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February 2, 2017

To Whom It May Concern,

Listed Company’s Name:	Nippon Steel & Sumitomo Metal Corporation
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Notice regarding the Commencement of the Tender Offer for Nisshin Steel Co., Ltd.’s Shares (Securities Code 5413)

As previously announced in the press release dated May 13, 2016 (entitled “Notice Regarding Execution of an Agreement to Make Nisshin Steel Co., Ltd. a Subsidiary of Nippon Steel & Sumitomo Metal Corporation, etc. and Implementation of Tender Offer”) (the “**Press Release at the Time of Contract Execution**”), Nippon Steel & Sumitomo Metal Corporation (“**NSSMC**” or the “**Tender Offeror**”) entered into an agreement dated May 13, 2016 with Nisshin Steel Co., Ltd. (the “**Target Company**”) to make the Target Company a subsidiary of NSSMC by around March 2017 (the “**Proposed Transaction**”)(the “**Agreement for the Proposed Transaction, Etc.**”) and adopted a resolution to acquire the shares of the Target Company’s common stock through a tender offer (the “**Tender Offer**”), subject to the satisfaction of certain conditions, including completion of procedures required under domestic and foreign competition laws.

Thereafter, NSSMC received from the Japan Fair Trade Commission a “Notice Stating That the Japan Fair Trade Commission Will Not Issue a Cease-and-Desist Order” dated January 27, 2017 regarding NSSMC’s acquisition of the Target Company’s shares (please see the press release dated January 30, 2017 (entitled “Result of Review by the Japan Fair Trade Commission regarding Making Nisshin Steel Co., Ltd. a Subsidiary of Nippon Steel & Sumitomo Metal Corporation”)), whereby the conditions, including completion of procedures required under domestic and foreign competition laws, were satisfied. Accordingly, at NSSMC’s board meeting held today, it adopted a resolution to commence the Tender Offer on February 3, 2017, and hereby announces as follows.

1. Purpose, etc. of the Purchase

(1) Overview of the Tender Offer

As announced in the press release dated February 1, 2016 (entitled “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”), NSSMC and the Target Company entered into a memorandum of understanding on February 1, 2016, pursuant to which the parties would commence discussions (the “**Discussions**”) regarding making the Target Company a subsidiary of NSSMC by around March 2017 and regarding NSSMC’s continuous supply of steel slabs (material for steel products) to the Target Company subject to the completion of the Proposed Transaction, and they were engaged in the Discussions thereafter. As a result of the Discussions, as

stated in the Press Release at the Time of Contract Execution announced on May 13, 2016, the companies reached an agreement on the specific structure of the Proposed Transaction and the conditions for NSSMC's capital contribution to the Target Company, etc. Therefore, based on the resolutions adopted at their respective board of directors' meetings held on May 13, 2016, the companies entered into the Agreement for the Proposed Transaction, Etc. dated the same date. For an overview of the Agreement for the Proposed Transaction, Etc., please see "(3) Material Agreements and Related Matters Regarding the Tender Offer" below.

Under the Agreement for the Proposed Transaction, Etc., the companies worked to implement NSSMC's acquisition of the Target Company's shares to reach the ownership ratio of 51.00% of the total number of outstanding shares (including treasury shares; hereinafter the same shall apply) of the Target Company by means of a combination of the Tender Offer and a capital increase by third-party allotment, through which NSSMC would subscribe for the Target Company's shares to be newly issued (the "**Capital Increase by Third-Party Allotment**") (provided that, in connection with the Capital Increase by Third-Party Allotment, NSSMC would purchase only the number of offered shares needed to bring NSSMC's ownership ratio to 51.00% of the total number of outstanding shares of the Target Company upon completion of the purchase; accordingly, if the Tender Offer alone resulted in NSSMC owning 51.00% of the total number of outstanding shares of the Target Company, then NSSMC would not purchase any shares through the Capital Increase by Third-Party Allotment) (the aforementioned transactions, collectively, the "**Transaction**"). The Tender Offer was planned to be conducted promptly after certain conditions, including, among other conditions, the completion of certain procedures required by domestic and foreign competition laws, were satisfied.

Following the recent completion of certain procedures required to be completed before the Tender Offer under domestic and foreign competition laws, NSSMC confirmed that the conditions precedent to the implementation of the Tender Offer as specified in the Agreement for the Proposed Transaction, Etc. were satisfied, and at the board of directors' meeting held on February 2, 2017, it adopted a resolution to commence the Tender Offer on February 3, 2017 with a view to allowing NSSMC to make the Target Company its subsidiary. In addition, NSSMC also adopted a resolution to set the payment date for the Capital Increase by Third-Party Allotment as the same date as the commencement date of the settlement for the Tender Offer, assuming that the Tender Offer alone would not result in NSSMC owning 51.00% of the total number of outstanding shares of the Target Company and that NSSMC would make a payment for the Capital Increase by Third-Party Allotment.

As of today, the Target Company's shares are listed on the First Section of the Tokyo Stock Exchange, Inc. (the "**TSE**"). Because the purpose of the Transaction is to make the Target Company a subsidiary of NSSMC and the Target Company intends that the Target Company's shares will continue to be listed after the Transaction, the maximum number of shares to be purchased during the Tender Offer (constituting a part of the Transaction) is planned to be 46,896,300 shares, which would make NSSMC's share ownership ratio (meaning the ratio of the number of shares owned by NSSMC in comparison to the total number of outstanding shares of the Target Company; hereinafter the same shall apply) 51.00%, when combined with the number of the Target Company's shares owned by NSSMC as of the submission date of the Tender Offer Statement. If the total number of shares tendered in response to the Tender Offer (the "**Tendered Shares**") exceeds the maximum number of shares to be purchased, NSSMC will not purchase all or any of the excess portion, and will deliver the shares and will implement other settlement procedures for their purchase using the pro rata method as specified in Article 27-13, paragraph (5) of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the "**FIEA**") and Article 32 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than the Issuer (Ordinance of the Ministry of Finance No. 38 of 1990, as amended; the "**Cabinet Office Ordinance**"). On the other hand, no minimum number of shares to be purchased is set for the Tender Offer; therefore, if the total number of Tendered Shares is equal to or less than the maximum number of shares to be purchased, NSSMC will purchase all the Tendered Shares.

According to the Target Company, as announced in the Press Release at the Time of Contract Execution, at the board of directors' meeting held on May 13, 2016, the Target Company, pursuant to the unanimous approval of its nine directors, excluding Mr. Kenji Minami, adopted a resolution to express an opinion of support for the Tender Offer as of the same day, assuming that the Tender Offer would be conducted, and a resolution to leave to its shareholders the decision as to whether they would tender their shares in the Tender Offer or not, because, as stated above, the Target Company's shares would continue to be listed after the Transaction while the Target Company believed that the proposed purchase price for the Tender Offer (the "**Proposed Tender Offer Price**") was reasonable. In order to avoid any suspicion of conflicts of interest, among the Target Company's directors as of May 13, 2016, Mr. Kenji Minami did not participate in the deliberations or resolutions regarding the Transaction at the meeting of the board of directors of the Target Company. Mr. Minami previously served as an officer at NSSMC (Nippon Steel Corporation at that time), which is the Tender Offeror and the contemplated subscriber for the shares of the Target Company in the Capital Increase by Third-Party Allotment. However, the Tender Offer was to be launched subject to the satisfaction of certain conditions, as mentioned above, and it was expected that it would be some time before the launch thereof. Therefore, at the meeting of the board of directors of the Target Company mentioned above, the board also adopted a resolution to express a subsequent opinion regarding the Tender Offer after the additional discussions that would take place at the time of the launch of the Tender Offer.

According to the Target Company's press release dated February 2, 2017 (entitled "Notice regarding Expressing Opinion to Support the Tender Offer for Nisshin Steel Co., Ltd.'s Shares by Nippon Steel & Sumitomo Metal Corporation") (the "**Press Release by the Target Company**"), at the meeting of the board of directors of the Target Company held on February 2, 2017 with the attendance of all directors and the unanimous approval of its nine directors, excluding Mr. Kinya Yanagawa, the Target Company again adopted a resolution to express an opinion in support of the Tender Offer. In addition, as of February 2, 2017, while the Target Company believes that the purchase price for the Tender Offer (the "**Tender Offer Price**") is reasonable in light of the results of the calculation of its share value as stated in "(II) Valuation report from an independent third-party valuation organization obtained by the Target Company" of "(4) Procedures Performed for the Tender Offer" below, there will be a maximum number of shares to be purchased during the Tender Offer, and the Target Company's shares are intended to continue to be listed after the Transaction. As such, the Target Company has decided to take a neutral position and leave to its shareholders the decision as to whether they will tender their shares in the Tender Offer or not, and has passed a resolution to that effect. The Target Company director, Kinya Yanagawa, had previously worked as an officer of NSSMC, which is the Tender Offeror and the contemplated subscriber for the shares of the Target Company in the Capital Increase by Third-Party Allotment. Therefore, in order to avoid any suspicion of conflicts of interest, Mr. Kinya Yanagawa did not participate, in the deliberations or resolutions regarding the Transaction at the board of directors' meeting.

In addition, according to the Target Company, as announced in the Press Release at the Time of Contract Execution, the Target Company introduced certain "Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measures)" on October 1, 2012. After deliberation, in light of the purposes of these rules, the Target Company adopted a resolution at its board of directors' meeting held on May 13, 2016 that, in its judgment, the Tender Offer would contribute to maximizing the Target Company's corporate value and the common interests of its shareholders.

As stated above, the aim of the Transaction is for NSSMC to acquire the number of the Target Company's shares that would bring its ownership ratio to 51.00% of the total number of outstanding shares in the Target Company, by means of a combination of the Tender Offer and the Capital Increase by Third-Party Allotment. Because of the nature of a tender offer, NSSMC's share ownership ratio after the implementation of the Tender Offer will not be fixed until the settlement is completed; therefore, it is contemplated that if the Tender Offer results in NSSMC owning less than 51.00% of the Target Company's outstanding shares, the Proposed Transaction will be achieved through NSSMC purchasing the Target Company's shares through the Capital Increase by Third-Party Allotment. NSSMC and the Target Company view the Tender Offer and the Capital Increase by Third-Party

Allotment as a related series of procedures designed to achieve the Proposed Transaction and view the Capital Increase by Third-Party Allotment as a supplement to the Tender Offer.

According to the Target Company, as stated in the Press Release at the Time of Contract Execution and the Target Company's press release dated May 13, 2016 (entitled "Notice Regarding Offering of Shares to Be Issued through Third-Party Allotment") (the "**Press Release Regarding Third-Party Allotment**"), at the meeting of its board of directors held on May 13, 2016, the Target Company adopted a resolution to conduct the Capital Increase by Third-Party Allotment with NSSMC as the subscriber. Thereafter, in response to the fact that NSSMC was a Special Subscriber, as defined in Article 206-2, paragraph (1) of the Companies Act, in the Capital Increase by Third-Party Allotment, the Target Company submitted the subscription agreement for shares to be offered in connection with the Capital Increase by Third-Party Allotment (the "**Subscription Agreement**") as an agenda item for approval at the 4th Annual Shareholders Meeting of the Target Company held on June 24, 2016 (the "**4th Annual Shareholders Meeting of the Target Company**") pursuant to paragraphs (4) and (5) of Article 206-2 of the Companies Act, and at the 4th Annual Shareholders Meeting of the Target Company, the agenda item was approved and passed as originally proposed. Article 206-2, paragraph (4) of the Companies Act provides that the approval of the shareholders meeting will be required for the subscription for offered shares by the Special Subscriber if shareholders that hold voting rights equal to one-tenth (1/10) or more of the voting rights of all shareholders give notice of their opposition to such subscription. However, given the importance of the Capital Increase by Third-Party Allotment, the Target Company decided that it would be appropriate to obtain the approval of its shareholders for the Subscription Agreement regardless of the existence of such notice of dissent and included it as an agenda item at the 4th Annual Shareholders Meeting of the Target Company. The shareholders' approval was obtained.

