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NIPPON STEEL & SUMITOMO METAL CORPORATION

Annual Report 2015



NIPPON STEEL &
SUMITOMO METAL

NIPPON STEEL & SUMITOMO METAL

ANNUAL REPORT 2015

Year ended March 31, 2015



CORPORATE PHILOSOPHY

Our Values

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.

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Other Communication Tools

Please use Sustainability Report 2015, our corporate website and fact book to gain an overall understanding of the NSSMC Group.

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/>



Sustainability Report 2015

We produce detailed reports on environmental and corporate social responsibility (CSR) activities.

<http://www.nssmc.com/en/csr/>

Fact Book

Basic Facts About Nippon Steel & Sumitomo Metal 2015 is a data book which provides readers with access to more detailed information on the Company and its operations.

<http://www.nssmc.com/en/ir/library/guide.html>

Consolidated Performance Highlights

Please refer to Pages 48–51 “11-Year Financial Performance” for details.

Fiscal 2014 Key Points

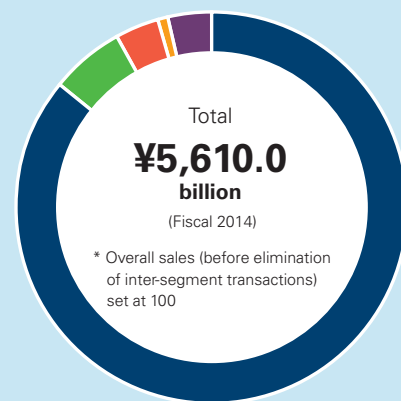
Net sales

¥5,610.0 billion

Ordinary profit

¥451.7 billion

Sales composition by business segment



● Steelmaking and steel fabrication

¥4,939.2 billion

● Engineering and construction

¥348.6 billion

● Chemicals

¥212.7 billion

● New materials

¥36.4 billion

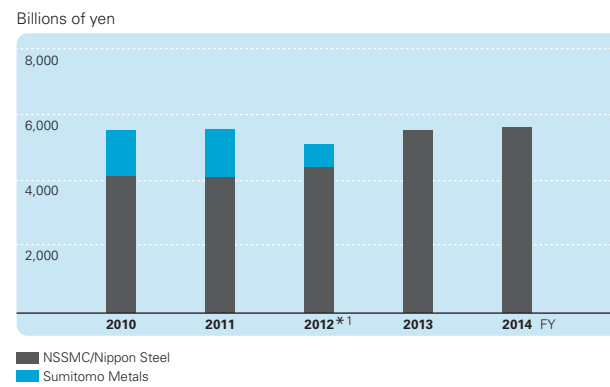
● System solutions

¥206.0 billion

(Adjustment:
Elimination of **¥133.1 billion**)

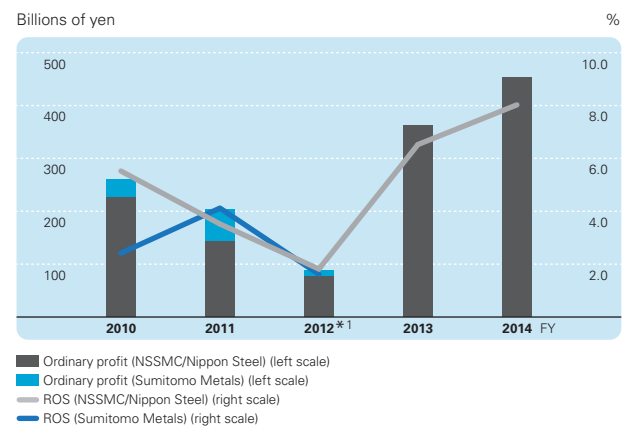
Net sales

Despite the impact from the April 2014 consumption tax rate hike in Japan and a decline in raw material prices, the depreciation of the yen and sales growth in the engineering and construction and the system solutions businesses contributed to an increase in net sales.



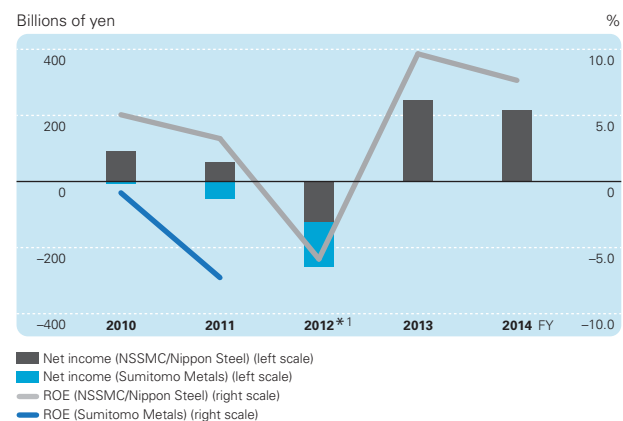
Ordinary profit, ROS (Return on sales)

Ordinary profit increased ¥90.7 billion year on year due to improved cost management and a decline in raw material prices, as well as improved profit contributions by Group companies and other factors, which more than offset loss on revaluation of inventories and the impact of accidents at the Nagoya Works.



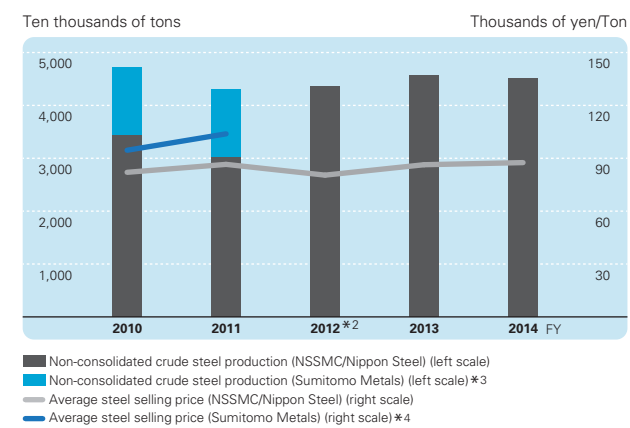
Net income, ROE (Return on equity)

Net income decreased from the previous fiscal year due to impairment loss at an overseas company and other factors. Excluding this impairment loss, ROE improved.



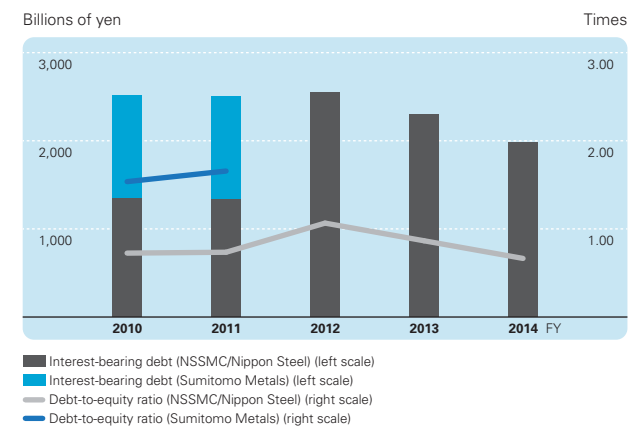
Non-consolidated crude steel production, Average steel selling price

Crude steel production decreased from the previous fiscal year, due to the prolonged impact of the consumption tax rate hike and other factors. The average steel selling price improved ¥1,200 per ton, as the effect of positive factors such as the impact from the depreciation of the yen was more than the impact from negative factors such as the drop in raw material prices.



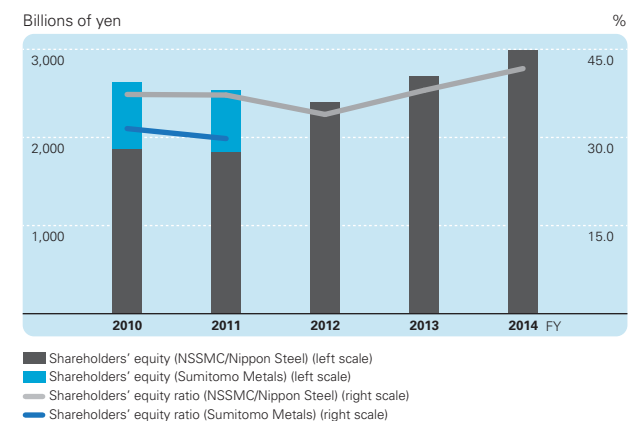
Interest-bearing debt, Debt-to-equity ratio*5

Favorable cash flows from operating activities, the impact of asset compression, and other factors led to a ¥320 billion reduction in interest-bearing debt. The debt-to-equity (D/E) ratio improved to 0.66, partly because of an increase in shareholders' equity.



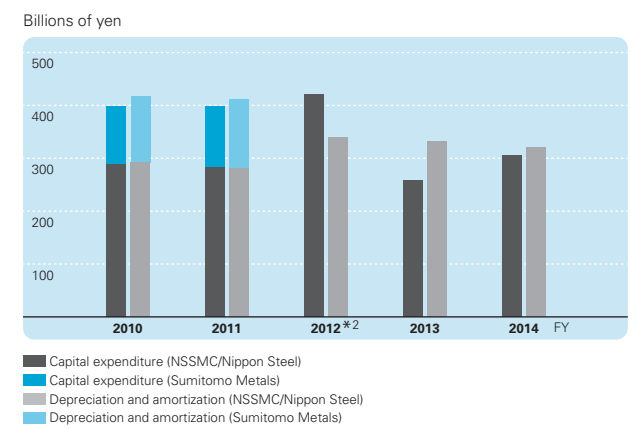
Shareholders' equity, Shareholders' equity ratio

The shareholders' equity ratio improved to 41.6%, mainly due to an increase in net profit and unrealized gains on securities.



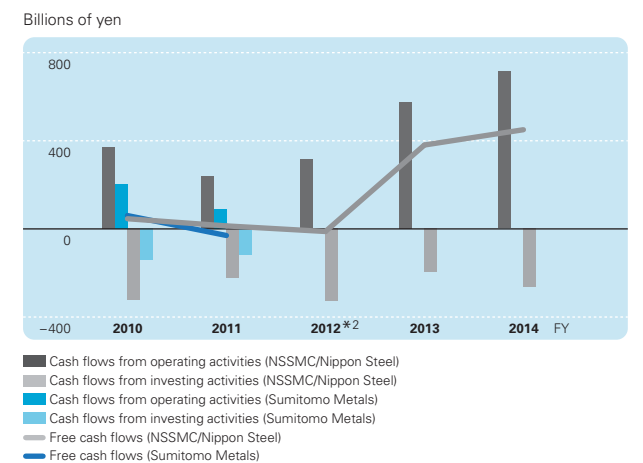
Capital expenditure, Depreciation and amortization

Capital expenditure, which included the relining of a blast furnace at the Yawata Works, increased ¥47 billion year on year, while the Kimitsu Works and the Kashima Works launched the coke oven renovation.



Cash flows

As a result of promoting improvement in business profit and asset compression, free cash flows increased significantly from the previous fiscal year, to ¥447.3 billion.



*1 Sumitomo Metals' amount for fiscal 2012 is Sumitomo Metals' amount for the first half (April 1 to September 30) of fiscal 2012.
NSSMC's amount for fiscal 2012 is the sum of Nippon Steel's amount for the first half and NSSMC's amount for the second half.

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

*3 "Non-consolidated 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).

*4 "Average steel selling price" of Sumitomo Metals includes 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).

*5 Interest-bearing debt and debt-to-equity (D/E) ratio of Nippon Steel and Sumitomo Metals for fiscal 2010–2011 are calculated based on their respective methods.

Message from Top Management



We announced our first Mid-Term Management Plan in March 2013, after our corporate integration. Since that time, we have made steady progress in building an optimal production system, including reorganization of domestic steelworks, developing overseas businesses, integrating technologies of the two former companies, and reorganizing Group companies. I am pleased to say that we have made solid progress in reaching or even exceeding our numerical financial targets in less than three years. Nevertheless, I believe it is important that we do not become complacent, and must now set new objectives to advance even further. This is why in March 2015 we announced our new Mid-Term Management Plan, for fiscal 2015–2017, to firmly establish our position as the best steelmaker with world-leading capabilities.

The new plan has two key imperatives: enhance manufacturing capabilities in Japan and strengthen overseas manufacturing bases for growth in sales and profit. These strategies will be realized on the basis of our strengths in advanced and proprietary technologies. Enhancement of domestic manufacturing capabilities is particularly important as we strongly believe that without improving what we do at home, overseas bases cannot be strengthened.

Specifically, to enhance domestic bases we will renovate or strengthen our manufacturing infrastructure by investing ¥1,350 billion over the next three years. Although we have continually renovated major facilities in our steelworks, we need to continue renovating them one by one as they have been in use for many years. The Oita Works, which is the newest of our domestic steelworks, was established over 40 years ago. At this time, however, simple renovation is not what we have in mind. We plan to invest in renovating and enhancing facilities for the future, incorporating up-to-date technological advances as well as applying our entire accumulated manufacturing know-how.

In addition to facilities, human resources will also be reinforced. We intend to double the number of new hires compared to the two years prior to the plan beginning, and form a more youthful base for the important roles of the future. To do so, we intend to fully transfer existing skills to the next generation and to smoothly accomplish a change of generations. Our R&D infrastructure is already one of the most advanced in the global steel industry, but we will further enhance it to ensure the continued progress of our technologies. Accidents and mishaps that occurred at the Nagoya Works in 2014 have made us examine whether our manufacturing capabilities in Japan are truly sufficient, have alerted us to the need to renew our efforts at improvement, and have given us some perspective to reflect upon. We are determined to get back to basics; strengthen our facilities, human resources, and technologies; enhance manufacturing capabilities in Japan at what we call our “mother mills”; and apply our best practices overseas.

Overseas, we have started many projects in the past several years and are now entering a stage of stable operation and profit expansion. We plan to raise overseas production to 19 million tons in three years, while aiming to maximize cost efficiency, secure profitability, and increase cash flows. At the same time, ¥300 billion has been reserved for business investments in new projects other than existing joint ventures over the next three years. This is investment in growth regions and growth sectors. Specifically, we will organize a system that enables timely investment in the areas of high demand, mainly in the markets for high-grade steel for the automobile, resource and energy, and infrastructure-related sectors.

When we look at the world, we find that we are surrounded by a wide range of uncertainties and many possible changes. Some of these are the ongoing and significant demand–supply gap in China, the risk of fluctuations in the oil, foreign exchange, and other markets, and higher geopolitical risk in various countries and regions. On the positive side, along with the economic development of emerging countries, consumption of steel

materials is definitely on a long-term uptrend, and demand for high-grade steel—our area of strength—is anticipated to grow steadily on the back of the emerging countries’ economic advance and rising needs for energy-saving and other environmental measures. Through the previous Mid-Term Management Plan, we have realized synergy effects and have become ready to advance further. By implementing the new plan, we will further enhance the foundation of our manufacturing capabilities and capture market demand in the long run, even in the midst of a changing market environment.

“NSSMC will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services.” This corporate philosophy is what everyone at NSSMC has in mind and puts into practice every day. By doing so, we aim to always be relevant to and needed in society. Your continued support and cooperation in this regard is sincerely appreciated.

June 2015

A handwritten signature in black ink, reading "K. Shindo".

Kosei Shindo
Representative Director and President

Mid-Term Management Plan up to Fiscal 2017

Enhance the competitiveness of domestic manufacturing bases

Pages 8-9



NSSMC announced its Mid-Term Management Plan for fiscal 2015–2017, the goal of which is to help firmly establish its position as the best steel-maker with world-leading capabilities.

Expand the profit of overseas bases

Pages 10-11

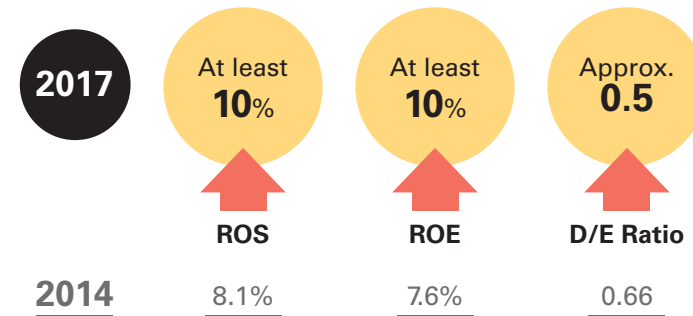


The new Mid-Term Management Plan incorporates five key policies, of which two have special importance—enhance the competitiveness of manufacturing bases in Japan and expand the profit of overseas bases.

The basic theme of the previous Mid-Term Management Plan was the rapid realization of maximum synergies by integrating the two former companies. We have been steadfast in implementing measures to accomplish this, including consolidating the technology of the former two companies, consolidating facilities, investing in overseas operations, and integrating and reorganizing Group companies. Placing particular emphasis on “technology,” “cost,” and “being global,” the Group has achieved significant progress.

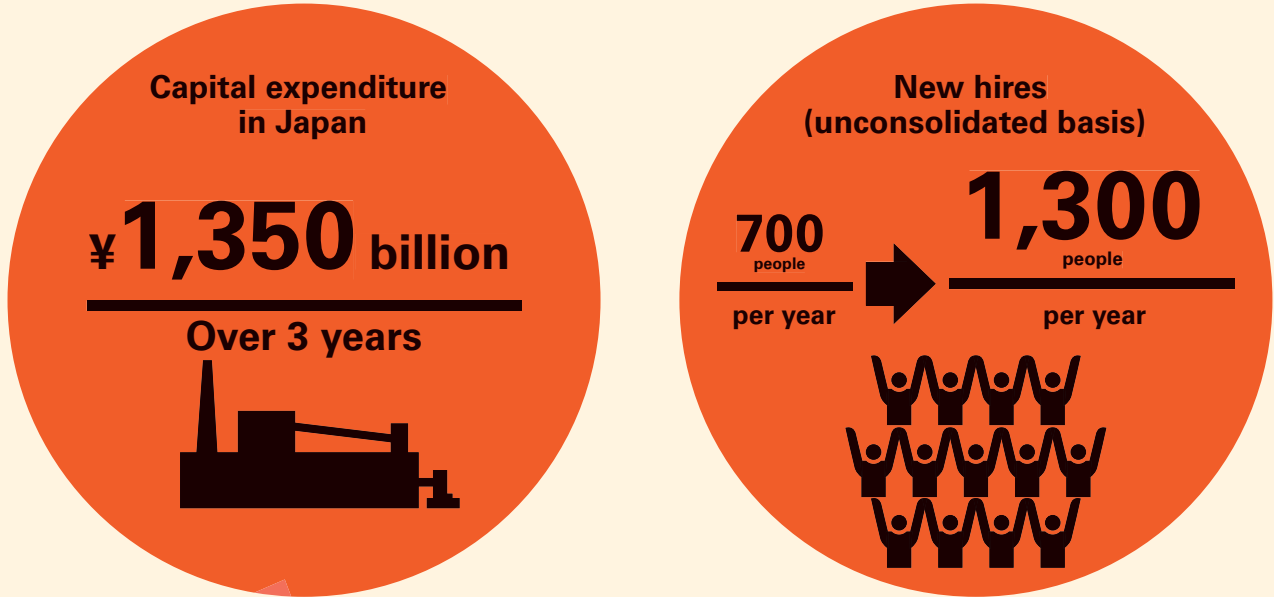
With the new Mid-Term Management Plan, we aim to enhance our business model and our domestic manufacturing capabilities, and develop the best practices in our overseas bases for the growth of overseas profit.

By implementing these measures, NSSMC aims to attain mid- to long-term profit growth as well as increase in free cash flows. Our numerical targets are to increase return on sales (ROS) from the present 8.1% to 10% or more, increase return on equity (ROE) from the present 7.6% to 10% or more, and improve the debt-to-equity (D/E) ratio from the present 0.66 to around 0.5.



From the next page, we discuss specific plans for the five key policies of the new Mid-Term Management Plan—enhance the competitiveness of manufacturing bases in Japan, expand the profit of overseas bases, enhance technological superiority (Page 12), realize world-leading cost competitiveness (Page 13), and strengthen Group companies (Page 13)—and our financial strategy and shareholder return policy (Pages 14-15).

Enhance the competitiveness of domestic manufacturing bases

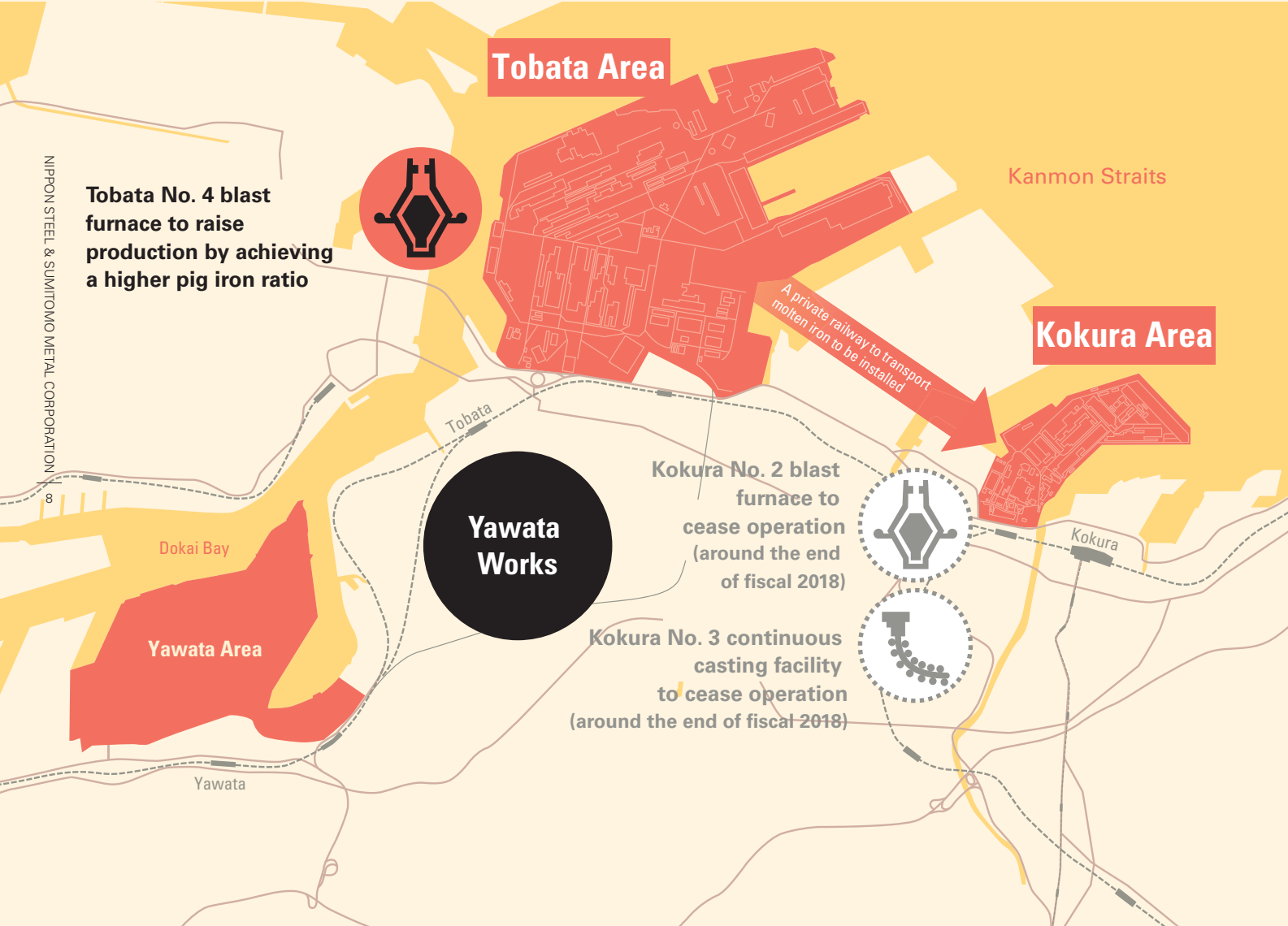


Our steelworks in Japan, even the newest Oita Works, have been in use for over 40 years. As such, we view the renovation of manufacturing capabilities as being just as important as their enhancement. We will make extensive investments in steelworks’ facilities as well as in human resources. Specifically, we plan to make capital expenditure of ¥1,350 billion over the next three years and to almost double the number of new hires to 1,300 per year.

The new Mid-Term Management Plan’s primary goal is to obtain overwhelming competitive advantages by reinforcing manufacturing capabilities that have already been proven and strengthened in the quality-driven Japanese market. The best practices of Japanese manufacturing bases (our “mother mills”) in terms of technology, productivity, cost competitiveness, and stability of production systems will be introduced to overseas production bases and support the growth of overseas profit. To do so, we will make the necessary expenditures in both hard and soft assets.

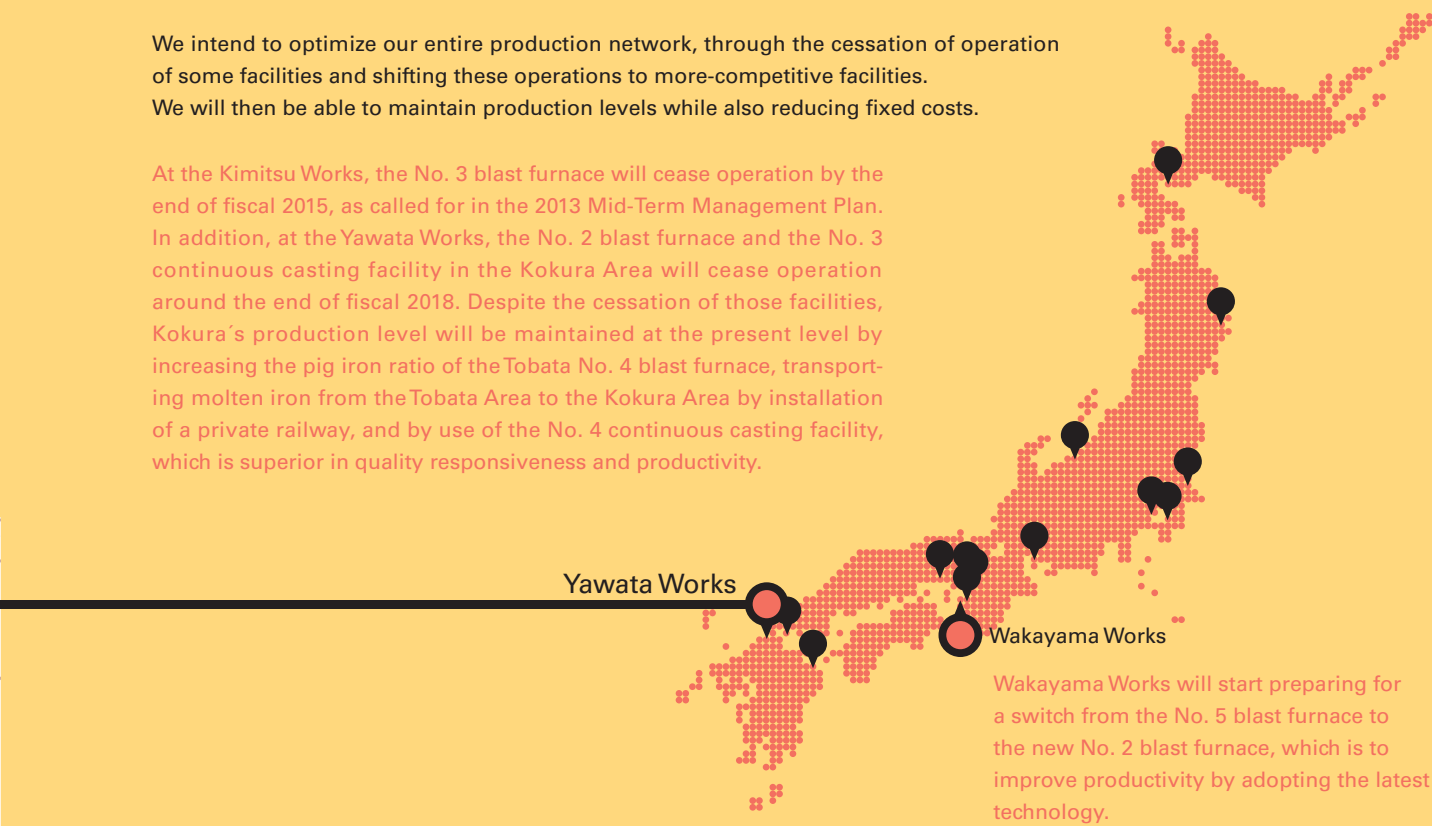
Consolidation of major domestic facilities		Before integration*1	At the time of integration	After establishing the optimal production network	
Upstream processes	Blast furnace	14	> 14	>> 12	-2 *2
	Converter	32	> 32	>> 31	-1 *3
	Continuous casting	30	> 30	>> 28	-2 *4
Downstream processes	Cold rolling	17	> 17	>> 15	-2 *5
	Continuous galvanizing line (CGL)	18	> 16	>> 13	-5 *5
	Electrolytic galvanizing line (CGL)	7	> 4	>> 2	-5 *5
	Forged welding tubes and pipes	2	> 2	>> 1	-1 *5

*1 Cessation of production lines before integration was complete based on the judgment by each of the former companies.
*2 End of fiscal 2015 (Kimitsu Works) / end of fiscal 2018: plan (Yawata Works [Kokura Area])
*3 End of the first quarter of fiscal 2016: plan
*4 Completed one line / remaining one line FY2018 year-end schedule
*5 Completed



We intend to optimize our entire production network, through the cessation of operation of some facilities and shifting these operations to more-competitive facilities. We will then be able to maintain production levels while also reducing fixed costs.

