



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

Other Communication Tools

Please use our corporate website, Sustainability Report 2017, and Basic Facts About Nippon Steel & Sumitomo Metal 2017 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 corporate social responsibility (CSR).

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



Sustainability Report

We produce detailed reports on environmental and CSR activities.

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



Basic Facts About Nippon Steel & Sumitomo Metal

Basic Facts About Nippon Steel & Sumitomo Metal 2017 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>



Printed in Japan





Accelerating towards Becoming the Best Steelmaker with World-Leading Capabilities

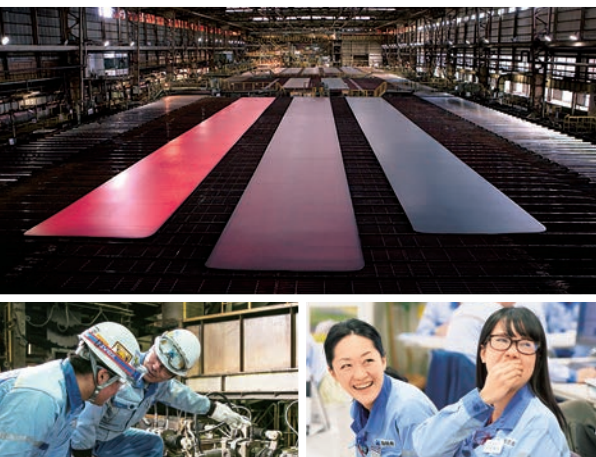
CORPORATE PHILOSOPHY

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

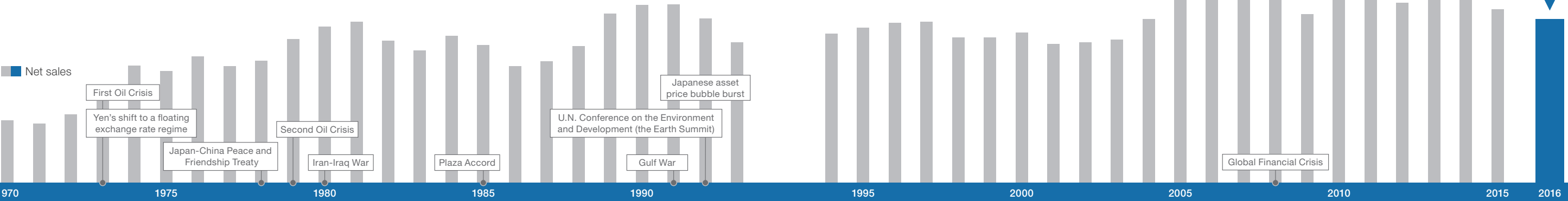
1. We continue to emphasize the importance of integrity and reliability in our actions.
2. We provide products and services that benefit society, and grow in partnership with our customers.
3. We pursue world-leading technologies and manufacturing capabilities.
4. We continually anticipate and address 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.



NSSMC persists seizing opportunities to contribute to society through steel

from changes of the times, making.

¥4,632.8 billion in net sales (FY2016)



1970s End of Japan's high-growth period
Response to advent of the energy-conservation

1980s Response to the yen's rapid appreciation

1990s Response to heightened awareness of the global environmental issues
Response to business globalization of customers

2000s Response to heightened awareness of global environmental issues
Enhanced foundation for advancing globalization

2010s **Becoming the world's Number One steelmaker with the world-leading capabilities**

In capturing opportunities in changes of the times, NSSMC has always kept in mind the importance of delivering products that help enrich more people's lives through steelmaking ... using steel, an indispensable element of society. Even as our business stage continues becoming more global, this concept remains intact. We will continue endeavoring to further advance our technological superiority and firmly establish our position as the Number One steelmaker with world-leading capabilities.

- 1972**
High-efficiency production
The world's first Continuous Annealing Processing Line (CAPL) began operation (shortening the processing time from 10 days to 10 minutes)
- 1973**
Computer network system in full swing
The steel industry's first on-line system began to run.
- 1980s~**
Challenge of improving fuel efficiency and safety performance of vehicles
Development of high-tensile-strength steel sheet for vehicles

- 1992**
Challenge of satisfying increasing need for high-grade steel products, while achieving higher productivity and a lower environmental burden
Development of the Multi Refining Converter (MURC) process

- 1990**
Response to globalization of the manufacturing industry
Entry overseas into the automotive steel sheet business (I/N Tek began operation)

- 1984**
Start of the production and sales of titanium which has ultra-high corrosion resistance, light weight and strength
- 1989**
Response to energy issues
Commercialization of ultra-supercritical boiler tubes

- 1988**
Development of high-strength wire rods for the Akashi-Kaikyo Strait Bridge

- 2000s~**
New challenges in helping prevent global warming
Development of ultra-high-tensile-strength steel sheet for vehicles

- 2001~**
Aiming at enhancing mutual competitiveness
Alliance of Nippon Steel, Sumitomo Metals, and Kobe Steel

- 1997**
Response to energy issues
Start-up of manufacturing line for high-performance seamless pipes, using the world's-first high toe-angle piercing technology

- 2004**
Development of steel plates with reduced pitting corrosion speed on the bottom plate of oil tankers without need for a coating

- 2005**
Response to growth of the automotive market in China
Start of vehicle steel sheet manufacturing operation in China (BNA)

- 2006**
Enhanced relationship with an important partner for global strategy
Usiminas (Brazil) became an equity-method affiliate

- 2014**
Expansion of a global network for automotive steel sheets
Acquisition of a U.S. steel sheet manufacturer (AM/NS Calvert)

- 2015**
Toward the advent of a hydrogen-oriented society
Development of HRX19™ stainless steel for high-pressure hydrogen environments

- 2010**
Establishing a base for global expansion in seamless pipe business
Start of seamless pipe manufacturing operation at an integrated blast furnace steelworks in Brazil (VSB)

- 2011**
Acquisition of Standard Steel, the U.S. forged railway wheel/axle maker with a history of over 200 years

- 2012**
Becoming the world's most competitive in technology, cost, and being global
Integration of Nippon Steel and Sumitomo Metals