- (2) Purposes of and Background to the Tender Offer, and Post-Tender Offer Management Policies
- (1) Purposes of and Background to the Tender Offer
- (a) Business Environment Surrounding the Companies

Although the worldwide demand for steel is expected to grow steadily in the mid- to long-term along with economic and industrial development, recently, production capacity in China has been expanding rapidly and its crude steel production capacity is now estimated to be 1.1 billion tons/year. The decrease in China's demand for steel products due to the recent economic deceleration in China has created approximately 400 million tons/year of excess capacity. Roughly 100 million tons/year of surplus steel products, which is the equivalent of the total annual crude steel production in Japan, have been exported to countries in Southeast Asia and the rest of the world, and as a result, trade protection measures, such as anti-dumping and safe guard measures, have increasingly been taken in a rapid pace around the world. At present, this stagnation of the steel market that had continued until the end of 2016, which was caused by the relaxation of supply-and-demand balance, and the rising prices of raw coal put pressure on the earnings of steel companies around the world. While there are indications that the excess of production capacity in China will be corrected, it will likely take considerable time. In addition, consumption of steel products in Japan is unlikely to significantly increase, considering its declining population. Meanwhile, advanced coastal steelworks in China and Southeast Asia will soon enter full-scale production one after another, and the business environment surrounding the steel business will become even more severe.

Moreover, regarding the stainless steel business in which the respective groups of NSSMC and the Target Company engage, the production capacity of stainless steel manufacturers overseas (particularly in China) has been enhanced, and this has pushed NSSMC and the Target Company and their respective groups out of the global top 10 in terms of scale of stainless crude steel production. As a result, competition in both domestic and overseas markets is intensifying, with stainless steel imports from these overseas stainless steel manufacturers into the Japanese market growing as well.

In these circumstances, the earnings of NSSMC and its group companies, and the Target Company and its group companies (collectively, the “**Companies’ Groups**”) are rapidly decreasing. We believe that in order to achieve sustainable profit growth in this severe business environment, it will be essential for the Companies’ Groups to maintain superiority over their overseas and domestic competitors and further enhance their earning power.

(b) Efforts Made by the Companies and Background to the Transaction

NSSMC was formed in October 2012 by the business integration of Nippon Steel Corporation (established in 1950) and Sumitomo Metal Industries, Ltd. (established in 1949). NSSMC (which manufactures and sells steel products used in a wide range of business areas, including automobiles, shipbuilding, energy generation/transmission, home electrical appliances, industrial machinery, and civil engineering and construction) is a global leader in technology with highly satisfied customers, especially in the area of high-grade steel products for which NSSMC is well-known. Since the business integration, NSSMC has strived to become the “Best Steelmaker with World-Leading Capabilities,” by focusing on three main objectives: technological superiority, cost competitiveness, and global business expansion. NSSMC has taken measures to reduce costs, integrate facilities, invest in downstream processes overseas, and integrate and reorganize its group companies by combining technologies and promoting synergies resulting from the business integration. Through these measures, NSSMC has generated synergy effects of 200 billion Japanese yen per year, as stated in the mid-term management plan of NSSMC published on March 13, 2013, and has steadily improved both its profitability and financial strength. Recognizing that enhancing domestic manufacturing bases and improving earnings overseas establishments are an inseparable pair of driving forces for the improvement of its corporate value, in March 2015, NSSMC formulated its “2017 Mid-Term Management Plan” and has steadily made investments to enhance its business foundation and achieve growth in the currently deteriorating business environment, as a step toward the realization of a firm position as the “Best Steelmaker with World Leading Capabilities.”

The Target Company was established in April 2014 by the merger of Nisshin Steel Holdings Co., Ltd. (established in 2012), the former Nisshin Steel Co., Ltd. (established in 1959), and Nippon Metal Industry Co., Ltd. (established in 1932). The Target Company is a steelmaker specializing in coated steel sheets, special steel, and stainless steel, etc. In the coated steel sheets market, the Target Company has received high evaluations from its customers for the galvanized steel sheets and aluminum-coated steel sheets bearing its MOONSTAR corporate symbol. Also, in the stainless steel market, the Target Company was a pioneer in spreading stainless steel products across Japan. In addition, since the establishment of Nisshin Steel Holdings Co., Ltd., the Target Company has steadily implemented the measures set forth in its “24th Medium-Term Consolidated Management Plan” formulated in November 2012, including enhancing business competitiveness by reducing costs, ensuring multi-stratified earnings through global business expansion and core products strategies (the enhancement of core product areas (i.e., coated steel sheets, special steel and stainless steel, among others) in which the Target Company has technical advantages), and creating new markets by deepening customer-centrism, and has achieved certain positive results.

In these circumstances, the Target Company independently began engaging in an examination of the enhancement of its business foundation in response to the extreme severity of the current business environment in Japan and overseas. Specifically, based on the core products strategies stated above, the Target Company considered directing management resources to its most competitive products and streamlining the iron- and steel-making process (blast furnaces and steel making), including by transitioning to a single blast furnace system at Kure Works (which entails an expansion and relining of blast furnace No. 1 and the cessation of blast furnace No. 2) by the end of fiscal year 2019. As a result, the Target Company determined that implementing structural reforms for its business would contribute to the improvement of the Target Company’s corporate value. These reforms would include receiving a supply of steel slabs from NSSMC (with whom the Target Company has built a relationship of trust over many years through alliance measures, such as supply of steel slabs at the time of the relining of blast furnaces, joint investment in business companies and personnel exchanges,

starting with the Target Company's acceptance of a capital contribution from Yawata Iron & Steel Co., Ltd., the predecessor of NSSMC, in October 1951), as the Target Company would otherwise fall short in its supply of steel slabs due to the streamlining of its iron- and steel-making process. Therefore, the Target Company requested NSSMC's collaboration in August 2015.

After lengthy discussions between the companies, in light of such request and the market environment faced by the companies and their business strategies, NSSMC and the Target Company reached a shared view on the following two points: (i) in order to make available NSSMC's continuous supply of steel slabs to the Target Company (a competitor of NSSMC), it would be necessary for the Target Company to become a subsidiary of NSSMC, and (ii) in order for them to improve the likelihood of their survival in the severe global business environment in the future, besides the supply of steel slabs, it would be essential for them to bring together the management resources that each had fostered to date to create synergies and enhance their competitive strengths, and it would be necessary to make the Target Company a subsidiary of NSSMC for that purpose. On February 1, 2016, the companies entered into a memorandum of understanding for the commencement of the Discussions, and they publicly announced the commencement of those Discussions on the same day. After the execution of the memorandum of understanding, the companies engaged in discussions and examinations through the Discussion Committee which was established in early February 2016 (to confirm and discuss the basic matters regarding the present transaction; comprised of both companies' vice presidents, as the chairs, and other relevant officer-class personnel), including due diligence for acquisition on the Target Company conducted by NSSMC (which was implemented for the period from late February to early May 2016; the "**Due Diligence**"), and on May 13, 2016, the companies reached an agreement regarding the structure of the Proposed Transaction (i.e., the Transaction, comprising a combination of the Tender Offer and the Capital Increase by Third-Party Allotment), the shareholding ratio, the implementation of the supply of steel slabs by NSSMC to the Target Company by around fiscal year 2019 (which will begin after the completion of the Proposed Transaction), and other matters, resulting in the execution of the Agreement for the Proposed Transaction, Etc.

Thereafter, NSSMC has proceeded to prepare for the completion of the Proposed Transaction. Recently, the conditions for NSSMC's acquisition of the Target Company's shares, such as completion of certain procedures required by domestic and foreign competition laws, have been satisfied. Therefore, at the board of directors' meeting held today, NSSMC adopted a resolution to commence the Tender Offer on February 3, 2017, and to set the payment date for the Capital Increase by Third-Party Allotment as the same date as the commencement date of the settlement for the Tender Offer, assuming that NSSMC would make a payment for the Capital Increase by Third-Party Allotment.

(II) Post-Tender Offer Management Policies

(a) The Companies' Vision

Through the completion of the Proposed Transaction, NSSMC and the Target Company will strengthen the position of the NSSMC Group as the "Best Steelmaker with World-Leading Capabilities" with the addition of the Target Company, and thereby intend to achieve sustainable growth and enhance their corporate value in the mid- to long-term. In addition, in order to increase competitiveness, NSSMC will undertake the continuous supply of steel slabs to the Target Company, subject to the completion of the Proposed Transaction. Both companies wish to better serve their customers by putting these measures into effect, which may also help them to contribute to the creation and development of a more prosperous society. Specifically, the companies will strive to implement the measures and achieve the objectives outlined below:

(i) Creating Synergy by Exploiting the Management Resources of Both Companies' Groups

NSSMC's strengths are global top-level technological superiority and product readiness, cost-competitiveness centering on iron- and steel-making, and worldwide capabilities. The Target Company's competitive advantage is customer- and market-readiness, enabled by meticulous

development marketing (such as suggesting solutions from the design stage for customers), and other activities in line with customer needs. NSSMC and the Target Company will bring together these management resources and create synergies (see “(b) Expected Synergies” below), exploiting their respective strengths. Thus, they will provide better products, technologies, and services that would meet customer needs, on a domestic and global basis, and will thereby seek to enhance their profitability.

(ii) Promoting Alliance Measures

After consummating the Proposed Transaction, NSSMC and the Target Company will promote various alliance measures, including, without limitation, the improvement of efficiency through mutual alliances in the areas of their operations, technologies, facilities, procurement of raw materials, resources and equipment and manufacturing site management (including in the areas of safety, the environment, disaster prevention and maintenance matters) in addition to supplying steel slabs, as they work to achieve the level of cost-competitiveness necessary for survival in an environment of fierce global competition.

(iii) Maximizing Corporate Value and Improving Evaluations by Shareholders and Capital Markets

Through the Proposed Transaction, NSSMC and the Target Company will attain a stable financial condition through the efficient use of their funds and assets, looking to help ensure healthy and sustainable growth, and maximize their corporate value in the mid- to long-term, as well as endeavoring to earn higher evaluations from current shareholders and other participants in the capital markets.

(b) Expected Synergies

NSSMC and the Target Company are expecting to create, through the implementation of the measures set forth above, the following synergies, currently estimated to generate an effect in the size of 20 billion Japanese yen per year or more. Now that approvals have been obtained from domestic and foreign competition authorities, the companies will work towards realizing these synergies.

< Examples of Synergies >

(i) Pursuing best practices for operational technologies, facilities, and maintenance

- Maximizing operational and technical synergies through the exchange of superior technologies
- Exchanging maintenance technologies, optimizing deployment of personnel between the steelworks
- Improving efficiency in plant and equipment investments (e.g., reduction of purchase prices and improvement of construction efficiency)

(ii) Reducing the procurement costs of raw materials, resources and equipment

- Raw materials: improving efficiency in transporting raw materials, optimizing the procurement of auxiliary materials, fuels
- Resources and equipment: optimizing the procurement of common resources and equipment

(iii) More efficient production across the group

- Establishing an optimized production system for each region
 - Strengthening and utilizing overseas production and sales bases
- (iv) Improving efficiency in group companies
- Optimizing mutual use of both companies' group companies
 - Alliances between companies with divided functions (e.g., logistics companies) in the Companies' Groups
- (v) Measures regarding funds and cash flow
- Group financing, streamlining overlapping assets (e.g., shares)
- (vi) Reducing fixed costs by, among other things, avoiding large-scale investments in the relining of blast furnaces, etc.
- (vii) Improving the capacity utilization ratio through the supply of steel slabs
- (3) Material Agreements and Related Matters Regarding the Tender Offer

As stated in "(1) Overview of the Tender Offer" above, NSSMC and the Target Company entered into the Agreement for the Proposed Transaction, Etc. as of May 13, 2016, pursuant to resolutions adopted at their respective board of directors' meetings held on the same day. An overview of the Agreement for the Proposed Transaction, Etc. is as follows.