At the Kimitsu Works, the No. 3 blast furnace will cease operation by the end of fiscal 2015, as called for in the 2013 Mid-Term Management Plan. In addition, at the Yawata Works, the No. 2 blast furnace and the No. 3 continuous casting facility in the Kokura Area will cease operation around the end of fiscal 2018. Despite the cessation of those facilities, Kokura’s production level will be maintained at the present level by increasing the pig iron ratio of the Tobata No. 4 blast furnace, transporting molten iron from the Tobata Area to the Kokura Area by installation of a private railway, and by use of the No. 4 continuous casting facility, which is superior in quality responsiveness and productivity.



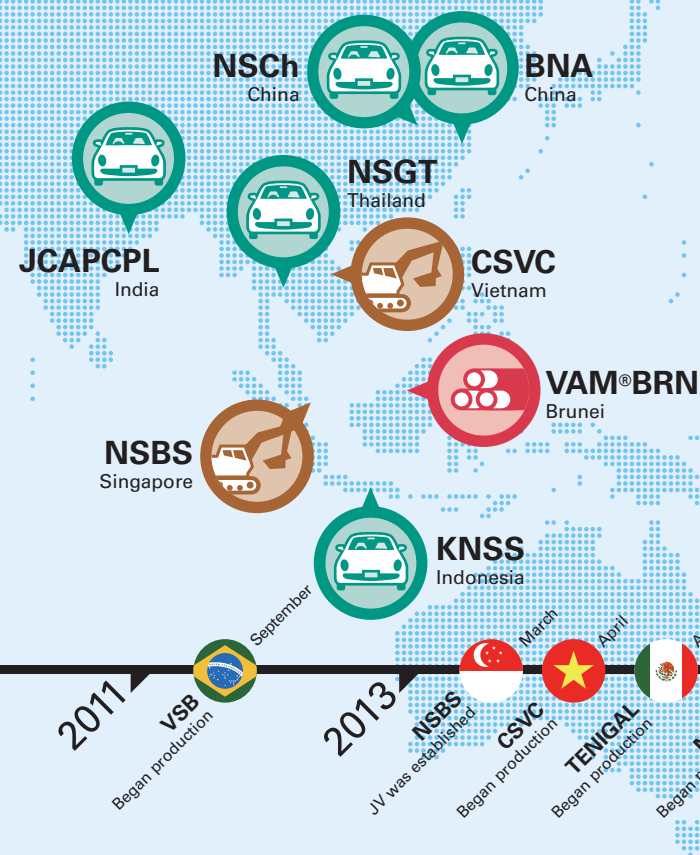
Expand the profit of overseas bases

Major overseas start-up bases and bases in the midst of capacity expansion

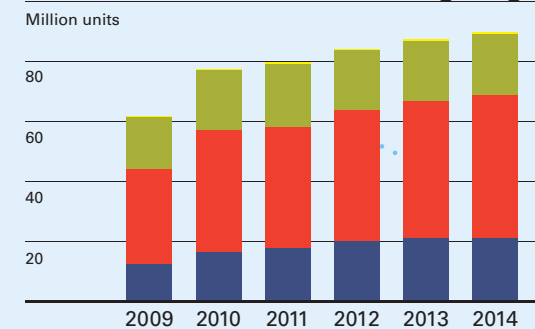
Automotive

Energy and resources

Infrastructure

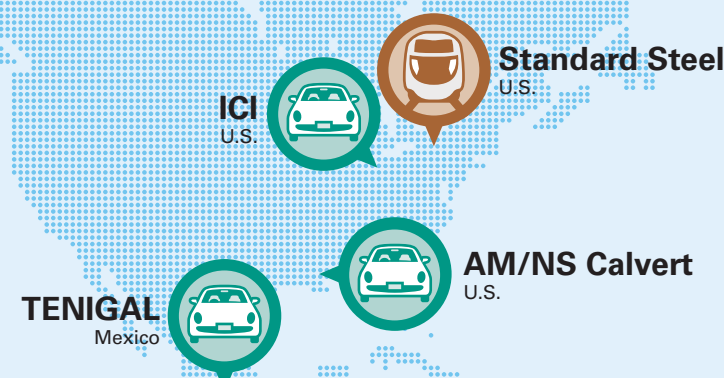


Global automobile production

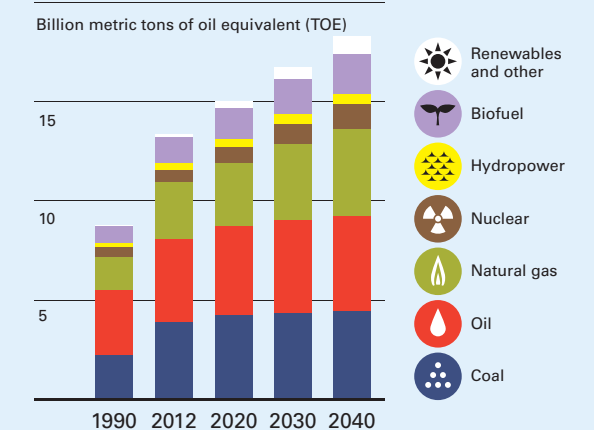


Source: Organisation Internationale des Constructeurs d'Automobiles (OICA)

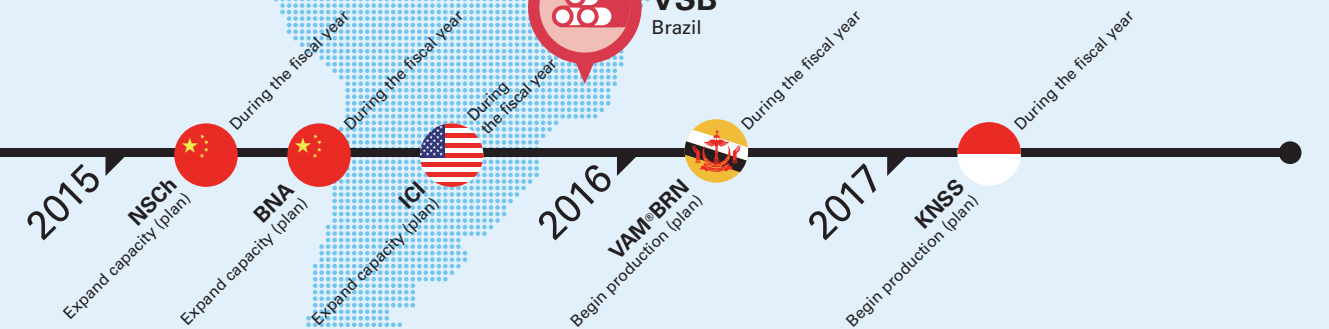
NSSMC's product technology and solution proposal capability, cost competitiveness, and extremely advanced global supply network of steel materials will be fully utilized to augment the Company's position in overseas markets and increase profit contributed from overseas.



Global total energy consumption



* Projections for and after 2020
Source: IEA World Energy Outlook 2014



Overseas profit expansion

¥50 billion

Over 3 years

Overseas shipment volume

+20%

19 million tons

Over 3 years

Business investment

¥300 billion

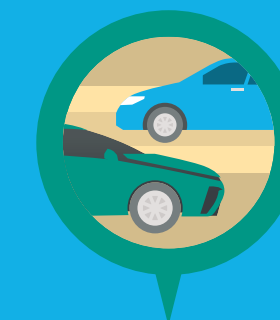
Over 3 years

The NSSMC Group's overseas shipment volume is planned to increase 20% in three years, from the present 16 million tons to 19 million tons, assuming full production capacity overseas (the simple aggregate of joint ventures*). Our target for overseas profit expansion is an increase of ¥50 billion over three years. Moreover, we will allocate ¥300 billion for business investment over the next three years and make other timely strategic moves to carry out major projects for future growth.

* Before adjusting to NSSMC's equity stake and excluding Usiminas in Brazil

Key strategic areas

NSSMC has as its focus areas for strategic concentration the overseas automotive, energy and resources, and infrastructure-related sectors such as railways and civil engineering. By region, North America and the ASEAN countries—where auto-makers and other major customers have manufacturing bases—are the regions in which NSSMC will strengthen its presence and prominence. NSSMC is determined to steadily capture demand for high-grade steel in those sectors and regions. Accordingly, we are striving to ensure smooth start-ups and operation and to make those overseas bases a part of our reliable, effective manufacturing force.



Automotive



Energy and resources



Infrastructure

Enhance technological superiority

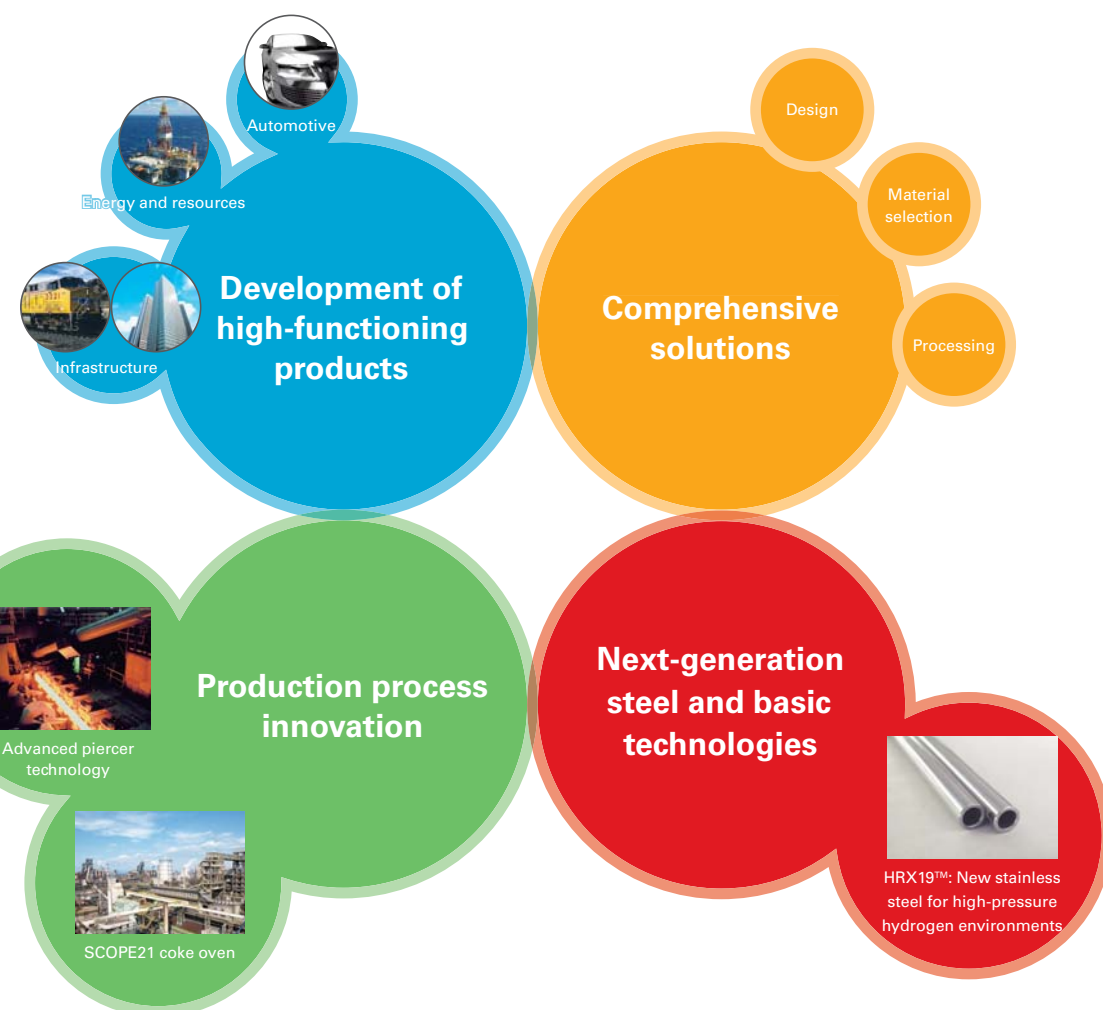
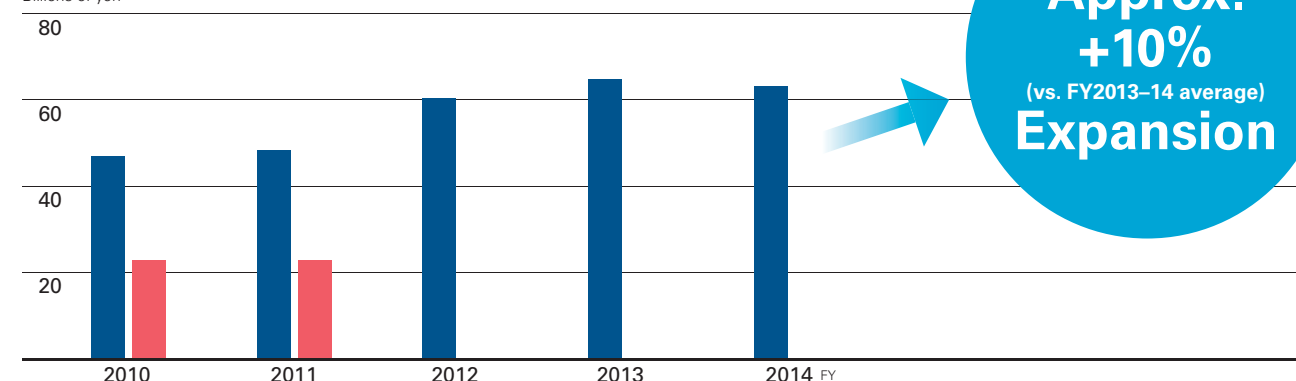
Technological leadership greatly contributes to enhance NSSMC's global manufacturing capabilities and supports its business strategy, by taking the following measures.

1) NSSMC aims to further enhance its world-leading technologies by having the largest team of researchers (about 800) in the global steel industry. The Company will also strive to lead the global market through its intensive activities including, (i) developing high-end products with excellent functions (e.g. high-tensile steel sheet, corrosion-resistance high-alloy seamless steel tubes) in sectors of growing demand such as automotive, energy and resources, and infrastructure-related sectors, (ii) delivering comprehensive solutions to its customers, ranging from process design to material selection and processing, and (iii) achieving significant improvement in productivity through production process innovation.

2) To accelerate technological development, NSSMC plans to expand its R&D spending by about 10% from the current level. NSSMC will also adequately prepare for the expected future needs of customers and society by engaging in next-generation research on advanced steel products such as those required for the broad utilization of hydrogen, as well as in research on basic and element technologies utilizing advanced analytical and mathematical approaches.

R&D spending ■ NSSMC/NSC ■ SMI

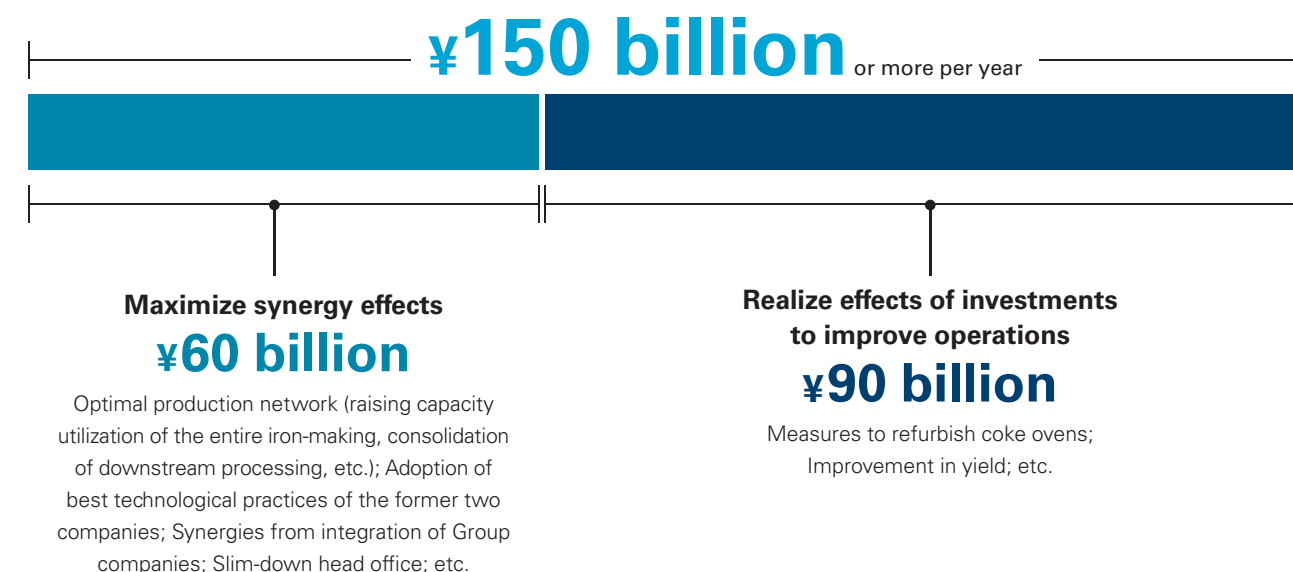
Billions of yen



Realize world-leading cost competitiveness

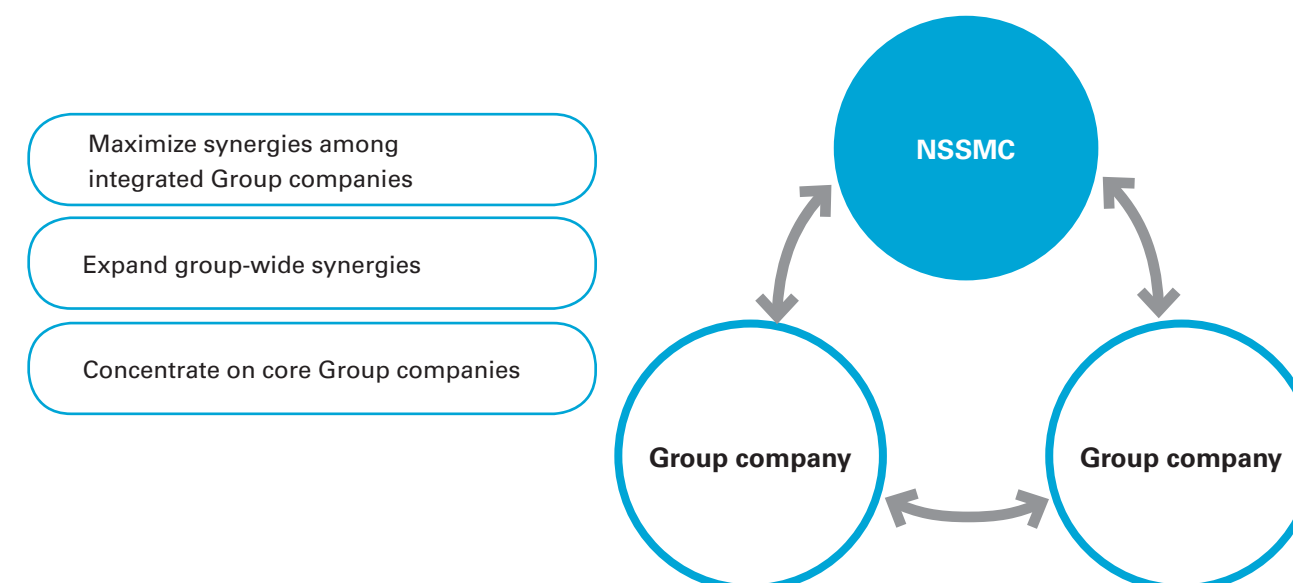
NSSMC aims to realize cost competitiveness equivalent to ¥150 billion a year or more (unconsolidated basis), in approximately three years. This target will be attained by maximizing the synergy effect from consolidating the production network and other means and realizing the effects from refurbishment of coke ovens and intensive improvement in operational skills to enable improvement in yields. Combining the effects of all those measures with those of the earlier measures to strengthen mother mills, NSSMC will establish world-leading cost competitiveness to win against the global competition.

Cost reduction (non-consolidated)



Strengthen Group companies of the steelmaking business

The Group companies already integrated during the 2013 Mid-Term Management Plan will seek far greater synergies. At the same time, NSSMC will seek group-wide synergies, such as those between NSSMC and Group companies, and those among Group companies. In addition to the above, to optimize group structure, NSSMC will undertake further reorganization within the Group and concentration on core business operations in light of assessment of each Group company's business domains.



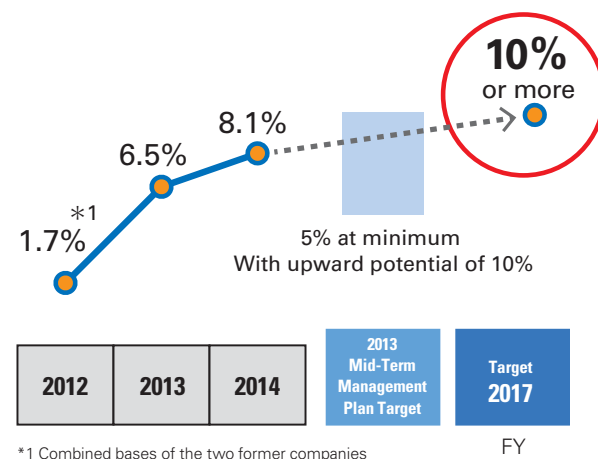
Financial strategy and shareholder return policy

Review of the 2013 Mid-Term Management Plan and financial strategy of the 2017 Mid-Term Management Plan

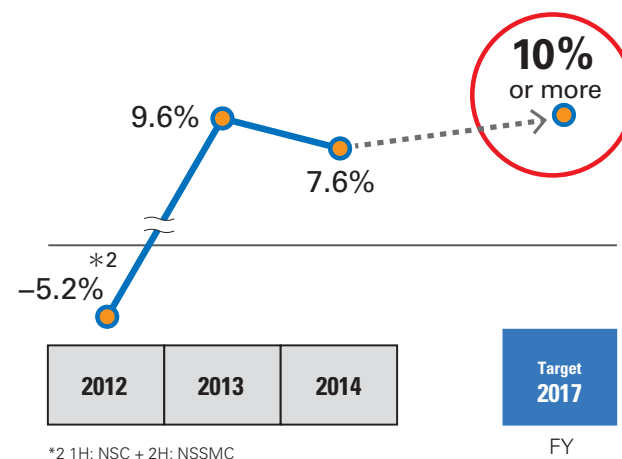
NSSMC has made steady progress in implementing the 2013 Mid-Term Management Plan (announced in March 2013), with the aim of achieving sustained growth in profits through the early realization of maximum synergies by integration. In the past two years, the Group promoted cost reduction by consolidating the technology of the two former companies and enhancing efficiency, consolidating facilities, investing in overseas downstream operations, and integrating and reorganizing Group companies. Specifically, we posted return on sales (ROS) of 8.1% in fiscal 2014 and 9.7% in the second half of fiscal 2014, approaching close to the targeted ROS of 10% after surpassing the minimum target of 5%. In addition, we proceeded with asset compression of ¥480 billion, which by far exceeded the targeted compression of ¥300 billion or more. This has led to our debt-to-equity (D/E) ratio going below 1.0 at an early stage, surpassing the further target of around 0.8, and settling at 0.66 at the end of fiscal 2014. As such, we have almost achieved or exceeded the 2013 Mid-Term Management Plan's targets in less than three years. In light of this development, we are implementing the new Mid-Term Management Plan from fiscal 2015 with the aim of strengthening our competitive base in Japan and securing increased profits and competitiveness in our overseas business. In so doing, NSSMC aims to achieve in the medium-to long-term an increase in earnings and free cash flows, with the targeted ROS of 10% or more and return on equity (ROE) of 10% or more. NSSMC also targets the achievement of a D/E ratio of around 0.5, which is equivalent to the average level of an international "A" rating status, by the end of fiscal 2017, and attainment of a robust financial position.

Targets

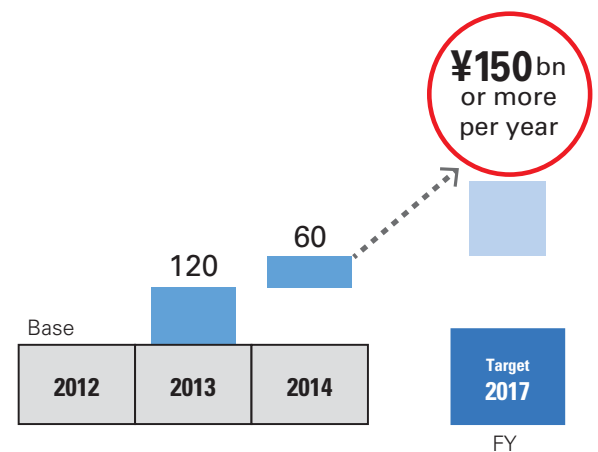
ROS



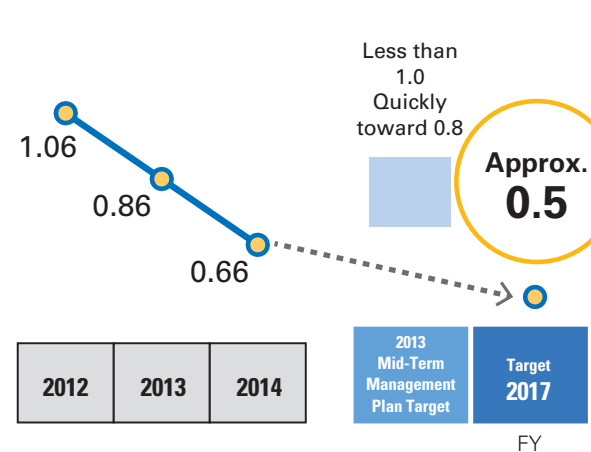
ROE



Cost reduction (Billions of yen)

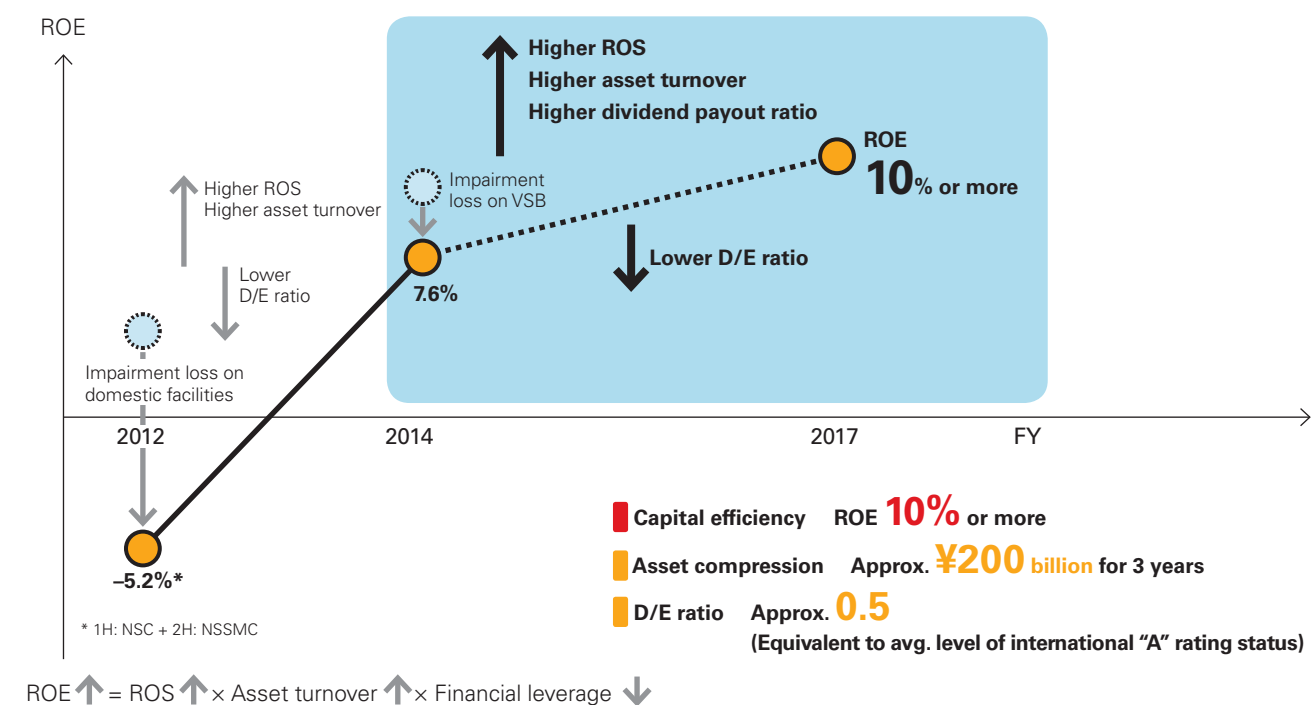


D/E ratio



ROE target and how to improve it

Besides ROS and the D/E ratio, the 2017 Mid-Term Management Plan has added ROE as a financial target, as we believe it is an appropriate indicator to reflect our aim to raise capital efficiency by incorporating improvement in ROS, improvement in asset turnover by asset compression and other means, and an increase in the dividend payout ratio.

