

# Medium-Term Management Plan 2020

May 24, 2018  
President Kenji Hiwatari



**NIPPON STEEL & SUMIKIN BUSSAN  
CORPORATION**

# Review of MTMP 2017

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# Review of Financial Performance

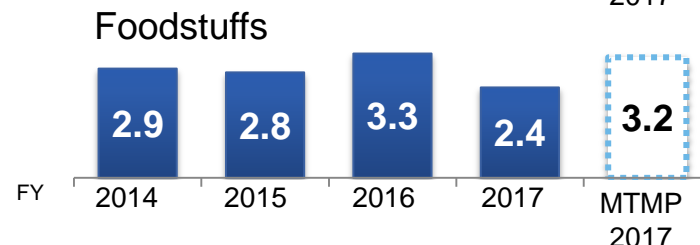
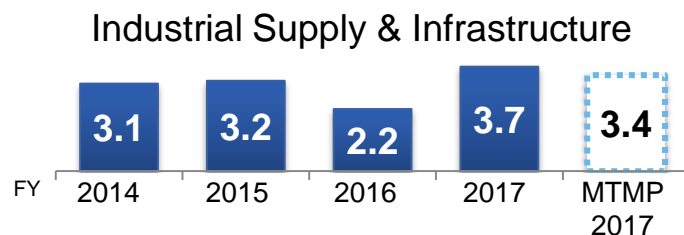
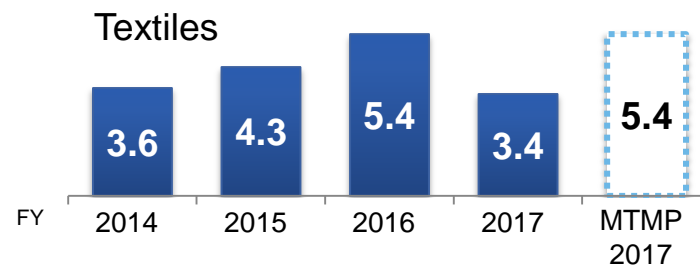
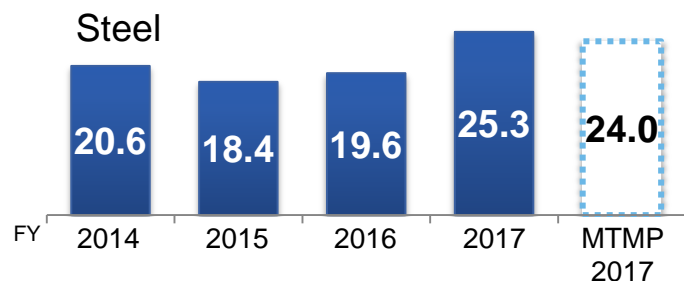
¥ billion	Targets FY2017	Results FY2017	Change
<b>Sales</b>	<b>2,300</b>	<b>2,062.3</b>	<b>-237.7</b>
<b>Ordinary Profit</b>	<b>36.0</b>	<b>35.1</b>	<b>-0.8</b>
Steel	24.0	25.3	+1.3
I&I	3.4	3.7	+0.3
Textiles	5.4	3.4	-1.9
Foodstuffs	3.2	2.4	-0.7
<b>*Net Profit</b>	<b>21.0</b>	<b>21.7</b>	<b>+0.7</b>

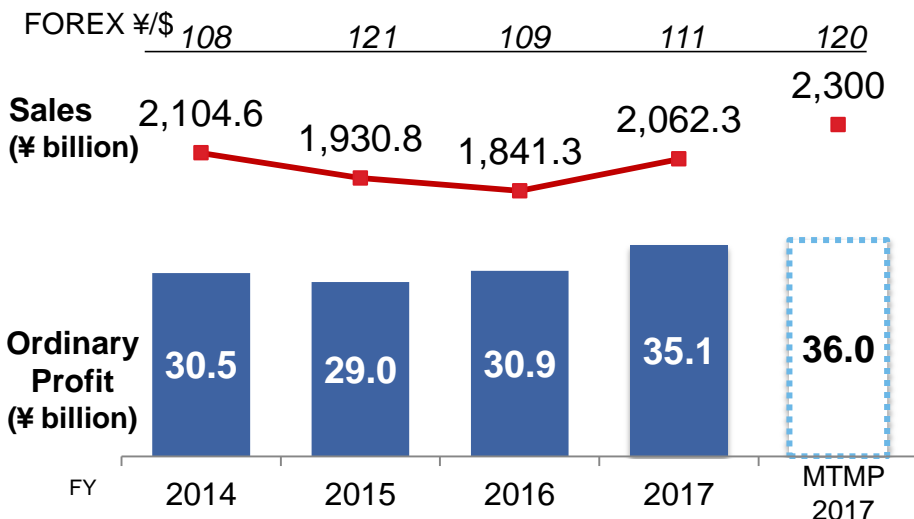
## [Ordinary Profit Variance Analysis]

- Sales Volume of Steel Products: -2.7  
(Plan 15.0 → Results 13.37 million tons)
- ASP of Steel Products: -0.5  
(Plan 89 → Results 87 ¥ thousands / ton)
- FOREX: -0.6  
(Plan 120 → Results 111¥/\$)
- One-time Factors, etc: +3.0

