

# NIPPON STEEL

Annual Report 2014  
Year ended March 31, 2014



# SUMITOMO METAL

<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.





## Competitive Advantages

The Nippon Steel & Sumitomo Metal Corporation Group will strive to rapidly exploit maximum integration synergies by placing particular emphases on “technology,” “cost,” and “being global,” to prevail in competition as “the world’s leading steelmaker with comprehensive strengths,” and to achieve sustainable profit growth.

### TECHNOLOGIES

NSSMC’s long history of development and application of world-leading technologies has been further enhanced by the recent business integration. Our technologies, 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. **23,000** patents in around **70** countries

#### R&D STAFF

Approx. **800** people

### 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. ¥ <b>60</b> billion
Establishment of an optimal production system	Approx. ¥ <b>60</b> billion
Reduction in procurement costs	Approx. ¥ <b>30</b> billion
Streamlining the head office and branches	Approx. ¥ <b>30</b> billion
Integration and reorganization of and alliances among Group companies	Approx. ¥ <b>20</b> billion
Synergy effects by integration	Total of approx. ¥ <b>200</b> billion or more per year

### GLOBAL PRODUCTION CAPABILITIES

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



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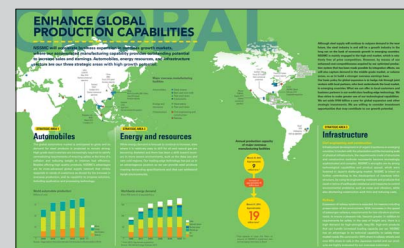
President Shindo discusses progress of the Mid-Term Management Plan, future market outlook, and NSSMC's growth strategy.

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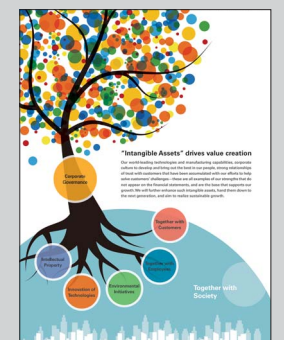
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### Other Communication Tools

Please use Sustainability Report 2014 and our corporate website to gain an overall understanding of the NSSMC Group.

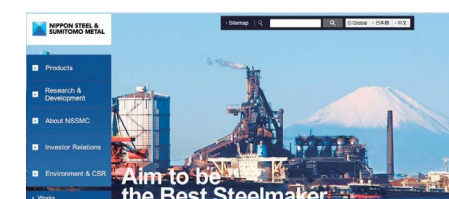
### Sustainability Report 2014

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



### Corporate 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/>



### 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.



## Message from Top Management



My name is Kosei Shindo, and I was appointed president on April 1, 2014.

I believe that Nippon Steel & Sumitomo Metal Corporation (NSSMC) has made an excellent start in the less than two years since its merger in October 2012. In the year ended March 31, 2014 (FY2013), NSSMC posted consolidated ordinary profit of ¥361.0 billion. The return on sales (ROS) was 6.5%, above the target of 5% at minimum (with upward potential of 10%) in around three years indicated in the Mid-Term Management Plan. The debt-to-equity (D/E) ratio was 0.86, compared to the plan's target of around 0.8, so the plan period began with a rapid reduction to below 1.0. We have thus achieved substantial progress for over a year since the announcement of the plan. This is partly attributable to the favorable turnaround in the economic environment in Japan and overseas. However, above all, it resulted from seizing the opportunity of the merger and from Group employees all working together to pursue best practices, and I am proud that we were able to use the favorable economic change as a tailwind precisely because of these efforts.

Nevertheless, I believe the global steel market in which NSSMC operates is facing harsh conditions, as new steelworks will successively come on line in Asia by 2015 and there is likely to be a supply-demand gap of roughly 500 million tons in the near term. In such an environment, to sustain our currently favorable earnings performance and produce long-term growth, we must assign maximum emphases to "technology," "cost," and "global"—the three keywords of our business strategy. Further, we aim to strengthen our operating base and expand earnings in our domestic and overseas businesses.

In our domestic businesses, we will strengthen the competitiveness of our domestic manufacturing bases and further refine our technological advances. While thoroughly pursuing superior quality and productivity, we will promote the development of next-generation, leading-edge technologies. Moreover, by acting as mother plants for our global supply organization, our domestic bases will play the role of expanding the best practices cultivated in Japan to overseas operations and thereby support NSSMC's global expansion. In our overseas businesses, we will undertake challenges in areas where we expect to display our strengths and achieve growth while reinforcing the earning power of our existing overseas businesses. We will also capture demand in the resources, energy, and infrastructure sectors primarily in relation to automobiles, where we previously achieved success in our overseas operations.

These domestic and overseas businesses are like the two wheels of a cart in that they are indispensable to becoming a truly global company. By expanding earnings and bolstering our financial structure, based on respective strategies, and also investing in further growth sectors, I am convinced we will be able to establish a competitive edge and a presence that is unsurpassed even at the global level.

What I mentioned here is just the materialization of our corporate philosophy, which was adopted when Nippon Steel & Sumitomo Metal was integrated. The Group will tenaciously strive to continue contributing to the development of society and the world through the pursuit of world-leading technologies and manufacturing capabilities and the provision of excellent products and services.

I sincerely hope that you will extend your continued support and cooperation to us.

June 2014

Kosei Shindo  
Representative Director and President



## Consolidated Performance Highlights

### Fiscal 2013 Key Points

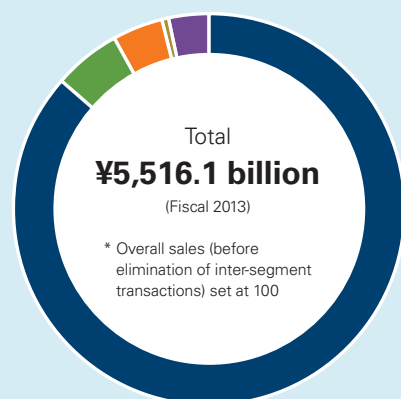
#### Net sales

¥**5,516.1** billion

#### Ordinary profit

¥**361.0** billion

#### Sales composition by business segment



#### Steelmaking and steel fabrication

¥4,877.9 billion

#### Engineering and construction

¥314.1 billion

#### Chemicals

¥230.1 billion

#### New materials

¥37.2 billion

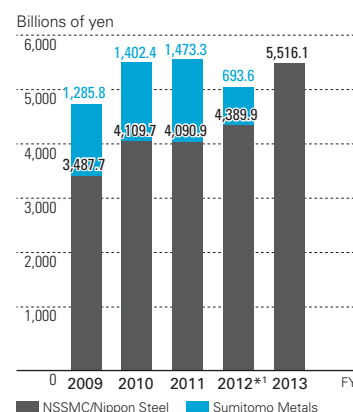
#### System solutions

¥179.8 billion

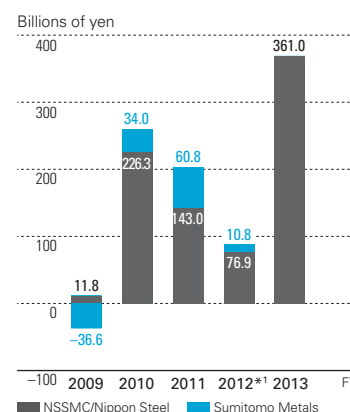
(Adjustment: Subtraction of

¥123.1 billion)

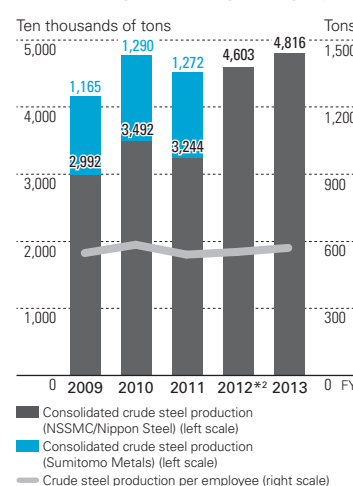
#### Net sales



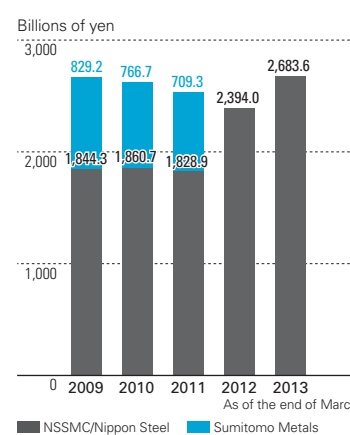
#### Ordinary profit



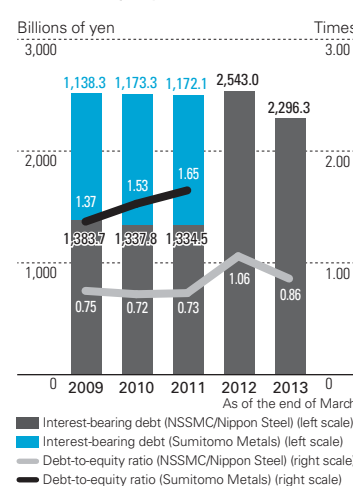
#### Consolidated crude steel production, Crude steel production per employee



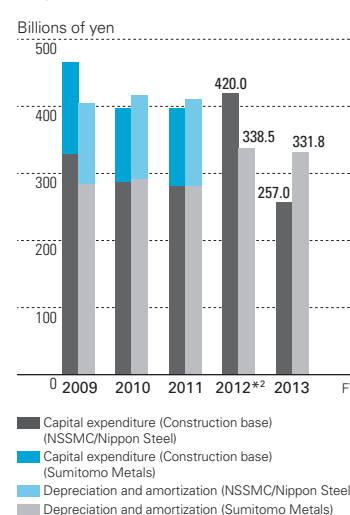
#### Shareholders' equity



#### Interest-bearing debt, Debt-to-equity ratio\*



#### Capital expenditure, Depreciation and amortization



\*1 Sumitomo Metals' amount for fiscal 2012 is Sumitomo Metals' amount for the first half (April 1 to September 30) of fiscal 2012.

Nissin Steel's amount for fiscal 2012 is the sum of Nissin Steel's amount for the first half and Nissin Steel's amount for the second half.

\*2 The amount for fiscal 2012 is the sum of Nissin Steel's first-half amount, Sumitomo Metals' first-half amount, and Nissin Steel's second-half amount.

\*3 Interest-bearing debt and debt-to-equity (D/E) ratios of Nissin Steel and Sumitomo Metals for fiscal 2009-2011 are calculated based on their respective methods.

# GROWTH STRATEGY

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## NSSMC's Growth Strategy

# BECOMING THE WORLD'S LEADING STEELMAKER WITH COMPREHENSIVE STRENGTHS

In March 2013 we formulated our Mid-Term Management Plan.

In the midst of the challenging business environment surrounding global supply and demand for steel, we strive to rapidly exploit integration synergies and to become "the world's leading steelmaker with comprehensive strengths" in all areas, including "technology," "cost," and "being global."

### Mid-Term Management Plan

**TECHNO-  
LOGICAL**  
SUPERIORITY

By 2015, when new capacity at competing steelworks  
in East Asia becomes operative

**Realizing world-leading competitiveness**

ROS (Ordinary profit to net sales)

Of approximately **5%** at minimum

With upward potential of

**10%**

**GLOBAL  
STRATEGY**

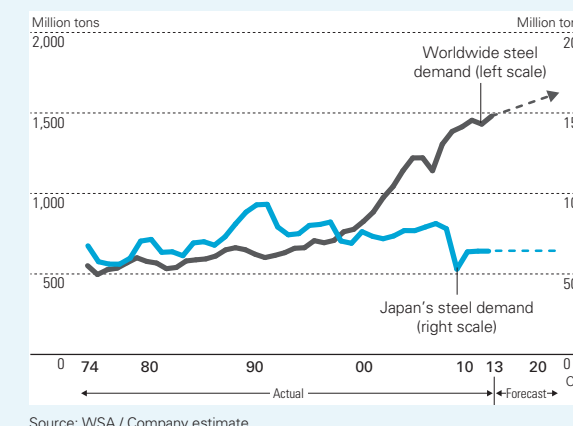
**COST  
COMPETITIVENESS**

Below are explanations of several FAQs regarding key points of our growth strategy.

**Q** What kind of business environment are you projecting as a backdrop of your Mid-Term Management Plan?

**A** We assume that a global gap between supply and demand will continue to widen.

- Japan's steel demand is expected to stay at around 60 million tons per year in the foreseeable future. However, in view of emerging countries' economic growth prospects, global steel demand is certainly projected to expand.
- However, global supply for steel currently exceeds demand, and will continue to do so in the foreseeable future. In East Asia, in particular, new steelworks will be blown in and are expected to exacerbate oversupply in capacity.



**Q** What are the issues management is facing?

**A** Domestic businesses and overseas businesses are like the two wheels of a cart of a truly global company.

- In our domestic businesses, we seek to enhance our manufacturing capability and attain cost competitiveness as strategy to increase sales and earnings.
- In our overseas businesses, we focus on growing areas where our accumulated manufacturing capability provides outstanding potential to increase sales and earnings.

**Q** What is NSSMC's basic strategy?

**A** To devote maximum effort to the fields of "technology," "cost," and "being global" to attain overwhelming competitiveness before the new competing steelworks in East Asia start up.

- Advanced technology is one source of our competitiveness.
- Cost competitiveness achieved by productivity improvement and other measures is to be our big advantage.
- We will accelerate global expansion, mainly in emerging markets where steady growth can be expected.

**Q** How does the Company strengthen business infrastructure in Japan?

**A** We will improve our manufacturing capability and enhance our business infrastructure, with our advanced technologies.

- Using the technological advances that we have refined in the Japanese market, where standards are exceptionally high, we will promote the development of processing technology that will in the future help attain high productivity and realize next-generation, leading-edge technology. This, we believe, will greatly strengthen our domestic businesses.
- By acting as mother plants for our global supply organization, our domestic facilities, where we have developed manufacturing skills and capabilities, will support NSSMC's global expansion.

**Q** How will the Company expand sales and earnings overseas?

**A** We will focus on automobiles, energy resources, and infrastructure, which are the sectors with high growth potential.

- We focus on the areas where further growth is anticipated: automobiles, energy resources, and infrastructure sectors.
- Our main target is high-grade markets but we will also build a solid earnings base by capturing demand in the middle-grade market, or volume zones, on the back of our enhanced cost competitiveness acquired through integration effects and other factors.
- We will continue to seek opportunities such as building supply capability of iron and hot coils in the ASEAN countries.

**Q** What are the immediate measures the Company plans to take?

**A** We have adopted three measures including completion of business integration.

- We will complete our Mid-Term Management Plan. By building an optimal production system and steadily reorganizing the integration of Group companies, we aim at achieving our targets.
- By investing to upgrade existing facilities in a systematic way, we will continue high-level, stable production.
- We will complete a true integration by integrating elements, such as the mindset of employees and how to proceed with work.



# ENHANCE GLOBAL PRODUCTION CAPABILITIES

NSSMC will accelerate business expansion in overseas growth markets, where its accumulated manufacturing capability provides outstanding potential to increase sales and earnings. Automobiles, energy and resources, and infrastructure sectors are our three strategic areas with high growth potential.



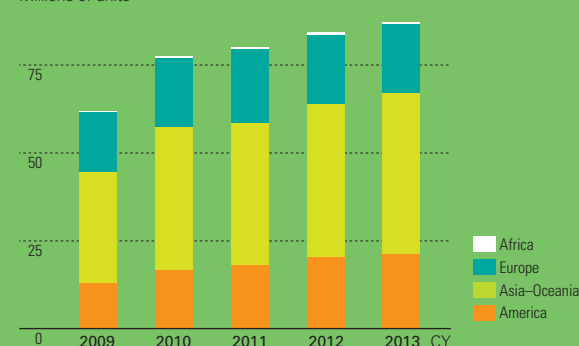
## STRATEGIC AREA 1

### Automobiles

The global automotive market is anticipated to grow and its demand for steel products is projected to remain strong. High-grade steel materials are increasingly required to satisfy the contradicting requirements of ensuring safety at the time of a collision and reducing weight to improve fuel efficiency. Besides offering high-quality products, NSSMC's advantages are its most-advanced global supply network that nimbly responds to needs of customers as shown by the increase in overseas production, and its capability to propose solutions, including application and processing technologies.

Global automobile production

Millions of units



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

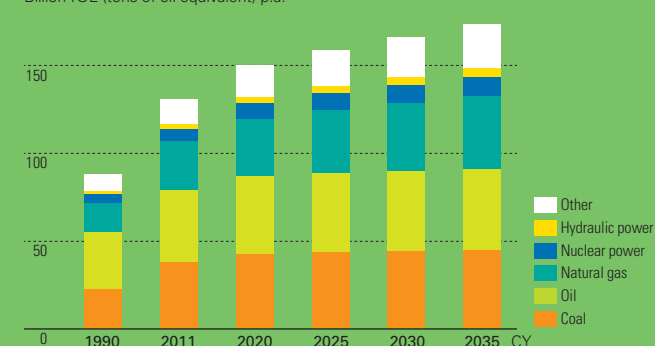
## STRATEGIC AREA 2

### Energy and resources

While energy demand is forecast to continue to increase, sites where it is relatively easy to drill for oil and natural gas are becoming depleted and there has been a shift toward recovery in more severe environments, such as the deep sea and very cold regions. Our leading-edge technology has put us in an advantageous position as we can provide steel products meeting demanding specifications and that can withstand harsh environments.

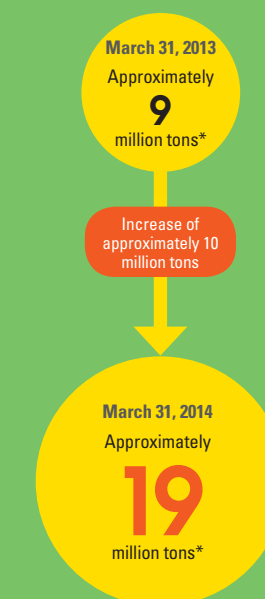
Global energy demand

Billion TOE (tons of oil equivalent) p.a.



\* From 2015, figures are projections  
Source: IEA World Energy Outlook 2013

Annual production capacity of major overseas manufacturing facilities



\* Total capacity of major JVs. Taken no account of NSSMC's investment ratio and excluding USIMINAS in Brazil

Although steel supply will continue to outpace demand in the near future, the steel industry is and will be a growth industry in the long run on the back of economic growth in emerging countries. NSSMC is mainly engaged in the high-end market, which is relatively free of price competition. However, by means of our enhanced cost competitiveness acquired by our optimized production system that has been made possible by integration effects, we will also capture demand in the middle-grade market, or volume zones, so as to build a stronger overseas earnings base.

Our basic policy for global expansion is to hedge risk through joint ventures (JVs) with local partners, who best understand the local market, in emerging countries. What we can offer to local customers and business partners is our world-class, leading-edge technology. We thus strive to make greater use of our technological capabilities.

We set aside ¥100 billion a year for global expansion and other strategic investments. We are willing to consider investment opportunities that may contribute to our growth potential.

## STRATEGIC AREA 3

### Infrastructure

#### Civil engineering and construction

Infrastructure development is of urgent importance in emerging countries. In tandem with the urbanization and the increasing scale of physical infrastructure, the requirements made of structures and construction methods necessarily become increasingly sophisticated and complex. NSSMC's strengths are its strong technological capabilities and product appeal, which were fostered in Japan's challenging market. NSSMC is intent on further contributing to the development of overseas infrastructure using its 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.

#### Railway

Expansion of railway systems is expected, for reasons including preservation of the environment. With increases in the speed of passenger railways, requirements for low vibration and low noise, to ensure a pleasant ride, become greater, in addition to requirements for safety. In the case of freight cars, there is a high demand for high-strength, long-life, high-end products that can handle increased loading capacity per car. NSSMC has an advantage in its technological capabilities to satisfy these market needs. We command a 100% share in railway wheels and over 60% share in rails in the Japanese market and our products are highly evaluated by our overseas customers.



# UTILIZE ADVANCED TECHNOLOGIES

Advanced technologies are a source of our competitiveness. We will expand our earning base by distinguishing ourselves from our competitors. At the same time, we aim at achieving cost competitiveness through innovation in manufacturing technology.

In addition to developing materials and highly functional products in growth sectors, we strive to provide customers with comprehensive solutions that include processing technologies, and to develop next-generation materials. These efforts are expected to expand our profit base. At the same time, we aim at reducing costs by use of advanced manufacturing technology, to make high-grade products from inexpensive low-grade raw materials and technologies, to reduce alloy content, and to enhance productivity in manufacturing processes.

These initiatives are being undertaken by our R&D organization, which we believe to be in the world-leading class in quality and scale.

## Advancing fundamental R&D capabilities

## PROFIT EXPANSION

### Developing highly functional products in growth sectors

Our focus is on developing unrivaled highly functional products in order to more solidly establish our competitiveness. In particular, we are promoting development in three strategic areas—automobiles, energy and resources, and infrastructure.

### Research on next-generation materials

We are promoting research on developing next-generation materials for hydrogen and other clean energy sectors.

### Providing customers with comprehensive solutions

Most final processing of steel products is conducted by customers. To support their work we strive to enhance our capability to provide comprehensive solutions. Hence, we are engaged not merely in material development but also in processing for forming and joining, that is suitable to the properties of the material, and in structural design that makes best use of material properties. These are ways that make NSSMC more distinctive.

### Improving productivity in manufacturing processes

We aim to reduce costs by improving productivity in manufacturing processes, such as by optimizing upstream operating conditions and enhancing rolling efficiency. For example, in blast furnace operation, we continually work at improving efficiency by optimizing operating conditions, and making use of simulation technology. This will induce reduction of manufacturing costs for all product types.

### Technology to reduce alloy content

NSSMC develops materials that maintain high performance even when there is to be a reduction in the amount of rare metals to be added to enhance strength, anti-corrosion, and other properties of the steel. This is another means to reduce costs.

### Technology that facilitates the use of low-grade raw materials

We strive to reduce costs by developing technology that facilitates the use of low-grade raw materials, such as non- or slightly-caking coal, which represent over 70% of coal reserves, and limonite ore, of which there is an abundance of reserves but contains impure substances.

## COST REDUCTION

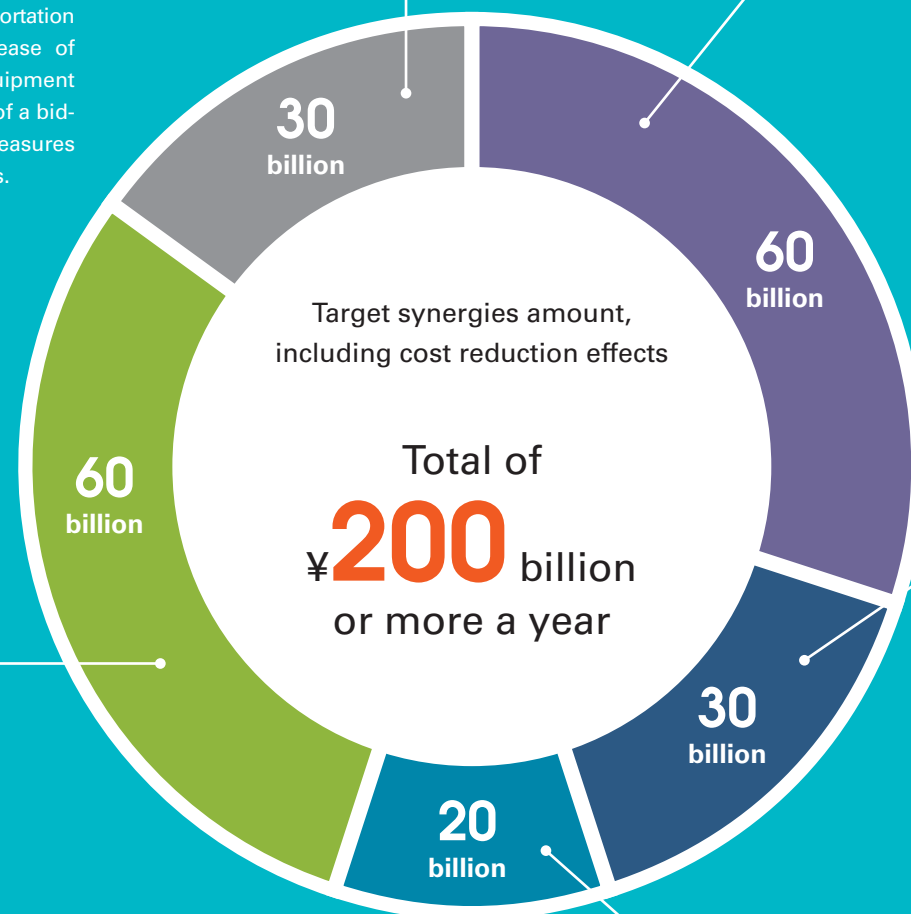


# REALIZE WORLD-LEADING COST COMPETITIVENESS

We aim to realize synergies from the merger of at least ¥200 billion a year and world-leading cost competitiveness within approximately three years from the announcement of the plan.

## Reduction in procurement costs

Improvement of efficiency in transportation of imported raw materials, increase of centralized procurement of equipment and materials, and enhancement of a bidding method are some of the measures for reduction in procurement costs.



