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Company name: Nippon Steel & Sumitomo Metal Corporation
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Code number: 5401
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Announcement of the Settlement Reached in the Lawsuits Against POSCO, etc.

Nippon Steel & Sumitomo Metal Corporation (“NSSMC”; Location: Chiyoda-ku, Tokyo; President: Kosei Shindo) filed, on April 19, 2012, a civil lawsuit against POSCO, a Korean steel company, and other parties in the Tokyo District Court to seek compensation for damages; an injunction against the manufacture, sale, etc. of grain-oriented electrical steel (“GOES”)* by POSCO, etc., and other claims under the Unfair Competition Prevention Act, etc., based on their illicit acquisition and use, etc. of NSSMC’s trade secrets regarding GOES. NSSMC has reached a settlement with POSCO regarding three lawsuits that were pending between NSSMC and POSCO, etc., including the abovementioned lawsuit.

The lawsuits in which the settlement was reached are as follows:

- 1) Tokyo District Court
Date of filing: April 19, 2012
Plaintiff: NSSMC
Defendants: POSCO, POSCO JAPAN Co., Ltd. (“POSCO Japan”, POSCO’s Japanese subsidiary), and a former employee of NSSMC
Cause of claims: Illicit acquisition and use, etc. of NSSMC’s trade secrets, and other causes of claims
Claims: Compensation for damages of 98.6 billion yen (98,600,000,000 yen), an injunction against manufacture, sale, etc., and other claims
- 2) United States District Court for the District of New Jersey
Date of filing: April 24, 2012
Plaintiff: NSSMC
Defendants: POSCO and POSCO America Corporation (“POSCO America”, POSCO’s U.S. subsidiary)
Causes of claims: Infringement of NSSMC’s patents and other causes of claims
Claims: Compensation for damages, an injunction against the import of GOES manufactured by POSCO into the U.S. and other claims
- 3) Pohang Branch of Daegu District Court of Korea
Date of filing: July 19, 2012
Plaintiff: POSCO
Defendant: NSSMC
Claim: Confirmation of the non-existence of the claims alleged by NSSMC in the Tokyo District Court case

NSSMC has endeavored to allege and prove its claims in these lawsuits, such as by submitting a large amount of evidence. However, NSSMC concluded that it could succeed in ensuring adequate conditions to achieve its intended purposes to a certain extent, and decided to agree on the settlement, taking also into account other factors including the progress and state of the lawsuits. The conditions for settlement included, among other things, (i) POSCO's payment of settlement money of 30 billion yen (30,000,000,000 yen) to NSSMC, and (ii) withdrawal of the three lawsuits between NSSMC and POSCO, POSCO Japan, and POSCO America. Today, NSSMC received the settlement money, and the three lawsuits were all withdrawn.

Since the execution of a strategic alliance agreement in 2000, NSSMC and POSCO have achieved results in many fields, including research and development, technology exchange, and procurement of raw materials, and this alliance relationship remains unchanged. The companies have renewed the strategic alliance agreement for three years up to August 1, 2018.

NSSMC will continue to proceed with the lawsuit against one of its former employees in the Tokyo District Court to realize its claims.

In order to protect NSSMC's advanced technology, which is the origin of its global competitiveness, NSSMC will continue to take all necessary and appropriate actions.

* Grain-oriented electrical steel ("GOES"):

Electrical steel is a "high-functionality material" with significantly enhanced iron magnet properties (magnetic properties), due to undergoing a special manufacturing process. Electrical steel is widely used in daily life as "iron cores" (iron materials in coils and cores) for electric generators in power plants, electrical products, hybrid cars, and vibration motors in mobile phones. Unlike normal steel, GOES's given properties are easily magnetized unidirectionally, and it is commonly used in iron cores for transformers, which send electricity to each household.

NSSMC, using its unique manufacturing know-how established through long-time research and development, manufactures and sells unrivaled high-quality GOES. This product, as an "eco-product" (which is friendly to the environment), is widely used around the world, especially in newly developing countries where electricity demand is expanding rapidly.

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