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**NIPPON STEEL &
SUMITOMO METAL**

Commencement of Discussions Regarding Making Nisshin Steel A Subsidiary of NSSMC and NSSMC's Supply of Steel Slabs to Nisshin Steel

February 1st, 2016

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Commencement of Discussions

February 1, 2016

Execution of the MOU regarding the Discussions regarding

Making Nisshin Steel
A Subsidiary of NSSMC

On the premise of subsidiary acquisition
NSSMC's Constant Supply of Steel Slabs
to Nisshin Steel

Mid-May 2016
(target)

Execution of Definitive Agreement and Timely Disclosure

March 2017
(target)

Nisshin Steel becoming NSSMC's subsidiary
(will continue to be a listed company)

After obtaining clearance from domestic and overseas competition authorities and other required procedures are taken

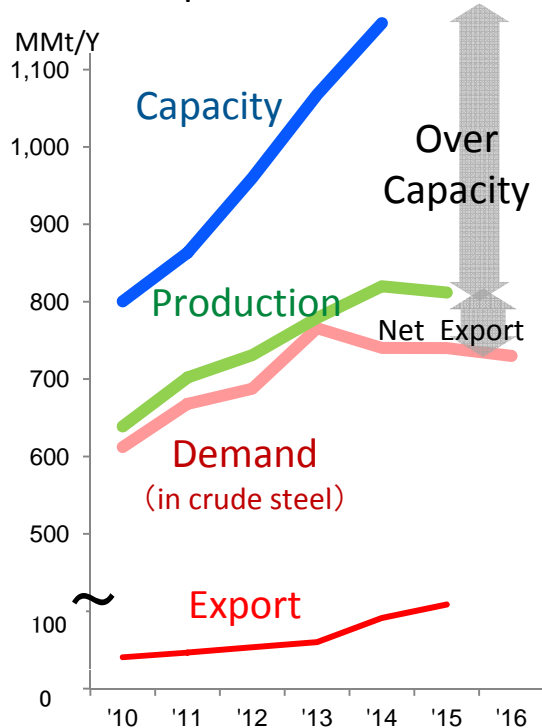
Within
FY2019

Commencement of supply of steel slabs to Nisshin Steel

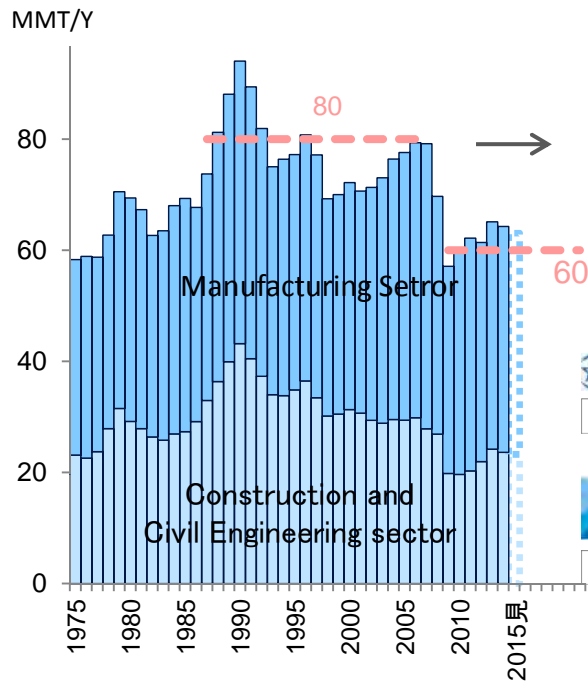
Necessity : Severe Business Environment Surrounding the Steel Industry

- Worldwide : Stalling of Chinese economy ⇒ Decrease in demand for steel products
⇒ Increase of export ⇒ Rapid deterioration of global supply-demand condition
- Domestic : Demand cannot be expected to expand considering decrease in population
- Stainless : Production capacity of overseas manufacturers enhanced
Imports from overseas giants is increasing in domestic market

