

FY2018 Results Summary and Progress of Medium-Term Management Plan 2020

May 27, 2019

President Yasumitsu Saeki



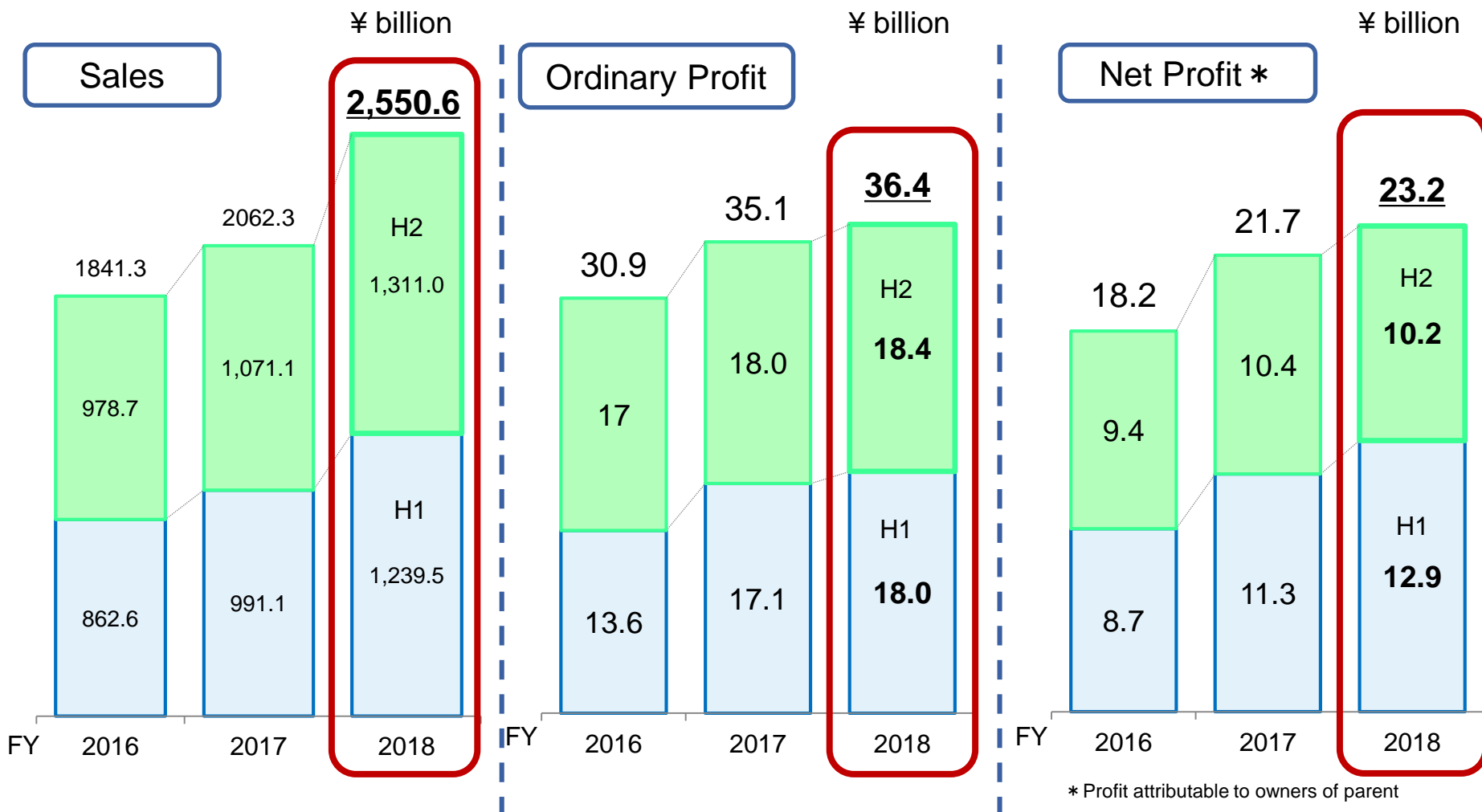
**NIPPON STEEL
TRADING**

1. FY2018 Results & FY2019 Forecast
2. Progress of Medium-Term Management Plan 2020
3. Appendix

1. FY2018 Results & FY2019 Forecast

Highlight: FY2018 Results

- Increases in Sales and Profits for Three Consecutive Years

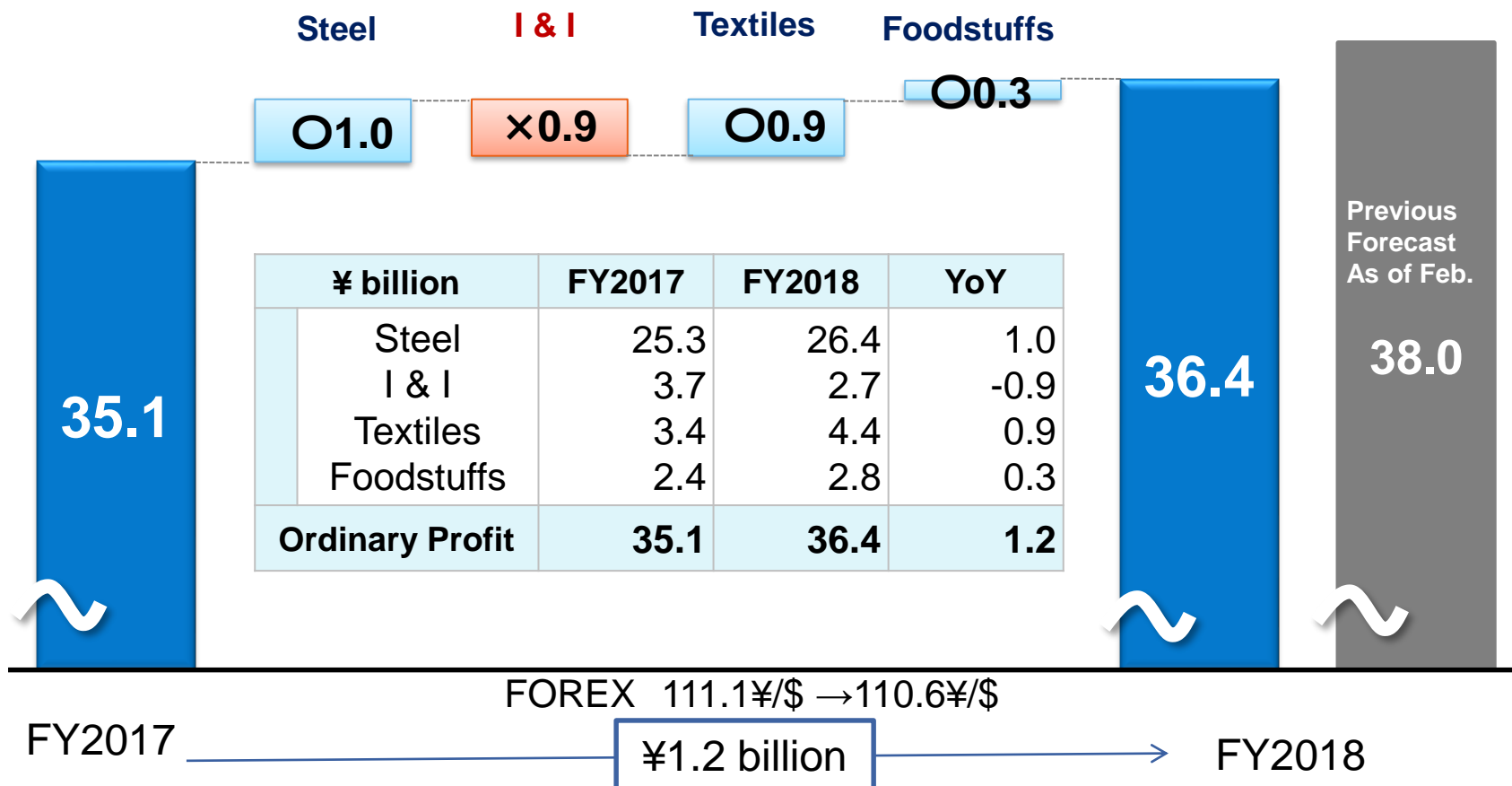


* Profit attributable to owners of parent

Ordinary Profit Variance Analysis [FY2017 vs. FY2018]

- Ordinary Profit Achieved Record-High Levels.

¥ billion



Ordinary Profit Variance Analysis [Steel Div.]



FY2017 —————> Ordinary Profit ¥1.0 billion —————> FY2018

Sales ¥487.9 billion

Consolidated Sales Volume (million tons)

FY2017	FY2018	Change	Transfer	Others
16.55	20.32	3.77	3.53	0.24

NST -0.21
Subsidiary 0.45

ASP

85.6

84.8

88.6

89.6

93.8

95.3

95.7

93.8

2017/1Q

2Q

3Q

4Q

2018/1Q

2Q

3Q

4Q

6

FY2017 87.1

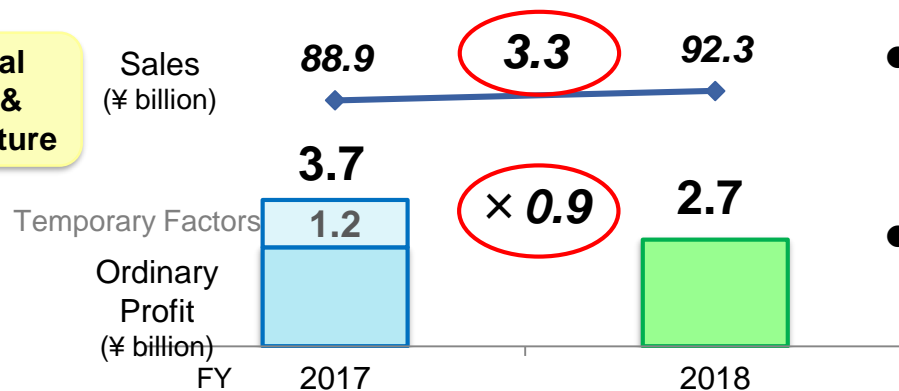
7.5 ¥ thousands per ton

FY2018

94.6

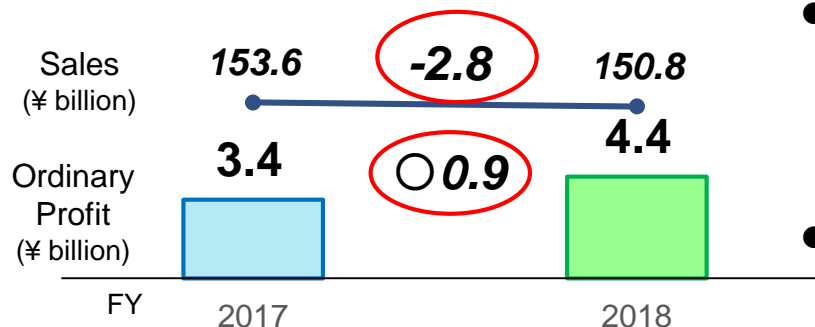
Ordinary Profit Variance Analysis [I & I / Textiles / Foodstuffs Div.]

Industrial Supply & Infrastructure



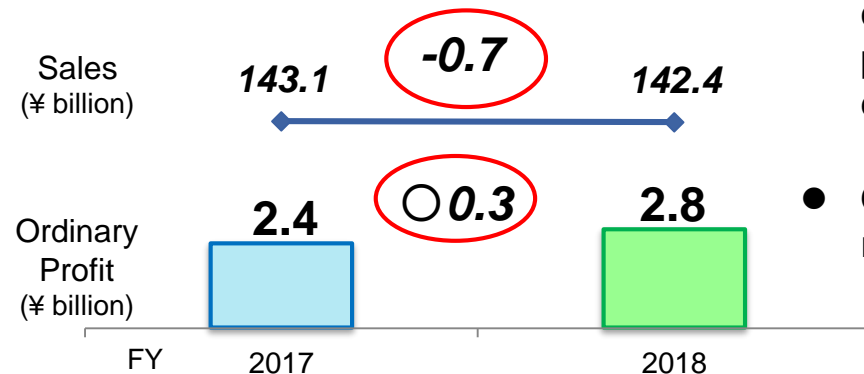
- Handling volume of aluminum increased due to capturing demand for making lighter automobiles and overseas demand.
- OP turned out to be ¥2.7 billion, down ¥0.9 billion, reflecting the absence of a non-recurring profit recorded by equity method affiliate in the previous period.

Textiles



- The management environment continued severe, with the rise of e-commerce and re-use business, while the declining trend in domestic sales of clothing continues.
- OP increased by ¥0.9 billion due to improvement of losses, etc.

Foodstuffs



- Domestic demand for meat products continued to increase supported mainly by progress of shifting of dietary habit to meat eating.
- OP increased by ¥0.3 billion because of recover from lower profit margins for broiler.