## Cost reduction by consolidating technology and R&D achievements

We will pursue best practices in operational and manufacturing technologies that contribute to cost reduction, such as technologies to make good use of low-grade raw materials, maintaining optimal operational conditions of upstream processes, and raising efficiency in the rolling processes and yield.

## Establishment of an optimal production system

In upstream processes, while reducing fixed costs by shifting to an optimal production system, which includes taking the No. 3 blast furnace in the Kimitsu Works out of operation, we aim to raise capacity utilization and maintain 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.

Number of furnaces and production lines (Japan)

		Before integration*	At the time of integration	After establishing an optimal production system	
Upstream processes	Blast furnace	14	14	13	Shutting down one furnace
	Converter	32	32	31	Shutting down one furnace
	Continuous casting	30	30	29	Shutting down one production line
Downstream processes	Cold strip mill	17	17	15	Shutting down two production lines
	Continuous galvanizing line (CGL)	18	16	13	Shutting down five production lines
	Electrolytic galvanizing line (EGL)	7	4	2	Shutting down five production lines
	Butt welded pipe line	2	2	1	Shutting down one production line

\* Shutting down of production lines prior to integration was made based on the former companies' respective management decisions.

## Streamlining the head office and branches

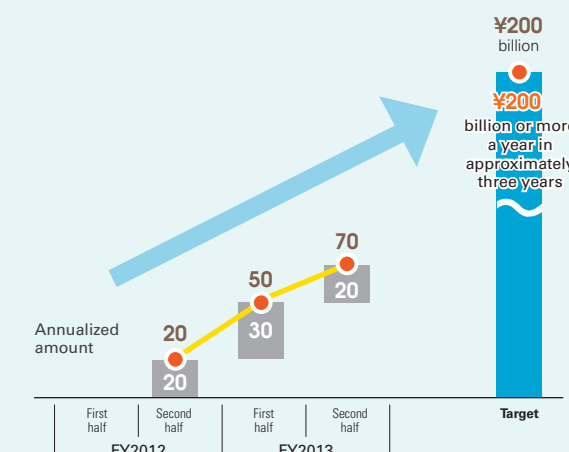
Integration and improvement in efficiency of the head office and domestic and overseas branches, and reduction in general administrative expenses and system development cost.

## Integration and reorganization of and alliances among 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 raise competitiveness of the Group in aggregate to a higher level.

### Synergy effects: Progress of the plan

We have realized synergy effects of around ¥70 billion on an annualized basis for the second half of fiscal 2013, moving in line with the plan toward the target of ¥200 billion or more a year.



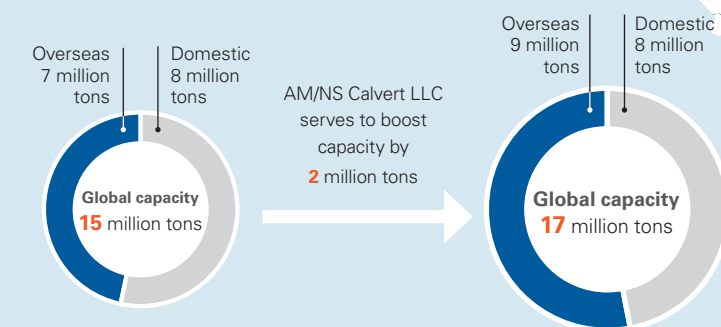
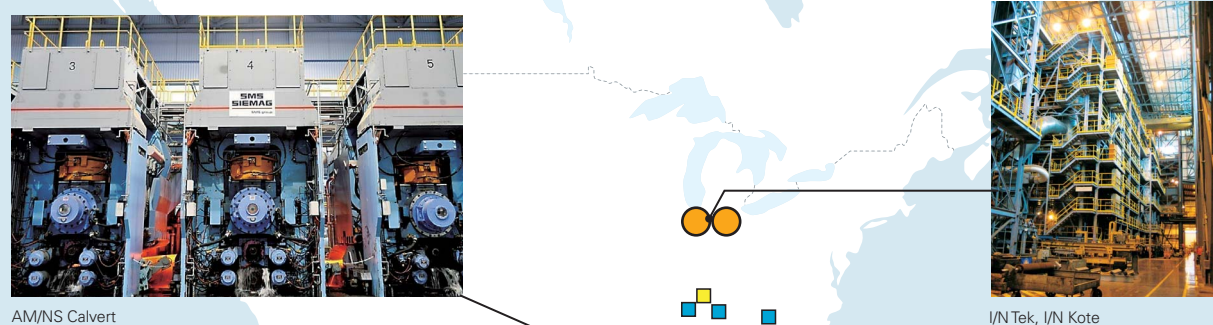


## FOCUS

## Overseas Expansion of Automotive Steel Sheet Businesses

Overseas expansion of automotive steel sheet businesses is part of the core of NSSMC's global strategy. We have already built a highly advanced global supply network of steel sheet for supply to respond to growing overseas production by Japanese and other automakers who demand high-grade steel sheets. We will further strengthen our network and satisfy the needs of our customers, ensuring a more solid base of earnings in the overseas growth markets.

### Acquisition of the U.S. steel sheet manufacturing facility



When the U.S. base operates on a full scale, NSSMC's overseas manufacturing capacity of automotive steel sheet will increase to about 9 million tons, surpassing our capacity of about 8 million tons in Japan.

In the North American automotive market, which is generally strong at present, we acquired a manufacturing facility for automotive steel products jointly with Arcelor Mittal (AM) and began operation as AM/NS Calvert in Alabama, U.S. The Calvert plant has leading-edge hot rolling, cold rolling, and coating and finishing lines with a total steel processing capacity of approximately 5 million tons a year including capacity of 2 million tons for automotive steel products.

In order to produce high-grade steel sheets, an important factor is to maintain close control of temperature in the hot rolling processes, in addition to controlling cold rolling and coating and finishing. This is our first overseas hot-rolling line mainly for automobiles, which has enabled us to do an integrated

manufacturing from hot-rolling to advanced processing locally. NSSMC has a history of over 20 years of supplying cold-rolled steel sheet and surface-treated steel sheet from two plants in Indiana. The acquisition of Calvert has dramatically strengthened our automotive steel sheet supply network in the U.S. In Mexico, an important location for manufacturing compact and sub-compact cars in North America, in August 2013 we began operation of our joint venture TENIGAL for manufacture and sale of automotive hot-dip galvanized and galvanized steel sheets, with the state-of-the-art equipment equivalent to that of NSSMC's latest facility in Japan. Japanese and other automakers are expanding in the Mexican market, where demand for high-grade steel sheets is expected to be robust.

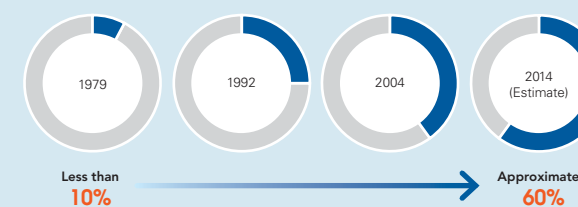
### High-tensile-strength steel sheets for automobiles: Status of development and overseas expansion

#### High-tensile steel sheets satisfy demand for both safety at a time of collision and weight reduction

A typical car weighs one ton and steel accounts for about 70% of its total weight. It is said that reduction in vehicle body weight of 100kg, or about 10% of its total weight, could enable reduction of CO<sub>2</sub> emissions by about 10g during a drive of one kilometer. Weight reduction could be realized by making steel sheets thinner. However, the steel sheet must simultaneously satisfy a conflicting need to ensure safety at a time of collision. This has meant steady growth of demand for thin, strong, and easy to form high-tensile steel sheets that satisfy demand for both collision-safety and weight-reduction requirements. At present, the usage ratio of high-tensile steel sheets\* has reached about 60%.

\* Usage ratio of high-tensile steel sheets with a maximum tensile strength of 340MPa or higher (M: Mega is 10<sup>9</sup>)

#### Usage ratios of high-tensile steel sheets by Japanese automakers



Source: The Japan Society for Technology of Plasticity, "Plasticity," Vol. 46, No. 534

#### Development of world-leading high-strength, highly-functional steel sheet

Responding to automakers' requests, NSSMC is developing various high-tensile strength steel sheets for different parts of an automobile. In Japan, we have succeeded in manufacturing ultra-high-tensile steel sheet of the 1,180MPa class. Without losing that strength, in 2011 we were the first in the world to develop cold-rolled steel sheets with twice the formability, and in 2013 were the first to develop hot-dip galvanized & galvanized steel sheets with a high anti-corrosion property. Our high-formability cold-rolled steel sheets of the 1,180MPa class have been adopted for the chassis of Nissan cars and the hot-dip galvanized & galvanized steel sheets with twice the formability of 1,180MPa class have been adopted for the chassis of Suzuki cars. We are now developing even higher-strength highly-functional steel sheets.

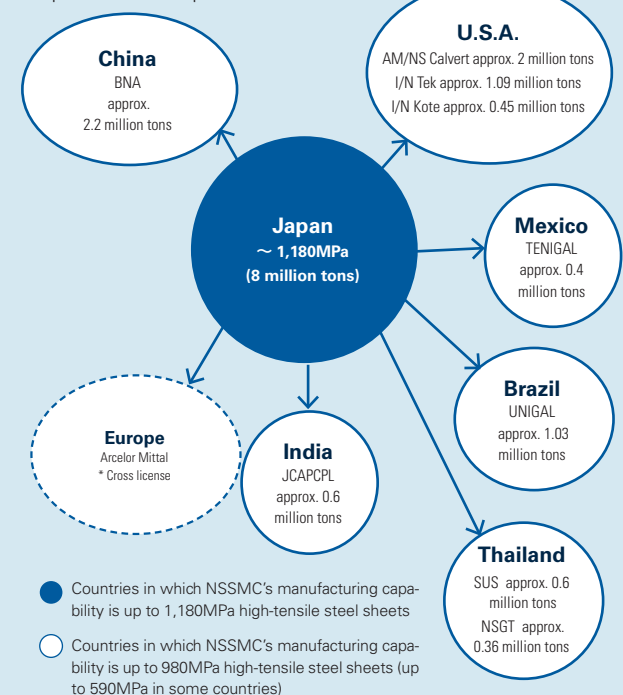
#### NSSMC's various commercially-adopted high-tensile steel sheet

	High-tensile steel sheet			Ultra-high-tensile steel sheet	
(MPa)	440	590	780	980	1,180
Chassis	[Bar chart showing adoption from 440 to 1,180 MPa]				
Suspension system	[Bar chart showing adoption up to 780 MPa]				
Outer panels	[Bar chart showing adoption up to 590 MPa]				

\* In addition to the above materials, NSSMC also offers hot stamp materials of 1.5GPa and 1.8GPa for body framework. (Giga is 10<sup>9</sup>.)

#### Overseas deployment of advanced technologies accumulated in Japan

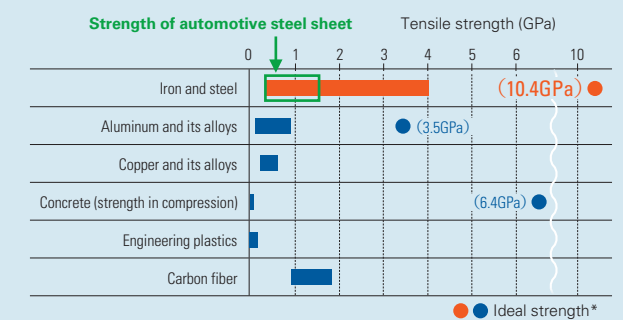
By deploying advanced technologies accumulated in Japan at overseas operations, we are building capability to manufacture high-tensile steel sheets of 590MPa class and even ultra-high-tensile steel sheets of 980MPa class – in local markets. This enables us to satisfy requirements of automakers as they expand overseas production.



#### The superiority of steel

For many products, steel is superior to other materials in terms of strength per unit price. Steel is said to have theoretical strength of 10.4GPa, that endows it with great potential. By further refining our technological prowess, developing highly-functional products, and deploying them globally, we will contribute to the prevention of global warming and advancements in safety at a time of collision.

#### Various materials' potential strength and the current commercially-viable level



\* Ideal strength is said to be 1/5 to 1/7.5 of modulus of rigidity. The above data is based on 1/7.5 of modulus of rigidity.



# Financial and Investment Strategies

In addition to cash generated through growth strategies, we will cut costs through synergies by at least ¥200 billion a year, by optimization of our production system including the shutdown of certain facilities, and by reducing assets by approximately ¥300 billion on a cumulative basis in three years' time. As a result, we will secure the resources needed for investments for growth while working to improve the Company's financial position.

## Major management targets

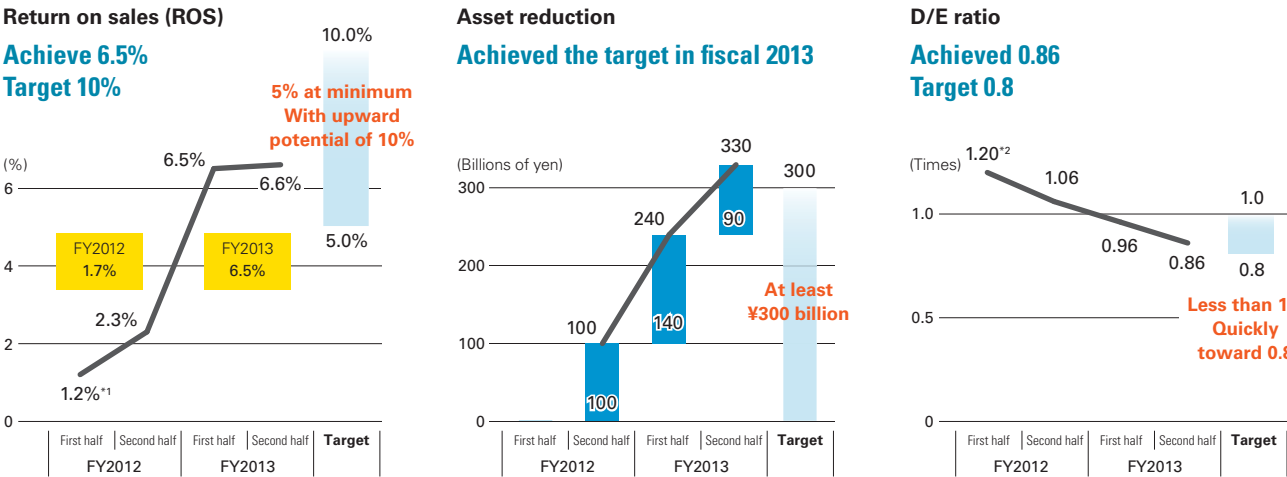
**Return on sales (ROS)**  
**5%** at minimum  
With upward potential of **10%**

**Synergy effects**  
At least **¥200** billion a year  
(Approximately ¥70 billion p.a. in the second half of fiscal 2013)

**Asset reduction**  
Approximately **¥300** billion  
in about 3 years

**D/E ratio**  
Less than **1.0**  
Quickly toward **0.8**

## Report on progress



\*1 First half of fiscal 2012: Combined bases of the two former companies  
\*2 End of the third quarter of fiscal 2012: Actual result

## Strategic growth investment Approximately ¥100 billion a year

### Major investments in overseas businesses

Automotive steel sheet, etc.	AM/NS Calvert (U.S.A.)	February 2014
	TENIGAL (Mexico)	August 2013
	JCAPCPL (India)	May 2014
	NSGT (Thailand)	October 2013
	BNA (China) *Increase capacity	Fiscal 2015 (plan)
	ICI (U.S.A.) *Increase capacity	Fiscal 2015 (plan)
Construction	NSBS (Singapore, etc.)	March 2013
	CSVC (Vietnam)	April 2013
Container	WINSteel (China)	September 2013
Pipe & Tube	VSB (Brazil)	Ramping up

## Capital expenditure within depreciation

- Investment to replace existing equipment for continuing high-level stable production
- Investment on safety, environmental, and disaster-prevention measures
- Investment to improve product quality and to reduce costs

### Fiscal 2013 results

Capital expenditures (Construction base) of ¥257.0 billion  
(Depreciation and amortization of ¥331.8 billion)

### Recent major investment projects

**Yawata Steelworks**  
Repair of the No. 4 blast furnace: Approximately ¥34 billion  
(Began operation in April 2014)

### Kimitsu Steelworks

Repair of the No. 4 coke oven: Approximately ¥29 billion  
(To be completed by December 2016 (plan))

## Profit distribution to shareholders

NSSMC's basic profit distribution policy is to pay dividends from distributable funds of the fiscal year after taking into account operating results and such factors as ensuring capital requirements for investment and other activities aimed at raising corporate value and performance prospects, while also considering the Company's financial strength. We have set a consolidated payout ratio target of approximately 20% for use as an indicator for the distribution of profits. In fiscal 2013, we paid dividend of ¥5 per share and attained a consolidated payout ratio of 18.7%.

# SEGMENT OVERVIEW

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- 22 Steelmaking and Steel Fabrication
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- 25 Chemicals
- 26 New Materials
- 27 System Solutions



# STEELMAKING and STEEL FABRICATION

## Annual Summary

NSSMC took comprehensive steps to fortify the domestic manufacturing foundation of the steelmaking and steel fabrication segment, including repairing of the Yawata Works No. 4 blast furnace and other investments in equipment upgrades. The Company also took steps to stimulate technological advancement, including collaborating with customers to develop highly-functional products and integrating the manufacturing, sales, technology, and research divisions to enhance its ability to develop solution proposals for customers.

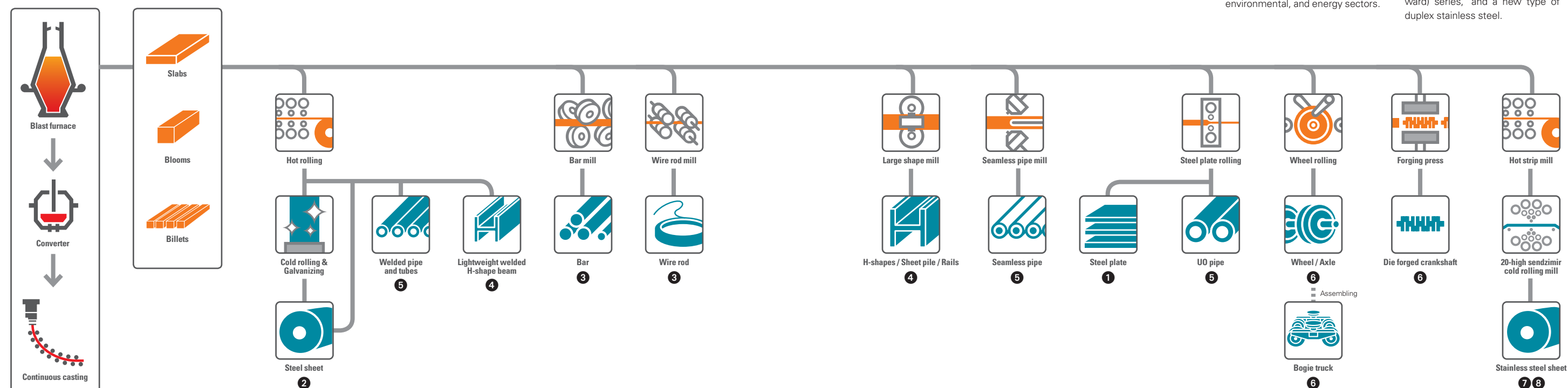
Measures were also implemented to formulate the optimal manufacturing system by integrating the technologies of Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. to increase the competitiveness of production lines while systematically integrating into the more competitive lines. In addition, NSSMC effected the integration and reorganization of the operating structure of its steelworks on April 1, 2014, and continued to integrate and reorganize its core Group companies with the aim of fortifying the domestic business base.

The global strategy was also advanced during the term, including capturing demand in overseas growth markets and reorganizing the operating structure to better respond to customers' global development activities.

The segment continued implementing measures to maximize cost structure efficiency, including raising the ratio of usage of low-cost materials, improving yield, and thoroughly constraining fixed costs, and to revise steel material prices with the understanding and cooperation of its customers. The steelmaking and steel fabrication segment recorded net sales of ¥4,877.9 billion and ordinary profit of ¥321.2 billion.

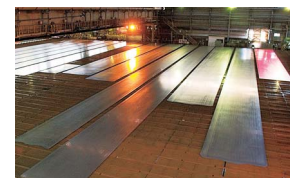
## Business Results

	Billions of yen		
FY	2011	2012	2013
Net sales	¥3,476.8	¥3,790.4	¥4,877.9
Ordinary profit	98.8	41.5	321.2



## Business Profile

### 1 PLATE UNIT



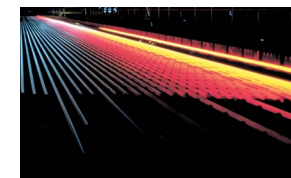
NSSMC contributes to enhancing the safety of structures and the development of society by delivering high-performance steel plates for large industrial/social structures such as ships, bridges, and high-rise buildings; marine structures for oil and gas extraction; and high-performance steel plates used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



# ENGINEERING and CONSTRUCTION



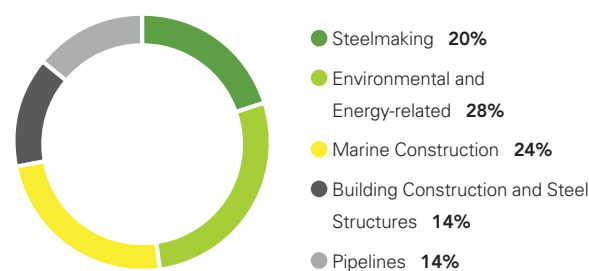
Nippon Steel & Sumikin Engineering Co., Ltd., the former Engineering Division of Nippon Steel, has long-accumulated steelmaking technologies, process and fabrication technologies, and element technologies that span heat management, corrosion prevention, welding, and steel materials. From this the company creates new technologies that correspond to challenges in the market, and utilizes its abundant project management capability, to respond to the needs of customers and society. The company undertakes many projects worldwide in extensive fields, including the construction and facility operation of steelmaking plants and environmental and energy-related plants as well as the construction of steel structures and pipelines.



**Makoto Takahashi**

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

## Sales by Business Field



## Business Results

	Billions of yen		
FY	2011	2012	2013
Net sales	¥248.9	¥303.0	¥314.1
Ordinary profit	12.7	18.1	17.7

## Business Strategies

Based on our corporate philosophy of “continuing our essential role of contributing to society,” we are promoting and steadily delivering the desired results from the following initiatives, with the aim of achieving the Medium-Term Business Plan “2nd STAGE 2015.”

- (1) In the case of “thoroughly exploring and developing the strategies to become the top three in the global market,” we strive 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.

## Annual Summary

Nippon Steel & Sumikin Engineering Co., Ltd. is developing operations in the areas of steel production plants, environment, energy, offshore projects, pipelines, and construction where it can fully apply its distinct capabilities. Amid recovering domestic demand and brisk overseas demand in the energy field, the company's performance was supported by steady progress in advancing projects and efforts to reduce costs and improve earnings. Although sales increased due in part to the yen depreciation, owing to factors such as a difference in the structure of orders and sales, the engineering and construction segment recorded net sales of ¥314.1 billion and ordinary profit of ¥17.7 billion.

# CHEMICALS



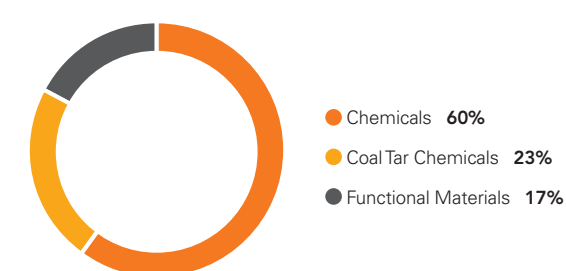
Nippon Steel & Sumikin Chemical Co., Ltd. has combined coal chemicals and petrochemicals through the use of aromatic chemistry. We have developed a wide variety of original products, including various aromatic products and needle coke, in which we command a high share in the coal-based type. In recent years, we have developed and marketed a wide range of display materials, PWB & package materials, and epoxy resins mainly for electronic materials. We are also working on capturing demand for organic electroluminescence (OEL) materials and other new functional products. By developing new businesses such as new materials for lithium-ion battery (LiB) electrodes, we strive to achieve both stability and growth in our business at the same time.



**Norio Katsuyama**

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

## Sales by Business Field



## Business Results

	Billions of yen		
FY	2011	2012	2013
Net sales	¥197.6	¥195.7	¥230.1
Ordinary profit	13.5	9.7	10.0

## Business Strategies

The Nippon Steel & Sumikin Chemical Group aims to become a chemicals company that contributes to society in the truest sense through the supply of world-leading steel chemicals and the expansion of the functional materials business based on our proprietary materials technology. 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.

