

February 1, 2016  
Nippon Steel & Sumitomo Metal Corporation  
Nisshin Steel Co., Ltd.

Commencement of Discussions Regarding Making Nisshin Steel a Subsidiary of  
Nippon Steel & Sumitomo Metal and Regarding Nippon Steel & Sumitomo Metal  
Supplying Steel Slabs to Nisshin Steel

This is to announce that under the resolutions of the respective board of directors meetings held today, Nippon Steel & Sumitomo Metal Corporation (President: Kosei Shindo; “NSSMC”) and Nisshin Steel Co., Ltd. (President: Toshinori Miki; “Nisshin Steel”) have entered into a memorandum of understanding, pursuant to which both parties will commence discussions (the “Discussions”) regarding making Nisshin Steel a subsidiary of NSSMC (the “Proposed Transaction”), with the target date of the Proposed Transaction being March 2017, and regarding NSSMC’s constant supply of steel slabs to Nisshin Steel following the Proposed Transaction.

Matters such as the specific method of the Proposed Transaction, the shareholding ratio of NSSMC in Nisshin Steel and other matters are yet to be discussed, and such matters will be publicly disclosed as soon as an agreement is reached, with the target date for such disclosure being the middle of May 2016. Furthermore, Nisshin Steel will continue to be a listed company after it becomes NSSMC’s subsidiary.

I. Aim, Purpose, and Other Matters Concerning the Discussions

1. Aim of the Discussions

By consummating the Proposed Transaction, NSSMC and Nisshin Steel will bring together their respective management resources fostered to date, enhancing competitiveness by creating a synergy effect; further strengthen the position of the NSSMC Group as “the Best Steelmaker with World-Leading Capabilities” with the addition of Nisshin Steel; and enhance sustainable growth and corporate value in the mid- to long-term. NSSMC and Nisshin Steel will also discuss NSSMC’s constant supply of steel slabs to Nisshin Steel following the Proposed Transaction, from the perspective of enhancing competitiveness.

NSSMC and Nisshin Steel hope to contribute to customers as well as to the creation and development of a more affluent society through the realization of these measures.

2. Background and Purpose of the Discussions

Currently, the domestic and overseas business environment surrounding the steel industry is extremely severe. In such a situation, Nisshin Steel has considered plans to focus on and reinforce the domestic steel sheet business, and plans to rationalize the iron and steel-making process, which involves ceasing operations at the Kure steelworks No. 2 blast furnace; furthermore, it has proposed that NSSMC consider constantly

supplying steel slabs to Nisshin Steel. As a result of subsequent mutual discussions following the proposal above, NSSMC and Nisshin Steel have reached a shared view that it is necessary for them to amass their respective management resources and create a synergy effect in order to overcome this severe business environment, and to maintain and establish a competitive business foundation. As such, NSSMC and Nisshin Steel reached an agreement to commence the Discussions today.

(1) Severe Business Environment Surrounding the Steel Industry

Although the worldwide demand for steel is expected to grow steadily with the development of the economy and industry in the future and in the long term, currently the global supply-demand condition of steel is rapidly deteriorating due to a decrease in the demand for steel products caused by excessive production capacity centering on Asia, as well as the stalling Chinese economy. In particular, the crude steel production capacity in China has reached a level that surpasses 1.1 billion tons/year, and China has approximately 400 million tons/year excessive capacity compared to its domestic demand. As a result, the export of steel products from China has currently reached a level that surpasses 100 million tons/year, causing faltering in the market price of steel products centered in East Asia.

Moreover, regarding the stainless steel business in which the respective groups of NSSMC and Nisshin Steel engage, the production capacity of stainless steel manufacturers overseas especially in China has been enhanced, and the respective groups of NSSMC and Nisshin Steel rank lower than the top 10 globally in terms of the scale of stainless crude steel production; as a result, competition in both the domestic and overseas market is ever intensifying. For instance, imports from overseas giants that manufacture stainless steel is increasing in the domestic market.

