



First Half Results Summary and Progress of Medium-Term Management Plan 2020

November 22, 2018



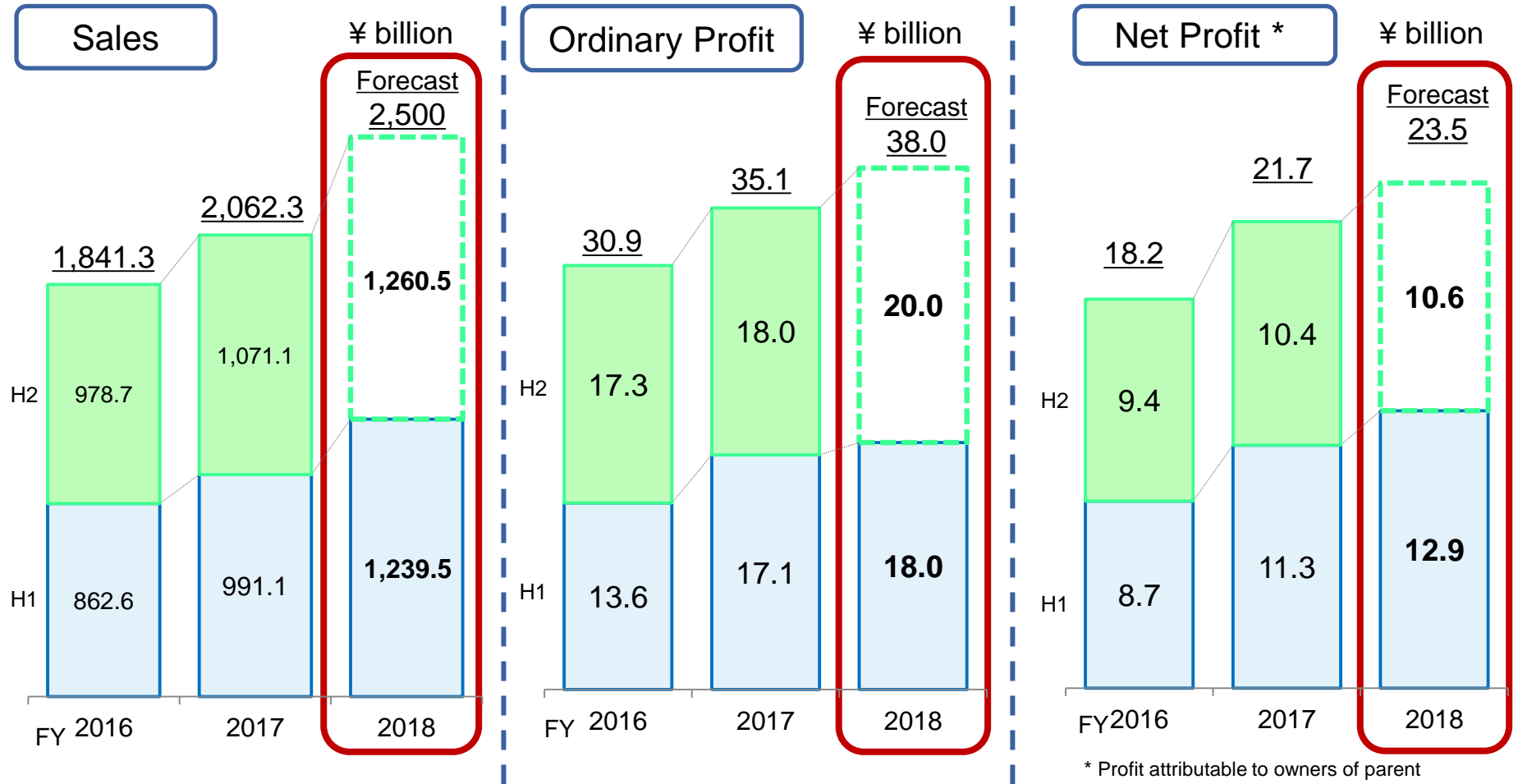
**NIPPON STEEL & SUMIKIN BUSSAN
CORPORATION**

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

1. FY2018 First Half Results & FY2018 Forecast

Highlight: FY2018/H1 Results

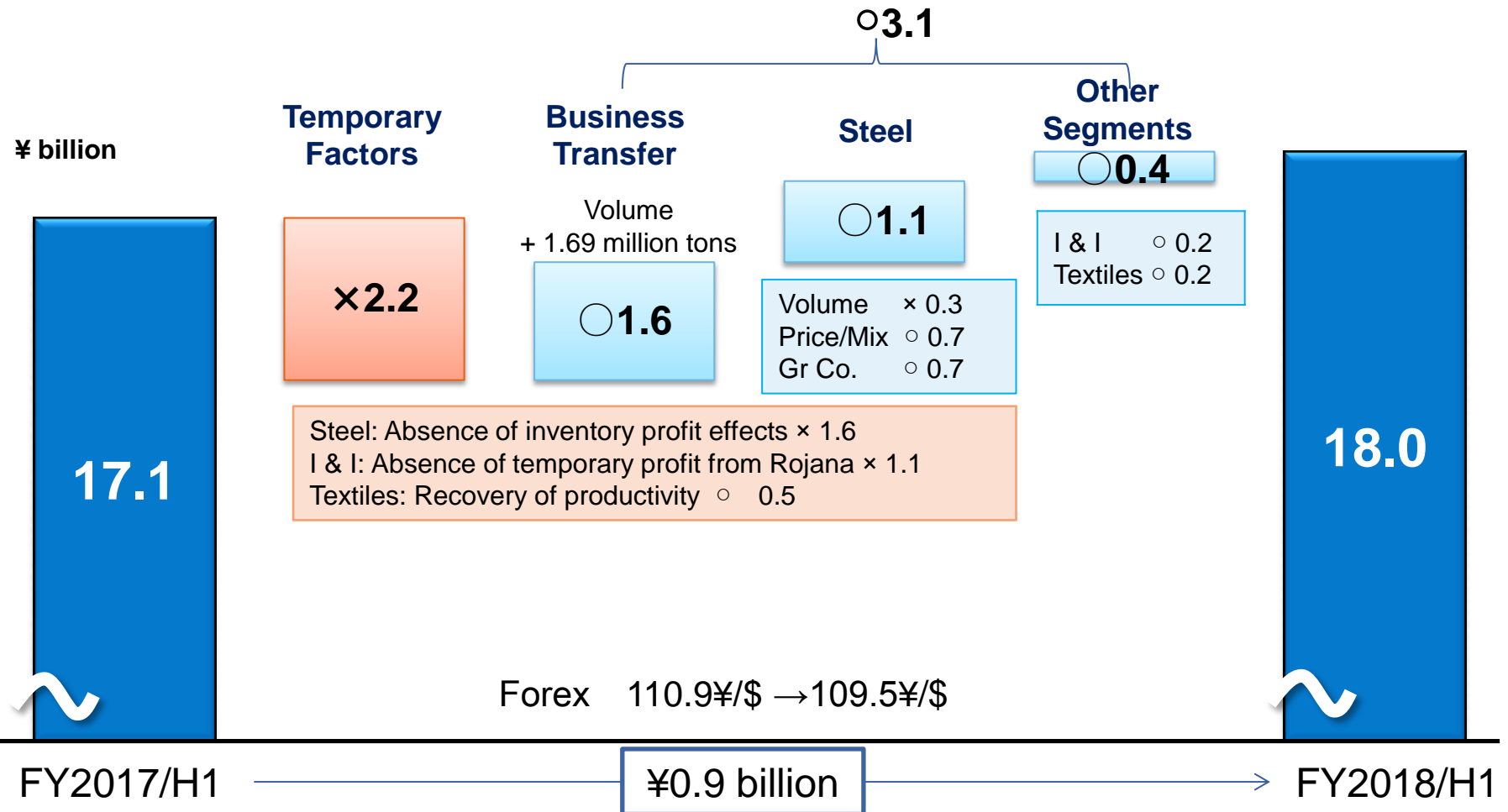
- Recorded Highest Sales and Profit in First Half



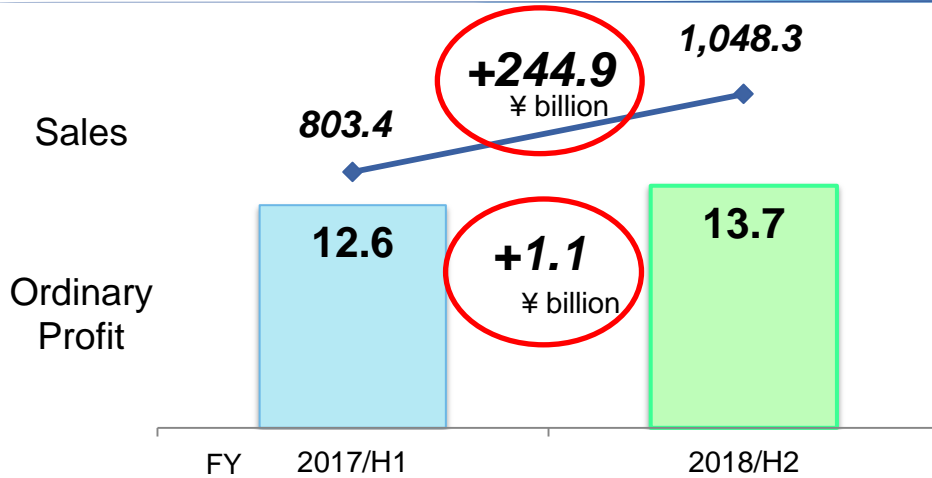
* Profit attributable to owners of parent

Ordinary Profit Variance Analysis [FY2017/H1 vs. FY2018/H1]

- Underlying Profits Increased Boosted by Rise in Steel Prices and Profit from Transferred Business



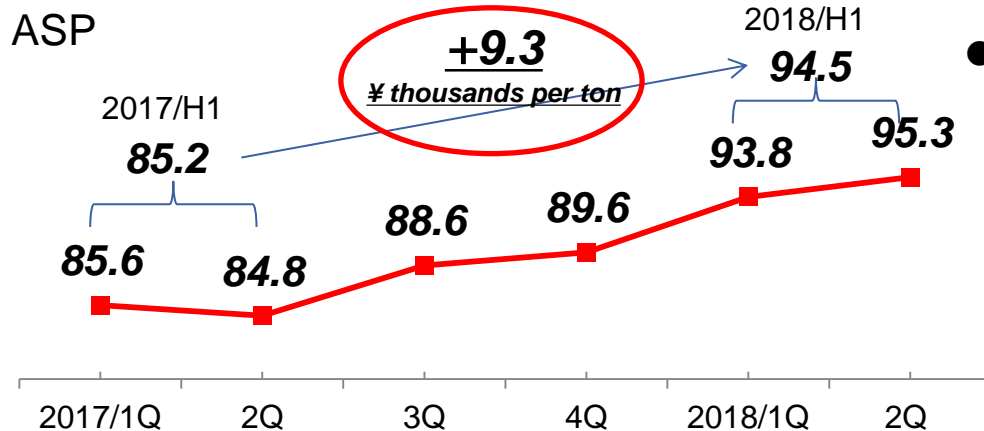
Steel Segment Results



- Overall demand remains firm, but supply chain was affected by natural disasters.
- Sales increased by transferred business and market price hike.



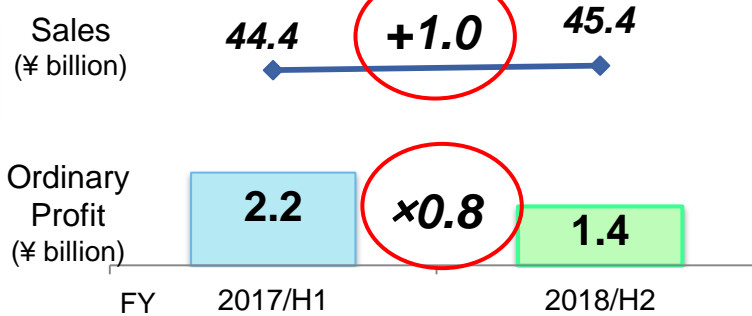
Sales Volume	Million tons	2017/H1	2018/H1	Change	Transferred	Others
	Consolidated Sales Volume		8.33	9.86	+1.53	+1.69



- OP improved by ¥1.1 billion because of a hike in sales prices and improvement in group companies.