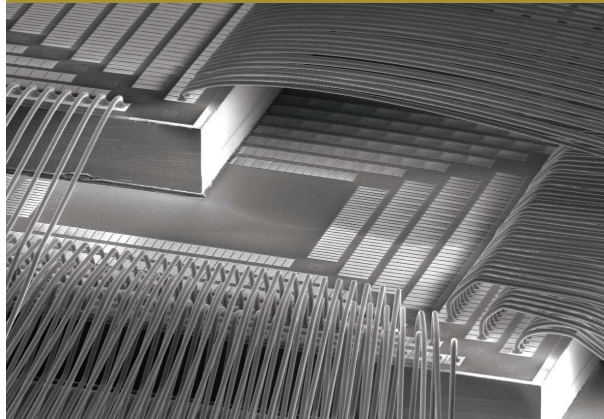
We are carrying out the mid-term management plan that ends in fiscal 2015, and our initiatives include business expansion by the development of core businesses overseas, the launch of venture-type businesses, the creation of development themes, and the enhancement of business management infrastructure.

## Annual Summary

The chemicals segment recorded declines in the sales volumes of needle coke, due to sluggish demand for electrodes in Japan and overseas, and in circuit board materials and epoxy resins for electronic devices owing to intensifying market competition. Nevertheless, market conditions for styrene monomer and other general-purpose chemicals improved, demand for superior quality display materials was strong, and applications for OEL materials in smart devices increased. The segment recorded net sales of ¥230.1 billion and ordinary profit of ¥10.0 billion.



# NEW MATERIALS



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 thoroughly ascertains user needs through close communication that is 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.



**Kenji Yamada**

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

## Business Results

Billions of yen			
FY	2011	2012	2013
Net sales	¥54.2	¥42.2	¥37.2
Ordinary profit	0.6	0.9	1.3

## Business Areas and Products

### Semiconductor and electronics industry materials and components

Stainless steel foils, chemical mechanical polishing (CMP) pad conditioners, silicon carbide (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 become a world-leading 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 expand manufacturing and sales in our six overseas bases (in China, the Philippines, Malaysia, 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 as well as promote the development of original new products.

## Annual Summary

The new materials segment recorded solid demand for surface-treated copper wire, a material alternative to gold bonding wire, and other products in the electronic materials field. Demand increased for social infrastructure maintenance and reinforcement materials in the basic industrial materials and components field and from developing countries for metal substrates in the environmental and energy field. The segment also accelerated the shift to production overseas and continued to develop and expand sales of new products. Although sales declined mainly due to lower sales of gold bonding wire, the sales mix improved, leading the segment to post net sales of ¥37.2 billion and ordinary profit of ¥1.3 billion.

# SYSTEM SOLUTIONS



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 configuration 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.

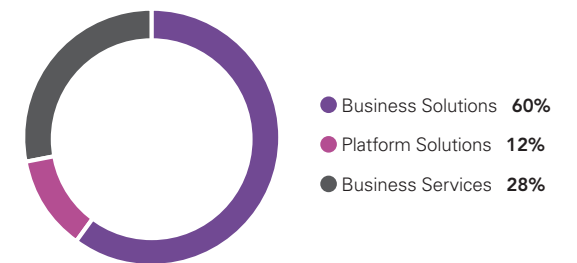
Our business services operation primarily involves the provision of services relating to IT systems operations, management, and maintenance, such as comprehensive IT outsourcing services that leverage our secure data centers.



**Munetaka Shashiki**

Representative Director and  
President  
NS Solutions Corporation

## Sales by Business Field



## Business Results

Billions of yen			
FY	2011	2012	2013
Net sales	¥161.5	¥171.9	¥179.8
Ordinary profit	11.2	11.6	12.7

## Business Strategies

NS Solutions will continue to expand its business base, by ascertaining and anticipating customers' needs such as for strategic investments or global development, thereby providing competitive solutions. This, we expect, will help establish us as a long-term IT partner to customers.

With the aim of strengthening service business, we will make our cloud service "absonne" more competitive and expand its sales. Our IT outsourcing service "NSFITOS," which provides one-stop infrastructure management services with "absonne" as the core, will also be further enhanced.

Expanding global capability is also important, and we have built a global service structure in which our bases in China, Southeast Asia, the United States, and Europe work closely with each other. In China, we are working to expand our operations, with a focus on strengthening our infrastructure construction and management business and increasing sales of cloud services. In Thailand, we have reinforced our organizational system through a management integration with a locally incorporated subsidiary.

## Annual Summary

The system solutions segment provides comprehensive solutions in the planning, configuration, operation, and maintenance of IT systems for customers in a wide range of businesses and develops leading-edge solutions services to enhance customer capabilities amid changing business conditions. During the term, the company continued to strengthen and expand its cloud computing and other service businesses while expanding its business operations in Asia, including acquiring all shares of system developer PALSYS Software Co., Ltd. of Thailand. The segment recorded net sales of ¥179.8 billion and ordinary profit of ¥12.7 billion.

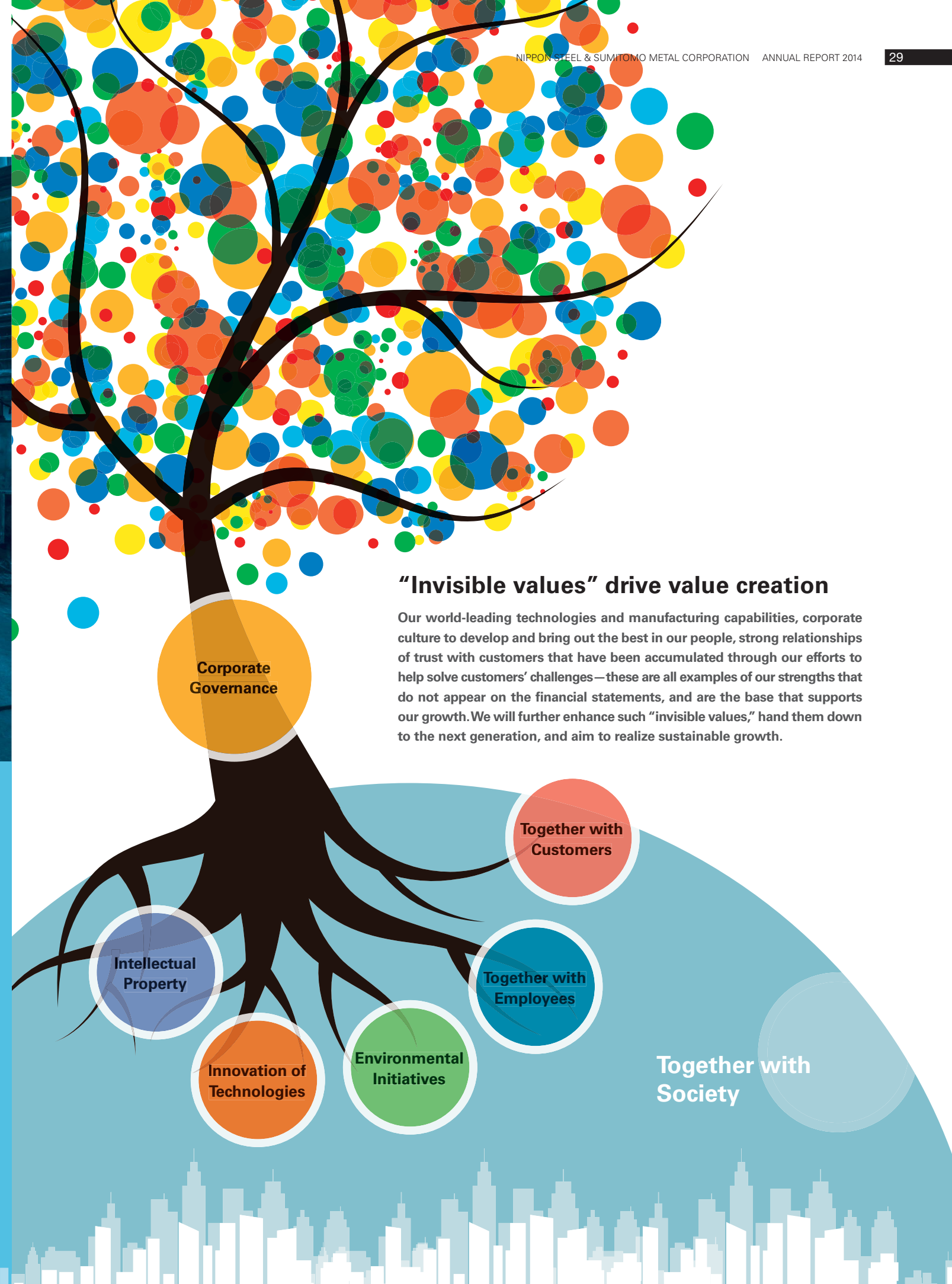


03

# BASE THAT SUPPORTS GROWTH

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# INNOVATION OF TECHNOLOGIES

## Aiming for further advancement in technology

As a key part of NSSMC's anticipation and response to diversifying societal needs, characterized by changing consumer preferences and growing concerns over energy and the environment, we selectively invest management resources into: 1) improving our 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; and 3) nurturing environment-oriented technology that underpins sustained corporate development. We are promoting an R&D structure that integrates basic research and application development and engineering.

### R&D Organization

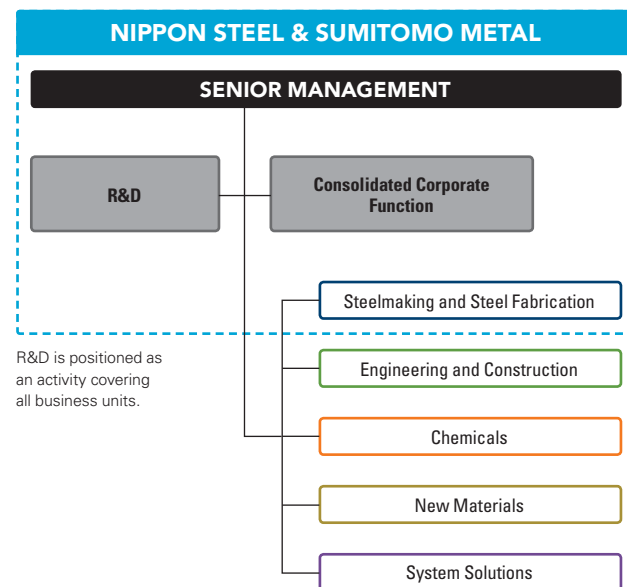
NSSMC's approximately 800 R&D employees work in three core research centers—Futtsu in Chiba Prefecture, Amagasaki in Hyogo Prefecture, and Hasaki in Ibaraki Prefecture—as well as in the Plant Engineering and Facility Management Center (Head Office) and R&D laboratories at steelworks across Japan. They make collaborative efforts for integrated R&D activities that encompass basic and fundamental research and application development and engineering. Our R&D capabilities feature six strengths: (1) comprehensiveness and speed of development, facilitated by the integration of R&D and engineering; (2) an R&D network having locations in customer regions; (3) integrated solutions enhanced by Group companies' products and technologies; (4) the ability to address environment- and energy-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.

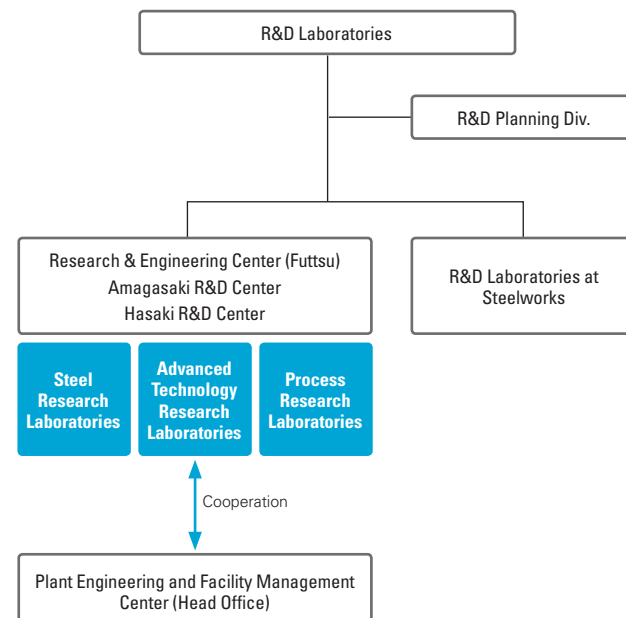
In April 2014, we began the process of optimizing our R&D organization. We clarified roles and functions of each R&D site and consolidated research teams working in the same research field but at various sites of the now-combined companies. Work in a given research field is now done at a single location. This reorganization is expected to maximize synergy effects. Moreover, an R&D laboratory was newly established at Kashima Works, in addition to laboratories in Muroran, Kimitsu, Nagoya, Hirohata, Yawata, and Oita Works.

By means of the new organization we aim to maximize the potential of steel as a material and are determined to lead the world by developing innovative technology and products primarily in growing sectors.

### Positioning of R&D



### R&D Organization



### NSSMC's innovation—Introducing examples of our successful R&D outcomes

#### Exploit new functions of steel

- Steel that is easy to transform and process (1,180MPa ultra high-tensile-strength steel with high formability)
- Anti-corrosive steel (anti-corrosive galvanized steel sheet SuperDyma™\*)
- Steel that enables efficient use of energy and other resources (Boiler tubes for ultra supercritical boilers)

#### Exploit new uses for steel

- Application technology that makes use of steel (Hot press technologies, 3DQ technology, pressing technologies NSafe™-FORM)
- Technology for predicting performance (New analysis techniques for automotive corrosion simulation)
- Technology that assesses performance (drop impact test)

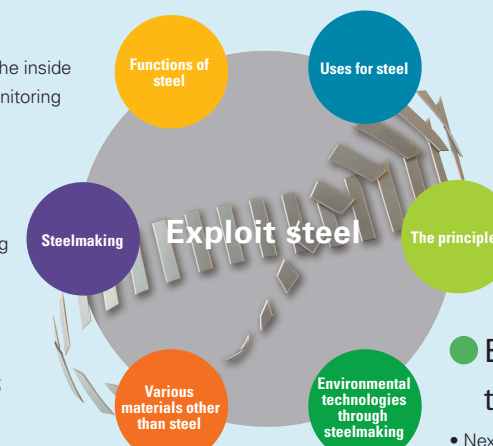
#### Exploit steelmaking

- Technology that enables visualization of the inside of a blast furnace (3D real-time visual monitoring technology for blast furnace operation)
- Technology to make cleaner steel (Technology to analyze and control liquid steel magnetic flow)
- Technology to control evenness of cooling (Continuous online control process CLC™-μ for steel plates)

#### Exploit various materials other than steel

- Titanium alloy that is light in weight, highly corrosion resistant, and easy to fabricate
- Semiconductor mounting material that reduces rare-metal requirements (Copper bonding wire EX1\*)

\* Recent prizes received



#### Exploit the principles

Technology for control of metallic structure, crystal construction, or alloy constitution

#### Exploit environmental technologies through steelmaking

- Next-generation coke-making technology (SCOPE21\*) to realize the world's highest energy efficiency
- Technology to extract hydrogen from high-temperature gas of a coke oven through catalytic reforming
- Technology to convert waste plastics to chemical raw material by use of a coke oven\*

### Praise from society: Recent prizes received

Okochi Award	FY2011	Production Award	• Municipal waste plastics recycling technology for producing chemical raw materials
	FY2012	Production Award	• Development of high-alloy OCTGs and their manufacturing technology that enables production increases of natural gas
Ichimura Award	FY2012	Main Prize	• Multi-coated Cu bonding wire for LSI packaging
	FY2014	Contribution Prize	• Invention of railway vehicles' active suspensions
National Invention Award	FY2012	Nippon Keidanren Chairman's Invention Prize	• Development of the functional steel plate with high enhancement of fatigue life for welded structures
	FY2013	21st Century Invention Award/ 21st Century Contribution of Invention Award	• Excellent corrosion-resistant hot-dip alloy coated sheet
Monodzukuri Nippon Grand Award	FY2013	Patent Office Commissioner's Award	• Invention of high-strength non-oriented electrical steel of resource-saving design
	FY2013	Special Award (Manufacturing and Production Process Category) Award (Production and Technology Development Category)	• Invention of new type of high-performance copper bonding wire for LSI
The Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology	FY2013	Science and Technology Award: Development Category	• Development of a new, high-quality, highly efficient process for steelmaking that also has lower environmental impact
	FY2013	Science and Technology Award: Development Category	• Development of high-corrosion-resistant lightweight IP gold titanium due to vacuum technology and advanced ultra-delicate design polishing technology
	FY2012	Science and Technology Award: Development Category	• Development of a highly environment-sensitive Sn-Zn plated steel sheet for use in automobile fuel tanks
	FY2013	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
	FY2013	Science and Technology Award: Development Category	• Development of highly accurate cooling control technology through the use of a thermometer applied to cooling steel sheets at the hot rolling mill
	FY2014	Science and Technology Award: Development Category	• Development of technology to convert waste plastics to chemical raw material by use of a coke oven (joint award)





# 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 world's leading steelmaker with comprehensive strengths.

### 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 Steady promotion of our IP mid-term plan
- ② Concerted efforts to enhance coordination with pursuit of advanced technologies and maximize our IP value

#### II. ENHANCED SUPPORT AND MANAGEMENT OF IP CREATING ACTIVITIES

- ① Sharing of strategies and enhancement of collaboration with overseas Group companies and IP partners (external experts)
- ② Strengthening of support for overseas invention and other IP creating activities

### Promoting unified IP management as NSSMC Group

In collaboration with related divisions across the Group, we are promoting the acquisition of IP, both in Japan and overseas, relating to various world-leading advanced technologies, such as product/manufacturing technologies and technologies for using diversified raw materials and for reducing environmental burden. Moreover, in order to establish a global business structure, we have been implementing mutual licensing of IP, such as patents and know-how, and providing technical sup-

port to our strategic alliance partners and joint venture companies. This strengthens the competitive edge of the NSSMC Group as a whole.

### Enhancement of IP compliance

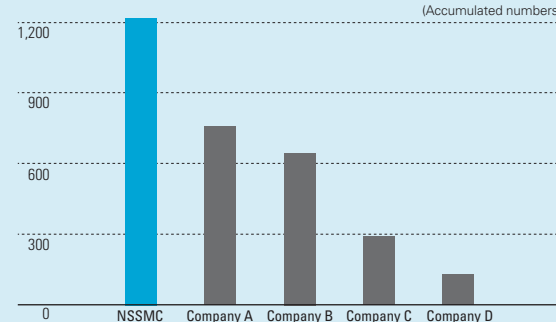
From the viewpoint of respecting other companies' IP rights, we conduct all of our IP activities in compliance with IP laws. At the same time, we engage in wide-ranging activities, from "utilization" to "information management," with respect to NSSMC's technology. We also strictly deal with any illegal use of our patents, corporate/trade name, trademark, and copyrights.

### Receipt of a Thomson Reuters Top 100 Global Innovator Award for the Second Consecutive Year

Following the 2012 Award, NSSMC has earned a Thomson Reuters 2013 Top 100 Global Innovator Award, which is based on four principal criteria—overall patent volume, patent grant success rate, global reach of the portfolio, and patent influence as evidenced by citations. NSSMC was again the only company chosen from the global metal refining and production industry including steel.



(Reference) Number of international patent applications published by NSSMC and its competitors: For the five years from 2009 to 2013 (Accumulated numbers)



# 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.

## 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 SHARING OUR "ECO-SOLUTIONS"

We contribute to the reduction of CO<sub>2</sub> emissions and other environmental burdens on a global scale by diffusing our Group's world-class environmental and energy-saving technologies in Japan and overseas.



## DEVELOPMENT OF INNOVATIVE TECHNOLOGIES

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

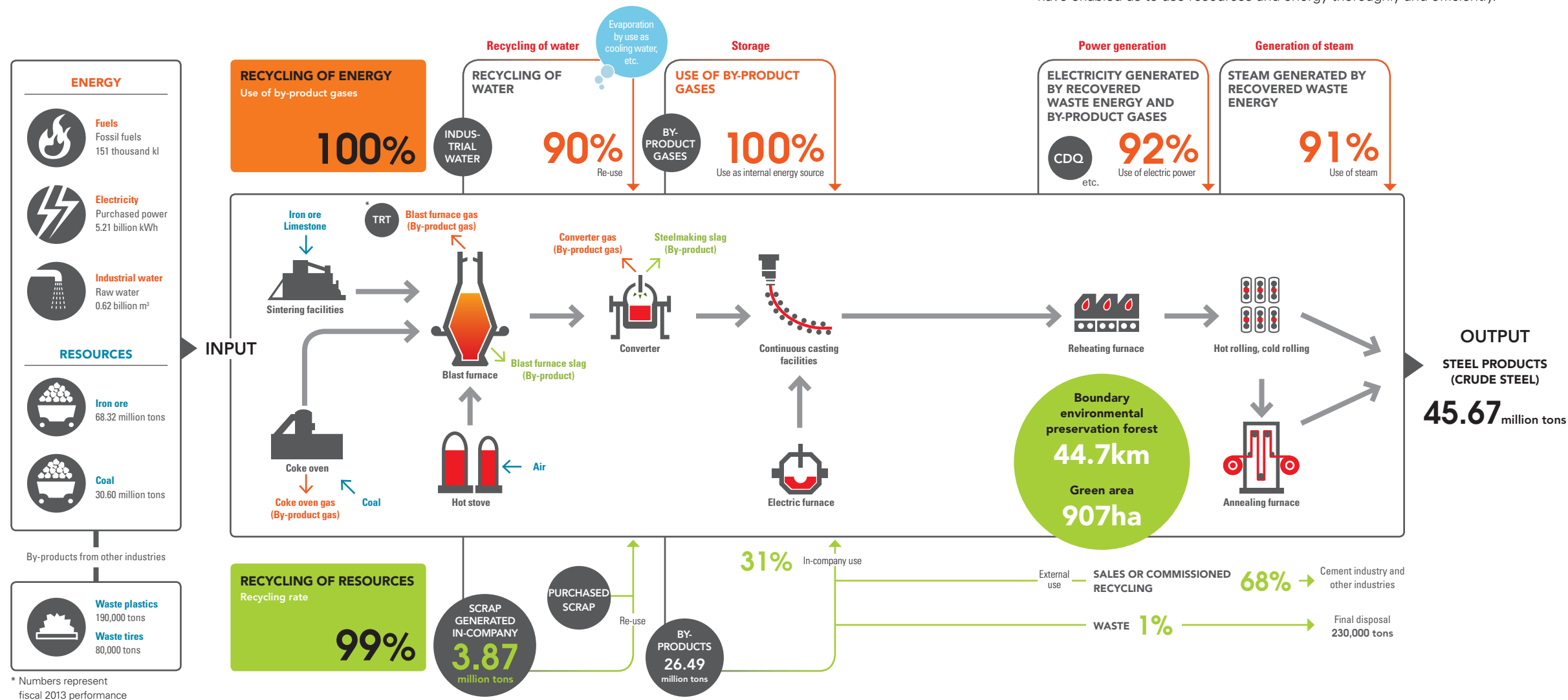


## Environmental Initiatives

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

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

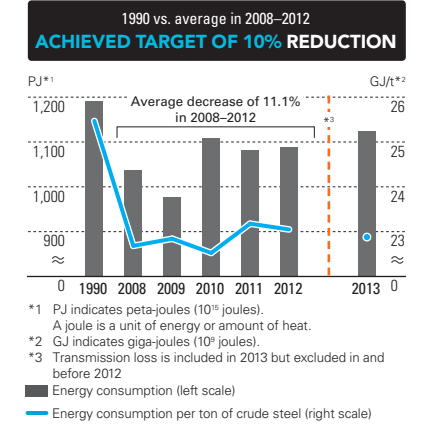
We strive to efficiently utilize limited resources and energy at every stage of operations.



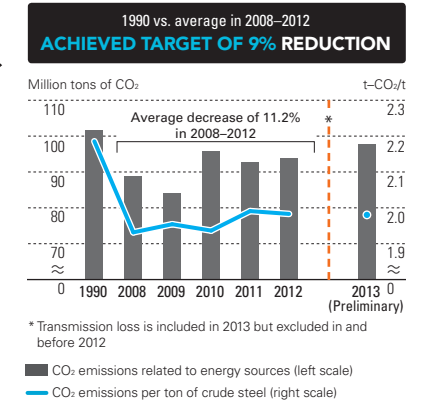
NSSMC's steelworks are working rigorously to save energy in all manufacturing processes with the aim of reducing CO<sub>2</sub> emissions. For example, we try to achieve efficient use of equipment, higher combustion efficiency, and electricity savings. In addition, water for cooling or washing products 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

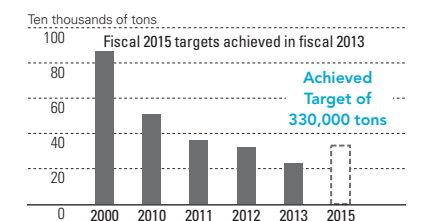


#### Energy-derived CO<sub>2</sub> emissions



#### Final disposal amount

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

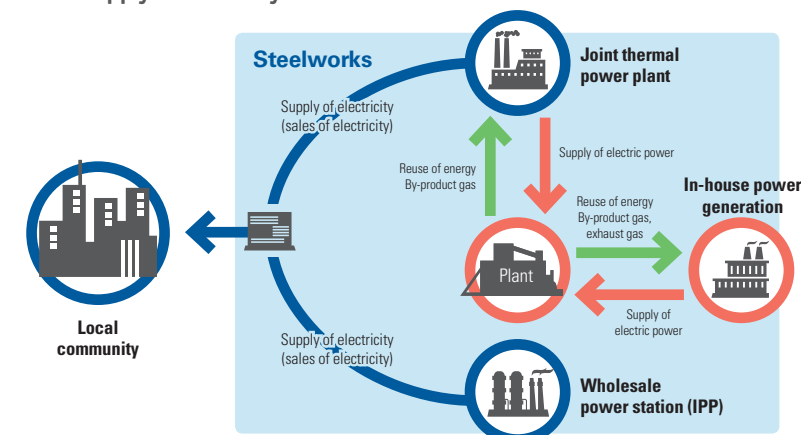


### TRT Top-pressure Recovery Turbine (TRT)

A blast furnace produces a massive amount of by-product gases. The TRT is intended to utilize the massive exhaust pressure from the blast furnace of steel mills to generate electricity. It requires no fuel cost and generates no greenhouse gases, such as CO<sub>2</sub>. For example, at Kashima Works, approximately 10% of the electricity necessary is supplied by the electricity that is generated by this system.