FY2019 Forecast

- Aiming to Achieve Record Highs in Both Sales and Profit.
- Dividends will be Increased for Five Consecutive Years

¥ billion	FY2017	FY2018	FY2019 forecast	Change 2019– 2018	Mid-Term Plan 2020
Steel	1,674.9	2,162.9	2,300	137.0	2,370
I & I	88.9	92.3	100	7.7	100
Textiles	153.6	150.8	150	-0.8	170
Foodstuffs	143.1	142.4	150	7.6	160
Sales	2,062.3	2,550.6	2,700	149.4	2,800
Steel	25.3	26.4	29.0	2.6	31.5
I & I	3.7	2.7	2.5	-0.2	3.5
Textiles	3.4	4.4	4.5	0.1	5.5
Foodstuffs	2.4	2.8	3.0	0.2	3.5
Ordinary Profit	35.1	36.4	39.0	2.6	44.0
Net Profit	21.7	23.2	24.0	0.7	26.0
EPS (¥)	702.9	720.7	744.0	23.2	
Divided (¥)	210	220	230	10	
Payment Ratio	29.9%	30.5%	30.9%	0.4%	Over 30%

Return to Shareholders

Policy of
Cash
Dividend

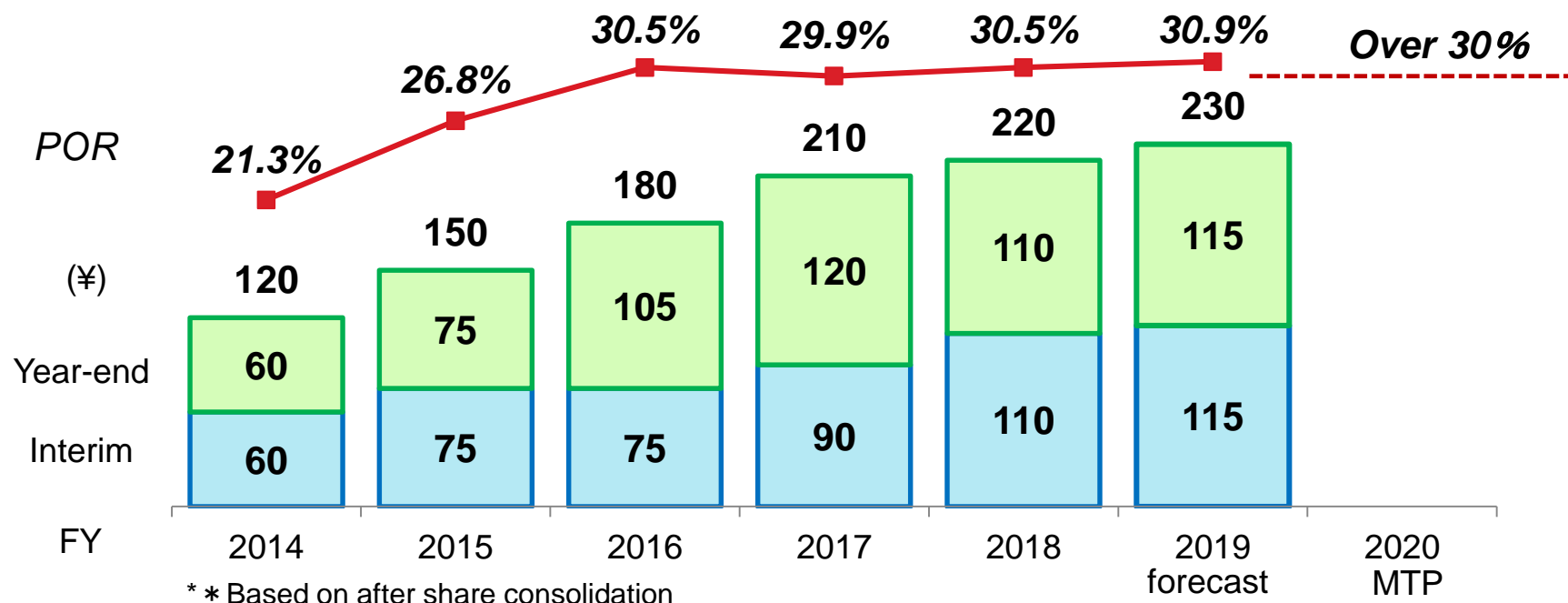
NSSB's most important management goal is to improve profit returns to our shareholders. Our basic dividend policy is to realize dividends that are in line with business results while balancing profit trends and financial conditions. The targeted payout ratio in this Medium-Term Management Plan is over 30%.

FY2018 Dividend

Full Year Dividend ¥220
(Payout Ratio 30.5%)

FY2019 Forecast of Dividend

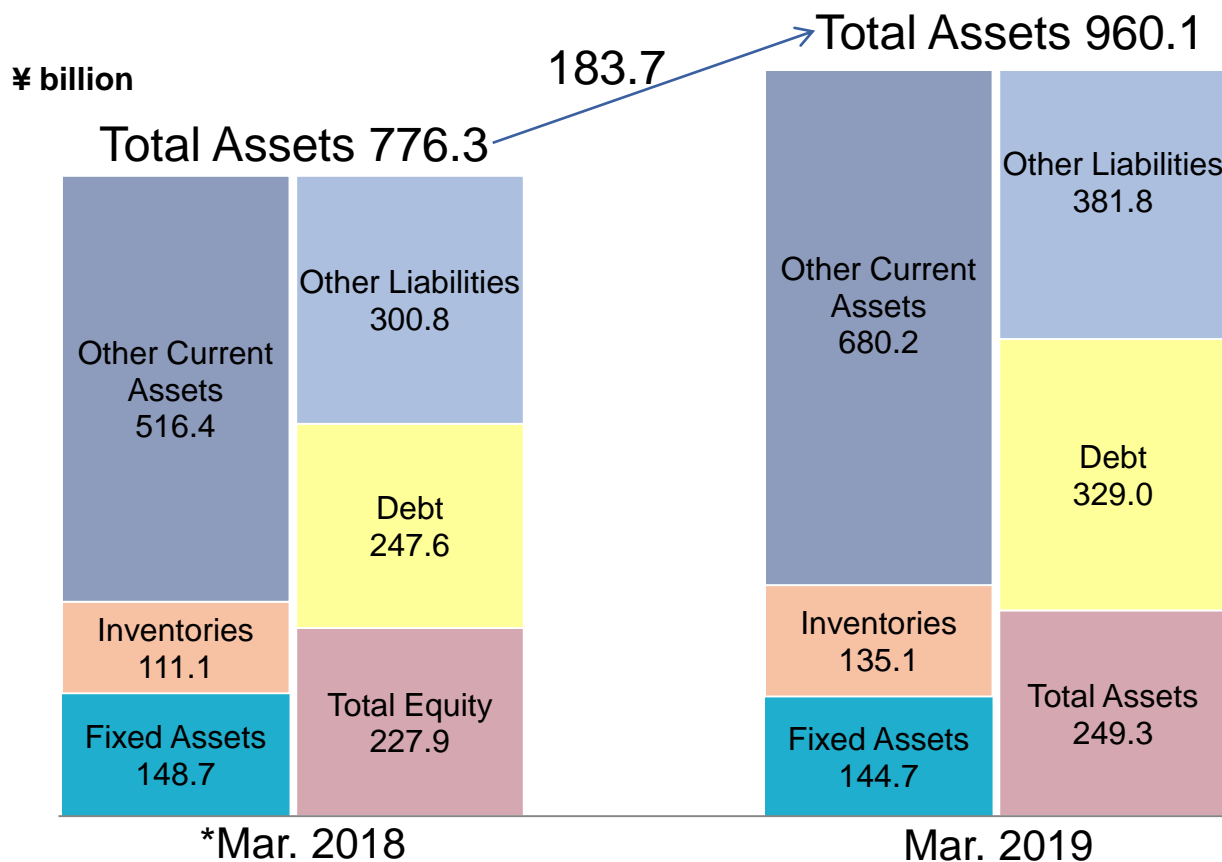
Full Year Dividend ¥230
(Payout Ratio 30.9%)



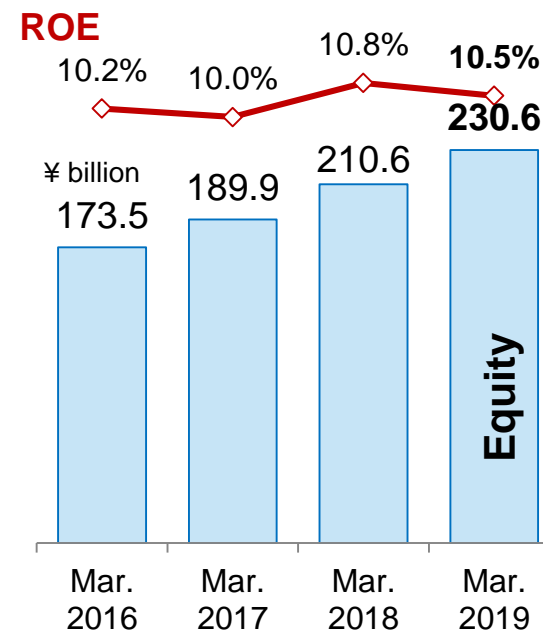
** Based on after share consolidation

Balance Sheets

- Transferred Business Boosted Total Assets
- Indicators Maintained at a Stable Level Despite Being Negatively affected by an Increase in Interest-Bearing Debt.



	Mar. 2018	Mar. 2019
Equity Ratio	*27.1%	24.0%
Net D/E (multiples)0	1.04	1.32



*Effective from the FY2018/1Q, NSSB applied revisions to the accounting standards used in its tax effect accounting system. This also affected B/S shown at the beginning of the previous fiscal year.

Cash Flow

¥ billion		FY2017	FY2018
	Income before income taxes	33.0	33.2
	Depreciation and amortization	5.3	5.3
	Equity in earnings of associated companies	(3.2)	(2.1)
	Others	(1.8)	(5.7)
	Basic Operating Cash Flow	33.3	30.7
	Increase in working capital by growth in sales	(62.9)	(21.4)
	Operating CFs	(29.5)	9.3
	Business transfer from Mitsui	-	(61.8)
	Other Investment	(8.8)	(14.5)
	Investment CFs	(8.8)	(76.3)
	Free CF	(38.3)	(66.9)
	Financing CFs	44.0	63.8
	Changes in cash & cash equivalents	5.8	(3.8)

2. Progress of Medium-Term Management Plan 2020

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.

- **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 Pleasant Workplaces and Rewarding Jobs.**

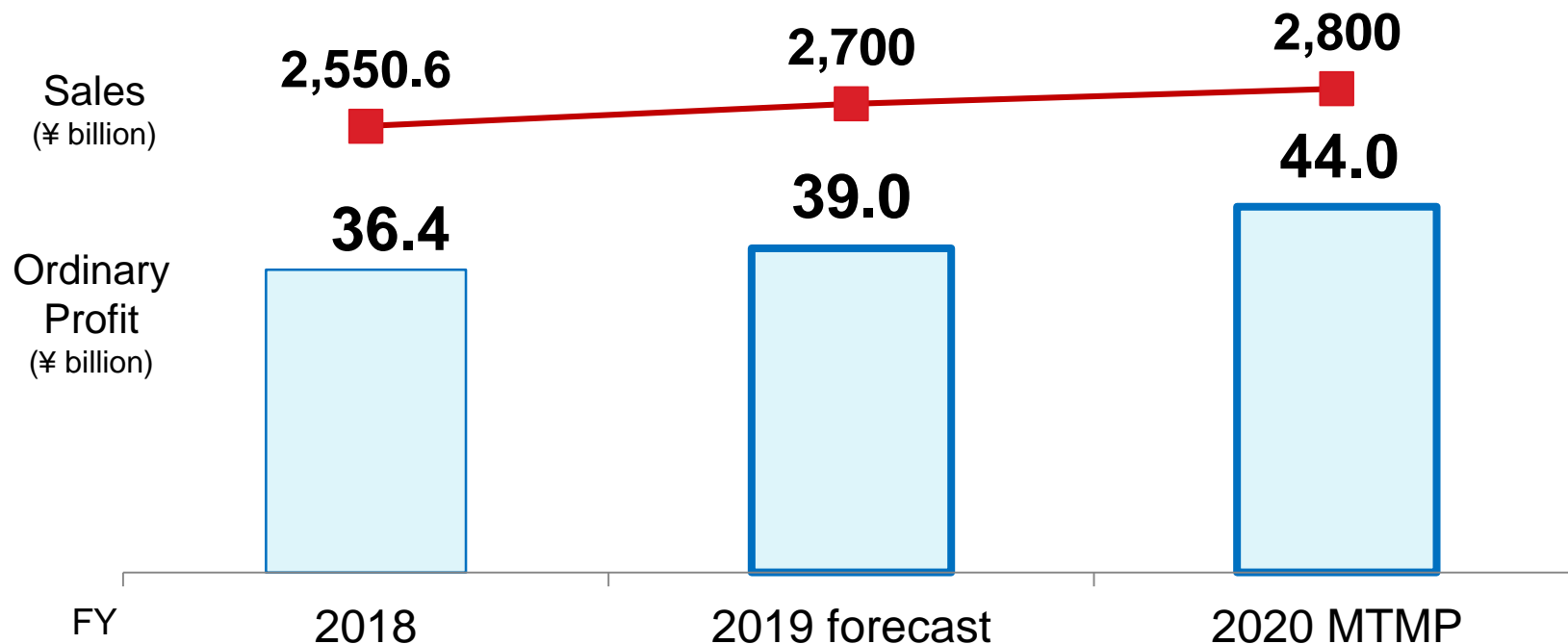
	MTMP 2020
Sales	¥ 2,800 billion
Ordinary Profit	¥ 44 billion
Net Profit	¥ 28 billion

