

Nippon Steel & Sumitomo Metal Corporation
88th Term Report
April 1, 2012 to March 31, 2013

Nippon Steel & Sumitomo Metal Corporation
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Business Report

88th Term: From April 1, 2012 to March 31, 2013

1. Current Situations of the NSSMC Group

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

General Review

During fiscal 2012, despite continued stagnation in the European economy and an economic slowdown in China, the global economy recovered moderately, mainly due to the expansion of ASEAN economies and a gradual improvement in the US economy.

Japan's overall economy was weak, as domestic capital investment was postponed mainly by the manufacturing industry due to the decline in manufacturing activities for China-related businesses. Near the end of 2012, however, the Japanese economy began to show some signs of improvement, which was supported by the correction of the overvalued yen, overseas economic recovery, and other factors.

Domestic steel demand remained robust in the civil engineering and construction sectors, mainly in the case of reconstruction and disaster prevention projects, but demand in the automotive, shipbuilding, industrial machinery, and other manufacturing sectors declined. Steel exports to the ASEAN countries remained relatively strong, but the overall steel material market was sluggish, as steel mills in South Korea and China continued to supply a large volume of steel products, which weakened the supply and demand balance in the East Asian market.

In this business environment, Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. executed a business integration on October 1, 2012 (the Business Integration), and became Nippon Steel & Sumitomo Metal Corporation (NSSMC or the Company). In March 2013, NSSMC launched the Mid-Term Management Plan. This sets forth the NSSMC Group's management policy from fiscal year 2013 for a period of approximately three years to enhance the Group in every aspect, ranging from scale, cost, and technology to customer service, with the aim of quickly establishing NSSMC as the Best Steelmaker with World-Leading Capabilities. (Please refer to page 5 and after for the Outline of the Mid-Term Management Plan.)

Business Segment Review

The NSSMC Group strived earnestly as every company in each segment responded to its changing business environment. The Group reorganized its operating structure on October 1, 2012, from the previous six-segment structure comprising steelmaking, engineering, urban development, chemicals, new materials, and system solutions to a five-segment structure comprising all of the above excluding urban development. This was because Nippon Steel City Produce, Inc. merged with Kowa Real Estate Co., Ltd.

* The following amounts for fiscal 2012 results represent aggregate amounts of the first-half results of Nippon Steel Corporation and the second-half results of NSSMC.

• Steelmaking and Steel Fabrication

In the face of a severe business environment, the steelmaking segment took wide-ranging steps to strengthen its domestic business base, such as the repair of the No. 2 blast furnace at Kimitsu Steelworks. At the same time, the segment displayed technical advances through the concerted efforts of its manufacturing, sales, engineering, and research forces. Specific efforts included collaborating with customers in developing high-function products and proposing solutions to them. Moreover, the segment steadily continued to establish its global supplying structure, which is designed to capture demand in growth markets, particularly overseas markets, and to swiftly respond to client business developments overseas. NSSMC also started up a joint venture in ASEAN and the U.S. with Australia's BlueScope Steel Limited with the aim of responding quickly to demand for coated products in the overseas building material market, mainly in Asia. The segment

continued to devote its utmost efforts on measures to improving the cost structure such as raising the ratio of usage of low-cost materials, improving yield, and thoroughly constraining fixed costs. With regard to steel products prices, the segment strived to receive the understanding and cooperation of its clients. The segment also integrated or reorganized its group companies and promoted collaboration within the Group. Due to a drop in steel products prices associated with soft market conditions despite the Business Integration, the steelmaking and steel fabrication segment recorded net sales of 3,790.4 billion yen and ordinary profit of 41.5 billion yen.

- **Engineering and Construction**

Nippon Steel & Sumikin Engineering Co., Ltd. continued to face a severe order environment in Japan and overseas. In the steel production plant, environmental, energy, offshore, pipeline, and construction fields, the company endeavored to secure orders, particularly for large-scale projects, and reduce costs to steadily strengthen its competitiveness while also actively seeking to increase the ratio of overseas sales and develop new products and businesses. Sales growth overseas helped the engineering and construction segment post net sales of 303.0 billion yen and ordinary profit of 18.1 billion yen.

- **Chemicals**

Nippon Steel & Sumikin Chemical Co., Ltd. recorded a decline in sales volumes for epoxy resins and circuit board materials as China's slowing economic growth and other factors led to sluggish smartphone- and computer-related demand. Demand also declined for needle coke used in graphite electrodes for electric furnaces, particularly in the second half of the fiscal year. While markets for some chemical products improved in the second half, the company continued efforts to enhance cost competitiveness in styrene monomers and other products. As a result, the chemicals segment recorded net sales of 195.7 billion yen and ordinary profit of 9.7 billion yen.

- **New Materials**

Nippon Steel & Sumikin Materials Co., Ltd. received strong demand for surface-treated copper wire in its core electronic materials business field, despite the stagnant conditions in the semiconductor market. In the basic industrial materials and components field, demand for carbon fiber products also increased against the previous year. In the environmental and energy fields, the company established new operating bases in Indonesia and India, in addition to China, to respond to growing demand for metal substrates from overseas users. Consequently, the new materials segment recorded net sales of 42.2 billion yen and ordinary profit of 0.9 billion yen.

- **System Solutions**

NS Solutions Corporation provides comprehensive solutions in the planning, configuration, operation, and maintenance of IT systems for customers in a wide range of businesses and develops leading-edge solutions services to enhance customer capabilities amid changing business conditions. The company fortified and expanded its cloud computing services business with the start-up of the number 5 data center in May 2012. The company also progressed with the expansion of business operations in China, ASEAN countries, North America, and Europe, which is aimed at fulfilling the global development needs of its corporate customers. As a result, the system solutions segment posted net sales of 171.9 billion yen and ordinary profit of 11.6 billion yen.

Sales and Income

In fiscal 2012, NSSMC continued utmost efforts on measures to improve costs but declining steel products prices associated with the soft market conditions affected business results. The Company recorded 4,389.9 billion yen in net sales, 20.1 billion yen in operating profit and 76.9 billion yen in ordinary profit. In addition to impairment losses at Hirohata Steelworks, Sakai Steelworks, and other facilities, the Company recorded losses on the sale of shares of Sumitomo Metal Industries, Ltd. and other investment securities, resulting in a special loss of 218.9 billion yen and a net loss of 124.5 billion yen.

An overview of the consolidated net sales and ordinary profit of each business segment in fiscal 2012 is as follows:

(Billions of yen)

	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Adjustments	Consolidated total
Net sales	3,790.4	303.0	195.7	42.2	171.9	(113.4)	4,389.9
Ordinary profit	41.5	18.1	9.7	0.9	11.6	(5.2)	76.9

Non-consolidated financial result for fiscal 2012 was net sales of 2,878.8 billion yen, operating loss of 43.2 billion yen, ordinary loss of 17.4 billion yen and net loss of 150.0 billion yen.

Assets, Liabilities, and Net Assets

Consolidated total assets at the end of fiscal 2012 were 7,089.4 billion yen, representing an increase of 2,164.7 billion yen, from 4,924.7 billion yen at the end of fiscal 2011. Main factors were increases associated with the Business Integration, progress with the global strategy, including the establishment of a joint venture with Australia's BlueScope Steel Limited and an increase in investments in securities (284.7 billion yen) mainly due to the recovery in stock markets. These factors offset a decrease from the booking of impairment losses on business-use properties at Hirohata Steelworks and Sakai Steelworks.

Total liabilities at the end of fiscal 2012 amounted to 4,151.2 billion yen, an increase of 1,573.8 billion yen from 2,577.3 billion yen at the end of fiscal 2011. The increase was primarily due to the Business Integration, which raised interest-bearing debt by 1,208.5 billion yen, from 1,334.5 billion yen at the end of the fiscal 2011 to 2,543.0 billion yen.

Net assets were 2,938.2 billion yen at the end of fiscal 2012, representing an increase of 590.9 billion yen, from 2,347.3 billion yen at the end of fiscal 2011. Despite the net loss of 124.5 billion yen and the dividend payment (1.0 yen per share, for total payment of 6.3 billion yen) the Business Integration has raised the capital surplus by 247.6 billion yen while reducing treasury stock by 192.0 billion yen owing to the allocation of treasury stock as part of the compensation associated with the Business Integration. Moreover, unrealized gains on available-for-sale securities were boosted by 97.7 billion yen mainly from the recovery in the stock markets, while foreign currency translation adjustments increased by 157.6 billion yen due to the correction to strong yen. Shareholder's equity at the end of the fiscal year amounted to 2,394.0 billion yen, and the ratio of interest-bearing debt to shareholder's equity (the debt/equity ratio) was 1.06.

Dividends

NSSMC decided not to distribute payments from retained earnings at the end of the first half of fiscal 2012. While the Company is projecting a consolidated net loss for full-year fiscal 2012 due to recording an impairment loss and other factors, the Company intends to distribute a year-end dividend payment of 1.00 yen per share (consolidated payout ratio of 17.4% for the second half of fiscal 2012) after taking into account operating results (52.0 billion yen in consolidated net income) in the second half following the Business Integration, as well as the outlook for business conditions, and other factors.

Tasks Ahead

The global economy remains unstable but is gradually accumulating growth momentum. While the Chinese economic outlook is increasingly uncertain, business conditions are improving in the United States and the ASEAN economies remain strong.

Expectations are rising for improving business conditions in Japan, supported by economic policies, including monetary easing aimed at reversing deflation, and a recovery in export volume accompanied by the correction of the strong yen which began at the end of last year.

Steel demand in Japan is expected to remain robust in the civil engineering and construction industries, as general construction demand and demand related to rebuilding from the Great East Japan Earthquake have emerged. In the case of exports, improving overseas economies, the correction of the strong

yen, and other factors are contributing to a recovery in steel exports, but supply pressure from South Korean and Chinese steelmakers is expected to remain strong.

Under these conditions, Nippon Steel & Sumitomo Metal Corporation will continue to pay careful attention to domestic and overseas economic trends, steel supply and demand trends, and other developments. As NSSMC anticipates significant rises in raw material costs, it will continue to implement measures to maximize cost structure efficiency and revise steel products prices with the understanding and cooperation of its customers in addition to the improvement of proposing solutions to them.

• **Fiscal Year 2013 Outlook**

At the time of earnings announcement on May 10, 2013, NSSMC is unable to forecast reasonably accurate earnings estimates for fiscal 2013 results due to several factors, including the fact that the Company is still negotiating prices for primary raw materials and steel material products. However, the Company will disclose fiscal 2013 earnings forecasts when reasonable estimates become possible.

The Mid-Term Management Plan set forth in March 2013 is aimed at building an organization with world-leading competitive strength by 2015, when newly emerging steel manufacturers in East Asia are expected to go into full-scale operation, through the early realization of maximum integration synergies made available uniquely to NSSMC by the Business Integration in terms of technology, cost and on a global basis. By leveraging this world-leading competitiveness, NSSMC aims to overcome intensifying competition and achieve sustained growth in profits. The NSSMC Group is committed to working energetically, focusing its collective efforts on the early realization of “Best Steelmaker with World-Leading Capabilities.” To this end, the Group will press ahead with the implementation of various measures set out in its Mid-Term Management Plan, including enhancing the Company’s technological superiority; building world-leading cost competitiveness to win the global competition; optimizing production network by rationalization of iron-making, steelmaking and rolling facilities; and promoting the global strategy and strengthening the Group companies in the steelmaking business.

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

(Reference)

Outline of the Mid-Term Management Plan (based on the information announced in March 2013)

NSSMC Announces the Mid-Term Management Plan
Aiming to Become the “Best Steelmaker with World-Leading Capabilities”

1. Steel Business: Five key initiatives

(1) Enhancing the Company’s technological superiority

Through the integration of manufacturing technology, product technology, and R&D capabilities by way of the Business Integration, NSSMC will further enhance its industry-leading technologies with the world’s largest team. The Company will strive to lead the world through its actions, including (i) achieving significant advances in productivity through innovation in production processes, (ii) developing high-functioning products in growing sectors, such as the automotive, resource and energy, and overseas infrastructure-related sectors, and (iii) delivering comprehensive solutions to customers.

Moreover, NSSMC will respond to the evolving needs of customers and society through proactive efforts in research on next-generation materials as well as in research on elemental and basic technologies using advanced analysis and mathematical techniques.

(2) Building the world-leading cost competitiveness to win the global competition

NSSMC will aim to realize synergies of 200 billion yen per year or more in approximately three years. Following the Business Integration in October 2012, the Company has initiated concrete measures toward that end, with positive results. NSSMC plans to implement further measures at an early stage to realize maximum effect and at the same time strive to recognize further incremental efficiencies. The Company will also continue to make efforts at cost reduction, with a view to the building world-leading cost competitiveness to win the global competition.

Targeted synergies from the Business Integration

Main measures		Approximate annual amount of synergies
Cost reduction by consolidating technology and R&D	<ul style="list-style-type: none">● Pursuit of the best practices for operation and manufacturing technologies● Enhancement in the quality and speed of R&D outcomes, etc.	60 billion yen
Establishment of the optimal production network	<ul style="list-style-type: none">● Optimization of fixed costs through cessation of operation of facilities and achievement of highly-efficient low-cost operation through each stage of production, from pig iron production, steel-making to hot-rolling● Optimal allocation of tasks among production lines and increase in volume of high-functioning products● Coordination among steelworks, etc.	60 billion yen
Reduction in procurement costs	<ul style="list-style-type: none">● Raw materials: improvement of efficiency in transportation, etc.● Equipment and materials: standardization of specifications, centralized procurement, bidding, etc.	30 billion yen
Improvement in efficiency of the head office	<ul style="list-style-type: none">● Integration and improvement in efficiency of the head office and domestic and overseas branches, and re-allocation of human resources for global business development and other related activities● Reduction in general administrative expenses and system development costs	30 billion yen
Integration and reorganization of and alliances among group companies	<ul style="list-style-type: none">● Integration and reorganization of group companies● Expansion of alliances within the Group● Strengthening of overseas production and sales bases	20 billion yen
Total		200 billion yen or more

(3) Optimizing production network by rationalization of iron-making, steelmaking and rolling facilities

With a view to drastically strengthening cost-competitiveness on a global basis by establishing the optimal production network through efficient combination of the manufacturing capacities and advanced operational technology capabilities of the former companies, the following will be implemented:

1) Iron making and steelmaking

With due consideration for measures to be taken with respect to the rolling process, NSSMC aims to achieve the following: (i) each steelworks to be fully utilized through each stage of production, from pig iron production, steelmaking and hot-rolling; (ii) high productivity at lower fixed costs through maximum efforts including pursuit of higher pig iron ratio; and (iii) low cost operation by use of lower-grade raw materials and other means to reduce variable costs.

(A) Kimitsu Works

- (a) Shift to two-blast-furnace operation (No. 3 blast furnace to cease operation) (around the end of fiscal 2015)
- (b) Streamlining of No.1 steelmaking plant
 - a) No. 5 continuous caster to cease operation (around the first half of fiscal 2014)
 - b) Shift to one-basic-oxygen-furnace operation (one basic-oxygen-furnace to cease operation) (around the first quarter of fiscal 2016)

(B) Wakayama Works

Postponement of operation of the new No. 2 blast furnace (two-blast-furnace operation with No. 1 and No. 5 blast furnaces to continue)

2) Rolling-related equipment (cessation of operation and shift-down)

NSSMC aims to secure its total capacity and at the same time enhance its total competitiveness in terms of cost, quality, timely delivery, and other factors by taking the following measures: (i) enhancement of efficiency of production lines with competitiveness by combining competitive through combination of technologies of the former companies and establishment of the optimal network of domestic production bases in each region; (ii) expansion of overseas production lines by advancing NSSMC's global strategy; and (iii) cessation of operation of production lines which are relatively less competitive.