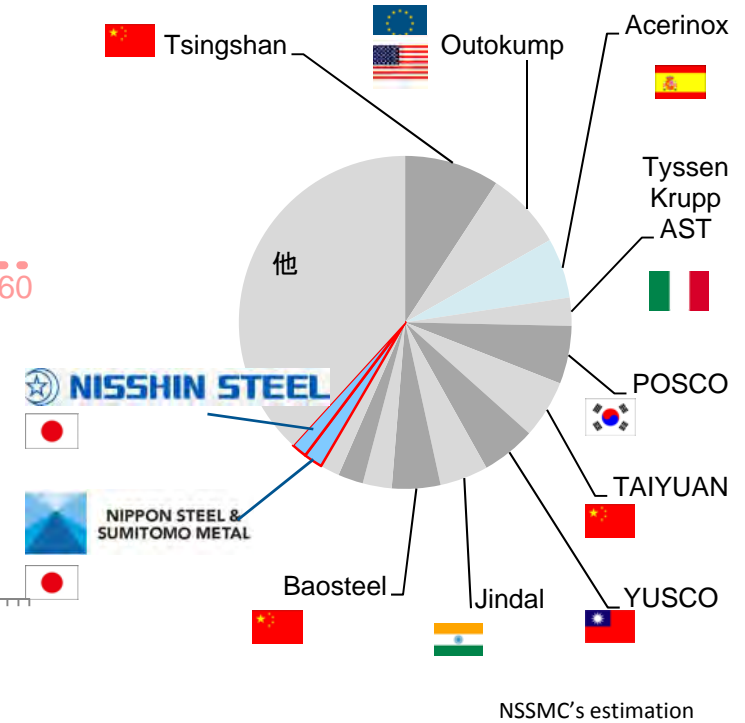
Crude Steel Capacity, Production & Demand in China and Export of Steel products from China



Domestic Steel Consumption



Worldwide Share of Production Capacity of Stainless Slab



Historical Inevitability: Aim and Circumstances



Strengths
 Technology & Product Readiness
 Cost Competitiveness
 Global Network

Long History of Alliance

Strengths
 Customer and Market Readiness by Meticulous Development and Marketing

- ✓ Oct. 2012 Integration of Nippon Steel & Sumitomo Metals
- ✓ Merger Synergy Effects (Optimizing Production Network, Transferring the Best Practice)
- ✓ Strengthening the position as “the Best Steelmaker with World-Leading Capabilities”

Capital
 1951~Nippon Steel invested in Nisshin
 The Largest Shareholder

Human Resources

Operation
 Mutual Supply of Stainless Hot Coil Processing Byproduct dust from Kure in RHF in Hirohata Works

- ✓ Oct. 2012. Integration of Nisshin and Nippon Metal Industry (Apr. 2014 merger)
 - ✓ 24th Medium-Term Plan (2012~2016)
- Consider Structural Measures
- Enhance Core Products Strategies
 - Expand Kure No.1 BF and Cease Operations at Kure No.2 BF
 ⇒ Propose to NSSMC constant supply of steel slabs

Share a view that it is necessary to bring together respective management resources and create a synergy effect to overcome this severe business environment

Commence the Discussion

Subsidiary acquisition

Promoting Alliance Measures

Supply of Slabs

Decrease Fixed Cost
 Increase operation rate



Vision of Improving Corporate Value

- Further Strengthen the position of NSSMC Group as “the Best Steelmaker with World –Leading Capabilities” with the addition of Nisshin Steel
- Contribute to our customers and society

Creating a Synergy Effect by Exploiting the Management Resources of NSSMC and Nisshin Groups

Provide better products, technologies, and services that meet customer needs;
Enhance profitability; Contribute to the creation and development of a more affluent society

Promoting Alliance Measures

Alliance in areas of Operation, Technology, Facilities, Procuring raw materials, resources and equipment,
Management of the manufacturing sites (such as safety, environment, disaster prevention, and maintenance)

Maximizing Corporate Value and Improving Recognition by Shareholders and Capital Markets

Enhance financial strengths by efficient use of funds and assets,
Ensure healthy and sustainable growth



Method of the Proposed Transaction and Related Matters ⁶

Publicly disclose as soon as an agreement is reached
with the target date being the middle of May 2016

Method of the Transaction

- 1) Acquisition of Nisshin Steel's ordinary shares by tender offer
- 2) Acquisition of ordinary shares issued or disposed by Nisshin Steel by way of third-party allotment
- 3) A combination of both, or other methods

⇒ Both companies plan to discuss the method of the Proposed Transaction by considering an acquisition by tender offer as the first choice, and comparing it with other methods, which will be set forth in the definitive agreement

Shareholding Ratio after the Transaction

Currently, envisaged to be within the range of 51% to 66% (Percentage of Voting Rights Held)

⇒ Both companies plan to discuss the ratio which will be set forth in the definitive agreement. Nisshin Steel will continue to be a listed company after becoming NSSMC's subsidiary.