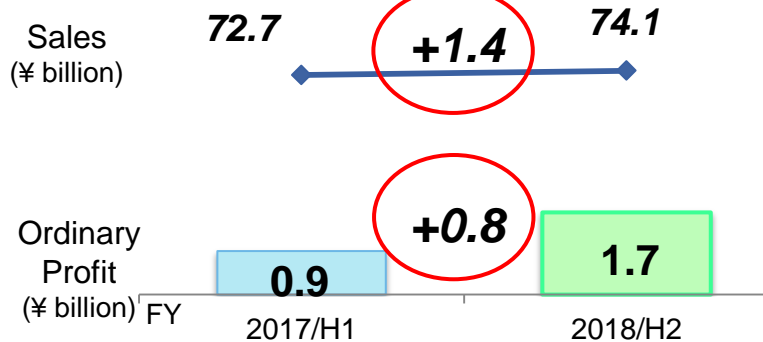
Other Segment Results

Industrial Supply & Infrastructure



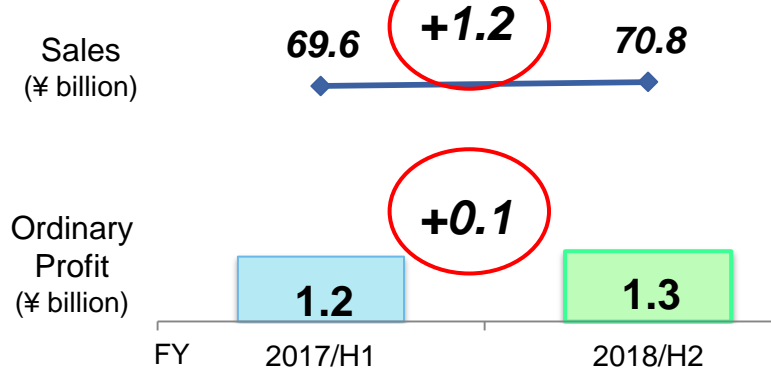
- Stable demand continued.
- OP declined by ¥0.8 billion, reflecting the absence of temporary factors during the previous year.

Textiles



- Sales increased slightly despite the severe business environment continuing for apparel customers.
- OP increased by ¥0.8 billion because of recovery of profitability.

Foodstuffs



- Prices of imported meat in Japan remained steady overall.
- OP increased by ¥0.1 billion because of recover from lower profit margins for broiler.

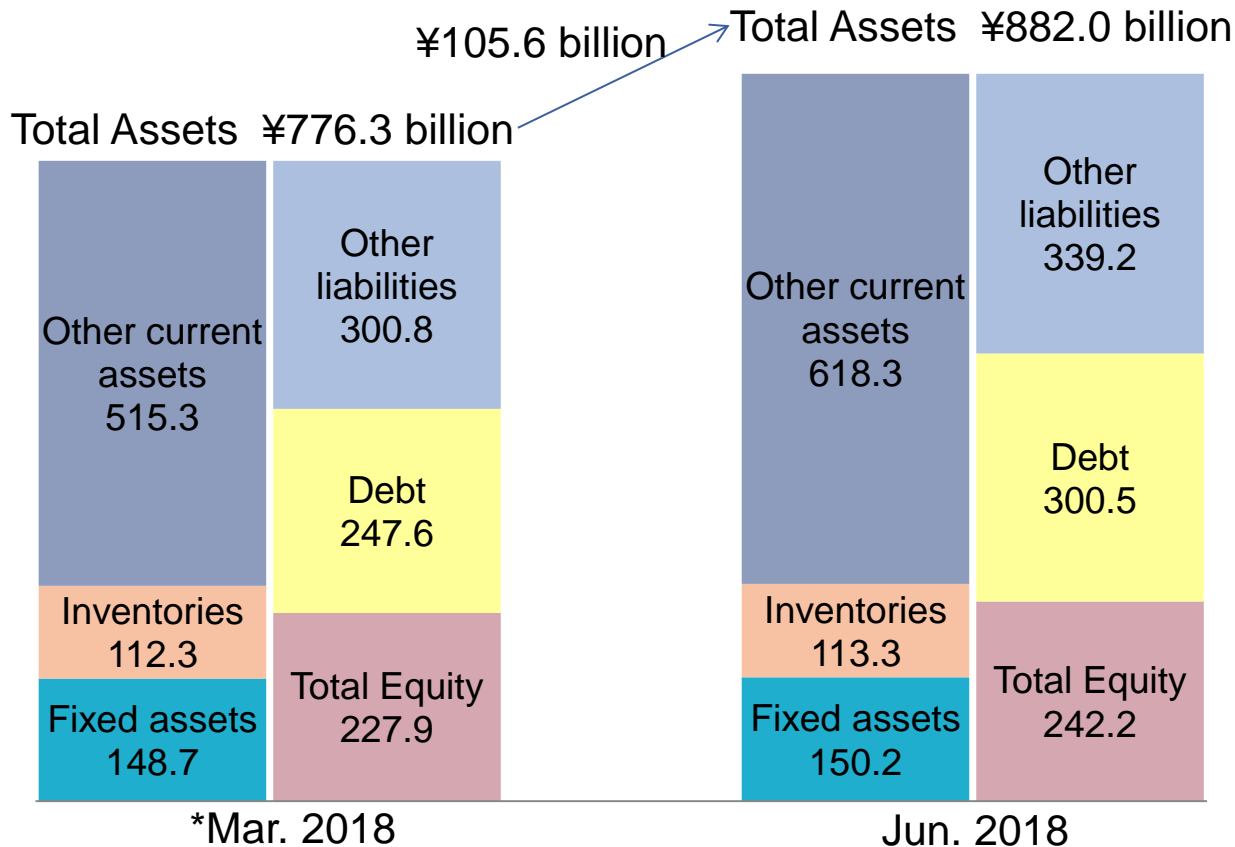
Balance Sheets

● Transferred Business Boosted Total Assets by ¥111.5 billion

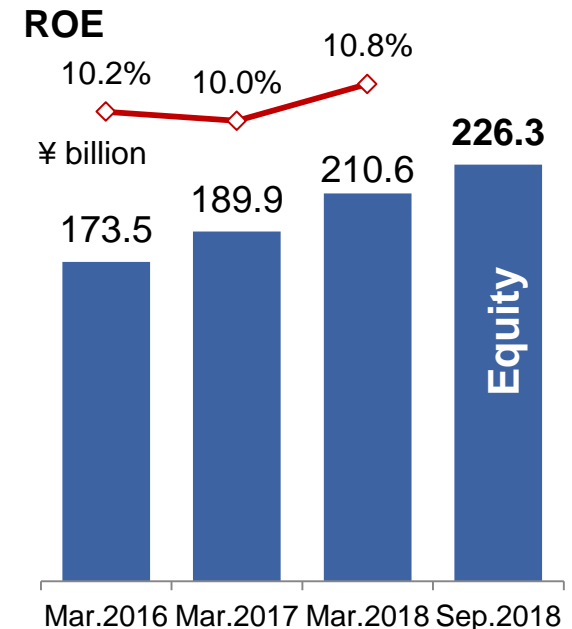
- Impact from transferred business
- Impact from third-party allotment

Assets increased ¥111.5 billion
Liability increased ¥ 42.5 billion

Amount to be procured ¥8.1 billion
Amount of capital to be increased ¥4.0 billion



	Mar. 2018	Sep. 2018
Equity Ratio	*27.1%	25.7%
Net – DER (multiples)	1.04	1.22



*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/H1	FY2018/H1
	Income before income taxes	16.8	18.9
	Depreciation and amortization	2.5	2.5
	Equity in earnings of associated companies	(2.0)	(1.1)
	Others	(2.1)	(6.2)
	Basic Operating Cash Flow	15.2	14.1
	Increase in working capital by growth in sales	(46.4)	(2.5)
	Operating CFs	(31.1)	11.6
	Business transfer from Mitsui		(66.8)
	Other Investment	(2.6)	(4.0)
	Investment CFs	(2.6)	(70.9)
	Free CF	(33.7)	(59.3)
	Financing CFs	32.0	55.1
	Changes in cash & cash equivalents	(2.0)	(4.7)

Guidance for FY2018

Reiterate Our Full-Year Forecasts and Expect to Record-High Level of Sales and Ordinary Profit

¥ billion	FY2017	FY2018 (e)		Change 18-17
		H1		
Steel	1,674.9	1,048.3	2,100	425.0
I & I	88.9	45.4	90	1.0
Textiles	153.6	74.1	160	6.3
Foodstuffs	143.1	70.8	150	6.9
Sales	2,062.3	1,239.5	2,500	437.7
Steel	25.3	13.7	28.0	2.6
I & I	3.7	1.4	2.3	-1.4
Textiles	3.4	1.7	4.5	1.0
Foodstuffs	2.4	1.3	3.2	0.7
Ordinary Profit	35.1	18.0	38.0	2.8
Net Profit	21.7	12.9	23.5	1.8
EPS (¥)	702.9	401.4	728.5	25.6
Dividend (¥)	210	110	220	10
Payout Ratio	29.9%		30.2%	0.3%

Return to Shareholders

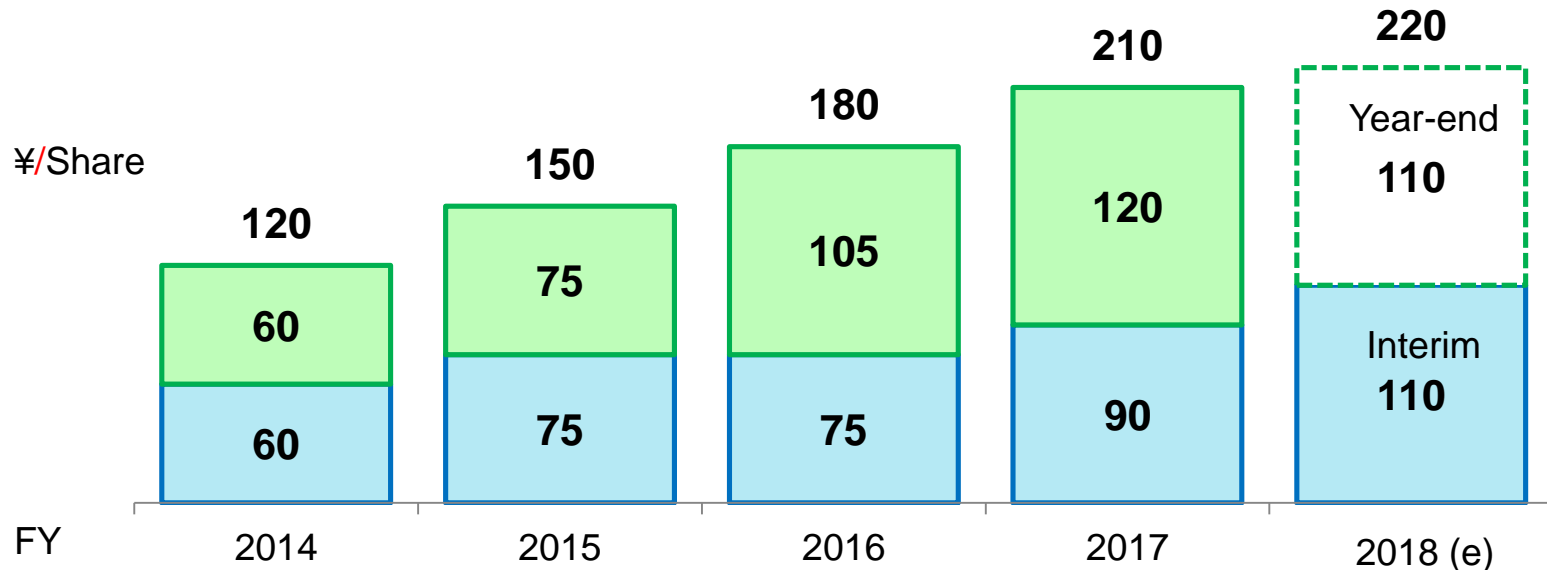
Policy of Cash Dividend

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%.

Forecast of Dividend

Full Year Dividend ¥220
(Payout Ratio 30.2%)