Rolling-related equipment to cease operation or shift down

Type of product	Steelworks	Facilities	Approximate schedule
Flat products	Kashima	No. 2 continuous pickling line No. 1 cold strip mill No. 1 continuous annealing line Batch annealing line No. 1 continuous galvanizing line No. 2 electrolytic galvanizing line	End of the 4th quarter of fiscal 2014
	Wakayama	No. 3 pickling line No. 1 cold strip mill Continuous hot-dip galvanizing line Annealing continuous line (electrical steel sheets) (Production of high-carbon steel sheets will continue.)	End of the 1st quarter of fiscal 2014
	Nagoya	No. 4 continuous hot-dip galvanizing line Electro-galvanizing line	End of the 1st quarter of fiscal 2013 End of the 4th quarter of fiscal 2014
	Kimitsu	No. 1 continuous annealing and processing line	End of the 4th quarter of fiscal 2014
Plates	Kashima	Rolling – Shift-down	2nd quarter of fiscal 2013
	Kimitsu	Rolling – Shift-down	2nd quarter of fiscal 2013
Pipes and tubes	Kimitsu	Butt welded pipe line	End of the 4th quarter of fiscal 2013

(4) Promoting the global strategy

NSSMC will pursue the best combination of domestic and overseas resources for production and supply for each product type, leveraging its cost competitiveness and product competitiveness.

- 1) With respect to the three strategic sectors (high-grade steel sector for the automotive industry and others, resources and energy sector, and infrastructure-related sector including railways, construction and civil engineering), NSSMC will focus on expanding and enhancing the supply chain, including overseas manufacturing and processing bases in order to establish a global network to supply a wide range of products, including flat products.
- 2) NSSMC will sustain or expand its market share by meeting demand for high-grade steel and at the same time capture growing local demand
- 3) NSSMC will study measures to promote the establishment of a supply base of steelmaking and hot-rolling steel products in the ASEAN region, with the aim of capturing local demand for middle-grade products and preparing preemptively against the formation of a regional economic bloc.
- 4) NSSMC will continue to maintain its alliances with overseas major steelmakers and seek to maximize the benefits from such alliances.
- 5) NSSMC will establish organizational and business management adequate for the globalization of its business.

(5) Strengthening the group companies of the Steelmaking Business

With a view to realizing synergies from the Business Integration at an early stage, forming a group of companies with a competitive edge and streamlining the management resources on a consolidated basis, companies with redundant functions or companies whose competitiveness would be increased by integration will be consolidated or reorganized.

In addition, NSSMC will promote reinforcement and upgrade of the group management by taking measures such as optimization of various functions (i.e., rolling, processing, transportation, etc.) within the Group.

2. Policies for the non-steel business segments and maximization of combined Group strength

Each business segment will strive to improve its competitiveness and aim to achieve industry-leading profitability in its operations. Further, efforts will be made to maximize the synergies of the NSSMC Group by enhancing world-leading products and technologies of the Steelmaking Business and the other four business segments and by strengthening R&D alliances and capability for delivering comprehensive solutions to the customers.

3. Balancing financial strengths and growth investments

By building a stable revenue base and proceeding with the ongoing asset divestitures (targeting approximately 300 billion yen within about three years from the second half of fiscal 2012), NSSMC plans to continue investments (capital expenditures, etc.) to promote growth strategies and at the same time improve its financial strengths. The Company will keep capital expenditures below depreciation expense (approximately 80% of the depreciation amount), inclusive of a framework for strategic investments estimated to be approximately 100 billion yen on an annual basis.

NSSMC plans to achieve a debt-to-equity ratio of around 1.0 at an early stage and further target the level sufficient for an international “A” rating status (around 0.8).

4. Promoting organizational and business management

The Company will improve its organizational and business management through such measures as establishing an efficient business management structure where the Company will operate primarily through product-based units and enhancing coordination among steelworks, etc.

5. Continuing to be a company with integrity and reliability

- (1) NSSMC will continue to practice its Corporate Philosophy* and strive to further contribute to society.

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

(2) NSSMC will continually strive to be a company with integrity and reliability through compliance with laws, regulations, and rules and the implementation of appropriate risk management in safety, environment and disaster prevention.

6. Paths toward new growth

Through implementation of the measures outlined above, NSSMC will aim to strengthen its competitive position and secure increased profits from overseas businesses. In so doing, the Company aims to achieve in the medium- to long term an increase in cash flows and growth in profitability, with the targeted return on sales (ROS, ratio of ordinary profit to net sales) of approximately 5% at minimum and the further goal of establishing an organization with capability to achieve an ROS of 10%.

(2) Capital Procurement

Date issued	Title	Total amount issued
July 20, 2012	69th Unsecured Corporate Bonds	10 billion yen
July 20, 2012	70th Unsecured Corporate Bonds	20 billion yen

(3) Plant and Equipment Investments

Classification	Title
Major plant and equipment completed during fiscal year 2012	Renovation of No. 2 blast furnace at the Kimitsu Works
Major ongoing plant and equipment investment during fiscal year 2012	New construction of No. 5 coke oven at the Nagoya Works
	Renovation of No. 4 blast furnace at the Yawata Works
	Renovation and expansion of No. 2 blast furnace and steelmaking equipment (Nippon Steel & Sumikin Koutetsu Wakayama Corporation)

(4) Transfer of Business

On October 1, 2012, the Company effected a share exchange with Sumitomo Metal Industries, Ltd. (SMI), making SMI a wholly owned subsidiary of the Company, immediately followed by an absorption-type merger, with the Company as the surviving company and SMI as the absorbed company. As of the said date, the Company assumed all rights and obligations of SMI.

On October 1, 2012, Nippon Steel City Produce, Inc., formerly a wholly owned subsidiary of the Company, and KOWA REAL ESTATE CO., LTD. effected an absorption-type merger, with the former as the absorbed company and the latter as the surviving company. On the same day, KOWA REAL ESTATE CO., LTD. changed its trade name to NIPPON STEEL KOWA REAL ESTATE CO., LTD., and became an affiliate [accounted for by the equity method] of the Company.

On March 28, 2013, the Company and Nippon Steel & Sumikin Coated Sheet Corporation acquired 50% of equity holdings held by Australia's BlueScope Steel Limited in its coated products business (hot-dip galvanized sheets, painted sheets, and roll-formed building products) in the ASEAN countries and the United States.

(5) Changes in Assets and Profits/Losses

As a result of the Business Integration, the following amounts for the 88th Term represent 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.

Fiscal Term Classification	85th Term	86th Term	87th Term	88th Term (fiscal year 2012)
Crude steel production (million tons)	29.92	34.92	32.44	39.50
Net sales (billions of yen) (Overseas sales shown in brackets)	3,487.7 [1,104.5]	4,109.7 [1,405.3]	4,090.9 [1,341.7]	4,389.9 [1,592.9]
Ordinary profit (billions of yen)	11.8	226.3	143.0	76.9
Net income (billions of yen)	(11.5)	93.1	58.4	(124.5)
Total assets (billions of yen)	5,002.3	5,000.8	4,924.7	7,089.4
Net assets (billions of yen)	2,335.6	2,380.9	2,347.3	2,938.2
Net income per share	(1.83) yen	14.81 yen	9.29 yen	(16.23) yen
Net assets per share	293.18 yen	295.84 yen	290.77 yen	263.81 yen
Dividends per share (Interim dividends shown in brackets)	1.50 yen [-]	3.00 yen [-]	2.50 yen [1.50 yen]	1.00 yen* [-]
Ratio of cash dividends to net income: consolidated (%)	-	20.2	26.9	-
Ratio of cash dividends to net income: non-consolidated (%)	-	38.3	80.4	-

Notes:

- (1) The figures with asterisks (*) are values on the assumption that the proposal on appropriation of surplus for the 88th Term is approved at the 89th Annual Meeting of Shareholders.
- (2) Figures for crude steel production include, in addition to the Company'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, Shin-Hokkai Steel Co., Ltd., Tokai Special Steel Co., Ltd., and Oji Steel Co., Ltd., which all are subsidiaries of the Company.
- (3) The ratio of cash dividends to net income for the 85th Term and 88th Term (fiscal year 2012) are not available (denoted "-") as the year posted a net loss.

(6) Major Business Operations (as of March 31, 2013)

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 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, aluminum products, power supply, electronic components, 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, chemical products, adhesive-free copper-clad laminated sheet for flexible printed circuit boards, liquid crystal display materials, organic EL materials, hard-surface transparent materials, UV/thermosetting resins
New Materials	Rolled metallic foils, semiconductor bonding wire and microballs, 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, 2013)

Plants	Kashima Works (Kashima), Kimitsu Works (Kimitsu), Nagoya Works (Tokai), Wakayama Works (Wakayama / Kainan), Hirohata Works (Himeji), Yawata Works (Kitakyushu), Oita Works (Oita, Hikari), Muroran Works (Muroran), Kamaishi Works (Kamaishi), Kokura Works (Kitakyushu), Sakai Works (Sakai), Tokyo Works (Itabashi-ku, Tokyo), 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, 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 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), 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, 2013)

NSSMC Group

Business Segment	Number of employees
Steelmaking and Steel Fabrication	71,946 [14,623]
Engineering and Construction	4,131 [708]
Chemicals	1,660 [187]
New Materials	432 [200]
System Solutions	5,018 [79]
Total	83,187 [15,797]

(Notes)

- (1) Number of employees does not include Group employees on loan outside the group. It does include employees on loan to the Group from outside the group.
- (2) Temporary workers are not included. Numbers of temporary workers (average number of temporary workers employed during fiscal year 2012) are shown in brackets.

NSSMC

Number of employees	Average age	Average number of years employed
24,510 [4,415] employees	39.4 years old	17.3 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 2012) 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, 2013)

Steelmaking and Steel Fabrication

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Subsidiaries]	Million yen	%	
East Asia United Corporation (Chiyoda-ku, Tokyo)	17,217	64.6	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	*60.8	Makes and markets billets, shapes, deformed bars, and fabricated products
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
Taihei Kogyo Co., Ltd. (Chiyoda-ku, Tokyo)	5,468	*42.1	Conducts engineering, maintenance, and operations relating to machinery, electrical instrumentation, systems, and construction for steel-production and other facilities
Nittetsu Steel Pipe Co., Ltd. (Shinagawa-ku, Tokyo)	5,116	100.0	Makes, coats and markets steel pipes and tubes
Nippon Steel & Sumikin Stainless Steel Corporation (Chiyoda-ku, Tokyo)	5,000	100.0	Makes and markets stainless steel
Sumitomo Pipe & Tube Co., Ltd. (Kashima)	4,801	57.1	Makes, coats and markets steel pipes and tubes
Nippon Steel Logistics Co., Ltd. (Chuo-ku, Tokyo)	4,000	100.0	Undertakes ocean and land transportation and warehousing
Suzuki Metal Industry Co., Ltd. (Chiyoda-ku, Tokyo)	3,634	65.5	Makes and markets wire products
Nippon Steel & Sumikin Electronics Devices Inc. (Mine)	3,450	100.0	Makes and markets electronic component packages
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 & Sumikin Shapes Corporation (Wakayama)	3,000	100.0	Makes and markets H-beams and sheet piles
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
Sumitomo Metal Logistics Service Co., Ltd. (Chuo-ku, Tokyo)	1,515	100.0	Transports steel and other materials by sea and land, and conducts ancillary operations
Nippon Steel & Sumikin Blast Furnace Slag Cement Co., Ltd. (Kitakyushu)	1,500	100.0	Makes and markets cement and steelmaking slag
Nippon Steel & Sumikin Cement Co., Ltd. (Muroran)	1,500	85.0	Makes and markets cement
Nittetsu Elex Co., Ltd.	1,032	100.0	Designs and installs electrical instrumentation

Company (Location of head office)	Paid-in capital	Voting rights	Business content
(Chuo-ku, Tokyo)			apparatuses
Nittetsu 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. (Seki)	897	51.0	Makes and markets secondary products using bars and wire rods
Nippon Steel & Sumikin Plant Co., Ltd. (Wakayama)	630	100.0	Makes steel; designs, manufactures, and installs equipment; performs maintenance; and undertakes civil engineering work
Nippon Steel & Sumikin Eco-Tech Corporation (Chiyoda-ku, Tokyo)	500	*74.0	Designs, builds, operates, maintains, and manages water-treatment and other systems; designs civil-engineering projects; and performs environmental and chemical analysis
NS Preferred Capital Limited (British Cayman Islands)	300,000	100.0	Issues of preferred securities
NIPPON STEEL AND SUMIKIN TUBOS DO BRASIL LTDA. (Rio de Janeiro, Brazil)	R\$1,916 million	*100.0	Markets seamless steel pipe
The Siam United Steel (1995) Co., Ltd. (Rayong State, Thailand)	THB 9,000 million	54.7	Makes and markets cold-rolled sheets
Standard Steel, LLC (Pennsylvania, U.S.A.)	US\$ 47 million	*100.0	Makes and markets railway wheels and axles
PT. PELAT TIMAH NUSANTARA TBK. (Jakarta, Indonesia)	IDR 252.3 billion	35.0	Makes and markets tinplate
Siam Nippon Steel Pipe Co., Ltd. (Rayong State, Thailand)	THB 783 million	60.5	Makes and markets electric resistance-welded pipe and tubes for mechanical configurations
NIPPON STEEL & SUMITOMO METAL U.S.A., Inc. (New York, U.S.A.)	US\$ 22 million	100.0	Invests in U.S. companies and gathers information
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
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

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Affiliates]	Million	%	
Godo Steel, Ltd. (Osaka)	yen 34,896	*15.0	Makes and markets shapes, rails, bars and wires
Topy Industries Ltd. (Shinagawa-ku, Tokyo)	20,983	*20.1	Makes and markets shapes, deformed bars, industrial machine parts
Sanyo Special Steel Co., Ltd. (Himeji)	20,182	*14.6	Makes and markets special steel products
Kyoei Steel Ltd. (Osaka)	18,515	25.8	Makes and markets billets, steel bars, shapes, and flat steel; processes and markets steel
Sumikin Bussan Corporation (Osaka)	12,335	38.2	Markets, imports, and exports steel, textiles, foods, and other products
Nippon Denko Co., Ltd. (Chuo-ku, Tokyo)	11,026	*15.0	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 and prepainted galvanized sheets
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	34.0	Undertakes ocean transportation
Nippon Steel Trading Co., Ltd. (Chiyoda-ku, Tokyo)	8,750	*34.1	Buys and sells iron and steel, nonferrous metals, machinery and raw materials
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
Chuo Denki Kogyo Co., Ltd. (Myoko)	3,630	38.2	Makes and markets manganese steel and materials for secondary cells
Daiwa Can Company (Chuo-ku, Tokyo)	2,400	33.3	Makes and markets metal, plastic and paper containers
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	Voting rights	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 Tinfoil Co., Ltd. (Guangzhou, China)	US\$36 million	25.0	Makes and markets tinfoil

Engineering and Construction

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

New Materials

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Subsidiaries] Nippon Steel & Sumikin Materials Co., Ltd. (Chiyoda-ku, Tokyo)	Million yen 3,000	% 100.0	Makes and markets semiconductor components and materials, electronic components and materials, and metal-processed products.