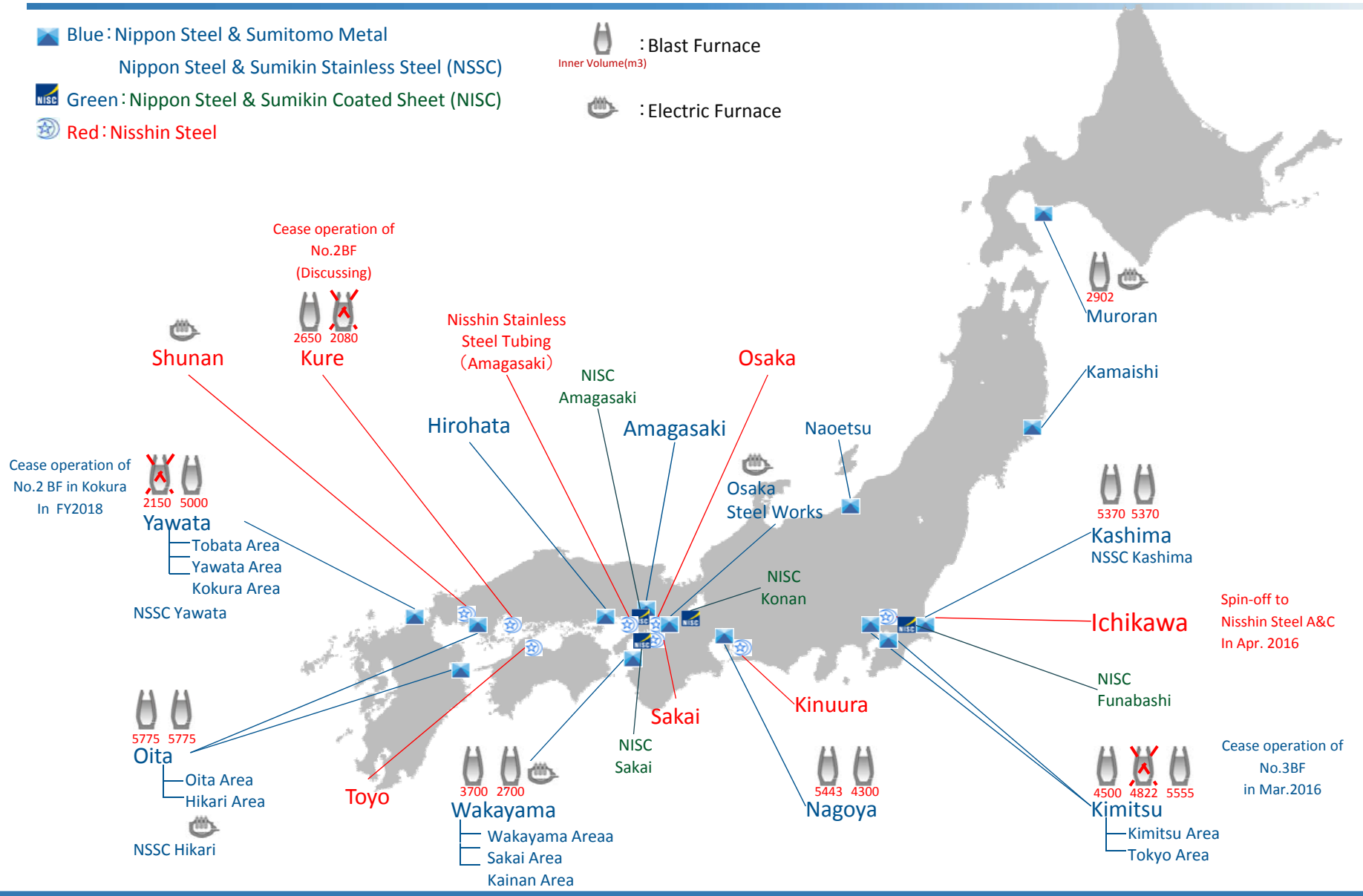
Acquisition price and related matters

The acquisition price (in total) and the type of consideration (cash, securities and others) for acquisition of Nisshin Steel's ordinary shares is yet to be determined.


































Both companies plan to discuss these matters, and provide in the definitive agreement.

