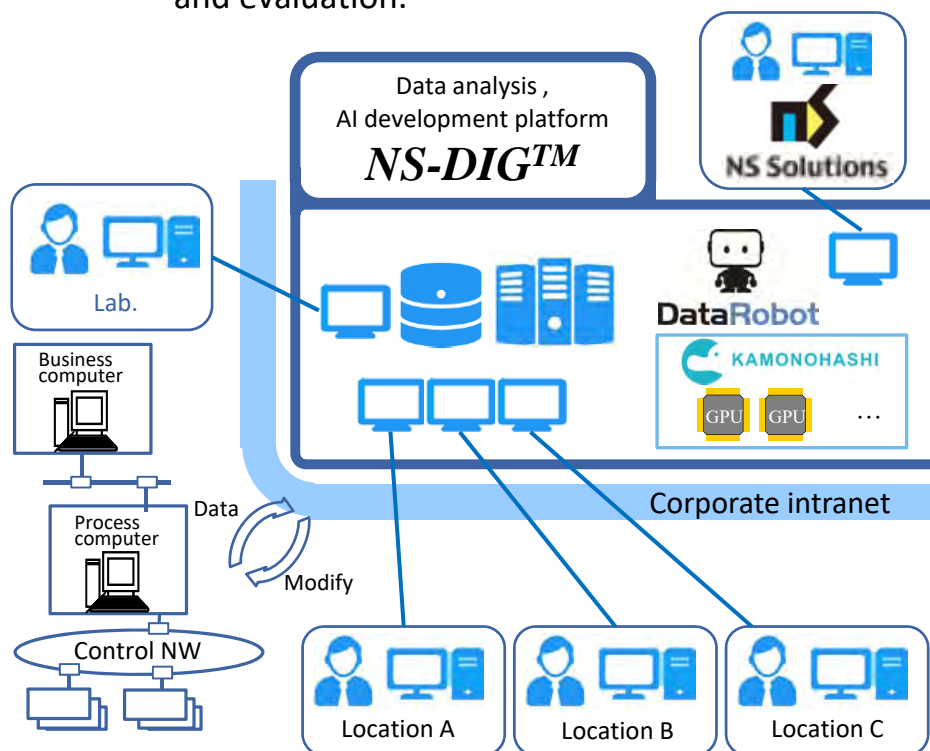
Application of advanced IT in supply and engineering chains

- To create safe and competitive manufacturing sites
- To ensure stable production & quality improvement through preventive maintenance
- To promote intelligent solutions (improved sophistication of work)



NS-DIG™

NS-DIG™ is a platform seamlessly capable of tasks from data preparation and analysis to AI development and evaluation for realizing more efficient and more extensive AI development and evaluation.





New order for two large-scale CDQ systems from Tata Steel (Mar. 2019)

< Benefits of CDQ = Coke Dry Quenching >

CDQ systems use an inert gas inside a cooling tower to cool red-hot coke that has been dry distilled in a coke oven. The sensible heat of red-hot coke, which previously has been dissipated, is recovered as steam with a boiler.

- 1) Reduced CO2 emissions through power generation by steam
- 2) Less amount of dust generated when cooling coke
- 3) Improved quality of coke suited to use in blast furnace

- NSENGI has so far received orders for a total of 12 CDQ systems (including the latest two) from major steel makers in India.



Japanese steel industry's energy-saving technologies spreading globally

CO2 emission reduction in overseas

: **60.01** MMT- CO₂/year

Equivalent to one-third of CO2 emissions of Japan's entire steel industry

Cf. Japanese steel makers' contribution to global CO2 emission reduction (as of FY2016)

	Units	(MMT-CO ₂ /year)
CDQ	96	18.16
TRT*1	62	11.02
Heat recovery	6	0.88
Oxygen converter gas collection	21	7.92
Oxygen converter gas waste heat collection	7	0.85
GTCC*2	52	21.18
Total	244	60.01

All 96 CDQ units were installed by NSENGI

*1 TRT: Top Pressure Recovery Turbine

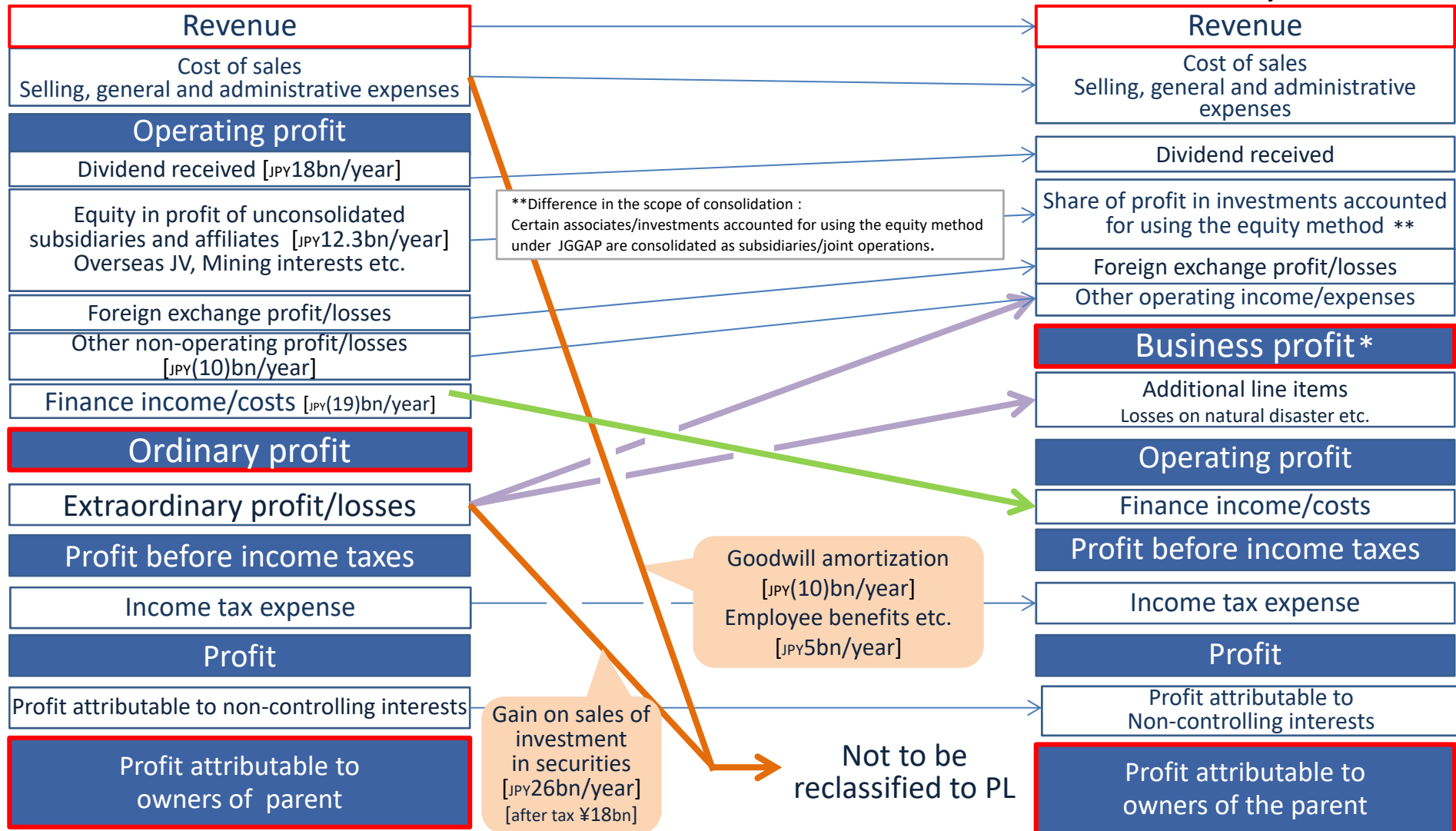
*2 GTCC: Gas Turbine Combined Cycle Power Plants

3. Appendix

Comparative Table of JGAAP & IFRS PL

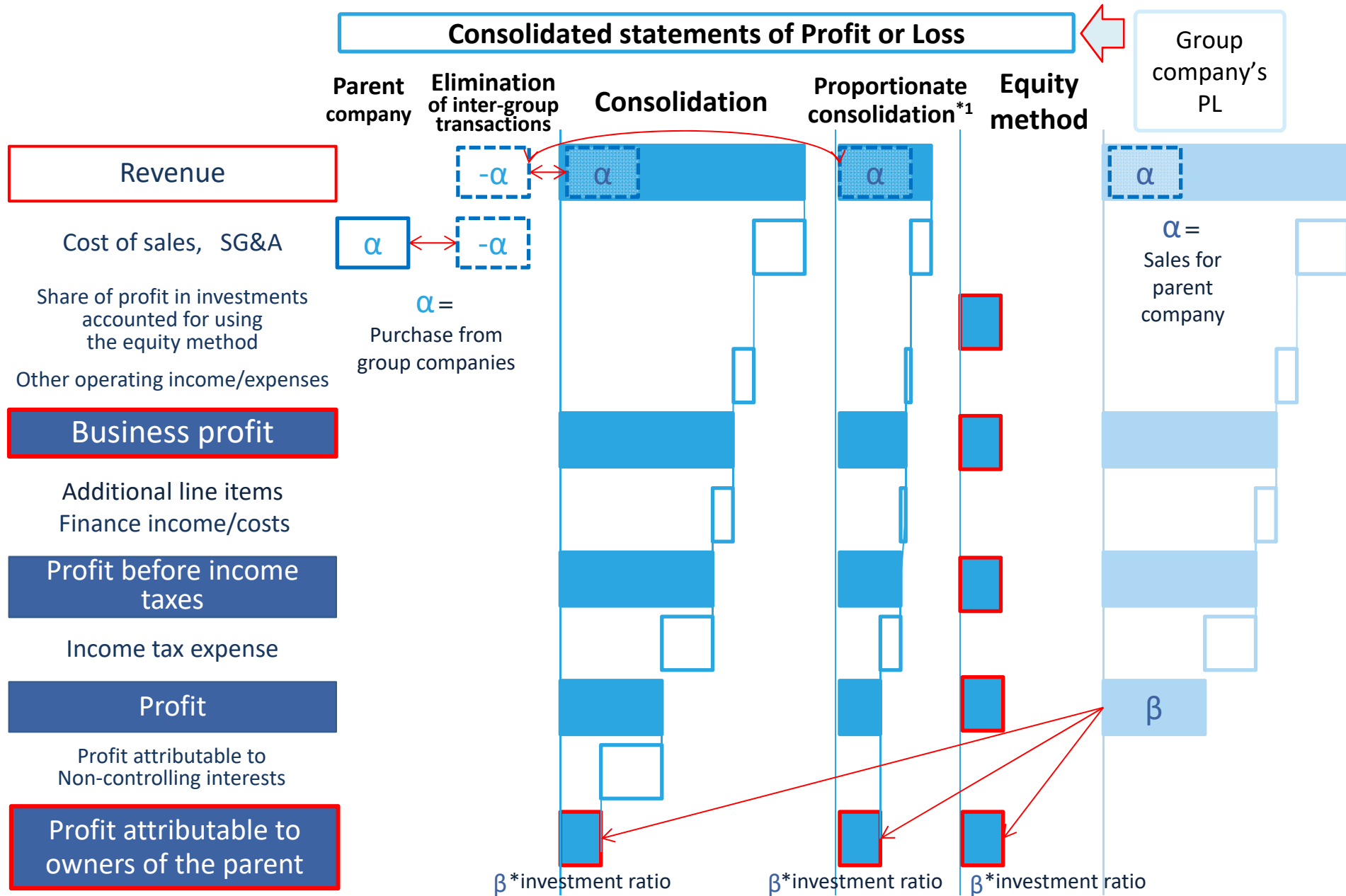
JGAAP (~2018.3Q) Figures in parentheses = FY2017 round number

IFRS (FY2018 year end~)



* Business Profit : Results of sustainable business activities, and an important measure to compare & evaluate the 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.

