

FY2019 First Half Results Summary and Progress of Medium-Term Management Plan 2020

November 25, 2019
President Yasumitsu Saeki



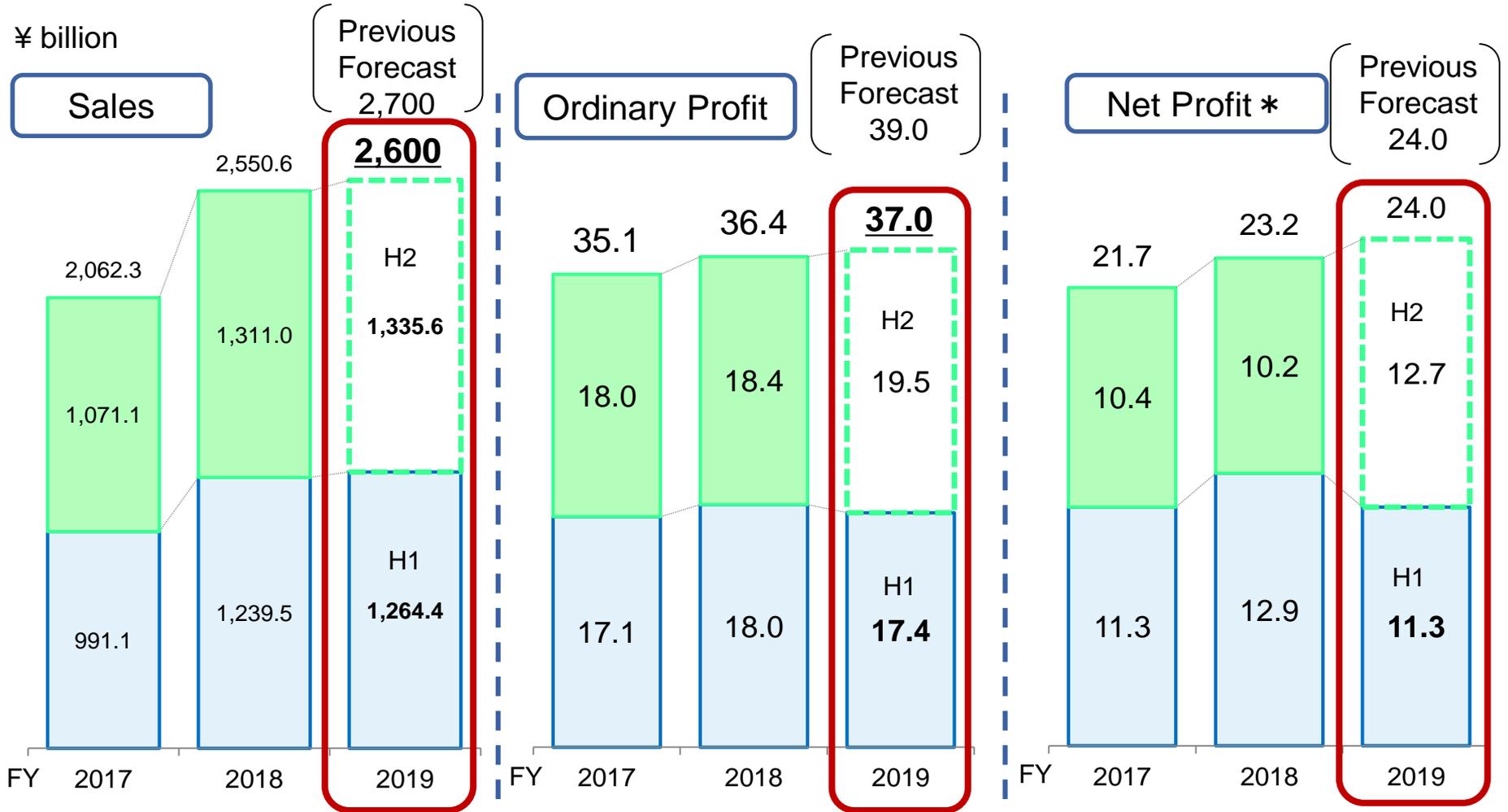
**NIPPON STEEL
TRADING**

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

1. FY2019 First Half Results & FY2019 Forecast

Highlight: FY2019/H1 Results

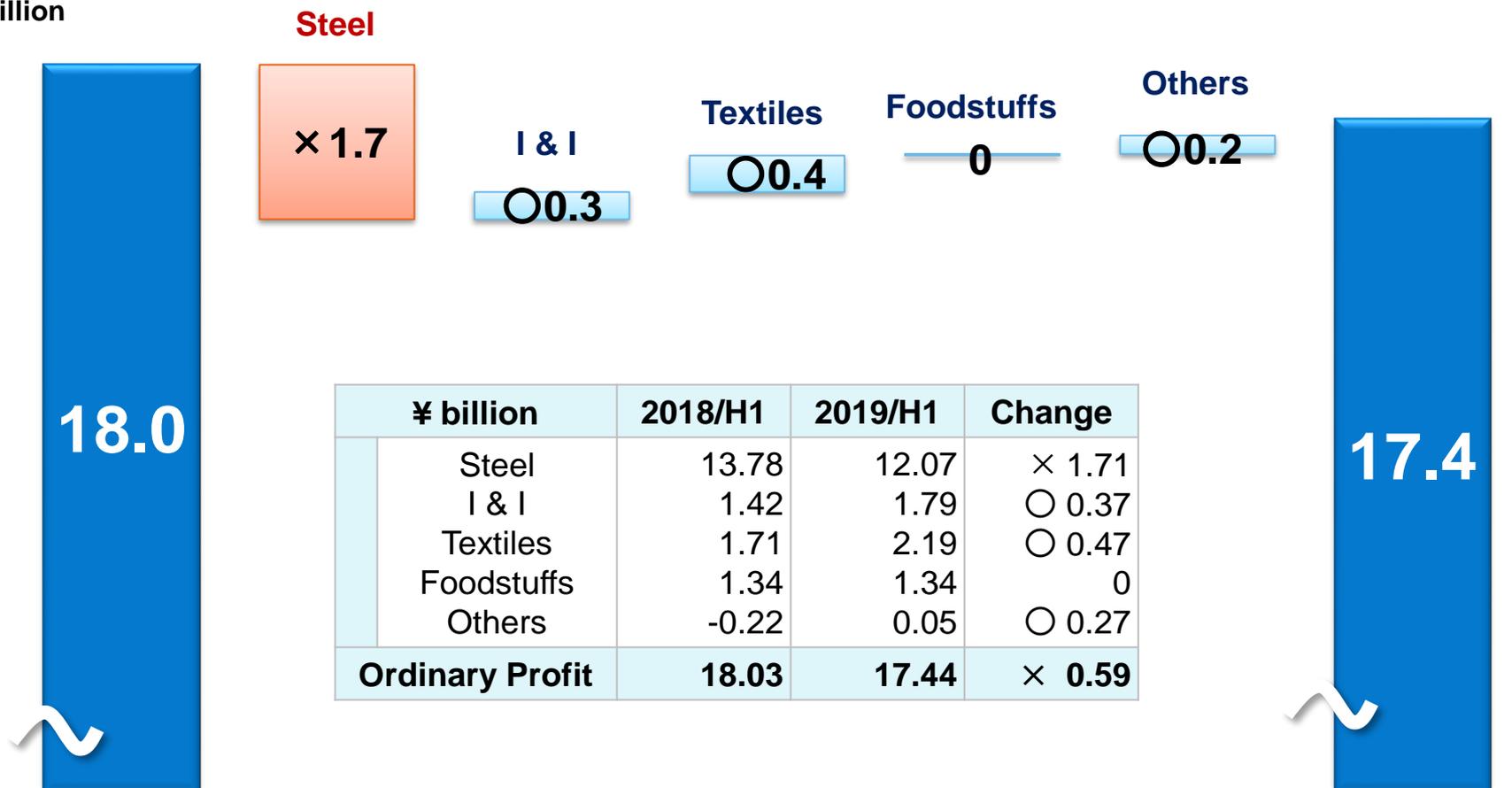
- Ordinary Profit ¥17.4 billion, Net Profit* ¥11.3 billion in First Half
- Revised Full-Year Forecast in Sales and OP, Maintained NP Forecast



* Profit attributable to owners of parent

Ordinary Profit Variance Analysis [FY2018/H1 vs. FY2019/H1]

¥ billion



¥ billion	2018/H1	2019/H1	Change
Steel	13.78	12.07	× 1.71
I & I	1.42	1.79	○ 0.37
Textiles	1.71	2.19	○ 0.47
Foodstuffs	1.34	1.34	0
Others	-0.22	0.05	○ 0.27
Ordinary Profit	18.03	17.44	× 0.59

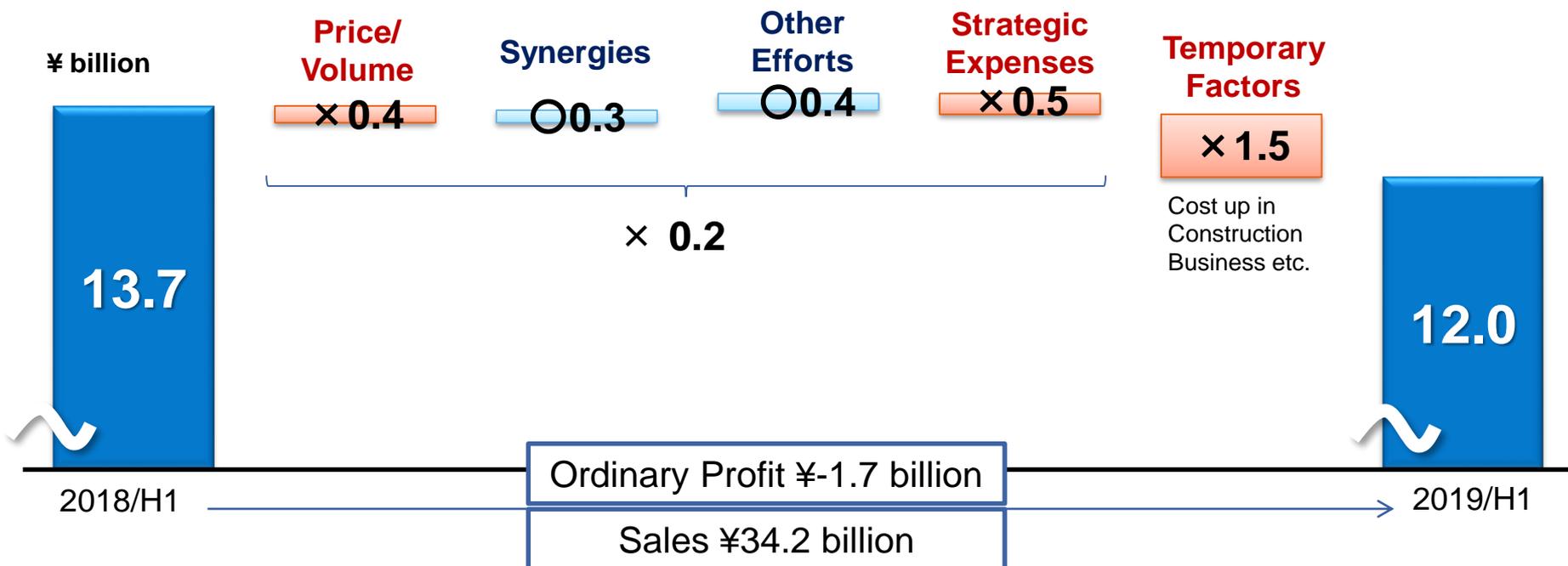
109.5¥/\$ → 109.3/\$

FY2018/H1

¥-0.5 billion

FY2019/H1

Ordinary Profit Variance Analysis [Steel Div.]

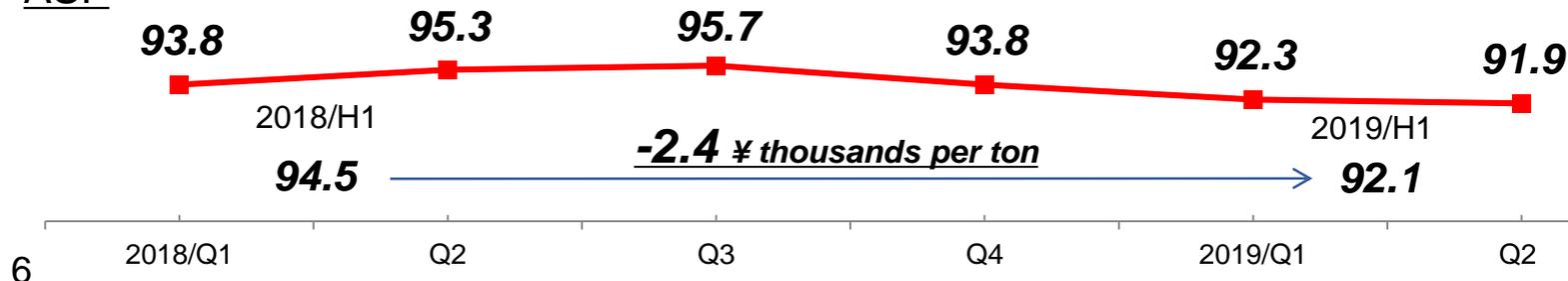


Consolidated Sales Volume (million tons)

2018/H1	2019/H1	Change
9.86	10.24	+0.38

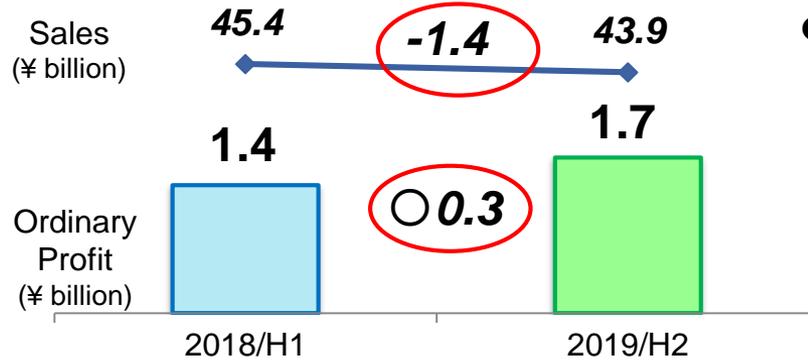
NST -0.03
Subsidiary +0.40

ASP



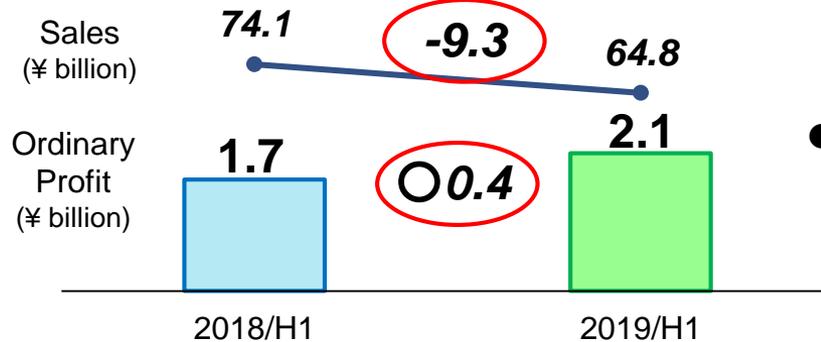
Ordinary Profit Variance Analysis [I & I / Textiles / Foodstuffs Div.]