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

	FY2018~FY2020
Investment	Approx. ¥50 billion

	FY2018~
Payout Ratio	Over 30 %

Progress in Financial Targets

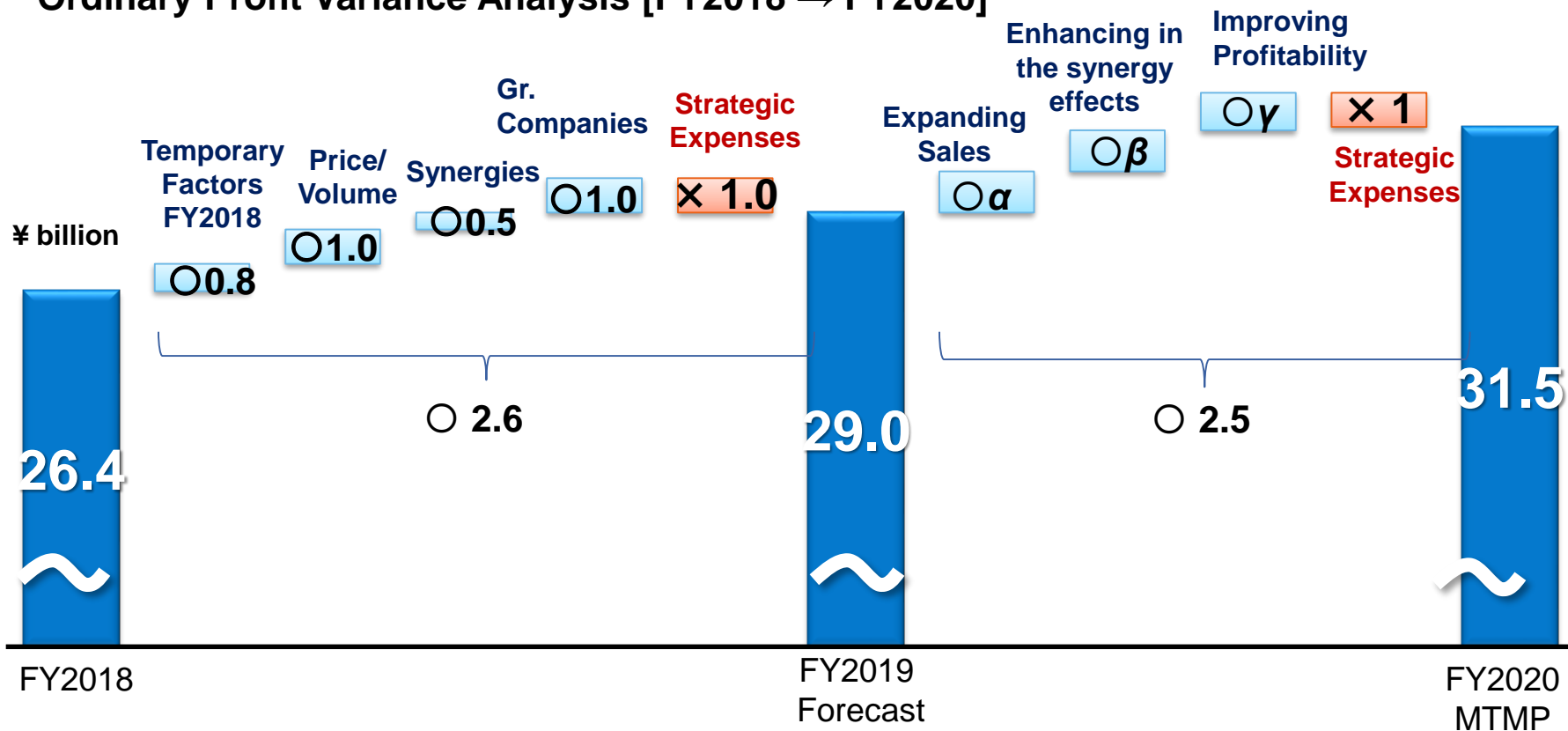


	FY 2018	2019 forecast	2020 MTMP
Total	¥ 36.4 billion	¥ 39.0 billion	¥ 44.0 billion
Steel	26.4	29.0	31.5
I & I	2.7	2.5	3.5
Textiles	4.4	4.5	5.5
Foodstuffs	2.8	3.0	3.5

Steel: MTMP 2020 target



Ordinary Profit Variance Analysis [FY2018 → FY2020]



Consolidated Sales Volume Target (million tons)

	FY2018	FY2019 (e)	FY2020 MTP
Consolidated	20.32	Approx. 22.0	Approx. 24.0
NST	16.47	Approx. 17.0	
Subsidiary	3.85	Approx. 5.0	



α

Expanding Sales

- By the Recovery in Nippon Steel's Domestic Production Volume
- By the New group Companies
- By the Synchronizing with Nippon Steel's Global Expanding Strategies

cf.) Crude Steel Production of Nippon Steel

FY2018 41 million tons → FY2020(plan) 45 million tons

- New subsidiary “Nihon Teppan”
- Building the new steel service center in Huston
- Investing QH-PLUS, a major local distributor in Vietnam

β

Enhancing in the Synergy Effects

- To be Created between Mitsui
- To be Created between Nihon Teppan

- Expanding sales in Mitsui's overseas projects.
- Reducing logistics costs, etc.

- Reducing cost in the business bases and service centers

γ

Improving Profitability

- In the Domestic Steel Service Center Network by Rising Utilization
- In the Back-Office Cost by Utilizing IT Solutions.
- In the Group Companies

- Collaboration with “Summit Steel”, subsidiaries of Sumitomo Corporation

- Development service center network system, EDI, and RPA, etc.

Number of Subsidiaries
in red

FY2018	FY2019 (Plan)
13	3

Total Number of Subsidiaries in Steel Div.

61

Building the New Steel Service Center in Houston



- Capture Demand Flat Rolled Steel Market that is Shifting from Imported Materials to U.S. Domestic Materials.
- Enter the Market in the Southern U.S. where Demand Growth is Expected.

Company name	NSPS Metals
Location	Houston, Texas, USA
Established	November 2018
Capital	US\$18.6 million
Equipment investment	Approx. US\$29 million

Equipment	Slitter × 1, Leveler × 2, Mini Leveler × 1
Production capacity	Starting from 100,000 tons/year
Shareholder structure	NST AMERICAS 70% Pacesetter Steel Service 30%
Operation Start	November 2019 (Planned)

Steel Service Center Network in North America



Improving Profitability in Domestic Steel Service Centers

- “NSM Coil Center” (Subsidiary of NST) and “Summit Steel” (subsidiary of Sumitomo Corporation) Formed their New-Alliance for Strengthening Competitiveness through Regional Complementation



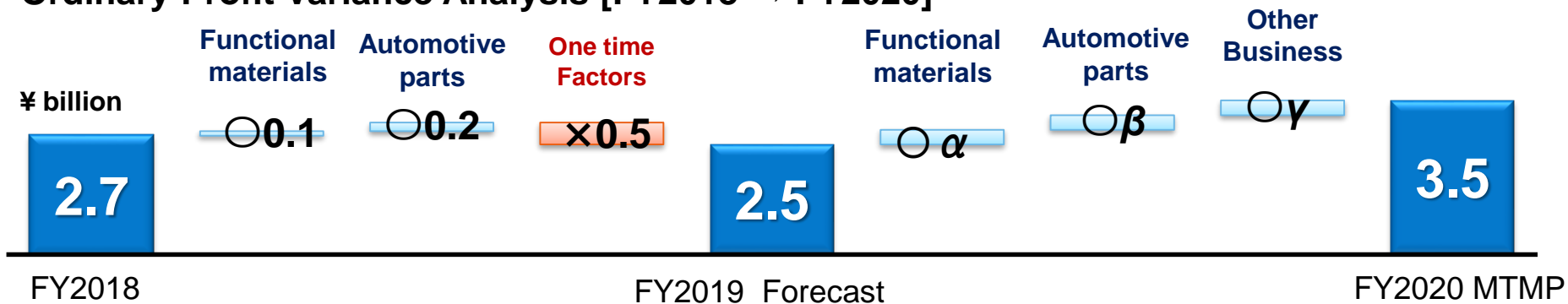
- Relocated NST Coil Center (Subsidiary of NST) to inside Nakayama Steel Works
- Enable to Utilize Facilities of Nakayama



Nakayama Steel Works (Osaka)



Ordinary Profit Variance Analysis [FY2018 → FY2020]



α

Expand Sales in Functional Materials (Aluminum, Carbon Fiber, Resin, etc.)

Primary Aluminum Production International Aluminum Institute

Million tons	2010	2012	2014	2016	2018
World	42.4	49.2	54.6	59.9	64.3

Sales Volume of Rolled Aluminum Products in NST Group
(FY2017) 78 thousand tons → (FY2018) 118 thousand tons

Carbon Fiber Production in Japan

Thousand tons	2014	2015	2016	2017	2018
Japan	17.2	17.7	18.9	18.5	18.7

Sales Volume of Carbon Fiber Products in NST Group
(FY2017) 0.6 thousand tons → (FY2018) 1.7 thousand tons

β

Improve Profitability in Automotive Parts Business

Million Unit	2016	2017	2018
China	28.1	29.0	27.8
USA	12.2	11.2	11.3
Japan	9.2	9.7	9.7
Korea	4.2	4.1	4.0
World	95.0	97.3	95.6

Global Share in Headrest Stay of NST Group
(FY2018) 14.4% → (FY2020) 17.0%

γ

Expand Export in Automation Facilities for Industrial / Commercial-Use Kitchens

Development of the industrial park business in Mexico and Vietnam

Aluminum Rolled Products Business in NST



✓ Broder Customer Base

Packaging, Automotive, Ship, Aircrafts, Railway Parts, Electrical Machinery, etc.

✓ Providing Solution for Multi-Material Needs

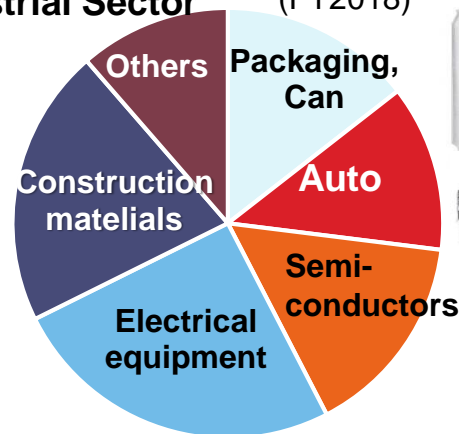
- Collaborate with Steel Business
- Extensive Supply chain in Materials, such as Steel, Aluminum, Carbon Fiber and Resin.