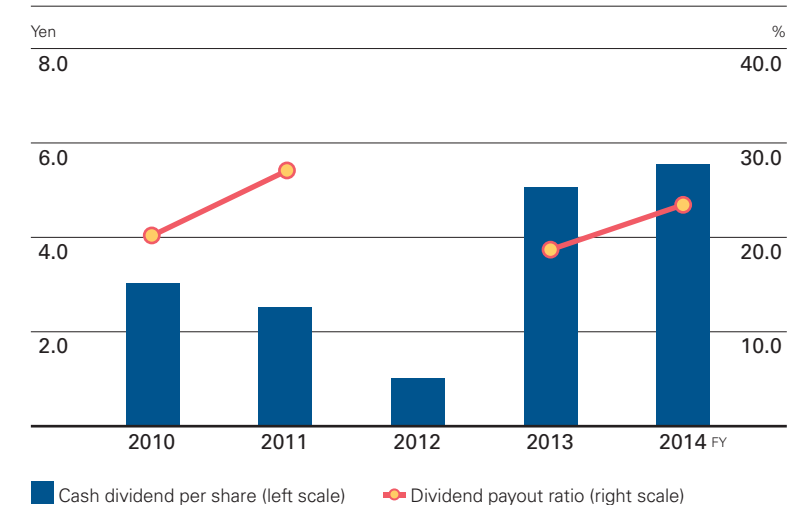


Shareholder return policy

Regarding return to shareholders, the Company will raise its targeted payout ratio from the present base of approximately 20% to around 20-30% on a consolidated basis (applying from fiscal 2015).

Dividend payout ratio
Around
20–30%

Cash dividend per share, Dividend payout ratio



STEELMAKING and STEEL FABRICATION

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 steel sheet 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

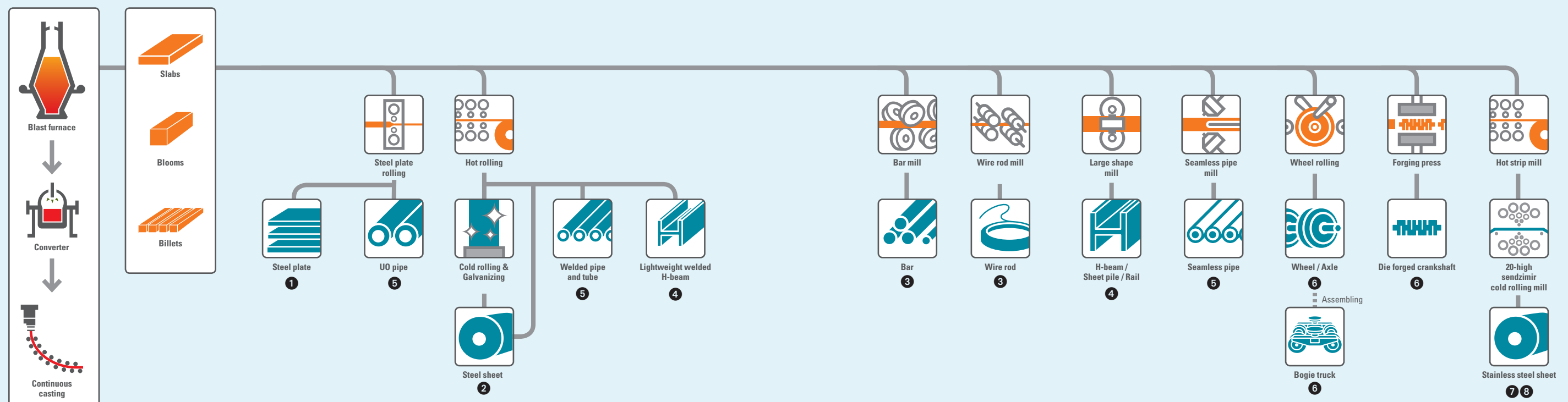


NSSMC delivers high-quality, high-performance bars and rods to a wide range of industries including the automotive, construction, and industrial machinery industries. In the automotive business, this unit focuses on high-end products used in important automotive components such as engines, drive trains,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

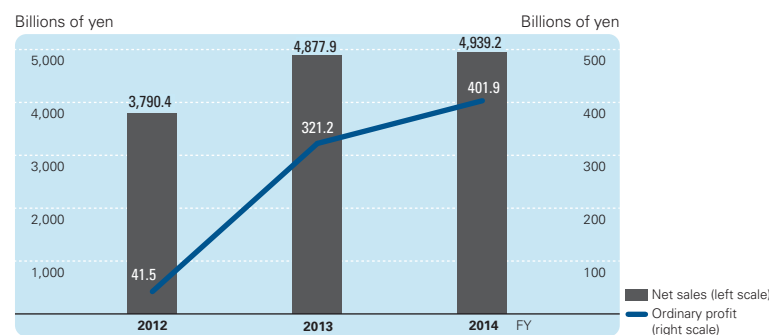
4 CONSTRUCTION PRODUCTS UNIT



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 the infrastructure that supports people's lives.



Net sales, Ordinary profit



5 PIPE & TUBE UNIT



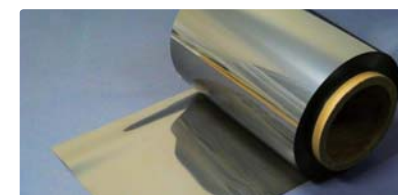
NSSMC is a world leader in high-end seamless pipes used in oil and gas development and other energy areas. Large-diameter tubes for pipelines and steel tubes for automobiles and construction/industrial machinery are also areas of strength.

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 now two manufacturing bases for railway wheels and axles, and four bases for crankshafts in the world.

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 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. NSSC has developed the world's first Sn-added low-interstitial ferritic steel grade "FW (forward) series" and a new type of duplex stainless steel.

NSSMC Group's hydrogen-related solutions for supporting the realization of a hydrogen society based on materials manufacturing

As of March 31, 2015, a total of 120,000 "Ene-Farm" household fuel cells, which is first launched in 2009, has installed in homes and other locations*1. In addition, commercial sales of fuel cell vehicles (FCVs) began in December 2014, and there are plans for approximately 100*2 hydrogen stations by the end of 2015. In such ways, Japan is making steady progress toward the realization of a hydrogen society that will contribute to a reduction in CO₂ emissions and the diversification of energy sources.

The NSSMC Group initiated research on hydrogen-related technologies in the second half of the 1970s, embarked on basic research in the 1980s, and commenced full-fledged infrastructure research at the start of the 1990s. At the time of the corporate integration in 2012, NSSMC inaugurated the Hydrogen and Energy Materials Research Laboratory in its R&D Laboratories and accelerated materials-related development activities. Moreover, in the 2017 Mid-Term Management Plan, announced in March 2015, NSSMC stated again that it will actively undertake research on next-generation steel materials that meet new social needs, including those of the hydrogen society.

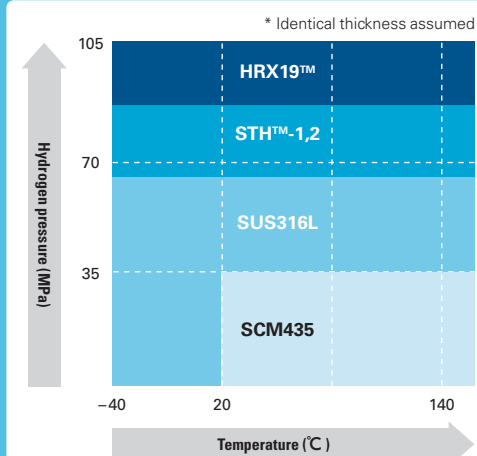
The Strategic Road Map for Hydrogen and Fuel Cells, announced by the Council for a Strategy for Hydrogen and Fuel Cells in 2014, divided the development strategy into three phases until around 2040. Phase 1 (until around 2025) is positioned as a period of dramatic expansion in the use of hydrogen (the full-fledged introduction of fuel cells into society). Here, we will explain the Group's solutions in hydrogen transportation and storage, and their use, which will play the main role in Phase 1. Specifically, these solutions are centered on technology related to fuel cells and hydrogen stations, and also their supporting analytical technology.

*1 Announced by the Advanced Cogeneration and Energy Utilization Center Japan

*2 Based on the Basic Energy Plan (2014 Cabinet Decision)

NSSMC Group's lineup of steel materials with high strength and high resistance to hydrogen gas embrittlement

In the hydrogen society, hydrogen is often in a state of high pressure so that it can be transported and stored efficiently. High-carbon steel, which is created by adding carbon to the iron structure, is extremely strong and well-suited to the transportation of gases in a high-pressure state, whereas hydrogen weakens the bonding of crystals that penetrate the crystal structure of iron (hydrogen embrittlement). This phenomenon is known to be pronounced in high-carbon steel, in particular. The NSSMC Group manufactures various kinds of steel materials with high strength and high resistance to embrittlement even in hydrogen environments by controlling various types of chemical elements that affect the properties of iron and by introducing component technologies such as the refining of the crystal structure. The Group has a lineup of various kinds of steel materials that suit the pressure conditions of usage environments, namely, SCM435 for pressures 35MPa and below, SUS316L for pressures above 35MPa, and HRX19™ and STH™-1, 2 for pressures higher than 70MPa.



Hydrogen Manufacturing

Transportation and storage of hydrogen (hydrogen station-related)

Stainless steel for high-pressure hydrogen environments, HRX19™

(Nippon Steel & Sumitomo Metal Corporation / Nippon Steel & Sumikin Stainless Steel Pipe Co., Ltd.)

HRX19™ is high-performance stainless steel used mainly for pipes, joints, and valves in the high-pressure hydrogen environments of hydrogen stations. Thanks to its three distinctive features—(1) excellent resistance to hydrogen gas embrittlement, (2) high strength, and (3) excellent weldability—this steel can contribute to the reduction of costs and the improvement of maintainability and safety in constructing hydrogen stations. It has already been adopted for commercial hydrogen stations, including those constructed by Iwatani Corporation and Tokyo Gas Co., Ltd.

(1) Excellent resistance to hydrogen gas embrittlement: Owing to the optimization of component elements and the manufacturing method, the austenitic stainless steel has the highest level of resistance to hydrogen gas embrittlement, which helps to lengthen piping life in hydrogen stations as well as improve safety.

(2) High strength: HRX19™ guarantees tensile strength of 800MPa under normal temperatures and is approximately 1.5 times stronger than conventional SUS316L stainless steel. Thanks to its superior strength, it enables the design of thinner pipe walls even in high-pressure hydrogen environments (70MPa), and for pipes to be made with greater inside diameters, resulting in larger capacity and shorter hydrogen filling times.

(3) Excellent weldability: Even for welded parts, HRX19™ can guarantee tensile strength of more than 800MPa at normal temperatures. Consequently, it can reduce maintenance costs caused by changing from screw construction to weld construction and alleviate the risk of hydrogen leakage from joints.



Left:
Conventional SUS316L stainless steel pipe
Middle and right:
HRX19™ stainless steel pipe

Transportation / Storage

Hydrogen station construction business (Nippon Steel & Sumikin P&E)

Nippon Steel & Sumikin Pipeline & Engineering Co., Ltd. has entered the hydrogen station construction business on a full scale.

The company has contributed to the establishment of energy infrastructure such as natural gas pipelines and LNG plants for over 50 years. In the field of hydrogen infrastructure as well, it has experience in constructing a hydrogen station at the 2005 World Exposition in Aichi, Japan, and in constructing the first hydrogen pipelines in Japan for the Kitakyushu Hydrogen Town project. In addition to these advanced engineering achievements, the company formed an alliance with U.S.-based Air Products and Chemicals, Inc.—the world's leading company in the supply of hydrogen—in February 2014, and will contribute to the realization of a hydrogen society through the construction of hydrogen stations with excellent safety and reliability.

Accumulators (Nippon Steel & Sumikin Kikoh)

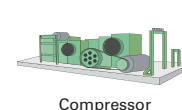
For hydro stations, Nippon Steel & Sumikin Kikoh Company, Ltd. manufactures and sells accumulators made of SCM435 steel that do not become damaged by embrittlement in a hydrogen environment.

In terms of materials, as hydrogen gas embrittlement is a concern at a certain level of pressure and above, embrittlement has been controlled through the optimization of strength. Furthermore, in the case of forming and processing both end parts, the spinning method has been adopted to reduce internal unevenness, which tends to become the location of damage (cracks), which helps to realize a smooth surface.

Nippon Steel & Sumikin P&E

Hydrogen Station

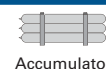
Station construction



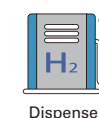
Compressor

Nippon Steel & Sumikin Kikoh

Manufacture of accumulators



Accumulator



Dispenser



Use of hydrogen (fuel cells for automotive and other applications)

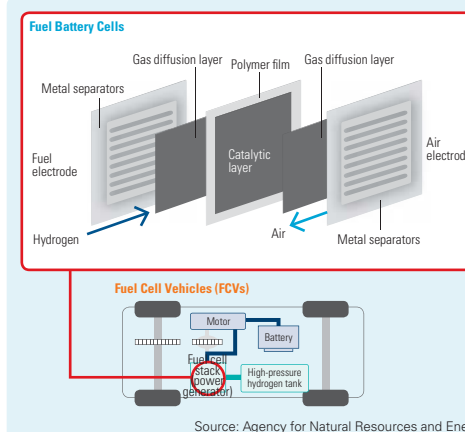
Materials for fuel battery cells such as separators

NSSMC has a lineup comprising two types of separator materials made of titanium or stainless steel for fuel cells. Separators, which are important components for fuel battery cells such as household stationary fuel cells and automotive fuel cells, require electrical conductivity as well as high corrosion resistance, as they are located in highly corrosive environments. Moreover, as tens of units to hundreds of units are used in a single fuel cell, they need to be mass produced to lower their cost. For automotive applications as well, separators need to be thinned to reduce the weight of vehicle bodies and use materials that do not crack due to vibration.

NSSMC has succeeded in providing the necessary properties as components and materials for fuel cells to highly corrosion-resistant

titanium and stainless steel materials that can be mass produced by press molding. This was enabled by newly using technology to control the structure and ingredients of the materials and their surface modification technology. NSSMC's advanced rolling technology also enables making materials with thinness in units of tens of microns.

These materials can also be applied to other parts in fuel battery cells that require the same properties as separators. NSSMC's special rolled titanium material was incorporated in the Mirai, Toyota Motor Corporation's FCV that launched in December 2014.



Source: Agency for Natural Resources and Energy

Analysis-related technologies

Evaluation technology used in high-pressure hydrogen gas (Nippon Steel & Sumikin Technology)

Evaluation tests in high-pressure hydrogen gas environments are essential to the development of materials with high resistance to hydrogen embrittlement. However, as various precautions are required in terms of hard and soft aspects when conducting evaluation tests in high-pressure hydrogen gas environments, there are few testing companies that have this kind of evaluation technology. Nippon Steel & Sumikin Technology Co., Ltd. supports the development of materials with high resistance to hydrogen embrittlement through exposure tests, tensile tests, and fatigue test in high-pressure hydrogen gas environments. Exposure tests can evaluate performance changes caused by hydrogen exposure over a long period while tensile tests can evaluate embrittlement behavior. In addition, fatigue tests can evaluate crack extension tests in hydrogen gas and the degree of fatigue (S-N curve).



Fatigue test

Non-Steel Business Strategies (Engineering and Construction / Chemicals / New Materials / System Solutions)

Two objectives for profit expansion

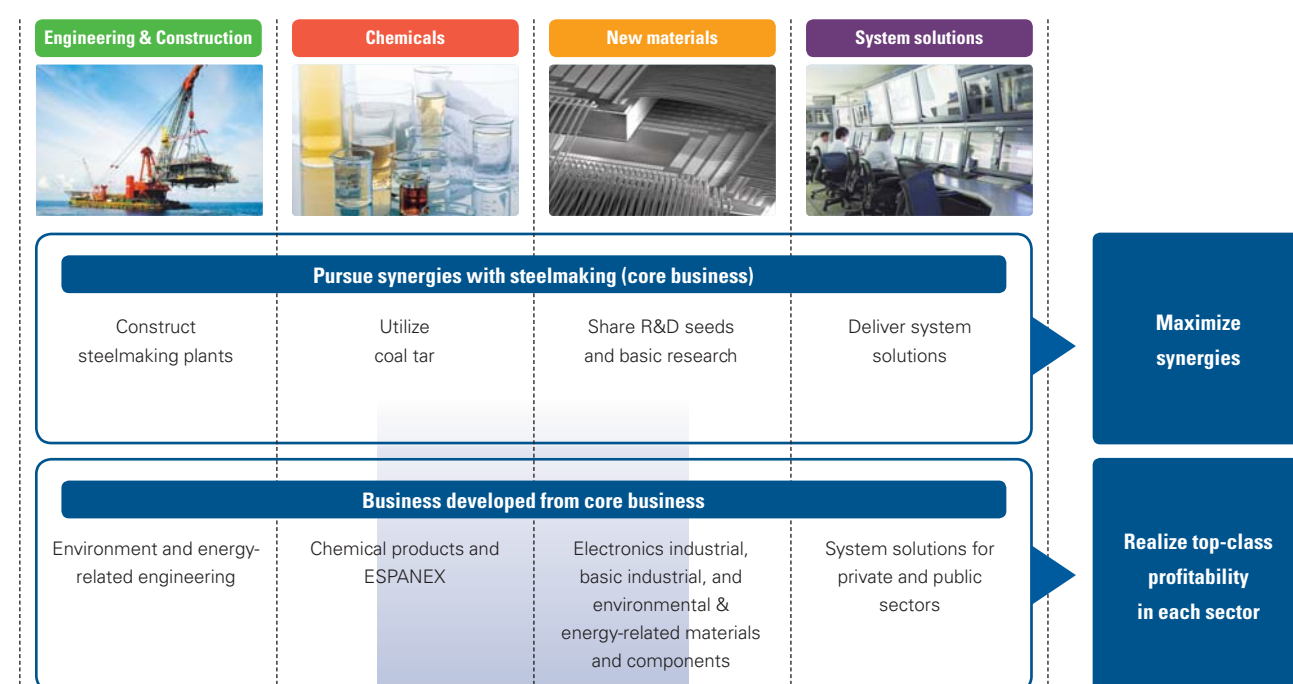
Maximize synergies with steelmaking

The first objective of the non-steel business segments for profit expansion is to maximize synergies with the steelmaking business, and all four are closely linked with this business. The engineering and construction segment designs and builds steelmaking plants; the chemicals segment uses coal tar, a by-product from coke ovens; the new materials segment utilizes the innovations and basic technology of NSSMC's R&D divisions; and the system solutions segment creates IT solutions to support efficient production in the steelmaking business. These are the business domains that can pursue synergies with NSSMC's core business of steelmaking.

Realize top-class profitability in each sector

The second objective of the non-steel business segments is to realize top-class profitability in businesses that evolved from the above businesses. The engineering and construction segment works in the environment and energy-related engineering field; the chemicals segment undertakes the development of chemicals, such as styrene monomer, and materials such as circuit board materials; the new materials segment has electronics industrial, basic industrial, and environmental and energy-related materials and components in its product portfolio; and the system solutions segment is engaged in business solutions for non-steel industries including the financial and government sectors.

Non-steel businesses: Objectives

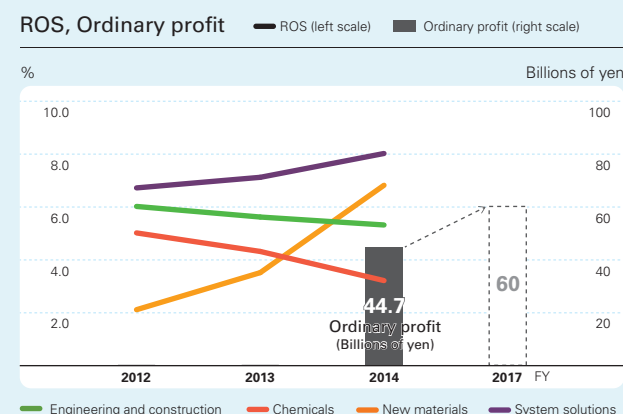


Target of the 2017 Mid-Term Management Plan

By achieving the above two objectives, the four non-steel business segments aim to increase the aggregate amount of ordinary profit from ¥44.7 billion (before elimination of inter-segment transactions) in fiscal 2014 to ¥60 billion by fiscal 2017.

Ordinary profit of Non-Steel Businesses

Target **¥60 billion** in 3 years



ENGINEERING and CONSTRUCTION



Shinichi Fujiwara

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

Business Outline

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 capabilities to respond to the needs of customers and society. The company undertakes many projects worldwide in six fields: namely, steelmaking plants; environmental and energy-related; offshore steel structures; building construction and steel structures; pipelines; and new business and new technology.

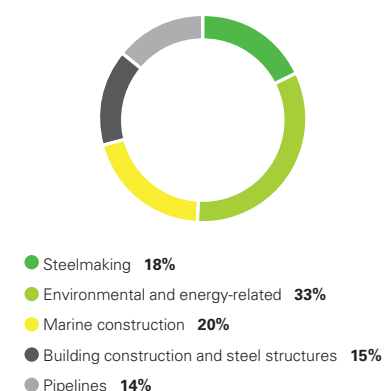
Business Strategy

In the steelmaking plants field, we are in pursuit of quality in steelmaking processes and support the steel business to manufacture distinctive products. In the offshore steel structure field as well as in the environmental and energy-related field, we promote aggressive expansion overseas into growing markets and business creation driven by the expansion of the value chain. In the steel structure business field, business opportunities will be maximized in the disaster prevention and national resilience measures undertaken in Japan, and also in the infrastructure construction towards the 2020 Summer Olympics in Tokyo. In addition, in the pipeline field we plan to actively respond to infrastructure-related demand with Japan's electricity and gas deregulation in mind. We aim to obtain solid results from those measures and grow profit in each of these businesses.

Annual Summary

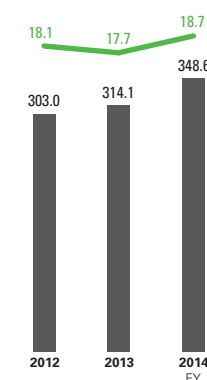
The company is enhancing the competitiveness of its existing businesses and implementing aggressive overseas strategic initiatives, including full-scale operation at recently established overseas bases in Southeast Asia and other regions, and the acquisition of a leading European waste disposal design and construction company. In addition to the steady execution of the projects and the implementation of measures including cost reduction, changes in foreign exchange rates also contributed to profit improvement. The engineering and construction segment posted net sales of ¥348.6 billion and ordinary profit of ¥18.7 billion.

Sales by Business Field



Business Results

■ Net sales (Billions of yen)
— Ordinary profit (Billions of yen)



CHEMICALS

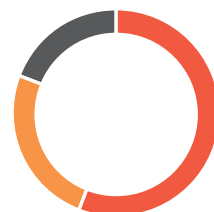


Norio Katsuyama

Representative Director
Chief Executive Officer

Nippon Steel & Sumikin Chemical Co., Ltd.

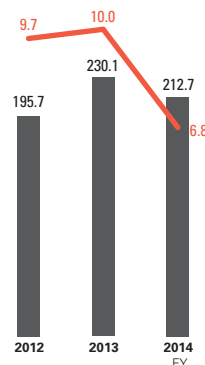
Sales by Business Field



● Chemicals **56%**
● Coal tar chemicals **25%**
● Functional materials **19%**

Business Results

■ Net sales (Billions of yen)
— Ordinary profit (Billions of yen)



Business Outline

Nippon Steel & Sumikin Chemical Co., Ltd. aims to become a chemicals company that contributes to society through business development based on its proprietary materials technology. We have 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 market. 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.

Business Review

Nippon Steel & Sumikin Chemical pursues the establishment of a stable profit structure centered on its four main business sectors—carbon materials, chemical products, functional products, and epoxy resin products. Furthermore we aim to create next-generation businesses, especially in automotive and infrastructure-related markets, by utilizing our core technologies in carbon and resins.

We are carrying out the new Mid-Term Management Plan with its aim in early establishment of a stable profit structure by pursuit of an enhanced business base, mainly by cost improvement.

Annual Summary

The company continued recording relatively firm sales in the business of functional materials such as circuit board and display materials, reflecting the growing demand for smartphones and other factors. However, the worldwide drop in electrode demand drove down profits on needle coke, while China's slowing economic growth and the plummet in the crude oil market led to a sharp drop in the styrene monomer market for general-purpose resin materials, resulting in lower profit overall. The chemicals segment recorded net sales of ¥212.7 billion and ordinary profit of ¥6.8 billion.

NEW MATERIALS



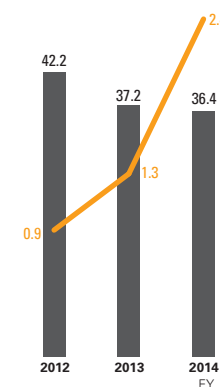
Kenji Yamada

Representative Director
Chief Executive Officer

Nippon Steel & Sumikin Materials Co., Ltd.

Business Results

■ Net sales (Billions of yen)
— Ordinary profit (Billions of yen)



Business Areas and Products

Semiconductor and electronics industrial 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 Outline

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 customer 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.

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 customers and identifying their true needs, we will contribute to value creation for customers.

Promote global business development

To meet increasing global demand, we will expand manufacturing and sales at our six overseas bases (in China, the Philippines, Malaysia, Indonesia, India, and Thailand) and enhance the level of service for customers 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 company recorded a steady increase in sales of surface-treated copper wire, which is an alternative material for gold bonding wire, and a gain in sales of suspension materials and other metallic foil materials in the electronic materials field. Sales were also strong for carbon fiber reinforcement materials for tunnels and bridges as the company captured growing demand related to aging infrastructure renewal and seismic reinforcement. In the environmental and energy field, the company raised sales of metal substrates by effectively responding to motorcycle exhaust gas emissions regulations in developing countries. The new materials segment posted net sales of ¥36.4 billion and ordinary profit of ¥2.4 billion.

SYSTEM SOLUTIONS



Munetaka Shashiki

Representative Director and President
NS Solutions Corporation

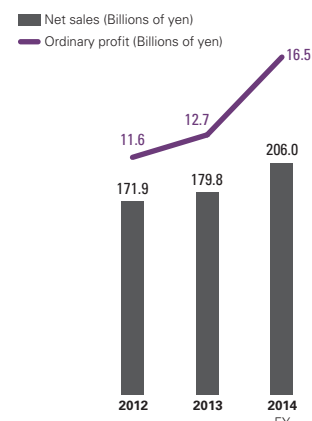
Sales by Business Field



● Business solutions **62%**
● Platform solutions **10%**
● Business services **28%**

* The business segments have been re-categorized from three segments (Business solutions, Platform solutions, and Business services) to two (Business solutions and Service solutions) in fiscal 2015.

Business Results



Business Outline

NS Solutions Corporation supports its clients' IT-related business solutions as well as the creation of new business models. Through consultation concerning their information systems, we provide comprehensive services starting from planning, proposal, design, and configuration services of a specific system to its management and services in support of its functioning. We have the following two business segments:

- The Business solutions sector provides solutions for a total system lifecycle.
- The Service solutions sector provides IT infrastructure solutions and outsourcing services by combining NS Solutions' technology to construct a platform that satisfies mission critical requirements with its advanced know-how.