System Solutions

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Subsidiaries] NS Solutions Corporation (Chuo-ku, Tokyo)	Million yen 12,952	% 67.0	Provides engineering and consulting services pertaining to computer systems

Others

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Affiliates] Sumco Corporation (Minato-ku, Tokyo)	Million yen 136,607	% 27.8	Makes and markets silicon wafers for semiconductors

(Notes)

- (1) Figures with asterisks (*) include shares held by subsidiaries
- (2) The percentage of the Company's ownership of Taihei Kogyo Co., Ltd., Geostr Corporation and PT. PELAT TIMAH NUSANTARA TBK. are 50% or less. However, in light of the standards provided in the Regulations Concerning Financial Statements, the Company regards them as its subsidiaries.

- (3) The percentage of the Company's ownership of Godo Steel, Ltd., Sanyo Special Steel Co., Ltd., Nippon Denko Co., Ltd. and Sanko Metal Industrial Co., Ltd. are below 20%. However, in light of the standards provided in the Regulations Concerning Financial Statements, the Company regards them as its affiliates.
- (4) As of April 1, 2013, Nippon Steel Logistics Co., Ltd. went through a business integration and reorganization with Sumitomo Metal Logistics Service Co., Ltd. and changed its trade name to NIPPON STEEL & SUMIKIN LOGISTICS CO., LTD. With effect from the same date, Sumitomo Metal Logistics Service Co., Ltd. became a fully owned subsidiary of NIPPON STEEL & SUMIKIN LOGISTICS CO., LTD. and changed its trade name to NIPPON STEEL & SUMIKIN LOGISTICS KASHIMA CO., LTD.
- (5) As of April 1, 2013, Nittetsu Finance Co., Ltd. merged (absorption-type merger) with Sumikin Financial Service Co., Ltd. (a wholly-owned subsidiary of NSSMC) and changed its trade name to Nippon Steel & Sumikin Finance Co., Ltd.
- (6) As of August 1, 2013, Sumitomo Pipe & Tube Co., Ltd. is slated to become a wholly owned subsidiary of the Company through share exchange between the two companies. In addition, as of October 1, 2013, Sumitomo Pipe & Tube Co., Ltd. is slated to merge with Nittetsu Steel Pipe Co., Ltd. and change its trade name to NIPPON STEEL & SUMIKIN Pipe Co., Ltd.
- (7) As of October 1, 2013, Nippon Steel Trading Co., Ltd. is slated to merge (absorption-type merger) with Sumikin Bussan Corporation and change its trade name to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION.
- (8) As of October 1, 2013, Taihei Kogyo Co., Ltd. is slated to merge (absorption-type merge) with NS Elex Co., Ltd. and change its trade name to Nippon Steel & Sumikin Tex Engineering Co., Ltd.

(10) Major Lenders (as of March 31, 2013)

Lender	Funds borrowed (Billions of yen)
Sumitomo Mitsui Banking Corporation	207.3
Sumitomo Mitsui Trust Bank, Limited	167.5
Mizuho Corporate Bank, Ltd.	153.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	146.1
Meiji Yasuda Life Insurance Company	123.9

(11) Surplus Distribution Policy

1) Dividends

Nippon Steel'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 in consideration of the 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 the Company on a consolidated and non-consolidated bases. The Company has set a consolidated payout ratio target of approximately 20% for use as an indicator for the distribution of profits based on due consideration of consolidated operating results.

The level of the first half (interim) dividend is set based on consideration of the interim performance figures and the forecast for the full fiscal year performance.

As in the past, the year-end dividend payment will be made according to the resolution of the Annual 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 Board of Directors' meeting 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 Board of Directors' meeting, as provided by Article 36 of the Articles of Incorporation and with the aim of securing flexibility in

financial operations. At the Board of Directors' meeting, 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 the Company's financial structure.

(12) Others

In April 2012, the Company filed a civil lawsuit against POSCO, Korean steel company and its Japanese subsidiary POSCO JAPAN Co. Ltd. (collectively, "POSCO, etc.") as defendants in the Tokyo District Court in relation to the Company's technology regarding Grain Oriented Electrical Steel Sheets ("GOES"). In this lawsuit, the Company seeks compensation for damages and an injunction against the manufacture, sales, etc. of GOES by POSCO, etc. under the Unfair Competition Prevention Act, etc., based on illicitly acquiring and using the Company's trade secrets, etc. The Company has 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 secret by POSCO, etc., seeking compensation for damages, etc. under the Unfair Competition Prevention Act, etc.

Additionally, in April 2012, the Company filed a civil lawsuit in the United States against POSCO and its local subsidiary POSCO America Corporation, for infringement of certain of the Company's US patents, seeking damages as well as an injunction against their continued infringement of the Company's US patents.

Meanwhile, in July 2012, POSCO filed a civil lawsuit against the Company in South Korea's Daegu District Court seeking for declaratory judgment by the Court that POSCO owes no compensation damages to the Company for infringement of the Company's trade secrets, and that the Company has no rights of claims for the prohibition or prevention of infringement of the Company's trade secrets.

The Company has resolved that, with effect from August 1, 2013, it will effect a share exchange with Sumitomo Pipe & Tube Co., Ltd. (SPT), making SPT a wholly owned subsidiary of the Company. Subsequently to the share exchange, on October 1, 2013, SPT is slated to merge with Nittetsu Steel Pipe Co., Ltd.

2. Shares and Subscription Right for New Shares

(1) Overview of Shares (as of March 31, 2013)

- | | |
|---|---|
| 1) Total number of shares authorized to be issued | 20,000,000,000 shares |
| 2) Total number of shares issued | 9,503,214,022 shares
(including 412,382,570 treasury shares) |
| 3) Number of shareholders | 592,291 |
| 4) Top 10 shareholders | |

Name of shareholder	Shares held (Thousand shares)	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	401,322	4.4
Sumitomo Corporation	362,616	4.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	296,709	3.3
Nippon Life Insurance Company	288,134	3.2
Mizuho Corporate Bank, Ltd.	182,600	2.0
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	175,310	1.9
Sumitomo Mitsui Banking Corporation	146,470	1.6
Meiji Yasuda Life Insurance Company	138,977	1.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	136,356	1.5
Kobe Steel, Ltd.	134,882	1.5

(Notes)

- (1) The percentage of ownership is calculated based on the total number of shares issued excluding treasury shares.
- (2) Mizuho Corporate Bank, Ltd. holds a further 22,350 thousand shares of the Company (0.2% ownership) other than those above, as a retirement benefit trust.
- (3) Sumitomo Mitsui Banking Corporation holds a further 66,381 thousand shares of the Company (0.7% ownership) other than those above, as a retirement benefit trust.

(2) Subscription Right for New Shares (as of March 31, 2013)

No matters to be reported during this period.

3. Members of the Board of Directors and Audit & Supervisory Board Members

(1) Executive officers as of March 31, 2013

Title and name	Responsibilities/positions and material concurrent positions
<p><i>Representative Director, Chairman and CEO</i> Shoji Muneoka</p>	<p><u>Material concurrent positions</u> Vice Chairman, Nippon Keidanren (Japan Business Federation)</p>
<p><i>Representative Director, President and COO</i> Hiroshi Tomono</p>	<p><u>Material concurrent positions</u> Vice Chairman, Kansai Economic Federation Chairman, The Japan Iron and Steel Federation Chairman of the Board, Tekkogakuen Educational Institution</p>
<p><i>Representative Directors and Executive Vice Presidents</i> Fumio Hombe</p>	<p>Corporate Planning; Planning of Subsidiaries and Affiliates; Accounting & Finance; Raw Materials <u>Material concurrent positions</u></p>
<p>Syuichiro Kozuka</p>	<p>President, East Asia United Corporation Project Leader, Wuhan Tin Mill Project; Overseas Business Development; Overseas Offices and Corporate Entities; Cooperating with Executive Vice President S. Higuchi on Pipe & Tube; Cooperating with Executive Vice President M. Iwaki on Usiminas Project <u>Material concurrent positions</u></p>
<p>Kosei Shindo</p>	<p>Board Chairperson, Osaka Iron & Steel Club General Administration; Legal; Internal Control & Audit; Business Process Innovation; Human Resources; Environmental Management; Cooperating with Executive Vice President M. Iwaki on Safety Enhancement <u>Material concurrent positions</u></p>
<p>Masakazu Iwaki</p>	<p>Chairman, Nippon Steel Arts Foundation Project Leader, Usiminas Project; Intellectual Property; Safety Enhancement; Technical Administration & Planning; Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Slag & Cement; Cooperating with Executive Vice President K. Shindo on Environmental Management <u>Material concurrent positions</u></p>
<p>Norio Katsuyama</p>	<p>President, The Japan Research and Development Center for Metals Director, Technical Development Bureau <u>Material concurrent positions</u></p>
<p>Shinya Higuchi</p>	<p>President, The Iron and Steel Institute of Japan Sales Administration & Planning; Export Administration & Planning; Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project; India Continuous Annealing & Processing Line Project; Office and Marketing Branches; Cooperating with Executive Vice President S. Kozuka on Overseas Offices and Corporate Entities <u>Material concurrent positions</u> Chairman, Baosteel-NSC Automotive Steel Sheets Co., Ltd.</p>

Title and name	Responsibilities/positions and material concurrent positions
<i>Managing Directors</i>	
Kiyotaka Nogi Katsuhiko Ota	<p>Head of Unit, Railway, Automotive & Machinery Parts Unit Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project; Corporate Planning; Overseas Business Development; Planning of Subsidiaries and Affiliates; Accounting & Finance; Overseas Offices and Corporate Entities; Rendering Assistance to Executive Vice President M. Iwaki on Usiminas Project; Cooperating with General Manager, General Administration Division on Public Relations</p>
	<p><u>Material concurrent positions</u> Director, Japan Casting & Forging Corporation Director, Baosteel-NSC Automotive Steel Sheets Co., Ltd. Director, East Asia United Corporation</p>
Takayoshi Meiga	<p>Intellectual Property; Safety Enhancement; Quality Management; Slag & Cement; Rendering Assistance to Executive Vice President S. Higuchi on Steel Products Units</p>
Kinya Yanagawa	<p>Technical Administration & Planning; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Rendering Assistance to Executive Vice President S. Higuchi on Steel Products Units</p>
Soichiro Sakuma Yasumitsu Saeki	<p>General Administration; Legal; Internal Control & Audit Director, Flat Products Unit; Director, Bar & Wire Rod Unit; Project Leader, India Continuous Annealing & Processing Line Project; Sales Administration & Planning; Export Administration & Planning; Logistics</p> <p><u>Material concurrent positions</u> Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members), Nichia Steel Works, Ltd. Director (Outside Director), Nippon Concrete Industries Co., Ltd. Director, Nippon Steel & Sumikin Coated Sheet Corporation Director, Nippon Steel & Sumikin Metal Products Co., Ltd. Director, The Siam United Steel (1995) Company Limited</p>
<i>Director</i>	
Akio Mimura	<p>Senior Advisor</p> <p><u>Material concurrent positions</u> Director (Outside Director), Nisshin Seifun Group Inc. Director (Outside Director), Development Bank of Japan Inc. Director (Outside Director), Innovation Network Corporation of Japan Director (Outside Director), Tokio Marine Holdings, Inc.</p>
<i>Senior Audit & Supervisory Board Member</i>	
Toshihide Tanabe	
<i>Audit & Supervisory Board Members</i>	
Hirotomo Suetsugu	
Hirohiko Minato	

Title and name	Responsibilities/positions and material concurrent positions
<i>Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)</i> Shigeo Kifuji	Attorney, Ushijima & Partners, Attorneys-at-Law <u>Material concurrent positions</u> Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members), ISHII IRON WORKS CO., LTD. Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members), Mori Building Co., Ltd. Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members), Central Japan Railway Company
Takao Kusakari	Board Counselor, Nippon Yusen Kabushiki Kaisha <u>Material concurrent positions</u> Director (Outside Director), Nomura Holdings, Inc. Director (Outside Director), Nomura Securities Co., Ltd.
Toshiro Mutoh	Chairman of the Institute, Daiwa Institute of Research Ltd. <u>Material concurrent positions</u> Director (Outside Director), MITSUI & CO., LTD.
Hirotake Abe	Certified public accountant, Certified Public Accountant Hirotake Abe Office <u>Material concurrent positions</u> Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members), ITC NETWORKS CORPORATION Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members), Honda Motor Co., Ltd.

(Notes)

- (1) Representative Director and Executive Vice President Shinya Higuchi served as Director of Nippon Steel & Sumikin Coated Sheet Corporation, Nippon Steel & Sumikin Metal Products Co., Ltd. and The Siam United Steel (1995) Company Limited until June 27, 2012, June 28, 2012, and July 20, 2012 respectively.
- (2) Managing Director Katsuhiko Ota served as Outside Audit & Supervisory Board Member of Nippon Steel Trading Co., Ltd. until June 27, 2012, and as Audit & Supervisory Board Member of Nippon Steel Materials Co., Ltd. and Nippon Steel & Sumikin Chemical Co., Ltd. until June 28, 2012, Audit & Supervisory Board Member of Nippon Steel Engineering Co., Ltd. until June 29, 2012 and Nippon Steel City Produce, Inc. until September 30, 2012.
- (3) Outside Audit & Supervisory Board Member Hirotake Abe is a certified public accountant with substantial knowledge of finance and accounting.
- (4) Outside Audit & Supervisory Board Member Shigeo Kifuji also holds a post at Central Japan Railway Company, with which the Company has business relations concerning steel products trading, etc.
- (5) Outside Audit & Supervisory Board Member Toshiro Mutoh also holds a post at MITSUI & CO., LTD., with which the Company has business relations concerning steel products trading, etc.
- (6) Outside Audit & Supervisory Board Member Hirotake Abe also holds a post at HONDA MOTOR CO., LTD., with which the Company has business relations concerning steel products trading, etc.
- (7) Outside Audit & Supervisory Board Member Toshiro Mutoh is related within the third degree of kinship to an employee of the Company's specific affiliated company.
- (8) The Company filed the following four Outside Audit & Supervisory Board Members as its "independent directors/auditors" with each financial exchange in Japan – Shigeo Kifuji, Takao Kusakari, Toshiro Mutoh and Hirotake Abe; all four were accepted.

(2) Executive officers who resigned during this term

Title and name	Responsibilities/positions	Date of resignation
<i>Representative Director and Executive Vice President</i> Shinichi Taniguchi	General Manager, Wuhan Tin Mill Project; Corporate Planning; Accounting & Finance; Overseas Business Development; Raw Materials; Overseas Offices; Cooperating with Executive Vice President M. Iwaki on Usiminas Project <u>Material concurrent positions</u> Chairman, The Japan Ferrous Raw Materials Association	September 30, 2012
<i>Audit & Supervisory Board Member</i> Katsunari Yoshida		June 26, 2012
<i>Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)</i> Shigemitsu Miki	Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. <u>Material concurrent positions</u> Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members), Mitsubishi Motors Corporation Director (Outside Director), Mitsubishi Electric Corporation Director (Outside Director), Mitsubishi Logistics Corporation Director (Outside Director), Kirin Holdings Company, Limited	September 30, 2012
Yuichiro Anzai	Professor Emeritus and Executive Advisor for Academic Affairs of Keio University	June 26, 2012

(Note) Outside Audit & Supervisory Board Member Shigemitsu Miki also holds a post at MITSUBISHI MOTORS CORPORATION and Mitsubishi Electric Corporation, with which the Company has business relations concerning steel products trading, etc.

