



NIPPON STEEL &
SUMITOMO METAL

Annual Report 2013

Year ended March 31, 2013

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Other Communication Tools

Please use the communication tools below to gain an overall understanding of the NSSMC Group.

Environmental and Social Report 2013

We produce detailed reports on environmental and corporate social responsibility (CSR) activities.
<http://www.nssmc.com/en/csr/>

Website



As well as general information about the NSSMC Group's business, this includes an overview of the Group and information on investor relations (IR), employment opportunities, and CSR.
<http://www.nssmc.com/en/>

Corporate Philosophy

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

MANAGEMENT PRINCIPLES

1. We continue to emphasize the importance of integrity and reliability in our actions.
2. We provide products and services that benefit society, and grow in partnership with our customers.
3. We pursue world-leading technologies and manufacturing capabilities.
4. We continually anticipate and address future changes, innovate from within, and pursue unending progress.
5. We develop and bring out the best in our people to make our Group rich with energy and enthusiasm.



Forward-Looking Statements

The business forecasts and forward-looking statements in this annual report are based on information available at the time of publication, and contain potential risks and uncertainties. Consequently, actual results may differ from forecasts stated in the report due to a range of factors.

Competitive Advantages

TECHNOLOGIES

NSSMC's long history of development and application of world-leading technology has been further enhanced by the recent business integration. Our technology, supported by an R&D organization of unequalled scale in the steel industry, will continue to lead the world's steel industry.

TOTAL NUMBER OF PATENTS HELD

Approx.

21,100

 patents
in 66 countries

R&D STAFF

Approx.

800

 people

Competitive Advantages

COST COMPETITIVENESS

NSSMC is working to maximize post-integration synergies at an early stage and is targeting a minimum recurring profit to sales ratio of approximately 5% by 2015. We intend to raise this thereafter to 10%.

Cost reduction by consolidating technology and R&D achievements

Approx. **¥60** billion

Establishment of an optimal production system

Approx. **¥60** billion

Reduction in procurement costs

Approx. **¥30** billion

Improvement in efficiency of the head office

Approx. **¥30** billion

Integration and reorganization of and alliances among Group companies

Approx. **¥20** billion

Total of approx. **¥200** billion or more per year

SYNERGY EFFECTS BY INTEGRATION

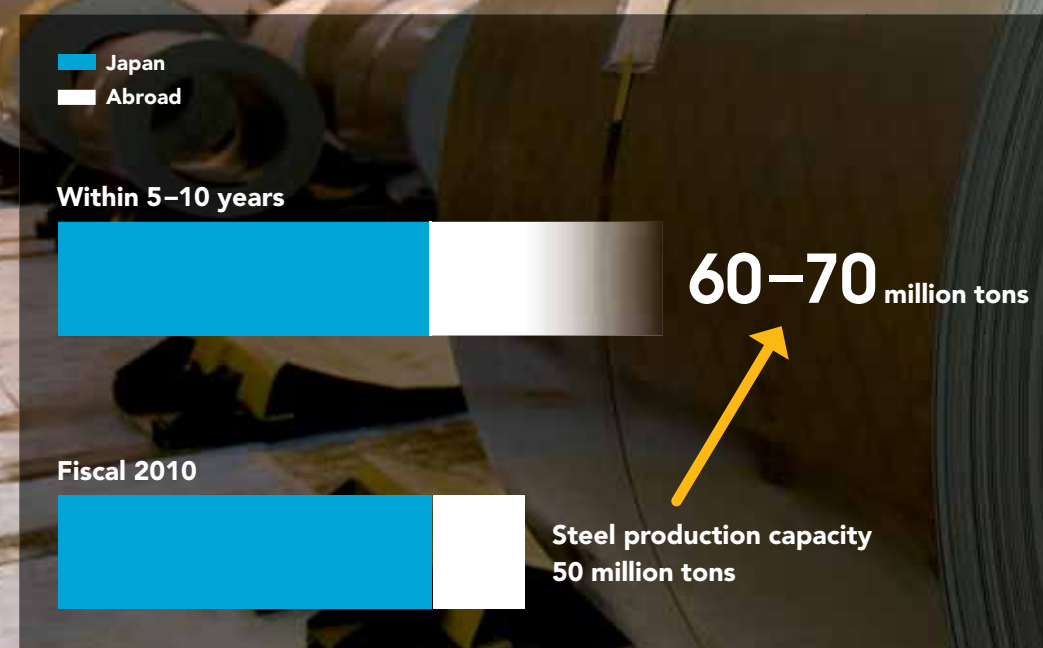
Approx.

¥200 billion or more per year

Competitive Advantages

GLOBAL PRODUCTION SYSTEM

NSSMC aims to achieve global steel production of 60–70 million tons by expanding bases in overseas growth markets.



THE NSSMC GROUP'S STEEL PRODUCTION CAPACITY WITHIN 5–10 YEARS

Toward
60–70 million tons

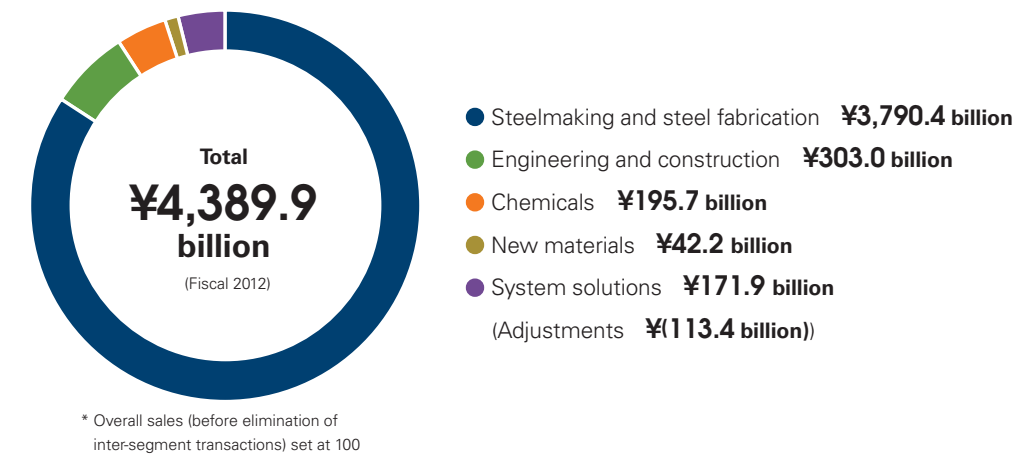
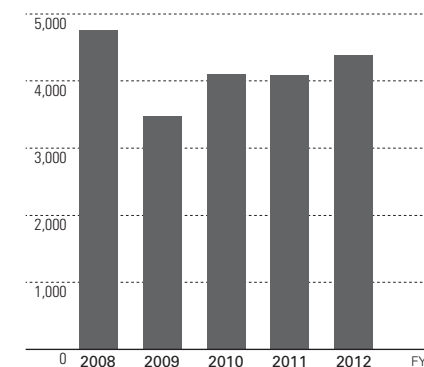
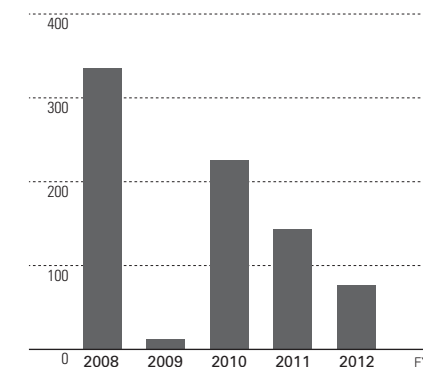
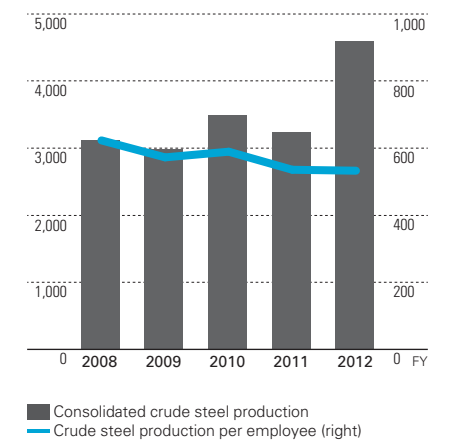
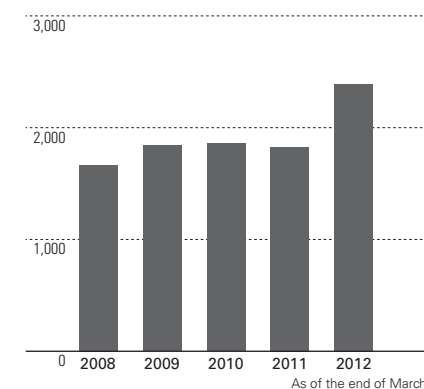
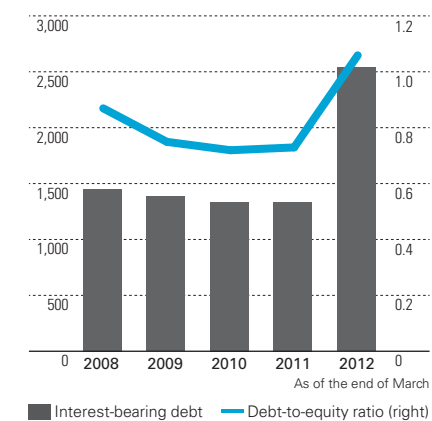
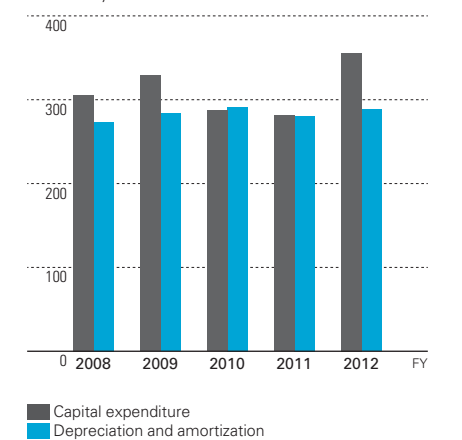
Consolidated Performance Highlights

| Millions of yen | | | | | |
|---|------------|------------|------------|------------|-------------------|
| FY | 2008 | 2009 | 2010 | 2011 | 2012 |
| FINANCIAL PERFORMANCE | | | | | |
| Operating Results (Fiscal year) | | | | | |
| Net sales | ¥4,769,821 | ¥3,487,714 | ¥4,109,774 | ¥4,090,936 | ¥4,389,922 |
| Operating profit | 342,930 | 32,005 | 165,605 | 79,364 | 20,110 |
| Ordinary profit | 336,140 | 11,833 | 226,335 | 143,006 | 76,931 |
| Net income (loss) | 155,077 | (11,529) | 93,199 | 58,471 | (124,567) |
| Capital expenditure | 305,738 | 329,356 | 287,236 | 281,748 | 355,873 |
| Depreciation and amortization | 273,744 | 284,092 | 291,587 | 280,940 | 288,770 |
| Financial Position (End of fiscal year) | | | | | |
| Total assets | ¥4,870,680 | ¥5,002,378 | ¥5,000,860 | ¥4,924,711 | ¥7,089,498 |
| Shareholders' equity | 1,668,682 | 1,844,382 | 1,860,799 | 1,828,902 | 2,394,069 |
| Interest-bearing debt | 1,454,214 | 1,383,794 | 1,337,851 | 1,334,512 | 2,543,061 |
| Amounts per Share of Common Stock (Yen) | | | | | |
| Net income (loss) per share | ¥ 24.60 | ¥ (1.83) | ¥ 14.81 | ¥ 9.29 | ¥ (16.23) |
| Cash dividends per share | 6.0 | 1.5 | 3.0 | 2.5 | 1.0 |
| Financial Index | | | | | |
| Return on sales (ROS) | 7.0% | 0.3% | 5.5% | 3.5% | 1.8% |
| Return on assets (ROA) | 6.7% | 0.2% | 4.5% | 2.9% | 1.3% |
| Return on equity (ROE) | 8.7% | (0.7)% | 5.0% | 3.2% | (5.9)% |
| Shareholders' equity ratio | 34.3% | 36.9% | 37.2% | 37.1% | 33.8% |
| Debt-to-equity (D/E) ratio (Times) | 0.87 | 0.75 | 0.72 | 0.73 | 1.06 |
| NON-FINANCIAL PERFORMANCE | | | | | |
| Crude steel production (Ten thousands of tons) | 3,124 | 2,992 | 3,492 | 3,244 | 4,603 |
| Steel products shipments (Ten thousands of tons, non-consolidated) | 2,820 | 2,709 | 3,135 | 2,909 | 4,097 |
| Average steel selling price (Thousands of yen per ton, non-consolidated) | 104.7 | 75.4 | 81.7 | 86.2 | 80.1 |
| Steel export ratio (Value basis, non-consolidated) | 32.5% | 38.4% | 40.4% | 39.2% | 44.1% |
| Number of employees | 50,077 | 52,205 | 59,183 | 60,508 | 83,187 |

Notes: 1 Return on sales = (Ordinary profit / Net sales) × 100
 2 Return on assets = (Ordinary profit / Total assets [average for the period]) × 100
 3 Return on equity = (Net income / Shareholders' equity [average for the period]) × 100
 4 Shareholders' equity ratio = (Shareholders' equity / Total assets) × 100
 5 Debt-to-equity ratio = Interest-bearing debt / Shareholders' equity
 6 For the first half of fiscal 2012, totals for consolidated crude steel production and steel products shipments for Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. have been combined.
 7 For the first half of fiscal 2012, the average steel selling price and steel export ratio have been calculated as a weighted average for Nippon Steel Corporation and Sumitomo Metal Industries, Ltd.

Figures for fiscal 2008–2011 are for Nippon Steel Corporation.

Sales composition by business segment

Net sales
Billions of yenOrdinary profit
Billions of yenConsolidated crude steel production,
Crude steel production per employee
Ten thousands of tons / TonsShareholders' equity
Billions of yenInterest-bearing debt, Debt-to-equity ratio
Billions of yen / TimesCapital expenditure, Depreciation and amortization
Billions of yen

Message from Top Management



NIPPON STEEL & SUMITOMO METAL CORPORATION GROUP WILL PURSUE WORLD-LEADING TECHNOLOGIES AND MANUFACTURING CAPABILITIES, AND CONTRIBUTE TO SOCIETY BY PROVIDING EXCELLENT PRODUCTS AND SERVICES.

Shoji Muneoka, Representative Director, Chairman and CEO (right)

Hiroshi Tomono, Representative Director, President and COO (left)

The steel industry in Japan is currently facing an environment that is unprecedentedly severe, with domestic demand remaining sluggish and competition intensifying overseas.

Against this backdrop, in March 2013, we announced the Mid-Term Management Plan to show a roadmap regarding how we aim to capitalize on the outcome of our business integration and achieve growth. We will concentrate the management resources that Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. previously cultivated, refine our technologies, enhance our product competitiveness and cost competitiveness, and accelerate our global business expansion. This will enable us to promote and accelerate a cycle of expanding our earnings base, reinforcing our financial structure, and investing into growth areas.

However, there is one thing that will not change amid such changes. That is our value of contributing to the development of society through the constant pursuit of world-leading technologies and manufacturing capabilities as well as through the provision of excellent products and services. This is a spirit shared by both Nippon Steel and Sumitomo Metals, and it is our mission that remains unchanged despite the merger. The Nippon Steel & Sumitomo Metal Corporation (NSSMC) Group promises to contribute to all stakeholders, namely, shareholders, investors, customers, regional communities and society, through steelmaking.

To remain a steelmaker that is needed by the world and society, we will carry out the Mid-Term Management Plan we have now formulated over the next three years approximately and devote all our efforts to achieving world-leading competitiveness by 2015. Through these endeavors, we aim to overcome intensifying competition and ensure sustainable profit growth. Having made a new start as NSSMC, we aim to fulfill your expectations and look forward to your unwavering encouragement and support.

June 2013

A handwritten signature in black ink, reading "S. Muneoka".

Shoji Muneoka
Representative Director,
Chairman and CEO

A handwritten signature in black ink, reading "H. Tomono".

Hiroshi Tomono
Representative Director,
President and COO

President and COO Hiroshi Tomono Discusses

THE MID-TERM MANAGEMENT PLAN

In March 2013, NSSMC formulated a three-year Mid-Term Management Plan, the first since the merger. The current and future outlook, as well as the policies included in the plan, are explained here.



Q

What are the aims and background of formulating the Mid-Term Management Plan?

"I have to say that steel supply-demand conditions are currently tough. Even under these conditions, we formulated the plan to achieve world-leading competitiveness."

At present, the situation is severe. There are no signs of a recovery in domestic demand for steel in the near term, with demand having plunged from a level of 80 million tons a year before the Lehman Shock to a level of 60 million tons a year, and overseas demand is being affected by a slowdown in the Chinese economy. On the other hand, in terms of supply, capacity expansion mainly in East Asian countries such as China and South Korea is continuing to outpace demand. What's more, as several state-of-the-art coastal steelworks that will be cost competitive will start operating in East Asia in the next several years, the supply-demand gap is expected to expand even further. Having said that, we are still confident that the steel industry is a growth industry in the long term. When the economies of emerging countries mature and they develop social infrastructure on a par with developed countries, a large amount of demand for steel will be generated, and demand for high-grade steel, which is our mainstay product, is also likely to grow.

We formulated the Mid-Term Management Plan in order to respond precisely to this business environment and rapidly become the world's leading steelmaker with comprehensive strengths, based on higher standards in all areas, including scale, cost, technology, and customer service.

The goals of this plan are to rapidly harness maximum integration synergies and to realize world-leading competitiveness by the time steelworks in East Asia enter operation on a full scale. By being able to compete more effectively in the industry, we also aim to achieve sustainable growth in profit.

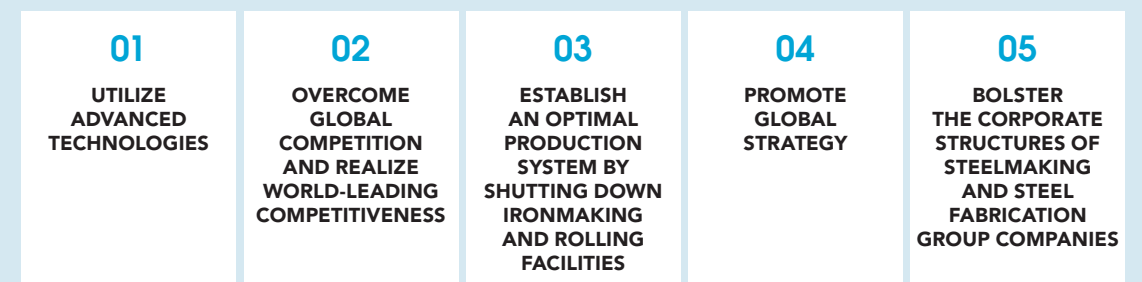
Mid-Term Management Plan

REALIZING WORLD-LEADING COMPETITIVENESS

by 2015, when steelworks in East Asia enter operation on a full scale

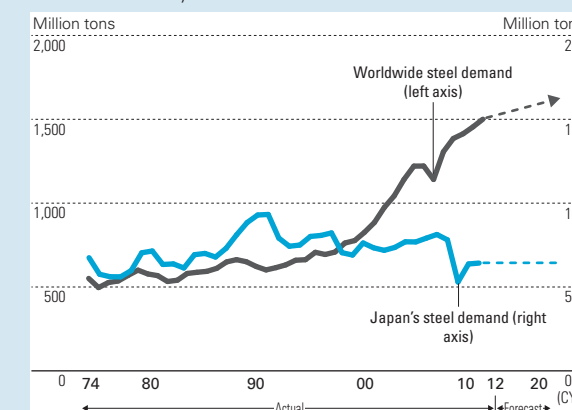
Targeting ROS (Return on Sales) of approximately 5% at minimum with upward potential of 10%

FIVE KEY INITIATIVES



DEMAND

- Global steel demand will grow steadily.
- Japan's steel demand is projected to stay at a level of 60 million tons a year.



Source: WSA / Company estimate

SUPPLY

- Steel supply outpaces demand for the time being.
- Steel supply is expected to further outpace demand in East Asian countries.



President and COO Hiroshi Tomono Discusses the Mid-Term Management Plan

Q
What are the key points to achieve of the targets outlined in the plan?

“We will strongly promote five priority policies. The keywords are ‘technology,’ ‘cost’, and ‘global.’”

To achieve our planned targets, we will further refine our product competitiveness driven by advanced technologies, which are the source of our competitiveness. And armed with cost competitiveness based on increases in productivity, we will accelerate our overseas business development primarily in emerging countries, which are expected to enjoy continued solid growth. The keywords are “technology,” “cost,” and “global.” We will carry this out in line with the following five policies.

01 UTILIZE ADVANCED TECHNOLOGIES

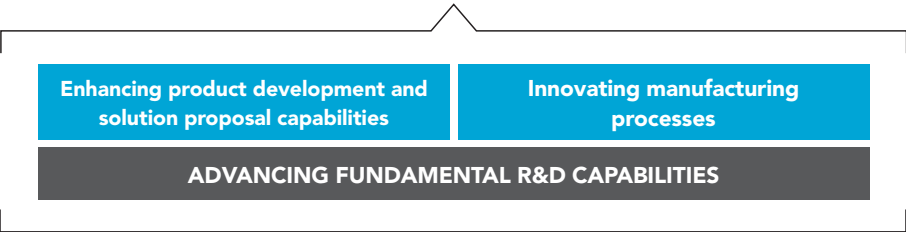
Improving product competitiveness through the development of distinctive products is indispensable to the establishment of a strong earnings base. We aim to distinguish ourselves from our competitors by maximizing the potential of steel as a material, developing highly functional products, and providing customers with comprehensive solutions that include processing technologies. At the same time, through innovation in manufacturing technologies, we will enhance productivity and achieve competitiveness. For example, in blast furnace operation, we aim to improve efficiency by using technologies that facilitate the use of low-grade raw materials, optimizing operating conditions, and making use of simulation technology in order to improve hot metal manufacturing costs. An improvement in hot metal costs will lead directly to an improvement in manufacturing costs of all product types. We will realize this initiative through our R&D organization, which is world-leading in both quality and scale.

PROFIT BASE EXPANSION

- Developing high-functioning products in growing sectors such as the automotive, resource and energy, and overseas infrastructure-related sectors
- Providing customers with comprehensive solutions
- Research on next-generation materials for hydrogen and other clean energy sectors

COST REDUCTION

- Technologies that facilitate the use of low-grade raw materials
- Research on reducing costs of manufacturing processes (i.e., efficient blast furnace operation, process of reducing alloy content)



02 OVERCOME GLOBAL COMPETITION AND REALIZE WORLD-LEADING COST COMPETITIVENESS

In addition to regular cost reductions that we have undertaken, we aim to realize synergies from the merger of at least ¥200 billion a year within approximately three years.

Approximate synergies amount

| | |
|--|-------------|
| Cost reduction by consolidating technology and R&D achievements | |
| <ul style="list-style-type: none">• Use of low-grade raw materials• Operational conditions of upstream processes• Enhancement of efficiency in the rolling processes• Development of high-functioning products• Development of process technologies• Enhancement of labor productivity | ¥60 billion |
| Establishment of an optimal production system | |
| <ul style="list-style-type: none">• Optimization of fixed costs through cessation of operation• Low-cost operation• Optimal allocation of tasks among production lines and increase in volume of high-functioning products• Coordination among steelworks (including raw materials, energy, and maintenance)• Avoidance of redundant investments | ¥60 billion |
| Reduction in procurement costs | |
| <ul style="list-style-type: none">• Improvement of efficiency in transportation of raw materials• Centralized procurement of equipment and materials, etc. | ¥30 billion |
| Improvement in efficiency of the head office | |
| <ul style="list-style-type: none">• Integration and improvement in efficiency of the head office and domestic and overseas branches• Reduction in general administrative expenses and system development cost | ¥30 billion |
| Integration and reorganization of and alliances among Group companies | |
| <ul style="list-style-type: none">• Integration and reorganization of Group companies• Expansion of alliances within the Group (transportation, processing, equipment, analysis, etc.) | ¥20 billion |
| Total of ¥200 billion or more per year | |

03 ESTABLISH AN OPTIMAL PRODUCTION SYSTEM BY SHUTTING DOWN IRONMAKING AND ROLLING FACILITIES

In upstream processes, while reducing fixed costs by shifting to an optimal production system, which includes putting some blast furnaces out of operation, we aim to raise capacity utilization and realize high productivity that maintains shipment volume. In downstream processes, we will further bolster and optimally allocate competitive production lines, expand overseas production lines, and shut down lines that are not competitive enough. Through these measures, we seek to develop a more competitive production system while ensuring the overall Group’s total capacity.

| | | | | |
|-----------------------|---------------------------|--|--|-------------------------|
| Upstream processes | Kimitsu | ● Shift to two-BF operation (No. 3 BF to cease operation) | | End of FY2015 |
| | | ● Streamlining of No. 1 steelmaking plant | | |
| | | No. 5 continuous caster to cease operation | | 1H of FY2014 |
| | | Shift to one basic-oxygen-furnace operation (One basic-oxygen-furnace to cease operation) | | 1Q of FY2016 |
| | Wakayama | ● Postponement of operation of the new No. 2 BF (No. 1 and No. 5 BF operation to continue) | | |
| Down-stream processes | Flat products (cessation) | Kashima | No. 2 continuous pickling line, No. 1 cold strip mill, No. 1 continuous annealing line, Batch annealing line, No. 1 CGL, No. 2 ELG | End of the 4Q of FY2014 |
| | | Wakayama | No. 3 pickling line, No. 1 cold strip mill, CGL, Annealing continuous line (electrical steel sheets) | End of the 1Q of FY2014 |
| | Nagoya | No. 4 CGL | End of the 1Q of FY2013 | |
| | | EGL | End of the 4Q of FY2014 | |
| | Kimitsu | No. 1 continuous annealing and processing line | End of the 4Q of FY2014 | |
| | Plates | Kashima, Kimitsu | Rolling – shift-down | 2Q of FY2013 |
| | Pipes and tubes | Kimitsu | Butt welded pipe line (cessation) | End of the 4Q of FY2013 |
| | | | | |

BF (Blast furnace); CGL (Continuous galvanizing line); EGL (Electrolytic galvanizing line)
Note: Wakayama Works’ production of high carbon steel to continue.

President and COO Hiroshi Tomono Discusses the Mid-Term Management Plan

04 PROMOTE GLOBAL STRATEGY

In the three sectors of high-grade steel products for automobiles, resources / energy, and infrastructure (civil engineering and construction / railways), which are expected to maintain strong growth, we will maintain and expand our share of high-grade steel demand in the global market by making effective use of our product competitiveness and cost competitiveness. Furthermore, with the cost competitiveness we have acquired through the establishment of an optimal production system, we will also supplement demand for high-grade steel with demand for medium-grade products, which are a volume zone, in emerging markets. By deploying the best mix of production and supply facilities in Japan and overseas, we aim to further enhance our cost competitiveness through an increase in capacity utilization. In the future, we will study measures to promote the establishment of a supply base of steelmaking and hot-rolling steel products in the ASEAN region.

Major projects recently announced

| | Country | Sector | Production capacity (Thousand tons per year) | Start-up / Planned start-up |
|--|------------------|----------------|---|-----------------------------|
| TENIGAL, S. de R.L. de C.V. | Mexico | Automotive | 400 | July 2013 |
| Nippon Steel & Sumikin Galvanizing (Thailand) Co., Ltd. | Thailand | Automotive | 360 | October 2013 |
| Jamshedpur Continuous Annealing & Processing Company Private Limited | India | Automotive | 600 | January 2014 |
| Nippon Steel Pipe Mexico, S.A. de C.V. | Mexico | Automotive | 20 | June 2013 |
| WISCO-Nippon Steel Tinplate Co., Ltd. | China | Tinplate | 800 | September 2013 |
| Vallourec & Sumitomo Tubos do Brasil Ltda. | Brazil | Energy | 600 | September 2011* |
| Southern Tube LLC | U.S.A. | Energy | 70 | Fiscal 2015 (target) |
| NS BlueScope Coated Products | ASEAN/ U.S.A. | Infrastructure | 1,400 | March 2013 |
| China Steel Sumikin Vietnam Joint Stock Company | Vietnam | Infrastructure | 1,200 | April 2013 |
| Standard Steel, LLC | U.S.A. | Infrastructure | 300 thousand wheels/year | (Acquired in August 2011) |

* Ramping up

05 BOLSTER THE CORPORATE STRUCTURES OF STEELMAKING AND STEEL FABRICATION GROUP COMPANIES

We will promote integration and reorganization among Group companies that have duplicated functions as well as Group companies whose business competitiveness will be strengthened by integration. By sharing functions in an optimal way across the entire Group, we aim to build a more muscular business base.

| Major integrations and reorganizations announced to date | Date of announcement | Date of integration / Planned date of integration |
|---|----------------------|--|
| Merger of Nippon Steel Pipeline Co., Ltd. and Sumitomo Metal Pipeline and Piping, Ltd. | June 26, 2012 | October 1, 2012 |
| Merger of bar & wire processing companies in Thailand | October 2, 2012 | January 2, 2013 |
| High-tension Bolt Business integration of Nippon Steel & Sumikin Precision Forge, Inc. and NS Bolten Co., Ltd. | November 29, 2012 | January 4, 2013 |
| Integration and reorganization of Nippon Steel Logistics Co., Ltd. and Sumitomo Metal Logistics Service Co., Ltd. | September 5, 2012 | April 1, 2013 |
| Merger of Nippon Steel Techno Research Corporation and Sumitomo Metal Technology, Inc. | October 3, 2012 | April 1, 2013 |
| Merger of Nittetsu Shinko Shearing Corporation and Shearing Kozyo, Ltd. | January 18, 2013 | April 1, 2013 |
| Merger of Sumikin Bussan Corporation and Nippon Steel Trading Co., Ltd. - Merger agreement has been executed. | April 26, 2013 | October 1, 2013 |
| Merger of Taihei Kogyo Co., Ltd. and Nittetsu Elex Co., Ltd. - Merger agreement has been executed. | May 8, 2013 | October 1, 2013 |
| Merger of Sumitomo Pipe & Tube Co., Ltd. and Nittetsu Steel Pipe Co., Ltd. - Basic agreement regarding the merger has been executed. | April 26, 2013 | October 1, 2013 |



Q

What are the Group’s finance and investment strategies to rapidly realize your growth strategies?

“We will combine an improvement in the financial structure with strategic growth investment.”

In addition to cash generated through growth strategies, we will cut costs through synergies by at least ¥200 billion a year, which includes the optimization of our production system based on the shutdown of facilities, and reduce assets by approximately ¥300 billion on a cumulative basis in three years. As a result, we will secure the resources needed for our growth strategies while working to improve the financial structure. While we will set capital investment at a level of around 80% of depreciation expenses, we will also set the limit on strategic investment at approximately ¥100 billion a year, comprehensively take into account the favorable prospects and investment profitability of businesses, and aggressively execute those that will contribute to growth. Based on the profits built up through the growth strategies, we aim to rapidly lower the debt-to-equity (D/E) ratio from the current 1.06 to around 1.0 and achieve a figure of around 0.8, the level sufficient for an international “A” rating status.

With regard to returns to our shareholders, who support us constantly, our policy is to base the return of profits on the Company’s business performance, to secure funds that are necessary to raise corporate value, and to make decisions by taking into account the earnings outlook and our financial position. The standard for the distribution of profits is a consolidated payout ratio of approximately 20%.

| Synergy effects | D/E ratio | Strategic growth investment | Asset reduction | Capital investment |
|---|---|--|---|--|
| At least ¥200 billion a year | At an early stage around 1.0 (1.06 at present) | Approximately ¥100 billion a year | Approximately ¥300 billion | Around 80% of depreciation expenses |

SEGMENT OVERVIEW

| | |
|---|---|
|  | STEELMAKING AND STEEL FABRICATION P.19 |
|  | ENGINEERING AND CONSTRUCTION P.28 |
|  | CHEMICALS P.29 |
|  | NEW MATERIALS P.30 |
|  | SYSTEM SOLUTIONS P.31 |



Business Profile

NSSMC's Steelmaking and steel fabrication business boasts the world's leading technologies for medium- to high-grade steel, which requires high formability, corrosion resistance, and weld strength. Such technologies empower the Company to offer customers a variety of steel as well as a wide range of solutions in such areas as processing and welding.

1. The Company has product-based units. It will operate through these units, including its Group companies, to swiftly formulate and implement strategies for each product unit, where cooperation among manufacturing, sales, and technology forces is essential.
2. Each steelworks will secure a supply system best suited to each area and customer, and will reinforce and improve the efficiency of coordination among steelworks.
3. The R&D Division will accelerate and improve development operations and pursue efficient R&D by integrating the operations of both companies.
4. Through organization into efficient units, the head office will effectively pursue the improvement of human resources.

Business results

| FY | Billions of yen | | |
|-----------------|-----------------|----------|----------|
| | 2010 | 2011 | 2012 |
| Net sales | ¥3,473.4 | ¥3,476.8 | ¥3,790.4 |
| Ordinary profit | 181.9 | 98.8 | 41.5 |

Annual Summary

The Steelmaking and steel fabrication segment took wide-ranging steps to strengthen its domestic business base, including investment to replace equipment in upstream steel fabrication processes, such as the repair of the No. 2 blast furnace at Kimitsu Steelworks. At the same time, the segment displayed technical advances through the concerted efforts of its manufacturing, sales, engineering, and research forces. Specific efforts included collaborating with customers in developing high-functioning products and proposing solutions to them. Moreover, the segment steadily continued to establish its global operating structure, which is designed to capture demand in growth markets, particularly overseas markets, and to swiftly respond to client business developments overseas. The segment continued to devote its utmost efforts to improving the cost structure by adopting measures such as raising the ratio of usage of low-cost materials, improving yield, and thoroughly constraining fixed costs. With regard to steel materials prices, the segment strived to receive the understanding and cooperation of its clients. The segment also integrated or reorganized its Group companies and promoted collaboration within the Group. Due to a drop in steel materials prices associated with soft market conditions despite the business integration, the Steelmaking and steel fabrication segment recorded net sales of ¥3,790.4 billion and ordinary profit of ¥41.5 billion.

We have positioned three business fields as key strategic areas— “high-grade steel products for automobiles,” “resources / energy” and “infrastructure (civil engineering and construction / railways).” Activities for each area are presented on the following pages.

Steelmaking and Steel Fabrication

Strategies by Growth Area ①

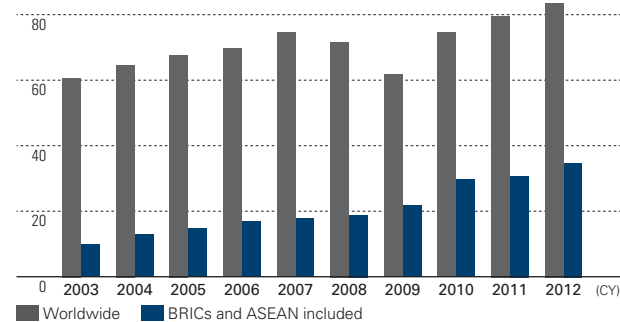
AUTOMOBILES

The desire to buy automobiles is increasing mainly in emerging countries, and demand for steel products is projected to remain strong. At the same time, quality requirements relating to steel products, such as higher collision safety and lighter weight to raise fuel economy and thereby reduce environmental load, are increasing.

Our strengths lie in a global supply network that is the most evolved in the world, an integrated structure penetrating the areas of development, manufacturing, and marketing for the entire process, from materials to products, and the capability to propose solutions that give due consideration to engineering technologies used by customers. By providing customer support that leverages our comprehensive strengths, including collaboration among types of automotive steel products, we will ensure dominance over our competitors.