In addition to the dissolution of the excessive steel production capacity of China being expected to take considerable time, the consumption of steel products in Japan cannot be expected to expand considering, among other things, a decrease in the population. In such an extremely severe market environment, the earnings of NSSMC, Nisshin Steel, and their group companies are rapidly decreasing.

(2) Structural Measures Taken by NSSMC and Nisshin Steel, Respectively

In the extremely severe business environment described above, after the business integration of Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. in October 2012, NSSMC likely achieved an integration effect in the amount of 200 billion yen/year, and steadily proceeded to improve both profitability and financial strength.

Nisshin Steel considered structural measures including the rationalization of iron and steel-making by directing management

resources to competitive products and ceasing operations at the Kure steelworks No. 2 blast furnace, as well as steadily implementing its current mid-term plan measures, and proposed to NSSMC constant supplying of steel slabs as an alternative source.

As a result of mutual discussions following the proposal above, NSSMC and Nisshin Steel reached the shared view that it is necessary for them to bring together their respective management resources and create a synergy effect in order to maintain a firm business and profit foundation in this severe business environment.

## II. The Vision That Both Companies Pursue by Undertaking the Discussions

NSSMC and Nisshin Steel will pursue realization of the following measures and targets through the Discussions with a view to further strengthening the position of the NSSMC Group as “the Best Steelmaker with World-Leading Capabilities” with the addition of Nisshin Steel, and thereby enhance sustainable growth and corporate value in the mid- to long-term.

### 1. Creating a Synergy Effect by Exploiting the Management Resources of NSSMC and Nisshin Steel Groups

NSSMC’s strengths are global top-level technological superiority and product readiness, cost competitiveness centering on iron and steel-making, and capability of being global. Nisshin Steel’s strengths are customer and market readiness enabled by meticulous development, marketing, and other activities in line with customer needs. NSSMC and Nisshin Steel would bring together their management resources and create a synergy effect, exploiting their respective strengths. Thus, they would domestically and globally provide better products, technologies, and services that meet customer needs; enhance their profitability; and contribute to the creation and development of a more affluent society.

### 2. Promoting Alliance Measures

After consummating the Proposed Transaction, NSSMC and Nisshin Steel would promote various alliance measures in the areas of operation, technology, facilities, procuring raw materials, resources and equipment, and management of manufacturing sites (such as safety, environment, disaster prevention, and maintenance), in addition to implementing the supply of steel slabs, and establish cost-competitiveness capable of winning global competition.

### 3. Maximizing Corporate Value and Improving Recognition by Shareholders and the Capital Markets

Through the Proposed Transaction, NSSMC and Nisshin Steel would enhance their financial strengths by efficient use of funds and assets, ensure healthy and sustainable growth; maximize corporate value in the mid- to long-term; and endeavor to gain a higher recognition in the capital markets, including from shareholders.

### III. Prospects (Provisional)

NSSMC and Nisshin Steel will immediately commence the Discussions and, once an agreement is reached, will execute a definitive agreement, with the target date being the middle of May 2016. Upon execution, both companies plan to consummate the Proposed Transaction, with the target date being March 2017 after obtaining clearance from domestic and overseas competition authorities and other required procedures are taken.

#### 1. Schedule of the Proposed Transaction (Provisional)

- |     |                          |  |
|-----|--------------------------|--|
| (1) | February 1, 2016:        | Execution of the memorandum of understanding regarding the Discussions (today) |
| (2) | Mid-May 2016 (target):   | Execution of a definitive agreement and timely disclosure                      |
| (3) | March 2017 (target):     | Nisshin Steel becoming NSSMC's subsidiary                                      |
| (4) | Within Fiscal Year 2019: | Commencement of NSSMC's supply of steel slabs to Nisshin Steel                 |

#### 2. Method of the Proposed Transaction and Related Matters

##### (1) Method of the Proposed Transaction

The following methods are contemplated: NSSMC's acquisition of Nisshin Steel's ordinary shares by tender offer under the Financial Instruments and Exchange Act (Act No. 25, 1948), NSSMC's acquisition of ordinary shares issued or disposed by Nisshin Steel by way of third-party allotment, a combination of both, or other methods. Both companies plan to discuss the method of the Proposed Transaction by considering an acquisition by tender offer as the first choice and comparing it with other methods, which will be set forth in the definitive agreement.