Business Strategies

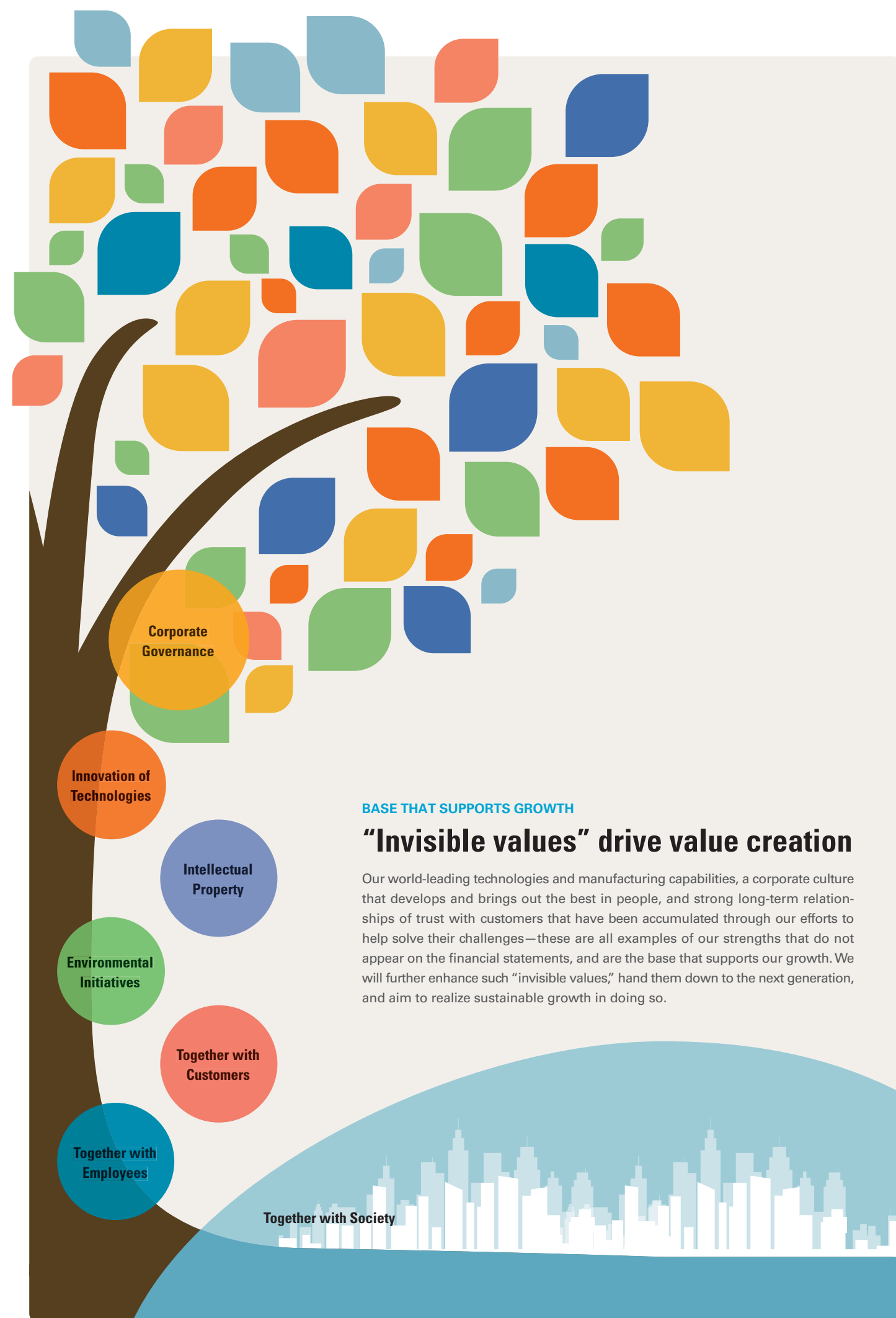
Aiming for sustainable business growth, NS Solutions will continue to work on enhancing relations with its clients and to establish itself as an IT partner indispensable for clients to promote their IT strategy.

To strengthen our service business, we intend to further enhance convenience and reliability of our cloud service "absonne," based in locations in eastern and western Japan. We opened the NSFITOS (NS Framework-based IT Outsourcing Service) Center in April 2015, to further advance our one-stop infrastructure management services. In addition, our cloud service menu will also be expanded, enhancing our competitiveness and helping sales growth.

Expanding global capability is also of considerable importance. In China, we will continue to enhance our business development. NS Solutions (Shanghai) Co., Ltd., for example, is focusing on increasing sales of its local cloud service "absonne for China." In Southeast Asia, our local workforce will be strengthened to better respond to the system needs of local operations of Japanese companies.

Annual Summary

During fiscal 2014, the company fortified and expanded its service business, including establishing centers to support the development and strengthening of the NSFITOS IT outsourcing service, and expanded its business coverage in Asia with the establishment of PT. NSSOL SYSTEMS INDONESIA. The system solutions segment recorded net sales of ¥206.0 billion and ordinary profit of ¥16.5 billion.





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 to build a dynamic NSSMC Group. To that end, we are establishing a corporate governance structure and internal control system and promoting mechanisms for cooperation among Audit & Supervisory Board Members, the Internal Control and Audit Division, and the 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 with not more than 20 Directors, an Audit & Supervisory Board with not more than 7 Audit & Supervisory Board Members, and accounting auditors. Based on that document, 14 Directors (including 2 Outside Directors), 7 Audit & Supervisory Board Members (including 4 Outside Audit & Supervisory Board Members), and an accounting auditor are elected at present. NSSMC’s Board of Directors, which is comprised of Directors with a thorough understanding of and extensive experience in its businesses and Outside Directors who hold independent positions, adequately and swiftly makes decisions regarding the Company’s important business activities, and oversees the execution of duties by Directors. The Audit & 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.

Corporate governance system

Type of system	Company with an audit and supervisory board
Number of directors	14
Of which, number of outside directors	2
Term of office for directors	1 year
Number of audit and supervisory board members	7
Of which, outside audit and supervisory board members	4
Number of independent directors and audit and supervisory board members	6 (2 outside directors and 4 outside audit and supervisory board members)
Accounting auditor	KPMG AZSA LLC
Adoption of executive officer system	Yes

Directors and Audit & Supervisory Board Members

Based on internal rules, executive decisions on key issues that may affect the activities of NSSMC or 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 body that includes participation by the Chairman, the President, the Executive Vice Presidents, and other members and that normally meets once a week. In addition, as of May 1, 2015, NSSMC has 19 companywide committees, each with its own objective, where details on issues 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 insight in fields such as corporate management, international affairs, and the economy, contribute to decision making from their diverse perspectives on NSSMC, thereby enhancing the over-seeing function of management by providing their opinions and exercising voting power from their independent status at the Board of Directors and other meetings.

The present Audit & Supervisory Board comprises 3 fulltime Audit & Supervisory Board Members and 4 Outside Audit & Supervisory Board Members.

The Outside Audit & Supervisory Board Members, who have vast experience and deep insight in fields such as accounting, corporate management, as well as legal, public administration, and fiscal affairs, provide their opinions at meetings including those of the Board of Directors and the Audit & Supervisory Board. They also perform auditing activities including research on corporate operations and the status of assets. They thus contribute to NSSMC’s sound and fair management.

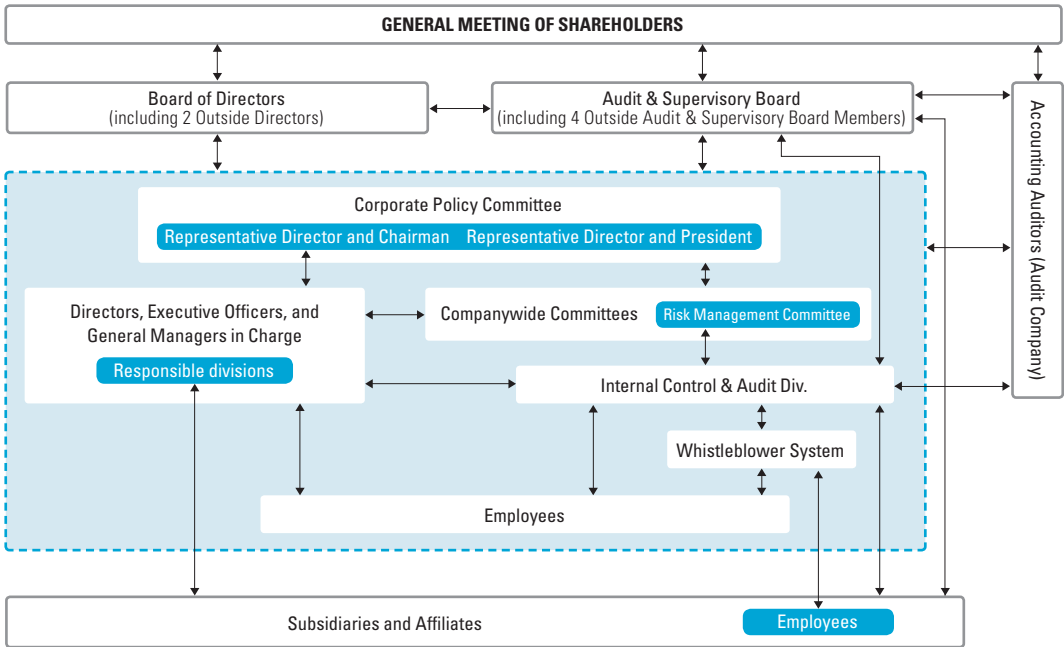
The Company has notified Japanese bourses on which its stock is listed of the designation of Outside Directors and Outside Audit & Supervisory Board Members as independent directors and auditors, pursuant to the Securities Listing Regulations of these bourses. All these bourses have accepted the Company’s 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, Executive Officers, and the General Managers of relevant units and divisions, under the direction of the Representative Director and

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

Corporate organization and internal control system



Reason for appointment of Outside Directors and Outside Audit & Supervisory Board Members and their attendance at meetings of the Board of Directors and the Audit & Supervisory Board				
Outside Director	Present position	Reason for appointment	Attendance at meetings of the Board of Directors	
Mutsutake Otsuka	Executive Advisor to the Board of East Japan Railway Company	Deep insight and knowledge of and extensive experience in management of a company	10/11	
Ichiro Fujisaki	Distinguished Professor of Sophia University	Deep insight and knowledge on international affairs, the economy, and cultures, nurtured as a diplomat, and extensive experience as an ambassador and in other important posts	11/11	
			Attendance at meetings of the Board of Directors and the Audit & Supervisory Board	
Outside Audit & Supervisory Board Member	Present position	Reason for appointment	Board of Directors	Audit & Supervisory Board
Hirotake Abe	Certified public accountant, Certified Public Accountant Hirotake Abe Office	Deep insight and knowledge of corporate accounting and extensive experience as a certified public accountant	14/14	17/17
Katsunori Nagayasu	Chairman, The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Deep insight and knowledge of and extensive experience in management of a bank	12/14	16/17
Hiroshi Obayashi	Attorney, Obayashi Law Office	Deep insight and knowledge as an attorney at law and extensive experience as prosecutor-general and in other important posts	10/11	12/12
Jiro Makino	Vice Chairman, The General Insurance Association of Japan	Deep insight and knowledge of fiscal matters, based on years at the Ministry of Finance, and extensive experience as the Director General of National Tax Administration Agency and in other important posts	11/11	12/12

Corporate Governance

Description of policies

The Company sets the amount of base remuneration for individual ranks that are deemed to measure up to each Director’s required skills and responsibilities. This base remuneration varies within a certain range based on the Company’s consolidated performance. The Company then allocates monthly remuneration for each Director within the limits approved by the General Meeting of Shareholders.

The Company allocates monthly remuneration for each Audit & Supervisory Board Member, within the limits approved by the General Meeting of Shareholders, taking into consideration the Audit & Supervisory Board Member’s duties depending on rank and whether the Audit & Supervisory Board Member is full-time or part-time.

Policy on monthly remuneration for Directors is determined by resolution at a Board of Directors’ meeting. Policy on monthly remuneration for Audit & Supervisory Board Members is determined in consultation with the Audit & Supervisory Board Members.

Monthly compensation of Directors and Audit & Supervisory Board Members

Category	Aggregate amount of monthly compensation (¥ million)
Directors (16)	1,033
Of which, Outside Directors (2)	21
Audit & Supervisory Board Members (9)	200
Of which, Outside Audit & Supervisory Board Members (6)	57
Total (25)	1,233

(Note) The above number of recipients includes 2 Directors and 2 Outside Audit & Supervisory Board Members who resigned at the conclusion of the 90th General Meeting of Shareholders held on June 25, 2014.

Internal controls and risk management system

NSSMC resolved the Basic Policy concerning Internal Control System at a Board of Directors’ meeting and stipulated 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 and 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 the initiative 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.

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 for 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 “Guidelines 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 of government officials. These original materials are designed so that our employees can 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.

Quality management

NSSMC’s long-term efforts to assure quality 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 Group companies and steelworks to raise the 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.

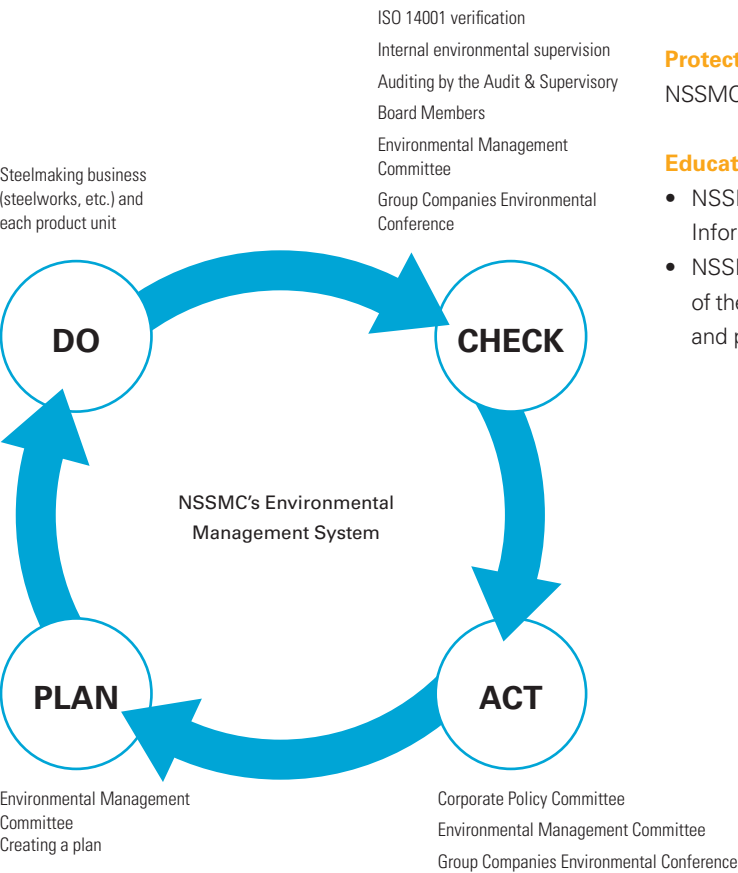
Environmental management

While NSSMC has supported Japan’s industrial development, we realize that we also have a significant impact on the environment through 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 a 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 system 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 the “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.

Corporate Governance

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 on 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.

IR activities [Fiscal 2014 results in brackets]

Event	Summary of program
For institutional investors and analysts	<ul style="list-style-type: none">Quarterly results briefings, presented by the director in charge of IR [4 times]Briefings or telephone conferences on important matters concerning business strategy [2 times]One-on-one meetings at NSSMC [Approx. 300 investors in total]Visits to major overseas institutional investors and face-to-face meetings at investment conferences [Approx. 100 investors in total]
For shareholders	<ul style="list-style-type: none">Results briefings [4 times] *Plant tours [8 times] *
IR library on the Web	<ul style="list-style-type: none">Financial ResultsIR BriefingSecurity Reports (quarterly; only in Japanese)Annual ReportsFact BooksMid-Term Management Plan Press Release and IR BriefingReports for Shareholders

* Only for shareholders with a certain amount of shares owned / By lottery

The situation efforts towards a smooth activation of the shareholders’ meeting and voting

	Supplementary explanation
Early delivery of Notice of Convocation for the General Meeting of Shareholders	NSSMC mailed the Notice three weeks before the meeting (compared to one week in advance required by law)
Setting the date for the General Meeting of Shareholders on a date that avoids the day when General Meetings tend to be concentrated	NSSMC held its General Meeting of Shareholders on a day other than the day when general meetings tend to be concentrated
Exercise of voting rights via electronic means	NSSMC introduced it (June 2003)
Participation in a platform for the electronic exercise of voting rights and other initiatives to enhance the environment for the exercise of voting rights by institutional investors	NSSMC registered a platform for the electronic exercise of voting rights, operated by ICJ Co., Ltd. since 2006
Provision of a Convocation Notice (Summary) in English	The Convocation Notice (Summary) in English is published on NSSMC's website and is registered in the Tokyo Stock Exchange

Accountability

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. 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:

http://www.nssmc.com/en/

Executive team (As of July 1, 2015)



Shoji Muneoka
Representative Director and Chairman



Kosei Shindo
Representative Director and President

REPRESENTATIVE DIRECTORS AND EXECUTIVE VICE PRESIDENTS

Shinya Higuchi

- Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Offices and Branches
- Cooperating with Executive Vice President K. Ota on Global Business Development
- Cooperating with Executive Vice President S. Sakuma on Overseas Offices

Katsuhiko Ota

- Head of Global Business Development
- Corporate Planning; Group Companies Planning; Accounting & Finance; Raw Materials

Akihiro Miyasaka

- Head of Research and Development

Kinya Yanagawa

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

Soichiro Sakuma

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

MANAGING DIRECTORS, MEMBERS OF THE BOARD

Yasumitsu Saeki

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

Shinji Morinobu

- Head of Office, Osaka Office

Ritsuya Iwai

- Head of Unit, Pipe & Tube Unit; Project Leader, VSB Project, Global Business Development Sector

Machi Nakata

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

Shinji Tanimoto

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

DIRECTORS, MEMBERS OF THE BOARD

Mutsutake Otsuka*1

- Executive Advisor to the Board of East Japan Railway Company

Ichiro Fujisaki*1

- Distinguished Professor of Sophia University

SENIOR AUDIT & SUPERVISORY BOARD MEMBER

Yutaka Takeuchi

AUDIT & SUPERVISORY BOARD MEMBERS

Hirotoomo Suetsugu

Hirohiko Minato

Hirotake Abe*2

- Certified public accountant, Certified Public Accountant Hirotake Abe Office

Katsunori Nagayasu*2

- Chairman, The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Hiroshi Obayashi*2

- Attorney, Obayashi Law Office

Jiro Makino*2

- Vice Chairman, The General Insurance Association of Japan

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

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



INNOVATION OF TECHNOLOGIES

Aiming for a 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

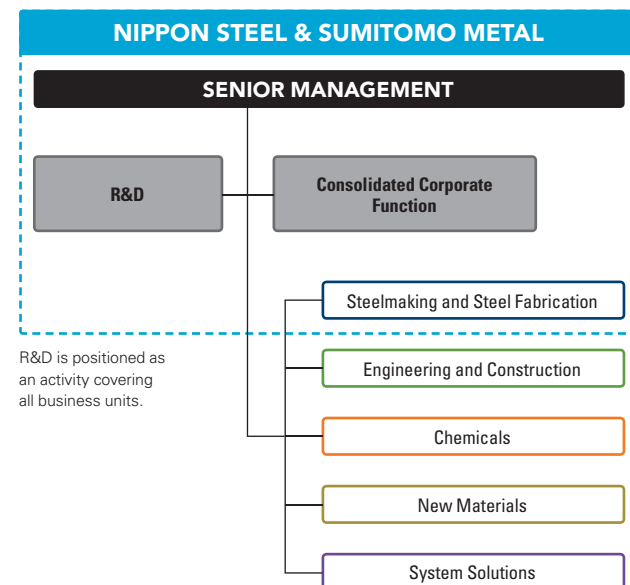
NSSMC's approximately 800 R&D employees work in three core research centers—Futtsu in Chiba Prefecture, Amagasaki in Hyogo Prefecture, and Hasaki in Ibaraki Prefecture—as well as in the Plant Engineering and Facility Management Center (Head Office) and R&D Laboratories at steelworks across Japan. They 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 locations; (3) integrated solutions enhanced by Group companies' products and technologies; (4) the ability to address environment- and energy-related concerns with solutions maximizing steel-making process technology; (5) collaboration between industry

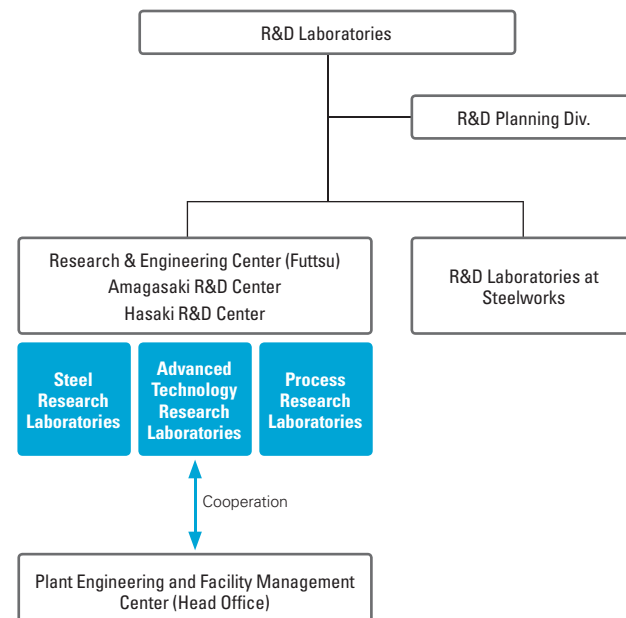
and academic institutions, overseas alliances, and joint research with customers; and (6) an extensive portfolio of fundamental and platform technologies.

Since the integration and establishment of NSSMC in October 2012, we consolidated research teams working in the same research field but at various sites. We also clarified their roles and functions as well as those of an R&D laboratory in each of the steelworks in Muroran, Kashima, Kimitsu, Nagoya, Hirohara, Yawata, and Oita. Work in a given research field is now done at a single location. By taking such measures, an optimal R&D organization has been established to maximize synergy effects. Under such an 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



Praise from society: Recent prizes received

We strive to continually expand the infinite frontier of steel use, through innovative technology and world-leading know-how, so as to contribute to industrial development and improvement of the lives of people around the world. Our accomplishments have resulted in our receiving many distinguished awards.

<h3>Automotive</h3> <p>Steel sheets Highly accurate cooling control technology through the use of a thermometer applied to cooling steel sheets at the hot rolling mill The Commendation for Science and Technology by MEXT* FY2013 Science and Technology Award: Development Category</p> <p>Highly environment-sensitive Sn-Zn plated steel sheet for use in automobile fuel tanks The Commendation for Science and Technology by MEXT FY2012 Science and Technology Award: Development Category</p> <p>Electrical steel sheets (motor) High-strength non-oriented electrical steel in resource-saving design National Invention Award FY2013 21st Century Invention Award/21st Century Contribution of Invention Award</p>	<h3>Energy and resources</h3> <p>Oil well tubular Ultra High Strength CRA SM2535-140™ NACE MP's 2014 Corrosion Innovation Award of the Year</p> <p>High-alloy OCTGs and their manufacturing technology Okochi Award, FY2012 Production Award</p> <h3>Infrastructure (Railway)</h3> <p>Railway vehicles Railway vehicles' active suspensions Ichimura Award, FY2013 Contribution Prize</p> <p>Development of steering bogies for railway vehicles (joint award) National Invention Award, FY2015 Invention Prize</p>
<h3>Infrastructure (Civil engineering and construction)</h3> <p>Cables Steel wire rods used for ultra high-tensile bridge cables, characterized by a lower environmental impact Ichimura Award, FY2014 Main Prize</p> <p>Construction materials SuperDyma™, a highly corrosion-resistant Zn-Al-Mg plated steel sheet The Commendation for Science and Technology by MEXT FY2013 Science and Technology Award: Development Category National Invention Award, FY2012 Invention Prize</p> <p>High-corrosion-resistant lightweight IP gold titanium (joint award) Monodzukuri Nippon, Grand Award, FY2013 Award (Production and Technology Development Category)</p> <p>Steel structure The functional steel plate with high enhancement of fatigue life for welded structures National Invention Award, FY2012 Nippon Keidanren Chairman's Invention Prize</p>	
<h3>Others</h3> <p>Ironmaking New coke-making technology for expanding raw coal resources and saving energy (SCOPE 21) Okochi Award, FY2012 Production Award</p> <p>Technology to convert waste plastics to chemical raw material by use of a coke oven (joint award) The Commendation for Science and Technology by MEXT FY2014 Science and Technology Award: Development Category</p> <p>Steelmaking New steelmaking process using the multi-functional integrated converter furnace method Okochi Award, FY2014 Production Award</p> <p>New, high-quality, highly efficient process for steelmaking that also has a lower environmental impact Monodzukuri Nippon Grand Award, FY2013 Special Award (Manufacturing and Production Process Category)</p> <p>Precision equipment Low-carbon, lead-free, free-cutting steel that is eco-friendly and gives high performance The Commendation for Science and Technology by MEXT FY2015 Science and Technology Award: Manufacturing and Production Process Category</p> <p>Semiconductors Multi-coated Cu bonding wire for LSI packaging Ichimura Award, FY2011 Main Prize National Invention Award, FY2013 Patent Office Commissioner's Award The Commendation for Science and Technology by MEXT FY2014 Science and Technology Award: Manufacturing and Production Process Category</p>	

* Minister of Education, Culture, Sports, Science and Technology
Details of various technological development cases can be seen at the following website: <http://www.nssmc.com/en/tech/>



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 using it as a ready-to-deploy "business tool." With the aim of firmly establishing our position as the best steelmaker with world-leading capabilities, we will continue to convert our advanced core technologies into IP and to reinforce the strategic utilization of our IP to ensure the enhanced competitiveness of our Japanese manufacturing bases and profit expansion at our overseas bases.

Specific Activities

Advanced IP management system

I. Establish the operational base

- ① Review of the activities of the Head Office IP Division, and configuration of the roles of the IP Division and Nippon Steel & Sumikin Research Institute Corporation, an IP strategic split-company.
- ② Redesign of the IP management system

II. Enhanced IP protection

- ① Penetration and sharing of the new brand in the Bar & Wire Rod Unit (SteelLinC™) and other values of NSSMC up to the customer level
- ② Review of the IP management of overseas Group companies and utilization of overseas registered patents

Enhance coordination with Nippon Steel & Sumikin Research Institute Corporation, an IP strategic split-company of the NSSMC Group

By enhancing coordination with Nippon Steel & Sumikin Research Institute and raising the think tank function, including a function to support the creation of new IP, we intend to respond appropriately to the global business development of NSSMC and its Group companies and to raise the entire Group's competitiveness.

Address the enhanced protection of trade secrets

In March 2015, Japan's Cabinet decided to approve the partial revision of the Unfair Competition Prevention Act from the

viewpoint of trade secrets. While maintaining our present internal information management measures, we intend to practically address the revision of the law and advance our information management activities.

We engage in wide-ranging activities, from "utilization" to "information management," with respect to NSSMC's technology. We also strictly deal with counterfeit products as well as any illegal use of our corporate name, brands, IP, and other properties.

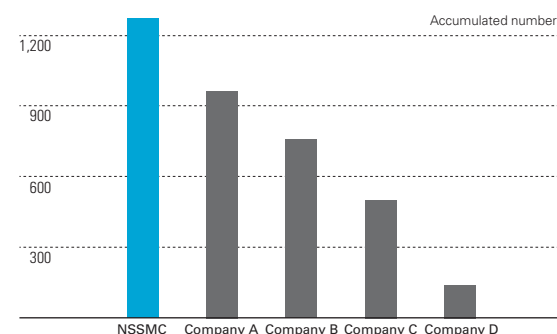
Receipt of a Thomson Reuters Top 100 Global Innovator Award for the Third Consecutive Year

For the third consecutive year since 2012, NSSMC has earned a Thomson Reuters 2014 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.



Right: Ms. Yoshiko Tanahashi, Vice President, Japan Sales, Thomson Reuters
Left: Mr. Kinya Yanagawa, Representative Director & Executive Vice President, NSSMC

(Reference) Number of international patent applications published by NSSMC and its competitors: For the five years from 2010 to 2014



ENVIRONMENTAL INITIATIVES

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

The NSSMC Group is committed to "contribute to society by providing excellent products and services" as stated in its Corporate Philosophy. By implementing our Three Eco-Friendly Initiatives and developing innovative technologies, we strive earnestly to reduce waste in production activities and manufacturing processes, promote recycling, and reduce environmental burden. We are also determined to take actions for solving global environmental issues such as global warming and effective utilization of energy resources.

NSSMC's Three Eco-Friendly Initiatives



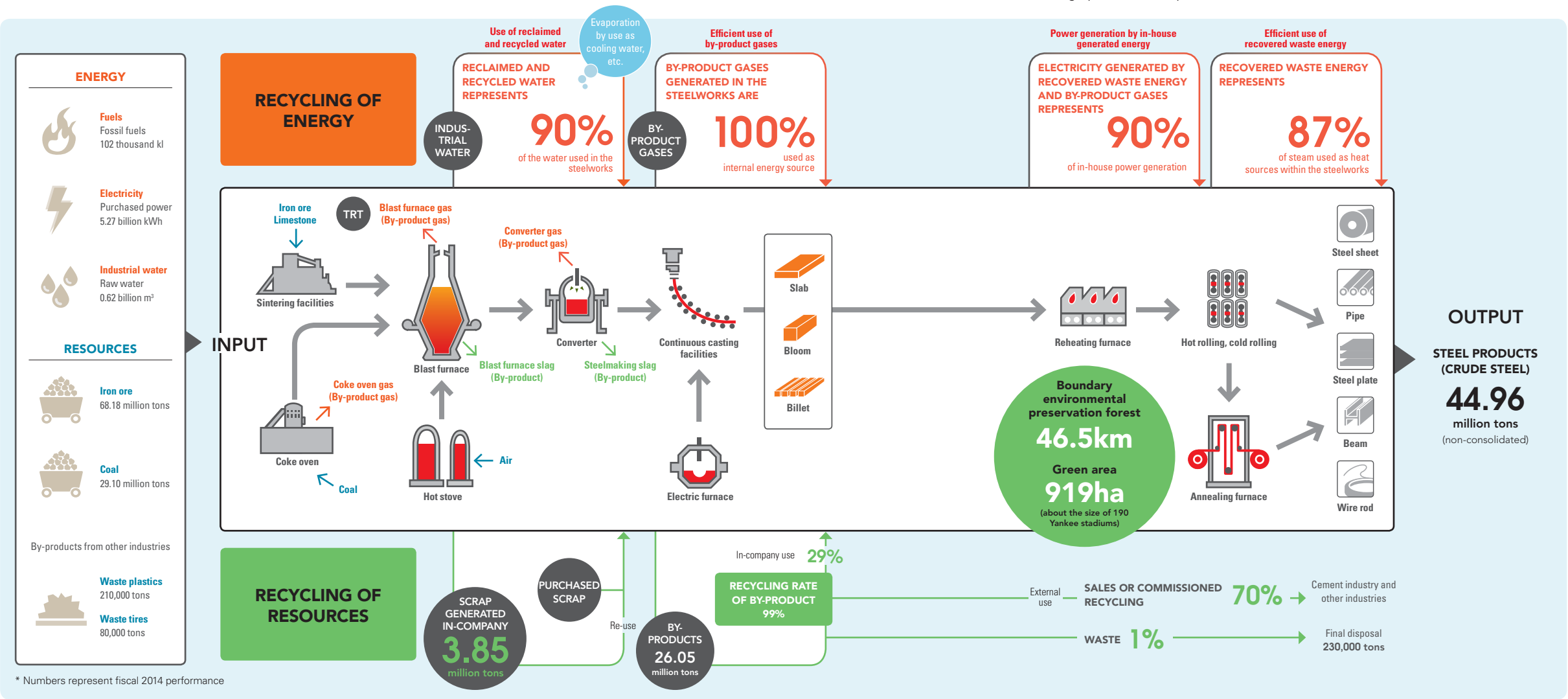
DEVELOPMENT OF INNOVATIVE TECHNOLOGIES

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.