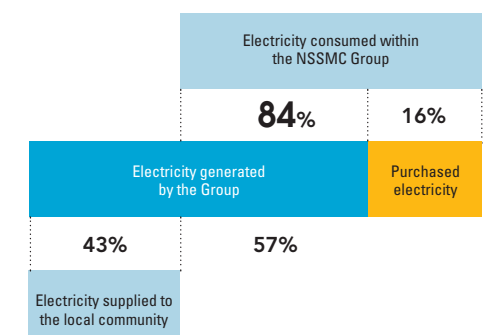


The NSSMC Group is also contributing to the supply of electricity.



NSSMC internally generates **84%** of the electricity it uses.

NSSMC supplies **43%** of internally-generated electricity to the local community.





## Environmental Initiatives

# ECO PRODUCTS™ (WHAT WE PRODUCE IS “ECO-FRIENDLY”)

### NSSMC's eco-friendly products help reduce environmental burden.

Our Group's products, that have advanced or highly specialized functions, technological capabilities, and reliability, are used in diverse areas including energy, transportation and construction equipment, and household products. They typically help our customers become more efficient while making their products lighter or lengthening product life. That translates into the saving of resources and energy, and into a reduction in CO<sub>2</sub> emissions at the point of use at our customers, contributing to lessening the environmental burden.

#### ENERGY-RELATED PRODUCTS

##### Eco-friendly oil well tubular CLEANWELL™ DRY

Oil well tubulars are used in wells to produce oil or gas. As these wells can be as deep as 10,000 meters, tubulars are connected by threaded joints. Grease is normally used to lubricate the thread surface but it contains heavy metals, which may contaminate the surrounding environment. This is why NSSMC developed CLEANWELL™ DRY, a lubricant to be applied on the surface of threads. As it contains no grease, it does not damage the environment.



CLEANWELL™ DRY

##### Steel materials for offshore wind power generation

The NSSMC Group is participating in the world's first offshore wind power generation project that uses a floating wind farm. In November 2013, a large wind turbine, 80 meters in diameter, began to generate 2 megawatts at about 20 kilometers offshore from Fukushima Prefecture. NSSMC provides high-tensile light-weighted steel with high-performance weldability for floating parts which are used in the harsh offshore environment. Supply of this material contributes to reduced CO<sub>2</sub> emissions in transportation and construction.

We have also developed and supplied materials for chains to connect the floating offshore wind turbine to its anchorage on the ocean bed. Our chain materials are durable against friction and corrosion in and on the ocean and help anchor the floating part in a harsh environment with no need of replacement for 20 years. Reducing the need for replacement and repair, which require large-scale construction work, contributes to the reduction of CO<sub>2</sub> emissions in transportation and construction and helps prevent climate change.



Offshore wind power generation (Courtesy of Fukushima Marine Wind Power Consortium)

#### PRODUCTS RELATED TO TRANSPORTATION AND CONSTRUCTION EQUIPMENT

##### Electromagnetic steel sheet for high-efficiency motors

Electromagnetic steel sheet efficiently converts magnetic energy into electric energy by enhancing the property of the iron to convey magnetic lines of force. It is used to make the iron core of electrical equipment such as motors. This material for iron cores is required to enable high power output and to efficiently convert electric energy to motive power. NSSMC's electromagnetic steel sheet is used for fuel-efficient hybrid and electric vehicles (EVs), contributing to high performance in the vehicles (through improvement of fuel efficiency and high-speed rotation) as well as energy savings.



Example of high-efficiency motor using electromagnetic steel sheet

##### High-tensile-strength steel materials

Reduction in vehicle body weight is a top priority for automakers seeking improvement in fuel efficiency. This has to be achieved while also ensuring the safety of passengers in case of a collision. High-tensile-strength steel materials can overcome these challenges. The materials are used in various forms and applications as automobile parts. NSSMC has been the first in the world to develop and commercialize high-tensile-strength steel materials for automobiles that are not only strong but also superior in workability. Weight reduction of automobiles achieved as a result of efforts to improve fuel efficiency is another way that NSSMC contributes to the prevention of climate change.



Drop impact test (the middle two products are high-tensile-strength steel materials)

##### Steel tire cord

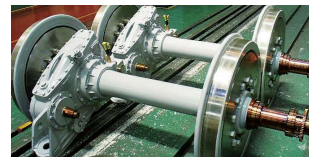
Radial tires for automobiles use wires made of steel cords that are as thin as three human hairs. These cords help tires to retain their form and provide excellent rollability. NSSMC's high-strength steel cord, the strongest in the world, helps reduce the number of wires in a tire, thus contributing to weight reduction of tires. This is another way that NSSMC helps to preserve the global environment, through improved fuel efficiency.



A cross-section view of a tire, showing steel cord

##### Wheelsets (wheels and axles) for high-speed railways

NSSMC manufactures almost all wheels and axles for the *shinkansen* and other high-speed railways in Japan. The wheel-axle assembly of a railroad car is fitted to the driving mechanism of gear assemblies or brake disks, and is made to suit the conditions and requirements of each user. We have continued development and improvement of this product based on our expertise and technology, while pursuing weight reduction and thus contributing to energy conservation in railway transport. We have also developed technology to dampen the noise of meshing of a gear unit or hissing sound of brake disks.



Railway wheels and axles

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

The use of high-strength, low-density titanium contributes to the reduction of weight in aircraft, thereby achieving higher energy efficiency. The Airbus A350 XWB and other advanced aircraft have improved fuel efficiency thanks to technological breakthroughs such as further weight reduction due to the use of new composite materials and the adoption of newly designed engines. As titanium is compatible with composite materials such as carbon fiber-reinforced plastic (CFRP), it can further contribute to making aircraft more eco-friendly. NSSMC supplies titanium alloy rods used in aircraft engine blades and pure titanium sheet used in pylons that connect wings and engines.



Airbus A350 XWB © AIRBUS



An excavator's bucket made of ABREX™ steel © Volvo

##### ABREX™ Series abrasion-resistant steel plate

The ABREX™ Series abrasion-resistant steel plate is 5–6 times harder than ordinary steel and wears out less. This durability is why it is often chosen for applications in construction machinery and mining equipment for civil engineering and mineral resources development, and for crushing machines used in the recycling of resources. By being used for dump truck beds and excavator buckets, the ABREX™ Series has contributed to post-earthquake reconstruction of the Tohoku region. The series is eco-friendly and features reduced abrasion of the material, extension of the maintenance cycle of machinery, and weight reduction of the product where it is used.

#### HOUSEHOLD-RELATED PRODUCTS

##### Corrosion-resistant SuperDyma™ galvanized sheets

SuperDyma™, a high corrosion-resistant hot-dip galvanized sheet, is used as a building material for frames for solar power generation and various other applications. Its coating is mainly composed of zinc with aluminum, magnesium, and silicon. Compared to conventional products, SuperDyma™ lasts four times longer and its tight protective coating film can be a quarter of the thickness of the material it replaces. In addition, after-coating and after-painting are unnecessary, as SuperDyma™ has high corrosion resistance on cut-end surfaces. As such, it saves painting costs, weighs less, and reduces CO<sub>2</sub> emissions in transportation and construction. SuperDyma™ received the Chairperson's Award, Eco-Products Awards Steering Committee, at Japan's 10th Eco-Products Awards.



Frame for solar power generation

##### High-strength steel wires for suspension bridges

Galvanized steel wires are used for the main cables of long-span suspension bridges, such as the Rainbow Bridge in Tokyo. The bridge-supporting cables, 1,000 millimeters in diameter, are made of tens of thousands of individual steel wires of 5-millimeter diameter bound tightly together. Our high-strength steel wires for cables are used as the main cables of many long bridges that have been constructed at major straits in Japan and overseas. NSSMC is contributing to the prevention of climate change by supporting activities of daily living including traveling, and limiting CO<sub>2</sub> emissions in transportation and construction of bridges.



Akashi Kaikyo Suspension Bridge

##### Hat-shaped steel sheet pile

NSSMC's hat-shaped steel sheet pile, with its hat being the widest in the world, is used in various applications such as riverbank reinforcement, water channel reinforcement, port quays, road revetment, shielding walls, and measures to prevent liquefaction and sinking of riverbanks. The steel weighs 7% less than conventional U-shaped steel sheet pile, while the pile is 1.5 times wider. By reducing the number of piles pressed in the ground by two-thirds, the time needed for transportation and construction can be shortened and hence reduce CO<sub>2</sub> emissions, thereby contributing to the prevention of climate change.

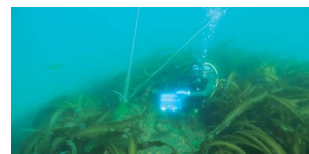


Hat-shaped steel sheet pile

##### Steel slag-based products

Beverly™ Unit is a fertilizer that supplies iron, which is needed to foster growth of seaweed beds in the ocean. Made up of iron supply units composed of steel slag, which is rich in iron, with soil and humus obtained by fermenting chips of waste wood, the Beverly™ Unit is put in a bag made of palm tree leaves and buried along the coast line, or is placed in an iron box and sunk on the sea floor. This supply of iron into the ocean helps to regenerate sea forests.

The steel slag, a by-product of the steelmaking process, is mainly composed of calcium and silicon and contains magnesium, iron, phosphorus, manganese, and boron, which help plants to grow, and has long been used as fertilizer. Recently, the slag fertilizer has been used at a farm in the Tohoku region, which was damaged by the tsunami caused by the Tohoku Earthquake in March 2011. It has helped recover the health of the farm soil and has proved to be an eco-friendly product that helps promote soil fertility.



Beverly™ Unit



Rice paddy that uses slag fertilizers

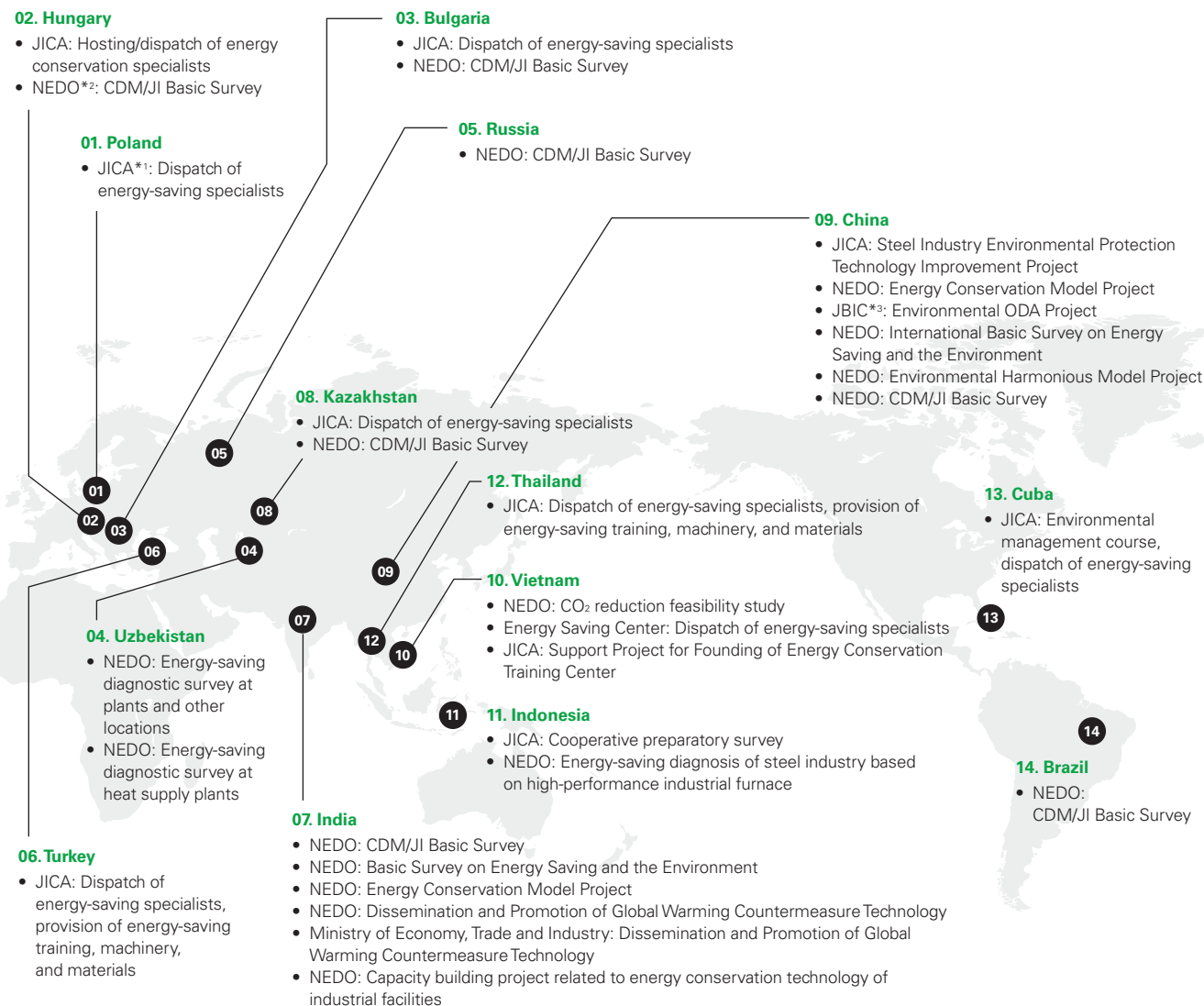


## Environmental Initiatives

# ECO SOLUTION (SHARING OUR "ECO-SOLUTIONS")

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 CO<sub>2</sub> 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.



\*1 JICA: Japan International Cooperation Agency

\*2 NEDO: New Energy and Industrial Technology Development Organization

\*3 JBIC: Japan Bank for International Cooperation

## Example of an "eco-solution" CDQ (Coke Dry Quenching)

CDQ 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 uses inert gas for cooling and generates power by collecting exhaust heat. It also generates little white smoke (steam) and scatters little dust. Moreover, it contributes to the stable operation of a blast furnace as the coke is strengthened.

Nippon Steel and Sumikin Engineering in the NSSMC Group has constructed about 100 units of CDQ in Japan and overseas, contributing to the saving of energy and enhancement of environmental measures in China, India, and other emerging countries.



CDQ equipment

# 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 (when converted into crude oil equivalent) 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.



Next-generation coke oven (Nagoya)

## Environmentally harmonized steelmaking process technology (COURSE50)\*

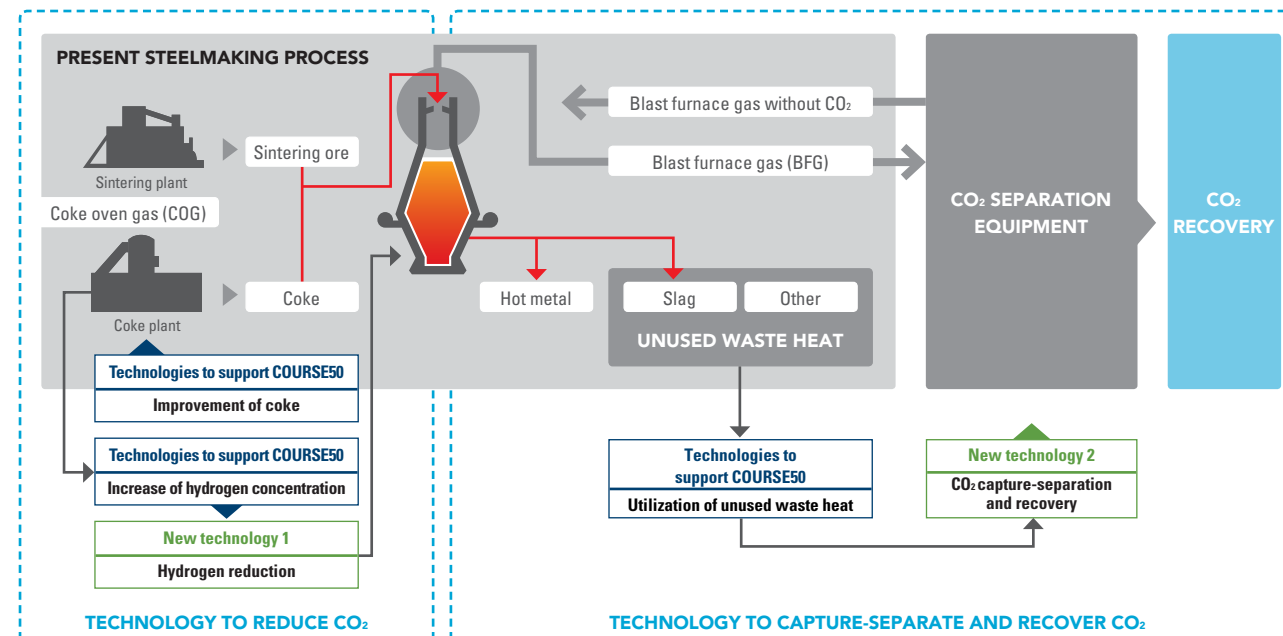
We are working to develop revolutionary steelmaking processes aimed at large-scale CO<sub>2</sub> reductions.

The Japanese steel industry is already the lowest energy realized steelmaking processes that emit the least amount of CO<sub>2</sub>. 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. Among the projects being realized by the NSSMC Group and three other steelmakers, we are constructing a test blast furnace (to be completed

by fiscal 2015) in the scale of 10m<sup>3</sup> and will execute the test operation for H<sub>2</sub> reduction development with the aim of realizing the COURSE50 processes. We are also working on the H<sub>2</sub> magnification test from coke oven gas and the technological development to use exhaust heat (hitherto not utilized) during the process of separating and recovering CO<sub>2</sub>. Through these efforts, we strive to further develop our technology.

\* COURSE50 (CO<sub>2</sub> Ultimate Reduction in Steelmaking process by Innovative technology for cool Earth 50): NSSMC, Nippon Steel and Sumikin Engineering Co., Ltd., and three other integrated steelmakers in Japan are carrying out this project with the aim of developing innovative process technologies that enable substantial reductions of CO<sub>2</sub> in the steelmaking process.

## Environmentally harmonized steelmaking process technology







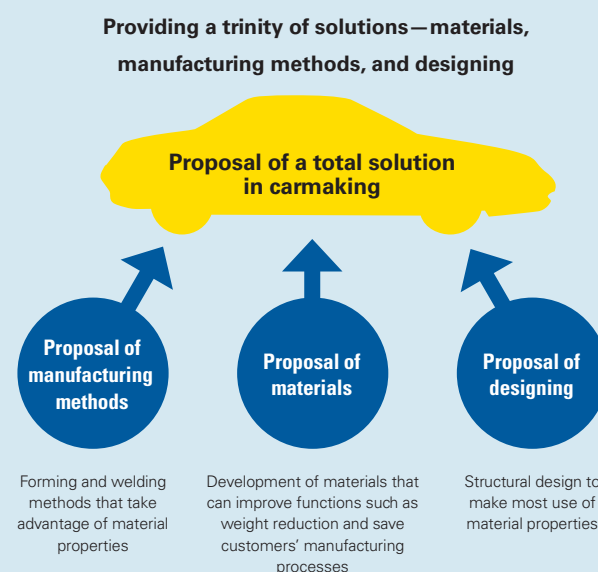
# TOGETHER WITH CUSTOMERS

Through the provision of total solutions, we have built relationships of trust with customers, which has become one of our strengths.

In general, steel products are processed at the final stage by customers. NSSMC does not simply sell products to customers but instead provides total solutions, including processing technology, from the viewpoint of our customers. By supporting customers when they solve problems, we contribute to the improvement of their product quality. Such efforts have been accumulated so as to result in strong long-term relationships of trust with customers, which has become a precious asset for us.

## Example of a solution: High-tensile steel sheets for automobiles

High-tensile steel sheets for automobiles are required to satisfy the need for weight reduction to raise fuel efficiency and the need for vehicle body stability. The steel sheets must be both thin and strong, making them difficult to manufacture. We propose to our customers a trinity of solutions—materials, manufacturing methods, and designing. For example, we may propose a forming method that matches the specific features of each customer's facilities and techniques. In addition to such “before service” activities, we may provide “after service,” by which our engineers regularly visit customers' manufacturing sites, and thus ensure further improvement in developing steel materials. By enhancing cooperation with customers and maximizing performance of steel materials, we contribute to the manufacturing of safe, reliable, and eco-friendly vehicles.



## 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 based on the customers' viewpoint, are our valued assets. We will seek to ensure that our customers say “only NSSMC can do this,” in keeping with our aim of being the No. 1 steelmaker in terms of customer satisfaction.

## Received the highest-ranked Best Partner Award from Panasonic Corporation for a third consecutive year

NSSMC received from Panasonic Corporation the Best Partner Award in November 2013. We have been recognized as having greatly contributed to the enhanced strength and appeal of Panasonic products—through the provision of proposals on new materials and various manufacturing methods—that have fostered our long-term business relationship. We are the first company to receive the award for a third consecutive year. NSSMC also received Gold Awards for ECO-VC (Value Creation) Initiatives for five contributions, including the use of high-corrosion-resistance galvanized SuperDyma™ which enabled the world's first uncoated air conditioner outer unit. The ECO-VC awards are given to suppliers that make particularly significant contributions to energy savings and value creation (or raising product values). The ECO-VC awards were given to NSSMC for a fifth consecutive year. In 2013, we were awarded out of as much as 1,100 applications that were submitted by suppliers of Panasonic Group companies.



# TOGETHER WITH EMPLOYEES

The first step toward world-leading technologies and manufacturing capabilities is to develop a great workforce.

NSSMC's growth strategies include the utilization of advanced technologies and an affirmative approach to globalization. While this may appear all too obvious, such initiatives can only be realized by our own people. The NSSMC Group helps develop each and every employee and combine their power with the corporate aim of becoming the world-leading steelmaker.

## 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, intercultural learning programs, overseas assignment, and overseas study programs. It is also important to hire and invest in engineers who will lead us in the advancement of our technological edge. As such, there are various specialized technological training sessions for these engineers.



Various training programs have been arranged for development of the human resources needed for a company to operate in a global environment.

## Diversity in human resources

12,500 people of diverse backgrounds are working at approximately 80 overseas bases of the NSSMC Group. In Asia, the Americas, and elsewhere, NSSMC employees are working together with local employees and joint venture partners. As well, in many of our companies we have more female employees in important positions than in the past, even at manufacturing worksites.



At one of our manufacturing worksites in Japan

## 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 such systemized teaching methods as visualized work procedures and comprehension tests.



Relaying of skills from veteran employees to young workers contributes to sustainable growth of the NSSMC Group.

## 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 as unjust the discriminatory treatment of workers, and take such initiatives as holding conferences for human rights enlightenment on a regular basis. In addition, we give careful consideration to the traditions and culture of each country as we accelerate overseas business development.



## Together with Employees

### 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." In keeping with the Basic Philosophy on Safety and Health, we uphold activities with the aim of eliminating serious injuries. We also work at making our equipment genuinely safer as one way of improving worksites. We carry out measures to prevent human errors. Also, we are establishing a system to promptly and widely inform our people of good examples of disaster prevention initiatives. These are just some of the ways we seek to ensure the safety and health of employees. As for training on safety, our *TAIKAN* Program (experience-based safety education program) which enables employees to experience risk at their worksite through simulation, to thereby better prepare them for anticipating and managing risk, has been enhanced. As for healthcare management, we have improved health guidance to employees and continuously urge early detection and appropriate handling of mental health issues of employees.



Employees are trained in experiencing risk through our *TAIKAN* Program

### 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 provide 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 Works

#### NIPPON STEEL & SUMITOMO METAL CORPORATION GROUP Employee Action Guidelines

##### What we strive for

##### Creativity, Innovation, and Growth

We constantly seek self-improvement, pursue ambitious goals with enthusiasm, and continuously challenge ourselves to do better.

##### What we value most

##### Self-Empowerment, Workplace, and Essentiality

We observe rules, keep our promises, and pierce to the heart of matters by actively investigating the facts.

##### What we encourage

##### Dialogue, Collaboration, and Sharing of Knowledge

We build mutual trust through dialogue and collaboration, and seek to pass on our spirit and skills to the next generation.

We will be guided by these principles, and act fairly and equitably throughout the world.