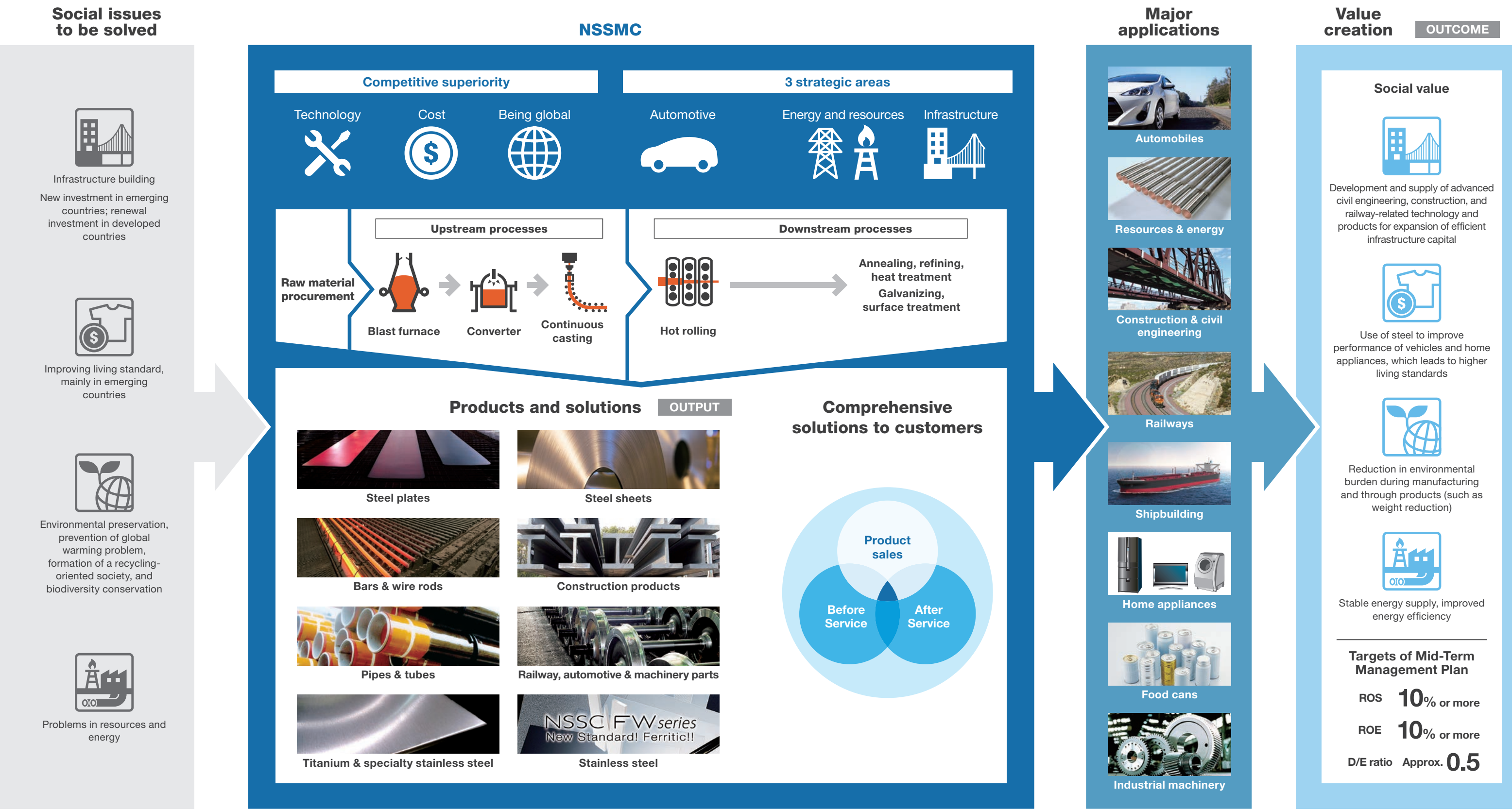
- 2013**
Start of a joint venture for steel sheet building products with BlueScope (Australia)

- 2017**
Toward a stronger positioning
Nisshin Steel became a subsidiary

Business Model (steelmaking business)

Through its steelmaking NSSMC responds to challenges of solving issues confronting society.

We are dedicated to using our technology and manufacturing capability to contribute to the solution of various social issues: infrastructure building, improvement of living standards, climate change, problems in resources and energy, etc.





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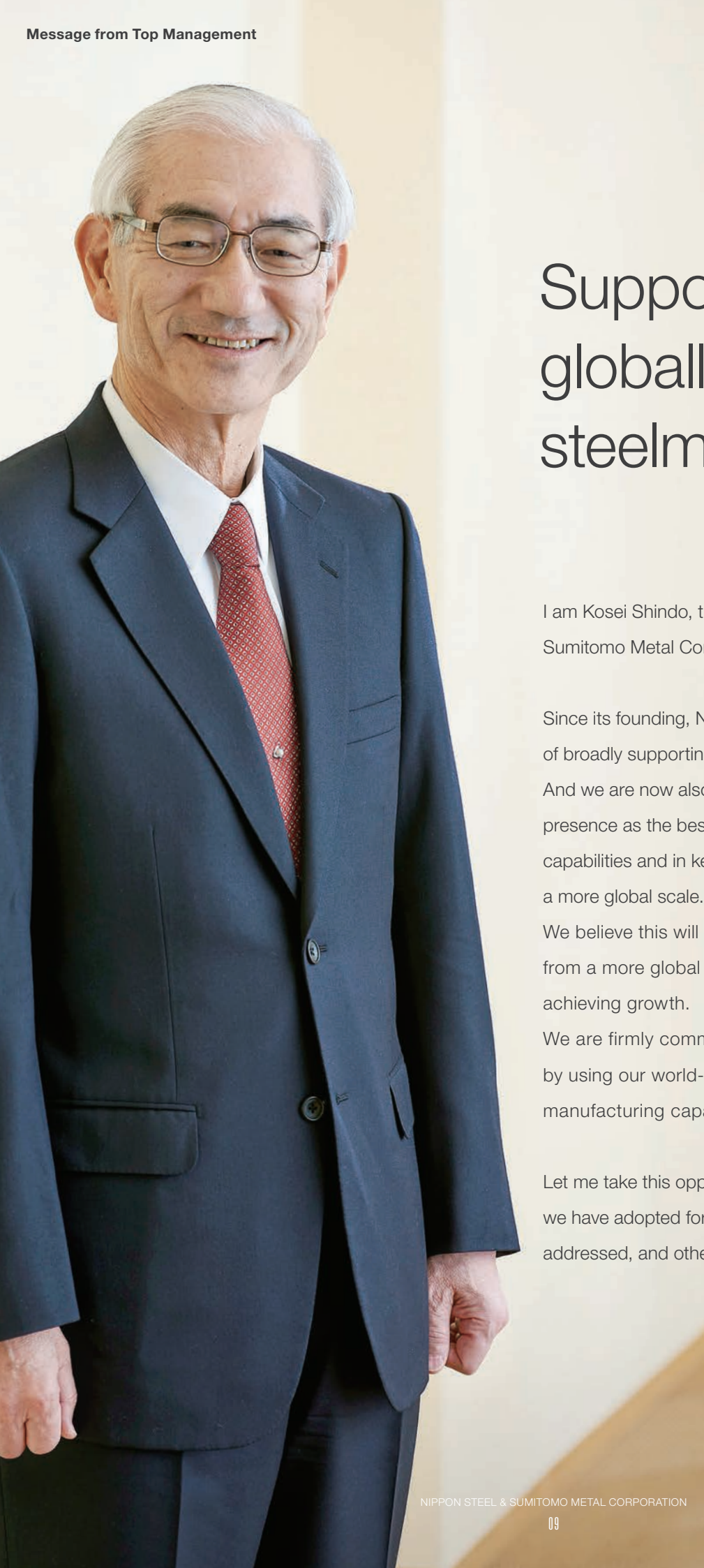
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Supporting society globally through steelmaking

I am Kosei Shindo, the President of Nippon Steel & Sumitomo Metal Corporation (NSSMC).

Since its founding, NSSMC has played the important role of broadly supporting society through steelmaking. And we are now also aiming at firmly establishing our presence as the best steelmaker with world-leading capabilities and in keeping with that expanding our role to a more global scale.