✓ Utilizing Aluminum Service Center Network

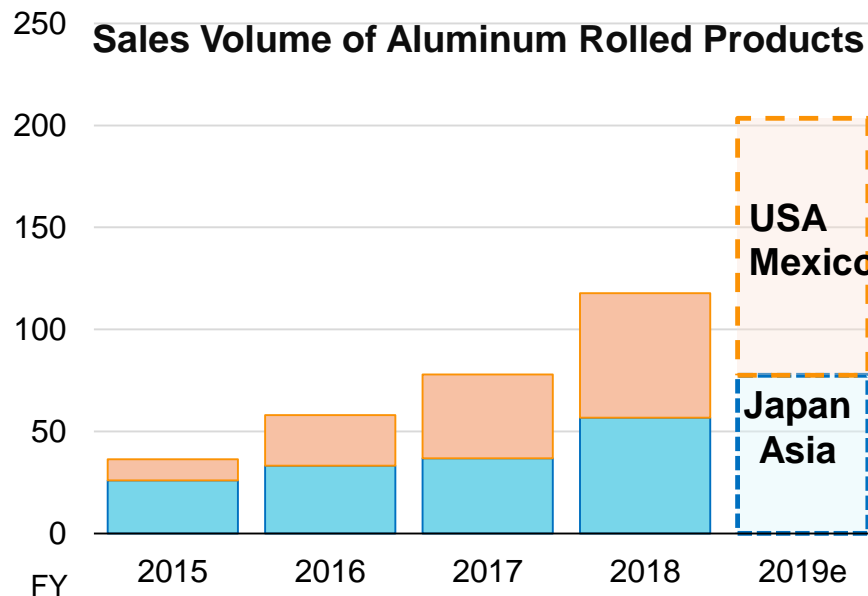
Location: Japan 2, China 3, ASEAN 2, USA 1



Aluminum Rolled Products Sales in NST by Industrial Sector (FY2018)

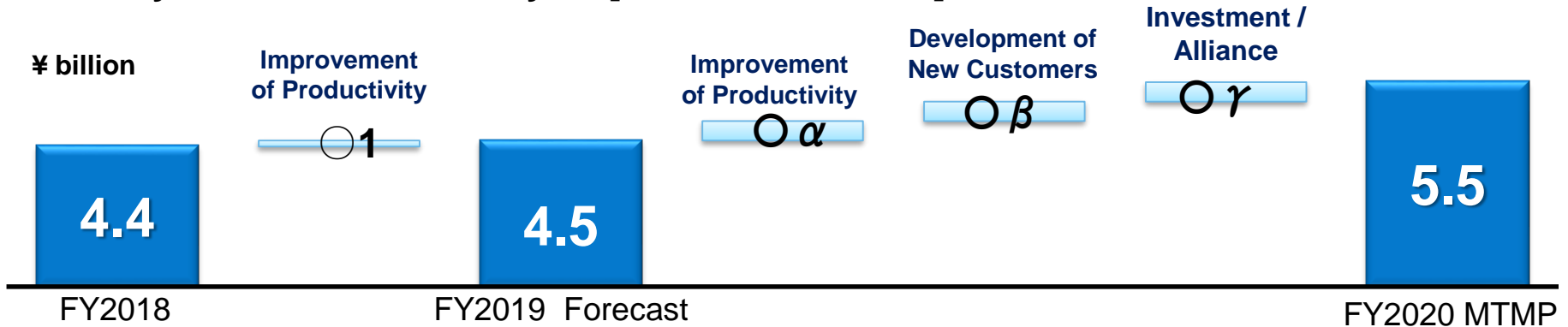


Thousand tons





Ordinary Profit Variance Analysis [FY2018 → FY2020]



Challenging Environment

- Change in Consumer Buying Behavior in Fashion Retailing

Apparel Market in Japan

	1990	2015	2018
Sales (¥ trillion)	15	10	9
Pairs (billion)	2	4	

E-commerce in Apparel Retailing

(2015) 8~9% → (2018) Approx. 12%

- Change in the Customer Ordering Trend in OEM/ ODM Business

Conventional) Mass Stocking : “Regular Price” → “Bargain Sale” → “Outlet”
 Currently) Smaller lot / Quick Delivery

α Improvement of Productivity in OEM/ODM Business

- Utilizing digital technologies
- Partnering with Star-Up Companies
- Improving Order Entry Operation

β Development of New Customers

- Develop new customers by promoting our environmentally friendly production system

γ Investments / Alliance in Strategic Markets

Partnering with Start-Up Companies



Invested in Start-UPS ” Makip” and “SYMBOL”



- Improve E-Commerce Site Creation Efficiency by Using AI and Image Analysis Technology

✓ Apply Image Analysis Technology to Apparel Production



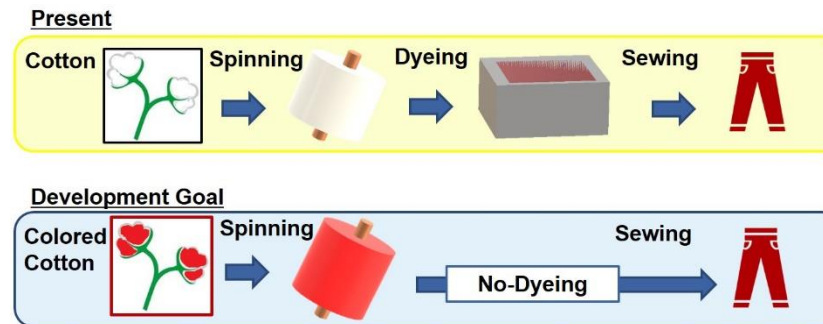
- Development of 3D Scanning and Real Size Virtual Fitting Systems for the Apparel

✓ Apply 3D technology to Custom-Made Apparel production

Develop New Customers by Promoting Our Environmentally Friendly Production System

Development of Colored Cotton in India

Started Joint Research the Punjab Agricultural University in India, Aiming to Produce and Supply Environmentally Friendly Clothing by Omitting the Dyeing Process

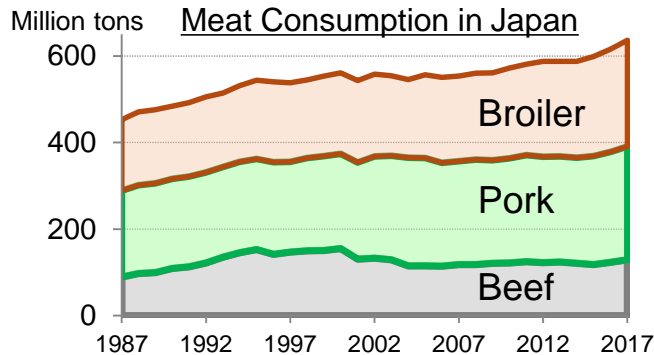




Ordinary Profit Variance Analysis [FY2018 → FY2020]



✓ Strong Demand Growth



Meat Consumption in the World (OECD)

Million tons	2014	2015	2016	2017	2018	2019	2020
World	66.3	66.8	68.0	69.1	70.9	72.1	72.9

α **Strengthening Sales to Market-end Retailers (Supermarkets, Restraint Chain)**

- Direct sales team
- Nebraska Beef Campaign

β **Enhancing Domestic Sales by M&A**

γ **Expanding overseas sales**

• Overseas sales ratio
 FY2018 11% → FY2020 Target 15%

- ✓ Strengthen Relationships with Suppliers to Reinforcing Procurement Capability

Human Resources Exchange
 Financial Support

Campaign of “Captain Beef”



- ✓ NST develop a campaign of creating a brand called “Captain Beef” out of beef produced in Nebraska in the U.S., which is grown in ideal environment at the center of the rich Corn Belt area.
- ✓ Building a stable supply system by purchasing from multiple packers including Top 3 in the US.



Expansion of Dividend through Steady Earnings Growth

¥ billion	FY2018	Change	FY2019 Forecast	Change	FY2020 MTMP
Ordinary Profit	36.4	○ 2.6	39.0	○ 5.0	44.0
Net Profit	23.2	○ 0.8	24.0	○ 2.0	26.0
EPS(¥)	721	○ 23	744	○ 62	806
Payout Ratio	30.5 %		30.9 %		Over 30 %
Dividend (¥)	220	○ 10	230		
ROE	10.5 %				Approx. 10%
Net D/E (Multiple)	1.32				Approx. 1.0

Maintaining Strong Financial Position

3.Appendix

FY2018 Results

¥ billion	FY2017		<Prev. Forecast>				YoY	
	H2		H1	Q3	Q4	H2		FY2018
Sales	1,071.1	2,062.3	1,239.5	662.8	648.1	1,311.0	<2,500> 2,550.6	488.2
(ratio) Overseas Sales	(26.8%) 286.8	(26.8%) 553.6	(27.4%) 339.6	(27.4%) 181.7	(24.7%) 160.2	(26.1%) 341.9	(26.7%) 681.6	(-0.1%) 127.9
(ratio) Gross Profit	(6.3%) 67.7	(6.4%) 131.3	(5.9%) 72.7	(5.7%) 37.8	(5.7%) 37.0	(5.7%) 74.9	(5.8%) 147.6	(-0.6%) 16.2
Operating Profit	17.5	32.3	17.7	9.3	9.1	18.4	<38.0> 36.1	3.8
Equity Method Income	1.1	3.2	1.1	0.7	0.2	0.9	2.1	-1.0
Ordinary Profit	18.0	35.1	18.0	9.4	8.9	18.4	<38.0> 36.4	1.2
Extraordinary Profit (Loss)	(1.8)	(2.1)	0.9	(2.4)	(1.6)	(4.0)	(3.1)	-0.9
Total Income Taxes	4.8	9.8	5.4	0.8	2.6	3.5	8.9	-0.8
Profit Attributable to Non- Controlling Interests	0.8	1.4	0.5	0.1	0.4	0.5	1.0	-0.3
Net Profit	10.4	21.7	12.9	5.9	4.3	10.2	<23.5> 23.2	1.5
EPS (¥)	336.89	702.86	401.41	185.52	133.76	159.64	720.68	17.82
Dividend (¥)	120	210	110			110	<220> 220	10

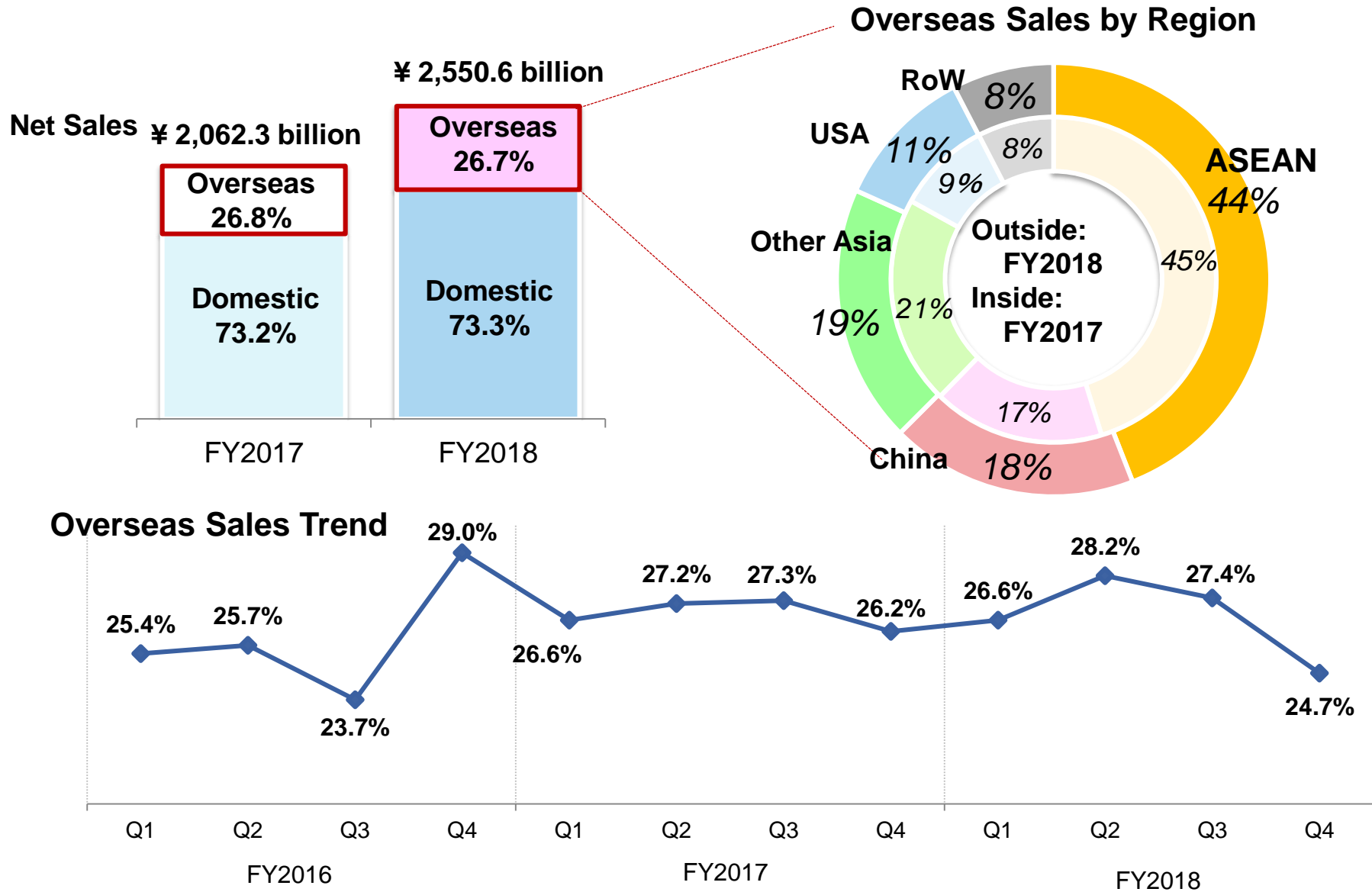
Extraordinary Profit (Loss)