\* Profit attributable to owners of parent

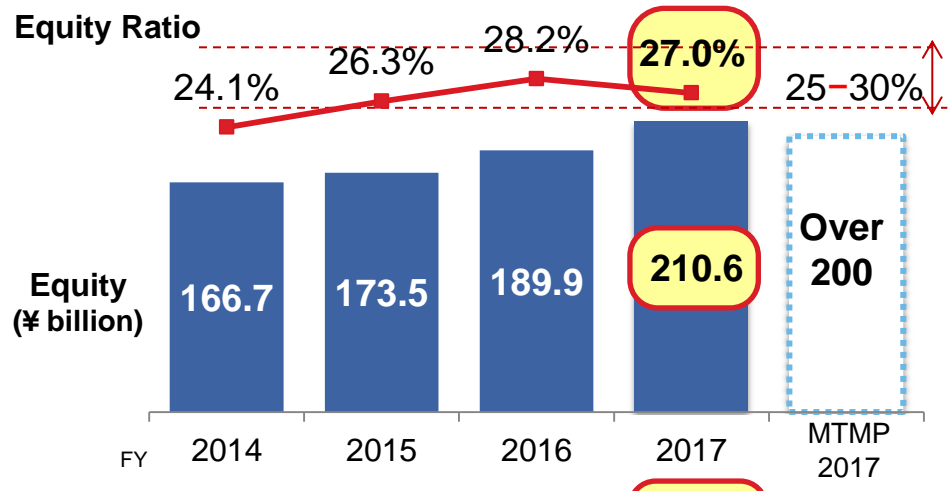
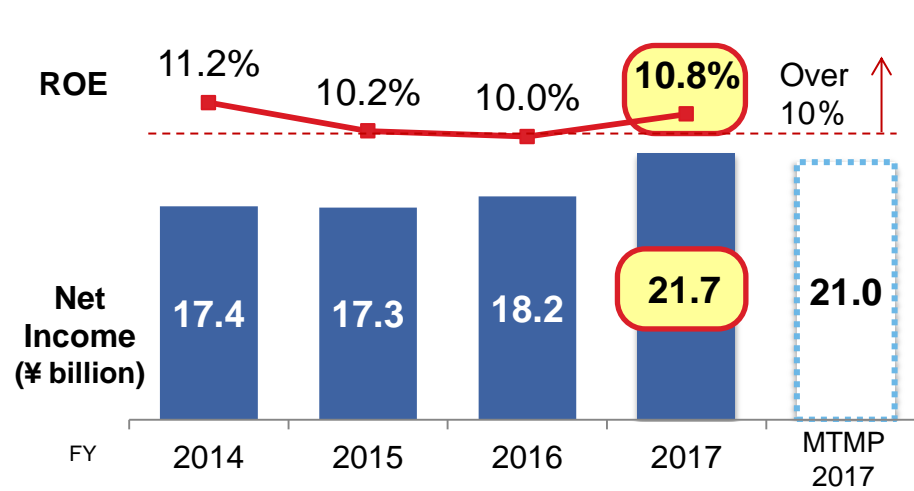
## Segment Results (¥ billion)





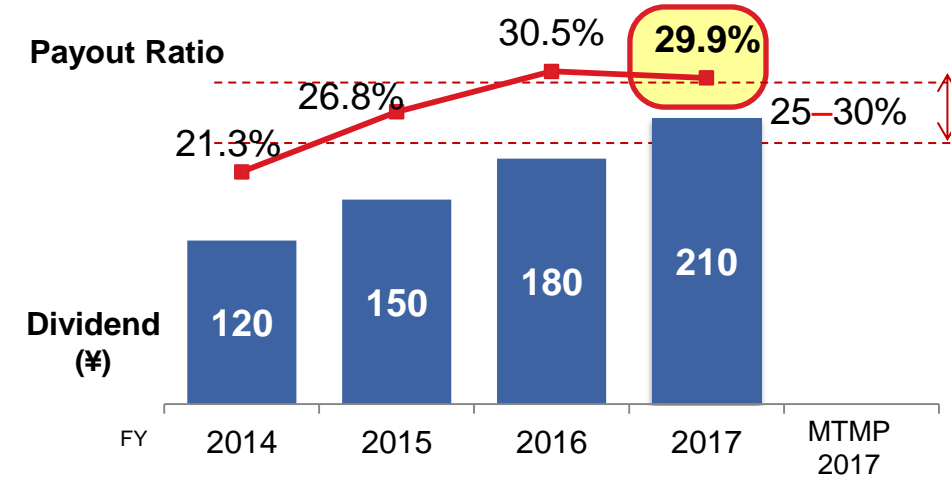
Overseas Sales (¥ billion)

FY	2014	2015	2016	2017	MTMP 2017
Overseas Sales (¥ billion)	553.3	503.1	480.5	680.0	680.0



Net D/E 1.1 1.1 0.9 1.0 Below 1.0

FY	2014	2015	2016	2017	MTMP 2017
Net D/E	1.1	1.1	0.9	1.0	Below 1.0



\* Based on after share consolidation

# Reinforcement of the Group Management Infrastructure

## ● Prioritizing Businesses

Number of companies	Oct. 2013	Mar. 2018	Change
Subsidiary	94	94	0
EM	33	29	-4
Consolidated	127	123	-4
Non-consolidated	56	44	-12
<b>Total</b>	<b>183</b>	<b>167</b>	<b>-16</b>

Number of companies	Total	Domestic	Overseas
Merger, Liquidation, etc.	-31	-16	-15
Acquirement, Establishment, etc.	15	7	8
<b>Total</b>	<b>-16</b>	<b>-9</b>	<b>-7</b>

## ● Improving Profitability

Ordinary Profit from Group Companies

FY2013		FY2017	
<b>¥10.8 billion</b>	➔	<b>¥17.9 billion</b>	<b>Change</b>
Domestic 6.4		Domestic 8.5	<b>¥7.1 billion</b>
Overseas 4.3		Overseas 9.3	Domestic 2.1
			Overseas 5.0

