

June 2, 2016

Dear Shareholders:

Kosei Shindo

Representative Director and President

Nippon Steel & Sumitomo Metal Corporation (Code Number 5401) (“NSSMC”)

6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan

## **Notice of the 92nd General Meeting of Shareholders**

We are pleased to invite you to attend the 92nd General Meeting of Shareholders which will be held at **10 a.m., Friday, June 24, 2016**, at **the banquet room TSURU (Banquet Floor (1st Floor), the Main Building), Hotel New Otani Tokyo, 4-1, Kioi-cho, Chiyoda-ku, Tokyo, Japan**, the agenda of which is set forth below.

If you are unable to attend, you can exercise your voting rights after reading the “Reference Documents for Exercising Voting Rights” either by returning the Voting Rights Exercise Form by mail or via the Internet, as instructed below. When votes are registered by both methods, the vote registered via the Internet will be treated as the vote of record.

(Voting by mail)

Please indicate your choices on the enclosed Voting Rights Exercise Form and return it so that it will arrive at NSSMC by 17:00, Thursday, June 23, 2016.

(Voting via Internet)

Please vote via NSSMC-designated website (<http://www.web54.net>) by 17:00, Thursday, June 23, 2016. Meanwhile, institutional investors can use the Internet voting rights exercise platform operated by ICJ, Inc.

## **AGENDA**

### **Matters to be reported to the shareholders:**

Report on operations for the 91st term (from April 1, 2015 to March 31, 2016), consolidated financial statements and non-consolidated financial statements, and reports of accounting auditors and the Audit & Supervisory Board on consolidated financial statements for the 91st term.

### **Matters for approval by the shareholders:**

- Item 1: Appropriation of Surplus for the 91st Term (from April 1, 2015 to March 31, 2016)
- Item 2: Election of Fourteen (14) Directors
- Item 3: Election of Three (3) Audit & Supervisory Board Members
- Item 4: Approval for the Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measures for the Protection and Enhancement of Shareholders' Common Interests)

1. Doors will open at 9:00 a.m.
2. Attendees are requested to submit the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the meeting. When the voting rights are exercised by a proxy, the said proxy is requested to submit the Voting Rights Exercise Form of the principal at the reception desk, together with a power of attorney in this matter. Meanwhile, please note that a proxy must be another shareholder entitled to exercise voting rights.
3. When exercising your voting rights via the Internet, please read the "Exercise of Voting Rights via the Internet" on page 35.
4. If revisions are made to the "Reference Documents for Exercising Voting Rights", the report on operations or consolidated and non-consolidated financial statements, such changes will be indicated on NSSMC website (<http://www.nssmc.com/>).
5. In accordance with laws and regulations and Article 14 of NSSMC's Articles of Incorporation, the following matters are posted on NSSMC's website (<http://www.nssmc.com/>).
  - "Executive Officers after April 1, 2016," of "Members of the Board of Directors and Audit & Supervisory Board Members" in the business report
  - "Consolidated Statements of Changes in Net Assets" and "Notes to Consolidated Financial Statements" of the consolidated financial statements
  - "Non-Consolidated Statements of Changes in Net Assets" and "Notes to Non-Consolidated Financial Statements" of the non-consolidated financial statements

Please kindly note that from this General Meeting of Shareholders, souvenirs for shareholders attending the meeting will not be offered. Thank you for your understanding.
--

## Reference Documents for Exercising Voting Rights

Item 1 Appropriation of Surplus for the 91st Term (from April 1, 2015 to March 31, 2016)

The Board of Directors proposes that the term-end dividend for the 91st term will be paid according to the “Surplus Distribution Policy” described in the page 53 as follows:

- (1) Kind of Dividend  
Cash
- (2) Dividend Payment and Total Payment  
15 yen per share    Total payment: 13,554,125,910 yen
- (3) Effective Date of the Dividend  
Monday, June 27, 2016

Item 2 Election of Fourteen (14) Directors

The term of office of all fourteen (14) current Directors ends at the conclusion of the 92nd General Meeting of Shareholders. The Board of Directors proposes that fourteen (14) Directors be elected. The candidates for Directors are set forth below.

Mr. Mutsutake Otsuka and Mr. Ichiro Fujisaki are candidates for Outside Directors.

Candidates for Directors

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned
1	Shoji Muneoka (May 3, 1946)	April 1970:	Joined Nippon Steel Corporation (NSC)	35,893
		June 1999:	Director and General Manager, Corporate Secretariat Division of NSC	
		April 2003:	Managing Director and Director, Flat Products Division of NSC	
		April 2005:	Representative Director and Executive Vice President of NSC	
		April 2008:	Representative Director and President of NSC	
		October 2012:	Representative Director, Chairman and CEO of NSSMC	
		Assumed current position as Representative Director and Chairman of NSSMC in April 2014		
2	Kosei Shindo (September 14, 1949)	April 1973:	Joined NSC	21,718
		June 2005:	Director (Member of the Board) and General Manager, Corporate Planning Division of NSC	
		June 2006:	Director (under the Executive Management System) and General Manager, Corporate Planning Division of NSC	
		April 2007:	Director (under the Executive Management System) and General Manager, General Administration Division of NSC	
		April 2009:	Executive Vice President (under the Executive Management System) of NSC	
		June 2009:	Representative Director and Executive Vice President of NSC	
		October 2012:	Representative Director and Executive Vice President of NSSMC	
		Assumed current position as Representative Director and President of NSSMC in April 2014		
		(Material concurrent positions) Chairman, The Japan Iron and Steel Federation		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned
3	Soichiro Sakuma (February 15, 1956)	April 1978:	Joined NSC	11,405
		April 2004:	General Manager (Legal Affairs), General Administration Division of NSC	
		April 2009:	Director (under the Executive Management System) of NSC	
		April 2012:	Managing Director (under the Executive Management System) of NSC	
		June 2012:	Managing Director (Member of the Board) of NSC	
		October 2012:	Managing Director, Member of the Board of NSSMC	
		Assumed current position as Representative Director and Executive Vice President of NSSMC in April 2014		
		(Responsibilities) General Administration; Legal; Internal Control & Audit; Business Process Innovation; Human Resources; Environment		
		(Material concurrent positions) Chairman, Nippon Steel & Sumitomo Metal Arts Foundation		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned	
4	Yasumitsu Saeki (May 8, 1955)	April 1979:	Joined NSC	8,767	
		July 2010:	Director (under the Executive Management System), Deputy Director, Flat Products Division, Director, Bar & Wire Rod Division and Deputy General Manager, India Continuous Annealing and Processing Line Project Group of NSC		
		June 2012:	Managing Director (Member of the Board), Director, Flat Products Division, Director, Bar & Wire Rod Division, Director, Pipe & Tube Division and General Manager, India Continuous Annealing and Processing Line Project Group of NSC		
		October 2012:	Managing Director, Member of the Board, Head of Unit, Flat Products Unit, Head of Unit, Bar & Wire Rod Unit and Project Leader, India Continuous Annealing and Processing Line Project of NSSMC		
		April 2013:	Managing Director, Member of the Board, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project and Project Leader, India Continuous Annealing and Processing Line Project of NSSMC		
		July 2015:	Managing Director, Member of the Board, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector and Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector of NSSMC		
		Assumed current position as Representative Director and Executive Vice President of NSSMC in April 2016			
		(Responsibilities) Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Cooperating with Executive Vice President E. Hashimoto on Overseas Offices			
(Material concurrent positions) Chairman, Baosteel-NSC Automotive Steel Sheets Co., Ltd.					

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned	
5	[New candidate]  Shinji Fujino (July 29, 1955)	April 1981:	Joined NSC	24,212	
		April 2011:	Director (under the Executive Management System), Head of Works, Kimitsu Works of NSC		
		October 2012:	Executive Officer and Head of Works, Kimitsu Works of NSSMC		
		April 2013:	Managing Executive Officer and Head of Works, Kimitsu Works of NSSMC		
		April 2014:	Managing Executive Officer of NSSMC		
		June 2014:	Managing Director, Member of the Board of NSSMC		
		November 2014:	Managing Director, Member of the Board and Head of Works, Nagoya Works of NSSMC		
		June 2015:	Managing Executive Officer and Head of Works, Nagoya Works of NSSMC		
		Assumed current position as Executive Vice President of NSSMC in April 2016			
		(Responsibilities) Intellectual Property; Safety; Plant Safety; Technical Administration & Planning; Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag & Cement Cooperating with Executive Vice President S. Sakuma on Environment			

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned
6	[New candidate]  Eiji Hashimoto (December 7, 1955)	April 1979:	Joined NSC	2,411
		April 2009:	Director (under the Executive Management System), Director, Plate Division and Director, Construction Products Division of NSC	
		April 2011:	Director (under the Executive Management System) of NSC	
		October 2012:	Executive Officer of NSSMC	
		April 2013:	Managing Executive Officer of NSSMC	
		July 2015:	Managing Executive Officer, Vice Head of Global Business Development and Project Leader, Usiminas Project, Global Business Development Sector of NSSMC	
		Assumed current position as Executive Vice President and Head of Global Business Development of NSSMC in April 2016		
		(Responsibilities) Head of Global Business Development Overseas Offices		
7	[New candidate]  Kenji Takahashi (July 1, 1955)	April 1981:	Joined SMI	9,187
		April 2010:	Managing Executive Officer of SMI	
		June 2012:	Managing Executive Officer of SMI and General Manager of Technology & Quality Administration Department of SMI	
		October 2012:	Executive Officer and Vice Head of Laboratories, Steel Research Laboratories, R&D Laboratories of NSSMC	
		April 2013:	Managing Executive Officer and Vice Head of Laboratories, Steel Research Laboratories, R&D Laboratories of NSSMC	
		April 2014:	Managing Executive Officer and Head of Works, Kashima Works of NSSMC	
		Assumed current position as Executive Vice President and Head of Research and Development of the Company in April 2016		
		(Responsibilities) Head of Research and Development		
		(Material concurrent posts) Vice President, The Iron and Steel Institute of Japan		



Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned
8	[New candidate]  Toshiharu Sakae (January 25, 1956)	April 1980:	Joined NSC	2,273
		April 2011:	Director (under the Executive Management System) and Head of Division, Raw Materials Division-II of NSC	
		October 2012:	Executive Officer and Head of Division, Raw Materials Division-II of NSSMC	
		April 2014:	Managing Executive Officer of NSSMC	
		July 2015:	Managing Executive Officer and Vice Head of Global Business Development of NSSMC	
		Assumed current position as Executive Vice President of NSSMC in April 2016		
		(Responsibilities) Corporate Planning; Group Companies Planning; Accounting & Finance; Raw Materials		
		(Material concurrent posts) Representative Director and President, East Asia United Steel Corporation		
9	Ritsuya Iwai (September 16, 1956)	April 1981:	Joined SMI	8,231
		April 2010:	Managing Executive Officer of SMI	
		April 2012:	Managing Executive Officer and General Manager of Steel Tube Works, Pipe & Tube Company of SMI	
		October 2012:	Executive Officer and Head of Works, Amagasaki Works, Pipe & Tube Unit of NSSMC	
		April 2013:	Managing Executive Officer and Head of Works, Amagasaki Works, Pipe & Tube Unit of NSSMC	
		April 2014:	Managing Executive Officer and Head of Unit, Pipe & Tube Unit of NSSMC	
		June 2014:	Managing Director, Member of the Board and Head of Unit, Pipe & Tube Unit of NSSMC	
		Assumed current position as Managing Director, Member of the Board, Head of Unit, Pipe & Tube Unit and Project Leader, VSB Project, Global Business Development Sector of NSSMC in July 2015		
		(Responsibilities) Head of Unit, Pipe & Tube Unit; Project Leader, VSB Project, Global Business Development Sector		
		(Material concurrent positions) Director, Nippon Steel & Sumikin Pipe Co., Ltd.		

Name (date of birth)	Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned	
10	Machi Nakata (May 19, 1956)	April 1981:	Joined Sumitomo Metal Industries, Ltd. (SMI)	6,345
		April 2011:	Managing Executive Officer, General Manager of Osaka Steel Works, Railway Automotive & Machinery Parts Company and Assistant General Manager of Titanium Division of SMI	
		January 2012:	Managing Executive Officer, General Manager of, Osaka Steel Works, Railway Automotive & Machinery Parts Company and Assistant General Manager of Stainless Steel & Titanium Division of SMI	
		October 2012:	Executive Officer and Head of Works, Osaka Steel Works, Railway, Automotive & Machinery Parts Unit of NSSMC	
		April 2014:	Managing Executive Officer and Head of Works, Osaka Steel Works, Railway, Automotive & Machinery Parts Unit of NSSMC	
		April 2015:	Managing Executive Officer and Head of Unit, Railway, Automotive & Machinery Parts Unit of NSSMC	
		Assumed current position as Managing Director, Member of the Board and Head of Unit, Railway, Automotive & Machinery Parts Unit of NSSMC in June 2015		
		(Responsibilities) Head of Unit, Railway, Automotive & Machinery Parts Unit		
		(Material concurrent positions) President, Steel Castings and Forgings Association of Japan		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned
11	Shinji Tanimoto (May 24, 1957)	April 1982:	Joined NSC	13,529
		April 2011:	Director (under the Executive Management System) and General Superintendent, Yawata Works of NSC	
		October 2012:	Executive Officer and Head of Works, Yawata Works of NSSMC	
		April 2013:	Managing Executive Officer and Head of Works, Yawata Works of NSSMC	
		April 2015:	Managing Executive Officer and Head of Center, Plant Engineering and Facility Management Center of NSSMC	
		Assumed current position as Managing Director, Member of the Board and Head of Center, Plant Engineering and Facility Management Center of NSSMC in June 2015		
		(Responsibilities) Head of Center, Plant Engineering and Facility Management Center Intellectual Property; Safety; Plant Safety; Technical Administration & Planning; Quality Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag & Cement Rendering Assistance to Executive Vice President Y. Saeki on Steel Products Units		
(Material concurrent positions) Director, Nippon Steel & Sumikin Texeng Co., Ltd.				

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned
12	[New candidate]  Shinichi Nakamura (February 15, 1959)	April 1982:	Joined NSC	5,058
		April 2009:	General Manager, Automotive Flat Products Sales Division, Flat Products Division of NSC	
		October 2012:	General Manager, Automotive Flat Products Division, Flat Products Unit of NSSMC	
		April 2013:	Executive Officer and Head of Unit, Construction Products Unit of NSSMC	
		Assumed current position as Managing Executive Officer, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector and Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector of NSSMC in April 2016		
		(Responsibilities) Head of Unit, Flat Products Unit; Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector; Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector Marketing Administration & Planning; Transportation & Logistics		
		(Material concurrent positions) Director, Nippon Steel & Sumikin Coated Sheet Corporation Director, Nippon Steel & Sumikin Metal Products Co., Ltd. Director, Baosteel-NSC Automotive Steel Sheets Co., Ltd.		

Name (date of birth)	Brief personal history (with material concurrent positions)	Number of shares of NSSMC owned	
13 [Outside Director]  [Independent Director/Auditor]  Mutsutake Otsuka (January 5, 1943)  Status of attendance at the Board of Directors (Fiscal 2015) 93% (13 out of 14 meetings)	April 1965:	Joined Japanese National Railways	
	June 1990:	Director and General Manager of Personnel Dept. of East Japan Railway Company	
	June 1992:	Executive Director and General Manager of Personnel Dept. of East Japan Railway Company	
	January 1994:	Executive Director of East Japan Railway Company	
	June 1996:	Executive Director and Deputy Director General of Corporate Planning Headquarters of East Japan Railway Company	
	June 1997:	Executive Vice President and Director General of Corporate Planning Headquarters of East Japan Railway Company	
	June 2000:	President and CEO of East Japan Railway Company	
	April 2006:	Chairman and Director of East Japan Railway Company	
	Assumed current position as Executive Advisor to the Board of East Japan Railway Company in April 2012 Assumed current position as Director (Outside Director) of NSSMC in June 2014		2,826
	(Material concurrent positions) Outside Audit & Supervisory Board Member, Electric Power Development Co., Ltd. Outside Director, JX Holdings, Inc.		
- Reasons for the election as Outside Director Candidate The Board of Directors has proposed the re-election of Mr. Mutsutake Otsuka as an Outside Director because it believes that he is well-qualified for the position by his appropriate action with effective remarks as an Outside Director of NSSMC since his appointment at the 90th General Meeting of Shareholders held on June 25, 2014 and by his deep knowledge and ample experience in corporate management.			

- (Notes)
- 1) Since his appointment as an Outside Director of NSSMC, Mr. Mutsutake Otsuka will have served in such position for two (2) years at the conclusion of this General Meeting of Shareholders.
  - 2) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, NSSMC has concluded an agreement with Mr. Mutsutake Otsuka that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act and twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties.
  - 3) NSSMC has already filed Mr. Mutsutake Otsuka as an "independent director/auditor" with each financial exchange in Japan.
  - 4) Although Mr. Mutsutake Otsuka is an Executive Advisor to the Board (who does not engage in the execution of business) of East Japan Railway Company which has a business relationship with NSSMC for transactions of steel and other products / services, and had engaged in the execution of business of the said company in the past, the said company is not a specified related party of NSSMC. The amount of transactions with the said company accounted for the consolidated net sales of NSSMC was less than 1%.

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned
14	[Outside Director]	April 1969:	Joined Ministry of Foreign Affairs of Japan	3,481
	[Independent Director/Auditor]	August 1999:	Director-General, North American Affairs Bureau, Ministry of Foreign Affairs of Japan	
	Ichiro Fujisaki (July 10, 1947)	September 2002:	Deputy Minister for Foreign Affairs	
		January 2005:	Ambassador of Japan to the United Nations and WTO in Geneva	
	Status of attendance at the Board of Directors (Fiscal 2015) 100% (14 out of 14 meetings)	April 2008:	Ambassador of Japan to the United States of America	
		November 2012:	Retired from Ambassador of Japan to the United States of America	
		Assumed current position as Distinguished Professor of Sophia University in January 2013 Assumed current position as Director (Outside Director) of NSSMC in June 2014		
	(Material concurrent positions) Outside Director, ITOCHU Corporation President, The America-Japan Society, Inc.			
	- Reasons for the election as Outside Director Candidate The Board of Directors has proposed the re-election of Mr. Ichiro Fujisaki as an Outside Director because it believes that he is well-qualified for the position by his appropriate action with effective remarks as an Outside Director of NSSMC since his appointment at the 90th General Meeting of Shareholders held on June 25, 2014 and by his deep knowledge including international affairs, economics, and cultures that he accumulated at the Ministry of Foreign Affairs of Japan, and his ample experience as the Ambassador and other key positions, notwithstanding the fact that he does not have experience participating in corporate management other than serving as an outside director and as an outside audit & supervisory board member.			

- (Notes)
- 1) Since his appointment as an Outside Director of NSSMC, Mr. Ichiro Fujisaki will have served in such position for two (2) years at the conclusion of this General Meeting of Shareholders.
  - 2) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, NSSMC has concluded an agreement with Mr. Ichiro Fujisaki that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act and twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties.
  - 3) NSSMC has already filed Mr. Ichiro Fujisaki as an "independent director/auditor" with each financial exchange in Japan.
  - 4) Although Mr. Ichiro Fujisaki serves as President of the America-Japan Society, Inc., to which NSSMC pays the membership fee as a corporate member, the said society is not a specified related party of NSSMC. The membership fee paid to the said society by NSSMC is insignificant (180 thousand yen).

Item 3 Election of Three (3) Audit & Supervisory Board Members

The term of office of Audit & Supervisory Board Members Mr. Hirotomo Suetsugu, Mr. Hirohiko Minato and Mr. Hirotake Abe ends at the conclusion of the 92nd General Meeting of Shareholders. The Board of Directors proposes that three (3) Audit & Supervisory Board Members be elected. The candidates for Audit & Supervisory Board Member are set forth below.

The submission of this proposal has been consented to by the Audit & Supervisory Board. Mr. Seiichiro Azuma is a candidate for Outside Audit & Supervisory Board Member.

Candidates for Audit & Supervisory Board Members

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned
1	[New candidate]  Atsuhiko Yoshie (May 1, 1955)	April 1980:	Joined NSC	10,760
		April 2011:	Director (under the Executive Management System) and Director, Steel Research Laboratories, Technical Development Bureau of NSC	
		April 2012:	Managing Director (under the Executive Management System) and Director, Steel Research Laboratories, Technical Development Bureau of NSC	
		October 2012:	Managing Executive Officer and Head of Laboratories, Steel Research Laboratories, R&D Laboratories of NSSMC	
		Assumed current position as Executive Officer and Advisor to the President of NSSMC in April 2016		

(Note) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, NSSMC is to conclude an agreement with Mr. Atsuhiko Yoshie that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act and twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties.



Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned
2	[New candidate]  Masato Tsuribe (October 14, 1958)	April 1982:	Joined NSC	2,047
		July 2008:	Head of Division, Corporate Risk Management Division, General Administration Division of NSC	
		October 2012:	General Manager, Head of Division, Internal Control & Audit Division of NSSMC	
		April 2014:	Executive Counselor and General Manager, Head of Division, Internal Control & Audit Division of NSSMC	
		Assumed current position as Executive Counselor of NSSMC in April 2016		

(Note) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, NSSMC is to conclude an agreement with Mr. Masato Tsuribe that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act and twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties.

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of NSSMC owned
3	[New candidate]	December 1975:	Joined Tohmatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC)	0
	[Outside Audit & Supervisory Board Member]	July 1991:	Partner of Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)	
	[Independent Director/Auditor]	June 2007:	Partner and Member of Management Council and General Manager, Kansai Block of Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)	
	Seiichiro Azuma (July 23, 1951)	June 2009:	Partner and Member of Management Council and General Manager, Kansai Block of Deloitte Touche Tohmatsu LLC	
		November 2013:	Partner and Chairman of Management Council of Deloitte Touche Tohmatsu LLC	
		Assumed current position as Partner of Deloitte Touche Tohmatsu LLC in November 2015		
		Mr. Seiichiro Azuma will retire from Deloitte Touche Tohmatsu LLC on June 23, 2016.		
		- Reasons for the election as Outside Audit & Supervisory Board Member Candidate The Audit & Supervisory Board has proposed the election of Mr. Seiichiro Azuma as an Outside Audit & Supervisory Board Member because it believes that he is well-qualified for the position by his deep knowledge and his ample experience as a certified public accountant specialized in corporate accounting, notwithstanding the fact that he does not have experience participating in corporate management other than serving as an outside director and as an outside audit & supervisory board member.		

- (Notes)
- 1) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, NSSMC is to conclude an agreement with Mr. Seiichiro Azuma that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act and twenty million (20,000,000) yen, as long as he is without knowledge and is not grossly negligent in performing his duties.
  - 2) NSSMC has already filed Mr. Seiichiro Azuma as an "independent director/auditor" with each financial exchange in Japan.
  - 3) Although Mr. Seiichiro Azuma is a Partner of Deloitte Touche Tohmatsu LLC, from whom NSSMC had an employee on loan, the said company is not a specified related party of .NSSMC. The amount of transactions with the said company accounts for less than 1% of NSSMC's selling, general and administrative expenses.

#### Item 4 Approval for the Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measures for the Protection and Enhancement of Shareholders' Common Interests)

Nippon Steel & Sumitomo Metal Corporation (“NSSMC”) adopted the Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measures) (the “Plan”) in order to protect and enhance common interests of the shareholders of the NSSMC by the resolution of its Board of Directors (the “Board”) in March 2006, and until the present day, NSSMC has amended and renewed the Plan several times. In order to reconsider the necessity for the Plan and to further enhance the reliability and legal stability of the Plan in light of the fact that 10 years has passed since the adoption of the Plan, among other reasons, NSSMC has determined to change the system to require in advance shareholder approval to adopt and renew the Plan.

This Item 4 is to ask for shareholder approval of a majority of the voting rights of the shareholders present at the General Meeting of Shareholders (one-third (1/3) or more of the total voting rights shall constitute a quorum) concerning the Plan as described in 3 (2) below reflecting the above-mentioned change and other proposed revisions. (the “Revised Plan”).

##### 1. The Necessity for the Plan (“Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NSSMC”)

Under the corporate philosophy that the NSSMC group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services, the NSSMC group aims to improve its corporate value, and further the common interests of its shareholders, by enhancing its competitiveness and profitability through the planning and execution of management strategies.

NSSMC has decided to take necessary action to prepare for the acquisition of substantial shareholdings in NSSMC or other related activities that could disturb such corporate philosophy and management strategies and cause damage to NSSMC’s corporate value by, among other reasons, threatening obstruction of the existence and development of NSSMC, and which could result in harm to the common interests of NSSMC’s shareholders.

NSSMC believes that in the event a third party proposes the acquisition of substantial shareholdings in NSSMC (a “Takeover Proposal”), the ultimate decision as to whether or not to accept the Takeover Proposal should be made by the then shareholders of NSSMC. On the other hand, NSSMC believes that such Takeover Proposals could include those with the potential to cause clear damage to the corporate value of NSSMC or the common interests of the shareholders of NSSMC or those with the potential to practically coerce shareholders into selling their shares of NSSMC.

Consequently, NSSMC implemented the Plan because NSSMC believes it is the Board’s responsibility to put in place clear and transparent rules in order to prepare for such disadvantages to the shareholders of NSSMC in the event a Takeover Proposal is made by a third party, and, for the occasions where a Takeover Proposal is actually made, to create an environment in which the shareholders of NSSMC can make an appropriate informed judgment based on sufficient information and with a reasonable time period to consider the Takeover Proposal.

##### 2. Rationale and Fairness of the Revised Plan

Due to the following points, NSSMC believes that the Revised Plan supports the common interests of the shareholders of NSSMC, and that it is rational and fair and will not be implemented in an arbitrary manner.

###### (1) A system which reflects the shareholders’ will

In the event a Takeover Proposal is made by a third party, as a general rule, the necessity of issuance of the stock acquisition rights (the “Rights”) by way of a gratis allotment (implementation of measures to a Bidder (as defined below) is judged by the then shareholders of NSSMC through a meeting held to confirm the shareholders’ will (“Shareholders Will Confirmation Meeting”) and other methods. In addition, the Term shall be three years, and adoption and renewal, etc., of the Revised Plan will be made upon approval of the

shareholders.

Accordingly, the Revised Plan is to be adopted and renewed upon shareholders' will, and also the Rights are issued by way of a gratis allotment upon shareholders' will (a system in which the Plan is adopted by shareholders and countermeasures are implemented via shareholder approval). As a result, NSSMC believes the Revised Plan should adequately reflect the will of its shareholders.

(2) Establishment of the Independent Committee

NSSMC established the Independent Committee under the Revised Plan. The Board respects the opinion of the Independent Committee as much as possible in the exceptional cases of the implementation of the issuance of the Rights by way of a gratis allotment without taking a vote of shareholders to confirm the shareholders' will; such exceptional cases include instances where a Bidder (as defined below) failed to comply with the Revised Plan (the exceptional cases are limited to the cases of 3)(ii) and 3)(iii) in Section 3(1) below). Consequently, the system enhances the fairness of the judgments of Board in connection with the implementation of the Revised Plan.

(3) Compliance with the judicial precedents of the Supreme Court, rules of financial instruments exchanges such as corporate governance codes, etc. and other guidelines, etc.

The Revised Plan complies with the decision made by the Supreme Court in 2007 and other judicial precedents in Japan, the listing regulations such as corporate governance codes etc., as stipulated by financial instruments exchanges, "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" publicized by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 and "Takeover Defense Measures in Light of Recent Environmental Changes" publicized on June 30, 2008 by the Corporate Value Study Group.

(4) No dead-hand or slow-hand takeover defense measures

The Revised Plan may be abolished by a resolution of a meeting of the Board. Therefore, the Plan is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the board of directors are replaced, the implementation of the measure cannot be stopped). Also, as the term of office for each of the directors of NSSMC is one year and expires at the closing of NSSMC's annual general meeting of shareholders every year, the Revised Plan of NSSMC is not a slow-hand takeover defense measure either (a takeover defense measure in which the implementation takes more time to be stopped due to the fact that the members of the board of directors cannot be replaced all at once).

(5) An opinion has been issued pursuant to the Companies Act by Audit & Supervisory Board Members relating to the Revised Plan

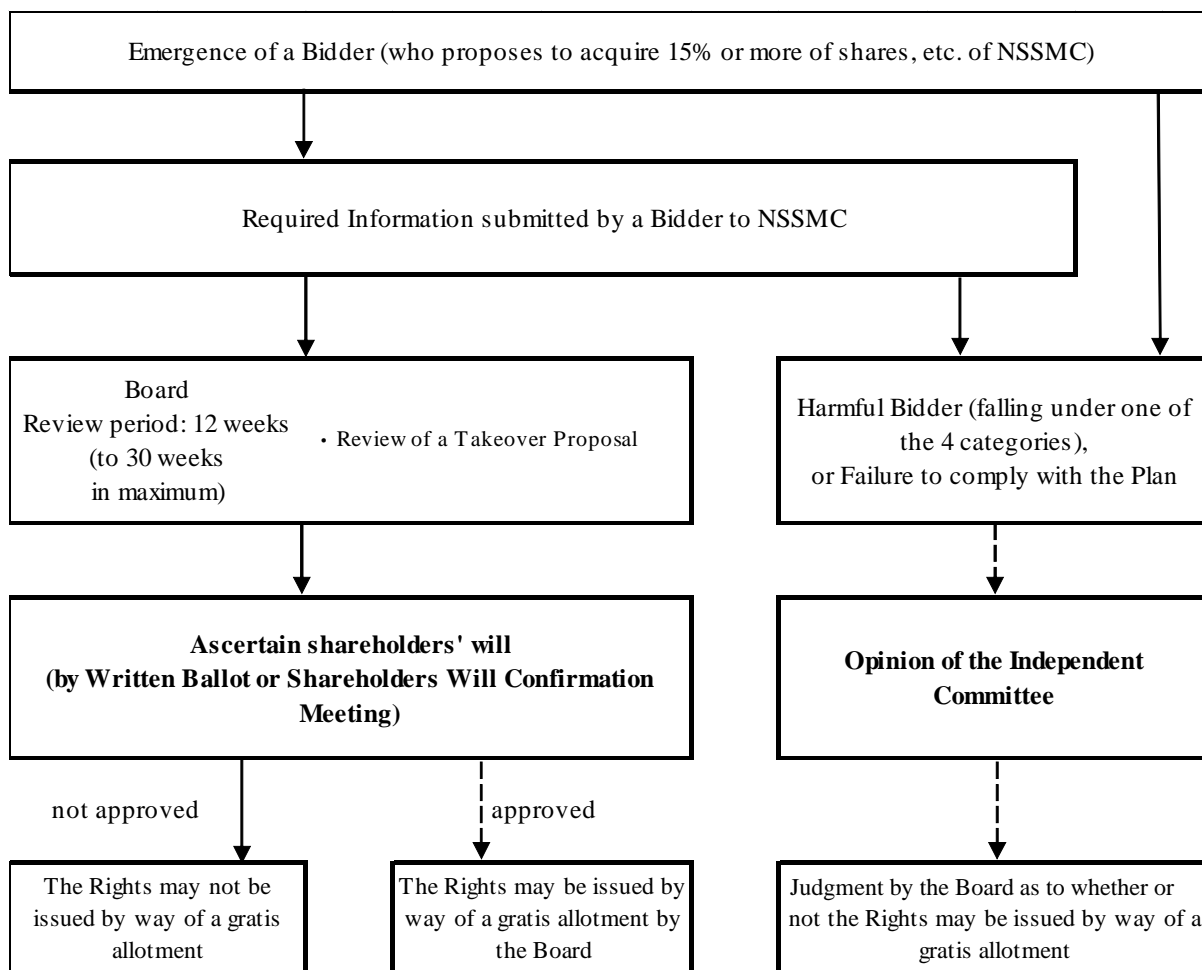
Relating to the Revised Plan, a consensus opinion of all the Audit & Supervisory Board Members of NSSMC, including outside Audit & Supervisory Board Members, has been issued pursuant to the Companies Act, confirming that the Revised Plan is compliant with "Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NSSMC" described on page 69, that it is not detrimental to the common interests of shareholders of NSSMC, and that it is not intended to maintain the status held by the directors of NSSMC.

### 3. The Revised Plan

#### (1) Overview

The diagram below illustrates the summary of the Revised Plan. For details, please refer to “(2) Details of the Revised Plan” below.

#### [The flow of procedures of the Revised Plan]



#### 1) Provision of the Required Information by the Bidder and examinations at a meeting of the Board

When the Board has received all of the information as stipulated in the Revised Plan (the “Required Information”) from any person who has an intention to hold 15% or more of the voting rights ratio of the shares, etc. of NSSMC (“Bidder”), the Board shall review as to whether or not the Takeover Proposal made by the Bidder is in the best interests of the corporate value and the common interests of shareholders. (The review period, as a general rule, is 12 weeks.)

#### 2) Procedures to ascertain shareholders’ will

In order to have shareholders determine whether or not to accept a Takeover Proposal, the Board, as a general principle, after the review period, holds a shareholders vote to ascertain shareholders’ will (a “Shareholders Vote”) regarding whether or not the issuance of the Rights by way of a gratis allotment (implementation of measures to a Bidder) will be implemented and the necessity thereof, through a written ballot or at a Shareholders Will Confirmation Meeting.

However, after examinations of the Required Information by the Board, in such case the Board determines that the Takeover Proposal is in the best interests of the corporate value of NSSMC and the common interests of shareholders of NSSMC, a Shareholders Vote will not be held and the issuance of the Rights by way of a gratis allotment will also not be implemented.

#### 3) In the event the Rights are issued by way of a gratis allotment (the cases indicated with dotted lines

in the chart above, “The flow of procedures of the Revised Plan.”)

The implementation of issuance of the Rights by way of a gratis allotment under the Revised Plan is only limited to such cases in which (i) the shareholders of NSSMC vote in favor of the implementation of measures to a Bidder at the Shareholders Vote, (ii) the Bidder fits within one of the four categories including so-called green mailer specified as harmful and abusive according to the judicial precedents, and the Board determines the Takeover Proposal may cause clear damage to the common interests of the shareholders of NSSMC and (iii) the Board determines the Bidder failed to comply with the procedures set forth in the Revised Plan.

Furthermore, when judging (ii) or (iii) above, the Board shall obtain an opinion of the Independent Committee beforehand, which consists of three members appointed from outside Directors and outside Audit & Supervisory Board Members, respecting such opinion as much as possible. For the members of the Independent Committee, please refer to **(Reference) Members of the Independent Committee** (page 34).

## (2) Details of the Revised Plan

### **Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measures for the Protection and Enhancement of Shareholders’ Common Interests)**

#### 1. Purpose of Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measures for the Protection and Enhancement of Shareholders’ Common Interests).

Nippon Steel & Sumitomo Metal Corporation (the “Company”) believes that in the event a third party proposes the acquisition of substantial shareholdings of the Company (a “Takeover Proposal”), the ultimate decision as to whether or not to accept the Takeover Proposal should be made by the then shareholders of the Company. On the other hand, the Company believes that such Takeover Proposals could include proposals with the potential to cause clear damage to the corporate value of the Company or the common interests of the shareholders of the Company or proposals with the potential to practically coerce shareholders into selling their shares of the Company.

In order to avoid such detriments to the shareholders of the Company, these Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measures for the Protection and Enhancement of Shareholders’ Common Interests) (the “Plan”) are designed to put in place clear and transparent rules, and for such occasions where a Takeover Proposal has actually been made, create an environment in which the shareholders of the Company can make an appropriate informed judgment based on sufficient information and with a reasonable time period to consider the Takeover Proposal.

#### 2. Definition of an Acquiring Person.

As used in this Plan, “Acquiring Person” shall mean any person who is the holder of 15% or more of the Voting Rights Ratio<sup>1</sup> of the Shares, Etc.<sup>2</sup> of the Company, and shall include Special Related

<sup>1</sup> “Voting Rights Ratio”, as used in this Plan, shall mean, as the case may be, the one that is not lower of (a) the “Shareholding Ratio” (as defined in Article 27-23(4) of the Financial Instruments and Exchange Law of Japan (the “FIEL”)) with respect to the holder (including those deemed to be holders pursuant to Article 27-23(3) of the FIEL) and the Co-Holder (as defined in footnote 4 below) of the Shares, Etc. of the Company (as provided in Article 27-23(1) of the FIEL), and (b) the aggregate of (x) the “Shareholding Ratio” (as defined in Article 27-2(8)(i) of the FIEL) applied to a bidder of a Tender Offer and (y) the “Shareholding Ratio” (as defined in Article 27-2(8)(ii) of the FIEL) applied to the Special Related Party (as defined in footnote 3 below) of the Company’s Shares, Etc. (as provided in Article 27-2(1) of the FIEL). In the calculation of such Shareholding Ratio, the Company may refer to the total number of voting rights (as provided in Article 27-2(8) of the FIEL) and the total number of issued shares (as provided in Article 27-23(4) of the FIEL) most recently disclosed by the Company. Following the promulgation of any laws and regulations succeeding the FIEL and its related cabinet orders, cabinet ordinances and ministerial ordinances, each provision of the FIEL and its related regulations cited herein shall refer to the provision corresponding thereto in such succeeding laws and regulations, unless otherwise determined by the Board of Directors of the Company (the “Board”).

Parties<sup>3</sup> and Co-Holders<sup>4</sup> of the Acquiring Person; provided, however, that the term “Acquiring Person” shall not include:

(i) Any person who becomes the holder of 15% or more of the Voting Rights Ratio of the Shares, Etc. of the Company as a result of an acquisition of the Company’s own stock by the Company or any other acts of the Company until such time thereafter as such person increases the Voting Rights Ratio by acquisition of additional Shares, Etc. or other acts (other than by means of an exercise of Rights (as defined in Section 6(1) by such person));

(ii) Any person who is the holder of 15% or more of the Voting Rights Ratio of the Shares, Etc. of the Company but who became such holder without the aim of controlling or influencing the business activities of the Company, if such person promptly divests, or promptly enters into an agreement with, and satisfactory to, the Company to divest (without exercising or retaining any power, including voting power, with respect to such shares) sufficient Shares, Etc., and thereafter divests such shares so that such person ceases to be the holder of 15% or more of the Voting Rights Ratio; or

(iii) The Company, any subsidiary of the Company and any employee stock ownership or other employee benefit plan of the Company or a subsidiary of the Company (or any entity or trustee holding Shares, Etc. for or pursuant to the terms of any such plan or for the purpose of funding any such employee stock ownership or other employee benefit plan of the Company or of any subsidiary of the Company).

### 3. Requirement for a Qualifying Offer.

In order to be considered by the shareholders of the Company, any proposal by a person which, if consummated, would result in the creation of an Acquiring Person (including an Acquiring Person who has an aim to increase its Voting Rights Ratio) (a “Bidder”), must be a Qualifying Offer. A “Qualifying Offer”, as used in this Plan, is a binding offer to acquire Shares, Etc. with an aim to become an Acquiring Person (including increases of its Voting Rights Ratio by an Acquiring Person) in a Tender Offer<sup>5</sup> or any other transaction which provides all shareholders of the Company an equal opportunity to participate, which binding offer shall not be subject to any conditions that could not be conditions to a Tender Offer and satisfies all the following requirements. Furthermore, if the Board determines, based upon then existing objective bases, that there exists a strong probability that (i) the Bidder’s proposal will become a Qualifying Offer and (ii) the Board will receive all of the Required Information described below, the Board shall promptly make a public announcement thereof; provided, however, that, if it is reasonably considered that such announcement would harm the common interests of the shareholders of the Company, such as in the case where the Bidder and the Company consider that it would be premature to make such announcement since they are in the process of negotiations and are not certain of the result of such negotiations, where the Bidder and the Company have entered into a confidentiality agreement or where the announcement would result in a violation by the Company of any laws or regulations or a breach of any contract entered into by the Company, the Board can refrain from making such an announcement.

In addition, upon the Bidder’s request, the Board will respond to the Bidder whether or not the information submitted by the Bidder has satisfied the requirements for the Required Information provided below and, if not, the Company will inform the Bidder of what information is lacking in order to satisfy the requirements for the Required Information.

---

<sup>2</sup> “Shares, Etc.”, as used in this Plan, is as defined in Article 27-23(1) or Article 27-2(1) of the FIEL.

<sup>3</sup> “Special Related Party”, as used in this Plan, is as defined in Article 27-2(7) of the FIEL, excluding such persons as set forth in Article 3(2) of the Cabinet Ordinance Regarding Disclosures in a Tender Offer by Third Parties.

<sup>4</sup> “Co-Holders”, as used in this Plan, is as defined in Article 27-23(5) of FIEL, including those deemed as Co-Holders pursuant to Article 27-23(6) of the FIEL.

<sup>5</sup> “Tender Offer”, as used in this Plan, is as defined in Article 27-3(1) of the FIEL.