We believe this will be achieved by capturing demand from a more global perspective, generating profit, and achieving growth.

We are firmly committed to achieve our objectives, by using our world-leading technologies and manufacturing capabilities.

Let me take this opportunity to discuss the strategies we have adopted for achieving objectives, issues to be addressed, and other things we have in mind.

Basic business strategies

Focus on three strategic areas of automotive, energy and resources, and infrastructure

NSSMC aims at building a global and optimal production system, based on high technological capabilities, and at globally expanding business by taking advantage of our competitiveness in products and costs. By focusing on technology, cost, and being global, our three strategic areas are automotive, energy/resources, and infrastructure-related. We intend to expand shares mainly in the high end of those markets with medium to long-term growth potential.

Enhance the competitiveness of domestic manufacturing bases and expand the profit of overseas bases

The current Mid-Term Management Plan, which ends in fiscal 2017, emphasizes growth of both domestic businesses and overseas businesses functioning as the two halves of the whole, as the basic strategy. This means that we seek to enhance competitiveness of domestic manufacturing steel mills as “mother mills,” which are the source of our competitiveness such as through technological superiority, and to expand the profit of overseas bases by taking advantages of the strength nourished in Japan.

In Japan, to enhance cost competitiveness and technology development capability in upstream operations

Our mother mills (domestic bases) strive to improve technological capabilities for achieving greater cost competitiveness in upstream operations. Most major blast furnace steelmakers in the world depend mainly on Brazil and Australia for raw materials and are exposed to the same competitive landscape. This means that competitiveness in capital-intensive upstream processes, including blast furnaces, converters, and continuous casting, is determined by competitiveness derived from the improvement in production efficiency, rather than geographical conditions. Such cost competitiveness is enabled by technological

capabilities. We believe NSSMC’s domestic upstream operations are highly competitive. At present, NSSMC produces approximately 50 million tons of crude steel per year. Since the integration in 2012 of Nippon Steel and Sumitomo Metals to form NSSMC, we have consolidated facilities but have maintained production capacity by raising productivity by deploying our technological capability and at the same time have enhanced cost competitiveness. The present status of our improvement of production facilities is to complete changes that include, in particular, consolidation of 14 blast furnaces to 12, 32 converters to 28, and continuous casting facilities from 30 units to 27 from the integration in 2012 to the end of 2020.

Outside of Japan to expand downstream production capacity

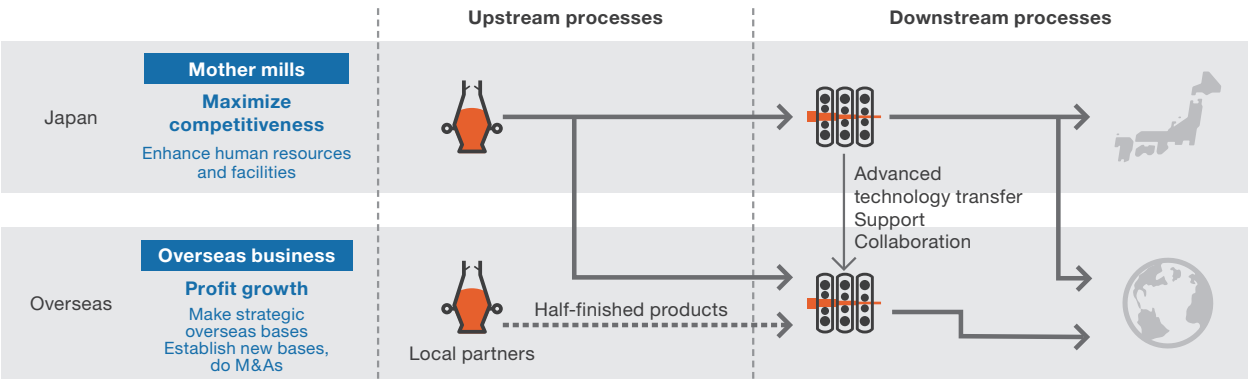
Different from upstream processes, downstream process, such as steel plate rolling mills, are labor-intensive and require relatively low fixed cost. This is one of the reasons behind our accelerating a shift of production into emerging countries with potential for high market growth. From the time of our integration up to the present, we have completed consolidation into facilities that have high production efficiency by ceasing operation of 14 production lines. Despite consolidation, our overall downstream production capacity has more than doubled from 9 million tons at the end of fiscal 2012 to 19 million tons at present, or 21 million tons if our new subsidiary Nisshin Steel’s overseas production capacity is included. Going forward, we will continue to expand downstream production capacity in the overseas market with growth potential.

The business environment and what we have done

China made steady progress in its excess capacity issue, but must be monitored going forward

The present environment surrounding the global steel industry cannot be described without touching on China’s

Enhanced domestic mother mills have supported global development



excess production capacity issue. China's excess capacity is said to be as much as 400 million tons, or equivalent to about four times Japan's annual production capacity. In 2016, this excess capacity issue was brought up at the G7 and G20 meetings and a global forum was established as an international framework for solving the issue. This was followed by the Chinese government's announcement to reduce its capacity by 140 million tons in five years from 2016 to 2020. China has already disclosed reduction of 65 million tons in 2016 and 50 million tons in 2017. While it would take years for the problem to be solved completely, progress has steadily been made and should continue to be closely monitored. Historically, the same path for reduction of steel production capacity in line with maturity of the economy was taken by developed countries, including Japan. For the sake of the future steel industry, Japan's steel industry is more than willing to talk about our experiences if it helps our Chinese counterparts solve the problem.

Responding to changes in raw material prices and tackling the challenge to achieve appropriate prices that enable us to reproduce

Another big challenge for NSSMC has been to respond to fluctuation in raw material prices and to achieve appropriate margins that allow us to reproduce. In the second half of fiscal 2016, raw material prices rose sharply and their impact on cost far exceeded the level we could absorb with our steady internal efforts. Only after and while making great efforts did we ask for customers' understanding in reflecting raw material costs in our product prices. In addition, we are asking customers to allow us to have appropriate prices and margins for maintaining the reproduction capability. In order to steadily deliver our high-quality, high-performance steel materials, it is critical to enhance facilities and human resources, such as by responding to the issue of aging facilities, establishing



production base, and developing human resources, and establish, maintain, and enhance economic reproduction capability. Further, it is important to have R&D capability to correspond to increasingly sophisticated customer needs, and the establishment of overseas bases to supply on a global basis high-quality steel products similar to those from Japan. In seeking the understanding of our customers, we are committed to satisfying their requirements quality control, stable production, finely-tuned delivery control, product development, and other needs. At the same time, we are determined to continue making serious own efforts such as unending cost improvement and forward-looking technology development.

Toward strengthening our corporate foundations

Welcomed Nisshin Steel to our Group in Japan

The harsh business environment is not deterring us from continuing to lay the foundation for future development. In March 2017, we completed acquisition of a 51% equity stake in Nisshin Steel and welcomed Nisshin as a new member of the NSSMC Group. We are expecting to generate synergy effects of ¥20 billion or more from various factors: stopping operation of the No. 2 blast furnace in its Kure Works; alternative supply of steel slabs from NSSMC to improve operating rate; sharing best practices in operations technology, facilities, and maintenance; and reduction in procurement costs of raw materials, resources, and equipment. We will bring together our management resources, generate synergies, and ultimately enhance our competitiveness.