Consolidated / Non-consolidated Ratio

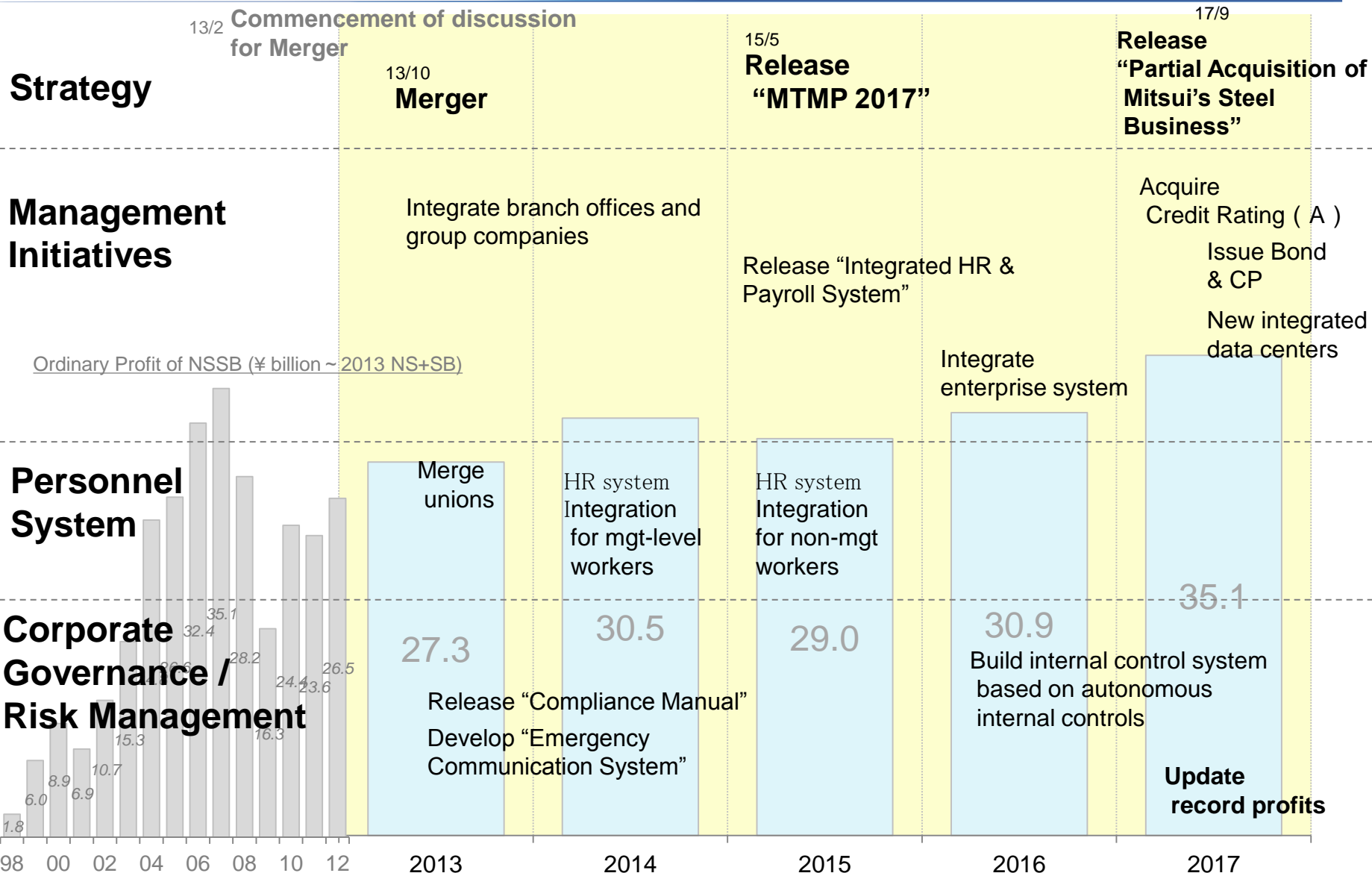
1.4

1.7

## ● Enforcing Group Management System

Withdraw policy, communication system, monitoring system

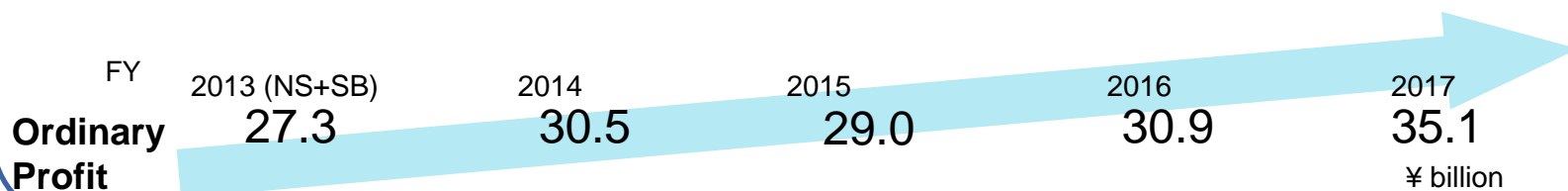
# Progress of Post-Merger Integration



# Moving Into the Next Phase

## Completed “Post Merger Integration”

We have worked to solidify our management foundation through the integration of various systems and to achieve stable earnings growth.



### Structural Changes in Business Environment

Digital Transformation

Change in Global Market

Change in the Social Environment

## Moving Into the Next Phase

# Medium-Term Management Plan 2020

# Structural Changes in Business Environment

## Digital Transformation

**E-Commerce**

**Artificial Intelligence**

**Big Data**

**Digital Companies  
Advance**

## Change in Global Market

**Growing Asian Markets**

**Protectionism**

**Reorganization of Steel Industry**

## Change in the Social Environment

**Electrification / Renewable Energy**

**Sharing / LOHAS**

**Labor Shortage /  
Reforming Work Style**



# Medium-Term Management Plan 2020

# Four Business, One Success.

*Uniting power of four business division to become an excellent company  
which contributes to the success of clients and enrichment of society.*

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# Accelerating Growth Strategies