(i) As to such offer, the information that is listed in Exhibit A attached hereto and meets the requirements of Section 3(i)(A) or Section 3(i)(B)(x) and Section 3(i)(B)(y) below (the “Required Information”) has been provided to the Board in the manner provided in Exhibit A, (A) which information is not on its face deficient or materially inaccurate in light of information publicly available at the time; or (B) (x) as to which information an outside counsel to the Bidder of international reputation (the “Outside Counsel to the Bidder”) has provided a written opinion to the Board that the Required Information contains no untrue statement of a material fact or omission of any material fact or any fact necessary to make the Required Information, in light of the circumstances under which it is provided, not misleading and (y) if there is a regulatory condition to the transaction described in such offer, such Outside Counsel to the Bidder has advised the Board in writing that the Bidder has provided the Company with all material information to determine the likelihood of regulatory approval or any divestitures that may be required;

(ii) The Bidder shall not commence a Tender Offer or acquisition of Shares, Etc. through other means, or any other acts that increase its Voting Rights Ratio until after, at a “Shareholders Vote” (as defined in Section 4(2)), the shareholders of the Company do not approve the issuance of the Rights by way of a gratis allotment; and

(iii) As to such offer, the Board has not determined, following consultation with, and/or receipt of advice from, its outside counsel and an investment banking firm, both of international reputation, that the Bidder may fit within one of the following categories, as a result of which clear damage to the common interests of the shareholders of the Company may be caused. The Board shall consult in advance with the Independent Committee provided in Section 5(1) and make this judgment, respecting the opinion of the Independent Committee as much as possible.

(A) A so-called “green mailer”, or a person who acquires shares with no intention to participate in the management of the Company in order to raise the Company’s share price and sell his/her holdings to parties concerned with the Company at a higher price;

(B) A person who acquires the Company’s shares to engage in so-called “scorched earth” management, or temporarily takes control over the Company and causes it to transfer operationally indispensable assets (including plants and equipment, intellectual property rights, expertise, trade secrets, major business partners and customers) to the purchaser or its group companies;

(C) A person who acquires the Company’s shares to divert its assets as collateral for or repayment of debts of the acquirer or its group companies after taking control over the Company; or

(D) A person who temporarily takes control over the Company to cause it to dispose of significant assets, including properties and trading securities, not immediately related to its operations, in order to cause it to temporarily distribute high dividends or to allow the acquirer to sell the Company’s shares at a higher price through a rise in share price resulting from the temporarily high dividend payments, or is otherwise planning to prey on the Company.

#### 4. Shareholders Vote.

If a Qualifying Offer is proposed, a Shareholders Vote shall be held as follows:

(1) Review Period. When the Board has received all of the Required Information as defined in Section 3(1), the Company shall promptly make a public announcement to such effect (the day on which the Board has received all of the Required Information shall be referred to as the “Review Period Commencement Date”). The Board shall review as to whether or not the proposed Qualifying Offer is in the best interests of the Company and its shareholders. The Company, if the Board determines that the Qualifying Offer is in the best interests of the Company and its shareholders, will announce such determination by the Board. Otherwise, the Company shall set a record date for the Shareholders Vote (the “Shareholder Voting Record Date”), which shall be publicly announced at least two weeks in advance. The Shareholder Voting Record Date shall be set after the expiration of the applicable period set forth in (i) through (iii) below necessary to consider the Qualifying Offer (the “Review Period”) and within one month from the earliest possible day in light of applicable laws and the practices of



shareholder determination based upon the General Shareholders Notification by Japan Securities Depository Center, Inc. relating to setting a record date:

(i) In the event that the proposal is a Qualifying Offer that is a Tender Offer for all Shares, Etc. for cash and does not involve a two-tiered structure (a takeover which coerces shareholders into accepting a higher priced front-end tender offer by setting unfavorable terms or not specifically indicating terms for the back-end of the transaction for any shareholders who do not accept the front-end tender offer), the time period shall be 12 weeks starting on the Review Period Commencement Date.

(ii) For any proposal other than the proposal described in (i) above, the time period shall be 18 weeks starting on the Review Period Commencement Date.

(iii) Notwithstanding the foregoing (i) and (ii),

(A) In the event the Board has received an opinion (a so-called “Inadequacy Opinion”) with respect to such Qualifying Offer from an internationally recognized investment banking firm which states that the offer price is inadequate from a financial point of view, the time period provided in (i) or (ii) above, as the case may be, shall be extended for an additional reasonable period, which period will not exceed eight weeks. If such extension of the period is made under this paragraph, the Board will promptly make a public announcement of the length of and the reason for the extension; and

(B) If the Bidder has neither submitted the securities registration statement(s), the securities reports, the quarterly securities reports, the semi-annual securities reports and extraordinary reports (including any amendment of each of such statement(s) and reports) (collectively, hereinafter the “Securities Registration Statements, Etc.”), each prepared in Japanese, that it is required to submit under the FIEL (as amended, including any law succeeding it; the same shall apply hereinafter) covering the past five years (if five years have not passed since it became subject to such obligation, then in the period since it became subject to such obligation), nor published any documents corresponding thereto in Japanese covering the past five years (if five years have not passed since it became subject to such obligation, then in the period since it became subject to such obligation) (excluding any summary in Japanese of such documents that were available only in a foreign language, except for the summaries and supplementary documents in Japanese prepared pursuant to the FIEL with respect to documents in English similar to the securities reports, the quarterly securities reports and the semi-annual securities reports (including any amendment of each of such reports) defined under the FIEL as the Foreign Securities Reports, the Foreign Quarterly Securities Reports and the Foreign Semi-Annual Reports (including any amendment of each of such reports) (collectively, the “Foreign Companies’ Reports, Etc.”) if such summaries and supplementary documents in Japanese are submitted together with the Foreign Securities Reports, the Foreign Quarterly Securities Reports and the Foreign Semi-annual Securities Reports in accordance with the FIEL), the time period provided in (i) or (ii) above, as the case may be, and as extended in accordance with (iii)(A) above, as applicable, shall be extended for an additional reasonable period, which period shall not exceed four weeks. If such extension of the period is made under this paragraph, the Board will promptly make a public announcement of the length of and the reason for the extension.

(2) Shareholders Vote. A “Shareholders Vote” shall mean the Company’s shareholders’ voting to be conducted as promptly as possible after the Shareholder Voting Record Date by either a written ballot or at a meeting held to confirm the shareholders’ will in relation to the implementation of the Rights (a “Shareholders Will Confirmation Meeting”). A Shareholders Will Confirmation Meeting may be held in conjunction with an ordinary general shareholders meeting or at an extraordinary general shareholders meeting of the Company. The Board shall, on or before the Shareholder Voting Record Date, determine which method to use to obtain a Shareholders Vote, including the form of voting instruction. In case of a written ballot, the required vote shall be the affirmative vote of a majority of the shares with voting rights voting, with at least one-third of the Shares, Etc. being required to vote. In the case of a Shareholders Will Confirmation Meeting, there shall be a requirement for a quorum of one-third of the Shares, Etc. and the required vote shall be the affirmative vote of a majority of the shares with voting rights of the shareholders present.

The shareholders who are entitled to vote by the written ballot or at a Shareholders Will Confirmation Meeting as provided in Section 4(1) shall be limited to those recorded in the latest register of shareholders of the Company as of the Shareholder Voting Record Date determined by the Board. Each shareholder is entitled to one vote per one voting right.

In case of a written ballot, the Company shall dispatch to the shareholders recorded as of the Shareholder Voting Record Date a voting form that shall state, or enclose a form stating, the matters to be voted on, by what date (the "Voting Date") the voting form shall be returned to the Company and other matters as determined by the Board at least three weeks prior to the Voting Date.

The provisions for the convocation of and the exercise of voting rights at an ordinary general shareholders meeting and an extraordinary general shareholders meeting under the applicable laws and the Company's Articles of Incorporation shall apply mutatis mutandis to the convocation of and the exercise of voting rights at a Shareholders Will Confirmation Meeting.

A Shareholders Vote in which a majority of the shares voted are cast in favor of the implementation of the Rights being allowed to proceed pursuant to the Plan shall constitute "Shareholder Approval for the Implementation of the Rights".

The Board may, in order to preserve the corporate value of the Company and the common interests of the shareholders of the Company, recommend that the shareholders vote in favor of the implementation of the Rights.

In the event that the Board commences the process for the Shareholders Vote based on a determination that a specific proposal constitutes a Qualifying Offer, if, prior to the completion of the Shareholders Vote, such proposal is subsequently determined not to be a Qualifying Offer, the Board may at any time terminate such process for the Shareholders Vote and implement the Rights in accordance with the provisions of Section 6(1).

(3) Amendments to Qualifying Offer. If, following delivery of the Required Information, the Bidder shall in any material manner amend its proposal described in the Required Information (the "Revised Takeover Proposal") in a manner that the Board, after consultation with an internationally recognized investment banking firm, determines is less favorable to the Company and the common interest of the shareholders of the Company than the previously made Takeover Proposal, the Board shall terminate any process underway with respect to obtaining a Shareholders Vote and shall consider such amended proposal as a new proposal by separately applying a Review Period under the terms of this Plan. If, following delivery of the Required Information, the Bidder shall in any material manner amend the Revised Takeover Proposal in a manner that the Board, after consultation with an internationally recognized investment banking firm, determines is not less than favorable to the Company and the common interest of the shareholders of the Company than the previously made Takeover Proposal (such Revised Takeover Proposal, the "Improved Takeover Proposal"), the Board shall, to the extent practicable in light of the current status of the process contemplated by this Plan, submit the Improved Takeover Proposal to the shareholders of the Company in accordance with the currently applicable time periods under this Plan. In order to be assured of a timely submission of an Improved Takeover Proposal, all Required Information with respect to such Improved Takeover Proposal must be submitted no later than two weeks before any Shareholder Voting Record Date; to the extent any proposal is submitted after such date or it is not otherwise practicable to submit the Improved Takeover Proposal to the shareholders of the Company in accordance with the currently applicable time period, the proposal shall be considered a new proposal by separately applying a Review Period under the terms of this Plan unless the Board otherwise determines in its sole discretion. In such case the Improved Takeover Proposal becomes subject to review in accordance with the process underway with respect to obtaining a Shareholders Vote for the previously made Qualifying Offer, even if the Voting Date or the date for the Shareholders Will Confirmation Meeting is set, the Board may extend the date of the Shareholders Vote already determined to any date within a three-month period.

## 5. Independent Committee.

(1) The Company shall establish an Independent Committee (the “Independent Committee”) comprised of three members appointed from the Company’s outside directors and outside audit & supervisory board members based on a resolution of the Board.

(2) If the event set forth in (i) or (ii) below occur, the Independent Committee shall state its opinion regarding the matters set forth in such (i) or (ii), as the Board consults with the Independent Committee:

(i) In case the Board makes judgments stated in Section 3(iii): Opinion as to whether or not the Bidder fits within one of the categories of Section 3(iii)(A) through (D) and the Bidder’s Takeover Proposal threatens to cause clear damage to the common interests of shareholders of the Company.

(ii) In case the Board intends to pass a resolution for issuance of the Rights by way of a gratis allotment as stipulated in Section 6(1) (excluding the cases where the “Shareholder Approval for the Implementation of the Rights” was obtained pursuant to Section 4(2)): Opinion as to whether or not Section 6(1)(i) or (ii) is applicable (including whether or not Section 6(1)(A) or (B) is applicable).

#### 6. Issuance of Rights by Way of a Gratis Allotment.

(1) If the event set forth in (i) or (ii) below occurs (excluding the cases of (A) and (B) in the proviso below), the Board will promptly pass a resolution to issue stock acquisition rights with such terms as described in Section 6(2) (the “Rights”) by way of a gratis allotment and will set a record date (the “Allotment Date”) to determine those shareholders of the Company who will be allotted the Rights. Furthermore, except for the cases where the “Shareholder Approval for the Implementation of the Rights” was obtained pursuant to Section 4(2), the Board shall consult in advance with the Independent Committee regarding whether either (i) or (ii) below is applicable (including whether or not this Section 6(1)(A) or (B) is applicable) and make a judgment as to whether or not the issuance of the Rights by way of a gratis allotment shall be made, respecting the opinion of the Independent Committee as much as possible:

(i) A Tender Offer which may result in the creation of an Acquiring Person is commenced; or

(ii) A “Stock Acquisition Date” (which shall mean the first date on which the Company makes a public announcement by any means that a person has become an Acquiring Person or an Acquiring Person has increased its Voting Rights Ratio) occurs;

other than (A) where the Tender Offer is commenced and consummated or the Stock Acquisition Date occurs promptly after the shareholders of the Company do not approve the issuance of the Rights by way of a gratis allotment at a Shareholders Vote, and on the terms of the Qualifying Offer considered by the shareholders of the Company at the Shareholders Vote, or (B) where the Tender Offer is commenced and consummated or the Stock Acquisition Date occurs promptly after the Board has determined that the Qualifying Offer is in the best interests of the Company and its shareholders and on the terms of the Qualifying Offer considered by the Board.

Note that in order for a Shareholders Vote as referred to in (A) of the proviso above to take place, the Bidder must first make a Qualifying Offer and comply with the procedures set forth herein. Therefore, if, for example, a Bidder fails to provide the Required Information or ignores the Review Period or the procedures toward a Shareholder Vote, and a Tender Offer reference in (i) above is commenced or a Stock Acquisition Date referenced in (ii) above occurs, the Board will pass a resolution to issue the Rights by way of a gratis allotment.

In the event that an Allotment Date has been determined because a Tender Offer has been commenced and the relevant Tender Offer period is extended, the Allotment Date so determined may be changed by the Board to the extent permitted under applicable law. In addition, if a Tender Offer is terminated or cancelled before the Rights are issued by way of a gratis allotment and thus no Acquiring Person is created, the Rights issuance will be terminated to the extent permitted under applicable law.

(2) Terms of Rights. The terms of the Rights are as follows:

(i) Shareholders to Whom Rights Are Allotted. The shareholders of the Company, other than the Company, recorded in the latest register of shareholders of the Company as of the Allotment Date will have the right to be allotted Rights.

(ii) Types of Shares to be Issued upon Exercise of Rights. Each Right will entitle the holder thereof to receive shares of common stock of the Company (“Common Stock”).

(iii) Number of Shares to be Received upon Exercise of a Right. The number of shares to be received upon exercise of a Right shall be, in principle, one share or more as determined by the Board at the time of its resolution to make the issuance by way of a gratis allotment of the Rights (the “Number of Shares Receivable”).

(iv) Total Number of Rights. The total number of Rights shall be the number as determined by the Board at the time of its resolution to make the issuance by way of a gratis allotment of the Rights, provided that such number shall be no more than the number of the outstanding shares of Common Stock available (excluding the number of shares of Common Stock held by the Company) as at the close of the Allotment Date.

(v) Effective Date of Issuance By the Way of a Gratis Allotment of Rights. The effective date of issuance by way of a gratis allotment of the Rights shall be the date as determined by the Board at the time of its resolution to make the issuance by way of a gratis allotment of the Rights.

(vi) Exercise Price for Rights. The exercise price for the Rights shall be one (1) Japanese Yen in cash per one share of Common Stock to be received upon the exercise of the Rights. Any fraction less than one (1) Japanese Yen in the total amount of the exercise price for the Rights to be paid in by the holder of the Rights shall be rounded up to the nearest one (1) Japanese Yen.

(vii) Exercise Period of Rights. The exercise period of the Rights shall be a period determined by the Board at the time of its resolution to make the issuance by way of a gratis allotment of the Rights, and which shall be no more than two months. Further, if the final day of the exercise period for the cash payable upon exercise falls on a holiday of the payment place, the final day shall become the preceding business day of such payment place.

(viii) Conditions of Exercise of Rights. The Rights are exercisable subject to the conditions set forth in (3) below.

(ix) Acquisition by the Company. The Company may acquire for no consideration any Rights then allotted in the event (A) that the Plan is terminated in accordance with the provisions of Section 7; (B) that the Board, in its discretion and at any time before the Stock Acquisition Date occurs, deems it appropriate to acquire the Rights as of a certain date; or (C) upon a date as determined by the Board (the “Exchange Date”), the Company may acquire all of the Rights that have not been exercised before the Exchange Date and that are held by any holder other than the holders who may not exercise the Rights in accordance with (3) below (the “Non-eligible Holders”), in exchange for delivering Common Stock in the number equivalent to the Number of Shares Receivable per Right. Further, if, at any time or times on or after the Exchange Date, the Board shall recognize the existence of any holder of the Rights other than any Non-eligible Holders, the Company may acquire, upon the date as determined by the Board which shall occur after the Exchange Date, all of the Rights held by such holders that have not been exercised before the date so determined by the Board, in exchange for delivering Common Stock in the number equivalent to the Number of Shares Receivable per Right. The same shall apply thereafter. In addition, the Board may, taking into consideration the number of authorized shares available, issue stock acquisition rights by way of a gratis allotment, in lieu of or in addition to the Rights, which can be acquired by the Company in exchange for any other Shares, Etc. or any assets other than Shares, Etc.

(x) Non-transferability of Rights. The Rights will be transferable only with the approval of the Board.

(3) Conditions to Exercise of Rights. The Rights are exercisable only to the extent that the Stock Acquisition Date has occurred. Notwithstanding the foregoing, any Rights that are beneficially owned by an Acquiring Person may not be exercised under any provision of this Plan. As a condition to exercising the Rights (or, if the Board so determines, as a part of any compulsory acquisition of the Rights, as a condition for acquisition), the Company shall be entitled to require the holder of the Rights to certify that such holder is not an Acquiring Person and does not hold the Rights on behalf of an Acquiring Person and to provide such additional evidence as the Company shall reasonably request, and in the absence of such certification and evidence, then the Company shall be entitled conclusively to deem the beneficial owner thereof to be an Acquiring Person and accordingly will deem such Rights to be not exercisable. In the event that a holder of the Rights agrees to transfer the Common Stock to be issued upon the exercise of the Rights to an Acquiring Person, the Company shall be entitled conclusively to deem the Rights to be beneficially owned by the Acquiring Person. In the event that a shareholder of the Company to whom the Rights have been allotted has transferred or agreed to transfer his or her shares of Common Stock held as of the Allotment Date to an Acquiring Person, the Company shall be entitled conclusively to deem such shareholder to have agreed to transfer to the Acquiring Person the Common Stock to be issued upon the exercise of the Rights. Any Rights which are attempted to be transferred in violation of this Plan may not be exercised.

(4) Other Matters. Any other matters required under applicable laws for the issuance of the Rights by way of a gratis allotment not otherwise contained herein shall be determined by the Board. Further, because the allotment of Rights may be cancelled or the Rights may be acquired by the Company for no consideration in accordance with the provisions under the Plan, the Board may allot the Rights any number of times in response to the Bidder's actions, such as the Bidder's re-making a similar Offer after its cancellation of a previous Offer.

#### 7. The Term of the Plan, Supplements, Amendments and Termination.

(1) Term. The term of the Plan (the "Term") shall be until the closing of the ordinary general shareholders meeting relating to the last business year ending within three (3) years from June 24, 2016. The Company may renew the Term (and may continue to renew each renewed Term) with approval of a majority of the voting rights of the shareholders of the Company present at the Company's shareholders meeting. In addition, one-third (1/3) or more of the voting rights of shareholders of the Company who can exercise voting rights shall constitute a quorum.

If the Term is not renewed in accordance with this Section 7(1), the Plan shall be terminated. Upon the renewal of the Term or the termination of the Plan with no renewal, the Company shall promptly announce such renewal or termination; provided, however, that the Company shall not be required to give any notice to individual shareholders of the Company or other parties in connection therewith.

(2) Termination of the Plan During the Term. The Plan shall be terminated during the Term at the time which is the earlier of (i) when an Acquiring Person, in terms of its Voting Rights Ratio, acquires a majority of Shares, Etc. of the Company pursuant to the Qualifying Offer in response to which the implementation of the Rights has been rejected by the Shareholders Vote, and (ii) the termination of this Plan by a resolution of the Board under Section 7(4). Upon termination of this Plan under this Section 7(2), the Company shall promptly announce such termination; provided, however, that the Company shall not be required to give any notice to individual shareholders of the Company or other parties in connection therewith.

(3) Supplements or Amendments of the Plan by the shareholders meeting of the Company. The Company may supplement or amend this Plan with the approval of a majority of the voting rights of the shareholders of the Company present at the shareholders meeting of the Company. One-third (1/3) or more of the voting rights of shareholders of the Company who are authorized to exercise voting rights shall constitute a quorum. If the Company supplements or amends this Plan under this Section 7(3), the Company shall promptly announce such supplements or amendments; provided, however, that the Company shall not be required to give any notice to individual shareholders of the Company or other parties in connection therewith.

(4) Supplements, Amendments and Termination of the Plan by the Board. Notwithstanding (3) above, the Company may supplement or amend this Plan by a resolution of the Board by making supplements or amendments to the relevant sections within a minimum possible scope in cases where it becomes appropriate to amend the sections of this Plan in connection with the formulation, amendment or abolishment of laws and regulations or the rules of the financial instruments exchanges or where it becomes necessary to make modifications to formalities of the wordings of this Plan (including modifications in connection with the changes to the address and the attention of the Company as stipulated in Section 8 and Exhibit A) which do not involve any substantive changes.