(a) Purpose and Overview of the Agreement for the Proposed Transaction, Etc.

Aiming to bring together the respective management resources of NSSMC and the Target Company that they have fostered to date and create synergies, and thereby enhance competitiveness, and to strengthen the position of the NSSMC Group as the "Best Steelmaker, with World-Leading Capabilities" with the addition of the Target Company, and thereby enhance sustainable growth and corporate value in the mid- to long-term and contribute to the creation and development of a more prosperous society, NSSMC and the Target Company have agreed to complete the Proposed Transaction by around March 31, 2017, and to conduct the Tender Offer and the Capital Increase by Third-Party Allotment as procedures for the Proposed Transaction. In addition, premised on the completion of the Proposed Transaction, NSSMC and the Target Company agree to commence NSSMC's supply of steel slabs to the Target Company approximately within fiscal year 2019.

(b) Conducting the Tender Offer

NSSMC shall conduct the Tender Offer upon satisfaction of each of the following conditions: (i) on the execution date of the Agreement for the Proposed Transaction, Etc. and on the day when NSSMC decides to commence the Tender Offer ("**Date of Decision to Commence the Tender Offer**"), the Target Company shall have passed a due and valid resolution at a board of directors' meeting to express its support for the Tender Offer (a "**Resolution in Support**") and announced such resolution; (ii) on the execution date of the Agreement for the Proposed Transaction, Etc., pursuant to the Target Company's "Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measures)" dated October 1, 2012, the Target Company shall have passed a due and valid resolution by its board of directors that in its judgment the Tender Offer will contribute to maximizing the Target Company's corporate value and the common interests of its shareholders and shall have announced such resolution; (iii) a proposal to approve the Subscription Agreement shall have been duly and validly resolved at the 4th Annual Shareholders Meeting of the Target Company; (iv) there has been no event which would prevent the payment for the Capital Increase by Third-Party Allotment from being

completed by the end of the payment period for the Capital Increase by Third-Party Allotment; (v) the Target Company's representations and warranties (Note 1) shall be true and correct in all material respects as of the commencement date of the Tender Offer; (vi) all of the obligations to be performed or observed by the Target Company (Note 2) by the commencement date of the Tender Offer under the Agreement for the Proposed Transaction, Etc. shall have been performed or observed in all material respects; (vii) any filing or waiting periods required under domestic or foreign competition laws shall have expired or been early terminated, and any approvals or other procedures imposed by such competition laws shall have been completed; (viii) there shall be no laws, regulations or orders, dispositions, decisions or judgments by judicial, administrative or other competent authorities restricting or prohibiting the Transaction; (ix) there shall be no events or circumstances that will materially affect the Target Company's business operations, assets, liabilities, financial condition, business results, cash flow, or future profit plan on a consolidated basis or will otherwise materially affect the Transaction; (x) there shall be no circumstances that have arisen from force majeure or other events not attributable to NSSMC that would make the commencement of the Tender Offer impossible in light of social norms on the commencement date of the Tender Offer; and (xi) there shall be no material facts (meaning material facts as set forth in Article 166, paragraph (2) of the FIEA, and facts regarding conducting and ending tender offers, etc., as set forth in Article 167, paragraph (2) of the FIEA; hereinafter the same shall apply), or any fact reasonably deemed likely to constitute a material fact, regarding the Target Company, that have not been disclosed. However, NSSMC may waive any or all of these conditions at its discretion and conduct the Tender Offer.

(Note 1) The Target Company has made representations and warranties to NSSMC regarding: (a) the Target Company's due and valid incorporation and existence; (b) existence of authority and power to execute and perform the Agreement for the Proposed Transaction, Etc.; (c) enforceability of the obligations owed by the Target Company under the Agreement for the Proposed Transaction, Etc.; (d) obtaining permits and licenses, etc. pursuant to relevant laws and regulations; (e) absence of infringement of laws and regulations; (f) absence of bankruptcy proceedings; (g) matters related to the Target Company's shares; (h) properness of statutory disclosure documents; (i) properness of financial statements; (j) absence of material subsequent events; (k) absence of contingent liabilities, etc.; (l) absence of material breach of laws and regulations or of material claim for damages from a third party; (m) absence of a relationship with anti-social forces; (n) absence of non-public material facts; and (o) proper disclosure to NSSMC.

(Note 2) The Target Company owes the following obligations: (a) to notify NSSMC of non-public material facts; (b) to engage in the business that it had previously engaged in in the ordinary course of business and to maintain proper accounting records, etc.; (c) to obtain NSSMC's prior consent to certain material matters; (d) to report material facts regarding the Transaction; (e) to make its utmost efforts to obtain consent regarding agreements for which consent is required in connection with the Transaction; (f) to give notice, etc. regarding agreements for which notice, etc. is required in connection with the Transaction; (g) to promptly correct any errors in representations or warranties; and (h) to accept additional due diligence requests for each company of the Target Company's group.

(c) The Target Company's Support of the Tender Offer

On each of the execution date of the Agreement for the Proposed Transaction, Etc. and the Date of Decision to Commence the Tender Offer, the Target Company shall adopt a Resolution in Support and announce such resolution, and it shall not adopt a resolution to change the Resolution in Support or any resolution contrary to the Resolution in Support at its board of directors' meeting until the end of the tender offer period in the Tender Offer (the "**Tender Offer Period**"). The Target Company's Resolution in Support on the Date of Decision to Commence the Tender Offer shall be subject to the satisfaction of all of the following conditions: (i) NSSMC's representations and warranties shall be true and correct in all material respects as of the Date of Decision to Commence the Tender Offer; and (ii) all of the obligations to be performed or observed by NSSMC by the Date of Decision to

Commence the Tender Offer under the Agreement for the Proposed Transaction, Etc. shall have been performed or observed in all material respects. However, the Target Company may waive any or all of these conditions at its discretion and adopt the Resolution in Support.

(d) Details of the Capital Increase by Third-Party Allotment

The Target Company shall resolve, at its board of directors' meeting to be held on the execution date of the Agreement for the Proposed Transaction, Etc. (May 13, 2016), to issue 95,706,600 shares (the "Offered Shares") with NSSMC as the subscriber on the following terms and conditions:

(1) Number of Offered Shares	95,706,600 shares
(2) Issue price	1,620 Japanese yen per share
(3) Payment period	From December 1, 2016, to June 23, 2017
(4) Increase in capital and capital reserve	(i) Capital: An amount equal to 1/2 of the capital increase limit calculated pursuant to Article 14, paragraph (1) of the Ordinance on Accounting of Companies (any amount less than one thousand Japanese yen to be rounded up) (ii) Capital reserve: The amount of capital increase limit calculated pursuant to Article 14, paragraph (1) of the Ordinance on Accounting of Companies, minus the amount of the increase in capital in (i)
(5) Others	(i) The Capital Increase by Third-Party Allotment shall be performed by issuing new shares, not by disposing of treasury shares. (ii) Even if NSSMC's payment is made after the record date for exercising rights at the Target Company's general shareholders meeting, NSSMC shall be entitled to exercise the voting rights corresponding to its newly-purchased shares at such meeting.

(e) Payments for the Capital Increase by Third-Party Allotment

NSSMC shall purchase the Offered Shares in the number needed to bring NSSMC's share ownership ratio after the capital increase (meaning the ratio of the number of shares owned to be calculated with the numerator being the sum of (x) the number of the Target Company's shares owned by NSSMC as of the submission date of the Tender Offer Statement, (y) the number of the Target Company's shares to be obtained by NSSMC as a result of the Tender Offer, and (z) the number of the Target Company's shares to be obtained by NSSMC as a result of the Capital Increase by Third-Party Allotment, and the denominator being the total number of outstanding shares of the Target Company as of the completion of the payment for the Capital Increase by Third-Party Allotment; hereinafter the same shall apply) to 51.00% (any fraction falling short of 100 shares shall be rounded up), if the following conditions are satisfied: (i) the settlement of the Tender Offer shall have been completed; (ii) the Target Company shall have duly and validly performed all the procedures under the Companies Act, the FIEA, and other laws and regulations required to issue the Offered Shares; (iii) the Target Company's representations and warranties (see Note 1 under "(b) Conducting the Tender Offer" above) shall be true and correct in all material respects as of the day when payment for the Capital Increase by Third-Party Allotment is made (the "Payment Date"); (iv) all of the obligations to be performed or observed by the Target Company (see Note 2 under "(b) Conducting the Tender Offer" above) by the Payment Date under the Agreement for the Proposed Transaction, Etc. shall have been performed or observed in all material respects; (v) there shall be no laws or regulations or orders, dispositions, decisions or judgments by judicial, administrative or other competent authorities restricting or prohibiting the Transaction; (vi) there shall be no circumstances that will materially affect the Target Company's business operations, assets, liabilities, financial condition, business results, cash flow, or future profit plan on a consolidated basis or otherwise materially affect the Transaction; and (vii) the Agreement for

the Proposed Transaction, Etc. shall not have been terminated before the Payment Date. However, NSSMC may waive any or all of these conditions at its discretion and make payment for the Capital Increase by Third-Party Allotment. If, as of the time of completion of the settlement of the Tender Offer, NSSMC owns 51.00% of the total number of outstanding shares of the Target Company, NSSMC will not make any payment for the Capital Increase by Third-Party Allotment.

(f) Supply of Steel Slabs

After the completion of the Proposed Transaction through the Transaction, NSSMC will commence the continuous supply (for consideration) of steel slabs to the Target Company approximately within fiscal year 2019, and the Target Company will purchase such steel slabs. The specific terms and conditions, such as the timing of commencement of supply and the volume and price, etc. of supply, shall be separately determined through mutual consultation between the parties.

(g) Plan for after the Proposed Transaction

After the closing date of the Transaction, the Target Company shall not, without NSSMC's prior written consent, engage in any action that would result in the percentage of voting rights held by NSSMC in the Target Company falling to less than 51.00%, such as the issuance of new shares or the disposition of treasury shares.

(4) Procedures Performed for the Tender Offer

(I) Valuation Report obtained by NSSMC from an independent third-party valuation organization

As announced in the Press Release at the Time of Contract Execution, in determining the Proposed Tender Offer Price in May 2016, NSSMC asked Nomura Securities Co., Ltd. ("**Nomura Securities**"), a third-party valuation organization independent of NSSMC and the Target Company, to conduct the analyses of the equity value of the Target Company's shares. After considering various appropriate valuation methodologies for the Tender Offer, Nomura Securities calculated the Target Company's share value using the market share price analysis, comparable company analysis, and discounted cash flow analysis (the "**DCF Analysis**"), and Nomura Securities provided NSSMC with a report on valuation of the Target Company's shares (the "**Valuation Report**") on May 12, 2016. Nomura Securities is not a related party of NSSMC or the Target Company, nor is it materially interested with respect to the Tender Offer. NSSMC has not obtained any written opinion regarding the fairness of the Proposed Tender Offer Price or the Tender Offer Price (i.e., a fairness opinion) from Nomura Securities.