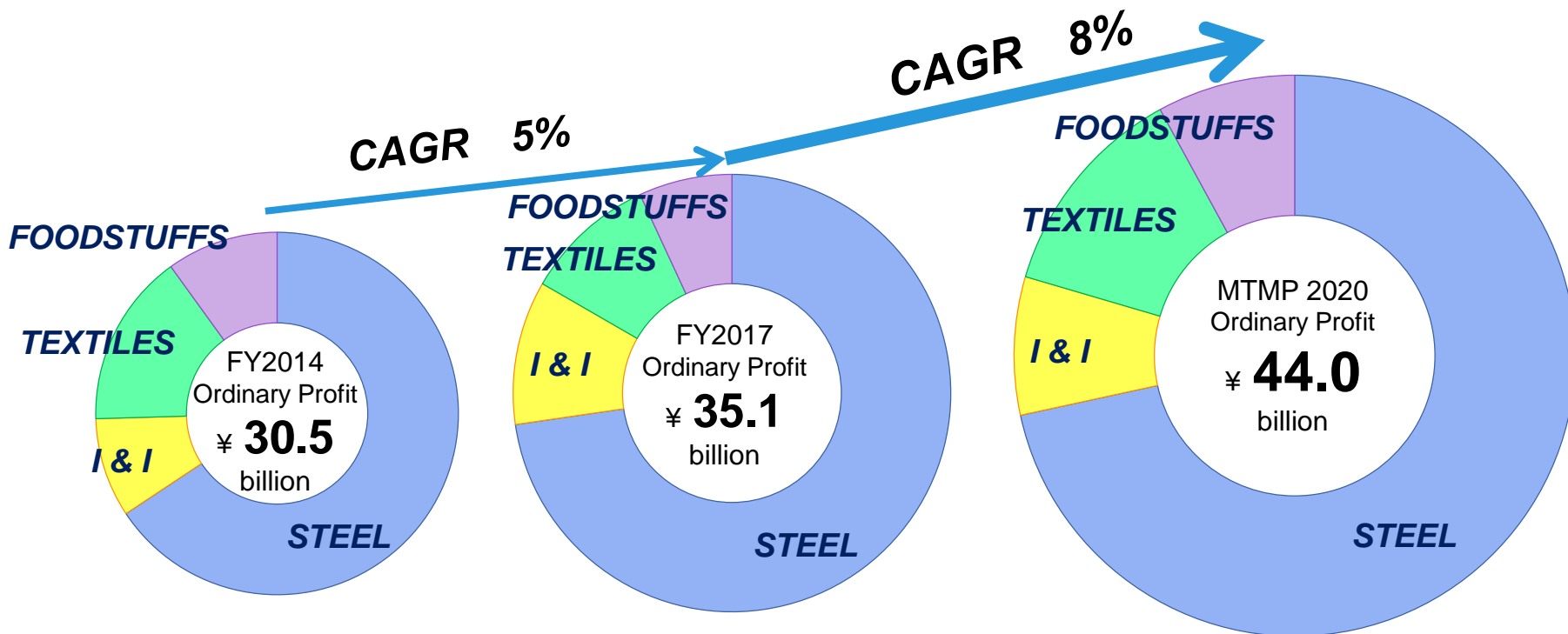
STEEL

INDUSTRIAL SUPPLY &  
INFRASTRUCTURE

Contributing to Society by  
Building a Well-Balanced Portfolio

TEXTILES

FOODSTUFFS

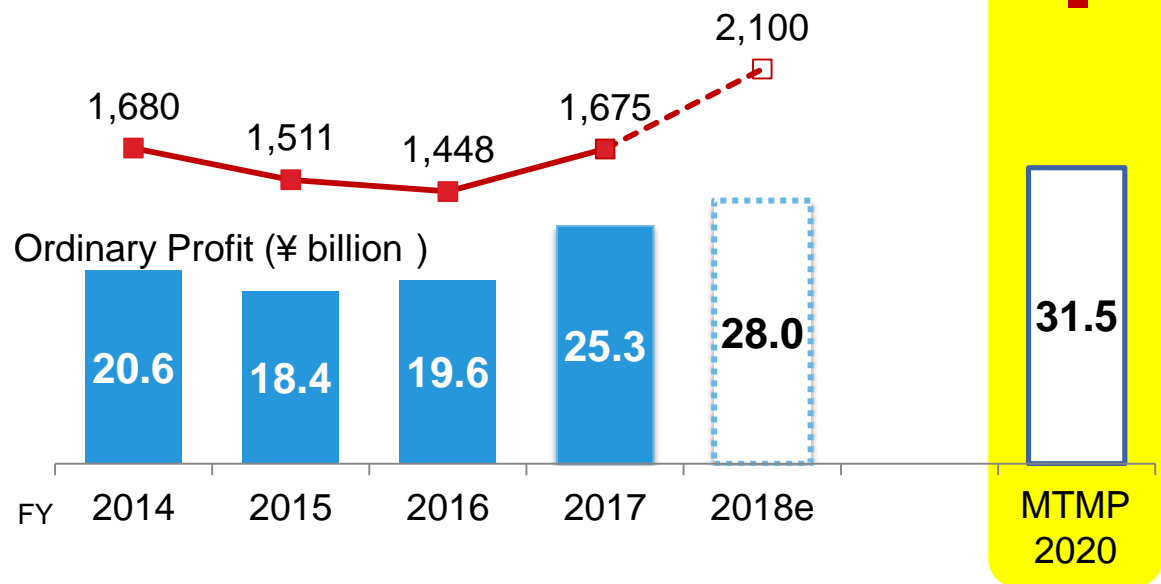


## Four Business, One Success.

*Uniting power of four business division to become an excellent company  
which contributes to the success of clients and enrichment of society.*

- **Shifting Power to Growth Strategies.**
- **Providing services and solutions that address changes in society and industry**
- **Pursuing Safety, Reliability and Quality, and Ensuring Legal Compliance.**
- **Recruiting and Training the Next Generation of Employees Responsible for Our Corporate Future, and Ensuring that We Continue to be a Rewarding Workplace.**

Sales (¥ billion)



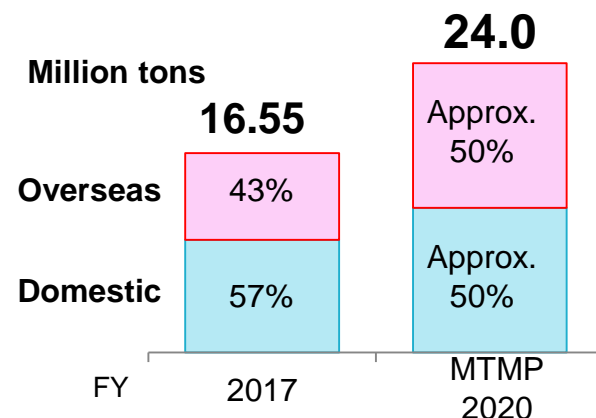
### Business Environment 2018 to 2020

- Global demand will increase steadily.
- The tight D/S situation will continue in Japan due to demand for infrastructure renewal and automobiles.
- Requirements for shielding local markets are strengthened by the effects of protectionism

### Our Initiative

- Sharing the strategy with NSSMC and Mitsui.
- Expanding our value chain by enhancing our procurement, logistics and processing systems.
- Focusing Demand: Infrastructure and Automobile
- Core Market: East Asia, ASEAN
- Developing Markets: USA, Eastern Europe, India

### Sales Volume Plan for Steel (NSSB + Subsidiaries)



- **Partial Acquisition of the Mitsui Group's Steel Products Business**  
 Sales of the business to be acquired: approx. **¥370 billion**  
 Price: approx. **¥60 billion**
- **Mitsui Increases NSSB's Voting Rights from 11% to 20% to Make NSSB its Equity-methods Associated Company**
  - Third-party allotment to Mitsui: **1.35 million shares** [Dilution ratio: 4.4%]
  - Share purchase from existing NSSB's shareholders