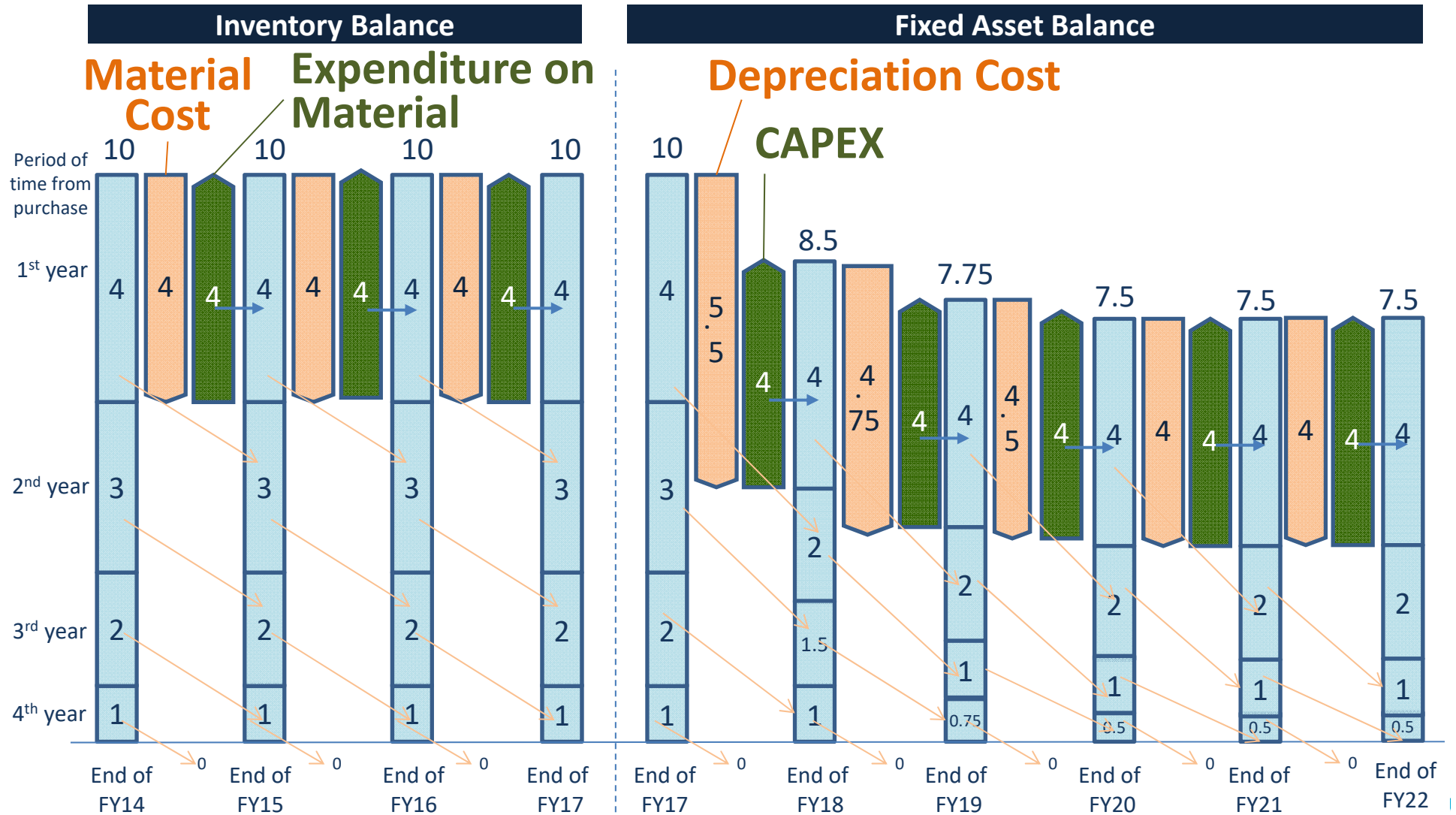
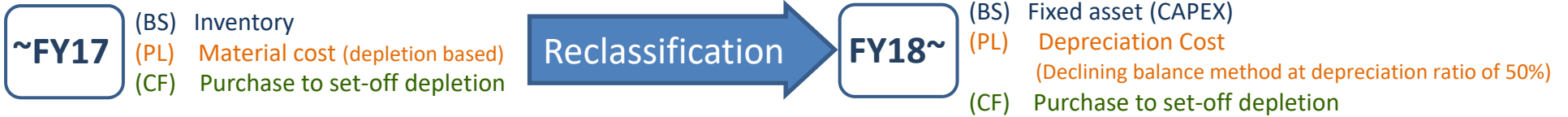
Conceptual Diagram of Change in the Scope of Consolidation



*1 : Recognize and measure its share of the assets and liabilities (and recognize the related revenues and expenses)

Simulation of the Impacts from Reclassification of Long-life Machinery Parts into Fixed Assets

<Assumption> Duration of use=4 years, Legal durable years =4 years



FY2018 Results [IFRS] (bn. JPY)

35

	FY2017						FY2018	change			
		^{*5} 1H	^{*5} 3Q	^{*5} 4Q	^{*5} 2H	^{*6} prev. FY2018(f)		^{*5} 18 3Q→ 18 4Q ^{*5}	^{*5} 18 1H→ 18 2H ^{*5}	FY17→ FY18	^{*6} FY18(f)→ FY18
Revenue	5,712.9	2,940.0	1,630.0	1,607.9	3,237.9	[6,200.0]	6,177.9	-22.1	+297.9	+465.0	-22.1
Business Profit ^{*1}	288.7	158.0	102.0	76.9	178.9	[330.0]	336.9	-25.1	+20.9	+48.2	+6.9
Additional line items ^{*2}		(21.0)	(1.3)	(49.4)	(50.7)		(71.8)	-48.1	-29.7		
Net Profit ^{*3}	180.8	117.0	83.0	51.1	134.1	[230.0]	251.1	-31.9	+17.1	+70.3	+21.1
ROS	5.1%	5.4%	6.3%	4.8%	5.5%	[5.3%]	5.5%	-1.5%	+0.2%	+0.4%	+0.1%
EPS (JPY/share)	204.9	132.6	94.0	55.2	149.2	[258.0]	281.8	-38.8	16.7	+76.9	+23.8
EBITDA ^{*4}	655.3	358.0	202.0	185.5	387.5	[750.0]	745.5	-16.5	+29.5	+90.2	-4.5
EBITDA/Sales	11.5%	12.2%	12.4%	11.5%	12.0%	[12.1%]	12.1%	-0.9%	-0.2%	+0.6%	-
EBITDA/t (k JPY/t)	14.0	15.1	16.7	15.4	16.0	[15.6]	15.6	-1.3	+0.9	+1.6	-

^{*1} Business Profit : Results of sustainable business activities, & the 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.

^{*2} Additional line items : The items that are not recurrent and are remotely related to operational activities, but have a material impact in terms of amount.

^{*3} Profit attributable to owners of the parent ^{*4} Business Profit + Depreciation + Amortization ^{*5} Tentative calculation basis ^{*6} prev. : As of Feb.6th, 2019

Operational Highlights

36

(MMT)	FY17	FY18								Change			
		1Q	2Q	1H	3Q	4Q	2H	*4 prev. (f)		18 1H vs. 18 2H	FY17 vs. FY18	*4 prev. FY18(f) vs. FY18	FY18 3Q vs. FY18 4Q
Non-Consolidated *1 Pig-iron Production	40.61	10.25	10.24	20.49	10.24	10.13	20.37	[41.20]	40.86	-0.13	+0.25	-0.34	-0.10
Consolidated Crude Steel Production *2	47.02	11.89	11.76	23.65	12.13	12.06	24.19	[48.20]	47.84	+0.54	+0.82	-0.36	-0.08
Non-Consolidated *3 Crude Steel Production	40.67	10.29	10.21	20.50	10.29	10.22	20.50	[41.30]	41.00	+0.01	+0.33	-0.30	-0.07
Non-Consolidated Steel Shipments	37.79	9.57	8.99	18.56	9.92	9.48	19.41	[38.10]	37.97	+0.84	+0.18	-0.13	-0.44
Seamless Pipe Shipments	0.96	0.25	0.22	0.47	0.30	0.27	0.56	[1.01]	1.03	+0.09	+0.07	+0.02	-0.03
Average Steel Selling Price (k JPY/ton)	84.7	87.2	90.2	88.7	91.5	90.9	91.2	[89]	89.9	+2.5	+5.3	+0.9	-0.6
Steel Export Ratio (Value basis (%))	41.2	40.6	41.2	40.9	40.2	37.0	38.6	[40]	39.7	-2.3	-1.4	-0.3	-3.2
Forex (USD・JPY)	111	108	111	109	113	110	112	[111]	111	Depreciate 3	-	-	Appreciate 3

*1 Figures of FY2017 Incl. Hokkai Iron & Coke corp. and Nippon Steel & Sumikin Koutetsu Wakayama Co.