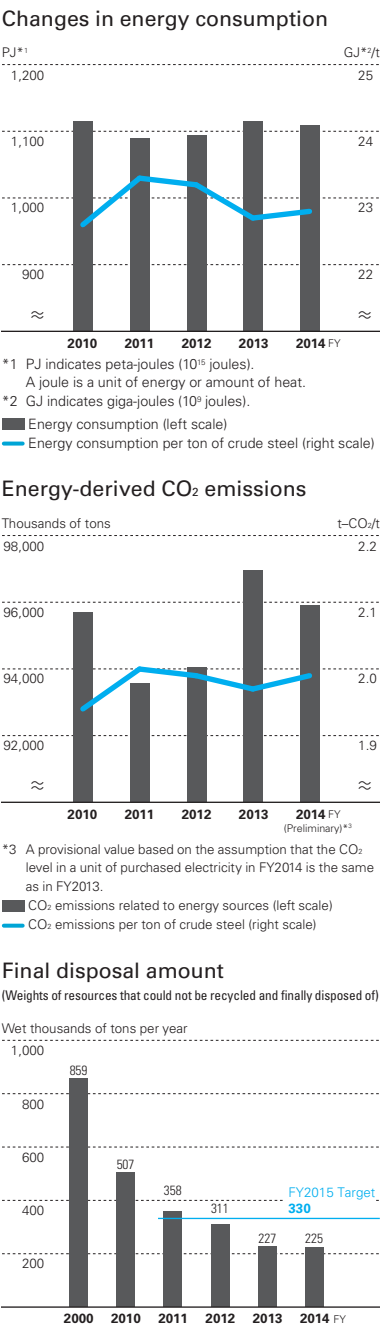
Environmental Initiatives

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

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



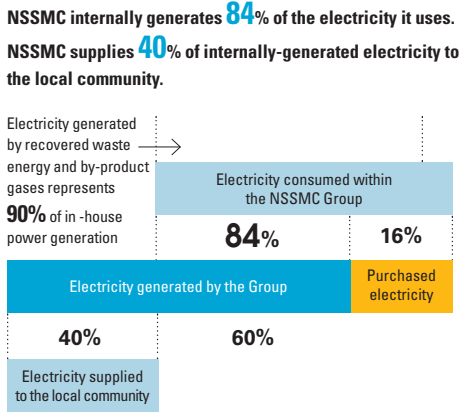
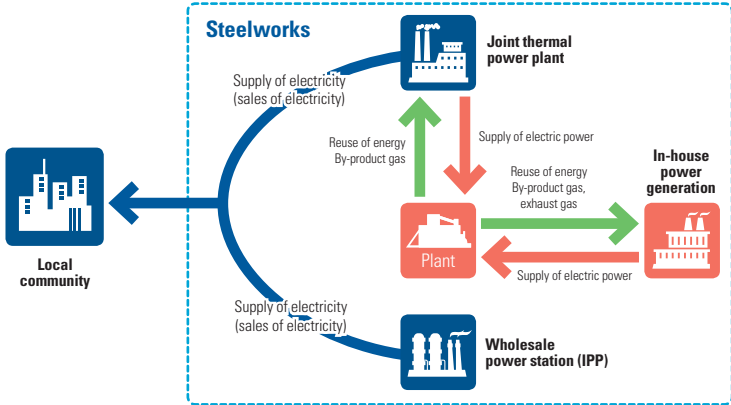
Cooperative thermal power generation (Generates more electricity with the same amount of fuel)

Through joint investment with local electric power companies, NSSMC is engaged in the power generation business. In recent years, highly efficient gas turbine combined cycle has been introduced at our steelworks in Kashima, Wakayama, and Oita. Using by-product gas generated within the works, "eco-friendly electric power" is supplied to the steelworks and the local community.



Kashima's No.5 cooperative thermal power plant, operation of which began in November 2013

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



Environmental Initiatives

ECO PRODUCTS™

(WHAT WE PRODUCE IS "ECO-FRIENDLY")

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

Our Group's products, having 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 CO₂ emissions at the point of use at our customers, thereby contributing to lessening the environmental burden.

Corrosion-resistant SuperDyma™ galvanized sheets

(Steel sheet; Living)

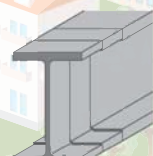
SuperDyma™ is highly corrosion-resistant and lasts four times longer than conventional products. As coating and painting on cut-end surfaces are unnecessary, all such costs are eliminated. The sheets weigh less, and are an eco-friendly building material well suited for various applications.



External-dimension constant H-shape (Hyper-Beam™)

(Building materials; Living)

NSSMC's Hyper-Beam VE™/NSYP™345B is a high-performance steel for use in construction. It makes structural design with increased earthquake resistance possible. Weighing about 5% less than the comparable conventional steel, it is also economically efficient. This steel is contributing to Japan's National Resilience Initiatives, specifically for the enhancement of social infrastructure.



Ring gears

(Bar and rod materials; Transportation and construction machinery)

Better fuel economy is achieved when the automobile engine rotates slowly with strong torque. In cooperation with an automaker, NSSMC has developed a light-weight, high-strength ring gear that withstands the strong forces involved in generating such torque.



Titanium alloy connecting rods for supersport motorcycles

(Titanium and stainless steel; Transportation and construction machinery)

NSSMC's proprietary Al-5%, Fe-1%, Ti-based alloy contributes to weight reduction of the connecting rod, which converts reciprocating motion of the piston into rotating motion of the crankshaft, and to smarter use of precious resources.



Courtesy of Yamaha Motor Co., Ltd.

Wheelsets (wheels and axles) for high-speed railways

(Railway, automotive & machinery parts; Transportation and construction machinery)

NSSMC manufactures almost all wheels and axles used by railways in Japan. We are pursuing weight reduction by developing hollow axles, for example, and contributing to energy conservation in railway transport.



High-tensile-strength steel materials

(Steel sheet; Transportation and construction machinery)

High-tensile-strength steel materials for automobiles help overcome two challenges: improvement in fuel efficiency by reduction of vehicle body weight, and ensuring the safety of passengers at the time of a collision. These materials are also superior in workability.



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

ABREX™ Series abrasion-resistant steel plate

(Steel plate; Transportation and construction machinery)

The ABREX™ Series abrasion-resistant steel plate is 5-6 times harder than ordinary steel and wears out less. It is eco-friendly and enables extension of the maintenance cycle of machinery and weight reduction of the product for which it is used.



©Volvo

Permanent magnet-type retarder

(Railway, automotive & machinery parts; Transportation and construction machinery)

NSSMC's permanent magnet-type retarder is installed as the auxiliary brake system on many heavy-duty trucks and buses. Once the retarder is installed, the frequency of accelerating or decelerating of the speed decreases, which results in better fuel efficiency, while the frequency of applying the foot brake decreases, reducing brake dust caused by abrasion.



Low noise gear units

(Railway, automotive & machinery parts; Transportation and construction machinery)

NSSMC's gear units have reduced the level of noise by about 10 decibels compared to conventional products. This was achieved by raising the precision of the meshing of gears, which resulted in reducing noise-producing vibration.



Ni-7% steel sheet for LNG storage tanks

(Steel plate; Energy)

Steel sheet for storage tanks needs to have high fracture resistance and strength under extremely low temperature conditions. For this reason, steel that contains a higher percentage of nickel has been used for many years. The new Ni-7% steel has slashed the amount of nickel needed by about 20% but ensures performance equivalent to that of conventional steel.

Steelmaking slag ("KATAMA™" SP)

(Steel slag and cement; Living)

"KATAMA™" SP is a roadbed material that features sufficient strength for use as paving, and that can be placed simply by compaction with water. As this material tends not to be depleted by rainfall and resists formation of ruts, it can help decrease maintenance repair and other related costs.

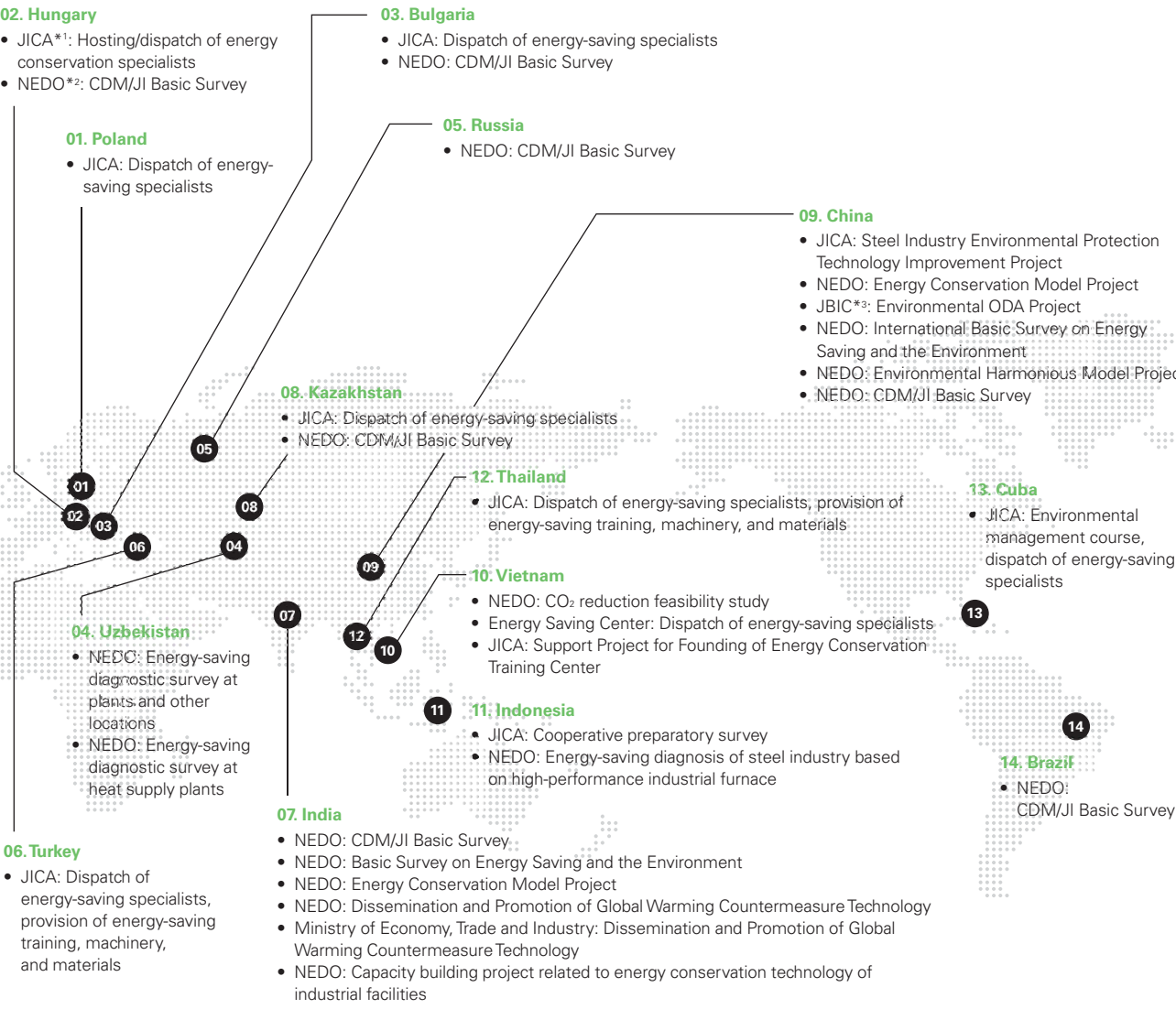


Environmental Initiatives

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 CO₂ emissions and in other environmental countermeasures on a global scale. In India, especially, we are actively participating in a feasibility study to design a bilateral offset credit scheme.



*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 110 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

DEVELOPMENT OF INNOVATIVE TECHNOLOGIES

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

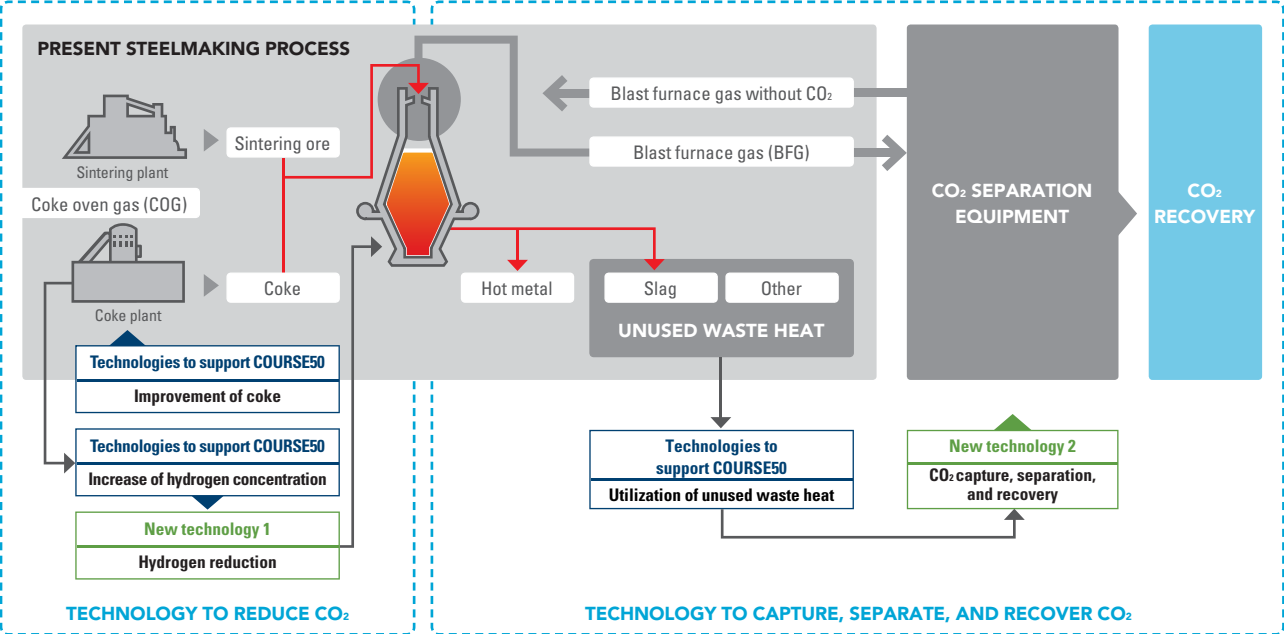
Environmentally harmonized steelmaking process technology (COURSE50)*

While Japan’s steel industry has achieved the world’s top level of energy efficiency, meaning less emission of CO₂, Japanese major steelmakers are carrying out the environmentally harmonized steelmaking process technology (COURSE50) project under the support of the New Energy and Industrial Technology Development Organization (NEDO).

NSSMC is constructing a test blast furnace (to be completed by fiscal 2015) in the scale of 10m³ at the Kimitsu Works, and is in charge of H₂ reduction development and operation of the test furnace. We are also working on the development of technologies in H₂ magnification and other themes.

* COURSE50 (CO₂ 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 CO₂ 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. However, NSSMC does not simply sell products to customers but also provides comprehensive proposals by combining various related technologies from the customer's perspective: for example, proposals on optimal material selection and method of processing and jointing; proposals on shapes and structures that take full advantage of steel material properties; and proposals on performance evaluation technology of the customers' processed products. By supporting customers in solving their problems, we are contributing even further to 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: High-tensile steel sheet processing technologies for automobiles

It is projected that stricter fuel economy standards will be introduced in the future to lessen the amount of CO₂ emissions produced by automobiles. Along with this underlying global trend, there is a high expectation for high-tensile thinner steel sheets to contribute to the weight reduction of vehicles. However, higher tensile means more difficulty in shape forming. This needs to be overcome in order for there to be an increase in the use of high-tensile steel. NSSMC's diverse high-tensile steel processing technologies are able to respond to customers' requests for higher tensile materials in more complex forms. Our NSafe™-FORM series is a newly developed press method that facilitates the shape forming of ultra-high-tensile steel sheets of 980MPa or more. These materials can be processed into a complex form with no occurrence of breakage or wrinkle. Compared to the conventional deep drawing method, the higher yield is another advantage of these materials.

In addition, the three-dimensional hot bending and direct quench (3DQ) mass processing technology enables the steel, which has the form of a closed cross-section, such as a circular or square steel pipe and tube, to achieve a tensile strength of 1,470MPa or more, by heating, bending, and quenching with cooling water only in part. These technologies can be applied to the forming of automotive body frame parts such as pillars and subframes, which directly contributes to the safety of vehicle passengers and enables achievement of both higher strength and weight reduction. In addition to providing various high-tensile processing technologies, NSSMC intends to popularize the ultimate lightweight steel vehicle body, which will be competitive compared to other materials, as well as contribute to the improvement of customers' products.

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 each customer's 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 Supplier of the Year Award from General Motors in the United States

International Crankshaft, Inc. (ICI), a subsidiary of the NSSMC Group that forges automobile crankshafts in the United States, has been awarded the 2014 General Motors Supplier of the Year Award. The award is given to suppliers for their outstanding contributions by bringing General Motors (GM) their most innovative technologies, highest quality services, and work. The NSSMC Group's crankshaft business has approximately 10% of the global crankshaft market with four crankshaft forging businesses worldwide—in Japan, the United States, China, and India. Having been in business in the United States for over 20 years, ICI is growing due to robust demand in North America and an increase in market share, driven by its design proposal capabilities, high quality, stable operations, and on-time delivery. ICI plans to start an additional forging line in fiscal 2015. ICI received this award for the first time for its high technological capabilities and proactive global actions to support GM with its Group companies, including those in Japan and India.



From left: Mr. Daniel E. Nicholson, GM Vice President Global Powertrain, Mr. Bill McCurley, ICI Vice President; Mr. Nobu Masuda, ICI President, Ms. Beverly J. Gaskin, GM Executive Director Global Purchasing—Powertrain



TOGETHER WITH EMPLOYEES

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

NSSMC's growth strategies, with emphasis on enhancing domestic manufacturing bases and expanding overseas profit, are supported by our own people. The NSSMC Group helps each and every employee to develop and combine their power so as to enable us to firmly establish our position as the best steelmaker with world-leading capabilities.

Training employees to realize advancement in technology and profit expansion in overseas growth markets

Professional technology courses and a variety of other technological training sessions are available for fostering steel engineers who support advancement in technology. We also have educational programs that include language lessons, intercultural learning programs, overseas assignment, and overseas study programs, with the aim of fostering people who can work on a global stage.



Various training programs have been arranged to develop the human resources needed for global operations.

Diversity in human resources

Approximately 13,000 people of diverse backgrounds are working at approximately 90 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

Effective skills transfer supports our sustained growth

We hire high-potential people while 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 or 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 or region as we accelerate overseas business development.

■ Together With Employees

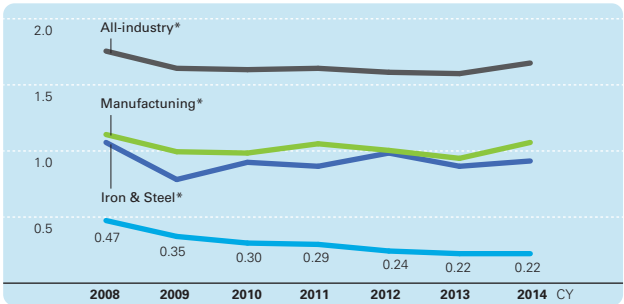
Safety and health at work are of the utmost importance

“The 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 Policy on Safety and Health, we strive to realize safe, pleasant worksites that are free of accident or injury. Specifically, we work to make our equipment genuinely safer and carry out measures to prevent human errors. As for safety training, our TAIKAN Program (experience-based safety education program), which enables employees to experience risk at their worksite through simulation so as to better prepare them in anticipating and managing risk, has been

Accident frequency rate

Accident frequency rate =

$$\frac{\text{Number of accidents and recordable incidents, accompanied by lost work time}}{\text{Total number of hours worked by all employees}} \times 1,000,000$$



*Source: The Japan Iron and Steel Federation "Safety Management Overview, 2015"

enhanced. As for healthcare management, we have improved health guidance to employees and continuously urge early detection and the appropriate handling of employee mental health issues. These are just some of the ways in which we seek to ensure the safety and health of employees.

Creating an employee-friendly environment

From the viewpoint of supporting the work of various employees and realizing a balanced way of working 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 “worklife support program,” which allows each employee to choose options for leisure, child support, etc.



Muroran Works “Wanishi Dormitory,” completed in 2015

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

What we encourage
Dialog, Collaboration, and Sharing of Knowledge

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

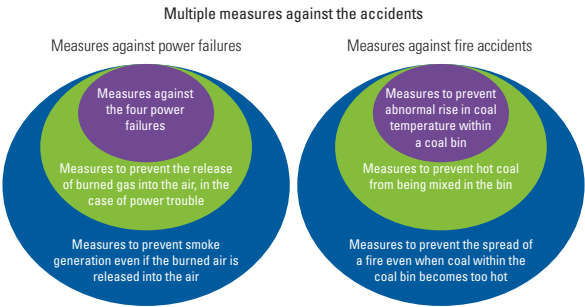
We will be guided by these principles, and act fairly and equitably throughout the world.

Nagoya Works accidents: Measures to prevent recurrence of similar accidents

In 2014 at the Nagoya Works, four power failure accidents generated smoke and one coke fire accident occurred in the coal tower adjacent to a coke oven. In response, NSSMC established the Crisis Management Headquarters, headed by the President; investigated the causes of the accidents, by incorporating the views and insights of outside experts; and drew up measures to be taken to prevent recurrence. We are taking action against the presumed direct causes as well as possible indirect factors, as we are determined to never allow such accidents to happen. As such, we went back to basics and thoroughly reviewed the indirect causes relating to our organization, operational administration, employee training, risk management, and other factors. Let us summarize below these measures, mainly those dealing with the indirect causes behind the accidents.

Measures against direct causes of the accidents

Multiple measures are being implemented against the presumed direct causes of the series of accidents. Regarding the four power failures, on top of the countermeasures against each cause of the accidents, the Nagoya Works power system’s main distribution lines have been doubled. Going forward, even if trouble occurs in one power distribution line, switching to another distribution line will enable us to prevent the stoppage of gas blowers and the release of accumulated burned gas out of the coke oven into the air. Even if the burned gas has to be released out of the oven, a measure to promote complete burning and significantly constrain smoke generation has been implemented. Concerning the fire accident, an abnormal rise in the coal temperature within the coal bin was presumed to be one of the primary causes. Consequently, rules such as the handling standards have been revised. Measures to prevent an abnormal rise in coal temperature and those to prevent hot coal from being mixed in the bin have also been implemented. At the same time, measures to prevent the spread of a fire even when coal within the coal bin becomes too hot have been implemented. Specifically, additional CO detectors, thermo-viewers, and remote-control-lable sprinklers have been installed inside the bin to enable early detection and the discharge of water.



Measures against indirect factors behind the accidents

According to the final reports submitted by the committees, which include outside experts as members, it is presumed that what lay behind the accidents were indirect factors concerning operational practices, facility management, safety and disaster prevention activities, organizational management, training of human resources, risk management, and other issues. Taking these points seriously, we have been implementing measures from a long-term perspective.

Initiatives taken by the entire Company

(1) Invest in management resources
(equipment and human resources) of steelworks
With due consideration to the accidents, NSSMC has advocated the enhancement of the domestic “mother mills” as the first primary measure of the new Mid-Term Management Plan announced in March 2015. We intend to promote measures to enhance our manufacturing capabilities in equipment and human resources and heavily allocate management resources.

(2) Enhance the head office organization and promote disaster-prevention activities
In November 2014, the following three sections were established: the Plant Safety Division, to strengthen efforts of the entire Company in disaster-prevention management; the Monozukuri Planning Department, to strengthen the organization for standardization promotion and operational improvement; and the Energy Technology Division, to centrally manage operations and foster human resources in the energy divisions of the entire Company. In April 2015, the Coke-making Technology Division was established to enhance the base of coke technology. Moreover, company-wide committees,

such as the Disaster Prevention Promotion Committee and the Standardization Promotion Committee, have been established, and facilities have received assessment and evaluation by third-party institutions (i.e., the Preservation Enhancement Center of the Japan Society for Safety Engineering and JIC Quality Assurance) to further promote disaster prevention and enhance standardization.

(3) Enhance development of human resources
In order to prevent serious accidents, it is essential to develop executives who are able to properly acknowledge what is happening on-site and deal with on-site risks. We must also keep upgrading our disaster-prevention initiatives, in line with advances in manufacturing technology. Moreover, we must develop disaster-prevention specialists with expertise, foresight regarding risks, and analytical skills. We will establish holistic and systematic programs to support the development of these human resources.

(4) Never forget lessons learned from the accidents and raise safety awareness
Safety means protecting ourselves and our colleagues, and the trust and credence extended to us by society. In our view, maintaining safety is the basis for safe, reliable operation, and results in improvements in quality and productivity, as well as minimal loss. We are carrying out consistent awareness-raising activities and dialog regarding the accidents with all employees so that we will never forget the lessons learned and raise safety awareness.

Initiatives taken by the Nagoya Works

(1) Enhance disaster-prevention management
With the aim of strengthening the organization and promoting information sharing, the Nagoya Works has made the management of meetings more effective and has created a position in charge of disaster prevention. Training programs have also been enhanced and trouble procedures have become clearly identified, in order to strengthen initial response capabilities. Moreover, the Nagoya Works is expanding risk-prediction activities such as extracting risks out of past troubles.

(2) Standardize and enhance management
All of the departments at the Nagoya Works are reorganizing their technical and operational standard documents. With regard to disaster prevention, in particular, standards for preventive measures against possible accidents and trouble have been established and thoroughly implemented. Moreover, a document has been prepared on what to do after an accident occurs—from the investigation of the causes and the planning of measures to the preparation and revision of technical standards and work procedures—so that any recurrence of a similar accident can be prevented. The Nagoya Works has begun to operate as instructed in the document and standardization will be further enhanced through guidance from outside institutions.

(3) Improve education on disaster prevention and never forget lessons learned from the accidents
The Nagoya Works carries out regular training and special education programs related to the power failure and fire accident. A disaster-prevention information room has been set up with exhibits and materials, and September 3, the date of the coke fire accident, has become a “disaster drill day” so that the staff of the Nagoya Works renew their determination to prevent another similar accident from occurring.

Details of the Nagoya Works accidents are available in the following reports:
Report on the Nagoya Works Power Failure Accidents—The causes and preventive measures— (announced on November 25, 2014)
http://www.nssmc.com/en/news/20141125_600.html
Report on the Investigation of the Nagoya Works Coke Fire Accident and Power-Receiving and Distribution Equipment (announced on April 7, 2015)
http://www.nssmc.com/en/news/20150407_100.html



TOGETHER WITH SOCIETY

NSSMC highly values partnerships with its stakeholders.

We support people in local communities by engaging in environmental conservation activities and cultural and athletic activities.

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, activities to support art and culture 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 919 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



Children’s baseball classroom

games and training. The Kashima Antlers football team, which began as our corporate team, has become one of the top professional J-League teams. Our baseball team participates in Japan’s Inter-City Baseball Invitation Tournament every year and has brought many 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.

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.



Kioi Hall (Chiyoda-ku, Tokyo)

The Nippon Steel & Sumitomo Metal Mixed Chorus, formed in 1947, is also committed to making social contributions, notably by performing charity concerts.

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. Plant visits for teachers are also conducted.