(3) Executive officers after April 1, 2013

Title and name	Responsibilities/positions
<i>Representative Director, Chairman and CEO</i> Shoji Muneoka	
<i>Representative Director, President and COO</i> Hiroshi Tomono	
<i>Representative Directors and Executive Vice Presidents</i> Syuichiro Kozuka	Project Leader, Wuhan Tin Mill Project; Overseas Business Development; Overseas Offices and Corporate Entities; Cooperating with Executive Vice President S. Higuchi on Pipe & Tube; Cooperating with Executive Vice President M. Iwaki on Usiminas Project

Title and name	Responsibilities/positions
Kosei Shindo	General Administration; Legal; Internal Control & Audit; Business Process Innovation; Human Resources; Environmental Management; Cooperating with Executive Vice President M. Iwaki on Safety Enhancement

Title and name	Responsibilities/positions
Masakazu Iwaki	Project Leader, Usiminas Project; Intellectual Property; Safety Enhancement; Technical Administration & Planning; Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Slag & Cement; Cooperating with Executive Vice President K. Shindo on Environmental Management
Shinya Higuchi	Sales Administration & Planning; Export Administration & Planning; Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project; India Continuous Annealing & Processing Line Project; Office and Marketing Branches; Cooperating with Executive Vice President S. Kozuka on Overseas Offices; Cooperating with Executive Vice President M. Iwaki on Usiminas Project
Katsuhiko Ota	Corporate Planning; Planning of Subsidiaries and Affiliates; Accounting & Finance; Raw Materials; Cooperating with Executive Vice President M. Iwaki on Usiminas Project
<i>Managing Directors</i>	
Kinya Yanagawa	Intellectual Property; Safety Enhancement; Technical Administration & Planning; Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Slag & Cement; Rendering assistance to Executive Vice President S. Higuchi on Steel Products Units
Soichiro Sakuma	General Administration; Legal; Internal Control & Audit
Yasumitsu Saeki	Head of Unit, Flat Products Unit; Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project; Project Leader, India Continuous Annealing & Processing Line Project; Marketing Administration & Planning, Export Administration & Planning; Logistics
<i>Directors</i>	
Akio Mimura	Senior Advisor
Fumio Hombe	Assistant to the President
Norio Katsuyama	Assistant to the President
Kiyotaka Nogi	Assistant to the President
Takayoshi Meiga	Assistant to the President
<i>Senior Audit & Supervisory Board Member</i>	
Toshihide Tanabe	
<i>Audit & Supervisory Board Members</i>	
Hiroto Suetsugu	
Hirohiko Minato	
<i>Audit & Supervisory Board Members(Outside Audit & Supervisory Board Members)</i>	
Shigeo Kifuji	Attorney, Ushijima & Partners, Attorneys-at-Law
Takao Kusakari	Board Counselor, Nippon Yusen Kabushiki Kaisha
Toshiro Mutoh	Chairman of the Institute, Daiwa Institute of Research Ltd.
Hirotake Abe	Certified public accountant, Certified Public Accountant Hirotake Abe Office

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

(Unit: yen)

Position	Number of recipients	Classification	Amount
Directors	18	Remuneration	879,817,500
Audit & Supervisory Board Members	11	Remuneration	169,197,500
Outside Audit & Supervisory Board Members	6	Remuneration	46,890,000
Total	29	Remuneration	1,049,015,000

(Note) The above number of recipients includes two Directors and three Audit & Supervisory Board Members (including one Outside Audit & Supervisory Board Member) who retired at the conclusion of the 88th Annual Meeting of Shareholders held on June 26, 2012, as well as one Director and one Outside Audit & Supervisory Board Member who retired as of September 30, 2012.

(5) Policies regarding decision on the amount of remunerations for Directors and Audit & Supervisory Board Members

1) Description of policies

(i) Directors

The Company 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 the Company's consolidated performance. The Company then allocates monthly remunerations for each Director within the limits approved by the Annual Meeting of Shareholders.

(ii) Audit & Supervisory Board Members

The Company allocates monthly remuneration for each Audit & Supervisory Board Member, within the limits approved by the Annual 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 Board of Directors' Meeting. Policy on monthly remuneration to Audit & Supervisory Board Members is determined in consultation with the Audit & Supervisory Board Members.

(Note) The above policy concerning Directors was resolved at the Board of Directors' Meeting held in April 2013, and the above policy concerning Audit & Supervisory Board Members was approved in April 2013 in consultation with the Audit & Supervisory Board Members.

(6) Outside Officers

1) Material concurrent positions held by outside officers

Such positions are shown on pages 25-26.

2) Activities of the outside officers

Position	Name	Main activities
Audit & Supervisory Board Member	Shigemitsu Miki	Mr. Miki attended 5 Board Meetings (out of 9 meetings held before his resignation) and 8 Audit & Supervisory Board Members' meetings (out of 11 meetings held before his resignation). He has conducted hearings on business conditions of each division and presented an extensive view based on his knowledge and experience as a business manager.
Audit & Supervisory Board Member	Shigeo Kifuji	Mr. Kifuji attended 18 Board Meetings (out of 19 meetings held during the term) and 20 Audit & Supervisory Board Members' meetings (out of 21 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	Takao Kusakari	Mr. Kusakari attended 19 Board Meetings (out of 19 meetings held during the term) and 21 Audit & Supervisory Board Members' meetings (out of 21 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	Toshiro Mutoh	Mr. Muto attended 10 Board Meetings (out of 10 meetings held after his appointment) and 10 Audit & Supervisory Board Members' meetings (out of 10 meetings held after his appointment). 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 with financial policy, finance, and economics in general.
Audit & Supervisory Board Member	Hirotake Abe	Mr. Abe attended 9 Board Meetings (out of 10 meetings held after his appointment) and 9 Audit & Supervisory Board Members' meetings (out of 10 meetings held after his appointment). 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.

3) Liability limitation agreement

Concerning the liability prescribed in Article 423, Paragraph 1 of the Companies Act, the Company and each of the Outside Audit & Supervisory Board Members have concluded a liability limitation agreement which prescribes that, provided that the Outside Audit & Supervisory Board Member acts in good faith and without gross negligence, the maximum extent of the liability shall be the greater of either 20 million yen or the Minimum Liability Amount set forth in Article 425, Paragraph 1 of the Companies Act.

4) Total amount of remuneration, etc.

Total amount of remuneration, etc. paid to outside officers is as shown on page 28.

4. 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

i) Amount of remunerations paid	149,000,000 yen
ii) The amount of remunerations payable by the Company and its subsidiaries to accounting auditor for its audit certification services	744,500,000 yen
iii) Total amount of cash and other financial benefit payable by the Company and its subsidiaries to accounting auditor	773,021,000 yen

(Note) With respect to i) 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.

(3) Policy regarding decision on dismissal or non-reelection of accounting auditor

The Company 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 Company will submit proposal to dismiss or not to reelect the accounting auditor to the Annual Meeting of Shareholders if any event materially interferes with continuation of the audit services occurs.

5. Outline of the Resolution Concerning Establishment and Management of the System to Secure Operational Fairness, etc.

The resolutions made by the Board Meeting held on October 1, 2012 to ensure appropriateness of its business are as follows.

Basic policy on internal control system

The Company is aiming at continuous enhancement of corporate value and winning trust of the society based on the NSSMC Group's Guiding Principles. In addition, the Company shall establish and appropriately manage internal control system as follows to comply with relevant laws and regulations and ensure credibility of financial reporting and effectiveness and efficiency of business, and shall continue to improve such system in view of further enhancement of corporate governance.

(1) System to ensure that execution of businesses by Directors complies with laws and regulations and the Articles of Incorporations.

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

The Directors will execute businesses and supervise business execution of employees in their own area of responsibilities in accordance with decisions made by the Board of Directors and report its status to the Board of Directors.

(2) System for the preservation and management of information in relation with business execution by Directors

Information in relation with business execution by Directors including minutes of meetings of the Board of Directors will be assigned to their respective control manager, classified their confidentiality and appropriately preserved in accordance with the regulation regarding management of information.

The Company will strive to make timely and accurate disclosure of important information of the Company including its management plan and financial information in addition to such disclosure as required by laws and regulations.

(3) Rules and other systems with respect to loss-related risk management

General Manager of each division will comprehend and assess risks associated with business execution in his/her division and carry out his/her duties in accordance with the authority and responsibility set out in organizational, operational and other regulations.

With respect to risks related to areas such as safety and health, environment and disaster, information management, intellectual properties, quality control, credibility of financial reporting, the division in charge of each specific area (each functional division) shall establish regulations, etc. from entire corporate perspective and inform them to each division, and comprehend and assess status of risk management at each division through monitoring, etc. and provide supervision and advice to the division.

Upon occurrence of an accident, disaster, compliance issue, or other event which may cause critical impact on the management of the Company, a Crisis Management Team, etc. shall be convened immediately to take necessary actions to minimize the damage and impact.

(4) System to ensure efficiency in business execution by Directors

The Board of Directors will make decision on execution of management plan and business strategies as well as important individual execution items such as investment in plants and equipments, other investment and financing, etc., after deliberation by Companywide Committees for each area such as ordinary budget, plant and equipment investment budget, investment and financing, technology development, etc. and the Corporate Policy Committee.

Business execution based on decisions by Board of Directors shall be carried out by Representative Directors, Directors, Executive Officers and General Managers of respective division.

(5) System to ensure that execution of businesses by employees complies with laws and regulations and the Articles of Incorporation

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

Each General Manager will maintain an autonomous internal control system in his/her division, and strive to ensure thorough compliance with laws and regulations and internal rules, and prevent any violation of laws and regulation in executing businesses. The Company will also maintain and develop an employee-education system that includes regular workshops and the creation and distribution of manuals, aimed at ensuring compliance with laws and regulations and internal rules. Employees will immediately report any potentially illegal acts or facts they become aware of to the General Manager for Internal Control and Audit.

General Manager for Internal Control and Audit will check the maintenance and operational status of company-wide internal control systems. He/she will comprehend and assess the status of compliance with laws and regulations and internal rules in each division, and take measures as necessary to prevent legal or regulatory violations. Moreover, he/she will report on these matters to the Risk Management Committee, and further report on important matters to the Corporate Policy Committee and Board of Directors. He/she will also set up and operate an internal reporting structure that provides consultations and takes reports regarding risks in business execution.

Employees are obligated to comply with laws and regulations and to perform their duties properly. Employees violated laws and regulations, etc. will be submitted to disciplinary action under the Rules of Employment.

(6) System to ensure fairness of operation in our corporate group consisting of the Company and its subsidiaries

The Company and the group companies will share business strategy and be managed as one while appreciating business characteristics of each company based on Management Principle of NSSMC Group and Code of Conduct of NSSMC Group. Directors, General Managers of each division of the Company and Presidents of the group companies will familiarize their employees with business management policies, etc.

With respect to control of the group companies, basic rules will be set forth in the Regulation on Control of Group Companies and their proper application will be ensured. Group companies will build and maintain internal control systems based on autonomous internal controls, share information, etc. with the Company, and strive to ensure measures relating to internal control. The responsible Company division will confirm the status of internal controls at each group company, and provide support for improvements when necessary.

General Manager for Internal Control and Audit will coordinate with each division in charge of risk management, and comprehend and assess the status of internal controls at the NSSMC Group as a whole, providing guidance and advice to group companies and the Company divisions in charge of them.

(7) Matters concerning audit by Audit & Supervisory Board Members

Directors and employees shall make timely and appropriate report to Audit & Supervisory Board Members and Audit & Supervisory Board with respect to important matters such as status of business execution and facts that may cause critical impact on the management, etc.

Directors will share information and enhance communication with Audit & Supervisory Board Members at the meetings of Board of Directors, Corporate Policy Committees and Risk Management Committees, etc., with respect to important matters of management such as status of operation of internal control system.

General Manager for Internal Control and Audit will act as a liaison and cooperate with Audit & Supervisory Board Members by means such as holding discussions on the status of operations of internal control systems, both regularly and as needed. He/she will also report on the status of operation of internal reporting structures to the Audit & Supervisory Board Members.

Secretariat for Audit & Supervisory Board Members shall be set up and staff members shall be assigned to support Audit & Supervisory Board Members' duties. In order to ensure independence of the staff members, such staff members will be assigned on full time bases and perform duties related to audit activities under supervision of Audit & Supervisory Board Members. The General Manager for Human Resources shall discuss matters relating to Secretariat personnel, including transfers and evaluations, with the Audit & Supervisory Board Members.

6. Basic Policy regarding the Control of the Company

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

The NSSMC Group aims to improve its corporate value and further the common interests of its shareholders by improving its competitiveness and profitability through the planning and execution of concrete management strategies based on its management principle to pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services.

The Company has decided to take necessary action to prevent disturbance of such management principle and management strategies by large-scale acquisition of the Company's shares, etc., which may result in damage to the common interests of the shareholders. In the event a proposal for such large-scale acquisition of the Company's shares, etc. (hereinafter "Takeover Proposal") is made, we believe that final decision as to whether or not to accept the proposal should be made by the shareholders at the time the Takeover Proposal is made, and therefore we have decided to establish necessary rules and procedures to ensure all shareholders shall be able to make appropriate decision based on necessary information and appropriate period of time to consider such proposal.

Outline of Efforts to Keep the Control over Decision-Making on Financial and Business Policies out of the Hands of Inappropriate of the Plan

At the meeting of its Board of Directors held in March 2006, the Company resolved unanimously to adopt the Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measure) (hereinafter the "Fair Rules"), which describe clear and concrete procedures to be followed, before commencing actual action of the takeover, by a person or an entity who attempts "acquisition of substantial shareholding in the Company, etc." In accordance with the clause prescribing revisions to the Fair Rules, the Board of Directors unanimously resolved to revise the Fair Rules at its meeting held in March 2012. The Company has further filed a shelf registration statement for issuance of the new share subscription rights consequent to an increase in the total number of shares authorized to be issued as a result of amendments to the Articles of Incorporation made on October 1, 2012.

Purposes of the Fair Rules are to enable the shareholders to make an informed judgment (a judgment based on necessary information and appropriate period for consideration) as to whether to accept a Takeover Proposal, as well as to prevent large-scale acquisition of the Company's shares, etc., with vicious intent which would be detrimental to corporate value and the common interests of shareholders, by ensuring sufficient information and a reasonable time period for the Board of Directors to consider the Takeover Proposal.