Industrial Supply & Infrastructure



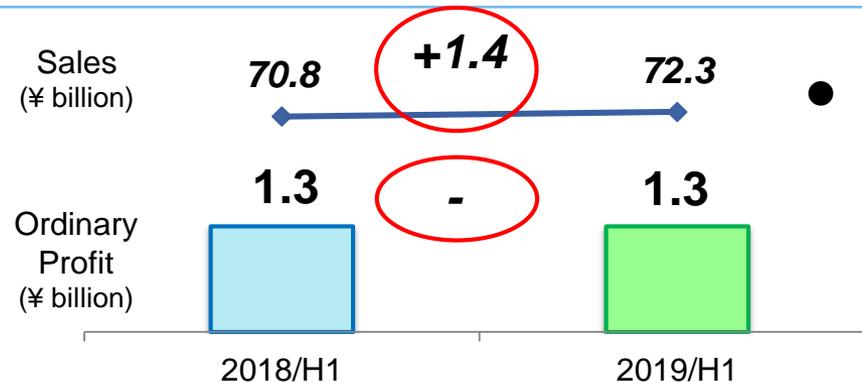
- OP increased by ¥0.3 billion owing in part to recording a gain from revaluation of investment securities at a Thailand-based equity method affiliate.

Textiles



- The sales environment remained harsh.
- OP increased by ¥0.4 billion due to improvement of losses as a result of strengthening small-lot quick-delivery production, and improved profitability at subsidiaries.

Foodstuffs



- Stable Profit Continued.

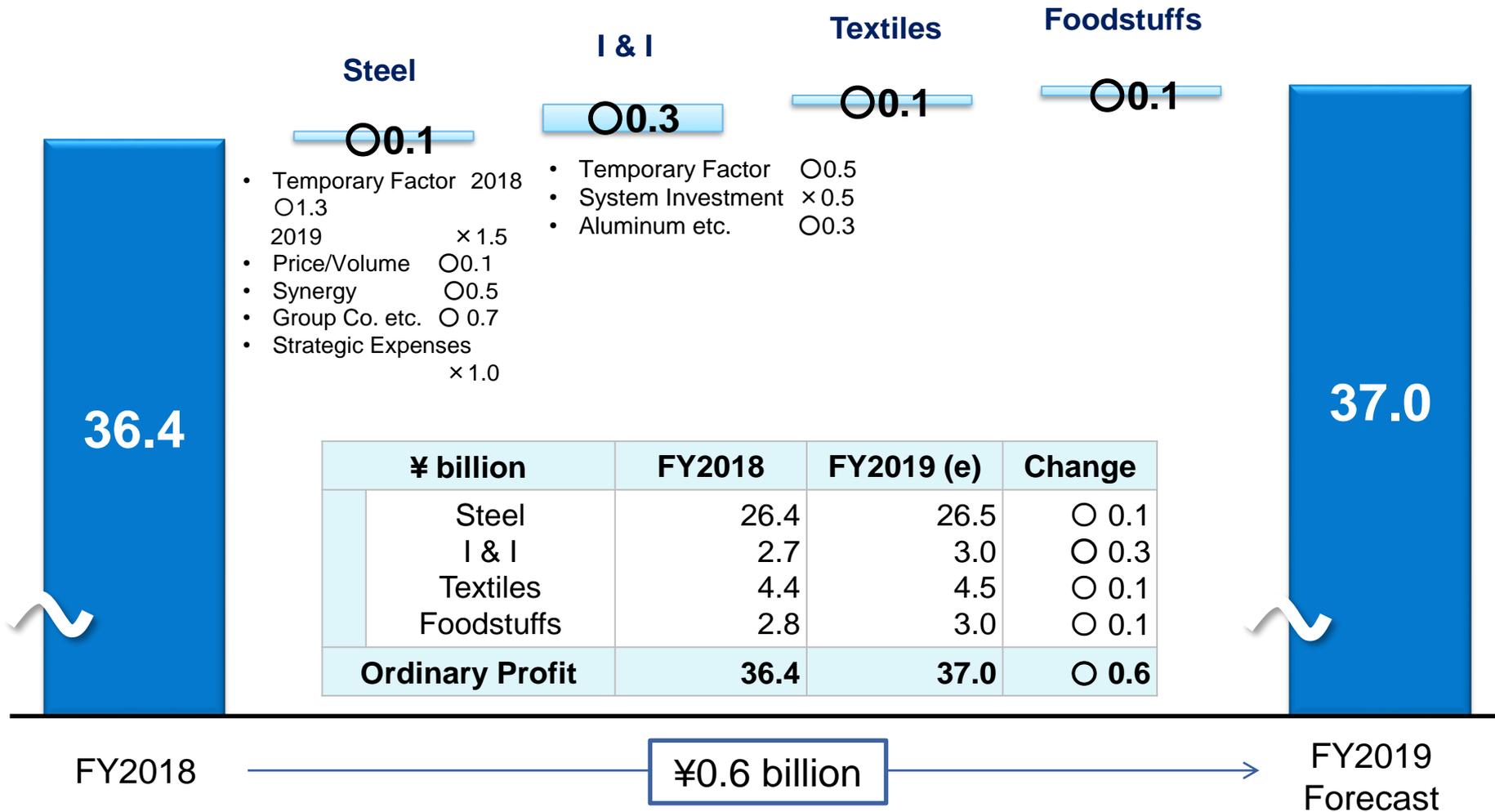
FY2019 Forecast

- Aiming to Achieve Record Highs in Both Sales and Profit.
- Maintained Forecast in NP and Dividend.

¥ billion	FY2018				VS Previous Forecast	FY2019 Forecast	Change 19-18
	H2		H1	H2(e)			
Steel	1,114.6	2,162.9	1,082.7	1,127.3	[-90]	2,210	47.1
I & I	46.8	92.3	43.9	56.0			7.7
Textiles	76.7	150.8	64.8	75.2	[-10]	140	-10.8
Foodstuffs	71.5	142.4	72.3	77.6			7.6
Sales	1,311.0	2,550.6	1,264.4	1,335.6	[-100]	2,600	49.4
Steel	12.6	26.4	12.0	14.4	[-2.5]	26.5	○ 0.1
I & I	1.3	2.7	1.7	1.2			[0.5]
Textiles	2.7	4.4	2.1	2.3	3.0	4.5	○ 0.1
Foodstuffs	1.4	2.8	1.3	1.6			○ 0.1
Ordinary Profit	18.4	36.4	17.4	19.5	[-2.0]	37.0	○ 0.6
Net Profit	10.2	23.2	11.3	12.7		24.0	○ 0.8
EPS (¥)	319.3	720.7	351.5	392.5		744.0	23.3
Divided (¥)	110	220	115	115		230	10
Payment Ratio		30.5%				30.9%	0.4%

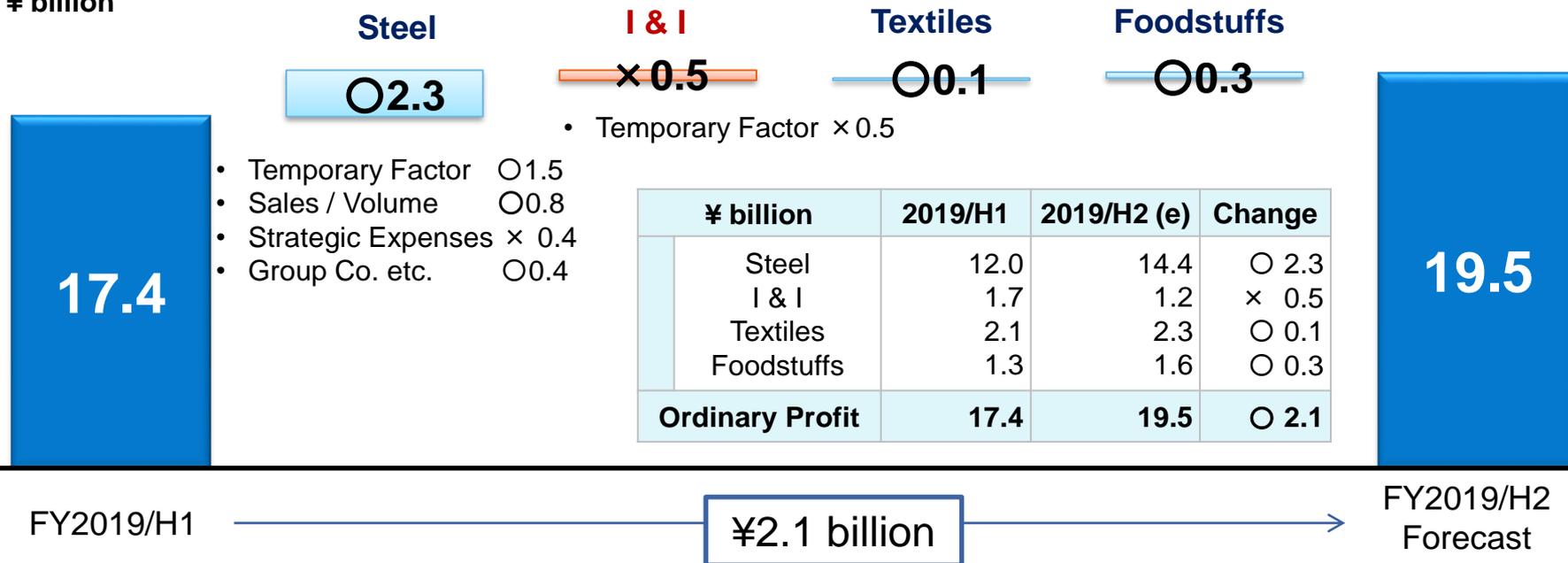
Ordinary Profit Variance Analysis [FY2018 vs. FY2019 Forecast]

¥ billion



Ordinary Profit Variance Analysis [FY2019/H1 vs. FY2019/H2 Forecast]

¥ billion



Consolidated Sales Volume Plan (million tons)

Million tons	2019/H1	2019/H2 (e)	Change
Consolidated	10.24	Approx. 11.5	Approx. +1.3
NST	8.04	9.0	+0.9
Subsidiaries	2.11	2.5	+0.4

Domestic: Seasonal difference in steel demand,
 Progress in inventory adjustments
 Export : Increase for the Foreign Infrastructural projects

Return to Shareholders

Policy of Cash Dividend

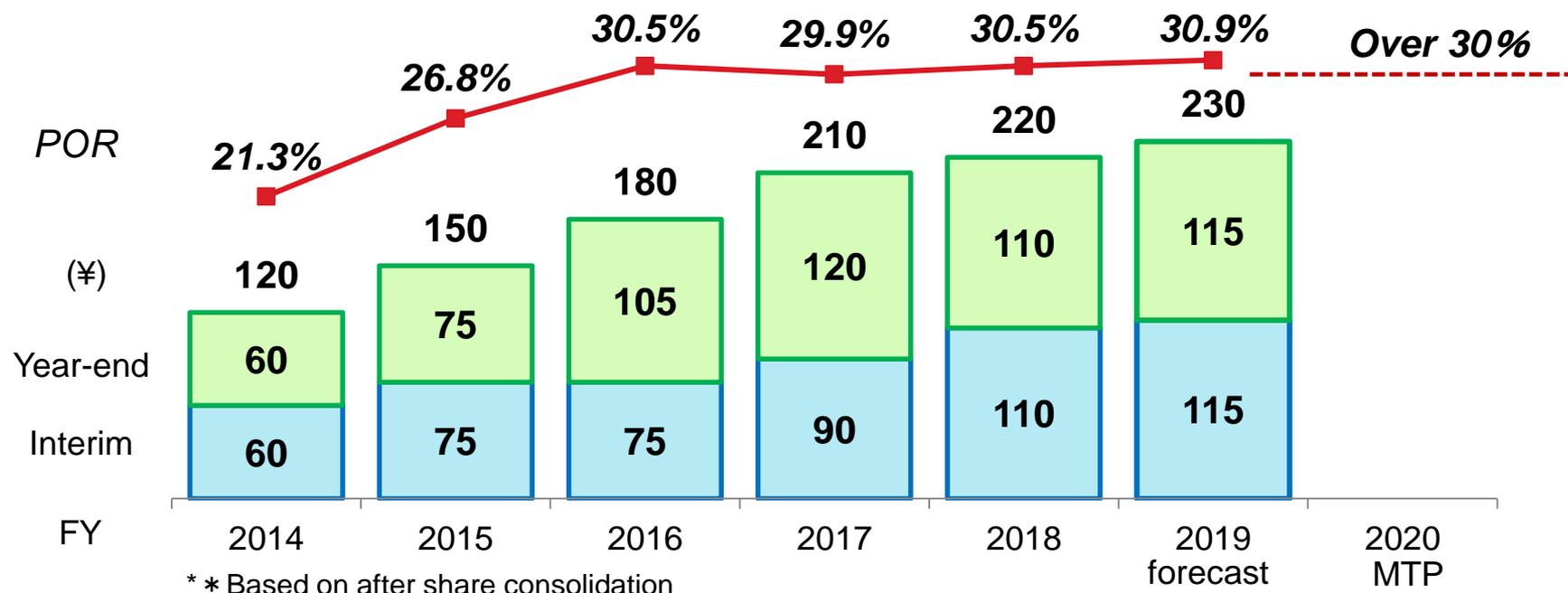
NST's most important management goal is to improve profit returns to our shareholders. Our basic dividend policy is to realize dividends that are in line with business results while balancing profit trends and financial conditions. The targeted payout ratio in this Medium-Term Management Plan is over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

FY2018 Dividend

Full Year Dividend ¥220
(Payout Ratio 30.5%)