If NSSMC decides to choose cash as consideration, NSSMC intends to use its funds on hand or funds to be borrowed from outside sources

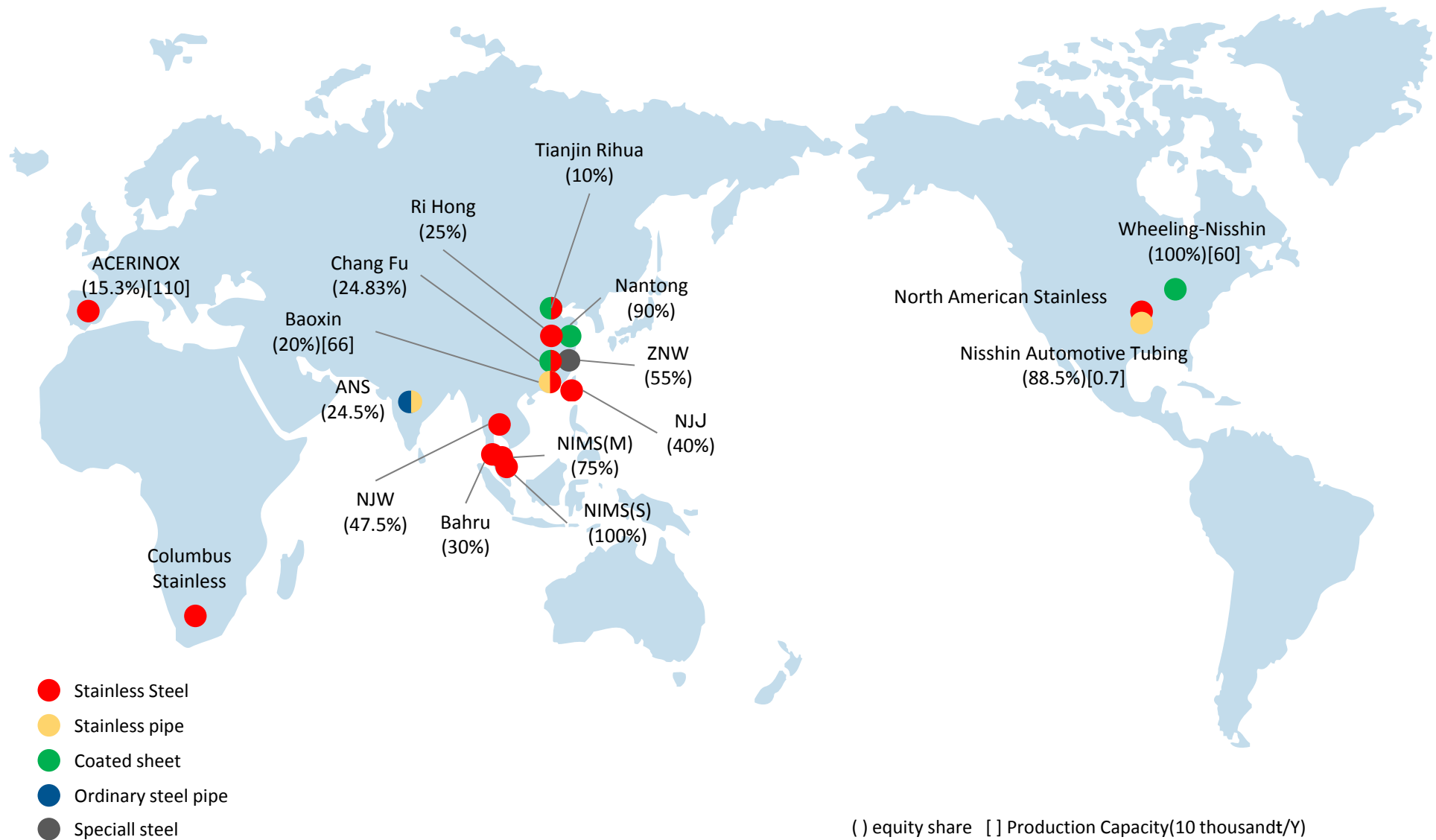
Appendix: Manufacturing Bases in Japan



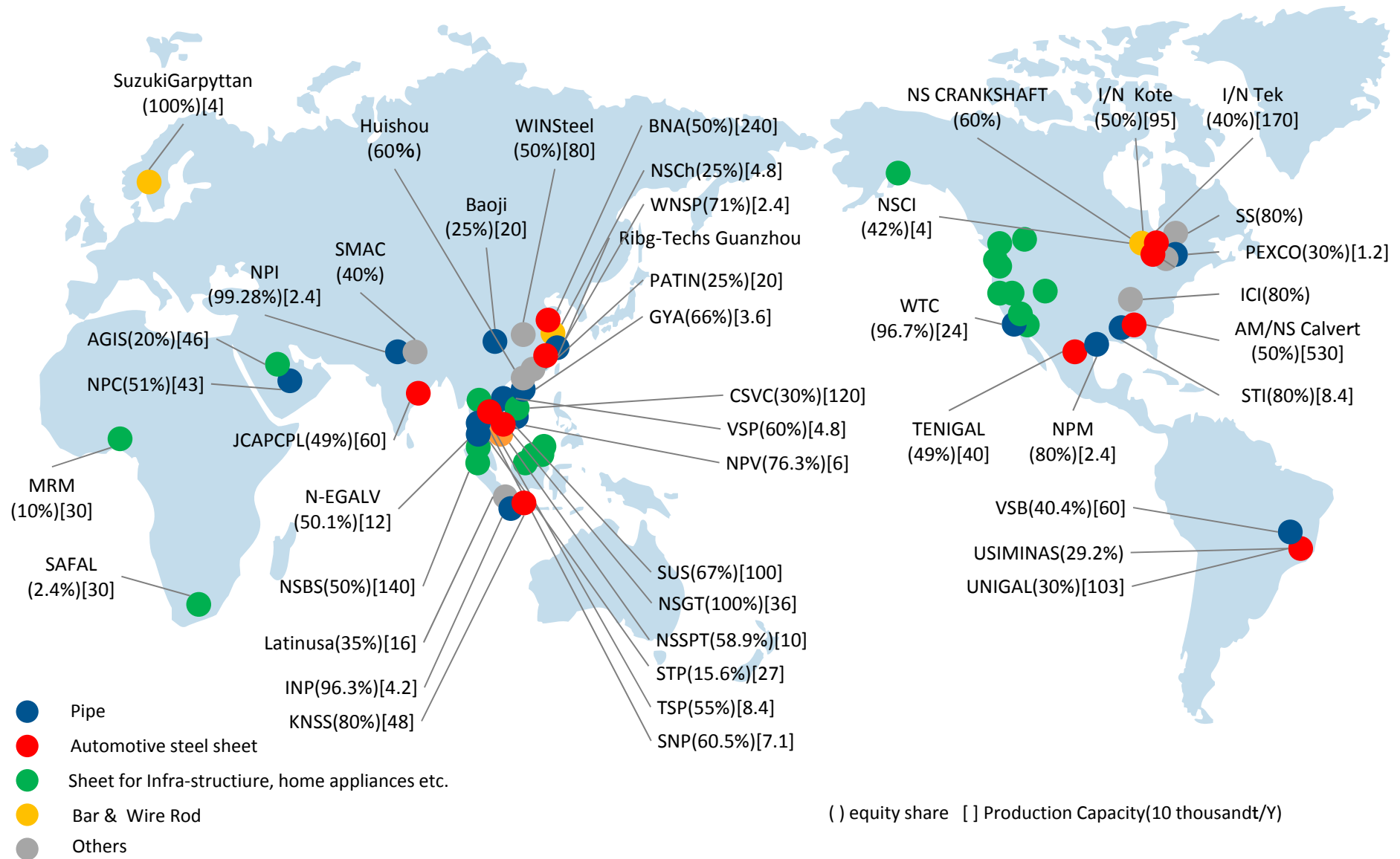
Appendix: Manufacturing Bases Overseas

	Stainless Steel & Pipe	Sheets		Pipe and Tube	Bar & Wire Rod	Tinp late	Crankshaft, Railway Wheels
		For Infra-structure Home appliances	For Automotive				
China	 Baoxin, Tianjin , Chang Fu, Ri hong, NJJ	 Tianjin , Chang Fu	 Nantong, ZNW  BNA , Ring-Techs Guanzhou	 Baoji , GYA , WINSP	 NSCh	 WINSteel, PATIN	 Huizhou
ASEAN	 Bahru , NJW , NIMS(S)、NIMS(M)	 CSVC , N-EGALV , NSBS	 SUS , NSGT , KNSS	 TSP , SNP , VSP , NPV, INP	 NSPPT	 STP, Latinusa	
India	 ANS		 JCAPCPL	 ANS  NPI			 SMAC
North America	 NAT , North American Stainless	 Wheeling-Nisshin  NSBS	 I/N Tek , I/N KOTE, AM/NS Calvert	 STI , PEXCO , WTC	 NSCI	 ICI , SS , NSCRANKSHAFT	
LATAM			 TENGAL , UNIGAL	 VSB , NPM			
Europe	 Acerinox				 Suzuki Garphyttan		
Others	 Columbus	 AGIS、MRM、SAFAL		 NPC			