Continue to support our important overseas base Usiminas in Brazil to enhance competitiveness

Among our overseas businesses, in Brazil, Usinas Siderúrgicas de Minas Gerais S.A. – Usiminas (“Usiminas”), an equity method affiliate of NSSMC, made a capital increase of 1 billion reais (approximately ¥30 billion), in which NSSMC underwrote a higher portion than our equity stake. The Brazilian economy suffered from negative growth for two years in a row and the manufacturing sector, in particular the high-end market sector including automobiles and shipbuilding, which is our area of strength, were in a deep slump. Usiminas suffered from a significant decline in business but has taken firm measures to improve its financial strength and profitability. After the completion of the capital increase, Usiminas promptly suspended the upstream operation of the Cubatão Steelworks and went through debt restructuring with major banks. In 2016, the economy in Brazil finally bottomed out and domestic demand in steel materials is recovering. Through price improvement mainly in Brazil, Usiminas is making tangible



improvement in earnings. According to the International Monetary Fund (IMF), Brazil is expected to return to a stable growth track of around 2% per year by around 2020. Having the best technological capability and a big presence in South America, Usiminas remains a critically important base for NSSMC's global strategy. Concerning governance of Usiminas, there is a difference in opinions among major shareholders and an important challenge is to establish a stable management team. NSSMC however is committed to solve this governance issue at an early stage and to continue to support Usiminas in terms of technology and human resources and aid the enhancing of their competitiveness.

FY2016 business results and update on the 2017 Mid-Term Management Plan

Earnings bottomed out in the first quarter and are on a recovery trend

In fiscal 2016, NSSMC recorded a decrease in sales and profit from the previous year at ¥4,632.8 billion in net sales, ¥174.5 billion in ordinary profit, and ¥130.9 billion in profit attributable to owners of the parent. This stemmed from sluggish sales of steel products for the energy sector on the back of depressed oil prices, the aforementioned surge in raw material prices, and the impact of currency exchange rates. These negative factors more than offset benefits from cost improvement measures and improvement in earnings of overseas and other group companies. Nevertheless, business has been on a recovery trend since the first quarter. Concerning dividend distribution, we paid ¥45 dividend per share and the payout ratio was

30.4%. We plan to announce earnings forecasts for fiscal 2017 at the earliest appropriate time and in the meantime, we are making efforts on cost reduction and other measures and, on the back of a recovery trend in global steel demand, we are asking customers to allow us to realize margins needed for maintaining economic reproduction. We are thus striving to improve earnings.

Challenge in achieving numerical targets of the Mid-Term Management Plan

Let me now explain the progress of the 2017 Mid-Term Management Plan in key performance indices (KPI). The business environment deteriorated more than expected, including effects of China's excess production capacity, which emerged earlier than expected. As a result, KPIs in fiscal 2016 were quite short of the targets set for the final year fiscal 2017. Specifically, return on sales (ROS) was 3.8% in fiscal 2016 (compared to the fiscal 2017 target of 10% or more), return on equity (ROE) was 4.6% (vs. the target of 10% or more), and the debt-to-equity (D/E) ratio was 0.71 (vs. the target of approximately 0.5). Nevertheless, closer examination reveals that in the second half of fiscal 2016 alone, both ROS and ROE improved significantly to 5.9% and 8.6% respectively. On a positive side, we have already significantly exceeded the target for asset compression a year ahead of the final plan year. We are also making steady progress and striving hard in cost reduction (targeting ¥150 billion or more per year in three years to fiscal 2017). While we are far from satisfied in terms of numerical targets, we are promoting the enhancement of domestic manufacturing

bases and the accelerated expansion in overseas business earnings—the base for the current Mid-Term Management Plan, without any hesitation or deviation.

Maximize the potential of steel and maintain its advantages over other materials

Among issues that NSSMC must work on for achieving sustainable growth, I would like to present our initiatives on the advantages of steel to be maintained and expanded relative to other materials. Steel products used for automobiles are positioned as one of the most important products for NSSMC in both quality and volume. They are required to both have strength for safety and be light in weight for economy and reduction in the environmental burden created by vehicle use. While NSSMC provides automakers with high-tensile automotive steel sheets, which have high-tensile capability, light weight, and excellent formability, alternative materials to steel have also attracted attention in the recent years in response to enhanced fuel efficiency regulations in various countries and regions. They include aluminum and carbon fiber, which have lower specific weight and strength relative to steel, and multi-materials that combine steel with those materials. However, fuel efficiency in driving is not the only environmental impact of automobiles. The overall life cycle of automobiles includes factors such as the natural resources from exploration to transportation, manufacturing of materials and components, assembly, recycling of materials of used cars, and their disposal. This entire cycle needs to be evaluated. As many persons know,

such evaluation method is called Life Cycle Assessment (LCA) and that type of thinking is Life Cycle Thinking. Steel is far superior than other materials in its creation of environment burden during manufacturing and in its recycling. Steel also has a big advantage in terms of cost. High-tensile automotive steel sheets have so far realized only about 10% additional strength relative to theoretical strength and steel still has more potential to be explored. I believe that steel is such an irreplaceable material that we must maximize its potential. It is also important that we spread these advantages of steel to benefit many people.

Making concerted efforts and tackling on the environmental problems

Being engaged in steelmaking which emits CO₂ as part of its process, we must respond to environmental issues, such as global warming countermeasures, by reducing CO₂ emissions, and do so in a responsible manner. Japan's steel industry is proud to have achieved the highest energy efficiency in the world's steel industry and NSSMC, a perennial leader of the industry in Japan, is continuing to promote various measures for CO₂ emission reduction. In addition to curbing CO₂ emissions through improvement of the steelmaking process, we are contributing to reduction of CO₂ emission through our products. They include development of high-tensile-strength steel materials that contribute to reduction of vehicle body weight, as mentioned above, and development of electro-magnetic steel sheets and boiler tubes that withstand high temperature and high

pressure, to contribute to high efficiency in power generation. Through making available to the world our own developed and commercialized environmental and energy conservation technology, we are also trying our best to contribute to global environmental preservation. We are promoting these initiatives as three eco-friendly initiatives: “The way we manufacture is eco-friendly (Eco process),” “What we produce is eco-friendly (Eco products),” and “Sharing our eco-solutions (Eco solution).” With adoption of the Paris Agreement in November 2016, Japan is working on a plan to cut greenhouse gas emissions 26% from 2013 levels by 2030, and 80% by 2050 as a long-term goal. In order to achieve such a hefty long-term goal, we have to form a global-wide strategy. From a technological perspective, it would also be impossible unless various totally-different innovations and breakthroughs were achieved. As one such breakthrough, NSSMC has been leading a project to develop eco-friendly innovative steelmaking processes that curb CO₂ emissions. Commissioned by the New Energy and Industrial Technology Development Organization (NEDO), this project aims at controlling CO₂ emissions by partially replacing the use of coal with the use of hydrogen when iron ore is reduced to make steel. This R&D project will continue, aiming at practical application and dissemination by 2050, on the premise that the technology is established by around 2030. Bringing together the wisdom of our people and accumulating such instances of technological innovation one by one, we are taking on challenges to overcome difficult tasks.