Demonstration of tatara ironmaking method

FINANCIAL AND CORPORATE SECTION

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11-Year Financial Performance

(Unaudited; only for reference purposes)

FY	2004	2005	2006	2007	2008	2009	2010	2011	2012*5	2013	2014
Operating Results (Fiscal year)											
Net sales											Unit: Millions of yen
NSSMC/Nippon Steel	¥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	¥ 5,610,030
Sumitomo Metals	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	429,948	576,319	580,097	545,580	342,930	32,005	165,605	79,364	20,110	298,390	349,510
Sumitomo Metals	182,878	305,804	303,774	274,396	226,052	(928)	56,301	76,801	15,759	—	—
Ordinary profit (loss)											
NSSMC/Nippon Steel	371,446	547,400	597,640	564,119	336,140	11,833	226,335	143,006	76,931	361,097	451,747
Sumitomo Metals	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	369,485	565,607	621,419	605,485	281,079	11,242	185,377	120,053	(136,970)	399,147	376,188
Sumitomo Metals	169,577	306,183	341,725	281,298	194,459	(39,758)	(27,991)	(51,251)	(134,831)	—	—
Net income (loss)											
NSSMC/Nippon Steel	220,601	343,903	351,182	354,989	155,077	(11,529)	93,199	58,471	(124,567)	242,753	214,293
Sumitomo Metals	110,864	221,252	226,725	180,547	97,327	(49,772)	(7,144)	(53,799)	(133,849)	—	—
Capital expenditure											
NSSMC/Nippon Steel	195,228	203,973	273,440	308,993	305,738	329,356	287,236	281,748	355,873	257,019	304,389
Sumitomo Metals*1	60,374	82,679	135,868	178,887	159,118	136,643	109,934	115,797	N.A	—	—
Depreciation and amortization											
NSSMC/Nippon Steel	180,571	183,365	192,454	244,038	273,744	284,092	291,587	280,940	288,770	331,801	320,046
Sumitomo Metals*2	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	36,352	37,881	41,229	45,329	45,797	46,824	46,663	48,175	60,071	64,437	62,966
Sumitomo Metals	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	¥3,872,110	¥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	¥7,157,929
Sumitomo Metals	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	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	2,978,696
Sumitomo Metals	483,237	720,866	880,807	901,946	857,697	829,219	766,777	709,315	—	—	—
Total net assets*3											
NSSMC/Nippon Steel	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	3,547,059
Sumitomo Metals	517,311	762,172	924,798	949,303	904,371	879,209	818,080	761,484	—	—	—
Interest-bearing debt											
NSSMC/Nippon Steel	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	1,976,591
Sumitomo Metals*4	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	¥ 539,445	¥ 392,996	¥ 478,460	¥ 525,777	¥ 127,540	¥ 437,668	¥ 369,500	¥ 237,414	¥ 313,317	¥ 574,767	¥ 710,998
Sumitomo Metals	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	(174,995)	(226,894)	(374,669)	(438,121)	(306,603)	(412,827)	(325,781)	(226,096)	(327,336)	(196,856)	(263,667)
Sumitomo Metals	(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	(321,402)	(136,110)	19,387	(200,604)	170,209	(79,985)	(47,244)	(31,785)	33,332	(367,115)	(451,843)
Sumitomo Metals	(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	¥ 32.73	¥ 51.07	¥ 54.28	¥ 56.33	¥ 24.60	¥ (1.83)	¥ 14.81	¥ 9.29	¥ (16.23)	¥ 26.67	¥ 23.48
Sumitomo Metals	23.05	46.03	47.89	39.43	20.98	(10.74)	(1.54)	(11.61)	—	—	—
Cash dividends per share											
NSSMC/Nippon Steel	5.0	9.0	10.0	11.0	6.0	1.5	3.0	2.5	1.0	5.0	5.5
Sumitomo Metals	5.0	7.0	8.0	10.0	10.0	5.0	3.5	2.0	—	—	—

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.

*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 (Unaudited; only for reference purposes)

FY	2004	2005	2006	2007	2008	2009	2010	2011	2012*5	2013	2014
Financial Index											
Return on sales ((Ordinary profit/Net sales) x 100)											%
NSSMC/Nippon Steel	11.0%	14.0%	13.9%	11.7%	7.0%	0.3%	5.5%	3.5%	1.8%	6.5%	8.1%
Sumitomo Metals	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	20.7%	24.0%	19.7%	18.7%	8.7%	(0.7)%	5.0%	3.2%	(5.9)%	9.6%	7.6%
Sumitomo Metals	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	30.7%	36.9%	35.4%	36.8%	34.3%	36.9%	37.2%	37.1%	33.8%	37.9%	41.6%
Sumitomo Metals	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	9,503,214	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	—	—	—
Share price at end of period											Unit: Yen
NSSMC/Nippon Steel	¥ 271	¥ 456	¥ 828	¥ 505	¥ 263	¥ 367	¥ 266	¥ 227	¥ 235	¥ 282	¥ 302.5
Sumitomo Metals	193	505	609	378	197	283	186	167	—	—	—
Net Sales by Industry Segment*1											
Steelmaking and steel fabrication	¥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	¥4,939,239
Engineering and construction	279,866	336,179	367,968	359,884	386,643	331,905	254,941	248,934	303,002	314,174	348,699
Urban development	89,275	104,045	94,347	93,839	70,152	80,073	86,556	80,419	—	—	—
Chemicals and non-ferrous materials	331,168	373,072	—	—	—	—	—	—	—	—	—
Chemicals	—	—	318,755	289,029	212,172	179,412	193,896	197,669	195,719	230,130	212,777
New materials	—	—	65,601	76,157	59,907	58,799	60,888	54,245	42,211	37,241	36,449
System solutions	146,531	148,339	156,505	165,360	161,541	152,234	159,708	161,582	171,980	179,856	206,032
Other businesses	76,244	69,057	—	—	—	—	—	—	—	—	—
Elimination of inter-segment transactions	(154,463)	(181,903)	(183,410)	(151,823)	(159,281)	(137,904)	(119,711)	(128,769)	(113,442)	(123,132)	(133,168)
Segment Profit (Loss)*1											
Steelmaking and steel fabrication	376,926	513,977	514,562	475,951	307,047	(20,589)	181,968	98,846	41,522	321,287	401,987
Engineering and construction	6,696	9,517	13,031	21,496	24,674	31,655	14,883	12,775	18,189	17,702	18,758
Urban development	8,503	14,155	14,301	12,602	3,929	2,937	9,273	9,371	—	—	—
Chemicals and non-ferrous materials	26,374	27,037	—	—	—	—	—	—	—	—	—
Chemicals	—	—	23,645	21,050	894	10,431	13,244	13,598	9,778	10,057	6,898
New materials	—	—	3,129	559	(2,397)	444	2,111	607	984	1,391	2,482
System solutions	11,384	11,806	13,992	14,756	11,479	10,732	11,332	11,215	11,673	12,760	16,565
Other businesses	384	(1,185)	—	—	—	—	—	—	—	—	—
Elimination of inter-segment transactions	(321)	1,010	(2,564)	(835)	(2,696)	(3,607)	(6,478)	(3,408)	(5,217)	(2,101)	5,053
Non-Financial Performance											
Crude steel production (Ten thousands of tons)											
NSSMC/Nippon Steel (Consolidated)	3,279	3,395	3,452	3,623	3,124	2,992	3,492	3,244	4,603	4,816	4,732
NSSMC/Nippon Steel (Non-consolidated)	2,988	3,120	3,160	3,311	2,861	2,750	3,246	3,020	4,355	4,567	4,496
Sumitomo Metals*2	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	2,951	2,959	3,151	3,290	2,820	2,709	3,135	2,909	4,097	4,202	4,188
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	61.6	74.3	75.3	79.8	104.7	75.4	81.7	86.2	80.1	86.0	87.2
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)*4											
NSSMC/Nippon Steel	31.6%	30.9%	32.3%	33.4%	32.5%	38.4%	40.4%	39.2%	44%	46%	47%
Sumitomo Metals*3	36.3%	43.8%	46.2%	45.1%	45.2%	42.9%	41.6%	40.9%	—	—	—
Number of employees (Consolidated)											
NSSMC/Nippon Steel	46,451	46,143	47,257	48,757	50,077	52,205	59,183	60,508	83,187	84,361	84,447
Sumitomo Metals	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.

Analysis of Financial Condition and Results of Operations

Fiscal years ended March 31

Operating Results

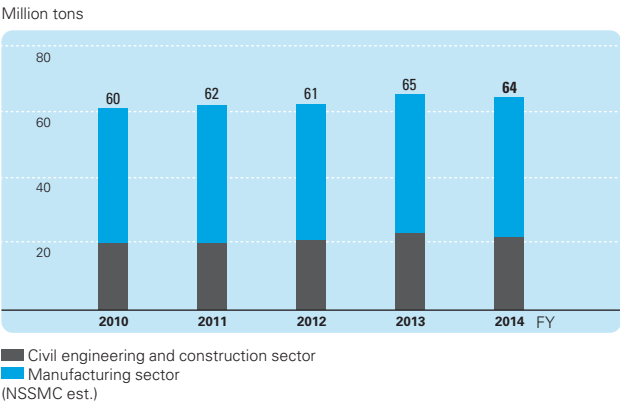
Business Environment

In fiscal 2014 domestic steel demand continued to be firm but dipped slightly from fiscal 2013 due in part to the lingering impact of the consumption tax rate hike. Steel exports remained generally flat supported by the gradual recovery in the global economy. However, the international commodity markets were in a down-trend, with Chinese and South Korean steelmakers continuing to supply more to the market, in addition to which there was a decline in prices of iron ore and other primary raw materials, and a slowdown in steel demand in emerging countries. Under these conditions, the Nippon Steel & Sumitomo Metal Corporation Group (“the Company”) continued steadily advancing the measures set forth in the previous Mid-Term Management Plan formulated in March 2013. These measures included enhancing our technological superiority, building world-leading cost competitiveness to overcome global competition, optimizing our production network by rationalizing iron-making, steelmaking, and rolling facilities, promoting global strategies, and strengthening the steelmaking Group companies.

Operating Results

NSSMC’s consolidated results for fiscal 2014 included ¥5,610.0 billion in net sales, ¥349.5 billion in operating profit, and ¥451.7 billion in ordinary profit. During fiscal 2014, the Company recorded a gain on sales of investments in securities from the sale of shareholdings and a loss on inactive facilities from disposal and demolition expenses associated with some major manufacturing facilities at the

Domestic steel consumption trend



Kimitsu Works, Wakayama Works, and elsewhere. The Company also reported an extraordinary loss on business of subsidiaries and affiliates, the amount of which is equivalent to the impairment loss associated with the equity method affiliated company VALLOUREC & SUMITOMO TUBOS DO BRASIL LTDA. (VSB). As a result, net income amounted to ¥214.2 billion.

FY	Billions of yen			
	Net sales		Ordinary profit	
	2013	2014	2013	2014
Steelmaking and steel fabrication	¥4,877.9	¥4,939.2	¥321.2	¥401.9
Engineering and construction	314.1	348.6	17.7	18.7
Chemicals	230.1	212.7	10.0	6.8
New materials	372	36.4	1.3	2.4
System solutions	179.8	206.0	12.7	16.5
Total	5,639.3	5,743.1	363.1	446.6
Adjustments	(123.1)	(133.1)	(2.1)	5.0
Consolidated	¥5,516.1	¥5,610.0	¥361.0	¥451.7

Performance summaries for segments are as follows.

STEELMAKING AND STEEL FABRICATION

NSSMC tackled various measures with the main focus being on strengthening its domestic manufacturing foundation and promoting a global strategy. In Japan, based upon the maximum use of production capacity and the efficient use of superior operating techniques, the Company continued efforts to construct an optimal production system, by ceasing some rolling-related equipment operations, including some flat product manufacturing lines at the Wakayama Works, as formulated in the previous Mid-Term Management Plan. In fiscal 2014 the Company thoroughly implemented measures to fortify the domestic manufacturing foundation of the steel-making and steel fabrication segment, including the completion of blast furnace relining at the Yawata Works and the decisions to reline coke ovens at the Kimitsu Works and the Kashima Works. Further, the Company’s manufacturing, sales, technology, and research divisions made collaborative efforts to demonstrate its technological superiority in areas such as proposing solutions to customers and developing highly functional products. NSSMC also advanced its global strategy by capturing demand in overseas growth markets and building an operating structure that better responds to customers’ global development requirements. In fiscal 2014, a joint-venture company to manufacture and sell automotive cold-rolled sheets began operation to respond to the expanding automobile market in India. The Company also executed an agreement on a joint venture to manufacture and sell automotive flat steel products in Indonesia and agreed to establish a new oil well pipe threading service joint venture in Brunei, which are a part of ongoing efforts to further strengthen the global supply network. The Company also continued advancing measures to maximize cost improvement, including raising the ratio of usage of low-cost materials and improving yield, and at the same time worked on adjusting steel material prices with the understanding and cooperation of its customers. The steelmaking and steel fabrication segment recorded net sales of ¥4,939.2 billion and ordinary profit of ¥401.9 billion.

ENGINEERING AND CONSTRUCTION

Please refer to Page 21 for details.

CHEMICALS

Please refer to Page 22 for details.

NEW MATERIALS

Please refer to Page 23 for details.

SYSTEM SOLUTIONS

Please refer to Page 24 for details.

Outlook for Fiscal 2015

Current Issues to be Addressed

Overall domestic steel demand in the first half of fiscal 2015 is expected to remain firm, which will be partly offset by a decline in demand mainly due to seasonal factors in the construction sector and the impact of inventory adjustment in the automotive sector. In the second half, we anticipate a recovery in demand, with contributions coming from demand for cars and a pick-up in housing starts as well as a recovery in capital expenditure. In the first quarter, particularly, inventories will have to be adjusted downward by reducing production so as to address our customers’ and the market’s high steel inventory levels. We expect overseas steel demand to remain flat overall. A projected moderate rise in demand in the ASEAN region will be offset by a downturn in China, a slowdown in the energy-related demand triggered by a sharp drop in the crude oil market, and other factors. International market conditions will likely remain weak amid the persisting excessive supply of steel products in China and elsewhere in East Asia. Under these conditions, NSSMC will continue to closely monitor the trends in steel material supply and demand and raw material prices, and will also take steps to implement maximum cost improvement. On top of that, 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 2015

NSSMC is unable at this time to establish reasonably accurate earnings estimates for fiscal 2015 due to several factors, including the uncertainty of price trends for primary raw materials and steel products. The Company will disclose fiscal 2015 earnings forecasts when reasonable estimates become possible.

Analysis of Financial Condition and Results of Operations

Profit Distribution to Shareholders

Basic Profit Distribution Policy and Distribution of Dividends for Fiscal 2014 and Fiscal 2015

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 in consideration of the 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 consolidated and non-consolidated bases.

The Company has adopted a consolidated payout ratio target of approximately 20% as the benchmark for the payment of dividends from distributable funds in consideration of the consolidated operating results up to the end of fiscal 2014. As part of our ongoing effort to provide ample profit return to our shareholders, we are raising the benchmark to the consolidated payout ratio target of around 20%–30% for the payment of dividends from the end of the first half of fiscal 2015.

The level of the first-half (interim) dividend is set based on consideration of interim performance figures and the forecasts for the full fiscal year performance.

In accordance with the basic profit distribution policy described above, the Company distributed a dividend of ¥2.00 per share at the end of the first half of fiscal 2014. Based on the Company’s favorable performance since the announcement of the previous earnings forecasts and results for the third quarter on January 29, 2015, the Company plans to request the approval of the General Meeting of Shareholders to increase the planned dividend by ¥0.50 and also distribute a year-end dividend payment of ¥3.50 per share in accordance with this plan. This brought the full-year dividend distribution amount to ¥5.50 per share, representing a consolidated payout ratio of 23.4% for fiscal 2014.

The Company has not determined a dividend distribution plan for fiscal 2015 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 2014 were ¥7,157.9 billion, representing an increase of ¥75.6 billion, from ¥7,082.2 billion at the end of fiscal 2013. The main factors were increases in notes and accounts receivable of ¥25.6 billion, and inventories of ¥29.1 billion, among other factors.

Total liabilities at the end of fiscal 2014 amounted to ¥3,610.8 billion, a decrease of ¥233.4 billion from ¥3,844.2 billion at the end of fiscal 2013. The decline was primarily due to a decrease in interest-bearing debt of ¥319.7 billion from ¥2,296.3 billion at the end of fiscal 2013, to ¥1,976.5 billion at the end of fiscal 2014 due

to the steady promotion of operating revenue and asset reduction. Net assets amounted to ¥3,547.0 billion at the end of fiscal 2014, representing an increase of ¥309.0 billion from ¥3,237.9 billion at the end of fiscal 2013, largely due to contributions of ¥214.2 billion in net income and ¥89.8 billion in the increase of unrealized gains on available-for-sale securities. Shareholders’ equity at the end of fiscal 2014 amounted to ¥2,978.6 billion and the ratio of interest-bearing debt to shareholders’ equity (the D/E ratio) has improved to 0.66.

Analysis of Cash Flows

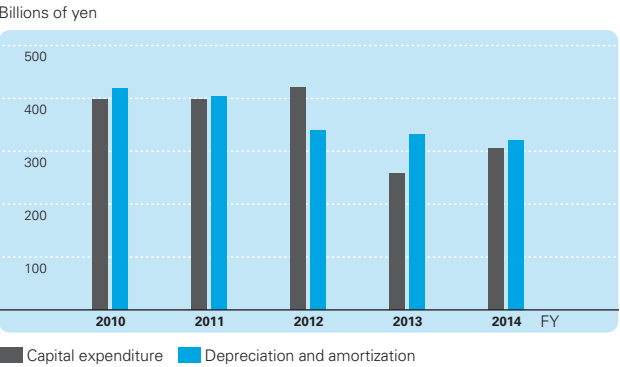
Cash flows provided by operating activities in fiscal 2014 amounted to ¥710.9 billion. The principal factors were inflows from income before income taxes and minority interests of ¥376.1 billion, depreciation and amortization of ¥320.0 billion, a loss on business of subsidiaries and affiliates of ¥68.6 billion, and a deduction of ¥82.7 billion in equity in net income of unconsolidated subsidiaries and affiliates. These offset outflows of ¥81.4 billion in the payment of income taxes, and others.

Cash flows from investing activities amounted to an outflow of ¥263.6 billion, as outflows including expenses for capital investments of ¥324.0 billion exceeded inflows including proceeds from sales of investments in securities of ¥62.7 billion. The result was free cash flows of ¥447.3 billion in fiscal 2014.

Cash flows from financing activities amounted to an outflow of ¥451.8 billion, largely due to the repayment of interest-bearing debt of ¥319.7 billion in addition to the payment of cash dividends of ¥45.7 billion at the end of fiscal 2013 and the end of the first half (interim) of fiscal 2014.

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 ¥112.9 billion.

Capital expenditure, Depreciation and amortization



For fiscal 2010 to the first half of fiscal 2012, figures for Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. have been combined.

Consolidated Balance Sheets

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries
As of March 31, 2015 and 2014

Millions of yen		
	2015	2014
ASSETS		
Current assets:		
Cash and bank deposits (Notes 14, 16 and 24)	¥ 113,822	¥ 105,303
Notes and accounts receivable (Notes 16 and 24)	615,429	589,802
Marketable securities (Notes 14, 16 and 17)	2,025	8,025
Inventories (Notes 5 and 24)	1,254,203	1,225,014
Deferred tax assets (Note 20)	95,598	107,015
Other (Note 24)	253,754	239,750
Less: Allowance for doubtful accounts	(1,019)	(1,540)
Total current assets	2,333,813	2,273,371
Fixed assets:		
Tangible fixed assets:		
Buildings and structures (Note 24)	2,158,437	2,148,134
Accumulated depreciation	(1,444,286)	(1,422,660)
Buildings and structures, net	714,150	725,473
Machinery, equipment and vehicles (Note 24)	6,461,630	6,384,335
Accumulated depreciation	(5,405,296)	(5,305,339)
Machinery, equipment and vehicles, net	1,056,333	1,078,995
Tools, furniture and fixtures (Note 24)	264,482	256,744
Accumulated depreciation	(222,631)	(219,198)
Tools, furniture and fixtures, net	41,851	37,545
Land (Notes 8 and 24)	591,202	582,389
Lease assets	19,087	20,567
Accumulated depreciation	(9,684)	(10,546)
Lease assets, net	9,403	10,021
Construction in progress	184,931	177,854
Total tangible fixed assets	2,597,872	2,612,280
Intangible fixed assets:		
Goodwill	50,046	41,476
Lease assets	335	366
Patents and utility rights	8,039	8,006
Software	40,441	44,230
Total intangible fixed assets	98,862	94,079
Investments and others:		
Investments in securities	768,744	691,246
Shares of subsidiaries and affiliates (Notes 6, 8, 16 and 17)	1,079,523	1,145,502
Long-term loans receivable (Note 24)	58,579	59,368
Net defined benefit assets (Note 19)	123,764	111,958
Deferred tax assets (Note 20)	48,054	56,429
Other	52,567	41,376
Less: Allowance for doubtful accounts	(3,854)	(3,324)
Total investments and others	2,127,380	2,102,557
Total fixed assets	4,824,115	4,808,916
Total assets	¥7,157,929	¥7,082,288

The accompanying notes are integral parts of these statements.

Consolidated Balance Sheets

Millions of yen		
	2015	2014
LIABILITIES		
Current liabilities:		
Notes and accounts payable (Note 16)	¥ 674,634	¥ 661,267
Short-term loans payable (Notes 16 and 24)	363,654	435,357
Commercial paper (Notes 16 and 24)	—	32,000
Bonds due within one year (Notes 16 and 24)	40,000	65,000
Current portion of lease obligations (Note 24)	5,740	8,278
Accounts payable—other (Note 16)	383,912	336,425
Income taxes payable	31,003	36,894
Provision for loss on construction contracts	1,670	3,078
Other (Note 24)	189,179	232,835
Total current liabilities	1,689,797	1,811,137
Long-term liabilities:		
Bonds and notes (Notes 16 and 24)	385,676	425,668
Long-term loans payable (Notes 16 and 24)	1,169,840	1,313,248
Lease obligations (excluding current portion) (Note 24)	10,249	14,592
Deferred tax liabilities (Note 20)	128,202	43,327
Deferred tax liabilities on revaluation of land (Note 8)	8,039	8,562
Allowance for retirement benefits of directors and audit & supervisory board members	4,968	5,132
Reserve for repairs to blast furnaces	—	8,607
Net defined benefit liabilities (Note 19)	161,332	157,373
Other	52,763	56,643
Total long-term liabilities	1,921,073	2,033,155
Total liabilities	3,610,870	3,844,293
Commitments and contingent liabilities (Note 7)		
NET ASSETS (Note 13)		
Shareholders' equity:		
Common stock	419,524	419,524
Capital surplus	371,471	371,465
Retained earnings	1,752,210	1,652,054
Less: Treasury stock, at cost	(61,508)	(62,882)
Total shareholders' equity	2,481,698	2,380,162
Accumulated other comprehensive income (Note 12):		
Unrealized gains on available-for-sale securities (Note 17)	279,641	189,831
Deferred hedge income (loss)	371	(3,099)
Unrealized gains on revaluation of land (Note 8)	2,885	2,554
Foreign currency translation adjustments	134,732	71,565
Remeasurements of defined benefit plans (Note 19)	79,366	42,644
Total accumulated other comprehensive income	496,997	303,496
Minority interests in consolidated subsidiaries (Note 8)	568,362	554,335
Total net assets	3,547,059	3,237,995
Total liabilities and net assets	¥7,157,929	¥7,082,288

Consolidated Statements of Operations
and Consolidated Statements of Comprehensive Income

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

Millions of yen		
	2015	2014
Consolidated Statements of Operations		
Net sales	¥5,610,030	¥5,516,180
Cost of sales (Note 10)	4,801,781	4,760,308
Gross margin	808,248	755,872
Selling, general and administrative expenses (Notes 9 and 10)	458,738	457,482
Operating profit	349,510	298,390
Non-operating profit:		
Interest income	5,290	4,516
Dividend income	18,159	16,578
Equity in net income of unconsolidated subsidiaries and affiliates	82,717	62,729
Exchange gain on foreign currency transactions	33,854	21,968
Other	36,774	40,523
	176,797	146,316
Non-operating loss:		
Interest expense	19,920	25,297
Loss on disposal of fixed assets	16,717	15,590
Other	37,923	42,721
	74,560	83,609
Ordinary profit	451,747	361,097
Extraordinary profit:		
Gain on sales of investments in securities	14,317	56,650
	14,317	56,650
Extraordinary loss:		
Loss on inactive facilities (Note 11)	21,276	18,600
Loss on business of subsidiaries and affiliates (Note 11)	68,600	—
	89,876	18,600
Income before income taxes and minority interests	376,188	399,147
Income taxes—current (Note 20)	73,288	71,162
Income taxes—deferred (Note 20)	72,662	69,405
	145,950	140,568
Income before minority interests	230,237	258,579
Minority interests in net income of consolidated subsidiaries	15,944	15,826
Net income	¥ 214,293	¥ 242,753

The accompanying notes are integral parts of these statements.

Millions of yen		
	2015	2014
Consolidated Statements of Comprehensive Income		
Income before minority interests	¥230,237	¥258,579
Other comprehensive income:		
Unrealized gains on available-for-sale securities	87,127	18,017
Deferred hedge income (loss)	4,489	(2,933)
Unrealized gains on revaluation of land	120	—
Foreign currency translation adjustments	59,756	(3,586)
Remeasurements of defined benefit plans	37,142	—
Share of other comprehensive income (loss) of associates accounted for using equity method	20,264	(828)
Total other comprehensive income (Note 12)	208,900	10,668
Comprehensive income (Note 12)	¥439,138	¥269,248
Attributable to:		
Comprehensive income attributable to owners of the parent	¥407,753	¥250,295
Comprehensive income attributable to minority interests	¥ 31,385	¥ 18,952

The accompanying notes are integral parts of these statements.

Consolidated Statements of Changes in Net Assets (Note 13)

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	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, 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	—	—	—	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 shareholders' 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
Balance at March 31, 2014	9,503,214	¥419,524	¥371,465	¥1,652,054	¥(62,882)	¥189,831	¥(3,099)	¥2,554	¥ 71,565	¥42,644	¥554,335	¥3,237,995
Cumulative effects of changes in accounting policies				(27,824)								(27,824)
Restated balance	9,503,214	¥419,524	¥371,465	¥1,624,230	¥(62,882)	¥189,831	¥(3,099)	¥2,554	¥71,565	¥42,644	¥554,335	¥3,210,171
Cash dividends	—	—	—	(45,704)	—	—	—	—	—	—	—	(45,704)
Net income	—	—	—	214,293	—	—	—	—	—	—	—	214,293
Acquisition of treasury stock	—	—	—	—	(142)	—	—	—	—	—	—	(142)
Disposal of treasury stock	—	—	5	—	6	—	—	—	—	—	—	11
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	(40,567)	1,511	—	—	—	—	—	—	(39,056)
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	(41)	—	—	—	—	—	—	—	(41)
Net changes of items other than shareholders' equity	—	—	—	—	—	89,809	3,471	330	63,167	36,722	14,026	207,528
Total change for fiscal 2014	—	—	5	127,980	1,374	89,809	3,471	330	63,167	36,722	14,026	336,887
Balance at March 31, 2015	9,503,214	¥419,524	¥371,471	¥1,752,210	¥(61,508)	¥279,641	¥ 371	¥2,885	¥134,732	¥79,366	¥568,362	¥3,547,059

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, 2015 and 2014

	Millions of yen	
	2015	2014
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 376,188	¥ 399,147
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	320,046	331,801
Interest and dividend income (accrual basis)	(23,450)	(21,095)
Interest expense (accrual basis)	19,920	25,297
Exchange loss (gain) on foreign currency transactions	(22,711)	(12,627)
Amortization of goodwill	9,099	9,712
Equity in net income of unconsolidated subsidiaries and affiliates	(82,717)	(62,729)
Loss (gain) on sales of investments in securities	(14,317)	(56,650)
Loss on disposal of tangible and intangible fixed assets	6,812	4,932
Gain on sales of tangible and intangible fixed assets	(9,496)	(8,775)
Loss on business of investments in securities	68,600	—
Changes in allowance for doubtful accounts	(156)	(370)
Changes in notes and accounts receivable	(13,898)	(5,308)
Changes in inventories	(24,970)	(53,562)
Changes in notes and accounts payable	12,057	63,056
Other	155,711	9,183
Subtotal	776,717	622,012
Interest and dividend income (cash basis)	36,592	35,614
Interest expense (cash basis)	(20,861)	(26,058)
Income taxes (cash basis)	(81,450)	(56,800)
Net cash provided by operating activities	710,998	574,767
Cash flows from investing activities:		
Acquisition of tangible and intangible fixed assets	(324,074)	(319,413)
Proceeds from sales of tangible and intangible fixed assets	19,223	17,211
Acquisition of investments in securities	(1,376)	(5,320)
Proceeds from sales of investments in securities	57,086	132,294
Acquisition of shares of subsidiaries and affiliates	(17,780)	(39,382)
Proceeds from sales of shares of subsidiaries and affiliates	5,666	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(20,159)	(135)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	10,324	3,555
Payment for loans	(2,847)	(4,362)
Proceeds from collections of loans	4,344	5,250
Other	5,926	13,445
Net cash used in investing activities	(263,667)	(196,856)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(6,065)	(72,220)
Net increase (decrease) in commercial paper	(32,000)	6,000
Proceeds from long-term loans payable	56,767	234,812
Payments of long-term loans payable	(278,235)	(258,383)
Redemption of bonds and notes	(65,000)	(149,455)
Payments for purchase of treasury stock	(137)	(731)
Cash dividends	(45,704)	(27,373)
Cash dividends to minority shareholders	(9,530)	(9,124)
Proceeds from issuance of common stock to minority shareholders	2,009	1,175
Other	(73,948)	(91,814)
Net cash used in financing activities	(451,843)	(367,115)
Effect of exchange rate changes on cash and cash equivalents	10,030	3,983
Net increase (decrease) in cash and cash equivalents	5,518	14,779
Cash and cash equivalents at beginning of year	105,464	90,530
Increase (decrease) from the change in the number of consolidated companies	2,011	153
Cash and cash equivalents at end of year (Note 14)	¥ 112,994	¥ 105,464

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 NOTES TO THE PRESUMPTION OF GOING CONCERN

None

03 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Scope of consolidation

Number of consolidated subsidiaries: 356 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 92–93 of this report.
In fiscal 2014, the year ended March 31, 2015, the scope of consolidation expanded by 13 companies, including newly established and newly acquired companies. 34 companies—20 merged companies and 8 divestments, etc.—were eliminated from the scope of consolidation in fiscal 2014.
Non-adoption of the consolidation accounting treatment for the unconsolidated subsidiaries (6 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: 105 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 92–93 of this report.
During fiscal 2014, 1 company was added as an equity-method affiliate and 5 companies were removed as equity-method affiliates. Non-adoption of the equity method for the unconsolidated subsidiaries (6 companies) and affiliates (62 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
2 domestic subsidiaries	January 31
3 domestic subsidiaries	December 31
133 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 (Thailand) Co., Ltd.
NIPPON STEEL & SUMIKIN Steel Processing (Thailand) Co., Ltd.
WESTERN TUBE & CONDUIT CORPORATION
NIPPON STEEL & SUMITOMO METAL Australia Pty. Limited

(4) Securities

• Held-to-maturity debt securities:
Amortized cost method (straight-line method)
• Available-for-sale securities:
Securities with market quotations are stated at market value as of the balance sheet date. (Net unrealized gains or losses are comprehensively included in net assets, and the cost of securities sold is determined by the moving-average method.)
Securities without market quotations are stated at cost determined by the moving-average method.