Appendix: Nisshin's Manufacturing Bases Overseas



Appendix: NSSMC's Manufacturing Bases Overseas



Appendix: Companies' Profile



NIPPON STEEL &
SUMITOMO METAL



Company Name	Nippon Steel & Sumitomo Metal Corporation	Nisshin Steel Co., Ltd
Headquarters	2-6-1 Marunouchi, Chiyoda-ku, Tokyo	3-4-1 Marunouchi, Chiyoda-ku, Tokyo
Representative	Kosei Shindo Representative Director and President	Toshinori Miki President & Chief Executive Officer and Representative Director
Common Stock*	¥419,524 million	¥30,000 million
Common Shares (issued)*	9,503 million shares	109 million shares
Total Asset *	¥7,157 billion	¥770 billion
Employees*	84,447 (Parent company 23,775)	6,879 (Parent company 4,128)
Fiscal Year End	March 31	March 31
Shareholders*	Japan Trustee Services Bank 4.1% The Master Trust Bank of Japan 3.3% Nippon Life Insurance 2.6% Sumitomo Corporation 1.9% Mizuho Bank 1.7%	Nippon Steel & Sumitomo Metal 8.3% Japan Trustee Services Bank 6.8% The Master Trust Bank of Japan 4.8% Taiyo Life Insurance 2.4% The Bank of Tokyo-Mitsubishi UFJ 2.2%

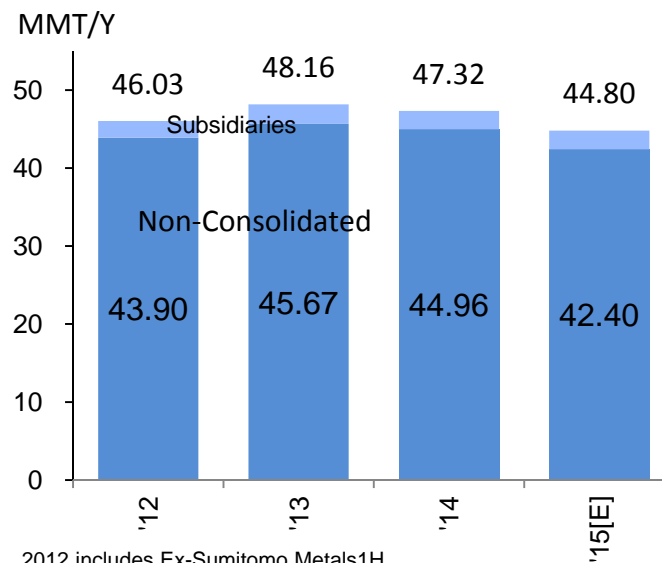
* As of the end of March 2015

Crude Steel Production

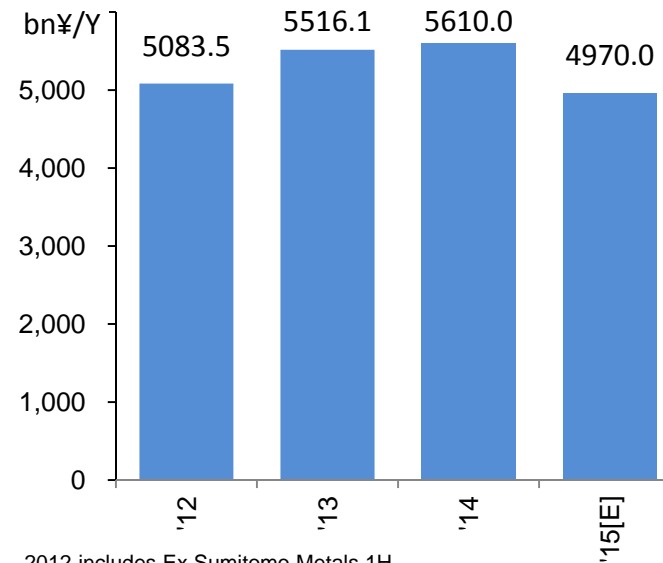
Sales



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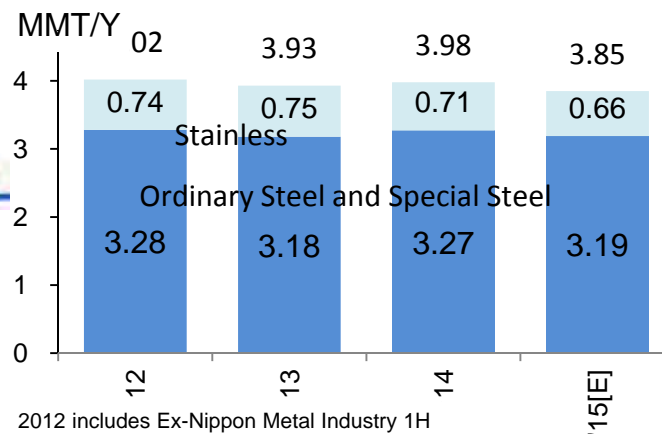
2012 includes Ex-Sumitomo Metals 1H