## Steel Division

As of FY2016 \*Volume: Non-Consolidated

**Sales**  
**¥1,448 billion**  
**Volume\***  
**13.8 million tons**

**Sales**  
**¥370 billion**  
**Volume**  
**4.0 million tons**



## Iron & Steel Products Business Unit

**Current Assets**  
 Approx. **¥100 billion**  
**Current Liabilities**  
 Approx. **¥40 billion**

**Transfer**  
 Approx. **¥60 billion**

### Transferred Business Portfolio

Area	Domestic 60%	Overseas 40%
Demand Field	For manufacturing For construction	Mainly Asia region

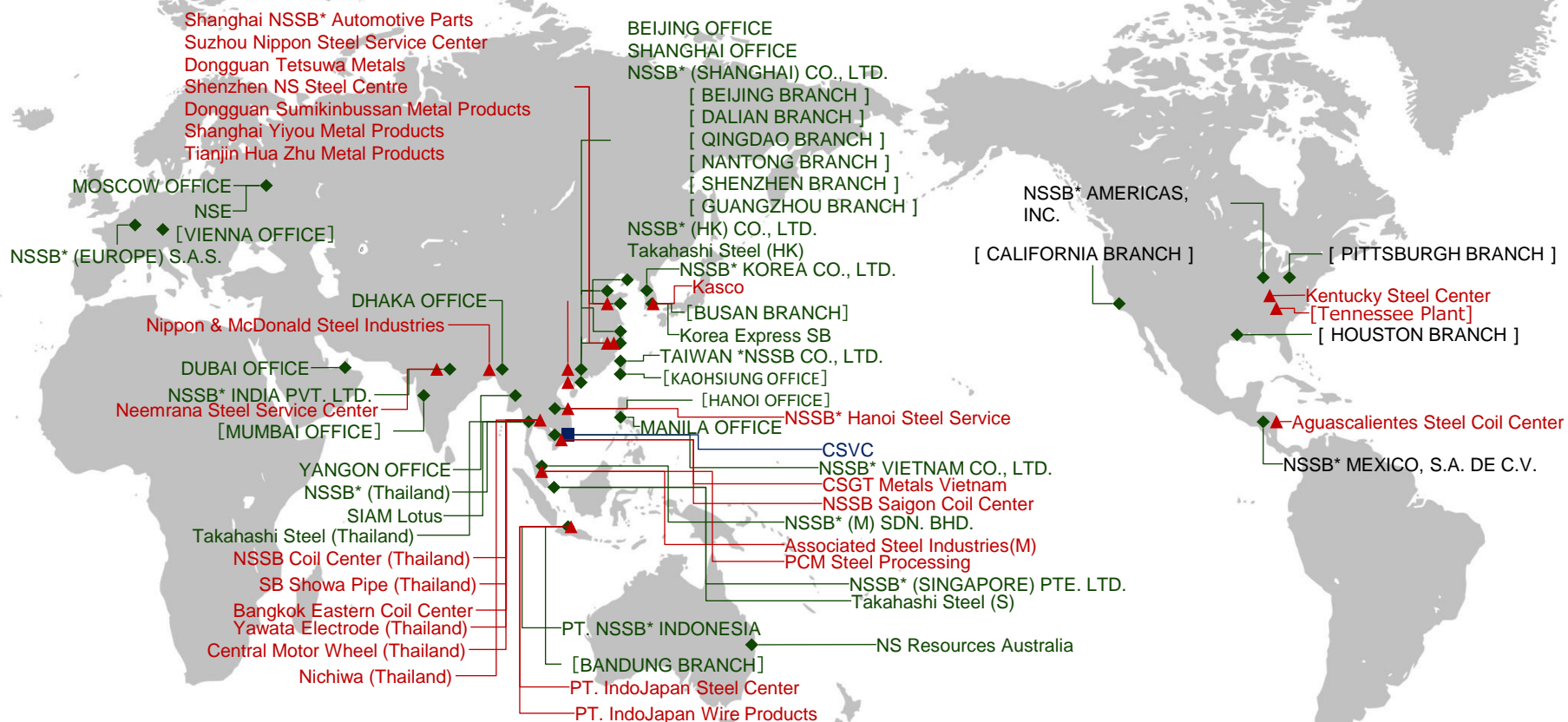
### Type of Products

Steel Sheet, Plate, Pipe  
 Specialty Steel, Stainless Steel,  
 etc.



## Sales Volume of Overseas Subsidiaries + Export from Japan

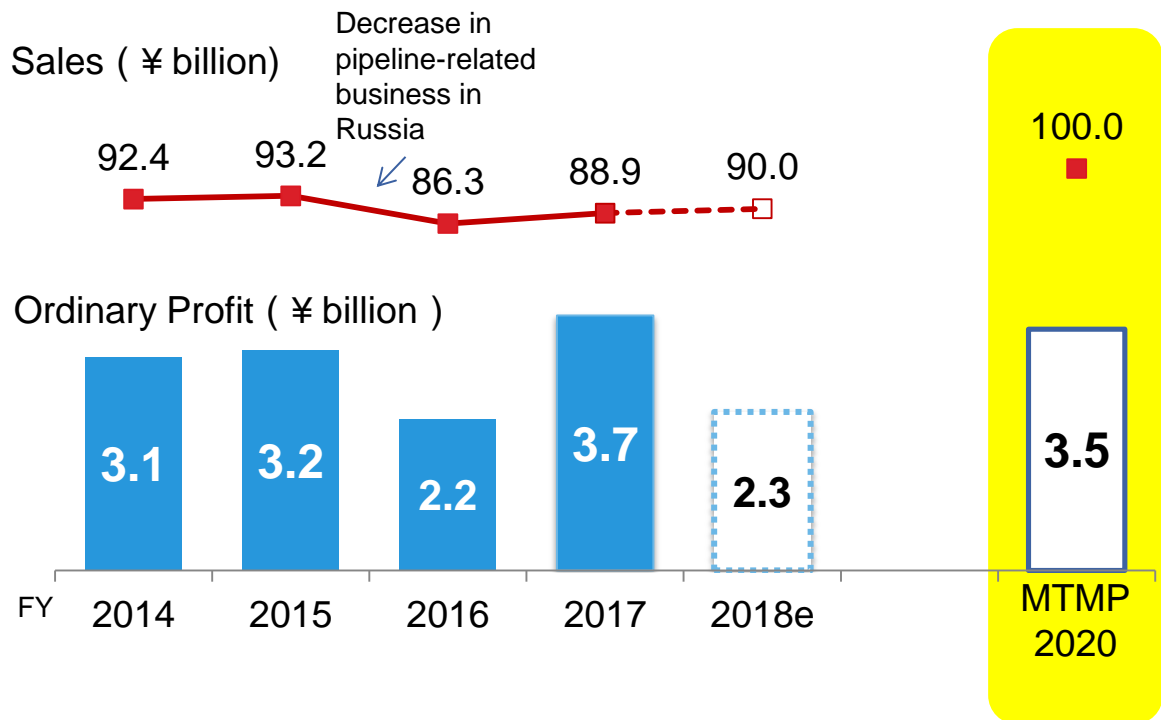
Approx. FY2017 **7.0** million tons → MTMP 2020 **12.0** million tons