The Fair Rules are designed to enable the shareholders at that time to make judgment directly as to whether or not issue the new share subscription rights by way of gratis allotment as the countermeasure to takeover in the event there is a person or an entity who intends to acquire 15% or more of the Company's share, etc. (hereinafter "the Bidder") and if the Bidder's Takeover Proposal satisfies requirements (provision of necessary information by the Bidder and expiration of consideration period) set forth in the Fair Rules. New share subscription rights by the way of gratis allotment may be issued only if (i) the Bidder ignores the procedure set forth in the Fair Rules, (ii) the Bidder falls under one of four categories which have been designated pernicious to a company in the ruling of the Japanese courts and it is determined that the Takeover Proposal is likely to cause apparent damage to the common interests of the shareholders (such determination to be based on advices of law firms and investment banks of international reputation), or (iii) the shareholders approve the issuance of new share subscription rights by the way of gratis allotment.

The Fair Rules are posted on the Company's website.

Judgment of Board of Directors on the measures above and ground for such judgment

The Fair Rules set forth the rules and procedures that enable the shareholders to make judgment as to whether or not the countermeasure (issuance of new share subscription rights by the way of gratis allotment) to the Takeover Proposal should be taken based on necessary information and appropriate period of consideration. The Fair Rules are designed to improve value of the Company as well as the common interests of the shareholders by leaving ultimate judgment as to whether or not to accept the Takeover Proposal to the shareholders of the Company and, therefore, it should not impair the common interests of shareholders of the Company or it is not intended to pursue protecting current title of the directors of the Company. In view of the

above, the Board of Directors judges that the Fair Rules are in accordance with the abovementioned Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company.

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

● Consolidated Financial Statements

(1) Consolidated Balance Sheets

		Millions of yen	
ASSETS	March 31, 2013	LIABILITIES	March 31, 2013
Current assets :		Current liabilities :	
Cash and bank deposits	89,350	Notes and accounts payable	596,230
Notes and accounts receivable	579,562	Short-term loans and portion of long-term loans due within one year	494,903
Marketable securities	8,024	Commercial paper	26,000
Inventories	1,156,934	Bonds due within one year	135,100
Deferred tax assets	81,729	Current portion of lease liability	13,561
Other	196,594	Accounts payable-other	405,777
Less: Allowance for doubtful accounts	(1,461)	Allowance for losses on construction contracts	2,991
Total current assets	2,110,734	Other	306,560
		Total current liabilities	1,981,124
Fixed assets :		Long-term liabilities :	
Tangible fixed assets :		Bonds and notes	504,659
Buildings and structures	734,222	Long-term loans	1,346,219
Machinery and equipment	1,163,980	Lease liability(excluding current portion)	19,411
Land	594,824	Deferred tax liabilities	38,313
Lease assets	9,689	Accrued pension and severance costs	192,635
Construction in progress	182,782	Allowance for retirement benefits of directors and corporate auditors	5,403
	2,685,500	Reserve for repairs to blast furnaces	10,499
		Other	52,948
Intangible fixed assets		Total long-term liabilities	2,170,090
Patents and utility rights	7,370		
Software	40,106	Total liabilities	4,151,215
Goodwill	48,065		
Lease assets	385		
	95,928		
Investments and others :		NET ASSETS	
Investments in securities	1,825,664	Shareholders' equity :	
Deferred tax assets	178,127	Common stock	419,524
Other	197,372	Capital surplus	362,321
Less: Allowance for doubtful accounts	(3,829)	Retained earnings	1,430,876
	2,197,335	Less: Treasury stock, at cost	(70,490)
Total fixed assets	4,978,763		2,142,233
		Accumulated other comprehensive income:	
		Unrealized gains on available-for-sale securities	168,611
		Deferred hedge income (loss)	359
		Unrealized gains on revaluation of land	2,592
		Foreign currency translation adjustments	80,273
			251,836
		Minority interest in consolidated subsidiaries	544,213
		Total net assets	2,938,283
Total assets	7,089,498	Total liabilities and net assets	7,089,498

(2) Consolidated Statements of Income

Consolidated Statements of Operations	Millions of yen
	Fiscal 2012
Operating revenues :	
Net sales	4,389,922
Cost of sales	3,982,362
Gross margin	407,559
Selling, general and administrative expenses	387,449
Operating profit	20,110
Non-operating profit and loss :	
Non-operating profit :	
Interest	3,869
Dividend income	13,802
Equity in net income of unconsolidated subsidiaries and affiliates	52,658
Other	70,749
	141,079
Non-operating loss :	
Interest expense	23,539
Other	60,719
	84,258
Ordinary profit	76,931
Special profit :	
Restructuring profit	5,024
	5,024
Special loss :	
Impairment loss	132,818
Loss on sales of investments in securities	75,307
Loss on liquidation of business	10,800
	218,926
Income (loss) before income taxes and minority interest	(136,970)
Income taxes - current	49,446
Income taxes - deferred	(75,045)
	(25,599)
Income (loss) before minority interest	(111,371)
Minority interest in net income of consolidated subsidiaries	13,196
Net income (loss)	(124,567)

Consolidated Statements of Comprehensive Income	Millions of yen
	Fiscal 2012
Income (loss) before minority interest	(111,371)
Other comprehensive income	
Unrealized gains (losses) on available-for-sale securities	94,610
Deferred hedge income (loss)	1,828
Unrealized gains (losses) on revaluation of land	-
Foreign currency translation adjustments	110,206
Share of other comprehensive income of associates accounted for using equity method	63,028
Total other comprehensive income (loss)	269,673
Comprehensive income (loss)	158,302
attribute to	
Comprehensive income attribute to owners of the parent	132,868
Comprehensive income attribute to minority interests	25,433

(3) Consolidated Statements of Changes in Net Assets

Millions of yen

Fiscal 2012

Owners' equity:

Common stock:

Balance at the beginning of the period	419,524
Changes during current period:	
Total current changes	-
Balance at the end of the period	419,524

Capital surplus:

Balance at the beginning of the period	114,546
Changes during current period:	
Disposal of treasury stock	127
Increase by merger	247,647
Total current changes	247,775
Balance at the end of the period	362,321

Retained earnings :

Balance at the beginning of the period	1,522,826
Changes during current period:	
Cash dividends	(6,302)
Net income (loss)	(124,567)
Increase(decrease) due to the change in the number of consolidated companies	8,875
Increase(decrease) due to reversal of unrealized gains on revaluation of land	45
Total current changes	(121,949)
Balance at the end of the period	1,430,876

Treasury stock, at cost:

Balance at the beginning of the period	(262,573)
Changes during current period:	
Acquisition of treasury stock	(65,828)
Disposal of treasury stock	258,536
Increase(decrease) due to the change in the number of consolidated companies	(624)
Total current changes	192,083
Balance at the end of the period	(70,490)

Total shareholders' equity:

Balance at the beginning of the period	1,824,324
Changes during current period:	
Cash dividends	(6,302)
Net income (loss)	(124,567)
Acquisition of treasury stock	(65,828)
Disposal of treasury stock	258,663
Increase by merger	247,647
Increase(decrease) due to the change in the number of consolidated companies	8,250
Increase(decrease) due to reversal of unrealized gains on revaluation of land	45
Total current changes	317,909
Balance at the end of the period	2,142,233

Accumulated other comprehensive income:

Unrealized gains on available-for-sale securities:

Balance at the beginning of the period	70,834
Changes during current period:	
Net changes of items other than shareholders' equity	97,777
Total current changes	97,777
Balance at the end of the period	168,611

Millions of yen

Fiscal 2012

Deferred hedge income (loss):	
Balance at the beginning of the period	(1,698)
Changes during current period:	
Net changes of items other than shareholders' equity	2,057
Total current changes	2,057
Balance at the end of the period	359
Unrealized gains on revaluation of land:	
Balance at the beginning of the period	12,770
Changes during current period:	
Net changes of items other than shareholders' equity	(10,177)
Total current changes	(10,177)
Balance at the end of the period	2,592
Foreign currency translation adjustments:	
Balance at the beginning of the period	(77,327)
Changes during current period:	
Net changes of items other than shareholders' equity	157,600
Total current changes	157,600
Balance at the end of the period	80,273
Total accumulated other comprehensive income:	
Balance at the beginning of the period	4,578
Changes during current period:	
Net changes of items other than shareholders' equity	247,257
Total current changes	247,257
Balance at the end of the period	251,836
Minority interest in consolidated subsidiaries:	
Balance at the beginning of the period	518,440
Changes during current period:	
Net changes of items other than shareholders' equity	25,772
Total current changes	25,772
Balance at the end of the period	544,213
Total net assets:	
Balance at the beginning of the period	2,347,343
Changes during current period:	
Cash dividends	(6,302)
Net income (loss)	(124,567)
Acquisition of treasury stock	(65,828)
Disposal of treasury stock	258,663
Increase by merger	247,647
Increase(decrease) due to the change in the number of consolidated companies	8,250
Increase(decrease) due to reversal of unrealized gains on revaluation of land	45
Net changes of items other than shareholders' equity	273,030
Total current changes	590,939
Balance at the end of the period	2,938,283

(4) Consolidated Statements of Cash-Flows

Millions of yen

Fiscal 2012

Cash flows from operating activities :	
Income (loss) before income taxes and minority interests	(136,970)
Adjustments to reconcile net income to net cash provided by operating activities :	
Depreciation and amortization	288,770
Impairment loss	132,818
Interest and dividend income (accrual basis)	(17,671)
Interest expense (accrual basis)	23,539
Exchange loss(gain) on foreign currency transactions	(11,780)
Amortization of goodwill	6,054
Equity in net (income) loss of unconsolidated subsidiaries and affiliates	(52,658)
Loss (gain) on sales of investments in securities	75,307
Loss on disposal of tangible and intangible fixed assets	4,437
Gain on sales of tangible and intangible fixed assets	(7,576)
Changes in allowance for doubtful accounts	(366)
Changes in notes and accounts receivable	(32,630)
Changes in inventories	157,786
Changes in notes and accounts payable	(86,297)
Other	26,972
Interest and dividend income (cash basis)	26,347
Interest expense (cash basis)	(25,727)
Income taxes (cash basis)	(57,038)
Net cash provided by operating activities	313,317
Cash flows from investing activities :	
Acquisition of investments in securities	(80,728)
Proceeds from sales of investments in securities	101,005
Acquisition of tangible and intangible fixed assets	(349,817)
Proceeds from sales of tangible and intangible fixed assets	13,206
Other	(11,001)
Net cash used in investing activities	(327,336)
Cash flows from financing activities :	
Net increase (decrease) in short-term loans	(16,286)
Net increase (decrease) in commercial paper	(68,000)
Proceeds from long-term loans	278,698
Payments of long-term loans	(165,864)
Proceeds from issuance of bonds and notes	30,000
Redemption of bonds and notes	(65,000)
Payments for purchase of treasury stock	(563)
Cash dividends	(6,302)
Other	46,651
Net cash provided by (used in) financing activities	33,332
Effect of exchange rate changes on cash and cash equivalents	22,229
Net increase (decrease) in cash and cash equivalents	41,542
Cash and cash equivalents at beginning of the year	55,747
Increase (decrease) from the change in the number of companies consolidated	(19,735)
Increase in cash and cash equivalents resulting from merger	12,975
Cash and cash equivalents at end of year	90,530

(5) Consolidated Segment Information

Fiscal 2012 (April 1, 2012—March 31, 2013)

(Millions of yen)

	Reporting segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales								
Sales to external customers	3,745,491	248,215	188,442	42,211	134,388	4,358,749	31,173	4,389,922
Inter-segment sales or transfers	44,959	54,787	7,277	–	37,592	144,615	(144,615)	–
Total	3,790,450	303,002	195,719	42,211	171,980	4,503,364	(113,442)	4,389,922
Segment income (loss) <Ordinary Profit>	41,522	18,189	9,778	984	11,673	82,148	(5,217)	76,931
Segment assets	6,557,868	253,789	157,308	31,447	145,081	7,145,495	(55,996)	7,089,498
Segment liabilities <Interest-bearing debt>	2,526,725	3,472	7,043	16,771	681	2,554,693	(14,838)	2,539,855
Other items								
Depreciation and amortization	277,622	3,303	6,674	2,366	3,239	293,207	(4,436)	288,770
Increase (decrease) in tangible/intangible fixed assets (net investment)	359,287	2,920	9,390	1,929	5,151	378,678	(22,805)	355,873

Note: Previous reporting has utilized reporting segments for Steelmaking and steel fabrication, Engineering and construction, Urban development, Chemicals, New materials, and System solutions. Following the business integration of Nippon Steel City Produce, Inc., and Kowa Real Estate Co., Ltd. on October 1, 2012, the results for the Urban development segment have been excluded from the reporting segments and are presented within the adjustment amount.

● Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2013	LIABILITIES	March 31, 2013
Current assets :		Current liabilities :	
Cash and bank deposits	16,647	Notes and accounts payable	252,341
Notes and accounts receivable	160,880	Short-term loans and portion of long-term loans due within one year	696,352
Inventories	802,634	Commercial paper	26,000
Deferred tax assets	51,700	Bonds due within one year	135,000
Other	214,331	Current portion of lease liability	11,616
Less: Allowance for doubtful accounts	(772)	Accounts payable	510,125
		Accrued expenses	34,151
		Other	10,663
Total current assets	1,245,422	Total current liabilities	1,676,250
Fixed assets :		Long-term liabilities :	
Tangible fixed assets :		Bonds and notes	790,656
Buildings and structures	496,270	Long-term loans	1,287,321
Machinery and equipment	906,561	Lease liability(excluding current portion)	13,464
Land	439,402	Accrued pension and severance costs	89,568
Lease assets	3,022	Reserve for repairs to blast furnaces	10,059
Construction in progress	110,691	Other	50,342
	1,955,949	Total long-term liabilities	2,241,413
Intangible fixed assets :		Total liabilities	3,917,664
Patents and utility rights	1,984		
Software	30,561	NET ASSETS	
Goodwill	49,248	Shareholders' equity :	
Lease assets	127	Common stock	419,524
	81,921	Capital surplus	361,862
Investments and others :		Retained earnings :	
Investments in securities	666,382	Special tax purpose reserve	84,509
Investments in subsidiaries and affiliates	1,206,098	Accumulated earnings carried forward	643,848
Other	362,783		728,357
Less: Allowance for doubtful accounts	(5,519)	Less: Treasury stock, at cost	(65,302)
	2,229,744		1,444,442
Total fixed assets	4,267,614	Valuation and translation adjustments :	
		Unrealized gains on available-for-sale securities	147,070
		Deferred hedge income (loss)	3,859
			150,930
		Total net assets	1,595,372
Total assets	5,513,037	Total liabilities and net assets	5,513,037

(2) Non-Consolidated Statements of Income

Millions of yen	
Fiscal 2012	
Operating revenues :	
Net sales	2,878,837
Cost of sales	2,726,249
Gross margin	152,587
Selling, general and administrative expenses	195,802
Operating profit (loss)	(43,214)
Non-operating profit and loss :	
Non-operating profit :	
Interest and dividend income	51,891
Other	42,964
	94,856
Non-operating loss :	
Interest expenses	26,690
Other	42,437
	69,128
Ordinary profit (loss)	(17,487)
Special profit and loss :	
Special profit :	
Gain on sales of affiliates stocks	3,999
	3,999
Special loss :	
Loss on disposal of tangible fixed assets and other assets	
Impairment loss	122,542
Loss on sales of investments in securities	78,434
Loss on liquidation of subsidiaries	6,480
	207,457
Income (loss) before income taxes	(220,945)
Income taxes - current	(500)
Income taxes - deferred	(70,440)
Net income (loss)	(150,005)

(3) Non-Consolidated Statements of Changes in Net Assets

Millions of yen							
	Common stock	Capital surplus	Special tax purpose reserve	Accumulated earnings carried forward	Treasury stock, at cost	Unrealized gains on available-for-sale securities	Deferred hedge income
Balance at March 31, 2012	419,524	114,086	90,482	794,451	(258,003)	57,743	1,938
Withdrawal of special tax purpose reserve			(10,819)	10,819			
Reserve of special tax purpose reserve			4,846	(4,846)			
Cash dividends				(6,302)			
Net income (loss) for fiscal year 2012				(150,005)			
Acquisition of treasury stock					(65,788)		
Disposal of treasury stock		127			258,488		
Increase by merger		247,647					
Net change due to demerger				(267)			
Other change for fiscal year 2012(net)						89,327	1,921
Total change for fiscal year 2012	-	247,775	(5,973)	(150,602)	192,700	89,327	1,921
Balance at March 31, 2013	419,524	361,862	84,509	643,848	(65,302)	147,070	3,859

Notes to the Consolidated Financial Statements

I. Significant Accounting Policies for Consolidated Financial Statements

1. Scope of Consolidation

(1) Consolidated Subsidiaries

Number of consolidated subsidiaries: 370 companies

Principal consolidated subsidiaries are presented in “1. Group status, (9) Status of principal subsidiaries.”