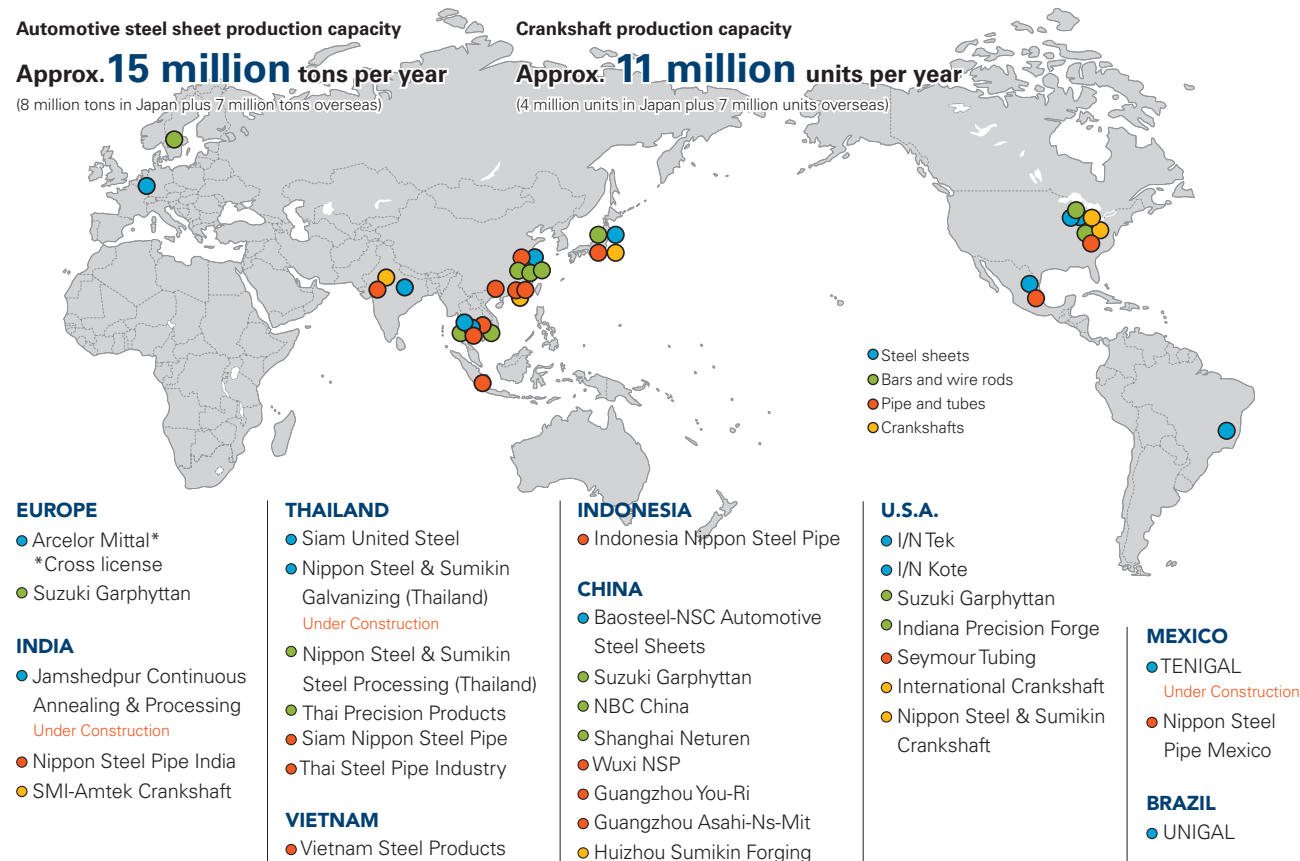


World automobile production
Millions of units



Source: Organisation Internationale des Constructeurs d'Automobiles (OICA)

Global supply network (Steel sheets, bars and wire rods, pipe and tubes, and crankshafts for automobiles)



01 In response to the overseas transfer of production by automakers and rising demand for high-grade steel, we will successively start up new bases in Mexico, Thailand, and India.

Steel accounts for about 70% of the total weight of automobiles and more than 100 types of steel are used in automobiles. Among these, high-tensile-strength sheets that are used in vehicle bodies are leading-edge products that provide high-quality performance, which has been realized by giving sufficient consideration up to the nano level of structural control, including high strength, lightness (thinness), good formability, and corrosion resistance. NSSMC is a world leader in this area.

As customers that require collision safety and fuel economy supported by these high-end steel sheets have been shifting their production bases overseas, especially Japanese automakers, NSSMC is promoting the globalization of its production bases and further accelerating this trend in order to reliably meet local-based demand.

In fiscal 2013, we plan to successively start up new bases in Mexico, Thailand, and India. As a result, our overseas capacity for automotive steel sheets will increase to 7 million tons and almost equal the 8 million ton capacity of our continuous annealing lines and continuous galvanizing lines in Japan.

Furthermore, we have agreed to consider forming a joint venture business covering automotive steel sheets with PT Krakatau Steel, a state-owned steel manufacturer in Indonesia, and negotiations are under way with the aim of concluding a contract at an early stage.

Going forward, we will continue to precisely meet the domestic and overseas needs of customers that require high quality in the form of high strength and lighter weight, and distinctive services, namely, the proposal of solutions and delivery management. We also intend to further increase the percentage of long-term, stable transactions in our business portfolio.



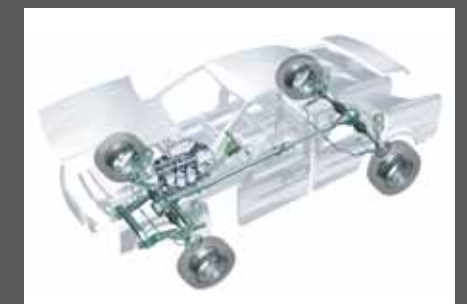
Nippon Steel & Sumikin Galvanizing (Thailand) Co., Ltd. (NSGT), as a manufacturing base of automotive steel products

02 We integrated our bar and wire rod secondary processing business in Thailand. This will provide one of the largest-scale production capacities among Japanese-affiliated processing companies in Southeast Asia and support automotive engines, drive trains, and suspensions.

NSSMC's bars and wire rods are used in important automotive components such as engines, drive trains, and suspensions. Owing to the trend toward more compact and lighter automobiles, high-performance products that use high-grade steel are required, as in the case of automotive steel sheets. In addition, the need for stable procurement of high-performance products in local regions has intensified due to the expansion of overseas production by automakers.

To ensure the fulfilment of these needs, in January 2013, NSSMC integrated two bar and wire rod secondary processing companies that were owned by Nippon Steel Corporation and Sumitomo Metal Industries in Thailand, which is an automobile market with remarkable growth. The name of the integrated company is Nippon Steel & Sumikin Steel Processing (Thailand) Company Limited. Its production capacity is 84,000 tons/year of steel wire for cold heading and cold forging and 18,000 tons/year of cold-finished steel bars. This ranks it on the largest scale among Japanese-affiliated bars and wire rods secondary manufacturers in Southeast Asia. Besides this base, we also have processing bases in China, the United States, and Europe, and are accelerating our overseas business expansion.

We will make effective use of our high-performance product lineup, which has been further enhanced by the business integration, in responding precisely to customers' growing and increasingly sophisticated needs in Japan and overseas.



Bars and wire rods used in important automotive components that are essential for the safety of automobiles

Steelmaking and Steel Fabrication

Strategies by Growth Area ②
RESOURCES / ENERGY

Owing to global economic growth primarily in emerging countries, worldwide energy demand is forecast to continue to increase strongly. As a result, the development of resources and energy is projected to be vigorous.

As sites where it is relatively easy to drill for oil and natural gas are becoming depleted, there has been a shift toward more severe environments, such as the deep sea and cold regions. Consequently, steel products with high specifications that can withstand harsh environments are demanded.

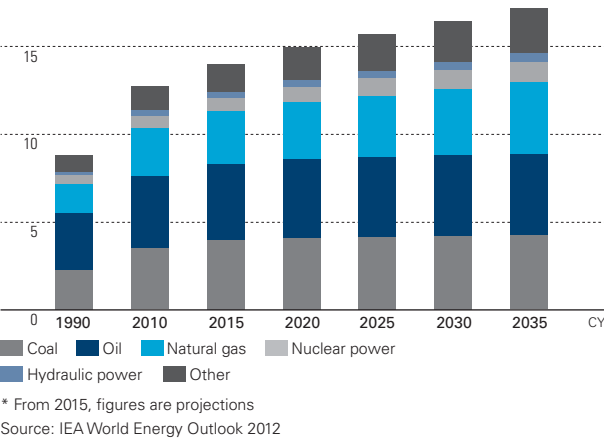
Furthermore, needs for renewable clean energy are growing, especially in Europe.

NSSMC products

| | Pipes and tubes | Steel plates |
|-----------------|---|--|
| Coal | Boiler tubes | Steel for boilers |
| Oil | Seamless pipes Medium- and large-diameter welded pipes | High-strength steel for offshore structures Steel plates for offshore rigs |
| Natural gas | Seamless pipes Medium- and large-diameter welded pipes | Ultra-low temperature steel for LNG tanks High-strength steel for offshore structures Steel plates for offshore rigs |
| Nuclear power | SG tubes | Steel for containment |
| Hydraulic power | — | Steel plates for penstocks |



Worldwide energy demand
Billion TOE (tons of oil equivalent) p.a.

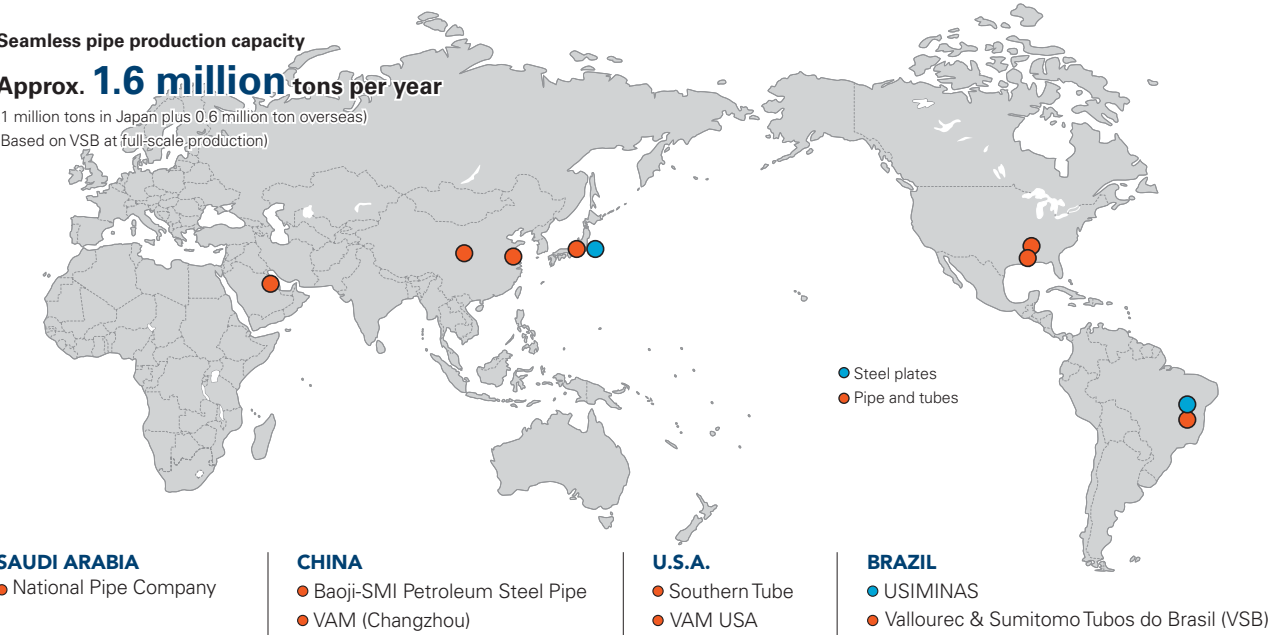


Global supply network (Steel plates, pipe and tubes)

Seamless pipe production capacity

Approx. 1.6 million tons per year

(1 million tons in Japan plus 0.6 million ton overseas)
(Based on VSB at full-scale production)

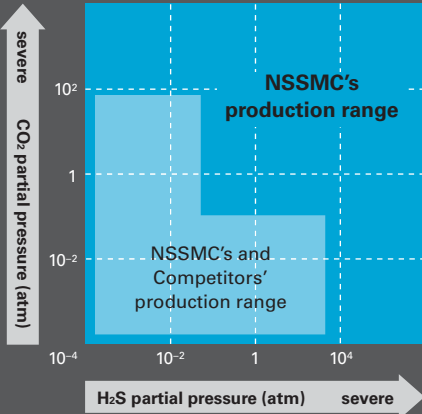


01 | NSSMC offers a full line of high-end Oil Country Tubular Goods (OCTG), which can withstand severe development environments. The Company's standards are the world's de facto standards.

Needs for high-end Oil Country Tubular Goods (OCTG), that is, sour resistance, high strength, and low-temperature toughness that can withstand hostile development environments are increasing. NSSMC is the only company in the world that is able to cover all of these needs with its high-end product lineup, and its world-leading technological capabilities have greatly contributed to the formulation of an international standard for OCTG. We can certainly say that NSSMC's quality standards have become the world's de facto standards.

On the sales front, we are setting ourselves apart from competitors by developing various kinds of high-quality special screw joints that suit market needs such as high gas tightness, high torque performance, and environmental friendliness, and selling them as a package with OCTG.

Our seamless pipe steelworks that started up in Brazil (VSB) began shipping products in 2011. Moreover, we made an additional capital investment in a North American company involved in heat treatment and threading of seamless pipes for OCTG that we acquired in November 2012. It is scheduled to start full-scale commercial production in 2015. In the OCTG area, where we have a high proportion of overseas customers such as oil majors, we will satisfy the needs of customers around the world in both quality and quantity by expanding our global supply network in this way.



NSSMC's product lineup

Hi Ni alloy, duplex stainless steel, super 13Cr, 13Cr, corrosion-resistant alloy steel (steel for sour service), carbon steel low alloy steel

02 | In the diverse energy sector, which is expanding, our high-performance products play an active role. We are also responding proactively in the renewable energy sector.

NSSMC's steel plates are widely used in the shipbuilding, civil engineering, and construction sectors as well as in the energy sector, and their applications are broad ranging. In particular, high-performance products that were created from the results of leading-edge R&D have advantages over the products of competitors and are supporting our energy-related steel plate business. They include ultra-low temperature steel for LNG tanks, which can withstand temperatures of minus 162°C, steel plates for penstocks used in hydroelectric power generation, which require extremely high quality such as high strength and high toughness, and ultra-thick steel for offshore structures, which are used in drilling sites that are shifting to more severe environments. Our steel plates for penstocks, for example, account for approximately half of these steel plates used in the world (our estimate). In such ways, NSSMC's high-performance products have won high acclaim not only in Japan but overseas as well.

In addition to the existing energy sector, renewable clean energies such as wind power are attracting greater attention, as interest in environmental problems is growing. In Europe, in particular, needs for high-grade steel products that cater to this new energy sector are increasing. NSSMC is reliably capturing the needs of this sector and also putting priority on promoting activities that will lead to sales growth. In the field of wind power, we are participating in a national project involving power generation by a floating wind farm located offshore from Fukushima Prefecture, in which Japan has played a world-pioneering role. While accumulating know-how and data through demonstration experiments, we aim to build a business model focused on future global expansion.



Participation in the demonstration experiments of a floating wind farm
Source: Fukushima Marine Wind Power Consortium, Japan Marine United Corporation, Mitsui Engineering & Shipbuilding Co., Ltd., Mitsubishi Heavy Industries, Ltd.

Steelmaking and Steel Fabrication

Strategies by Growth Area ③

INFRA-
STRUCTURE

Civil Engineering and Construction

The development of infrastructure has become a pressing issue in emerging countries against the backdrop of economic growth. As structures and construction methods will become increasingly sophisticated and complex in tandem with the urbanization and increasing scale of infrastructure, demand for high-end technologies and products is forecast to rise.

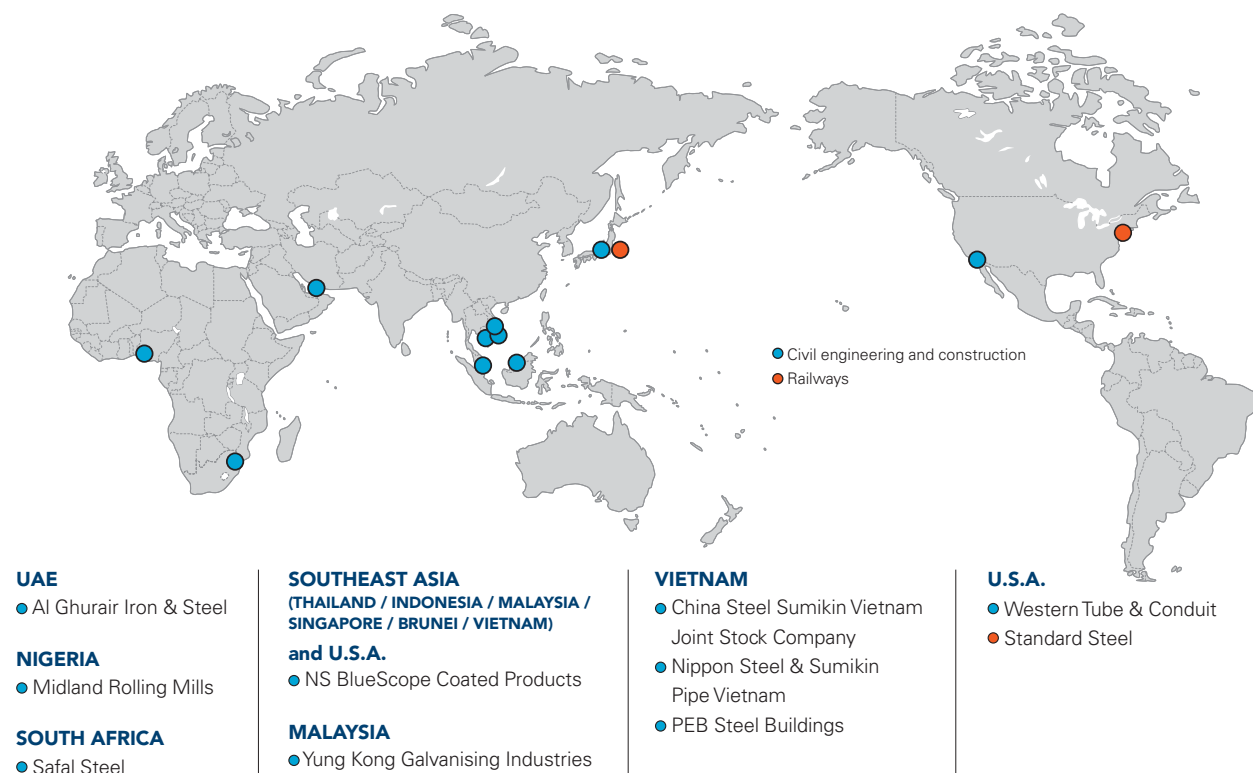
NSSMC's strengths are its strong technological capabilities and product appeal, which were fostered in Japan's challenging market. Based on engineering methods and products that excel in terms of earthquake resistance and measures to control environmental problems, such as noise and vibration, while also shortening construction work time and reducing costs, we will contribute to the development of overseas infrastructure.

Railways

Railways are expected to expand in the medium to long term as an eco-friendly means of transportation.

As speed increases for passenger railways, safety (high quality) and high performance (low vibration, low noise) will be required in products for railways such as wheels, axles, and rails. In Japan, the development and application of products aimed at improving riding quality have advanced in response to the increasing need for comfort. Moreover, in the case of freight cars and mining railways, demand for high-strength, long-life, high-end products that can handle increased loading capacity per car is expanding.

Global supply network (Civil engineering and construction, railways)



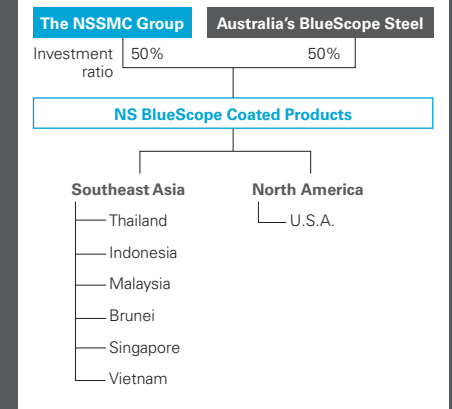
01 | We contribute to infrastructure development in many countries with technologies that were refined in Japan. By initiating a joint venture with Australia's BlueScope Steel, we are accelerating our global expansion.

NSSMC not only manufactures steel products but also proposes total solutions that encompass product development and engineering that were cultivated in Japan. Through these solutions, we are expanding our overseas operations globally with the aim of achieving distinctiveness while promoting the recognition and market penetration of steel structures.

For example, our engineering method that was adopted on Umihotaru, an artificial island on the Trans-Tokyo Bay Highway, has also been used in large-scale overseas projects, such as the project involving the artificial island that connects with a bridge linking Hong Kong and Macau.

To accelerate our global expansion, in March 2013 we launched a joint venture covering coated steel products for the building and construction industries with BlueScope Steel Limited, Australia, which has a network spanning the ASEAN region and the United States. This joint venture company will provide high-value-added products, supported by strong technological capabilities originating in Japan, and total solutions that include construction technologies via 29 manufacturing and sales bases in seven countries.

Through infrastructure development, NSSMC aims to help enhance the quality of life of as many customers as possible around the world by providing high-quality products and services.

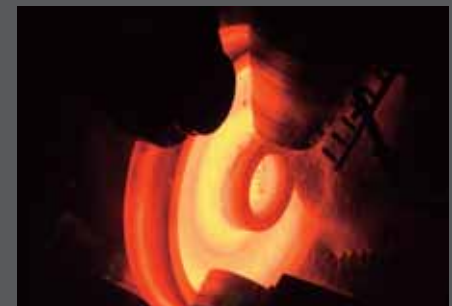


02 | NSSMC has made its U.S. subsidiary Standard Steel, LLC a strategic base. We aim to expand our global market share with the strength of advanced design and manufacturing technologies cultivated in Japan's railway networks.

NSSMC's wheels and axles, which command a 100% share of the Japanese market, have underpinned the reliability of Japan's railway networks. Moreover, they have won high acclaim from overseas customers, including their introduction on the New York subway and Deutsche Bahn, which made use of the advanced design and manufacturing technologies cultivated in Japan. We estimate that they have acquired an approximate 35% share of the global market for high-speed railway wheels.

We regard further expansion of our overseas market share as the most crucial challenge in this sector. As part of this challenge, in 2011, we acquired Standard Steel, LLC, a U.S. manufacturer of railway wheels and axles with a history of over 200 years. At present, we are enhancing Standard Steel's manufacturing technologies by transferring such high-end technologies as a vacuum degassing facility and our proprietary rotary forging press.

By making Standard Steel a strategic base, we will securely capture demand in the North American market, which is one of the largest in the world and is projected to experience growth. In the future, as well, we aim to accelerate our expansion into global markets such as Europe and various Asian countries and to expand our global share with our production network based in Japan and the United States.

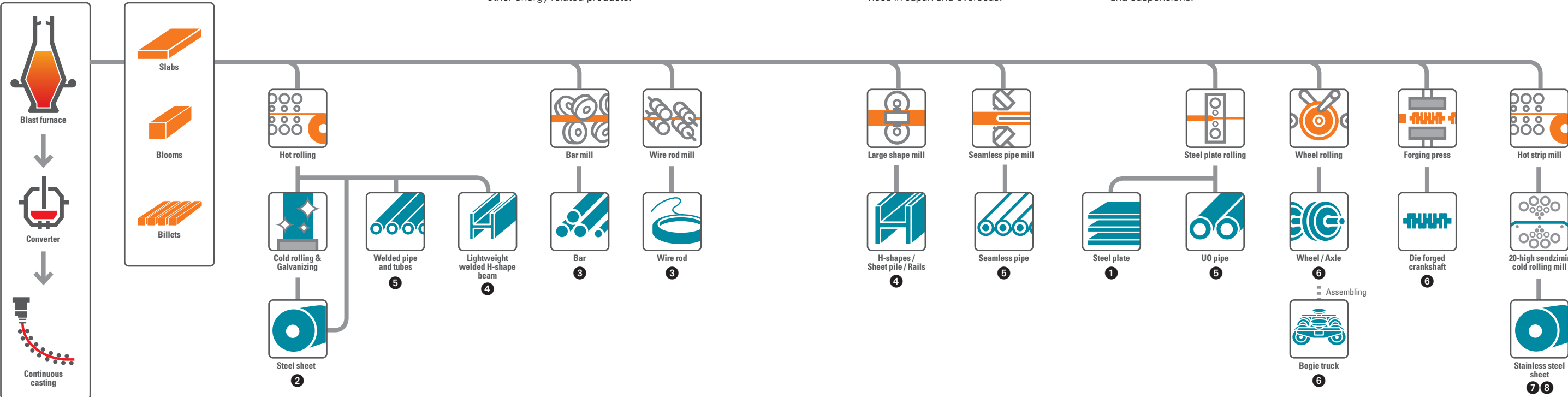


Standard Steel's railway wheel rolling equipment

Steelmaking and Steel Fabrication

OPERATION OF THE STEELMAKING AND STEEL FABRICATION BUSINESS

The Steelmaking and steel fabrication business has product-based units. We will strengthen the operation through these units, including Group companies, to swiftly formulate and implement strategies for each product unit, where cooperation among manufacturing, sales, and technology forces is essential.



1 PLATE UNIT



NSSMC contributes to enhancing the safety of structures and the development of society by delivering high-performance steel plates for large industrial / social structures such as ships, bridges, and high-rise buildings; marine structures for oil and gas extraction; and high-performance steel plates used for tanks and other energy-related products.

2 FLAT PRODUCTS UNIT



NSSMC supports various industries and people's lives by delivering sheet steel used to make automobiles, electrical appliances, housing, beverage cans, transformers, and other goods. Having production and processing bases worldwide, this unit provides high-quality, high-performance products and services in Japan and overseas.

3 BAR & WIRE ROD UNIT



NSSMC delivers high-quality, high-performance bars and rods to a wide range of industries including the automotive, construction, and industrial machinery industries. In the automotive business, this unit focuses on high-end products used in important automotive components such as engines, drive trains, and suspensions.

4 CONSTRUCTION PRODUCTS UNIT



NSSMC delivers H-beams, steel sheet piles, steel pipe piles, rails, and other steel materials used in the civil engineering and construction sectors in Japan and overseas. By responding to diverse needs, this unit contributes to the development of infrastructure that supports people's lives.

5 PIPE & TUBE UNIT



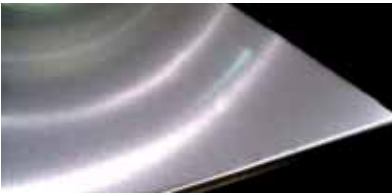
NSSMC is a world leader in high-end seamless pipes used in oil and gas development and other energy areas. Large-diameter tubes for pipelines and steel tubes for automobiles and construction / industrial machinery are also areas of strength.

6 RAILWAY, AUTOMOTIVE & MACHINERY PARTS UNIT



NSSMC is the only manufacturer of railway steel wheels and axles in Japan. Our major products in this unit are railway rolling stock components and forged crankshafts for automobiles. Global expansion is also progressing and there are two manufacturing bases for railway wheels and axles, and four bases for crankshafts in overseas locations.

7 TITANIUM & SPECIALTY STAINLESS STEEL UNIT



Utilizing titanium's lighter, high-strength, and corrosion-resistant properties, NSSMC is a world leader in titanium products for construction, aviation, general industrial, and consumer-related applications. The unit also provides products with excellent heat resistance, corrosion resistance, and formability made of specialty stainless steel that are used in the automotive, IT, environmental, and energy sectors.

8 STAINLESS STEEL UNIT



Nippon Steel & Sumikin Stainless Steel Corporation (NSSC) provides steel users with a wide range of high-quality stainless steel products that includes steel plates, sheets, bars, and wire rods by leveraging its most advanced technologies in the world. This subsidiary has developed the world's first Sn-added low-interstitial ferritic steel grades, named the "FW (forward) series," and a new type of duplex stainless steel.

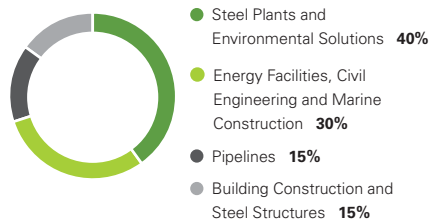


Makoto Takahashi
Representative Director and President
Nippon Steel & Sumikin Engineering Co., Ltd.

Business Profile

Nippon Steel Engineering Division was established in 1974 and we strengthened its business foundation to support the entire Nippon Steel Group until it was spun off in July 2006 to form Nippon Steel Engineering Co., Ltd. Then, in October 2012, the company changed its name to Nippon Steel & Sumikin Engineering Co., Ltd. in line with the merger of Nippon Steel and Sumitomo Metals. The company undertakes many projects worldwide in extensive fields—including the construction and facility operation of steelmaking, environment-related, and power plants as well as the construction of skyscrapers and giant steel structures—by leveraging its comprehensive engineering technologies.

Sales by business field



Business results

| FY | Billions of yen | | |
|-----------------|-----------------|--------|--------|
| | 2010 | 2011 | 2012 |
| Net sales | ¥254.9 | ¥248.9 | ¥303.0 |
| Ordinary profit | 14.8 | 12.7 | 18.1 |

Business Strategies

Based on our corporate philosophy of “continuing our essential role of contributing to society,” we formulated the medium-term business plan “2nd Stage 2015,” (1) in the case of “thoroughly exploring and developing the top three strategies,” our goal is to make our existing businesses more competitive by carrying out radical cost reductions and enhancing productivity, (2) in the case of “developing businesses to achieve growth,” we aim to expand our global activities and develop new products and new businesses, and (3) with regard to “being trusted by society and providing a workplace where people can take pride in their jobs,” the plan advocates continuing and promoting CSR activities as a high-priority policy.

Annual Summary

With the order environment remaining severe both in Japan and abroad, we have endeavored to win definite large-scale orders in the areas of steel plants, environmental solutions, energy facilities, marine construction, pipelines, and building construction and to steadily bolster our competitiveness by reducing costs. In addition, we have actively worked to establish and expand our overseas bases and develop new products and new businesses. Segment consolidated net sales of ¥303.0 billion were in line with the plan, while ordinary profit of ¥18.1 billion significantly exceeded the plan.



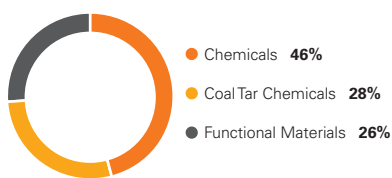
Norio Katsuyama
Representative Director
Chief Executive Officer
Nippon Steel & Sumikin Chemical Co., Ltd.

Business Profile

The Nippon Steel & Sumikin Chemical Group has a unique coal chemicals business, which uses the coal tar and coke oven gas by-products of steelmaking processes, and integrates with petrochemicals.

In recent years, the Group has aggressively promoted its display materials, PWB & package materials, and epoxy resin businesses. We are also working to capture demand for new functional products, such as high surface hardness transparent plastic substrates SILPLUS®, UV / thermosetting resin material ESD-RIMER®, and organic electroluminescence (OEL) materials. Our new businesses include new materials for lithium-ion battery (LiB) electrodes and dye-sensitized solar cells. Through these activities, we are aiming for an optimal balance between business stability and growth.

Sales by business field



Business results

| FY | Billions of yen | | |
|-----------------|-----------------|--------|--------|
| | 2010 | 2011 | 2012 |
| Net sales | ¥193.8 | ¥197.6 | ¥195.7 |
| Ordinary profit | 13.2 | 13.5 | 9.7 |

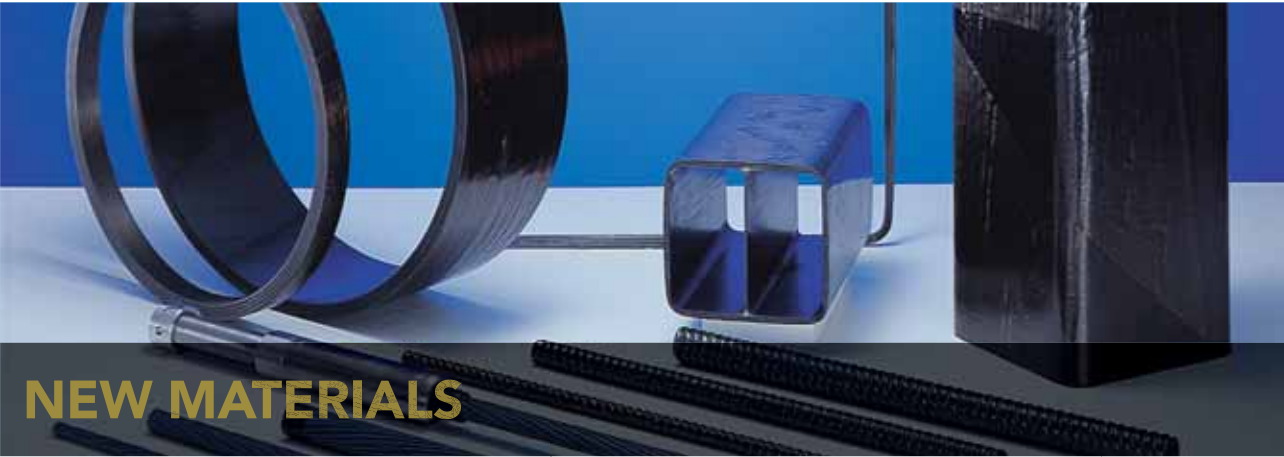
Business Strategies

The Nippon Steel & Sumikin Chemical Group aims to become a chemicals company that contributes to society in the truest sense through the realization of world-leading steel chemicals and the expansion of the functional materials business based on our proprietary materials technologies. With our steel chemicals and functional materials businesses serving as core business drivers, we will continue to develop new businesses and globalize our operations, thereby achieving sustainable growth. Moreover, we are carrying out the mid-term management plan that ends in fiscal 2015, and under this plan we aim to achieve net sales of ¥242 billion, ordinary profit of ¥22 billion, and a return on sales (ROS: ratio of ordinary profit to sales) of 9.1%.

Annual Summary

Owing to factors such as the slowdown in Chinese economic growth, demand relating to smartphones and PCs was sluggish, and sales volumes of epoxy resin and PWB & package materials declined. Also, demand for needle coke used in graphite electrodes for electric furnace steel decreased mainly in the second half. In chemical products, market prices for some chemicals improved in the second half of the year, but we are continuing to attempt to enhance our cost competitiveness for styrene monomer and other products. As a result, segment net sales declined from the previous year, to ¥195.7 billion, and ordinary profit decreased to ¥9.7 billion.

Segment Overview



Kenji Yamada
Representative Director
Chief Executive Officer
Nippon Steel & Sumikin Materials Co., Ltd.

Business Profile

Nippon Steel & Sumikin Materials Co., Ltd., which drives the NSSMC Group’s New materials business, provides original materials and components that are indispensable to leading-edge technology fields, based on materials expertise gained from steelmaking, along with technologies for the design, analysis, and evaluation of molecular structures. The company will thoroughly ascertain user needs through close communication focused on the three areas of semiconductor and electronics industry materials and components, basic industrial materials and components, and environmental and energy-related materials and components. While incorporating these needs, we will expand business globally, supply material solutions that cover a broad range of sectors, and thereby contribute to the development of society.

| Business results | | | |
|------------------|-----------------|-------|-------|
| | Billions of yen | | |
| FY | 2010 | 2011 | 2012 |
| Net sales | ¥60.8 | ¥54.2 | ¥42.2 |
| Ordinary profit | 2.1 | 0.6 | 0.9 |

- Business areas and products**
- **Semiconductor and electronics industry materials and components**
Stainless steel foils, chemical mechanical polishing (CMP) pad conditioners, SiC wafers, Silica / alumina spherical products, bonding wires, microsoldier balls, and hot isostatic pressing (HIP) processed materials
 - **Basic industrial materials and components**
Pitch-based carbon fibers and carbon-fiber-reinforced plastic (CFRP) products
 - **Environmental and energy-related materials and components**
Metal substrates for catalytic converters (used to clean two-wheel and four-wheel vehicle emissions and for use in environmental applications such as general-purpose engines and cogeneration systems)

Business Strategies

Nippon Steel & Sumikin Materials aims to be a company with a distinctive presence in its respective business areas, based on original products and international cost competitiveness.

Contribute to creation of value for users

By effectively approaching users and identifying their true needs, we will contribute to value creation for users.

Promote global business development

To meet increasing global demand, we will use our existing overseas bases (in China, the Philippines, and Malaysia) while also setting up new bases in Indonesia, India, and Thailand, and enhance the level of service for users as well as our cost competitiveness.

Domestic bases to fulfill the role of the mother plant

At our domestic bases, we will thoroughly pursue higher productivity and cost reductions and also promote the development of original new products.

Annual Summary

In the core electronic materials business segment, the semiconductor market was weak but demand for surface-treated copper wire was strong. Meanwhile, in the basic industrial materials and components segment, demand for CFRP products was higher than in the previous year. In the environmental and energy-related materials and components business, we established new overseas bases in Indonesia and India, adding to our existing base in China, to meet growing demand for metal substrates for catalytic converters. As we pursued cost cutting on a companywide basis to cope with sluggish demand, the segment posted net sales of ¥42.2 billion and ordinary profit of ¥0.9 billion.



Munetaka Shashiki
Representative Director and President
NS Solutions Corporation

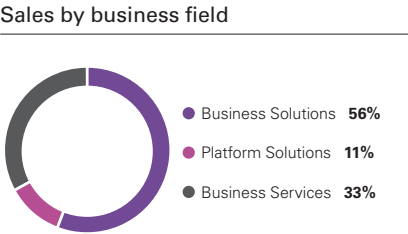
Business Profile

NS Solutions Corporation is promoting business in the three principal fields of business solutions, platform solutions, and business services.

In the business solutions operation, NS Solutions provides consulting, planning, design, and development services relating to business applications in wide-ranging sectors, such as manufacturing, distribution and service, finance, social and public, and telecommunications.

In the platform solutions business, we construct standardized open IT infrastructure and provide cloud services.

Our business services operation primarily involves the provision of services relating to IT systems operations, management, and maintenance, such as comprehensive IT outsourcing services that leverage our secure data centers.



| Business results | | | |
|------------------|-----------------|--------|--------|
| | Billions of yen | | |
| FY | 2010 | 2011 | 2012 |
| Net sales | ¥159.7 | ¥161.5 | ¥171.9 |
| Ordinary profit | 11.3 | 11.2 | 11.6 |

Business Strategies

Promote business structural reform

In this business, NS Solutions is promoting a strategy that prioritizes customers using an account solutions matrix. At the same time, considerable weight is placed on pushing forward solution services that transverse a variety of businesses. In addition to proactively investing in growth fields, the company will continue to focus on increasing revenue.