¥ billion	FY2017	FY2018		YoY
		H1	H2	
Gain on sales of non-current assets	0.43	-	-	× 0.43
Gain on sales of investment securities	0.12	0.11	0.91	○ 0.89
Gain on bargain purchase	-	1.32	0.73	○ 2.05
Total Extraordinary Profit	0.55	1.43	1.64	○ 2.51
Loss on sales of non-current assets	-	0.06	-	× 0.06
Impairment loss	0.97	-	-	○ 0.97
Loss on sales of investment securities	0.03	-	0.21	× 0.18
Loss on valuation of investment securities	0.62	-	3.68	× 3.06
Loss on sales of investments in capital	-	-	0.04	× 0.04
Loss on valuation of investments in capital	-	0.17	0.19	× 0.36
Loss on liquidation of subsidiaries and associates	1.12	0.27	0.10	○ 0.76
Loss on business of subsidiaries and associates	-	-	1.49	× 1.49
Total Extraordinary Losses	2.74	0.50	5.70	× 3.47
Extraordinary Profit (Loss)	(2.18)	0.92	(4.06)	× 0.95

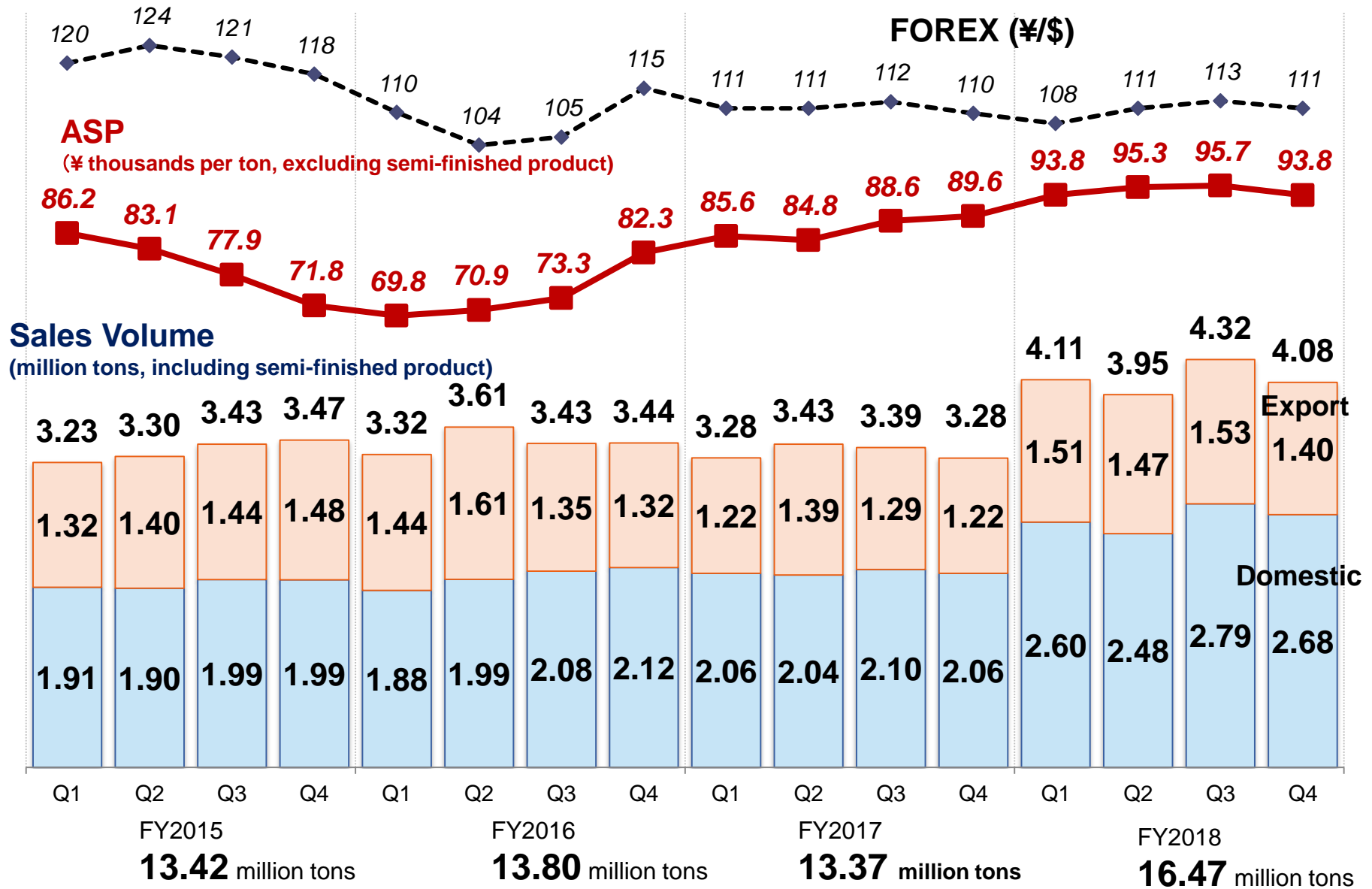
Sales and Ordinary Profit by Quarter

¥ billion	FY2016				FY2017				FY2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Steel	323.0	347.2	358.1	419.9	389.6	413.8	435.1	436.3	519.4	528.9	561.3	553.2
I & I	21.4	20.2	19.5	25.1	22.1	22.2	22.3	22.2	22.4	23.0	24.3	22.5
Textiles	37.3	39.4	40.4	43.5	36.1	36.6	39.3	41.5	35.3	38.8	37.3	39.3
Foodstuffs	36.3	36.5	35.9	35.3	34.6	35.0	38.4	35.0	34.8	36.0	39.4	32.1
Others	0.3	0.5	0.3	0.2	0.4	0.4	0.3	0.3	0.3	0.4	0.3	0.8
Sales	418.5	444.1	454.4	524.2	483.0	508.1	535.6	535.5	612.3	627.2	662.8	648.1
Steel	3.8	4.2	5.2	6.3	6.3	6.3	6.7	5.9	7.4	6.3	7.0	5.5
I & I	0.7	0.4	0.4	0.5	1.4	0.7	0.7	0.7	0.7	0.6	0.8	0.4
Textiles	1.6	0.8	1.1	1.8	0.9	0.0	0.7	1.7	0.9	0.7	0.5	2.1
Foodstuffs	0.9	0.7	0.7	0.8	0.7	0.4	0.6	0.5	0.5	0.7	0.7	0.6
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	0.3	0.1	0.0
Ordinary Profit	7.2	6.3	7.7	9.5	9.5	7.5	8.9	9.0	9.1	8.8	9.4	8.9