* Based on after share consolidation

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.**

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

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

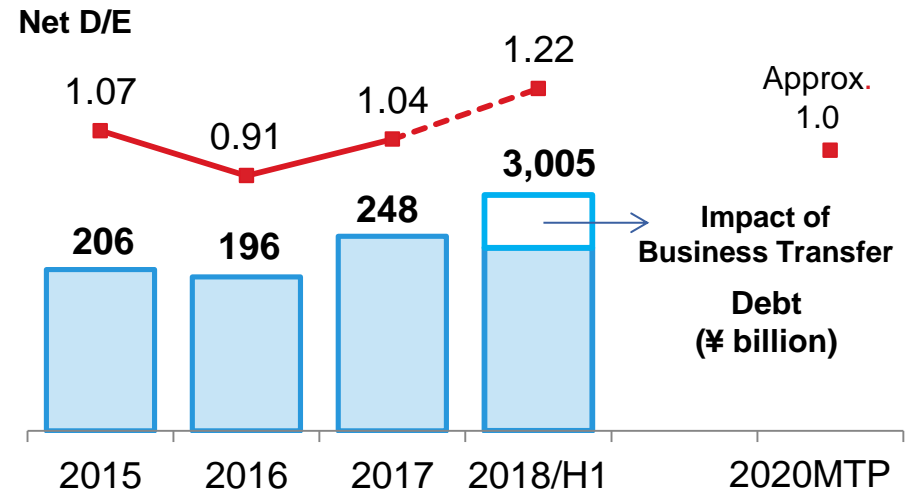
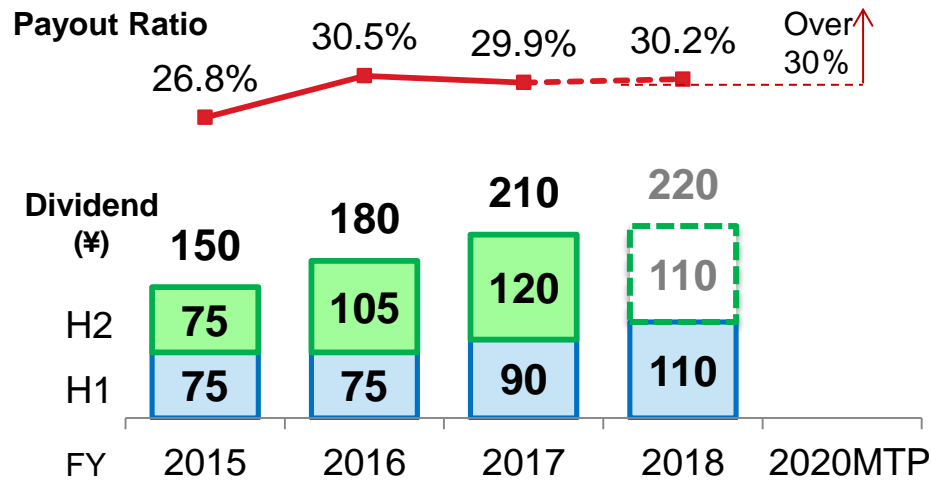
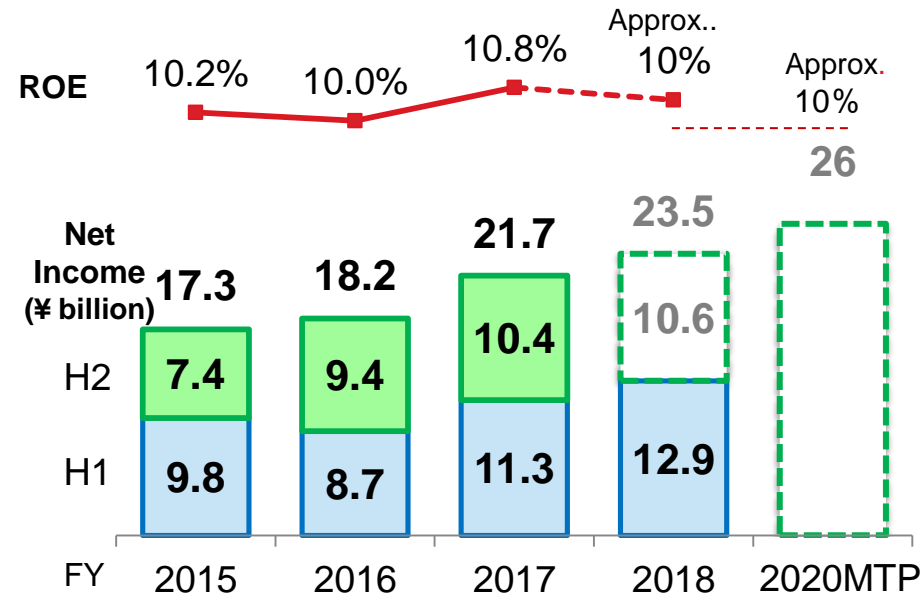
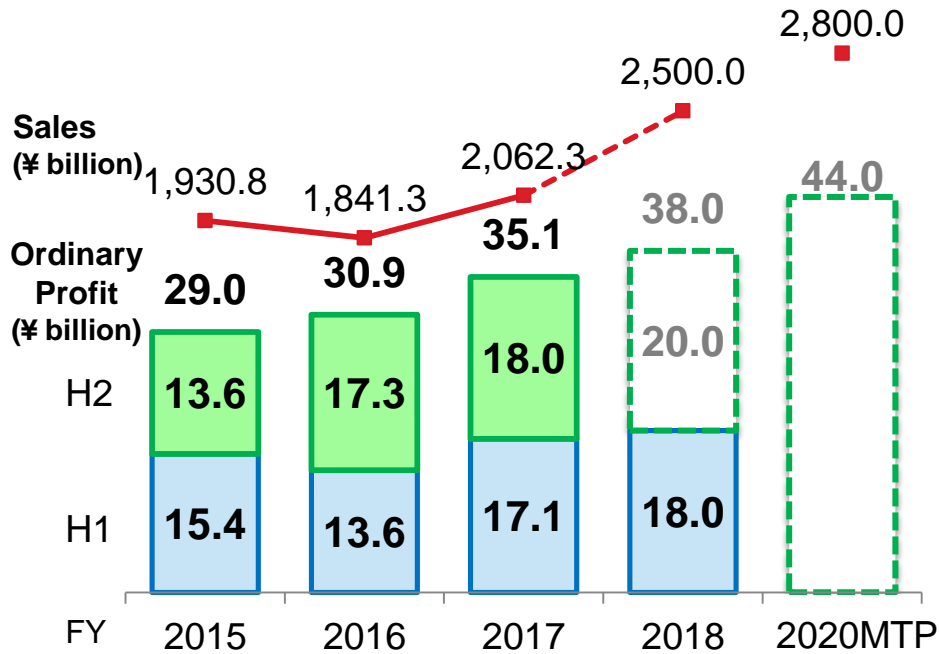
FY2018~FY2020

Investment	Approx. z¥50 billion
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FY2018~

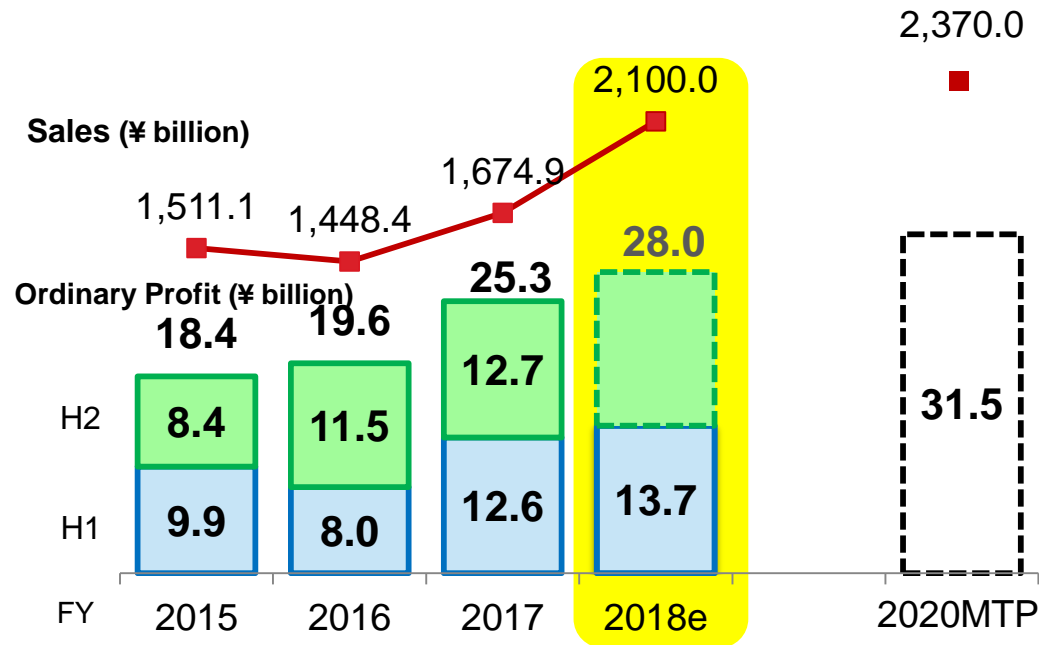
Payout Ratio	Over 30 %
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Progress in Financial Targets



* Based on after share consolidation

STEEL *“A New Path of Collaboration toward the Success of Our Steel Business.”*

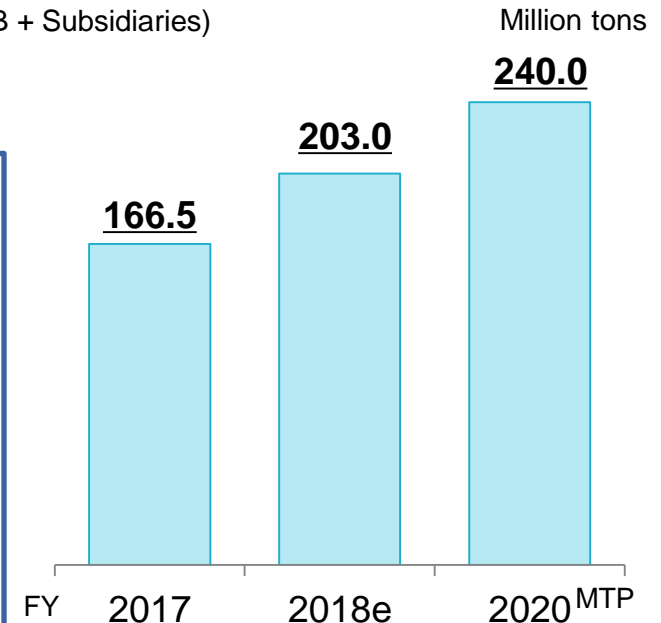


Business Environment

- 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.

Sales Volume Plan for Steel

(NSSB + Subsidiaries)



Our Initiative

- Sharing the strategy with NSSMC and Mitsui
- Expanding our value chain
- Focusing Demand: Infrastructure and Automobiles
- Core Market: East Asia, ASEAN
 - Reinforcing customer support by transferred business from Mitsui that matches customer needs
 - **Strengthening the construction material business by acquisition of shares in Nihon Teppan**
 - **Investing in QH PLUS, one of Vietnam's leading building materials manufacturers and distributors**

Acquisition of Shares in Nihon Teppan

Aiming to Strengthen the Value Chain of Steel Sheet for Construction

Company name: Nihon Teppan Co., Ltd.

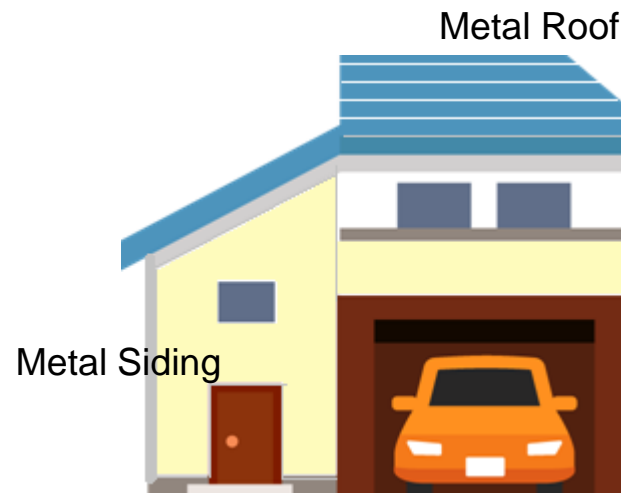
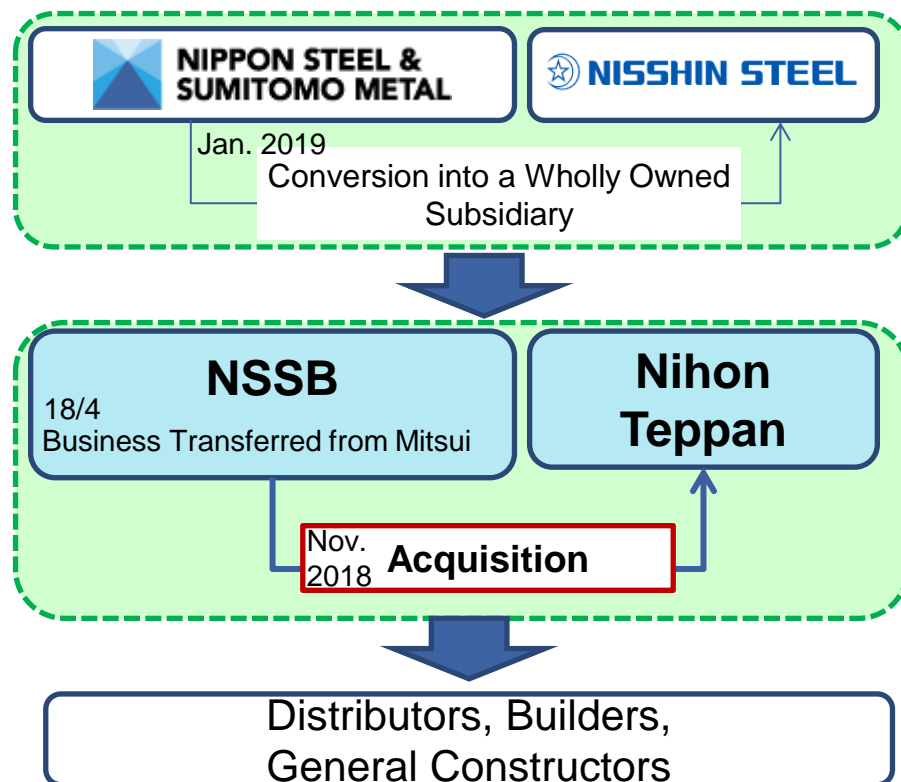
Business areas: Sales and manufacture of steel products, metals, construction materials, etc.

Sales: ¥139.2 billion, Operating Profit: ¥0.6 billion (as of FY2017)

(→ Nihon Teppan Stainless Marketing Division will be transferred to Nisshin Stainless Steel Trading)

Shareholders: [Before acquisition] NSSMC 50%, Nisshin Steel 50%

[After acquisition] NSSB 66%, Nisshin Steel 20%, NSSMC 14%



Date of Acquisition: Dec. 27, 2018
(Planned)

Investing in QH PLUS, the Leading Structural Steel Manufacturer in Vietnam

Earn Steady Demand in the Vietnamese Steel Building Materials Market. Advance into Vietnam's Steel-frame Business, Solid Future Growth is Forecast.