# CORPORATE GOVERNANCE

**The NSSMC Group strives to enhance corporate governance so as to retain society's trust and realize corporate value improvement.**

**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 and 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 corporate governance structure, the Company shall have a Board of Directors and not more than 20 Directors as well as an Audit and Supervisory Board and not more than 7 Audit and Supervisory Board Members, and accounting auditors. Based on that article, 14 Directors (including 2 Outside Directors), 7 Audit and Supervisory Board Members (including 4 Outside Audit and Supervisory Board Members), and one accounting auditor are elected at present.

NSSMC's Board of Directors, which is comprised of Directors with thorough understanding and experience in its businesses and Outside Directors having independent positions, adequately and swiftly makes decisions regarding the Company's important business activities and oversees the execution of duties by Directors. The Audit and Supervisory Board Members, who hold legally strong auditing authority, are required to maintain integrity, objectivity, and independence when overseeing the execution of duties by Directors and enhance the oversight function of the management. NSSMC believes that this structure ensures efficiency and fairness in management and is effective for the Company to achieve sound and sustainable growth. Therefore, NSSMC has adopted the company system form of organization with an audit and supervisory board. In addition, to clarify responsibilities for the results of each business unit and division, the Company has introduced an executive officer system under which executive officers strive to ensure the proper execution of business activities.

### Directors and Audit & Supervisory Board Members

Based on internal rules, executive decisions on key issues that may affect the activities of NSSMC and 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, the President, Vice Presidents, and other members and that normally meets once a week. In addition, NSSMC has set up 17 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. At present, NSSMC's Board of Directors comprises 12 Directors in charge of execution of duties and 2 Outside Directors. Outside Directors, who have vast experience and deep insights in corporate management, international relationship, and other fields, are expected to contribute to decision making from diverse perspectives on NSSMC and enhancing the overseeing function of management, by proactively providing their opinions and exercising voting power from their independent status at the Board of Directors and other meetings. The present Audit and Supervisory Board comprises 3 full-time Audit and Supervisory Board Members and 4 Outside Audit and Supervisory Board Members. The Outside Audit and Supervisory Board Members, who have vast experience and deep insights in fields such as legal affairs, accounting, financials, and corporate management, proactively provide their opinions at the Board of Directors, the Audit and Supervisory Board, and other meetings and perform auditing activities including research on corporate operations and status of assets. They thus contribute to NSSMC's sound and fair management. The Company has notified Japanese bourses on which its stock is listed of the designation of Outside Directors and Outside Audit and Supervisory Board Members as independent directors and auditors, pursuant to the Securities Listing Regulations of these bourses. All these bourses have accepted the Company's notifications of all independent directors and auditors.

### 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 executive officers, and the general managers of relevant units and divisions, under the direction of the Representative Director and Chairman, as well as the Representative Director and President. 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, 2014)



**Shoji Muneoka**

Representative Director and Chairman



**Hiroshi Tomono**

Representative Director and Vice Chairman



**Kosei Shindo**

Representative Director and President

### REPRESENTATIVE DIRECTORS AND EXECUTIVE VICE PRESIDENTS

#### 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 Offices and Branches
- Cooperating with Executive Vice President K. Ota on USIMINAS Project
- Cooperating with Executive Vice President S. Sakuma on Overseas Offices

#### Katsuhiko Ota

- Corporate Planning; Overseas Business Development; Group Companies Planning; Accounting & Finance; Raw Materials; USIMINAS Project

#### Akihiro Miyasaka

- Head of Research and Development

#### Kinya Yanagawa

- Intellectual Property; Safety; Technical Administration & Planning; Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Slag & Cement
- Cooperating with Executive Vice President S. Sakuma on Environment
- Cooperating with Executive Vice President K. Ota on USIMINAS Project

#### Soichiro Sakuma

- General Administration; Legal; Internal Control & Audit; Business Process Innovation; Human Resources; Environment; Overseas Offices
- Cooperating with Executive Vice President K. Ota on USIMINAS Project

### MANAGING DIRECTORS, MEMBERS OF THE BOARD

#### 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

#### Shinji Fujino

- 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

#### Ritsuya Iwai

- Head of Unit, Pipe & Tube Unit

### DIRECTORS, MEMBERS OF THE BOARD

#### Mutsutake Otsuka\*<sup>1</sup>

#### Ichiro Fujisaki\*<sup>1</sup>

### SENIOR AUDIT & SUPERVISORY BOARD MEMBER

#### Toshihide Tanabe

### AUDIT & SUPERVISORY BOARD MEMBERS

#### Hiroto Suetsugu

#### Hirohiko Minato

#### Hirotake Abe\*<sup>2</sup>

#### Katsunori Nagayasu\*<sup>2</sup>

#### Hiroshi Obayashi\*<sup>2</sup>

#### Jiro Makino\*<sup>2</sup>

\*<sup>1</sup> Meets the requirements of an outside director as set forth in Article 2, Item 15 of the Companies Act

\*<sup>2</sup> Meets the requirements of an outside company auditor as set forth in Article 2, Item 16 of the Companies Act

### Internal controls and risk management system

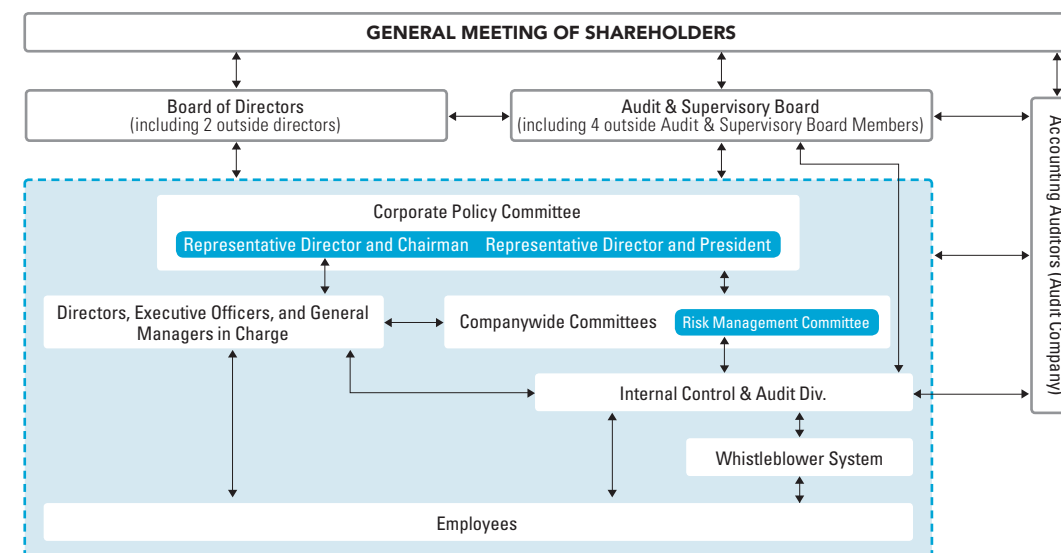
NSSMC resolves the Basic Policy concerning Internal Control System at its Board of Directors' meeting and stipulates its Basic Rules for Internal Control for establishing a system for internal controls and risk management.

- 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: to hold seminars to all sales and marketing personnel who receive a strict order from the President to prevent the recurrence of violations; to thoroughly inform and implement the "guideline to

prohibit contact with competitors"; and to regularly check the status of implementation of the guideline every year.

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," and "Anti-Bribery Guidelines" to prevent bribery to government officials. These original written materials are designed for our employees to conduct fair and appropriate business. We also conduct educational programs and e-Learning programs for each rank, to cultivate a strong awareness of these guidelines and the importance of complying with laws and regulations among everyone at the NSSMC Group.



## Corporate Governance

### Quality management

NSSMC's long-accumulated efforts for quality assurance have resulted in obtaining the trust of customers and what we perceive as unrivaled competitiveness and have contributed to the sustaining and further raising of our corporate value. In addition to complying with laws and regulations, all of our employees engaged in manufacturing and services are also involved in enhancing quality assurance measures such as adhering closely to those specifications of products related to quality assurance.

#### Specific initiatives for quality assurance

A team has been set up for all Group companies including those overseas to undertake quality monitoring with the aim of discovering and eliminating potential risks. At the same time, autonomous quality enhancement activities are conducted at our manufacturing sites. Anecdotal information is promptly and widely shared within the Group, and we make sure to address the identified issues by standardizing or systemizing ways to enhance and assure quality and to carry out needed capital spending. We also provide quality management education programs at all companies and steelworks to raise awareness and knowledge of all Group employees. Furthermore, we have received certifications from external institutions such as for ISO 9001 and Japanese Industrial Standards (JIS), which helps to further boost credibility of our quality assurance system. Based on this solid, world-class, quality management structure, we are making efforts every day to raise our customer satisfaction level as well as the credibility of our brand.



e-Learning quality management education program for employees

### Environmental management

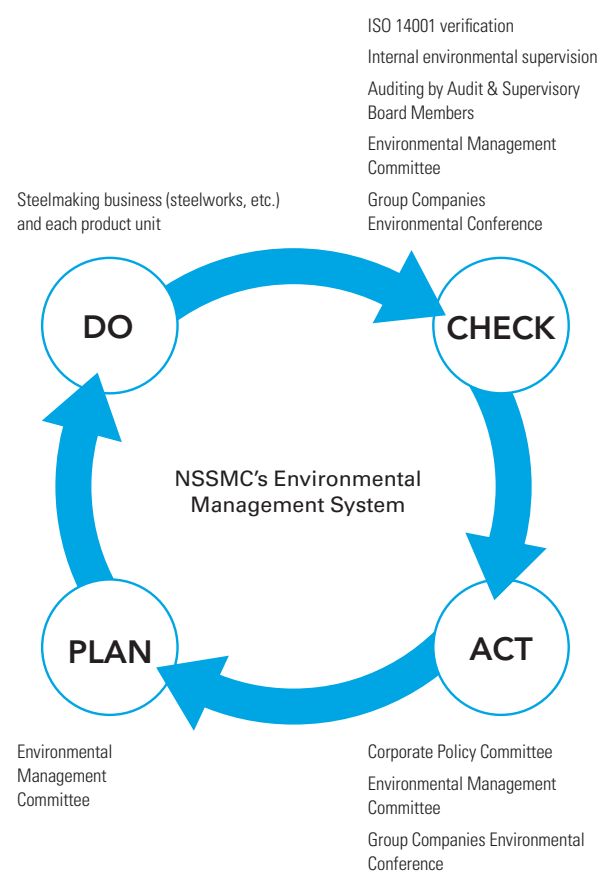
While NSSMC has supported Japan's industrial development, we realize that we also have a significant impact on the environment in our business activities, as we account for approximately 5% of Japan's overall energy consumption. NSSMC and all its Group companies are tackling environmental management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

#### Environmental management system

##### Constructing a groupwide system for environmental preservation activities

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 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) system.



### Information security

#### Compliance with information management rules

NSSMC has rules governing information management and several implementation rules 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 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.
- NSSMC uses appropriate opportunities to inform employees of the importance of protecting confidential information, rules, and practical matters for management of information.

### 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.

#### Efforts for the protection of IP

We continuously acquire and utilize IP rights on technologies sustaining our technological edge, and eliminate counterfeits that infringe our IP rights. At the same time, we respect the IP rights of other companies, and conduct necessary investigations to avoid any infringement. We also carry out IP training each year to enhance the understanding and awareness of our employees.





# TOGETHER WITH SOCIETY

NSSMC highly values partnerships with its stakeholders.

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 football 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:

[www.nssmc.com/en/](http://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
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)	Twice a year (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	Twice a year (March–July and September–February)	Shareholders who own 50,000 or more shares as of the end of September and March

## Communication with local communities and society

Having a long history of managing steelworks all over Japan, NSSMC has been rooted in local communities and supported by local residents. In accordance with our attitude of maintaining harmony with local communities and society, we have implemented distinctive social contribution programs. These programs include promoting the “Creation of a Hometown Forest” by planting trees and plants in communities, musical activities with its core base at Kioi Hall, and contribution to local communities through various sports.

### “Creation of a Hometown Forest”

Each of NSSMC's steelworks all over Japan has its own environmental conservation forest. Taken together, these silvicultural activities are our “Creation of a Hometown Forest” project which has been carried out under the guidance of Dr. Akira Miyawaki, director of the Japanese Center for International Studies in Ecology (and professor emeritus at Yokohama National University). This project seeks to research the natural vegetation inherent to a certain area, carefully select suitable trees, grow their saplings in pots, and have them planted in prepared locations by both local residents and our employees. The project first began in 1971, when we planted saplings at Oita Works, and has continued to this day. At present, our forests in aggregate total around 900 hectares (about the size of 190 Yankee Stadiums) and have grown to become home to a diverse range of birds and small animals, as well as contribute to the prevention of climate change.



“Creation of a Hometown Forest” contributes lush greenery to towns

### Sports-oriented community activities

We support community-based sports clubs and contribute to local communities. Through these clubs, we organize sports classes for children, provide guidance to junior teams, and make our athletic facilities available to local residents for games and training. The Kashima Antlers football team, which began as our corporate team, has become one of the top professional J-League teams. The Antlers recently visited Vietnam to play in a friendly match, celebrating the Japan–Vietnam Friendship Year. Our baseball team participates in Japan's Inter-City Baseball Invitation Tournament every year and has brought some of its players into the professional leagues. Our men's volleyball team, the Osaka Blazers Sakai, is one of the representative teams of V. Premier League, the top-level volleyball league. Moreover, our Judo team has produced Olympic medalists and Kamaishi Sea Waves, our former corporate rugby team, has been the league champion for seven consecutive years. All of these teams also contribute to their local community through various activities.



Kashima Antlers visiting Vietnam for a match, celebrating the Japan–Vietnam Friendship Year ©KASHIMA ANTLERS

### Supporting culture and arts through 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 27th Consecutive Gold Award for the Choral Competition in Japan.



NSSMC Mixed Chorus performing at Kioi Hall

### 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



## 04

FINANCIAL  
AND  
CORPORATE  
SECTION

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## Analysis of Financial Condition and Results of Operations

Fiscal years ended March 31

## Operating Results

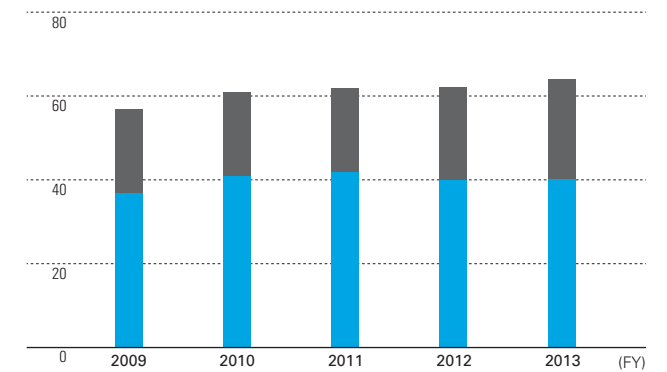
## Business Environment

Domestic steel demand increased in the civil engineering and construction fields on continuing firm reconstruction demand and economic policies showing their full effects. Demand from the manufacturing industry also grew on the recovery in capital investment and an upturn in business confidence. Steel exports continued showing signs of recovery supported by improving economic conditions overseas and the yen adjustment, but market conditions for steel materials overseas remained severe amid ongoing stagnant demand for steel materials, caused by persistently strong supply pressure from Chinese and South Korean steelmakers.

In this business environment, the NSSMC Group continued steadily advancing the measures set forth in the Mid-Term Management Plan adopted in March 2013, including pushing forward with technical advances, achieving the industry's highest level of cost-competitiveness to successfully compete with global competition, halting steelmaking and rolling-related equipment operations to construct the optimal production system, continuing to advance our global strategies, and reinforcing the composition of the steelmaking and steel fabrication group companies.

## Domestic steel consumption trend

Million tons



Source: JISF

## Operating Results

Consolidated results in fiscal 2013 were boosted by increased steel demand, particularly in the civil engineering and construction industries and the automotive and other manufacturing industries, and from cost improvements, which included integration effects.

The Company recorded ¥5,516.1 billion in net sales, ¥298.3 billion in operating profit, ¥361.0 billion in ordinary profit, and ¥242.7 billion in net income.

FY	Billions of yen			
	Net sales		Ordinary profit	
	2012	2013	2012	2013
Steelmaking and steel fabrication	¥3,790.4	¥4,877.9	¥41.5	¥321.2
Engineering and construction	303.0	314.1	18.1	17.7
Chemicals	195.7	230.1	9.7	10.0
New materials	42.2	37.2	0.9	1.3
System solutions	171.9	179.8	11.6	12.7
Total	4,503.3	5,639.3	82.1	363.1
Adjustments	(113.4)	(123.1)	(5.2)	(2.1)
Consolidated total	¥4,389.9	¥5,516.1	¥76.9	¥361.0



## Analysis of Financial Condition and Results of Operations

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

### ENGINEERING AND CONSTRUCTION

Nippon Steel & Sumikin Engineering Co., Ltd. is developing operations in the areas of steel production plants, environment, energy, offshore projects, pipelines, and construction where it can fully apply its distinct capabilities. Amid recovering domestic demand and brisk overseas demand in the energy field, the company's performance was supported by steady progress in advancing projects and efforts to reduce costs and improve earnings. Although sales increased due in part to the yen adjustment, owing to factors such as a difference in the structure of orders and sales, the engineering and construction segment recorded net sales of ¥314.1 billion and ordinary profit of ¥17.7 billion.

### CHEMICALS

Nippon Steel & Sumikin Chemical Co., Ltd. recorded declines in the sales volumes of needle coke, due to sluggish demand for electrodes in Japan and overseas, and in circuit board materials and epoxy resins for electronic devices owing to intensifying market competition. Nevertheless, market conditions for styrene monomer and other general-purpose chemicals improved, demand for superior quality display materials was strong, and applications for organic EL materials in smart devices increased. The chemicals segment recorded net sales of ¥230.1 billion and ordinary profit of ¥10.0 billion.

### NEW MATERIALS

Nippon Steel & Sumikin Materials Co., Ltd. recorded solid demand for surface-treated copper wire, a material alternative to gold bonding wire, and other products in the electronic materials field. Demand increased for social infrastructure maintenance and reinforcement materials in the basic industrial materials and components field and from developing countries for metal substrates in the environmental and energy field. The company also accelerated the shift to production overseas and continued to develop and expand sales of new products. Although sales declined mainly due to lower sales of gold bonding wire, the sales mix improved, leading the new materials segment to post net sales of ¥37.2 billion and ordinary profit of ¥1.3 billion.

### SYSTEM SOLUTIONS

NS Solutions Corporation provides comprehensive solutions in the planning, configuration, operation, and maintenance of IT systems for customers in a wide range of businesses and develops leading-edge solutions services to enhance customer capabilities amid changing business conditions. During the term, the company continued to strengthen and expand its cloud computing and other service businesses while expanding its business operations in Asia, including acquiring all shares of system developer PALSYS Software Co., Ltd. of Thailand. The system solutions segment recorded net sales of ¥179.8 billion and ordinary profit of ¥12.7 billion.

### ■ Outlook for Fiscal 2014

#### Current Issues to be Addressed

Domestic steel demand dipped temporarily from the consumption tax hike, but signs are starting to appear for a recovery beginning in the second quarter. Demand for steel overseas is expected to continue to be firm supported by the recovery in the global economy; however, the soft supply and demand conditions remain for steel materials in East Asia.

While signs of a bottoming out are appearing for market conditions in Asia, NSSMC will continue closely monitoring the trends in steel material supply and demand and raw material prices and taking steps to maximize cost structure efficiency. In these conditions, the Company will enhance its ability to make product proposals to customers, improve its overseas supply system, and continue revising its steel material prices with the understanding of its customers.

#### Outlook for Fiscal 2014

As of this moment, NSSMC is unable to forecast reasonably accurate earnings estimates for fiscal 2014 results due to several factors, including the fact that price trends for primary raw materials and steel material products are uncertain. However, the Company will disclose fiscal 2014 earnings forecasts when reasonable estimates become possible.

### ■ Profit Distribution to Shareholders

#### Basic Profit Distribution Policy and Distribution of Dividends for Fiscal 2013 and Fiscal 2014

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 dividend is set based on consideration of interim operating results and full-year earnings forecasts.

In accordance with the basic profit distribution policy described above, the Company distributed an interim dividend of ¥2.00 per share at the end of the first half of fiscal 2013 and a year-end dividend of ¥3.00 per share (bringing the full-year dividend distribution amount to ¥5.00 per share, representing a consolidated payout ratio of 18.7% for fiscal 2013).

The Company has not determined a dividend distribution plan for fiscal 2014 due to the inability to establish reasonable earnings forecasts. The dividend distribution plan will be disclosed when it becomes available.

### ■ Financial Position

#### Analysis of the Balance Sheet

Consolidated total assets at the end of fiscal 2013 were ¥7,082.2 billion, representing a decrease of ¥7.2 billion, from ¥7,089.4 billion at the end of fiscal 2012. Main factors were increases in inventories of ¥68.0 billion, and cash and bank deposits of ¥15.9 billion, which were offset by decreases in deferred tax assets, of ¥96.4 billion, and other factors.

Total liabilities at the end of fiscal 2013 amounted to ¥3,844.2 billion, a decrease of ¥306.9 billion from ¥4,151.2 billion at the end of fiscal 2012. The decline was primarily due to a decrease in interest-bearing debt, which declined ¥246.7 billion, from ¥2,543.0 billion at the end of the previous fiscal year, to ¥2,296.3 billion at the end of fiscal 2013, due to the steady promotion of operating revenues and asset reduction.

Total net assets were ¥3,237.9 billion at the end of fiscal 2013, an increase of ¥299.7 billion from ¥2,938.2 billion at the end of fiscal 2012. This was contributed by net income of ¥242.7 billion and other factors.

Shareholders' equity at the end of fiscal 2013 amounted to ¥2,683.6 billion, and the ratio of interest-bearing debt to shareholders' equity (the D/E ratio) was 0.86, which rapidly achieved the early-stage target of around 1.0 in the Mid-Term Management Plan. NSSMC will strive to further enhance its profitability and financial position with the aim of achieving the level sufficient for an international "A" rating status (around 0.8) in the D/E ratio.

## Analysis of Cash Flows

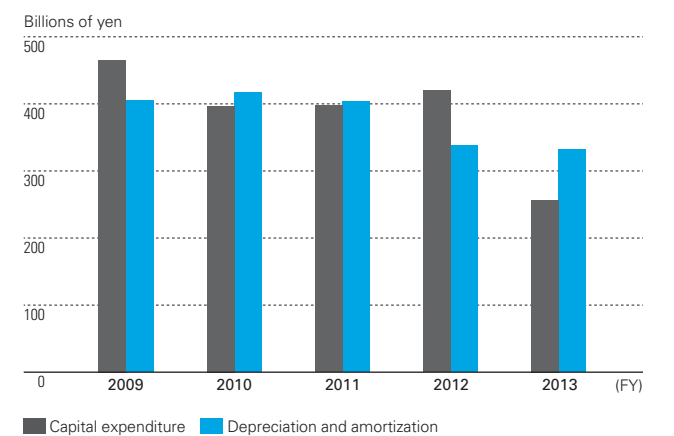
Cash flows from operating activities in fiscal 2013 amounted to ¥574.7 billion. The principal factors influencing operating cash flows were inflows from income before income taxes and minority interests of ¥399.1 billion along with depreciation and amortization of ¥331.8 billion and an increase in notes and accounts payable of ¥63.0 billion. These offset outflows from deductions of ¥62.7 billion in equity in net income of unconsolidated subsidiaries and affiliates and of ¥56.6 billion on income (loss) on sales of investments in securities along with payments of ¥53.5 billion associated with the increase in inventories and ¥56.8 billion in income taxes.

Cash flows from investing activities amounted to an outflow of ¥196.8 billion, as outflows including expenses for capital investments of ¥319.4 billion exceeded inflows from proceeds from sales of investments in securities of ¥132.2 billion. The result was a free cash inflow of ¥377.9 billion in the term under review.

Cash flows from financing activities amounted to an outflow of ¥367.1 billion, largely due to the repayment of interest-bearing debt of ¥246.7 billion, in addition to cash dividends of ¥27.3 billion at the end of fiscal 2012 and the end of the first half (interim) of fiscal 2013.

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 ¥105.4 billion.