*3 Figures of FY2017 Incl. Nippon Steel & Sumikin Koutetsu Wakayama Co

*2 Figures of FY2017 Incl. Nippon Steel & Sumikin Koutetsu Wakayama Co. and Figures of FY2018 2H going forward Incl. OVAKO

*4 Prev. : As of Feb.6th,2018

Key Indicators of Demand

37

[Domestic]	FY17	FY18						FY19	Change			
		1Q	1H	4Q	2H	prev. *2 (f)	*1 1Q(f)		18 1H vs. 18 2H	FY17 vs. FY18	prev. FY18(f) vs. *2 FY18	FY18 1Q vs. *1 FY19 1Q(f)
Housing Starts (mil. houses)	0.95	0.25	0.49	0.22	0.46	[0.95]	0.95	0.25	-0.03	+0.01	-	-
Non-residential Construction Starts (mil. m ²)	53.31	13.38	26.97	11.00	24.05	[53.36]	51.02	13.52	-2.92	-2.30	-2.34	+0.14
Public Works Orders (bn. JPY)	10,508	1,909	4,735	2,970	5,395	[10,505]	10,130	2,050	+660	-378	-375	+141
Finished Auto Production (mil. units)	9.68	2.33	4.63	2.54	5.11	[9.86]	9.74	2.46	+0.48	+0.06	-0.12	+0.13
Export of Finished Auto (mil. units)	4.79	1.20	2.35	1.21	2.50	[4.85]	4.85	1.15	+0.15	+0.06	-	-0.05
Overseas Auto Production (8 Japanese car makers) (mil. units)	19.29	4.88	9.65	4.70	9.61	/	19.25	/	-0.04	-0.04	/	/
Large & Middle Sized Shovel Production (thousand units)	79	20	39	19	43	[82]	82	20	+4	+3	-	-
Metal Machine Tool Production (thousand tons)	458	109	223	115	222	[465]	445	101	-1	-13	-20	-8
Keel-laid New Ships (mil. gross tons)	12.06	2.92	5.79	3.00	5.80	[12.02]	11.59	2.90	+0.01	-0.47	-0.43	-0.02

Rig Count	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	Latest	Peak	Bottom
USA	1,546	1,875	1,919	1,761	1,862	977	510	875	1,032	1,022 (Apr.19)	2,031 (Sep.08)	404 (May.16)
Deep well (≥15,000ft)	249	395	324	326	354	205	126	222	230	240 (Apr.19)	413 (Nov.11)	98 (May.16)
World Total Excl. N. America, Russia & China	1,094	1,167	1,234	1,296	1,337	1,167	955	948	988	1,039 (Mar.19)	1,382 (Jul.14)	920 (Oct.16)

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

*1 Forecasts as of mid - Mar. 2019

*2 Figures as of Feb, 6th, 2019.

Domestic Steel Consumption by Industrial Sector

38

(MMT)	FY17	FY18						FY19	Change			
		1Q	1H	4Q	2H	prev. *2 (f)	1Q*1		18 1H vs. 18 2H	FY17 vs. FY18	prev. FY18(f) vs. *2 FY18	FY18 1Q vs. *1 FY19 1Q(f)
Crude Steel Production	104.84	26.56	52.22	24.97	50.67	Approx. [104.23]	102.89	Approx. 26.57	-1.55	-1.95	Approx. -1.34	Approx. +0.01
Domestic Steel Consumption (A + B)	62.89	15.31	30.88	15.85	32.02	[63.20]	62.90	15.51	+1.14	+0.02	-0.30	+0.20
<i>% for manufacturing sector</i>	<i>64.2</i>	<i>65.1</i>	<i>64.5</i>	<i>65.0</i>	<i>64.9</i>	<i>[64.4]</i>	<i>64.7</i>	<i>64.7</i>	<i>+0.3</i>	<i>+0.5</i>	<i>+0.3</i>	<i>-0.4</i>
Ordinary Steel Consumption (A)	49.74	12.05	24.31	12.56	25.36	[49.96]	49.67	12.24	+1.05	-0.07	-0.29	+0.19
Construction	21.67	5.17	10.56	5.34	10.85	[21.67]	21.41	5.28	+0.29	-0.26	-0.26	+0.11
Manufacturing	28.08	6.89	13.75	7.23	14.51	[28.29]	28.26	6.96	+0.76	+0.19	-0.03	+0.07
Shipbuilding	4.08	0.99	1.96	1.00	1.98	[4.08]	3.94	1.00	+0.02	-0.14	-0.14	+0.01
Automotive	11.31	2.75	5.51	2.91	5.87	[11.45]	11.38	2.85	+0.36	+0.07	-0.07	+0.10
Industrial Machine	5.04	1.29	2.57	1.35	2.73	[5.08]	5.31	1.23	+0.16	+0.26	+0.23	-0.06
Electronic Machine	3.10	0.76	1.52	0.80	1.59	[3.14]	3.11	0.76	+0.07	+0.01	-0.03	+0.00
Special Steel Consumption (B)	13.14	3.28	6.57	3.28	6.66	[13.24]	13.23	3.27	+0.09	+0.09	-0.01	-0.01
Steel Imports	6.55	1.64	3.12									
Steel Exports	37.52	9.15	17.99									

Source : Nippon Steel's estimation

*1 Forecasts as of mid - Mar. 2019

*2 Figures as of Feb. 6th, 2019

[] : IMF's Outlook as of Jan. 2019

(GDP growth rate)

	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19 (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	<i>[3.5]</i>	3.3	<i>[3.6]</i>	3.6
Developed Countries	0.5	-3.4	3.2	1.7	1.2	1.4	1.9	2.1	1.7	2.4	2.2	<i>[2.0]</i>	1.8	<i>[1.7]</i>	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	<i>[2.5]</i>	2.3	<i>[1.8]</i>	1.9
EU27	0.6	-4.1	1.9	1.5	-0.7	-0.4	0.9	2.0	1.8	2.4	1.8	<i>[1.6]</i>	1.3	<i>[1.7]</i>	1.5
Japan	-1.2	-6.3	4.4	-0.6	1.5	1.6	0.0	1.1	0.9	1.9	0.8	<i>[1.1]</i>	1.0	<i>[0.5]</i>	0.5
Developing Countries	6.1	2.7	7.5	6.2	5.1	5.0	4.6	4.3	4.4	4.8	4.5	<i>[4.5]</i>	4.4	<i>[4.9]</i>	4.8
China	9.6	9.2	10.4	9.3	7.7	7.7	7.3	6.9	6.7	6.8	6.6	<i>[6.2]</i>	6.3	<i>[6.2]</i>	6.1
India	7.3	6.8	10.6	6.3	4.7	6.9	7.2	8.0	7.1	7.2	7.1	<i>[7.5]</i>	7.3	<i>[7.7]</i>	7.5
Russia	5.6	-7.8	4.3	4.3	3.4	1.3	0.7	-2.8	-0.2	1.6	2.3	<i>[1.6]</i>	1.6	<i>[1.7]</i>	1.7
Brazil	5.1	-0.6	7.5	2.7	1.0	2.7	0.1	-3.8	-3.5	1.1	1.1	<i>[2.5]</i>	2.1	<i>[2.2]</i>	2.5

Source : IMF

World Steel Demand

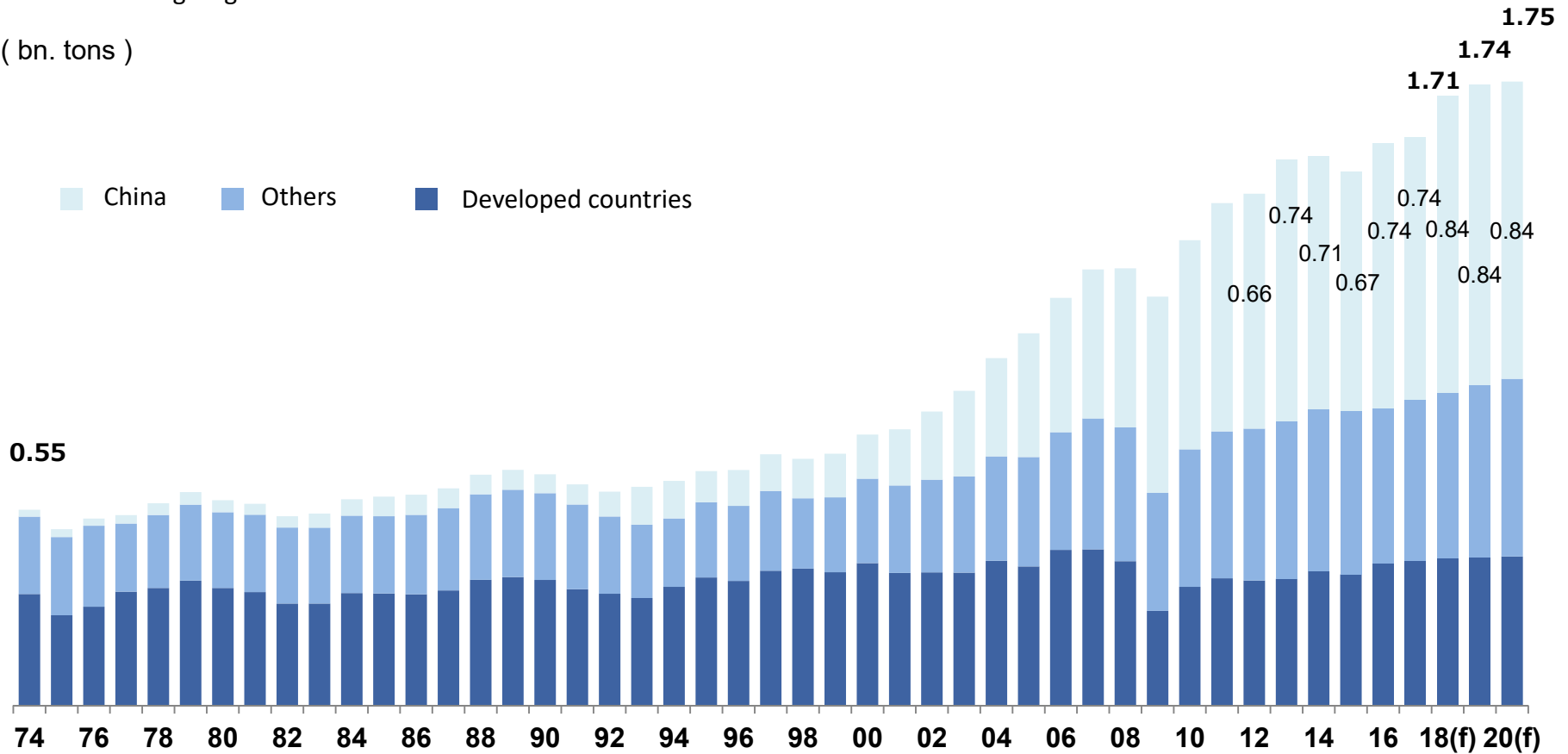
< Released in Apr. 2019 by World Steel Association >

[] : Previous forecasts as of Oct. 2018

World Total	< CY15 > 1.50	➔	< CY16 > 1.58	➔	< CY17 > 1.60	➔	< CY18(f) > 1.71 [1.66]	➔	< CY19(f) > 1.74 [1.68]	➔	< CY20(f) > 1.75
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*FY16~ : including illegal induction furnaces

(bn. tons)