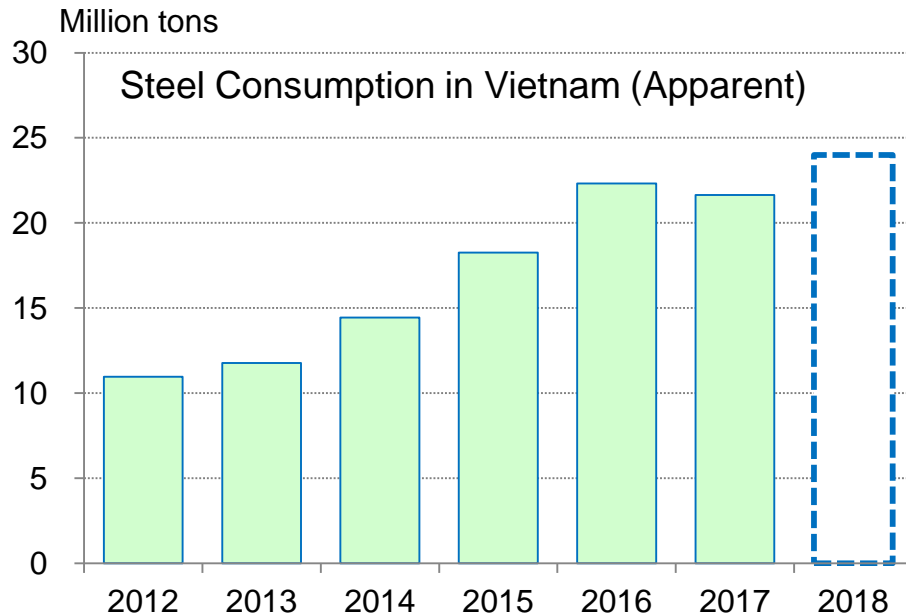
Company name: QH PLUS CORPORATION

Business area: Steel product distribution, steel-frame manufacturing, reinforcing bar processing, coil center status

→ One of Vietnam's leading building materials manufacturers and distributors

Equity method: Acceptance of the third-party allocation of 3 million new shares
(NSSB equity investment share: 10.54%)

Investment schedule: Sep. 2018



Source: SEAISI, NSSB

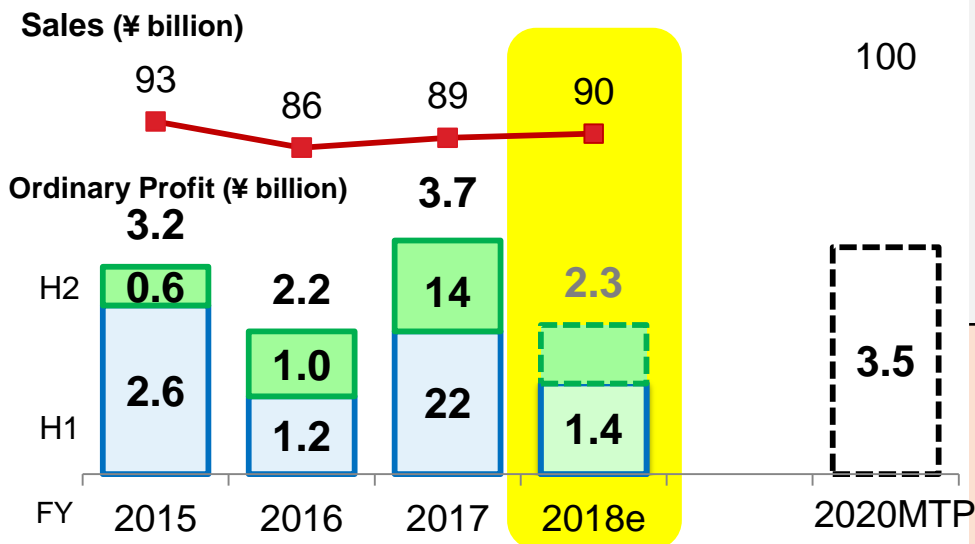


QH PLUS supplied structural steel for Landmark 81, the tallest tower in Vietnam.

INDUSTRIAL SUPPLY & INFRASTRUCTURE

“To Be the Top in its Business Niche in the World.”

Portfolio of Industrial Supply & Infrastructure Business (FY2018 Forecast)









Our Initiative

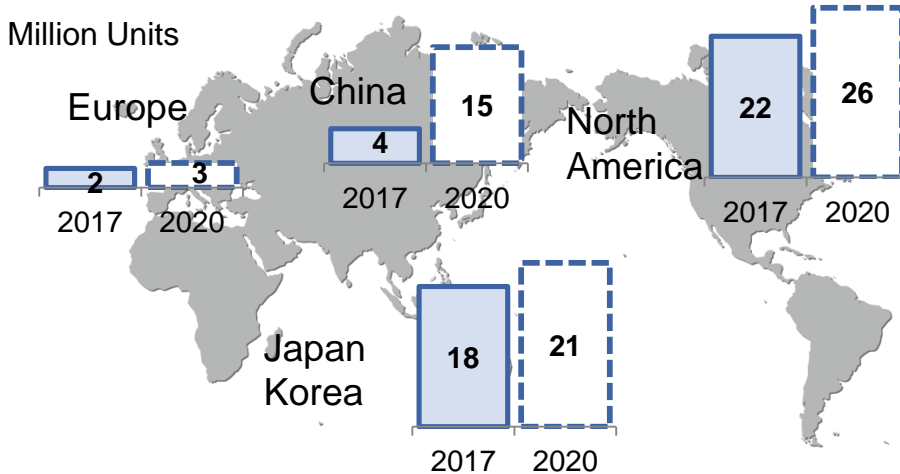
- Functional Material
Winning massive orders for carbon fiber for wind turbine blades in China.
- Railway Parts and Industrial Machinery
Orders due to the demand for kitchen automation remained at a high level.
- Automotive Parts
Expanding and increasing competitiveness for headrest stay business.
- Infrastructure
Planning for new service business in Thailand, Vietnam, Mexico industrial parks.

Outline of GHS = “Global Headrest Stay” Business

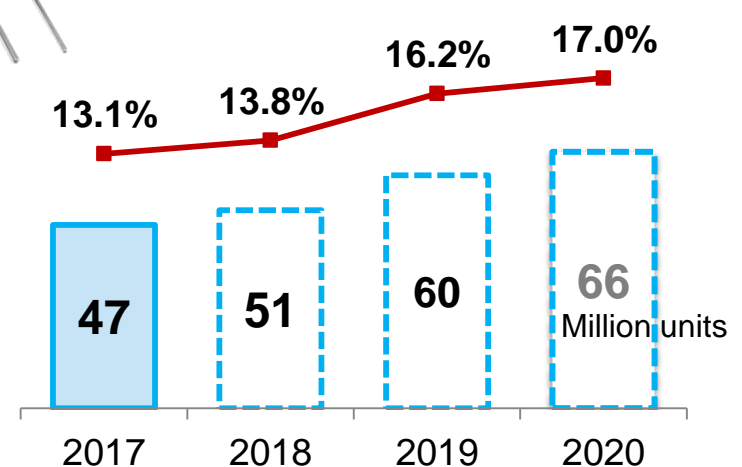
Global Network in GHS Business

	Arai Industrial	JR Manufacturing	Prodomex	Woobo Tech	Guangzhou Arai Auto Parts	Beijing Sungkwang Automotive Parts
Founded (Joined GHS family)	1937 (1985)	2001 (2010)	2005 (2012)	2000 (2013)	2013 (2013)	2005 (2017)
Location						
Shareholder	NSSB: 98.4%	NSSB Gr: 63.0% Woobo: 31.4%	NSSB Gr: 89.9%	NSSB Gr: 32.9%	NSSB Gr: 70%	Woobo Gr: 50.1%

Production Volume Target in 2020



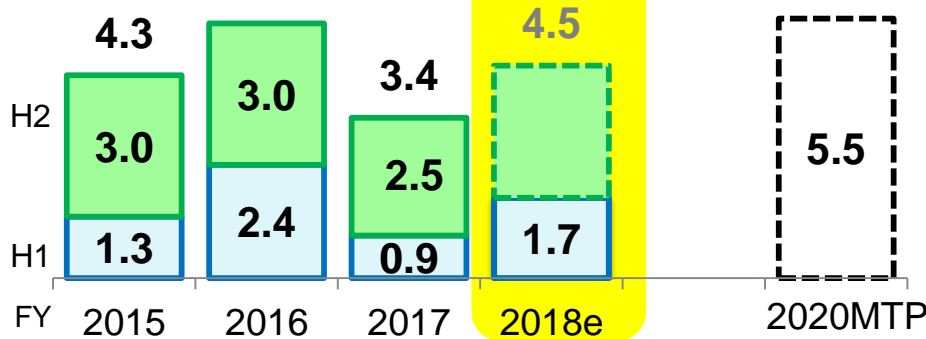
Global Share Target in 2020



Sales (¥ billion)



Ordinary Profit (¥ billion)



Business Environment

- 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.
- Growth in re-use/rental business.
- Growing interest for waste clothes problem.

Our Initiative

- Remodeling the True Value of Our Service.
- The use of digital technologies.
- Promoting investments and alliance with digital startups.
 - **Investment in SYMBOL, IoT startups.**
- Creating a new business model adapting to sustainability for apparel industry.
 - **Joining the Sustainable Apparel Coalition**

TEXTILES: Progress of Medium-Term Management Plan

Investment in SYMBOL, IoT startups

President: Kenichi Imai Founded: Dec. 2016

- Development of 3D scanning and real size virtual fitting systems for apparel
- Development of human body and body-type sizing algorithm databases utilizing a size cloud system and AI

- Combine the SYMBOL IT technologies used in the planning stages of apparel products with the expertise and textile industry network of NSSB to construct a new supply chain model



Oct. 2018

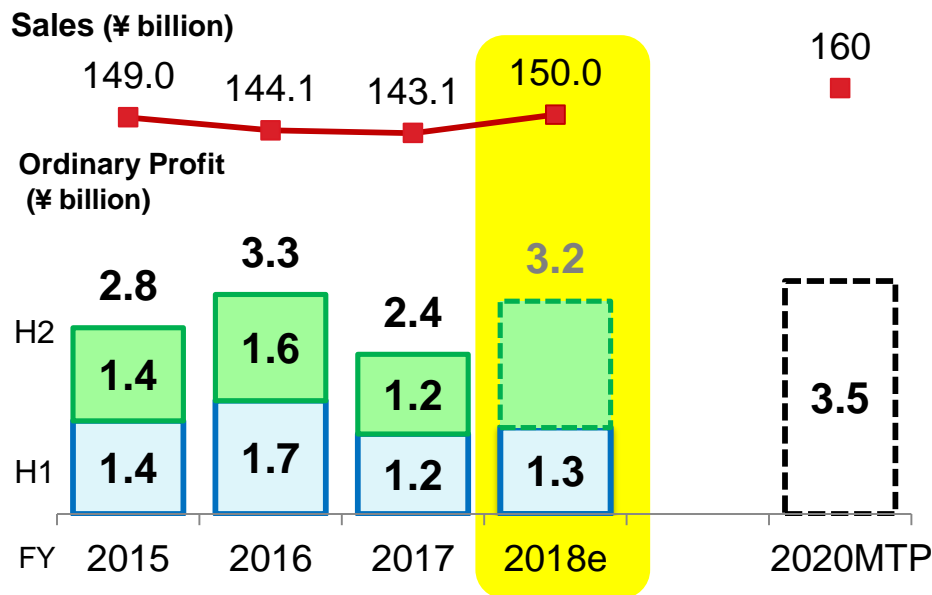
Joining the Sustainable Apparel Coalition



- SAC is an organization headquartered in the United States that is composed of around 240 member companies and entities from around the world.
- The members have joined together to construct supply chains that minimize environmental impacts and to improve working environments. Including NSSB, six Japanese companies and entities are members of SAC.