According to the Valuation Report, the adopted methods and the range of the per-share value of the Target Company's shares calculated based on these methodologies are as follows:

Market share price analysis (Reference Date (i)):	1,127 Japanese yen to 1,263 Japanese yen
Market share price analysis (Reference Date (ii)):	1,303 Japanese yen to 1,478 Japanese yen
Comparable company analysis:	985 Japanese yen to 1,535 Japanese yen
DCF Analysis:	939 Japanese yen to 2,201 Japanese yen

Under the market share price analysis, the per-share value of the Target Company's shares was calculated to range from 1,127 Japanese yen to 1,478 Japanese yen, using January 29, 2016, which was the business day immediately preceding the execution of the memorandum of understanding for the commencement of the Discussions, as the reference date ("**Reference Date (i)**"), based on the closing price of the Target Company's shares on the First Section of the TSE on Reference Date (i) (1,127 Japanese yen), the simple average of the closing price for the five (5) business days immediately preceding Reference Date (i) (1,147 Japanese yen) (rounded to the nearest Japanese yen; the same method was applied to the calculation of the simple average of the closing price), the simple average of the closing price for the one (1) month immediately preceding Reference Date (i) (1,168

Japanese yen), the simple average of the closing price for the three (3) months immediately preceding Reference Date (i) (1,263 Japanese yen), and the simple average of the closing price for the six (6) months immediately preceding Reference Date (i) (1,223 Japanese yen), and using May 12, 2016 as the reference date (“**Reference Date (ii)**”), based on the closing price of the Target Company’s shares on the First Section of the TSE on Reference Date (ii) (1,478 Japanese yen), the simple average of the closing price for the five (5) business days immediately preceding Reference Date (ii) (1,476 Japanese yen), the simple average of the closing price for the one (1) month immediately preceding Reference Date (ii) (1,430 Japanese yen), the simple average of the closing price for the three (3) months immediately preceding Reference Date (ii) (1,345 Japanese yen), and the simple average of the closing price for the six (6) months immediately preceding Reference Date (ii) (1,303 Japanese yen).

Under the comparable company analysis, the value of the Target Company’s shares was calculated by comparing the market price and financial indicators (e.g., profitability, etc.) of listed companies that engage in businesses comparatively similar to those of the Target Company. Using this methodology, the per-share value was calculated to range from 985 Japanese yen to 1,535 Japanese yen.

Under the DCF Analysis, the Target Company’s enterprise value and share value were analyzed by discounting the free cash flow that is expected to be generated in the future by the Target Company in and after fiscal year ending in March 2017 at a certain discount rate to the present value, based on the relevant factors including the profitability and investment plans in the Target Company’s business plan for the period from the fiscal year ending in March 2017 to the fiscal year ending in March 2024 as well as other publicly available information. Using this methodology, the per-share value of the Target Company’s shares was calculated to range from 939 Japanese yen to 2,201 Japanese yen.

At the meeting of its board of directors held on May 13, 2016, NSSMC determined that the Proposed Tender Offer Price would be 1,620 Japanese yen per share, comprehensively taking into account: (i) the valuation results in the Valuation Report obtained from Nomura Securities, (ii) the results of the Due Diligence on the Target Company conducted by NSSMC, (iii) real-world examples of premiums granted when the purchase price was determined in the case of previous tender offers for shares by persons other than issuers, (iv) whether the board of directors of the Target Company would support the Tender Offer, (v) fluctuations in the market price of the Target Company’s shares for the immediately preceding one (1) year, and (vi) anticipated levels of tendering in the Tender Offer, and based on the results of discussions and negotiations with the Target Company. Thereafter, at the meeting of the board of directors held on February 2, 2017, NSSMC confirmed that there had been no material changes in, among other things, the Target Company’s business condition or the environment surrounding the Transaction, and that there were no findings that may have a material impact on the Target Company’s enterprise value during the due diligence that was conducted on the Target Company additionally for the period from November 2016 to January 2017, and it determined that the Tender Offer Price would be 1,620 Japanese yen per share, the same price as the Proposed Tender Offer Price.

The Tender Offer Price of 1,620 Japanese yen per share represents the following premiums: 43.74% (rounded to the nearest hundredth of one percent; hereinafter, the same shall apply in this paragraph) on the closing price of the Target Company’s shares (i.e., 1,127 Japanese yen) on the First Section of the TSE on January 29, 2016, which is the business day immediately preceding the execution of the memorandum of understanding for the commencement of the Discussions; 41.24% on the simple average of the closing price of 1,147 Japanese yen for the five (5) business days immediately preceding January 29, 2016; 38.70% on the simple average of the closing price of 1,168 Japanese yen for the one (1) month immediately preceding January 29, 2016; 28.27% on the simple average of the closing price of 1,263 Japanese yen for the three (3) months immediately preceding January 29, 2016; and 32.46% on the simple average of the closing price of 1,223 Japanese yen for the six (6) months immediately preceding January 29, 2016.

In addition, the Tender Offer Price of 1,620 Japanese yen per share represents the following premiums: 9.61% on the closing price of the Target Company’s shares of 1,478 Japanese yen on the First Section

of the TSE as of May 12, 2016, which is the business day immediately preceding the execution of the Agreement for the Proposed Transaction, Etc.; 9.76% on the simple average of the closing price of 1,476 Japanese yen for the five (5) business days immediately preceding May 12, 2016; 13.29% on the simple average of the closing price of 1,430 Japanese yen for the one (1) month immediately preceding May 12, 2016; 20.45% on the simple average of the closing price of 1,345 Japanese yen for the three (3) months immediately preceding May 12, 2016; and 24.33% on the simple average of the closing price of 1,303 Japanese yen for the six (6) months immediately preceding May 12, 2016.

Furthermore, the Tender Offer Price of 1,620 Japanese yen per share represents the following premiums: 5.61% on the closing price of the Target Company’s shares of 1,534 Japanese yen on the First Section of the TSE as of February 1, 2017, which is the business day immediately preceding the date of announcement of the commencement of the Tender Offer; 5.68% on the simple average of the closing price of 1,533 Japanese yen for the five (5) business days immediately preceding February 1, 2017; 6.86% on the simple average of the closing price of 1,516 Japanese yen for the one (1) month immediately preceding February 1, 2017; 9.91% on the simple average of the closing price of 1,474 Japanese yen for the three (3) months immediately preceding February 1, 2017; and 15.88% on the simple average of the closing price of 1,398 Japanese yen for the six (6) months immediately preceding February 1, 2017.

(II) Valuation report from an independent third-party valuation organization obtained by the Target Company

According to the Target Company, as announced in the Press Release at the Time of Contract Execution, in expressing its opinion on the Tender Offer in May 2016, in order to ensure the fairness thereof, the Target Company asked Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“**Mitsubishi UFJ Morgan Stanley Securities**”), its financial advisor and a third-party valuation organization independent of NSSMC and the Target Company, to calculate the Target Company’s share value and obtained a valuation report with the results of the calculation of its share value on May 13, 2016. Mitsubishi UFJ Morgan Stanley Securities is not a related party of NSSMC or the Target Company, nor is it materially interested with respect to NSSMC or the Target Company. The Target Company has not obtained any opinion regarding the fairness of the Proposed Tender Offer Price or the Tender Offer Price (i.e., a fairness opinion) from Mitsubishi UFJ Morgan Stanley Securities.

Mitsubishi UFJ Morgan Stanley Securities evaluated and analyzed the Target Company’s share value using the market price analysis, comparable company analysis, and DCF Analysis.

The range of the per-share value of the Target Company’s shares (based on the total number of outstanding shares of the Target Company as of the reference date (after deducting treasury shares); hereinafter, the same shall apply) calculated based on these methods is as follows:

Market price analysis (Reference Date A):	1,168 Japanese yen to 1,263 Japanese yen
Market price analysis (Reference Date B):	1,303 Japanese yen to 1,430 Japanese yen
Comparable company analysis:	663 Japanese yen to 1,494 Japanese yen
DCF Analysis:	1,434 Japanese yen to 1,748 Japanese yen

Under the market price analysis, for the Target Company’s shares on the First Section of the TSE, the per-share value of the Target Company’s shares was calculated to range from 1,168 Japanese yen to 1,430 Japanese yen, using January 29, 2016, which was the business day immediately preceding the execution of the memorandum of understanding for the commencement of the Discussions, as the reference date (“**Reference Date A**”), based on: (i) the closing price on Reference Date A (i.e., 1,127 Japanese yen), (ii) the simple average of the closing price for the one (1) month immediately preceding Reference Date A (i.e., 1,168 Japanese yen), (iii) the simple average of the closing price for the three (3) months immediately preceding Reference Date A (i.e., 1,263 Japanese yen), and (iv) the simple average of the closing price for the six (6) months immediately preceding Reference Date A (i.e., 1,223 Japanese yen), and using May 12, 2016, as the reference date (“**Reference Date B**”), based

on: (i) the closing price on Reference Date B (i.e., 1,478 Japanese yen), (ii) the simple average of the closing price for the one (1) month immediately preceding Reference Date B (i.e., 1,430 Japanese yen), (iii) the simple average of the closing price for the three (3) months immediately preceding Reference Date B (i.e., 1,345 Japanese yen), and (iv) the simple average of the closing price for the six (6) months immediately preceding Reference Date B (i.e., 1,303 Japanese yen).

Under the comparable company analysis, the Target Company's share value was analyzed by comparing the market price and financial indicators (e.g., profitability, etc.) of listed companies that engage in businesses comparatively similar to those of the Target Company. Using this method, the per-share value of the Target Company's shares was calculated to range from 663 Japanese yen to 1,494 Japanese yen.

Under the DCF Analysis, the Target Company's corporate value and share value were analyzed by discounting the free cash flow that is expected to be generated by the Target Company in the future at a certain discount rate to the present value, based on the Target Company's future revenue projections for the fiscal year ending in March 2016 and thereafter (reflecting the Target Company's business plan for the period from the fiscal year ending in March 2017 to the fiscal year ending in March 2024, trends in business results to date, the business environment and other factors). Using this method, the per-share value of the Target Company's shares was calculated to range from 1,434 Japanese yen to 1,748 Japanese yen. In the Target Company's business plan for the period from the fiscal year ending in March 2017 to the fiscal year ending in March 2024, which was used for the analysis under the DCF Analysis, a significant profit increase is expected in the fiscal year ending in March 2017 due to a decrease in inventory evaluation write-downs, and a significant profit decrease and a significant profit increase are expected in the fiscal year ending in March 2020 and the following fiscal year ending in March 2021, respectively, due to temporary expense arising in the fiscal year ending in March 2020 from the planned cessation of blast furnace No. 2 at Kure Works.

(Note) The analysis by Mitsubishi UFJ Morgan Stanley Securities, and in particular, analysis of the share value of the Target Company's shares as the basis thereof, is addressed to the Target Company's board of directors for information purposes only in relation to its opinion regarding the Tender Offer by NSSMC for the Target Company's shares. Mitsubishi UFJ Morgan Stanley Securities's analysis is not a financial opinion or recommendation by Mitsubishi UFJ Morgan Stanley Securities or any of its affiliates, and Mitsubishi UFJ Morgan Stanley Securities's analysis does not constitute an opinion or recommendation to any shareholders of the Target Company or the Tender Offeror as to how such shareholders should act with respect to the Transaction. In performing its analysis, Mitsubishi UFJ Morgan Stanley Securities has assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to it by the Target Company as an appropriate basis for its analysis. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the Transaction, Mitsubishi UFJ Morgan Stanley Securities has assumed that they have been reasonably prepared by the management of the Target Company to reflect the best estimates and judgments available as of May 12, 2016 regarding the future financial performance of the Target Company. Mitsubishi UFJ Morgan Stanley Securities has not made any independent valuation or appraisal of the assets or liabilities of the Target Company, nor has Mitsubishi UFJ Morgan Stanley Securities been furnished with any such valuations or appraisals. The analysis by Mitsubishi UFJ Morgan Stanley Securities is necessarily based on financial, economic, exchanges, market and other conditions as in effect on, and the information made available to Mitsubishi UFJ Morgan Stanley Securities as of, the previous business day of the relevant report. Events occurring after such date may affect the analysis and the assumptions used in preparing it, and Mitsubishi UFJ Morgan Stanley Securities does not assume any obligation to update, revise or reaffirm its analysis. The preparation of a valuation report and the analysis forming the basis thereof is a complex process and is not necessarily susceptible to a partial analysis or summary description. The range of valuations resulting from any particular analysis

described therein should not be taken to be Mitsubishi UFJ Morgan Stanley Securities's view of the actual value of the Target Company.

Mitsubishi UFJ Morgan Stanley Securities has acted as financial advisor to the Target Company in connection with the Transaction and will receive a fee for its services, a portion of which is contingent upon the closing of the Transaction.