##### (2) Shareholding Ratio after the Proposed Transaction (Percentage of Voting Rights Held)

Currently, the shareholding ratio of NSSMC in Nisshin Steel after the Proposed Transaction (percentage of voting rights held) is envisaged to be within the range of 51% to 66%. Both companies plan to discuss the ratio which will be set forth in the definitive agreement. Nisshin Steel will continue to be a listed company after becoming NSSMC's subsidiary.

##### (3) Acquisition price and related matters

The acquisition price (in total) and the type of consideration (cash, securities and others) for NSSMC's acquisition of Nisshin Steel's ordinary shares through the series of transactions described in (1) and (2) above is yet to be determined. Both companies plan to discuss these matters and provide them in the definitive agreement. If NSSMC decides to choose cash as consideration, NSSMC intends

to use its funds on hand or funds to be borrowed from outside sources.

3. Organization to Proceed with the Discussions

NSSMC and Nisshin Steel will establish the “Discussion Committee” (tentative name) and commence the Discussions.

4. Forecasts of Effects on Financial Performance

There is no effect on financial performance for the current term of NSSMC and Nisshin Steel. The effects on both companies’ financial performance for subsequent terms are unknown.

(Reference) Consolidated Financial Forecasts for the Current Term (The financial forecasts for the current term was publicly released on February 1, 2016) and Consolidated Performance for the Previous Term

(1) NSSMC

(Unit: million yen)

	Consolidated sales	Consolidated operating profit	Consolidated ordinary income	Consolidated current profit
Consolidated financial forecasts for the current term(*) (term ending in March 2016)	5,000,000	-	250,000	180,000
Consolidated financial performance for the previous term (term ending in March 2015)	5,610,030	349,510	451,747	214,293

(\*) Figures are those released by NSSMC on October 29, 2015. New forecasts will be disclosed at 1:00 p.m., February 1 (Tokyo time).

(2) Nisshin Steel

(Unit: million yen)

	Consolidated sales	Consolidated operating profit	Consolidated ordinary income	Consolidated current profit
Consolidated financial forecasts for the current term(*) (term ending in March 2016)	561,000	12,500	9,500	4,500
Consolidated financial performance for	617,525	21,055	19,697	16,947

the previous term (term ending in March 2015)				
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(\*) Figures are those released by Nisshin Steel on October 30, 2015. New forecasts will be disclosed at 1:30 p.m., February 1 (Tokyo time).

(Exhibit: Reference materials) Outline of both NSSMC and Nisshin Steel

(Contact Information)

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Regarding Forward-looking Statements

This document includes “forward-looking statements” that reflect the foregoing Discussions and the results thereof. To the extent that statements in this document do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the two companies in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the actual results, performance, achievements or financial position of one or both of the two companies (or NSSMC Group after the consummation of the Proposed Transaction) to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. The two companies undertake no obligation to publicly amend or update any forward-looking statements after the date of this document. Investors are advised to consult any further disclosures by the two companies.

The risks, uncertainties and other factors referred to above include, but are not limited to:

- (1) economic and business conditions in and outside Japan;
- (2) changes in steel product supply and demand, raw material costs and exchange rates;
- (3) changes in interest rates on loans, bonds and other indebtedness of the two companies, as well as changes in financial markets;
- (4) changes in the value of assets held (including pension assets), such as securities;
- (5) changes in laws and regulations (including environmental regulations) relating to the business activities;
- (6) rise in tariffs, imposition of import controls and other developments in main overseas markets;
- (7) interruptions in or restrictions on business activities due to natural disasters, accidents and other causes;
- (8) the two companies’ being unable to reach a mutually satisfactory agreement on the details of the matters included in the Discussions or otherwise unable to complete the Proposed Transaction; and
- (9) difficulties in realizing the synergies and the effect of alliance measures of the NSSMC Group after the consummation of the Proposed Transaction.