▲ Processing  
 ■ Manufacturer  
 ◆ Distributor

\*NSSB: NIPPON STEEL & SUMIKIN BUSSAN

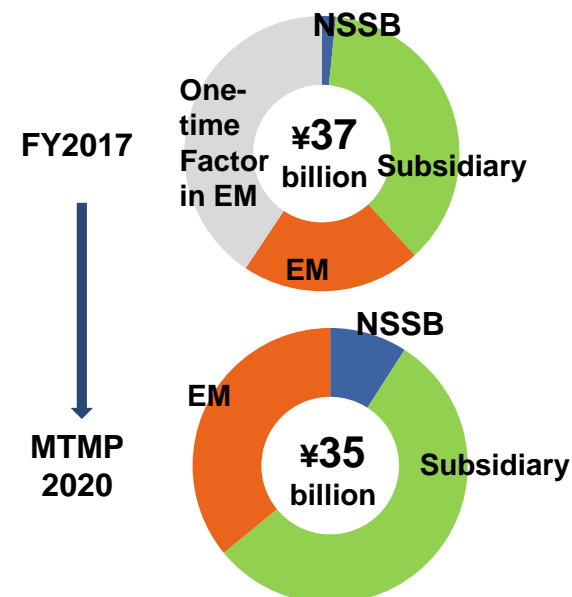
**< CF. > Global Networks of Mitsui**  
 (As of Apr. 2017)    65 countries / regions    125 offices / affiliates



## Business Environment 2018 to 2020

- High-performance Materials Business  
→ Expansion of demand for weight reduction of automobiles
- Headrest Parts Business  
→ Increase in global automobile production
- Industrial Park Business  
→ Recovery of Japanese companies' overseas expansion

## Breakdown of Ordinary Profit in I&I



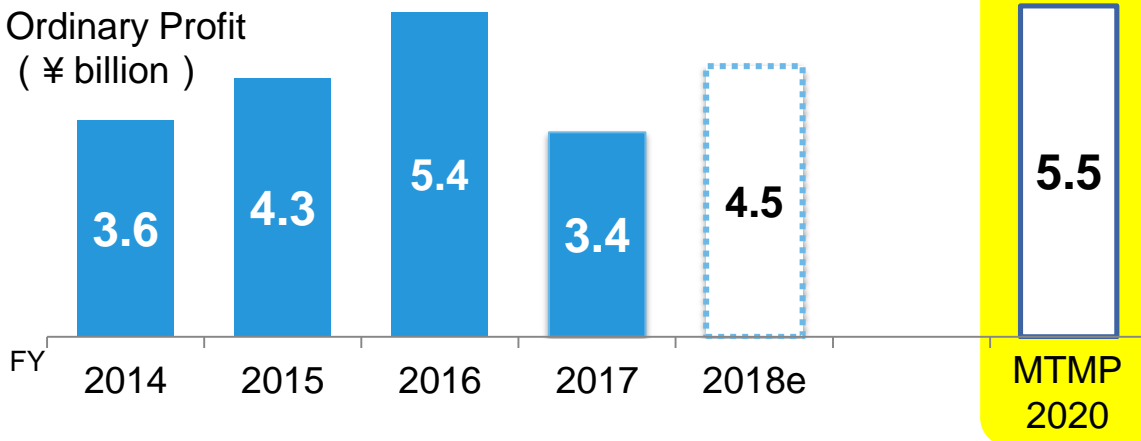
## Our Initiative

- Aiming to become the top player in our global niche by providing superior functions in each field, and strengthening our onsite capabilities.
- Focusing on the automotive parts business in Thailand and Mexico, including the global headrest business, as well as the industrial park and power generation businesses.

Sales ( ¥ billion)



Ordinary Profit ( ¥ billion )



### Business Environment 2018 to 2020

- The domestic apparel market tends to shrink.
- Rapid expansion of E-Commerce share.
- Expansion of demand for digitalization in the apparel industry due to manpower shortages, etc.

### Our Initiative

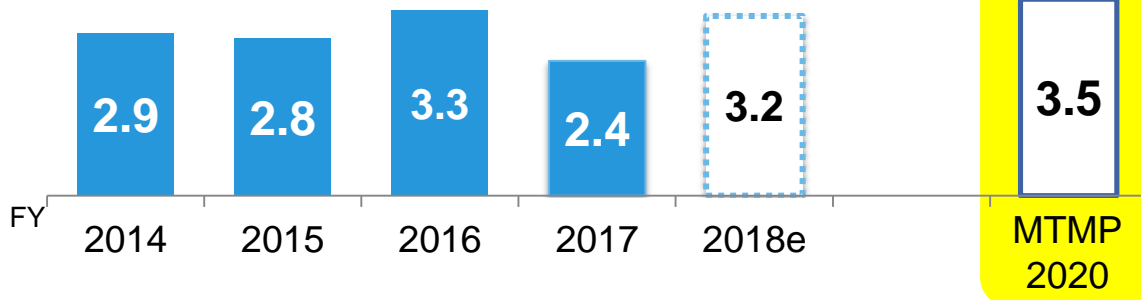
- Remodeling the True Value of Our Service.
- Leading the fashion industry with the best ODM solution.
- Establishing an Innovation Promotion Office to improve production efficiency and visualization of process control through the use of digital technologies.
- Promoting investments in IoT, e-commerce sales and innovative technologies, and alliance with “digital start-ups.”



Sales ( ¥ billion)



Ordinary Profit ( ¥ billion )



### Business Environment 2018 to 2020

- Demand for meat in Japan to grow steadily due to  
“Change in food habit of elderly people”  
“Inbound consumption by foreign tourists”  
“Popularity of meal-replacement items”
- Increasingly severe procurement environment caused by strong global demand for meat.