### Capital expenditure, Depreciation and amortization (Consolidated basis)



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



11-Year Financial Performance (Reference—Unaudited)

FY	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*5	2013
Operating Results (Fiscal year)											
Net sales											Unit: Millions of yen
NSSMC/Nippon Steel	¥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	¥4,389,922	¥5,516,180
Sumitomo Metals	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	693,601	—
Operating profit (loss)											
NSSMC/Nippon Steel	224,475	429,948	576,319	580,097	545,580	342,930	32,005	165,605	79,364	20,110	298,390
Sumitomo Metals	93,041	182,878	305,804	303,774	274,396	226,052	(928)	56,301	76,801	15,759	—
Ordinary profit (loss)											
NSSMC/Nippon Steel	172,851	371,446	547,400	597,640	564,119	336,140	11,833	226,335	143,006	76,931	361,097
Sumitomo Metals	68,715	173,245	280,733	327,676	298,218	225,736	(36,634)	34,049	60,803	10,815	—
Income (loss) before income taxes and minority interests											
NSSMC/Nippon Steel	73,642	369,485	565,607	621,419	605,485	281,079	11,242	185,377	120,053	(136,970)	399,147
Sumitomo Metals	39,901	169,577	306,183	341,725	281,298	194,459	(39,758)	(27,991)	(51,251)	(134,831)	—
Net income (loss)											
NSSMC/Nippon Steel	41,515	220,601	343,903	351,182	354,989	155,077	(11,529)	93,199	58,471	(124,567)	242,753
Sumitomo Metals	30,792	110,864	221,252	226,725	180,547	97,327	(49,772)	(7,144)	(53,799)	(133,849)	—
Capital expenditure											
NSSMC/Nippon Steel	149,593	195,228	203,973	273,440	308,993	305,738	329,356	287,236	281,748	355,873	257,019
Sumitomo Metals*1	67,190	60,374	82,679	135,868	178,887	159,118	136,643	109,934	115,797	N.A	—
Depreciation and amortization											
NSSMC/Nippon Steel	183,510	180,571	183,365	192,454	244,038	273,744	284,092	291,587	280,940	288,770	331,801
Sumitomo Metals*2	78,371	79,238	75,255	72,291	102,565	109,854	120,853	126,267	122,937	49,757	—
Research and development costs											
NSSMC/Nippon Steel	35,349	36,352	37,881	41,229	45,329	45,797	46,824	46,663	48,175	60,071	64,437
Sumitomo Metals	13,590	14,732	16,427	18,769	20,102	22,120	22,845	22,783	22,842	N.A	—
Financial Position (End of fiscal year)											
Total assets											Unit: Millions of yen
NSSMC/Nippon Steel	¥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	¥7,089,498	¥7,082,288
Sumitomo Metals	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*3											
NSSMC/Nippon Steel	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	2,394,069	2,683,659
Sumitomo Metals	376,036	483,237	720,866	880,807	901,946	857,697	829,219	766,777	709,315	—	—
Total net assets*3											
NSSMC/Nippon Steel	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	2,938,283	3,237,995
Sumitomo Metals	399,428	517,311	762,172	924,798	949,303	904,371	879,209	818,080	761,484	—	—
Interest-bearing debt											
NSSMC/Nippon Steel	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	2,543,061	2,296,326
Sumitomo Metals*4	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/Nippon Steel	¥ 288,021	¥ 539,445	¥ 392,996	¥ 478,460	¥ 525,777	¥ 127,540	¥ 437,668	¥ 369,500	¥ 237,414	¥ 313,317	¥ 574,767
Sumitomo Metals	220,820	277,389	311,943	171,833	230,043	190,582	67,002	202,340	88,065	N.A	—
Cash flows from investing activities											
NSSMC/Nippon Steel	51,897	(174,995)	(226,894)	(374,669)	(438,121)	(306,603)	(412,827)	(325,781)	(226,096)	(327,336)	(196,856)
Sumitomo Metals	(27,418)	(12,013)	(63,892)	(108,934)	(274,316)	(214,977)	(172,933)	(144,009)	(120,110)	N.A	—
Cash flows from financing activities											
NSSMC/Nippon Steel	(332,353)	(321,402)	(136,110)	19,387	(200,604)	170,209	(79,985)	(47,244)	(31,785)	33,332	(367,115)
Sumitomo Metals	(240,841)	(297,336)	(258,367)	(83,456)	48,751	52,623	87,843	(1,325)	(32,714)	N.A	—
Amounts per Share of Common Stock											
Net income (loss) per share											Unit: Yen
NSSMC/Nippon Steel	¥ 6.15	¥ 32.73	¥ 51.07	¥ 54.28	¥ 56.33	¥ 24.60	¥ (1.83)	¥ 14.81	¥ 9.29	¥ (16.23)	¥ 26.67
Sumitomo Metals	6.42	23.05	46.03	47.89	39.43	20.98	(10.74)	(1.54)	(11.61)	—	—
Cash dividends per share											
NSSMC/Nippon Steel	1.5	5.0	9.0	10.0	11.0	6.0	1.5	3.0	2.5	1.0	5.0
Sumitomo Metals	1.5	5.0	7.0	8.0	10.0	10.0	5.0	3.5	2.0	—	—

\*1. Only for "Tangible fixed assets," construction base

\*2. Only for "Tangible fixed assets"

\*3. "Shareholders' equity" described here is the sum of "Shareholders' equity" as stated in the balance sheet and "Accumulated other comprehensive income." The amounts stated for fiscal 2005 and earlier are "Total net assets." The difference between "Shareholders' equity" and "Total net assets" is "Minority interests in consolidated subsidiaries."

\*4. The amounts of "Outstanding borrowings" (the sum of "Borrowings," "Corporate bonds," and "Commercial paper") are stated.

\*5. The amounts stated for "NSSMC/Nippon Steel" for fiscal 2012 are the sum of Nippon Steel's amounts for the first half (April 1 to September 30) of fiscal 2012 and NSSMC's amounts for the second half (October 1 to March 31) of fiscal 2012. The amounts stated for "Sumitomo Metals" for fiscal 2012 are Sumitomo Metals' amounts for the first half (April 1 to September 30) of fiscal 2012.



## 11-Year Financial Performance (Reference—Unaudited)

FY	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*5	2013
<b>Financial Index</b>											
Return on sales ((Ordinary profit/Net sales) x 100)											%
NSSMC/Nippon Steel	5.9%	11.0%	14.0%	13.9%	11.7%	7.0%	0.3%	5.5%	3.5%	1.8%	6.5%
Sumitomo Metals	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/Nippon Steel	4.8%	20.7%	24.0%	19.7%	18.7%	8.7%	(0.7)%	5.0%	3.2%	(5.9)%	9.6%
Sumitomo Metals	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/Nippon Steel	25.3%	30.7%	36.9%	35.4%	36.8%	34.3%	36.9%	37.2%	37.1%	33.8%	37.9%
Sumitomo Metals	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/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	9,503,214	9,503,214
Sumitomo Metals	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/Nippon Steel	¥ 243	¥ 271	¥ 456	¥ 828	¥ 505	¥ 263	¥ 367	¥ 266	¥ 227	¥ 235	¥ 282
Sumitomo Metals	139	193	505	609	378	197	283	186	167	—	—
<b>Net Sales by Industry Segment*1</b>											
Steelmaking and steel fabrication	¥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	¥4,877,909
Engineering and construction	293,137	279,866	336,179	367,968	359,884	386,643	331,905	254,941	248,934	303,002	314,174
Urban development	120,811	89,275	104,045	94,347	93,839	70,152	80,073	86,556	80,419	—	—
Chemicals and non-ferrous materials	275,797	331,168	373,072	—	—	—	—	—	—	—	—
Chemicals	—	—	—	318,755	289,029	212,172	179,412	193,896	197,669	195,719	230,130
New materials	—	—	—	65,601	76,157	59,907	58,799	60,888	54,245	42,211	37,241
System solutions	150,850	146,531	148,339	156,505	165,360	161,541	152,234	159,708	161,582	171,980	179,856
Other businesses	73,615	76,244	69,057	—	—	—	—	—	—	—	—
Elimination of inter-segment transactions	(145,280)	(154,463)	(181,903)	(183,410)	(151,823)	(159,281)	(137,904)	(119,711)	(128,769)	(113,442)	(123,132)
<b>Segment Profit (Loss)*1</b>											
Steelmaking and steel fabrication	189,717	376,926	513,977	514,562	475,951	307,047	(20,589)	181,968	98,846	41,522	321,287
Engineering and construction	4,359	6,696	9,517	13,031	21,496	24,674	31,655	14,883	12,775	18,189	17,702
Urban development	13,526	8,503	14,155	14,301	12,602	3,929	2,937	9,273	9,371	—	—
Chemicals and non-ferrous materials	12,667	26,374	27,037	—	—	—	—	—	—	—	—
Chemicals	—	—	—	23,645	21,050	894	10,431	13,244	13,598	9,778	10,057
New materials	—	—	—	3,129	559	(2,397)	444	2,111	607	984	1,391
System solutions	9,182	11,384	11,806	13,992	14,756	11,479	10,732	11,332	11,215	11,673	12,760
Other businesses	(4,310)	384	(1,185)	—	—	—	—	—	—	—	—
Elimination of inter-segment transactions	(668)	(321)	1,010	(2,564)	(835)	(2,696)	(3,607)	(6,478)	(3,408)	(5,217)	(2,101)
<b>Non-Financial Performance</b>											
Crude steel production (Ten thousands of tons)											
NSSMC/Nippon Steel	3,273	3,279	3,395	3,452	3,623	3,124	2,992	3,492	3,244	4,603	4,816
Sumitomo Metals*2	1,278	1,287	1,331	1,338	1,362	1,287	1,165	1,290	1,272	—	—
Steel products shipments											
(Ten thousands of tons, non-consolidated)											
NSSMC/Nippon Steel	2,939	2,951	2,959	3,151	3,290	2,820	2,709	3,135	2,909	4,097	4,202
Sumitomo Metals*3	—	1,160	1,195	1,215	1,249	1,144	1,089	1,172	1,124	—	—
Average steel selling price											
(Thousands of yen per ton, non-consolidated)											
NSSMC/Nippon Steel	52.2	61.6	74.3	75.3	79.8	104.7	75.4	81.7	86.2	80.1	86.0
Sumitomo Metals*3	—	73.6	93.7	100.0	105.7	124.3	88.0	94.2	103.5	—	—
Export ratio (Value basis, non-consolidated)											
NSSMC/Nippon Steel	31.3%	31.6%	30.9%	32.3%	33.4%	32.5%	38.4%	40.4%	39.2%	44%	46%
Sumitomo Metals*3	—	36.3%	43.8%	46.2%	45.1%	45.2%	42.9%	41.6%	40.9%	—	—
Number of employees											
NSSMC/Nippon Steel	46,233	46,451	46,143	47,257	48,757	50,077	52,205	59,183	60,508	83,187	84,361
Sumitomo Metals	24,744	25,201	25,639	24,982	24,926	24,245	23,674	22,597	23,007	—	—

\*1 Figures for Nippon Steel. Figures in parentheses indicate either negative figures or elimination. "Segment profit (loss)" stated for fiscal 2009 and earlier is "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." "Electric power supply, services, and others" has been stated in aggregate as "Other businesses." Following the business integration of Nippon Steel City Produce, Inc. and Kowa Real Estate Co., Ltd. on October 1, 2012, the business segment classification has been changed to include the results for "Urban development" in "Elimination of inter-segment transactions" for "Net sales by segment" and "Profit (loss) by segment" from fiscal 2012.

\*2 "Crude steel production" of Sumitomo Metals includes those of Sumitomo Metals (Kokura), Ltd. (merged with Sumitomo Metals on January 1, 2012) and of Sumikin Iron & Steel Corporation (present Nippon Steel & Sumikin Koutetsu Wakayama Corporation).

\*3 "Steel products shipments," "Average steel selling price," and "Export ratio" of Sumitomo Metals include those of Sumitomo Metals (Kokura), Ltd. (merged with Sumitomo Metals on January 1, 2012), Sumitomo Metals (Naoetsu), Ltd. (merged with Sumitomo Metals on January 1, 2012), and of Sumikin Iron & Steel Corporation (present Nippon Steel & Sumikin Koutetsu Wakayama Corporation).

\*4 "Export ratio" of NSSMC/Nippon Steel indicate the ratios of exports to total steel sales. "Export ratio" of Sumitomo Metals indicate the ratios of exports to total net sales.

\*5 The amounts of "Sales," "Ordinary profit," and "Net income" used to calculate "Return on sales (ROS)" and "Return on equity (ROE)" are the sum of Nippon Steel's amounts for the first half (April 1 to September 30) of fiscal 2012 and NSSMC's amounts for the second half (October 1 to March 31) of fiscal 2012. "Crude steel production" and "Steel products shipments" for fiscal 2012 are the sum of Nippon Steel's amount for the first half, Sumitomo Metals' amount for the first half, and NSSMC's amount for the second half. At the first half of fiscal 2012, NSSMC's "Average steel selling price" and "Export ratio" are the weighted average of Nippon Steel and Sumitomo Metals.



## Consolidated Balance Sheets

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries  
As of March 31, 2014 and 2013

	Millions of yen	
	2014	2013
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits (Notes 13, 15 and 23)	¥ 105,303	¥ 89,350
Notes and accounts receivable (Notes 15 and 23)	589,802	579,562
Marketable securities (Notes 13, 15 and 16)	8,025	8,024
Inventories (Notes 4 and 23)	1,225,014	1,156,934
Deferred tax assets (Note 19)	107,015	81,729
Other (Note 23)	239,750	196,594
Less: Allowance for doubtful accounts	(1,540)	(1,461)
<b>Total current assets</b>	<b>2,273,371</b>	<b>2,110,734</b>
<b>Fixed assets:</b>		
<b>Tangible fixed assets:</b>		
Buildings and structures (Note 23)	2,148,134	2,113,954
Accumulated depreciation	(1,422,660)	(1,379,732)
Buildings and structures, net	725,473	734,222
Machinery, equipment and vehicles (Note 23)	6,384,335	6,289,680
Accumulated depreciation	(5,305,339)	(5,162,440)
Machinery, equipment and vehicles, net	1,078,995	1,127,239
Tools, furniture and fixtures (Note 23)	256,744	250,947
Accumulated depreciation	(219,198)	(214,206)
Tools, furniture and fixtures, net	37,545	36,741
Land (Notes 7 and 23)	582,389	594,824
Lease assets	20,567	20,748
Accumulated depreciation	(10,546)	(11,059)
Lease assets, net	10,021	9,689
Construction in progress	177,854	182,782
<b>Total tangible fixed assets</b>	<b>2,612,280</b>	<b>2,685,500</b>
<b>Intangible fixed assets:</b>		
Goodwill	41,476	48,065
Lease assets	366	385
Patents and utility rights	8,006	7,370
Software	44,230	40,106
<b>Total intangible fixed assets</b>	<b>94,079</b>	<b>95,928</b>
<b>Investments and others:</b>		
Investments in securities (Notes 5, 7, 15 and 16)	1,836,196	1,825,664
Long-term loans receivable (Note 23)	59,368	58,088
Net defined benefit assets (Note 18)	111,958	—
Deferred tax assets (Note 19)	56,429	178,127
Other (Note 5)	41,928	139,283
Less: Allowance for doubtful accounts	(3,324)	(3,829)
<b>Total investments and others</b>	<b>2,102,557</b>	<b>2,197,335</b>
<b>Total fixed assets</b>	<b>4,808,916</b>	<b>4,978,763</b>
<b>Total assets</b>	<b>¥ 7,082,288</b>	<b>¥ 7,089,498</b>

The accompanying notes are integral parts of these statements.

	Millions of yen	
	2014	2013
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable (Note 15)	¥ 661,267	¥ 596,230
Short-term loans payable (Notes 15 and 23)	435,357	494,903
Commercial paper (Notes 15 and 23)	32,000	26,000
Bonds due within one year (Notes 15 and 23)	65,000	135,100
Current portion of lease obligations (Note 23)	8,278	13,561
Accounts payable—other (Note 15)	336,425	405,777
Income taxes payable	36,894	20,329
Provision for loss on construction contracts	3,078	2,991
Other (Note 23)	232,835	286,230
<b>Total current liabilities</b>	<b>1,811,137</b>	<b>1,981,124</b>
<b>Long-term liabilities:</b>		
Bonds and notes (Notes 15 and 23)	425,668	504,659
Long-term loans payable (Notes 15 and 23)	1,313,248	1,346,219
Lease obligations (excluding current portion) (Note 23)	14,592	19,411
Deferred tax liabilities (Note 19)	43,327	29,745
Deferred tax liabilities on revaluation of land (Note 7)	8,562	8,567
Accrued pension and severance costs (Note 18)	—	192,635
Allowance for retirement benefits of directors and corporate auditors	5,132	5,403
Reserve for repairs to blast furnaces	8,607	10,499
Net defined benefit liabilities (Note 18)	157,373	—
Other	56,643	52,948
<b>Total long-term liabilities</b>	<b>2,033,155</b>	<b>2,170,090</b>
<b>Total liabilities</b>	<b>3,844,293</b>	<b>4,151,215</b>
Commitments and contingent liabilities (Note 6)		
<b>NET ASSETS</b> (Note 12)		
<b>Shareholders' equity:</b>		
<b>Common stock</b>	<b>419,524</b>	<b>419,524</b>
<b>Capital surplus</b>	<b>371,465</b>	<b>362,321</b>
<b>Retained earnings</b>	<b>1,652,054</b>	<b>1,430,876</b>
<b>Less: Treasury stock, at cost</b>	<b>(62,882)</b>	<b>(70,490)</b>
<b>Total shareholders' equity</b>	<b>2,380,162</b>	<b>2,142,233</b>
<b>Accumulated other comprehensive income</b> (Note 11):		
<b>Unrealized gains on available-for-sale securities</b> (Note 16)	<b>189,831</b>	<b>168,611</b>
<b>Deferred hedge income (loss)</b>	<b>(3,099)</b>	<b>359</b>
<b>Unrealized gains on revaluation of land</b> (Note 7)	<b>2,554</b>	<b>2,592</b>
<b>Foreign currency translation adjustments</b>	<b>71,565</b>	<b>80,273</b>
<b>Remeasurements of defined benefit plans</b> (Note 18)	<b>42,644</b>	<b>—</b>
<b>Total accumulated other comprehensive income</b>	<b>303,496</b>	<b>251,836</b>
<b>Minority interests in consolidated subsidiaries</b> (Note 7)	<b>554,335</b>	<b>544,213</b>
<b>Total net assets</b>	<b>3,237,995</b>	<b>2,938,283</b>
<b>Total liabilities and net assets</b>	<b>¥7,082,288</b>	<b>¥7,089,498</b>

## Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries  
Years ended March 31, 2014 and 2013

Millions of yen

	2014	2013
<b>Consolidated Statements of Operations</b>		
Net sales	¥5,516,180	¥4,389,922
Cost of sales (Note 9)	4,760,308	3,982,362
<b>Gross margin</b>	<b>755,872</b>	<b>407,559</b>
Selling, general and administrative expenses (Notes 8 and 9)	457,482	387,449
<b>Operating profit</b>	<b>298,390</b>	<b>20,110</b>
Non-operating profit:		
Interest income	4,516	3,869
Dividend income	16,578	13,802
Equity in net income of unconsolidated subsidiaries and affiliates	62,729	52,658
Exchange gain on foreign currency transactions	21,968	28,185
Other	40,523	42,563
	<b>146,316</b>	<b>141,079</b>
Non-operating loss:		
Interest expense	25,297	23,539
Loss on disposal of fixed assets	15,590	19,963
Loss on sales of inventories	—	10,467
Other	42,721	30,288
	<b>83,609</b>	<b>84,258</b>
<b>Ordinary profit</b>	<b>361,097</b>	<b>76,931</b>
Special profit:		
Gain on sales of investments in securities	56,650	—
Restructuring profit (Note 10)	—	5,024
	<b>56,650</b>	<b>5,024</b>
Special loss:		
Impairment loss (Note 10)	—	132,818
Loss on inactive facilities (Note 10)	18,600	—
Loss on sales of investments in securities	—	75,307
Loss on liquidation of business (Note 10)	—	10,800
	<b>18,600</b>	<b>218,926</b>
<b>Income (loss) before income taxes and minority interests</b>	<b>399,147</b>	<b>(136,970)</b>
<b>Income taxes—current</b> (Note 19)	<b>71,162</b>	<b>49,446</b>
<b>Income taxes—deferred</b> (Note 19)	<b>69,405</b>	<b>(75,045)</b>
	<b>140,568</b>	<b>(25,599)</b>
<b>Income (loss) before minority interests</b>	<b>258,579</b>	<b>(111,371)</b>
<b>Minority interests in net income of consolidated subsidiaries</b>	<b>15,826</b>	<b>13,196</b>
<b>Net income (loss)</b>	<b>¥ 242,753</b>	<b>¥ (124,567)</b>

The accompanying notes are integral parts of these statements.

Millions of yen

	2014	2013
<b>Consolidated Statements of Comprehensive Income</b>		
Income (loss) before minority interests	¥258,579	¥(111,371)
Other comprehensive income:		
Unrealized gains on available-for-sale securities	18,017	94,610
Deferred hedge income (loss)	(2,933)	1,828
Foreign currency translation adjustments	(3,586)	110,206
Share of other comprehensive income (loss) of associates accounted for using equity method	(828)	63,028
Total other comprehensive income (Note 11)	10,668	269,673
Comprehensive income (Note 11)	¥269,248	¥ 158,302
Attributable to:		
Comprehensive income attributable to owners of the parent	¥250,295	¥ 132,868
Comprehensive income attributable to minority interests	¥ 18,952	¥ 25,433

The accompanying notes are integral parts of these statements.

## Consolidated Statements of Changes in Net Assets (Note 12)

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries  
Years ended March 31, 2014 and 2013

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	Remeasurements of defined benefit plans	Minority interests in consolidated subsidiaries	Total
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 due to the change in the number of consolidated companies	—	—	—	8,875	(624)	—	—	—	—	—	—	8,250
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	45	—	—	—	—	—	—	—	45
Net changes of items other than share-holders' 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
Cash dividends	—	—	—	(27,373)	—	—	—	—	—	—	—	(27,373)
Net income (loss)	—	—	—	242,753	—	—	—	—	—	—	—	242,753
Acquisition of treasury stock	—	—	—	—	(737)	—	—	—	—	—	—	(737)
Disposal of treasury stock	—	—	9,143	—	8,366	—	—	—	—	—	—	17,509
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	926	(21)	—	—	—	—	—	—	904
Reclassification of remeasurements of defined benefit plans for foreign companies	—	—	—	4,871	—	—	—	—	—	—	—	4,871
Net changes of items other than share-holders' equity	—	—	—	—	—	21,220	(3,458)	(37)	(8,708)	42,644	10,122	61,782
Total change for fiscal 2013	—	—	9,143	221,177	7,607	21,220	(3,458)	(37)	(8,708)	42,644	10,122	299,712
<b>Balance at March 31, 2014</b>	<b>9,503,214</b>	<b>¥419,524</b>	<b>¥371,465</b>	<b>¥1,652,054</b>	<b>¥ (62,882)</b>	<b>¥189,831</b>	<b>¥(3,099)</b>	<b>¥ 2,554</b>	<b>¥71,565</b>	<b>¥42,644</b>	<b>¥554,335</b>	<b>¥3,237,995</b>

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, 2014 and 2013

	Millions of yen	
	2014	2013
<b>Cash flows from operating activities:</b>		
Income (loss) before income taxes and minority interests	¥ 399,147	¥ (136,970)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	331,801	288,770
Impairment loss	—	132,818
Interest and dividend income (accrual basis)	(21,095)	(17,671)
Interest expense (accrual basis)	25,297	23,539
Exchange loss (gain) on foreign currency transactions	(12,627)	(11,780)
Amortization of goodwill	9,712	6,054
Equity in net income of unconsolidated subsidiaries and affiliates	(62,729)	(52,658)
Loss (gain) on sales of investments in securities	(56,650)	75,307
Loss on disposal of tangible and intangible fixed assets	4,932	4,437
Gain on sales of tangible and intangible fixed assets	(8,775)	(7,576)
Changes in allowance for doubtful accounts	(370)	(366)
Changes in notes and accounts receivable	(5,308)	(32,630)
Changes in inventories	(53,562)	157,786
Changes in notes and accounts payable	63,056	(86,297)
Other	9,183	26,972
Subtotal	622,012	369,735
Interest and dividend income (cash basis)	35,614	26,347
Interest expense (cash basis)	(26,058)	(25,727)
Income taxes (cash basis)	(56,800)	(57,038)
<b>Net cash provided by operating activities</b>	<b>574,767</b>	<b>313,317</b>
<b>Cash flows from investing activities:</b>		
Acquisition of investments in securities	(44,702)	(80,728)
Proceeds from sales of investments in securities	132,294	101,005
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	11,436	404
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	3,555	274
Acquisition of tangible and intangible fixed assets	(319,413)	(349,817)
Proceeds from sales of tangible and intangible fixed assets	17,211	13,206
Payment for loans	(4,362)	(14,515)
Proceeds from collections of loans	5,250	4,175
Other	1,874	(1,339)
<b>Net cash used in investing activities</b>	<b>(196,856)</b>	<b>(327,336)</b>
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term loans payable	(72,220)	(16,286)
Net increase (decrease) in commercial paper	6,000	(68,000)
Proceeds from long-term loans payable	234,812	278,698
Payments of long-term loans payable	(258,383)	(165,864)
Proceeds from issuance of bonds and notes	—	30,000
Redemption of bonds and notes	(149,455)	(65,000)
Payments for purchase of treasury stock	(731)	(563)
Cash dividends	(27,373)	(6,302)
Cash dividends to minority shareholders	(9,124)	(9,191)
Proceeds from issuance of common stock to minority shareholders	1,175	1,108
Other	(91,814)	54,735
<b>Net cash provided by (used in) financing activities</b>	<b>(367,115)</b>	<b>33,332</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>3,983</b>	<b>22,229</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,779</b>	<b>41,542</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>90,530</b>	<b>55,747</b>
<b>Increase (decrease) from the change in the number of consolidated companies</b>	<b>153</b>	<b>(19,735)</b>
<b>Increase in cash and cash equivalents resulting from the merger</b>	<b>—</b>	<b>12,975</b>
<b>Cash and cash equivalents at end of year (Note 13)</b>	<b>¥ 105,464</b>	<b>¥ 90,530</b>

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: 377 companies

For details of the subsidiaries included in consolidation, reference should be made to the list of principal subsidiaries and affiliates of NSSMC on pages 96–97 of this document.