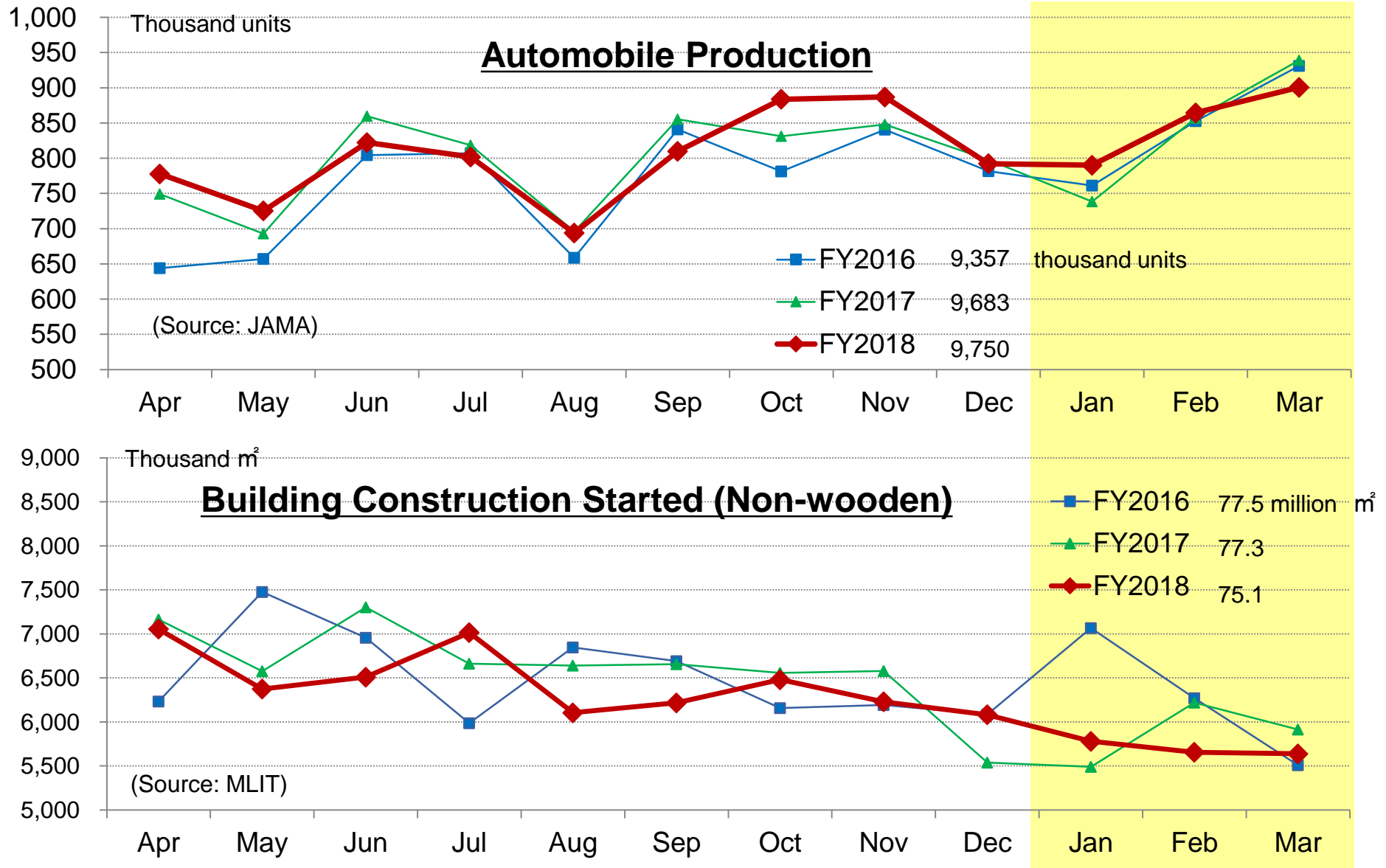
Overseas Sales



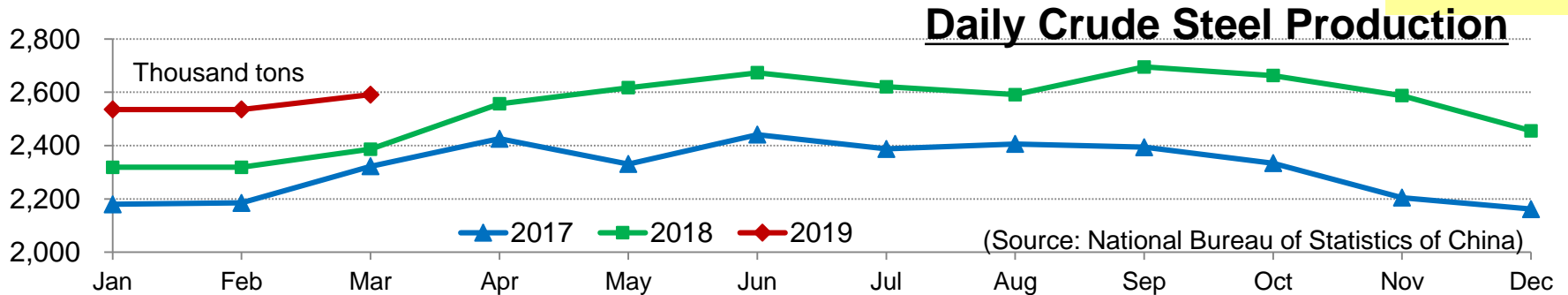
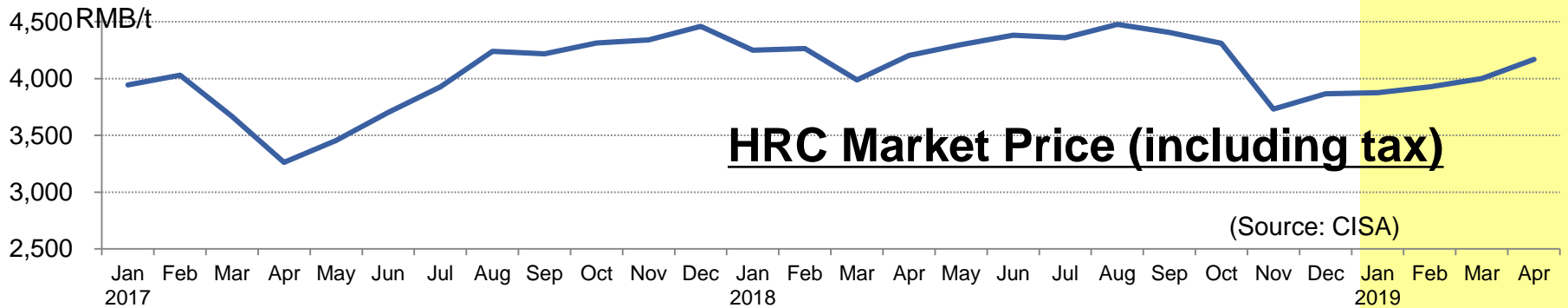
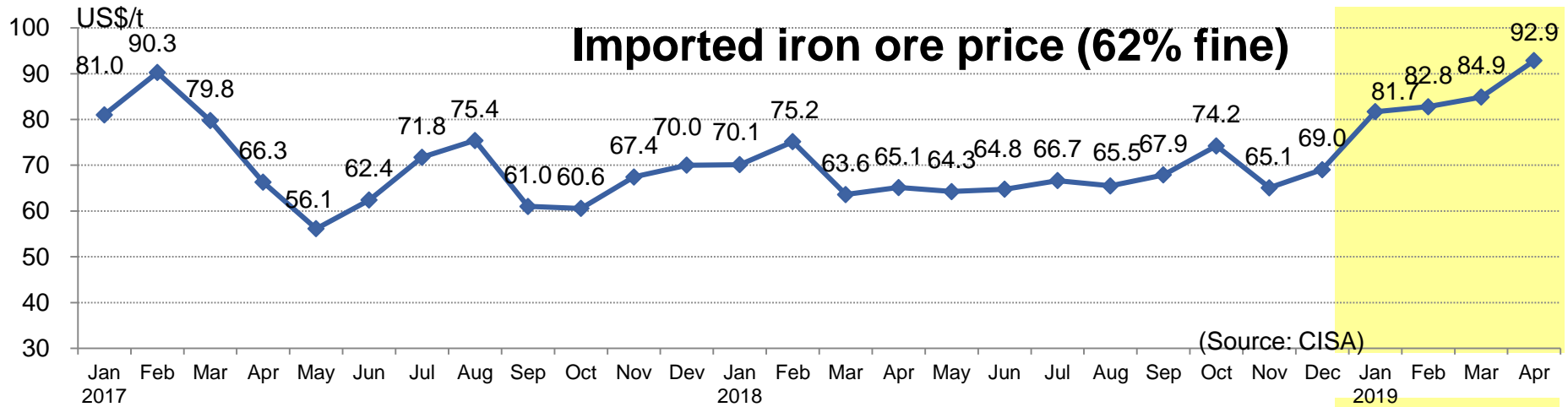
Non-Consolidated Sales Volume and ASP of Steel by Quarter



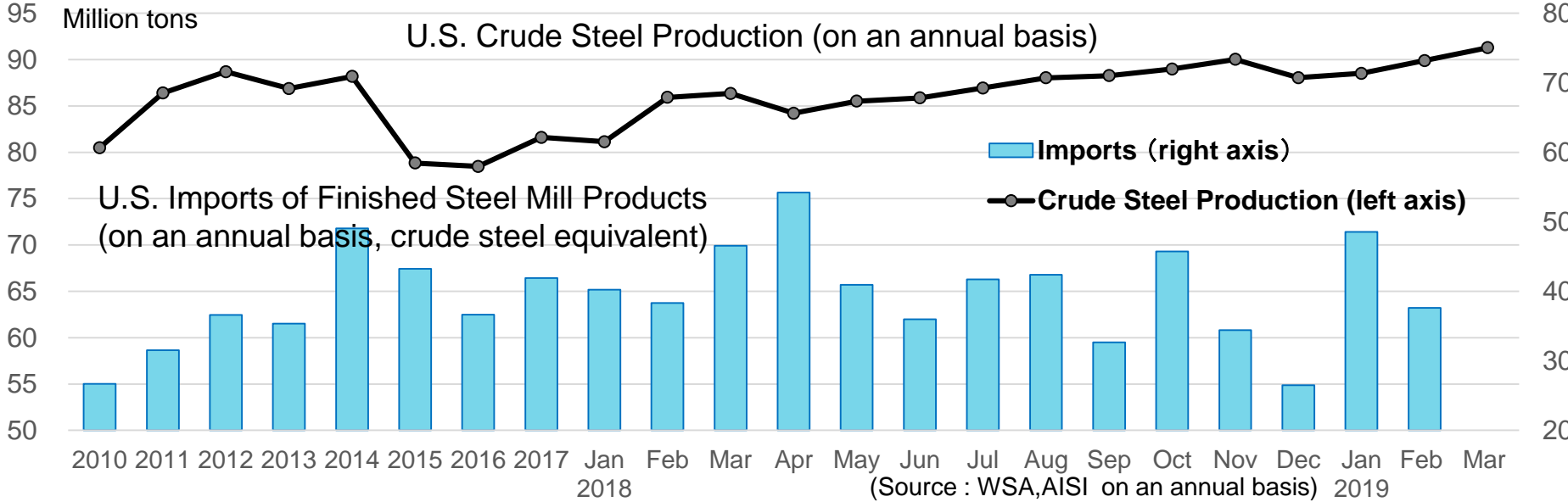
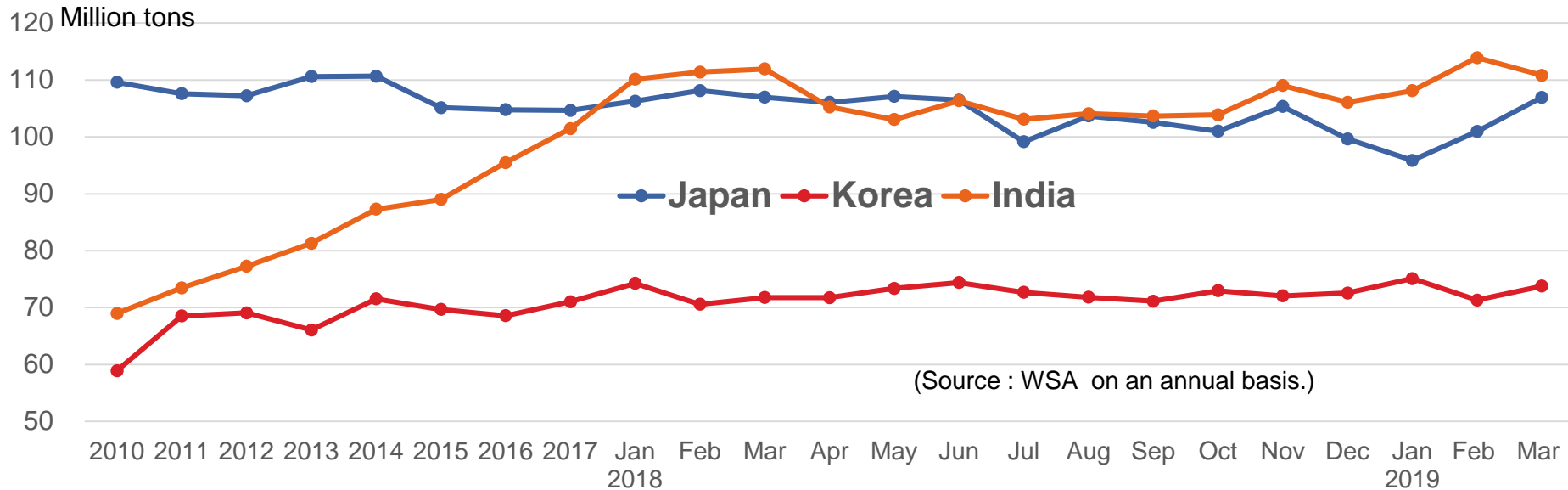
Domestic Demand Trend for Steel