In the consolidated fiscal year under review, the scope of consolidation expanded by 103 companies, comprising 85 merged companies and 18 newly established or other companies. 19 companies—14 merged companies and 5 liquidations, etc.—were eliminated from the scope of consolidation in the fiscal year under review.

As part of the above, the business integration with Sumitomo Metal Industries, Ltd., on October 1, 2012, increased the number of consolidated subsidiaries by 85 (all as a consequence of the integration). Among these, NIPPON STEEL AND SUMIKIN TUBOS DO BRASIL LTDA. became a subsidiary and was designated as a specified subsidiary due to the capital investment by NSSMC exceeding 10% of the company’s total capitalization value. The business integration of Nippon Steel City Produce, Inc., and Kowa Real Estate Co., Ltd., on October 1, 2012, decreased the number of consolidated subsidiaries by 6 (a portion as a consequence of the integration).

(2) Fiscal Year of Consolidated Subsidiaries

The closing dates of accounts for the fiscal year-ends at NIPPON STEEL & SUMITOMO METAL U.S.A., Inc., and other consolidated subsidiaries are variably December 31 and January 31. Significant business events that occur between those dates and the March 31 consolidated fiscal year-end are accordingly presented as occurring within the applicable consolidated fiscal year.

2. Application of Equity Method

Affiliates accounted for by the equity method: 107 companies

Principal companies are presented in “1. Group status, (9) Status of principal subsidiaries.”

During the fiscal year under review, 39 companies were added as equity-method affiliates and 8 companies were removed as equity-method affiliates.

As part of the above, the business integration with Sumitomo Metal Industries, Ltd., on October 1, 2012, added 28 equity-method affiliated companies. The number of equity-method affiliates decreased by 2 following the business integration of Nippon Steel City Produce, Inc., and Kowa Real Estate Co., Ltd., on October 1, 2012.

3. Accounting Standards

(1) Basis and Method of Evaluation of Significant Assets

① Marketable securities

- Held-to-maturity debt securities: Amortized cost method (straight-line method)
- Available-for-sale securities:

Securities with market quotations: Stated at market value as of the balance sheet date (Net unrealized gains or losses are comprehensively included in net assets, and the cost of securities sold is determined by the moving-average method.)

Securities without market quotations: Stated at cost determined by the moving-average method

② Inventories

Inventories are stated principally using the cost method based on the periodic average method. (Regarding balance sheet values, this method is designed to reduce book value when the contribution of inventories to profitability declines.)

(2) Depreciation Methods for Material Depreciable Assets

① Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is mainly calculated using the declining-balance method.

Depreciation of buildings and structures is mainly calculated using the straight-line method.

Useful lives of tangible fixed assets are generally as follows:

Buildings: Mainly 31 years
Machinery and equipment: Mainly 14 years

(Changes in accounting principles that are difficult to classify from the changes in accounting estimates)

Beginning in the fiscal year under review, accompanying revisions in the corporate tax law, the Company and its domestic consolidated subsidiaries have changed their method of depreciation for tangible fixed assets acquired on or after April 1, 2012, based on the corporate tax law after revisions.

Compared with the previous accounting method, the effect of these changes on the consolidated results for the fiscal year under review was to increase operating profit by ¥7,884 million and ordinary profit by ¥8,497 million.

② Intangible fixed assets (excluding lease assets)

Amortization of intangible fixed assets is calculated using the straight-line method.

Software products used by the Company are amortized over the projected usage periods that are mainly of five years.

③ Lease assets

Assets concerning finance leases in which ownership is transferred to the lessee

These assets are depreciated using the same method of depreciation for tangible fixed assets owned by the Company.

Assets concerning finance leases in which ownership is not transferred to the lessee

These assets are depreciated to a residual value of zero based on the straight-line method over a useful life period corresponding to the lease contract period.

(3) Accounting Basis for Significant Reserves and Allowances

① Allowance for doubtful accounts

To provide for potential losses on doubtful accounts, the allowance for doubtful accounts is computed based on the historical experienced default ratio for non-specific receivables as well as based on the estimated irrecoverable portion of specific doubtful receivables calculated individually.

② Allowance for losses on construction contracts

To provide for potential losses associated with construction contracts in the future, an allowance is computed for potential losses related to construction contracts not completed at the end of the fiscal year under review.

③ Accrued pension and severance costs

To provide for employee retirement benefits, an allowance is computed based on projections of retirement benefit obligations and the pension fund assets made at the end of the fiscal year under review. Prior service cost is being amortized by the straight-line method over a specified number of years (mainly 10 years), which are shorter than the average remaining years of service of the employees. Actuarial differences arising from utilizing a specified number of years within average estimated remaining periods of employment (mainly 10 years) that are shorter than the average remaining years of service of the employees are principally amortized using the straight-line method beginning from the consolidated fiscal year following the time of occurrence.

- ④ Allowance for retirement benefits of directors and corporate auditors
The allowance for retirement benefits of directors and corporate auditors is calculated based on internal rules for the projected amount to be paid at term-end.
- ⑤ Reserve for repairs to blast furnaces
Reserves are maintained in anticipation of significant periodic overhauls and repairs to blast furnaces, hot blast stoves, and ships and vessels. Reserve amounts are determined based on historical costs for similar activities.
- (4) Other Significant Accounting Policies for Consolidated Financial Statements
- ① Basis for the accounting of income
Through the end of the fiscal year under review, regarding projects for which the outcome of the portion completed is deemed certain, the Company has applied the percentage-of-completion standard (estimating the project progress percentage based on the percentage of the cost incurred to the estimated total cost). The completed contract standard is applied to other projects.
- ② Important assets and liabilities in foreign currencies and foreign currency translation
Monetary assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated into yen at the spot rate prevailing on the closing date of accounts, and the resulting foreign exchange gains or losses are recognized as income or expenses. For foreign consolidated subsidiaries, assets and liabilities are translated into yen at the spot rate prevailing on the closing date of accounts, revenue and expense accounts are translated at the average rate of exchange in effect during the fiscal year, and foreign currency translation adjustments are included in the foreign currency translation adjustments and minority interest in consolidated subsidiaries item under net assets.
- ③ Significant hedge accounting
The Company uses deferred hedge accounting. Designation accounting methods are applied to forward exchange contracts and currency swaps associated with foreign currency-denominated transactions and foreign currency monetary assets and liabilities that meet the requirements for designation accounting treatment. Special accounting methods are applied to interest swaps that meet the requirements for special accounting treatment.
- ④ Method and period for amortization of goodwill
Goodwill is amortized using the straight-line method over the period, where it is possible to estimate such a period, for which the excess cost is expected to have an effect on the consolidated balance sheets. Otherwise, the excess cost is amortized proportionately over 5 years.
- ⑤ Accounting for consumption taxes
The accounting treatment used with respect to consumption tax and local consumption taxes is the tax-excluded method.

II. Changes in the Method of Presentation

(Consolidated balance sheets)

The reorganization of accounting methods following the business integration with Sumitomo Metal Industries, Ltd., led to a portion of accrued expenses (¥235,224 million in the previous consolidated fiscal year) to be categorized as accounts payable.

Consequently, accounts payable are presented as a categorized item due to their increased quantitative materiality, and accrued expenses are included in the other category of current liabilities due to their decreased quantitative materiality.

III. Consolidated Balance Sheets

1. Mortgaged Assets and Liabilities

Category of assets	Amount (Millions of yen)	Category of liabilities	Amount (Millions of yen)
Cash and bank deposits	1,954	Short-term loans	1,740
Notes and accounts receivable	2,741	Long-term loans	23,572
Inventories	4,125	(Including the portion of loans due within one year)	
Other (Current assets)	4,163	Bonds	14,002
Buildings and structures (net)	7,468	Other	11,003
Machinery, equipment and vehicles (net)	16,110		
Tools, furniture and fixtures (net)	113		
Land	23,251		
Long-term loans receivable	13,375		
Total	¥73,305	Total	¥50,319

In addition, the above liabilities include ¥462 million in loans of consolidated subsidiaries for which the Company has provided ¥347 million in long-term loans (assets) as collateral. Further, the Company has provided ¥1,261 million of shares of stock of affiliated companies, etc., to serve as collateral for the loans of affiliates.

2. Inventories

Goods and finished products (including semi-finished products)	¥508,691 million
Work in process	54,359 million
Raw materials and supplies	593,883 million

3. Accumulated Depreciation of Tangible Fixed Assets ¥6,767,439 million

4. Contingent Liabilities

The Company guarantees loans from financial institutions and other sources held by other companies.

(1) Loan guarantee liabilities

	(Outstanding amounts for the year ended)	(Substantial amounts)
Japan-Brazil Niobium Corporation	11,205 million	11,205 million
VALLOUREC & SUMITOMO TUBOS DO BRASIL LTDA.	5,211 million	5,211 million
TENIGAL, S.de R.L.de C.V.	4,577 million	4,577 million
JAMSHEDPUR CONTINUOUS ANNEALING & PROCESSING COMPANY PRIVATE LIMITED	3,778 million	1,851 million
UNIGAL Ltda.	3,103 million	3,103 million
Automotive Steel Pipe India Private Limited	1,150 million	1,150 million
Frontier Energy Niigata Co., Ltd.	1,057 million	1,057 million
Other	1,981 million	1,981 million
Total	¥32,065 million	¥30,138 million

(2) Reserved guarantees of loans

¥760 million
(The substantial amount guaranteed is ¥753 million.)

(3) Maximum repurchase obligation amount associated with the liquidation of receivables
¥3,206 million

The substantial amount guaranteed is equivalent to the maximum repurchase obligation.

(4) Notes and bills endorsed ¥14 million

5. Revaluation of Land

The certain consolidated subsidiaries and affiliates to which the equity method is applied have carried out the revaluation of land used for business purposes in accordance with the “Law Regarding the Partial Revision to the Land Revaluation Law” (Law No. 34, issued on March 31, 1998). Revaluation differences computed by consolidated subsidiaries, net of tax and minority interest, which were charged to “deferred tax liabilities on revaluation of land” and “minority interest in consolidated subsidiaries,” respectively, were recorded as a separate component of net assets as “unrealized gains on revaluation of land.” Additionally, revaluation differences accounted for by affiliates to which the equity method is applied were recorded as a separate component of net assets as “unrealized gains on revaluation of land” in proportion to the equity rate.

- Revaluation method

Land values were primarily determined as provided for in Articles 2-1 and 2-3~5 of the “Enforcement Order for the Land Revaluation Law” (Cabinet Order No. 119, issued on March 31, 1998).

- Revaluation conducted on March 31, 2002

- The excess of the carrying amounts of the revalued land over its market value at the end of March 31, 2012 was ¥2,363 million.

- Revaluation conducted on March 31, 2001

- The excess of the carrying amounts of the revalued land over its market value at the end of March 31, 2012 was ¥11,875 million.

- Revaluation conducted on March 31, 2000

- The excess of the carrying amounts of the revalued land over its market value at the end of March 31, 2012 was ¥1,854 million.

IV. Consolidated Statements of Income

(Impairment loss)

Impairment loss associated with property put into business, etc., is accounted for as a special loss. This categorization is based on recognizing the declining profitability in the deteriorating business conditions as impairment losses associated with property put into business at the Hirohata Works and Sakai Works of the Company and the welding and other operations of consolidated subsidiaries.

V. Consolidated Statements of Changes in Net Assets

1. Number and Type of Stocks Outstanding at the End of the Fiscal Year

Number of stock at the end of the period (including treasury stock)

Common stock 9,503,214,022 shares

Number of treasury stock at the end of the period

Common stock 428,564,671 shares

2. Dividends

(1) Amount of Dividend Payments

Decision	Type of stock	Total dividends (Millions of yen)	Cash dividends per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders (June 26, 2012)	Common stock	6,302	1.0	March 31, 2012	June 27, 2012

(2) Dividends for which the Record Date Belongs to the Fiscal Year, but the Operative Date Is in the Following Fiscal Year (Planned)

Decision	Type of stock	Source of dividends	Total dividends (Millions of yen)	Cash dividends per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders (June 25, 2013)	Common stock	Retained earnings	9,090	1.0	March 31, 2013	June 26, 2013

VI. Financial Instruments

1. Current Status of Financial Instruments

(1) Policy Regarding Financial Instruments

The Company considers its business plan as it undertakes the procurement of necessary funds (mainly through the arrangement of borrowings and the issuance of commercial paper and bonds), and its fund procurement methods are chosen based on consideration of the short- or long-term nature of funding requirements and other special characteristics of funding requirements. Surplus fund management is restricted to management methods that emphasize safety and capabilities for conversion into cash when necessary. In addition, in cases when the Company undertakes transactions in derivatives, such transactions are limited to transactions (including forecast transactions) undertaken as a part of business activities (for the purpose of hedging risks associated with actual transactions executed in the course of the Company's business activities), and the Company has a policy of not engaging in derivatives transactions for trading purposes (transactions with the purpose of obtaining profit through the trading of derivatives themselves).

(2) Types of Financial Instruments and Related Risk

The Company is exposed to credit risk arising from notes and accounts receivable-trade and other receivables. However, the Company limits transactions to principal suppliers with which it can offset receivables against notes and accounts payable and borrowings and to companies with high credit ratings. The Company therefore judges that it is exposed to almost no contractual default credit risk. In addition, accompanying the Company's exports of products, etc., the Company is exposed to foreign currency exchange risk associated with receivables denominated in foreign currencies. The Company holds marketable securities (short-term investments) and investments in securities, mainly stocks of transactions partner companies and other business collaborators, and the Company is exposed to market price risk owing to these stockholdings. Also, the Company extends long-term loans to its affiliates, etc.

The Company incurs such trade payables as notes and accounts payable that are, in principle, payable within one year. The Group is exposed to foreign currency exchange risk arising from a portion of trade payables associated with imports of raw materials, etc., that is denominated in foreign currencies. The Company's fund procurement is as described in (1) above. Please note that a portion of funds procured by means of long-term borrowings and bonds is associated with variable interest rates and the related payment burden changes due to trends in market interest rates.