Source : World Steel Association, Apparent finished steel consumption

World Crude Steel Production

41

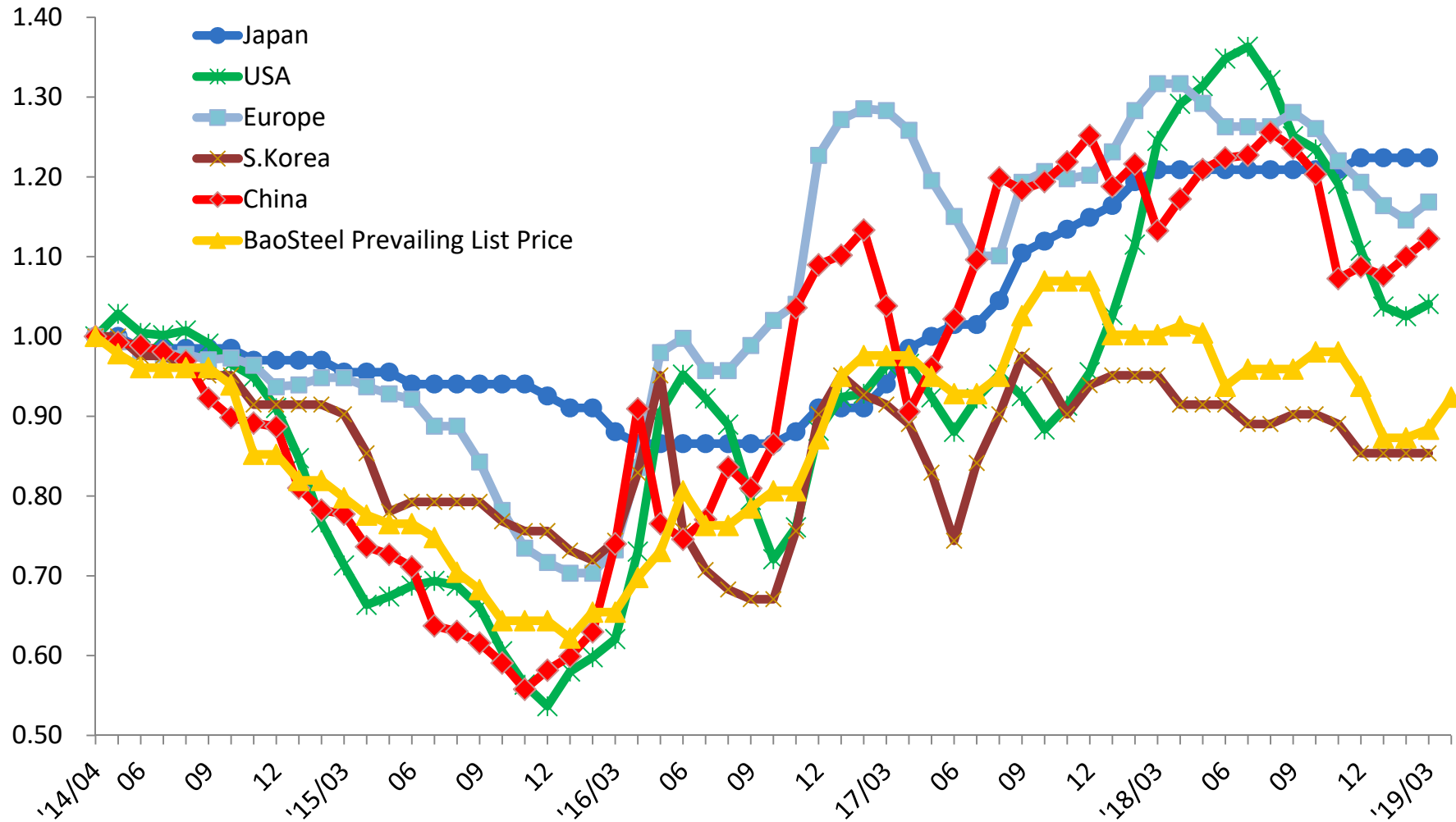
(MMT)	CY17	CY18							CY19				Change [A] → [B]	
		Jan - Mar	Apr - Jun	Jul - Sep	Oct.	Nov.	Dec.	Oct. - Dec. [A]	Jan	Feb	Mar	Jan - Mar [B]		
World Total *	1,712.3	424.9	455.3	455.4	155.8	149.4	146.3	451.4	1,789.6	150.1	137.9	155.0	444.1	-7.3
[YoY]	[7.9%]	[4.0%]	[5.8%]	[3.7%]	[5.2%]	[6.3%]	[3.6%]	[5.0%]	[4.5%]	[3.3%]	[4.5%]	[4.9%]	[4.5%]	[-0.5%]
Japan	104.7	26.4	26.6	25.7	8.6	8.7	8.5	25.7	104.3	8.1	7.7	9.1	25.0	-0.7
[YoY]	[-0.1%]	[0.7%]	[1.8%]	[-1.1%]	[-4.4%]	[-0.5%]	[-3.0%]	[-2.6%]	[-0.3%]	[-9.8%]	[-6.6%]	[-0.0%]	[-5.4%]	[-2.8%]
Korea	71.0	17.8	18.2	18.1	6.2	5.9	6.2	18.3	72.5	6.4	5.5	6.3	18.1	-0.2
[YoY]	[3.6%]	[2.9%]	[4.4%]	[-1.1%]	[3.7%]	[1.0%]	[1.5%]	[2.1%]	[2.0%]	[1.1%]	[1.1%]	[2.8%]	[1.6%]	[-0.5%]
USA	81.6	20.8	21.2	22.1	7.6	7.4	7.5	22.4	86.7	7.5	6.9	7.8	22.2	-0.3
EU28	168.5	43.2	43.8	39.0	14.6	14.5	13.2	42.3	168.1	13.9	13.0	15.0	42.3	-0.0
Russia	71.5	17.8	18.3	18.3	5.9	5.7	5.9	17.4	71.7	5.8	5.2	5.8	16.8	-0.6
Brazil	34.4	8.6	8.5	8.9	3.1	2.8	2.6	8.6	34.7	2.9	2.7	2.8	8.4	-0.2
India	101.5	27.4	26.1	26.1	8.8	9.0	9.0	26.8	106.5	9.2	8.7	9.4	27.3	+0.5
China	870.9	210.2	238.0	242.4	82.6	77.6	76.1	236.3	928.3	78.6	71.0	80.3	231.1	-5.2
[YoY]	[10.7%]	[5.1%]	[7.1%]	[5.8%]	[9.1%]	[10.8%]	[8.2%]	[9.4%]	[6.6%]	[9.2%]	[9.2%]	[10.0%]	[9.9%]	[0.6%]