Thoroughly executing safety and disaster-preventive measures

In January, the plate mill on the premises of the Oita Works had a fire. We sincerely regret the great trouble, anxiety, and inconvenience caused to the people of the local community, our customers, and many other stakeholders. We estimate loss of approximately ¥30 billion in aggregate in impacts to production and restoration expenses in fiscal 2016 and fiscal 2017. We are now devoting every effort to minimize the impacts and to take thorough measures to prevent similar accidents in the future. Ensuring the safety of people at NSSMC is our first priority and essential value. It also forms the base of our daily business activities. We have identified 2017 to be “a year dedicated for safety enforcement,” aiming for zero serious accidents. Learning lessons from the past, we are taking five approaches and thoroughly executing them. These approaches are: to support priority workplaces which face serious safety issues; to accelerate making equipment inherently safe; to eliminate repetition of similar accidents; to establish or enhance special safety-related operations and



the systems that support them; and to implement measures to improve safety levels of subcontracting companies.

Manufacturing begins from developing human resources

Various initiatives I have discussed so far can only be realized by people. I strongly believe that manufacturing begins with developing human resources. Society and the economy are always changing at a fast speed and the stage for performance of business activities is expanding globally. For sustainable growth of a company, it is crucial in every age to focus on developing human assets and creating the environment where people can work with pride from a long-term perspective. I believe this is one of my important assignments.

Contributing to the society with technologies and manufacturing capabilities

Since our company was founded, we have faced numerous big changes in the environment. Each time we tenaciously and passionately carried out the process of analyzing the problem, coming up with measures, executing them together, and resolving the problem. That is how we have achieved sustainable growth. Going forward, we will continue to work to achieve our full potential and bring out technology and products that help enrich people's lives, based on safety, environmental preservation, disaster prevention, and compliance. We also strive to contribute to society on a more global stage. I sincerely hope for your continued support and understanding for many years to come.

June 2017
Kosei Shindo
Representative Director and President



Positive cash flow dedicated to long-term investments and shareholder return

Steelmaking facilities are used for decades. A long-term perspective is therefore required in framing a financial strategy. In order to achieve sustainable growth, we find it critically important to have international competitiveness and reliable financial strength, that enable us to generate profit despite significant change in the business environment.

Improve financial position

In terms of financial position, we have improved the debt-to-equity ratio from 1.06 at the end of fiscal 2012 to 0.71. Our aim is to achieve a debt-to-equity ratio of around 0.5, which is equivalent to the average level of an international “A” rating status.

Toward achieving a sustainable growth

We are making capital expenditures for enhancing competitiveness of mother mills, and doing so to promote global growth.

Return to shareholders

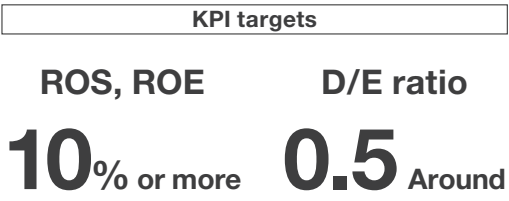
NSSMC’s basic profit distribution policy is to pay dividends based on consolidated operating results. In the Mid-Term Management Plan announced in March 2015, we raised the consolidated payout ratio target from “around 20%” to “around 20%–30%” as the benchmark. The payout ratio was 28.4% of consolidated net profit in fiscal 2015 and 30.4% in fiscal 2016.

Financial Strategy

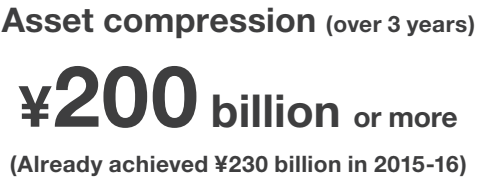
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Capital expenditures to enhance domestic manufacturing bases; global growth investment

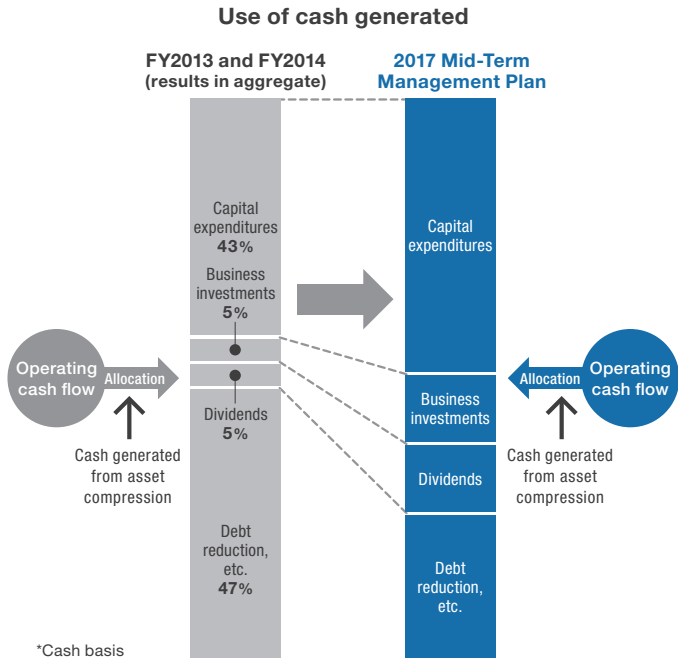
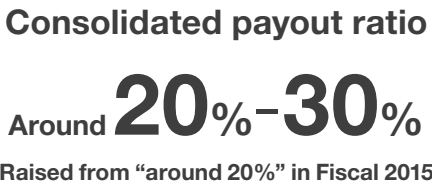
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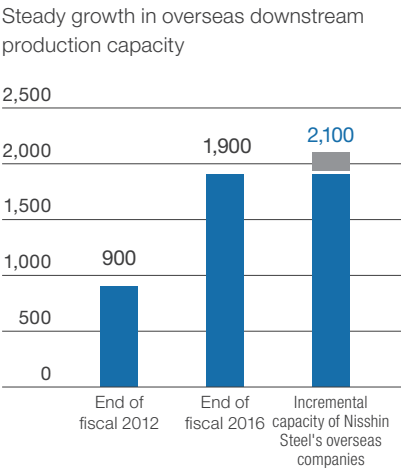


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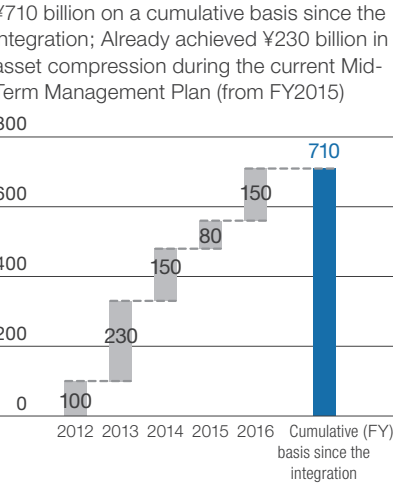


Compared to the cash allocation during the previous Mid-Term Management Plan, in the current plan more cash generated by businesses and asset compression is to be allocated to capital expenditures to strengthen mother mills and to investments for growing our global operations. In addition to aiming for sustainable growth, we also strive to increase the dividend payout ratio and enhance shareholder return.