(III) Advice from independent law firm to the Target Company

According to the Target Company, as announced in the Press Release at the Time of Contract Execution, as a means to ensure fairness in the decision-making process at its board of directors' meeting, the Target Company has obtained from Nomura & Partners, a legal advisor independent from both the Target Company and NSSMC, the Tender Offeror, necessary legal advice on the manner and the process of decision-making at the board of directors' meeting regarding the Transaction, including the Tender Offer.

(IV) Approval of all directors without interest in the Target Company, and non-objection of all corporate auditors without interest in the Target Company

According to the Target Company, as announced in the Press Release at the Time of Contract Execution, at the board of directors' meeting held on May 13, 2016, with the attendance of all directors and the unanimous approval of its nine directors, excluding Mr. Kenji Minami, the Target Company adopted a resolution to execute the Agreement for the Proposed Transaction, Etc. with NSSMC and a resolution to express its opinion in support of the Tender Offer. In addition, while the Target Company believed that the Proposed Tender Offer Price was reasonable in light of the results of the calculation of its share value as stated in "(II) Valuation report from an independent third-party valuation organization obtained by the Target Company" above, there would be a maximum number of shares to be purchased during the Tender Offer, and the Target Company's shares were intended to continue to be listed after the Transaction. As such, the Target Company decided to take a neutral position, and leave to its shareholders the decision as to whether they would tender their shares in the Tender Offer or not, and passed a resolution to that effect. At the above board of directors' meeting, all of the Target Company's corporate auditors (a total of five (5) corporate auditors) attended, and all corporate auditors, excluding Mr. Makoto Haya, gave the opinion that they did not object to the matters resolved at the above board of directors' meeting. Among the Target Company's directors as of May 13, 2016, Mr. Kenji Minami, and among the Target Company's corporate auditors of May 13, 2016, Mr. Makoto Haya, had previously worked as officers of NSSMC (then Nippon Steel Corporation), which is the Tender Offeror and the contemplated subscriber for the shares of the Target Company in the Capital Increase by Third-Party Allotment. Therefore, in order to avoid any suspicion of conflicts of interest, Mr. Kenji Minami did not participate, in the deliberations or resolutions regarding the Transaction at the board of directors' meeting, and Mr. Makoto Haya did not participate in the deliberations or express any opinion regarding the Transaction at the board of directors' meeting.

As stated in the Press Release by the Target Company, at the meeting of the board of directors of the Target Company held on February 2, 2017, with the attendance of all directors and the unanimous approval of its nine directors, excluding Mr. Kinya Yanagawa, the Target Company again adopted a resolution to express its opinion of support for the Tender Offer. In addition, as of February 2, 2017, while the Target Company believes that the Tender Offer Price is reasonable in light of the results of the calculation of its share value as stated in "(II) Valuation report from an independent third-party valuation organization obtained by the Target Company" above, there will be a maximum number of shares to be purchased during the Tender Offer, and the Target Company's shares are intended to continue to be listed after the Transaction. As such, the Target Company has decided to take a neutral position and leave to its shareholders the decision as to whether they will tender their shares in the Tender Offer or not, and has passed a resolution to that effect. All of the Target Company's corporate auditors (a total of four (4) corporate auditors) attended the board of directors' meeting, and all

corporate auditors gave the opinion that they did not object to the matters resolved. The Target Company's director, Kinya Yanagawa, had previously worked as an officer of NSSMC, which is the Tender Offeror and the contemplated subscriber for the shares of the Target Company in the Capital Increase by Third-Party Allotment. Therefore, in order to avoid any suspicion of conflicts of interest, Mr. Kinya Yanagawa did not participate, in the deliberations or resolutions regarding the Transaction at the board of directors' meeting.

(5) Schedule for Acquisition of Shares after the Tender Offer

According to the Target Company, as announced in the Press Release at the Time of Contract Execution and the Press Release Regarding Third-Party Allotment, at the board of directors' meeting held on May 13, 2016, in order to prepare for the possibility that the number of shares owned by NSSMC does not reach 51.00% of the total number of outstanding shares of the Target Company at the time of completion of the settlement for the Tender Offer, the Target Company resolved to issue shares in the manner of a third-party allotment (95,706,600 common shares at 1,620 Japanese yen per share for a total (maximum amount) of 155,045 million Japanese yen (rounded to the nearest million Japanese yen) with December 1, 2016, to June 23, 2017, being the payment period (the reason the Target Company made the payment period long is that the payment for the Capital Increase by Third-Party Allotment was scheduled to be made after the settlement for the Tender Offer was completed, and the Tender Offer would be conducted subject to satisfaction of certain conditions, including, among other conditions, the completion of certain procedures required by domestic and foreign competition laws; therefore, the timing of the Tender Offer and the payment date for the Capital Increase by Third-Party Allotment were expected to vary depending on the timing of the satisfaction of those conditions) (for details, please see the Press Release Regarding Third-Party Allotment). In connection with the Capital Increase by Third-Party Allotment, NSSMC and the Target Company have agreed, if the Tender Offer is successfully completed, and after confirming the outcome of the Tender Offer, to purchase only the number of offered shares needed to bring NSSMC's share ownership ratio after the capital increase to 51.00% (any fraction falling short of 100 shares shall be rounded up). Therefore, pursuant to the above agreement, it is possible that NSSMC will not pay for all (or even any) of the number of shares resolved by the Target Company as the number of shares to be issued in the Capital Increase by Third-Party Allotment (95,706,600 common shares), depending on the outcome of the Tender Offer.

Furthermore, as announced in the Press Release at the Time of Contract Execution, in the interest of stabilizing the management and business platform of the Target Company group and further increasing the competitiveness thereof, the Target Company intends to allocate the funds to be procured by the Capital Increase by Third-Party Allotment (maximum value) to investments in the renewal of its facilities, the repayment of loans, etc., from financial institutions for the purpose of enhancing its financial condition and for capital investment in business structure reforms, and magnifying the value of Kure Works, among other things.

The specific purposes of use, and the scheduled period for expenditures are as follows:

Specific purposes of use	Amount (in 100 million Japanese yen)	Scheduled period for expenditures
Investment for facility renewal	500	from April 2017 to March 2019
Repayment of interest-bearing liabilities	543	from April 2017 to March 2019
Capital investment in business structure reform, including magnification of the value of Kure Works	500	from April 2019 to March 2021

The Capital Increase by Third-Party Allotment is also one of the transactions designed to realize the Proposed Transaction, in combination with the Tender Offer, and as stated above, there is a possibility that there will be no purchase of some (or even any) of the offered shares subscribed to by NSSMC. In such case, even though the amount of the funds to be procured by the Target Company through the

Capital Increase by Third-Party Allotment would be decreased, the measures of investments are scheduled to be implemented using loans, etc., from financial institutions. Also, although all or a part of the interest-bearing liabilities will not be repaid, the Proposed Transaction is expected to stabilize the management and business platforms of the Target Company group, and the repayments will be made from the expected improvement in cash flow resulting from the effects of the Proposed Transaction. To briefly explain each amount for the specific purposes of use: “Investment for facility renewal” is the amount expected to be spent during the scheduled period for expenditures above, based on past records, considering a feature of the Target Company is that it engages in the steel business, which is a process industry; “Repayment of interest-bearing liabilities” is the amount expected based on the amounts of bonds and loans from financial institutions (they have been procured to finance the facilities) to be redeemed or repaid during the scheduled period for expenditures above; and “Capital investment in business structure reform, including magnification of the value of Kure Works,” as stated in “(b) Efforts Made by the Companies and Background to the Transaction” of “(I) Purposes of and Background to the Tender Offer” of “(2) Purposes of and Background to the Tender Offer, and Post-Tender Offer Management Policies” above, is the amount expected to be allocated to, among others, capital investment for expansion and relining of blast furnace No. 1 at Kure Works. The funds to be procured by the Capital Increase by Third-Party Allotment are to be allotted when the relevant scheduled period for expenditures set forth above comes. The funds are scheduled to be held as bank deposits or the like until the expenditures.

As stated above, after the completion of the Tender Offer, NSSMC will pay for only the number of offered shares needed to bring NSSMC’s share ownership ratio after the capital increase to 51.00% (any fraction falling short of 100 shares shall be rounded up). Therefore, after the Transaction, NSSMC will become a controlling shareholder of the Target Company. In addition, the Capital Increase by Third-Party Allotment may cause a dilution of the voting rights of the Target Company by 25% or more.

Therefore, pursuant to Article 432 of the Securities Listing Regulations of the TSE, at the 4th Annual Shareholders Meeting of the Target Company, the Target Company confirmed its shareholders’ intentions regarding the Capital Increase by Third-Party Allotment. Specifically, as stated above, in response to the fact that the Tender Offeror was a Special Subscriber, as defined in Article 206-2, paragraph (1) of the Companies Act, in the Capital Increase by Third-Party Allotment, the Target Company submitted the Subscription Agreement as an agenda item for approval at the 4th Annual Shareholders Meeting of the Target Company pursuant to paragraphs (4) and (5) of Article 206-2 of the Companies Act, and the Subscription Agreement was approved. The Target Company confirmed its shareholders’ intentions regarding the Capital Increase by Third-Party Allotment by obtaining such approval.

(6) Listing to be Maintained

As of today, the Target Company’s shares are listed on the First Section of the TSE. The Transaction is not intended to delist the Target Company’s shares, and the listing of the Target Company’s shares on the First Section of the TSE is intended to be maintained after the Transaction. NSSMC will implement the Tender Offer (constituting a part of the Transaction) with the maximum number of shares to be purchased being 46,896,300 shares (the number of shares scheduled to be owned by NSSMC after the Tender Offer: 56,020,500 shares; share ownership ratio: 51.00%).

As stated above, in connection with the Capital Increase by Third-Party Allotment, NSSMC will pay for only the number of offered shares needed to bring NSSMC’s share ownership ratio to 51.00% of the total number of outstanding shares of the Target Company upon completion of the payments; accordingly, even if NSSMC makes payment for the Capital Increase by Third-Party Allotment, NSSMC’s share ownership ratio against the total number of outstanding shares of the Target Company upon completion of the payment will be 51.00%, and the policy for maintaining the listing of the Target Company’s shares will remain unchanged.