FY2019 Forecast of Dividend

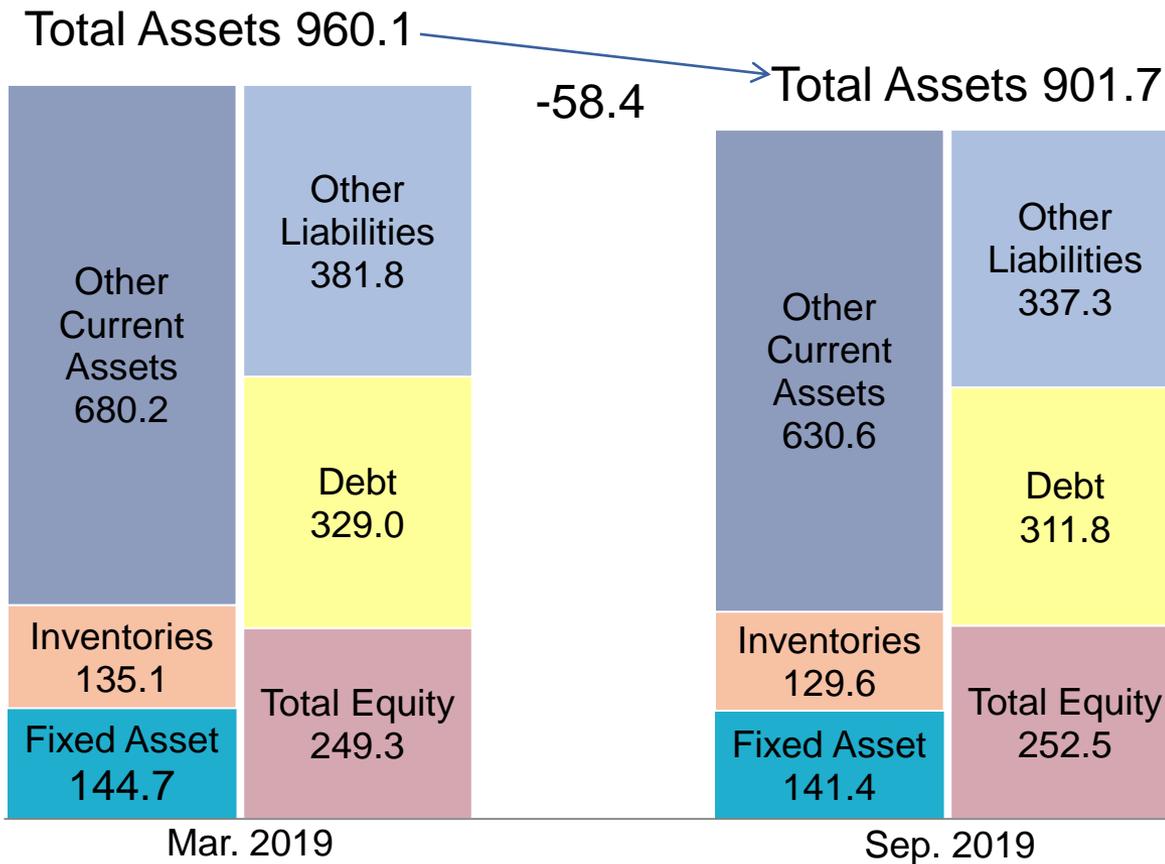
Full Year Dividend ¥230
(Payout Ratio 30.9%)



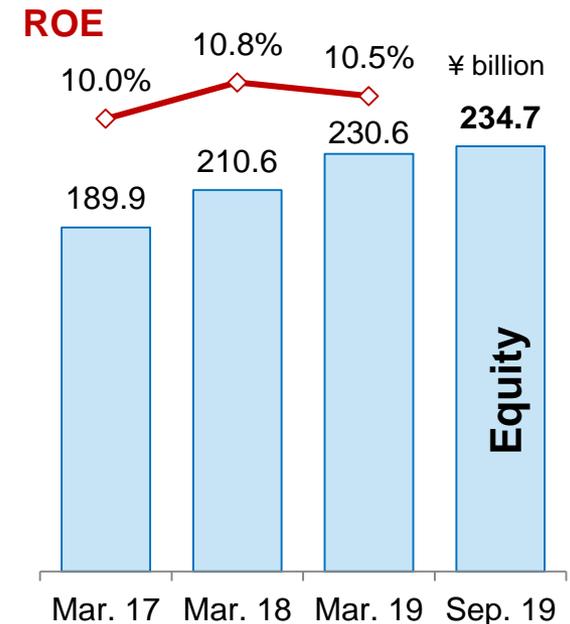
Balance Sheets

- Improving in Financial Indicator
- Total Assets Decreased Mainly due to a Decrease in Accounts Receivable.

¥ billion



	Mar.2019	Sep.2019
Equity Ratio	24.0%	26.0%
Net D/E (multiples)	1.32	1.23



Cash Flow

¥ billion		2018/H1	2019/H2
	Income before income taxes	18.9	17.3
	Depreciation and amortization	2.5	2.7
	Equity in earnings of associated companies	(1.1)	(1.1)
	Others	(6.2)	(9.1)
Basic Operating Cash Flow		14.1	9.8
	Increase in working capital by growth in sales	(2.5)	8.4
Operating CFs		11.6	18.3
	Business transfer from Mitsui	(66.8)	-
	Other Investment	(4.0)	(3.1)
Investment CFs		(70.9)	(3.1)
Free CF		(59.3)	15.1
Financing CFs		55.1	(15.7)
Changes in cash & cash equivalents		(4.7)	(0.8)

2. Progress of Medium-Term Management Plan 2020

Medium-Term Management Plan 2020

Four Business, One Success.

Uniting power of four business divisions 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%

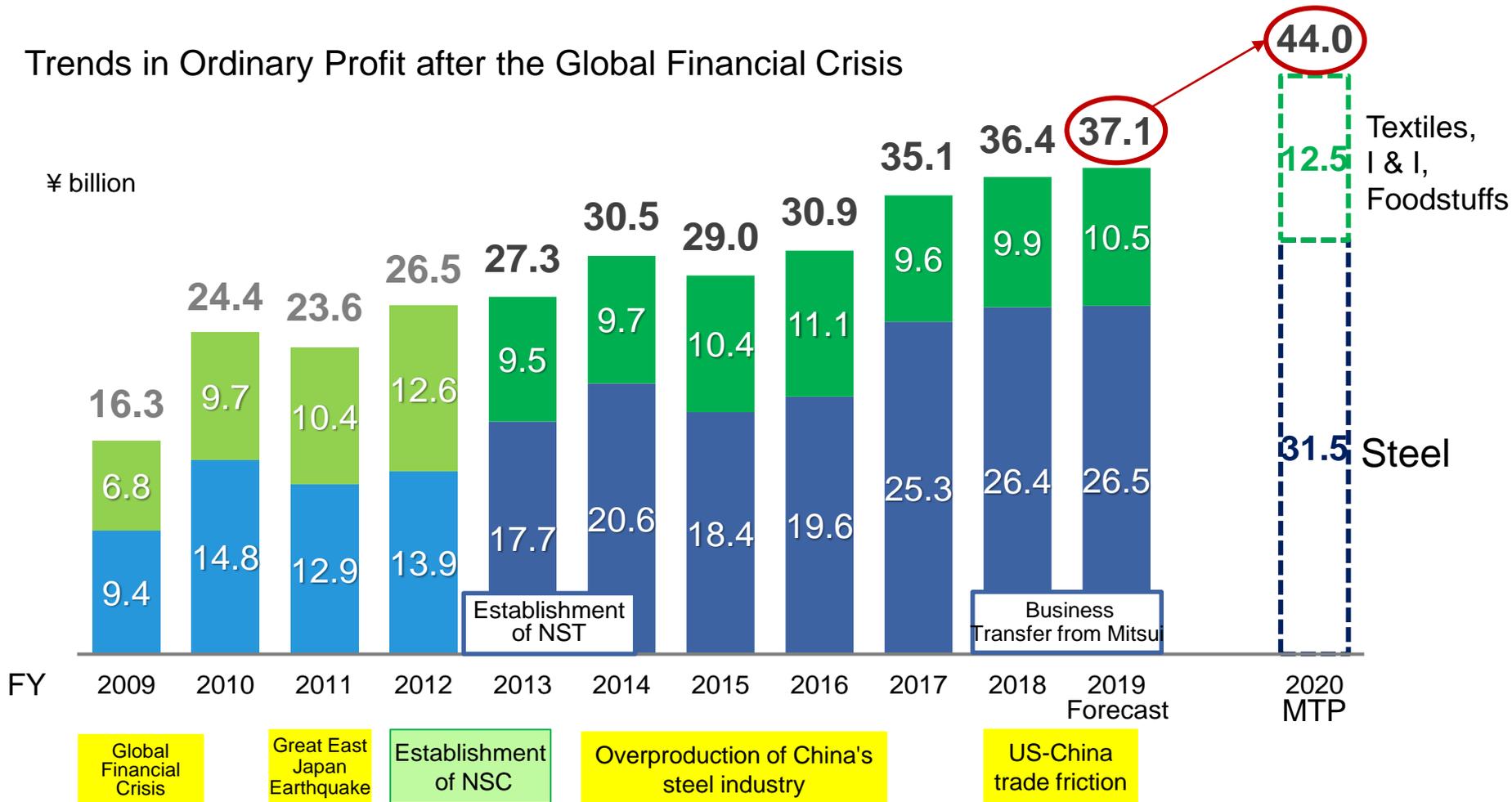
	FY2018~FY2020
Investment	Approx. ¥50 billion

	FY2018~
Payout Ratio	Over 30 %

Footprint of NST's Growth

NST's Earnings Are Steadily Expanding Due to Growth in the Steel Business and Stable Earnings in Other Businesses

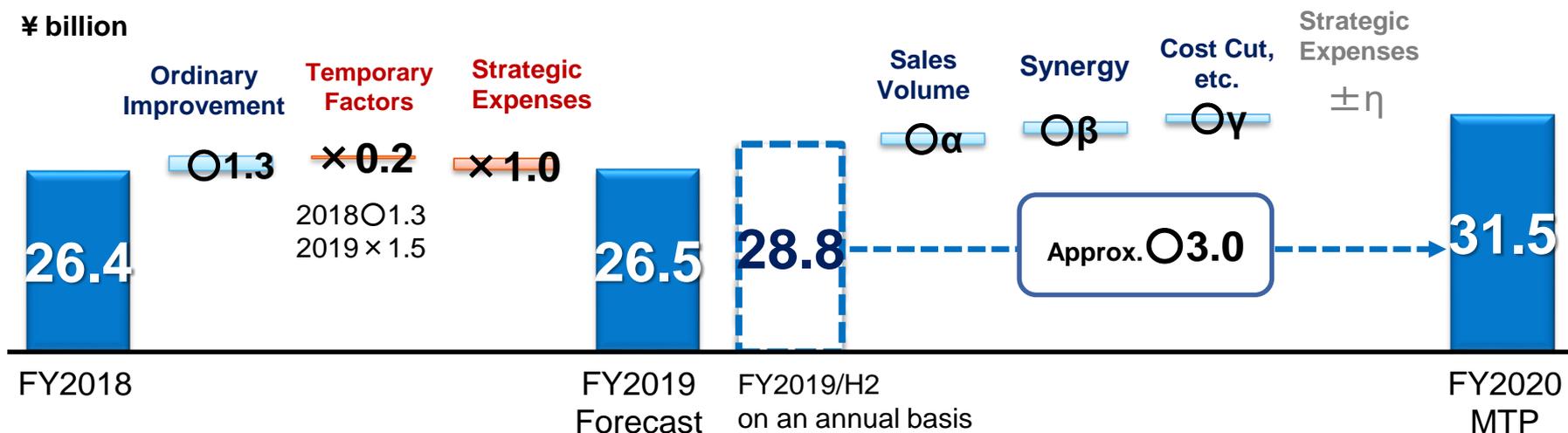
Trends in Ordinary Profit after the Global Financial Crisis



2009~2012: NST+SB

Ordinary Profit Variance Analysis [FY2018 → FY2020]

¥ billion



Consolidated Sales Volume Plan (million tons)

Million tons	FY2018	FY2019 Target	Change
Consolidated	20.32	Approx. 21.7	+1.4
NST	16.47	17.0	+0.5
Subsidiaries	3.85	4.7	+0.9

H1 10.24
H2 11.50

On an annual basis **23.0**

FY2020MTP **24.0**

Increase in exports

Contribution of new subsidiary

α Expanding Sales

- By Strengthening Our Value Chain, Procurement, Logistics and Processing Systems
- By Developing in New Demand Fields
- By the Synchronizing with Nippon Steel's Global Expanding Strategies

Million tons	FY2017	FY2018	FY2019 target	(2019/H2 on an annual basis)
Con-Volume	16.55	20.32	Approx. 21.7	23.0

- ✓ New steel service center in Huston will ramp up by early 2020.
- ✓ Investing QH-PLUS, a major local distributor in Vietnam.
- ✓ Further localizing our global network of sales and service bases.

- ✓ Combined sales of high-end steel, aluminum and carbon fiber.
- ✓ Strengthen sales of EV-related materials.

- ✓ Developing India, MENA and US markets.

β Enhancing the Synergy Effects

- To Be Created Between Mitsui
- To Be Created Between NST Nihon Teppan

¥ billion	FY2018	18→19	FY2019
Synergy	0.4	+0.5	0.9

- ✓ Expanding sales in Mitsui's overseas projects.
- ✓ Reducing logistics costs, etc., with utilizing Mitsui's assets.

- ✓ Reducing cost in the business bases and service centers.

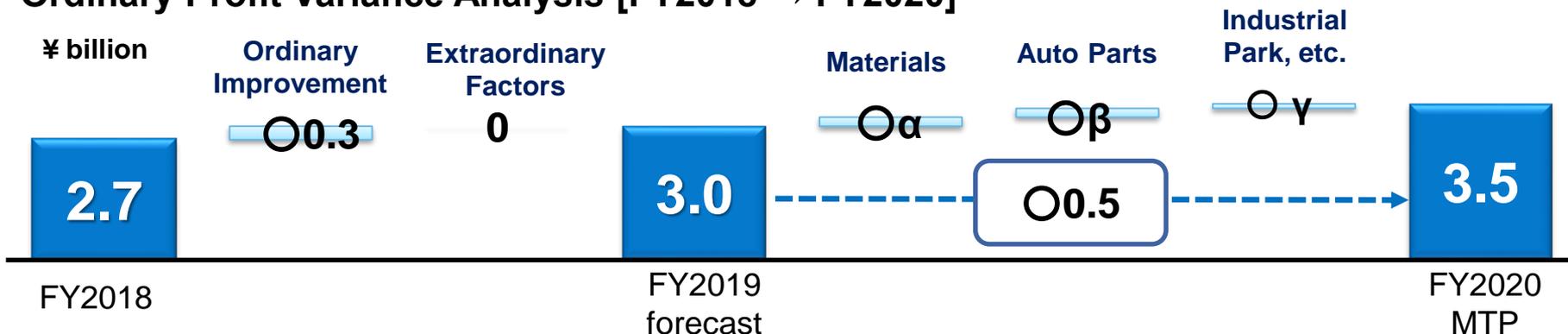
γ Cost Cut, etc.

- Immediate Improvements of Low Profitability, Low Profit, Deficit Subsidiaries or Trading Field

	2014	2015	2016	2017	2018	H1/19
Number of Subsidiaries in red	17	16	11	10	9	13

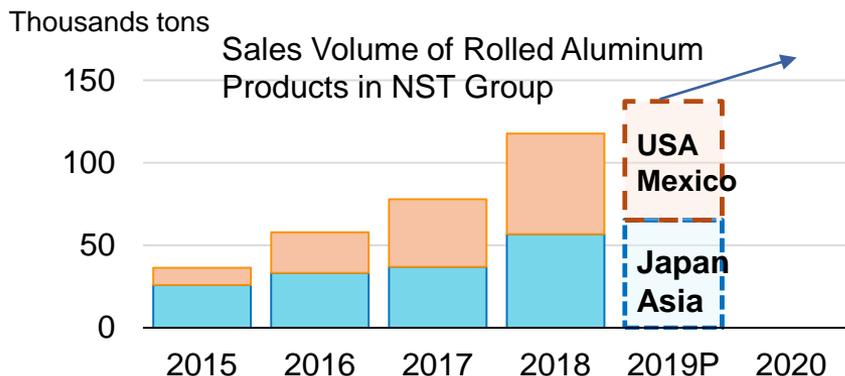
- ✓ Integration, Selling-off, Withdrawal, etc.
- ✓ Improve profitability by reviewing operating costs.