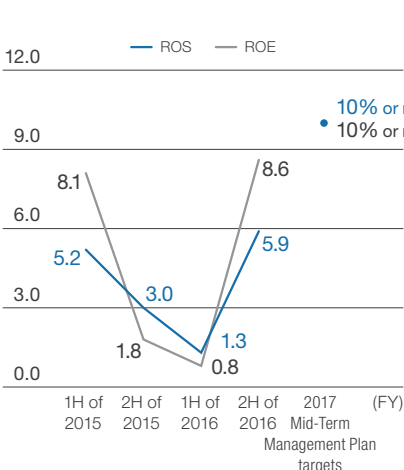
Overseas downstream production capacity (10,000 tons/year)



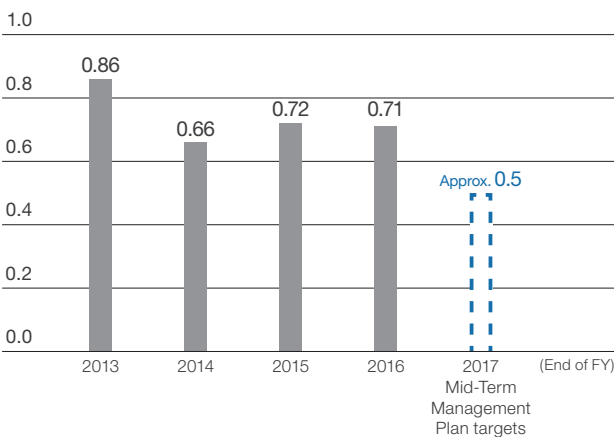
Asset compression (Billions of yen)



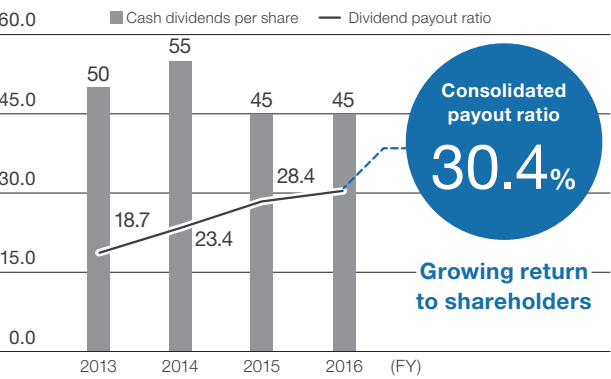
ROS (Return on sales), ROE (Return on equity) (%)



D/E ratio (Times)



Cash dividends per share (Yen), Dividend payout ratio (%)



Roadmap to becoming the best steelmaker with world-leading capabilities

We are working to establish the Company in the Number One position in the global steel industry, a position secured by world-leading capabilities, by having numerous innovative technologies that support our growth strategy, by maintaining high market shares in the high-end products, and by having a network of manufacturing bases to timely deliver high-quality products to our customers around the world.

Mid-Term Management Plan measures to raise corporate value

Our technological capabilities are being exploited to the fullest to enhance our manufacturing bases in Japan and we are transferring the best practices we have cultivated in Japan to overseas businesses. Our domestic bases, as what we call “mother mills,” are the fountainhead of competitiveness, while our overseas manufacturing bases, through best practices, will raise operating rates and maximize productivity, with the aim to expand profit.



Toward becoming the best steelmaker, with world-leading capabilities

- Increased production capacity 9 million tons (2012) → 21 million tons (2017)
- Focus on automotive, energy and resources, and infrastructure
- Business investment ¥300 billion (over 3 years)
- Raise NSSMC's shareholding of Usiminas (Brazil) and Vallourec (France)

Medium- to long-term growth potential in demand for steel, along with the economic growth of emerging countries and the resultant improvement of daily life of their people

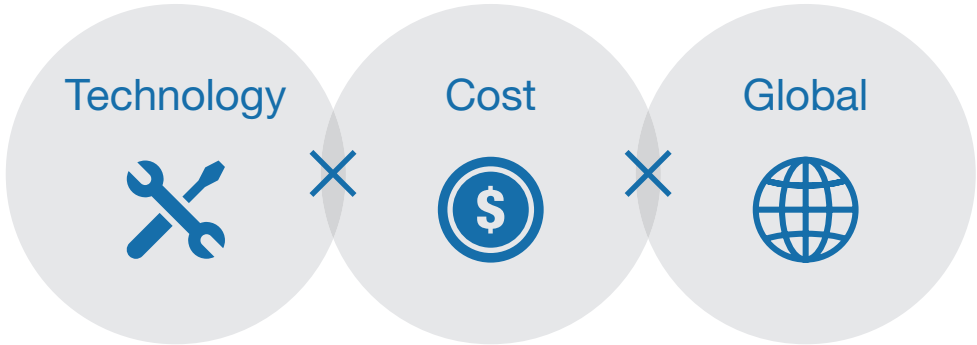
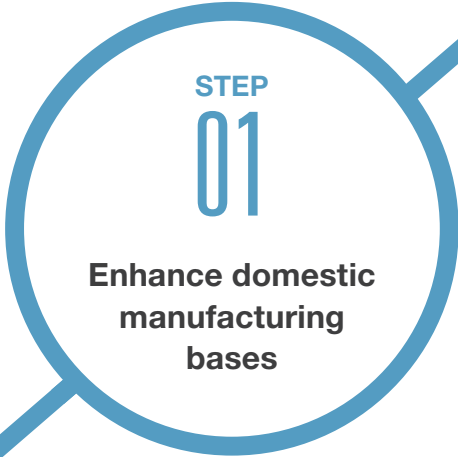
Anticipating adjustment of excess capacity in China to take some time, despite the government's move to reduce production capacity

By having technology, cost, and being global as keywords and high-end products at the core of its product mix, NSSMC will attain sustainable growth regardless changes in the business environment.



Deployment of best practices

- Acquiring outstanding technological capability and cost competitiveness
- Consolidation and renovation of facilities
- Making Nisshin Steel a subsidiary
- High-level R&D investment
- Enhanced hiring and human resource development



Our goal is to firmly establish our position as the best steelmaker, one with acknowledged world-leading capability, by enhancing our technology, cost, and global competitiveness, as set forth in the current Mid-Term Management Plan.

NSSMC delivers high-end products that customers want and only NSSMC can manufacture to customers. And we do it with reliable delivery performance. This is how we aim to earn and retain their trust. We aim to keep growing and raise corporate value regardless of changes in the business environment.