In fiscal 2013, the scope of consolidation expanded by 31 companies, 16 newly established or other companies. 24 companies—16 merged companies and 4 liquidations, etc.—were eliminated from the scope of consolidation in fiscal 2013.

Non-adoption of the consolidation accounting treatment for the unconsolidated subsidiaries (12 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: 109 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 96–97 of this document.

During fiscal 2013, 5 companies were added as equity-method affiliates and 3 companies were removed as equity-method affiliates.

Non-adoption of the equity method for the unconsolidated subsidiaries (12 companies) and affiliates (65 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
129 foreign subsidiaries	December 31

Principal foreign subsidiaries using a December 31 fiscal year-end:

NIPPON STEEL AND SUMIKIN TUBOS DO BRASIL LTDA.

The Siam United Steel (1995) Company Limited

National Pipe Company Limited

Standard Steel, LLC

NIPPON STEEL & SUMITOMO METAL U.S.A., Inc.

PT PELAT TIMAH NUSANTARA TBK.

NIPPON STEEL & SUMITOMO METAL Australia Pty. Limited

NIPPON STEEL & SUMIKIN Steel Processing (Thailand) Co., Ltd.

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 (excluding lease 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

**(7) Intangible fixed assets (excluding lease 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) Provision for loss on construction contracts**

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

**(11) 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.

**(12) 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. Reserve amounts are determined based on historical costs for similar activities.

**(13) Retirement benefit accounting policy**

The employee retirement benefit obligations are computed primarily based on the straight-line attribution standard using the projected retirement benefit obligations at the end of the consolidated fiscal year under review. Prior service costs are appropriated over a specified number of years (mainly 10 years) in which such costs accrued that is less than the average remaining period of service of employees. Actuarial differences arising from utilizing a specified number of years (mainly 10 years) for each year in which such differences accrue that is less than the average remaining period of service of employees are principally appropriated in proportional amounts using the straight-line method beginning from the consolidated fiscal year following the year in which such amounts accrue.

**Changes in accounting principles accompanying revisions in accounting standards**

The "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, hereinafter referred to as the "Retirement Benefits Accounting Standard") and the "Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, hereinafter "Guidance on Retirement Benefits") were applied at the end of the consolidated fiscal year under review (excluding provisions stated in Section 35 of the Retirement Benefits Accounting Standard and Section 67 of the Guidance on Retirement Benefits). The NSSMC Group has adopted the method of deducting the amount of pension assets from the retirement benefit obligations and reporting the amount as net defined benefit assets and liabilities and also reporting the unrecognized actuarial differences and unrecognized prior service costs as part of net defined benefit assets and liabilities.

In accordance with the transitional treatment prescribed in Section 37 of the Retirement Benefits Accounting Standard, the NSSMC Group applied the "Accounting Standard for Retirement Benefits" at the end of the consolidated fiscal year under review, and the effect of the accounting change was reflected as "Remeasurements of defined benefit plans" in "Accumulated other comprehensive income".

As a result, the NSSMC Group reported net defined benefit assets of ¥111,958 million and net defined benefit liabilities of ¥157,373 million at the end of the fiscal year. Accumulated other comprehensive income increased by ¥42,644 million. Information concerning the effect of this change on a per share basis is presented in the relevant sections of this report.

**(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 foreign currency translation adjustments and minority interests in consolidated subsidiaries item under net assets.

**(16) Hedge accounting**

Gains or losses arising from changes in the fair values of derivatives designated as "hedging instruments" are recorded as 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 foreign exchange forward 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 foreign exchange forward contracts and currency swaps on a fair value basis, but converts hedged items using the rates of those foreign exchange forward contracts at the end of the year.

Derivatives designated as hedging instruments by the NSSMC Group are principally foreign exchange forward 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 proportionately 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, 2014)**

"Accounting Standard for Retirement Benefits" (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 prior service costs, calculation methods for retirement benefit obligations 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 calculation methods for retirement benefit obligations and service costs from the start of the fiscal year beginning April 1, 2014.

**3. Effect from application of the accounting standard**

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



“Accounting Standard for Business Combinations” (ASBJ Statement No. 21), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7), “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2), “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10), and “Revised Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4)

#### 1. Summary

The main changes to the accounting standards apply to 1) the handling of changes in equity holdings of a subsidiary by the parent company in the event of ongoing control of additional acquisitions of the subsidiary, 2) the handling of expenses related to the acquisition, 3) the presentation of net income and revision from minority interests to non-controlling interests, and 4) the handling of provisional accounting processes.

#### 2. Planned application

The NSSMC Group plans to apply the changes from the start of the fiscal year beginning April 1, 2015. The NSSMC Group plans to apply the handling of provisional accounting processes upon the corporate integration from April 1, 2015.

#### 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, 2014) (Consolidated Statements of Cash Flows)

Due to their increased relevance in the previous fiscal year, beginning in the current fiscal year, the NSSMC Group presents “Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation” and “Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation” separately from “Other” in “Cash flows from investing activities.” To reflect the changes in the reporting method, the items were accordingly reclassified in the presentation of the consolidated financial statements for the previous fiscal year.

As a result, in the consolidated statements of cash flows for the previous fiscal year, the ¥(661) million amount presented for “Other” in “Cash flows from investing activities” was reclassified as “Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation” of ¥404 million, “Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation” of ¥274 million, and “Other” of ¥(1,339) million.

## 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	
	2014	2013
Finished and half-finished products	¥544,223	¥508,691
Work in process	61,136	54,359
Raw materials and supplies	619,654	593,883

## 05. UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Items relevant to unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen	
	2014	2013
Investments in securities and others	¥1,145,502	¥1,112,280

## 06. CONTINGENT LIABILITIES AND NOTES AND BILLS DISCOUNTED AND ENDORSED

#### (1) Guarantee liabilities

(Year ended March 31, 2014)

	Outstanding amounts Millions of yen	Substantial amounts Millions of yen
	2014	2014
Contingent liabilities for:		
Guarantee of loans		
AM/NS Calvert LLC	¥ 68,187	¥ 68,187
Japan-Brazil Niobium Corporation	10,878	10,878
TENIGAL, S. de R.L. de C.V.	10,086	10,086
JAMSHEDPUR CONTINUOUS ANNEALING & PROCESSING COMPANY PRIVATE LIMITED	8,843	4,333*
WISCO-NIPPON STEEL Tinplate Co., Ltd.	8,087	8,087
VALLOUREC & SUMITOMO TUBOS DO BRASIL LTDA.	4,024	4,024
Automotive Steel Pipe India Private Limited	3,747	1,669*
UNIGAL Ltda.	2,778	2,778
Other	3,233	2,882*
Total	¥119,867	¥112,928

	Outstanding amounts Millions of yen	Substantial amounts Millions of yen
	2014	2014
Contingent liabilities for:		
Reserved guarantee of loans	¥1,267	¥ 986*
Maximum repurchase obligation amount associated with the liquidation of receivables	2,180	2,180

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

(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
Total	¥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.

(2) Notes and bills endorsed

	Millions of yen	
	2014	2013
Notes and bills endorsed	¥19	¥14

\* 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, 2014)  
(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, 2014 was ¥2,468 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, 2014 was ¥12,306 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, 2014 was ¥1,889 million.

(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.

08. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Transportation and storage	¥125,022	¥ 95,501
Salaries	120,622	100,933
Provision for accrued pension and severance costs	—	7,564
Retirement benefit expenses	5,393	—
Depreciation and amortization	6,636	5,868
Research and development expenses	52,121	46,755
Amortization of goodwill	11,430	9,030

09. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2014 and 2013 are ¥64,437 million and ¥60,071 million, respectively.

10. EXPLANATORY NOTES ON SPECIAL PROFIT AND LOSS

(Year ended March 31, 2014)

Special loss  
(1) Loss on inactive facilities

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

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

(2) Loss on liquidation of business

These losses were incurred as a result of the withdrawal of Kitakyushu Ecoenergy Co., Ltd., a subsidiary in the Steelmaking and steel fabrication segment, from the automobile shredder residue recycling business.



# 11. NOTES ON CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Reclassification adjustments and deferred tax accounting related to other comprehensive income for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Unrealized gains on available-for-sale securities:		
Amount for the current term	¥ 84,437	¥ 62,798
Amount due to reclassification adjustments	(56,149)	79,381
Amount before adjustments in deferred tax accounting	28,287	142,180
Amount due to deferred tax accounting	(10,270)	(47,570)
Unrealized gains on available-for-sale securities	18,017	94,610
Deferred hedge income (loss):		
Amount for the current term	¥ 871	¥ 5,852
Amount due to reclassification adjustments	(5,748)	(2,698)
Amount before adjustments in deferred tax accounting	(4,876)	3,153
Amount due to deferred tax accounting	1,942	(1,325)
Deferred hedge income (loss)	(2,933)	1,828
Foreign currency translation adjustments:		
Amount for the current term	¥ (3,626)	¥110,206
Amount due to reclassification adjustments	40	—
Amount before adjustments in deferred tax accounting	(3,586)	110,206
Amount due to deferred tax accounting	—	—
Foreign currency translation adjustments	(3,586)	110,206
Share of other comprehensive income (loss) of associates accounted for using equity method:		
Amount for the current term	¥ 2,684	¥ 62,740
Amount due to reclassification adjustments	(3,512)	287
Share of other comprehensive income (loss) of associates accounted for using equity method	(828)	63,028
Total other comprehensive income	¥ 10,668	¥269,673

# 12. CHANGES IN NET ASSETS AND SHAREHOLDERS' EQUITY

Notes on the consolidated statements of changes in net assets for the years ended March 31, 2014 and 2013 are as follows:

(Year ended March 31, 2014)

## (1) Information on issued shares

Kind of stock	March 31, 2013	Increase	Decrease	March 31, 2014
Common stock (Thousands)	9,503,214	—	—	9,503,214

## (2) Information on treasury stock

Kind of stock	March 31, 2013	Increase	Decrease	March 31, 2014
Common stock (Thousands)	428,564	2,557	52,609	378,513

(Reason for increase or decrease of treasury stock)

• Increase (Thousands)	
1. Purchase from opposing shareholders in accordance with the Companies Act	1,601
2. Odd-lot stock purchases	870
3. Purchased by affiliates	86
• Decrease (Thousands)	
1. Share exchange	52,481
2. Odd-lot stock sold	127

## (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 25, 2013	Common stock	¥9,090	¥1.0	March 31, 2013	June 26, 2013
At the Board of Directors' meeting held on October 30, 2013	Common stock	¥18,282	¥2.0	September 30, 2013	December 2, 2013

Dividends of which record date belong to the year ended March 31, 2014, and the operative date is the year ended March 31, 2015 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, 2014	Common stock	Retained earnings	¥27,422	¥3.0	March 31, 2014	June 26, 2014

(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 ended 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

13. NOTES ON CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Cash and cash equivalents

	Millions of yen	
	2014	2013
Cash and bank deposits	¥105,303	¥89,350
Less: Time deposits with original maturity over 3 months	(839)	(819)
Securities due within 3 months	1,000	1,999
Cash and cash equivalents	¥105,464	¥90,530

14. LEASE COMMITMENTS

(1) Finance leases

(Years ended March 31, 2014 and 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”

(2) Operating leases (non-cancelable)

The amount of outstanding future lease payments due at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen	
	2014	2013
Future lease payments:		
Within one year	¥ 4,465	¥ 5,036
Over one year	13,658	10,521
	¥18,123	¥15,557

The amount of outstanding future lease income due at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen	
	2014	2013
Future lease income:		
Within one year	¥1,181	¥1,176
Over one year	5,177	5,908
	¥6,359	¥7,084

15. 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



### (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 17, "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, 2014)

Millions of yen			
	Book value*	Fair value*	Differences
(1) Cash and bank deposits	¥ 105,303	¥ 105,303	¥ —
(2) Notes and accounts receivable	589,802	589,802	—
(3) Marketable and investment securities			
Held-to-maturity debt securities	8,300	8,299	(0)
Available-for-sale securities	647,251	647,251	—
(4) Notes and accounts payable	(661,267)	(661,267)	—
(5) Short-term loans payable	(435,357)	(435,357)	—
(6) Bonds due within one year	(65,000)	(65,000)	—
(7) Accounts payable—other	(336,425)	(336,425)	—
(8) Bonds and notes	(425,668)	(440,228)	(14,560)
(9) Long-term loans payable	(1,313,248)	(1,333,836)	(20,587)
(10) Derivative transactions	2,697	2,697	—

\* Figures shown in parentheses are liability items.

(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.

#### 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

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 16, "Securities."

##### Liabilities

##### (4) Notes and accounts payable, (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.

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

(Year ended March 31, 2014)

Millions of yen	
Item	Book value
Unlisted stocks	¥43,710

(Year ended March 31, 2013)

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

The items in the preceding table 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, 2014)

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	¥105,303	¥ —	¥—	¥—
Notes and accounts receivable	589,802	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
Corporate bonds	7,000	300	—	—
Negotiable certificates of deposit	1,000	—	—	—
Available-for-sale securities with maturity dates	25	431	9	—
<b>Total</b>	<b>¥703,132</b>	<b>¥731</b>	<b>¥ 9</b>	<b>¥—</b>

(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	—
<b>Total</b>	<b>¥676,914</b>	<b>¥3,320</b>	<b>¥ 9</b>	<b>¥—</b>

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

(Year ended March 31, 2014)

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 payable	¥164,316	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	32,000	—	—	—	—	—
Bonds	65,000	40,000	50,000	120,000	65,700	150,000
Long-term loans payable	271,040	206,829	272,358	172,689	109,281	552,090
Lease obligations	8,278	5,622	2,946	1,666	661	3,694
<b>Total</b>	<b>¥540,636</b>	<b>¥252,452</b>	<b>¥325,304</b>	<b>¥294,355</b>	<b>¥175,642</b>	<b>¥705,785</b>

(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 payable	¥239,566	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	26,000	—	—	—	—	—
Bonds	135,100	65,000	54,002	50,000	120,000	215,656
Long-term loans payable	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
<b>Total</b>	<b>¥669,565</b>	<b>¥341,216</b>	<b>¥250,095</b>	<b>¥313,594</b>	<b>¥273,363</b>	<b>¥692,020</b>

## 16. SECURITIES

(Year ended March 31, 2014)

Information regarding marketable and investment securities at March 31, 2014 is as follows:

**(1) Held-to-maturity debt securities**

Millions of yen			
	2014		
	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	¥7,300	¥7,299	¥(0)
Negotiable certificates of deposit	1,000	1,000	—
<b>Total</b>	<b>¥8,300</b>	<b>¥8,299</b>	<b>¥(0)</b>

**(2) Available-for-sale securities**

Millions of yen			
	2014		
	Carrying amount	Cost	Differences
Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost:			
Corporate shares	¥495,729	¥256,594	¥239,134
Other	125,577	80,047	45,529
Subtotal	¥621,307	¥336,642	¥284,664
Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost:			
Corporate shares	¥ 25,587	¥ 29,033	¥ (3,445)
Other	356	435	(79)
Subtotal	25,944	29,469	(3,525)
<b>Total</b>	<b>¥647,251</b>	<b>¥366,111</b>	<b>¥281,139</b>

**(3) Available-for-sale securities sold in the year ended March 31, 2014**

Millions of yen			
	2014		
	Amount of sales	Gain on sales	Loss on sales
Corporate shares	¥114,694	¥56,621	¥104
Bonds	1	—	—
Other	46	2	2
<b>Total</b>	<b>¥114,741</b>	<b>¥56,624</b>	<b>¥107</b>



#### (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 ¥3,466 million at March 31, 2014.

(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.

## 17. INFORMATION ON DERIVATIVES

(Year ended March 31, 2014)

##### (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	¥45,751	¥ —	¥1,197	¥1,197	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Buying U.S. dollars	11,828	—	251	251	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Selling U.S. dollars	79	—	2	2	Based on foreign exchange forward quotes
Non-market transactions	Interest rate swaps Interest rate pay fixed receive floating	5,541	5,541	(33)	(33)	Based on prices provided by third parties
Non-market transactions	Currency swaps Receiving U.S. dollars Paying Malaysian ringgit	1,616	—	(9)	(9)	Based on prices provided by third parties

##### (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 payable	¥ 22,296	¥ 22,230	¥ (52)	Based on prices provided by third parties
Deferred hedging accounting method	Interest rate swaps Interest rate pay floating receive fixed	Bonds	60,000	35,000	1,940	Based on prices provided by third parties
Deferred hedging accounting method	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable	174,713 1,640	206 18	(519) 98	Based on foreign exchange forward quotes
Deferred hedging accounting method	Foreign exchange forward contracts Selling U.S. dollars Other	Accounts receivable	1,851 3,483	141 —	(85) (33)	Based on foreign exchange forward quotes
Deferred hedging accounting method	Commodity swaps Commodity receive floating pay fixed	Electricity	318	148	(58)	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 payable	334,206	271,502	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive fixed	Bonds and Long-term loans payable	42,000	42,000	*	
Assigning method of currency swaps	Currency swaps Receiving U.S. dollars paying Yen Receiving Australian dollars paying Yen	Long-term loans payable	106,693 3,767	106,693 3,767	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable	240 342	17 —	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	598	—	*	
Total			¥752,152	¥481,727	¥1,289	

\* Since interest rate swaps subject to the exceptional method are handled together with bonds and long-term loans payable that are subject to hedging, their fair value is presented within the fair value of such bonds and long-term loans payable. 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 payable, their fair value is presented within the fair value of such long-term loans payable.

(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 third parties

**(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 payable	¥ 42,980	¥ 23,199	¥ (202)	Based on prices provided by third parties
Deferred hedging accounting method	Interest rate swaps Interest rate pay floating receive fixed	Bonds	60,000	40,000	710	Based on prices provided by third parties
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 payable	375,190	249,396	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive fixed	Bonds and Short-term loans payable	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 payable	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 payable	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 payable, bonds, and long-term loans payable that are subject to hedging, their fair value is presented within the fair value of such short-term loans payable, bonds, and long-term loans payable. 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 payable, their fair value is presented within the fair value of such long-term loans payable.

**18. RETIREMENT BENEFITS**

(Year ended March 31, 2014)

**(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 defined benefit obligations.

Part of the defined benefits enterprise pension plan are instituted to retirement benefit trusts. For the lump-sum retirement payment plan (although it is an unfunded retirement plan, some of it is a funded retirement plan as a result of institution to retirement benefit trusts), a lump-sum based on salaries and years of service are paid.

Defined benefits enterprise pension plan and lump-sum retirement payment plan for certain consolidated subsidiaries are determined by the simplified method.

**(2) Defined benefit plan**

(a) Changes in the defined benefit obligations (excludes the simplified method)

Millions of yen

	2014
Balance at beginning of year	¥588,246
Service costs	21,839
Interest costs	10,234
Actuarial differences	(4,409)
Benefits paid	(60,218)
Prior service costs	(10,400)
Other	(1,956)
Balance at end of year	¥543,337

(b) Changes in the plan assets (excludes the simplified method)

Millions of yen

	2014
Balance at beginning of year	¥511,178
Expected return on plan assets	7,127
Actuarial differences	53,704
Contributions by the employer	17,989
Benefits paid	(41,677)
Other	(36,872)
Balance at end of year	¥511,449

(c) Changes of net defined benefit liabilities for the simplified method

Millions of yen

	2014
Balance at beginning of year	¥13,464
Net pension expense	1,845
Benefits paid	(1,537)
Contributions to the plan	(1,257)
Other	1,011
Balance at end of year	¥13,527



(d) Adjustment between the ending balance of defined benefit obligations and plan assets to the net defined benefit liabilities and net defined benefit assets arising in the consolidated balance sheets

	Millions of yen
	2014
Funded defined benefit obligations	¥ 482,075
Plan assets	(522,300)
	(40,225)
Unfunded defined benefit obligations	85,640
Net asset (liability) arising from defined benefit obligations	¥ 45,415
Net defined benefit liabilities	¥ 157,373
Net defined benefit assets	(111,958)
Net assets (liabilities) arising from defined benefit obligations	¥ 45,415

\* Includes plans using the simplified method

(e) Net pension expense

	Millions of yen
	2014
Service costs	¥21,839
Interest costs	10,234
Expected return on plan assets	(7,127)
Amortization of actuarial differences	(5,963)
Amortization of prior service costs	(394)
Net pension expense for the simplified method	1,845
Other	3,501
Total	¥23,935

(f) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before adjustments in deferred tax accounting) are as follows:

	Millions of yen
	2014
Unrecognized balance of prior service costs	¥(10,214)
Unrecognized actuarial differences	(65,622)
Total	¥(75,836)

(g) Plan assets

1) Categories of plan assets

The major categories of plan assets are as follows:

	%
	2014
Debt securities	40%
Equity securities	35
Cash and bank deposits	16
Other	9
Total	100%

\* The total of plan assets includes retirement benefit trusts for the enterprise pension plan and lump-sum retirement payment plan, which accounts for 25% of the total.

2) Method of determining expected long-term rate of return on plan assets

In order to determine expected long-term rate of return on plan assets, the NSSMC Group considers previous and expected distributions of plan assets, and the present and long-term future expected rates of the Group's wide variety of plan assets.

(h) Principal assumptions used in actuarial valuations

Principal assumptions used in actuarial valuations are as follows:

	2014
Discount rate	Mainly 2.1% or 1.4%
Expected long-term rate of return on plan assets	Mainly 2.1% or 1.4%

### (3) Defined contribution plan

The NSSMC Group contributed ¥3,074 million for the defined contribution plan.

(Year ended March 31, 2013)

#### (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 defined benefit obligations.

#### (2) Defined benefit obligations

	Millions of yen
	2013
Defined benefit obligations	¥(613,706)
Plan assets	523,174
Accrued pension and severance costs	192,635
Prepaid pension cost	(89,612)
Balance	12,490
Consisting of:	
Unrecognized actuarial differences	12,361
Unrecognized balance of prior service costs*1	128
Total	¥ 12,490

\*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 defined benefit obligations for certain consolidated subsidiaries are determined by the simplified method.

#### (3) Net pension expense relating to retirement benefits

	Millions of yen
	2013
Service costs*2	¥21,855
Interest costs	10,327
Expected return on plan assets	(6,615)
Amortization of actuarial differences	7,032
Amortization of prior service costs*3	(412)
Net pension expense	32,186
Other*4	1,916
Total	¥34,103

\*1 In addition to the net pension expense above, special benefits for early retirement of ¥2,652 million were paid.

\*2 All pension expenses of consolidated subsidiaries, for which the simplified method is applied, are included in "Service costs."

\*3 This amount represents amortization of prior service costs.

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

**(4) Assumptions used in the calculation of the above information****2013**

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

\*<sup>1</sup> Amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service.\*<sup>2</sup> 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.**19. DEFERRED TAX ACCOUNTING****(1) Components of deferred tax assets and liabilities at March 31, 2014 and 2013**

	Millions of yen	
	2014	2013
<b>Deferred tax assets:</b>		
Reserve for accrued bonuses	¥ 27,324	¥ 23,404
Accrued pension and severance costs	—	51,224
Net defined benefit liabilities	34,256	—
Reserve for repairs to blast furnaces	2,900	3,806
Loss on revaluation of inventories	9,898	11,866
Impairment loss	96,688	106,037
Depreciation in excess of limit	34,590	37,753
Tax losses carried forward	172,546	237,015
Unrealized gains on tangible fixed assets	51,137	53,357
Other	69,398	79,787
Subtotal	498,740	604,252
Valuation allowance	(199,418)	(199,225)
Total	299,321	405,026
<b>Deferred tax liabilities:</b>		
Special tax purpose reserve	(78,731)	(85,295)
Revaluation of available-for-sale securities	(99,863)	(89,030)
Net unrealized gains on assets and liabilities of consolidated subsidiaries	(609)	(588)
Total	(179,204)	(174,914)
Net deferred tax assets	¥ 120,117	¥ 230,112

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

Years ended March 31	2014	2013*
Statutory tax rate	38.0%	—
Permanent non-deductible expenses	0.7	—
Permanent non-taxable income	(0.9)	—
Effect of foreign tax rate differences	(1.7)	—
Other	(0.9)	—
Actual tax rate	35.2%	—

\* 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.

**(3) Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates**

Promulgation of the Law to Revise a Portion of the Income Tax Law on March 31, 2014 resulted in the rescinding of the Special Corporate Tax for Reconstruction, effective as of the consolidated fiscal year commencing April 1, 2014. The temporary

differences, due to the application of the special tax amounts for deferred tax assets and deferred tax liabilities from the consolidated fiscal year commencing April 1, 2014, will be eliminated, and the legal statutory tax rate will be lowered from 38.0% in the previous fiscal year to 35.6% in fiscal 2014. The effect of this tax rate revision will be negligible.