The Company may terminate this Plan at any time by a resolution of the Board. Further, any shareholder or shareholders of the Company jointly (except for a Bidder) having held consecutively for the preceding six months or more not less than one hundredth (1/100) of the votes of all shareholders of the Company or not less than three hundred votes of all shareholders of the Company may express their opinion in writing to the Board as to the termination of the Plan during the period from four weeks prior to the last day of each business year within the Term to the last day of each business year within the Term. If such shareholders of the Company jointly express their opinion, one single document stating their opinion must be submitted to the Board. In the event that opinions are expressed, the Board shall review the termination of the Plan at a meeting of the Board. In such case, the Board shall review the termination of the Plan, reviewing such shareholder's or shareholders' opinion thoroughly and taking into consideration the views of the outside audit & supervisory board members and audit & supervisory board members of the Company, and if it determines that the Plan shall be terminated, it shall make a necessary resolution.

If the Company supplements, amends or terminates this Plan under this Section 7(4), the Company shall promptly announce such supplements, amendments or termination; provided, however, that the Company shall not be required to give any notice to individual shareholders of the Company or other parties in connection therewith.

8. Notices. Notices or demands authorized or required by this Plan to be given or made by any holder of any Rights to or on the Company shall be sufficiently given or made if delivered or sent by mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Name: Nippon Steel & Sumitomo Metal Corporation  
Address: 6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo  
100-8071, Japan  
Attention: General Administration Department,  
General Administration Division

Notices or demands authorized or required by this Plan to be given or made by the Company to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the registry books of stock acquisition rights of the Company. Any notice to any holder of any Rights which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice.

9. Suspension of Exercisability. Notwithstanding Section 6, to the extent that the Company determines that some action will or need be taken to comply with law (which, for the purpose of this Section, includes any foreign law), the Company may, to the extent permitted by law, suspend the exercise of the Rights for a reasonable period in order to take such action or comply with such laws. In such case, the Company will as promptly as practicably possible make an announcement that an exercise of Rights has been suspended. The Company shall not be required to give any notice to the holders of the Rights or any other parties in connection with such suspension, unless otherwise required by applicable law.

10. GOVERNING LAW. THIS PLAN AND THE RIGHTS ISSUED HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF JAPAN.

## Exhibit

In order to deliver Required Information under the Plan to the Board, the following written information (the "Information Statement") must be provided in Japanese, to the attention of the General Administration Department of the General Administration Division, Nippon Steel & Sumitomo Metal Corporation, at 6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8071, Japan (or to any other contact address designated by the Company in writing). Capitalized terms not defined herein have the meaning set forth in the Plan.

### 1. Identity

Provide the name, business address and business telephone number of each Bidder, any person directly or indirectly controlling each Bidder including the ultimate controlling person (the "Ultimate Parent") as well as all Co-Holders and Special Related Parties of each Bidder and the Ultimate Parent, directors and officers of each Bidder and of the Ultimate Parent and each person acting in concert with any Bidder or Ultimate Parent in respect of the offer (collectively, "Disclosing Persons"). Describe the relationship between each Disclosing Person and each Bidder.

For Disclosing Persons which are natural persons, provide such persons' principal occupation or employment for the past five years through the present, including the principal business and address of any corporation or other organization ("Entity") in which the occupation or employment is or was conducted, giving the applicable starting and ending dates for each employment, and the age and citizenship of such persons.

Disclosing Persons which are Entities should provide the principal business of such Entity and the jurisdiction of organization and audited consolidated financial statements (however, the most recent financial statements may be unaudited, if not audited at that time) and non-consolidated financial statements, both covering the past five years (or if five years have not been passed since its incorporation, then covering the period from the incorporation), and if such Entity is under statutory obligation to file an annual securities report in Japan, registration statement(s), the annual securities report, the quarterly securities reports, semi-annual securities reports and extraordinary reports, and any amendment thereto, filed in the past five years (if five years have not been passed since it became subject to such obligation, then in the period since it became subject to such obligation).

All Disclosing Persons should disclose if they have been (i) convicted in a criminal proceeding in the past ten years (excluding traffic violations or similar misdemeanors), and if so, the crime committed, the penalty (or other disposition) imposed, and the court involved or (ii) a party to a judicial or administrative proceeding in the past ten years that resulted in, or where the relief sought is, a judgment, decree or final order finding such person in violation of, or enjoining future violations or prohibiting activities related to, the Financial Instruments and Exchange Law of Japan, the Commercial Code, the Corporate Law, the Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade or environmental laws, or laws of any jurisdiction that are counterparts of the foregoing, or of any other litigation which would reasonably be likely to be material to a decision by the Company's shareholders, and shall disclose the terms of any such judgment, decree or order.

Describe the nature of any material pending litigation or other legal proceedings in or outside Japan in which any Disclosing Person is currently involved.

### 2. Interest in Securities

Disclose all securities of the Company held by the Disclosing Persons, all transactions involving securities of the Company by any Disclosing Person in the last 180 days (including nature of transaction, price, where and how the transaction occurred, and, if known, the other party to the transaction), and all agreements, arrangements and understandings of any Disclosing Person with any other person, whether or not in writing and whether or not legally enforceable, relating to any securities of the Company.

### 3. Terms of the Takeover Proposal

Provide the terms of the Tender Offer or other proposal made or proposed to be made by the Disclosing Persons, including the method of the acquisition, the total number and class of securities sought, the amount and nature of the consideration to be offered, the contemplated expiration date, the contemplated commencement date of the settlement, whether the Tender Offer may be extended (if the

Tender Offer may be extended, together with the contemplated commencement date of the settlement after such extended Tender Offer), any withdrawal or amendment rights to be provided, any condition to the reduction of the offer price, any other conditions to the Tender Offer or other transaction, the method to amend the conditions (including how parties who have applied before the amendment of the condition will be treated), any provisions regarding the pro rata acceptance of securities if the Tender Offer is to be for less than all shares, whether a two-tiered structure is contemplated, and if so, the terms of such two-tiered structure, and the tax consequences of the Tender Offer or other transaction. Provide a concrete description of the basis for the determination of the proposed amount of the consideration. If there is any difference between the proposed amount of the consideration and the market price or the price at which any of the Disclosing Persons has recently purchased or sold Shares, Etc., provide such difference. If the Tender Offer is made for various classes of the securities at different prices, provide a concrete description of the method of determination of such different prices. If an opinion from a third party has been obtained in order to determine the proposed amount of the consideration, provide the name of such party, a summary of such opinion and a concrete description of the process of determination of the proposed amount of the consideration.

#### 4. Purpose of the Transaction; Plans after the Acquisition of the Shares, Etc. of the Company

- (1) State the purpose of, and provide a description of, the transaction, any plans, proposals or negotiations that the Bidder contemplates to conduct or execute after or concurrently with the acquisition of the Shares, Etc. of the Company and would result in any of the following transactions: a share transfer, transfer of business, Reorganization (as defined in Article 2-2(1) of the FIEL and its Enforcement Order), any conversion of the Company's form, restructuring of the Company's group, a sale, transfer, provision or assignment of material assets (including intellectual property rights), a dissolution or any other extraordinary transaction or action, any change in present dividend rate or policy, indebtedness or capitalization, any change in the present management of the Company, any material change in the Company's corporate structure, business, relations with employees (including hiring, transferring or dismissing of employees), the Company's business plans (including plans for business operations of the Company's steel plants and factories), or relations with the Company's business partners, customers, affiliates, local communities or any other interested parties, the acquisition or disposition of securities of the Company, any delisting of the Common Stock from any stock exchange, or any changes in the Company's articles of incorporation or other constituent documents, or any other act which may cause any material change in, or have any substantial effect on, the Company's management policy.
- (2) If the Bidder's purpose is for acquiring a control right or participating in management, state the method to acquire such control right or participate in management and management policy after acquiring the control right or plan after participating in management in detail.
- (3) If the Bidder's purpose is making a pure investment or a strategic investment, state the policy for holding, selling and purchasing, and exercising voting rights with respect to the Shares, Etc. of the Company after the acquisition thereof, as well as the reasons therefor. If the Bidder's purpose is for a strategic investment for a long-term capital alliance, state the necessity for such capital alliance in detail.
- (4) If the Bidder's purpose is for transferring the Shares, Etc. of the Company to a third party other than any of the Disclosing Persons after the acquisition thereof, disclose information about such third party equivalent to the information required for the identity of the Bidder under Section 1 through Section 3 above, as if such third party is deemed to be the Bidder. In such case, also state the relationship between the Bidder and such third party, the third party's purpose in acquiring the Shares, Etc. of the Company, and the numbers of the Shares, Etc. of the Company held by such third party as of the date of the Information Statement.



- (5) If there is any possibility that the Shares, Etc. of the Company could be delisted on any stock exchange after the acquisition of the Shares, Etc. of the Company, state such possibility and the reasons therefor in detail.

5. Source of Funds

State the specific sources and total amount of funds to be used in the Tender Offer or other acquisition of the Shares, Etc. of the Company, including the material terms and conditions of any financing (including, without limitation, the identity of parties, term, collateral, and stated and effective interest rates) and any plans to repay such financing.

6. Arrangements with the Company

Describe any present or proposed material agreement, arrangement or understanding between the Disclosing Persons and the Company or any of its management or affiliates.

7. Regulatory Approvals

Describe in detail any applicable regulatory requirements which must be complied under laws or regulations of Japan or any other jurisdiction or approvals which must be obtained from Japanese or foreign regulatory entities under antitrust laws or any other laws or regulations or from any third parties. Provide in detail any information regarding compliance with the applicable regulatory requirements or regarding the likelihood of approval.

### **(Reference) Members of the Independent Committee**

Subject to shareholder approval of Item 2 and this Item 4 as originally proposed, the Outside Directors of NSSMC, Mr. Mutsutake Otsuka and Mr. Ichiro Fujisaki as well as the Outside Audit & Supervisory Board Member of NSSMC, Mr. Hiroshi Obayashi have been appointed as three members of the Independent Committee to be established under the Revised Plan. For brief personal history of Mr. Mutsutake Otsuka and Mr. Ichiro Fujisaki, please refer to Item 2 (page 13 through 15). For Brief personal history of Mr. Hiroshi Obayashi is described at the end of this reference:

The term of office of a member of the Independent Committee will expire when such member retires from the position of Outside Director or Outside Audit & Supervisory Board Member of NSSMC (in case that such member is reappointed as an Outside Director or an Outside Audit & Supervisory Board Member of NSSMC at the general meeting of shareholders, the term of office of such member will be automatically renewed.). In this case, the Board will promptly appoint a successor among Outside Directors and Outside Audit & Supervisory Board Members of NSSMC and announce such appointment.

Brief Personal : Hiroshi Obayashi

History of Mr.

Hiroshi

ObayashiName

Brief personal history

June 17, 1947 : Born

April 1972 : Prosecutor, Tokyo District Public Prosecutor's Office

May 2001 : Director-General, Rehabilitation Bureau, Ministry of Justice

January 2002 : Deputy Vice-Minister, Ministry of Justice

June 2004 : Director-General, Criminal Affairs Bureau, Ministry of Justice

June 2006 : Vice-Minister, Ministry of Justice

July 2007 : Superintending Prosecutor, Sapporo High Public Prosecutors Office

July 2008 : Superintending Prosecutor, Tokyo High Public Prosecutors Office

June 2010 : Prosecutor General, the Supreme Public Prosecutors Office

December 2010 : Retired from Prosecutor General, the Supreme Public Prosecutors Office

March 2011 : Registered as Attorney-at-law (current position)

June 2014 : Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of NSSMC (current position)

## **Exercise of Voting Rights via the Internet**

Those who are unable to attend the General Meeting of Shareholders can exercise their voting rights via the Internet.

The exercise of voting rights via the Internet is only possible by accessing the designated website (<http://www.web54.net>).

In order to exercise your voting rights on the website, please read and confirm the following before voting. Please note that the exercise of voting rights via the Internet will require "voting right exercise code" and "password" indicated in the Voting Rights Exercise Form.

### **• Treatment of votes**

When you vote more than once via the Internet, the last vote is treated as the vote of record.

### **• Treatment of password**

1. The password is a means to confirm that the person exercising his or her voting rights is the shareholder in question. Shareholders are advised to keep their passwords confidential until the General Meeting of Shareholders is concluded. Inquiries about passwords may not be made by telephone or any other means.
2. When incorrect passwords are entered more than a specified number of times, the password will be invalidated. In such cases, please follow the instructions on the display.

### **• Operating system requirements**

The following system environment is required to exercise voting rights via the Internet.

1. Display resolution: 800 x 600 dots (SVGA) or more
2. Installed applications:
  - (1) Microsoft® Internet Explorer Ver. 5.01 SP 2 or newer
  - (2) Adobe® Acrobat® Reader® Ver. 4.0 or newer, or Adobe® Reader® Ver. 6.0 or newer
3. Any access charges assessed via the Internet providers and communications charges assessed by communications companies in order to use the Internet shall be borne by the shareholders.
4. The website for exercising voting rights by cellular phones is not set up.

### **• Inquiries about the operation of personal computers and other issues**

For inquiries on how to exercise your voting rights via the Internet, please call:

0120-652-031 (toll free within Japan) (9:00~21:00)

This is a dedicated line for website support provided by the transfer agent, Sumitomo Mitsui Trust Bank, Limited.

## **Business Report**

**91st Term: From April 1, 2015 to March 31, 2016**

### **1. Current Situations of the NSSMC Group**

#### **(1) Progress and Results of Business Operations and Tasks Ahead**

##### **General Review**

The global economy grew only moderately in fiscal 2015. The United States economy continued to show strength mainly in private consumption and Europe maintained its modest recovery. China's economic slowdown persisted while the ASEAN economy remained stagnant.

The Japanese economy continued to make little progress toward recovery, due to persistent sluggish private consumption, companies' cautious attitude toward capital investment, and other factors.

Domestic steel demand remained sluggish, largely owing to stagnant capital investment. Overseas steel demand conditions included slowing steel demand in China and stagnant demand in the ASEAN region, while the slumping oil market led to depressed demand in the energy sector. International steel market conditions were characterized by substantial price declines beginning in the summer, which stemmed from strong supply pressure from Chinese steelmakers. Despite signs of recovery shown since the end of 2015, the market remained severely depressed.

In this harsh business environment, the Nippon Steel & Sumitomo Metal Corporation (NSSMC) Group made steady progress in implementing the strategies of the Mid-Term Management Plan to Fiscal 2017, which was launched in March 2015. This included enhancing the competitiveness of the domestic "mother mills," advancing global strategies, augmenting technological superiority, realizing world-leading cost competitiveness, and strengthening the Group companies in the steelmaking business.

##### **Business Segment Review**

The NSSMC Group's business segments each put forth utmost management effort to generate results while responding to the changing business environment.

##### **• Steelmaking and Steel Fabrication**

The Steelmaking and Steel Fabrication segment implemented various measures centered primarily on enhancing the competitiveness of the domestic "mother mills" and advancing global strategies.

In Japan, NSSMC has promoted initiatives to enhance manufacturing capability by identifying the reinforcement and reestablishment of major facilities as a priority management issue. As part of these efforts, NSSMC decided to expand the coke oven facilities of the Kashima Works with the aims of increasing production capacity and enhancing cost competitiveness. In addition, NSSMC decided to revise a part of the Mid-Term Management Plan to Fiscal 2017 to optimize the iron-making production structure at the Yawata Works. (The Yawata Works comprises the Yawata, Tobata, and Kokura areas.) Initially, NSSMC planned to cease operation of the Kokura No. 2 blast furnace and to provide Tobata's molten iron to the Kokura area. The new plan is to consolidate all iron-making production processes in the Tobata area, including the construction of a continuous caster (CC) in Tobata, while the No. 2 blast furnace and all other facilities in Kokura will cease operation. This will enable us to further improve productivity and enhance the overall competitiveness of the Yawata Works.

NSSMC also enhanced its global supply network to capture demand in overseas growth markets and build an operating structure that better responds to customers' global development requirements. In fiscal 2015, NSSMC decided to produce ultra-high tensile strength steel sheet with high formability for automobiles in the United States. This will be NSSMC's first attempt to produce such a type of steel overseas. In China, NSSMC constructed and commenced operation of a hot-dipped galvanizing line for steel sheet at NSSMC's steel sheet manufacturing company for automobiles in order to meet rising demand in China for steel sheet for luxury vehicles. Moreover, a processing subsidiary for seamless steel pipe fittings in Brunei started construction of a new plant.

NSSMC also adopted measures during the year to fortify its competitive base in Japan and overseas. In Japan, NSSMC entered into a memorandum of understanding with Nisshin Steel Co., Ltd. (Nisshin Steel) to pursue discussions aimed at making Nisshin Steel a subsidiary with a target date of March 2017, on the

condition that NSSMC will provide a continuous supply of steel slab to Nisshin Steel. By having Nisshin Steel in the group, the NSSMC Group aims to further reinforce its position as the world's leading comprehensive steelmaker, and generate sustainable growth and increasing corporate value over the long term.

Outside Japan, NSSMC reached an agreement with its key strategic partner in the pipe and tube business, Vallourec S.A. of France, to broaden the strategic partnership primarily by deepening business alliances, and to acquire a 15% stake in Vallourec. Through this arrangement, NSSMC aims to create business structures capable of maintaining and augmenting each company's earning power even in the severe business conditions caused by low oil prices.

NSSMC also made wholly owned subsidiaries of NIPPON STEEL & SUMIKIN TEXENG Co., Ltd. and Suzuki Metal Industry Co., Ltd., which was renamed NIPPON STEEL & SUMIKIN SG WIRE Co., Ltd., effective October 1, 2015. Through these arrangements, the NSSMC Group will further strengthen the sharing of its business strategies with Group companies and enhance the Group's earning power and competitiveness.

NSSMC also continued advancing measures to maximize cost improvement, including reducing raw material costs and improving yield, and sought the understanding and cooperation of its customers in adjusting steel material prices.

The steelmaking and steel fabrication segment recorded net sales of ¥4,283.9 billion and ordinary profit of ¥160.0 billion.

#### • **Engineering and Construction**

Nippon Steel & Sumikin Engineering Co., Ltd. continued to actively implement initiatives overseas, including the enhancement of its facility in Thailand and its subsidiary in India, and to fortify the competitiveness of its existing operations. However, on top of severe business conditions caused by factors such as the impact of the sluggish oil market and the declining investment appetite of overseas customers, profits were depressed. The engineering and construction segment posted net sales of ¥315.7 billion and ordinary profit of ¥12.1 billion.

#### • **Chemicals**

Nippon Steel & Sumikin Chemical Co., Ltd. continued generating steady sales on strong demand in the functional materials business for circuit board materials, display materials, and other products. The chemicals business secured steady sales and profit, supported in part by robust demand for styrene monomer, a general-purpose resin material. Meanwhile, the coal chemicals business, particularly needle coke for graphite electrodes, struggled in extremely severe conditions caused by intensified competition driven by falling oil prices and stagnant demand worldwide. The chemicals segment recorded net sales of ¥181.8 billion and ordinary profit of ¥1.0 billion.

#### • **New Materials**

Nippon Steel & Sumikin Materials Co., Ltd. continued to steadily increase sales in the electronic materials field for surface-treated copper wire. Demand in the carbon fiber field was strong for industrial and high-function applications and steady in other areas, including infrastructure maintenance and reinforcement applications and medical equipment applications. Meanwhile, declining demand in developing countries for metal substrates led to decreased earnings in the environmental and energy field. The new materials segment posted net sales of ¥36.2 billion and ordinary profit of ¥3.0 billion.

#### • **System Solutions**

NS Solutions Corporation provides comprehensive solutions in the planning, configuration, operation, and maintenance of IT systems for clients in a wide range of business fields and develops leading-edge solutions services that respond to the changing business conditions of its clients. The segment's IT outsourcing services were fortified and expanded during the term with the start of operations of the NSFITOS Center and other developments. The expansion of the global business also continued and included the acquisition of an IT company in Indonesia. As a result, the system solutions segment increased both sales and profit, compared to the previous year. It recorded net sales of ¥218.9 billion and ordinary profit of ¥19.4 billion.

#### **Sales and Income**

NSSMC's consolidated results for fiscal 2015 included ¥4,907.4 billion in net sales, ¥167.7 billion in operating profit, and ¥200.9 billion in ordinary profit. The results were substantially affected by a decline in

shipment volume and a decrease in steel material prices, in addition to lower profit by group companies and other factors. As a result, profit attributable to owners of parent amounted to ¥145.4 billion.

An overview of the consolidated net sales and ordinary profit of each business segment in fiscal 2015 is as follows:

### Net Sales and Ordinary Profit by Business Segment

	(Billions of yen)						
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Adjustments	Consolidated total
Net sales	4,283.9	315.7	181.8	36.2	218.9	(129.2)	4,907.4
Ordinary profit	160.0	12.1	1.0	3.0	19.4	5.0	200.9

Non-consolidated financial result for fiscal 2015 was net sales of 3,160.7 billion yen, operating profit of 56.2 billion yen, ordinary profit of 87.9 billion yen and profit of 83.7 billion yen.