Becoming the best steelmaker with world-leading capabilities

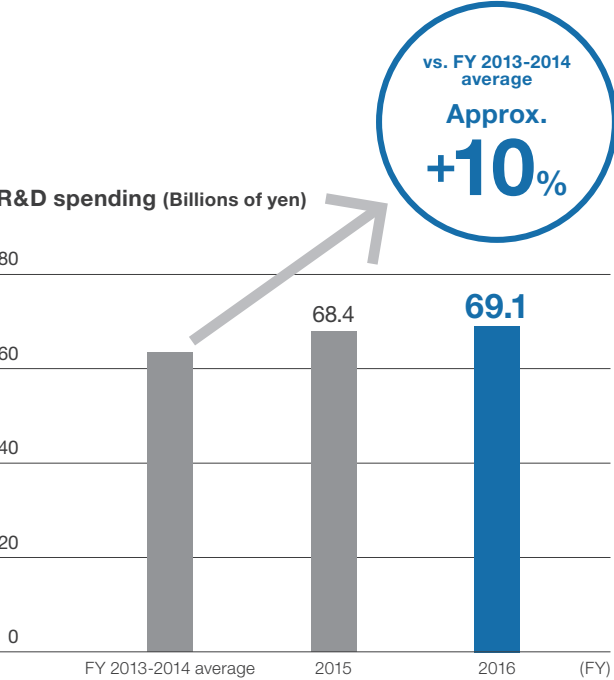
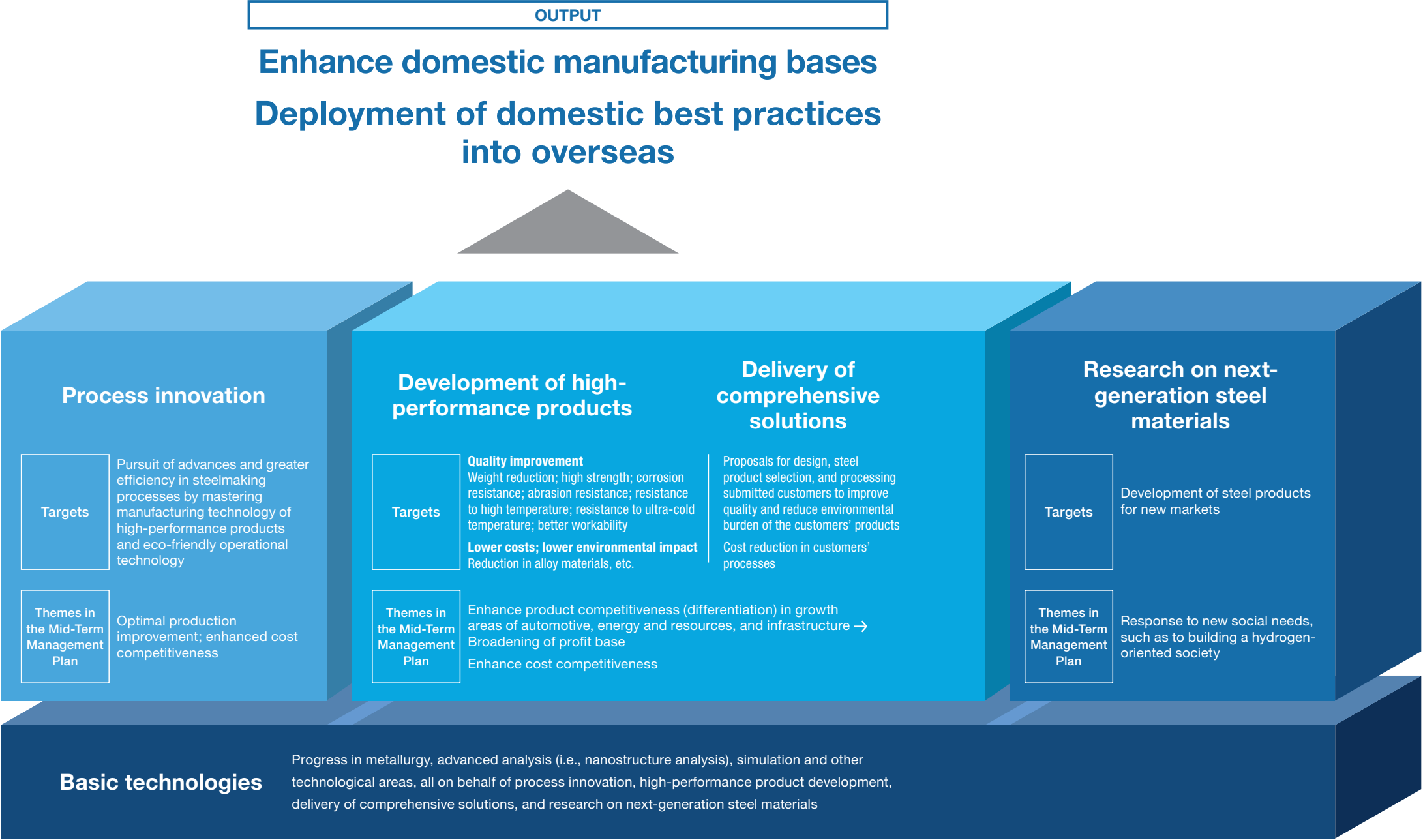
Advance of NSSMC technology

Our R&D operations, the best in terms of scale and level in the global steel industry, are the source of our competitiveness. In order to maintain and enhance this, and accelerate technological development, we are increasing R&D spending by about 10%. Enhancement of technological superiority through greater R&D operations is profoundly supporting our business strategy; namely, to enhance manufacturing technological capability in domestic bases, expand their best

practices overseas; and grow our position in the global market and particularly in high-grade steel products. Our R&D division is supporting our competitiveness through the following: (1) element and fundamental technology research, (2) process innovation, (3) development of high-performance products, (4) generation of comprehensive solutions, and (5) research on next-generation steel products. (1) Element and fundamental technology research means to