Reinforce and expand services business

In May 2012, NS Solutions commenced operations at a fifth Data Center. This Center is being used as a base to further enhance the functionality of its “absonne” cloud computing IT infrastructure services. Moving forward, the company will also work to develop hybrid-type, comprehensive outsourcing services that optimally combine cloud services with the customer’s environment.

Expand globally

Having established a local subsidiary in Singapore in December 2011, NS Solutions set up subsidiaries in Thailand and London in March 2013. These companies will help to support our customers’ global business expansion.

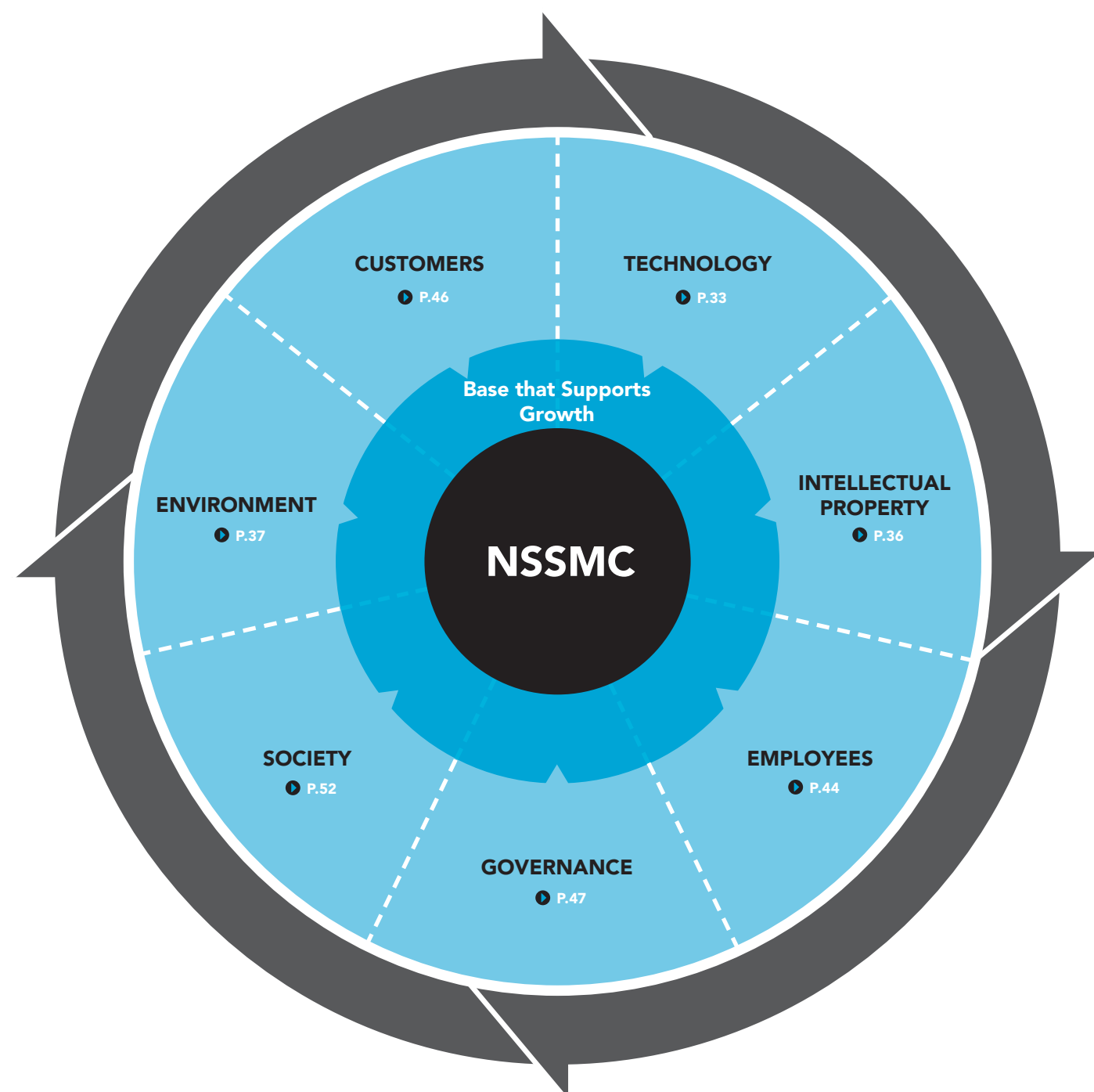
Annual Summary

Although customers have continued to curtail their corporate systems investment, an improvement trend is also becoming apparent. Against this backdrop, NS Solutions worked diligently to secure orders from existing clients and to cultivate new clients. At the same time, the company took steps to strengthen its corporate structure, expand the scope of its business, and advance business globalization. As a result of these activities, net sales amounted to ¥171.9 billion and ordinary profit came to ¥11.6 billion, marking year-on-year revenue and profit growth.

NSSMC'S BASE THAT SUPPORTS GROWTH

Basic Way of Thinking Regarding Sustainable Growth

Our world-leading technologies and manufacturing capabilities, corporate culture to develop and bring out the best in our people, strong relationships of trust with customers that have been accumulated with our efforts to help solve customers' challenges—these are all examples of our strengths that do not appear on the financial statements, and are the base that supports our growth. We will further enhance such strengths, hand them down to the next generation, and aim to realize sustainable growth.



INNOVATION OF TECHNOLOGIES

Aiming for Further Advancement in Technologies

R&D Policy

Amid diversifying societal needs, characterized by changing consumer preferences and growing concerns over energy and the environment, NSSMC is selectively investing management resources in R&D fields that will contribute to sustainable growth.

- 1) Improving the ability to develop and supply high-grade steel products
- 2) Bolstering technology that facilitates the use of low-grade iron ore, coking coal, and other raw materials and fuels, thereby enabling the Company to respond to a downward trend in raw material and fuel quality
- 3) Nurturing environment-oriented technology that underpins sustained corporate development

R&D Organization

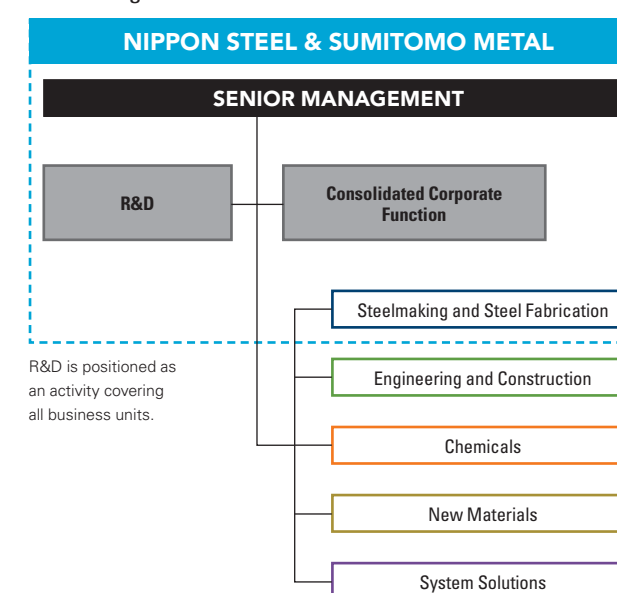
In the true spirit of research and engineering, NSSMC promotes an integrated R&D structure, linking basic research to applied development and engineering. We also promote R&D from various perspectives at our four newly-established research teams (material reliability; infrastructure metallurgy; hydrogen and energy materials; and integrated processes).

Our R&D capabilities highlight six strengths: (1) comprehensiveness and speed of development, facilitated by the integration of R&D and engineering; (2) an R&D network with bases in customer regions; (3) integrated solutions enhanced by Group companies' products and technologies; (4) the ability to address energy- and environment-related concerns with solutions maximizing

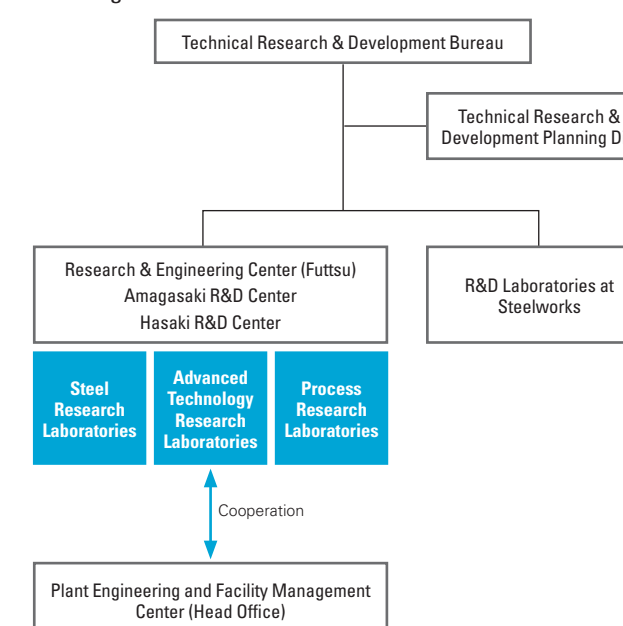
steelmaking process technology; (5) collaboration between industry and academic institutions, overseas alliances, and even customers; and (6) an extensive portfolio of fundamental and platform technologies.

With these strengths, NSSMC's approximately 800 employees, who are based in three core research centers (Research & Engineering Center in Futtsu City, Chiba Prefecture; Amagasaki R&D Center, Hyogo Prefecture; and Hasaki R&D Center, Ibaraki Prefecture) and R&D laboratories at steelworks across Japan, create innovative, functional products, primarily in the steel-making business, pioneer production processes, and ensure their swift introduction into operations.

Positioning of R&D



R&D Organization



Innovation of Technologies

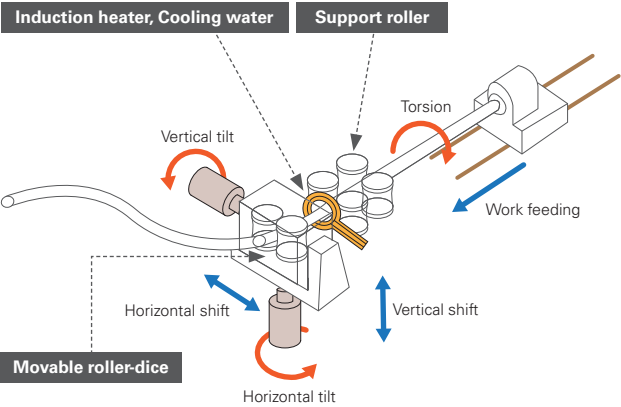
Major R&D Accomplishments

Technologies that contribute to lighter vehicle weight

NSSMC has developed high-tensile-strength steel sheets for automobile use that contribute to a reduction in vehicle body weight and an increase in strength. We have also developed forming and other application technologies for sheets, and make proposals on materials and solution technologies that match customers’ needs.

Three-dimensional hot bending quench (3DQ) mass processing technology for steel tubes

3DQ technology is the continual process of locally heating, bending, and immediately quenching with cooling water steel tubes with diverse shapes (round, square, and various different shapes). By using this technology, high-tensile strength of 1470 MPa or more, a level that conventional processing methods such as cold bending and hydroform bending could not realize, has been achieved. Application of this technology to manufacturing of automotive parts is expected to result in a significant reduction in the weight of vehicles and enhanced collision safety. The Mazda Premacy, a compact MPV, has a weight reduction of approximately 50% in the automotive parts that are manufactured using this technology, while maintaining similar rigidity and strength to conventional materials.



Tension strength 1.2 GPa level-galvannealed steel sheet used for automotive main frame parts

NSSMC has succeeded in manufacturing galvannealed (GA) steel sheet with a tension strength 1.2 GPa. It was adopted for the first time in the main frame parts of the new light automobile “Spacia” that Suzuki released in March 2013.

Compared to cold-rolling steel sheet, GA steel sheet required an additional galvannealing manufacturing process and was more difficult to manufacture. Its maximum strength was limited to 980 MPa. NSSMC then developed a component design that adjusted for the galvannealing process and upgraded

the manufacturing process, which resulted in the manufacture of high-tensile-strength steel sheets that have strength at the 1.2 GPa level. This strength and their corrosion-resistance properties made them suitable for automotive main frame parts. This steel sheet has expanded the scope of application of high-tensile steel materials for automobiles, while offering improved collision safety and lighter weight.

Technologies that contribute to the stable supply of energy

In an environment of increasing demand for energy on a global scale, NSSMC is developing a wide range of materials and products, as we wish to enrich our product lineup and satisfy the needs of customers attentively.

Corrosion-resistant duplex stainless steel tubes for seamless line pipe

Development of SM65-2505

Super 13Cr martensitic stainless steel (S13Cr) had been used for flow lines* in the North Sea and North Africa. This steel, however, had to go through a post weld heat treatment (PWHT) procedure in order to prevent stress corrosion cracking (SCC) of the welded joints in a corrosive environment including carbon dioxide gas. NSSMC has developed SM65-2505 corrosion-resistant duplex stainless steel tubes (alloy steel of Cr 25%, Mo 1%, Ni 5%, and Cu 2.5%) that do not require the PWHT procedure and can satisfy corrosion resistance in a high-temperature environment including carbon dioxide gas and hydrogen sulfide.

By adding Cr up to 25% and strengthening passive state film, SM65-2505 exceeds S13Cr steel in the level of corrosion resistance and has significantly improved weldability for customers by eliminating the need for the PWHT procedure.

SM65-2505 is available up to a size of 16 inches and is expected to be adopted for the increasing development of ultra-deep oil and gas wells.

* Flow line: The surface pipe through which oil or natural gas travels from a wellhead to processing equipment



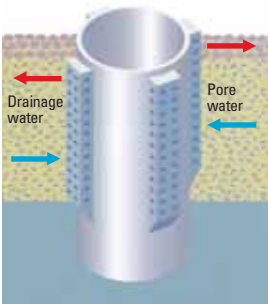
Welding SM65-2505 steel tube

Technologies that contribute to social infrastructure improvements

NSSMC’s R&D achievements are contributing to social infrastructure.

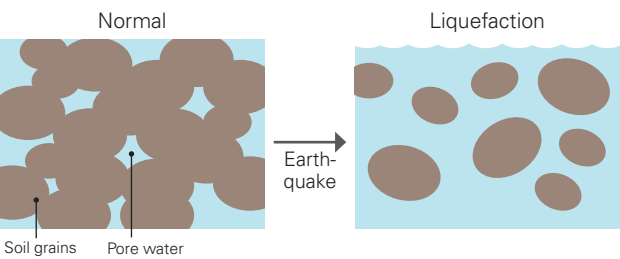
Liquefaction countermeasure

NSSMC HI-DRAIN PILE, a steel material to counter liquefaction, is an innovative product that is able to maintain a high level of stability in the ground where it is located through a function to drain excess pore water in the soil when liquefaction occurs at the time of an earthquake.



NSSMC HI-DRAIN PILE's mechanism for drainage

Patterns of liquefaction



Removal of salt from tsunami-damaged agricultural land

NSSMC is cooperating in a salt removal program organized by the Tokyo University of Agriculture for agricultural land in Soma City, Fukushima Prefecture, which was hit by the Great East Japan Earthquake. NSSMC provides converter slag fertilizer for free. As the salt removal effect achieved by converter slag fertilizer has been demonstrated to be quick and effective in 1.7

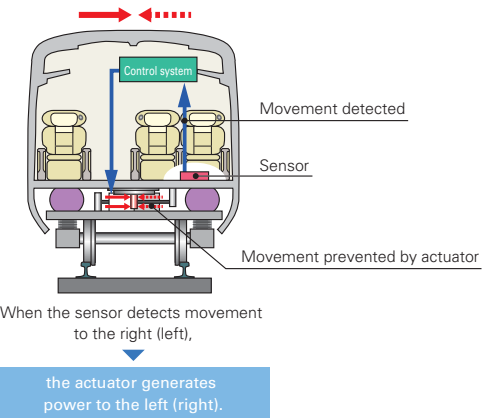
hectares of paddy fields, the applicable fields will be expanded to around 50 hectares, in which 500 tons of converter slag fertilizer will be used, from fiscal 2013.



Before salt removal treatment After salt removal treatment

Active suspension for railway cars adopted

Railway vehicles’ active suspension developed by NSSMC has been adopted for all railway cars of Kintetsu Corporation’s sight-seeing limited express Shimakaze. This active suspension detects body movement from a sensor attached to the car body, makes an actuator generate power in the reverse direction, and controls the car body by canceling out the movement, helping to provide a more pleasant ride.



Praise from society: Recent prizes received

| | | | |
|---|---------|--|---|
| Okochi Award | FY 2011 | Production | Municipal waste plastics recycling technology for producing chemical raw materials |
| | FY 2012 | Production | Development of high-alloy OCTGs and their manufacturing technology that enables production increases of natural gas |
| Ichimura Award | FY 2012 | Main Prize | Innovative new coke making technology for expanding raw coal resources and saving energy (SCOPE21 - Jointly with Kobe Steel, JFE Steel, Nisshin Steel, and Mitsubishi Chemical Corporation) |
| | FY 2012 | Main Prize | Multi-coated Cu bonding wire for LSI packaging (EX1) |
| National Invention Award | FY 2012 | Nippon Keidanren Chairman's Innovation Prize | Development of the functional steel plate with high enhancement of fatigue life for welded structures |
| | FY 2013 | Invention | Excellent corrosion-resistant hot-dip alloy coated sheet |
| | | Patent Office Commissioner's Award | Invention of new type of high-performance copper bonding wire for LSI |
| | | 21st Century Invention Award | Invention of high-strength non-oriented electrical steel of resource-saving design |
| The Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology | FY 2012 | Science and Technology Award: Development Category | Development of a highly environment-sensitive Sn-Zn plated steel sheet for use in automobile fuel tanks |
| | FY 2013 | Science and Technology Award: Development Category | Development of SuperDyma®, a highly corrosion-resistant Zn-Al-Mg plated steel sheet for use as a construction material |
| | | | Development of highly accurate cooling control technology through the use of a thermometer applied to cooling steel sheets at the hot rolling mill |
| Robot Award | The 5th | Industrial Robot Category First Prize | Three-dimensional hot bending quench (3DQ) robot, exploiting flexibility of a robot |

INTELLECTUAL PROPERTY

Pursuing Global Utilization of Intellectual Property

One of NSSMC's Management Principles is to "pursue world-leading technologies and manufacturing capabilities."

The basis of our intellectual property (IP) activity is to secure technologies, including the newly-created, most advanced ones, as IP and then to utilize the IP to meet our medium- and long-term IP strategy in line with our management / business strategies.

Priorities

The IP Division collaborates with the Business Divisions and the R&D Divisions to support the Company's global strategies. We have been focusing on enriching and accumulating IP as "an effective leverage to compete in the world, and with the world" both in quality and quantity and use it as a ready-to-deploy "business tool."

By converting our advanced core technologies into IP and strategically utilizing them, we will continue to reinforce NSSMC's competitive edge and pursue its global strategy more effectively, with the aim of becoming the "Best Steelmaker with World-Leading Capabilities."

Specific Activities

Establishing a framework to avoid impairment of our IP and a basis for global utilization of our IP

- I. Enhanced organizational activity as the Company's functional division
- 1) Utilization of our IP for businesses, in defensive and offensive ways
 - 2) Unification of our IP activities with our management targets and maximization of our IP values
- II. Enhanced support and stimulation of activities to create IP
- 1) Sharing of strategies and enhancement of collaboration with our IP partners (external experts) in Japan and overseas
 - 2) Strengthening of support for challenging technological development activities

Blending the technological strengths of the two integrated companies

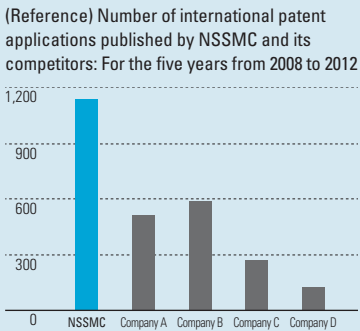
We will thoroughly pursue blending the technological and IP strengths of the two companies, ranging from products to processes. We will also contribute to further enhancing our corporate value by compounding and raising each technical value and securing it as our IP asset.

NSSMC Receives 2012 Thomson Reuters Top 100 Global Innovator Award

- NSSMC has received a "Thomson Reuters 2012 Top 100 Global Innovator Award," which honors the world's 100 most innovative corporations and institutions.
- In the 2012 Top 100 Global Innovators List, 25 Japanese companies were represented, while NSSMC was the only company selected from the global metal refining industry including steel.



Toshiyuki Tomii, Representative Director, Thomson Reuters (left)
Masakazu Iwaki, Representative Director and Executive Vice President, NSSMC



ENVIRONMENTAL INITIATIVES

The NSSMC Group contributes to building a society with a lighter environmental burden by positioning "environmental management" as one of its core objectives.

We operate our businesses by keeping in mind environmental preservation in communities. For example, we consider the preservation and improvement of human living environments, and promote recycling and reduction of waste. At the same time, we will aggressively tackle global issues such as global warming.

We have adopted "Three Eco-Friendly Initiatives" to global environmental problems: reducing the environmental burden at all stages of our operational activities (Eco process; The way we manufacture is "eco-friendly"); offering eco-friendly products (Eco products; What we produce is "eco-friendly"); and global-scale environmental protection proposals and solutions (Eco solution; Our proposals and solutions are "eco-friendly").

Moreover, we are promoting the development of innovative technologies, with the aim of further enhancing energy efficiency and developing new eco products from a medium- to long-term perspective.

NSSMC's Three Eco-Friendly Initiatives

ECO PROCESS

The way we manufacture is "eco-friendly"

NSSMC manufactures steel products with world-leading resources and energy efficiency and is aiming to develop eco-friendly steelmaking processes by further improving efficiency.

ECO PRODUCTS

What we produce is "eco-friendly"

We produce and offer eco-friendly "eco products" using our world-leading technological capabilities, thus conserving resources and energy and thereby contributing towards building a sustainable society.

ECO SOLUTION

Our proposals and solutions are "eco-friendly"

We contribute to a reduced environmental burden and environmental protection by offering various solutions for energy conservation and environmental issues. In addition, we are promoting technology transfer and development to prevent global warming and protect the environment on a global scale.

DEVELOPMENT OF INNOVATIVE TECHNOLOGIES

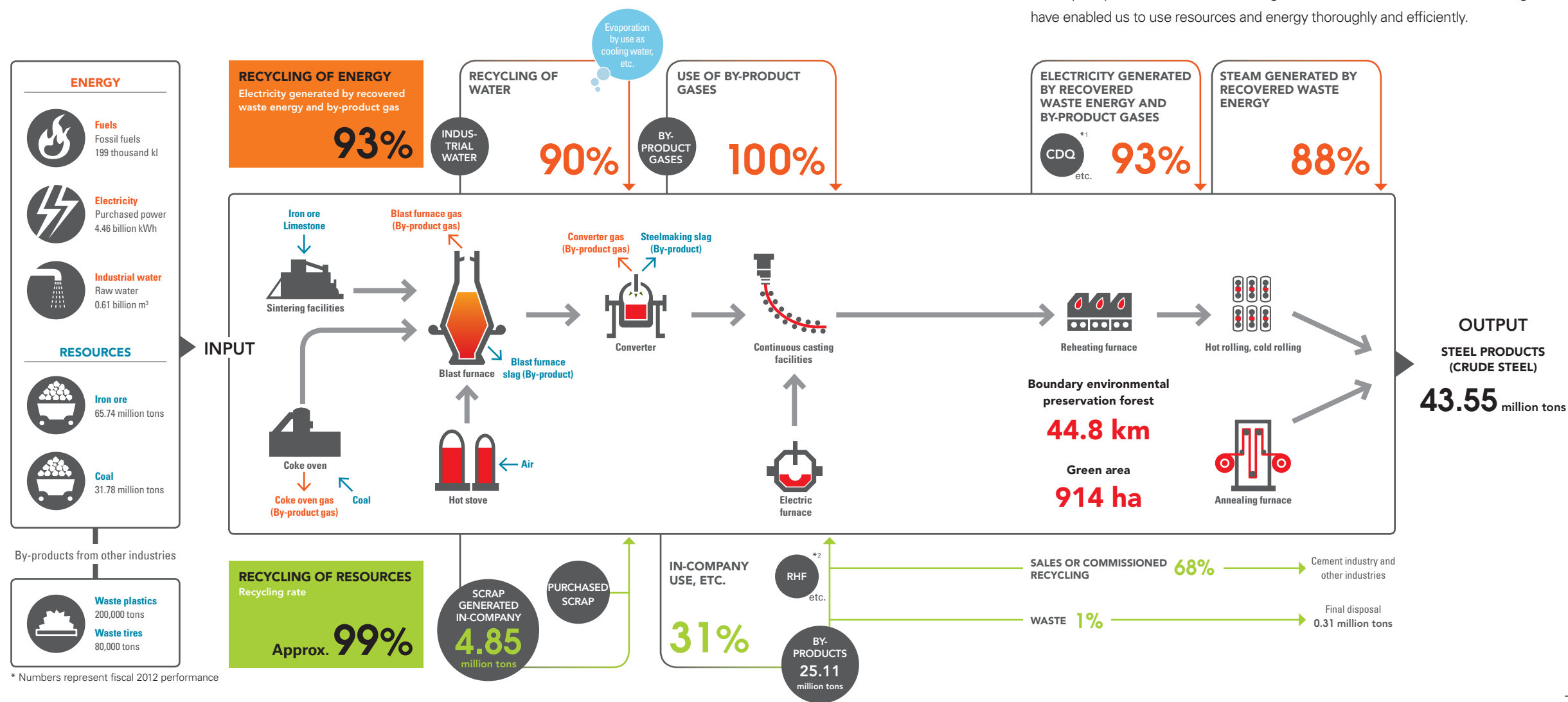
Based on the objective of offering technologies and products that contribute to environmental protection and the saving of resources and energy to society, we are developing innovative advanced technologies from a medium- to long-term perspective.

Environmental Initiatives

ECO PROCESS (THE WAY WE MANUFACTURE IS "ECO-FRIENDLY")

We aim at reducing environmental impacts in our operations and manufacturing processes.

We strive to efficiently utilize limited resources and energy at every stage of operations.



*1 **CDQ (Coke Dry Quenching)**

This equipment quenches red-hot coke (approx. 1,000°C) from a coke oven with inert gas. Compared to the conventional method of quenching with water, this method generates little white smoke (steam) and scatters little dust. As the coke is strengthened, it contributes to the stable operation of a blast furnace.



*2 **RHF (Rotary Hearth Furnace)**

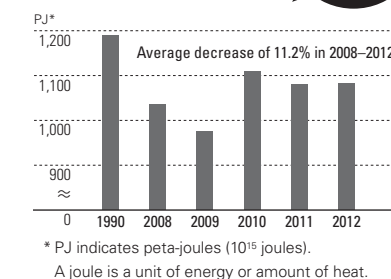
Dust, sludge, and other ferric-oxide-containing by-products occurring in the iron-making process are blended with coal and other reducing agents and continuously processed at elevated temperatures by this equipment, for the recovery and recycling of iron and zinc, etc.



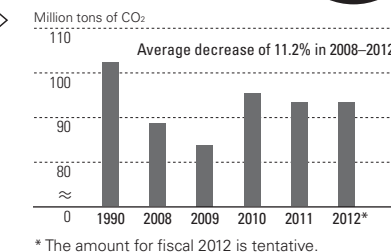
NSSMC's steelworks are working rigorously to save energy in all manufacturing processes with the aim of reducing CO₂ emissions. For example, we try to achieve efficient use of equipment, higher combustion efficiency, and electricity savings. In addition, water for cooling or washing products and production facilities is recycled and reused, while by-products generated in manufacturing processes are actively recycled and reused. Our long-accumulated know-how and technologies have enabled us to use resources and energy thoroughly and efficiently.

Achievements versus the steel industry's voluntary action plan

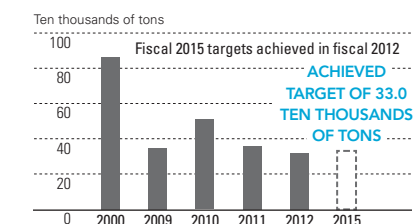
Changes in energy consumption



Energy-derived CO₂ emissions



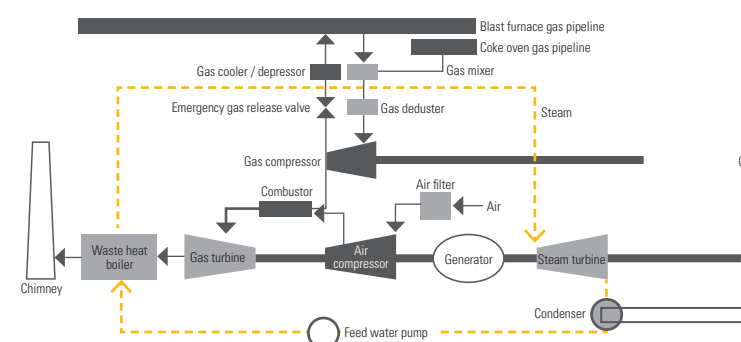
Final disposal amount
(Weights of resources that could not be recycled and finally disposed of)



The NSSMC Group is also contributing to the supply of electricity.

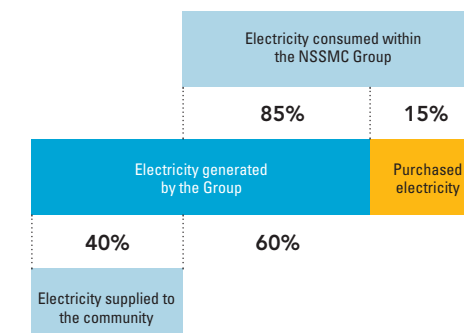
① GTCC (Gas Turbine Combined Cycle)

A GTCC is a power generating plant that consists of one highly efficient gas turbine, one waste-gas boiler, and one steam turbine, which displays efficiency in power generation. NSSMC implemented a GTCC at the Kimitsu Cooperative Thermal Power Plant within Kimitsu Works in July 2004, and plans to further introduce such plants at Kashima Works, Wakayama Works, and Oita Works.



② NSSMC internally generates 85% of the electricity it uses.

③ NSSMC supplies 40% of internally-generated electricity to the works' community.



Environmental Initiatives

ECO PRODUCTS (WHAT WE PRODUCE IS “ECO-FRIENDLY”)**NSSMC’s eco-friendly products help reduce environmental burden**

Our highly functional and reliable “eco-products,” which have been developed based on our strong technological capabilities, are used in energy, transport equipment, household products, and other areas. They typically help our customers become more efficient while making their products lighter or lengthening facility life. That translates into the saving of resources, energy, or both, and a reduction in carbon emissions at the point of use at our customers.

Energy-Related Products**Boiler tubes for efficient power generation**

Higher temperatures and pressure are the keys for coal-fired power stations to be efficient. Our “ultra supercritical” (USC) stainless steel tubes have contributed to the realization of highly efficient coal-fired thermal power generation.



Stainless steel boiler tubes

Super 13 chromium pipe

Pipelines for natural gas have to withstand hostile corrosion environments such as the bottom of the sea. Our “super 13 chromium pipe” has superior corrosion-resistant properties, was first applied at North Sea sites, and is now in use at many natural gas development sites.



Super 13 Cr steel pipe for seabed pipelines

Eco-friendly CLEANWELL® DRY

Seamless pipes for oil and gas development use grease which contains heavy metals such as lead when connected to joints. Our premium joint CLEANWELL® DRY is grease-free and therefore eco-friendly.



CLEANWELL® DRY structures

Ultra high-strength line pipe X120

NSSMC has developed ultra high-strength UO pipe that can be used under hostile environments such as under the ground and at the bottom of the sea. This large-diameter transmission pipeline, which withstands high pressure, has improved energy transmission efficiency.



X120 for seabed pipelines

Transportation-Related Products**Electromagnetic steel sheet for efficient motors**

Our electromagnetic steel sheet is used for fuel-efficient and powerful hybrid and electric vehicles (EVs).



Example of high-efficiency motor using electromagnetic steel sheet

High-tensile-strength steel materials

NSSMC’s high-tensile-strength steel materials have solved the two almost incompatible themes of reducing vehicle body weight, to enhance fuel efficiency, and improving collision safety. The materials are not only strong but also superior in formability.



Drop impact test: The high-tensile-strength steel material is the second from the right.

Steel material for high-strength cracking connecting rods

A connecting rod consists of a rod and a cap and connects the piston motion of the engine to the crankshaft. We have developed a steel material for connecting rods, which can be separated (or cracked) from a forged single part on the same line into two parts. This resulted in a 10–20% reduction of its weight and a significant reduction in the amount of CO₂ emissions. (Example of adoption by Honda Motor Co., Ltd.)



Connecting rod and cracking surface

Oil tanker cargo tank’s bottom plate NSGP®-1

NSGP®-1 is a world-first steel plate that shows more than five times greater corrosion resistance to a pitting corrosion of 10mm that occurs on the bottom of a tank in a crude-oil tanker. Non-coating means saving 100 drums of organic paint per vessel.



Oil tanker using NSGP®-1 on the bottom of a tank

Wheelsets (wheels and axles) for high-speed railway

A wheelset for railway transport is the wheel-axle assembly of a railroad car, with the difference between the two wheels matching the gauge of the rails. Brake disks or gears are attached when required. With the aim of responding to needs for higher speed, NSSMC has reduced the weight of wheelsets which include wheels, brake disks, and gears. It also resulted in energy savings.



Railway wheels and axles

Pure titanium sheet for aircraft and titanium alloy rods for aircraft engines

The use of titanium contributes to stronger, lighter, and more eco-friendly aircraft. We supply titanium alloy rods used in aircraft engine blades and pure titanium sheet used in pylons that connect wings and engines.



Airbus A380 © AIRBUS

Household-Related Products**Zinc-coated steel sheet NS ZINKOTE® color steel**

NS ZINKOTE® color steel has realized ultimate thinness and high formability to unprecedented levels compared to conventional coated steel sheet. Color top coating performed by an electro-galvanized process frees customers from the need for the coating process, the procurement of fuel, and the treatment of waste liquid while eliminating concern about emission gas.



NS ZINKOTE® color steel (black) used as back cover of flat-screen television

Corrosion-resistant SuperDyma® galvanized sheets

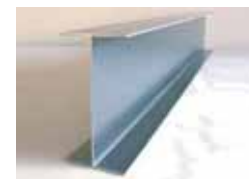
SuperDyma®, a high corrosion-resistant alloy hot dip galvanizing steel sheet, is coated with a zinc alloy containing around 11% aluminum, around 3% magnesium, and a tiny amount of silicon. SuperDyma® has four times the corrosion resistance of general grade galvanizing steel. Thus, the amount used for coating to achieve similar corrosion-resistance performance can be reduced by a quarter. In addition, the coating process can be reduced, resulting in the saving of coating materials, in other words, petroleum resources.



Frame for solar power generation

Lightweight welded SMart BEAM®

Our lightweight welded H-beams are lighter and less thick than conventional rolled H-beams and highly regarded for their durability and high dimensional precision. They are used in pre-fabricated houses as well as in beams of wooden houses.



SMart BEAM®

Lead-free, free-cutting steel material (EZ, Sumi-Green CS)

Shafts used in paper feeders and other parts of printers contain lead to make it easy to process the shaft. NSSMC’s EZ and Sumi-Green CS are made of lead-free steel but ensure similar free-cutting performance and superior coating performance compared to conventional steel that contains lead.



Printer shaft

Low-alloy corrosion-resistant steel ARU-TEN

Low-alloy corrosion-resistant steel ARU-TEN hinders the occurrence of red rust due to a general coating that contains zinc in outside high-salt environments. It hinders the occurrence of red rust even without a coating in indoor lower-salt environments. This steel has significantly reduced the amount of additives used, such as nickel, chrome, and molybdenum, compared to stainless steel. It is thus economical and eco-friendly.



Example of use of ARU-TEN: Vacuum case used on a manufacturing line for LCD televisions, mobile phones, and other precision equipment

Steel for Bridge High-Performance Structures (SBHS) 500 that supports the Tokyo Gate Bridge

NSSMC’s SBHS500 was adopted in the Tokyo Gate Bridge, which was constructed to ensure smoother transportation and relieve traffic jams. This new steel is extremely strong and has reduced the overall weight of steel materials used by 3%. This has also resulted in a significant reduction in CO₂ emissions for the whole process from the manufacturing of steel materials and the construction of bridges to transportation. In addition, compared to conventional bolted connections, the adoption of an all-welded structure resulted in a less tongued-and-grooved face, leading to a reduction in the repainting burden.



Tokyo Gate Bridge

Environmental Initiatives

ECO SOLUTION (OUR PROPOSALS AND SOLUTIONS ARE "ECO-FRIENDLY")

The NSSMC Group's technologies help solve the environmental challenges of various countries throughout the world.

We are cooperating in energy-saving and other environmental initiatives in China, India, and other parts of the world, as the international technical transfer of our superior energy-saving technologies is most effective in reducing CO₂ emissions and in other environmental countermeasures on a global scale. In India, especially, we are actively participating in a feasibility study to design a bilateral offset credit scheme.