(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 leased 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 leased 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 life of 5 years.

(8) Leased 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 audit & supervisory board members

The allowance for retirement benefits of directors and audit & supervisory board members are computed based on internal rules.

(12) Retirement benefit accounting policy

The employee retirement benefit obligations are computed primarily based on the benefit formula basis using the projected retirement benefit obligations at the end of the consolidated fiscal year under review. Prior service costs are appropriated using the straight-line method over a specified period (mainly 10 years) within the employees’ average remaining service period at the time when such costs accrue. Actuarial differences are principally charged to expenses proportionally using the straight-line method from the consolidated fiscal year following the year in which such differences accrue over a specified period (mainly 10 years) within the employees’ average remaining service period at the time when such differences accrue.

Changes in accounting principles accompanying revisions in accounting standards

Provisions stated in Section 35 of 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 Section 67 of the “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, hereinafter “Guidance on Retirement Benefits”) have been applied from the beginning of fiscal

2014. With this application, calculation methods for retirement benefit obligations and service costs have been changed. Under this change, the calculation method for annual allocation expenses for projected benefit obligations are changed from the straight-line attribution basis pro-rated on employees’ years of service to benefit formula basis pro-rated on employees’ salaries. The method for determining the time period over which the discount rate is imputed is changed from the average remaining years of service for employees to mainly the expected period length of benefits payments and weighted average discount rate reflecting the amount to be paid in each period under the expected length of benefits payments for all employees under the plan.
In accordance with the transitional treatment prescribed in Section 37 of the Retirement Benefits Accounting Standard, the Company applied the “Accounting Standard for Retirement Benefits” at the beginning of fiscal 2014, and the effect of the accounting change in retirement benefit obligations and service costs was reflected in retained earnings.
As a result, net defined benefit assets decreased by ¥27,904 million, net defined benefit liabilities increased by ¥14,506 million and retained earnings decreased by ¥27,824 million at the beginning of fiscal 2014. The effect of this change on consolidated financial results for fiscal 2014 was to increase operating profit by ¥2,375 million, and both ordinary profit and income before income taxes and minority interests by ¥2,362 million. Information concerning the effect of this change on a per share basis is presented in the relevant sections of this report.

(13) 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.

(14) 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.

Notes to Consolidated Financial Statements

(15) 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 principle, the NSSMC Group adopts the deferred hedging accounting method. In addition, for interest rate 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 rate 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 and currency swaps 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 that 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.

(16) 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.

(17) 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.

(18) Consumption tax

The accounting treatment used with respect to consumption tax and local consumption taxes is the tax-excluded method.

Unapplied accounting standards (Year ended March 31, 2015)

“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, 2015)

(Consolidated Balance Sheets)

On the Consolidated Balance Sheets, “Shares of subsidiaries and affiliates”, which had been previously included in “Investments in securities” and “Other” under “Investments and others,” is separately presented as independent accounts from the consolidated fiscal year under review in order to facilitate better understanding of the Consolidated Balance Sheets. The figure for the previous fiscal year has been revised in the Consolidated Financial Statements for the consolidated fiscal year under review to reflect the revision in the reporting method.

As a result, in the consolidated balance sheet for the previous fiscal year, the ¥1,836,196 million amount presented as “Investments in securities” and the ¥41,928 million amount presented as “Other” under “Investments and others,” were reclassified as “Investments in securities” of ¥691,246 million, “Shares of subsidiaries and affiliates” of ¥1,145,502 million, and “Other” of ¥41,376 million.

(Consolidated Statements of Cash Flows)

In accordance with the revision to the reporting method for “Shares of subsidiaries and affiliates” under “Investments in securities” on the Consolidated Balance Sheets, “Acquisition of shares of subsidiaries and affiliates” is reported as a separate line item beginning in the consolidated fiscal year under review. “Acquisition of shares of subsidiaries and affiliates” was previously reported as part of “Acquisition of investments in securities” under “Cash flows from investing activities.” The figure for the previous fiscal year has been revised in the Consolidated Financial Statements for the consolidated fiscal year under review to reflect the revision in the reporting method.

Based on this revision, the ¥(44,702) million reported for “Acquisition of investments in securities” in the Consolidated Statements of Cash Flows of the previous fiscal year has been revised and is reported as ¥(5,320) million for “Acquisition of investments in securities” and ¥(39,382) million for “Acquisition of shares of subsidiaries and affiliates.”

“Purchase of shares of subsidiaries resulting in change in scope of consolidation,” previously reported as part of “Other” under

“Cash flows from investing activities,” is reported as a separate line item beginning in the consolidated fiscal year under review due to its increased material significance. “Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation,” previously reported as a separate line item under “Cash flows from investing activities,” is reported as part of “Other” beginning in the consolidated fiscal year under review due to its decreased material significance. The figures for the previous fiscal year have been revised in the Consolidated Financial Statements for the consolidated fiscal year under review to reflect the revision in the reporting method.

Based on this revision, the ¥11,436 million reported for “Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation” and ¥1,874 million reported for “Other” under “Cash flows from investing activities” in the Consolidated Statements of Cash Flows of the previous fiscal year, have been revised and are reported as ¥(135) million for “Purchase of shares of subsidiaries resulting in change in scope of consolidation” and ¥13,445 million for “Other.”

04 JAPANESE YEN AMOUNTS

NSSMC and its domestic subsidiaries maintain their accounting records in yen. Yen amounts included in the accompanying consolidated 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 accompanying consolidated financial statements may not equal the exact sum of the individual balances.

05 INVENTORIES

Items relevant to inventories are as follows:

	Millions of yen	
	2015	2014
Finished and half-finished products	¥548,473	¥544,223
Work in process	62,606	61,136
Raw materials and supplies	643,123	619,654

06 UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Items relevant to unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen	
	2015	2014
Shares of subsidiaries and affiliates	¥1,079,523	¥1,145,502

07 CONTINGENT LIABILITIES AND NOTES AND BILLS DISCOUNTED AND ENDORSED

(1) Guarantee liabilities

(Year ended March 31, 2015)

	Outstanding amounts Millions of yen	Substantial amounts Millions of yen
	2015	2015
Contingent liabilities for:		
Guarantee of loans		
AM/NS Calvert LLC	¥ 69,034	¥ 69,034
WISCO-NIPPON STEEL Tinplate Co., Ltd.	17,762	17,762
JAMSHEDPUR CONTINUOUS ANNEALING & PROCESSING COMPANY PRIVATE LIMITED	15,254	7,474*
TENIGAL, S. de R.L. de C.V.	11,040	11,040
Japan-Brazil Niobium Corporation	10,389	10,389
UNIGAL Ltda.	2,523	2,523
VALLOUREC & SUMITOMO TUBOS DO BRASIL LTDA.	2,450	2,450
Other	1,835	1,521*
Total	¥130,290	¥122,197

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

	Outstanding amounts Millions of yen	Substantial amounts Millions of yen
	2015	2015
Contingent liabilities for:		
Reserved guarantee of loans	¥1,482	¥1,111
Maximum repurchase obligation amount associated with the liquidation of receivables	1,429	1,429

(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

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

	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

(2) Notes and bills endorsed

	Millions of yen	
	2015	2014
Notes and bills endorsed	¥3	¥19

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

08 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 domestic 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, 2015)

(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, 2015 was ¥2,507 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, 2015 was ¥12,424 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, 2015 was ¥1,905 million.

(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.

09 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen	
	2015	2014
Transportation and storage	¥116,146	¥125,022
Salaries	119,825	120,622
Retirement benefit expenses	4,274	5,393
Depreciation and amortization	6,791	6,636
Research and development expenses	49,674	52,121
Amortization of goodwill	9,304	11,430

10 RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2015 and 2014 are ¥62,966 million and ¥64,437 million, respectively.

11 EXPLANATORY NOTES ON EXTRAORDINARY PROFIT AND LOSS

(Year ended March 31, 2015)

Extraordinary loss

(1) Loss on inactive facilities

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

(2) Loss on business of subsidiaries and affiliates

Due to the significant change in the business environment for equity-method affiliate VALLOUREC & SUMITOMO TUBOS DO

BRASIL LTDA., an amount equivalent to an impairment loss is reported as “loss on business of subsidiaries and affiliates.”

(Year ended March 31, 2014)

Extraordinary loss

(1) Loss on inactive facilities

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

12 NOTES ON CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Reclassification adjustments and deferred tax accounting related to other comprehensive income for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen	
	2015	2014
Unrealized gains on available-for-sale securities:		
Amount for the current term	¥132,864	¥ 84,437
Amount due to reclassification adjustments	(17,855)	(56,149)
Amount before adjustments in deferred tax accounting	115,009	28,287
Amount due to deferred tax accounting	(27,882)	(10,270)
Unrealized gains on available-for-sale securities	87,127	18,017
Deferred hedge income (loss):		
Amount for the current term	¥ 6,055	¥ 871
Amount due to reclassification adjustments	682	(5,748)
Amount before adjustments in deferred tax accounting	6,738	(4,876)
Amount due to deferred tax accounting	(2,249)	1,942
Deferred hedge income (loss)	4,489	(2,933)
Unrealized gains on revaluation of land:		
Amount for the current term	¥ —	¥ —
Amount before adjustments in deferred tax accounting	—	—
Amount due to deferred tax accounting	120	—
Unrealized gains on revaluation of land	120	—
Foreign currency translation adjustments:		
Amount for the current term	¥ 59,155	¥ (3,626)
Amount due to reclassification adjustments	601	40
Amount before adjustments in deferred tax accounting	59,756	(3,586)
Amount due to deferred tax accounting	—	—
Foreign currency translation adjustments	59,756	(3,586)
Remeasurements of defined benefit plans:		
Amount for the current term	¥ 59,779	¥ —
Amount due to reclassification adjustments	(8,329)	—
Amount before adjustments in deferred tax accounting	51,450	—
Amount due to deferred tax accounting	(14,307)	—
Remeasurements of defined benefit plans	37,142	—
Share of other comprehensive income (loss) of associates accounted for using equity method:		
Amount for the current term	¥ 18,842	¥ 2,684
Amount due to reclassification adjustments	1,422	(3,512)
Share of other comprehensive income (loss) of associates accounted for using equity method	20,264	(828)
Total other comprehensive income	¥208,900	¥ 10,668

13 CHANGES IN NET ASSETS AND SHAREHOLDERS' EQUITY

Notes on the consolidated statements of changes in net assets for the years ended March 31, 2015 and 2014 are as follows:

(Year ended March 31, 2015)

(1) Information on issued shares

Type of stock	March 31, 2014	Increase	Decrease	March 31, 2015
Common stock (Thousands)	9,503,214	—	—	9,503,214

(2) Information on treasury stock

Type of stock	March 31, 2014	Increase	Decrease	March 31, 2015
Common stock (Thousands)	378,513	646	4,559	374,600

(Reason for increase or decrease of treasury stock)

- Increase (Thousands)
 - 1. Odd-lot stock purchases 453
 - 2. Purchased by affiliates 192
- Decrease (Thousands)
 - 1. Change in scope of consolidation 4,520
 - 2. Odd-lot stock sold 39

(3) Information on dividends

Amount of dividend payments

Decision	Type of stock	Total payments (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
At the Ordinary General Meeting of Shareholders held on June 25, 2014	Common stock	¥27,422	¥3.0	March 31, 2014	June 26, 2014
At the Meeting of the Board of Directors held on October 30, 2014	Common stock	¥18,281	¥2.0	September 30, 2014	December 1, 2014

Dividends of which record date belong to the year ended March 31, 2015, and the effective date belong to the year ending March 31, 2016 are as follows:

Decision	Type of stock	Source of dividends	Total payments (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
At the Ordinary General Meeting of Shareholders held on June 24, 2015	Common stock	Retained earnings	¥31,991	¥3.5	March 31, 2015	June 25, 2015

(Year ended March 31, 2014)

(1) Information on issued shares

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

(2) Information on treasury stock

Type 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	Type of stock	Total payments (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective 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 Meeting of the Board of Directors 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 effective date belong to the year ended March 31, 2015 are as follows:

Decision	Type of stock	Source of dividends	Total payments (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective 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

14 NOTES ON CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash and cash equivalents

	Millions of yen	
	2015	2014
Cash and bank deposits	¥113,822	¥105,303
Less: Time deposits with original maturity over 3 months	(827)	(839)
Securities due within 3 months	—	1,000
Cash and cash equivalents	¥112,994	¥105,464

15 LEASE COMMITMENTS

(1) Finance leases

(Years ended March 31, 2015 and 2014)

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

Outline of leased assets

Tangible fixed assets

Mainly machinery in the steel business

Accounting for the depreciation and amortization of leased assets

Included in Note 03, "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 leased assets

Tangible fixed assets

Mainly buildings in the steel business

Intangible fixed assets

Software

Accounting for the depreciation and amortization of leased assets

Included in Note 03, "Summary of Significant Accounting Policies"

Notes to Consolidated Financial Statements

(2) Operating leases (non-cancelable)

The amount of outstanding future lease payments due at March 31, 2015 and 2014 are summarized as follows:

Millions of yen		
	2015	2014
Future lease payments:		
Within one year	¥ 4,831	¥ 4,465
Over one year	12,590	13,658
	¥17,421	¥18,123

The amount of outstanding future lease income due at March 31, 2015 and 2014 are summarized as follows:

Millions of yen		
	2015	2014
Future lease income:		
Within one year	¥1,263	¥1,181
Over one year	5,970	5,177
	¥7,234	¥6,359

16 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 loans and to companies with high credit ratings, and NSSMC, therefore, judges that it is exposed to almost no contractual default credit risks. In addition, accompanying NSSMC’s exports of products, NSSMC is exposed to foreign currency exchange risks associated with receivables denominated in foreign currencies. NSSMC holds marketable and investment securities, mainly stocks of

customers and other business collaborators, and NSSMC is exposed to market price risks owing to these stockholdings. In addition, NSSMC extends long-term loans payable to its affiliates. NSSMC incurs trade payables such as notes and accounts payable that are, in principle, payable within one year. NSSMC is exposed to foreign currency exchange risks arising from a portion of trade payables associated with imports of raw materials that are denominated in foreign currencies. NSSMC’s fund procurement are as described in (1) above. In addition, a portion of funds procured by means of long-term loans and bonds is associated with variable interest rates, and the related payment burden changes due to trends in market interest rates. Regarding derivative transactions associated with marketable securities, interest rates, or currency exchange rates, NSSMC limits its execution of such transactions to (a) hedge transactions with the objective of avoiding value fluctuation risks on marketable securities that NSSMC holds, (b) hedge transactions with the objective of hedging market risks accompanying movements in interest rates associated with assets/liabilities or with the objective of maintaining the proportion of assets/liabilities associated with fixed or variable interest rates, and (c) hedge transactions with the objective of avoiding currency exchange risks accompanying transactions undertaken as a part of business activities, such as trading, funding, and investment. The derivative transactions executed by NSSMC are exposed to the risks of securities price fluctuation, future changes in interest rates, and currency exchange rates, but because those transactions are limited to those with the objectives described in (a), (b), and (c) above, NSSMC judges that the risks from those transactions are limited.

(3) Systems for management of financial instrument risks

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

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

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

1) Market price risks

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

2) Interest rate risks

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

3) Currency exchange risks

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

In addition, derivative transactions are executed in accordance with internal derivative transaction management regulations. These regulations require that prospective transactions in financial instrument-related derivatives be discussed by the Funding Management Committee with respect to the transaction policy, then discussed by 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, during 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 18, “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.

Millions of yen			
	Book value*	Fair value*	Differences
(1) Cash and bank deposits	¥ 113,822	¥ 113,822	¥ —
(2) Notes and accounts receivable	615,429	615,429	—
(3) Marketable and investment securities			
Held-to-maturity debt securities	3,000	2,988	(11)
Available-for-sale securities	737,446	737,446	—
(4) Notes and accounts payable	(674,634)	(674,634)	—
(5) Short-term loans payable	(363,654)	(363,654)	—
(6) Bonds due within one year	(40,000)	(40,000)	—
(7) Accounts payable—other	(383,912)	(383,912)	—
(8) Bonds and notes	(385,676)	(400,762)	(15,085)
(9) Long-term loans payable	(1,169,840)	(1,195,835)	(25,995)
(10) Derivative transactions	7,667	7,667	—

* Figures shown in parentheses are liability items.

Notes to Consolidated Financial Statements

(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.

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 mainly valued at the exchange trading price. Information on securities classified by purpose of holding are shown in Note 17, “Securities.”

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

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

Derivative transactions

These transactions are handled as described in Note 18, “Information on Derivatives.”

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, 2015)

Item	Millions of yen
	Book value
Unlisted stocks	¥30,322

(Year ended March 31, 2014)

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

The items in the preceding tables do not have market values, and estimating their future cash flow is deemed to be practically impossible. Therefore, determining the fair value of these items is deemed to be extremely difficult, and consequently fair value is not disclosed or included in “Available-for-sale securities” under “(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, 2015)

	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	¥113,822	¥ —	¥—	¥—
Notes and accounts receivable	615,429	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
Corporate bonds	2,000	1,000	—	—
Negotiable certificates of deposit	—	—	—	—
Available-for-sale securities with maturity dates	25	113	—	—
Total	¥731,276	¥1,113	¥—	¥—

(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	—
Total	¥703,132	¥731	¥ 9	¥—

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, 2015)

	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	¥161,617	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	—	—	—	—	—	—
Bonds	40,000	50,000	120,000	65,700	60,000	90,000
Long-term loans payable	202,037	279,314	177,708	130,559	74,415	507,842
Lease obligations	5,740	3,258	2,185	855	603	3,345
Total	¥409,395	¥332,573	¥299,894	¥197,114	¥135,019	¥601,188

(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
Total	¥540,636	¥252,452	¥325,304	¥294,355	¥175,642	¥705,785

17 SECURITIES

(Year ended March 31, 2015)

Information regarding marketable and investment securities at March 31, 2015 is as follows:

(1) Held-to-maturity debt securities

	Millions of yen		
	2015		
	Book value	Fair value	Differences
Held-to-maturity debt securities whose fair value is less than the book value on the balance sheet:			
Corporate bonds	¥3,000	¥2,988	¥(11)
Negotiable certificates of deposit	—	—	—
Total	¥3,000	¥2,988	¥(11)

(2) Available-for-sale securities

	Millions of yen		
	2015		
	Book value	Acquisition cost	Differences
Available-for-sale securities whose book value on the balance sheet is in excess of the related cost:			
Corporate shares	¥606,950	¥244,893	¥362,057
Other	115,466	80,047	35,418
Subtotal	¥722,417	¥324,941	¥397,476
Available-for-sale securities whose book value on the balance sheet is less than the related cost:			
Corporate shares	¥ 15,029	¥ 17,075	¥ (2,045)
Other	—	—	—
Subtotal	¥ 15,029	¥ 17,075	¥ (2,045)
Total	¥737,446	¥342,016	¥395,430

(3) Available-for-sale securities sold in the year ended March 31, 2015

	Millions of yen		
	2015		
	Amount of sales	Gain on sales	Loss on sales
Corporate shares	¥46,492	¥19,019	¥399
Bonds	—	—	—
Other	57	—	377
Total	¥46,550	¥19,019	¥777

(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 fair value is ¥4,061 million at March 31, 2015.

(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		
	Book value	Fair value	Differences
Held-to-maturity debt securities whose fair value is less than the book value on the balance sheet:			
Corporate bonds	¥7,300	¥7,299	¥(0)
Negotiable certificates of deposit	1,000	1,000	—
Total	¥8,300	¥8,299	¥(0)

(2) Available-for-sale securities

	Millions of yen		
	2014		
	Book value	Acquisition cost	Differences
Available-for-sale securities whose book value on the balance sheet is 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 book value on the balance sheet is less than the related cost:			
Corporate shares	¥ 25,587	¥ 29,033	¥ (3,445)
Other	356	435	(79)
Subtotal	¥ 25,944	¥ 29,469	¥ (3,525)
Total	¥647,251	¥366,111	¥281,139

(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
Total	¥114,741	¥56,624	¥107

(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 fair value is ¥3,466 million at March 31, 2014.

18 INFORMATION ON DERIVATIVES

(Year ended March 31, 2015)

(1) Derivatives not subject to hedge accounting

Millions of yen						
	Type of derivative	Contract amounts, etc.		Fair value	Appraisal profit or loss	Method for computing fair value
			Over one year			
Non-market transactions	Foreign exchange forward contracts Buying Australian dollars	¥55,858	¥—	¥(421)	¥(421)	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Buying U.S. dollars	11,407	—	80	80	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Selling U.S. dollars	236	—	(26)	(26)	Based on foreign exchange forward quotes
Non-market transactions	Currency swaps Receiving U.S. dollars Paying Malaysian ringgit	726	—	0	0	Based on prices provided by third parties
Total		¥68,229	¥—	¥(367)	¥(367)	

(2) Derivatives subject to hedge accounting

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

Millions of yen						
Hedge accounting method	Type of derivative	Principal hedged items	Contract amounts, etc.		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	¥ 20,162	¥ 250	¥ (27)	Based on prices provided by third parties
Deferred hedging accounting method	Interest rate swaps Interest rate pay floating receive fixed	Bonds	35,000	35,000	1,420	Based on prices provided by third parties
Deferred hedging accounting method	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable	175,706 1,777	501 166	7,550 181	Based on foreign exchange forward quotes
Deferred hedging accounting method	Foreign exchange forward contracts Selling U.S. dollars Other	Accounts receivable	22,666 1,529	2,376 1,481	(882) (192)	Based on foreign exchange forward quotes
Deferred hedging accounting method	Commodity swaps Commodity receive floating pay fixed	Electricity	272	126	(15)	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	273,852	223,273	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive fixed	Bonds and Long-term loans payable	42,000	30,000	*	
Assigning method of currency swaps	Currency swaps Receiving U.S. dollars paying Yen Receiving Australian dollars paying Yen	Long-term loans payable	122,279 3,767	109,996 —	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable	216 125	— 9	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Selling U.S. dollars Other	Accounts receivable	647 444	— 179	*	
Total			¥700,448	¥403,359	¥8,035	

* 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, 2014)

(1) Derivatives not subject to hedge accounting

Millions of yen						
	Type of derivative	Contract amounts, etc.		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
Total		¥64,816	¥5,541	¥1,407	¥1,407	

(2) Derivatives subject to hedge accounting

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

Millions of yen						
Hedge accounting method	Type of derivative	Principal hedged items	Contract amounts, etc.		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.

19 RETIREMENT BENEFITS

(1) Summary of adopted retirement benefits

The NSSMC Group operates three defined benefit retirement plans which consist of a defined benefits enterprise pension plan, a defined contribution plan, and a lump-sum retirement payment plan. The NSSMC Group may pay special retirement allowances on voluntary retirement, which are not included in the 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	
	2015	2014
Balance at beginning of year	¥543,337	¥588,246
Cumulative effects of changes in accounting policies	42,410	—
Restated balance	585,748	588,246
Service costs	24,010	21,839
Interest costs	4,666	10,234
Actuarial differences	3,071	(4,409)
Benefits paid	(52,957)	(60,218)
Prior service costs	(2,189)	(10,400)
Other	(311)	(1,956)
Balance at end of year	¥562,038	¥543,337

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

	Millions of yen	
	2015	2014
Balance at beginning of year	¥511,449	¥511,178
Expected return on plan assets	7,489	7,127
Actuarial differences	60,649	53,704
Contributions by the employer	16,193	17,989
Benefits paid	(38,943)	(41,677)
Other	(20,300)	(36,872)
Balance at end of year	¥536,538	¥511,449

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

	Millions of yen	
	2015	2014
Balance at beginning of year	¥13,527	¥13,464
Net pension expense	1,768	1,845
Benefits paid	(1,666)	(1,537)
Contributions to the plan	(1,076)	(1,257)
Other	(485)	1,011
Balance at end of year	¥12,067	¥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	
	2015	2014
Funded defined benefit obligations	¥ 486,551	¥ 482,075
Plan assets	(548,151)	(522,300)
	(61,600)	(40,225)
Unfunded defined benefit obligations	99,168	85,640
Net assets (liabilities) arising from defined benefit obligations	¥ 37,567	¥ 45,415
Net defined benefit liabilities	¥ 161,332	¥ 157,373
Net defined benefit assets	(123,764)	(111,958)
Net assets (liabilities) arising from defined benefit obligations	¥ 37,567	¥ 45,415

* Includes plans using the simplified method

(e) Net pension expense

	Millions of yen	
	2015	2014
Service costs	¥24,010	¥21,839
Interest costs	4,666	10,234
Expected return on plan assets	(7,489)	(7,127)
Amortization of actuarial differences	(6,101)	(5,963)
Amortization of prior service costs	(2,151)	(394)
Net pension expense for the simplified method	1,768	1,845
Other	3,486	3,501
Total	¥18,188	¥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	
	2015	2014
Prior service costs	¥ 194	¥—
Actuarial differences	(51,644)	—
Total	¥(51,450)	¥—

(g) Remeasurements of defined benefit plans (accumulated)

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

	Millions of yen	
	2015	2014
Unrecognized prior service costs	¥ (10,020)	¥(10,214)
Unrecognized actuarial differences	(117,266)	(65,622)
Total	¥(127,287)	¥(75,836)

Notes to Consolidated Financial Statements

(h) Plan assets
1) Categories of plan assets
The major categories of plan assets are as follows:

	2015	2014
Debt securities	38%	40%
Equity securities	44	35
Cash and bank deposits	7	16
Other	11	9
Total	100%	100%

*The total of plan assets includes retirement benefit trusts for the enterprise pension plan and lump-sum retirement payment plan, which accounts for 27% of the total for year ended March 31, 2015 and 25% for year ended March 31, 2014.

2) Method of determining expected long-term rate of return on plan assets
In order to determine the 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.

(i) Principal assumptions used in actuarial valuations
Principal assumptions used in actuarial valuations are as follows:

	2015	2014
Discount rate	Mainly 0.7%	Mainly 2.1% or 1.4%
Expected long-term rate of return on plan assets	Mainly 2.0%	Mainly 2.1% or 1.4%

(3) Defined contribution plan

The estimated amount of contribution to the defined contribution plan was ¥4,648 million for the year ended March 31, 2015 and ¥3,074 million for the year ended March 31, 2014.