Governing Law and Other Matters

Matters such as the specific method of the Proposed Transaction are yet to be determined. Should it be commenced, the Proposed Transaction will be implemented in compliance

with the procedures and information disclosure standards under Japanese law, which might not necessarily be the same as the procedures and information disclosure standards of the U.S. In particular, Section 13(e) or Section 14(d) of the Securities Exchange Act of 1934, as well as the rules based thereon, do not apply to the Proposed Transaction, and the Proposed Transaction might not be in line with the procedures and standards thereunder. The financial information contained in this press release is based on the Japanese accounting standards, which may largely differ from the general accounting principles of the U.S. or other countries.

Where the Proposed Transaction is to be commenced, then unless stated otherwise, all procedures related thereto will be conducted in Japanese. All or part of the documents related to the Proposed Transaction will be prepared in English. However, the Japanese documents shall prevail if there is any discrepancy between the English and Japanese documents.

This press release is intended to publicly announce the execution of the memorandum of understanding that provides for commencement of the Discussion, and it was not prepared with the intention to solicit, among other transactions, the sale of Nisshin Steel's shares.

## Overview of NIPPON STEEL &amp; SUMITOMO METAL CORPORATION and Nisshin Steel Co., Ltd.

Trade Name	NIPPON STEEL & SUMITOMO METAL CORPORATION		Nisshin Steel Co., Ltd.	
Description of Business Activities	1. Steelmaking and steel fabrication (Manufacturing and sales of steel products) 2. Engineering and Construction 3. Chemicals 4. New materials 5. System solutions		1. Steelmaking and steel fabrication (Manufacturing and sales of steel products)	
Date of Establishment	April, 1950*1		October, 2012 (Newly established)*2	
Head Office Location	6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo		4-1, Marunouchi 3-Chome, Chiyoda-ku, Tokyo	
Name and Title of the Representative	Kosei Shindo Representative Director and President		Toshinori Miki Representative Director	
Net Sales (Consolidated basis) (FY 2014)	5,610.0 billion yen		617.5 billion yen	
Crude Steel Production (Consolidated basis) (FY2014)	47,320 thousand tons per year		3,980 thousand tons per year	
Capital (As of March 31, 2015)	419.5 billion yen		30.0 billion yen	
Number of Outstanding Shares (As of March 31, 2015)	9,503 million*3		109 million	
Total Assets (As of March 31, 2015)	7,157.9 billion yen		770.5 billion yen	
Date of Fiscal Year End	March 31		March 31	
Number of Employees (As of March 31, 2015)	84,447 (23,775 on a non-consolidated basis)		6,879 (4,128 on a non-consolidated basis)	
Main Customers	Sumitomo Corporation NIPPON STEEL & SUMIKIN BUSSAN CORPORATION Metal One Corporation		Metal One Corporation Marubeni-Itochu Steel Inc. Nihon Teppan Co., Ltd.	
Main Banks	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd.		The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	
Major Shareholders and Ownership Percentage*4 (As of March 31, 2015)	Japan Trustee Services Bank, Ltd. (Trust Account)	4.1%	NIPPON STEEL & SUMITOMO METAL CORPORATION	8.3%
	The Master Trust Bank of Japan, Ltd. (Trust Account)	3.3%	Japan Trustee Services Bank, Ltd. (Trust Account)	6.9%
	Nippon Life Insurance Company	2.6%	The Master Trust Bank of Japan, Ltd. (Trust Account)	4.8%
	Sumitomo Corporation	1.9%	Taiyo Life Insurance Company	2.4%
	Mizuho Bank, Ltd.	1.7%	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.2%
	Sumitomo Mitsui Banking Corporation	1.5%	Mizuho Bank, Ltd.	1.6%
	Meiji Yasuda Life Insurance Company	1.5%	HAYAT	1.6%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.4%	Japan Trustee Service Bank, Ltd. (Trust Account 9)	1.5%
	THE BANK OF NEW YORK MELLON SA/NV 10	1.3%	Nippon Life Insurance Company	1.5%
	STATE STREET BANK WEST CLIENT - TREATY 505234	1.1%	Sompo Japan Nipponkoa Insurance Inc.	1.4%

On October 1, 2012, Nippon Steel Corporation ("Nippon Steel") merged with Sumitomo Metal

\*1 Industries, Ltd. by way of an absorption type merger, and changed its trade name to Nippon Steel & Sumitomo Metal Corporation.