### Assets, Liabilities, and Net Assets

Consolidated total assets at the end of fiscal 2015 were ¥6,425.0 billion, representing a decrease of ¥732.8 billion from ¥7,157.9 billion at the end of fiscal 2014. The main factors were decreases in notes and accounts receivable of ¥92.2 billion, inventories of ¥143.3 billion, investments in securities of ¥176.3 billion, shares of subsidiaries and affiliates of ¥99.6 billion, and net defined benefit assets of ¥65.0 billion.

Total liabilities at the end of fiscal 2015 amounted to ¥3,415.9 billion, a decrease of ¥194.9 billion from ¥3,610.8 billion at the end of fiscal 2014. The decline was primarily due to an increase in interest-bearing debt of ¥31.6 billion from ¥1,976.5 billion at the end of fiscal 2014 to ¥2,008.2 billion at the end of fiscal 2015, along with decreases in notes and accounts payable of ¥85.3 billion, deferred tax liabilities of ¥85.3 billion, and net defined benefit liabilities of ¥32.4 billion.

Net assets amounted to ¥3,009.0 billion at the end of fiscal 2015, representing a decrease of ¥537.9 billion from ¥3,547.0 billion at the end of fiscal 2014. The main factors in the decline were dividend payments of ¥59.7 billion, purchase of treasury stock of ¥26.4 billion and declines in unrealized gains on available-for-sale securities of ¥108.2 billion, foreign currency translation adjustments of ¥120.0 billion, and non-controlling interest of ¥333.1 billion. These offset increases such as more than ¥145.4 billion for profit attributable to owners of parent. Shareholders' equity at the end of fiscal 2015 amounted to ¥2,773.8 billion and the ratio of interest-bearing debt to shareholders' equity (the D/E ratio) was 0.72.

### Dividends

In accordance with the "Surplus Distribution Policy" on page 53, NSSMC distributed a dividend of ¥3.00 per share at the end of the first half of fiscal 2015. Based on the Policy, NSSMC intends to pay ¥15.00 per share for the year-end dividend as it announced at the time of release of the financial results for the third quarter on February 1, 2016.

On October 1, 2015, NSSMC performed a 1-for-10 share consolidation. Converting this amount based on the share consolidation, the interim dividend would be ¥30.00 yen, so adding the year-end dividend of ¥15.00 yen, the annual dividend works out to 45 yen per share (consolidated ratio of cash dividends to profit: 28.4%)

### Tasks Ahead

#### • Fiscal Year 2016 Outlook

The overall global economy is expected to show only modest growth. Economic conditions in the United States are likely to remain steady, mainly driven by private consumption, while the European economy appears poised for a moderate recovery. However, the slowing economic growth in China and the ASEAN countries is expected to persist.

An economic recovery in Japan is anticipated to slowly materialize amid a delayed recovery in private consumption and companies becoming increasingly cautious about capital investment.

Domestic steel demand is expected to decline in the first half of fiscal 2016 due to seasonal factors. Demand is then likely to recover in the second half, driven by factors such as a pick-up in automobile

production and increased investment associated with the upcoming Olympics in 2020, on top of a seasonal rise in public works projects.

We anticipate overseas steel demand remaining essentially flat overall. Although we expect a modest increase in demand in the ASEAN region, the Chinese slowdown is expected to persist and the stagnant crude oil market will likely lead to depressed demand for the energy sector. While some signs of recovery are being seen in the international market, the situation needs to be monitored owing to the persistent excessive supply of steel products in China and elsewhere in East Asia.

In these conditions, NSSMC will continue to closely monitor trends in steel material supply and demand and raw material prices, and will also strive to implement maximum cost improvement. NSSMC will also strengthen its ability to make product proposals to customers, further enhance its overseas supply system, and continue revising steel material prices with the understanding of its customers.

NSSMC is unable at this time to establish reasonably accurate earnings estimates for fiscal 2016 due to several factors, including the uncertainty of price trends for primary raw materials and steel products. NSSMC will disclose fiscal 2016 earnings forecasts when reasonable estimates become possible.

Amid this difficult business climate, NSSMC remains committed to growing its businesses both in Japan and overseas, building on its competitive advantages in “technology,” “cost,” and “being global.” In particular, NSSMC is currently focusing the allocation of its management resources on “plants” and “people,” to improve the manufacturing and R&D capabilities of its mother mills in Japan, and build on its competitive advantage to advance its global businesses in the growing global market.

NSSMC wishes to take this opportunity to ask its shareholders for their understanding of the aforementioned circumstances and for their continued support.

## (For reference 1) Progress of 2017 Mid-Term Management Plan

NSSMC will steadily carry out the measures in the 2017 Mid-Term Management Plan created in March 2015.

### 1. Enhancing Mother Mills' Competitiveness

NSSMC is optimizing its domestic production framework by consolidating upstream and downstream processing facilities, including ceasing blast-furnace operations.

Eight downstream process lines have ceased operations. One blast furnace has ceased operations, and another is planned.

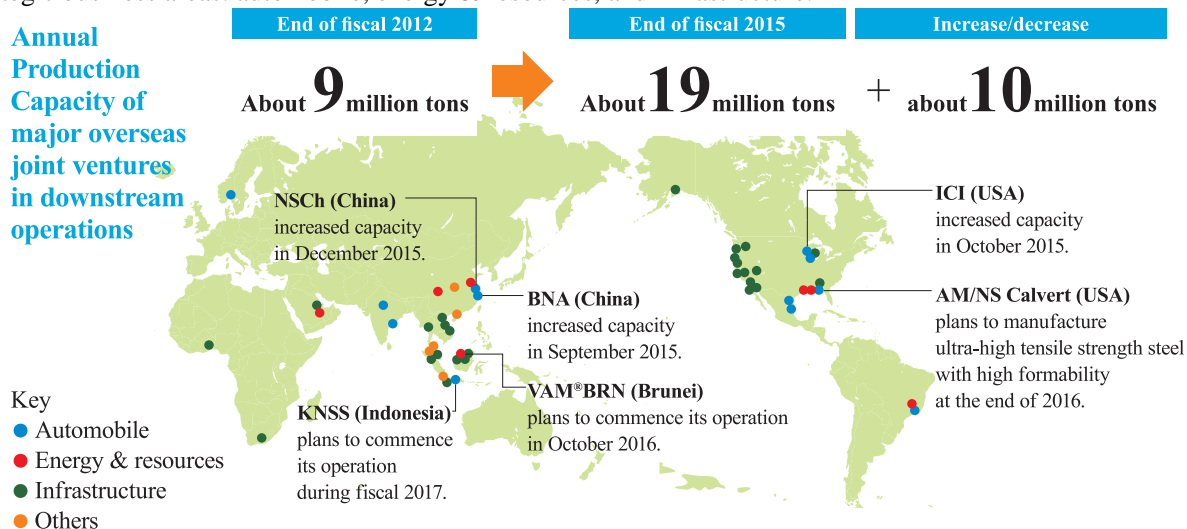
		At the time of integration	➔	End of fiscal 2015	➔	End of fiscal 2020
Upstream	Blast furnace	14	-1	13	-1	12
	Converter	32		32	-4	28
	Continuous casting	30	-1	29	-2	27
Downstream	Cold-rolling	17	-2	15		15
	Galvanizing	20	-5	15		15
	Butt welded pipe line	2	-1	1		1

- A shift from three- to two-blast-furnace operation at Kimitsu Works: Ceasing operation of the No.3 blast furnace in March 2016, and improving productivity of other blast furnaces to the world-class level
- A shift from two- to one-blast-furnace operation at Yawata Works: Ceasing operation of the Kokura No.2 blast furnace and planning to integrate iron-making production into the Tobata Area

- Enhancing competitiveness by concentrating investment in integrated domestic mills

### 2. Promoting Global Strategy

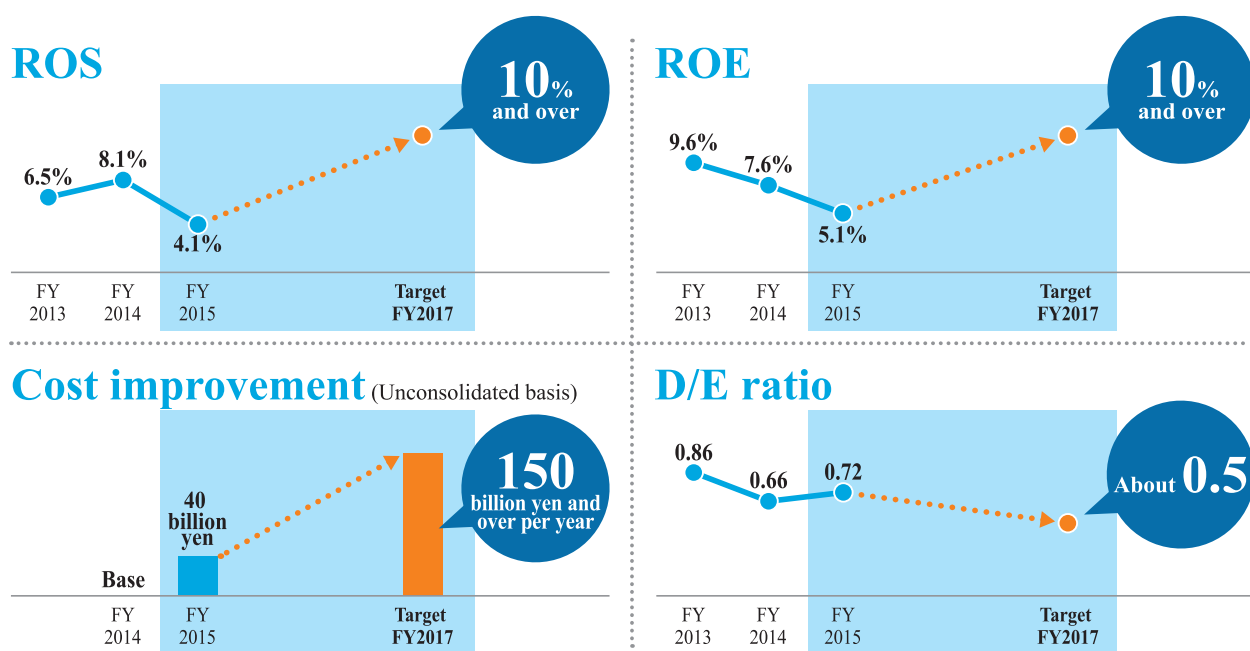
Overseas, NSSMC is working to enhance the supply network and increase profit, with a focus on three strategic business areas: automobile, energy & resources, and infrastructure.





### 3. Progress on Financial Indicators

NSSMC is advancing measures to achieve the targets set forth in the 2017 Mid-Term Management Plan.



#### (For reference 2) Notice Regarding Execution of an Agreement to Make Nisshin Steel Co., Ltd. a Subsidiary of Nippon Steel & Sumitomo Metal Corporation, etc.

As described in the page 36 through 37, NSSMC and Nisshin Steel Co., Ltd. (“Nisshin Steel”; Iron-making business with a capital of 30 billion yen) entered into a memorandum of understanding on February 1, 2016 to commence discussions regarding making Nisshin Steel a subsidiary of NSSMC and other related matters, and have been engaged in the discussions since then. As a result, the companies reached an agreement on the specific structure of transactions for making Nisshin Steel a subsidiary of NSSMC and the conditions for NSSMC’s capital contribution to Nisshin Steel, etc. Therefore, the companies entered in an agreement on May 13, 2016 on that matter.

Upon the completion of the procedures including those required under Japanese and foreign competition laws, NSSMC plans to make Nisshin Steel its subsidiary around March 2017 by acquiring 51.00% of the total number of outstanding shares of Nisshin Steel through the tender offer (TOB) of the common shares of Nisshin Steel and (if necessary) capital increase by third-parties allotment, through which NSSMC will subscribe for newly issued shares of Nisshin Steel. Subsequent to a series of the transactions above, Nisshin Steel will remain listed on the 1st Section of Tokyo Stock Exchange, Inc.

## **(2) Capital Procurement**

In fiscal 2015, there was no significant capital procurement through capital increase or issuance of bonds.

## **(3) Plant and Equipment Investments**

Classification	Title
Major ongoing plant and equipment investment during fiscal 2015	Renovation and expansion of No. 2 blast furnace and steelmaking equipment (Nippon Steel & Sumikin Koutetsu Wakayama Corporation)

(Note)

Nippon Steel & Sumikin Koutetsu Wakayama Corporation started the operation of steelmaking equipment in fiscal 2012.

## **(4) Transfer of Business**

In fiscal 2015, there were no significant business transfer and others.

**(5) Changes in Assets and Profits/Losses**

Fiscal Term Classification	88th Term	89th Term	90th Term	91st Term (fiscal year 2015)
Crude steel production (million tons)	39.50	48.16	47.32	44.53
Net sales (billions of yen) (Overseas sales shown in brackets)	4,389.9 [1,592.9]	5,516.1 [2,192.8]	5,610.0 [2,292.4]	4,907.4 [1,903.8]
Ordinary profit (billions of yen)	76.9	361.0	451.7	200.9
Profit attributable to owners of parent (billions of yen)	(124.5)	242.7	214.2	145.4
Total assets (billions of yen)	7,089.4	7,082.2	7,157.9	6,425.0
Net assets (billions of yen)	2,938.2	3,237.9	3,547.0	3,009.0
Earnings per share	(162.30) yen	266.71 yen	234.82 yen	158.71 yen
Net assets per share	2,638.19 yen	2,941.09 yen	3,263.03 yen	3,074.28 yen
Dividends per share (Interim dividends shown in brackets)	1.00 yen [-]	5.00 yen [2.00 yen]	5.50 yen [2.00 yen]	18.00 yen* [3.00 yen]
Ratio of cash dividends to consolidated profit (%)	-	18.7	23.4	28.4*

## Notes:

- (1) Figures for crude steel production include, in addition to NSSMC's production, production amounts of Nippon Steel & Sumikin Koutetsu Wakayama Corporation, Osaka Steel Co., Ltd., Nippon Steel & Sumikin Stainless Steel Corporation, Nippon Steel & Sumikin Shapes Corporation, Tokai Special Steel Co., Ltd., and Oji Steel Co., Ltd., which all are subsidiaries of NSSMC. Figures for crude steel production for the 89th Term or before include production amounts of Shin-Hokkai Steel Co., Ltd., which dissolved on March 31, 2014.
- (2) Figures for the 88th Term represent the aggregate amounts of the first-half results (April 1, 2012 to September 30, 2012) of Nippon Steel Corporation for the 88th Term (fiscal year 2012) and the second-half results (October 1, 2012 to March 31, 2013) of NSSMC.
- (3) Applying the "Revised Accounting Standard for Business Combinations" (Business Combinations Accounting Standards No. 21, revised on September 13, 2013) and others, NSSMC "uses the term profit attributable to owners of parent" in place of "net income" from fiscal 2015.
- (4) On October 1, 2015, NSSMC performed the share consolidation at the ratio of 10 shares to 1 share. Consequently, NSSMC estimates the net assets per share and earnings per share assuming that the share consolidation occurred at the start of the 88th term.
- (5) The figures with asterisks (\*) are values on the assumption that the proposal on appropriation of surplus for the 91st Term is approved at the 92nd General Meeting of Shareholders.
- (6) On October 1, 2015, NSSMC performed the share consolidation at the ratio of 10 shares to 1 share. The dividend per share noted for the 91st term (fiscal year 2015) is the sum of the interim dividend of 3 yen and the year-end dividend of 15 yen. Recalculating this amount of the dividend based on the share consolidation, the interim dividend would be 30 yen, so adding the year-end dividend of 15 yen, the annual dividend works out to 45 yen per share (consolidated ratio of cash dividends to consolidated profit: 28.4%)
- (7) The ratio of cash dividends to consolidated profit for the 88th Term (fiscal year 2012) are not available (denoted "-") as the year posted a net loss.

**(6) Major Business Operations (as of March 31, 2016)**

Business Segment	Main Products	
Steelmaking and Steel Fabrication		Bars and shapes Billets, rails, sheet piles, H-beams, other shapes bars, bars, bars-in-coils, wire rods, special wire rods
		Flat-rolled products Heavy plates, medium plates, hot-rolled sheets, cold-rolled sheets, tinplates, tin-free steel, hot-dipped galvanized sheets, other metallic coated sheets, pre-coated sheets, cold-rolled electrical sheets
		Pipe and tubes Seamless, butt-welded, electric resistance-welded, electric-arc welded, cold-drawn, coated pipes and tubes, coated steel pipes
	Steel Materials	Railway/automotive/machinery parts Parts for railway vehicles, die-forged products, forged aluminum wheels, retarders, ring-rolled products, forged steel products
		Specialty steel Stainless steel, machine structural carbon steel, structural alloy steel, spring steel, bearing steel, heat-resistant steel, free-cutting steel, piano wire rods, high tensile strength steel
		Secondary steel products Steel and synthetic segments, NS-BOX, metro deck, PANZERMAST, vibration-damping sheets and plates, structural steel sheet members, columns, welding materials, drums, bolts/nuts/washers, wire products, OCTG accessories, building and civil engineering materials
		Pig iron, steel ingots and others Steelmaking pig iron, foundry pig iron, steel ingots, iron and steel slag products, cement, foundry coke
	Businesses incidental to Steelmaking and Steel Fabrication	Design/maintenance/installation of machines/electrical equipment/measurement apparatuses, marine transport, port/harbor transport, land transport, loading/unloading, warehousing, packaging, material testing/analysis, measurement of working environments, surveys on technical information, operation and management of facilities, security services, services related to payment of raw materials, iron-and steelmaking plant construction engineering, operating assistance, steelmaking know-how provision, rolls
	Others	Rolled titanium products, power supply, real estate, services and others
Engineering and Construction	Iron and steelmaking plants, industrial machinery and equipment, industrial furnaces, resources recycling and environment restoration solutions, environmental plants, waterworks, energy facilities and plants, chemical plants, storage tanks, on-land and offshore pipelines laying works, energy-related solutions, offshore structure fabrication/construction, civil engineering work, bridge fabrication/erection, pipe piling work, building construction, steel-structure construction, trusses, standardized buildings products, base-isolation and vibration-control devices	

Business Segment	Main Products
Chemicals	Pitch coke, pitch, naphthalene, phthalic anhydride, carbon black, styrene monomer, bisphenol A, styrene resin, epoxy resin, adhesive-free copper-clad laminated sheet for flexible printed circuit boards, liquid crystal display materials, organic EL materials, UV/thermosetting resins
New Materials	Rolled metallic foils, semiconductor bonding wire and microballs, fillers for semiconductor encapsulation materials, carbon-fiber composite products, metal catalyst carriers for cleaning automotive emissions
System Solutions	Computer systems engineering and consulting services

**(7) Major Plants, Research Laboratories, Head Office, Office, Marketing Branches and Overseas Offices (as of March 31, 2016)**

Plants	Kashima Works (Kashima), Kimitsu Works (Kimitsu / Itabashi-ku, Tokyo), Nagoya Works (Tokai), Wakayama Works (Wakayama / Kainan / Sakai), Hirohata Works (Himeji), Yawata Works (Kitakyushu), Oita Works (Oita, Hikari), Muroran Works (Muroran), Kamaishi Works (Kamaishi), Amagasaki Works (Amagasaki), Osaka Steel Works (Osaka), Naoetsu Works (Joetsu)
Research Laboratories	Steel Research Laboratories, Advanced Technology Research Laboratories, Process Research Laboratory (Located in Futtsu, Amagasaki, Kamisu) R&D laboratories (Located within Steelworks of Muroran, Kashima, Kimitsu, Nagoya, Hirohata, Yawata, Oita)
Head Office, Office and Marketing Branches	Head Office (Chiyoda-ku, Tokyo) Osaka Office (Osaka) Hokkaido Marketing Branch (Sapporo), Tohoku Marketing Branch (Sendai), Niigata Marketing Branch (Niigata), Hokuriku Marketing Branch (Toyama), Ibaraki Marketing Branch (Mito), Nagoya Marketing Branch (Nagoya / Tokai), Chugoku Marketing Branch (Hiroshima), Shikoku Marketing Branch (Takamatsu), Kyushu Marketing Branch (Fukuoka)
Overseas Offices	Nippon Steel & Sumitomo Metal European Office (Germany), Nippon Steel & Sumitomo Metal Dubai Office (UAE), NIPPON STEEL & SUMITOMO METAL Consulting (Beijing) Co., Ltd. (Beijing, Shanghai, Guangzhou) NIPPON STEEL & SUMITOMO METAL U.S.A., INC. (USA), NIPPON STEEL & SUMITOMO METAL Empreendimentos Siderurgicos Ltda. (Brazil), NIPPON STEEL & SUMITOMO METAL Australia Pty. Limited (Australia), PT. NIPPON STEEL AND SUMITOMO METAL INDONESIA (Indonesia) NIPPON STEEL & SUMITOMO METAL Southeast Asia Pte. Ltd. (Singapore), NIPPON STEEL & SUMITOMO METAL (Thailand) Co., Ltd. (Thailand), NIPPON STEEL & SUMITOMO METAL India Private Limited (India)

(Notes)

(1) Overseas Offices include local subsidiaries.