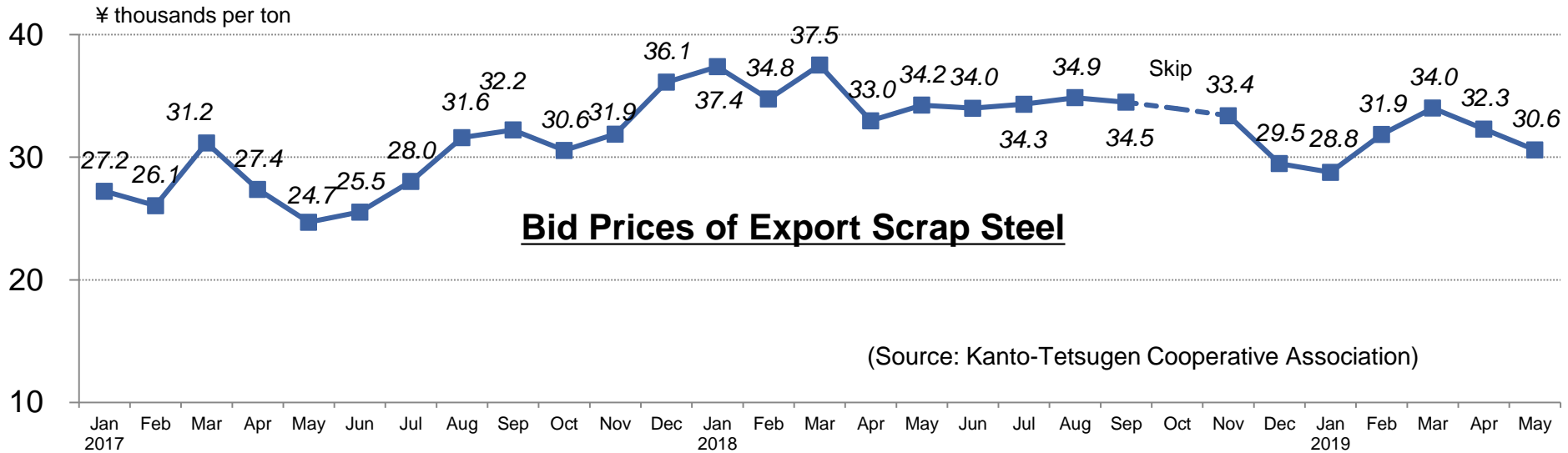
Steel Market in China



Crude Steel Production by Country

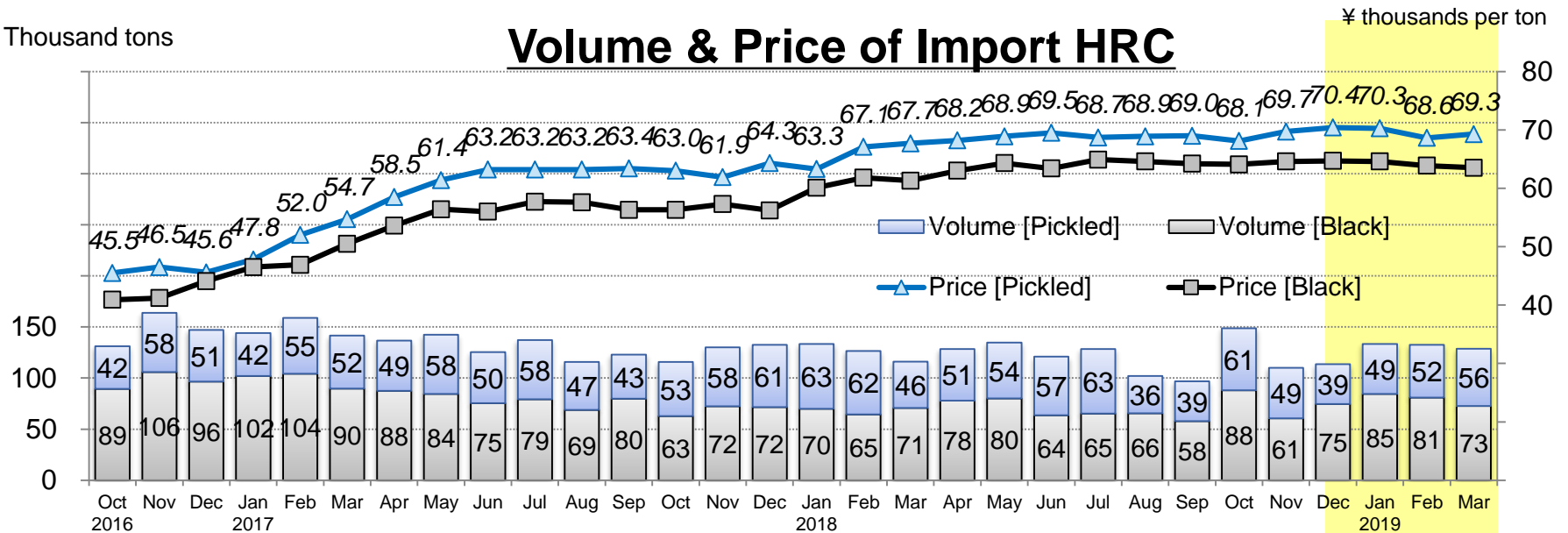


Steel Demand in Japan



Thousand tons

Volume & Price of Import HRC



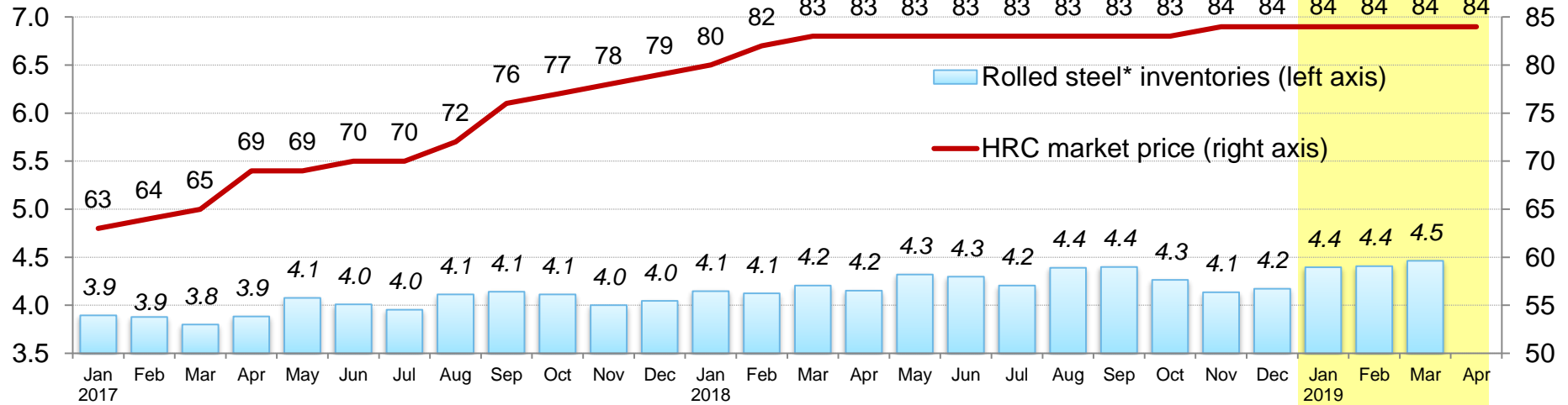
Steel Market in Japan



(Million tons)

Rolled Steel Inventory and HRC Market Price

(¥ thousands per ton)

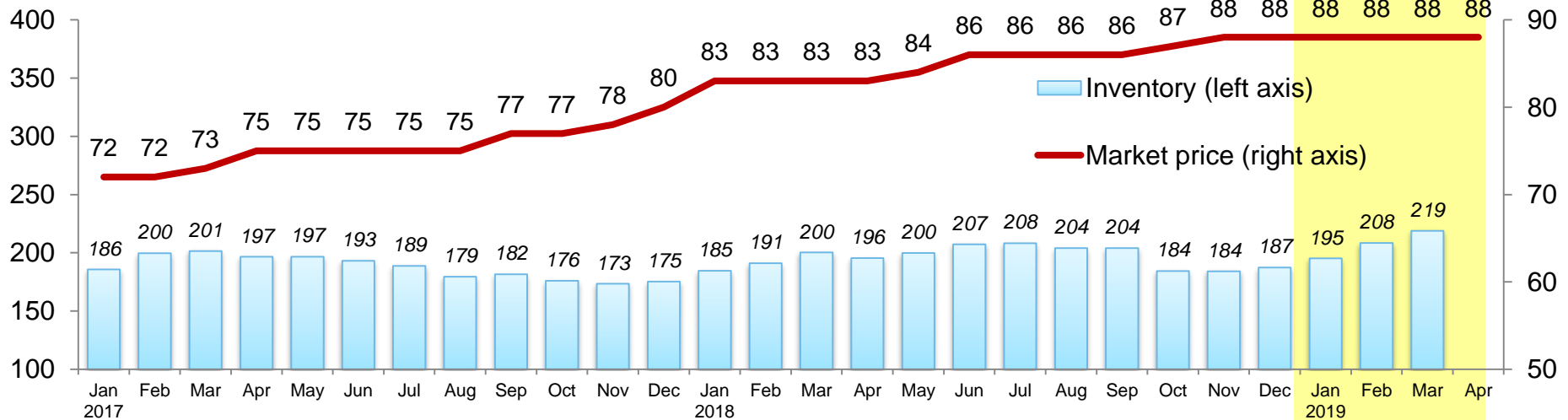


(Source: Japan Metal Daily *Rolled steel: Hot-rolled, cold-rolled, and coated sheets)

(Thousand tons)

H-beam Inventory and Market Price

(¥ thousands per ton)



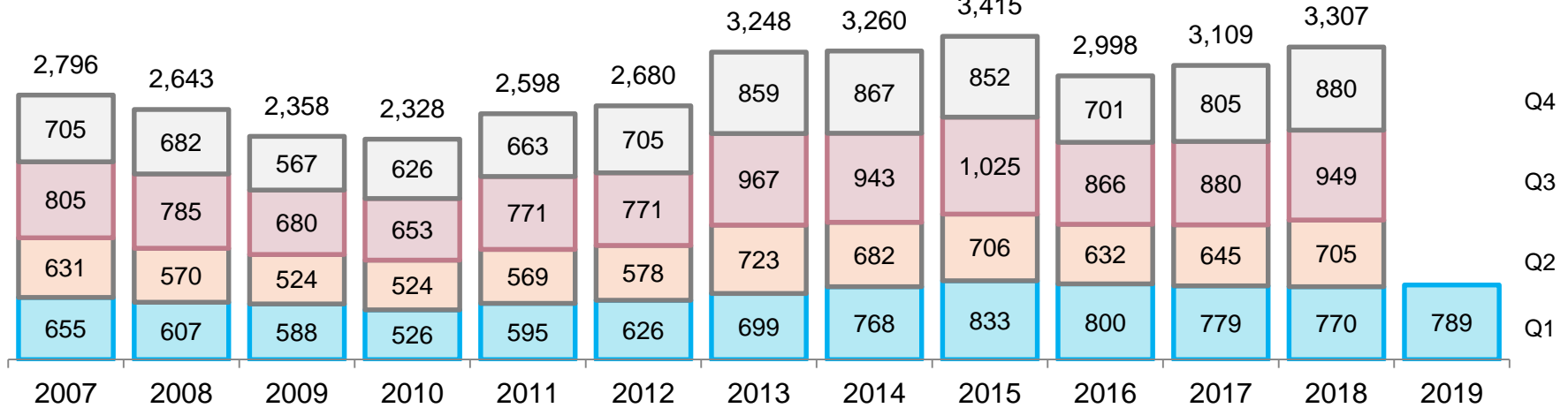
(Source: Japan Metal Daily)



Import Trend of Apparel and Clothing Accessories

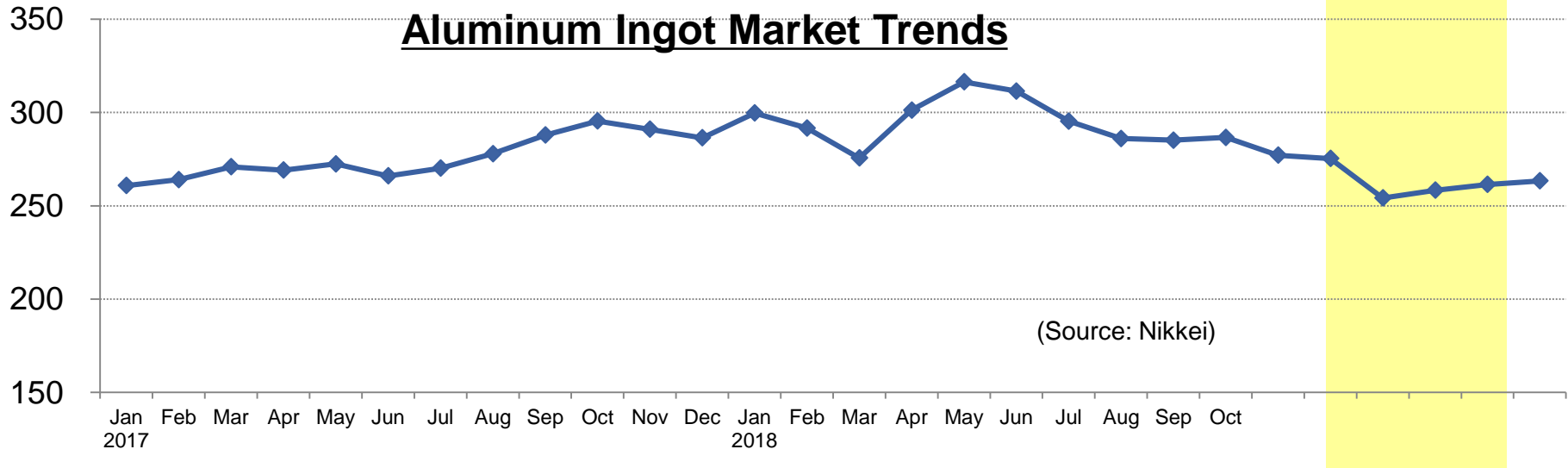
(Source: Customs)

¥ billion



¥ thousands per ton

Aluminum Ingot Market Trends



(Source: Nikkei)

Global Meat Consumption



101 Kg per capita

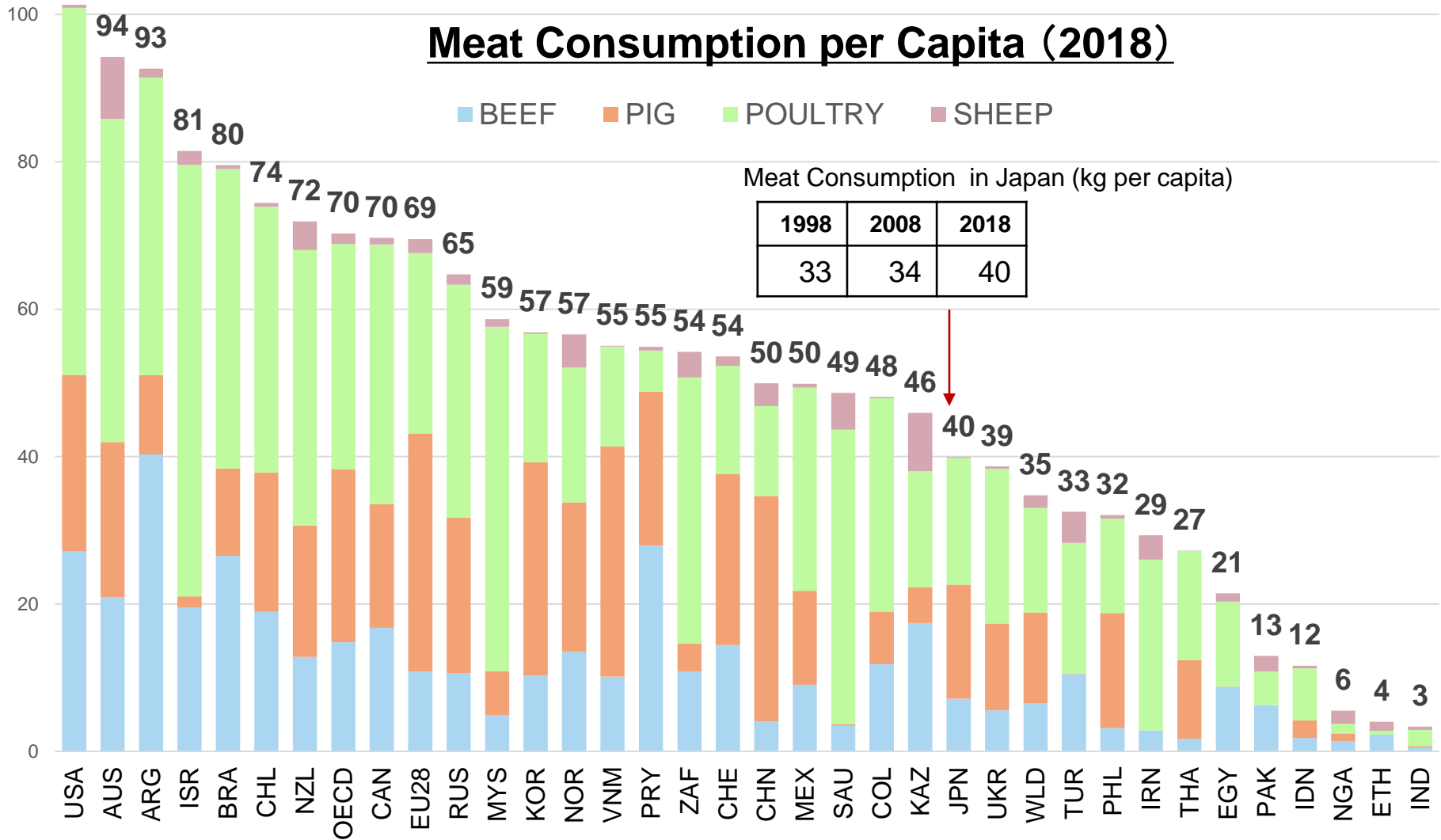
(Source) OECD

Meat Consumption per Capita (2018)