The Company limits derivative transactions associated with negotiable securities, interest rates, or

currency exchange rates to hedge transactions ① to avoid risk in change to the value of marketable securities in its possession, ② to maintain the proportion of assets and liabilities bearing fixed or variable interest rates, and ③ to avoid exchange risk associated with sales, funding, investment, and financing activities undertaken as a part of business activities. The derivatives transactions executed by the Company are exposed to risk of market price fluctuation, future changes in interest rates, market conditions, and currency exchange rates. However, the Company limits such transactions to those with the objectives described in ①, ②, and ③ above and therefore judges that the transactions present limited risk to the Company's business.

(3) Systems for Management of Financial Instrument Risk

① Management of credit risks (the risk that transactions partners may default on their obligations, etc.)
In accordance with the Company's credit management regulations, information related to the credit management situation of transactions partners is shared, and asset preservation measures are considered and implemented when necessary.

② Management of market risks (the risks arising from fluctuations in interest rates, exchange rates, and other indicators)

1) Market price risks

Regarding marketable securities and investments in securities, the Company maintains a grasp of fair value situations when necessary and undertakes deliberations regarding whether such securities are required for business purposes.

2) Interest rate risks

The Company executes interest swap transactions to control risk from interest rate changes associated with interest payments on borrowings and bonds.

3) Currency exchange risks

Regarding foreign currency-denominated trade assets and liabilities, the Company executes forward exchange contracts and currency swaps to avoid exchange risk associated with sales, funding, investment, and financing activities undertaken as a part of business activities

Derivative transactions are executed in accordance with internal derivative transaction management regulations. These regulations require prospective derivative transactions involving financial products be discussed by the Funding Management Committee. As deemed necessary, the committee reports approved transactions to the Management Conference and Board of Directors for discussion. Transactions are executed upon final approval by the General Manager of the Finance Department within the pre-authorized scope of transactions. Reports on the balance and profitability status of such transactions are regularly submitted to the Funding Management Committee, and an evaluation of the effectiveness of hedging activities is conducted each six-month semiannual fiscal period.

③ Management of fund procurement liquidity-related risk (the risk that the Group may not be able to meet its payment obligations on the scheduled date)

Based on reports from each of the Company's departments, the Finance Department prepares and updates cash flow plans when necessary and employs other methods to manage liquidity risk. To prepare for unexpected events, the Company arranges commitment line contracts.

The systems of consolidated subsidiaries are generally the same as those of the Company described in items (1) through (3) above.

2. Estimated Fair Value and Other Matters Related to Financial Instruments

Carrying value on the consolidated balance sheets as of March 31, 2013 (the closing date of the consolidated accounts), estimated fair value, and unrealized gains (losses) are shown in the following table.

	(Millions of yen)		
	Carrying value (*)	Estimated fair value (*)	Unrealized gain (loss)
(1) Cash and deposits	89,350	89,350	—
(2) Notes and accounts receivable—trade	579,562	579,562	—
(3) Marketable securities and investments in securities			
Held-to-maturity securities	10,999	10,994	(5)
Available-for-sale securities	663,334	663,334	—
(4) Notes and accounts payable—trade	(596,230)	(596,230)	—
(5) Short-term loans payable	(494,903)	(494,903)	—
(6) Bonds due within one year	(135,100)	(135,100)	—
(7)Accounts payable	(405,777)	(405,777)	—
(8) Bonds	(504,659)	(519,217)	(14,558)
(9) Long-term loans payable	(1,346,219)	(1,373,836)	(27,616)
(10) Derivative transactions	5,183	5,183	—

*Figures shown in parentheses are liability items. The fair value of assets and liabilities stemming from derivative transactions are shown in net figures, and figures for items with total net fair values that are liabilities are shown in parentheses.

Notes:

1. Methods for computing the estimated fair value of financial instruments and matters related to securities and derivative transactions

(1) Cash and deposits and (2) notes and accounts receivable—trade

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's ledger, the ledger value has been used.

(3) Marketable securities and investments in securities

The estimated fair values of these items are mainly valued at the exchange trading price.

(4) Notes and accounts payable—trade, (5) Short-term loans payable, (6) Bonds due within one year, and (7)Accounts payable

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's ledger, the ledger value has been used.

(8) Bonds and (9) Long-term loans payable

Bonds are valued at the market trading price. To estimate the fair value of long-term loans payable, the current value of these items is evaluated by discounting the total value of associated principal and interest using a notional interest rate that would be employed if that total value of funds were to be newly procured through the same kind of procurement method. Bonds and long-term loans payable with variable interest rates are subject to special case interest swap treatment (see (10) below), and their fair values are estimated by calculating the total value of associated principal and interest that are treated together with interest swaps, and then discounting that value using a rationally estimated notional interest rate that might be employed if that total value of funds were to be newly procured through the same kind of procurement method.

(10) Derivative transactions

The estimated fair values of forward exchange contracts are valued at the forward exchange market rate. Because items subject to assigning method accounting (period-by-period allocation) are accounted for together with notes and accounts receivable—trade and notes and accounts payable—trade, their fair values are shown including the fair value of the said notes and accounts receivable—trade and notes and accounts payable—trade (see (2) and (4) above). The estimated fair values of interest swaps are mainly valued at the price provided by the financial institutions making markets in these securities. Regarding special case treatment items, because these are treated together with the bonds or long-term loans being hedged, the fair value of these items are listed inclusive of the value of the hedged bonds or long-term loans (see (8) and (9) above).

2. Unlisted stocks, etc. (balance sheet value: ¥55,295 million) do not have market values, and it is not possible to estimate their future cash flows. As determining the estimated fair value of these items was recognized to be extremely difficult, their fair value has not been included in “(3) Marketable securities and investments in securities.”

VII. Per Share Information

Net assets per share	¥263.81
Net loss per share	¥16.23

VIII. Notes on the Business Integration

1. Business Integration between Nippon Steel Corporation and Sumitomo Metal Industries, Ltd.

Nippon Steel Corporation resolved at the Board of Directors' meeting on September 22, 2011, to enter into a Master Integration Agreement for the business integration (the “Merger”) with Sumitomo Metal Industries, Ltd. (SMI), upon which Nippon Steel would become the surviving corporation and SMI would be dissolved as of the integration date of October 1, 2012 (the “Integration Date”). The agreement was executed on the same day.

Subsequently, Nippon Steel and SMI executed a share exchange (the “Share Exchange”) on the Integration Date pursuant to which Nippon Steel became the wholly owning parent company of SMI and SMI became the wholly owned subsidiary of Nippon Steel. Upon resolution at the Board of Directors' meeting held on April 27, 2012, concerning the final agreement that includes a partial amendment to the content of the Master Integration Agreement for the execution of the Merger without provision of shares, cash, or other consideration, a share exchange was effected pursuant to the Share Exchange Agreement, and the Merger was executed pursuant to the Master Integration Agreement. Upon approval and passage of the Share Exchange Agreement and the Merger Agreement (collectively, the “Business Integration”) at the respective general meetings of shareholders of Nippon Steel and SMI held on June 26, 2012, the Business Integration was authorized with an enforcement date of October 1, 2012.

(1) Outline of the Business Integration

① Name and Business of the Acquired Company

Acquired company name	Sumitomo Metal Industries, Ltd.
Business of the acquired company	Steelmaking and steel fabrication

② Objectives of the Business Integration

Through the Business Integration, the Companies will make a thorough effort to seek the “combination of their respective advanced management resources that each has built up and the consolidation of the superior areas of their respective businesses.” In addition, the Companies will accelerate the implementation of business structure reform by such means as “pursuing greater efficiency in domestic production bases and expanding overseas businesses.” Through the realization of these objectives at an early stage, the Companies aim to be “the Best Steelmaker with World-Leading Capabilities,” a company with higher standards in all areas, including scale, cost, technology, and customer service.

Through the maximization of the potential of steel as a fundamental industrial material by utilizing world- leading technology and manufacturing know-how, the Integrated Company will support the development of customers in and outside Japan as well as contribute to further growth of the Japanese and global economies and the improvement of global society.

③ Date of the Business Integration

October 1, 2012

④ Legal Method of the Business Integration

The Business Integration was conducted using the following two-step legal procedure, consisting of a share exchange followed by an absorption-type merger on the same day.

Step 1: Share Exchange

On the Integration Date, the Companies effected a share exchange pursuant to which Nippon Steel & Sumitomo Metal Corporation acquired all of the issued shares of Sumitomo Metals and delivered shares of Nippon Steel & Sumitomo Metal Corporation to each of the shareholders of Sumitomo Metals (excluding Nippon Steel & Sumitomo Metal Corporation). Nippon Steel & Sumitomo Metal Corporation thereupon became a wholly owning parent company of Sumitomo Metals.

Step 2: Absorption-type Merger

On the Integration Date, the Companies effected an absorption-type merger pursuant to which Nippon Steel & Sumitomo Metal Corporation became the company surviving the absorption-type merger and Sumitomo Metals became the company absorbed in the absorption-type merger subject to the effectuation of the Share Exchange.

⑤ Integrated Company Name

Nippon Steel & Sumitomo Metal Corporation

⑥ Acquired Ratio of Voting

100%

⑦ Primary reasons for the decision to acquire the company

Nippon Steel's decision to acquire the company was based on factors that include the fact that the corporate integration would be executed utilizing shares as the consideration and Nippon Steel retains shares of the company and the fact that shareholders of Nippon Steel before the integration would retain the greatest percentage of shares of the post-integration company.

(2) Period of the Business Results of the Acquired Company Included in the Consolidated Statements of Operations to Be Concerned with the Period

October 1, 2012 — March 31, 2013

(3) The Historical Cost of the Acquired Company and the Breakdown

Value of the acquisition (the current price of the common stock which Nippon Steel & Sumitomo Metal Corporation delivered on the date of business combination)	¥505,654 million
<u>Expense needed for the acquisition directly (expense for advisory, etc.)</u>	<u>¥1,972 million</u>
Total Historical Cost	¥507,627 million

(4) Exchange Ratio by Type of Share, Calculation Method, and Number of Shares Exchanged

① Type of Shares to Be Exchanged (the share exchange ratio for a share of common stock of Nippon Steel to be allotted for each share of common stock of SMI)

A 0.735 share of common stock of Nippon Steel was delivered for each share of common stock of SMI.

② Share Exchange Ratio Calculation Method

1) Basis for calculation

Nippon Steel and SMI, in order to ensure fair and appropriate calculation of the integration ratio (the merger ratio is as of the conclusion of the Master Integration Agreement contract on September 22, 2011; the stock exchange ratio is as of the conclusion of the Share Exchange Agreement on April 27, 2012), each requested their respective financial advisors to conduct independent financial analysis of the integration ratio.

Nippon Steel engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("Mitsubishi UFJ Morgan Stanley"), Merrill Lynch Japan Securities Co., Ltd. ("Merrill Lynch Japan Securities"), Mizuho Securities Co., Ltd. ("Mizuho Securities"), and JP Morgan Securities Japan Co., Ltd. ("JP Morgan"). SMI engaged SMBC Nikko Securities Inc. ("SMBC Nikko Securities"), Goldman Sachs Securities Co., Ltd. ("Goldman Sachs"), Deutsche Securities Inc. ("Deutsche Securities"), and Daiwa Securities Capital

Markets Co., Ltd. (“Daiwa Securities Capital Markets”), which merged with Daiwa Securities Co., Ltd., on April 1, 2012).

2) Calculation details

Nippon Steel, in consideration of the findings of the financial analysis of the integration ratio provided by Mitsubishi UFJ Morgan Stanley, Merrill Lynch Japan Securities, Mizuho Securities, and JPMorgan, and SMI, in consideration of the findings of the financial analysis of the integration ratio provided by SMBC Nikko Securities, Goldman Sachs, Deutsche Securities, and Daiwa Securities Capital Markets, following meticulous negotiation and consultation in overall consideration of each company’s financial status, assets status, outlook for future business and performance, and other factors, on September 22, 2011, determined that it shall be appropriate to utilize the share exchange ratio presented in section 4) ① above as the effective integration ratio and concluded the Master Integration Agreement.

Although the Companies decided to change the method of the Business Integration from the One-Step Merger planned when the companies concluded the Master Integration Agreement on September 22, 2011, to a two-step procedure whereby the Share Exchange will be followed by an absorption-type merger on the same day, it was determined that the two-step procedure would not change the relative share value of Nippon Steel or SMI shares, and, therefore, the change in business integration procedure would not affect the exchange ratio of Nippon Steel shares to be distributed in exchange for each share of SMI.

Each of the Companies, in taking into consideration the respective parties’ status after September 22, 2011, as well as advice from their respective financial advisors, which was based on publicly available information and other information that was provided by the parties to their respective financial advisors, has confirmed that no event has occurred since September 22, 2011, that would require the parties to reconsider the agreed allocation ratio of Nippon Steel shares to be distributed in exchange for each share of SMI.

Based on the above, Nippon Steel and SMI agreed and resolved to execute the Share Exchange at the integration (merger) ratio agreed upon in the Master Integration Agreement entered into on September 22, 2011, and concluded the Share Exchange Agreement on April 27, 2012.

- ③ The number of shares which Nippon Steel & Sumitomo Metal Corporation delivered 3,200,346,200 shares

(5) Goodwill Amount, Reason for Payment, Manner and Period of Amortization

- ① The goodwill amount is ¥34,080 million.
- ② The reason for payment is the cost of acquisition exceeded the current market value at the time of the corporate integration.
- ③ The amortization method and period will be the straight-line method over a period of 10 years.

2. Business Integration between Nippon Steel City Produce, Inc. and Kowa Real Estate Co., Ltd.

Nippon Steel City Produce, Inc. (“Nippon Steel City Produce”), resolved at the Board of Directors’ meeting on March 26, 2012, to enter into a Master Integration Agreement for the business integration (the “Merger”) with Kowa Real Estate Co., Ltd. (“Kowa”), upon which Kowa would become the surviving company and Nippon Steel City Produce would be dissolved as of the integration date of October 1, 2012. The agreement was executed on the same day.

Nippon Steel City Produce and Kowa subsequently concluded a merger agreement on June 11, 2012. Upon approval and passage of the merger agreement at the respective general meetings of shareholders of Nippon Steel City Produce held on June 26, 2012, and Kowa held on July 20, 2012, the Merger was authorized with an enforcement date of October 1, 2012, on which day Kowa revised its corporate name to Nippon Steel Kowa Real Estate Co., Ltd.

(1) Outline of the Corporate Integration Executed by the Subsidiary

① Name of the integration companies and the business

Integrated company	Kowa Real Estate Co., Ltd.
Description of business	Owning, leasing, and managing real estate. Developing, buying, and selling of real estate as well as real estate brokering and consulting services. Planning and investing in real estate securitized products.
Non-integrated company	Nippon Steel City Produce, Inc.
Description of business	Development and sales of lots as well as leasing and managing real estate. Consulting on the effective utilization of real estate.

② Objectives of the Corporate Integration

Through this corporate integration, Nippon Steel City Produce and Kowa Real Estate will bring together their excellent business resources and expertise cultivated up to this point and organically integrate their respective specialty areas so that the companies can maintain a balanced business portfolio with an emphasis on developing and leasing office and condominium buildings as well as become an integrated developer that can provide multidimensional real estate services. As a result of this integration, the companies will enhance profitability, financial stability, and brand value. In addition, they will exert a strong presence in the real estate industry and pursue the realization of sustainable growth.

