

Supplemental Explanation on Agenda at the 93rd General Meeting of Shareholders

With respect to the agenda described in “Notice of the 93rd General Meeting of Shareholders” (the “Notice”) sent out to the shareholders on June 5, 2017, Nippon Steel & Sumitomo Metal Corporation (“NSSMC”) will make supplemental explanation about popular opinions or comments on “**NSSMC’s Return on Equity (ROE)**”, “**NSSMC’s Board Independence**” and “**Independence of the Audit & Supervisory Board Member Candidate**” that NSSMC has received until today from the shareholders (including proxy advisory firms) as follows:

1. Item 2: Election of Thirteen (13) Directors

Q1: NSSMC’s ROE is as low as 4.6% in FY2016 and the 5-year average ROE is below 5%.

Isn’t NSSMC’s capital efficiency low?

A1:

- NSSMC’s ROEs in the most recent 5 years are indicated in the table below;

FY2012	FY2013	FY2014	FY2015	FY2016
(5.9%)	9.6%	7.6%	5.1%	4.6%

- The 5-year average ROE from FY2012 to FY2016 is 4.2%. In FY2012, the year of the business integration between former Nippon Steel Corporation (“NSC”) and former Sumitomo Metal Industries, Ltd. (“SMI”), the ROE was minus 5.9%, due to NSC’s recognition of one-time special losses such as impairment loss of business assets and loss on sales of investments securities regarding SMI’s shares;
- The average ROE of the most recent 4 fiscal years is 6.7%, and that of the most recent 3 fiscal years is 5.8%. On a half-year basis, the ROE in the second half of FY2016 is 8.6%, largely improved from 0.8% in the first half of FY2016; and
- NSSMC will strive for the targeted ROE of 10%, set forth in the 2017 Mid-Term Management Plan, by continuously implementing measures such as enhancing the competitiveness of the domestic “mother mills,” advancing global strategies, strengthening the Group companies, etc. and by increasing asset efficiency through the improvement of return on sales (ROS), asset reduction, etc.

Q2: Isn’t the number or percentage of Independent Directors at NSSMC’s Board of Directors small?

A2:

- As indicated in Chart 1 on the next page, after the 93rd General Meeting of Shareholders, among twenty (20) attendees at meetings of the Board of Directors of NSSMC (the “Board”), two (2) Outside Directors and four (4) Outside Audit & Supervisory Board

Members (“A&S Board Members”), which represent 30% of all of the attendees, are independent; and

➤ An A&S Board Member generally has the following characteristics and has the sufficient legal authority to audit and supervise Executive Directors:

- (1) Each A&S Board Member is completely independent from the Board and has the strong legal audit authority;
- (2) Each A&S Board Member may exercise its audit authority without a majority vote at the Audit & Supervisory Board (i.e. independent agent system); and
- (3) The term of office for each A&S Board Member is four years while one year for a Director. The Board cannot make any appointment or dismissal of A&S Board Members.

(Chart 1) The Board Composition after the 93rd General Meeting of Shareholders: six (6) Independent Outside Directors/A&S Board Members, representing 30 % of all of the attendees.

Directors	Inside	11 members	Executives
	Outside	2 members	Non-executives (Focus on the audits and supervision of management)
A&S Board Members	Full-time Inside	3 members	
	Outside	4 members	
Total Attendees		20 members	

2. Item 3: Election of One (1) Audit & Supervisory Board Member

Q1: Doesn't Mr. Katsunori Nagayasu, the A&S Board Member candidate, lack independence?

A1:

- NSSMC has filed Mr. Nagayasu as an Independent A&S Board Member with each financial exchange in Japan since 1) there is no possibility of a conflict of interest between general shareholders and him as well as other Outside Directors and Outside A&S Board Members and 2) he meets the filing standard set by each financial exchange in Japan;
- Mr. Nagayasu is not currently a Chairman, a President or other executives, but a Senior Advisor, of The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is one of NSSMC's lenders;
- As Chart 2 on the next page indicates, NSSMC has a wide range of debt funding sources, not limited to The Bank of Tokyo-Mitsubishi UFJ, Ltd. Accordingly, the said bank is not a specified associated service provider of NSSMC; and
- As described on page 37 of the Notice, the ownership percentage of The Bank of Tokyo-Mitsubishi UFJ, Ltd. in NSSMC's shares is only 1.5%.

(Chart 2) Major Lenders (as of March 31, 2017): **the amount of funds borrowed from The Bank of Tokyo-Mitsubishi UFJ, Ltd. represents 13.2 % of NSSMC's total consolidated interest-bearing debt.**

Lender	Funds borrowed (Billions of yen)	Percentage
The Bank of Tokyo Mitsubishi UFJ, Ltd.	277.9	13.2%
Sumitomo Mitsui Banking Corporation	275.3	13.1%
Mizuho Bank, Ltd.	257.3	12.2%
Sumitomo Mitsui Trust Bank, Limited	126.3	6.0%
Meiji Yasuda Life Insurance Company	91.9	4.4%
Total consolidated interest-bearing debt	2,104.8	100%

Note: This material is not the “Reference Documents for Exercising Voting Rights” under the Companies Act of Japan and is intended solely for informational purposes.