(2) See “(9) Principal Subsidiaries and Affiliates” for a listing of major subsidiaries and their locations.

**(8) Employment Data (as of March 31, 2016)**

NSSMC Group

Business Segment	Number of employees
Steelmaking and Steel Fabrication	71,074 [14,304]
Engineering and Construction	4,954 [468]
Chemicals	1,795 [190]
New Materials	1,321 [291]
System Solutions	5,693 [80]
Total	84,837 [15,333]

(Notes)

- (1) Number of employees does not include NSSMC Group employees on loan outside the group. It does include employees on loan to the NSSMC Group from outside the NSSMC Group.
- (2) Temporary workers are not included. Numbers of temporary workers (average number of temporary workers employed during fiscal year 2015) are shown in brackets.

NSSMC

Number of employees	Average age	Average number of years employed
24,903 [3,890] employees	38.7 years old	16.9 years

(Notes)

- (1) Number of employees does not include employees on loan from NSSMC to other companies. It does include employees on loan to NSSMC from outside the company.
- (2) Temporary workers are not included. Number of temporary workers (average number of temporary workers employed during fiscal year 2015) is shown in brackets.
- (3) Employees on loan are not included when calculating the average age and average number of years employed.

**(9) Principal Subsidiaries and Affiliates (as of March 31, 2016)**

Steelmaking and Steel Fabrication

Company (Location of head office)	Paid-in capital	Sharehol ding Ratio	Business content
<b>[Subsidiaries]</b>	Million yen	%	
East Asia United Steel Corporation (Chiyoda-ku, Tokyo)	17,217	74.3	Holding company of Nippon Steel & Sumikin Koutetsu Wakayama Corporation
Nippon Steel & Sumikin Koutetsu Wakayama Corporation (Wakayama)	17,217	*100.0	Makes and markets semi-finished steel products
Nippon Steel & Sumikin Coated Sheet Corporation (Chuo-ku, Tokyo)	12,588	100.0	Makes and markets galvanized sheets, prepainted galvanized sheets, coated sheets, and construction materials
Osaka Steel Co., Ltd. (Osaka)	8,769	*60.9	Makes and markets shapes, bars, and billets
Nippon Steel & Sumikin Metal Products Co., Ltd. (Koto-ku, Tokyo)	5,912	100.0	Makes and markets structural materials for buildings and civil engineering work, prepainted galvanized sheets and steelmaking fluxes, and CC powders
Nippon Steel & Sumikin Pipe Co., Ltd. (Chiyoda-ku, Tokyo)	5,831	100.0	Makes, coats and markets steel pipes and tubes
Nippon Steel & Sumikin Texeng Co., Ltd. (Chiyoda-ku, Tokyo)	5,468	100.0	Conducts engineering, maintenance, and operations relating to machinery, electrical instrumentation, systems, and construction for steel-production and other facilities
Nippon Steel & Sumikin Stainless Steel Corporation (Chiyoda-ku, Tokyo)	5,000	100.0	Makes and markets stainless steel
Nippon Steel & Sumikin Logistics Co., Ltd. (Chuo-ku, Tokyo)	4,000	100.0	Undertakes ocean and land transportation and warehousing
Nippon Steel & Sumikin SG Wire Co., Ltd. (Chiyoda-ku, Tokyo)	3,634	100.0	Makes and markets bars and wire rods
Geostr Corporation (Bunkyo-ku, Tokyo)	3,352	*42.0	Makes and markets concrete and metal products for civil engineering and building construction work
Nippon Steel and Sumikin Welding Co., Ltd. (Koto-ku, Tokyo)	2,100	100.0	Makes and markets welding materials and apparatuses
Nippon Steel & Sumikin Drum Co., Ltd. (Koto-ku, Tokyo)	1,654	100.0	Makes and markets drums
Nippon Steel & Sumikin Blast Furnace Slag Cement Co., Ltd. (Kitakyushu)	1,500	100.0	Makes and markets cement and steelmaking slag and calcined lime products
Nippon Steel & Sumikin Cement Co., Ltd. (Muroran)	1,500	85.0	Makes and markets cement
Nippon Steel & Sumikin Finance Co., Ltd. (Chiyoda-ku, Tokyo)	1,000	100.0	Engages in financing and lending operations
Nippon Steel & Sumikin Stainless Steel Pipe Co., Ltd. (Koga)	916	100.0	Makes and markets stainless-steel pipes
Nippon Steel & Sumikin Steel Wire Co., Ltd. (Seiki)	897	51.0	Makes and markets secondary products using bars and wire rods



Company (Location of head office)	Paid-in capital	Sharehol ding Ratio	Business content
Nippon Steel & Sumikin Eco-Tech Corporation (Chuo-ku, Tokyo)	500	*84.2	Designs, builds, operates, maintains, and manages water-treatment and other systems; designs civil-engineering projects; and performs environmental and chemical analysis
Nippon Steel & Sumikin Bolten Corporation (Osaka)	498	85.0	Makes and markets high-tension bolts, etc.
Nippon Steel & Sumikin Shapes Corporation (Wakayama)	400	100.0	Makes and markets H-beams
NIPPON STEEL AND SUMIKIN TUBOS DO BRASIL LTDA. (Rio de Janeiro, Brazil)	R\$2,002 million	*100.0	Markets seamless steel pipe
The Siam United Steel (1995) Co., Ltd. (Rayong State, Thailand)	THB 9,000 million	72.7	Makes and markets cold-rolled sheets
National Pipe Company Limited (Eastern Province, Saudi Arabia)	SAR 200 million	*51.0	Makes and markets primarily steel line pipes
Standard Steel, LLC (Pennsylvania, U.S.A.)	US\$ 47 million	*100.0	Makes and markets railway wheels and axles
NIPPON STEEL & SUMITOMO METAL U.S.A., Inc. (New York, U.S.A.)	US\$ 40 million	100.0	Invests companies in North American region focusing on U.S. and gathers information
PT. PELAT TIMAH NUSANTARA TBK. (Jakarta, Indonesia)	US\$ 26 million	35.0	Makes and markets tinplate
NIPPON STEEL & SUMITOMO METAL (Thailand) Co., Ltd. (Bangkok, Thailand)	THB 718 million	100.0	Gathers information in Asian region focusing on Thailand
WESTERN TUBE & CONDUIT CORPORATION (California, U.S.A.)	US\$ 17 million	*96.7	Makes and markets welded pipe for conduit, fence, and other types of pipe
NIPPON STEEL & SUMITOMO METAL Australia Pty. Limited (New South Wales, Australia)	A\$ 21 million	100.0	Participates in mine development in Australia and gathers information
NIPPON STEEL & SUMIKIN Steel Processing (Thailand) Co., Ltd. (Rayong State, Thailand)	THB 571 million	*66.5	Makes and markets cold-heading wire and cold-finished bars

Company (Location of head office)	Paid-in capital	Sharehol ding Ratio	Business content
<b>[Affiliates]</b>	Million yen	%	
Godo Steel, Ltd. (Osaka)	34,896	*15.1	Makes and markets shapes, rails, bars, billets and wires
Topy Industries Ltd. (Shinagawa-ku, Tokyo)	20,983	*20.1	Makes and markets shapes, bars, and industrial machine parts
Sanyo Special Steel Co., Ltd. (Himeji)	20,182	*14.7	Makes and markets special steel products
Kyoei Steel Ltd. (Osaka)	18,515	25.8	Makes and markets shapes, steel bars, and billets; processes and markets steel
Nippon Steel & Sumikin Bussan Corporation (Minato-ku, Tokyo)	12,335	*36.5	Markets, imports, and exports steel, textiles, foods, and other products
Nippon Denko Co., Ltd. (Chuo-ku, Tokyo)	11,026	*20.9	Makes and markets ferroalloys, advanced materials, industrial chemical products, environmental recycling systems, etc.
Nichia Steel Works, Ltd. (Amagasaki)	10,720	22.6	Makes and markets bolts, wire products
Sumitomo Precision Products Co., Ltd. (Amagasaki)	10,311	*40.6	Makes and markets aerospace hydraulics, heat exchangers, and industrial environmental apparatuses
NS United Kaiun Kaisha, Ltd. (Chiyoda-ku, Tokyo)	10,300	32.8	Undertakes ocean transportation
Unipres Corporation(Yokohama)	9,972	16.4	Manufactures and sell automotive parts
Osaka Titanium technologies Co., Ltd. (Amagasaki)	8,739	23.9	Makes and markets metal titanium, polysilicon, high-functioning materials developed from titanium and silicon for new applications
Nippon Coke & Engineering Company Limited (Koto-ku, Tokyo)	7,000	21.7	Markets coal; makes and markets coke
Japan Casting & Forging Corporation (Kitakyushu)	6,000	42.0	Makes and markets casting, forgings, ingots and billets
Krosaki Harima Corporation (Kitakyushu)	5,537	*42.9	Makes, markets and constructs refractories
Sanko Metal Industrial Co., Ltd. (Minato-ku, Tokyo)	1,980	*16.0	Makes, processes, installs and sells metal roofs and building materials
Sanyu Co., Ltd. (Hirakata)	1,513	*34.5	Makes and markets cold-finished bars and cold-heading wire
Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS (Estado do Minas Gerais, Brazil)	R\$12,150 million	*29.2	Makes and markets steel products
VALLOUREC & SUMITOMO TUBOS DO BRASIL LTDA. (Estado do Minas Gerais, Brazil)	R\$5,376 million	*40.4	Makes seamless steel pipe
Baosteel-NSC Automotive Steel Sheets Co., Ltd. (Shanghai, China)	RMB 3,000 million	50.0	Makes and markets automotive steel sheets

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
UNIGAL Ltda. (Estado do Minas Gerais, Brazil)	R\$584 million	*30.0	Makes galvanized sheets
Companhia Nipo-Brasileira De Pelotizacao (Estado do Espírito Santo, Brazil)	R\$432 million	*31.4	Makes and markets pellets
Guangzhou Pacific Tinplate Co., Ltd. (Guangzhou, China)	US\$36 million	25.0	Makes and markets tinplate

#### Engineering and Construction

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
<b>[Subsidiaries]</b>	Million yen	%	
Nippon Steel & Sumikin Engineering Co., Ltd. (Shinagawa-ku, Tokyo)	15,000	100.0	Makes and markets industrial machinery and equipment and steel structures; undertakes civil engineering and building constructions work; waste and regeneration treatment business; electricity, gas, and heat supply business

#### Chemicals

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
<b>[Subsidiaries]</b>	Million yen	%	
Nippon Steel & Sumikin Chemical Co., Ltd. (Chiyoda-ku, Tokyo)	5,000	100.0	Makes and markets coal chemicals, petrochemicals and electronic materials

#### New Materials

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
<b>[Subsidiaries]</b>	Million yen	%	
Nippon Steel & Sumikin Materials Co., Ltd. (Chuo-ku, Tokyo)	3,000	100.0	Makes and markets semiconductor components and materials, electronic components and materials, carbon-fiber composite products, and metal-processed products.

#### System Solutions

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
<b>[Subsidiaries]</b>	Million yen	%	
NS Solutions Corporation (Chuo-ku, Tokyo)	12,952	54.7	Provides engineering and consulting services pertaining to computer systems

Others

Company (Location of head office)	Paid-in capital	Sharehol ding Ratio	Business content
<b>[Affiliates]</b>	Million yen	%	
Sumco Corporation (Minato-ku, Tokyo)	138,718	18.4	Makes and markets silicon wafers for semiconductors

(Notes)

- (1) Figures with asterisks (\*) include shares held by subsidiaries
- (2) The percentage of NSSMC's ownership of Geostr Corporation and PT. PELAT TIMAH NUSANTARA TBK. is 50% or less. However, in light of the standards provided in the Regulations Concerning Financial Statements, NSSMC regards them as its subsidiaries.
- (3) The percentage of NSSMC's ownership of Godo Steel, Ltd., Sanyo Special Steel Co., Ltd., Unipres Corporation, Sanko Metal Industrial Co., Ltd. and Sumco Corporation are below 20%. However, in light of the standards provided in the Regulations Concerning Financial Statements, NSSMC regards them as its affiliates.

**(10) Major Lenders (as of March 31, 2016)**

Lender	Funds borrowed (Billions of yen)
Sumitomo Mitsui Banking Corporation	273.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	233.7
Mizuho Bank, Ltd.	231.1
Sumitomo Mitsui Trust Bank, Limited	108.5
Meiji Yasuda Life Insurance Company	106.9

## **(11) Surplus Distribution Policy**

### 1) Dividends

NSSMC's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (interim) and second half (year-end) of the fiscal year after taking into account consolidated operating results and such factors as capital requirements for investment and other activities aimed at raising corporate value and performance prospects while also considering the financial structure of NSSMC on a consolidated and a non-consolidated basis.

The Company has adopted a "consolidated payout ratio of approximately 20-30%" as the benchmark for the payment of dividends from distributable funds in consideration of the consolidated operating results.

The level of the first half dividend is set based on consideration of the interim operating results and full-year earnings forecasts.

As in the past, the year-end dividend payment will be made according to the resolution of the General Meeting of Shareholders, and any other form of distribution and appropriation of surplus (including the interim dividend) will be made according to the resolution of the Meeting of the Board of Directors as provided in Article 36 of the Articles of Incorporation and with the aim of securing flexibility in financial operations.

### 2) Acquisition of treasury stocks

The Company will acquire treasury stocks according to the resolution of the Meeting of the Board of Directors, as provided by Article 36 of the Articles of Incorporation and with the aim of securing flexibility in financial operations. At the Meeting of the Board of Directors, the acquisition of treasury stocks will be comprehensively determined after examining the needs of flexible financial operations management and after studying the effect of such an acquisition on NSSMC's financial structure.

## **(12) Others**

In April 2012, NSSMC filed a civil lawsuit against POSCO, a Korean steel company, and other parties in the Tokyo District Court for illicitly acquiring and using NSSMC's trade secrets regarding Grain Oriented Electrical Steel Sheets ("GOES"). In the lawsuit, NSSMC sought compensation for damages and an injunction against the manufacture, sales, etc. of GOES by POSCO and other parties under the Unfair Competition Prevention Act, etc. In the United States, NSSMC filed a civil lawsuit against POSCO and other parties for infringement of certain of NSSMC's US patents, and sought compensation for damages and an injunction against their continued infringement. Meanwhile, in July 2012, POSCO filed a civil lawsuit against NSSMC in South Korea's Daegu District Court seeking for declaratory judgment by the Court that POSCO owes no compensatory damages to NSSMC for infringement of NSSMC's trade secrets, etc.

Amid these circumstances, on September 30, 2015, NSSMC reached a settlement with POSCO on the above three lawsuits. The conditions of the settlement include, among others, the payment of a settlement money of 30 billion yen by POSCO to NSSMC and the withdrawal of the three lawsuits. On the same day, NSSMC received the settlement payment, and all of the abovementioned lawsuits were withdrawn.

In relation to the abovementioned lawsuit in the Tokyo District Court, NSSMC also filed a civil lawsuit against its former employee, claiming that he was involved in the above illicit acquisition and use, etc. of the trade secrets by POSCO and other parties, seeking compensation for damages, etc. under the Unfair Competition Prevention Act, etc., and this lawsuit is ongoing.

## 2. Shares and Subscription Right for New Shares

### (1) Overview of Shares (as of March 31, 2016)

- |   |  |
|---|--|
| 1) Total number of shares authorized to be issued | 2,000,000,000 shares   |
| 2) Total number of shares issued                  | 950,321,402 shares<br>(including 46,713,008 treasury stocks) |
| 3) Number of shareholders                         | 499,195  |
| 4) Top 10 shareholders                            |  |

Name of shareholder	Shares held (Thousand shares)	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	39,879	4.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,806	3.0
Nippon Life Insurance Company	24,532	2.7
Sumitomo Corporation	18,269	2.0
Mizuho Bank, Ltd.	16,299	1.8
Sumitomo Mitsui Banking Corporation	14,647	1.6
Meiji Yasuda Life Insurance Company	13,960	1.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,655	1.5
STATE STREET BANK WEST CLIENT – TREATY 505234	11,676	1.3
Japan Trustee Services Bank, Ltd. (Trust Account 7)	11,346	1.3

(Notes)

- The percentage of ownership is calculated based on the total number of shares issued excluding treasury stocks.
- Mizuho Bank, Ltd. holds a further 2,235 thousand shares of NSSMC (0.2% ownership) other than those above, as a retirement benefit trust.
- Sumitomo Mitsui Banking Corporation holds a further 6,638 thousand shares of NSSMC (0.7% ownership) other than those above, as a retirement benefit trust.

### (2) Other Important Matters about Shares

#### 1) Change to share unit and share consolidation

On October 1, 2015, NSSMC changed the number of shares in a unit of shares of NSSMC from 1,000 to 100.

On the same day it also carried out a share consolidation of its shares under which every 10 shares were consolidated into 1 share, and changed its total number of shares authorized to be issued from 20.0 billion to 2.0 billion.

#### 2) Acquisition of Treasury Stock

On February 1, 2016, the Board of Directors resolved to acquire treasury stock, as follows. In accordance with this resolution, by March 31, 2016, NSSMC acquired 20,341,200 shares for 41,724,347,500 yen.

Class of shares to be acquired	Common stock
Total number of shares to be acquired	40,000,000 (maximum)
Total price of acquisition	100 billion yen (maximum)
Period of acquisition	From February 2 to June 7, 2016

### **(3) Subscription Right for New Shares (as of March 31, 2016)**

No matters to be reported during this period.

### **3. Basic Philosophy of Corporate Governance**

The Company has established a corporate governance system suited to the businesses of the NSSMC Group in order to achieve the sound and sustainable growth of the NSSMC Group and increase its corporate value over the medium- to long-term, in response to the mandate delegation of responsibilities by and trust of from all stakeholders, including its shareholders and business partners.

The Company has adopted a company structure with an Audit & Supervisory Board, having determined that this system is effective in ensuring the efficiency and soundness of management. Under this system, the Board of Directors, consisting chiefly of Directors with intimate knowledge of NSSMC's businesses (which are mainly steelmaking and steel fabrication), makes decisions not only on basic management policies, but also on the execution of important business matters; and the Audit & Supervisory Board Members, with strong legal authority, attend meetings of the Board of Directors to independently supervise the execution of responsibilities by Directors and officers.

To ensure the soundness of management, Senior Audit & Supervisory Board Members with intimate knowledge of NSSMC's businesses and Outside Audit & Supervisory Board Members with a high degree of expertise, collaborate with NSSMC's Accounting Auditor, Internal Control and Audit Division, and others and audit, among others, the status of performance of responsibilities by the Board of Directors, the status of NSSMC's assets on a day-to-day basis. The Company also appoints several Outside Directors with a deep experience relating to corporate management, etc. in order to make decisions with a diverse range of perspectives and enhance the Board of Directors function of supervising management.

The Company's Board of Directors consists of 12 Executive Directors, as well as 2 Outside Directors, who are not involved with business execution, and 7 Audit & Supervisory Board Members (of whom 4 are Outside Audit & Supervisory Board Members). This ensures full, multifaceted deliberations, and objective decision-making.