**01: Poland**

- JICA*1: Dispatch of energy-saving specialists

02: Hungary

- JICA: Hosting / dispatch of energy conservation specialists
- NEDO*2: CDM/JI Basic Survey

03: Bulgaria

- JICA: Dispatch of energy-saving specialists
- NEDO: CDM/JI Basic Survey

04: Uzbekistan

- NEDO: Energy-saving diagnostic survey at plants and other locations
- NEDO: Energy-saving diagnostic survey at heat supply plants

05: Russia

- NEDO: CDM/JI Basic Survey

06: Turkey

- JICA: Dispatch of energy-saving specialists, provision of energy-saving training, machinery, and materials

07: India

- NEDO: CDM/JI Basic Survey
- NEDO: Basic Survey on Energy Saving and the Environment
- NEDO: Energy Conservation Model Project
- NEDO: Dissemination and Promotion of Global Warming Countermeasure Technology
- Ministry of Economy, Trade and Industry: Dissemination and Promotion of Global Warming Countermeasure Technology

08: Kazakhstan

- JICA: Dispatch of energy-saving specialists
- NEDO: CDM/JI Basic Survey

09: China

- JICA: Steel Industry Environmental Protection Technology Improvement Project
- NEDO: Energy Conservation Model Project
- JBIC*3: Environmental ODA Project
- NEDO: International Basic Survey on Energy Saving and the Environment
- NEDO: Environmental Harmonious Model Project
- NEDO: CDM/JI Basic Survey

10: Vietnam

- NEDO: CO₂ reduction feasibility study
- Energy Saving Center: Dispatch of energy-saving specialists

11: Indonesia

- JICA: Cooperative preparatory survey
- NEDO: Energy-saving diagnosis of steel industry based on high-performance industrial furnace

12: Thailand

- JICA: Dispatch of energy-saving specialists, provision of energy-saving training, machinery, and materials

13: Cuba

- JICA: Environmental management course, dispatch of energy-saving specialists

14: Brazil

- NEDO: CDM/JI Basic Survey

*1 JICA: Japan International Cooperation Agency

*2 NEDO: New Energy and Industrial Technology Development Organization

*3 JBIC: Japan Bank for International Cooperation

DEVELOPMENT OF INNOVATIVE TECHNOLOGIES

The NSSMC Group focuses on the development of technologies that help improve environmental burden substantially.

Coke Oven Incorporating Next-Generation Coke Manufacturing Technology (SCOPE21)

"SCOPE21" is technology that was developed under a national project for the purpose of increasing the ability to overcome resource and energy issues. It incorporates various innovative technologies for reducing coke manufacturing time, improving the quality of coke, and so forth, and is expected to result in increased utilization of low-grade metallurgical coal and produce significant energy savings. Based on the assumption of the Ministry of Economy, Trade and Industry, if all existing coke ovens in Japan were replaced by this new type of coke oven by 2020, a reduction of approximately 310,000 kL/year converted into crude oil could be achieved. The first SCOPE21-type coke oven has been operating at our Oita Works since its implementation in May 2008 and its favorable results have led to the construction and start of a second coke oven at our Nagoya Works in June 2013.



First SCOPE21 facility (Oita)

Development of Environmentally Harmonized Steelmaking Process Technology (COURSE50)*

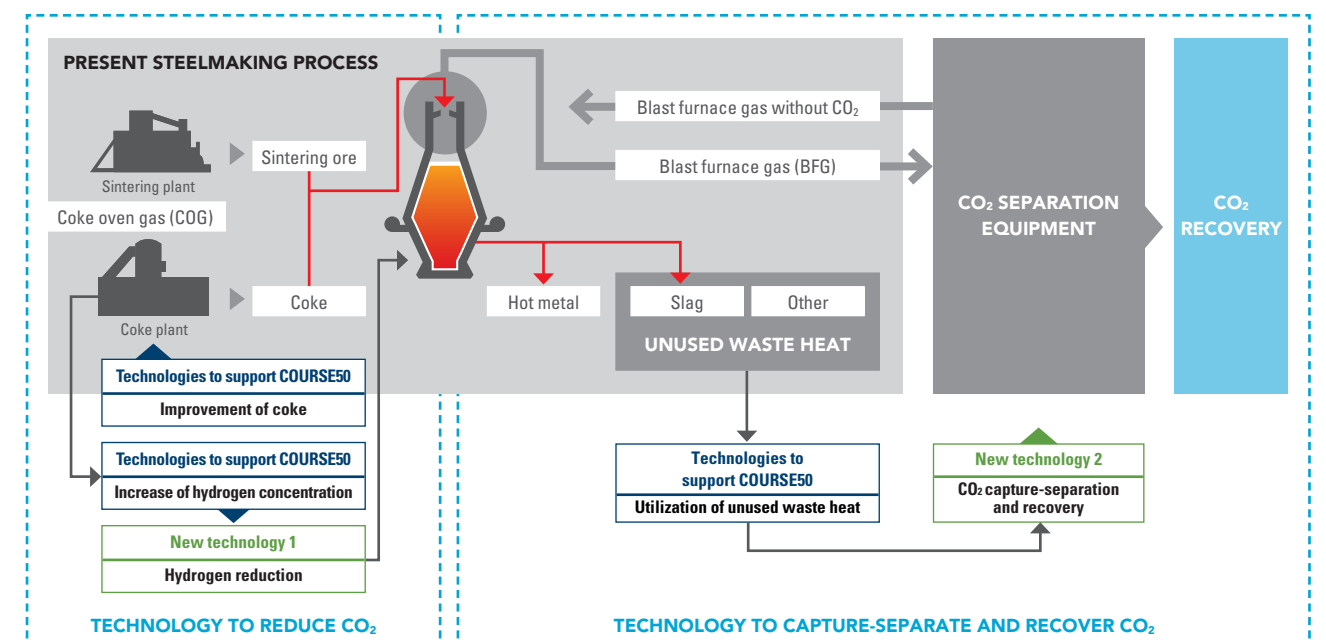
We are working to develop revolutionary steelmaking processes aimed at large-scale CO₂ reductions.

The Japanese steel industry is already the lowest energy consumer in the global steel industry. This means that we have realized steelmaking processes that emit the least amount of CO₂. Any further improvements in efficiency would require the development of a revolutionary new steelmaking process. Under contracts from NEDO, various steel companies are working to develop eco-conscious steelmaking process technologies.

NSSMC and other steel companies have carried out hydrogen reduction testing by using a test blast furnace of LKAB, a mining company in Sweden, and have achieved the desired results.

Within the project team, NSSMC is in charge of the testing to amplify hydrogen extracted from coke oven gas and the application development of the Kalina Cycle power generator, which we were the first in the world to commercialize.

* COURSE50 (CO₂ Ultimate Reduction in Steelmaking process by Innovative technology for cool Earth 50): NSSMC and four other steelmakers in Japan are carrying out this project with the aim of developing innovative process technologies that enable substantial reductions of CO₂ in the steelmaking process.

Environmentally harmonized steelmaking process technology (COURSE50)*

TOGETHER WITH EMPLOYEES

One of NSSMC's Management Principles declares that "we develop and bring out the best in our people." Accordingly, we provide "on-the-job training" in normal working situations, with active dialogues between supervisors and subordinates as the core, and various "off-the-job training" activities (i.e., training by job class, skill training) that complements the former. These activities are designed to enhance the comprehensive capability of our people.



Training Employees to Support Business Expansion in Overseas Growth Markets and Technological Innovation

With the aim of fostering people who can work on a global stage, we have established and carried out a range of educational activities that includes language lessons, inter-cultural learning programs, overseas assignment, and overseas study programs. It is also important to hire and invest in engineers who will lead us to advance our technological edge. There are various specialized technological training sessions for these engineers.



Skill Transfer and Constant Hiring Support Our Sustained Growth

Our veteran employees are relaying their accumulated skills and know-how to the next generation of young workers in their manufacturing worksites. The method of transferring skills has been evolved by systemized teaching methods such as visualized work procedures and comprehension tests.



Relaying of skills from veteran employees to young workers contributes to sustainable growth of the Company

Diverse People Work for Business Development Overseas

We foster employees who promote our business expansion in overseas growth markets by utilizing our world-leading technologies. Over 12,000 employees from diverse backgrounds are working at approximately 80 overseas bases in the NSSMC Group. In North and South America, Southeast Asia, China, India, and other countries, NSSMC's employees are working together with employees of our joint venture partners and local employees.



NSSMC's employees working together with local employees of our subsidiary Latinusa (PT Pelat Timah Nusantara) in Indonesia

Creating an Employee-Friendly Environment

From the viewpoint of supporting the work of various employees and realizing a balanced way of work and living, we prepare a good work environment and a good work-life environment for our employees and their families. We also offer various welfare benefit programs that accommodate the needs of employees. These include dormitories, company housing, and the "work-life support program," which allows each employee to choose options for leisure, child support, etc.



Bachelors' dormitory at Nagoya Steelworks

Safety and Health at Work Are of the Utmost Importance

"Safety and health of employees at the Nippon Steel & Sumitomo Metal Corporation Group are the most important, top-priority values and the basis for supporting business development." "Under the Management Principle of 'developing and bringing out the best in our people,' the NSSMC Group makes continuous efforts to ensure the safety and health of the people who work for the Group and continues to contribute to society through the safety and health of the employees as well." Under the Basic Philosophy on Safety and Health, we promote activities with the aim of eliminating any serious injuries. In particular, our TAIKAN Program (Experience-based safety education program) enables employees to experience risk at their worksite through simulation. Moreover, we make investments in equipment and develop technologies aimed at enhancing the inherent safety of production facilities and realizing a pleasant work environment.



Employees are trained in experiencing risk through our TAIKAN Program

Respect Human Rights

NSSMC respects human rights, gives due attention to the rights of workers, and staunchly opposes the use of forced and child labor. These are prerequisites of our corporate activities. We have also prohibited unjust discriminatory treatment of workers. In addition, we give careful consideration to the traditions and cultures of each country as we accelerate overseas business development.

TOGETHER WITH CUSTOMERS

Our business does not simply entail delivering products required by our customers. We help customers solve problems by providing services based on their perspective. Such efforts have been accumulated to result in long-term strong relationships of trust with customers, which is one of our strengths.

Contribute to Customers by Providing Comprehensive Solutions

In general, it is customers who do the final processing of steel products. NSSMC thus contributes to quality enhancement of customers' products by providing them with comprehensive solutions including proposals on process technologies, in addition to improving the quality of materials.

Example of solution:

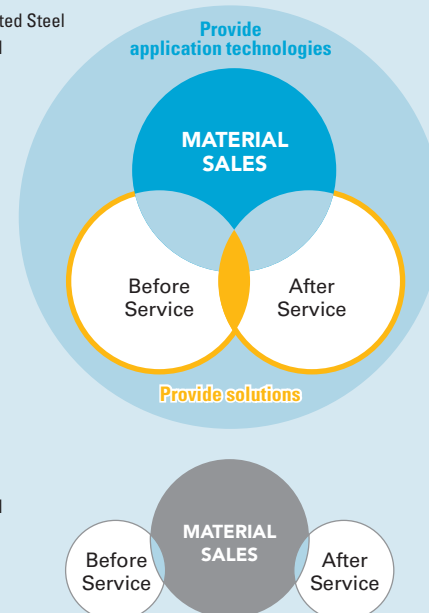
High-tensile steel sheets for automobiles

High-tensile steel sheets for automobiles are required to satisfy needs for weight reduction to lessen environmental burden and for vehicle body stability. They are thin, strong, and hence difficult to process. Based on our long relationships of trust with customers, we are engaged from the design and development stage of automobile bodies, use our forming, joining, and analysis technologies, and develop easy-to-process steel materials with high performance. At the same time, we propose a wide range of solutions, including methods of processing, which utilize steel materials' properties, shapes, and structures. In addition to activities "before service," we provide "after service," in which our engineers visit customers' manufacturing sites on a regular basis, bring back the "voices of customers" to their own worksites, and thus ensure further improvement in developing steel materials.

Comprehensive solutions for customers

NSSMC's Targeted Steel Business Model

Conventional Business Model



Seek to Be No. 1 in Customer Satisfaction

The relationships of trust with our customers and their satisfaction, which we have gained by providing products and services to them from the customer's point of view, are our precious assets. We will seek to ensure that our customers say "only NSSMC can do this," with the aim of being the No. 1 steelmaker in terms of customer satisfaction.

Winning 11th consecutive award from Toyota in the U.S. - International Crankshaft Inc.

NSSMC's crankshaft forging subsidiary in the U.S., International Crankshaft Inc. (ICI), was awarded "Certificate of Achievement" for 2012 performance. This is the 11th consecutive year of receiving the award from Toyota to ICI. The commitment of each and every member of ICI to quality and customer satisfaction is the foundation of this achievement. ICI, with 21 years of experience under its belt, will continue to try hard to satisfy its customers.



CORPORATE GOVERNANCE

In line with its corporate philosophy, NSSMC aims at building the dynamic NSSMC Group. To that end, we are establishing a corporate governance structure and internal control system and mechanisms for cooperation among Audit & Supervisory Board Members, the Internal Control and Audit Division, and accounting auditors. By doing this, we seek to ensure management's efficiency, soundness, and transparency, and enhance our corporate governance with the ultimate aim of achieving sustainable improvement in corporate value and being trusted by society.

Corporate Governance Structure

NSSMC's Articles of Incorporation stipulate that, as a statutory institution, the Company shall have not more than 20 directors, a board of directors, not more than seven Audit & Supervisory Board Members, an Audit & Supervisory Board, and accounting auditors.

NSSMC has in place the Board of Directors, which consists of an appropriate number of directors well-versed in the Company's business. Being comprised of such knowledgeable members, the Board of Directors can adequately and swiftly make decisions regarding the Company's business execution, contributing to the quality enhancement of corporate management. The Company also has in place the Audit & Supervisory Board, which is comprised of Audit & Supervisory Board Members who hold strong auditing authority and maintain integrity, objectivity, and independence when monitoring and overseeing the execution of duties by directors. NSSMC believes that its structure, underpinned by these two organizations, is effective and appropriate for ensuring sound corporate governance.

In addition, to clarify responsibilities for the results of each business segment, the Company has introduced an executive management system under which directors strive to ensure the proper execution of business activities.

Directors and Audit & Supervisory Board Members

NSSMC's Board of Directors has 12 directors (term of office of one year), while the Audit & Supervisory Board has seven Audit & Supervisory Board Members (term of office of four years), including four outside Audit & Supervisory Board Members. The Company has notified Japanese bourses on which its stock is listed of the designation of the four outside Audit & Supervisory Board Members as independent director / auditor, pursuant to the Securities Listing Regulations of these bourses. All these bourses have accepted the Company's notifications.

Board of Directors

Executive decisions on key issues that may affect the activities of the NSSMC Group are determined by the Board of Directors, which convenes once or twice a month, after such matters have been discussed by the Corporate Policy Committee, a group that includes participation by the Chairman and CEO, the President and COO, and other members, and normally meets once a week. In addition, NSSMC has set up 16 Companywide committees, each with its own objective, where details on designated themes are hashed out before the Corporate Policy Committee and the Board of Directors embark on decision-oriented discussions.

Audit & Supervisory Board

NSSMC's Audit & Supervisory Board has four outside Audit & Supervisory Board Members who have vast experience and deep insight in fields such as legal affairs, fiscal and financial matters, accounting, and corporate management. It also has three Audit & Supervisory Board Members who are experienced in various operations of the Company's business. These Audit & Supervisory Board Members work together to perform auditing in a systematic manner, and proactively provide their opinions at Board of Directors' and other important meetings, while endeavoring to maintain and enhance proper corporate management.

Prompt and appropriate execution of business strategies

The execution of business strategies mandated by the Board of Directors and other executive structures is promptly addressed by the directors responsible for these businesses, other directors, and the general managers of relevant divisions, under the direction of the Chairman and CEO and the President and COO.

These actions are accomplished by stipulating in writing the ordering authority, oversight responsibility, and procedures required to implement strategies.

Corporate Governance

Executive Team (As of June 25, 2013)



Shoji Muneoka
Representative Director,
Chairman and CEO



Hiroshi Tomono
Representative Director,
President and COO

Representative Directors and
Executive Vice Presidents

Syuichiro Kozuka

- Project Leader, Wuhan Tin Mill Project
- Overseas Business Development;
Overseas Offices
- Cooperating with Executive Vice President
S. Higuchi on Pipe & Tube
- Cooperating with Executive Vice President
M. Iwaki on Usiminas Project

Kosei Shindo

- General Administration; Legal; Internal
Control & Audit; Business Process
Innovation; Human Resources;
Environment
- Cooperating with Executive Vice President
M. Iwaki on Safety

Masakazu Iwaki

- Project Leader, Usiminas Project
- Intellectual Property; Safety; Technical
Administration & Planning; Quality
Management; Plant Engineering and
Facility Management; Ironmaking
Technology; Steelmaking Technology;
Slag & Cement
- Cooperating with Executive Vice President
K. Shindo on Environment

Shinya Higuchi

- Marketing Administration & Planning;
Global Marketing Administration &
Planning; Transportation & Logistics;
Project Development; Machinery &
Materials Procurement; Steel Products
Units; Shanghai-Baoshan Cold-rolled &
Coated Sheet Products Project; India
Continuous Annealing & Processing Line
Project; Domestic Office and Branches
- Cooperating with Executive Vice President
S. Kozuka on Overseas Offices
- Cooperating with Executive Vice President
M. Iwaki on Usiminas Project

Katsuhiko Ota

- Corporate Planning; Group Companies
Planning; Accounting & Finance;
Raw Materials
- Cooperating with Executive Vice President
M. Iwaki on Usiminas Project

Akihiro Miyasaka

- Head of Bureau, Technical Research &
Development Bureau

Managing Directors,
Members of the Board

Kinya Yanagawa

- Intellectual Property; Safety;
Technical Administration & Planning;
Quality Management; Plant Engineering
and Facility Management; Ironmaking
Technology; Steelmaking Technology;
Slag & Cement
- Rendering Assistance to Executive Vice
President S. Higuchi on Steel Products Units

Soichiro Sakuma

- General Administration; Legal;
Internal Control & Audit

Yasumitsu Saeki

- Head of Unit, Flat Products Unit;
Project Leader, Shanghai-Baoshan
Cold-rolled & Coated Sheet Products
Project; Project Leader, India Continuous
Annealing & Processing Line Project
- Marketing Administration & Planning;
Global Marketing Administration &
Planning; Transportation & Logistics

Shinji Morinobu

- Head of Unit, Railway, Automotive &
Machinery Parts Unit

Internal Controls and Risk Management System

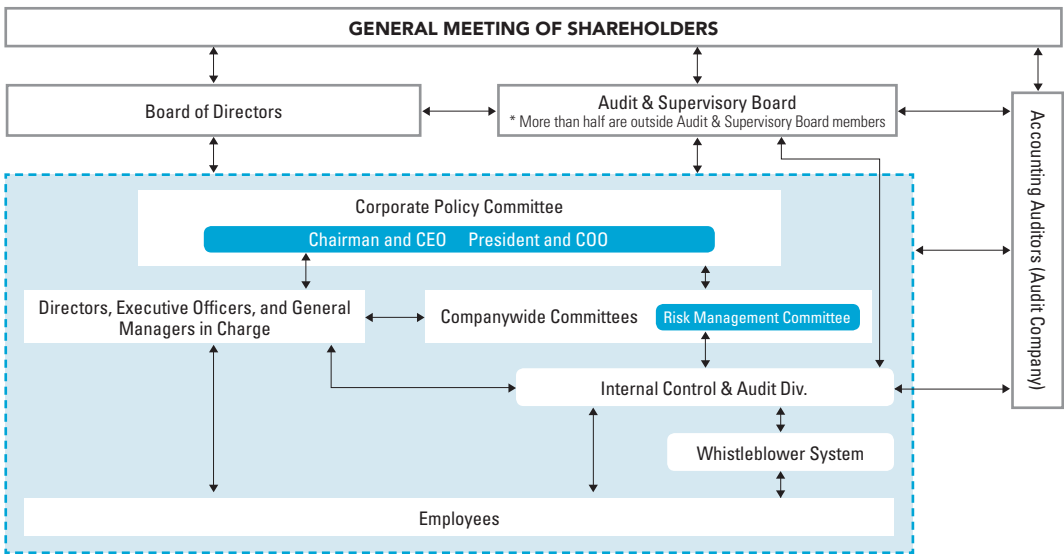
NSSMC resolves the Basic Policy concerning Internal Control System at its Board of Directors’ meeting and stipulates its Basic Rules for Internal Control for establishing a system for internal controls and risk management.

- NSSMC establishes an annual plan on internal controls and risk management and acts accordingly.
- It regularly confirms the status of internal controls and the risk management system through the Risk Management Committee, chaired by the executive vice president in charge of Internal Control & Audit.
- Each division of the Company designates a person in charge of risk management, while each Group company designates a person responsible for risk management. This is to encourage

each division and company to take initiatives and share information about risk management among the Company and Group companies through regular meetings and other means.

- NSSMC regularly checks the Groupwide status of internal controls by establishing measures to check and supervise matters related to internal controls and risk management.
- NSSMC has set up a whistleblower system—namely, the Compliance Consulting Room within the Company and the Compliance Hotline run by the Company’s attorney—as a conduit for communication, to handle risk-related concerns among Group employees, staff of purchase agreement companies, and other Group employees regarding the execution of operations. This helps prevent accidents and the violation of laws and regulations preemptively and also improves operations.

Corporate Organizations and Internal Control System



Compliance Education

“We continue to emphasize the importance of integrity and reliability in our actions.” This is the first principle we stated in the Management Principles. Through messages from top management, periodic legal training programs, and other activities, we make certain that all employees fully understand NSSMC’s basic policy of ensuring fair management.

In particular, in order to ensure full compliance with the Antimonopoly Act, the Company has designated every December as the “Antimonopoly Act Compliance Campaign Month.” Specific activities conducted in December every year include: (1) the President’s direct instruction to all sales and marketing personnel to prevent the recurrence of violations; (2) the holding of seminars and meetings to explain the Company’s voluntary restrictions on making contact with competitors; and (3) the implementation of audits on the status of the administration of these restrictions. Through

these activities, NSSMC is continuing to bolster its compliance.

In addition, we have prepared “30 Don’ts of Business Behavior,” a set of compliance guidelines that include simple examples of violations of the Antimonopoly Law and other laws governing business activities, “Guidelines to Prevent Sexual and Power Harassment in the Workplace” to ensure a pleasant environment in the workplace, and the “Handbook for Proper Business Practices” as a guide for proper administrative practices on financial reporting and tax affairs. These original written materials are designed for our employees to conduct fair and appropriate business. By conducting educational programs and e-learning programs for each rank, we cultivate a strong awareness of these guidelines and the importance of complying with laws and regulations among everyone at the NSSMC Group.

Senior Audit &
Supervisory Board Member

Toshihide Tanabe

Audit &
Supervisory Board Members

Hiroto Suetsugu

Hirohiko Minato

Outside Audit &
Supervisory Board Members

Shigeo Kifuji

Toshiro Mutoh

Hirotake Abe

Katsunori Nagayasu

Corporate Governance

Quality Management

Quality management is one of the most important aspects in obtaining the trust and satisfaction of customers in the provision of products and services. All of our relevant employees are engaged in thorough quality management.

In coordination with product units and steelworks, the Company's Quality Assurance Department promotes measures to cope with Groupwide quality control and assurance issues. We also make efforts to standardize or systemize ways to enhance and assure quality and carry out capital spending.

The quality management structure for all Group companies including overseas ones is based on the autonomous quality enhancement activities of the relevant section of each product unit and steelworks, which are then internally monitored and checked.

Furthermore, NSSMC has received certifications from external institutions such as for ISO 9001 and Japanese Industrial Standards (JIS), which has boosted its credibility.

Environmental Management

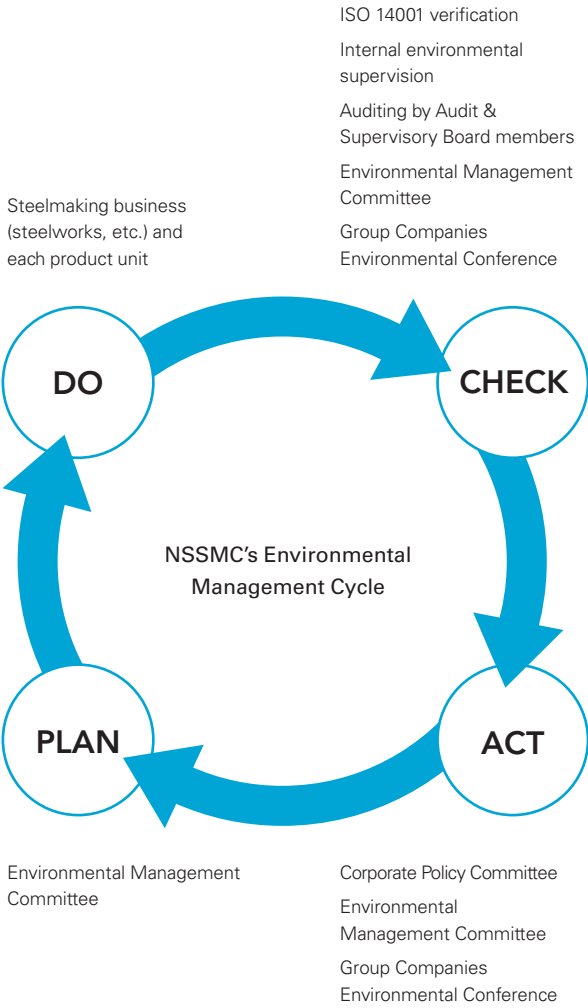
While NSSMC has supported Japan's industrial development, we realize that we also have a significant impact on the environment in our business activities, as we account for approximately 5% of Japan's overall energy consumption. NSSMC and all its Group companies are tackling environmental management based on its "Environmental Basic Policy," which has Groupwide comprehensive environmental management as its core.

Environmental Management System
Constructing a system for environmental preservation activities as a group

NSSMC's Environmental Management Committee convenes every half year and spearheads environmental management. Air, wastewater, and industrial waste are emphasized as important environmental risks to manage and the Groupwide periodic conference for each of those risks is held for further improvement.

In addition, the Group Companies Environmental Conference convenes twice or more per year, so that information is shared with Group companies. We have established a scheme to focus on a specific environmental risk and strive to ensure environmental preservation.

Through internal environmental supervision, internal control interviews with Group companies in Japan and overseas, and other measures, we check and follow up on the environmental status effectively using the "plan-do-check-act" (PDCA) cycle.



Information Security

Compliance with Information Management Rules

NSSMC has rules governing information management and several implementation rules of them for the purpose of controlling and managing information as valuable assets. Among their functions those rules provide protection to prevent infringement of third-party confidential information.

- Measures to Prevent Leakage of Confidential Information**
- NSSMC constantly strives to enhance the security level of the IT systems it uses, and to take effective measures against unauthorized access and computer viruses.
 - Technical presentations and technology licenses are required to undergo prior internal review to prevent unintentional disclosure of confidential information.
 - NSSMC classifies its facilities based on level of criticality and limits entry to those facilities according to that classification.

Protection of Intellectual Property

Intellectual Property Risk Management

We aim to implement intellectual property (IP) activities organizationally, respect other companies' technologies, and maximize the values of our proprietary technologies. For those purposes, we constantly promote proper information management, prevent violation of IP-related laws and regulations, manage IP risks by expanding the scope of Groupwide IP activities, and reduce risks associated with our overall IP activities by enforcing our internal rules.

Protection of Personal Information

NSSMC has rules for the proper handling of personal information.

Education on Information Management

- NSSMC provides a "Manual for Protection of Confidential Information" to all employees. All employees are required to complete e-learning programs on information security once a year.
- NSSMC uses appropriate opportunities to inform employees of the importance of protecting confidential information, rules, and practical matters for management of information.

TOGETHER WITH SOCIETY

NSSMC highly values partnerships with its stakeholders as one aspect of its corporate social responsibility (CSR). We strive to expand opportunities to communicate in a timely and cordial manner to our shareholders and other investors. We also support people in local communities by engaging in environmental conservation activities and cultural and athletic activities.

Communication with Shareholders and Investors

NSSMC is actively engaged in activities to enable our shareholders and investors to better understand our business strategies, philosophies, and manufacturing sites. We have an extensive IR program. We hold results briefings for institutional investors and analysts; publish a reporting booklet and an annual report for shareholders; maintain an Investors Relations section on our website; conduct investor surveys; and offer business briefings and tours of our steelworks for shareholders.

In addition, we have various benefit programs for our shareholders, such as invitations to J1-League football games of the Kashima Antlers soccer team and concerts at Kioi Hall, and we also give the Company calendar to our shareholders.

We will continue to work on ways to provide timely and useful information and improve our IR activities by increasing interactive communication with shareholders and other investors. Through these activities, we hope to give investors many reasons to continue owning our shares.

For more financial information about NSSMC, please visit the Investor Relations section of our website at www.nssmc.com/en/.



Steelworks tour for shareholders

Plant Tours and Business Briefings

| Event | Summary of program | Period of implementation | Applicable shareholders |
|---|--|---|--|
| Invitation to plant tours (by lottery) | Shareholders are invited to a tour of our steelworks and manufacturing sites (Plant tours are conducted at 4–5 steelworks and other plants twice a year, in the spring and in the fall. Eligible shareholders are asked to apply by selecting one of those plants.) | Twice a year (October–November and March–April) | Shareholders who own 10,000 or more shares as of the end of September and March (We may expand the scope of shareholders eligible to receive invitation notices.) |
| Invitation to business briefings (by lottery) | Business briefings are conducted in Tokyo, Osaka, and other locations | Twice a year (July–September and February–March) | |

Other Events

| Event | Summary of program | Period of implementation | Applicable shareholders |
|--|---|---|---|
| Invitation to football games of the Kashima Antlers (by lottery) | Shareholders are invited to J1-League football games (home and away) | Semi-annually (April–August and August–December) | Shareholders who own 5,000 or more shares as of the end of September and March |
| Giving out the Company calendar | NSSMC’s calendar is sent to shareholders | Once a year (late November to early December) | Shareholders who own 7,000 or more shares as of the end of September |
| Invitation to concerts at Kioi Hall (by lottery) | Shareholders are invited to periodic Kioi Sinfonietta Tokyo concerts and other concerts | Semi-annually (April–July and September–March) | Shareholders who own 50,000 or more shares as of the end of September and March |

Communication with Local Communities and Society

NSSMC has a long history of managing steelworks all over Japan in harmony with local communities. As a trusted and responsible member of the community, we have distinctive social contribution program activities. These programs include promoting the creation of “hometown forests” by planting trees and plants in communities, musical activities based at Kioi Hall, and the operation of regional sports clubs that increase community spirit.

Creation of “Hometown Forests”

NSSMC’s steelworks all over Japan have their own environmental conservation forest. The creation of “hometown forests” began in 1971, when we planted saplings at Oita Steelworks. Now our forests of around 900 hectares (about the size of 190 Tokyo Domes) in aggregate have grown to become home to diverse birds and small animals. NSSMC will continue to proactively disseminate this project in the strong belief that these activities will contribute to biodiversity conservation and climate change prevention.



A “hometown forest”

Supporting Sporting Activities

We support community-based sports clubs, mainly for baseball, volleyball, rugby, judo, and football. Through these sports clubs, we organize sports classes for children and provide guidance to junior teams. We also make our athletic facilities available to community residents for games and training. Our baseball team participates in Japan’s Inter-City Baseball Invitation Tournament every year, while our men’s volleyball team, the Osaka Blazers Sakai, won the 2012/2013 V. Premier League, the top-level league in Japan. The Kashima Antlers, one of the top professional J-League football teams, also won the 2012 Yamazaki Nabisco Cup, marking its second consecutive year of victory and fifth victory to date. In addition, our employee and judo player Masashi Nishiyama won a bronze medal in the 2012 London Olympics.



Osaka Blazers Sakai

Supporting Musical Activities

NSSMC has supported artistic and cultural activities for many years. A wide variety of activities are primarily conducted by the NSSMC Arts Foundation and include classical concerts by the Kioi Sinfonietta Tokyo chamber orchestra, which is based at Kioi Hall (Chiyoda-ku, Tokyo), Japanese traditional music concerts in a dedicated Japanese-style music hall within the Hall, and the ceremony for the presentation of the Nippon Steel & Sumitomo Metal Music Awards. The NSSMC Mixed Chorus has achieved a formidable record by winning the 26th Consecutive Gold Award for the Choral Competition in Japan.



Kioi Hall (Chiyoda-ku, Tokyo)

Providing Education on Manufacturing and the Environment

NSSMC hosts a number of programs nationwide to help young children and students—on whose shoulders the future rests—to better understand steelmaking and learn about the importance of manufacturing and the wonders of science and technology. Activities include a hands-on steelmaking program using the *tatara* method (a traditional Japanese ironmaking technique). For elementary and junior high school students, we help support an energy conservation and environmental protection class and conduct science experiments and special classroom lectures.