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

Years ended March 31	2015	2014
Statutory tax rate	35.6%	38.0%
Permanent non-deductible expenses	0.6	0.7
Permanent non-taxable income	(0.8)	(0.9)
Effect of foreign tax rate differences	(1.6)	(1.7)
Loss on business of subsidiaries and affiliates	6.5	—
Valuation allowance	(2.6)	0.0
Reduction in deferred tax assets at the end of period due to changes in the corporate income tax rate	2.9	1.7
Other	(1.8)	(2.6)
Actual tax rate	38.8%	35.2%

“Valuation allowance” and “Reduction in deferred tax assets at the end of period due to changes in the corporate income tax rate” are reported as separate line items beginning in the consolidated fiscal year under review due to their increased material significance. The items were previously reported as part of “Other.” The figures for the previous fiscal year have been revised in the Notes to Consolidated Financial Statements to reflect the revision in the reporting method. Based on this revision, the (0.9)% reported for “Other” in the previous fiscal year has been revised and is reported as 0.0% for “Valuation allowance,” 1.7% for “Reduction in deferred tax assets at the end of period due to changes in the corporate income tax rate,” and (2.6)% for “Other.”

previous consolidated fiscal year to 33.1% for assets and liabilities to be recovered or settled during the period of April 1, 2015 to March 31, 2016, and to 32.3% for assets and liabilities to be recovered or settled from April 1, 2016 and thereafter. The revisions had the effect of increasing deferred tax assets (the amount remaining after deducting the amount of deferred tax liabilities) by ¥6,546 million, income taxes–deferred reported in the consolidated fiscal year under review by ¥10,877 million, unrealized gains on available-for-sale securities by ¥13,470 million, and remeasurements of defined benefit plans by ¥4,213 million.

Year ended March 31, 2014
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.

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

Year ended March 31, 2015
In accordance with the promulgation on March 31, 2015, of the “Act on Partial Revision of the Income Tax Act” and the “Act on Partial Revision of the Local Tax Act,” the effective statutory tax rate for the computation of deferred tax assets and deferred tax liabilities for the consolidated fiscal year under review (applied only to assets and liabilities to be recovered or settled on or after April 1, 2015) has been revised from 35.6% utilized in the

20 DEFERRED TAX ACCOUNTING

(1) Components of deferred tax assets and liabilities at March 31, 2015 and 2014

	Millions of yen	
	2015	2014
Deferred tax assets:		
Reserve for accrued bonuses	¥ 26,547	¥ 27,324
Net defined benefit liabilities	20,916	34,256
Reserve for repairs to blast furnaces	—	2,900
Loss on revaluation of inventories	8,343	9,898
Impairment loss	72,261	96,688
Depreciation in excess of limit	33,132	34,590
Tax losses carried forward	102,629	172,546
Unrealized gains on tangible fixed assets	53,385	51,137
Other	63,745	69,398
Subtotal	380,962	498,740
Valuation allowance	(164,593)	(199,418)
Total	216,369	299,321
Deferred tax liabilities:		
Special tax purpose reserve	(73,082)	(78,731)
Revaluation of available-for-sale securities	(127,251)	(99,863)
Net unrealized gains on assets and liabilities of consolidated subsidiaries	(585)	(609)
Total	(200,918)	(179,204)
Net deferred tax assets	¥ 15,451	¥ 120,117

21 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.

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, performing 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	Providing engineering and consulting services pertaining to computer systems

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

The accounting methods for the reportable segments are generally the same as those which are set forth in Note 03, “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, assets, liabilities, and other items

(Year ended March 31, 2015)

Millions of yen								
	Reportable segment							
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Total	Adjustments	Consolidated
Net sales								
Sales to external customers	¥4,892,257	¥313,158	¥205,210	¥36,449	¥162,953	¥5,610,030	¥ —	¥5,610,030
Inter-segment sales or transfers	46,982	35,541	7,566	—	43,078	133,168	(133,168)	—
Total	4,939,239	348,699	212,777	36,449	206,032	5,743,199	(133,168)	5,610,030
Segment profit <Ordinary profit>	¥ 401,987	¥ 18,758	¥ 6,898	¥ 2,482	¥ 16,565	¥ 446,693	¥ 5,053	¥ 451,747
Segment assets	¥6,519,482	¥278,142	¥166,299	¥29,844	¥165,491	¥7,159,259	¥ (1,330)	¥7,157,929
Segment liabilities <Interest-bearing debt>	¥1,968,348	¥605	¥ 6,759	¥12,890	¥ 1,749	¥1,990,352	¥ (15,190)	¥1,975,161
Other items								
Depreciation and amortization	¥ 309,971	¥ 2,866	¥ 5,571	¥ 2,557	¥ 3,853	¥ 324,820	¥ (4,774)	¥ 320,046
Amortization of goodwill	7,834	1,080	22	(0)	160	9,099	—	9,099
Interest income	5,161	80	27	0	223	5,494	(203)	5,290
Interest expense	19,835	56	28	112	91	20,123	(203)	19,920
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	68,801	508	996	—	(13)	70,293	12,424	82,717
Balance of investments in equity method companies	933,766	2,796	20,143	—	(20)	956,685	118,501	1,075,186
Increase (decrease) in tangible/intangible fixed assets	290,753	1,775	12,030	1,372	3,127	309,059	(4,670)	304,389

Notes:

1. Segment profit adjustments figure of ¥5,053 million includes investment return of ¥8,424 million from the equity-method affiliate Nippon Steel Kowa Real Estate Co., Ltd., an investment return of ¥4,531 million from the equity-method affiliate SUMCO Corporation, and elimination of inter-segment sales or transfers of ¥ (7,902) million.

2. Segment profit is adjusted with respect to ordinary profit in the consolidated statements of operations.

3. The adjustments of segment liabilities include the elimination of the Steelmaking and steel fabrication segment's borrowings from the System solutions segment, etc.

4. Depreciation and amortization includes depreciation of long-term prepaid expenses.

5. The increased amount of tangible fixed assets and intangible fixed assets includes the increased amount of long-term prepaid expenses.

6. As reported in “Changes in accounting principles accompanying revisions in accounting standards,” the calculation methods for the defined benefit obligations and service costs have been changed from the beginning of the consolidated fiscal year under review. The calculation methods for the defined benefit obligations and service costs for each business segment have also been changed accordingly. The revision had the effect of increasing the ordinary profit of the Steelmaking and steel fabrication segment for the consolidated fiscal year under review by ¥2,386 million compared to the previous method. The impact of the revision on the other business segments was immaterial.

(Year ended March 31, 2014)

Millions of yen								
	Reportable segment							
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Total	Adjustments	Consolidated
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:

1. 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.

2. Segment profit is adjusted with respect to ordinary profit in the consolidated statements of operations.

3. The adjustments of segment liabilities include the elimination of the Steelmaking and steel fabrication segment's borrowings from the System solutions segment, etc.

4. Depreciation and amortization includes depreciation of long-term prepaid expenses.

5. 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, 2015)

(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
¥3,317,619	¥2,292,410	¥1,484,914	¥807,496	¥5,610,030

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	¥992,596	Steelmaking and steel fabrication
Nippon Steel & Sumikin Bussan Corporation	895,718	Steelmaking and steel fabrication
Metal One Corporation	563,833	Steelmaking and steel fabrication

Notes to Consolidated Financial Statements

(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.

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

(Years ended March 31, 2015 and 2014)

There were no material impairment losses on fixed assets.

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

(Year ended March 31, 2015)

Millions of yen							
	Reportable segment						
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Adjustments	Total
Balance at fiscal year-end	¥ 34,118	¥ 13,740	¥—	¥—	¥2,187	¥—	¥50,046

* 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 , assets, liabilities, and other items."

(Year ended March 31, 2014)

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

* 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, assets, liabilities and other items."

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

(Years ended March 31, 2015 and 2014)

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

22 RELATED PARTY INFORMATION

(1) Related party transaction

(Year ended March 31, 2015)

Transaction with related party

Transaction of NSSMC with related party

Unconsolidated subsidiaries and affiliates

Millions of yen			
Transactions during the year ended March 31, 2015		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 36.3% directly and 0.6% indirectly (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥743,077	Notes and accounts receivable ¥26,804

*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			
Transactions during the year ended March 31, 2015		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 36.3% directly and 0.6% indirectly (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥152,640	Notes and accounts receivable ¥23,133

*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.

Notes to Consolidated Financial Statements

(Year ended March 31, 2014)

Transaction with related party

Transaction of NSSMC with related party
Unconsolidated subsidiaries and affiliates

Millions of yen				
Transactions 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	Sells steel products	¥645,901	Notes and accounts receivable	¥26,130
(f) Equity ownership percentage: Holding 36.3% directly and 0.8% indirectly				
(g) Relation with related party: Sells our products and holds the additional post of director				

*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				
Transactions 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	Sells steel products	¥115,942	Notes and accounts receivable	¥17,620
(f) Equity ownership percentage: Holding 36.3% directly and 0.8% indirectly				
(g) Relation with related party: Sells our products and holds the additional post of director				

*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.

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

(Years ended March 31, 2015 and 2014)

There are no parent company and significant affiliates.

23

NET INCOME PER SHARE, NET ASSETS PER SHARE

Reconciliation of the differences between basic and diluted net income per share (“EPS”) and net assets per share (“BPS”) for the years ended March 31, 2015 and 2014 are as follows:

(Year ended March 31, 2015)

		Millions of yen	Thousands of shares	Yen
		Net income	Weighted average number of shares	EPS
Basic EPS				
Net income available to common shareholders		¥214,293	9,125,471	¥23.48
		Net assets	Number of shares at fiscal year-end used in calculating net assets per share	BPS
Basic BPS				
Net assets at fiscal year-end available to common shareholders		¥2,978,696	9,128,613	¥326.30

(Year ended March 31, 2014)

		Millions of yen	Thousands of shares	Yen
		Net income	Weighted average number of shares	EPS
Basic EPS				
Net income available to common shareholders		¥242,753	9,101,625	¥26.67
		Net assets	Number of shares at fiscal year-end used in calculating net assets per share	BPS
Basic BPS				
Net assets at fiscal year-end available to common shareholders		¥2,683,659	9,124,700	¥294.10

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

24 BONDS, NOTES AND LOANS

Bonds, notes and loans of the NSSMC Group at March 31, 2015 and 2014 consisted of the following:

		Millions of yen	
		2015	2014
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	686	682
	1.77% SB due September 2017	29,997	29,996
	1.66% SB due December 2017	29,999	29,998
	1.37% SB due January 2015	—	19,999
	1.35% SB due April 2015	9,999	9,999
	1.92% SB due March 2018	29,993	29,991
	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
	1.557% SB due April 2014	—	25,000
	1.163% SB due June 2014	—	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% Euro-yen denominated bonds (subordinated)	300,000	300,000
	Subtotal	725,676	790,668
	Elimination of intra-group transactions	(300,000)	(300,000)
	Total	¥ 425,676	¥ 490,668

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

Millions of yen		
	2015	2014
Loans:		
Short-term loans payable	¥ 161,617*3	¥ 164,316
Loans principally from banks and insurance companies due 2016–2027 for 2015 (2015–2027 for 2014)*1	1,371,877*3	1,584,289
Lease obligations due 2016–2030 for 2015 (2015–2030 for 2014)*2	15,989	22,870
Commercial paper	—	32,000
Total	¥1,549,485	¥1,803,477

*1 Including a portion due within one year of ¥202,037 million for 2015 and ¥271,040 million for 2014.

*2 Including a portion due within one year of ¥5,740 million for 2015 and ¥8,278 million for 2014.

*3 Average interest rate at March 31, 2015 is 0.8%.

The aggregate annual maturities of long-term debt as of March 31, 2015 are as follows:

Millions of yen					
Years ending March 31	2016	2017	2018	2019	2020
Bonds and notes	¥ 40,000	¥ 50,000	¥120,000	¥ 65,700	¥60,000
Loans	202,037	279,314	177,708	130,559	74,415
Lease obligations	5,740	3,258	2,185	855	603

The following are the NSSMC Group’s assets pledged as collateral primarily to secure long-term loans payable, short-term loans payable, and others, and totaled ¥16,526 million and ¥33,257 million at March 31, 2015 and 2014, respectively.

Millions of yen		
Years ended March 31	2015	2014
(Factory foundation mortgage)		
Buildings and structures	¥ 1,342	¥ 1,474
Machinery, equipment and vehicles	2,021	4,010
Tools, furniture and fixtures	0	0
Land	5,983	6,896
Total	¥ 9,348	¥12,382
(Pledged assets)		
Cash and bank deposits	¥ 493	¥ 627
Notes and accounts receivable	49	731
Inventories	—	1,081
Current assets—other	5,797	5,067
Buildings and structures	700	2,041
Machinery, equipment and vehicles	46	58
Land	2,345	10,235
Long-term loans receivable	7,029	11,213
Total	¥16,462	¥31,058

In addition, at March 31, 2015, out of the above secured liabilities, ¥347 million of long-term loans receivable, etc., are pledged as collateral against ¥233 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, 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.

25 SUBSEQUENT EVENTS

(Year ended March 31, 2015)

1. Share consolidation

NSSMC resolved at the Meeting of the Board of Directors held on April 28, 2015 to approve a partial amendment to the Articles of Incorporation associated with change of the number of shares in a unit of shares of the Company (from 1,000 shares to 100 shares) and received approval at the Ordinary General Meeting of Shareholders held on June 24, 2015 for a share consolidation of 10 shares becoming 1 share and the total number of authorized shares from 20 billion shares to 2 billion shares. The approved partial amendment to the Articles of Incorporation and share consolidation will be effective on October 1, 2015.

2. Redemption of Euro-yen denominated bonds (subordinated) and Euro-yen denominated preferred securities issued by the overseas subsidiary, and financing by subordinated loans

NSSMC resolved at the Meeting of the Board of Directors held on May 15, 2015 to exercise the right of redemption in full for the securities presented below, the two securities as described in (1) and (2) (collectively, the “Existing Hybrid Securities”) , and to raise ¥300 billion, as of the same date and by means of subordinated loans (the “Loans”), to be used for funding this redemption (the redemption of the Existing Hybrid Securities and the procurement of ¥300 billion through the Loans are hereinafter referred to, collectively, as the “Refinancing”). The Existing Hybrid Securities were issued in November 2006 for raising ¥300 billion. Details are as follows.

(1) Euro-yen denominated bonds (subordinated) issued by the Company through allocation to NS

Preferred Capital Limited (the “Overseas SPC”), the Company’s wholly-owned subsidiary in British Overseas Territory Cayman Islands

(2) Euro-yen denominated preferred securities issued by the Overseas SPC through allocation to the Company’s three main banks

(a) Summary of the Loans

(1) Aggregate loan amount: ¥300 billion

(2) Use of proceeds: Redemption of the Existing Hybrid Securities

(3) Drawdown date: July 21, 2015

(4) Maturity date: July 19, 2075

Provided, however, that optional prepayment is permitted after the expiration of five years from the drawdown date

(5) Lenders: Four main banks

(6) Subordination conditions:

In the event liquidation proceedings are commenced, or the decision to commence bankruptcy proceedings, corporate reorganization, civil rehabilitation, or any other similar proceedings is made with regard to the Company, the principals and interests of the Loans may be paid to the lenders of the Loans after the payment of all receivables in full excluding the Loans and other subordinated receivables which rank equal in point of subordination as the Loans.

(7) Optional deferral of interest payments:

Except where dividends are distributed to its common stock, etc., the Company may, at its discretion, defer payment of all or a portion of the interests on the Loans.

(8) Restrictions on amendments to the terms of the Loans:

No amendment shall be made to the terms and conditions of the Loans that is prejudicial to the creditors of the Company other than the creditors of the subordinated receivables which rank equal in point of subordination as the Loans.

(9) Replacement Restrictions Clause*: None

* A provision under which the Company states its intention to prepay the Loans to the extent that the Company has raised funds, preceding such prepayment, which have been approved by the rating agencies as having the same or higher equity credit as the Loans.

(10) Equity credit acknowledgment:

(First five years) Moody’s 50%, S&P 50%, R&I 30%, JCR 50%
(After the expiry of five years) Moody’s 50%, R&I 30%, JCR 25%

(b) Impact on the financial and operating results

The impact of the Refinancing is immaterial with regard to the consolidated financial and operating results of the Company. The preferred securities issued by the Overseas SPC in the amount of ¥300 billion were recorded as “minority interest in consolidated subsidiaries” (in the section of “Net Assets”) on the Company’s consolidated balance sheet. In contrast, after the completion of the Refinancing, the Loans in the amount of ¥300 billion will be recorded as “Long-term loans payable” (in the section of Liabilities).

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, 2015 and 2014, 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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

June 24 , 2015
Tokyo, Japan

KPMG AZSA LLC

Principal Subsidiaries and Affiliates

(As of March 31, 2015)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Steelmaking and Steel Fabrication (367 companies)			
Consolidated Subsidiaries (276 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 Pipe Co., Ltd.	5,831	100.0%	Manufactures and markets steel pipes and tubes
Nippon Steel & Sumikin Texeng Co., Ltd.	5,468	72.3%	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 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
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, steelmaking slag, and calcined lime products
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 pipes 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 Bolten Corporation	550	85.0%	Manufactures and markets high-tension bolts, etc.
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	71.0%	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 mainly 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 (Thailand) Co., Ltd.	THB718 million	100.0%	Gathers information in Asian region focusing on Thailand
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
Nippon Steel & Sumitomo Metal Australia Pty. Limited	A\$21 million	100.0%	Participates in mine development in Australia and gathers information
244 other companies			
Affiliates Accounted for by the Equity Method (91 companies)			
Godo Steel, Ltd.	34,896	16.6%	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 steel bars, shapes and billets; processes and markets steel products
Nippon Steel & Sumikin Bussan Corporation	12,335	36.9%	Imports, exports, and markets steel, textiles, foodstuffs, and other products
Nippon Denko Co., Ltd.	11,026	21.0%	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%	Undertakes 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
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

70 other companies

Engineering and Construction (37 companies)			
Consolidated Subsidiaries (34 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; operates waste and regeneration treatment business; operates electricity, gas, and heat supply business

36 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, carbon-fiber composite products, and metal-processed products

11 other companies

System Solutions (22 companies)			
Consolidated Subsidiaries (20 companies) Affiliates Accounted for by the Equity Method (2 companies)			
NS Solutions Corporation	12,952	62.4%	Provides engineering and consulting services pertaining to computer systems

21 other companies

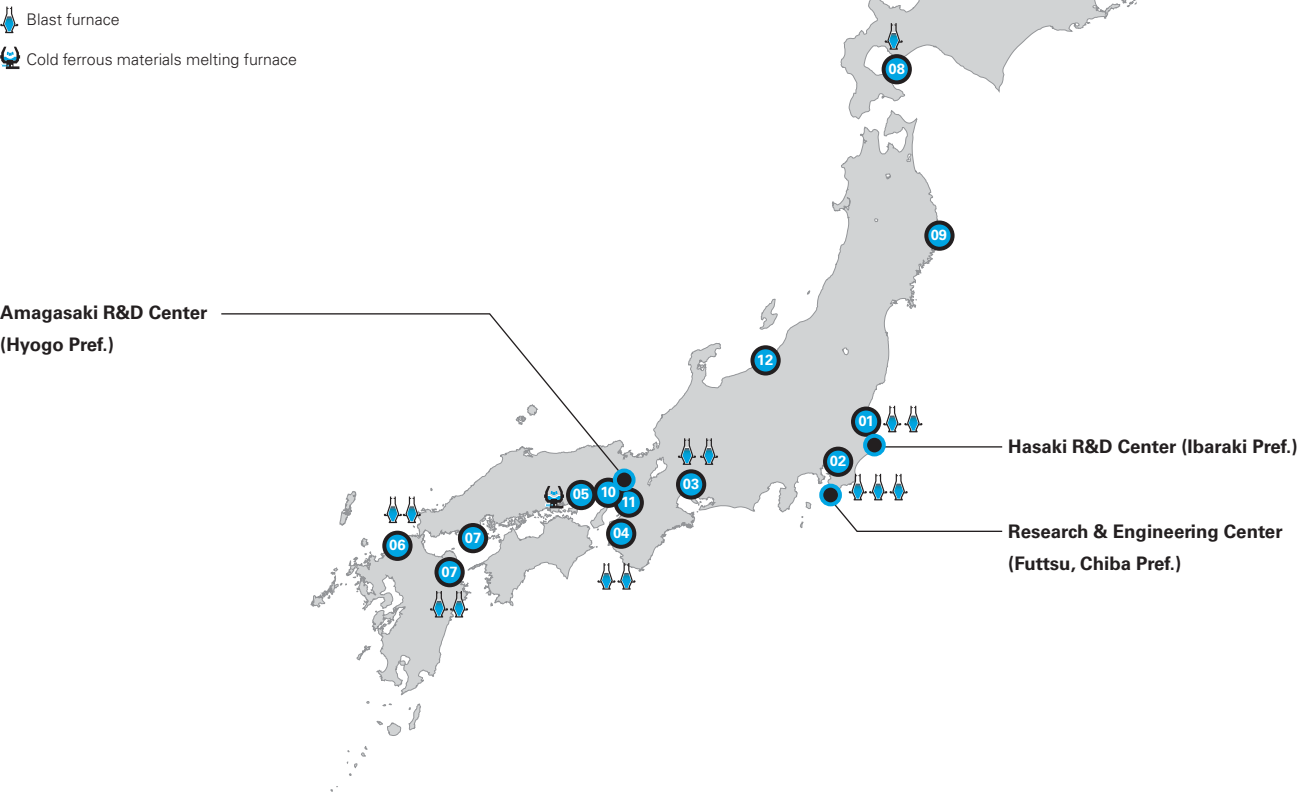
Other (2 companies)			
Affiliates Accounted for by the Equity Method (2 companies)			
SUMCO Corporation	136,607	27.8%	Manufactures and markets semiconductor silicon wafers

1 other company

Total consolidated subsidiaries: 356 companies Total affiliates accounted for by the equity method: 105 companies

NSSMC’s Network

Domestic Steelworks and Research Laboratories (Non-consolidated)



01. Kashima Works (Ibaraki Pref.) Crude steel production: 757 Employees: 2,726 Main products: Sheets, plates, shapes, pipes and tubes	05. Hirohata Works (Hyogo Pref.) Crude steel production: 78 Employees: 1,224 Main product: Sheets	09. Kamaishi Works (Iwate Pref.) Employees: 228 Main product: Wire rods
02. Kimitsu Works (Kimitsu Area, Chiba Pref.) (Tokyo Area, Tokyo) Crude steel production: 963 Employees: 3,550 Main products: Sheets, plates, wire rods, shapes, pipes and tubes	06. Yawata Works (Tobata Area, Kokura Area, and Yawata Area, Fukuoka Pref.) Crude steel production: 472 Employees: 3,659 Main products: Sheets, shapes, rails, pipes and tubes, bars and wire rods	10. Amagasaki Works (Hyogo Pref.) Employees: 645 Main products: Pipes and tubes
03. Nagoya Works (Aichi Pref.) Crude steel production: 621 Employees: 3,010 Main products: Sheets, plates, pipes and tubes	07. Oita Works (Oita Area, Oita Pref.) (Hikari Area, Yamaguchi Pref.) Crude steel production: 981 Employees: 1,963 Main products: Sheets, plates, pipes and tubes, titanium	11. Osaka Steel Works (Osaka) Crude steel production: 5 Employees: 1,072 Main products: Wheels and axles, crankshafts
04. Wakayama Works (Wakayama Area and Kainan Area, Wakayama Pref.), (Sakai Area, Osaka) Crude steel production: 473* Employees: 1,377 Main products: Pipes and tubes, shapes, sheets * Nippon Steel & Sumikin Koutetsu Wakayama Corporation	08. Muroran Works (Hokkaido Pref.) Crude steel production: 146 Employees: 601 Main products: Bars and wire rods	12. Naoetsu Works (Niigata Pref.) Employees: 167 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, 2015; Employee figures are as of March 31, 2015.

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 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
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Overseas Offices (including locally incorporated companies)

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

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 1.

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 Steel business was spun off to Nippon Steel & Sumikin Stainless Steel Corporation.	2008	Implemented corporate split of Titanium business and succeeded to Sumitomo Metals (Naoetsu), Ltd.
2002	Announced alliance 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 Kotetsu Wakayama Corp.) was established. Wakayama Works' upstream operation was split to establish a new company.
2001	Operations of Nippon Steel's Electronics & Information Systems Division and its subsidiary Nippon Steel Information & Communication Systems Inc. were integrated to organize NS Solutions Corporation.	2002	Announced alliance with Nippon Steel Corporation and Kobe Steel, Ltd. Silicon wafer business was transferred to Silicon United Manufacturing Corporation (present SUMCO Corporation).
2000	Divisionally integrated operational system within the Group based on product item or business area was introduced in the steelmaking and steel fabrication business.	2000	Sumitomo Metals (Kokura), Ltd. was established (former Kokura Works). Sumitomo Metals (Naoetsu), Ltd. was established (former Naoetsu Works).
1997	Silicon Wafer Division was organized (abolished in April 2004).	1998	Merged with Sumitomo Sitix Corporation.
1993	Semiconductor Division was organized (abolished in April 1999).	1994	Kashima Stainless Steel Works was integrated into Kashima 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 into 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. (Kainan Steel Tube Works was established.)
1974	Engineering Divisions Group was organized.	1977	Engineering Division was established. (Entered into engineering business.)
1971	Nippon Steel absorbed Fuji Sanki Pipe & Tube Co., Ltd. Oita Works began operation.	1974	Hasaki Research Center, present Hasaki R&D Center, was established.
1970	Yawata Iron & Steel and Fuji Iron & Steel merged to form Nippon Steel Corporation.	1968	Kashima 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 to Sumitomo Metal Industries, Ltd.
1950	Yawata Iron & Steel Co., Ltd. and Fuji Iron & Steel Co., Ltd. were established. <Company's founding>	1950	Narumi China Corporation (former China Manufacturing Department) was established.
		1949	Shin-Fuso Metal Industries, Ltd. was established. <Company's founding>

Investor Information (As of March 31, 2015)

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 Shares (Issued)*1

9,503,214,022 shares

Common Shares (Authorized)*1

20,000,000,000 shares

Number of Shareholders

517,918

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

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

Number of Shares per Trading Unit**2

1,000 shares

Share Ownership by Category

(Ratio of shares held to the total number of common shares (issued))



● Financial institutions	34.2%
● Individuals and others in Japan	21.0%
● Overseas investors	28.7%
● Other companies	12.3%
● Treasury stock	3.8%

*1 At the 91st General Meeting of Shareholders, held on June 24, 2015, Proposal Item 3 on Share Consolidation (every 10 shares in the Company will be consolidated into one share) was approved. As a result, the number of common shares (issued) will be 950,321,402 and the number of common shares (authorized) will be 2,000,000,000, effective October 1, 2015.
*2 The Board of Directors' meeting held on April 28, 2015 resolved to change the number of shares in a trading unit from 1,000 shares to 100 shares, effective October 1, 2015.

Principal Shareholders

Name	Shares owned (Thousands)	Shareholding ratio (%)**5
Japan Trustee Services Bank, Ltd. (Trust Account)	391,189	4.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	311,468	3.3
Nippon Life Insurance Company	245,182	2.6
Sumitomo Corporation	182,690	1.9
Mizuho Bank, Ltd.*3	162,600	1.7
Sumitomo Mitsui Banking Corporation*4	146,470	1.5
Meiji Yasuda Life Insurance Company	138,977	1.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	136,356	1.4
THE BANK OF NEW YORK MELLON SA/NV 10	122,706	1.3
STATE STREET BANK WEST CLIENT-TREATY 505234	103,887	1.1

*3 Apart from those shares listed above, Mizuho Bank, Ltd. has 22,350 thousand shares (0.2% shareholding ratio) as retirement benefit trust.
*4 Apart from those shares listed above, Sumitomo Mitsui Banking Corporation has 66,381 thousand shares (0.7% shareholding ratio) as retirement benefit trust.
*5 Treasury stock owned by Nippon Steel & Sumitomo Metal Corporation, a total of 362,659 thousand shares (3.8% shareholding ratio), is included in calculation of the shareholding ratio.

Shareholders Benefits

Benefits	Description	Period of implementation	Applicable shareholders		
			As of the end of March 2015	As of the end of September 2015 (*6)	*After the share consolidation (*7)
Company calendar	NSSMC's calendar is distributed to shareholders	Once a year (Late November to early December)	Shareholders who own 10,000 or more shares	Shareholders who own 5,000 or more shares	Shareholders who own 500 or more shares as of the end of September
Invitation to plant tours (by lottery)	Shareholders are invited to plant tours	Twice a year (March-April and October-November)		Shareholders who own 10,000 or more shares	Shareholders who own 1,000 or more shares as of the end of March or September
Invitation to business briefings (by lottery)	Shareholders are invited to business briefings conducted in Tokyo, Osaka, and other locations	Twice a year (July-September and February-March)			
Invitation to football games of 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	Shareholders who own 50,000 or more shares	Shareholders who own 5,000 or more shares as of the end of March or 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		

*6 Effective from the end of September 2015, our shareholders benefit program will be partly revised. For more information, please refer to our Website.
*7 The request of share consolidation has been approved by the General Meeting of Shareholders (June 24, 2015) and every 10 shares will be consolidated into 1 share. This consolidation will become effective on October 1, 2015.