2. Overview of the Purchase

(1) Overview of the Target Company

(i)	Name	Nisshin Steel Co., Ltd.																				
(ii)	Location	4-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo																				
(iii)	Name and Title of Representative	Toshinori Miki, Representative Director and President																				
(iv)	Description of Business Activities	Steelmaking and steel fabrication (manufacturing and sales of steel products)																				
(v)	Capital	30,000 million Japanese yen																				
(vi)	Date of Establishment	October 2012																				
(vii)	Major Shareholders and Ownership Percentage (as of September 30, 2016)	<table> <tr> <td>NSSMC</td> <td>8.3%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust Account)</td> <td>6.0%</td> </tr> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td> <td>5.0%</td> </tr> <tr> <td>Taiyo Life Insurance Company</td> <td>2.4%</td> </tr> <tr> <td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td> <td>2.2%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust Account 9)</td> <td>2.1%</td> </tr> <tr> <td>JP MORGAN CHASE BANK 385632 (standing agency: Mizuho Bank, Ltd.)</td> <td>2.0%</td> </tr> <tr> <td>CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (standing agency: Citibank Japan Ltd.)</td> <td>1.9%</td> </tr> <tr> <td>Nippon Life Insurance Company</td> <td>1.5%</td> </tr> <tr> <td>Sumitomo Life Insurance Company (standing agency: Japan Trustee Services Bank, Ltd.)</td> <td>1.2%</td> </tr> </table>	NSSMC	8.3%	Japan Trustee Services Bank, Ltd. (Trust Account)	6.0%	The Master Trust Bank of Japan, Ltd. (Trust Account)	5.0%	Taiyo Life Insurance Company	2.4%	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.2%	Japan Trustee Services Bank, Ltd. (Trust Account 9)	2.1%	JP MORGAN CHASE BANK 385632 (standing agency: Mizuho Bank, Ltd.)	2.0%	CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (standing agency: Citibank Japan Ltd.)	1.9%	Nippon Life Insurance Company	1.5%	Sumitomo Life Insurance Company (standing agency: Japan Trustee Services Bank, Ltd.)	1.2%
NSSMC	8.3%																					
Japan Trustee Services Bank, Ltd. (Trust Account)	6.0%																					
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.0%																					
Taiyo Life Insurance Company	2.4%																					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.2%																					
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2.1%																					
JP MORGAN CHASE BANK 385632 (standing agency: Mizuho Bank, Ltd.)	2.0%																					
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (standing agency: Citibank Japan Ltd.)	1.9%																					
Nippon Life Insurance Company	1.5%																					
Sumitomo Life Insurance Company (standing agency: Japan Trustee Services Bank, Ltd.)	1.2%																					
(viii)	Relationship between the Target Company and NSSMC																					
	Capital Relationship	As of September 30, 2016, NSSMC owned 9,124,200 shares representing 8.31% of the Target Company's outstanding shares, and the Target Company owned 3,711,600 shares representing 0.4% of NSSMC's outstanding shares.																				
	Personnel Relationship	One person who used to work at NSSMC is serving as director of the Target Company.																				
	Business Relationship	The Target Company and Nippon Steel & Sumikin Stainless Steel Corporation (NSSMC's subsidiary) mutually supply hot-rolled stainless steel to each other; and Nisshin Stainless Steel Tubing Co., Ltd. (the Target Company's subsidiary) entrusts the manufacturing of stainless steel pipes to Nippon Steel & Sumikin Stainless Steel Pipe Co., Ltd. (NSSMC's subsidiary).																				
	Status as Related Parties	N/A																				

(2) Schedule, etc.

(I) Schedule

Resolution of the Board of Directors' Meeting	Thursday, February 2, 2017
Date of Public Notice of Commencement of the Tender Offer	Friday, February 3, 2017 Public notice will be given electronically and notice thereof will be posted in the <i>Nihon Keizai Shimbun</i> . (electronic public notice website: http://disclosure.edinet-fsa.go.jp/)
Date of Submission of the Tender	Friday, February 3, 2017

Offer Statement	
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(II) Purchase Period as of the Time of Filing the Tender Offer Statement

From Friday, February 3, 2017 to Monday, March 6, 2017 (22 business days)

(III) Possibility of Extension at the Target Company's Request

Pursuant to Article 27-10, paragraph (3) of the FIEA, if the Target Company submits its position statement requesting an extension of the Tender Offer Period, the Tender Offer Period will be extended to 30 business days and will end on Thursday, March 16, 2017.

(3) Purchase Price

1,620 Japanese yen per share of common stock

(4) Basis for the Calculation of the Purchase Price

(I) Basis for the Calculation

In determining the Proposed Tender Offer Price, NSSMC asked Nomura Securities, a third-party valuation organization independent of NSSMC and the Target Company, to conduct the analyses of the equity value of the Target Company's shares in May 2016. After considering various appropriate valuation methodologies for the Tender Offer, Nomura Securities calculated the Target Company's share value using the market share price analysis, comparable company analysis, and DCF Analysis, and Nomura Securities provided NSSMC with the Valuation Report on May 12, 2016. Nomura Securities is not a related party of NSSMC or the Target Company, nor is it materially interested with respect to the Tender Offer. NSSMC has not obtained any written opinion regarding the fairness of the Proposed Tender Offer Price or the Tender Offer Price (i.e., a fairness opinion) from Nomura Securities.

According to the Valuation Report, the adopted methods and the range of the per-share value of the Target Company's shares calculated based on these methodologies are as follows:

Market share price analysis (Reference Date (i)):	1,127 Japanese yen to 1,263 Japanese yen
Market share price analysis (Reference Date (ii)):	1,303 Japanese yen to 1,478 Japanese yen
Comparable company analysis:	985 Japanese yen to 1,535 Japanese yen
DCF Analysis:	939 Japanese yen to 2,201 Japanese yen

Under the market share price analysis, the per-share value of the Target Company's shares was calculated to range from 1,127 Japanese yen to 1,478 Japanese yen, based on the closing price of the Target Company's shares on the First Section of the TSE on Reference Date (i) (1,127 Japanese yen), the simple average of the closing price for the five (5) business days immediately preceding Reference Date (i) (1,147 Japanese yen), the simple average of the closing price for the one (1) month immediately preceding Reference Date (i) (1,168 Japanese yen), the simple average of the closing price for the three (3) months immediately preceding Reference Date (i) (1,263 Japanese yen), and the simple average of the closing price for the six (6) months immediately preceding Reference Date (i) (1,223 Japanese yen), and based on the closing price of the Target Company's shares on the First Section of the TSE on Reference Date (ii) (1,478 Japanese yen), the simple average of the closing price for the five (5) business days immediately preceding Reference Date (ii) (1,476 Japanese yen), the simple average of the closing price for the one (1) month immediately preceding Reference Date (ii) (1,430 Japanese yen), the simple average of the closing price for the three (3) months immediately preceding Reference Date (ii) (1,345 Japanese yen), and the simple average of the closing price for the six (6) months immediately preceding Reference Date (ii) (1,303 Japanese yen).

Under the comparable company analysis, the value of the Target Company's shares was calculated by comparing the market price and financial indicators (e.g., profitability, etc.) of listed companies that engage in businesses comparatively similar to those of the Target Company. Using this methodology, the per-share value was calculated to range from 985 Japanese yen to 1,535 Japanese yen.

Under the DCF Analysis, the Target Company's enterprise value and share value were analyzed by discounting the free cash flow that is expected to be generated in the future by the Target Company in and after fiscal year ending in March 2017 at a certain discount rate to the present value, based on the relevant factors including the profitability and investment plans in the Target Company's business plan for the period from the fiscal year ending in March 2017 to the fiscal year ending in March 2024 as well as other publicly available information. Using this methodology, the per-share value of the Target Company's shares was calculated to range from 939 Japanese yen to 2,201 Japanese yen.

At the meeting of its board of directors held on May 13, 2016, NSSMC determined that the Proposed Tender Offer Price would be 1,620 Japanese yen per share, comprehensively taking into account: (i) the valuation results in the Valuation Report obtained from Nomura Securities, (ii) the results of the Due Diligence by NSSMC, (iii) real-world examples of premiums granted when the purchase price was determined in the case of previous tender offers for shares by persons other than issuers, (iv) whether the board of directors of the Target Company would support the Tender Offer, (v) fluctuations in the market price of the Target Company's shares for the immediately preceding one (1) year, and (vi) anticipated levels of tendering in the Tender Offer, and based on the results of discussions and negotiations with the Target Company. Thereafter, at the meeting of the board of directors held on February 2, 2017, NSSMC confirmed that there had been no material changes in, among other things, the Target Company's business condition or the environment surrounding the Transaction, and that there were no findings that may have a material impact on the Target Company's enterprise value during the due diligence that was conducted on the Target Company additionally for the period from November 2016 to January 2017, and it determined that the Tender Offer Price would be 1,620 Japanese yen per share, the same price as the Proposed Tender Offer Price.

The Tender Offer Price of 1,620 Japanese yen per share represents the following premiums: 43.74% (rounded to the nearest hundredth of one percent; hereinafter, the same shall apply in this paragraph) on the closing price of the Target Company's shares (i.e., 1,127 Japanese yen) on the First Section of the TSE on January 29, 2016, which is the business day immediately preceding the execution of the memorandum of understanding for the commencement of the Discussions; 41.24% on the simple average of the closing price of 1,147 Japanese yen for the five (5) business days immediately preceding January 29, 2016; 38.70% on the simple average of the closing price of 1,168 Japanese yen for the one (1) month immediately preceding January 29, 2016; 28.27% on the simple average of the closing price of 1,263 Japanese yen for the three (3) months immediately preceding January 29, 2016; and 32.46% on the simple average of the closing price of 1,223 Japanese yen for the six (6) months immediately preceding January 29, 2016.

In addition, the Tender Offer Price of 1,620 Japanese yen per share represents the following premiums: 9.61% on the closing price of the Target Company's shares of 1,478 Japanese yen on the First Section of the TSE as of May 12, 2016, which is the business day immediately preceding the execution of the Agreement for the Proposed Transaction, Etc.; 9.76% on the simple average of the closing price of 1,476 Japanese yen for the five (5) business days immediately preceding May 12, 2016; 13.29% on the simple average of the closing price of 1,430 Japanese yen for the one (1) month immediately preceding May 12, 2016; 20.45% on the simple average of the closing price of 1,345 Japanese yen for the three (3) months immediately preceding May 12, 2016; and 24.33% on the simple average of the closing price of 1,303 Japanese yen for the six (6) months immediately preceding May 12, 2016.

Furthermore, the Tender Offer Price of 1,620 Japanese yen per share represents the following premiums: 5.61% on the closing price of the Target Company's shares of 1,534 Japanese yen on the First Section of the TSE as of February 1, 2017, which is the business day immediately preceding the date of announcement of the commencement of the Tender Offer; 5.68% on the simple average of the

closing price of 1,533 Japanese yen for the five (5) business days immediately preceding February 1, 2017; 6.86% on the simple average of the closing price of 1,516 Japanese yen for the one (1) month immediately preceding February 1, 2017; 9.91% on the simple average of the closing price of 1,474 Japanese yen for the three (3) months immediately preceding February 1, 2017; and 15.88% on the simple average of the closing price of 1,398 Japanese yen for the six (6) months immediately preceding February 1, 2017.

(II) Background of the Calculation

(Background Leading to the Determination of the Tender Offer Price)

As stated in “(2) Purposes of and Background to the Tender Offer, and Post-Tender Offer Management Policies” in “1. Purpose, etc. of the Purchase” above, NSSMC and the Target Company have discussed and considered measures to maintain and improve their corporate value on several occasions.

NSSMC believes that it will be possible to further improve both companies’ corporate value by implementing the specific measures as stated above. The companies reached the conclusion that, in order to achieve this, it would be favorable for the Target Company to be a subsidiary of NSSMC. Accordingly, at its board of directors’ meeting held on May 13, 2016, NSSMC adopted a resolution to conduct the Tender Offer with the aim of making the Target Company a subsidiary of NSSMC, and it determined the Tender Offer Price in the context of the following circumstances.

(a) Valuation Report Obtained from an Independent Third-Party Valuation Organization

When determining the Proposed Tender Offer Price, NSSMC referred to the Valuation Report submitted by Nomura Securities, a third-party valuation organization independent of NSSMC and the Target Company. Nomura Securities is not a related party of NSSMC or the Target Company, nor is it materially interested with respect to the Tender Offer. NSSMC has not obtained any opinion regarding the fairness of the Proposed Tender Offer Price or the Tender Offer Price (i.e., a fairness opinion) from Nomura Securities.

(b) Outline of the Report

Nomura Securities calculated the share value of the Target Company by using the market share price analysis, the comparable company analysis, and the DCF Analysis. The ranges of the per-share value of the Target Company’s shares calculated using each analysis are as follows:

Market share price analysis (Reference Date (i)):	1,127 Japanese yen to 1,263 Japanese yen
Market share price analysis (Reference Date (ii)):	1,303 Japanese yen to 1,478 Japanese yen
Comparable company analysis:	985 Japanese yen to 1,535 Japanese yen
DCF Analysis:	939 Japanese yen to 2,201 Japanese yen

(c) Background Leading to the Determination of the Tender Offer Price Taking Into Consideration the Report

As stated in “(I) Basis for the Calculation” above, at the board of directors’ meeting held on May 13, 2016, NSSMC determined that the Proposed Tender Offer Price would be 1,620 Japanese yen per share, comprehensively taking into account: (i) the valuation results in the Valuation Report obtained from Nomura Securities on May 12, 2016, (ii) the results of the Due Diligence, (iii) real-world examples of premiums granted when the purchase price was determined in the case of previous tender offers for shares by persons other than issuers, (iv) whether the board of directors of the Target Company would support the Tender Offer, (v) fluctuations in the market price of the Target Company’s shares for the immediately preceding one (1) year, and (vi) anticipated levels of tendering in the Tender Offer, and based on the results of discussions and negotiations with the Target Company. Thereafter, at the meeting

of the board of directors held on February 2, 2017, NSSMC confirmed that there had been no material changes in, among other things, the Target Company's business condition or the environment surrounding the Transaction, and that there were no findings that may have a material impact on the Target Company's enterprise value during the due diligence that was conducted on the Target Company additionally, and it determined that the Tender Offer Price would be 1,620 Japanese yen per share, the same price as the Proposed Tender Offer Price.