Source : World Steel Association

*Total of 64 countries

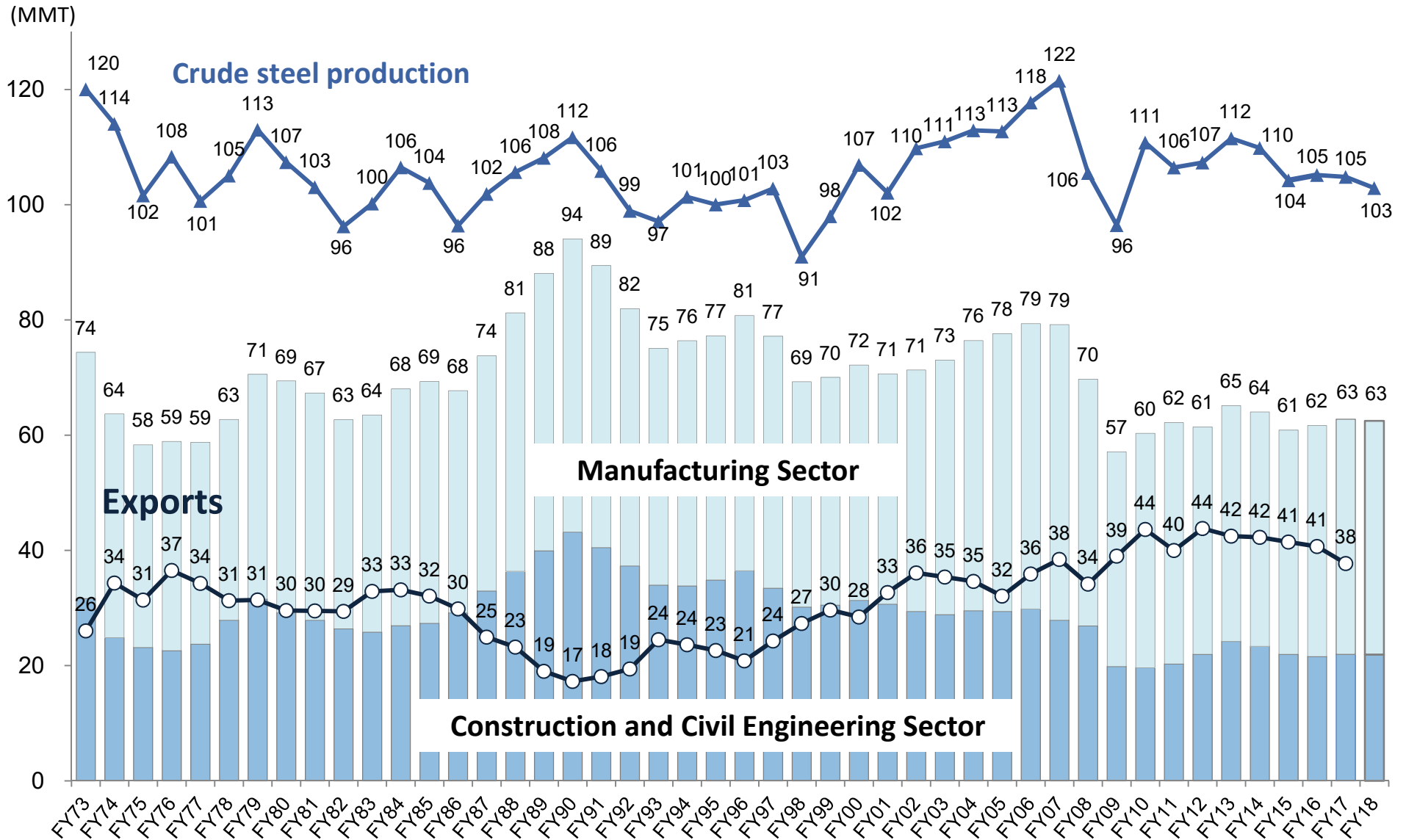
Hot Rolled Sheets Prices by Region

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



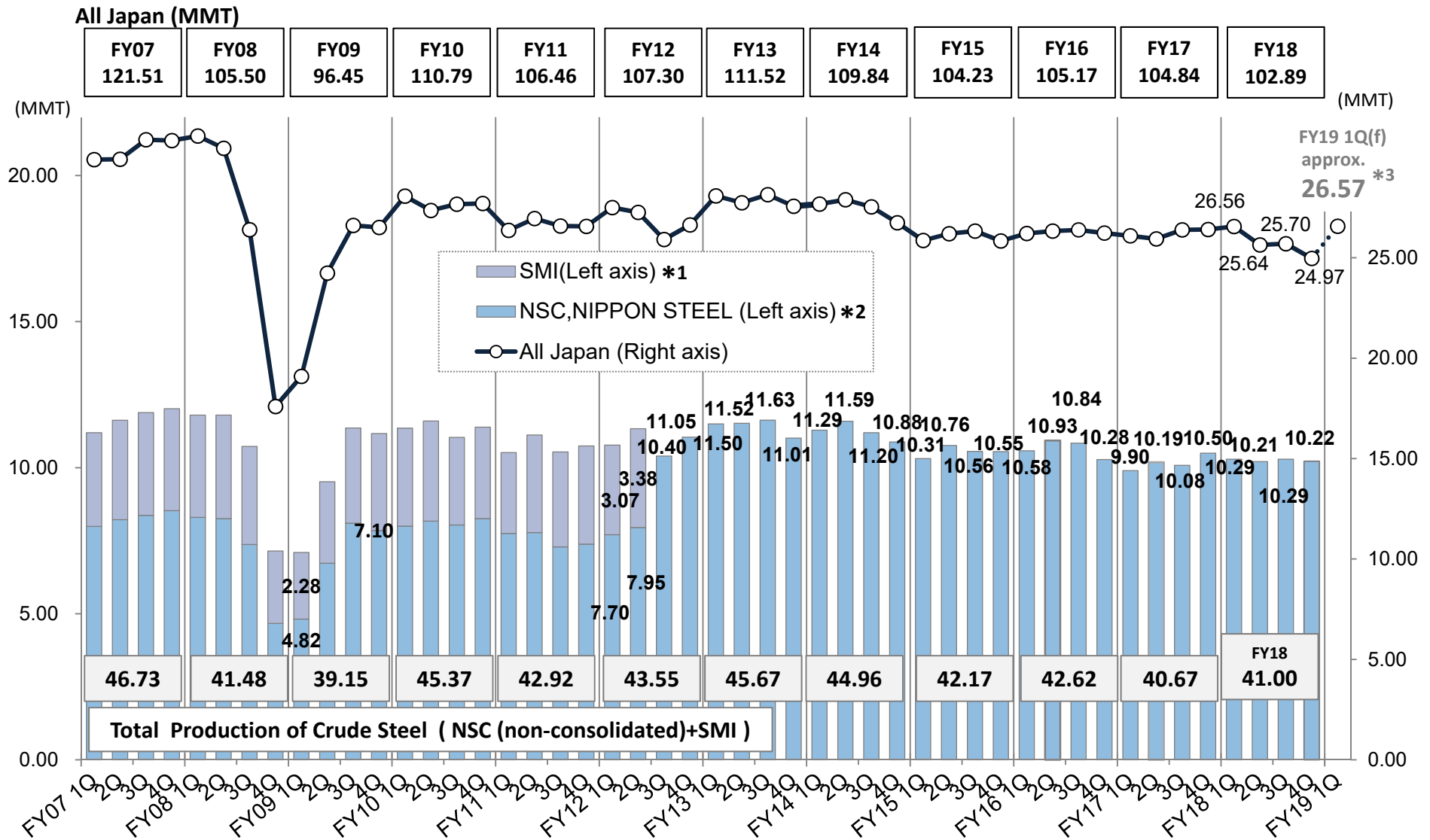
Source : The Japan Iron and Steel Federation

Domestic Steel Consumption Trend



Source : Nippon Steel

Domestic Crude Steel Production

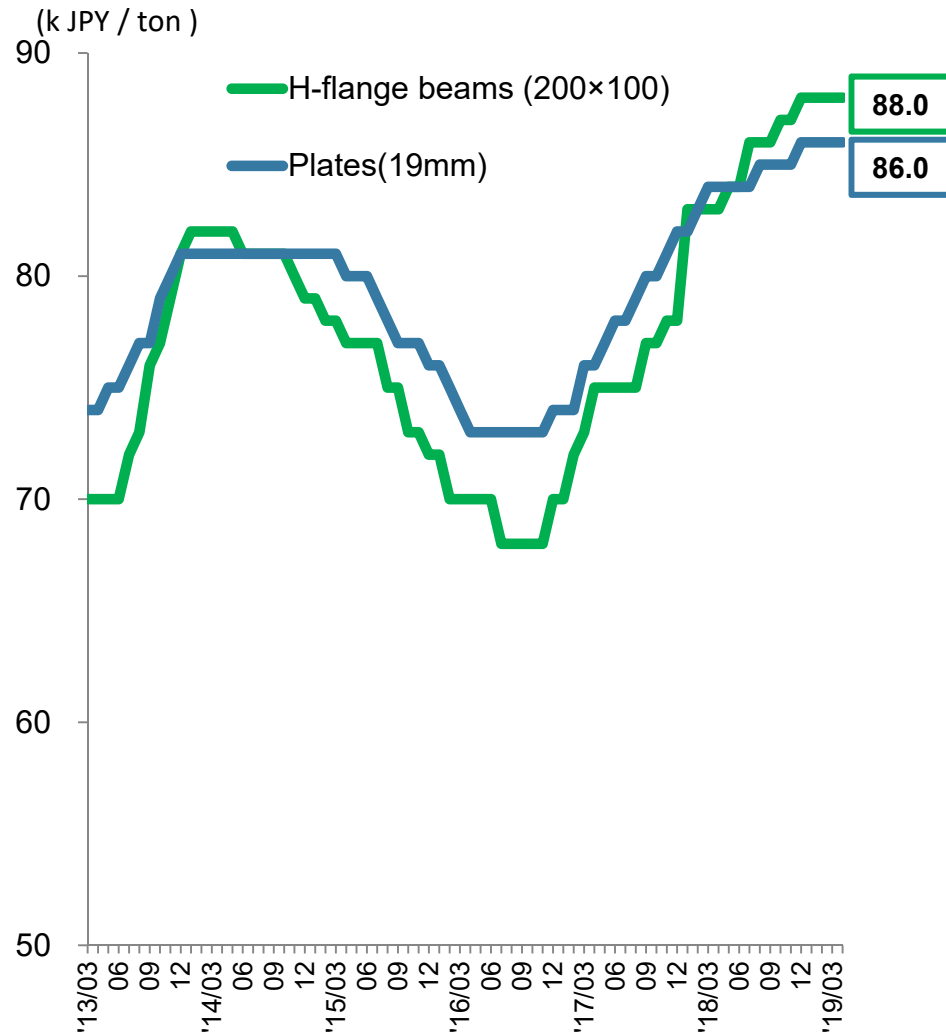


*1 Includes Sumitomo Metals(Kokura), Sumitomo Metals(Naoetsu) and Sumikin Iron & Steel Co.
 *2 Includes NIPPON STEEL & SUMIKIN KOUTETSU WAKAYAMA CORP (~FY2017)

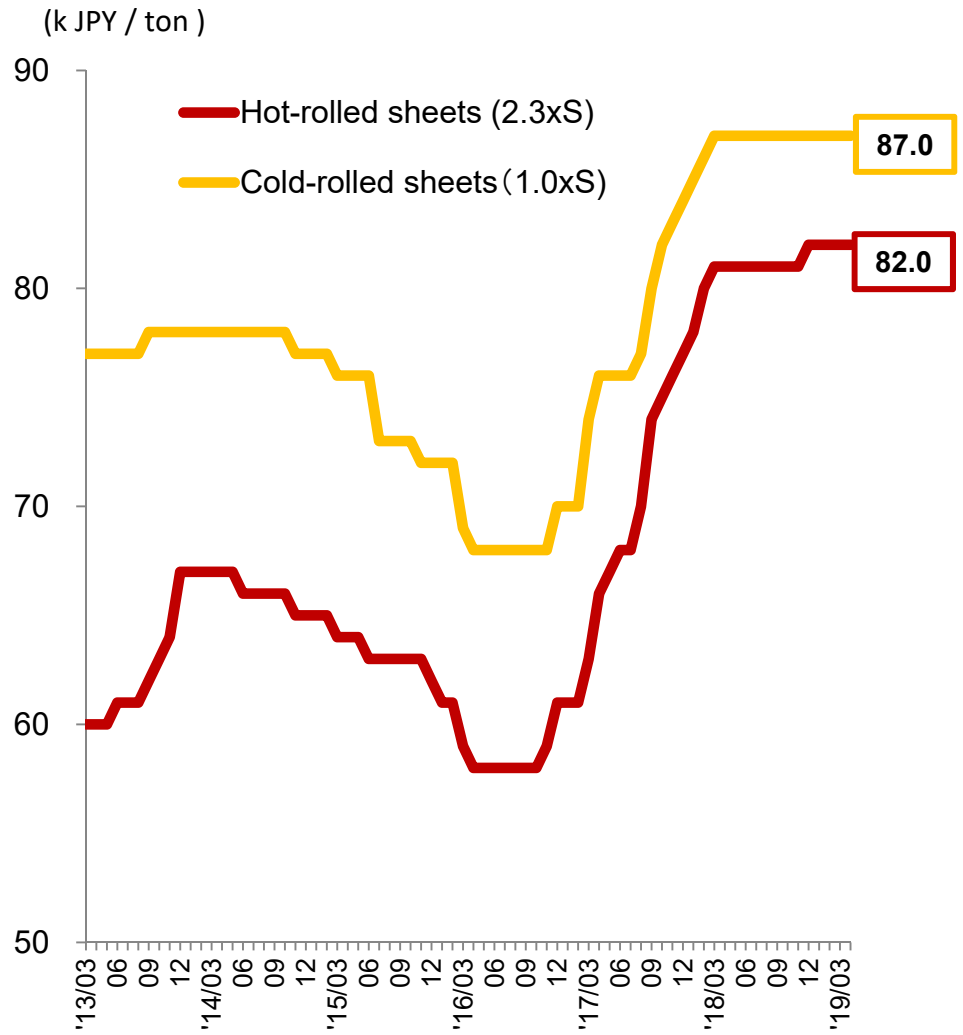
*3 Domestic Crude Steel Production of FY19 1Q(f) released by METI

