

Summary of Q&A at the conference for the “Execution of Master Integration Agreement between Nippon Steel Corporation and Sumitomo Metal Industries, Ltd.” on September 22, 2011

Speakers:

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	Q	A
1	What are the financial targets of the new merged company?	<ul style="list-style-type: none"> • While our specific financial plan is yet to be finalized, we are considering a target ROS of 10% or more from the viewpoint of keeping our current single A credit rating.
2	What is the schedule for the global development of the business and the reorganization of the combined group companies? What are the differences between the roles of production bases in Japan and production bases overseas?	<ul style="list-style-type: none"> • The schedule of possible consolidation of group companies will be similar to the one of the parent companies. • The increased global production of the merged company from 50 million tons to 60-70 million tons will be primarily achieved through overseas production increases. Steelworks in Japan will act as bases for product and technology development to support global expansion.
3	Cost reduction through scaling down is difficult due to current high production level. How do you plan to realize synergies by 30 billion yen through globalization, by 40 billion yen through technology development?	<ul style="list-style-type: none"> • The examples include reallocation of the personnel from administration and engineers to overseas operations, cost reduction through supplying slabs and hot rolled coils to overseas operations. • Applying best practices to all of our steelworks is another example. Best technology for coke ratio would be a good candidate.
4	Why did you announce the merger ratio before the approval of FTC of Japan?	<ul style="list-style-type: none"> • We have announced the important items which have been determined after discussion by the Integration Study Committee. Also, the announcement will accelerate the merger process itself. • JFTC is conducting its secondary review. We are now responding to JFTC's request for a report and other documents. Upon completion of our response, JFTC will make its decision within 90 days.

5	Is 10% ROS achievable in the light of current economic environment and appreciated yen?	<ul style="list-style-type: none"> • We think it is necessary to aim for a target ROS that will allow us to maintain our single A credit rating. The fluctuation of economy is something we always have to live with. We think and act in the long term with respect to vital issues. • We are determined to attain the global leading position in every area but scale.
6	When do you plan to achieve 60-70 million tons per annum? Do you plan to shut down any domestic steelworks?	<ul style="list-style-type: none"> • Within 10 years from now. But we feel we have to do it quicker having regard to the rapid growth of global steel demand. This merger will put us in a better position for it because of our consolidated resources. • We do not currently plan to shut down blast furnaces or steelworks.
7	Any item you expect to be difficult such as IT?	<ul style="list-style-type: none"> • We categorize our target into three: must, want, and can wait. We should be OK in the Musts. We are checking how far we can go for the want. We do not see any impossible.
8	The dividend policies of the two companies are different. What is the new policy?	<ul style="list-style-type: none"> • Our dividend policy is to be determined. The factors to be considered include the expectations of our shareholders, the existence of investment opportunities and balance sheet considerations. But achieving ROS of 10% or more and earning cash are the most important points.
9	Why does Sumitomo Metals merge with Naoetsu and Kokura?	<ul style="list-style-type: none"> • We separated them as subsidiaries to start product based organization rather than steelworks based organization. The initial purpose was attained now. We think it is best to merge them and pursue synergies with Nippon Steel.
10	How do you plan to carry out the global expansion ?	<ul style="list-style-type: none"> • The technology is the key of our winning scenarios. Therefore, we basically prefer at least 50% equity interest in overseas JVs. But we will proceed on a case by case basis.