- Strengthening our efforts aimed at sustainability in the supply chain for apparel products, and fulfill obligations as a trading company supplying apparel products to Japan and overseas

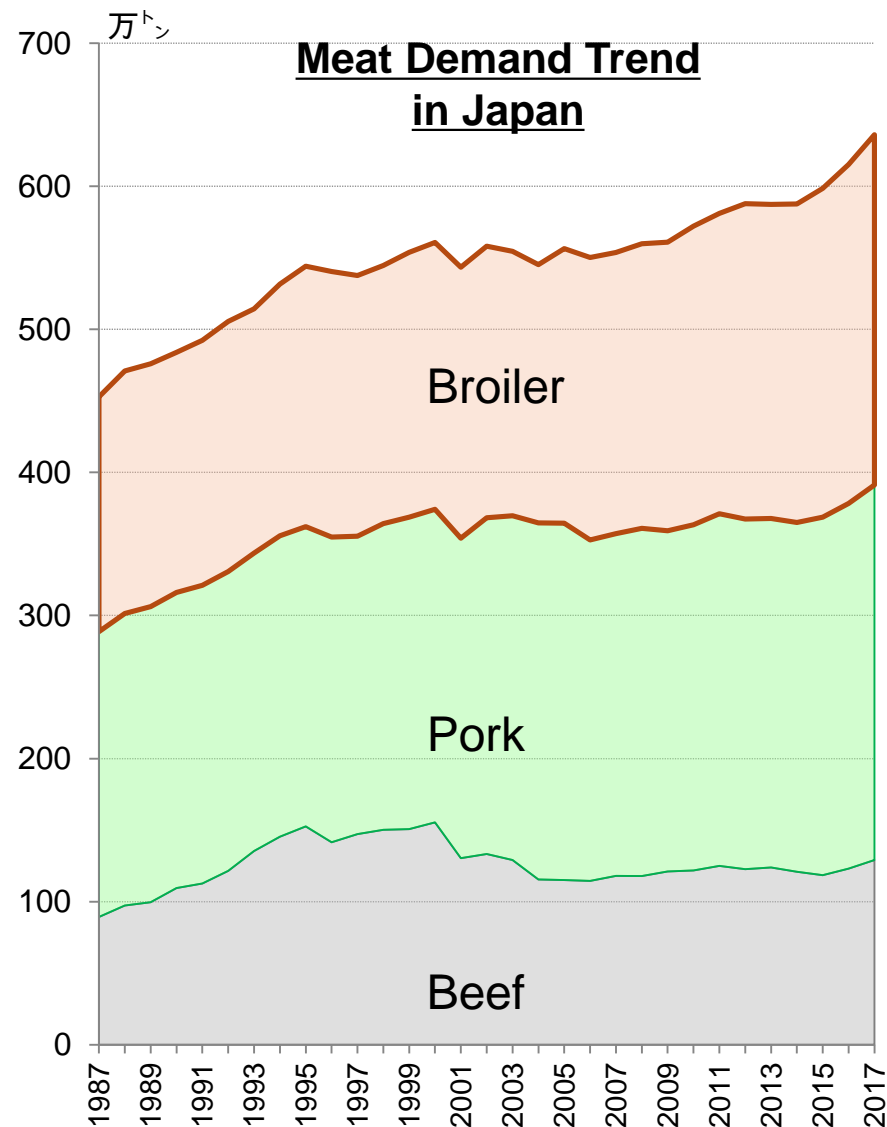
Nov. 2018



Business Environment and Our Initiative

- Demand for meat in Japan to grow steadily due to “change in food habits of elderly people,” “inbound consumption by foreign tourists,” “popularity of meal-replacement items”
- Expanding our domestic sales foundation through investments in the wholesale business.
 - Strengthening relationships with suppliers, including investment to develop the food value chain.

✓ Transfer of Shares in Tsubohachi



(Source: Agriculture & Livestock Industries Corporation)

Transfer of Shares in Tsubohachi, the Izakaya Restaurant

- The *izakaya* restaurant industry is facing many challenges, including intensifying competition both from within the industry and with other industries.
- YaMaYa and Chimney Group will make ideal new partners by utilizing the extensive knowledge and resources of YaMaYa and Chimney Group related to liquor sales and the restaurant business.
- NSSB will continue to support Tsubohachi through providing high-quality, reliable, and safe foods.

Overview of the transfer

Voting rights

① Tsubohachi shares currently held by NSSB	97.8%
② Transferees	87.8%
YaMaYa Corporation	53.8%
Chimney Co., Ltd.	34.0%
③ Tsubohachi shares held by NSSB after the transfer	10.0%


Overview of Tsubohachi Co., Ltd.

Head Office	Tokyo
Business	Restaurant business, food processing and sales, franchise business
Capital	¥ 500 million
Founded	1982

Planned date of share transfer Nov. 30, 2018

Overview of the transfer < Chimney is a subsidiary of YaMaYA >

YaMaYa Corporation 	
Head office	Sendai
Business	Import and retail/wholesale sales of liquors and foods, online shopping, restaurant business
Capital	¥ 3,247.33 million
Founded	1970

Chimney Co., Ltd. 	
Head office	Tokyo
Business	Direct operation and franchise operation of Hana no Mai, Sakanaya Dojo, Uosen Suisan, and other chain restaurants
Capital	¥ 5,772.62 million
Founded	2009

3. Appendix

FY2018/H1 Results

¥ billion			FY2017			FY2018	Change 18/H1 vs 17/H1
	H1	H2		Q1	Q2	H1	
Sales	991.1	1,071.1	2,062.3	612.3	627.2	1,239.5	248.4
(ratio) Overseas Sales	(26.9%) 266.8	(26.8%) 286.8	(26.8%) 553.6	(26.6%) 162.7	(28.2%) 176.8	(27.4%) 339.6	(0.5%) 72.7
(ratio) Gross Profit	(6.4%) 63.6	(6.3%) 67.7	(6.4%) 131.3	(5.9%) 36.0	(5.8%) 36.6	(5.9%) 72.7	(-0.6%) 9.0
Operating Profit	14.7	17.5	32.3	8.5	9.1	17.7	2.9
Equity Method Income	2.0	1.1	3.2	0.7	0.3	1.1	-0.9
Ordinary Profit	17.1	18.0	35.1	9.1	8.8	18.0	0.8
Extraordinary Profit (Loss)	(0.2)	(1.8)	(2.1)	1.0	(0.1)	0.9	1.2
Net Income	11.3	104	21.7	7.9	4.9	12.9	1.6
EPS (¥)	365.97	336.89	702.86	247.80	153.60	*401.41	35.44
Dividend(¥)	90	120	210			110	20

* Third-party allotment on Apr. 1 2019 has led to a 4.4% dilution of outstanding shares issued.

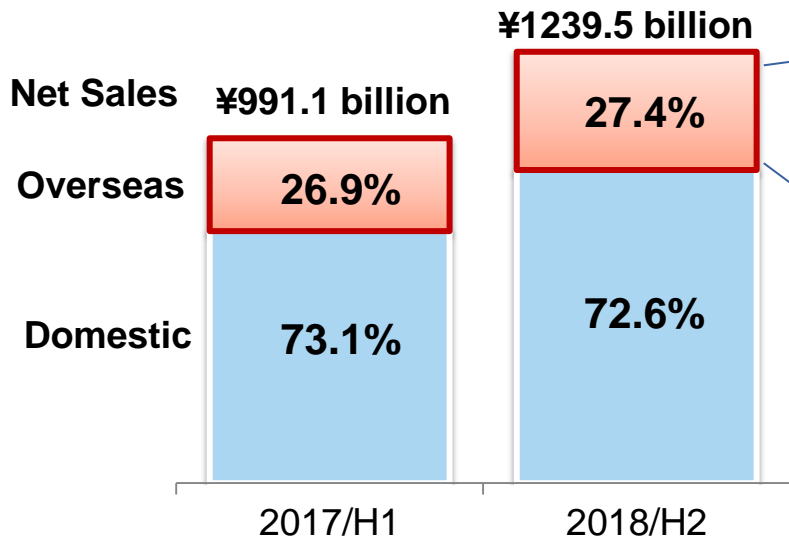
Extraordinary Profit (Loss)

¥ billion		FY2017/H1	FY2018/H1	Change
	Gain on sales of investment securities	0.11	0.11	- 0.00
	Gain on negative goodwill	-	1.32	1.32
	Total Extraordinary Profit	0.11	1.43	1.32
	Loss on sales of fixed assets	-	0.06	-0.06
	Impairment losses	0.00	0.00	-0.00
	Loss on sales of investment securities	0.40	-	0.40
	Loss on valuation of investments in capital	-	0.17	-0.17
	Loss on liquidation of subsidiaries and associates	-	0.27	-0.27
	Total Extraordinary Losses	0.40	0.50	-0.10
	Extraordinary Profit (Loss)	(0.29)	0.92	○1.22

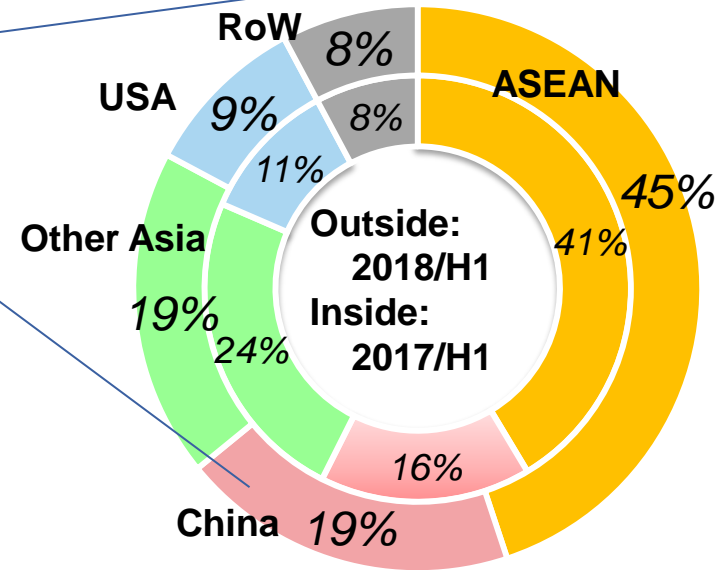
Sales and Ordinary Profit by Quarter

¥ billion	FY2015				2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Steel	385.3	397.3	365.4	362.9	323.0	347.2	358.1	419.9	389.6	413.8	435.1	436.3	519.4	528.9
I & I	23.5	25.9	20.5	23.2	21.4	20.2	19.5	25.1	22.1	22.2	22.3	22.2	22.4	23.0
Textiles	39.0	42.9	46.7	47.3	37.3	39.4	40.4	43.5	36.1	36.6	39.3	41.5	35.3	38.8
Foodstuffs	37.8	38.6	38.0	34.4	36.3	36.5	35.9	35.3	34.6	35.0	38.4	35.0	34.8	36.0
Others	0.3	0.6	0.0	0.3	0.3	0.5	0.3	0.2	0.4	0.4	0.3	0.3	0.3	0.4
Sales	486.0	505.6	470.8	468.2	418.5	444.1	454.4	524.2	483.0	508.1	535.6	535.5	612.3	627.2
Steel	5.4	4.4	3.8	4.6	3.8	4.2	5.2	6.3	6.3	6.3	6.7	5.9	7.4	6.3
I & I	1.9	0.7	0.4	0.1	0.7	0.4	0.4	0.5	1.4	0.7	0.7	0.7	0.7	0.6
Textiles	0.7	0.5	1.0	1.9	1.6	0.8	1.1	1.8	0.9	0.0	0.7	1.7	0.9	0.7
Foodstuffs	0.7	0.6	0.8	0.6	0.9	0.7	0.7	0.8	0.7	0.4	0.6	0.5	0.5	0.7
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	0.3
Ordinary Profit	8.8	6.5	6.2	7.4	7.2	6.3	7.7	9.5	9.5	7.5	8.9	9.0	9.1	8.8