#### 4. Members of the Board of Directors and Audit & Supervisory Board Members

##### (1) Executive Officers as of March 31, 2016

Title and name	Responsibilities/positions and material concurrent positions
<i>Representative Director and Chairman</i> Shoji Muneoka	
<i>Representative Director and President</i> Kosei Shindo	<u>Material concurrent positions</u> Vice Chairman, The Japan Iron and Steel Federation
<i>Representative Directors and Executive Vice Presidents</i> Shinya Higuchi	Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Cooperating with Executive Vice President K. Ota on Global Business Development Cooperating with Executive Vice President S. Sakuma on Overseas Offices(including Corporate Entities)
Katsuhiko Ota	<u>Material concurrent positions</u> Chairman, Baosteel-NSC Automotive Steel Sheets Co., Ltd. Head of Global Business Development Corporate Planning; Group Companies Planning; Accounting & Finance; Raw Materials
Akihiro Miyasaka	<u>Material concurrent positions</u> President, East Asia United Steel Corporation Chairman, The Japan Ferrous Raw Materials Association Head of Research and Development
Kinya Yanagawa	<u>Material concurrent positions</u> President, The Japan Research and Development Center for Metals Intellectual Property; Safety; Plant Safety; Technical Administration & Planning; Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag & Cement Cooperating with Executive Vice President S. Sakuma on Environment Cooperating with Executive Vice President K. Ota on Global Business Development
Soichiro Sakuma	<u>Material concurrent positions</u> Vice President, The Iron and Steel Institute of Japan General Administration; Legal; Internal Control & Audit; Business Process Innovation; Human Resources; Environment; Overseas Offices (including Corporate Entities) Cooperating with Executive Vice President K. Ota on Global Business Development <u>Material concurrent positions</u> Chairman, Nippon Steel & Sumitomo Metal Arts Foundation



Title and name	Responsibilities/positions and material concurrent positions
<p><i>Managing Directors</i> Yasumitsu Saeki</p>	<p>Head of Unit, Flat Products Unit; Project Leader, Shanghai-Baoshan Cold-rolled &amp; Coated Sheet Products Project, Global Business Development Sector; Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector Marketing Administration &amp; Planning; Transportation &amp; Logistics <u>Material concurrent positions</u> Director, Nippon Steel &amp; Sumikin Coated Sheet Corporation Director, Nippon Steel &amp; Sumikin Metal Products Co., Ltd. Director, Baosteel-NSC Automotive Steel Sheets Co., Ltd.</p>
<p>Shinji Morinobu Ritsuya Iwai</p>	<p>Head of Office, Osaka Office Head of Unit, Pipe &amp; Tube Unit; Project Leader, VSB Project, Global Business Development Sector <u>Material concurrent positions</u> Director, Nippon Steel &amp; Sumikin Pipe Co., Ltd.</p>
<p>Machi Nakata</p>	<p>Head of Unit, Railway, Automotive &amp; Machinery Parts Unit <u>Material concurrent positions</u> President, Steel Castings and Forgings Association of Japan</p>
<p>Shinji Tanimoto</p>	<p>Head of Center, Plant Engineering and Facility Management Center Intellectual Property; Safety; Plant Safety; Technical Administration &amp; Planning; Quality Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag &amp; Cement Rendering Assistance to Executive Vice President S. Higuchi on Steel Products Units <u>Material concurrent positions</u> Director, Nippon Steel &amp; Sumikin Texeng Co., Ltd.</p>
<p><i>Directors (Outside Directors)</i> Mutsutake Otsuka</p>	<p>Executive Advisor to the Board of East Japan Railway Company <u>Material concurrent positions</u> Outside Audit &amp; Supervisory Board Member, Electric Power Development Co., Ltd. Outside Director, JX Holdings, Inc.</p>
<p>Ichiro Fujisaki</p>	<p>Distinguished Professor of Sophia University <u>Material concurrent positions</u> Outside Director, ITOCHU Corporation President, The America-Japan Society, Inc.</p>
<p><i>Senior Audit &amp; Supervisory Board Member</i> Yutaka Takeuchi</p>	
<p><i>Audit &amp; Supervisory Board Members</i> Hirotomo Suetsugu Hirohiko Minato</p>	
<p><i>Audit &amp; Supervisory Board Members (Outside Audit &amp; Supervisory Board Members)</i> Hirotake Abe</p>	<p>Certified public accountant, Certified Public Accountant Hirotake Abe Office <u>Material concurrent positions</u> Outside Audit &amp; Supervisory Board Member, CONEXIO Corporation Outside Director, Member of the Board of Directors, Mizuho Financial Group</p>
<p>Katsunori Nagayasu</p>	<p>Chairman, The Bank of Tokyo-Mitsubishi UFJ, Ltd. <u>Material concurrent positions</u> Outside Director, Isetan Mitsukoshi Holdings Ltd. Outside Audit &amp; Supervisory Board Member, MITSUBISHI MOTORS CORPORATION Outside Director, Kirin Holdings Company, Limited Vice Chair, Nippon Keidanren (Japan Business Federation)</p>

Title and name	Responsibilities/positions and material concurrent positions
Hiroshi Obayashi	Attorney, Obayashi Law Office <u>Material concurrent positions</u> Outside Audit & Supervisory Board Member, Daiwa Securities Co. Ltd. Outside Director, Mitsubishi Electric Corporation
Jiro Makino	Outside Audit & Supervisory Board Member, Japan Tobacco Inc. Vice Chairman, The General Insurance Association of Japan

(Notes)

- (1) The Company has signed an agreement with each Outside Director and Outside Audit & Supervisory Board Members limiting their liability under Article 423, Paragraph 1 of the Companies Act to 20 million yen or the amount stipulated under Article 425, Paragraph 1 of the Companies Act, whichever is greater, as long as he/she acts unknowingly and is not grossly negligent in performing his/her duties.
- (2) Representative Director and Executive Vice President Shinya Higuchi served as Chairman, the Japan Titanium Society until May 27, 2015.
- (3) Outside Director Mutsutake Otsuka served as Vice Chair, Nippon Keidanren (Japan Business Federation) until June 2, 2015.
- (4) Outside Audit & Supervisory Board Member Hirotake Abe served as Outside Audit & Supervisory Board Member, Honda Motor Co., Ltd. until June 17, 2015.
- (5) Senior Audit & Supervisory Board Member Yutaka Takeuchi has substantial knowledge of finance and accounting, having experienced Head of Unit, Accounting & Finance Unit of NSSMC.
- (6) Outside Audit & Supervisory Board Member Hirotake Abe is a certified public accountant with substantial knowledge of finance and accounting.
- (7) Outside Director Mutsutake Otsuka also holds a post at East Japan Railway Company, with which NSSMC has business relations concerning steel and other products /services transactions, etc.
- (8) Outside Audit & Supervisory Board Member Hirotake Abe also holds a post at the Mizuho Financial Group, with which NSSMC has business relations concerning loans, etc. In addition, he held a post at Honda Motor Co., Ltd., with which NSSMC has business relations concerning steel products trading, etc.
- (9) Outside Audit & Supervisory Board Member Katsunori Nagayasu also holds a post at The Bank of Tokyo-Mitsubishi UFJ, Ltd., with which NSSMC has business relations concerning loans, etc. In addition, he holds a post at MITSUBISHI MOTORS CORPORATION, with which NSSMC has business relations concerning steel products trading, etc.
- (10) Outside Audit & Supervisory Board Member Hiroshi Obayashi also holds a post at Mitsubishi Electric Corporation, with which NSSMC has business relations concerning steel products trading, etc.
- (11) The Company filed the two Outside Directors – Mutsutake Otsuka and Ichiro Fujisaki and four Outside Audit & Supervisory Board Members – Hirotake Abe, Katsunori Nagayasu, Hiroshi Obayashi and Jiro Makino, as its “independent directors/auditors” with each financial exchange in Japan.

**(2) Members of the Officers Resigned during this Fiscal Year**

At the conclusion of the 91st General Meeting of Shareholders held June 24, 2015, Mr. Toshihide Tanabe resigned from the position of Senior Audit & Supervisory Board Member.

**(3) Executive Officers after April 1, 2016**

Title and name	Responsibilities/positions
<i>Representative Director and Chairman</i> Shoji Muneoka	
<i>Representative Director and President</i> Kosei Shindo	
<i>Representative Directors and Executive Vice Presidents</i> Soichiro Sakuma	General Administration; Legal; Internal Control & Audit; Business Process Innovation; Human Resources; Environment
Yasumitsu Saeki	Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Cooperating with Executive Vice President E. Hashimoto on Overseas Offices
<i>Managing Directors</i> Ritsuya Iwai	Head of Unit, Pipe & Tube Unit; Project Leader, VSB Project, Global Business Development Sector
Machi Nakata	Head of Unit, Railway, Automotive & Machinery Parts Unit
Shinji Tanimoto	Head of Center, Plant Engineering and Facility Management Center Intellectual Property; Safety; Plant Safety; Technical Administration & Planning; Quality Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag & Cement Rendering Assistance to Executive Vice President Y. Saeki on Steel Products Units
<i>Directors</i> Shinya Higuchi	Advisor to the President
Katsuhiko Ota	Advisor to the President
Akihiro Miyasaka	Advisor to the President
Kinya Yanagawa	Advisor to the President
Shinji Morinobu	Advisor to the President
<i>Directors (Outside Directors)</i> Mutsutake Otsuka	Executive Advisor to the Board of East Japan Railway Company
Ichiro Fujisaki	Distinguished Professor of Sophia University

Title and name	Responsibilities/positions
<i>Senior Audit &amp; Supervisory Board Member</i> Yutaka Takeuchi	
<i>Audit &amp; Supervisory Board Members</i> Hirotomo Suetsugu Hirohiko Minato	
<i>Audit &amp; Supervisory Board Members (Outside Audit &amp; Supervisory Board Members)</i> Hirotake Abe	Certified public accountant, Certified Public Accountant Hirotake Abe Office
Katsunori Nagayasu	Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Hiroshi Obayashi	Attorney, Obayashi Law Office
Jiro Makino	Vice Chairman, The General Insurance Association of Japan

#### (4) Remuneration Paid to Directors and Audit & Supervisory Board Members

(Unit: yen)

Position	Number of recipients	Classification	Amount
Directors	16	Remuneration	1,071,405,000
Outside Directors	2	Remuneration	28,800,000
Audit & Supervisory Board Members	8	Remuneration	200,040,000
Outside Audit & Supervisory Board Members	4	Remuneration	57,600,000
Total	24	Remuneration	1,271,445,000

(Note) The above number of recipients includes two Directors and one Audit & Supervisory Board Member who resigned at the conclusion of the 91st General Meeting of Shareholders held on June 24, 2015.

#### (5) Policies regarding Decision on the Amount of Remunerations for Directors and Audit & Supervisory Board Members

##### 1) Description of policies

The policies regarding decisions on the amount of remuneration, etc. for Directors and Audit & Supervisory Board Members of NSSMC are as detailed in items (i) and (ii), below.

##### (i) Directors

NSSMC sets the amount of base remunerations for individual ranks that are deemed to measure up to each Director's required skills and responsibilities. These base remunerations vary within a certain range based on NSSMC's consolidated performance. The Company then allocates monthly remunerations for each Director within the limits approved by the General Meeting of Shareholders.

In accordance with the abovementioned policies, the remuneration of Directors consists solely of monthly remuneration. The amount of remuneration is wholly based upon performance of NSSMC, in order to give incentives for the continuous growth of NSSMC's group and improvement of its corporate value.

Fluctuations in remuneration in response to consolidated performance of NSSMC are determined

based on NSSMC's consolidated annual profit/loss and the ordinary profit/loss in the steelmaking segment from the previous fiscal year, with consideration also given to their relation to the Mid-Term Management Plan.

(ii) Audit & Supervisory Board Members

NSSMC allocates monthly remuneration for each Audit & Supervisory Board Member, within the limits approved by the General Meeting of Shareholders, taking into consideration the Audit & Supervisory Board Member's duties depending on the rank and whether the Audit & Supervisory Board Members is full-time or part-time.

2) Methods for decision on policies

Policy on monthly remuneration to Directors is determined by resolution at the Meeting of the Board of Directors. Policy on monthly remuneration to Audit & Supervisory Board Members is determined in consultation with the Audit & Supervisory Board Members.

3) Procedures for Deciding Amount of Remuneration, etc.

The monthly remuneration of each member of the Board of Directors is determined by resolution of the Board of Directors, after deliberation by the "Nomination and Compensation Advisory Committee," which consists of the Chairman, the President, and three members designated by the President from among the Outside Directors/Auditor.

The monthly remuneration of each the Audit and Supervisory Board Member is determined through discussion by the Audit & Supervisory Board Members.

**(6) Outside Director/Auditor**

1) Material concurrent positions held by Outside Director/Auditor

Such positions are shown on page 57 through 58.

2) Activities of the Outside Director/Auditor

Position	Name	Main activities
Director	Mutsutake Otsuka	Mr. Otsuka attended 13 Board Meetings (out of 14 meetings held during the term). He has presented an extensive view based on his knowledge and experience as a business manager.
Director	Ichiro Fujisaki	Mr. Fujisaki attended 14 Board Meetings (out of 14 meetings held during the term). He has presented an extensive view based on his knowledge and experience concerning international affairs and economics, etc.
Audit & Supervisory Board Member	Hirotake Abe	Mr. Abe attended 14 Board Meetings (out of 14 meetings held during the term) and 16 Audit & Supervisory Board Members' meetings (out of 16 meetings held during the term). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as a Certified public accountant possessing deep familiarity with corporate accounting.
Audit & Supervisory Board Member	Katsunori Nagayasu	Mr. Nagayasu attended 12 Board Meetings (out of 14 meetings held during the term) and 14 Audit & Supervisory Board Members' meetings (out of 16 meetings held during the term). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as a business manager.
Audit & Supervisory Board Member	Hiroshi Obayashi	Mr. Obayashi attended 12 Board Meetings (out of 14 meetings held during the term) and 15 Audit & Supervisory Board Members' meetings (out of 16 meetings held during the term). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as an attorney.

Audit & Supervisory Board Member	Jiro Makino	Mr. Makino attended 14 Board Meetings (out of 14 meetings held during the term) and 16 Audit & Supervisory Board Members' meetings (out of 16 meetings held during the term). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience concerning public and financial administrations, etc.
----------------------------------	-------------	---

3) Total amount of remuneration, etc.

Total amount of remuneration, etc. paid to outside officers is as shown on page 60.

## 5. Certain Matters concerning Accounting Auditor

### (1) Name

KPMG AZSA LLC

(Note) NIPPON STEEL & SUMITOMO METAL U.S.A., Inc. and some other subsidiaries of the Company are audited by audit firms other than the above-mentioned audit firm.

### (2) Amount of Remunerations, etc. of Accounting Auditor and Grounds for Consent to Such Remunerations, etc. by Audit & Supervisory Board

1) Amount of remunerations paid	135,000,000 yen
2) The amount of remunerations payable by NSSMC and its subsidiaries to accounting auditor for its audit certification services	814,710,000 yen
3) Total amount of cash and other financial benefit payable by NSSMC and its subsidiaries to accounting auditor	838,060,000 yen

(Notes)

- (1) With respect to 1) above, the remunerations for audit services under the Companies Act and the remunerations for audit services under the Financial Instruments and Exchange Act are not clearly distinguished and it is not practically possible to distinguish them, therefore, their total amount is shown above.
- (2) The Company delegates advisory services concerning overseas accounting and tax matters as non-audit services and others, and pays remunerations for the services.

The Audit & Supervisory Board, having confirmed the audit plan of the Accounting Auditor, the status of execution of their duties, the data used to calculate the estimated remuneration, and other related matters, have determined that the remuneration of the Accounting Auditor is reasonable, and have given their consent in accordance with Article 399, Paragraph 1 of the Companies Act.

### (3) Policy regarding Decision on Dismissal or Non-Reelection of Accounting Auditor

NSSMC will dismiss the accounting auditor by unanimous consents of the Audit & Supervisory Board Members upon occurrence of events justifying such dismissal, pursuant to laws and regulations. In addition, the Audit & Supervisory Board shall resolve and submit proposal to dismiss or not to reelect the accounting auditor to the General Meeting of Shareholders if any event materially interferes with continuation of the audit services occurs.

## **6. Outline of the Resolution Concerning Establishment and Management of the System to Secure Operational Fairness, etc. and Status of Operation of the System**

### **(1) Basic policy on internal control system**

The resolutions made to ensure appropriateness of its business are as follows.

NSSMC is aiming at continuous improvement of its corporate value and winning the trust of society under the “Corporate Philosophy of the Nippon Steel & Sumitomo Metal Corporation Group.” In addition, NSSMC will establish and appropriately manage an internal control system as follows to comply with applicable laws and regulations, and ensure integrity of financial reporting, and effectiveness and efficiency of business, and will continue to improve such system in view of further enhancement of corporate governance.

#### **1. System to Ensure that Performance of Responsibilities by the Directors of NSSMC Complies with Applicable Laws and Regulations and the Articles of Incorporation.**

The Board of Directors will make decisions or receive reports on important matters of management in accordance with the Rules of the Board of Directors and other relevant internal rules.

In accordance with the resolution at the Board of Directors, each of the Executive Directors will, in his/her assigned area, perform his/her responsibilities and supervise the performance of responsibilities of employees, and report such supervisory status to the Board of Directors.

#### **2. System for the Preservation and Management of Information in relation to the Performance of Responsibilities by the Directors of NSSMC**

NSSMC will appropriately preserve various information in relation to the performance of responsibilities, including minutes of Meetings of the Board of Directors, by, among others, specifying managers in charge of information preservation and management, and classifying each information by security level, in accordance with the internal rules for information management.

NSSMC will seek to make timely and accurate disclosure of important corporate information, such as its management plan and financial information, in addition to such disclosure as required by applicable laws and regulations.

#### **3. Rules and Other Systems with respect to Loss-related Risk Management of NSSMC**

The General Manager of each division will identify and evaluate risks associated with business in his/her division, and carry out his/her duties in accordance with the authority and responsibilities set out in internal rules for organization and operation.

With respect to risks related to areas such as safety and health, environment and disaster prevention, information management, intellectual properties, quality control, and integrity of financial reporting, the division in charge of each specific area (each functional division) will establish rules and other systems from a company-wide perspective, inform other divisions of such rules and systems, identify and evaluate the status of risk management at other divisions through monitoring and other methods, and provide guidance and advice to such divisions.

Upon the occurrence of an accident, disaster, compliance issue, or other event which causes a material effect on the management, the Executive Directors will immediately convene “Emergency Control Headquarters” and other meetings, and take necessary actions in order to minimize the damage, impact, and other effects.

#### **4. System to Ensure Efficiency in the Performance of Responsibilities by Directors of NSSMC**

The Board of Directors will make decisions on the execution of management plans and business strategies, as well as important business executions such as capital expenditure, and investments and provision of loans, after such matters are deliberated by companywide Committees for relevant areas such as ordinary budget, plant and equipment investment budget, investment and financing, and technology development, and the Corporate Policy Committee.

The business execution under the resolution at the Board of Directors and other corporate organizations is performed promptly by the Executive Directors, Executive Officers, and General Managers.



## **5. System to Ensure that Performance of Responsibilities by Employees of NSSMC Complies with Applicable Laws and Regulations and the Articles of Incorporation**

NSSMC will build and maintain an internal control system based on autonomous internal controls.

Each General Manager will develop an autonomous internal control system in his/her Division, and strive to ensure thorough compliance with applicable laws and regulations and internal rules, and prevent any violation of applicable laws and regulations in business and affairs. NSSMC will also develop and enhance an employee-education system that includes regular seminars, and the creation and distribution of manuals for the purpose of ensuring compliance with applicable laws and regulations and internal rules. When each General Manager becomes aware of any potentially illegal acts or facts, he or she will immediately report such matters to the General Manager for the Internal Control & the Audit Division.

The General Manager of the Internal Control & Audit Division will confirm the status of developing and operating company-wide internal control systems, and identify and evaluate each Division's situation of compliance with applicable laws and regulations and internal rules, and take necessary measures such as preventing violations of applicable laws and regulations and internal rules. Moreover, the General Manager will report on such matters to the Risk Management Committee, and further report on important items among such matters to the Corporate Policy Committee and the Board of Directors. The General Manager will also establish and operate a whistleblower system that provides consultations and takes reports regarding risks in the operation of business. Employees are obligated to comply with applicable laws and regulations and internal rules and to appropriately perform their responsibilities.

Employees who violate applicable laws and regulations and internal rules will be subject to disciplinary action under the Rules of Employment.

## **6. System to Ensure Appropriateness of Operation in the Corporate Group Consisting of NSSMC and its Subsidiaries**

Under the "Corporate Philosophy of the Nippon Steel & Sumitomo Metal Corporation Group," NSSMC and each Group company will share business strategy and conduct their business in a unified manner, taking into account each company's business characteristics, and will familiarize their respective employees with their respective business operation policies and other related matters. With respect to control of the Group companies, NSSMC will set forth basic rules in the Rules for Control of group companies, and ensure their appropriate application.

Each Group company will build and maintain its internal control system based on autonomous internal controls, and seek to improve measures relating to internal control through, among other measures, information sharing with NSSMC. Each responsible division of NSSMC will confirm the status of internal controls at each Group company, and provide assistance in its improvements, where necessary.

The General Manager of the Internal Control & Audit Division will coordinate with each functional division, and identify and evaluate the situation of internal control of the Group companies as a whole, and provide guidance and advice to each responsible division and each Group company.

The specific systems under the views above are as follows.

- (i) System for Reporting to NSSMC in relation to the Performance of Responsibilities by the Group Companies' Directors

The responsible divisions of NSSMC will request that each Group company report on important management matters in relation to NSSMC's consolidated management or each Group company's management, including business plans, significant business policies, and financial results, and give advice and other guidance.

- (ii) Rules and Other Systems with respect to Group Companies' Loss-related Risk Management

The responsible divisions of NSSMC will request that each Group company report on the situation of risk management in each Group company, and give advice and other guidance.

- (iii) System to Ensure Efficiency in the Performance of Responsibilities by the Group

## Companies' Directors

The responsible divisions of NSSMC will evaluate the business performance of each Group company, and give support for the management.

- (iv) System to Ensure that the Performance of Responsibilities by Group Companies' Directors and Employees Complies with Applicable Laws and Regulations and the Articles of Incorporation

The responsible divisions of NSSMC will request that Group companies report on their respective situation on compliance with applicable laws and regulations, and the development and operation of internal control systems, and give necessary support, advice, and other guidance. Additionally, such divisions will request that each Group company report on any actions and facts in such Group company that may violate applicable laws and regulations, and promptly report to the General Manager of the Internal Control & Audit Division.