## Our Initiative

- Aiming to become a food value creator that provides new value and safe and reliable solutions (services) to our customers, along with safety and reliability.
- Expanding our domestic sales foundation through investments in the wholesale business
- Strengthening relationships with suppliers including investment to develop the food value chain.

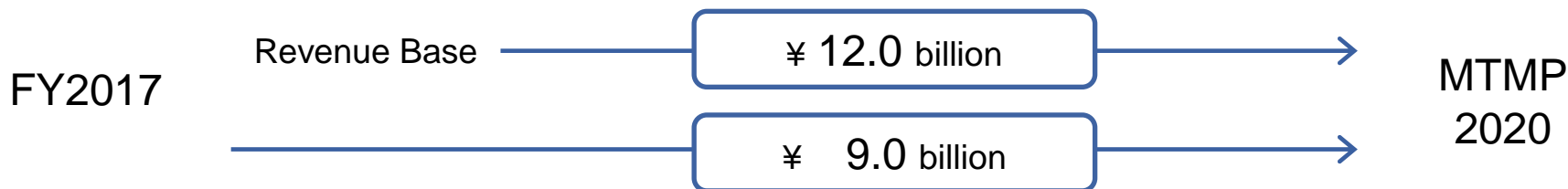
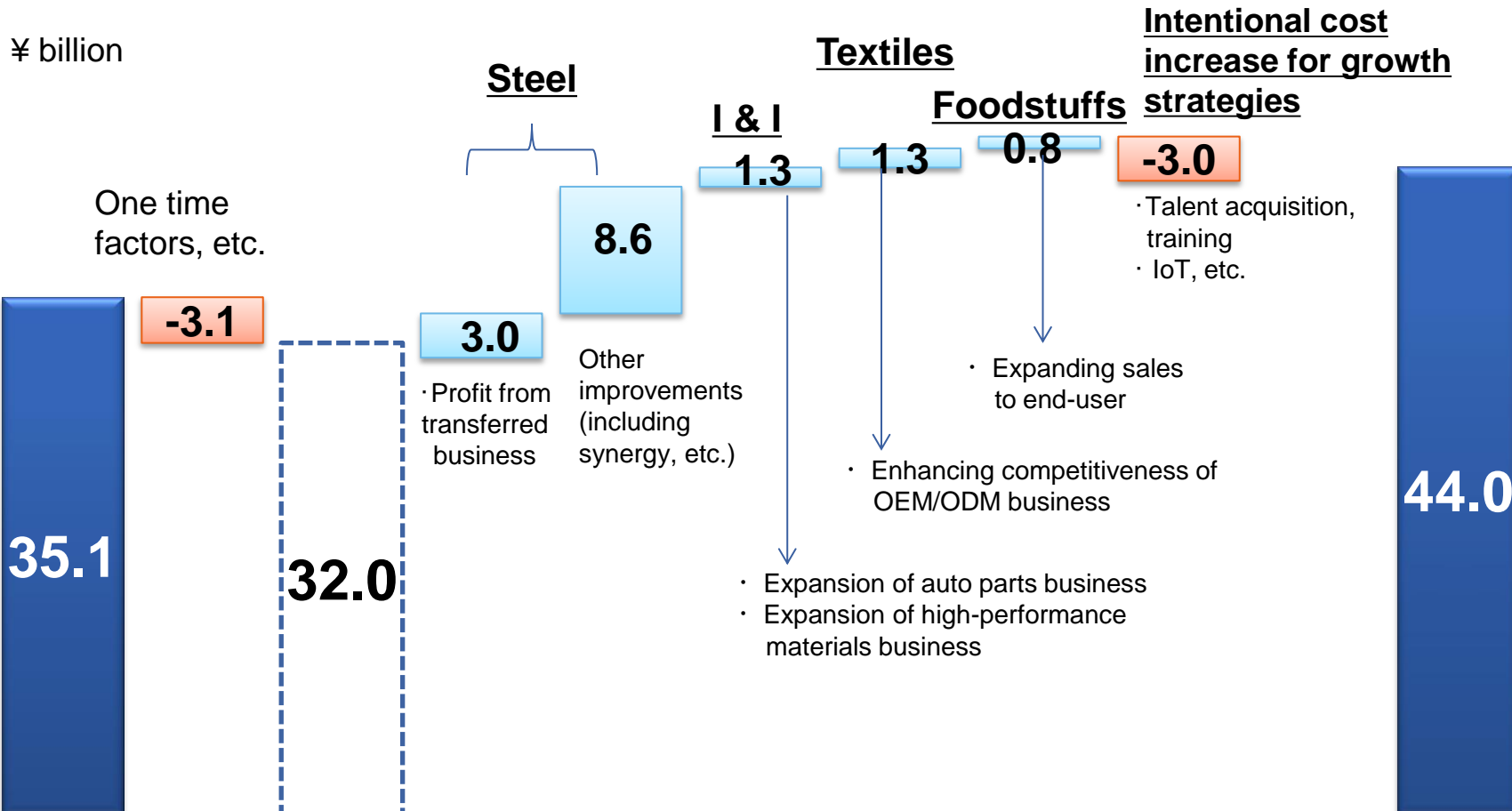
# Financial Targets

¥ billion	FY2017	
	Results	<i>* Excluding Revenue Base</i>
Sales	2,062.3	
Ordinary Profit	35.1	[32.0]
Steel	25.3	[22.0]
I & I	3.7	[2.5]
Textiles	3.4	[4.5]
Foodstuffs	2.4	[3.0]
Net Profit	21.7	

MTMP 2020
<b>2,800</b>
<b>44.0</b>
31.5
3.5
5.5
3.5
<b>26.0</b>

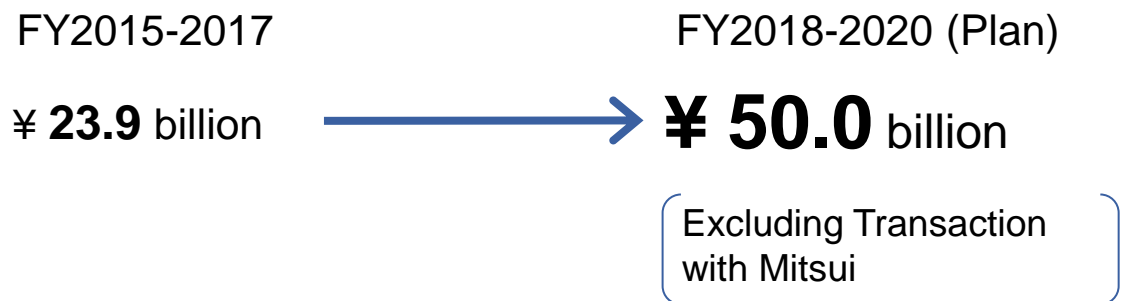
\*Revenue Base: Excluding one-time factor, valuation profit (loss), etc.