Ordinary Profit Variance Analysis [FY2018 → FY2020]



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

- Sales Expansion of Aluminum for North America.



β Improve Profitability in Automotive Parts Business

- Established New Headrest Stay JV in India.

γ Machinery / Industrial Park Business

- Development of the industrial park business in Mexico and Vietnam.
- Expand Export in Automation Facilities for Industrial / Commercial-Use Kitchens.

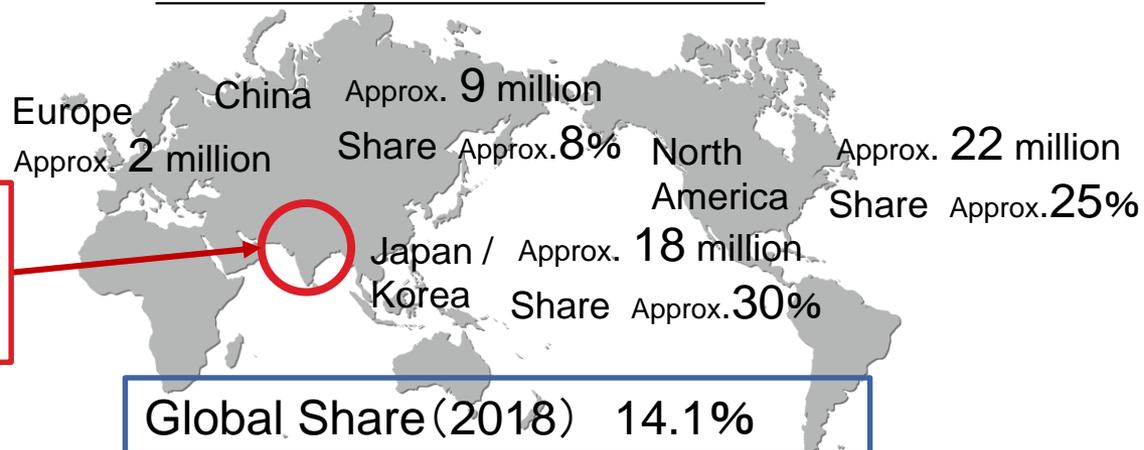
Expansion in Headrest Stay Business

● Established New Headrest Stay JV in India

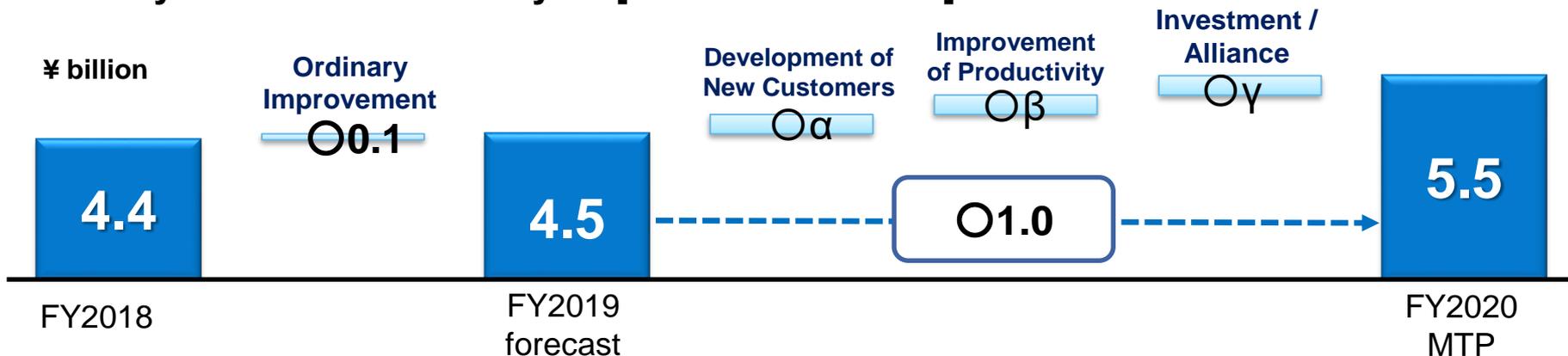
Established Swastik Arai Tubular to produce headrest stays in a joint venture with Swastik AutoMech, a manufacturer of automotive parts in India.



Production Volume and Share



Ordinary Profit Variance Analysis [FY2018 → FY2020]



<Change in Consumer Behavior in Fashion Retailing>

- Change in the Consumer Buying Behavior
 - ✓ From **Ownership** to **Use**
 - ✓ From **Readymade** to **Tailored Clothing**
- Change in the Customer Ordering Trend
 - ✓ Loss Reduction ⇒ **Smaller Lot / Quick Delivery**

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%

Textiles Business

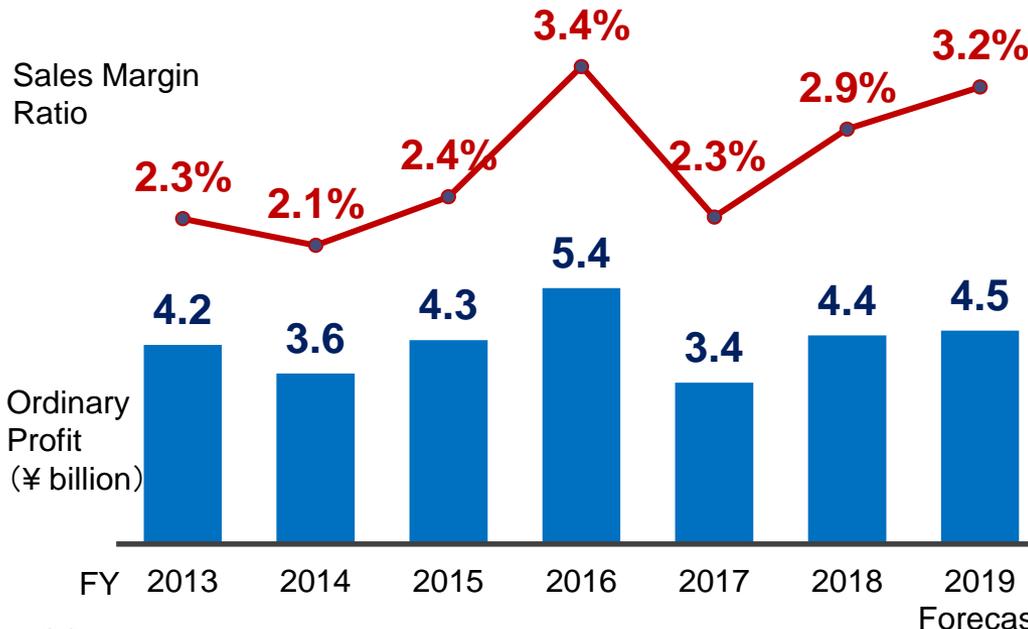
Major Initiatives Toward MTMP 2020 Target

Sales and OP Trend in Textiles Business

- ✓ Sales decreased gradually because of the dissolution of an unprofitable field and severe environment.



- ✓ Profit margin declined sharply in FY2017, when small lots and short delivery progressed rapidly.
- ✓ Currently margin is recovering gradually due to efforts such as loss reduction.



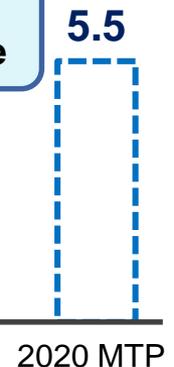
α Development of New Customers (Expanding Sales)

- Expansion of overseas sales
- Develop new customers by promoting our environmentally friendly production system

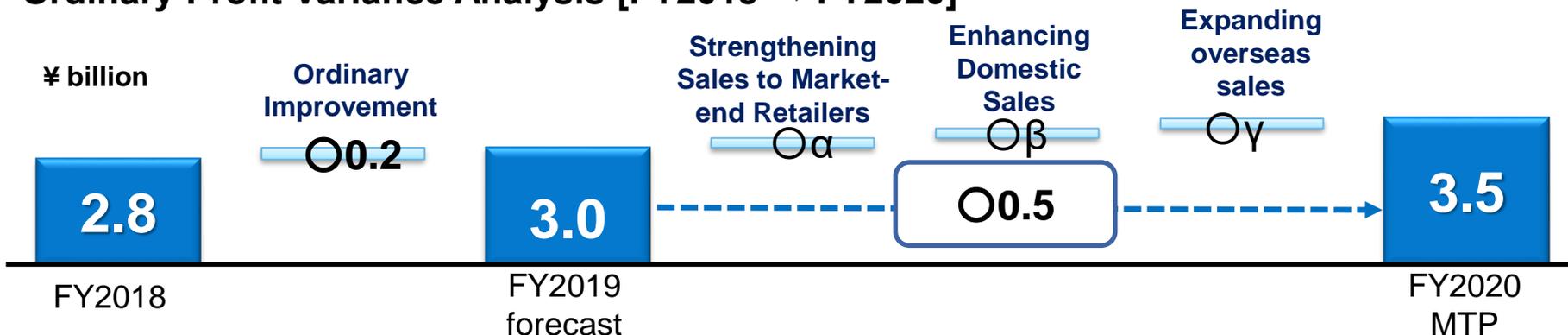
β Improvement of Productivity (Enhancing Sales Margin)

- Strengthening the supply chain by increasing process efficiency
 - Utilizing digital technologies
 - Partnering with Star-Up Companies
 - Improving Order Entry Operation

γ Promoting Investments and Alliance



Ordinary Profit Variance Analysis [FY2018 → FY2020]



α Strengthening Sales to Market-end Retailers

Expand sales using close-relationship-suppliers such as Canada / Mexico (TPP11) and the Netherlands (Japan-Europe EPA)

β Enhancing Domestic Sales

Acquisition of Cosmo Foods, a food processing fabless company

γ Expanding Overseas Sales

Food prices climb to two-year high in China due to African swine fever

→ Expand sales of Austrian beef / Brazilian broilers to China

+ Development of Environmentally Friendly Products

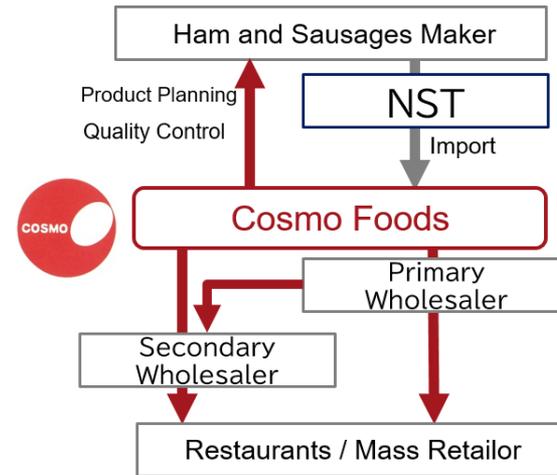


Acquisition of Cosmo Foods

- Cosmo Foods is a Food Processing Fabless Company in Osaka
- Entry into a New Domain That Directly Meets Consumer Needs

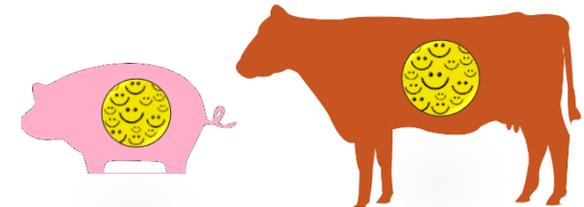
Overview of Acquisition

Business	Development and Trade of Processed Foods
Sales	¥1.65 billion (FY2018)
Share Holding	NST Group 100%
Date of Acquisition	Oct. 31, 2019



Development of Environmentally Friendly Products

- Commercialization Proposal to a Major Meat Producer of the Feeding System Using Feed Additives Based on Intestinal Microflora Studies for Preventing Overuse of Antibiotics.
- Expand Sales of 100% Plant-based Vegan Products.



Creating Growth Engines into the Next Stage

Digital Transformation

- Reforming our trading companies' functions through digital technologies.
- Remodeling our steel processing plant and sewing factory to Smart-Factory.
- Creating new valued solutions and services for upcoming "Society 5.0."



Further Globalization

- Expanding our steel value chain to growth regions.
- Strengthening regional development in headrest stay business.
- Developing overseas sales network in the Textile and Foodstuff business.



Initiatives for SDGs and Environmental Issues

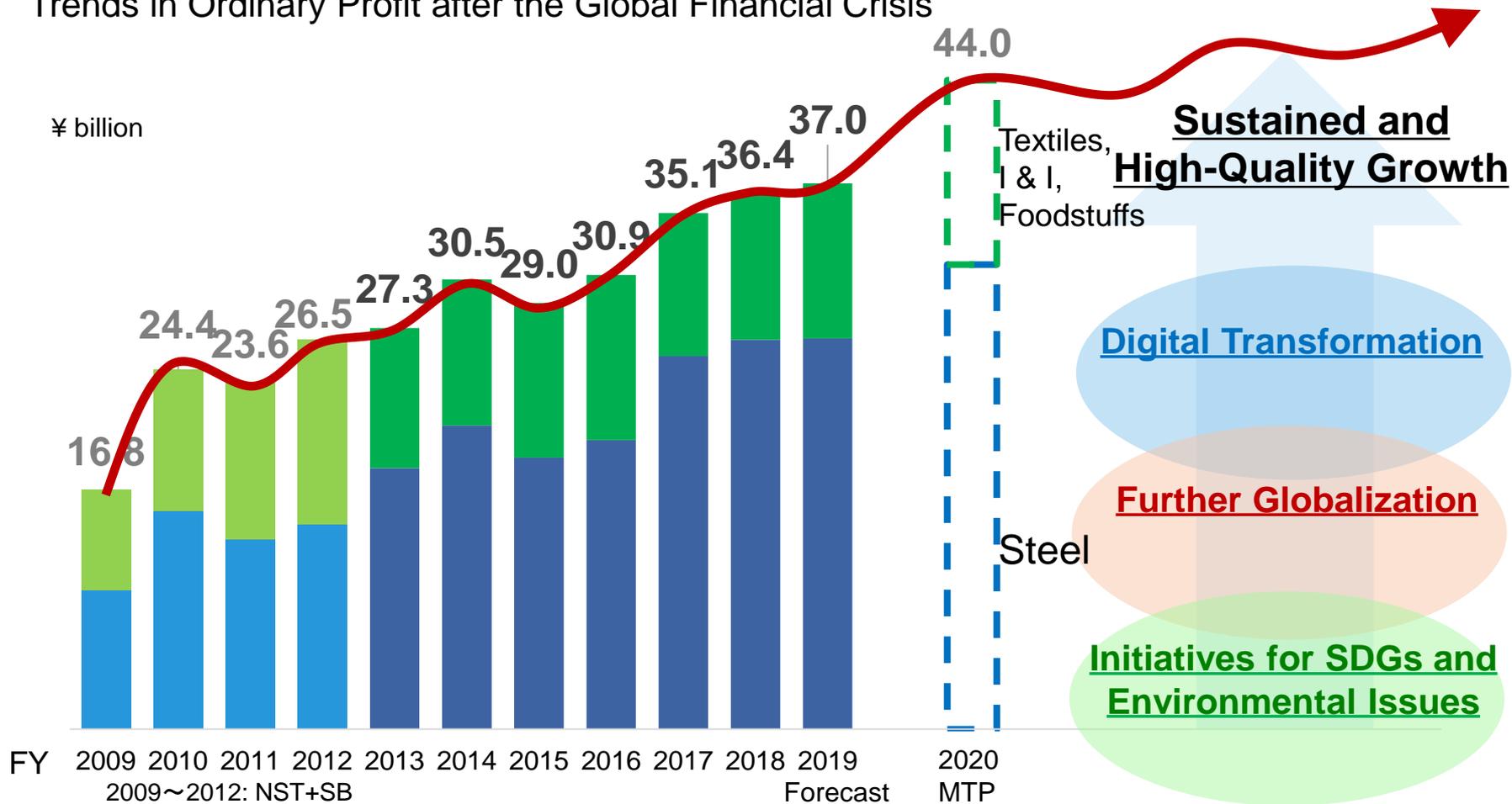
- Expanding sales of eco-products that meet customer needs.
- Pioneering new businesses to reduce global environmental impact.
- Continuous improvement of employee work-life balance.