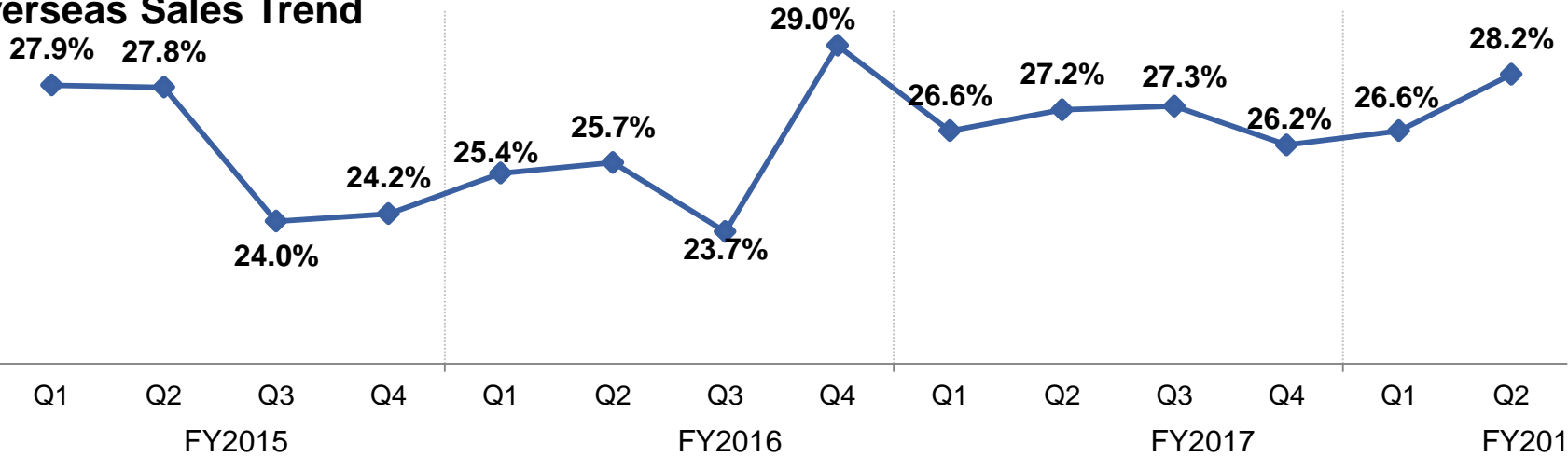
Overseas Sales



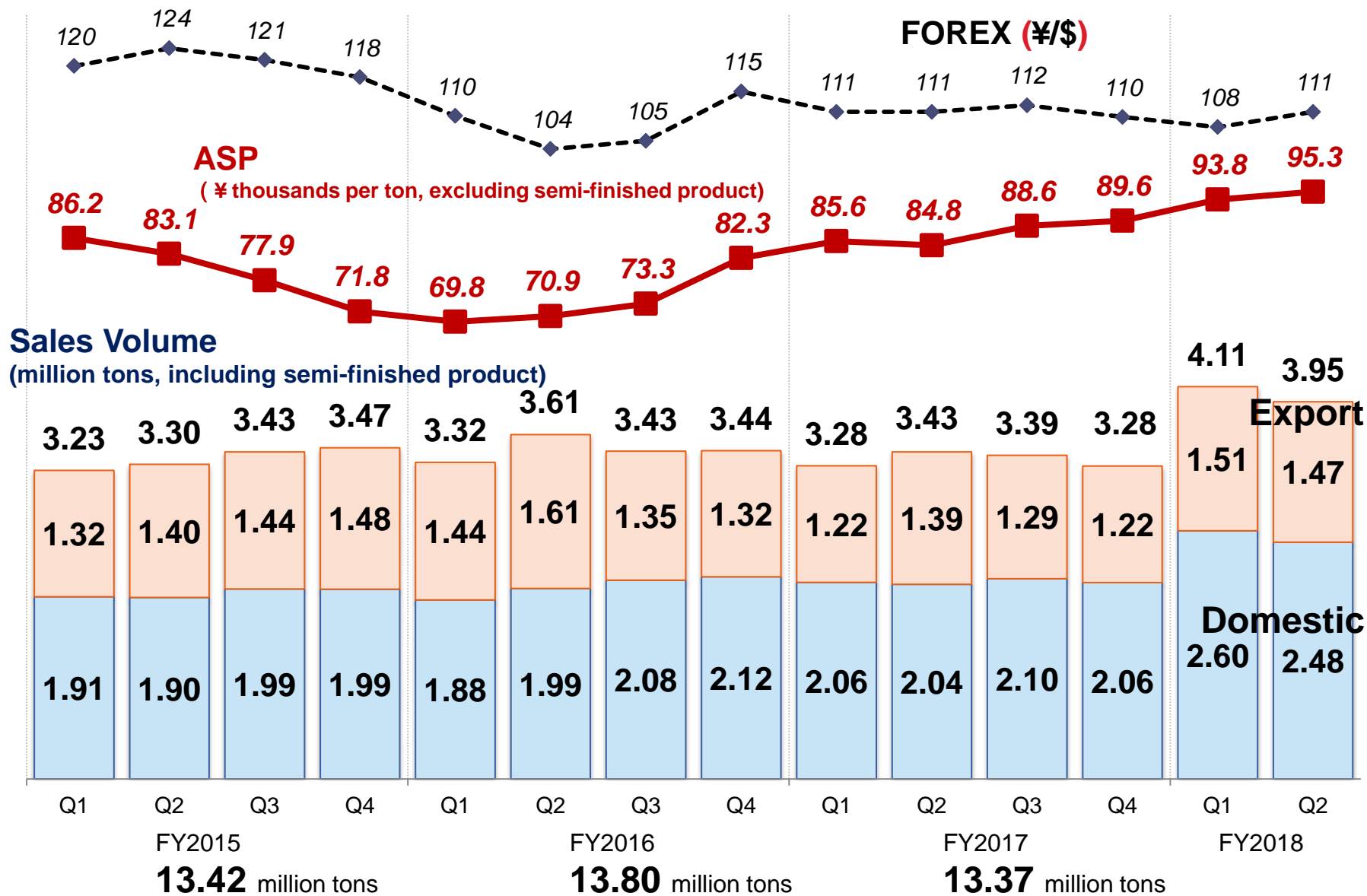
Overseas Sales by Region



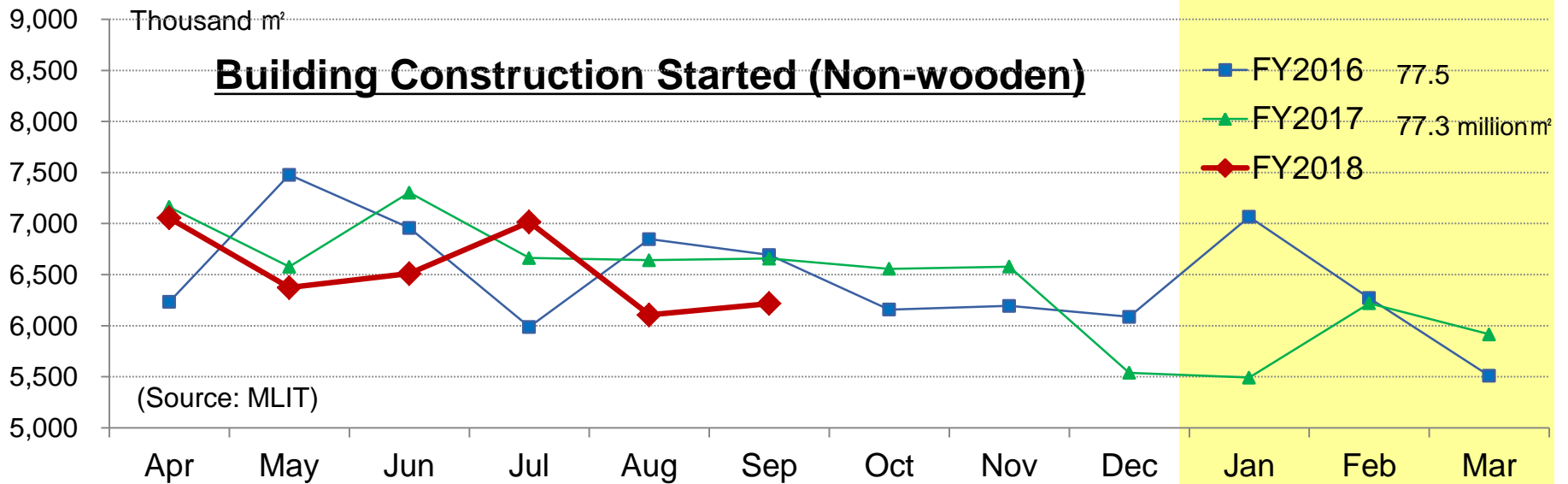
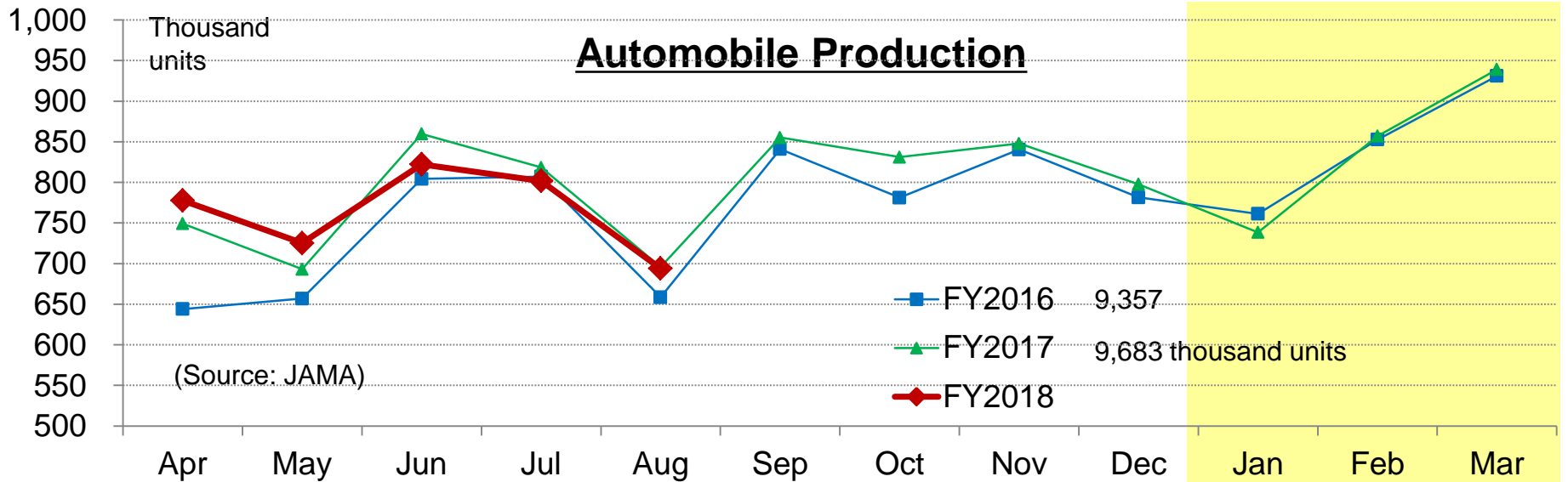
Overseas Sales Trend



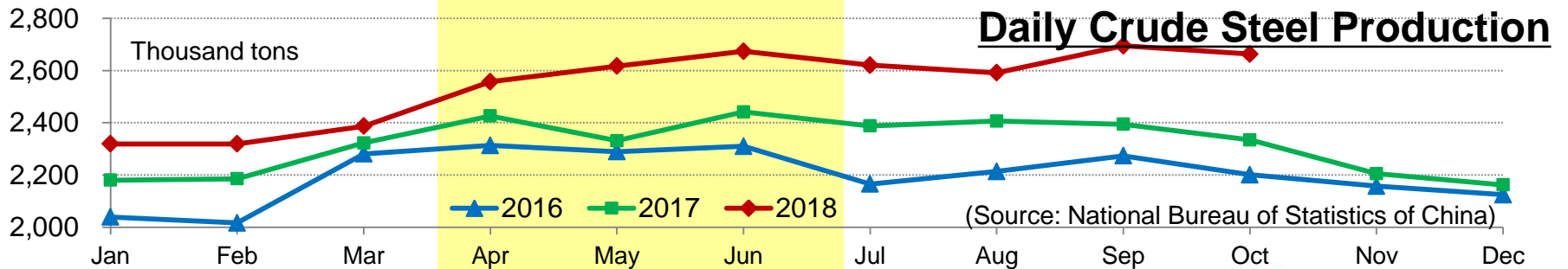
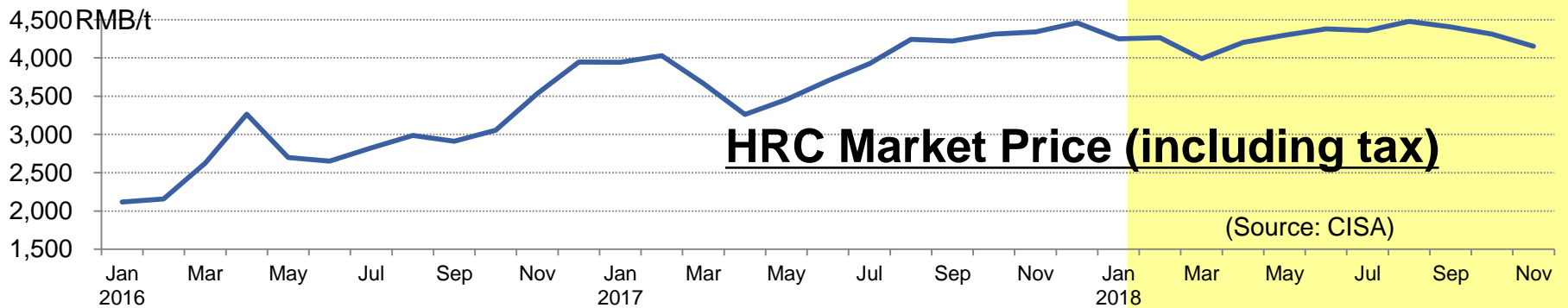
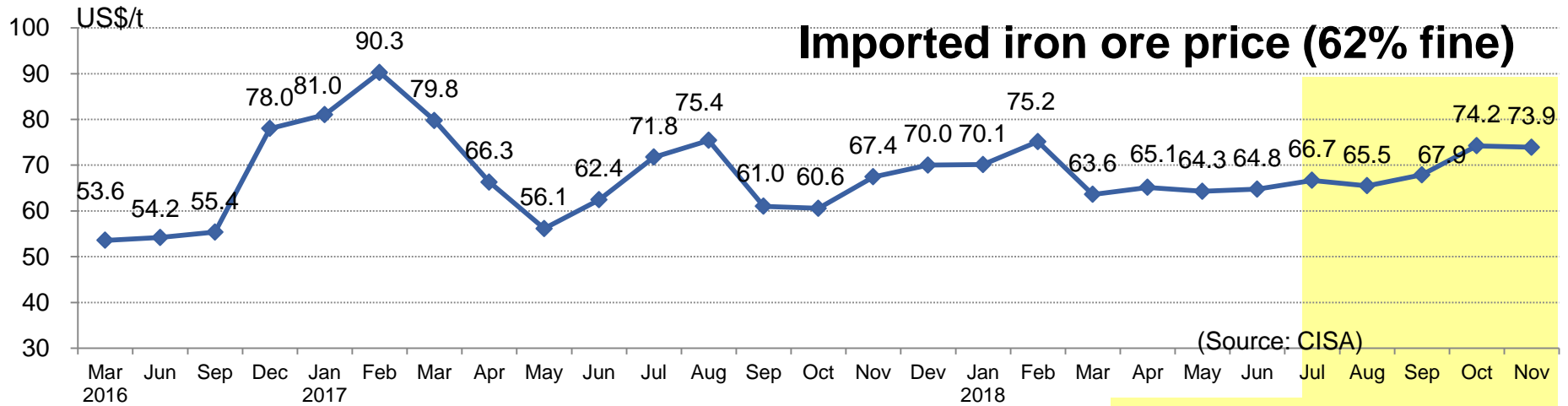
Sales Volume and ASP of Steel by Quarter