Demonstration of *tatara* ironmaking method

11-Year Financial Performance (Reference—Unaudited)

| FY | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------------|
| Operating Results (Fiscal year) | | | | | | | | | | | |
| Net sales | | | | | | | | | | | Unit: Millions of yen |
| NSSMC | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥4,389,922 |
| Nippon Steel | 2,749,306 | 2,925,878 | 3,389,356 | 3,906,301 | 4,302,145 | 4,826,974 | 4,769,821 | 3,487,714 | 4,109,774 | 4,090,936 | — |
| Sumitomo Metals | 1,224,633 | 1,120,855 | 1,236,920 | 1,552,765 | 1,602,720 | 1,744,572 | 1,844,422 | 1,285,845 | 1,402,454 | 1,473,367 | — |
| Operating profit (loss) | | | | | | | | | | | 20,110 |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | 142,961 | 224,475 | 429,948 | 576,319 | 580,097 | 545,580 | 342,930 | 32,005 | 165,605 | 79,364 | — |
| Sumitomo Metals | 69,828 | 93,041 | 182,878 | 305,804 | 303,774 | 274,396 | 226,052 | (928) | 56,301 | 76,801 | — |
| Ordinary profit (loss) | | | | | | | | | | | 76,931 |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | 68,879 | 172,851 | 371,446 | 547,400 | 597,640 | 564,119 | 336,140 | 11,833 | 226,335 | 143,006 | — |
| Sumitomo Metals | 41,309 | 68,715 | 173,245 | 280,733 | 327,676 | 298,218 | 225,736 | (36,634) | 34,049 | 60,803 | — |
| Income (loss) before income taxes and minority interests | | | | | | | | | | | (136,970) |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | (37,386) | 73,642 | 369,485 | 565,607 | 621,419 | 605,485 | 281,079 | 11,242 | 185,377 | 120,053 | — |
| Sumitomo Metals | 33,278 | 39,901 | 169,577 | 306,183 | 341,725 | 281,298 | 194,459 | (39,758) | (27,991) | (51,251) | — |
| Net income (loss) | | | | | | | | | | | (124,567) |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | (51,686) | 41,515 | 220,601 | 343,903 | 351,182 | 354,989 | 155,077 | (11,529) | 93,199 | 58,471 | — |
| Sumitomo Metals | 17,076 | 30,792 | 110,864 | 221,252 | 226,725 | 180,547 | 97,327 | (49,772) | (7,144) | (53,799) | — |
| Capital expenditure | | | | | | | | | | | 355,873 |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | 163,318 | 149,593 | 195,228 | 203,973 | 273,440 | 308,993 | 305,738 | 329,356 | 287,236 | 281,748 | — |
| Sumitomo Metals (*Construction base) | 50,906 | 67,190 | 60,374 | 82,679 | 135,868 | 178,887 | 159,118 | 136,643 | 109,934 | 115,797 | — |
| Depreciation and amortization | | | | | | | | | | | 288,770 |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | 196,653 | 183,510 | 180,571 | 183,365 | 192,454 | 244,038 | 273,744 | 284,092 | 291,587 | 280,940 | — |
| Sumitomo Metals | 91,762 | 78,371 | 79,238 | 75,255 | 72,291 | 102,565 | 109,854 | 120,853 | 126,267 | 122,937 | — |
| Research and development costs | | | | | | | | | | | 60,071 |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | 35,866 | 35,349 | 36,352 | 37,881 | 41,229 | 45,329 | 45,797 | 46,824 | 46,663 | 48,175 | — |
| Sumitomo Metals | 13,555 | 13,590 | 14,732 | 16,427 | 18,769 | 20,102 | 22,120 | 22,845 | 22,783 | 22,842 | — |
| Financial Position (End of fiscal year) | | | | | | | | | | | |
| Total assets | | | | | | | | | | | Unit: Millions of yen |
| NSSMC | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥7,089,498 |
| Nippon Steel | 3,757,175 | 3,705,917 | 3,872,110 | 4,542,766 | 5,344,924 | 5,193,498 | 4,870,680 | 5,002,378 | 5,000,860 | 4,924,711 | — |
| Sumitomo Metals | 2,122,370 | 2,001,727 | 1,923,142 | 2,113,391 | 2,301,556 | 2,418,310 | 2,452,535 | 2,403,670 | 2,440,761 | 2,386,158 | — |
| Shareholders' equity | | | | | | | | | | | 2,394,069 |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | 789,443 | 938,581 | 1,188,409 | 1,677,889 | 1,892,883 | 1,908,777 | 1,668,682 | 1,844,382 | 1,860,799 | 1,828,902 | — |
| Sumitomo Metals | 328,754 | 376,036 | 483,237 | 720,866 | 880,807 | 901,946 | 857,697 | 829,219 | 766,777 | 709,315 | — |
| Total net assets | | | | | | | | | | | 2,938,283 |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | 873,988 | 1,035,729 | 1,279,924 | 1,782,006 | 2,369,228 | 2,413,954 | 2,174,809 | 2,335,676 | 2,380,925 | 2,347,343 | — |
| Sumitomo Metals | 347,632 | 399,428 | 517,311 | 762,172 | 924,798 | 949,303 | 904,371 | 879,209 | 818,080 | 761,484 | — |
| Interest-bearing debt | | | | | | | | | | | 2,543,061 |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | 1,871,875 | 1,561,228 | 1,282,266 | 1,223,837 | 1,213,057 | 1,192,027 | 1,454,214 | 1,383,794 | 1,337,851 | 1,334,512 | — |
| Sumitomo Metals (*Debt = Loans payable + Bonds + Commercial papers) | 1,415,303 | 1,171,216 | 885,918 | 679,778 | 717,984 | 883,888 | 990,010 | 1,138,353 | 1,173,382 | 1,172,120 | — |
| Cash Flows (Fiscal year) | | | | | | | | | | | |
| Cash flows from operating activities | | | | | | | | | | | Unit: Millions of yen |
| NSSMC | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 313,317 |
| Nippon Steel | 334,502 | 288,021 | 539,445 | 392,996 | 478,460 | 525,777 | 127,540 | 437,668 | 369,500 | 237,414 | — |
| Sumitomo Metals | 161,127 | 220,820 | 277,389 | 311,943 | 171,833 | 230,043 | 190,582 | 67,002 | 202,340 | 88,065 | — |
| Cash flows from investing activities | | | | | | | | | | | (327,336) |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | (147,088) | 51,897 | (174,995) | (226,894) | (374,669) | (438,121) | (306,603) | (412,827) | (325,781) | (226,096) | — |
| Sumitomo Metals | 58,329 | (27,418) | (12,013) | (63,892) | (108,934) | (274,316) | (214,977) | (172,933) | (144,009) | (120,110) | — |
| Cash flows from financing activities | | | | | | | | | | | 33,332 |
| NSSMC | — | — | — | — | — | — | — | — | — | — | — |
| Nippon Steel | (177,003) | (332,353) | (321,402) | (136,110) | 19,387 | (200,604) | 170,209 | (79,985) | (47,244) | (31,785) | — |
| Sumitomo Metals | (164,935) | (240,841) | (297,336) | (258,367) | (83,456) | 48,751 | 52,623 | 87,843 | (1,325) | (32,714) | — |

11-Year Financial Performance

| FY | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|
| Amounts per Share of Common Stock | | | | | | | | | | | |
| Net income (loss) per share | | | | | | | | | | | Unit: Yen |
| NSSMC | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ (16.23) |
| Nippon Steel | (7.69) | 6.15 | 32.73 | 51.07 | 54.28 | 56.33 | 24.60 | (1.83) | 14.81 | 9.29 | — |
| Sumitomo Metals | 4.36 | 6.42 | 23.05 | 46.03 | 47.89 | 39.43 | 20.98 | (10.74) | (1.54) | (11.61) | — |
| Cash dividends per share | | | | | | | | | | | |
| NSSMC | — | — | — | — | — | — | — | — | — | — | 1.0 |
| Nippon Steel | 1.5 | 1.5 | 5.0 | 9.0 | 10.0 | 11.0 | 6.0 | 1.5 | 3.0 | 2.5 | — |
| Sumitomo Metals | 1.5 | 1.5 | 5.0 | 7.0 | 8.0 | 10.0 | 10.0 | 5.0 | 3.5 | 2.0 | — |
| Financial Index | | | | | | | | | | | |
| Return on sales ((Ordinary profit / Net sales) x 100) | | | | | | | | | | | % |
| NSSMC | — | — | — | — | — | — | — | — | — | — | 1.8% |
| Nippon Steel | 2.5% | 5.9% | 11.0% | 14.0% | 13.9% | 11.7% | 7.0% | 0.3% | 5.5% | 3.5% | — |
| Sumitomo Metals | 3.4% | 6.1% | 14.0% | 18.1% | 20.4% | 17.1% | 12.2% | (2.8)% | 2.4% | 4.1% | — |
| Return on equity ((Net income / Shareholders' equity [average for the period]) x 100) | | | | | | | | | | | |
| NSSMC | — | — | — | — | — | — | — | — | — | — | (5.9)% |
| Nippon Steel | (6.1)% | 4.8% | 20.7% | 24.0% | 19.7% | 18.7% | 8.7% | (0.7)% | 5.0% | 3.2% | — |
| Sumitomo Metals | 5.7% | 8.7% | 25.8% | 36.7% | 28.3% | 20.3% | 11.1% | (5.9)% | (0.9)% | (7.3)% | — |
| Shareholders' equity ratio ((Shareholders' equity / Total assets) x 100) | | | | | | | | | | | |
| NSSMC | — | — | — | — | — | — | — | — | — | — | 33.8% |
| Nippon Steel | 21.0% | 25.3% | 30.7% | 36.9% | 35.4% | 36.8% | 34.3% | 36.9% | 37.2% | 37.1% | — |
| Sumitomo Metals | 15.5% | 18.8% | 25.1% | 34.1% | 38.3% | 37.3% | 35.0% | 34.5% | 31.4% | 29.7% | — |
| Number of shares issued as of end of period | | | | | | | | | | | In thousands |
| NSSMC | — | — | — | — | — | — | — | — | — | — | 9,503,214 |
| Nippon Steel | 6,806,980 | 6,806,980 | 6,806,980 | 6,806,980 | 6,806,980 | 6,806,980 | 6,806,980 | 6,806,980 | 6,806,980 | 6,806,980 | — |
| Sumitomo Metals | 4,782,267 | 4,805,974 | 4,805,974 | 4,805,974 | 4,805,974 | 4,805,974 | 4,805,974 | 4,805,974 | 4,805,974 | 4,805,974 | — |
| Share price at end of period | | | | | | | | | | | Unit: Yen |
| NSSMC | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 235 |
| Nippon Steel | 142 | 243 | 271 | 456 | 828 | 505 | 263 | 367 | 266 | 227 | — |
| Sumitomo Metals | 54 | 139 | 193 | 505 | 609 | 378 | 197 | 283 | 186 | 167 | — |
| Net Sales by Industry Segment* | | | | | | | | | | | |
| Steelmaking and steel fabrication | ¥1,980,809 | ¥2,156,946 | ¥2,620,732 | ¥3,057,510 | ¥3,482,377 | ¥3,994,526 | ¥4,038,685 | ¥2,823,193 | ¥3,473,495 | ¥3,476,855 | ¥3,790,450 |
| Engineering and construction | 274,903 | 293,137 | 279,866 | 336,179 | 367,968 | 359,884 | 386,643 | 331,905 | 254,941 | 248,934 | 303,002 |
| Urban development | 105,188 | 120,811 | 89,275 | 104,045 | 94,347 | 93,839 | 70,152 | 80,073 | 86,556 | 80,419 | — |
| Chemicals and non-ferrous materials | 346,232 | 275,797 | 331,168 | 373,072 | — | — | — | — | — | — | — |
| Chemicals | — | — | — | — | 318,755 | 289,029 | 212,172 | 179,412 | 193,896 | 197,669 | 195,719 |
| New materials | — | — | — | — | 65,601 | 76,157 | 59,907 | 58,799 | 60,888 | 54,245 | 42,211 |
| System solutions | 153,143 | 150,850 | 146,531 | 148,339 | 156,505 | 165,360 | 161,541 | 152,234 | 159,708 | 161,582 | 171,980 |
| Other businesses | 79,059 | 73,615 | 76,244 | 69,057 | — | — | — | — | — | — | — |
| Elimination of inter-segment transactions | (190,031) | (145,280) | (154,463) | (181,903) | (183,410) | (151,823) | (159,281) | (137,904) | (119,711) | (128,769) | (113,442) |
| Segment Profit (Loss)* | | | | | | | | | | | |
| Steelmaking and steel fabrication | 112,816 | 189,717 | 376,926 | 513,977 | 514,562 | 475,951 | 307,047 | (20,589) | 181,968 | 98,846 | 41,522 |
| Engineering and construction | 2,460 | 4,359 | 6,696 | 9,517 | 13,031 | 21,496 | 24,674 | 31,655 | 14,883 | 12,775 | 18,189 |
| Urban development | 4,469 | 13,526 | 8,503 | 14,155 | 14,301 | 12,602 | 3,929 | 2,937 | 9,273 | 9,371 | — |
| Chemicals and non-ferrous materials | 13,458 | 12,667 | 26,374 | 27,037 | — | — | — | — | — | — | — |
| Chemicals | — | — | — | — | 23,645 | 21,050 | 894 | 10,431 | 13,244 | 13,598 | 9,778 |
| New materials | — | — | — | — | 3,129 | 559 | (2,397) | 444 | 2,111 | 607 | 984 |
| System solutions | 9,776 | 9,182 | 11,384 | 11,806 | 13,992 | 14,756 | 11,479 | 10,732 | 11,332 | 11,215 | 11,673 |
| Other businesses | (2,155) | (4,310) | 384 | (1,185) | — | — | — | — | — | — | — |
| Elimination of inter-segment transactions | 2,135 | (668) | (321) | 1,010 | (2,564) | (835) | (2,696) | (3,607) | (6,478) | (3,408) | (5,217) |

* Figures for Nippon Steel

* "Segment profit (loss)" in and before fiscal 2009 was recorded as "Segment operating profit (loss)."

* Since July 1, 2006, Nippon Steel has made the following adjustments in its business segments:

The chemicals and non-ferrous materials segment has been divided into two segments, "Chemicals" and "New materials." "Titanium and aluminum operations" within the segment has been transferred to "Steelmaking and steel fabrication." "Other businesses" (electric power supply, services, and others) has been transferred to "Steelmaking and steel fabrication."

* Following the business integration of Nippon Steel City Produce, Inc. and Kowa Real Estate Co., Ltd. on October 1, 2012, the results for "Urban development" have been included in "Elimination of inter-segment transactions" since fiscal 2012.

Analysis of Financial Condition and Results of Operations

Fiscal years ended March 31

Operating Results

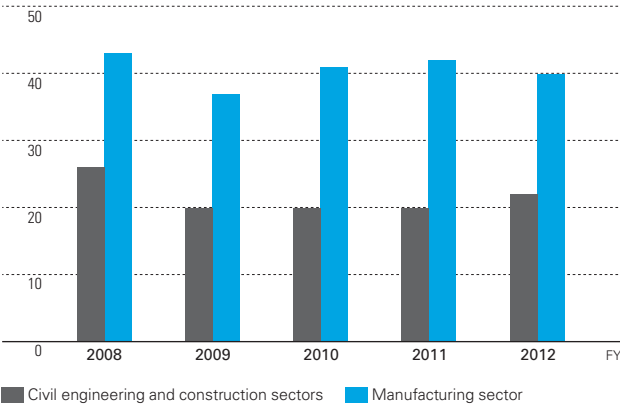
The amounts for fiscal 2012 results represent aggregate amounts of the first-half results of Nippon Steel Corporation and the second-half results of the newly integrated NSSMC.

Business Environment

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

Against this background, Nippon Steel & Sumitomo Metal Corporation was formed in a merger between Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. in October 2012.

Domestic steel consumption trend
Million tons



Operating Results

In fiscal 2012, NSSMC continued efforts to improve costs but declining steel prices associated with the soft market conditions affected business results. The Company recorded ¥4,389.9 billion in net sales, ¥20.1 billion in operating profit, and ¥76.9 billion in ordinary profit. In addition to impairment losses

at Hirohata Works, Sakai Works, and other facilities, the Company recorded losses on the sale of shares of Sumitomo Metal Industries, Ltd. and other investment securities, resulting in a special loss of ¥218.9 billion and a net loss of ¥124.5 billion.

| Billions of yen | | | | | | |
|-----------------------------------|-----------|----------|--------|-----------------|-------|---------|
| FY | Net sales | | | Ordinary profit | | |
| | 2011 | 2012 | Change | 2011 | 2012 | Change |
| Steelmaking and steel fabrication | ¥3,476.8 | ¥3,790.4 | ¥313.6 | ¥ 98.8 | ¥41.5 | ¥(57.3) |
| Engineering and construction | 248.9 | 303.0 | 54.1 | 12.7 | 18.1 | 5.4 |
| Chemicals | 197.6 | 195.7 | (1.9) | 13.5 | 9.7 | (3.8) |
| New materials | 54.2 | 42.2 | (12.0) | 0.6 | 0.9 | 0.3 |
| System solutions | 161.5 | 171.9 | 10.4 | 11.2 | 11.6 | 0.4 |
| Total | 4,139.2 | 4,503.3 | 364.1 | 137.0 | 82.1 | (54.9) |
| Adjustments | (48.3) | (113.4) | (65.1) | 5.9 | (5.2) | (11.1) |
| Consolidated total | ¥4,090.9 | ¥4,389.9 | ¥299.0 | ¥143.0 | ¥76.9 | ¥(66.1) |

Performance summaries for segments other than Steelmaking and steel fabrication are as follows.

Engineering and Construction

Orders received increased ¥30,000 million YoY, and both sales and profits rose due to continuing reduction of costs and thorough risk management.

Chemicals

YoY decrease both in sales and profit due to sluggish sales in coal chemical and functional materials, and a heavy repair cost despite a margin recovery by yen depreciation and rising benzene prices.

New Materials

YoY increase in ordinary profit due to demand for copper wires despite the impacts from slack business and yen appreciation.

System Solutions

YoY increase both in sales and profit, mainly in services for manufacturing / distribution / government and in business solutions for steel and telecom sectors.

Outlook for Fiscal 2013

Current Issues to be Addressed

Steel demand in Japan is expected to remain robust in the civil engineering and construction industries, as general construction demand and demand related to rebuilding from the Great East Japan Earthquake have emerged. In the case of exports, improving overseas economies, the correction of the strong yen, and other factors are contributing to a recovery in steel exports, but supply pressure from South Korean and Chinese steelmakers is expected to remain strong.

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

Outlook for Fiscal 2013

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

Profit Distribution to Shareholders

Basic Profit Distribution Policy and Distribution of Dividends for Fiscal 2012 and Fiscal 2013

NSSMC's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (interim) and second half (year-end) of the fiscal year after taking into account consolidated operating results and such factors as capital requirements for investment and other activities aimed at raising corporate value and performance prospects while also considering the financial structure of the Company on a consolidated and a non-consolidated basis. The Company has set a consolidated payout ratio target of approximately 20% for use as an indicator for the distribution of profits.

The level of the first-half (interim) dividend has been set based on consideration of interim operating results and full-year earnings forecasts.

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

The Company has not determined a dividend distribution plan for fiscal 2013 due to the inability to establish reasonable earnings forecasts. The dividend distribution plan will be disclosed when it becomes available.

Analysis of Financial Condition and Results of Operations

Financial Position

Analysis of the Balance Sheet

Consolidated total assets at the end of fiscal 2012 were ¥7,089.4 billion, representing an increase of ¥2,164.7 billion from the end of fiscal 2011. Main factors were increases associated with the business integration, progress with the global strategy, including the establishment of a joint venture with Australia's BlueScope Steel Limited, and an increase in investments in securities mainly due to the recovery in stock markets.

Total liabilities at the end of fiscal 2012 amounted to ¥4,151.2 billion, an increase of ¥1,573.8 billion. The increase was primarily due to the business integration, which raised interest-bearing debt by ¥1,208.5 billion, to ¥2,543.0 billion.

Analysis of Cash Flows

Cash flows from operating activities for fiscal 2012 amounted to ¥313.3 billion. The principal factors influencing operating cash flows were inflows from loss before income taxes and minority interests of ¥136.9 billion along with depreciation and amortization of ¥288.7 billion and impairment loss of ¥132.8 billion, and a decline in inventories, which offset outflows from a ¥86.2 billion decline in notes and accounts payable and payment of ¥57.0 billion in income taxes.

Cash flows from investing activities amounted to an outflow of ¥327.3 billion, as outflows including expenses for capital investments (¥349.8 billion) exceeded inflows from proceeds from sales of investments in securities (¥101.0 billion) associated with the sale of shares of Sumitomo Metal Industries, Ltd. and the reduction of overlapping resources created by the business integration.

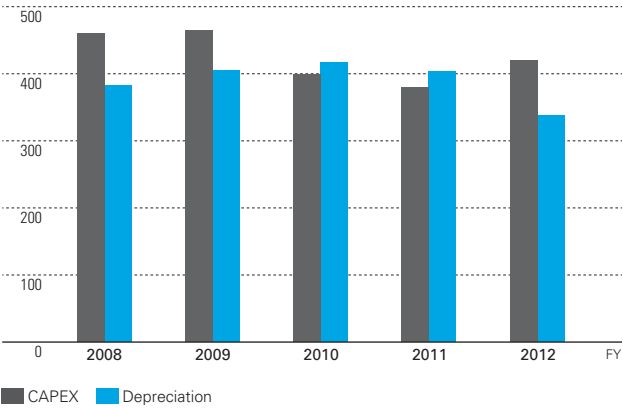
These cash flows resulted in a free cash outflow of ¥14.0 billion in the term under review.

Cash flows from financing activities amounted to an inflow of ¥33.3 billion, as proceeds primarily from long-term loans (¥278.6 billion) exceeded repayments of long-term loans (¥165.8 billion), a net increase in commercial paper (¥68.0 billion) and other outflows. As a result of the above movements in cash flows, the Company's cash and cash equivalents at the end of the fiscal year under review amounted to ¥90.5 billion.

Total net assets were ¥2,938.2 billion at the end of fiscal 2012, representing an increase of ¥590.9 billion. Despite the net loss of ¥124.5 billion and the dividend payment (¥1.0 per share, for total payment of ¥6.3 billion), the business integration has raised the capital surplus by ¥247.6 billion while reducing treasury stock by ¥192.0 billion owing to the allocation of treasury stock as part of the compensation associated with the business integration. Moreover, unrealized gains on available-for-sale securities rose, mainly due to the recovery in stock markets, while foreign currency translation adjustments increased due to the correction to the strong yen.

Shareholders' equity at the end of fiscal 2012 amounted to ¥2,394.0 billion, and the debt-to-equity (D/E) ratio was 1.06.

Consolidated CAPEX and depreciation (consolidated basis)
Billions of yen



For fiscal 2008 to the first half of 2012, figures for Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. have been combined.

Key CAPEX Plans in FY2012

| | | |
|----------|-------------------------------|--------------|
| Nagoya | New No. 5 coke oven | ¥60 billion |
| Kimitsu | No. 2 BF for relining | ¥40 billion |
| Wakayama | Renewal of upstream processes | ¥115 billion |

Consolidated Balance Sheets

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries
As of March 31, 2013 and 2012

| | Millions of yen | |
|---|--------------------|--------------------|
| | 2013 | 2012 |
| ASSETS | | |
| Current assets: | | |
| Cash and bank deposits (Notes 15, 17 and 26) | ¥ 89,350 | ¥ 53,878 |
| Notes and accounts receivable (Notes 8, 17 and 26) | 579,562 | 442,621 |
| Marketable securities (Notes 15, 17 and 18) | 8,024 | 11,912 |
| Inventories (Notes 4 and 26) | 1,156,934 | 947,534 |
| Deferred tax assets (Note 21) | 81,729 | 57,715 |
| Other (Note 26) | 196,594 | 190,448 |
| Less: Allowance for doubtful accounts | (1,461) | (594) |
| Total current assets | 2,110,734 | 1,703,515 |
| Fixed assets: | | |
| Tangible fixed assets: | | |
| Buildings and structures (Note 26) | 2,113,954 | 1,715,754 |
| Accumulated depreciation | (1,379,732) | (1,217,697) |
| Buildings and structures, net | 734,222 | 498,057 |
| Machinery, equipment and vehicles (Note 26) | 6,289,680 | 5,374,029 |
| Accumulated depreciation | (5,162,440) | (4,565,469) |
| Machinery, equipment and vehicles, net | 1,127,239 | 808,559 |
| Tools, furniture and fixtures (Note 26) | 250,947 | 198,233 |
| Accumulated depreciation | (214,206) | (172,306) |
| Tools, furniture and fixtures, net | 36,741 | 25,926 |
| Land (Notes 7 and 26) | 594,824 | 326,626 |
| Lease assets | 20,748 | 17,799 |
| Accumulated depreciation | (11,059) | (10,529) |
| Lease assets, net | 9,689 | 7,270 |
| Construction in progress | 182,782 | 149,424 |
| Total tangible fixed assets | 2,685,500 | 1,815,866 |
| Intangible fixed assets: | | |
| Goodwill | 48,065 | 15,713 |
| Lease assets | 385 | 461 |
| Patents and utility rights | 7,370 | 23,932 |
| Software | 40,106 | 29,913 |
| Total intangible fixed assets | 95,928 | 70,020 |
| Investments and others: | | |
| Investments in securities (Notes 5, 7, 17, 18 and 26) | 1,825,664 | 1,112,084 |
| Long-term loans receivable (Note 26) | 58,088 | 18,622 |
| Deferred tax assets (Note 21) | 178,127 | 81,053 |
| Other (Note 5) | 139,283 | 127,655 |
| Less: Allowance for doubtful accounts | (3,829) | (4,109) |
| Total investments and others | 2,197,335 | 1,335,307 |
| Total fixed assets | 4,978,763 | 3,221,195 |
| Total assets | ¥ 7,089,498 | ¥ 4,924,711 |

The accompanying notes are integral parts of these statements.

Consolidated Balance Sheets

| | Millions of yen | |
|---|-----------------|------------|
| | 2013 | 2012 |
| LIABILITIES | | |
| Current liabilities: | | |
| Notes and accounts payable (Notes 8 and 17) | ¥ 596,230 | ¥ 471,663 |
| Short-term loans payable (Notes 17 and 26) | 494,903 | 277,424 |
| Commercial paper (Notes 17 and 26) | 26,000 | — |
| Bonds due within one year (Notes 17 and 26) | 135,100 | 55,000 |
| Current portion of lease obligations (Note 26) | 13,561 | 2,947 |
| Accounts payable—other (Note 17) | 405,777 | 321,103 |
| Income taxes payable | 20,329 | 22,514 |
| Provision for loss on construction contracts | 2,991 | 3,522 |
| Provision for loss on disaster | — | 3,290 |
| Other (Note 26) | 286,230 | 178,745 |
| Total current liabilities | 1,981,124 | 1,336,211 |
| Long-term liabilities: | | |
| Bonds and notes (Notes 17 and 26) | 504,659 | 380,073 |
| Long-term loans payable (Notes 17 and 26) | 1,346,219 | 615,255 |
| Lease obligations (excluding current portion) (Note 26) | 19,411 | 3,811 |
| Deferred tax liabilities (Note 21) | 29,745 | 23,113 |
| Deferred tax liabilities on revaluation of land (Note 7) | 8,567 | 10,826 |
| Accrued pension and severance costs (Note 20) | 192,635 | 153,293 |
| Allowance for retirement benefits of directors and corporate auditors | 5,403 | 4,931 |
| Reserve for repairs to blast furnaces | 10,499 | 18,003 |
| Other | 52,948 | 31,846 |
| Total long-term liabilities | 2,170,090 | 1,241,155 |
| Total liabilities | 4,151,215 | 2,577,367 |
| Commitments and contingent liabilities (Note 6) | | |
| NET ASSETS (Note 14) | | |
| Shareholders' equity | | |
| Common stock | 419,524 | 419,524 |
| Capital surplus | 362,321 | 114,546 |
| Retained earnings | 1,430,876 | 1,552,826 |
| Less: Treasury stock, at cost | (70,490) | (262,573) |
| Total shareholders' equity | 2,142,233 | 1,824,324 |
| Accumulated other comprehensive income (Note 13) | | |
| Unrealized gains on available-for-sale securities (Note 18) | 168,611 | 70,834 |
| Deferred hedge income (loss) | 359 | (1,698) |
| Unrealized gains on revaluation of land (Note 7) | 2,592 | 12,770 |
| Foreign currency translation adjustments | 80,273 | (77,327) |
| Total accumulated other comprehensive income | 251,836 | 4,578 |
| Minority interests in consolidated subsidiaries (Note 7) | 544,213 | 518,440 |
| Total net assets | 2,938,283 | 2,347,343 |
| Total liabilities and net assets | ¥7,089,498 | ¥4,924,711 |

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

| | Millions of yen | |
|--|-----------------|------------|
| Consolidated Statements of Operations | 2013 | 2012 |
| Net sales | ¥4,389,922 | ¥4,090,936 |
| Cost of sales (Notes 9 and 11) | 3,982,362 | 3,678,639 |
| Gross margin | 407,559 | 412,297 |
| Selling, general and administrative expenses (Notes 9, 10 and 11) | 387,449 | 332,932 |
| Operating profit | 20,110 | 79,364 |
| Non-operating profit: | | |
| Interest | 3,869 | 3,300 |
| Dividend income | 13,802 | 12,786 |
| Equity in net income of unconsolidated subsidiaries and affiliates | 52,658 | 66,470 |
| Exchange gain on foreign currency transactions | 28,185 | — |
| Other | 42,563 | 38,834 |
| | 141,079 | 121,392 |
| Non-operating loss: | | |
| Interest expense | 23,539 | 17,834 |
| Loss on disposal of fixed assets | 19,963 | 18,312 |
| Loss on sales of inventories | 10,467 | — |
| Other | 30,288 | 21,604 |
| | 84,258 | 57,750 |
| Ordinary profit | 76,931 | 143,006 |
| Special profit: | | |
| Gain on sales of investments in securities | — | 15,921 |
| Restructuring profit (Note 12) | 5,024 | — |
| | 5,024 | 15,921 |
| Special loss: | | |
| Impairment loss (Note 12) | 132,818 | — |
| Loss on inactive facilities (Note 12) | — | 7,407 |
| Loss on sales of investments in securities | 75,307 | 7,575 |
| Loss on valuation of investments in securities | — | 11,710 |
| Loss on liquidation of business (Note 12) | 10,800 | 12,180 |
| | 218,926 | 38,874 |
| Income (loss) before income taxes and minority interests | (136,970) | 120,053 |
| Income taxes – current (Note 21) | 49,446 | 50,923 |
| Income taxes – deferred (Note 21) | (75,045) | 1,380 |
| | (25,599) | 52,303 |
| Income (loss) before minority interests | (111,371) | 67,750 |
| Minority interests in net income of consolidated subsidiaries | 13,196 | 9,279 |
| Net income (loss) | ¥ (124,567) | ¥ 58,471 |

The accompanying notes are integral parts of these statements.

| | Millions of yen | |
|--|-----------------|-----------|
| Consolidated Statements of Comprehensive Income | 2013 | 2012 |
| Income (loss) before minority interests | ¥(111,371) | ¥ 67,750 |
| Other comprehensive income | | |
| Unrealized gains (losses) on available-for-sale securities | 94,610 | (33,277) |
| Deferred hedge income | 1,828 | 1,503 |
| Unrealized gains on revaluation of land | — | 1,100 |
| Foreign currency translation adjustments | 110,206 | (12,003) |
| Share of other comprehensive income (loss) of associates accounted for using equity method | 63,028 | (21,498) |
| Total other comprehensive income (loss) (Note 13) | 269,673 | (64,175) |
| Comprehensive income (Note 13) | ¥ 158,302 | ¥ 3,574 |
| Attributable to | | |
| Comprehensive income (loss) attributable to owners of the parent | ¥ 132,868 | ¥ (3,254) |
| Comprehensive income attributable to minority interests | ¥ 25,433 | ¥ 6,828 |

The accompanying notes are integral parts of these statements.

Consolidated Statements of Changes in Net Assets (Note 14)

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

| | Thousands | Millions of yen | | | | | | | | | |
|---|--|-----------------|--------------------|----------------------|-------------------------------|--|---------------------------------------|--|---|--|------------|
| | Number of issued shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Unrealized gains on available- for-sale securities | Deferred hedge income (loss) | Unrealized gains on revaluation of land | Foreign currency translation adjustments | Minority interests in consolidated subsidiaries | Total |
| Balance at March 31, 2011 | 6,806,980 | ¥419,524 | ¥114,553 | ¥1,522,786 | ¥(262,524) | ¥104,783 | ¥(3,099) | ¥ 11,523 | ¥ (46,748) | ¥520,126 | ¥2,380,925 |
| Cash dividends | — | — | — | (28,363) | — | — | — | — | — | — | (28,363) |
| Net income | — | — | — | 58,471 | — | — | — | — | — | — | 58,471 |
| Acquisition of treasury stock | — | — | — | — | (30) | — | — | — | — | — | (30) |
| Disposal of treasury stock | — | — | (7) | — | 51 | — | — | — | — | — | 44 |
| Increase (decrease) due to the change in the number of consolidated companies | — | — | — | (47) | (70) | — | — | — | — | — | (118) |
| Increase (decrease) due to reversal of unrealized gains on revaluation of land | — | — | — | (20) | — | — | — | — | — | — | (20) |
| Net changes of items other than shareholders' equity | — | — | — | — | — | (33,949) | 1,401 | 1,247 | (30,579) | (1,685) | (63,565) |
| Total change for fiscal 2011 | — | — | (7) | 30,040 | (49) | (33,949) | 1,401 | 1,247 | (30,579) | (1,685) | (33,581) |
| Balance at March 31, 2012 | 6,806,980 | ¥419,524 | ¥114,546 | ¥1,552,826 | ¥(262,573) | ¥ 70,834 | ¥(1,698) | ¥12,770 | ¥ (77,327) | ¥518,440 | ¥2,347,343 |
| Cash dividends | — | — | — | (6,302) | — | — | — | — | — | — | (6,302) |
| Net income (loss) | — | — | — | (124,567) | — | — | — | — | — | — | (124,567) |
| Acquisition of treasury stock | — | — | — | — | (65,828) | — | — | — | — | — | (65,828) |
| Disposal of treasury stock | — | — | 127 | — | 258,536 | — | — | — | — | — | 258,663 |
| Increase due to the merger | 2,696,233 | — | 247,647 | — | — | — | — | — | — | — | 247,647 |
| Increase (decrease) due to the change in the number of consolidated companies | — | — | — | 8,875 | (624) | — | — | — | — | — | 8,250 |
| Increase due to reversal of unrealized gains on revaluation of land | — | — | — | 45 | — | — | — | — | — | — | 45 |
| Net changes of items other than shareholders' equity | — | — | — | — | — | 97,777 | 2,057 | (10,177) | 157,600 | 25,772 | 273,030 |
| Total change for fiscal 2012 | 2,696,233 | — | 247,775 | (121,949) | 192,083 | 97,777 | 2,057 | (10,177) | 157,600 | 25,772 | 590,939 |
| Balance at March 31, 2013 | 9,503,214 | ¥419,524 | ¥362,321 | ¥1,430,876 | ¥(70,490) | ¥168,611 | ¥ 359 | ¥ 2,592 | ¥ 80,273 | ¥544,213 | ¥2,938,283 |

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash Flows

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

| | Millions of yen | |
|--|------------------|------------------|
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Income (loss) before income taxes and minority interests | ¥(136,970) | ¥ 120,053 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 288,770 | 280,940 |
| Impairment loss | 132,818 | — |
| Interest and dividend income (accrual basis) | (17,671) | (16,087) |
| Interest expense (accrual basis) | 23,539 | 17,834 |
| Exchange loss (gain) on foreign currency transactions | (11,780) | 2,413 |
| Amortization of goodwill | 6,054 | 3,491 |
| Equity in net income of unconsolidated subsidiaries and affiliates | (52,658) | (66,470) |
| Loss (gain) on sales of investments in securities | 75,307 | (8,346) |
| Loss on valuation of investments in securities | — | 11,710 |
| Loss on disposal of tangible and intangible fixed assets | 4,437 | 9,328 |
| Gain on sales of tangible and intangible fixed assets | (7,576) | (7,429) |
| Changes in allowance for doubtful accounts | (366) | (1,745) |
| Changes in operating assets and liabilities: | | |
| Changes in notes and accounts receivable | (32,630) | 21,222 |
| Changes in inventories | 157,786 | (48,663) |
| Changes in notes and accounts payable | (86,297) | (6,713) |
| Other | 26,972 | (32,187) |
| Interest and dividend income (cash basis) | 26,347 | 20,660 |
| Interest expense (cash basis) | (25,727) | (16,321) |
| Income taxes (cash basis) | (57,038) | (46,276) |
| Net cash provided by operating activities | 313,317 | 237,414 |
| Cash flows from investing activities: | | |
| Acquisition of investments in securities | (80,728) | (33,421) |
| Proceeds from sales of investments in securities | 101,005 | 51,646 |
| Acquisition of tangible and intangible fixed assets | (349,817) | (257,999) |
| Proceeds from sales of tangible and intangible fixed assets | 13,206 | 15,853 |
| Payment for loans | (14,515) | (1,945) |
| Proceeds from collections of loans | 4,175 | 4,282 |
| Other | (661) | (4,511) |
| Net cash used in investing activities | (327,336) | (226,096) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term loans | (16,286) | (31,267) |
| Net increase (decrease) in commercial paper | (68,000) | (32,000) |
| Proceeds from long-term loans | 278,698 | 155,233 |
| Payments of long-term loans | (165,864) | (143,162) |
| Proceeds from issuance of bonds and notes | 30,000 | 55,000 |
| Redemption of bonds and notes | (65,000) | (5,000) |
| Payments for purchase of treasury stock | (563) | (15) |
| Cash dividends | (6,302) | (28,363) |
| Cash dividends to minority shareholders | (9,191) | (9,903) |
| Proceeds from issuance of common stock to minority shareholders | 1,108 | 824 |
| Other | 54,735 | 6,868 |
| Net cash provided by (used in) financing activities | 33,332 | (31,785) |
| Effect of exchange rate changes on cash and cash equivalents | 22,229 | (2,444) |
| Net increase (decrease) in cash and cash equivalents | 41,542 | (22,911) |
| Cash and cash equivalents at beginning of year | 55,747 | 76,256 |
| Increase (decrease) from the change in the number of consolidated companies | (19,735) | 2,402 |
| Increase in cash and cash equivalents resulting from the merger | 12,975 | — |
| Cash and cash equivalents at end of year (Note 15) | ¥ 90,530 | ¥ 55,747 |

The accompanying notes are integral parts of these statements.

Notes to Consolidated Financial Statements

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries

01. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Nippon Steel & Sumitomo Metal Corporation (NSSMC) and its subsidiaries (collectively “the NSSMC Group”) are prepared on the basis of accounting principles generally accepted in Japan, and

are compiled from the consolidated financial statements prepared by NSSMC as required by the Financial Instruments and Exchange Act of Japan.

02. Summary of Significant Accounting Policies

(1) Scope of consolidation

Number of consolidated subsidiaries: 370 companies
For details of the subsidiaries included in the consolidation, reference should be made to the list of principal subsidiaries and affiliates of NSSMC on pages 101–102 of this document.
In fiscal 2012, the scope of consolidation expanded by 103 companies, comprising 85 by the merger of their parent company and 18 newly established or other companies. 19 companies—14 merged companies and 5 liquidations, etc.—were eliminated from the scope of consolidation in fiscal 2012.

As part of the above, the business integration with Sumitomo Metal Industries, Ltd. on October 1, 2012, increased the number of consolidated subsidiaries by 85 (all as a consequence of the integration). Among these, NIPPON STEEL AND SUMIKINTUBOS DO BRASIL LTDA. became a subsidiary and was designated as a specified subsidiary due to its common stock exceeding 10% of NSSMC’s common stock value. The business integration of Nippon Steel City Produce, Inc. and Kowa Real Estate Co., Ltd. on October 1, 2012, decreased the number of consolidated subsidiaries by 6 (a portion of which was a consequence of the integration).
Non-adoption of the consolidation accounting treatment for the unconsolidated subsidiaries (27 companies) does not have a material effect on total assets, net sales, net income or retained earnings in the consolidated financial statements.

(2) Application of equity method

Affiliates accounted for by the equity method: 107 companies
For details of the affiliates included in consolidation, reference should be made to the list of principal subsidiaries and affiliates of NSSMC on pages 101–102 of this document.
During fiscal 2012, 39 companies were added as equity-method affiliates and 8 companies were removed as equity-method affiliates. As part of the above, the business integration with Sumitomo Metal Industries, Ltd. on October 1, 2012, added 28 equity-method affiliates. The number of equity-method affiliates decreased by 2 following the business integration of Nippon Steel City Produce, Inc. and Kowa Real Estate Co., Ltd. on October 1, 2012.

Non-adoption of the equity method for the unconsolidated subsidiaries (27 companies) and affiliates (70 companies) has no material effect on net income or retained earnings in the consolidated financial statements.