\*2 On October 1, 2012, NISSHIN STEEL Co., Ltd. ("Former NISSHIN STEEL") and Nippon Metal Industry conducted a share transfer, thereby newly establishing Nisshin Steel Holdings Co., Ltd.. Subsequently, on April 1, 2013, Nisshin Steel Holdings Co., Ltd. merged with Former NISSHIN STEEL and Nippon Metal Industry by way of an absorption type merger, and changed its trade name to Nisshin Steel Co., Ltd.

NSSMC implemented a reverse share split by making every 10 shares into 1 share, with the effective date of October 1, 2015. As such, the number of outstanding shares after the share consolidation is 950 million shares.

\*4 The figures indicate the proportion of the number of shares held to the total number of outstanding



<Operating Results and Financial Position for Past 3 Years>

Fiscal Year	NIPPON STEEL & SUMITOMO METAL CORPORATION (Consolidated Basis)			Nisshin Steel Co., Ltd. (Consolidated Basis)		
	Fiscal Year Ended March			Fiscal Year Ended March		
	2013	2014	2015	2013	2014	2015
Net Assets	2,938.2 billion yen	3,237.9 billion yen	3,547.0 billion yen	179.2 billion yen	215.9 billion yen	271.9 billion yen
Total Assets	7,089.4 billion yen	7,082.2 billion yen	7,157.9 billion yen	694.2 billion yen	741.7 billion yen	770.5 billion yen
Net Assets per Share	263.81 yen	294.10 yen	326.30 yen	1,720.29 yen	2,079.89 yen	2,398.36 yen
Sales	4,389.9 billion yen	5,516.1 billion yen	5,610.0 billion yen	518.9 billion yen	576.4 billion yen	617.5 billion yen
Operating Income	20.1 billion yen	298.3 billion yen	349.5 billion yen	△16.8 billion yen	16.5 billion yen	21.0 billion yen
Ordinary Income	76.9 billion yen	361.0 billion yen	451.7 billion yen	△16.8 billion yen	19.7 billion yen	19.6 billion yen
Net Income	△124.5 billion yen	242.7 billion yen	214.2 billion yen	△37.3 billion yen	17.7 billion yen	16.9 billion yen
Net Income per Share	△16.23 yen	26.67 yen	23.48 yen	△393.32 yen	177.72 yen	160.51 yen
Dividend per Share	1.0 yen	5.0 yen	5.5 yen	5.0 yen	15.0 yen	40.0 yen

\* NSSMC's figures for the fiscal year ended March 2013 are calculated by adding together Nippon Steel's figures for the first half-year and NSSMC's figures for the second half-year.

\* Nisshin Steel's figures for the fiscal year ended March 2013 are calculated by adding together Former NISSHIN STEEL's figures for the fiscal year and Nippon Metal Industry's figures for the first half-year.

<Relationship between Party Companies>

Capital Ties	As of September 30, 2015, NSSMC holds 9,124 thousand shares representing 8.3% of Nisshin Steel's outstanding shares and Nisshin Steel holds 37,116* thousand shares representing 0.4 % of NSSMC's outstanding shares.
Personnel Ties	A Director and Managing Executive Officer and a Audit & Supervisory Board Member of Nisshin Steel are people from NSSMC (then Nippon Steel).
Business Ties	Mutual supply on hot-rolled stainless steel between Nisshin Steel and Nippon Steel & Sumikin Stainless Steel Corporation. Contract manufacturing service provided by Nippon Steel & Sumikin Stainless Steel Pipe Co., Ltd. to Nisshin Stainless Steel Tubing Co., Ltd. with respect to stainless steel pipe.
Status Applicable to the Related Parties	N/A

\* NSSMC implemented a reverse share split by consolidating every 10 shares into 1 share, with the effective date of October 1, 2015. As such, the number of shares at present is 3,711 thousand shares.