**20. 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 Steel-making 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.

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, 2014)

	Millions of yen							
	Reportable segment							Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Total	Adjustments	
Net sales								
Sales to external customers	¥4,827,826	¥284,803	¥223,082	¥37,241	¥143,225	¥5,516,180	¥ —	¥5,516,180
Inter-segment sales or transfers	50,082	29,370	7,047	—	36,631	123,132	(123,132)	—
Total	4,877,909	314,174	230,130	37,241	179,856	5,639,312	(123,132)	5,516,180
Segment profit (loss) <Ordinary profit>	¥ 321,287	¥ 17,702	¥ 10,057	¥ 1,391	¥ 12,760	¥ 363,199	¥ (2,101)	¥ 361,097
Segment assets	¥6,495,381	¥255,702	¥163,913	¥30,544	¥162,127	¥7,107,670	¥ (25,381)	¥7,082,288
Segment liabilities <Interest-bearing debt>	¥2,281,573	¥ 3,325	¥ 6,449	¥15,465	¥ 2,147	¥2,308,961	¥ (14,816)	¥2,294,145
Other items								
Depreciation and amortization	¥ 321,140	¥ 3,194	¥ 5,962	¥ 2,161	¥ 3,758	¥ 336,217	¥ (4,415)	¥ 331,801
Amortization of goodwill	9,439	0	—	0	272	9,712	—	9,712
Interest income	4,352	166	13	0	260	4,793	(277)	4,516
Interest expense	25,187	117	45	103	120	25,575	(277)	25,297
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	59,691	486	660	—	(23)	60,815	1,913	62,729
Balance of investments in equity method companies	1,013,128	2,326	18,502	—	(7)	1,033,949	105,972	1,139,921
Increase (decrease) in tangible/intangible fixed assets	244,493	2,508	7,685	1,871	4,278	260,836	(3,816)	257,019

- Notes:
- Segment profit (loss) adjustments figure of ¥(2,101) million includes investment return of ¥3,035 million from the equity-method affiliate Nippon Steel Kowa Real Estate Co., Ltd., an investment return of ¥198 million from the equity method affiliate SUMCO Corporation, and elimination of inter-segment sales or transfers of ¥(5,335) 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.
  - Depreciation and amortization includes depreciation of long-term prepaid expenses.
  - The increased amount of tangible fixed assets and intangible fixed assets includes the increased amount of long-term prepaid expenses.

(Year ended March 31, 2013)

	Millions of yen							
	Reportable segment							Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Total	Adjustments	
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 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.
  - Sales adjustments figure of ¥(113,442) million includes sales for the first half of the year, ¥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, ¥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.
  - Depreciation and amortization includes depreciation of long-term prepaid expenses.
  - The increased amount of tangible fixed assets and intangible fixed assets includes the increased amount of long-term prepaid expenses.

(2) Associated information

(Year ended March 31, 2014)

(a) Information about products and services

There is no mention of information about products and services, because similar information is disclosed in the segment information section.

(b) Information about geographical area

1) Net sales

Millions of yen				
Japan	Overseas	Asia	Other	Total
¥3,323,375	¥2,192,805	¥1,469,320	¥723,485	¥5,516,180

Note: Sales information is based on the geographical location of customers, and 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 sheet, therefore disclosure has been omitted.

(c) Information about principal customers

Millions of yen		
Counterparty	Sales	Name of related segment
Sumitomo Corporation	¥942,147	Steelmaking and steel fabrication
Nippon Steel & Sumikin Bussan Corporation	761,844	Steelmaking and steel fabrication
Metal One Corporation	566,522	Steelmaking and steel fabrication

Note: Nippon Steel Trading Co., Ltd. executed an absorption-type merger of Sumikin Bussan Corporation on October 1, 2013, upon which the corporate name was changed to Nippon Steel & Sumikin Bussan Corporation. The reported sales to Nippon Steel & Sumikin Bussan Corporation represent the sum of sales to Nippon Steel Trading Co., Ltd. up to September 30, 2013 and to Nippon Steel & Sumikin Bussan Corporation from October 1, 2013.

(Year ended March 31, 2013)

(a) Information about products and services

There is no mention of information about products and services, because similar information is disclosed in the segment information section.

(b) 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 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.

(c) 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

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

(Year ended March 31, 2014)

There were no material impairment losses on fixed assets.

(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 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.

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

(Year ended March 31, 2014)

	Millions of yen						
	Reportable segment						
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Adjustments	Total
Balance at fiscal year-end	¥39,124	¥—	¥—	¥—	¥2,352	¥—	¥41,476

\* 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, 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."

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

(Years ended March 31, 2014 and 2013)

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



# 21. RELATED PARTY INFORMATION

## (1) Related party transaction

(Year ended March 31, 2014)

Transaction with related party

Transaction of NSSMC with related party  
Unconsolidated subsidiaries and affiliates

Millions of yen				
	Transaction during the year ended March 31, 2014		Resulting account balances	
	Description of transaction	Amount	Account	Amount
(a) Category: Affiliate (b) Name: Nippon Steel & Sumikin Bussan Corporation (c) Head office address: Minato-ku, Tokyo (d) Paid-in capital: ¥12,335 million (e) Business content: Markets, imports and exports steel, textiles, foods, and other products (f) Equity ownership percentage: Holding 36.4% directly and 0.8% indirectly (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥645,901	Notes and accounts receivable	¥26,130

\*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.  
\*3 Nippon Steel Trading Co., Ltd. executed an absorption-type merger of Sumikin Bussan Corporation on October 1, 2013, upon which the corporate name was changed to Nippon Steel & Sumikin Bussan Corporation. The reported sales to Nippon Steel & Sumikin Bussan Corporation represent the sum of sales to Nippon Steel Trading Co., Ltd. up to September 30, 2013 and to Nippon Steel & Sumikin Bussan Corporation from October 1, 2013.

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

Millions of yen				
	Transaction during the year ended March 31, 2014		Resulting account balances	
	Description of transaction	Amount	Account	Amount
(a) Category: Affiliate (b) Name: Nippon Steel & Sumikin Bussan Corporation (c) Head office address: Minato-ku, Tokyo (d) Paid-in capital: ¥12,335 million (e) Business content: Markets, imports and exports steel, textiles, foods, and other products (f) Equity ownership percentage: Holding 36.4% directly and 0.8% indirectly (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥115,942	Notes and accounts receivable	¥17,620

\*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.  
\*3 Nippon Steel Trading Co., Ltd. executed an absorption-type merger of Sumikin Bussan Corporation on October 1, 2013, upon which the corporate name was changed to Nippon Steel & Sumikin Bussan Corporation. The reported sales to Nippon Steel & Sumikin Bussan Corporation represent the sum of sales to Nippon Steel Trading Co., Ltd. up to September 30, 2013 and to Nippon Steel & Sumikin Bussan Corporation from October 1, 2013.

(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 Co., Ltd. (c) Head office address: Chiyoda-ku, Tokyo (d) Paid-in capital: ¥8,750 million (e) Business content: Buys and sells iron and steel, non-ferrous 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 Co., Ltd. (c) Head office address: Chiyoda-ku, Tokyo (d) Paid-in capital: ¥8,750 million (e) Business content: Buys and sells iron and steel, non-ferrous 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.

## (2) Related party disclosures about parent company and significant affiliates

(Years ended March 31, 2014 and 2013)

There are no parent company and significant affiliates.

22.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, 2014 and 2013 are as follows:

(Year ended March 31, 2014)

	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	¥242,753	9,101,625	¥26.67

(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)

Regarding diluted net income per share, no figures for diluted net income per share have been disclosed because no latent shares existed.

23.BONDS AND NOTES AND LOANS

Bonds and notes and loans of the NSSMC Group at March 31, 2014 and 2013 consisted of the following:

		Millions of yen	
		2014	2013
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	682	679
	0.80% SB due June 2013	—	20,000
	1.67% SB due March 2014	—	15,000
	1.37% SB due November 2013	—	10,000
	1.77% SB due September 2017	29,996	29,995
	1.18% SB due December 2013	—	19,999
	1.66% SB due December 2017	29,998	29,998
	1.37% SB due January 2015	19,999	19,998
	1.19% SB due April 2013	—	29,999
	1.35% SB due April 2015	9,999	9,998
	1.55% SB due March 2014	—	29,996
	1.92% SB due March 2018	29,991	29,989
	1.714% SB due June 2018	30,000	30,000
	2.491% SB due June 2028	10,000	10,000
	1.891% SB due September 2018	15,000	15,000
	1.477% SB due December 2013	—	10,000
	1.557% SB due April 2014	25,000	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	10,000	10,000
	1.53% SB due March 2020	20,000	20,000
	0.815% SB due April 2016	10,000	10,000
	0.73% SB due July 2017	10,000	10,000
	1.076% SB due June 2020	15,000	15,000
	0.543% SB due November 2015	10,000	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	10,000	10,000
	0.846% SB due May 2018	10,000	10,000
	0.491% SB due July 2016	10,000	10,000
	1.109% SB due September 2021	15,000	15,000
	0.48% SB due October 2016	10,000	10,000
	0.7% SB due October 2018	10,000	10,000
	0.448% SB due April 2017	10,000	10,000
	0.697% SB due April 2019	10,000	10,000
	0.556% SB due June 2019	10,000	10,000
	0.951% SB due June 2022	20,000	20,000
	6 months LIBOR + 1.7% Euroyen (deeply subordinated) bonds	300,000	300,000
Standard Steel, LLC	12% secured bonds due May 2015	—	14,002
			[148,885]*1
HIROKOU GIKEN Co., Ltd.	0.7% SB due June 2013	—	100
Subtotal		790,668	939,759
Elimination of intra-group transactions		(300,000)	(300,000)
Total		¥ 490,668	¥ 639,759

\*1 Issued in U.S. dollars [ ]: Amount of denominated thousands of U.S. dollars  
\* “SB” = straight bonds, “MTN” = mid-term note



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, 2014 and 2013, 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, 2014 and 2013, 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, 2014  
Tokyo, Japan

Millions of yen

	2014	2013
Loans:		
Short-term loans payable	¥ 164,316*3	¥ 239,566
Loans principally from banks and insurance companies due 2015–2027 for 2014 (2014–2027 for 2013)*1	1,584,289*3	1,601,556
Lease obligations due 2015–2030 for 2014 (2014–2030 for 2013)*2	22,870	32,972
Commercial paper	32,000*4	26,000
Total	¥1,803,477	¥1,900,095

\*1 Including a portion due within one year of ¥271,040 million for 2014 and ¥255,337 million for 2013.

\*2 Including a portion due within one year of ¥8,278 million for 2014 and ¥13,561 million for 2013.

\*3 Average interest-rate at March 31, 2014 is 0.8%.

\*4 Average interest-rate at March 31, 2014 is 0.1%.

The aggregate annual maturities of long-term debt as of March 31, 2014 are as follows:

Millions of yen

Years ending March 31	2015	2016	2017	2018	2019
Bonds and notes	¥ 65,000	¥ 40,000	¥ 50,000	¥120,000	¥ 65,700
Loans	271,040	206,829	272,358	172,689	109,281
Lease obligations	8,278	5,622	2,946	1,666	661

The following are the NSSMC Group assets pledged as collateral primarily to secure long-term loans payable, short-term loans payable and others, and totaled ¥33,257 million and ¥50,319 million at March 31, 2014 and 2013, respectively.

Millions of yen

Years ended March 31	2014	2013
(Factory foundation)		
Cash and bank deposits	¥ —	¥ 1,388
Notes and accounts receivable	—	2,335
Inventories	—	3,389
Buildings and structures	1,474	6,085
Machinery, equipment and vehicles	4,010	16,037
Tools, furniture and fixtures	0	113
Land	6,896	11,833
Total	¥12,382	¥41,183
(Pledged assets)		
Cash and bank deposits	¥ 627	¥ 566
Notes and accounts receivable	731	406
Inventories	1,081	735
Current assets–other	5,067	4,163
Buildings and structures	2,041	1,383
Machinery, equipment and vehicles	58	73
Land	10,235	11,418
Long-term loans receivable	11,213	13,375
Total	¥31,058	¥32,121

In addition, at March 31,2014, out of the above secured liabilities, ¥347 million of long-term loans receivable, etc., are pledged as collateral against ¥347 million of loans of consolidated subsidiaries and ¥1,261 million of shares of affiliates are pledged as collateral against the loans of those affiliates.

And at March 31, 2013, out of the above secured liabilities, ¥347 million of long-term loans receivable, etc., are pledged as collateral against ¥462 million of loans of consolidated subsidiaries and ¥1,261 million of shares of affiliates are pledged as collateral against the loans of those affiliates.

## Principal Subsidiaries and Affiliates

(As of March 31, 2014)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Steelmaking and Steel Fabrication (395 companies)			
Consolidated Subsidiaries (300 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
Nippon Steel & Sumikin Texeng Co., Ltd.	5,468	61.3%	Provides engineering, maintenance, and operational services pertaining to machines, electrical instrumentation, systems, and the construction of steel production equipment
Nippon Steel & Sumikin Stainless Steel Corporation	5,000	100.0%	Manufactures and markets stainless steel
Nippon Steel & Sumikin Pipe Co., Ltd.	4,801	100.0%	Manufactures and markets steel pipe and tubes
Nippon Steel & Sumikin Logistics Co., Ltd.	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
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
Nippon Steel & Sumikin 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	85.1%	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.	R2,002 million	100.0%	Markets seamless pipes
The Siam United Steel (1995) Co., Ltd.	THB9,000 million	58.0%	Manufactures and markets cold-rolled sheets
National Pipe Co., Ltd.	SAR200million	51.0%	Manufactures and markets primarily steel line pipes
Standard Steel, LLC	US\$47 million	100.0%	Manufactures and markets wheels and axles for railways
Nippon Steel & Sumitomo Metal U.S.A., Inc.	US\$40 million	100.0%	Invests in U.S. companies and gathers information
PT Pelat Timah Nusantara Tbk.	US\$26 million	35.0%	Manufactures and markets tinplates
Nippon Steel & Sumitomo Metal Australia Pty. Limited	A\$21 million	100.0%	Participates in mine development in Australia and gathers information
Nippon Steel & Sumikin Steel Processing (Thailand) Co., Ltd.	THB571 million	66.5%	Manufactures and markets cold-heading wire and cold-finished bars
Western Tube & Conduit Corporation	US\$17 million	96.7%	Manufactures and markets steel conduit tubes and mechanical tubes
268 other companies			
Affiliates Accounted for by the Equity Method (95 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
Nippon Steel & Sumikin Bussan Corporation	12,335	37.1%	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



Affiliates Accounted for by the Equity Method			
Nichia Steel Works, Ltd.	10,720	24.3%	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
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	47.1%	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	16.5%	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.	RMB3,000 million	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
72 other companies			
Engineering and Construction (35 companies)			
Consolidated Subsidiaries (32 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
34 other companies			
Chemicals (21 companies)			
Consolidated Subsidiaries (14 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
20 other companies			
New Materials (12 companies)			
Consolidated Subsidiaries (12 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
11 other companies			
System Solutions (21 companies)			
Consolidated Subsidiaries (19 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
20 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: 377 companies    Total Affiliates Accounted for by the Equity Method: 109 companies

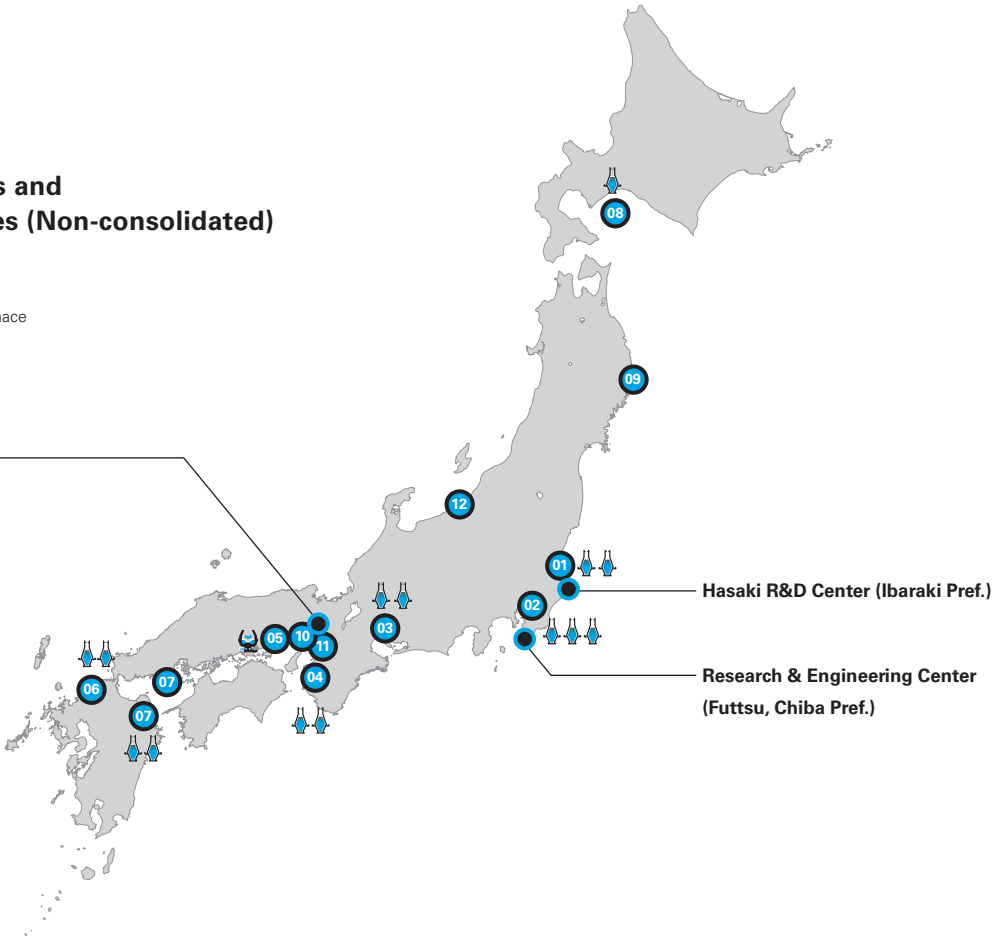


Our Network

Domestic Steelworks and Research Laboratories (Non-consolidated)

 Blast furnace  
 Cold ferrous materials melting furnace

Amagasaki R&D Center  
(Hyogo Pref.)



01. Kashima Works (Ibaraki Pref.)

Crude steel production: 737  
Employees: 2,711  
Main products: Sheets, plates, shapes, pipe and tubes

02. Kimitsu Works (Kimitsu Area, Chiba Pref.) (Tokyo Area, Tokyo)

Crude steel production: 1,001  
Employees: 3,611  
Main products: Sheets, plates, wire rods, shapes, pipe and tubes

03. Nagoya Works (Aichi Pref.)

Crude steel production: 674  
Employees: 2,982  
Main products: Sheets, plates, pipe and tubes

04. Wakayama Works (Wakayama Area and Kainan Area, Wakayama Pref.), (Sakai Area, Osaka)

Crude steel production: 463  
Employees: 1,460  
Main products: Pipe and tubes, shapes, sheets

05. Hirohata Works (Hyogo Pref.)

Crude steel production: 71  
Employees: 1,239  
Main product: Sheets

06. Yawata Works (Tobata Area, Kokura Area, and Yawata Area, Fukuoka Pref.)

Crude steel production: 444  
Employees: 3,805  
Main products: Sheets, shapes, rails, pipe and tubes, bars and wire rods

07. Oita Works (Oita Area, Oita Pref.) (Hikari Area, Yamaguchi Pref.)

Crude steel production: 1,025  
Employees: 1,960  
Main products: Sheets, plates, pipe and tubes, titanium

08. Muroran Works (Hokkaido Pref.)

Crude steel production: 147  
Employees: 593  
Main products: Bars and wire rods  
\* Blast furnace transferred to Hokkai Iron & Coke Co., Ltd. in 1994.

09. Kamaishi Works (Iwate Pref.)

Employees: 231  
Main product: Wire rods

10. Amagasaki Works (Hyogo Pref.)

Employees: 638  
Main products: Pipe and tubes

11. Osaka Steel Works (Osaka)

Crude steel production: 4  
Employees: 1,058  
Main products: Wheels and axles, crankshafts

12. Naoetsu Works (Niigata Pref.)

Employees: 184  
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, 2014; Employee figures are as of March 31, 2014.

Our Network

Head Office and Domestic Offices and Branches

Head Office

2-6-1, Marunouchi, Chiyoda-ku, Tokyo  
100-8071, Japan  
Phone: +81-3-6867-4111  
Fax: +81-3-6867-5607

Sales Offices

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

Fukushima Marketing Site

Niigata Marketing Branch

Hokuriku Marketing Branch

Ibaraki Marketing Branch

Nagoya Marketing Branch

(Nagoya, Tokai)

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

Chiba Marketing Site

Yokohama Marketing Site

Nagano Marketing Site

Overseas Offices (including locally incorporated companies)

Nippon Steel & Sumitomo Metal U.S.A., Inc.

(New York, Chicago, Houston, Mexico City)

Nippon Steel & Sumitomo Metal Southeast Asia Pte. Ltd.

(Singapore, Jakarta)

Nippon Steel & Sumitomo Metal Empreendimentos

Siderúrgicos Ltda.

(São Paulo, Belo Horizonte)

Nippon Steel & Sumitomo Metal (Thailand) Co., Ltd.

(Bangkok)

Nippon Steel & Sumitomo Metal Corporation

European Office

(Düsseldorf)

Nippon Steel & Sumitomo Metal India Private Limited

(New Delhi)

Dubai Office

Nippon Steel & Sumitomo Metal Australia Pty. Limited

(Sydney, Perth)

Nippon Steel & Sumitomo Metal Consulting

(Beijing) Co., Ltd

(Beijing, Shanghai, Guangzhou)

History

2014	Yawata Works and Kokura Works were integrated to become Yawata Works. Wakayama Works and Sakai Works were integrated to become Wakayama Works. Kimitsu Works and Tokyo Works were integrated to become Kimitsu Works.
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 commence consideration of business integration with Nippon Steel Corporation.
2003	Stainless business was spun off to Nippon Steel & Sumikin Stainless Steel Corporation.	2008	The titanium business was split and was absorbed by 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 (present Nippon Steel & Sumikin Koutetsu Wakayama Corporation) was established. Wakayama Works' upstream operation was spun off as 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 alliances 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 Nippon Steel Group based on product item or business area was introduced in the steelmaking and steel fabrication business.	2000	Sumitomo Metals (Kokura), Ltd. was established. Sumitomo Metals (Naoetsu), Ltd. was established.
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 in Kashima 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 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 in Wakayama 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. (to form Kainan Steel Tube Works).
1974	Engineering Divisions Group was organized.	1977	Engineering Division was established, marking entry 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 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 Works, an integrated steelmaker.
1955	Hikari Works of Yawata Iron & Steel began operation.	1952	Shin-Fuso Metal Industries, Ltd. was renamed 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, 2014)

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

551,109

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

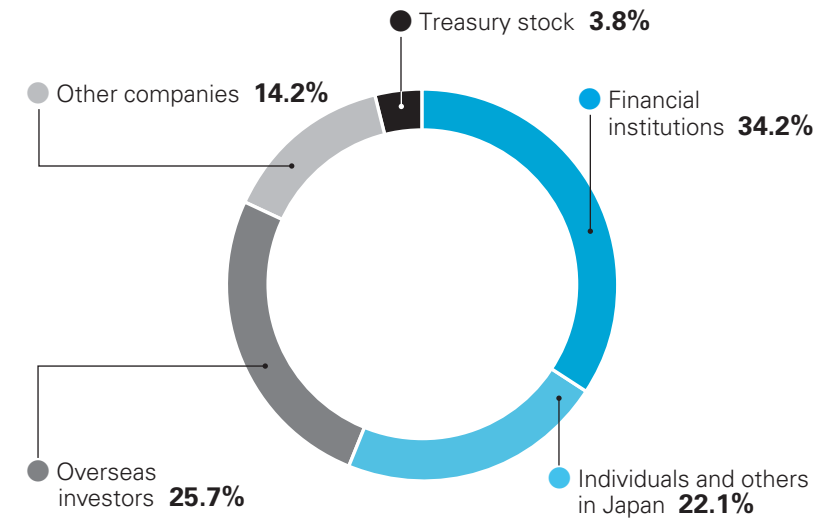
St. Paul, MN 55164-0504, U.S.A.

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](mailto:jpmorgan.adr@wellsfargo.com)

Share Ownership by Category



Principal Shareholders

Name	Shares owned (Thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	414,531	4.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	312,802	3.3
Nippon Life Insurance Company	266,825	2.8
Sumitomo Corporation	262,690	2.8
Mizuho Bank, Ltd.*1	182,600	1.9
Sumitomo Mitsui Banking Corporation*2	146,470	1.5
Meiji Yasuda Life Insurance Company	138,977	1.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	136,356	1.4
Kobe Steel, Ltd.	134,882	1.4
THE BANK OF NEWYORK MELLON SA/NV 10	99,793	1.1

\*1 Apart from those shares listed above, Mizuho 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 362,244 thousand shares (3.8% shareholding ratio), is included in calculation of the stock ownership ratio.