(3) Adjustments of differences in fiscal year-end

For consolidated subsidiaries listed below using a fiscal year-end other than March 31, certain adjustments have been made, if appropriate, in preparing the consolidated financial statements to reflect material transactions that have taken place between their fiscal year-end and March 31.

| Consolidated subsidiaries | Date of closing accounting period |
|---------------------------|-----------------------------------|
| 3 domestic subsidiaries | January 31 |
| 3 domestic subsidiaries | December 31 |
| 119 foreign subsidiaries | December 31 |

Principal foreign subsidiaries using a December 31 fiscal year-end:
NIPPON STEEL AND SUMIKINTUBOS DO BRASIL LTDA.
The Siam United Steel (1995) Company Limited
Standard Steel, LLC
PT PELAT TIMAH NUSANTARA TBK.
Siam Nippon Steel Pipe Co., Ltd.
NIPPON STEEL & SUMITOMO METAL U.S.A., Inc.
NIPPON STEEL & SUMITOMO METAL Australia Pty. Limited
WESTERN TUBE & CONDUIT CORPORATION

(4) Securities

Securities held by the NSSMC Group are classified into three categories:
Held-to-maturity debt securities, which the NSSMC Group intends to hold to maturity, are valued at cost after accounting for premiums or discounts on acquisition, which are amortized over the period to maturity.

Investments of the NSSMC Group in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are valued at cost as

the potential effect of application of the equity method would be immaterial.

Available-for-sale securities with available market quotations are valued at fair value. Net unrealized gains or losses on these securities are reported as a separate component in net assets at a net of tax amount. Cost is determined by the weighted average method. Available-for-sale securities without any available market quotations are valued at cost.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates not using the equity method, or available-for-sale securities has declined significantly and such impairment of value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(5) Inventories

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

(6) Tangible fixed assets

Depreciation of tangible fixed assets is mainly calculated using the declining-balance method. However, depreciation of buildings is mainly calculated using the straight-line method.
Useful lives of tangible fixed assets are generally as follows:
Buildings: Mainly 31 years
Machinery: Mainly 14 years

Changes in accounting policies that are difficult to classify from the changes in accounting estimates
Beginning in fiscal 2012, accompanying revisions in the corporate tax law, NSSMC and its domestic consolidated subsidiaries have changed their method of depreciation for tangible fixed assets acquired on or after April 1, 2012, based on the corporate tax law after revisions. Compared with the previous accounting method, the effect of these changes on the consolidated results for fiscal 2012 was to increase operating profit by ¥7,884 million and ordinary profit by ¥8,497 million.

The effects on segment information are described in Note 23.

(7) Intangible fixed assets

Amortization of intangible fixed assets is calculated using the straight-line method.
Software products for internal use are amortized mainly over the estimated useful lives of 5 years.

(8) Lease assets

Assets concerning finance leases in which ownership is transferred to the lessee are depreciated using the same method of depreciation for tangible fixed assets owned by the NSSMC Group.
Assets concerning finance leases in which ownership is not transferred to the lessee are depreciated to a residual value of zero based on the straight-line method over a useful life period corresponding to the lease contract period.

(9) Allowance for doubtful accounts

The allowance for doubtful accounts is computed based on the historical experienced default ratio for non-specific receivables, as well as the estimated irrecoverable portion of specific doubtful receivables calculated on an individual basis.

(10) Allowance for losses on construction contracts

The allowance for losses on construction contracts is provided based on the excess of estimated costs over contract revenue.

(11) Retirement benefits

The NSSMC Group’s employees are generally entitled to receive a pension and/or a lump-sum retirement payment when they leave the NSSMC Group. The amount of this retirement allowance is determined by reference to their length of service and basic salary at the time of retirement.
The NSSMC Group records “accrued pension and severance costs” at the estimated present value of the projected benefit obligations in excess of the fair value of the plan assets, less/plus the unrecognized balance of prior service costs, and the unrecognized actuarial differences.

Prior service costs for NSSMC and certain consolidated subsidiaries are amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service (mainly 10 years), starting from the year in which they occur. Unrecognized actuarial differences are mainly amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service (mainly 10 years), starting from the year following that in which they occur.

(12) Allowance for retirement benefits of directors and corporate auditors

The allowance for retirement benefits of directors and corporate auditors is computed based on internal rules.

(13) Reserve for repairs to blast furnaces

The NSSMC Group’s blast furnaces and hot blast stoves, including related machines, are periodically required to undergo overhauls

and repairs on their main components. The estimated future cost of such work is charged to income on a straight-line basis over the periods from the last work to the anticipated dates of the next one.

(14) Accounting for revenues on construction contracts

Regarding projects for which the outcome of the portion completed is deemed certain, the NSSMC Group has applied the percentage-of-completion method (estimating the project progress percentage based on the percentage of the cost incurred to the estimated total cost). The completion-of-contract method is applied to other projects.

(15) Important assets and liabilities in foreign currencies and foreign currency translation

Monetary assets and liabilities of NSSMC and its domestic subsidiaries denominated in foreign currencies are translated into yen at the rate prevailing on the balance sheet date, and the resulting foreign exchange gains or losses are recognized as income or expenses. For foreign consolidated subsidiaries, assets and liabilities are translated into yen at the rate prevailing at each balance sheet date, revenue and expense accounts are translated at the average rate of exchange in effect during the fiscal year, and foreign currency translation adjustments are included in the translation adjustments and minority interests item under net assets.

(16) Hedge accounting

Gains or losses arising from changes in the fair values of derivatives designated as “hedging instruments” are deferred as a deferred hedge income (loss) in net assets and included in net profit or loss in the same period in which the gains or losses on the underlying hedged items or transactions are recognized.

In principal, the NSSMC Group adopts the deferred hedging accounting method. In addition, for interest swaps whose amounts, index and period meet the conditions for hedged items, the “exceptional” method is adopted. Using this method, the NSSMC Group does not account for gains and losses on those interest swaps on a fair value basis, but recognizes swap interest on an accrual basis. For forward exchange contracts and currency swaps whose amounts, currency and period meet the conditions of hedged items, the “assigning” method is adopted. Using this method, the NSSMC Group does not account for gains and losses on those forward exchange contracts and currency swaps on a fair value basis, but converts hedged items using the rates of those forward exchange contracts at the end of the year.

Derivatives designated as hedging instruments by the NSSMC Group are principally forward exchange contracts,

interest swaps and currency swaps. The related hedged items are trade accounts receivable and payable, foreign currency future transactions, long-term bank loans, and debt securities issued by the NSSMC Group.

The NSSMC Group has a policy which aims to utilize these hedging instruments in order to reduce its exposure to the risk of fluctuations in market prices, interest rates or foreign exchange rates. Therefore, the NSSMC Group’s purchase of hedging instruments is limited to the amount of the hedged items.

The NSSMC Group continues to evaluate the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(17) Goodwill

Goodwill accounted for on an equity basis is amortized over the period for which the excess cost is expected to contribute to consolidated net income, where it is possible to estimate such a period, using the straight-line method. Otherwise, the excess is amortized over 5 years.

(18) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows include cash in hand, bank deposits able to be withdrawn on demand and short-term investments due within 3 months of the date of purchase, and which represent an insignificant risk of change in value.

(19) Consumption tax

Consumption tax withheld upon sale, as well as that paid for purchases of goods or services, are recorded as a liability or an asset, and are excluded from the relevant revenue, costs or expenses.

Unapplied accounting standards
(Year ended March 31, 2013)

“Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25)

1. Summary

The standard and guidance were amended, primarily in procedures for unrecognized actuarial differences and unrecognized past service costs, calculation methods for retirement benefit liability and service costs and enhancing disclosure of accounting, with a view to improving financial reporting in line with the international trend.

2. Planned application

The NSSMC Group plans to apply the standard and guidance commencing with the year-end statements of the fiscal year beginning April 1, 2013. However, the NSSMC Group plans to apply the calculation methods for retirement benefit liability and service costs from the start of the fiscal year beginning April 1, 2014.

3. Effect from application of the accounting standards

The effect on the consolidated financial statements from the application of the accounting standards is currently under assessment.

Changes to presentation
(Year ended March 31, 2013)
(Consolidated Balance Sheets)

Following revisions to the accounting methods associated with the business integration with Sumitomo Metal Industries, Ltd., a portion of “Accrued expenses” (¥235,224 million in fiscal 2011) is accounted as “Accounts payable–other” beginning with

fiscal 2012. As a result, “Accounts payable–other” is reported as its own category due to the increased significance in terms of the amount, and “Accrued expenses” is reported as “Other” in current liabilities due to the decreased significance in terms of the amount. Previous fiscal year figures in the consolidated balance sheets have been reclassified to reflect the change to the presentation method.

(Consolidated Statements of Cash Flows)

Due to the reduced significance of the categories “Acquisition of cash owned by new subsidiaries, net of payment for purchase of subsidiaries’ shares” (¥(70) million in fiscal 2011) and “Proceeds from sale of subsidiaries’ shares, net of cash owned by those subsidiaries” (¥304 million in fiscal 2011) in “Cash flows from investing activities,” these categories are included in “Other” beginning with fiscal 2012. Previous fiscal year figures in the consolidated statements of cash flows have been reclassified to reflect the change to the presentation method.

03. Japanese Yen Amounts

NSSMC and its domestic subsidiaries maintain their accounting records in yen. Yen amounts included in the financial statements are stated in millions of yen, and fractions of less than ¥1 million are omitted. Therefore, total or subtotal amounts presented in the financial statements may not equal the exact sum of the individual balances.

04. Inventories

Items relevant to inventories are as follows:

| | Millions of yen | |
|-------------------------------------|-----------------|----------|
| | 2013 | 2012 |
| Finished and half-finished products | ¥508,691 | ¥437,551 |
| Work in process | 54,359 | 62,446 |
| Raw materials and supplies | 593,883 | 447,535 |

05. Unconsolidated Subsidiaries and Affiliates

Items relevant to unconsolidated subsidiaries and affiliates are as follows:

| | Millions of yen | |
|---------------------------|-----------------|----------|
| | 2013 | 2012 |
| Investments in securities | ¥1,104,058 | ¥492,139 |
| Other investments | 8,221 | 7,301 |

06. Contingent Liabilities and Notes and Bills Discounted and Endorsed

(1) Guarantee liabilities

(Year ended March 31, 2013)

| | Outstanding amounts Millions of yen | Substantial amounts Millions of yen |
|--|--|--|
| | 2013 | 2013 |
| Contingent liabilities for: | | |
| Guarantee of loans | | |
| Japan-Brazil Niobium Corporation | ¥11,205 | ¥11,205 |
| VALLOUREC & SUMITOMO TUBOS DO BRASIL LTDA. | 5,211 | 5,211 |
| TENIGAL, S. de R.L. de C.V. | 4,577 | 4,577 |
| JAMSHEDPUR CONTINUOUS ANNEALING & PROCESSING COMPANY PRIVATE LIMITED | 3,778 | 1,851* |
| UNIGAL Ltda. | 3,103 | 3,103 |
| Automotive Steel Pipe India Private limited | 1,150 | 1,150 |
| Frontier Energy Niigata Co., Ltd. | 1,057 | 1,057 |
| Other | 1,981 | 1,981 |
| | ¥32,065 | ¥30,138 |

| | Outstanding amounts Millions of yen | Substantial amounts Millions of yen |
|---|--|--|
| | 2013 | 2013 |
| Contingent liabilities for: | | |
| Reserved guarantee of loans | ¥ 760 | ¥ 753* |
| Maximum repurchase obligation amount associated with the liquidation of receivables | 3,206 | 3,206 |

* These represent substantial amounts excluding that portion which is re-guaranteed by other parties.

(Year ended March 31, 2012)

| | Outstanding amounts Millions of yen | Substantial amounts Millions of yen |
|-----------------------------------|--|--|
| | 2012 | 2012 |
| Contingent liabilities for: | | |
| Guarantee of loans | | |
| Japan-Brazil Niobium Corporation | ¥11,205 | ¥11,205 |
| UNIGAL Ltda. | 3,205 | 3,205 |
| Frontier Energy Niigata Co., Ltd. | 1,271 | 1,271 |
| Other | 2,379 | 1,920* |
| | ¥18,061 | ¥17,602 |

| | Outstanding amounts Millions of yen | |
|-----------------------------|--|---|
| | 2012 | |
| Contingent liabilities for: | | |
| Reserved guarantee of loans | ¥195 | Substantial amounts is equal to outstanding amounts for the year ended. |

* These represent substantial amounts excluding that portion which is re-guaranteed by other parties.

(2) Notes and bills endorsed

| | 2013 | 2012 |
|--------------------------|------|------|
| Notes and bills endorsed | ¥14 | ¥85 |
| | ¥14 | ¥85 |

* These bills have a recourse clause which is in fact the contingent liability.

07. Revaluation of Land

Revaluation of land used for business purposes was carried out in accordance with the “Law concerning Revaluation of Land” and related amendments for certain of NSSMC’s consolidated subsidiaries and affiliates to which the equity method is applied. Revaluation differences computed by consolidated subsidiaries, net of tax and minority interests, which were charged to “deferred tax liabilities on revaluation of land” and “minority interests in consolidated subsidiaries,” respectively, were recorded as a separate component of net assets as “unrealized gains on revaluation of land.”

Additionally, revaluation differences accounted for by affiliates were recorded as a separate component of net assets as “unrealized gains on revaluation of land” in proportion to the equity rate.

• Method of revaluation

Calculations were made in accordance with the “Law concerning Revaluation of Land.”

(Year ended March 31, 2013)

(Revaluation done on March 31, 2002)

- The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2013 was ¥2,363 million. (Revaluation done on March 31, 2001)
- The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2013 was ¥11,875 million. (Revaluation done on March 31, 2000)
- The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2013 was ¥1,854 million.

(Year ended March 31, 2012)

(Revaluation done on March 31, 2002)

- The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2012 was ¥2,480 million. (Revaluation done on March 31, 2001)
- The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2012 was ¥18,341 million. (Revaluation done on March 31, 2000)
- The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2012 was ¥2,614 million.

08. Notes Receivable and Payable due on the Balance Sheet Date

In accordance with customary business practices in Japan, while notes receivable and payable are often issued with a month-end due date, actual settlement of the notes is postponed to the first business day of the next month in the event that the month-end date is a bank holiday. In such cases, settlement of notes is recorded on the date that actual settlement is made for NSSMC. Since March 31, 2013 and 2012 were a bank holiday, the following balances are included in the respective balances on the consolidated balance sheets at that date.

(Year ended March 31, 2013)

Notes receivable with a March 31, 2013 due date: ¥3,297 million
Notes payable with a March 31, 2013 due date: ¥8,085 million

(Year ended March 31, 2012)

Notes receivable with a March 31, 2012 due date: ¥2,562 million
Notes payable with a March 31, 2012 due date: ¥5,705 million

09. Distribution of Provision for Allowance Reserve

The main distribution of provision for allowance reserve for the years ended March 31, 2013 and 2012 is as follows:

| | Millions of yen | |
|--|-----------------|---------|
| | 2013 | 2012 |
| Provision for accrued pension and severance costs | | |
| Cost of sales | ¥24,445 | ¥30,624 |
| Selling, general and administrative expenses | 7,564 | 8,748 |
| Provision for allowance for retirement benefits of directors | | |
| Selling, general and administrative expenses | 1,228 | 1,246 |

10. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2013 and 2012 are as follows:

| | Millions of yen | |
|-----------------------------------|-----------------|----------|
| | 2013 | 2012 |
| Transportation and storage | ¥ 95,501 | ¥ 80,482 |
| Salaries | 100,933 | 84,812 |
| Depreciation and amortization | 5,868 | 4,959 |
| Research and development expenses | 46,755 | 36,250 |
| Amortization of goodwill | 9,030 | 8,195 |
| Other | 129,359 | 118,231 |
| Total | ¥387,449 | ¥332,932 |

11. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2013 and 2012 are ¥60,071 million and ¥48,175 million, respectively.

12. Explanatory Notes on Special Profit and Loss

(Year ended March 31, 2013)

Special profit

(1) Restructuring profit

The result of recognition of unrealized gains and other factors between NSSMC and Nippon Steel City Produce, Inc. created by the merger of the company and Kowa Real Estate Co., Ltd.

Special loss

(1) Impairment loss

In the Steelmaking and steel fabrication segment, impairment losses on business-use properties were booked as a special loss. This special loss was due to the declining profitability in

the deteriorating business environment for the business-use properties maintained by the Company's Hirohata Works and Sakai Works as well as consolidated subsidiaries that are engaged in welding materials and other businesses.

The grouping method, in principle, is to use each steelworks as a group while also recognizing individual units that generate independent cash flow. Recoverable amounts are calculated based on the net sale amount for properties held for lease and the estimate of the use value for business-use properties, with future cash flow calculated by applying a discount rate of 8.0% to the present value.

The recoverable amount for buildings is ¥19,886 million, ¥15,020 million for structures, ¥51,792 million for machinery, ¥19,630 million for land, and ¥26,488 million for others.

(2) Loss on inactive facilities

Expenses that were incurred mainly due to retirement or disassembly based on decision to phase out major production equipment.

(Year ended March 31, 2012)

Special loss

(1) Loss on inactive facilities

Expenses that were incurred mainly due to retirement or disassembly based on decision to phase out major production equipment.

(2) Loss on liquidation of business

These losses were incurred as a result of the withdrawal of Nippon Steel Topy Bridge Co., Ltd., a subsidiary in the Engineering and construction segment, from the bridge business, and the withdrawal of NS Solar Material Co., Ltd., a subsidiary in the New materials segment, from the solar battery polycrystal silicon business.

13. Notes on Consolidated Statements of Comprehensive Income

Reclassification adjustments and deferred tax accounting related to other comprehensive income for the years ended March 31, 2013 and 2012 are as follows:

| | Millions of yen | |
|---|-----------------|-----------|
| | 2013 | 2012 |
| Unrealized gains on available-for-sale securities | | |
| Amount for the current term | ¥220,103 | ¥(67,919) |
| Amount due to reclassification adjustments | (77,922) | 3,830 |
| Amount before adjustments in deferred tax accounting | 142,180 | (64,088) |
| Amount due to deferred tax accounting | (47,570) | 30,810 |
| Unrealized gains on available-for-sale securities | 94,610 | (33,277) |
| Deferred hedge income (loss) | | |
| Amount for the current term | ¥ 5,852 | ¥ 3,001 |
| Amount due to reclassification adjustments | (2,698) | (328) |
| Amount before adjustments in deferred tax accounting | 3,153 | 2,673 |
| Amount due to deferred tax accounting | (1,325) | (1,169) |
| Deferred hedge income (loss) | 1,828 | 1,503 |
| Unrealized gains on revaluation of land | | |
| Amount for the current term | ¥ — | ¥ — |
| Amount before adjustments in deferred tax accounting | — | — |
| Amount due to deferred tax accounting | — | 1,100 |
| Unrealized gains on revaluation of land | — | 1,100 |
| Foreign currency translation adjustments | | |
| Amount for the current term | ¥110,206 | ¥(12,135) |
| Amount due to reclassification adjustments | — | 131 |
| Amount before adjustments in deferred tax accounting | 110,206 | (12,003) |
| Amount due to deferred tax accounting | — | — |
| Foreign currency translation adjustments | 110,206 | (12,003) |
| Share of other comprehensive income of associates accounted for using equity method | | |
| Amount for the current term | ¥ 62,740 | ¥(24,508) |
| Amount due to reclassification adjustments | 287 | 3,010 |
| Share of other comprehensive income of associates accounted for using equity method | 63,028 | (21,498) |
| Total other comprehensive income | ¥269,673 | ¥(64,175) |

14. Changes in Net Assets and Shareholders' Equity

Notes on consolidated statements of changes in net assets for the years ended March 31, 2013 and 2012 are as follows:

(Year ended March 31, 2013)

(1) Information on issued shares

| Kind of stock | March 31, 2012 | Increase | Decrease | March 31, 2013 |
|--------------------------|----------------|-----------|----------|----------------|
| Common stock (Thousands) | 6,806,980 | 2,696,233 | — | 9,503,214 |

(Reason for increase or decrease of issued shares)

• Increase (Thousands)

1. Increase associated with the merger with Sumitomo Metal Industries, Ltd. 2,696,233

(2) Information on treasury stock

| Kind of stock | March 31, 2012 | Increase | Decrease | March 31, 2013 |
|--------------------------|----------------|----------|----------|----------------|
| Common stock (Thousands) | 517,325 | 418,661 | 507,422 | 428,564 |

(Reason for increase or decrease of treasury stock)

• Increase (Thousands)

1. Increase associated with the merger with Sumitomo Metal Industries, Ltd. 412,917
2. Odd-lot stock purchases 2,639
3. Purchased by affiliates 216
4. Increase associated with the change in the scope of consolidation 2,888

• Decrease (Thousands)

1. Decrease associated with the merger with Sumitomo Metal Industries, Ltd. 504,113
2. Odd-lot stock sold 3,041
3. Sold by subsidiaries and affiliates 267

(3) Information on dividends

Amount of dividend payments

| Decision | Kind of stock | Total payments (Millions of yen) | Cash dividends per share (Yen) | Record date | Operative date |
|---|---------------|-------------------------------------|-----------------------------------|----------------|----------------|
| At the ordinary general meeting of shareholders held on June 26, 2012 | Common stock | ¥6,302 | ¥1.0 | March 31, 2012 | June 27, 2012 |

Dividends of which record date belong to the year ended March 31, 2013, and the operative date is the year ending March 31, 2014 are as follows:

| Decision | Kind of stock | Source of dividends | Total payments (Millions of yen) | Cash dividends per share (Yen) | Record date | Operative date |
|---|---------------|---------------------|-------------------------------------|-----------------------------------|----------------|----------------|
| At the ordinary general meeting of shareholders held on June 25, 2013 | Common stock | Retained earnings | ¥9,090 | ¥1.0 | March 31, 2013 | June 26, 2013 |

(Year ended March 31, 2012)

(1) Information on issued shares

| Kind of stock | March 31, 2011 | Increase | Decrease | March 31, 2012 |
|--------------------------|----------------|----------|----------|----------------|
| Common stock (Thousands) | 6,806,980 | — | — | 6,806,980 |

(2) Information on treasury stock

| Kind of stock | March 31, 2011 | Increase | Decrease | March 31, 2012 |
|--------------------------|----------------|----------|----------|----------------|
| Common stock (Thousands) | 517,192 | 345 | 212 | 517,325 |

(Reason for increase or decrease of treasury stock)

• Increase (Thousands)

1. Odd-lot stock purchases 68
2. Purchased by affiliates 276

• Decrease (Thousands)

1. Odd-lot stock sold 24
2. Sold by subsidiaries and affiliates 187

(3) Information on acquisition rights

| Bonds and notes | Kind of stock | Number of stocks issued when acquisition rights are exercised | | | | March 31, 2012 (Millions of yen) |
|--|---------------|---|----------|-------------|----------------|-------------------------------------|
| | | March 31, 2011 | Increase | Decrease | March 31, 2012 | |
| Mandatorily Acquirable Interest-Bearing Deeply Subordinated CB due 2012 (Nippon Steel Corporation) | Common stock | 405,405,405 | — | 405,405,405 | — | ¥— |
| Total | | 405,405,405 | — | 405,405,405 | — | — |

*[] : Possession by subsidiaries

(Reason for increase or decrease)

“Number of stocks issued when acquisition rights are exercised”

This decrease was due to the expiration of the new share portion of the Euroyen Mandatorily Acquirable Interest-Bearing Deeply Subordinated Convertible Bonds that were to be exchanged for euroyen preferred securities with exchange rights. 405,405,405

(4) Information on dividends

Amount of dividend payments

| Decision | Kind of stock | Total payments (Millions of yen) | Cash dividends per share (Yen) | Record date | Operative date |
|---|---------------|-------------------------------------|-----------------------------------|--------------------|-------------------|
| At the ordinary general meeting of shareholders held on June 24, 2011 | Common stock | ¥18,908 | ¥3.0 | March 31, 2011 | June 27, 2011 |
| At the Board of Directors' meeting held on October 26, 2011 | Common stock | 9,454 | 1.5 | September 30, 2011 | November 29, 2011 |

Dividends of which record date belong to the year ended March 31, 2012, and the operative date is the year ended March 31, 2013 are as follows:

| Decision | Kind of stock | Source of dividends | Total payments (Millions of yen) | Cash dividends per share (Yen) | Record date | Operative date |
|---|---------------|---------------------|-------------------------------------|-----------------------------------|----------------|----------------|
| At the ordinary general meeting of shareholders held on June 26, 2012 | Common stock | Retained earnings | ¥6,302 | ¥1.0 | March 31, 2012 | June 27, 2012 |

15. Notes on Consolidated Statements of Cash Flows

(1) Cash and cash equivalents

| | Millions of yen | |
|--|-----------------|---------|
| | 2013 | 2012 |
| Cash and bank deposits | ¥89,350 | ¥53,878 |
| Less: Time deposits with original maturity over 3 months | (819) | (2,030) |
| Securities due within 3 months | 1,999 | 3,899 |
| Cash and cash equivalents | ¥90,530 | ¥55,747 |

(2) Important non-fund transactions

(Year ended March 31, 2013)

Increased assets and liabilities associated with the merger with Sumitomo Metal Industries, Ltd.

| | Millions of yen | |
|-----------------------|-----------------|--|
| | 2013 | |
| Current assets | ¥ 596,687 | |
| Fixed assets | 1,653,495 | |
| Total assets | ¥2,250,183 | |
| Current liabilities | ¥ 740,104 | |
| Long-term liabilities | 983,899 | |
| Total liabilities | ¥1,724,003 | |

Decreased assets and liabilities associated with the merger between Nippon Steel City Produce, Inc. and Kowa Real Estate Co., Ltd.

| | Millions of yen | |
|-----------------------|-----------------|--|
| | 2013 | |
| Current assets | ¥ 72,242 | |
| Fixed assets | 69,470 | |
| Total assets | ¥141,712 | |
| Current liabilities | ¥ 38,537 | |
| Long-term liabilities | 64,842 | |
| Total liabilities | ¥103,379 | |

16. Lease Commitments

(1) Finance leases

(Year ended March 31, 2013)

Finance lease contracts under which the ownership of the leased assets are to be transferred to lessees.

Outline of lease assets

Tangible fixed assets

Mainly machinery in the steel business.

Accounting for the depreciation and amortization of lease assets

Included in Note 02, "Summary of Significant Accounting Policies."

Finance lease contracts other than those under which the ownership of the leased assets are to be transferred to lessees.

Outline of lease assets

Tangible fixed assets

Mainly buildings in the steel business.

Intangible fixed assets

Software

Accounting for the depreciation and amortization of lease assets

Included in Note 02, "Summary of Significant Accounting Policies."

(Year ended March 31, 2012)

Finance lease contracts other than those under which the ownership of the leased assets are to be transferred to lessees.

Outline of lease assets

Tangible fixed assets

Mainly buildings in the steel business.

Intangible fixed assets

Software

Accounting for the depreciation and amortization of lease assets

Included in Note 02, "Summary of Significant Accounting Policies."

(2) Operating leases (non-cancelable)

The amount of outstanding future lease payments due at March 31, 2013 and 2012 are summarized as follows:

| | Millions of yen | |
|-----------------------|-----------------|---------|
| | 2013 | 2012 |
| Future lease payments | | |
| Within one year | ¥ 5,036 | ¥ 4,146 |
| Over one year | 10,521 | 13,483 |
| | ¥15,557 | ¥17,629 |

The amount of outstanding future lease income due at March 31, 2013 and 2012 are summarized as follows:

| | Millions of yen | |
|---------------------|-----------------|---------|
| | 2013 | 2012 |
| Future lease income | | |
| Within one year | ¥1,176 | ¥ 3,084 |
| Over one year | 5,908 | 17,908 |
| | ¥7,084 | ¥20,993 |

17. Financial Instruments

1. Current status of financial instruments

(1) Policy regarding financial instruments

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

(2) Types of financial instruments and related risks

NSSMC is exposed to credit risks arising from trade receivables such as notes and accounts receivable, but NSSMC limits its transactions to principal suppliers with respect to which it can offset receivables against trade payables and borrowings and to companies with high credit ratings, and NSSMC, therefore, judges that it is exposed to almost no contractual default credit risks. In addition, accompanying NSSMC’s exports of products, NSSMC is exposed to foreign currency exchange risks associated with receivables denominated in foreign currencies. NSSMC holds marketable and investment securities, mainly stocks of customers and other business collaborators, and NSSMC is exposed to market price risks owing to these stockholdings. In addition, NSSMC extends long-term loans to its affiliates.

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

Regarding derivative transactions associated with marketable securities, interest rates, or currency exchange rates, NSSMC

limits its execution of such transactions to (a) hedge transactions with the objective of avoiding value fluctuation risk on marketable securities which NSSMC holds, (b) hedge transactions with the objective of hedging market risks accompanying movements in interest rates associated with assets/liabilities or with the objective of maintaining the proportion of assets/liabilities associated with fixed or variable interest rates and (c) hedge transactions with the objective of avoiding currency exchange risks accompanying transactions undertaken as a part of business activities, such as trading, funding, and investment. The derivative transactions executed by NSSMC are exposed to the risks of securities price fluctuation, future changes in interest rates and currency exchange rates, but because those transactions are limited to those with the objectives described in (a), (b) and (c) above, NSSMC judges that the risks from those transactions are limited.

(3) Systems for management of financial instrument risks

(a) Management of credit risks (the risks that customers may default on their obligations)

In accordance with NSSMC’s credit management regulations, information related to the credit management situation of customers is shared, and asset preservation measures are considered and implemented when necessary.

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

1) Market price risks

Regarding marketable and investment securities, NSSMC maintains a grasp of fair value situations when necessary and undertakes deliberations regarding whether such securities are necessary for business purposes.

2) Interest rate risks

To control risks from interest rate changes associated with interest payments on loans and bonds, interest rate swaps are used.

3) Currency exchange risks

Regarding foreign currency-denominated trade assets and liabilities, to avoid currency exchange risks accompanying transactions undertaken as a part of business activities such as trading, funding, and investment, exchange contracts and currency swaps are used to hedge such risks.

In addition, derivative transactions are executed in accordance with internal derivative transaction management regulations. These regulations require that prospective transactions in financial

instrument-related derivatives be discussed by the Funding Management Committee with respect to the transaction policy, then discussed or reported to the Management Conference/ Board of Directors, and finally approved individually by the General Manager of the Accounting & Finance Division within the pre-authorized scope of transactions before being executed. In conjunction with this, reports on the balance and profitability situation of such transactions must be regularly submitted to the Funding Management Committee. In addition, each six-month semiannual fiscal period, an evaluation is undertaken of the effectiveness of hedging activities.

(c) Management of fund procurement liquidity-related risks (the risks that NSSMC may not be able to meet its payment obligations on the scheduled date)

Based on reports from each of NSSMC’s departments, the Accounting & Finance Division prepares and updates cash flow

plans when necessary to manage liquidity-related risks. To prepare for unexpected events, NSSMC arranges commitment line contracts.

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

(4) Supplementary explanation of the fair value of financial instruments and related matters

The contract (notional) amount of derivative transactions in Note 19, “Information on Derivatives,” is not an indicator of the actual risks involved in derivative transactions.

2. Fair value and other matters related to financial instruments

Book value and fair value as of the balance sheet date and differences are shown in the following tables.

(Year ended March 31, 2013)

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

* Figures shown in parentheses are liability items.

(Year ended March 31, 2012)

| Millions of yen | | | |
|--|-------------|-------------|-------------|
| | Book value* | Fair value* | Differences |
| (1) Cash and bank deposits | ¥ 53,878 | ¥ 53,878 | ¥ — |
| (2) Notes and accounts receivable | 442,621 | 442,621 | — |
| (3) Marketable and investment securities | | | |
| Held-to-maturity debt securities | 13,906 | 13,841 | (64) |
| Available-for-sale securities | 572,398 | 572,398 | — |
| (4) Notes and accounts payable | (471,663) | (471,663) | — |
| (5) Short-term loans payable | (277,424) | (277,424) | — |
| (6) Bonds due within one year | (55,000) | (55,000) | — |
| (7) Accounts payable—other | (321,103) | (321,103) | — |
| (8) Bonds and notes | (380,073) | (396,147) | (16,074) |
| (9) Long-term loans payable | (615,255) | (631,462) | (16,206) |
| (10) Derivative transactions | 2,253 | 2,253 | — |

* Figures shown in parentheses are liability items.

Notice 1: Methods for computing the fair value of financial instruments and information on securities and derivative transactions

Assets

(1) Cash and bank deposits and (2) Notes and accounts receivable–trade

Since these items are settled in a short period of time and have fair values that are virtually the same as the book values, the latter has been used.

(3) Marketable and investment securities

The fair values of these items are valued at the exchange trading price. Information on securities classified by purpose of holding are shown in Note 18, “Securities.”

Liabilities

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

Since these items are settled in a short period of time and have

fair values that are virtually the same as the book values, the latter has been used.

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

The fair value of bonds is valued at the market price. In addition, the fair value of long-term loans is calculated by discounting total principal and interest payments to present value using a discount rate equal to the rate that would be charged if the loan was newly borrowed. Floating rate bonds and loans are subject to the exceptional method for interest rate swaps. Such interest rate swaps are handled together with total principal and interest payments and are calculated as the present value using a reasonable estimate of the discount rate that would be applied for the same kind of bonds or loans.

Derivative Transactions

These transactions are handled as described in Note 19, “Information on Derivatives.”

Notice 2: Items for which obtaining fair value is deemed to be extremely difficult

(Year ended March 31, 2013)

| Millions of yen | |
|-----------------|------------|
| Item | Book value |
| Unlisted stocks | ¥55,295 |

(Year ended March 31, 2012)

| Millions of yen | |
|-----------------|------------|
| Item | Book value |
| Unlisted stocks | ¥44,563 |

The items in the preceding tables do not have market values, and estimating their future cash flow is deemed to be practically impossible. Therefore, determining the fair value of these items is deemed to be extremely difficult, and fair value is not disclosed or included in “(3) Marketable and investment securities.”

Notice 3: Scheduled redemption amounts, subsequent to the balance sheet date, for monetary assets and securities with maturity dates

(Year ended March 31, 2013)

| Millions of yen | | | | |
|---|-------------------|---------------------|----------------------|--------------------|
| | Due within 1 year | Due in 1 to 5 years | Due in 5 to 10 years | Due after 10 years |
| Cash and bank deposits | ¥ 89,350 | ¥ — | ¥— | ¥ — |
| Notes and accounts receivable | 579,562 | — | — | — |
| Marketable and investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| Corporate bonds | 6,000 | 3,000 | — | — |
| Negotiable certificates of deposit | 1,000 | — | — | — |
| Commercial paper | 999 | — | — | — |
| Available-for-sale securities with maturity dates | 1 | 320 | 9 | — |
| Total | ¥676,914 | ¥3,320 | ¥ 9 | ¥ — |

(Year ended March 31, 2012)

| Millions of yen | | | | |
|---|-------------------|---------------------|----------------------|--------------------|
| | Due within 1 year | Due in 1 to 5 years | Due in 5 to 10 years | Due after 10 years |
| Cash and bank deposits | ¥ 53,878 | ¥ — | ¥ — | ¥— |
| Notes and accounts receivable | 442,621 | — | — | — |
| Marketable and investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| Government bonds and municipal bonds | 599 | — | — | — |
| Corporate bonds | 5,006 | 2,000 | — | — |
| Negotiable certificates of deposit | 6,300 | — | — | — |
| Available-for-sale securities with maturity dates | 267 | 1 | 408 | — |
| Total | ¥508,674 | ¥2,001 | ¥408 | ¥— |

Notice 4: Estimated amount of bonds, long-term loans, and other interest-bearing debt subsequent to the balance sheet date

(Year ended March 31, 2013)

| Millions of yen | | | | | | |
|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| | Due within 1 year | Due in 1 to 2 years | Due in 2 to 3 years | Due in 3 to 4 years | Due in 4 to 5 years | Due after 5 years |
| Short-term loans | ¥239,566 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Commercial paper | 26,000 | — | — | — | — | — |
| Bonds | 135,100 | 65,000 | 54,002 | 50,000 | 120,000 | 215,656 |
| Long-term loans | 255,337 | 268,802 | 191,464 | 261,657 | 152,075 | 472,220 |
| Lease obligations | 13,561 | 7,414 | 4,628 | 1,937 | 1,287 | 4,143 |
| Total | ¥669,565 | ¥341,216 | ¥250,095 | ¥313,594 | ¥273,363 | ¥692,020 |

(Year ended March 31, 2012)

| Millions of yen | | | | | | |
|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| | Due within 1 year | Due in 1 to 2 years | Due in 2 to 3 years | Due in 3 to 4 years | Due in 4 to 5 years | Due after 5 years |
| Short-term loans | ¥162,413 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Commercial paper | — | — | — | — | — | — |
| Bonds | 55,000 | 85,100 | 20,000 | 10,000 | 10,000 | 254,973 |
| Long-term loans | 115,011 | 136,974 | 94,319 | 54,403 | 114,333 | 215,224 |
| Lease obligations | 2,947 | 1,879 | 842 | 392 | 188 | 508 |
| Total | ¥335,372 | ¥223,954 | ¥115,161 | ¥64,795 | ¥124,522 | ¥470,706 |

18. Securities

(Year ended March 31, 2013)

Information regarding marketable and investment securities at March 31, 2013 is as follows:

(1) Held-to-maturity debt securities

| Millions of yen | | | |
|--|-----------------|------------|-------------|
| 2013 | | | |
| | Carrying amount | Fair value | Differences |
| Held-to-maturity debt securities whose fair value is less than the carrying amount on the balance sheet: | | | |
| Corporate bonds | ¥ 9,000 | ¥ 8,995 | ¥(5) |
| Negotiable certificates of deposit | 1,999 | 1,999 | — |
| Total | ¥10,999 | ¥10,994 | ¥(5) |

(2) Available-for-sale securities

| Millions of yen | | | |
|--|-----------------|----------|-------------|
| 2013 | | | |
| | Carrying amount | Cost | Differences |
| Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost: | | | |
| Corporate shares | ¥451,607 | ¥227,393 | ¥224,214 |
| Other | 121,864 | 80,047 | 41,816 |
| Subtotal | ¥573,471 | ¥307,440 | ¥266,030 |
| Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost: | | | |
| Corporate shares | ¥ 89,542 | ¥103,513 | ¥ (13,970) |
| Other | 320 | 482 | (161) |
| Subtotal | ¥ 89,863 | ¥103,995 | ¥ (14,131) |
| Total | ¥663,334 | ¥411,436 | ¥251,898 |

(3) Available-for-sale securities sold in the year ended March 31, 2013

| Millions of yen | | | |
|------------------|-----------------|---------------|---------------|
| 2013 | | | |
| | Amount of sales | Gain on sales | Loss on sales |
| Corporate shares | ¥80,463 | ¥14,972 | ¥92,643 |
| Bonds | 100 | 0 | — |
| Other | 102 | 1 | — |
| Total | ¥80,666 | ¥14,974 | ¥92,643 |

(4) Financial assets with the right of free disposal

The NSSMC Group holds pledged financial assets (mainly securities) with the right of free disposal whose current market value is ¥3,070 million at March 31, 2013.