③ Date of the Corporate Integration

October 1, 2012

④ Outline of the Corporate Integration including the Legal Method

The companies were integrated through the merger. (Kowa Real Estate is the surviving company, and Nippon Steel City Produce has been dissolved.)

(2) Outline of the Accounting Treatment

The accounting method for this report is based on the Accounting Standard for Business Divestitures (ASBJ Statement No. 7) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10).

(3) Name of the Division where the Combination Company was Included in Disclosure of the Segment Information

Urban development segment

(4) Approximation of the Profit and Loss of the Combination Company Reported on the Consolidated Statements of Operations to Be Concerned with the Period

Net sales	¥33,935 million
Ordinary profit	¥4,209 million

Net sales comprise urban development business net sales of ¥33,935 million in the first half of the consolidated fiscal year.

Ordinary profit comprises urban development business ordinary profit of ¥2,376 million in the first half of the consolidated fiscal year and an equity-method investment return associated with Nippon Steel Kowa Real Estate Co., Ltd., of ¥1,833 million in the third quarter of the consolidated fiscal year.

Notes to the Non-Consolidated Financial Statements

I. Significant Accounting Policies

1. Basis and Method of Evaluation of Assets

(1) Marketable Securities

- Shares of subsidiaries and affiliates: Stated at cost determined by the moving-average method
- Available-for-sale securities:
 - Securities with market quotations: Stated at market value as of the balance sheet date (Net unrealized gains or losses are comprehensively included in net assets, and the cost of securities sold is determined by the moving-average method.)
 - Securities without market quotations: Stated at cost determined by the moving-average method

(2) Inventories

- Products, semi-finished products, work in process, raw materials, and supplies (molds and rolls): Cost method based on the periodic average method (the method of reducing book value when the contribution of inventories to profitability declines)
- Supplies (excluding molds and rolls): Cost method mainly based on the first-in, first-out method (the method of reducing book value when the contribution of inventories to profitability declines)

2. Depreciation Methods for Fixed Assets

(1) Tangible Fixed Assets (excluding lease assets)

Depreciation of tangible fixed assets is mainly calculated using the declining-balance method. However, the straight-line method is used for buildings.

Useful lives of tangible fixed assets are generally as follows:

Buildings:	Mainly 31 years
Machinery and equipment:	Mainly 14 years

(Changes in accounting principles that are difficult to classify from the changes in accounting estimates)

Beginning in the fiscal year under review, accompanying revisions in the corporate tax law, the Company has changed their method of depreciation for tangible fixed assets acquired on or after April 1, 2012, based on the corporate tax law after revisions.

Compared with the previous accounting method, the effect of these changes on the results for the fiscal year under review was to increase operating profit by ¥5,284 million and ordinary profit by ¥5,284 million.

(2) Intangible Fixed Assets (excluding lease assets)

Amortization of intangible fixed assets is calculated using the straight-line method.

Software products used by the Company are amortized over the projected usage periods that are of 5 years.

(3) Lease Assets

Assets concerning finance leases in which ownership is transferred to the lessee

These assets are depreciated using the same method of depreciation for tangible fixed assets owned by the Company.

Assets concerning finance leases in which ownership is not transferred to the lessee

These assets are depreciated to a residual value of zero based on the straight-line method over a useful life period corresponding to the lease contract period.

3. Accounting Basis for Reserves and Allowances

(1) Allowance for Doubtful Accounts

To provide for potential losses on doubtful accounts, the allowance for doubtful accounts is computed based on the historical experienced default ratio for non-specific receivables as well as based on the estimated irrecoverable portion of specific doubtful receivables calculated individually.

(2) Accrued Pension and Severance Costs

To provide for employee retirement benefits, an allowance is computed based on projections of retirement benefit obligations and the pension fund assets made at the end of the fiscal year under review. Prior service cost is being amortized by the straight-line method over periods (up to 10 years), which are shorter than the average remaining years of service of the employees. Actuarial differences arising from utilizing average estimated remaining periods of employment (up to 10 years) that are shorter than the average remaining years of service of the employees are principally amortized using the straight-line method beginning from the fiscal year following the time of occurrence.

(3) Reserve for Repairs to Blast Furnaces

Reserves are maintained in anticipation of significant periodic overhauls and repairs to blast furnaces and hot blast stoves. Reserve amounts are determined based on historical costs for similar activities.

4. Other Significant Accounting Policies for Financial Statements

(1) Important Assets and Liabilities in Foreign Currencies and Foreign Currency Translation

Monetary assets and liabilities of the Company denominated in foreign currencies are translated into yen at the spot rate prevailing on the closing date of accounts, and the resulting foreign exchange gains or losses are recognized as income or expenses.

(2) Method of Hedge Accounting

The Company uses deferred hedge accounting. With respect to items meeting in-house requirements, assigning method accounting (period-by-period allocation) is applied to forward exchange contracts and currency swaps associated with foreign currency-denominated transactions and foreign currency monetary assets and liabilities. Special accounting measures are applied to interest swaps that meet the requirements for special accounting treatment.

(3) Method and period for amortization of goodwill

Goodwill is amortized using the straight-line method over the period, where it is possible to estimate such a period, for which the excess cost is expected to have an effect on the consolidated balance sheets. Otherwise, the excess cost is amortized proportionately over 5 years.

(4) Accounting for Consumption Taxes

The accounting treatment used with respect to consumption tax and local consumption taxes is the tax-excluded method.

II. Changes in the Method of Presentation

(Consolidated balance sheets)

The reorganization of accounting methods following the business integration with Sumitomo Metal Industries, Ltd., led to a portion of accrued expenses (¥232,866 million in the previous fiscal year) to be categorized as accounts payable.

III. Non-Consolidated Balance Sheets

1. Accumulated Depreciation of Tangible Fixed Assets ¥4,861,252 million

2. Contingent Liabilities

The Company guarantees loans from financial institutions and other sources held by other companies.

(1) Loan Guarantee Liabilities

	(Outstanding amounts for the year ended)	(Substantial amounts)
Japan-Brazil Niobium Corporation	11,205 million	11,205 million
NIPPON STEEL & SUMIKIN GALVANIZING (THAILAND) CO., LTD.	7,176 million	7,176 million
VALLOUREC & SUMITOMO TUBOS DO BRASIL LTDA.	5,211 million	5,211 million
TENIGAL, S.de R.L.de C.V.	4,577 million	4,577 million
JAMSHEDPUR CONTINUOUS ANNEALING & PROCESSING COMPANY PRIVATE LIMITED	3,778 million	1,851 million
NIPPON STEEL & SUMIKIN CRANKSHAFT LLC	3,444 million	2,066 million
UNIGAL Ltda.	3,103 million	3,103 million
Huizhou Sumikin Forging Co., Ltd.	1,477 million	1,141 million
NIPPON STEEL PIPE MEXICO,S.A. DE C.V.	1,034 million	1,034 million
Other	2,455 million	2,342 million
Total	¥43,463 million	¥39,710 million

(2) Reserved Guarantees of Loans

(Outstanding amounts)

Sumikin Financial Service Co., Ltd.	¥3,574 million
Sumimetal Mining Co., Ltd.	1,390 million
Other	1,678 million
Total	¥6,643 million

Substantial amounts are equivalent to outstanding amounts.

(3) Maximum repurchase obligation amount associated with the liquidation of receivables
¥225 million

The substantial amount guaranteed is equivalent to the maximum repurchase obligation.

3. Accounts Payable and Receivable to Subsidiaries and Affiliates

Short-term loans receivable	¥160,187 million
Long-term loans receivable	150,853 million
Short-term loans payable	627,584 million
Long-term loans payable	322,801 million

IV. Non-Consolidated Statements of Income

1. Transactions with Subsidiaries and Affiliates

Operating transactions

Net sales	¥ 731,567 million
Purchases	1,001,860 million

Non-operating transactions

Proceeds from the transfer of assets, etc.	¥243,244 million
Expenditures from the transfer of assets, etc.	212,098 million

2. Impairment loss

Impairment loss associated with property put into business, etc., is accounted for as a special loss. This categorization is based on recognizing the declining profitability in the deteriorating business conditions as impairment losses associated with property put into business at the Hirohata Works and Sakai Works of the Company.

V. Statements of Changes in Net Assets

Number and Type of Treasury Stocks Outstanding at the End of the Fiscal Year

Common stocks	412,382,570 shares
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VI. Tax-Effect Accounting

Deferred tax assets primarily arise from the exclusion from expenses of accrued bonus, pension and severance costs, impairment loss, and net loss carried forward.

VII. Per Share Information

Net assets per share	¥175.49
Net loss per share	19.50

VIII. Notes on the Business Integration

Business Integration between Nippon Steel Corporation and Sumitomo Metal Industries, Ltd.

1. Period of the Business Results of the Acquired Company Included in the Statements of Operations to Be Concerned with the Period
October 1, 2012 — March 31, 2013
2. Goodwill Amount, Reason for Payment, Manner and Period of Amortization
 - (1) The goodwill amount is ¥51,855 million.
 - (2) The reason for payment is the cost of acquisition exceeded the current market value at the time of the corporate integration.
 - (3) The amortization method and period will be the straight-line method over a period of 10 years.

Other items are presented in “Notes to the Consolidated Financial Statements” and “VIII. Notes on the Business Integration” on page 9.

Report of Accounting Auditor on Consolidated Financial Statements (Copy)

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

Independent Auditors' Report

May 13, 2013

Mr. Shoji Muneoka
Representative Director, Chairman and CEO
Nippon Steel & Sumitomo Metal Corporation

KPMG AZSA LLC

Hideki Yanagisawa (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Toshiya Mori (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Hiroshi Tawara (Seal)
Designated Limited Liability Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Nippon Steel & Sumitomo Metal Corporation for the year from April 1, 2012 to March 31, 2013 in accordance with Article 444, Paragraph 4 of the Companies Act.

Management responsibility in respect of the consolidated financial statements

Management of the Company is responsible for the preparation and appropriate presentation of the consolidated financial statements, pursuant to the corporate accounting standards generally accepted in Japan. This includes development and operation of internal control as deemed necessary by the management in ensuring preparation and appropriate presentation of the consolidated financial statements that are free of material misstatements due to fraud or error.

Responsibility of Accounting Auditor

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditors. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to develop audit plan and conduct our audit according to the plan in order to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

Our audit involves the procedures to obtain audit evidence that verifies if the accurate amounts were duly disclosed in the consolidated financial statements. Audit procedures are selected and applied at our discretion, based on the risk assessment of material misstatements in the consolidated financial statements due to fraud or error. Although expressing our opinion in respect of the effectiveness of the Company's internal control does not constitute the purpose of accounting audit, we examine the internal control in respect of the preparation and appropriate presentation of the consolidated financial statements, with the purpose to develop appropriate audit procedures depending on the situation, when we implement the risk assessment. An audit also includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe we have obtained sufficient and appropriate audit evidence that serves as the basis for expression of our opinion.

Audit opinion

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position and the results of operations of Nippon Steel & Sumitomo Metal Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in conformity with accounting principles generally accepted in Japan.

Interest

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 Accounting Auditor on Non-Consolidated Financial Statements (Copy)

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

Independent Auditors' Report

May 13, 2013

Mr. Shoji Muneoka
Representative Director, Chairman and CEO
Nippon Steel & Sumitomo Metal Corporation

KPMG AZSA LLC

Hideki Yanagisawa (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Toshiya Mori (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Hiroshi Tawara (Seal)
Designated Limited Liability Partner
Certified Public Accountant

We have audited the non-consolidated financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and its supporting schedules of Nippon Steel & Sumitomo Metal Corporation for the 88th business year from April 1, 2012 to March 31, 2013 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

Management responsibility in respect of the non-consolidated financial statements and other documents
Management of the Company is responsible for the preparation and appropriate presentation of the non-consolidated financial statements and the supporting schedules, pursuant to the corporate accounting standards generally accepted in Japan. This includes development and operation of internal control as deemed necessary by the management in ensuring preparation and appropriate presentation of the non-consolidated financial statements and the supporting schedules that are free of material misstatements due to fraud or error.

Responsibility of Accounting Auditor

Our responsibility is to express an opinion on the non-consolidated financial statements and supporting schedules based on our audit as independent auditors. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to develop audit plan and conduct our audit according to the plan in order to obtain reasonable assurance about whether the non-consolidated financial statements and supporting schedules are free of material misstatement.

Our audit involves the procedures to obtain audit evidence that verifies if the accurate amounts were duly disclosed in the non-consolidated financial statements and the supporting schedules. Audit procedures are selected and applied at our discretion, based on the risk assessment of material misstatements in the non-consolidated financial statements and the supporting schedules due to fraud or error. Although expressing our opinion in respect of the effectiveness of the Company's internal control does not constitute the purpose of accounting audit, we examine the internal control in respect of the preparation and appropriate presentation of the non-consolidated financial statements and the supporting schedules, with the purpose to develop appropriate audit procedures depending on the situation, when we implement the risk assessment. An audit also includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and supporting schedules.

We believe we have obtained sufficient and appropriate audit evidence that serves as the basis for expression of our opinion.

Audit opinion

In our opinion, the non-consolidated financial statements and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Nippon Steel & Sumitomo Metal Corporation for the period, for which the non-consolidated financial statements and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Interest

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 the Company for the 88th fiscal year from April 1, 2012 to March 31, 2013, 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

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 Company's business 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 the Company'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.

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. 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 the Company at the Head Office and Works of the Company. 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 the Company, but also from KPMG AZSA LLC, and sought explanations as necessary. As for the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company 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. As for the subsidiaries of the Company, 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.

Based on the foregoing method, we examined the Business Report and the supplementary schedules for this fiscal year.

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

2. Audit Results

- (1) Audit Results on the Business Report, etc.
 - A. In our opinion, the Business Report and the supplementary schedules fairly represent the Company's condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.
 - B. 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 the Company, related to performance of duties by the Directors.
 - C. 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 the Company, etc. as well as KPMG AZSA LLC stating that the internal control on financial reporting is effective.
 - D. 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 the Company as described in the Business Report. In our opinion, the Measures to Prevent Decisions on the Financial and Business Policies of the Company 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 the Company or intended to protect position of current management of the Company.
- (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 14, 2013

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

Senior Audit & Supervisory Board Member	Toshihide Tanabe (Seal)
Audit & Supervisory Board Member	Hiroto Suetsugu (Seal)
Audit & Supervisory Board Member	Hirohiko Minato (Seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Shigeo Kifuji (Seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Takao Kusakari (Seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Toshiro Mutoh (Seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Hirotake Abe (Seal)

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
Annual Meeting of Shareholders	Latter part of June each year
Record date for the Annual Meeting of Shareholders	Shareholders entitled to exercise the right at the Annual 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	The Company may distribute its surplus to the shareholders or pledgees 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	The Company's website http://www.nssmc.com/en/index.html/
Articles of Incorporation and Regulations Relating to Shares	Articles of Incorporation and Regulations Relating to Shares are disclosed on the Company's website at http://www.nssmc.com/en/index.html/ , 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 the Company'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 the Company's website at <http://www.nssmc.com/en/index.html/>).

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