■ BEEF ■ PIG ■ POULTRY ■ SHEEP

Meat Consumption in Japan (kg per capita)

1998	2008	2018
33	34	40



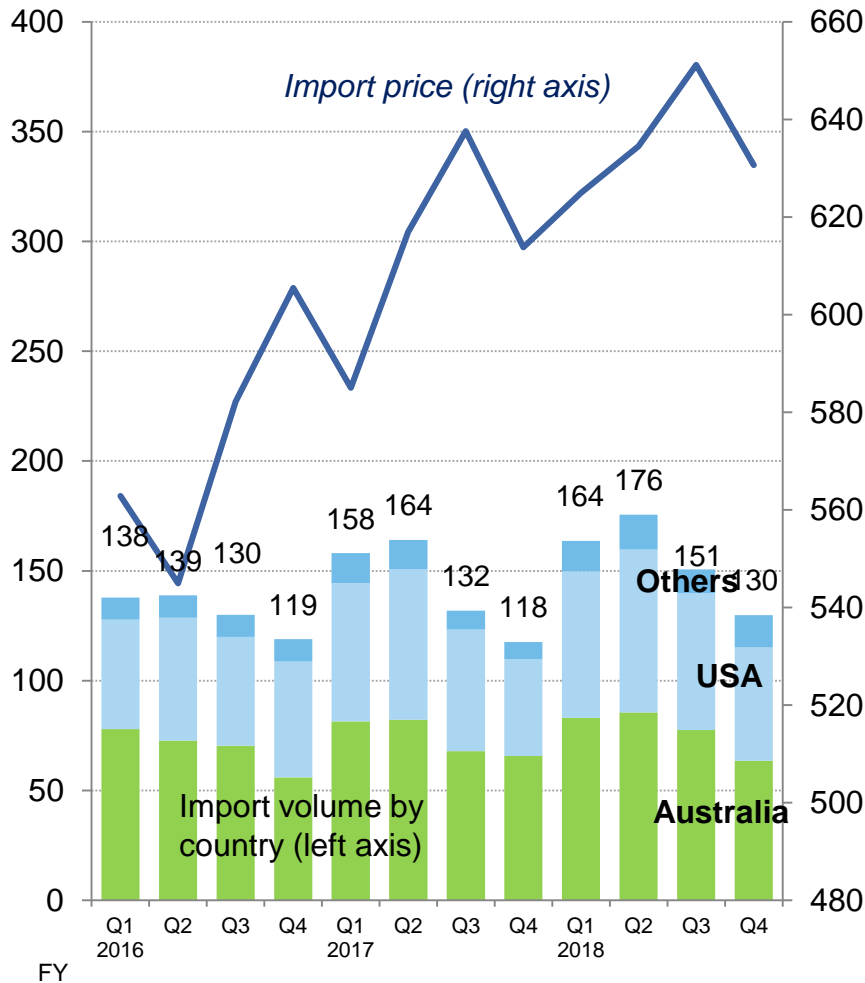
Import Price and Volume Trend of Meats (1)



Beef



(Thousand tons)

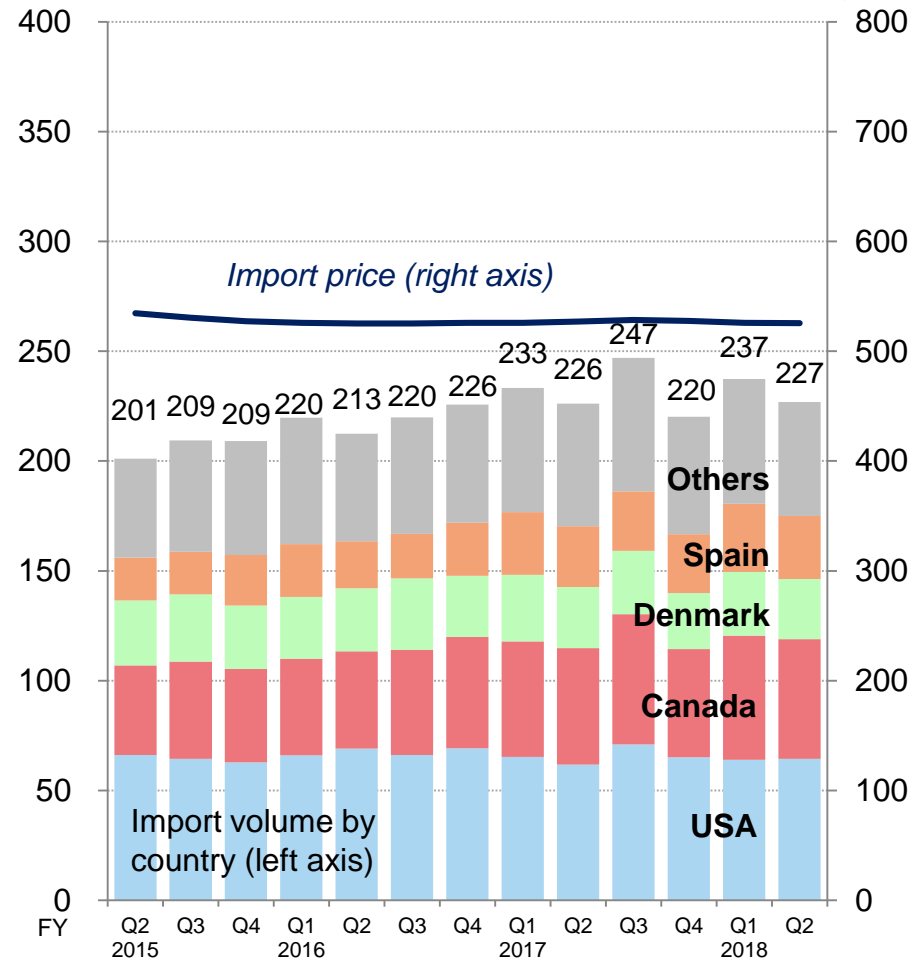


(Source: Customs)

Pork

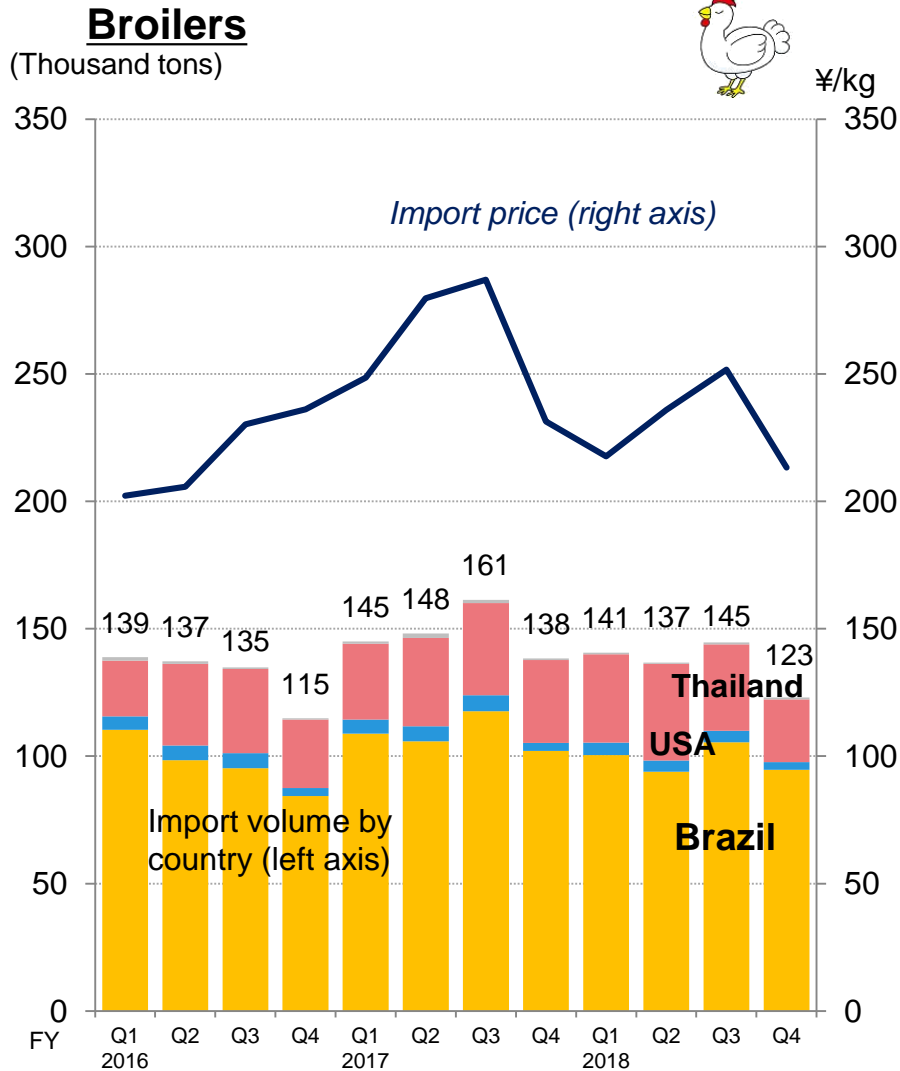


(Thousand tons)

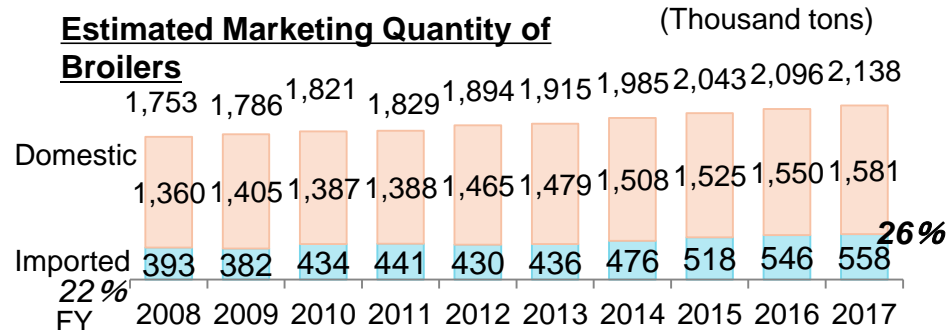
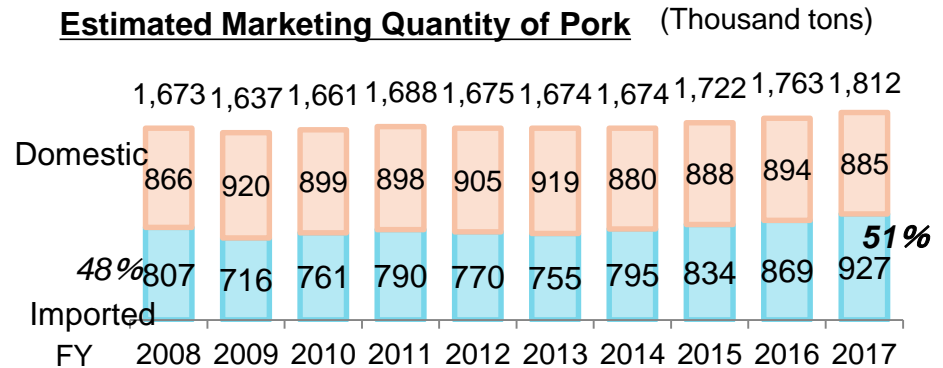
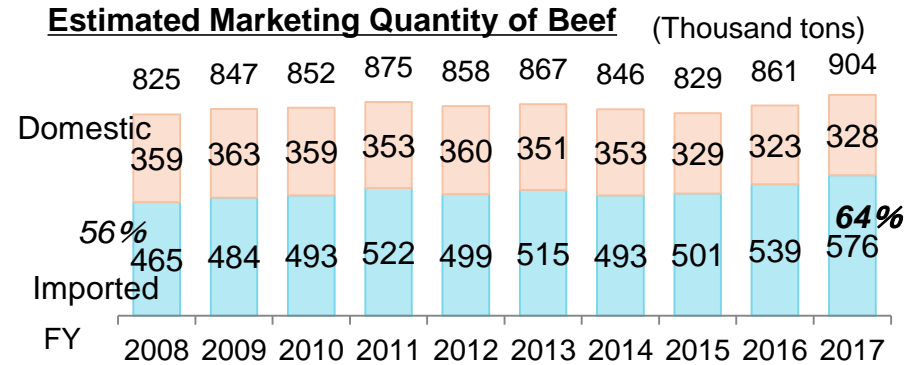


(Source: Customs)

Import Price and Volume Trend of Meats (2)



(Source: Customs)



(Source: Agriculture & Livestock Industries Corporation)

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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NIPPON STEEL TRADING