(III) Relationship with the Valuation Organization

Nomura Securities, NSSMC's financial advisor (valuation organization), is not a related party of NSSMC or the Target Company, nor is it materially interested in the Tender Offer.

(5) Number of Shares to Be Purchased

Number of Shares to be Purchased	Minimum Number of Shares to be Purchased	Maximum Number of Shares to be Purchased
46,896,300 shares	— shares	46,896,300 shares

(Note 1) If the aggregate number of the Tendered Shares does not reach the maximum number of shares to be purchased (46,896,300 shares), all the Tendered Shares will be purchased. If the aggregate number of the Tendered Shares exceeds the maximum number of shares to be purchased (46,896,300 shares), all or part of the excess portion will not be purchased, and the shares will be delivered and other settlement procedures for their purchase will be implemented using the pro rata method as specified in Article 27-13, paragraph (5) of the FIEA and Article 32 of the Cabinet Office Ordinance.

(Note 2) Shares in quantities of less than one unit are also subject to the Tender Offer. If a right to demand the purchase of shares in quantities of less than one unit is exercised by a shareholder pursuant to the Companies Act, the Target Company may purchase those shares during the Tender Offer Period in accordance with the procedures under the laws and regulations.

(Note 3) NSSMC does not intend to acquire treasury shares held by the Target Company through the Tender Offer.

(6) Changes in the Ownership Ratio of Shares as a Result of the Purchase

Number of voting rights pertaining to shares owned by the Tender Offeror before the purchase	91,242 voting rights	(Ownership ratio of shares before the purchase) 8.31%
Number of voting rights pertaining to shares owned by specially related parties before the purchase	0 voting rights	(Ownership ratio of shares before the purchase) 0.00%
Number of voting rights pertaining to shares owned by the Tender Offeror after the purchase	560,205 voting rights	(Ownership ratio of shares after the purchase) 51.03%
Number of voting rights pertaining to shares owned by specially related parties after the purchase	0 voting rights	(Ownership ratio of shares after the purchase) 0.00%
Number of voting rights of all shareholders of the Target Company	1,091,712 voting rights	

(Note 1) The “number of voting rights pertaining to shares owned by specially related parties before the purchase” is the sum of the number of voting rights pertaining to shares owned by each specially related party (however, among the specially related parties, those excluded from the definition of specially related party under Article 3, paragraph (2), item (i) of the Cabinet Office Ordinance for the purpose of calculating the ownership ratio of shares as set forth in the items of paragraph (1) of Article 27-2 of the FIEA shall be excluded).

(Note 2) The “number of voting rights pertaining to shares owned by the Tender Offeror after the purchase” is the number obtained by adding the number of the voting rights (468,963 voting rights) pertaining to the number of shares to be purchased in the Tender Offer (46,896,300 shares) to the “number of voting rights pertaining to shares owned by the Tender Offeror before the purchase” (91,242 voting rights).

(Note 3) The “number of voting rights of all shareholders of the Target Company” is the number of the voting rights of all shareholders as of September 30, 2016 as stated in the Second Quarterly Report for the 5th fiscal year submitted by the Target Company on November 10, 2016 (one unit of shares is stated to consist of 100 shares). However, since shares in quantities of less than one unit are also subject to the Tender Offer, for the purpose of calculating the “ownership ratio of shares before the purchase” and the “ownership ratio of shares after the purchase,” the “number of voting rights of all shareholders of the Target Company” is set at 1,097,786 voting rights, which is the amount obtained by adding the number of voting rights pertaining to shares in quantities of less than one unit (6,074 voting rights) pertaining to 607,487 shares (the amount obtained after deducting the number of treasury shares in quantities of less than one unit held by the Target Company as of September 30, 2016 (36 shares) from the number of shares in quantities of less than one unit as of September 30, 2016 as stated in the above Quarterly Report (607,523 shares).

(Note 4) With regard to the “ownership ratio of shares before the purchase” and the “ownership ratio of shares after the purchase,” any fraction is rounded off to two decimal places.

(7) Purchase price

75,972,006,000 yen

(Note) “Purchase price” consists of the amount obtained by multiplying the number of shares to be purchased (46,896,300 shares) by the Tender Offer Price per share (1,620 yen).

(8) Settlement Method

(I) Name and Location of Head Office of the Financial Instruments Business Operator/Bank which Handles Settlement of the Purchase

Nomura Securities Co., Ltd.
1-9-1 Nihonbashi, Chuo-ku, Tokyo

(II) Settlement Commencement Date

Monday, March 13, 2017

(Note) Pursuant to the provisions of Article 27-10, paragraph (3) of the FIEA, if the Target Company submits its position statement requesting an extension of the Tender Offer Period, the settlement commencement date will be Friday, March 24, 2017.

(III) Settlement Method

Written notice of the purchase through the tender offer will be sent by mail to the addresses of the tendering shareholders (or in the case of foreign shareholders, to their standing agents) after the end of the Tender Offer Period, without delay. If you have consented to the electronic delivery of documents at Nomura Net & Call, such notice will be delivered by electronic or magnetic means on the website of Nomura Net & Call (<https://netcall.nomura.co.jp/>).

The purchase will be made with cash. The tendering shareholders can receive the proceeds gained as a result of the tender offer by the method designated by the tendering shareholders, such as remittance, etc. after the settlement commencement date without delay (remittance fees may be incurred by the tendering shareholders).

(IV) Return Method of Shares

If it is determined that all or part of the Tendered Shares will not be purchased pursuant to the conditions stated in “(I) Whether There Are Conditions Set Forth in Items of Paragraph (4) of Article 27-13 of the FIEA and Details Thereof” and “(II) Whether There Are Conditions for Tender Offer Withdrawal, Details Thereof, and Disclosure Method of Withdrawal” in “(9) Other Conditions and Method of the Purchase” below, the shares that need to be returned will be returned, promptly on or after the second business day following the last day of the Tender Offer Period (if the tender offer is withdrawn, on the day of such withdrawal) by restoring the records of the tendering shareholders’ accounts opened with the Tender Offer Agent to the records at the time immediately before the tendering was conducted (if the shares are to be transferred to the tendering shareholders’ accounts opened with other financial service providers, etc., please confirm this point with the Tender Offer Agent’s head office or the Japanese branches that accepted your tender).

(9) Other Conditions and Method of the Purchase

(I) Whether There Are Conditions Set Forth in Items of Paragraph (4) of Article 27-13 of the FIEA and Details Thereof

If the aggregate number of the Tendered Shares does not reach the maximum number of shares to be purchased (46,896,300 shares), NSSMC will purchase all the Tendered Shares.

If the aggregate number of Tendered Shares exceeds the maximum number of shares to be purchased (46,896,300 shares), NSSMC will not purchase all or part of the excess portion, and will deliver the shares and will implement other settlement procedures for their purchase using the pro rata method as specified in Article 27-13, paragraph (5) of the FIEA and Article 32 of the Cabinet Office Ordinance (if the number of Tendered Shares of a tendering shareholder includes shares in quantities of less than one unit (100 shares), the number of shares purchased from the tendering shareholder that is calculated using the pro rata method shall be up to the number of Tendered Shares of the tendering shareholder).

If the total number of shares purchased from the tendering shareholders that is calculated by rounding off the number of shares in quantities of less than one unit as a result of the calculation using the pro rata method is less than the maximum number of shares to be purchased, an additional unit (if, as a result of purchasing an additional unit of shares from a tendering shareholder, the sum exceeds the number of Tendered Shares of the tendering shareholder, then the number short of the number of Tendered Shares of the tendering shareholder) of the Tendered Shares will be purchased for each tendering shareholder serially in order of the number of their shares rounded down, until the sum reaches or exceeds the maximum number of shares to be purchased. However, if, as a result of purchasing one unit of Tendered Shares from all the tendering shareholders of which the number of shares rounded down is equal in accordance with this arrangement, the sum exceeds the maximum number of shares to be purchased, the tendering shareholders whose Tendered Shares will be

purchased will be determined from among those tendering shareholders in a draw to the extent that the sum will not fall below the maximum number of shares to be purchased.

If the total number of shares purchased from the tendering shareholders that is calculated by rounding off the number of shares in quantities of less than one unit as a result of the calculation using the pro rata method exceeds the maximum number of shares to be purchased, the number of shares purchased will be reduced by one unit (if the number of shares purchased that is calculated using the pro rata method includes shares in quantities of less than one unit, this means the number of shares in quantities of less than one unit) of those shares for each tendering shareholder serially in order of the number of their shares rounded up to the extent that the difference will not fall below the maximum number of shares to be purchased. However, if, as a result of reducing the number of shares purchased from all the tendering shareholders of which the number of shares rounded up is equal in accordance with this arrangement, the difference is short of the maximum number of shares to be purchased, the tendering shareholders whose shares purchased will be reduced will be determined from among those tendering shareholders in a draw to the extent that the difference will not fall below the maximum number of shares to be purchased.

(II) Whether There Are Conditions for Tender Offer Withdrawal, Details Thereof, and Disclosure Method of Withdrawal

If any of the circumstances set forth in Article 14, paragraph (1), item (i), sub-items (a) through (i) and (l) through (r); item (ii); item (iii), sub-items (a) through (h); and paragraph (2), items (iii) through (vi) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended; the “**Enforcement Order**”) arise, NSSMC may withdraw the Tender Offer. If NSSMC intends to withdraw the Tender Offer, it will give public notice electronically and will post notice thereof in the *Nihon Keizai Shimbun*. However, if it is difficult to give public notice by the last day of the Tender Offer Period, NSSMC will announce such withdrawal by the method set forth in Article 20 of the Cabinet Office Ordinance and will give public notice immediately thereafter.

(III) Whether There Are Conditions for Lowering the Purchase Price, Details Thereof, and Disclosure Method Thereof

Pursuant to the provisions of Article 27-6, paragraph (1), item (i) of the FIEA, if the Target Company conducts an act falling under any of those acts set forth in items of paragraph (1) of Article 13 of the Enforcement Order during the Tender Offer Period, NSSMC may lower the purchase price in accordance with the standards set forth in the provisions of Article 19, paragraph (1) of the Cabinet Office Ordinance. If NSSMC intends to lower the purchase price, it will give public notice electronically and will post notice thereof in the *Nihon Keizai Shimbun*. However, if it is difficult to give public notice by the last day of the Tender Offer Period, NSSMC will announce such lowering by the method set forth in Article 20 of the Cabinet Office Ordinance and will give public notice immediately thereafter. Where the purchase price is lowered, the Tendered Shares prior to the day on which such public notice is made will be purchased at the lowered purchase price.