Aiming for Sustained Growth

- Enhancing Corporate Value Through Growth with Controlled Downside Earning Risk in Four Core Businesses.

Trends in Ordinary Profit after the Global Financial Crisis



3.Appendix

FY2019/H1 Results

¥ billion			FY2018			FY2019 H1	Change 19/H1 vs 18/H1
	H1	H2		Q1	Q2		
Sales	1,239.5	1,311.0	2,550.6	628.7	635.6	1,264.4	24.8
(ratio)	(27.4%)	(26.1%)	(26.7%)	(28.1%)	(28.2%)	(28.2%)	(0.8%)
Overseas Sales	339.6	341.9	681.6	176.7	179.1	355.9	16.3
(ratio)	(5.9%)	(5.7%)	(5.8%)	(5.6%)	(5.8%)	(5.7%)	(-0.2%)
Gross Profit	72.7	74.9	147.6	34.9	36.9	71.9	-0.7
Operating Profit	17.7	18.4	36.1	8.0	9.3	17.4	-0.3
Equity Method Income	1.1	0.9	2.1	0.4	0.6	1.1	0.0
Ordinary Profit	18.0	18.4	36.4	8.1	9.2	17.4	-0.5
Extraordinary Income (Loss)	0.9	(4.0)	(3.1)	(0.1)	0	(0.1)	-1.0
Total Income Taxes	5.4	3.5	8.9	2.4	2.8	5.2	-0.1
Profit Attributable to Non-Controlling Interests	0.5	0.5	1.0	0.3	0.3	0.6	0.1
Net Income	12.9	10.2	23.2	5.2	6.0	11.3	-1.6
EPS (¥)	401.41	319.27	720.68	162.98	188.47	351.45	-49.96
Dividend(¥)	110	110	220			115	5

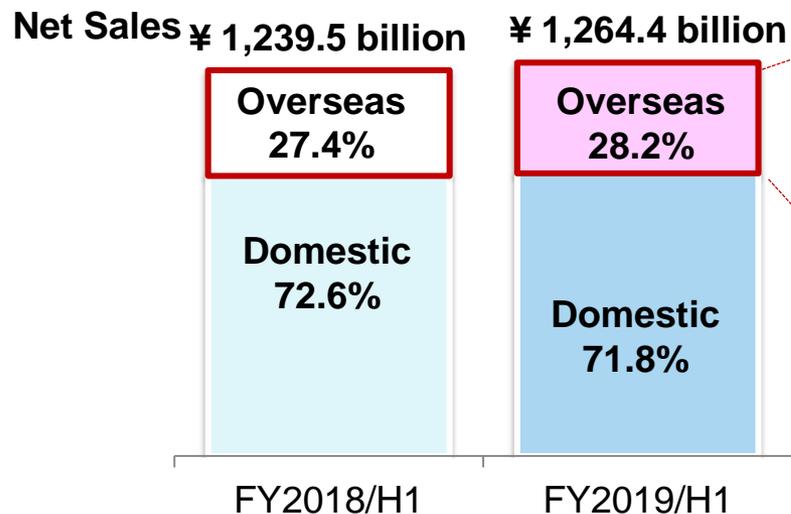
Extraordinary Income (Loss)

¥ billion	FY2018		FY2019		Change 19/H1 vs 18/H1	
	H1		Q1	Q2		
Gain on sales of investment securities	0.11	1.01	0.03	0.01	0.04	-0.06
Gain on bargain purchase	1.32	2.05				-1.32
Total Extraordinary Income	1.43	3.06	0.03	0.01	0.04	-1.38
Loss on sales of non-current assets	0.06	0.06				0.06
Impairment loss		0.21	0.13		0.13	-0.13
Loss on sales of investment securities		3.68	0.03		0.03	-0.03
Loss on valuation of investment securities		0.04				-
Loss on valuation of investments in capital	0.17	0.36				0.17
Loss on liquidation of subsidiaries and associates	0.27	0.37				0.27
Loss on business of subsidiaries and associates		1.49				-
Total Extraordinary Losses	0.50	6.20	0.16	0	0.16	0.34
Extraordinary Income (Loss)	0.92	(3.14)	(0.13)	0.01	(0.12)	-1.04

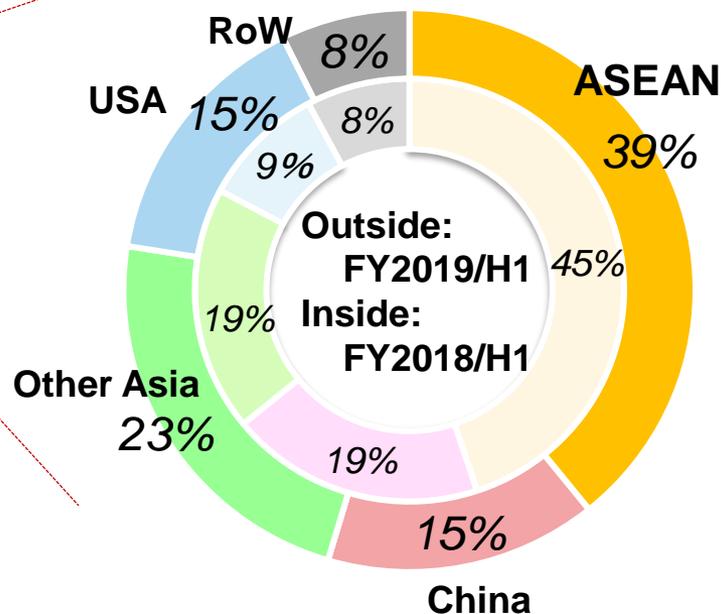
Sales and Ordinary Profit by Quarter

¥ billion	FY2017				FY2018				FY2019	
	Q1	Q2	3Q	4Q	Q1	Q2	Q3	Q4	Q1	Q2
Steel	389.6	413.8	435.1	436.3	519.4	528.9	561.3	553.2	543.3	539.3
I & I	22.1	22.2	22.3	22.2	22.4	23.0	24.3	22.5	21.9	22.0
Textiles	36.1	36.6	39.3	41.5	35.3	38.8	37.3	39.3	27.8	36.9
Foodstuffs	34.6	35.0	38.4	35.0	34.8	36.0	39.4	32.1	35.3	36.9
Others	0.4	0.4	0.3	0.3	0.3	0.4	0.3	0.8	0.2	0.2
Sales	483.0	508.1	535.6	535.5	612.3	627.2	662.8	648.1	628.7	635.6
Steel	6.3	6.3	6.7	5.9	7.4	6.3	7.0	5.5	6.0	6.0
I & I	1.4	0.7	0.7	0.7	0.7	0.6	0.8	0.4	0.7	1.0
Textiles	0.9	0.0	0.7	1.7	0.9	0.7	0.5	2.1	0.6	1.5
Foodstuffs	0.7	0.4	0.6	0.5	0.5	0.7	0.7	0.6	0.7	0.5
Others	0.0	0.0	0.0	0.0	(0.6)	0.3	0.1	0.0	0.0	0.0
Ordinary Profit	9.5	7.5	8.9	9	9.1	8.8	9.4	8.9	8.1	9.2