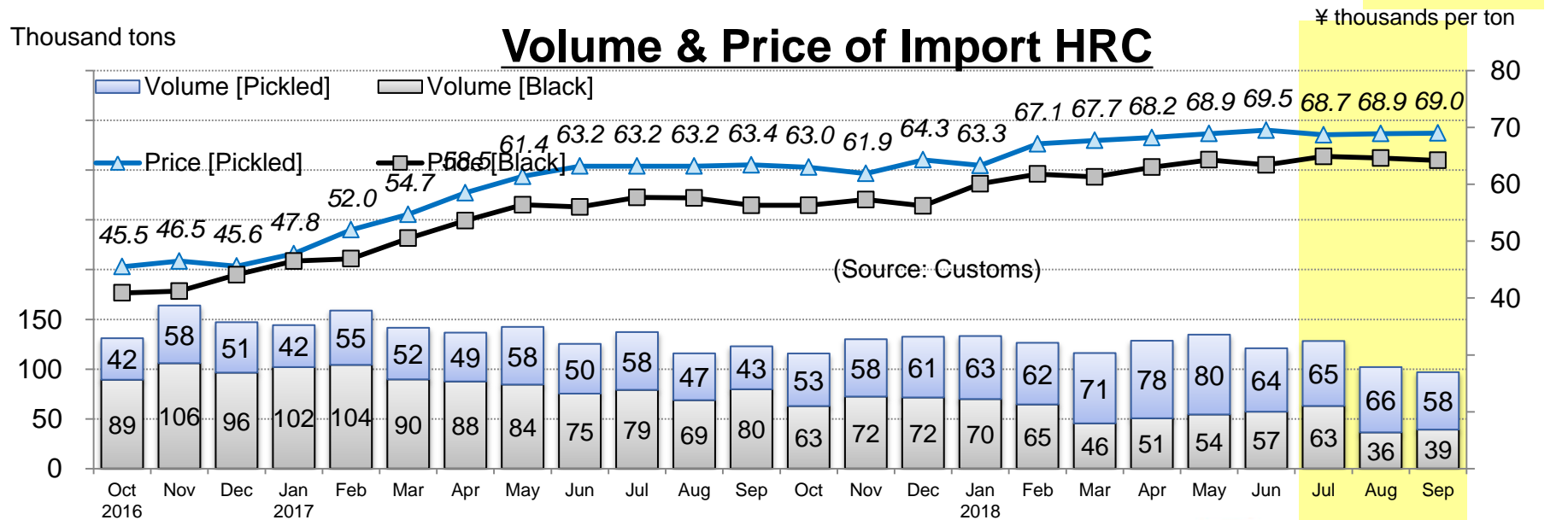
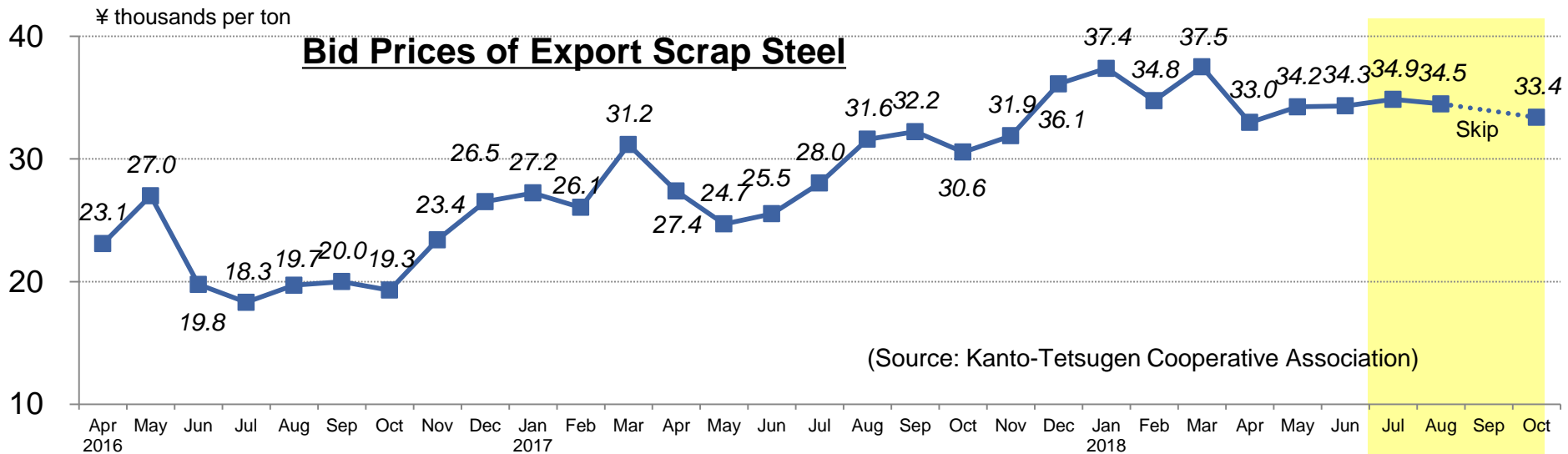
Domestic Demand Trend for Steel



Steel Market in China



Steel Demand in Japan



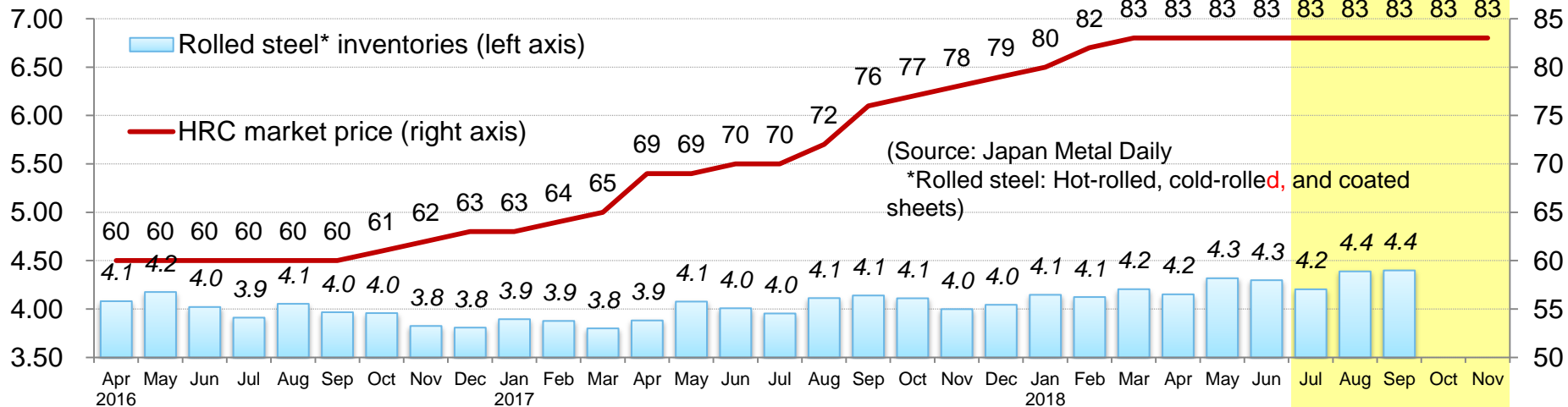
Steel Market in Japan



(Million tons)

Rolled Steel Inventory and HRC Market Price

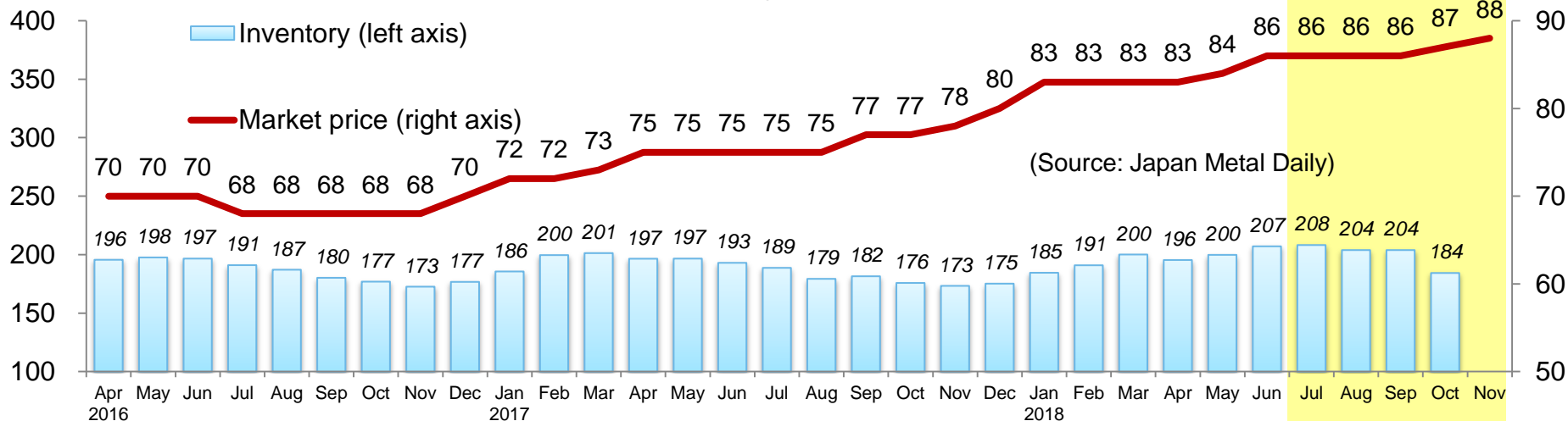
(¥ thousands per ton)



(Thousand tons)

H-beam Inventory and Market Price

(¥ thousands per ton)



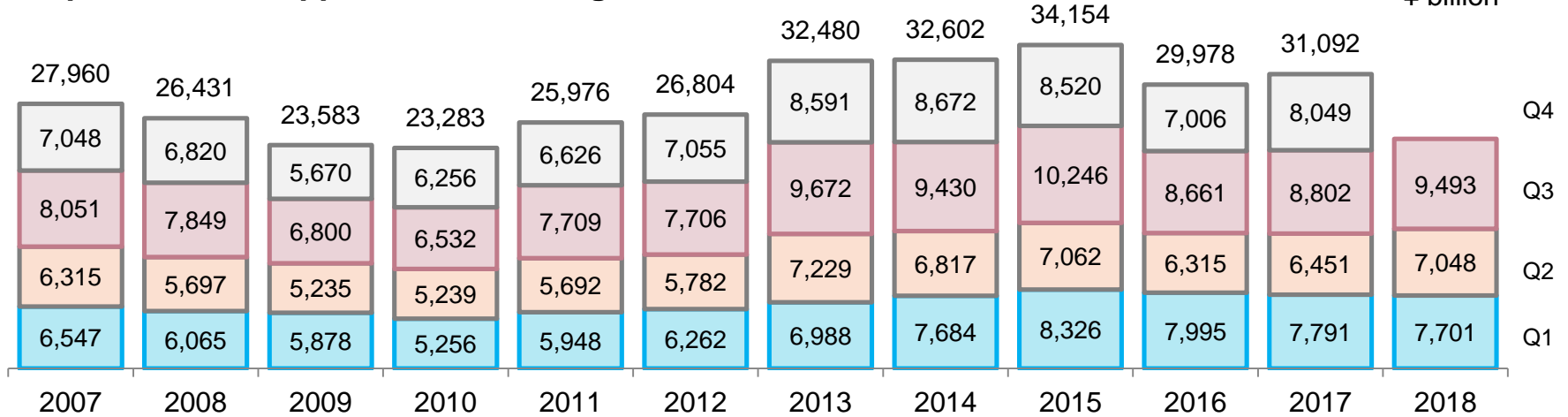
Indicators Related to Textiles and I & I Business



Import Trend of Apparel and Clothing Accessories

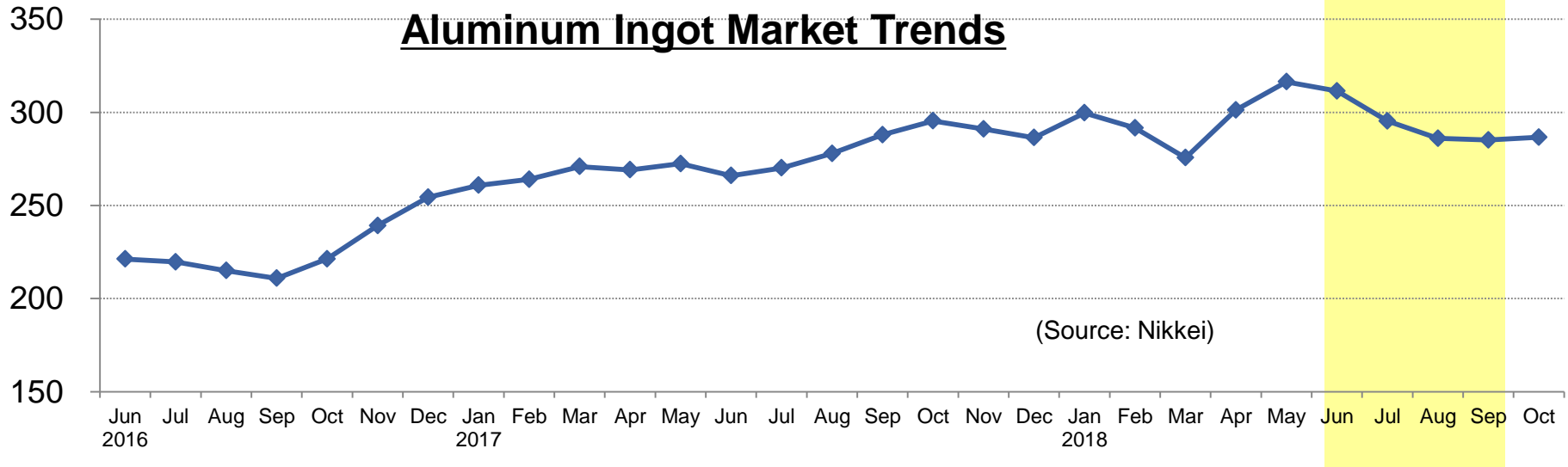
(Source: Customs)