Domestic Steel Products Prices

Plates & H-flange beams



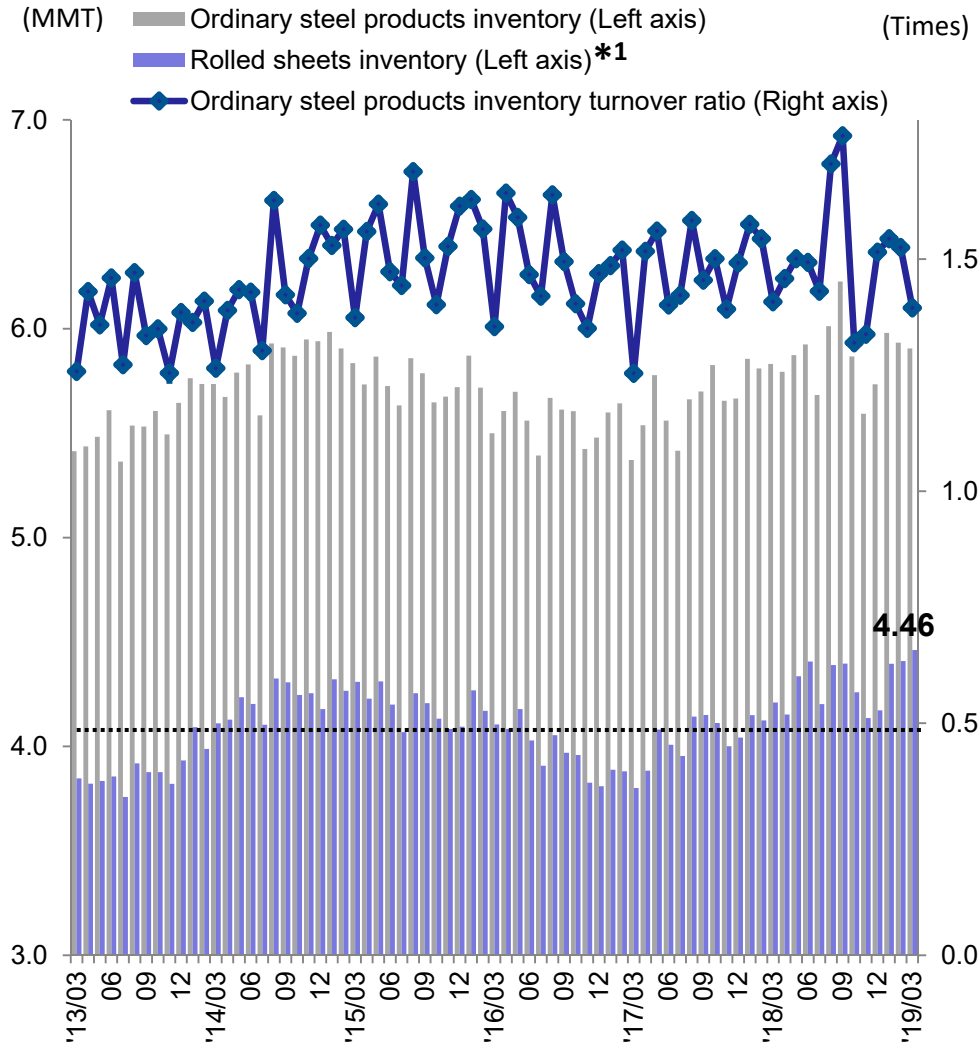
Hot-rolled sheets & Cold-rolled sheets



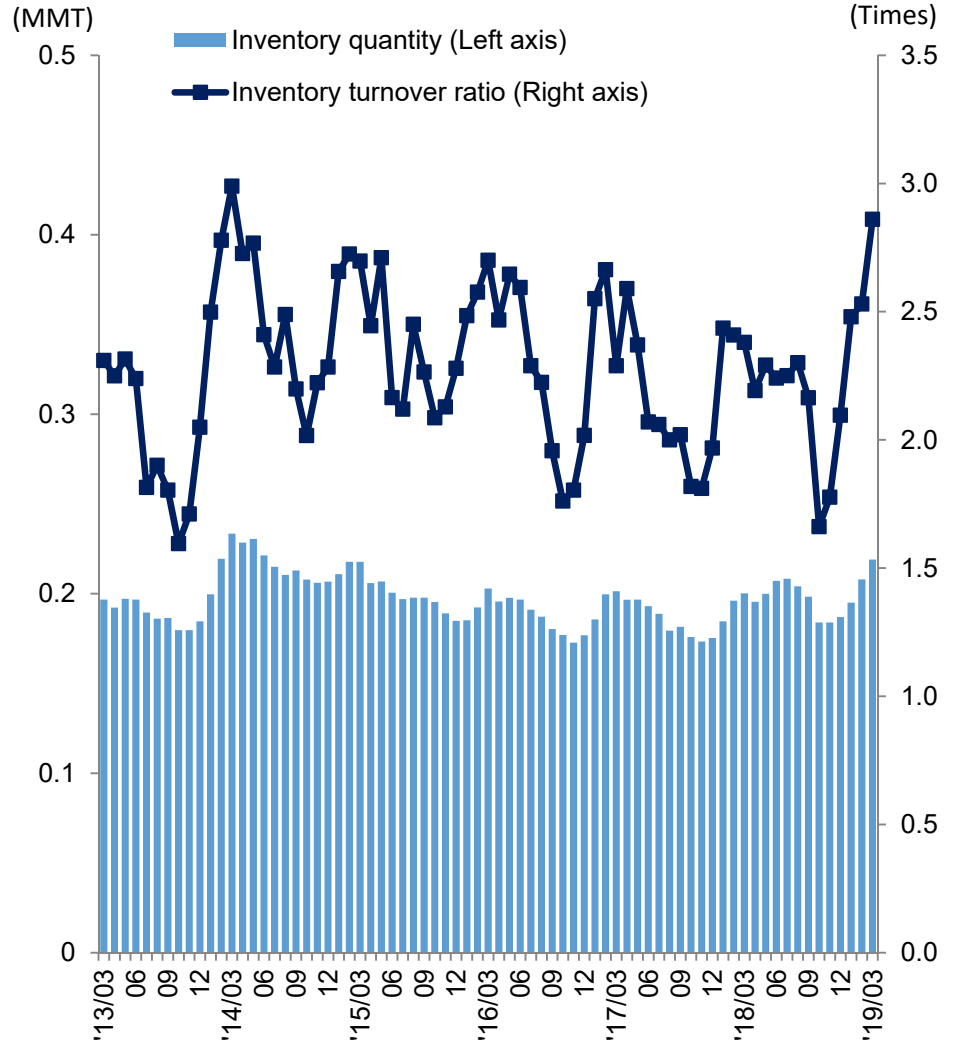
Source : Japan Metal Daily

Domestic Steel Inventory

Rolled Sheets Inventory *1



H-flange beams*2 Inventory



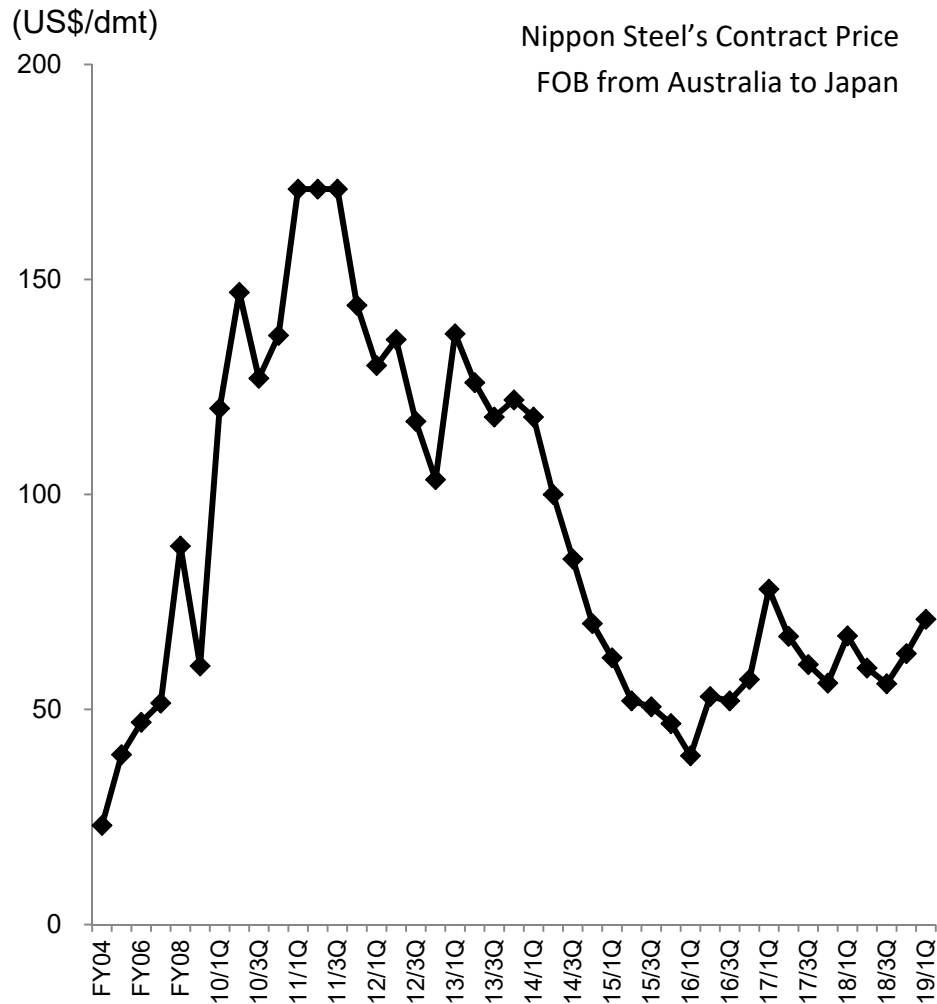
Source : Japan Iron and Steel Federation

*1 Hot-rolled, Cold-rolled and Coated sheets

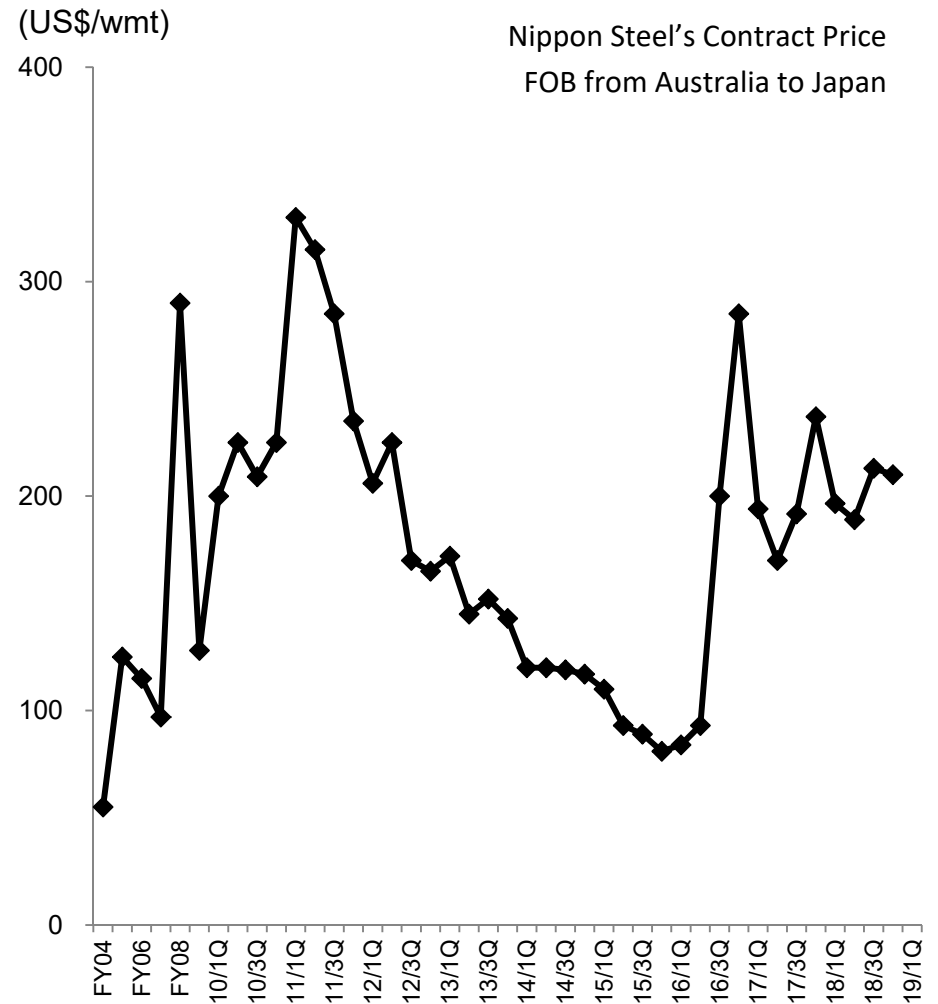
*2 Inventories of the distributors dealing with H-flange beams manufactured by Nippon Steel