(Year ended March 31, 2012)

Information regarding marketable and investment securities at March 31, 2012 is as follows:

(1) Held-to-maturity debt securities

| Millions of yen | | | |
|--|-----------------|------------|-------------|
| 2012 | | | |
| | Carrying amount | Fair value | Differences |
| Held-to-maturity debt securities whose fair value is less than the carrying amount on the balance sheet: | | | |
| Government bonds and municipal bonds | ¥ 599 | ¥ 599 | ¥ — |
| Corporate bonds | 7,006 | 6,941 | (64) |
| Negotiable certificates of deposit | 6,300 | 6,300 | — |
| Total | ¥13,906 | ¥13,841 | ¥(64) |

(2) Available-for-sale securities

| Millions of yen | | | |
|--|-----------------|----------|-------------|
| 2012 | | | |
| | Carrying amount | Cost | Differences |
| Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost: | | | |
| Corporate shares | ¥289,250 | ¥125,241 | ¥164,009 |
| Bonds | 158 | 152 | 5 |
| Other | 120,280 | 80,047 | 40,232 |
| Subtotal | ¥409,688 | ¥205,441 | ¥204,246 |
| Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost: | | | |
| Corporate shares | ¥162,221 | ¥258,139 | ¥ (95,917) |
| Bonds | 199 | 200 | (0) |
| Other | 288 | 482 | (193) |
| Subtotal | ¥162,709 | ¥258,821 | ¥ (96,111) |
| Total | ¥572,398 | ¥464,263 | ¥108,134 |

(3) Available-for-sale securities sold in the year ended March 31, 2012

| Millions of yen | | | |
|------------------|-----------------|---------------|---------------|
| 2012 | | | |
| | Amount of sales | Gain on sales | Loss on sales |
| Corporate shares | ¥62,317 | ¥15,921 | ¥7,575 |
| Other | 1,001 | — | — |
| Total | ¥63,318 | ¥15,921 | ¥7,575 |

(4) Financial assets with the right of free disposal

Nippon Steel holds pledged financial assets (mainly securities) with the right of free disposal whose current market value is ¥2,052 million at March 31, 2012.

19. Information on Derivatives

(Year ended March 31, 2013)

(1) Derivatives not subject to hedge accounting

| Millions of yen | | | | | | |
|-------------------------|--|------------------|---------------|------------|--------------------------|--|
| | Type of derivative | Contract amounts | | Fair value | Appraisal profit or loss | Method for computing fair value |
| | | | Over one year | | | |
| Non-market transactions | Foreign exchange forward contracts Buying Australian dollars | ¥46,380 | ¥ — | ¥(861) | ¥(861) | Based on foreign exchange forward quotes |
| Non-market transactions | Foreign exchange forward contracts Selling U.S. dollars | 221 | — | 17 | 17 | Based on foreign exchange forward quotes |
| Non-market transactions | Interest rate swaps Interest rate pay fixed, receive floating | 6,908 | 5,541 | (58) | (58) | Based on prices provided by financial institutions |

* The derivatives listed above are foreign exchange forward contracts arranged to hedge foreign currency-denominated liabilities to consolidated companies that are offset on the consolidated balance sheets.

(2) Derivatives subject to hedge accounting

The contract amounts or the notional amounts as of the balance sheet date are shown below by type of hedge accounting method.

| Millions of yen | | | | | | |
|--|--|--------------------------------------|------------------|-----------------|---------------|--|
| Hedge accounting method | Type of derivative | Principal hedged items | Contract amounts | | Fair value | Method for computing fair value |
| | | | | Over one year | | |
| Deferred hedging accounting method | Interest rate swaps Interest rate pay fixed, receive floating | Long-term loans | ¥ 42,980 | ¥ 23,199 | ¥ (202) | Based on prices provided by financial institutions |
| Deferred hedging accounting method | Interest rate swaps Interest rate pay floating, receive fixed | Bonds and future transactions | 60,000 | 40,000 | 710 | Based on prices provided by financial institutions |
| Deferred hedging accounting method | Foreign exchange forward contracts Buying U.S. dollars Other | Accounts payable | 165,999 1,120 | 99 18 | 5,827 214 | Based on foreign exchange forward quotes |
| Deferred hedging accounting method | Foreign exchange forward contracts Selling U.S. dollars Other | Accounts receivable | 2,484 2,086 | 157 — | (363) (40) | Based on foreign exchange forward quotes |
| Deferred hedging accounting method | Commodity swaps Commodity receive floating, pay fixed | Electricity | 356 | 118 | (59) | Based on prices provided by third parties |
| Exceptional method of interest rate swaps | Interest rate swaps Interest rate pay fixed, receive floating | Long-term loans | 375,190 | 249,396 | * | |
| Exceptional method of interest rate swaps | Interest rate swaps Interest rate pay floating, receive fixed | Bonds and short-term loans | 62,000 | 62,000 | * | |
| Assigning method of currency swaps | Currency swaps Receiving U.S. dollars, paying yen Receiving Australian dollars, paying yen | Long-term loans | 52,762 3,767 | 52,762 3,767 | * | |
| Assigning method of foreign exchange forward contracts | Foreign exchange forward contracts Buying U.S. dollars Other | Accounts payable and long-term loans | 232 167 | 10 17 | * | |
| Assigning method of foreign exchange forward contracts | Foreign exchange forward contracts Selling U.S. dollars Other | Accounts receivable | 304 439 | — — | * | |
| Total | | | ¥769,893 | ¥431,547 | ¥6,086 | |

* Since interest rate swaps subject to the exceptional method are handled together with short-term loans, bonds and long-term loans that are subject to hedging, their fair value is presented within the fair value of such short-term loans, bonds and long-term loans. In addition, foreign exchange forward contracts which are treated by the assigning method are handled together with accounts receivable and accounts payable. Therefore, their fair value is included within the fair value of accounts receivable and accounts payable. Since currency swaps subject to the assigning method are handled together with long-term loans, their fair value is presented within the fair value of such long-term loans.

(Year ended March 31, 2012)

(1) Derivatives not subject to hedge accounting

| Millions of yen | | | | | | |
|-------------------------|---|------------------|---------------|------------|--------------------------|--|
| | Type of derivative | Contract amounts | | Fair value | Appraisal profit or loss | Method for computing fair value |
| | | | Over one year | | | |
| Non-market transactions | Foreign exchange forward contracts Buying Australian dollars | ¥58,057 | ¥ — | ¥(840) | ¥(840) | Based on foreign exchange forward quotes |
| Non-market transactions | Foreign exchange forward contracts Buying U.S. dollars | 2,171 | — | 42 | 42 | Based on foreign exchange forward quotes |
| Non-market transactions | Foreign exchange forward contracts Selling U.S. dollars Other | 277 165 | — — | (10) 2 | 2 | Based on foreign exchange forward quotes |
| Non-market transactions | Interest rate swaps Interest rate pay fixed, receive floating | 7,867 | 5,723 | (43) | (43) | Based on prices provided by financial institutions |

* The derivatives listed above are foreign exchange forward contracts arranged to hedge foreign currency-denominated liabilities to consolidated companies that are offset on the consolidated balance sheets.

(2) Derivatives subject to hedge accounting

The contract amounts or the notional amounts as of the balance sheet date are shown below by type of hedge accounting method.

| Millions of yen | | | | | | |
|--|---|--------------------------------------|------------------|---------------|-------------|--|
| Hedge accounting method | Type of derivative | Principal hedged items | Contract amounts | | Fair value | Method for computing fair value |
| | | | | Over one year | | |
| Deferred hedging accounting method | Interest rate swaps Interest rate pay fixed, receive floating | Long-term loans | ¥ 8,008 | ¥ 7,308 | ¥ (35) | Based on prices provided by financial institutions |
| Deferred hedging accounting method | Interest rate swaps Interest rate pay floating, receive fixed | Bonds and future transactions | 25,000 | 15,000 | 481 | Based on prices provided by financial institutions |
| Deferred hedging accounting method | Foreign exchange forward contracts Buying U.S. dollars Other | Accounts payable | 89,141 814 | 305 29 | 2,775 12 | Based on foreign exchange forward quotes |
| Deferred hedging accounting method | Foreign exchange forward contracts Selling U.S. dollars Other | Accounts receivable | 8,910 1,094 | 1,168 — | (116) 36 | Based on foreign exchange forward quotes |
| Deferred hedging accounting method | Commodity swaps Commodity receive floating, pay fixed | Electricity | 319 | 92 | (51) | Based on prices provided by third parties |
| Exceptional method of interest rate swaps | Interest rate swaps Interest rate pay fixed, receive floating | Long-term loans | 231,396 | 224,782 | * | |
| Exceptional method of interest rate swaps | Interest rate swaps Interest rate pay floating, receive fixed | Bonds and short-term loans | 20,000 | 20,000 | * | |
| Assigning method of foreign exchange forward contracts | Foreign exchange forward contracts Buying U.S. dollars Other | Accounts payable and long-term loans | 204 76 | — 2 | * | |
| Assigning method of foreign exchange forward contracts | Foreign exchange forward contracts Selling U.S. dollars | Accounts receivable | 363 | — | * | |
| Total | | | ¥385,329 | ¥268,688 | ¥3,103 | |

* Since interest rate swaps subject to the exceptional method are handled together with short-term loans, bonds and long-term loans that are subject to hedging, their fair value is presented within the fair value of such short-term loans, bonds and long-term loans. In addition, foreign exchange forward contracts which are treated by the assigning method are handled together with accounts receivable and accounts payable. Therefore, their fair value is included within the fair value of accounts receivable and accounts payable.

20. Retirement Benefits

(1) Summary of adopted retirement benefits

The NSSMC Group operates three defined benefit retirement plans which consist of a defined benefits enterprise pension plan, a defined contribution plan and a lump-sum retirement payment plan.

The NSSMC Group may pay special retirement allowances on voluntary retirement which are not included in the projected benefit obligations.

(2) Projected benefit obligations

| | Millions of yen | |
|---|-----------------|------------|
| | 2013 | 2012 |
| Projected benefit obligations | ¥(613,706) | ¥(483,840) |
| Plan assets | 523,174 | 375,846 |
| Accrued pension and severance costs | 192,635 | 153,293 |
| Prepaid pension cost | (89,612) | (84,546) |
| Balance | 12,490 | (39,246) |
| Consisting of: | | |
| Unrecognized actuarial differences | 12,361 | (40,598) |
| Unrecognized balance of prior service costs*1 | 128 | 1,352 |
| | ¥ 12,490 | ¥ (39,246) |

*1 Due to the adjustment in the expected rate and annuity benefit ratio used in the defined benefits enterprise pension plan for NSSMC and certain consolidated subsidiaries, an unrecognized balance of prior service costs arose.

*2 The projected benefit obligations for certain consolidated subsidiaries are determined by the simplified method.

(3) Net pension expense relating to retirement benefits

| | Millions of yen | |
|---------------------------------------|-----------------|---------|
| | 2013 | 2012 |
| Service costs*3 | ¥21,855 | ¥19,712 |
| Interest costs | 10,327 | 10,165 |
| Expected return on plan assets | (6,615) | (6,140) |
| Amortization of actuarial differences | 7,032 | 17,517 |
| Amortization of prior service costs*2 | (412) | (1,751) |
| Net pension expense | 32,186 | 39,503 |
| Other*4 | 1,916 | 711 |
| | ¥34,103 | ¥40,215 |

*1 In addition to the net pension expense above, special benefits for early retirement of ¥2,652 million and ¥3,049 million were paid for the years ended March 31, 2013 and 2012, respectively.

*2 This amount represents amortization of prior service costs.

*3 All pension expenses of consolidated subsidiaries, for which the simplified method is applied, are included in "Service costs."

*4 This amount represents payments for defined contribution pension plans.

(4) Assumptions used in the calculation of the above information

| | 2013 | 2012 |
|--|----------------------------|----------------------------|
| Method of attributing the projected benefits to periods of service | Mainly straight-line basis | Mainly straight-line basis |
| Discount rate | mainly 2.1% or 1.4% | mainly 2.1% |
| Expected rate of return on plan assets | mainly 2.1% or 1.4% | mainly 2.1% |
| Amortization of unrecognized prior service costs*1 | mainly 10 years | mainly 10 years |
| Amortization of unrecognized actuarial differences*2 | mainly 10 years | mainly 10 years |

*1 Amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service.

*2 Amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service starting from the next year.

21. Deferred Tax Accounting

(1) Components of deferred tax assets and liabilities at March 31, 2013 and 2012

| | Millions of yen | |
|--|-----------------|-----------|
| | 2013 | 2012 |
| Deferred tax assets | | |
| Reserve for accrued bonuses | ¥ 23,404 | ¥ 17,893 |
| Accrued pension and severance costs | 51,224 | 38,044 |
| Reserve for repairs to blast furnaces | 3,806 | 6,204 |
| Loss on revaluation of inventories | 11,866 | 11,978 |
| Impairment loss | 106,037 | 10,161 |
| Depreciation in excess of limit | 37,753 | 33,014 |
| Tax losses carried forward | 237,015 | 88,660 |
| Unrealized gains on tangible fixed assets | 53,357 | 54,261 |
| Provision for loss on disaster | — | 1,573 |
| Other | 79,787 | 40,737 |
| Subtotal | 604,252 | 302,529 |
| Valuation allowance | (199,225) | (74,794) |
| Total | 405,026 | 227,734 |
| Deferred tax liabilities | | |
| Special tax purpose reserve | (85,295) | (70,576) |
| Revaluation of available-for-sale securities | (89,030) | (38,481) |
| Net unrealized gain on assets and liabilities of consolidated subsidiaries | (588) | (3,021) |
| Total | (174,914) | (112,079) |
| Net deferred tax assets | ¥ 230,112 | ¥ 115,655 |

(2) Reconciliation of the differences between the statutory tax rate and the actual tax rate

| Year ended March 31 | 2013* | 2012 |
|---|-------|--------|
| Statutory tax rate | — | 40.4% |
| Equity in net income of unconsolidated subsidiaries and affiliates | — | (22.4) |
| Permanent non-deductible expenses | — | 2.3 |
| Permanent non-taxable income | — | (2.1) |
| Valuation allowance | — | 15.6 |
| Reduction in deferred tax assets at the end of period due to changes in the corporate income tax rate | — | 8.2 |
| Other | — | 1.5 |
| Actual tax rate | — | 43.6% |

* The differences for the year ended March 31, 2013 are not disclosed, as the NSSMC Group incurred a loss before income taxes and minority interests in the year ended March 31, 2013.

22. Information Concerning the Business Integration

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

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

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

(1) Outline of the Business Integration
(a) Name and business of the acquired company

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

(b) Objectives of the Business Integration

Through the Business Integration, the Companies will make a thorough effort to seek the “combination of their respective advanced management resources that each has built up and the consolidation of the superior areas of their respective businesses.” In addition, the Companies will accelerate the implementation of business structure reform by such means as “pursuing greater efficiency in domestic production bases and expanding overseas businesses.” Through realization of these objectives

at an early stage, the Companies aim to be “the Best Steel-maker with World-Leading Capabilities,” a company with higher standards in all areas including scale, cost, technology and customer service.

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

(c) Date of the Business Integration
October 1, 2012

(d) Legal method of the Business Integration

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

Step 1: Share exchange

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

Step 2: Absorption-type merger

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

(e) Integrated company name
Nippon Steel & Sumitomo Metal Corporation (NSSMC)

(f) Acquired ratio of voting
100%

(g) Basis for determination of acquiring company

Nippon Steel was determined to be the acquiring company, because Nippon Steel issued stocks for a consideration and other factors such as relative ratio of voting rights were considered.

(2) Period of the business results of the acquired company included in the consolidated statements of operations to be concerned with the period
October 1, 2012 – March 31, 2013

(3) The historical cost of the acquired company and the breakdown

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

(4) Exchange ratio by type of share, calculation method and number of shares exchanged

(a) Type of shares to be exchanged (the share exchange ratio for a share of common stock of Nippon Steel to be allotted for each share of common stock of SMI)

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

(b) Share exchange ratio calculation method
Basis for calculation

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

Nippon Steel engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“Mitsubishi UFJ Morgan Stanley”), Merrill Lynch Japan Securities Co., Ltd. (“Merrill Lynch Japan Securities”), Mizuho Securities Co., Ltd. (“Mizuho Securities”), and JPMorgan Securities Japan Co., Ltd. (“JPMorgan”).

SMI engaged SMBC Nikko Securities Inc. (“SMBC Nikko Securities”), Goldman Sachs Securities Co., Ltd. (“Goldman Sachs”), Deutsche Securities Inc. (“Deutsche Securities”) and Daiwa Securities Capital Markets Co., Ltd. (“Daiwa Securities Capital Markets”), which merged with Daiwa Securities Co., Ltd. on April 1, 2012).

Calculation details

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

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

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

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

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

(5) Goodwill amount, reason for recognition, manner and period of amortization

(a) Goodwill amount is ¥34,080 million

(b) Cost of acquisition exceeded the current market value as of the corporate integration

(c) Goodwill is amortized over 10 years on a straight-line method

(6) Primary assets and liabilities assumed as of the acquisition date

| | |
|-----------------------|--------------------|
| Current assets | ¥596,687 million |
| Fixed assets | ¥1,653,495 million |
| Total assets | ¥2,250,183 million |
| Current liabilities | ¥740,104 million |
| Long-term liabilities | ¥983,899 million |
| Total liabilities | ¥1,724,003 million |

(7) Estimated effect on the consolidated statement of operations if the Business Integration had been completed at the beginning of the fiscal year

| | |
|--|--------------------|
| Net sales | ¥693,601 million |
| Ordinary profit | ¥10,815 million |
| Income (loss) before income taxes and minority interests | ¥(134,831) million |

Income (loss) before income taxes and minority interests include special loss of ¥(145,647) million, combined impairment loss on SMI's subsidiaries' business-use properties and loss on valuation of investments in securities due to such factors as depressed stock markets.

(Method of estimation)

These figures are estimated based on the consolidated statements of operations of SMI from April 1 to September 30, 2012 and have not been audited.

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

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

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

(1) Outline of the corporate integration that a subsidiary carried out

(a) Name of the integration companies and the business

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

(b) Objectives of the corporate integration

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

(c) Date of the corporate integration

October 1, 2012

(d) Outline of the corporate integration including the legal method

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

(2) Outline of the accounting treatment

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

(3) Name of the division where the combination company was included in disclosure of the segment information

Urban development segment

(4) Approximation of the profit and loss of the combination

company reported on the consolidated statements of operations to be concerned with the period

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

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

Ordinary profit comprises urban development business ordinary profit of ¥2,376 million in the first half of the consolidated fiscal year and equity in net income of unconsolidated subsidiaries and affiliates associated with Nippon Steel Kowa Real Estate Co., Ltd., of ¥1,833 million in the second half of the consolidated fiscal year.

23. Segment Information

(1) Segment information

(a) General information about reportable segments

NSSMC is a company engaged in the steelmaking and steel fabrication businesses, and acts as the holding company for its business segment companies, which are engaged in the engineering and construction, chemicals, new materials, and system solutions businesses. Each business segment company shares the management strategy of the NSSMC Group, while conducting its business activities independently from and in parallel with other Group members. These five business segments are reportable segments.

Previous reporting has classified reporting segments into Steelmaking and steel fabrication, Engineering and construction, Urban development, Chemicals, New materials, and System solutions. Following the business integration of Nippon Steel City Produce, Inc. and Kowa Real Estate Co., Ltd. on October 1, 2012, the results for the Urban development segment have been excluded from the reportable segments and are presented within the adjustment amount. Segment information for consolidated cumulative data for the previous fiscal year is also presented using the revised method of segmentation.

| Reportable segments | Principal businesses |
|-----------------------------------|--|
| Steelmaking and steel fabrication | Manufacturing and marketing of steel products |
| Engineering and construction | Manufacturing and marketing of industrial machinery and equipment as well as steel structures, performance of construction work under contract, waste processing and recycling, and supplying electricity, gas, and heat |
| Chemicals | Manufacturing and marketing of coal-based chemical products, petrochemicals, and electronic materials |
| New materials | Manufacturing and marketing of materials for semiconductors and electronic parts, carbon fiber and composite products, and products that apply technologies for metal processing and joining |
| System solutions | Computer systems engineering and consulting services |

(b) Basis of measurement about segment sales, profit (loss), assets, liabilities and other items

The accounting methods for the reportable segments are generally the same as those which are set forth in Note 02, "Summary of Significant Accounting Policies." Figures for profit of reportable segments are on an ordinary profit basis, and liabilities are the balance of interest-bearing debt. Please note that inter-segment sales are based on prices employed in transactions with third parties.

(c) Information about segment sales, profit (loss), assets, liabilities, and other items
(Year ended March 31, 2013)

| Millions of yen | | | | | | | | |
|---|-----------------------------------|------------------------------|-----------|---------------|------------------|------------|-------------|--------------|
| | Reportable segment | | | | | Total | Adjustments | Consolidated |
| | Steelmaking and steel fabrication | Engineering and construction | Chemicals | New materials | System solutions | | | |
| Net sales | | | | | | | | |
| Sales to external customers | ¥3,745,491 | ¥248,215 | ¥188,442 | ¥42,211 | ¥134,388 | ¥4,358,749 | ¥ 31,173 | ¥4,389,922 |
| Inter-segment sales or transfers | 44,959 | 54,787 | 7,277 | — | 37,592 | 144,615 | (144,615) | — |
| Total | 3,790,450 | 303,002 | 195,719 | 42,211 | 171,980 | 4,503,364 | (113,442) | 4,389,922 |
| Segment profit (loss) <Ordinary profit> | ¥ 41,522 | ¥ 18,189 | ¥ 9,778 | ¥ 984 | ¥ 11,673 | ¥ 82,148 | ¥ (5,217) | ¥ 76,931 |
| Segment assets | ¥6,557,868 | ¥253,789 | ¥157,308 | ¥31,447 | ¥145,081 | ¥7,145,495 | ¥ (55,996) | ¥7,089,498 |
| Segment liabilities <Interest-bearing debt> | ¥2,526,725 | ¥ 3,472 | ¥ 7,043 | ¥16,771 | ¥ 681 | ¥2,554,693 | ¥ (14,838) | ¥2,539,855 |
| Other items | | | | | | | | |
| Depreciation and amortization | ¥ 277,622 | ¥ 3,303 | ¥ 6,674 | ¥ 2,366 | ¥ 3,239 | ¥ 293,207 | ¥ (4,436) | ¥ 288,770 |
| Amortization of goodwill | 5,892 | (3) | — | — | 165 | 6,054 | — | 6,054 |
| Interest income | 3,740 | 143 | 9 | 0 | 241 | 4,136 | (267) | 3,869 |
| Interest expense | 23,101 | 47 | 38 | 95 | 25 | 23,309 | 229 | 23,539 |
| Equity in net income (loss) of unconsolidated subsidiaries and affiliates | 52,576 | 540 | 601 | — | (2) | 53,716 | (1,058) | 52,658 |
| Balance of investments in equity method companies | 977,973 | 1,874 | 15,788 | — | 15 | 995,651 | 85,043 | 1,080,694 |
| Increase (decrease) in tangible / intangible fixed assets | 359,287 | 2,920 | 9,390 | 1,929 | 5,151 | 378,678 | (22,805) | 355,873 |

- Notes:
- Previous reporting has classified reportable segments into Steelmaking and steel fabrication, Engineering and construction, Urban development, Chemicals, New materials, and System solutions. Following the business integration of Nippon Steel City Produce, Inc. and Kowa Real Estate Co., Ltd. on October 1, 2012, the results for the Urban development segment have been excluded from the reportable segments and are presented within the adjustment amount.
 - Sales adjustments figure of ¥(113,442) million includes sales for the first half of the year of ¥33,935 million associated with “Urban development” and elimination of inter-segment sales or transfers of ¥(147,377) million.
 - Segment profit (loss) adjustments figure of ¥(5,217) million includes profit of the first half of the year of ¥2,376 million associated with “Urban development,” investment return of the second half of the year of ¥1,833 million from the equity method affiliate Nippon Steel Kowa Real Estate Co., Ltd., an investment return of ¥(432) million from the equity method affiliate SUMCO Corporation, and elimination of inter-segment sales or transfers of ¥(9,247) million.
 - Segment profit (loss) is adjusted with respect to ordinary profit in the consolidated statements of operations.
 - The adjustments of segment liabilities include the elimination of the Steelmaking and steel fabrication segment’s borrowings from the System solutions segment, etc.
 - As stated in “Changes in accounting policies that are difficult to classify from the changes in accounting estimates,” beginning in the fiscal year under review, accompanying revisions in the corporate tax law, NSSMC and its domestic consolidated subsidiaries have changed their method of depreciation for tangible fixed assets acquired on or after April 1, 2012, based on the corporate tax law after revisions. Compared to the previous method, this change had the effect of raising the profit of the Steelmaking and steel fabrication segment by ¥7975 million for fiscal 2012. The change had no material effect on the other business segments.
 - Steelmaking and steel fabrication segment assets increased from the previous fiscal year-end due to the integration with Sumitomo Metal Industries, Ltd.

(Year ended March 31, 2012)

| Millions of yen | | | | | | | | |
|---|-----------------------------------|------------------------------|-----------|---------------|------------------|------------|-------------|--------------|
| | Reportable segment | | | | | Total | Adjustments | Consolidated |
| | Steelmaking and steel fabrication | Engineering and construction | Chemicals | New materials | System solutions | | | |
| Net sales | | | | | | | | |
| Sales to external customers | ¥3,431,456 | ¥210,259 | ¥190,929 | ¥54,245 | ¥128,132 | ¥4,015,022 | ¥ 75,914 | ¥4,090,936 |
| Inter-segment sales or transfers | 45,399 | 38,674 | 6,740 | — | 33,450 | 124,265 | (124,265) | — |
| Total | 3,476,855 | 248,934 | 197,669 | 54,245 | 161,582 | 4,139,287 | (48,350) | 4,090,936 |
| Segment profit (loss) <Ordinary profit> | ¥ 98,846 | ¥ 12,775 | ¥ 13,598 | ¥ 607 | ¥ 11,215 | ¥ 137,043 | ¥ 5,962 | ¥ 143,006 |
| Segment assets | ¥4,383,511 | ¥212,958 | ¥146,129 | ¥34,434 | ¥140,293 | ¥4,917,326 | ¥ 7,384 | ¥4,924,711 |
| Segment liabilities <Interest-bearing debt> | ¥1,258,758 | ¥ 1,020 | ¥ 9,217 | ¥15,094 | ¥ 1,137 | ¥1,285,228 | ¥ 49,284 | ¥1,334,512 |
| Other items | | | | | | | | |
| Depreciation and amortization | ¥ 264,083 | ¥ 3,840 | ¥ 7,366 | ¥ 3,382 | ¥ 2,459 | ¥ 281,131 | ¥ (190) | ¥ 280,940 |
| Amortization of goodwill | 3,143 | 128 | — | — | 166 | 3,438 | 53 | 3,491 |
| Interest income | 3,190 | 117 | 15 | 5 | 226 | 3,555 | (254) | 3,300 |
| Interest expense | 16,638 | 15 | 96 | 104 | 51 | 16,905 | 928 | 17,834 |
| Equity in net income (loss) of unconsolidated subsidiaries and affiliates | 63,992 | 252 | 1,680 | — | (4) | 65,921 | 549 | 66,470 |
| Balance of investments in equity method companies | 474,919 | 721 | 13,026 | — | 18 | 488,685 | 974 | 489,660 |
| Increase (decrease) in tangible / intangible fixed assets | 262,318 | 6,644 | 5,693 | 3,703 | 6,316 | 284,676 | (2,928) | 281,748 |

- Notes:
- Previous reporting has classified reportable segments into Steelmaking and steel fabrication, Engineering and construction, Urban development, Chemicals, New materials, and System solutions. Following the business integration of Nippon Steel City Produce, Inc. and Kowa Real Estate Co., Ltd. on October 1, 2012, the results for the Urban development segment have been excluded from the reportable segments and are presented within the adjustment amount. Segment information for consolidated cumulative data for the previous fiscal year is also presented using the revised method of segmentation.
 - Sales adjustments figure of ¥(48,350) million includes sales of ¥90,419 million associated with “Urban development” and elimination of inter-segment sales or transfers of ¥(128,769) million.
 - Segment profit (loss) adjustments figure of ¥5,962 million includes profit of ¥13,575 million associated with “Urban development” and elimination of inter-segment sales or transfers of ¥(7,552) million.
 - Segment profit (loss) is adjusted with respect to ordinary profit in the consolidated statements of operations.
 - The adjustments of segment liabilities include the elimination of the Steelmaking and steel fabrication segment’s borrowings from the System solutions segment, etc.

(2) Associated information

(Year ended March 31, 2013)

(a) Information about geographical area

1) Net sales

| Millions of yen | | | | |
|-----------------|------------|------------|----------|------------|
| Japan | Overseas | Asia | Other | Total |
| ¥2,796,951 | ¥1,592,971 | ¥1,108,468 | ¥484,502 | ¥4,389,922 |

Note: Sales information is based on the geographical location of customers, and it is classified by region.

2) Tangible fixed assets

The amount of tangible fixed assets located in Japan is in excess of 90% of the amount of tangible fixed assets on the consolidated balance sheets, therefore disclosure has been omitted.

(b) Information about principal customers

| Millions of yen | | |
|--------------------------------|----------|-----------------------------------|
| Counterparty | Sales | Name of related segment |
| Metal One Corporation | ¥553,905 | Steelmaking and steel fabrication |
| Nippon Steel Trading Co., Ltd. | 543,230 | Steelmaking and steel fabrication |
| Sumitomo Corporation | 497,184 | Steelmaking and steel fabrication |

(Year ended March 31, 2012)

(a) Information about geographical area

1) Net sales

| Millions of yen | | | | |
|-----------------|------------|----------|----------|------------|
| Japan | Overseas | Asia | Other | Total |
| ¥2,749,228 | ¥1,341,708 | ¥944,552 | ¥397,155 | ¥4,090,936 |

Note: Sales information is based on the geographical location of customers, and it is classified by region.

2) Tangible fixed assets

The amount of tangible fixed assets located in Japan is in excess of 90% of the amount of tangible fixed assets on the consolidated balance sheets, therefore disclosure has been omitted.

(b) Information about principal customers

| Millions of yen | | |
|--------------------------------|----------|-----------------------------------|
| Counterparty | Sales | Name of related segment |
| Metal One Corporation | ¥584,069 | Steelmaking and steel fabrication |
| Nippon Steel Trading Co., Ltd. | 569,443 | Steelmaking and steel fabrication |
| Mitsui & Co., Ltd. | 408,108 | Steelmaking and steel fabrication |

(3) Information about losses on impairment of fixed assets by reportable segments

(Year ended March 31, 2013)

| Millions of yen | | | | | | |
|-----------------------------------|------------------------------|-----------|---------------|------------------|-------------|----------|
| Reportable segment | | | | | | |
| Steelmaking and steel fabrication | Engineering and construction | Chemicals | New materials | System solutions | Adjustments | Total |
| ¥132,522 | ¥— | ¥— | ¥126 | ¥— | ¥169 | ¥132,818 |

In the Steelmaking and steel fabrication segment, impairment losses on business-use properties were booked as a special loss. This special loss was due to the declining profitability in the deteriorating business environment for the business-use properties maintained by the Company's Hirohata Works and Sakai Works as well as consolidated subsidiaries that are engaged in welding materials and other businesses.

(Year ended March 31, 2012)

There were no material impairment losses on fixed assets.

(4) Information related to the amount of amortization of goodwill and the unamortized amount of goodwill

by reportable segment

(Year ended March 31, 2013)

| | Millions of yen | | | | | | |
|----------------------------|-----------------------------------|------------------------------|-----------|---------------|------------------|-------------|---------|
| | Reportable segment | | | | | | |
| | Steelmaking and steel fabrication | Engineering and construction | Chemicals | New materials | System solutions | Adjustments | Total |
| Balance at fiscal year-end | ¥45,548 | ¥— | ¥— | ¥— | ¥2,517 | ¥— | ¥48,065 |

* There is no mention of the amortization of goodwill because the same information is disclosed in "(1) Segment information (c) Information about segment sales, profit (loss), assets, liabilities, and other items."

(Year ended March 31, 2012)

| | | | | | | | Millions of yen |
|----------------------------|-----------------------------------|------------------------------|-----------|---------------|------------------|-------------|-----------------|
| | Reportable segment | | | | | | |
| | Steelmaking and steel fabrication | Engineering and construction | Chemicals | New materials | System solutions | Adjustments | Total |
| Balance at fiscal year-end | ¥12,853 | ¥131 | ¥— | ¥— | ¥2,682 | ¥45 | ¥15,713 |

* There is no mention of the amortization of goodwill because the same information is disclosed in "(1) Segment information (c) Information about segment sales, profit (loss), assets, liabilities, and other items."

(5) Information about profit arising from negative goodwill by reportable segment

(Year ended March 31, 2013)

The NSSMC Group did not record a material amount of profit arising from negative goodwill.

(Year ended March 31, 2012)

The NSSMC Group did not record a material amount of profit arising from negative goodwill.

24. Related Party Information

(1) Related party transaction

(Year ended March 31, 2013)

Transaction with related party

Transaction of NSSMC with related party

Unconsolidated subsidiaries and affiliates

| Millions of yen | | | |
|--|----------------------|----------------------------|---------------------------------------|
| Transaction during the year ended March 31, 2013 | | Resulting account balances | |
| Description of transaction | Amount | Account | Amount |
| (a) Category: Affiliate (b) Name: Nippon Steel Trading Corporation, Ltd. (c) Head office address: Chiyoda-ku, Tokyo (d) Paid-in capital: ¥8,750 million (e) Business content: Buys and sells iron and steel, nonferrous metals, machinery, and raw materials (f) Equity ownership percentage: Holding 32.5% directly and 1.8% indirectly (g) Relation with related party: Sells our products and holds the additional post of director | Sells steel products | ¥457,352 | Notes and accounts receivable ¥15,024 |

*1 Consumption taxes are not included in the amount of transaction and are included in the amount of resulting account balances.

*2 The terms and conditions applicable to the above transaction were determined on an arm's length basis and with reference to normal market prices.

Transaction of consolidated subsidiaries of NSSMC with related party
Unconsolidated subsidiaries and affiliates

Millions of yen

| Transaction during the year ended March 31, 2013 | Resulting account balances | | |
|--|-------------------------------|---------|--|
| | Description of transaction | Amount | Account Amount |
| (a) Category: Affiliate (b) Name: Nippon Steel Trading Corporation, Ltd. (c) Head office address: Chiyoda-ku, Tokyo (d) Paid-in capital: ¥8,750 million (e) Business content: Buys and sells iron and steel, nonferrous metals, machinery, and raw materials (f) Equity ownership percentage: Holding 32.5% directly and 1.8% indirectly (g) Relation with related party: Sells our products and holds the additional post of director | Sells steel products | ¥85,877 | Notes and accounts receivable ¥14,592 |

*1 Consumption taxes are not included in the amount of transaction and are included in the amount of resulting account balances.
*2 The terms and conditions applicable to the above transaction were determined on an arm's length basis and with reference to normal market prices.

(Year ended March 31, 2012)
Transaction with related party

Transaction of Nippon Steel Corporation with related party
Unconsolidated subsidiaries and affiliates

Millions of yen

| Transaction during the year ended March 31, 2012 | Resulting account balances | | |
|--|-------------------------------|----------|--|
| | Description of transaction | Amount | Account Amount |
| (a) Category: Affiliate (b) Name: Nippon Steel Trading Corporation, Ltd. (c) Head office address: Chiyoda-ku, Tokyo (d) Paid-in capital: ¥8,750 million (e) Business content: Buys and sells iron and steel, nonferrous metals, machinery, and raw materials (f) Equity ownership percentage: Holding 32.5% directly and 1.8% indirectly (g) Relation with related party: Sells our products and holds the additional post of director | Sells steel products | ¥482,074 | Notes and accounts receivable ¥16,362 |

*1 Consumption taxes are not included in the amount of transaction and are included in the amount of resulting account balances.
*2 The terms and conditions applicable to the above transaction were determined on an arm's length basis and with reference to normal market prices.