# Ordinary Profit Variance Analysis



- Investment Plan

Strengthen and Enhance the Value Chain  
Through Various Measures Including M&A



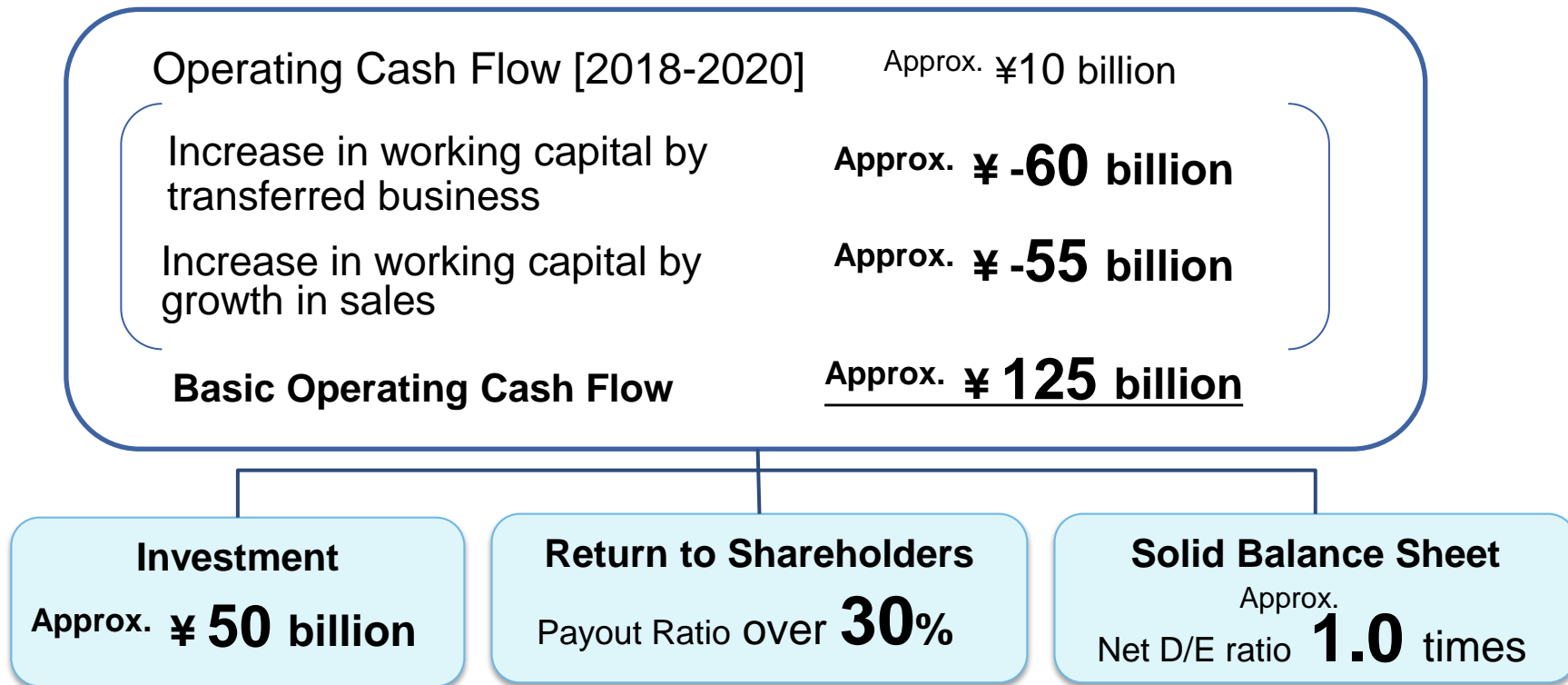
- Developing the Young NSSBs Who Will Lead the Next Generation.
- Ensuring Pleasant Workplaces and Rewarding Jobs.

- Strengthen our Financial Position and Keeping our External Credit Rating (A).

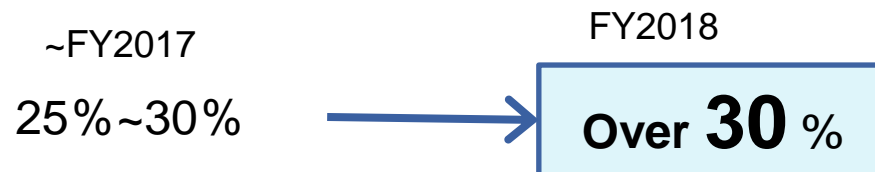
	FY2017	Forecast FY2018
Net D/E ratio	1.0 times	Approx. 1.3 times
Equity ratio	27.0%	Approx. 25%
ROE	10.8%	Approx. 10%

MTBP 2020
Approx. <b>1.0 times</b>
<b>25 ~ 30%</b>
Approx. <b>10%</b>

## ● Cash Management Policy



## ● Raise the Payout Ratio



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	MTBP 2020
Sales	¥ <b>2,800</b> billion
Ordinary Profit	¥ <b>44</b> billion
Net Profit	¥ <b>28</b> billion

Net D/E ratio	Approx. <b>1.0</b> times
ROE	Approx. <b>10%</b>

	FY2018~FY2020
Investment	Approx. ¥ <b>50</b> billion

	FY2018~
Payout Ratio	<b>Over 30 %</b>

[NITTETSU BUSSAN KABUSHIKI KAISHA]

New Trade Name

**日鉄物産株式会社**

Trade Name  
in English

**NIPPON STEEL TRADING CORPORATION**

Scheduled Date  
of Change

April 1, 2019

This matter will be submitted to the 41st Annual Meeting of Shareholders scheduled to be held on June 28, 2018.



## Corporate Philosophy

1. Continuing to be a corporate group driven by the aspiration of providing goods and services that offer new value to the larger society.
2. Putting trust and reliability first, and by doing so developing together with our customers.
3. Aiming to become the kind of organization that increasingly cultivates, utilizes, and values human resources and their talents.

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