Iron Ore & Coking Coal Prices

Iron Ore (Fine)



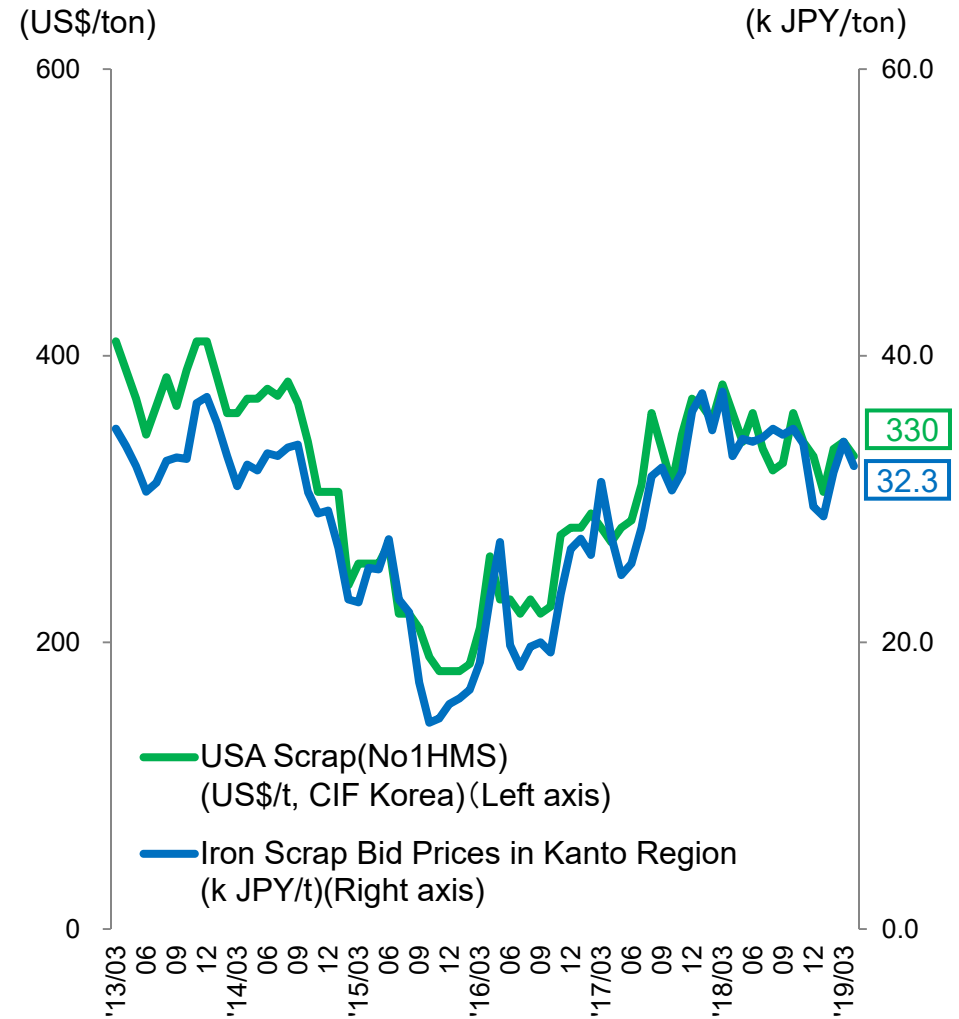
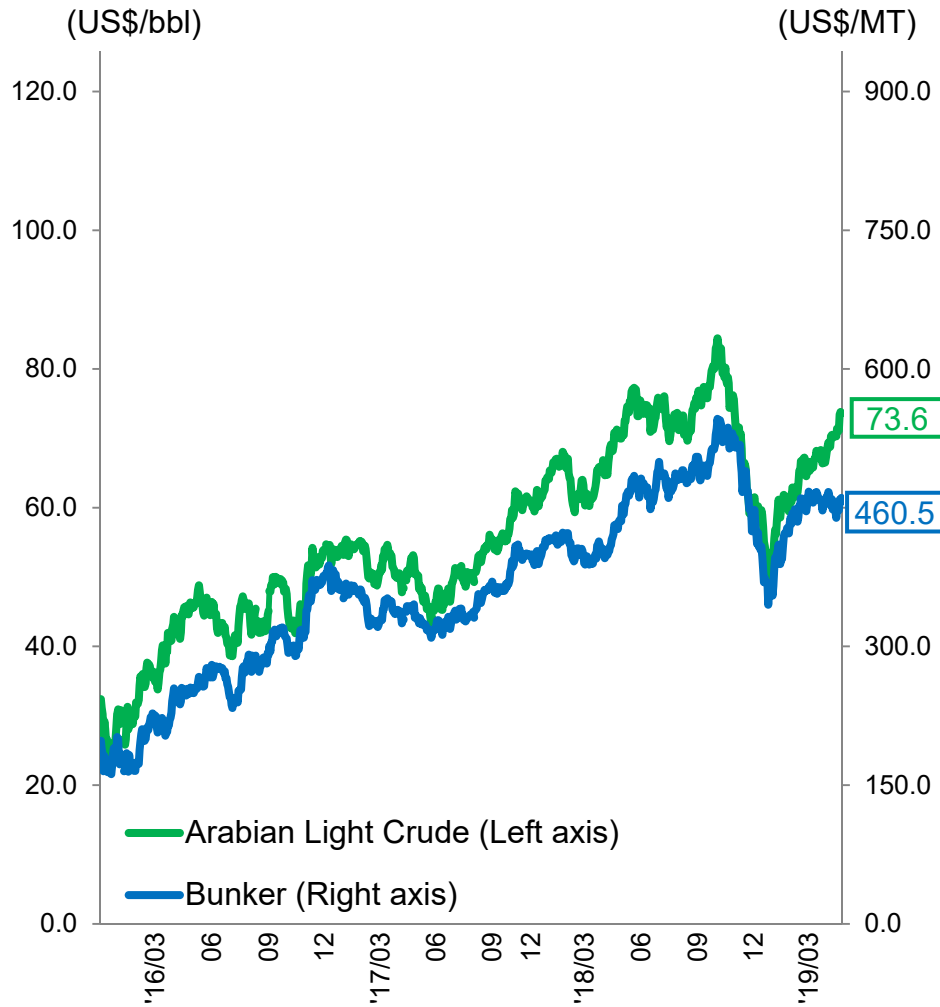
Hard Coking Coal