Transaction of consolidated subsidiaries of Nippon Steel Corporation with related party
Unconsolidated subsidiaries and affiliates

Millions of yen

| Transaction during the year ended March 31, 2012 | Resulting account balances | | |
|--|-------------------------------|---------|--|
| | Description of transaction | Amount | Account Amount |
| (a) Category: Affiliate (b) Name: Nippon Steel Trading Corporation, Ltd. (c) Head office address: Chiyoda-ku, Tokyo (d) Paid-in capital: ¥8,750 million (e) Business content: Buys and sells iron and steel, nonferrous metals, machinery, and raw materials (f) Equity ownership percentage: Holding 32.5% directly and 1.8% indirectly (g) Relation with related party: Sells our products and holds the additional post of director | Sells steel products | ¥87,369 | Notes and accounts receivable ¥15,522 |

*1 Consumption taxes are not included in the amount of transaction and are included in the amount of resulting account balances.
*2 The terms and conditions applicable to the above transaction were determined on an arm's length basis and with reference to normal market prices.

(2) Related party disclosures about parent company and significant affiliates
(Year ended March 31, 2013)

There are no parent company and significant affiliates.

(Year ended March 31, 2012)

There are no parent company and significant affiliates.

25. Net Income (Loss) per Share

Reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2013 and 2012 are as follows:

(Year ended March 31, 2013)

| | Millions of yen | Thousands of shares | Yen |
|--|-------------------|--------------------------------------|----------|
| | Net income (loss) | Weighted average number of shares | EPS |
| Basic EPS | | | |
| Net income (loss) available to common shareholders | ¥(124,567) | 7,675,024 | ¥(16.23) |

(Year ended March 31, 2012)

| | Millions of yen | Thousands of shares | Yen |
|---|-------------------|--------------------------------------|-------|
| | Net income (loss) | Weighted average number of shares | EPS |
| Basic EPS | | | |
| Net income available to common shareholders | ¥58,471 | 6,289,697 | ¥9.29 |

Regarding diluted net income per share for the year ended March 31, 2012, although there are some latent shares, since there is no dilutive effect, no figure for diluted net income per share have not been disclosed.

Regarding diluted net income per share for the year ended March 31, 2013, since there are no any latent shares, no figures for diluted net income per share have been disclosed.

26. Bonds and Notes and Loans

Bonds and notes and loans of the NSSMC Group at March 31, 2013 and 2012 consisted of the following:

| | | Millions of yen | |
|-------------------------|---|--------------------------|-----------|
| | | 2013 | 2012 |
| Bonds and Notes: | | | |
| NSSMC | | | |
| | 3.3% SB due March 2017 | ¥ 10,000 | ¥ 10,000 |
| | 3.175% SB due September 2017 | 10,000 | 10,000 |
| | 3% Euro MTN yen bonds due February 2019* ¹ | 679 | — |
| | 1.36% SB due November 2012 | — | 10,000 |
| | 1.18% SB due February 2013 | — | 15,000 |
| | 0.80% SB due June 2013 | 20,000 | 20,000 |
| | 1.67% SB due March 2014 | 15,000 | 15,000 |
| | 1.37% SB due November 2013* ¹ | 10,000 | — |
| | 1.77% SB due September 2017 | 29,995 | 29,994 |
| | 1.18% SB due December 2013 | 19,999 | 19,998 |
| | 1.66% SB due December 2017 | 29,998 | 29,998 |
| | 1.37% SB due January 2015* ¹ | 19,998 | — |
| | 1.19% SB due April 2013* ¹ | 29,999 | — |
| | 1.35% SB due April 2015* ¹ | 9,998 | — |
| | 1.55% SB due March 2014 | 29,996 | 29,993 |
| | 1.92% SB due March 2018 | 29,989 | 29,987 |
| | 1.714% SB due June 2018 | 30,000 | 30,000 |
| | 2.491% SB due June 2028 | 10,000 | 10,000 |
| | 1.214% SB due December 2012 | — | 30,000 |
| | 1.891% SB due September 2018 | 15,000 | 15,000 |
| | 1.477% SB due December 2013* ¹ | 10,000 | — |
| | 1.557% SB due April 2014* ¹ | 25,000 | — |
| | 1.163% SB due June 2014 | 20,000 | 20,000 |
| | 1.942% SB due June 2019 | 20,000 | 20,000 |
| | 1.118% SB due July 2015* ¹ | 10,000 | — |
| | 1.53% SB due March 2020 | 20,000 | 20,000 |
| | 0.815% SB due April 2016* ¹ | 10,000 | — |
| | 0.73% SB due July 2017* ¹ | 10,000 | — |
| | 1.076% SB due June 2020 | 15,000 | 15,000 |
| | 0.543% SB due November 2015* ¹ | 10,000 | — |
| | 0.58% SB due March 2016 | 10,000 | 10,000 |
| | 1.293% SB due March 2021 | 30,000 | 30,000 |
| | 0.583% SB due May 2016* ¹ | 10,000 | — |
| | 0.846% SB due May 2018* ¹ | 10,000 | — |
| | 0.491% SB due July 2016* ¹ | 10,000 | — |
| | 1.109% SB due September 2021 | 15,000 | 15,000 |
| | 0.48% SB due October 2016* ¹ | 10,000 | — |
| | 0.7% SB due October 2018* ¹ | 10,000 | — |
| | 0.448% SB due April 2017* ¹ | 10,000 | — |
| | 0.697% SB due April 2019* ¹ | 10,000 | — |
| | 0.556% SB due June 2019 | 10,000 | — |
| | 0.951% SB due June 2022 | 20,000 | — |
| | 6 months LIBOR + 1.7% Euroyen (deeply subordinated) bonds | 300,000 | 300,000 |
| Standard Steel, LLC | 12% secured bonds due May 2015* ² | 14,002 | — |
| | | [148,885]* ² | |
| HIROKOU GIKEN Co., Ltd. | 0.7% SB due June 2013 | 100 | 100 |
| | Subtotal | 939,759 | 735,073 |
| | Elimination of intra-group transactions | (300,000) | (300,000) |
| | Total | ¥ 639,759 | ¥ 435,073 |

*¹ Succeeded from Sumitomo Metal Industries, Ltd.

*² Issued in U.S. dollars []: Amount of denominated thousands of U.S. dollars

* “SB” = straight bonds, “MTN” = mid term note

| | | Millions of yen | |
|---|--|-------------------------|----------|
| | | 2013 | 2012 |
| Loans: | | | |
| Short-term loans | | ¥ 239,566* ³ | ¥162,413 |
| Loans principally from banks and insurance companies | | | |
| due 2014–2027 for 2013 (2013–2025 for 2012)* ¹ | | 1,601,556* ³ | 730,267 |
| Lease obligations | | | |
| due 2014–2030 for 2013 (2013–2027 for 2012)* ² | | 32,972 | 6,759 |
| Commercial paper | | 26,000* ⁴ | — |
| | | ¥1,900,095 | ¥899,439 |

*¹ Including a portion due within one year of ¥255,337 million for 2013 and ¥115,011 million for 2012.

*² Including a portion due within one year of ¥13,561 million for 2013 and ¥2,947 million for 2012.

*³ Average interest rate at March 31, 2013 is 0.9%.

*⁴ Average interest rate at March 31, 2013 is 0.1%.

The aggregate annual maturities of long-term debt as of March 31, 2013 are as follows:

| | | Millions of yen | | | | |
|-----------------------|--|-----------------|---------|---------|---------|----------|
| Years ending March 31 | | 2014 | 2015 | 2016 | 2017 | 2018 |
| Bonds and notes | | ¥135,100 | ¥65,000 | ¥54,002 | ¥50,000 | ¥120,000 |
| Loans | | 255,337 | 268,802 | 191,464 | 261,657 | 152,075 |
| Lease obligations | | 13,561 | 7,414 | 4,628 | 1,937 | 1,287 |

The following are the NSSMC Group assets pledged as collateral primarily to secure long-term loans, short-term loans and others totaled ¥50,319 million at March 31, 2013 and ¥31,003 million at March 31, 2012.

| | | Millions of yen | |
|-----------------------------------|--|-----------------|---------|
| Years ending March 31 | | 2013 | 2012 |
| (Factory foundation) | | | |
| Cash and bank deposits | | ¥ 1,388 | ¥ — |
| Notes and accounts receivable | | 2,335 | — |
| Inventories | | 3,389 | — |
| Buildings and structures | | 6,085 | 1,561 |
| Machinery, equipment and vehicles | | 16,037 | 4,638 |
| Tools, furniture and fixtures | | 113 | 1 |
| Land | | 11,833 | 6,104 |
| | | ¥41,183 | ¥12,305 |
| (Pledged assets) | | | |
| Cash and bank deposits | | ¥ 566 | ¥ 450 |
| Notes and accounts receivable | | 406 | 221 |
| Inventories | | 735 | 338 |
| Current assets other | | 4,163 | 3,738 |
| Buildings and structures | | 1,383 | 1,476 |
| Machinery, equipment and vehicles | | 73 | 61 |
| Land | | 11,418 | 4,214 |
| Investments in securities | | — | 199 |
| Long-term loans receivable | | 13,375 | 15,748 |
| | | ¥32,121 | ¥26,448 |

In addition, out of the above secured liabilities, ¥347 million of long-term loans receivable, etc., is pledged as collateral against ¥462 million of loans of consolidated subsidiaries and ¥1,261 million of shares of affiliates is pledged as collateral against the loans of those affiliates.

Independent Auditor’s Report



Independent Auditor’s Report

To the Shareholders and Board of Directors of Nippon Steel & Sumitomo Metal Corporation

We have audited the accompanying consolidated financial statements of Nippon Steel & Sumitomo Metal Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nippon Steel & Sumitomo Metal Corporation and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

June 25, 2013
Tokyo, Japan

Principal Subsidiaries and Affiliates

(As of March 31, 2013)

| Company | Paid-in Capital (Millions of yen) | Voting Rights (%) | Business Content |
|--|--------------------------------------|----------------------|--|
| Steelmaking and Steel Fabrication (398 companies) | | | |
| Consolidated Subsidiaries (305 companies) | | | |
| East Asia United Steel Corporation | 17,217 | 64.6% | Holding company of Nippon Steel & Sumikin Koutetsu Wakayama Corporation |
| Nippon Steel & Sumikin Koutetsu Wakayama Corporation | 17,217 | 100.0% | Manufactures and markets semi-finished steel products |
| Nippon Steel & Sumikin Coated Sheet Corporation | 12,588 | 100.0% | Manufactures and markets galvanized sheets, prepainted galvanized sheets, coated sheets, and construction materials |
| Osaka Steel Co., Ltd. | 8,769 | 66.3% | Manufactures and markets billets, shapes, deformed bars, and fabricated products |
| Nippon Steel & Sumikin Metal Products Co., Ltd. | 5,912 | 100.0% | Manufactures and markets structural materials for buildings and civil engineering work, prepainted galvanized sheets and steelmaking fluxes, and CC powders |
| Taihei Kogyo Co., Ltd. | 5,468 | 46.7% | Provides engineering, maintenance, and operational services pertaining to machines, electrical instrumentation, systems, and the construction of steel production equipment |
| Nittetsu Steel Pipe Co., Ltd. | 5,116 | 100.0% | Manufactures, coats, and markets steel pipe and tubes |
| Nippon Steel & Sumikin Stainless Steel Corporation | 5,000 | 100.0% | Manufactures and markets stainless steel |
| Sumitomo Pipe & Tube Co., Ltd. | 4,801 | 57.2% | Manufactures and markets steel pipe and tubes |
| Nippon Steel Logistics Co., Ltd.*1 | 4,000 | 100.0% | Undertakes ocean and land transportation and warehousing |
| Suzuki Metal Industry Co., Ltd. | 3,634 | 66.6% | Manufactures and markets wire products |
| Nippon Steel & Sumikin Electronics Devices Inc. | 3,450 | 100.0% | Manufactures and markets electronic component packages |
| Geostr Corporation | 3,352 | 42.3% | Manufactures and markets concrete products for civil engineering, along with metal products |
| Nippon Steel & Sumikin Shapes Corporation | 3,000 | 100.0% | Manufactures and markets H-shapes and steel sheet piles |
| Nippon Steel & Sumikin Welding Co., Ltd. | 2,100 | 100.0% | Manufactures and markets welding materials and apparatus |
| Nippon Steel & Sumikin Drum Co., Ltd. | 1,654 | 100.0% | Manufactures and markets drums |
| Sumitomo Metal Logistics Service Co., Ltd. | 1,515 | 100.0% | Provides ocean and land transportation and warehousing for steel and other products |
| Nippon Steel & Sumikin Blast Furnace Slag Cement Co., Ltd. | 1,500 | 100.0% | Manufactures and markets cement and steelmaking slag |
| Nippon Steel & Sumikin Cement Co., Ltd. | 1,500 | 85.0% | Manufactures and markets cement |
| Nittetsu Elex Co., Ltd. | 1,032 | 100.0% | Designs and installs electrical instrumentation apparatus |
| Nittetsu Finance Co., Ltd. | 1,000 | 100.0% | Engages in financing and lending operations |
| Nippon Steel & Sumikin Stainless Steel Pipe Co., Ltd. | 916 | 100.0% | Manufactures and markets stainless steel pipe and tubes |
| Nippon Steel & Sumikin Steel Wire Co., Ltd. | 897 | 51.0% | Manufactures and markets secondary products using bars and wire rods |
| Nippon Steel & Sumikin Plant Co., Ltd. | 630 | 100.0% | Designs, produces, and installs steelmaking and other equipment; provides maintenance services; and undertakes civil engineering and building construction work |
| Nippon Steel & Sumikin Eco-Tech Corporation | 500 | 74.7% | Designs, constructs, operates, and maintains water treatment facilities; designs and constructs civil engineering projects; and undertakes environmental / chemical analyses |
| NS Preferred Capital Limited | 300,000 | 100.0% | Issues preferred securities |
| Nippon Steel & Sumikin Tubos do Brasil Ltda. | R1,916 million | 100.0% | Markets seamless pipes |
| The Siam United Steel (1995) Co., Ltd. | THB9,000 million | 58.0% | Manufactures and markets cold-rolled sheets |
| Standard Steel, LLC | US\$47 million | 100.0% | Manufactures and markets wheels and axles for railways |
| PT Pelat Timah Nusantara Tbk. | IDR252,335 million | 35.0% | Manufactures and markets tinplates |
| Siam Nippon Steel Pipe Co., Ltd. | THB783 million | 60.5% | Manufactures and markets electric resistance-welded pipe and tubes for mechanical configurations |
| Nippon Steel & Sumitomo Metal U.S.A., Inc. | US\$22 million | 100.0% | Invests in U.S. companies and gathers information |
| Nippon Steel & Sumitomo Metal Australia Pty. Limited | A\$21 million | 100.0% | Participates in mine development in Australia and gathers information |
| Western Tube & Conduit Corporation | US\$17 million | 96.7% | Manufactures and markets steel conduit tubes and mechanical tubes |
| 271 other companies | | | |
| Affiliates Accounted for by the Equity Method (93 companies) | | | |
| Godo Steel, Ltd. | 34,896 | 16.1% | Manufactures and markets shapes, rails, bars, and wires |
| Topy Industries, Ltd. | 20,983 | 20.5% | Manufactures and markets shapes, deformed steel bars, and automotive and industrial components |
| Sanyo Special Steel Co., Ltd. | 20,182 | 15.3% | Manufactures and markets special steel products |
| Kyoei Steel Ltd. | 18,515 | 26.7% | Manufactures and markets billets, steel bars, shapes, and flat bars, and processes and markets steel products |
| Sumikin Bussan Corporation | 12,335 | 39.0% | Imports, exports, and markets steel, textiles, foodstuffs, and other products |
| Nippon Denko Co., Ltd. | 11,026 | 15.4% | Manufactures and markets ferro-alloys, advanced materials, chemicals, and environmental recycling systems |

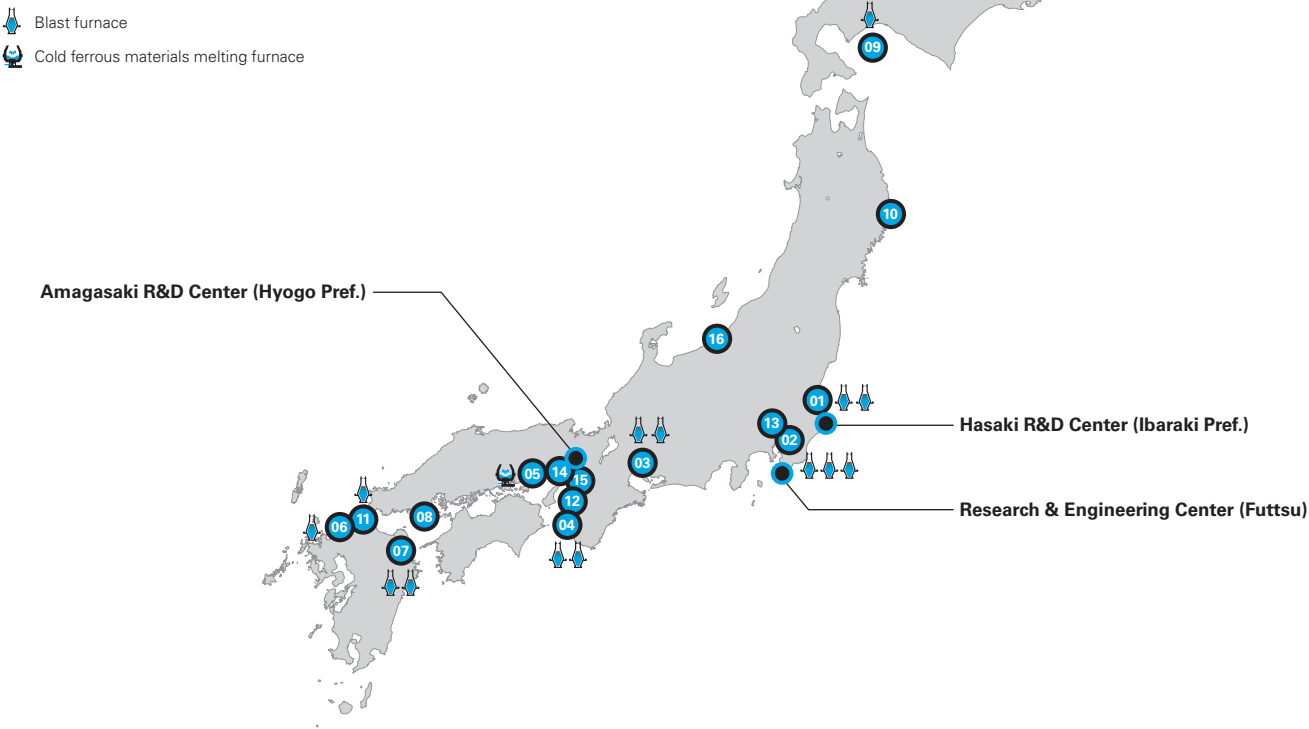
Principal Subsidiaries and Affiliates

| Company | Paid-in Capital (Millions of yen) | Voting Rights (%) | Business Content |
|--|--------------------------------------|----------------------|--|
| Affiliates Accounted for by the Equity Method | | | |
| Nichia Steel Works, Ltd. | 10,720 | 24.1% | Manufactures and markets bolts, wire products, and prepainted galvanized sheets |
| Sumitomo Precision Products Co., Ltd. | 10,311 | 40.7% | Manufactures and markets aerospace hydraulic equipment, heat exchangers, and industrial / environmental equipment |
| NS United Kaiun Kaisha, Ltd. | 10,300 | 34.1% | Ocean and land transportation |
| Nippon Steel Trading Co., Ltd. | 8,750 | 34.3% | Buys and sells iron and steel, non-ferrous metals, machinery, and raw materials |
| Osaka Titanium Technologies Co., Ltd. | 8,739 | 23.9% | Manufactures and markets titanium metal, polysilicon, and high-function materials made from titanium and silicon developed for new applications |
| Nippon Coke & Engineering Co., Ltd. | 7,000 | 21.8% | Markets coal and manufactures and markets coke |
| Japan Casting & Forging Corporation | 6,000 | 42.0% | Manufactures and markets castings, forgings, ingots, and billets |
| Krosaki Harima Corporation | 5,537 | 47.2% | Manufactures, markets, and constructs refractories |
| Chuo Denki Kogyo Co., Ltd. | 3,630 | 38.3% | Manufactures and markets manganese alloy steel, secondary battery materials, and others |
| Daiwa Can Company | 2,400 | 33.4% | Manufactures and markets metal, plastic, and paper containers |
| Sanko Metal Industrial Co., Ltd. | 1,980 | 16.0% | Manufactures, processes, installs, and sells metal roofs and building materials |
| Sanyu Co., Ltd. | 1,513 | 35.1% | Manufactures and markets cold-finished bars and cold-heading wire |
| Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS | R12,150 million | 29.2% | Manufactures and markets steel products |
| Vallourec & Sumitomo Tubos do Brasil Ltda. | R5,376 million | 40.4% | Manufactures seamless pipes |
| Baosteel-NSC Automotive Steel Sheets Co., Ltd. | RMB3 billion | 50.0% | Manufactures and markets automotive steel sheets |
| UNIGAL Ltda. | R584 million | 30.0% | Manufactures and markets galvanized sheets |
| Companhia Nipo-Brasileira de Pelotizacao | R432 million | 31.4% | Maintains and leases pellet production facilities |
| Guangzhou Pacific Tinplate Co., Ltd. | US\$36 million | 27.3% | Manufactures and markets tinplate |
| 69 other companies | | | |
| Engineering and Construction (30 companies) | | | |
| Consolidated Subsidiaries (27 companies) Affiliates Accounted for by the Equity Method (3 companies) | | | |
| Nippon Steel & Sumikin Engineering Co., Ltd. | 15,000 | 100.0% | Manufactures and markets industrial machinery and equipment and steel structures; undertakes civil engineering and building construction work; waste and regeneration treatment business; electricity, gas, and heat supply business |
| 29 other companies | | | |
| Chemicals (19 companies) | | | |
| Consolidated Subsidiaries (12 companies) Affiliates Accounted for by the Equity Method (7 companies) | | | |
| Nippon Steel & Sumikin Chemical Co., Ltd. | 5,000 | 100.0% | Manufactures and markets coal chemicals, petrochemicals, and electronic materials |
| 18 other companies | | | |
| New Materials (10 companies) | | | |
| Consolidated Subsidiaries (10 companies) | | | |
| Nippon Steel & Sumikin Materials Co., Ltd. | 3,000 | 100.0% | Manufactures and markets semiconductor components and materials, electronic components and materials, and metal-processed products |
| 9 other companies | | | |
| System Solutions (18 companies) | | | |
| Consolidated Subsidiaries (16 companies) Affiliates Accounted for by the Equity Method (2 companies) | | | |
| NS Solutions Corporation | 12,952 | 67.0% | Provides engineering and consulting services pertaining to computer systems |
| 17 other companies | | | |
| Other (2 companies) | | | |
| Affiliates Accounted for by the Equity Method (2 companies) | | | |
| SUMCO Corporation | 136,607 | 27.8% | Manufactures and markets semiconductor silicon wafers |
| 1 other company | | | |

Total Consolidated Subsidiaries: 370 companies Total Affiliates Accounted for by the Equity Method: 107 companies

Our Network

Domestic Steelworks and Research Laboratories (Non-consolidated)



01. Kashima Works (Ibaraki Pref.)

Crude steel production: 715
Employees: 2,781
Main products: Sheets, plates, shapes, pipe and tubes

02. Kimitsu Works (Chiba Pref.)

Crude steel production: 907
Employees: 3,521
Main products: Sheets, plates, wire rods, shapes, pipe and tubes

03. Nagoya Works (Aichi Pref.)

Crude steel production: 646
Employees: 3,006
Main products: Sheets, plates, pipe and tubes

04. Wakayama Works (Wakayama Pref.)

Crude steel production: 416
Employees: 1,197
Main products: Pipe and tubes, sheets

05. Hirohata Works (Hyogo Pref.)

Crude steel production: 63
Employees: 1,255
Main product: Sheets

06. Yawata Works (Fukuoka Pref.)

Crude steel production: 355
Employees: 2,778
Main products: Sheets, shapes, rails, pipe and tubes

07. Oita Works (Oita Area) (Oita Pref.)

Crude steel production: 982
Employees: 1,987
Main products: Sheets, plates

08. Oita Works (Hikari Area) (Oita Pref.)

Main products: Pipe and tubes, titanium

09. Muroran Works (Hokkaido Pref.)

Crude steel production: 143
Employees: 584
Main products: Bars and wire rods
* Blast furnace transferred to Hokkai Iron & Coke Co., Ltd. in 1994.

10. Kamaishi Works (Iwate Pref.)

Employees: 226
Main product: Wire rods

11. Kokura Works (Fukuoka Pref.)

Crude steel production: 124
Employees: 1,059
Main products: Bars and wire rods

12. Sakai Works (Osaka)

Employees: 324
Main product: Shapes

13. Tokyo Works (Tokyo)

Employees: 113
Main products: Pipe and tubes

14. Amagasaki Works (Hyogo Pref.)

Employees: 638
Main products: Pipe and tubes

15. Osaka Steel Works (Osaka)

Crude steel production: 4
Employees: 1,062
Main products: Wheels and axles, crankshafts

16. Naoetsu Works (Niigata Pref.)

Employees: 198
Main products: Stainless steel, titanium

Notes:
1. Crude steel production unit: Ten thousands of metric tons; Employees: Persons
2. Crude steel production figures are for the year ended March 31, 2013; Employee figures are as of March 31, 2013.

Our Network

Domestic Bases

| | | | |
|--|---|---|--|
| Head Office 2-6-1, Marunouchi, Chiyoda-ku, Tokyo 100-8071, Japan Phone: +81-3-6867-4111 Fax: +81-3-6867-5607 | Sales Offices Chiba Marketing Site Yokohama Marketing Site Nagano Marketing Site Osaka Office Hokkaido Marketing Branch Muroran Marketing Site | Tohoku Marketing Branch Aomori Marketing Site Akita Marketing Site Morioka Marketing Site Kamaishi Marketing Site Kitakami Marketing Site Niigata Marketing Branch Hokuriku Marketing Branch Ibaraki Marketing Branch | Nagoya Marketing Branch (Nagoya) Shizuoka Marketing Site Hamamatsu Marketing Site Chugoku Marketing Branch Shikoku Marketing Branch Kyushu Marketing Branch Nagasaki Marketing Site Oita Marketing Site Minami-Kyushu Marketing Site Okinawa Marketing Site |
|--|---|---|--|

Overseas Bases

- Nippon Steel & Sumitomo Metal U.S.A., Inc.**
(New York, Chicago, Houston, Mexico City)
 - Nippon Steel & Sumitomo Metal Empreendimentos Siderúrgicos Ltda.**
(São Paulo, Belo Horizonte)
 - Nippon Steel & Sumitomo Metal Corporation European Office**
(Düsseldorf, London, Dubai)
 - Nippon Steel & Sumitomo Metal Australia Pty. Limited**
(Sydney, Perth)
- Nippon Steel & Sumitomo Metal Consulting (Beijing) Co., Ltd**
(Beijing, Shanghai, Guangzhou)
 - Nippon Steel & Sumitomo Metal Southeast Asia Pte. Ltd.**
(Singapore, Jakarta)
 - Nippon Steel & Sumitomo Metal (Thailand) Co., Ltd.**
(Bangkok)
 - Nippon Steel & Sumitomo Metal India Private Limited**
(New Delhi)

History

2012 NIPPON STEEL & SUMITOMO METAL CORPORATION was incorporated on October 1st.

| NIPPON STEEL CORPORATION | | SUMITOMO METAL INDUSTRIES, LTD. | |
|--------------------------|--|---------------------------------|--|
| 2011 | Agreed to commence consideration of business integration with Sumitomo Metal Industries, Ltd. | 2012 | Merged with Sumitomo Metals (Kokura), Ltd. and Sumitomo Metals (Naoetsu), Ltd. |
| 2006 | Engineering and Construction business was spun off to Nippon Steel Engineering Co., Ltd. New Materials business was spun off to Nippon Steel Materials Co., Ltd. | 2011 | Agreed to commenced consideration of business integration with Nippon Steel Corporation. |
| 2003 | Stainless business was spun off to Nippon Steel & Sumikin Stainless Steel Corporation. | 2008 | Implemented corporate split of Titanium business and succeeded to Sumitomo Metals (Naoetsu), Ltd. |
| 2002 | Announced alliances with Sumitomo Metal Industries, Ltd. and Kobe Steel, Ltd. All operations of Nippon Steel's Urban Development Division were integrated into Nippon Steel City Produce, Inc. | 2003 | Nippon Steel & Sumikin Stainless Steel Corporation was established. Sumikin Iron & Steel Corporation was established. Wakayama Steel Works' upstream operation was split to establish a new company. |
| 2001 | Operations of Nippon Steel's Electronics & Information Systems Division and its subsidiary Nippon Steel Information & Communication Systems Inc. were integrated to organize NS Solutions Corporation. | 2002 | Announced alliance with Nippon Steel Corporation and Kobe Steel, Ltd. Silicon wafer business was transferred to Silicon United Manufacturing Corporation (present SUMCO Corporation). |
| 2000 | A divisionally integrated operational system within the Group based on product item or business area was introduced in the steelmaking and steel fabrication business. | 2000 | Sumitomo Metals (Kokura), Ltd. was established (former Kokura Steel Works). Sumitomo Metals (Naoetsu), Ltd. was established (former Naoetsu Steel Works). |
| 1997 | Silicon Wafer Division was organized (abolished in April 2004). | 1998 | Merged with Sumitomo Sitix Corporation. |
| 1993 | Semiconductor Division was organized (abolished in April 1999). | 1994 | Kashima Stainless Steel Works was integrated into Kashima Steel Works. |
| 1991 | Technical Development Bureau was organized by integrating Central R&D Bureau and Plant Engineering & Technology Bureau, and Research & Engineering Center began operation. | 1992 | Merged with Nippon Stainless Co., Ltd. (Naoetsu Steel Works and Kashima Stainless Steel Works were established.) |
| 1987 | Electronics & Information Systems Division, New Materials Division and Service Business Division (integrated into Urban Development Division in June 1992) were organized. | 1990 | Electronics Division was established. |
| 1986 | Electronics Division was organized. | 1988 | Kainan Steel Tube Works was integrated to Wakayama Steel Works. |
| 1984 | Nippon Steel Chemical Co., Ltd. was inaugurated through the merger of Nippon Steel Chemical Co., Ltd. and Nittetsu Chemical Industrial Co., Ltd. New Materials Projects Bureau was organized. | 1980 | Merged with Kainan Steel Tube Co., Ltd. (Kainan Steel Tube Works was established.) |
| 1974 | Engineering Divisions Group was organized. | 1977 | Engineering Division was established. (Entered into engineering business.) |
| 1971 | Nippon Steel absorbed Fuji Sanki Pipe & Tube Co., Ltd. Oita Works began operation. | 1974 | Hasaki Research Center, present Hasaki R&D Center, was established. |
| 1970 | Yawata Iron & Steel and Fuji Iron & Steel merged to form Nippon Steel Corporation. | 1968 | Kashima Steel Works was established. |
| 1968 | Yawata Iron & Steel absorbed Yawata Steel Tube Co., Ltd. | 1966 | Kainan Steel Tube Co., Ltd. was established. |
| 1967 | Tokai Iron & Steel became Nagoya Works of Fuji Iron & Steel. | 1963 | Sumitomo Special Metals Co., Ltd. (former Magnetic Steel and Electronic Parts Manufacturing Departments) was established. |
| 1965 | Kimitsu Works of Yawata Iron & Steel began operation. | 1961 | Sumitomo Precision Products Co., Ltd. (former Aircraft Instruments Department) was established. |
| 1961 | Sakai Works of Yawata Iron & Steel began operation. | 1959 | Sumitomo Light Metal Industries, Ltd. (former Copper Rolling and Aluminum Rolling Department) was established. Central Research Laboratories, present Amagasaki R&D Center, was established. |
| 1958 | Tokai Iron & Steel Co., Ltd. was established. Yawata Iron & Steel inaugurated the Tobata Area of Yawata Works. | 1953 | Merged with Kokura Steel Manufacturing Co. and established Kokura Steel Works, an integrated steelmaker. |
| 1955 | Hikari Works of Yawata Iron & Steel began operation. | 1952 | Shin-Fuso Metal Industries, Ltd. was renamed to Sumitomo Metal Industries, Ltd. |
| 1950 | Yawata Iron & Steel Co., Ltd. and Fuji Iron & Steel Co., Ltd. were established. <Company's founding> | 1950 | Narumi China Corporation (former China Manufacturing Department) was established. |
| | | 1949 | Shin-Fuso Metal Industries, Ltd. was established. <Company's founding> |

Investor Information

As of March 31, 2013

Head Office

2-6-1, Marunouchi, Chiyoda-ku,
Tokyo 100-8071, Japan
Phone: +81-3-6867-4111
URL: <http://www.nssmc.com/en/>

Date of Establishment

March 31, 1970

Common Stock

¥419,524 million

Stock Code

5401

Common Stock: Issued

9,503,214,022 shares

Common Stock: Authorized

20,000,000,000 shares

Number of Shareholders

592,291

Listings

Tokyo Stock Exchange
Nagoya Stock Exchange
Fukuoka Stock Exchange
Sapporo Securities Exchange

Registration Agent

Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

(Mailing address)

Sumitomo Mitsui Trust Bank, Limited,
Stock Transfer Agency Business
Planning Department
2-8-4, Izumi, Suginami-ku,
Tokyo 168-0063, Japan

(Phone inquiries)

0120-785-401

(Toll-free for domestic phone calls only)

+81-3-3323-7111

(Outside Japan)

ADR Information

Trading market: OTC (Over-the-counter)

ADR ratio: 1 ADR:10 Shares of common stock

Ticker symbol: NSSMY

OUSIP number: 65461T101

Depository bank: JPMorgan Chase Bank, N.A.

Contact for inquiries regarding our ADR program:

JPMorgan Service Center

P.O. Box 64504

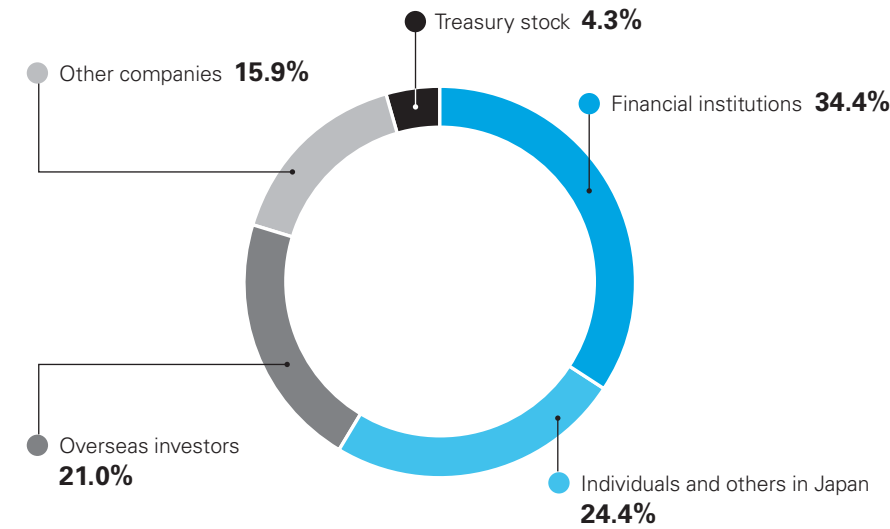
St. Paul, MN 55164-0504, U.S.A.

Phone: 1-800-990-1135 (Toll-free within the U.S.A.)

+1-651-453-2128 (Outside the U.S.A.)

E-mail: jpmorgan.adr@wellsfargo.com

Share Ownership by Category



Principal Shareholders

| Name | Shares owned (Thousands) | Shareholding ratio (%) |
|--|-----------------------------|---------------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account) | 401,322 | 4.2 |
| Sumitomo Corporation | 362,616 | 3.8 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 296,709 | 3.1 |
| Nippon Life Insurance Company | 288,134 | 3.0 |
| Mizuho Corporate Bank, Ltd.*1 | 182,600 | 1.9 |
| SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS | 175,310 | 1.8 |
| Sumitomo Mitsui Banking Corporation*2 | 146,470 | 1.5 |
| Meiji Yasuda Life Insurance Co. | 138,977 | 1.5 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 136,356 | 1.4 |
| Kobe Steel, Ltd. | 134,882 | 1.4 |

*1 Apart from those shares listed above, Mizuho Corporate Bank, Ltd. has 22,350 thousand shares (0.2% shareholding ratio) as retirement benefit trust.

*2 Apart from those shares listed above, Sumitomo Mitsui Banking Corporation has 66,381 thousand shares (0.7% shareholding ratio) as retirement benefit trust.

*3 Treasury stock owned by Nippon Steel & Sumitomo Metal Corporation, a total of 412,383 thousand shares (4.3% shareholding ratio), is included in calculation of the stock ownership ratio.