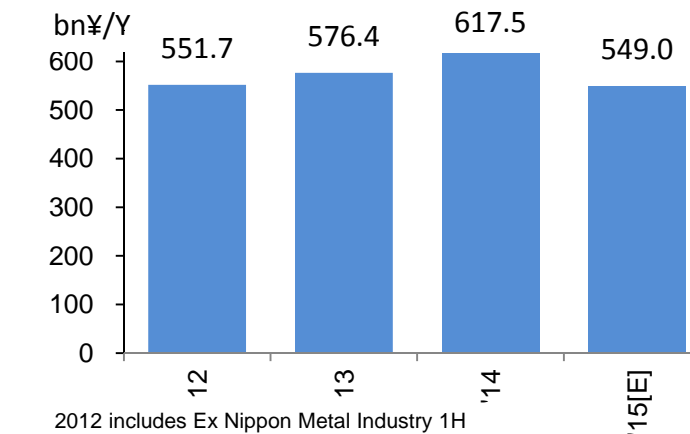
2012 includes Ex Sumitomo Metals 1H



NISSHIN STEEL



2012 includes Ex-Nippon Metal Industry 1H

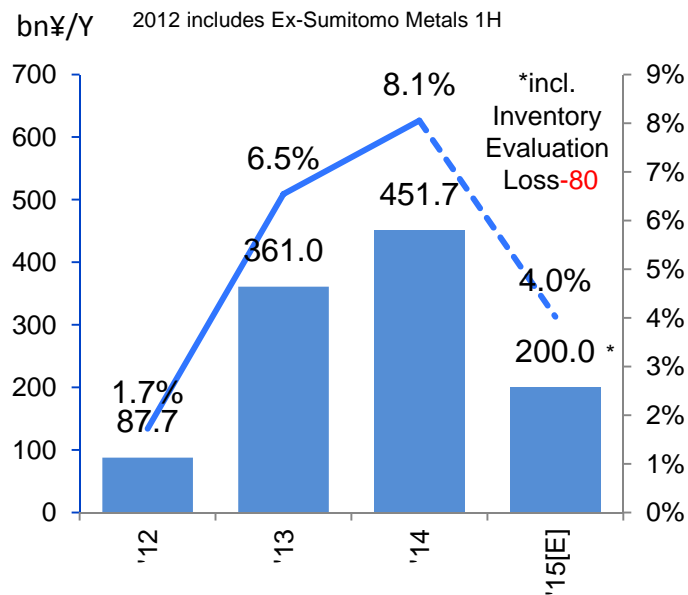


2012 includes Ex Nippon Metal Industry 1H

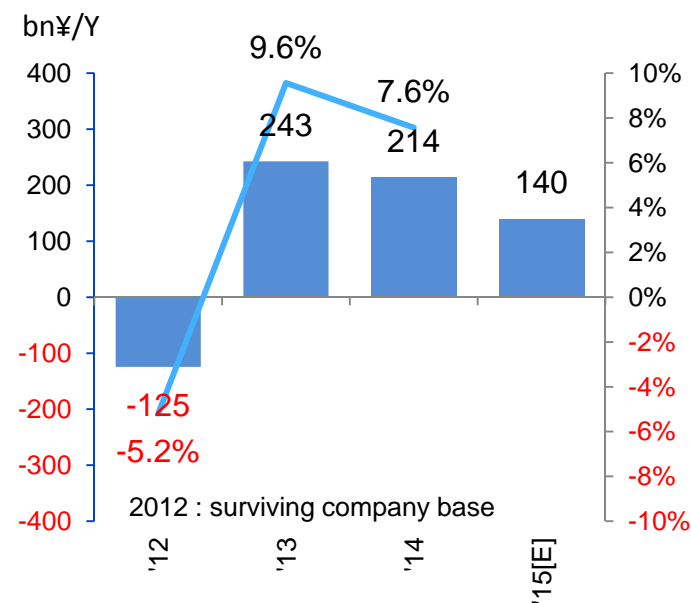


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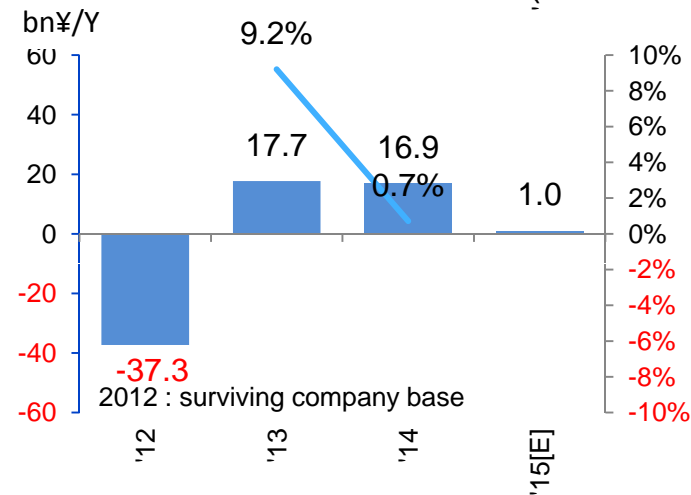