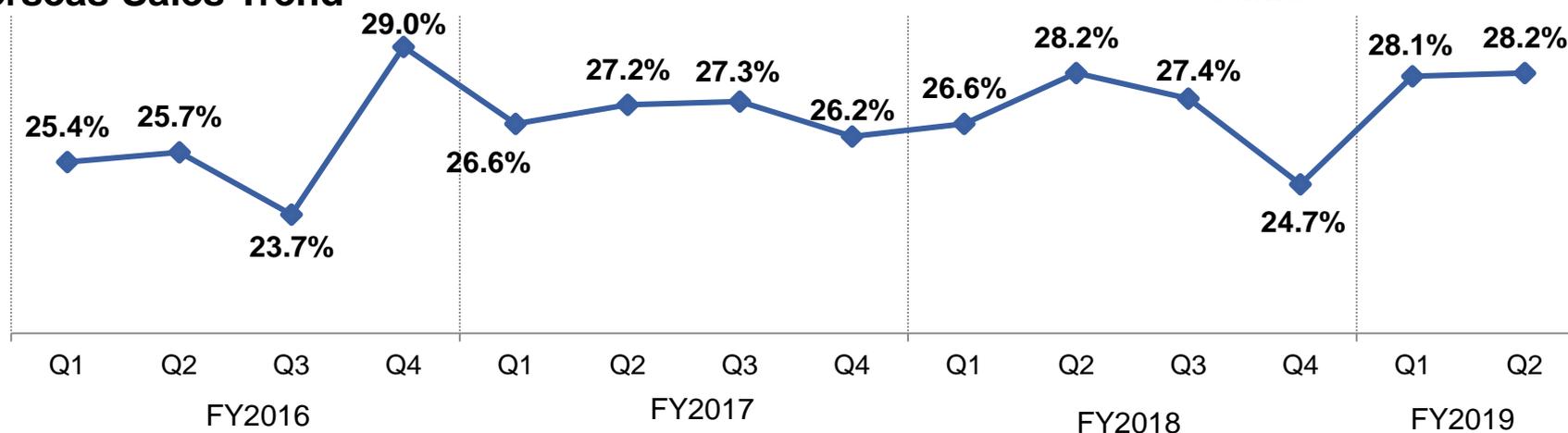
Overseas Sales



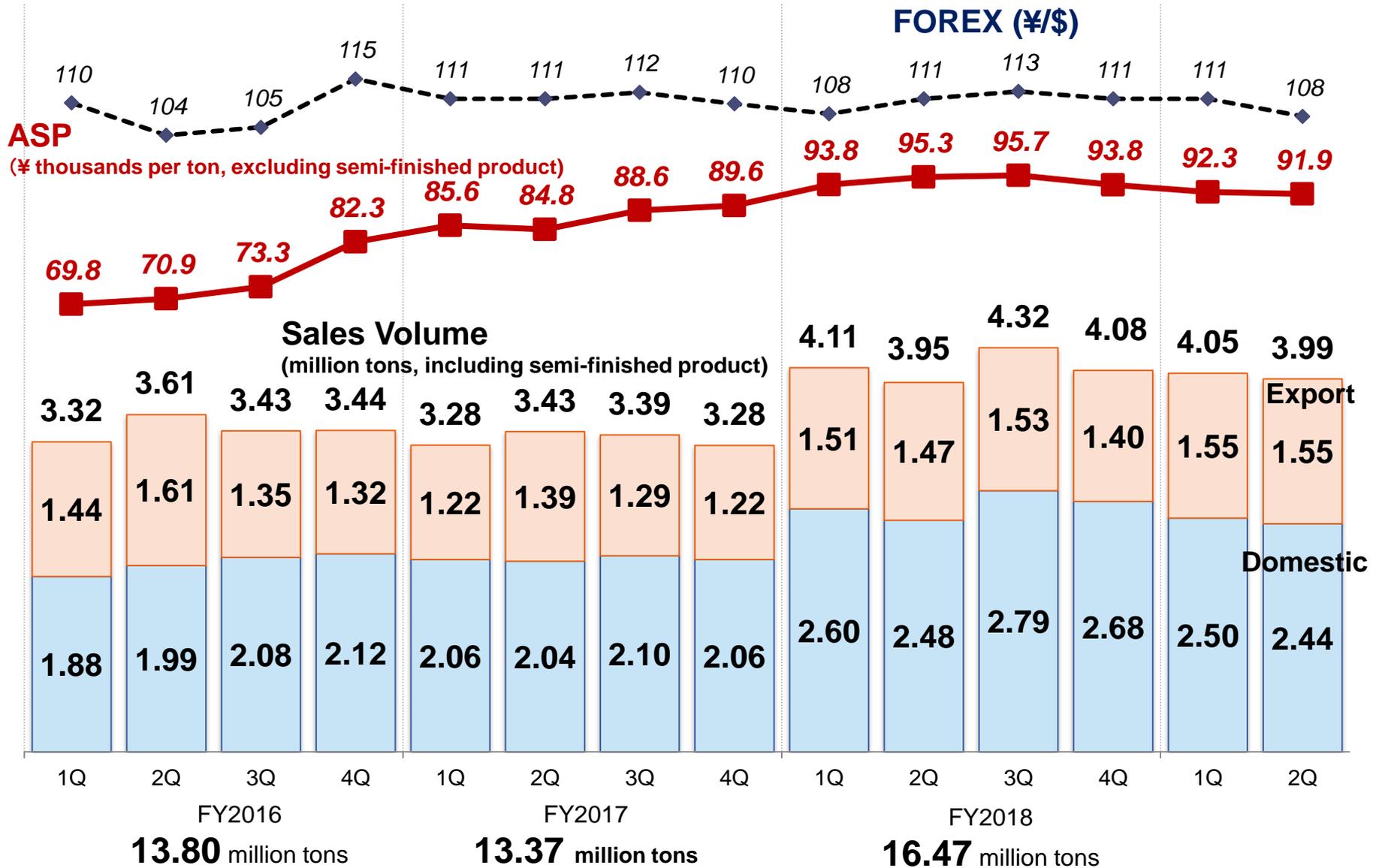
Overseas Sales by Region



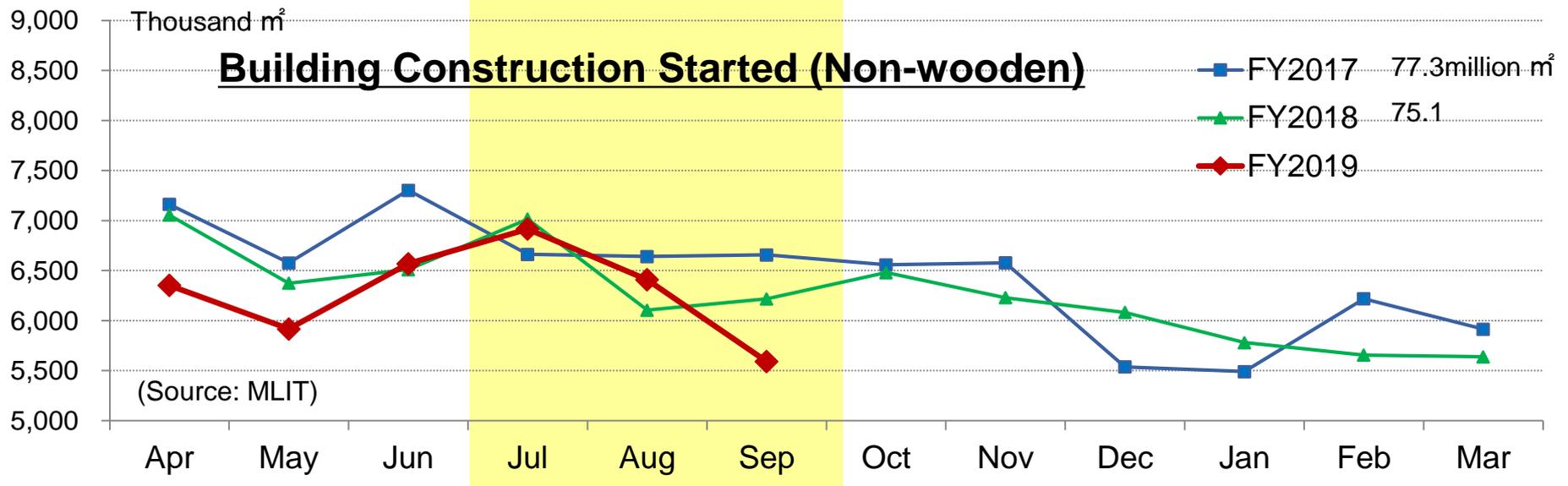
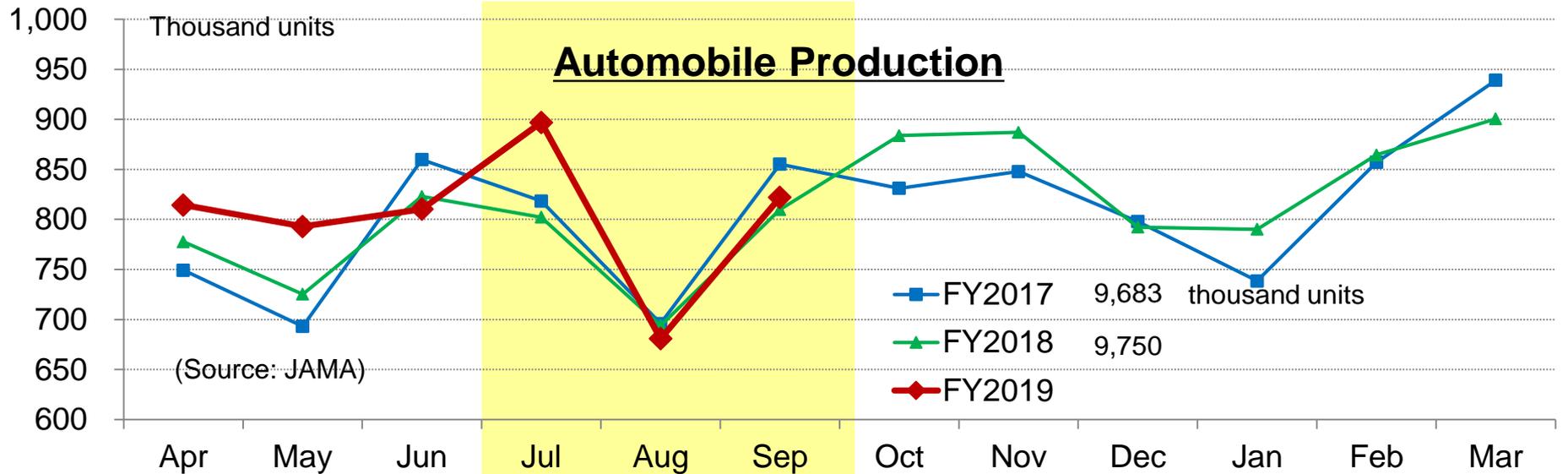
Overseas Sales Trend



Non-Consolidated Sales Volume and ASP of Steel by Quarter



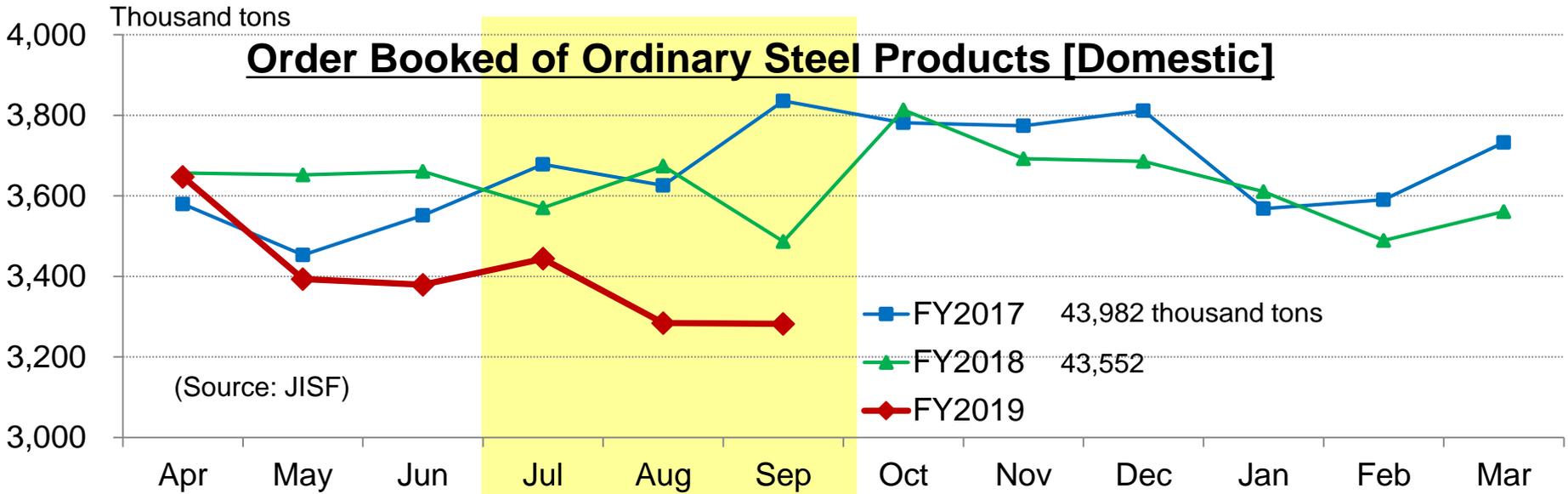
Domestic Demand Trend for Steel



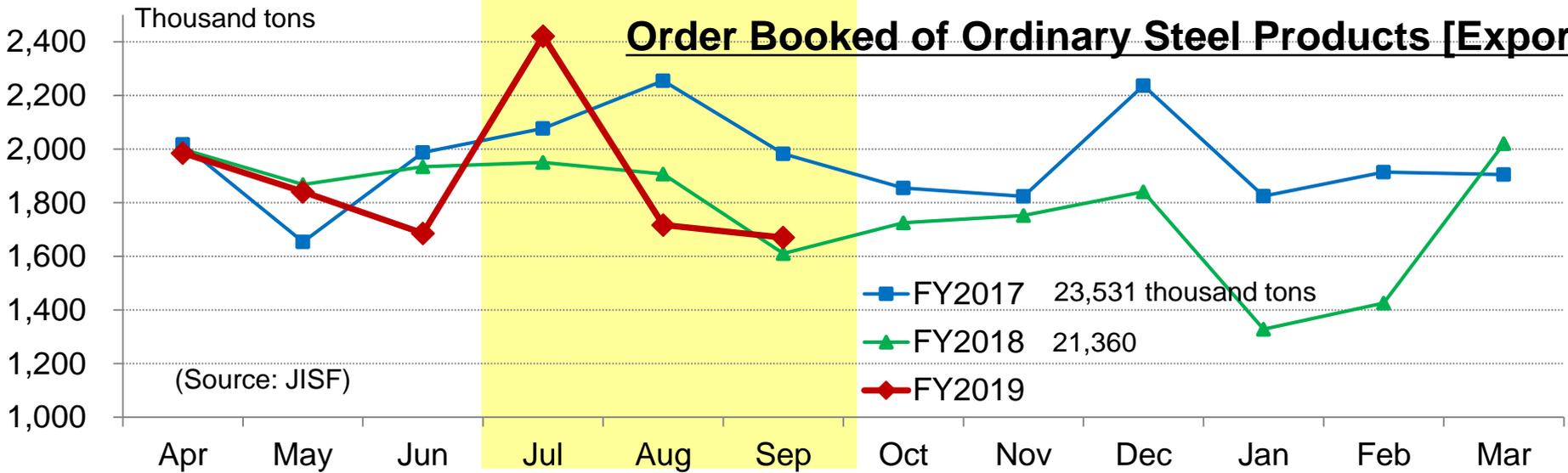
Steel Demand in Japan



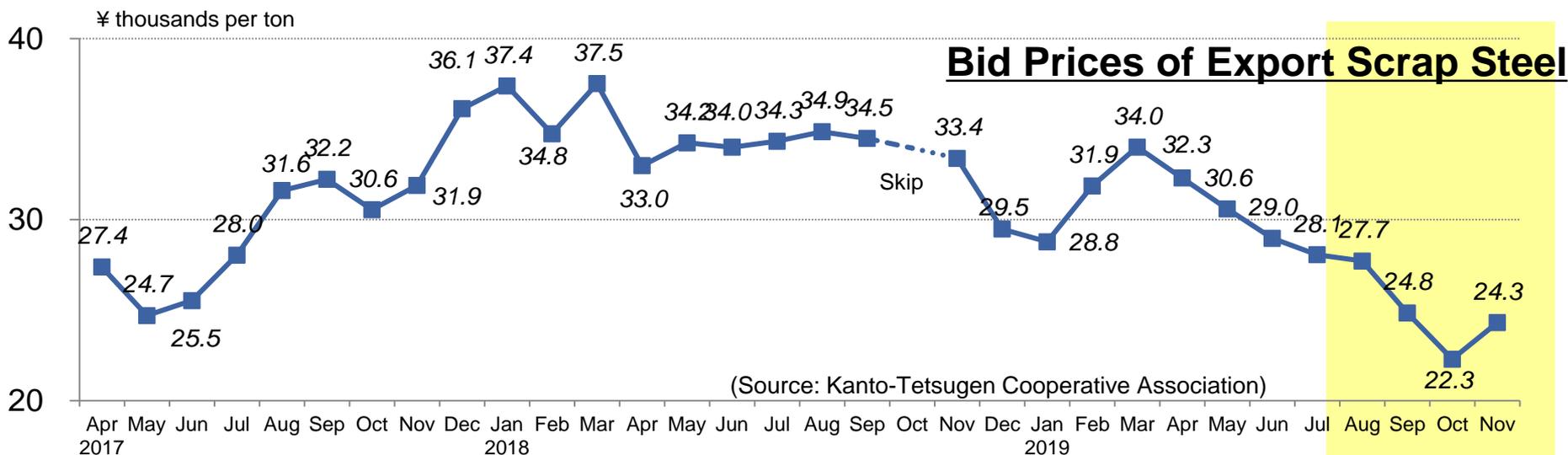
Order Booked of Ordinary Steel Products [Domestic]



Order Booked of Ordinary Steel Products [Export]

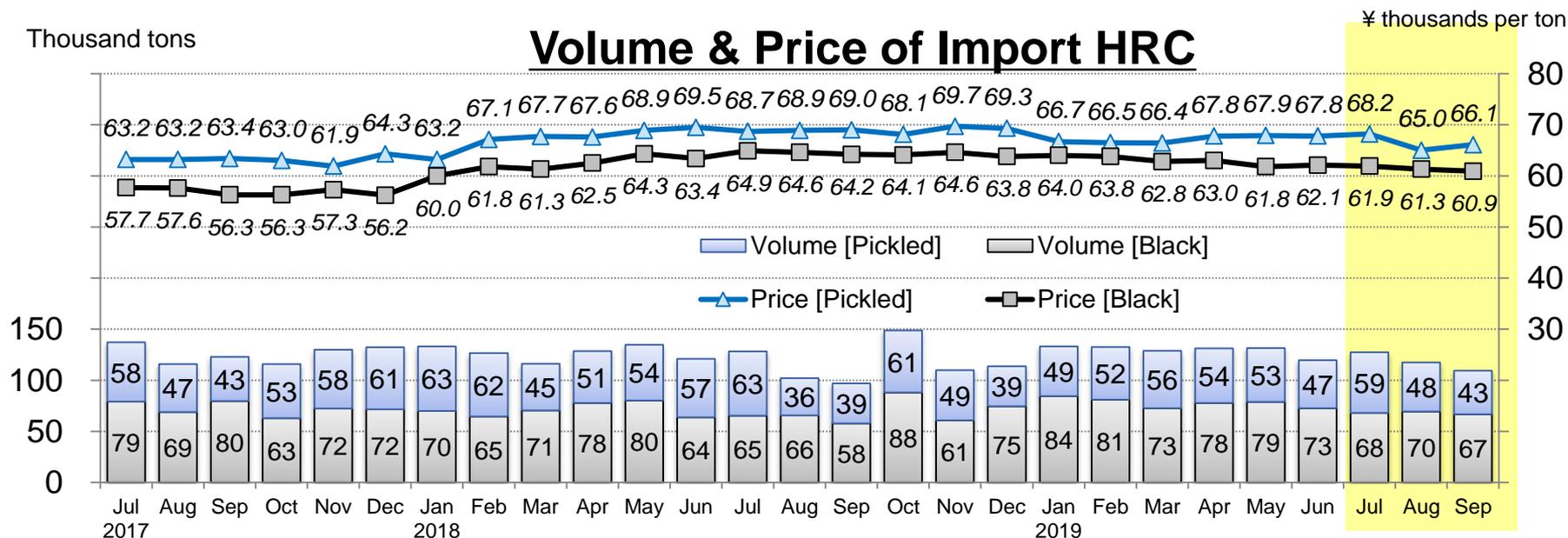


Steel Scrap Price / Imported Steel Volume and Price



Thousand tons

Volume & Price of Import HRC



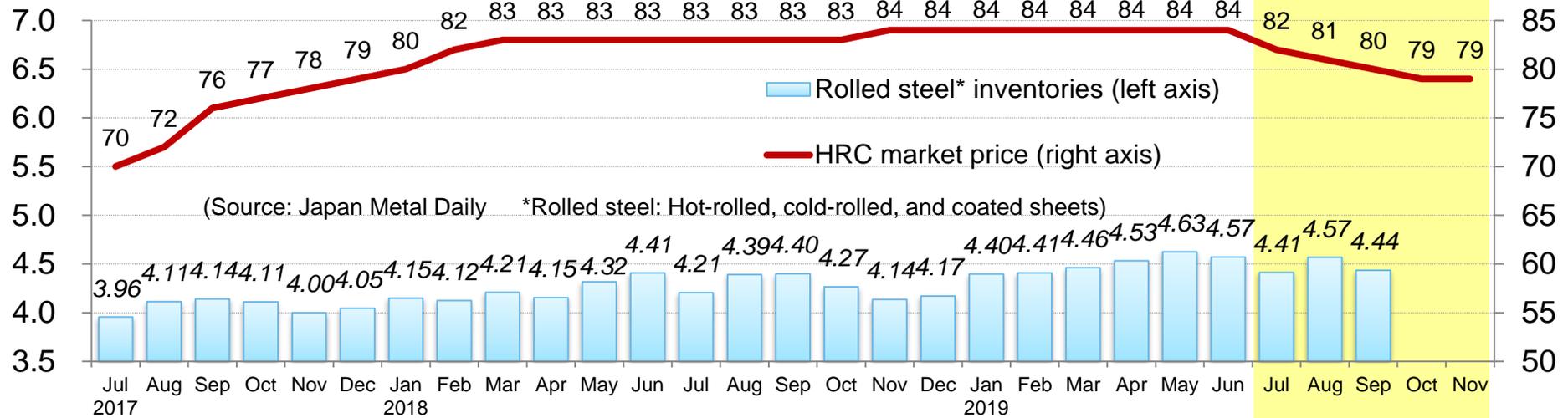
Steel Inventory and Market Price in Japan