## **7. Matters concerning Supervision by Audit & Supervisory Board Members**

The Directors, Executive Officers, General Managers, and other employees of NSSMC will timely and appropriately report important matters, such as the situation of the performance of responsibilities and facts that cause a material effect on the management, to the Audit & Supervisory Board Members or the Audit & Supervisory Board, directly or through the related divisions such as the Internal Control & Audit Division. They will also report important management matters such as the situation of operation of the internal control system to the Board of Directors, the Corporate Policy Committees and the Risk Management Committees, and other corporate committees, and thereby share such information with Audit & Supervisory Board Members.

The directors, audit & supervisory board members, and employees of each Group company will timely and appropriately report important matters in such Group company, such as the situation of the performance of responsibilities, and facts that cause a material effect on the management, to the Audit & Supervisory Board Members or the Audit & Supervisory Board of NSSMC, directly or through the related Divisions such as the Internal Control & Audit Division.

NSSMC will not unfavorably treat a person who has reported as stated above, for reasons of such report, in accordance with the Rules for the Whistleblower System.

The General Manager of the Internal Control & Audit Division will act as a liaison and cooperate with the Audit & Supervisory Board Members by, among others, exchanging opinions on the situation of operations of internal control systems, both regularly and as needed. The General Manager will also report on the situation of operating the Whistleblower Systems to the Audit & Supervisory Board Members.

NSSMC will establish the Audit & Supervisory Board Members' Office, and assign dedicated staff members, in order to support the performance of responsibilities by Audit & Supervisory Board - 25 - Members. To ensure independence from the Directors, dedicated staff members necessary for supervisory work will be assigned and will engage in such work under the direction of Audit & Supervisory Board Members. The General Manager of the Human Resources Division will discuss personnel matters relating to such staff members, including transfers and evaluations, with the Audit & Supervisory Board Members.

NSSMC will budget costs that it deems necessary for Audit & Supervisory Board Members to perform their responsibilities. In addition, NSSMC will reimburse costs incurred by Audit & Supervisory Board Members after Audit & Supervisory Board Members pay costs in an urgent or temporary situation.

## **(2) Outline of status of operation**

### 1) Operational organization

NSSMC has established an operational organization for its internal control systems. This organization consists of the Internal Control & Audit Division (12 full-time and 21 concurrently with their other posts), which is responsible for the internal control plan and internal audits, and functional divisions responsible for managing risk in each field (about 660 staffs). NSSMC has also designated a person in charge of risk management (about 150 for NSSMC) and a person

responsible for risk management (about 550 in group companies) who are engaged in planning and promoting autonomous internal-control activities in each division and Group company.

This organization operates the internal control system as follows.

## 2) Specific status of operation

### a) Internal control plan

In March of each year, NSSMC develops an annual plan on internal control for NSSMC Group as a whole based on changes in the related laws and the business circumstances. This plan includes a basic policy, separate plans for each function, including safety, environment, plant safety, and quality, an internal audit plan, and an education plan. Each division and Group company creates its own plan for the fiscal year based on such annual plan developed by NSSMC.

### b) Autonomous internal control activities

In accordance with the annual plan, each division and Group company autonomously performs internal control activities based on the characteristics of each business and its inherent risks. Specifically, such activities include establishment, education and voluntary inspections of operational rules, manuals and other documentation; third-party monitoring; and improvements to operations based on the results thereof.

Such divisions and Group companies immediately report any accidents, disasters, facts that may violate applicable laws and regulations, etc. to the Internal Control & Audit Division, and coordinate with the relevant divisions to take corrective measures, such as measures to prevent recurrence. The Internal Control & Audit Division compiles case studies of such incidents and shares them within the NSSMC Group. Each division and Group company then performs inspections for similar risks.

### c) Internal audits, etc.

Internal audits confirm the status of internal controls via internal-control checklists and other documents. Additionally, the Internal Control & Audit Division and each functional division monitor each division and group company.

As measures to complement NSSMC's internal controls, NSSMC also operates a hotline for internal reporting and consultation hotlines, which are open to employees of NSSMC and group companies and their families, as well as employees of NSSMC's suppliers and others, and NSSMC and its major group companies conduct employee awareness surveys regarding internal controls.

### d) Assessment and improvement

The Internal Control & Audit Division reports the status of operation of the internal control system at the quarterly meeting of the Risk Management Committee. It is also reported at meetings of the Corporate Policy Committee and Board of Directors. Such status is also shared with each division and Group company at the meeting of the persons in charge of risk management and the meeting of the persons responsive for risk management.

The Internal Control & Audit Division also assesses the effectiveness of its internal control system as of the end of each fiscal year, and compiles a report of its assessment based on the status of internal-control activities, internal audits, etc. This assessment is then reported to the Risk Management Committee, Corporate Policy Committee, and Board of Directors.

Based on the results of these assessments, NSSMC establishes measures to improve the effectiveness of its internal control system, and incorporates them into the next fiscal year's internal control plan.

### e) Education and awareness raising

The Company educates employees and officers of NSSMC and those of its group companies through sessions on internal controls prepared by NSSMC. The sessions include position-specific training, and are given to everyone from new hires to executive management. The Company also works actively to raise awareness of its approach to internal controls, establishment of better workplace culture, and other topics through a dialog between the Internal Control & Audit Division, and each division of NSSMC, and its group companies.

### f) Coordination with Audit and Supervisory Board Members and Accounting Auditor

The Internal Control & Audit Division reports the status of internal controls to the Audit

and Supervisory Board each quarter. It also reports and discusses the status of internal controls with the Risk Management Committee with the attendance of Audit and Supervisory Board Members. The Internal Control & Audit Division is also committed to sharing information and coordinating, including holding monthly liaison meetings with the Audit & Supervisory Board Members' Office. It reports and discusses such matters as the results of assessments of internal controls relating to the status of operation of the Risk Management Committee and reporting of financial statements to the Accounting Auditor periodically.

## **7. Basic Policy regarding the Control of NSSMC**

### **Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NSSMC**

Under the corporate philosophy that the NSSMC group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services, the NSSMC group aims to improve its corporate value, and further the common interests of its shareholders, by enhancing its competitiveness and profitability through the planning and execution of management strategies.

NSSMC has decided to take necessary action to prepare for the acquisition of substantial shareholdings in NSSMC or other related activities that could disturb such corporate philosophy and management strategies and cause damage to NSSMC's corporate value by, among other reasons, threatening obstruction of the existence and development of NSSMC, and which could result in harm to the common interests of NSSMC's shareholders.

NSSMC believes that in the event a third party proposes the acquisition of substantial shareholdings in NSSMC (a "Takeover Proposal"), the ultimate decision as to whether or not to accept the Takeover Proposal should be made by the then shareholders of NSSMC. On the other hand, NSSMC believes that such Takeover Proposals could include those with the potential to cause clear damage to the corporate value of NSSMC or the common interests of the shareholders of NSSMC or those with the potential to practically coerce shareholders into selling their shares of NSSMC.

Consequently, NSSMC implemented the Fair Rules for the Acquisition of Substantial Shareholders (Takeover Defense Measures) (the "Plan") because NSSMC believes it is the Board's responsibility to put in place clear and transparent rules in order to prepare for such disadvantages to the shareholders of NSSMC in the event a Takeover Proposal is made by a third party, and, for the occasions where a Takeover Proposal is actually made, to create an environment in which the shareholders of NSSMC can make an appropriate informed judgment based on sufficient information and with a reasonable time period to consider the Takeover Proposal.

### **Outline of Measures to Keep the Control over Decision-Making on Financial and Business Policies out of the Hands of Inappropriate in view of the above Basic Policy**

NSSMC adopted the Plan in order to protect and enhance common interests of the shareholders of NSSMC by the resolution of its Board of Directors (the "Board") in March 2006, and until the present day, NSSMC has amended and renewed the Plan several times. The currently effective Plan is summarized in the following (1) to (3).

#### **(1) Provision of the Required Information by the Bidder and examinations at a meeting of the Board**

When the Board has received all of the information as stipulated in the Plan (the "Required Information") from any person who has an intention to hold 15% or more of the voting rights ratio of the shares, etc. of NSSMC ("Bidder"), the Board shall review as to whether or not the Takeover Proposal made by the Bidder is in the best interests of the corporate value and the common interests of shareholders. (The review period, as a general rule, is 12 weeks.)

#### **(2) Procedures to ascertain shareholders' will**

In order to have shareholders determine whether or not to accept a Takeover Proposal, the Board, as a general principle, after the review period, holds a shareholders vote to ascertain shareholders' will (a "Shareholders Vote") regarding whether or not the issuance of the stock acquisition rights (the "Rights") by way of a gratis allotment (implementation of measures to a Bidder) will be implemented and the necessity thereof, through a written ballot or at a meeting held to confirm the shareholders' will.

However, after examinations of the Required Information by the Board, in such case the Board determines that the Takeover Proposal is in the best interests of the corporate value of NSSMC and the common interests of shareholders of NSSMC, a Shareholders Vote will not be held and the issuance of the Rights by way of a gratis allotment will also not be implemented.

#### **(3) In the event the Rights are issued by way of a gratis allotment**

The implementation of issuance of the Rights by way of a gratis allotment under the Plan is only limited to such cases in which i) the shareholders of NSSMC vote in favor of the issuance of the Rights by way

of a gratis allotment at the Shareholders Vote, ii) the Bidder fits within one of the four categories including so-called green mailer specified as harmful and abusive according to the judicial precedents, and the Board determines the Takeover Proposal may cause clear damage to the common interests of the shareholders of NSSMC and iii) the Board determines the Bidder failed to comply with the procedures set forth in the Plan.

(Proposed Revisions)

In light of the fact that 10 years has passed since the adoption of the Revised Plan, among other reasons, NSSMC resolved, at the meeting of the Board held in March 2016, to revise mainly the following three points:

- 1) Requires shareholders approval to adopt and renew the Plan;
- 2) Newly establish the “Independent Committee”, and change the procedure to issue the Rights as a countermeasure to a takeover exceptionally solely by a Board resolution without shareholder approval in cases where the Bidder does not comply with the Plan or in other cases stipulated in the Plan; and
- 3) Shorten the term of the Plan from six years to three years.

NSSMC resolved, at the meeting of the Board in April 2016, to ask shareholders for approval of the detailed proposal for the revised Plan reflecting the above-mentioned revisions (the “Revised Plan”) at the 92nd General Meeting of Shareholders.

The Plan is posted on NSSMC’s website. For the Revised Plan, please look at page 22 through 33. (After an approval of the Revised Plan at the 92nd General Meeting of Shareholders, NSSMC will post it on its website.)

**Judgment of the Board on the Measures above and ground for such Judgment**

The Plan sets forth the rules and procedures that enable the shareholders to make a judgment on the necessity of the issuance of the Rights by way of a gratis allotment) based on sufficient information and with reasonable time period of consideration. The Plan is designed to improve NSSMC’ corporate value as well as to protect and enhance the common interests of the shareholders by leaving ultimate decision as to whether or not to accept the Takeover Proposal to the shareholders of NSSMC and, therefore, it is not detrimental to the common interests of shareholders of NSSMC or it is not intended to maintain the status held by the directors of NSSMC.

In view of the above, the Board judges that the Plan is in compliant with “Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NSSMC” mentioned above.

(Note) With respect to amount of money and number of shares expressed in this Business Report, the amount less than unit are truncated.

## **Report of Accounting Auditor on Consolidated Financial Statements (Copy)**

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

### **Independent Auditor's Report**

May 9, 2016

Mr. Kosei Shindo  
Representative Director and President  
Nippon Steel & Sumitomo Metal Corporation

KPMG AZSA LLC

Toshiya Mori (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant  
Satoshi Yokosawa (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant  
Takashi Hasumi (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets and the related notes of Nippon Steel & Sumitomo Metal Corporation (“NSSMC”) for the year from April 1, 2015 to March 31, 2016 in accordance with Article 444-4 of the Companies Act.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the consolidated financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of NSSMC and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles

generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in NSSMC which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.



## **Report of Accounting Auditor on Non-Consolidated Financial Statements (Copy)**

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

### **Independent Auditor's Report**

May 9, 2016

Mr. Kosei Shindo  
Representative Director and President  
Nippon Steel & Sumitomo Metal Corporation

KPMG AZSA LLC

Toshiya Mori (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant  
Satoshi Yokosawa (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant  
Takashi Hasumi (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of operations, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Nippon Steel & Sumitomo Metal Corporation (“NSSMC”) for the 91st business year from April 1, 2015 to March 31, 2016 in accordance with Article 436-2-1 of the Companies Act.

#### **Management's Responsibility for the Non-Consolidated Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the non-consolidated financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of NSSMC for the period, for which the non-consolidated financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

## **Report of Audit & Supervisory Board on Business Report and other issues, Consolidated Financial Statements and Non-Consolidated Financial Statements (Copy)**

[English Translation of the Board of Audit & Supervisory Board Members' Report Originally Issued in the Japanese Language]

### **Audit Report**

The Audit & Supervisory Board, following deliberations on the reports made by each Audit & Supervisory Board Member concerning the audit of performance of duties by Directors of Nippon Steel & Sumitomo Metal Corporation ("NSSMC") for the 91st fiscal year from April 1, 2015 to March 31, 2016, has prepared this audit report, and hereby reports as follows:

1. Auditing Method Used by Each Audit & Supervisory Board Member and the Audit & Supervisory Board and Details Thereof
  - (1) The Audit & Supervisory Board established auditing policies and auditing plans, focused as key audit points on establishment and management of systems to ensure that the business of the Corporate Group consisting of NSSMC and its subsidiaries will be conducted properly, including systems to ensure that the performance of duties by the Directors will be in compliance with the laws and regulations and with NSSMC's Articles of Incorporation (hereinafter referred to as the "Internal Control System") and on promotion of the measures for Management Plan, and received reports from each Audit & Supervisory Board Member regarding the progress and results of audits, as well as received reports from the Directors, other relevant personnel and the Accounting Auditor regarding the performance of their duties, and sought explanations as necessary.
  - (2) In compliance with the standard concerning Audit & Supervisory Board Member's audit, which was established by the Audit & Supervisory Board, each Audit & Supervisory Board Member endeavored to gather information and to create an improved environment for auditing through close communication with the Directors, employees including those working in the Internal Audit Department and other relevant personnel in accordance with the auditing policies and auditing methods, and conducted audits by the following method:
    - 1) Each Audit & Supervisory Board Member also attended Meetings of the Board of Directors, management meetings and other meetings, received reports from the Directors, employees and other relevant personnel regarding the performance of their duties, sought explanations as necessary, inspected important documents, and examined the operations and financial position of NSSMC at the Head Office and Works of NSSMC. As for the subsidiaries of NSSMC, each Audit & Supervisory Board Member endeavored to keep communication and shared information with the Directors and Audit & Supervisory Board Members and other related personnel of the subsidiaries, and received reports from the subsidiaries regarding their businesses and sought explanations as necessary.
    - 2) With respect to the resolution of the Board of Directors on the Internal Control System and establishment and management thereof based on such resolution, each Audit & Supervisory Board Member received explanation from the Directors and other relevant personnel, scrutinized it and expressed opinion thereon. With respect to the internal control on financial reporting, each Audit & Supervisory Board Member received report on assessment of such internal control and auditing thereof not only from the Directors and other relevant personnel of NSSMC, but also from KPMG AZSA LLC, and sought explanations as necessary.
    - 3) As for the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NSSMC as described in the Business Report, each Audit & Supervisory Board Member examined its contents based on discussions at the Meetings of Board of Directors and other relevant meetings.
    - 4) The Audit & Supervisory Board Members confirmed whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. The Audit & Supervisory Board Members also received notification from the Accounting Auditor that system for ensuring appropriate execution of the duties of the Accounting Auditor has been prepared and sought explanations as necessary.

Based on the foregoing method, the Audit & Supervisory Board Members reviewed the Business Report for this fiscal year and the supplementary schedules thereof, the non-consolidated financial statements for this fiscal year (non-consolidated balance sheet, non-consolidated statement of operations, non-consolidated

statement of changes in net assets and the related notes) and supplementary schedules as well as the consolidated financial statements for this fiscal year (consolidated balance sheet, consolidated statements of operations, consolidated statement of changes in net assets and the related notes).

## 2. Audit Results

### (1) Audit Results on the Business Report, etc.

- 1) In our opinion, the Business Report and the supplementary schedules fairly represent NSSMC's condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of NSSMC.
- 2) We have found no evidence of misconduct or material facts in violation of the applicable laws and regulations, nor of any violation with respect to the Articles of Incorporation of NSSMC, related to performance of duties by the Directors.
- 3) In our opinion, the content of the resolutions of the Board of Directors regarding the Internal Control System is appropriate, and continuous improvement has been made to establishment and management of the Internal Control System. In addition, we received reports from the Directors of NSSMC, etc. as well as KPMG AZSA LLC stating that the internal control on financial reporting is effective.
- 4) We have found no matters on which to remark in regard to the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NSSMC as described in the Business Report. In our opinion, the Measures to Prevent Decisions on the Financial and Business Policies of NSSMC from Being Controlled by Those Deemed Inappropriate in Light of the Basic Policy as described in the Business Report are in accordance with such Basic Policy, not to impair common interest of the shareholders of NSSMC or intended to protect position of current management of NSSMC.

### (2) Results of Audit of the Non-Consolidated Financial Statements and Supplementary Schedules

In our opinion, the method and the results of the audit used and conducted by KPMG AZSA LLC, the Accounting Auditor, are appropriate.

### (3) Results of Audit of the Consolidated Financial Statements

In our opinion, the method and the results of the audit used and conducted by KPMG AZSA LLC, the Accounting Auditor, are appropriate.

May 10, 2016

The Audit & Supervisory Board of Nippon Steel & Sumitomo Metal Corporation

Senior Audit & Supervisory Board Member	Yutaka Takeuchi (Seal)
Audit & Supervisory Board Member	Hirofumi Suetsugu (Seal)
Audit & Supervisory Board Member	Hirohiko Minato (Seal)
Audit & Supervisory Board Member	Hirofumi Abe (Seal)
(Outside Audit & Supervisory Board Member)	
Audit & Supervisory Board Member	Katsunori Nagayasu (Seal)
(Outside Audit & Supervisory Board Member)	
Audit & Supervisory Board Member	Hiroshi Obayashi (Seal)
(Outside Audit & Supervisory Board Member)	
Audit & Supervisory Board Member	Jiro Makino (Seal)
(Outside Audit & Supervisory Board Member)	

## **NSSMC Group's Guiding Principles**

### **Corporate Philosophy**

Nippon Steel & Sumitomo Metal Corporation Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services.

### **Management Principles**

1. We continue to emphasize the importance of integrity and reliability in our actions.
2. We provide products and services that benefit society, and grow in partnership with our customers.
3. We pursue world-leading technologies and manufacturing capabilities.
4. We continually anticipate and address future changes, innovative from within, and pursue unending progress.
5. We develop and bring out the best in our people to make our Group rich with energy and enthusiasm.

**Shareholder Reference Information**

Fiscal year end	March 31 each year
General Meeting of Shareholders	Latter part of June each year
Record date for the General Meeting of Shareholders	Shareholders entitled to exercise the right at the General Meeting of Shareholders shall be those who are electronically recorded as having the voting rights in the latest Register of Shareholders of March 31 each year.
Record date for dividends	NSSMC may distribute its surplus to the shareholders or pledgees of shares registered in the latest Register of Shareholders as of March 31, September 30 and such other date as determined by the Board of Directors.
Website for electronic public notices	<a href="http://www.nssmc.com/en/index.html/">http://www.nssmc.com/en/index.html/</a>
Articles of Incorporation and Regulations Relating to Shares	Articles of Incorporation and Regulations Relating to Shares are posted on NSSMC's website under "Investor Relations."
Registration agent	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Place of business of registration agent (Mailing address and telephone enquiries)	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan Telephone number designated for NSSMC's shareholders: 0120-785-401 (toll free within Japan) Main number of transfer agent: 0120-782-031 (toll free within Japan)

**Change of address, and request for sale and purchase of shares less than one unit**

Please contact and consult with the securities firm in where you have an account.

Shareholders for whom special accounts have been opened due to their lack of an account in a securities firm should contact Sumitomo Mitsui Trust Bank, Limited, our administrator of the special accounts.

**Payment of accrued dividends**

Please contact Sumitomo Mitsui Trust Bank, Limited, our registration agent.

**Fees concerning sale and purchase of less than one unit of shares**

Charged at the amount specified separately (please refer to "Investor Relations" on NSSMC's website).

**Nippon Steel & Sumitomo Metal Corporation**

6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8071

Tel.: +81-3-6867-4111

<http://www.nssmc.com/en/index.html/>