Market Trends < Crude Oil & Scrap >

Crude Oil

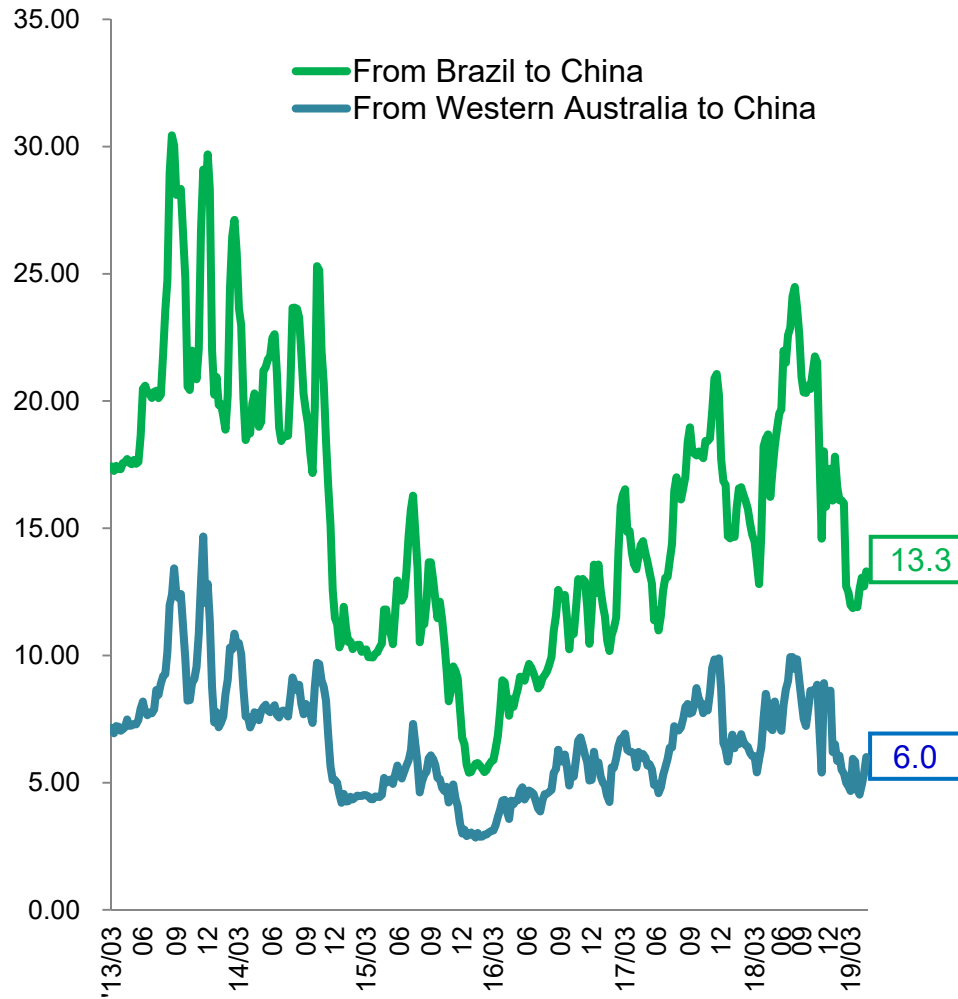
Scrap



Market Trends < Freight & Mold Pig Iron >

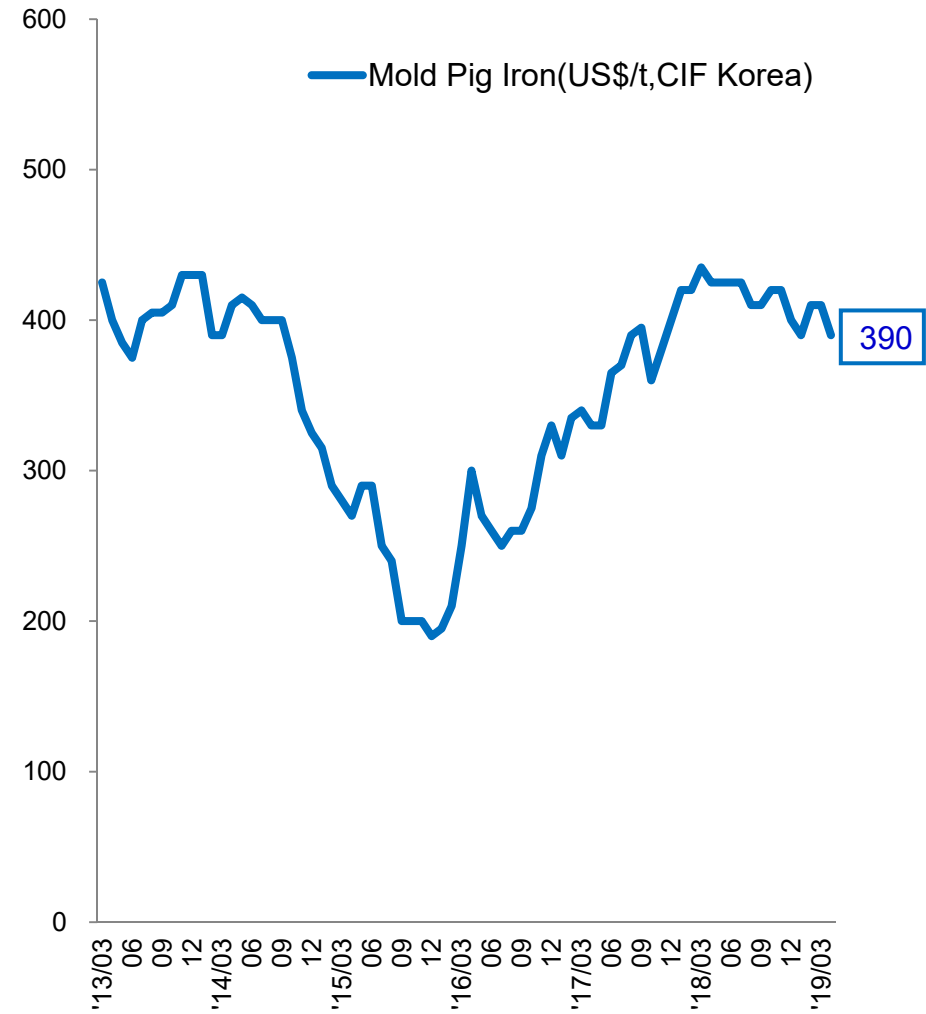
Freight

(US\$/WMT, Cape size 180 thousand tons hull form)



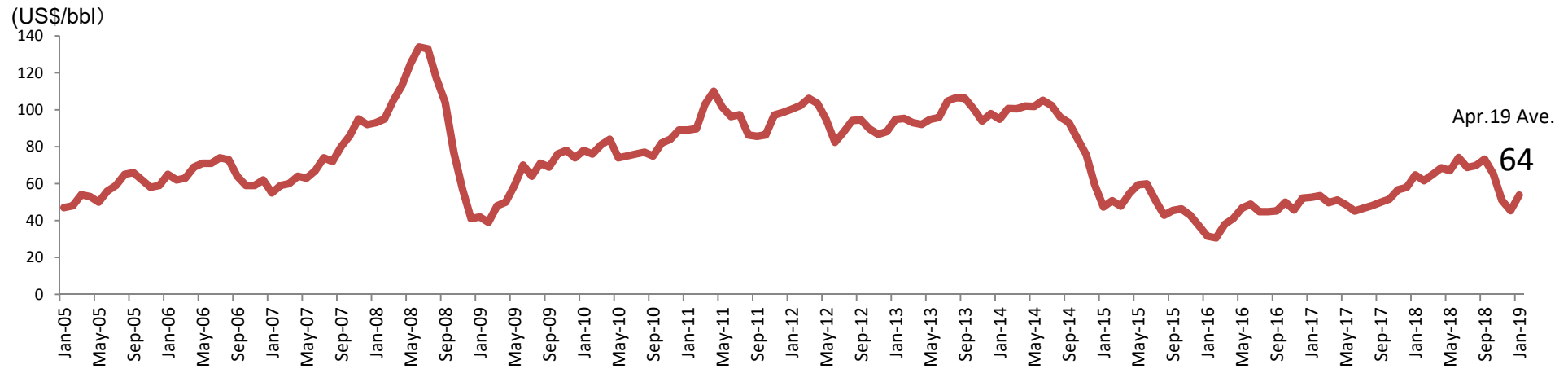
Mold Pig Iron

(US\$/T, CIF Korea)

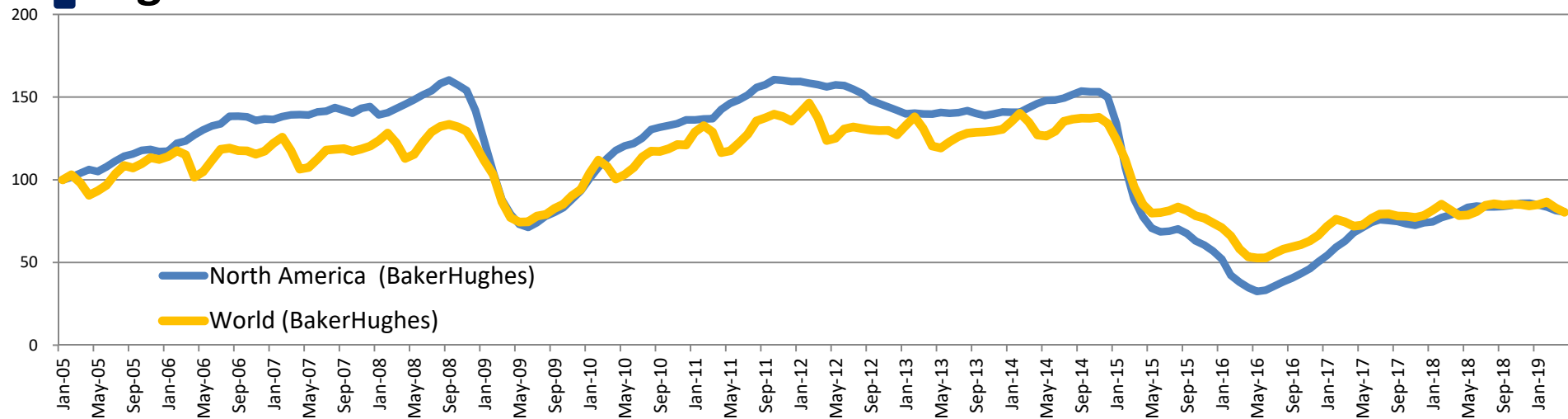


Energy Sector : Oil Price / Rig Count

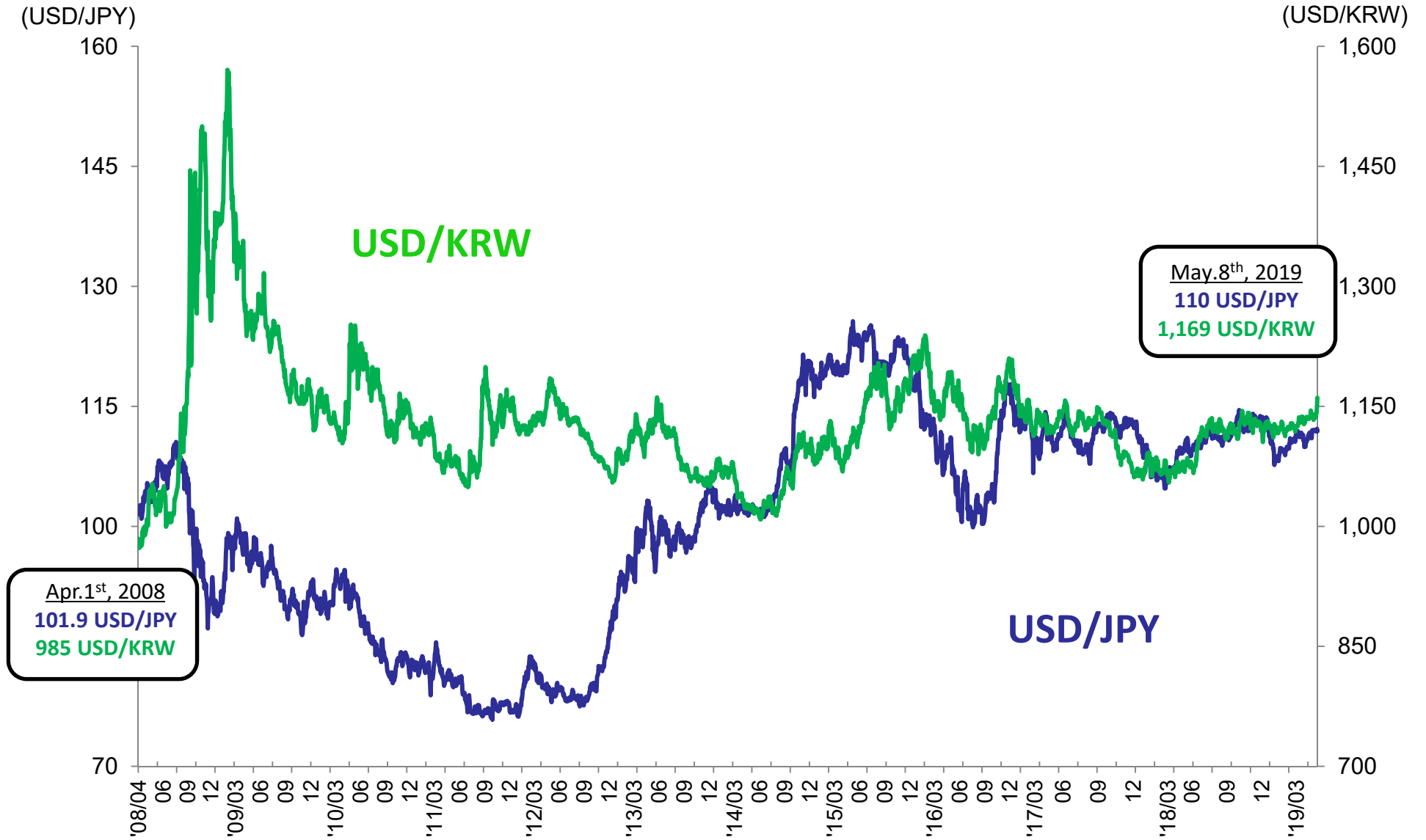
US Oil Price (WTI Spot)



Rig Counts (Jan. 2005=100)



Forex Trend





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