(IV) Matters regarding the Rights of the Tendering Shareholders to Cancel Contracts

A tendering shareholder may cancel a contract for the Tender Offer at any time during the Tender Offer Period. If a tendering shareholder cancels a contract, he/she is required to deliver or send a document stating his/her intention to cancel a contract for the Tender Offer (“**Written Cancellation**”) to the person/entity designated below at its head office or Japanese branches that accepted his/her tender by 15:30 on the last day of the Tender Offer Period. However, in the case of sending a Written Cancellation, the Written Cancellation must arrive by 15:30 on the last day of the Tender Offer Period. In order to cancel a contract for shares tendered through Nomura Net & Call, please conduct the required procedures on the Nomura Net & Call website (<https://netcall.nomura.co.jp/>) or send a Written Cancellation. In the former case, please conduct the cancellation procedures in the manner specified on the website by 15:30 on the last day of the Tender Offer Period. In the latter case, please

request a Written Cancellation in advance from Nomura Net & Call Customer Support and send it to Nomura Net & Call. Also, in this case, it is required that a Written Cancellation arrive there by 15:30 on the last day of the Tender Offer Period.

Person/Entity Having Authority to Receive Written Cancellations

Nomura Securities Co., Ltd.
1-9-1 Nihonbashi, Chuo-ku, Tokyo
(other domestic branches of Nomura Securities Co., Ltd.)

NSSMC will not request that the tendering shareholders pay damages or penalties in connection with their cancellation of contracts, and the expenses required for returning the Tendered Shares will be borne by NSSMC.

(V) Disclosure Method in the Case of Changes to the Purchase Conditions

During the Tender Offer Period, NSSMC may change the purchase conditions unless prohibited under Article 27-6, paragraph (1) of the FIEA and Article 13 of the Enforcement Order.

If NSSMC intends to change the purchase conditions, it will give public notice regarding the details of the changes electronically and will post notice thereof in the *Nihon Keizai Shimbun*. However, if it is difficult to give public notice by the last day of the Tender Offer Period, NSSMC will announce such changes by the method set forth in Article 20 of the Cabinet Office Ordinance and will give public notice immediately thereafter. Where any changes are made to the purchase conditions, the Tendered Shares prior to the day on which such public notice is made will be purchased on the changed purchase conditions.

(VI) Disclosure Method Where Amended Statement is Submitted

Where NSSMC submits an amended statement to the Director General of the Kanto Local Finance Bureau, it will immediately announce the information stated in the amended statement that was stated in the public notice of commencement of the Tender Offer by the method set forth in Article 20 of the Cabinet Office Ordinance. In addition, NSSMC will immediately amend the Tender Offer Explanatory Document, and for the tendering shareholders to whom the Tender Offer Explanatory Document has been already delivered, it will make such amendment by delivering the amended Tender Offer Explanatory Document to them. However, if the scope of the amendment is limited, NSSMC will make such amendment by means of preparing a document stating the reasons for the amendment, the amended matters, and the content after amendment and delivering such document to the tendering shareholders.

(VII) Disclosure Method of the Results of the Tender Offer

NSSMC will announce the results of the Tender Offer by the method set forth in Article 9-4 of the Enforcement Order and Article 30-2 of the Cabinet Office Ordinance on the day following the last day of the Tender Offer Period.

(10) Date of Public Notice of Commencement of the Tender Offer

Friday, February 3, 2017

(11) Tender Offer Agent

Nomura Securities Co., Ltd.
1-9-1 Nihonbashi, Chuo-ku, Tokyo

3. Policies after the Tender Offer and Future Prospects

For the policies after the Tender Offer, please see “(2) Purposes of and Background to the Tender Offer, and Post-Tender Offer Management Policies” under “1. Purpose, etc. of the Purchase” above.

4. Others

(1) Agreement between the Tender Offeror and the Target Company or its Officers, and the Details Thereof

(I) Support of the Tender Offer

According to the Target Company, at the board of directors’ meeting held on May 13, 2016, with the attendance of all directors and the unanimous approval of its nine directors, excluding Mr. Kenji Minami, the Target Company adopted a resolution to execute the Agreement for the Proposed Transaction, Etc. with NSSMC and a resolution to express its opinion in support of the Tender Offer. In addition, according to the Press Release by the Target Company, at the meeting of the board of directors of the Target Company held on February 2, 2017, with the attendance of all directors and the unanimous approval of its nine directors, excluding Mr. Kinya Yanagawa, the Target Company again adopted a resolution to express its opinion of support for the Tender Offer. For details of the Target Company’s resolutions, please see “(IV) Approval of all directors without interest in the Target Company and non-objection of all corporate auditors without interest in the Target Company” in “(4) Procedures Performed for the Tender Offer” in “1. Purpose, etc. of the Purchase” above.

(II) Capital Increase by Third-Party Allotment

According to the Target Company, at the board of directors’ meeting held on May 13, 2016, in order to prepare for the possibility that the number of shares owned by NSSMC does not reach 51.00% of the total number of outstanding shares of the Target Company at the time of completion of the settlement for the Tender Offer, the Target Company resolved to issue shares in the manner of a third-party allotment (95,706,600 common shares at 1,620 Japanese yen per share for a total (maximum amount) of 155,045 million Japanese yen (rounded to the nearest million Japanese yen) with December 1, 2016, to June 23, 2017, being the payment period (the reason the Target Company made the payment period relatively long is that the payment for the Capital Increase by Third-Party Allotment was scheduled to be made after the settlement for the Tender Offer was completed, and the Tender Offer would be conducted subject to satisfaction of certain conditions, including, among other conditions, the completion of certain procedures required by domestic and foreign competition laws; therefore, the timing of the Tender Offer and the payment date for the Capital Increase by Third-Party Allotment were expected to vary depending on the timing of the satisfaction of those conditions). In connection with the Capital Increase by Third-Party Allotment, NSSMC and the Target Company have agreed, if the Tender Offer is successfully completed, and after confirming the outcome of the Tender Offer, to purchase only the number of offered shares needed to bring NSSMC’s share ownership ratio after the capital increase to 51.00% (any fraction falling short of 100 shares shall be rounded up). Therefore, pursuant to the above agreement, it is possible that NSSMC will not pay for all (or even any) of the number of shares resolved by the Target Company as the number of shares to be issued in the Capital Increase by Third-Party Allotment (95,706,600 common shares), depending on the outcome of the Tender Offer. For details of the Capital Increase by Third-Party Allotment, please see “(5) Schedule for Acquisition of Shares after the Tender Offer” in “1. Purpose, etc. of the Purchase” above and the Press Release Regarding Third-Party Allotment.

(III) Agreement for the Proposed Transaction, Etc.

NSSMC and the Target Company entered into the Agreement for the Proposed Transaction, Etc. as of May 13, 2016 pursuant to resolutions adopted at their respective board of directors’ meetings held on

the same day. For an overview of the Agreement for the Proposed Transaction, Etc., please see “(3) Material Agreements Regarding the Tender Offer” in “1. Purpose, etc. of the Purchase” above.

- (2) Other Information that is Considered to be Necessary When Investors Determine Whether to Tender an Offer to Purchase
- (I) Announcement of the “Summary of Financial Results for the Third Quarter of the FY ending in March 2017 (JGAAP) (consolidated)”

The Target Company announced the “Summary of Financial Results for the Third Quarter of the FY ending in March 2017 (JGAAP) (consolidated)” on February 2, 2017, and an outline of this announcement is set forth below. According to the Target Company, the content thereof has not undergone quarterly review by an auditing firm pursuant to Article 193-2, paragraph (1) of the FIEA. In addition, the outline of the announcement below is a partial extract of the content announced by the Target Company, and NSSMC is not in a position to independently verify the accuracy and truthfulness thereof and has not actually conducted such verification. For details, please see the content of the announcement by the Target Company.

(i) Profit and Loss

Fiscal Year	Consolidated Accumulated Total for Third Quarter of FY Ending in March 2017
Net Sales	381,708 million Japanese yen
Cost of Sales	339,381 million Japanese yen
Sales, General and Administrative Expenses	36,542 million Japanese yen
Non-operating Income	3,287 million Japanese yen
Non-operating Expenses	6,673 million Japanese yen
Net Income (Loss) Attributable to Owners of Parent for the Period	231 million Japanese yen

(ii) Profit and Loss per Share

Fiscal Year	Consolidated Accumulated Total for Third Quarter of FY Ending in March 2017
Net Income per Share for the Period	2.11 Japanese yen
Dividend per Share	0.00 Japanese yen

(Note) The “Dividend per Share” is a dividend payment (interim dividend) with a record date of September 30, 2016. The year-end cash dividends for the FY ending March 31, 2017 are undetermined at this time.

(II) Revision to the Financial Forecast

The Target Company released the “Announcement regarding Revision to the Financial Forecast” on February 2, 2017. According to the announcement, the Target Company announced the revision to the consolidated financial forecast (full year) for the FY ending March 2017. An outline of this announcement is set forth below. In addition, the outline of the announcement below is a partial extract of the content announced by the Target Company, and NSSMC is not in a position to independently verify the accuracy and truthfulness thereof and has not actually conducted such verification. For details, please see the content of the announcement by the Target Company.

Revision to the Consolidated Financial Forecast (Full Year) for the FY ending March 2017 (April 1, 2016 to March 31, 2017)

	Net Sales	Operating Profit	Ordinary Profit	Profit Attributable to Owners of Parent	Net Income per Share
Previous Forecast (A)	(million yen) 516,000	(million yen) 11,000	(million yen) 7,500	(million yen) 3,000	(yen) 27.37
Revised Forecast (B)	512,000	8,500	5,500	1,000	9.12
Change (B-A)	(4,000)	(2,500)	(2,000)	(2,000)	
Change Ratio (%)	(0.8)	(22.7)	(26.7)	(66.7)	
(Reference) Results for Previous Fiscal Year (FY ending March 2016)	547,026	10,087	6,206	(6,613)	(60.33)

End

This press release is a news statement to publicly release the Tender Offer, and was not prepared for the purpose of soliciting a tender for a sale. If you intend to tender an offer to sell the shares in the Tender Offer, please make sure that you refer to the Tender Offer Explanatory Document regarding the Tender Offer in advance, and tender for it at your own discretion. This press release is not a tender for, or a solicitation for a tender for, a sale or purchase of securities, and does not constitute a part of the foregoing. In addition, this press release (or any part of it) and any distribution hereof will not be the basis for any agreement concerning the Tender Offer, nor will it be relied upon when executing an agreement.

The Tender Offer will be conducted in compliance with the procedures and information disclosure standards stipulated under Japanese law, and those procedures and standards are not always the same as those in the United States. In particular, neither Section 13(e) nor Section 14(d) of the U.S. Securities Exchange Act of 1934 or the rules under these sections apply to the Tender Offer; therefore, the Tender Offer is not conducted in accordance with those procedures and standards. The financial information included in this press release is based on Japanese accounting standards, and these standards may largely differ from the general accounting principles adopted in the U.S. or other countries.

All procedures regarding the Tender Offer will be conducted in Japanese unless specifically set forth otherwise. All or a part of the documents regarding the Tender Offer will be prepared in English; however, if there is any discrepancy between the documents in English and those in Japanese, the documents in Japanese shall prevail.

This press release includes “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. The actual results may be significantly different from the content expressly or impliedly indicated in the forward-looking statements, due to known or unknown risks, uncertainty, or other factors. The Tender Offeror and its affiliates do not guarantee that the outcomes expressly or impliedly indicated in the forward-looking statements will be accomplished. The forward-looking statements included in this press release were prepared based on the information held by the Tender Offeror as of the date hereof, and unless obligated by laws or regulations, the Tender Offeror and its affiliates shall not be obligated to update or revise the statements to reflect future incidents or situations.

The Tender Offeror, each financial advisor to the Tender Offeror and the Target Company, and the Tender Offer Agent (including their affiliates) may, within their ordinary course of business and to the extent permitted under Japan’s financial instruments laws and other applicable laws and regulations and in accordance with the requirements of Rule 14e-5(b) under the U.S. Securities Exchange Act of 1934, prior to the commencement of, or during the tender offer period in the Tender Offer, engage in the purchase, or arrangement to purchase, of shares of the Target Company for its own account or for its customer’s account by means other than pursuant to the Tender Offer. If any information concerning any such purchases is publicly disclosed in Japan, corresponding public disclosure will be made on the websites of the relevant purchasers (or through other public disclosure methods) in English.