¥ billion



¥ thousands per ton

Aluminum Ingot Market Trends



(Source: Nikkei)

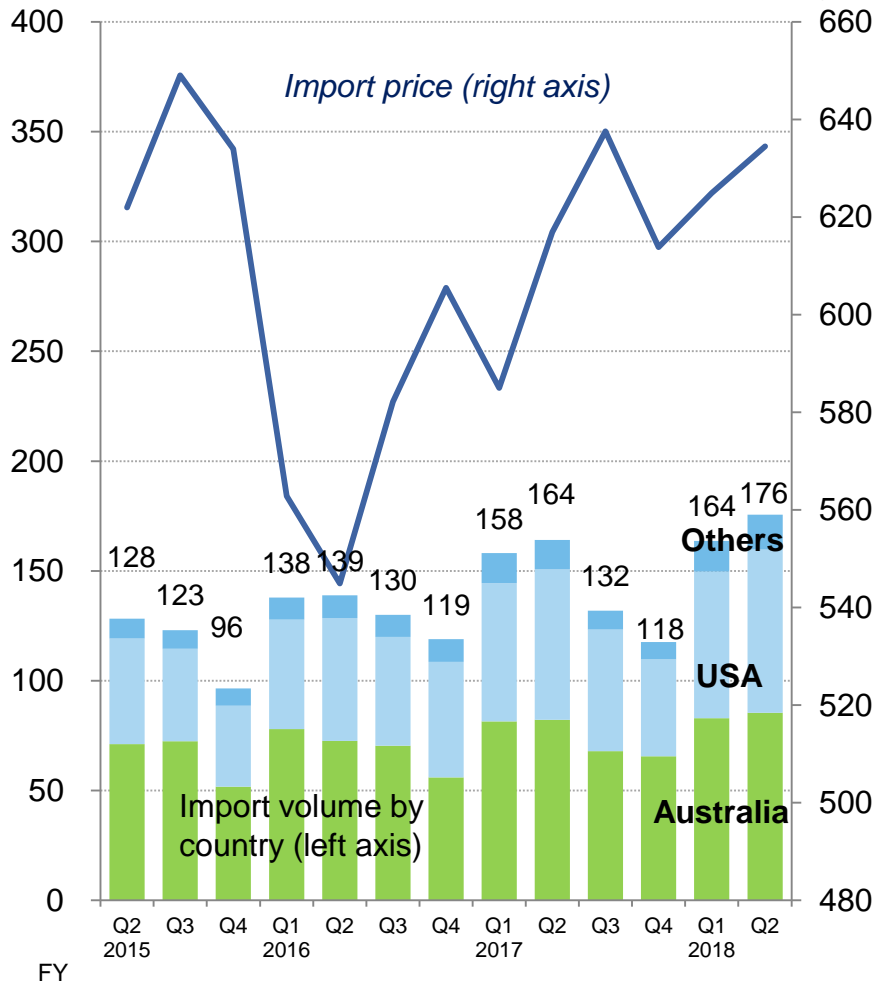
Import Price and Volume Trend of Meats (1)



Beef



(Thousand tons)

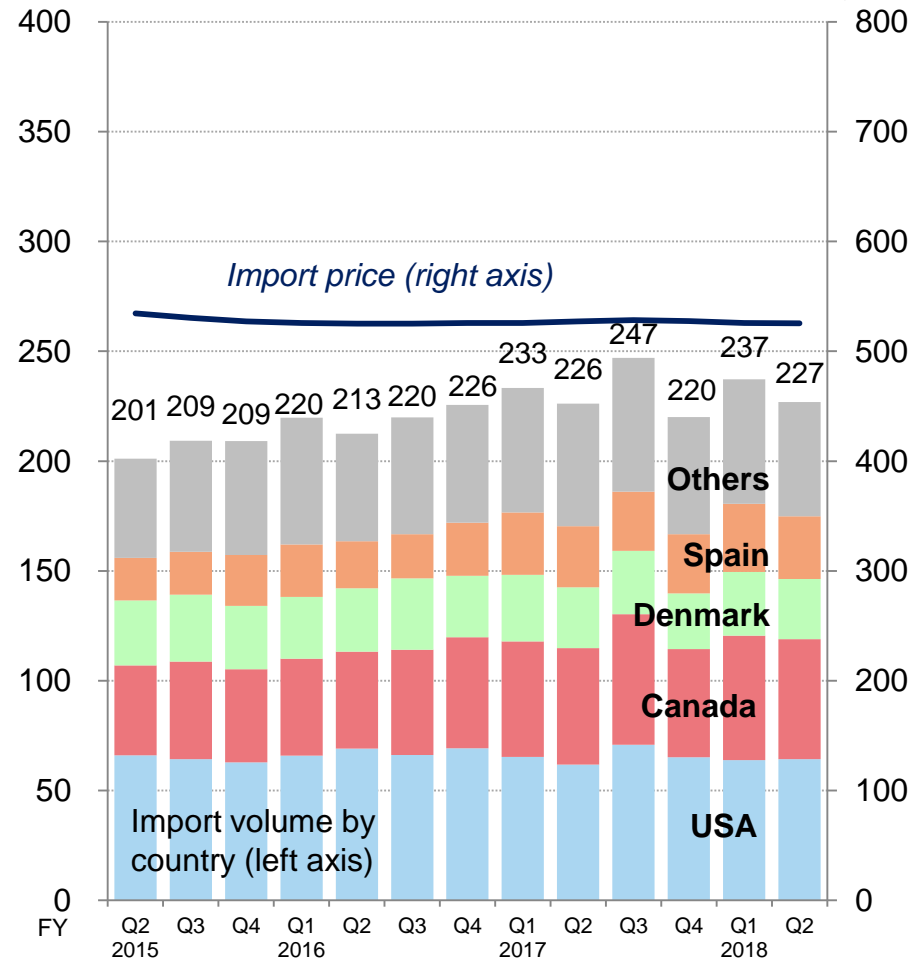


(Source: Customs)

Pork

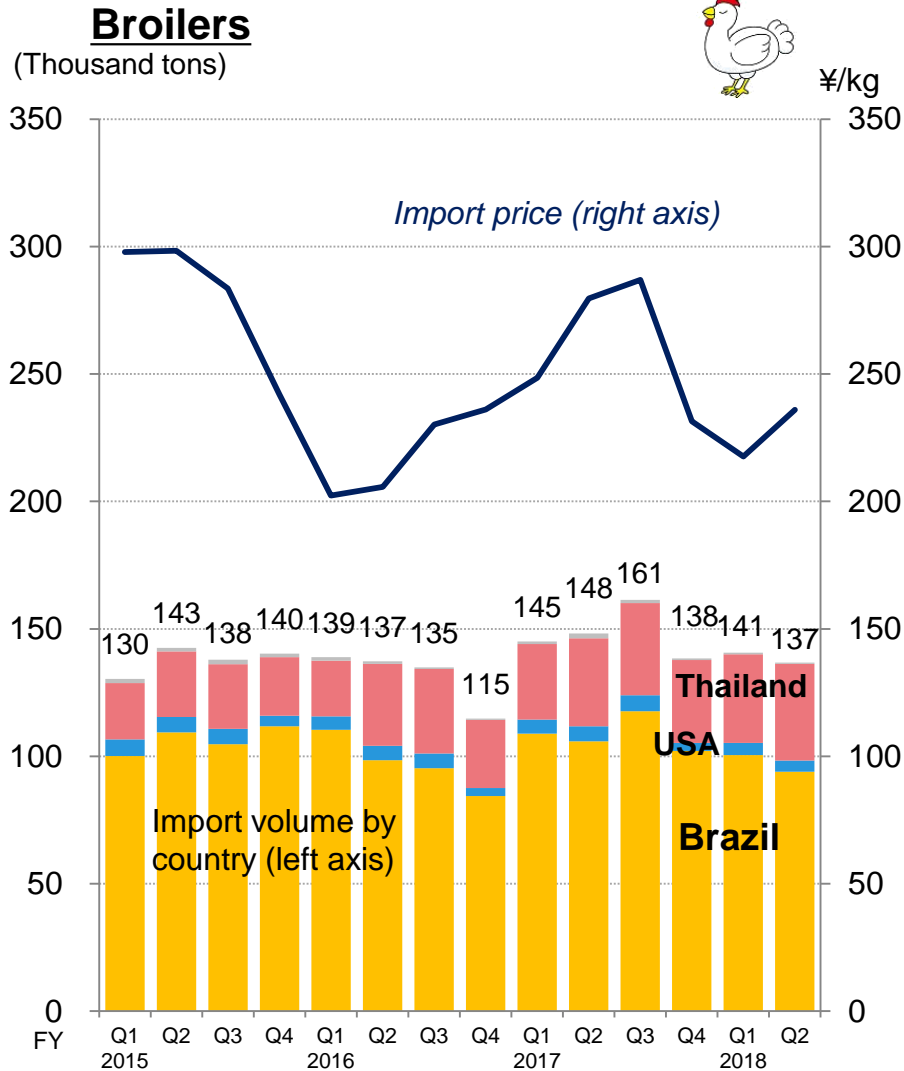


(Thousand tons)

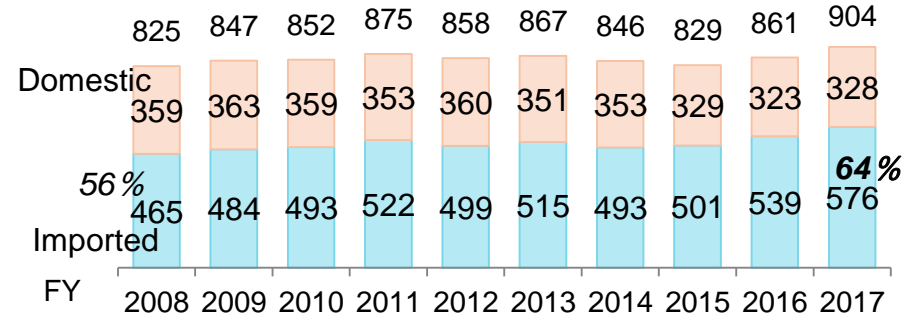


(Source: Customs)

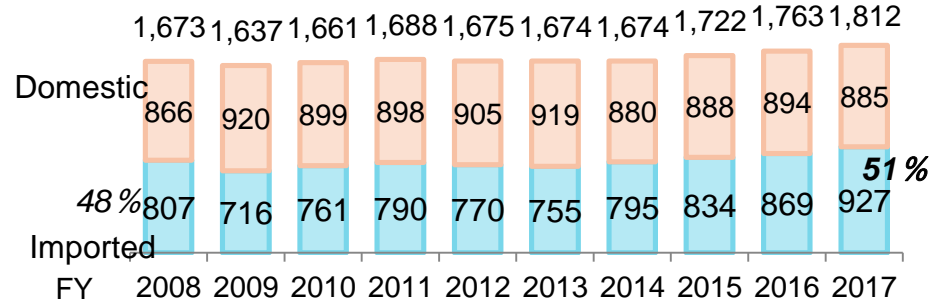
Import Price and Volume Trend of Meats (2)



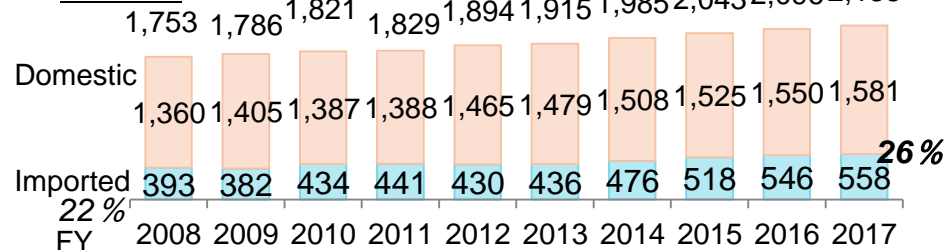
Estimated Marketing Quantity of Beef (Thousand tons)



Estimated Marketing Quantity of Pork (Thousand tons)



Estimated Marketing Quantity of Broilers (Thousand tons)



(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.

These materials are not subject to the audit procedures based on the Financial Instruments and Exchange Law and do not guarantee the accuracy and the completeness of their information. Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. These materials are not promises by the Company regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. Nothing in this document shall be considered as an offer to sell or solicitation of an offer to buy any security, commodity, or other instrument. No responsibility or liability can be accepted for errors or omissions or for any losses arising from the use of this information.

April 1, 2019 NIPPON STEEL TRADING STARTING

New Trade Name

NIPPON STEEL TRADING CORPORATION

Scheduled Date
of Change

April 1, 2019