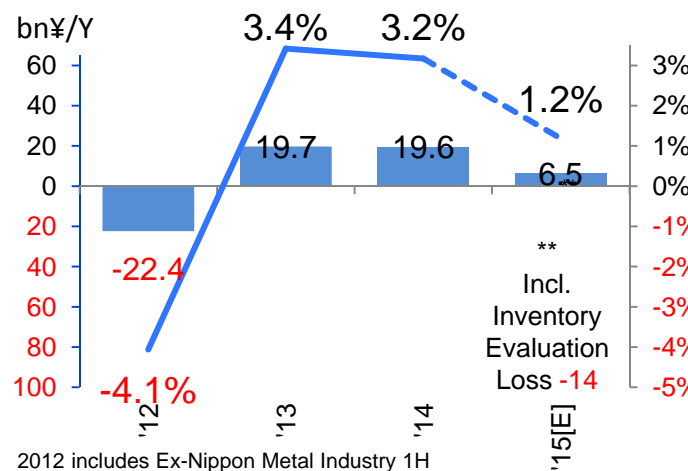
Ordinary Profit, ROS



Net Profit, ROE



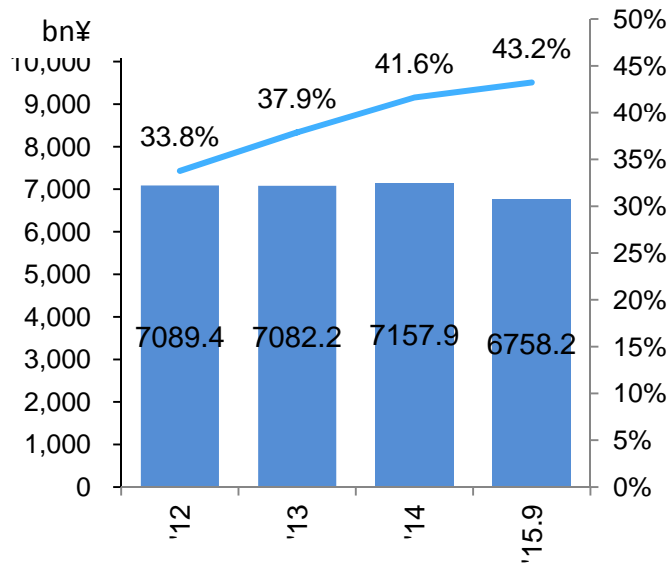
NISSHIN STEEL



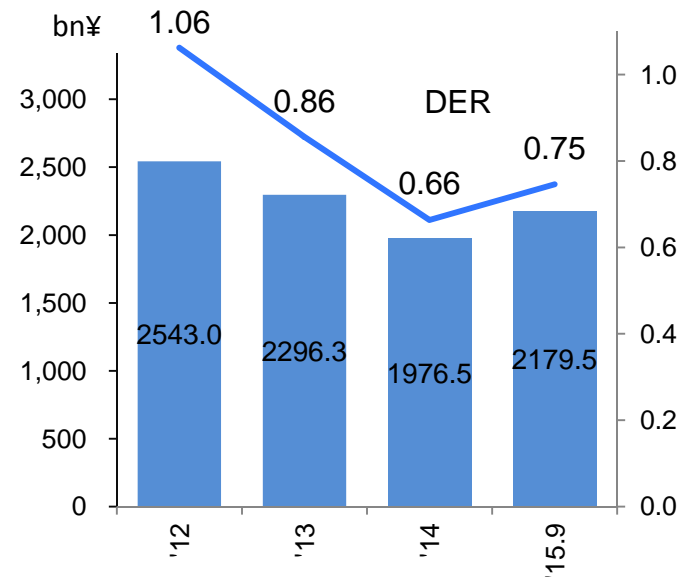


NIPPON STEEL & SUMITOMO METAL

Total Asset, Shareholders' equity ratio



Interest-bearing Debt, DER



NISSHIN STEEL