(Million tons)

Rolled Steel Inventory and HRC Market Price

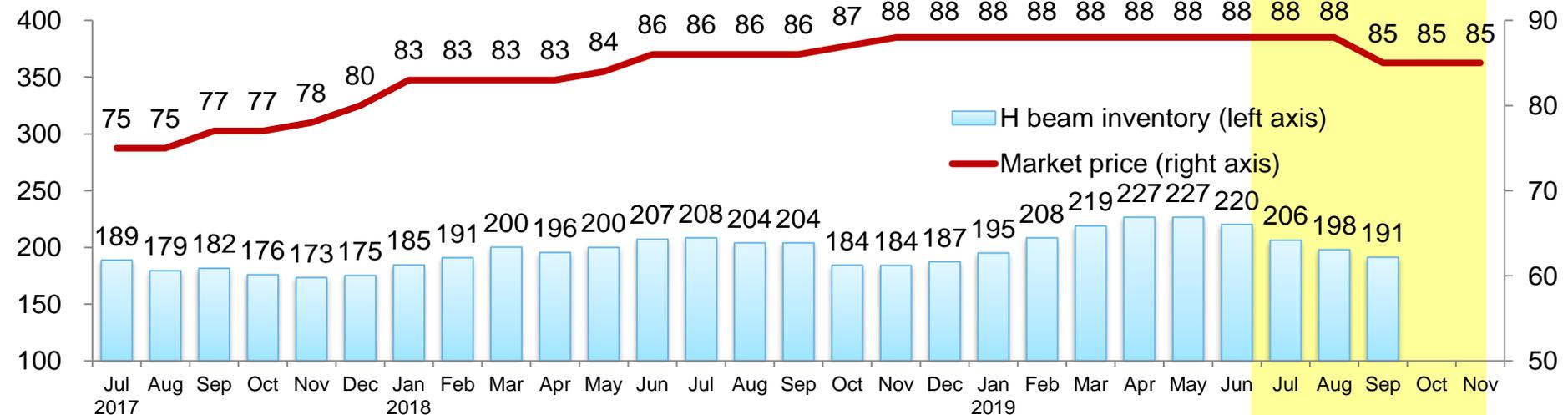
(¥ thousands per ton)



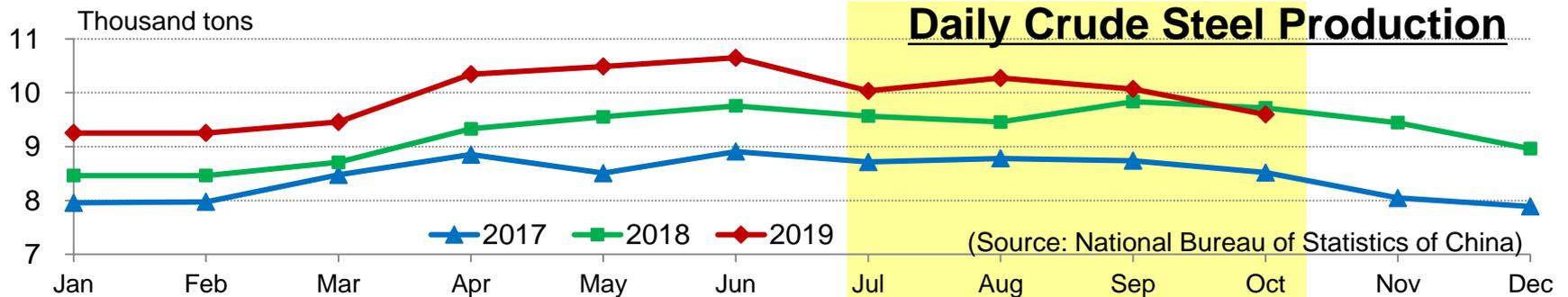
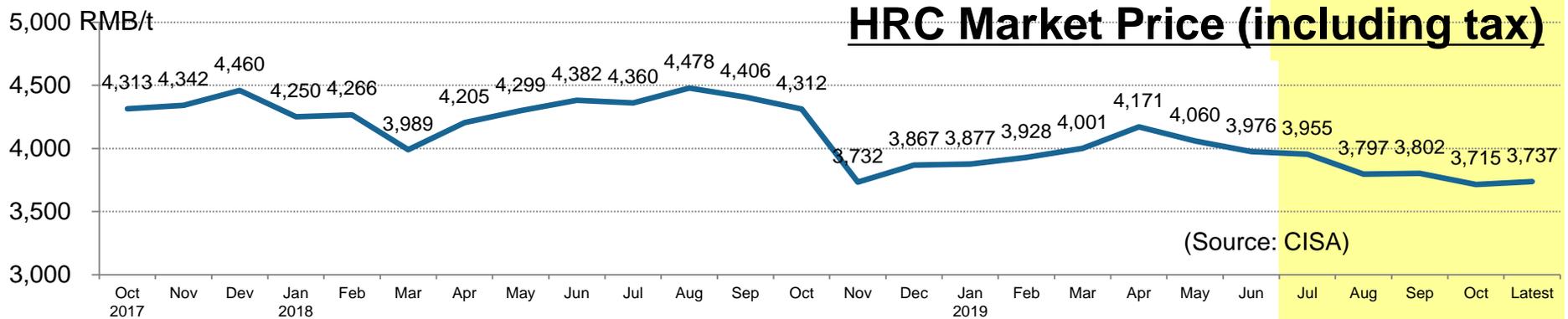
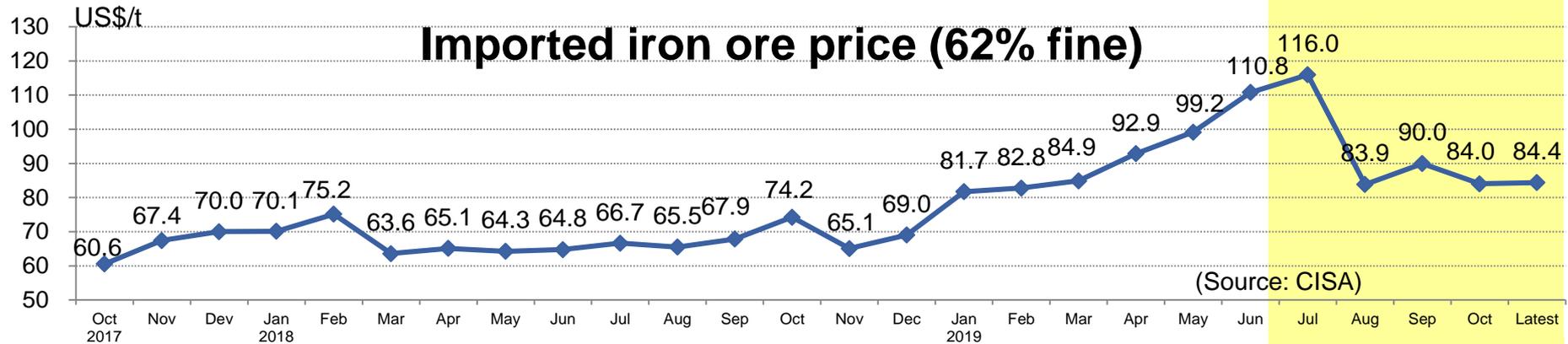
(Thousand tons)

H-beam Inventory and Market Price

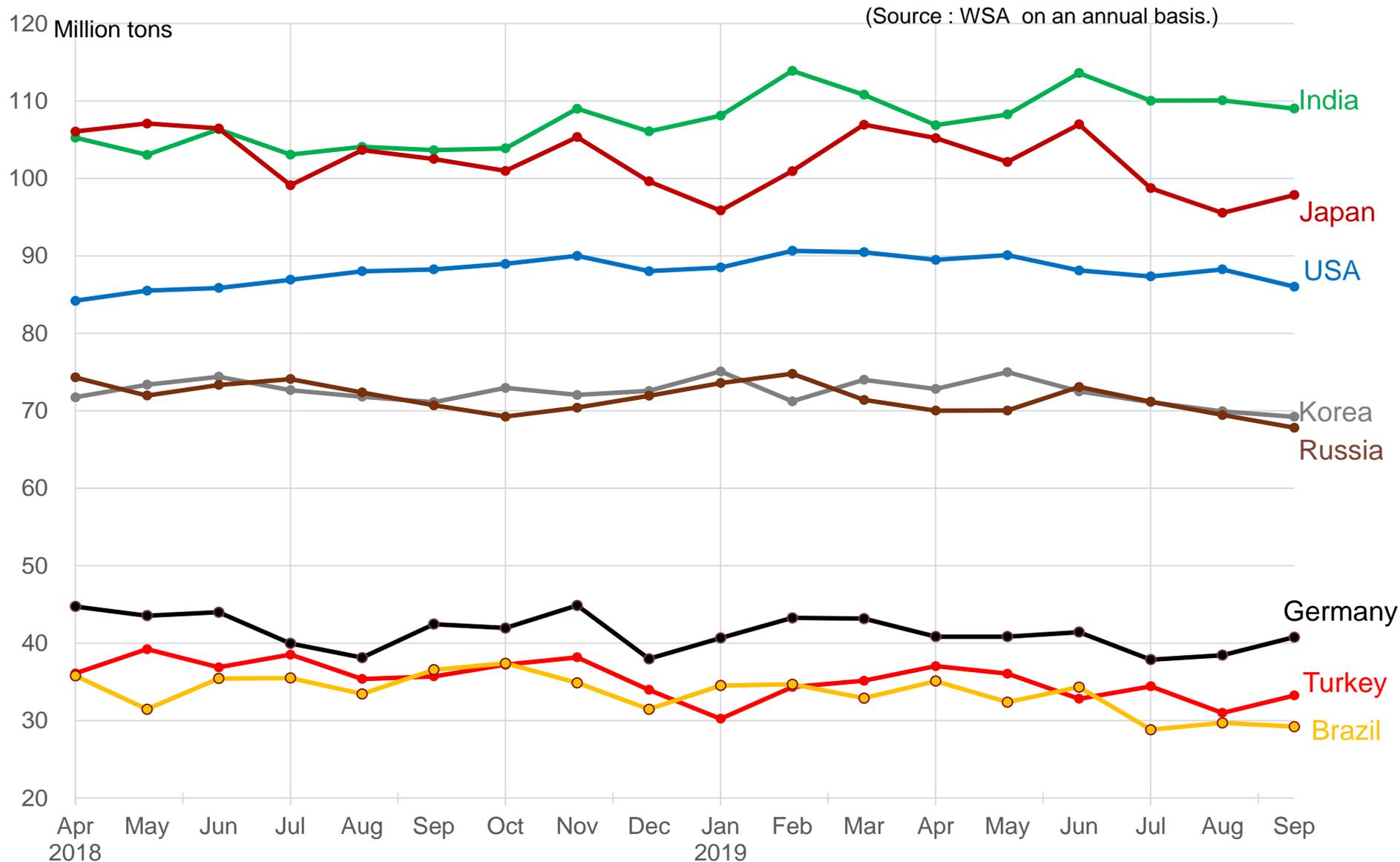
(¥ thousands per ton)

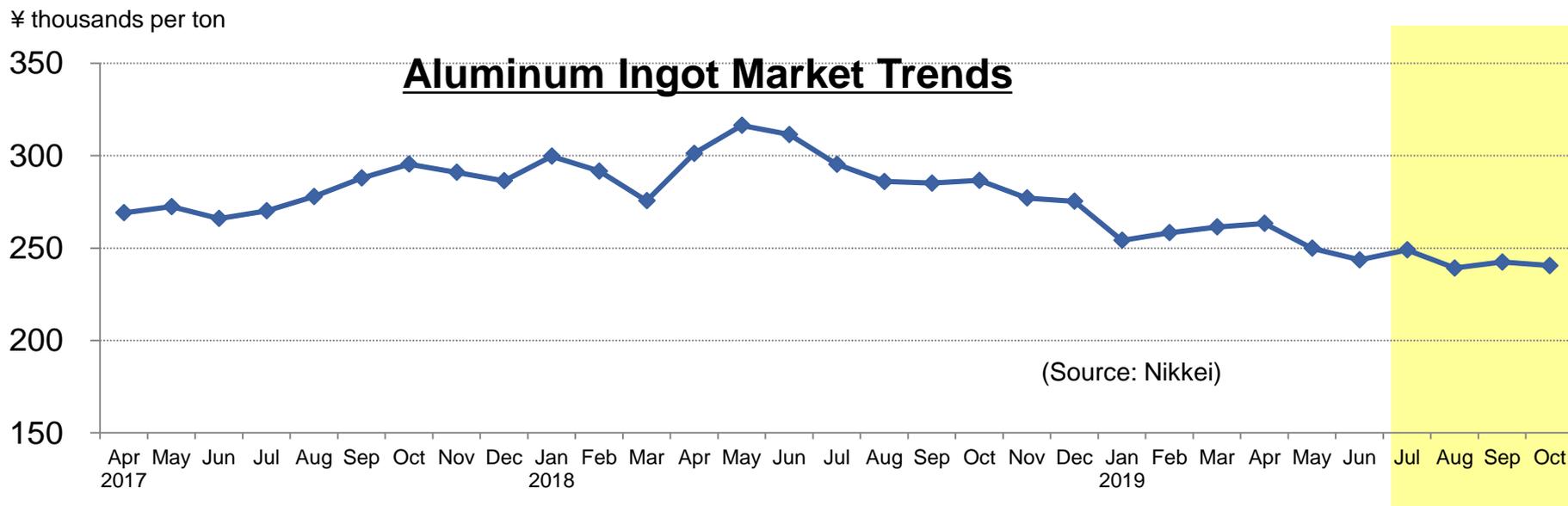
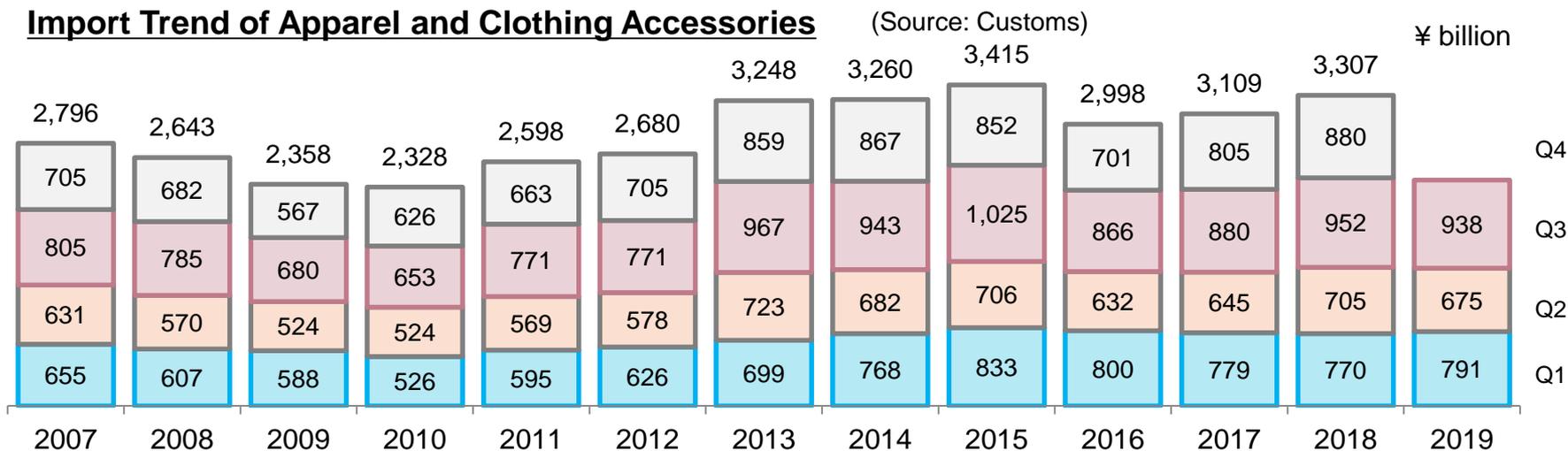


Steel Market in China



Crude Steel Production by Country





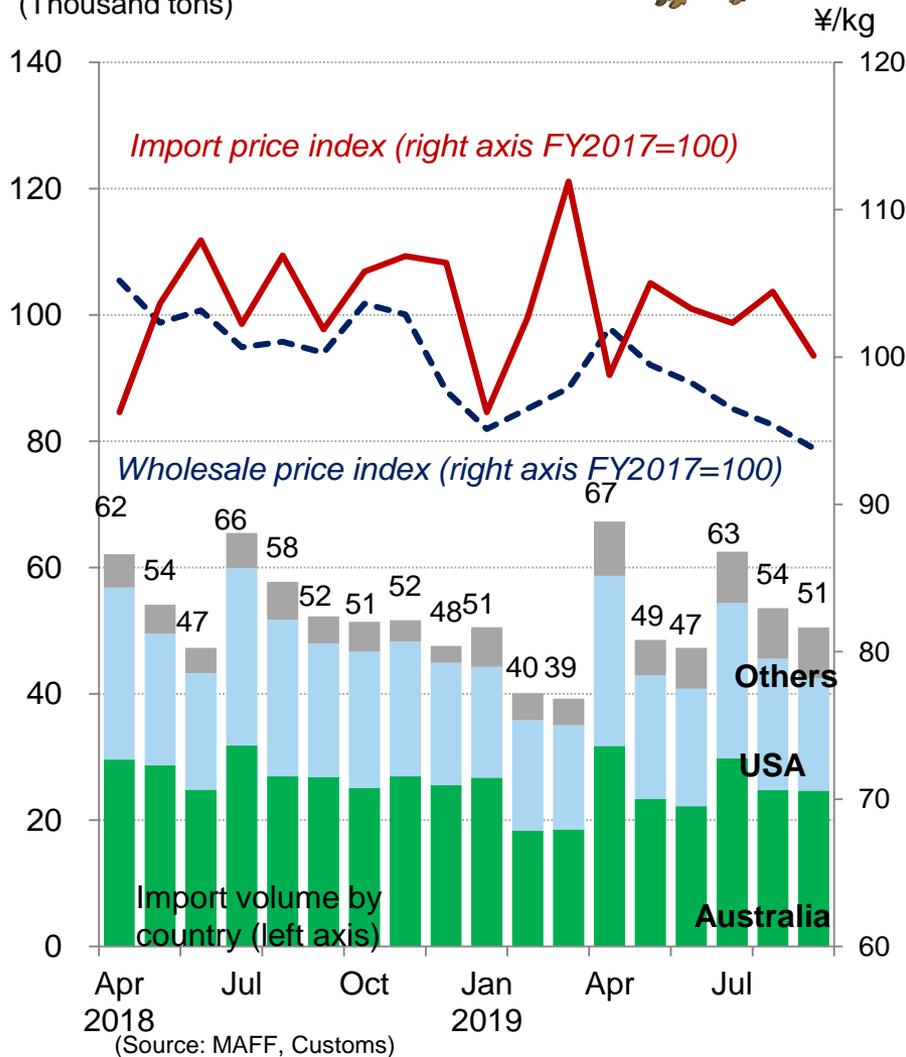
Import Price and Volume Trend of Meats (1)



Beef



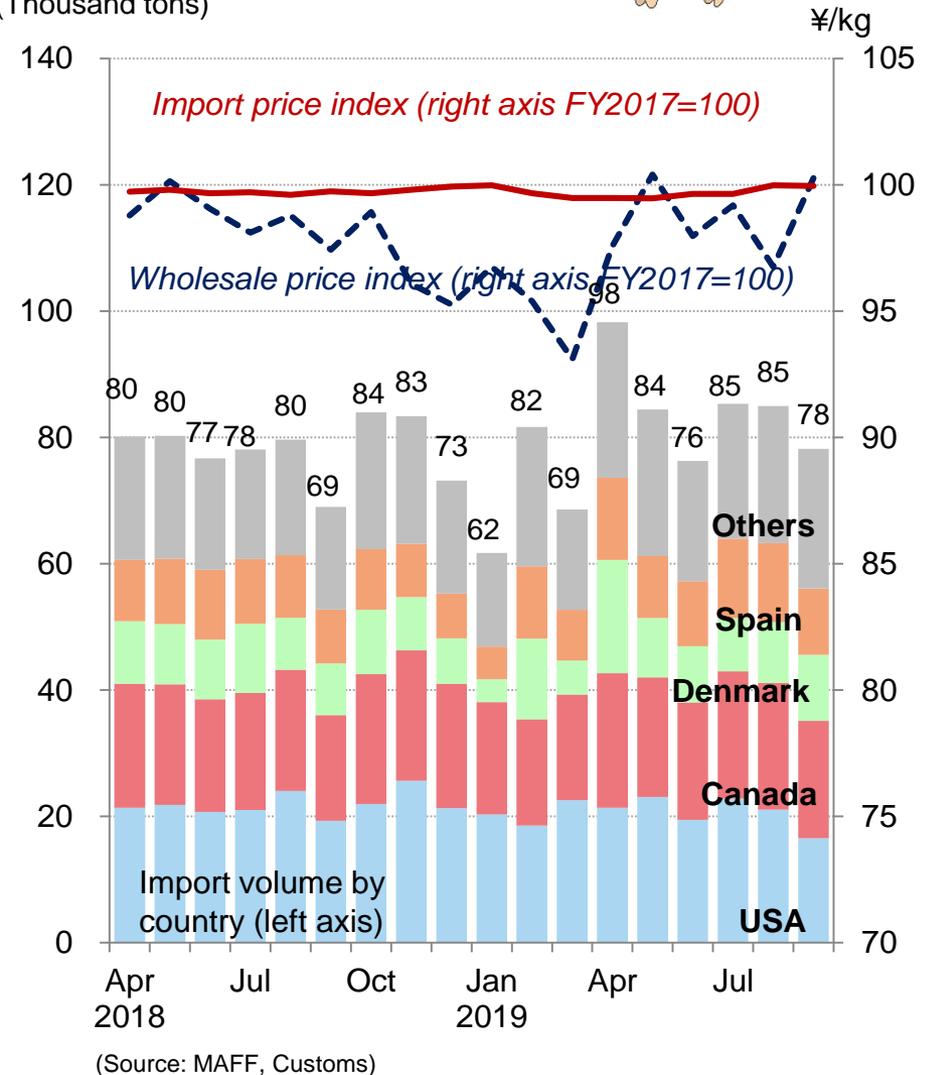
(Thousand tons)



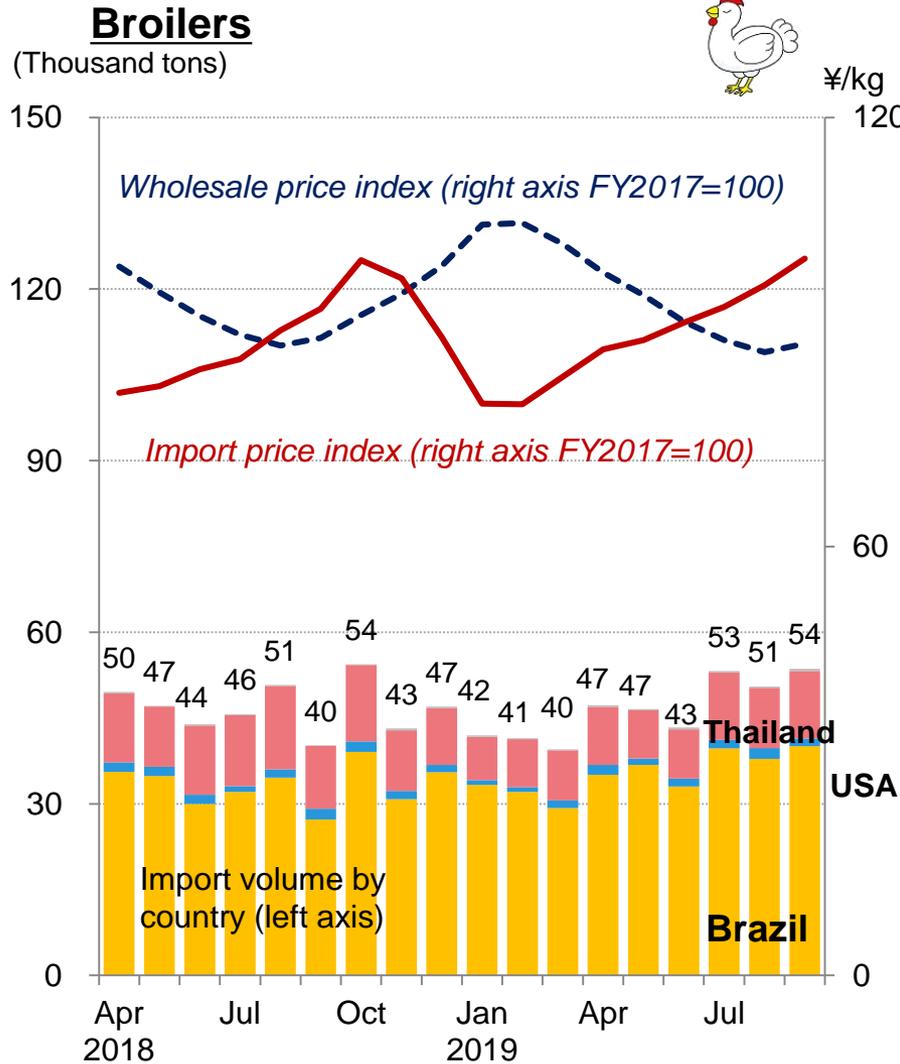
Pork



(Thousand tons)

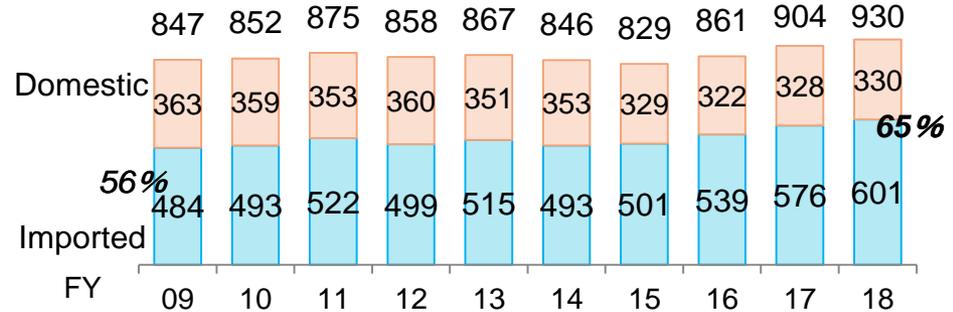


Import Price and Volume Trend of Meats (2)

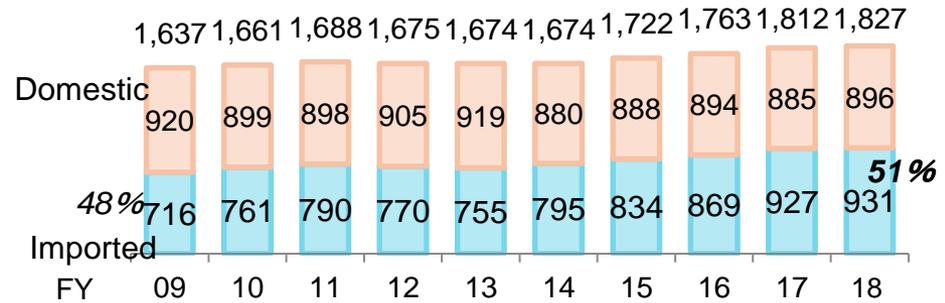


(Source: Customs)

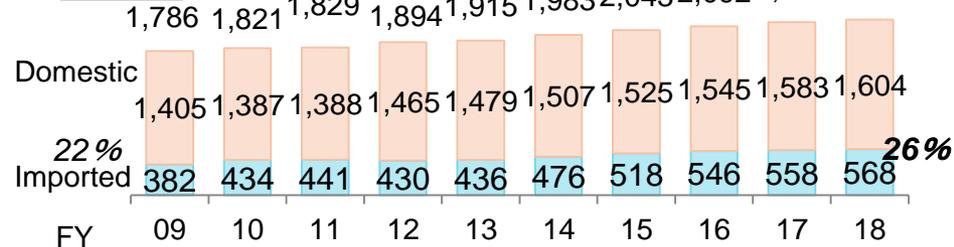
Estimated Marketing Quantity of Beef (Thousand tons)



Estimated Marketing Quantity of Pork (Thousand tons)



Estimated Marketing Quantity of Broilers (Thousand tons)



(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.



NIPPON STEEL TRADING