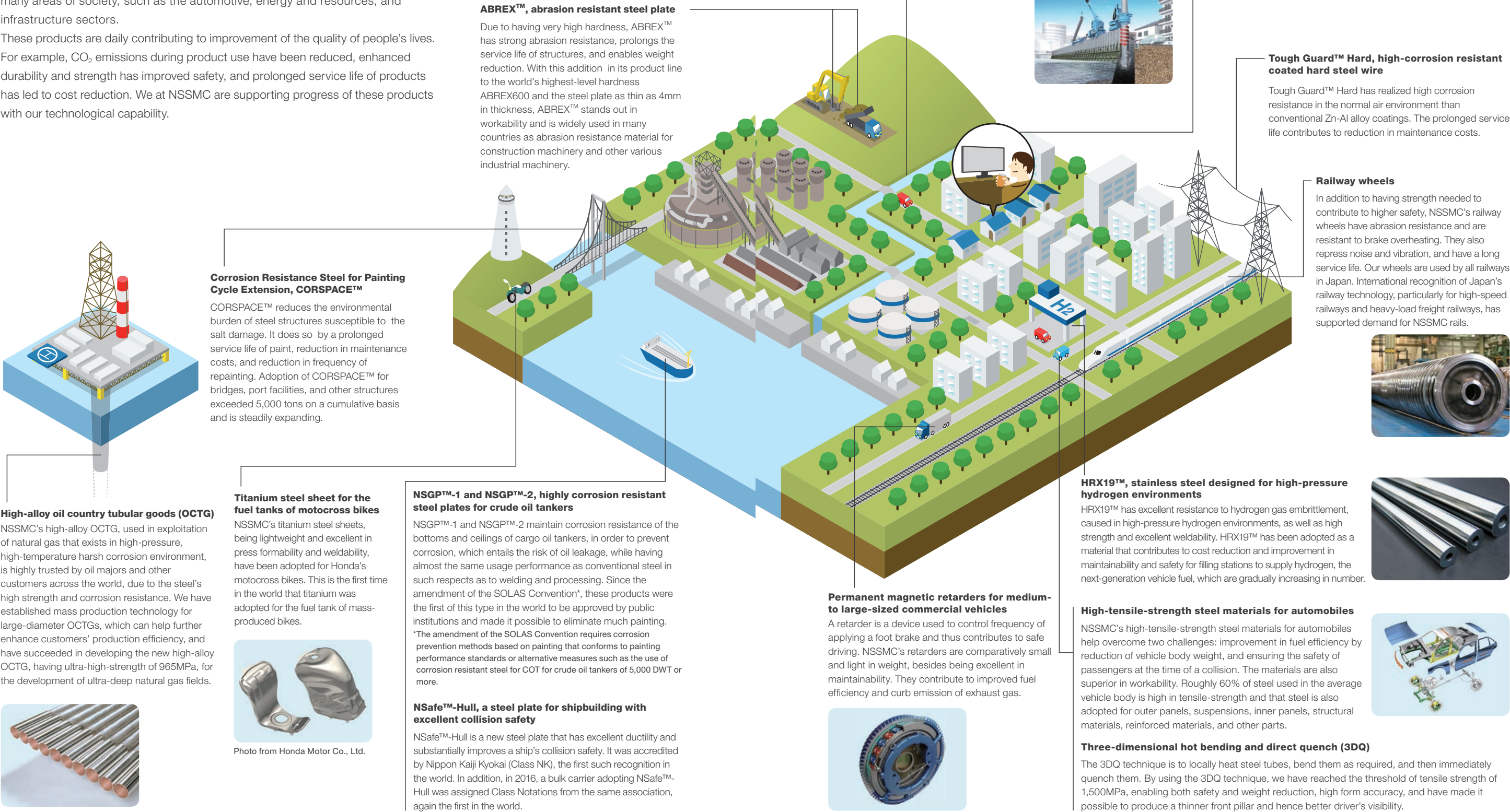
make full use of analysis and mathematical techniques, and thoroughly investigate the rules and principles that support the foundation of all research and development. (2) Process innovation means pursuing advances and greater efficiency in steelmaking processes by mastering steelmaking. (3) The development of high-performance products means to respond to advanced needs of customers by expanding the functions of steel. (4) The generation of comprehensive solutions means

enabling customers thorough use of steel by exploring ways to use steel. Finally, (5) next-generation steel material research is to dig up new social needs, such as to realize a hydrogen-oriented society, and develop next-generation steel materials. Each of these research fields is organically linked and what we are aiming for is to develop unlimited possibilities by making use of their comprehensive strengths.



NSSMC's technology is embedded in the final products that help support people's lives

Steel made by NSSMC is turned into various final products and widely used in many areas of society, such as the automotive, energy and resources, and infrastructure sectors. These products are daily contributing to improvement of the quality of people's lives. For example, CO₂ emissions during product use have been reduced, enhanced durability and strength has improved safety, and prolonged service life of products has led to cost reduction. We at NSSMC are supporting progress of these products with our technological capability.



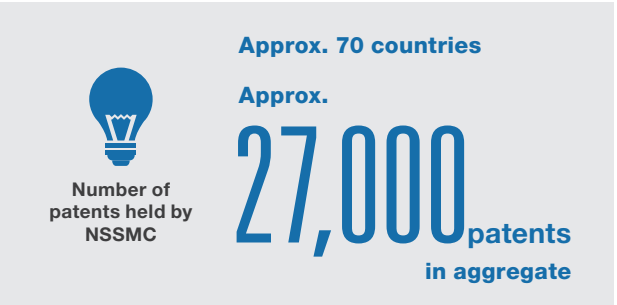
Becoming the best steelmaker with world-leading capabilities

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 the most advanced newly created technologies and other ones as IP and then to utilize the IP to meet our medium- and long-term IP strategy in line with our 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 terms of quality and quantity and have also been reinforcing the strategic utilization of our IP.



Specific activities

Enhanced IP protection
I. Support the creation of new IP
1) Build the IP portfolio and plan its strategy
2) Enrich the function of establishing rights for inventions, discoveries, and IP (specifically, enhance the function of Nippon Steel & Sumikin Research Institute Corporation)
II. Enhance the protection and utilization of IP
1) Apply for patents of high technical levels in Japan and overseas, and actively utilize overseas-registered patents (Number of patents held: approximately 15,000 in Japan and 12,500 overseas as of May 2017; named a Top 100 Global Innovator in 2017 for fifth consecutive year by Clarivate Analytics, formerly Thomson Reuter)
2) Increase overseas relocation of personnel in charge of IP and establish a strategic public relations (PR) organization
3) Establish brand strategies

Address the enhanced protection of trade secrets
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Japan's Amended Unfair Competition Prevention Act was enforced starting on January 1, 2016. In accordance with the spirit of this amended Act, we are enhancing initiatives to think about a code of conduct on safeguarding business secrets and to reflect it in our daily operations. Meanwhile, we engage in active sharing and utilization of technological information that ought to be shared, without excessively worrying about information leakage and disrupting sharing. We also continue to strictly deal with counterfeit products as well as any illegal use of our corporate name, brands, IP, and other properties.

Becoming the best steelmaker with world-leading capabilities

Pursuing the world top-level cost competitiveness

Aiming to achieve the world top-level cost competitiveness to prevail in global competition

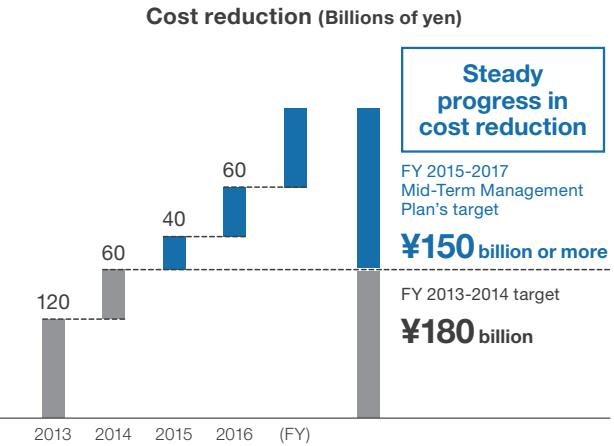
In the current Mid-Term Management Plan (FY2015—FY2017), NSSMC aims to realize cost reduction equivalent to ¥150 billion or more per year (non-consolidated basis) from two sources. One is maximizing the remaining synergy effects of ¥60 billion out of ¥200 billion in accumulated effects since the integration—through our optimal production network (raising capacity utilization of the entire iron-making process, consolidation of downstream processing, etc.); adoption of best technological practices of the former two companies; synergies from integration of Group companies; etc. The second source for ¥90 billion is from realizing effects of investments to improve operations, including measures to refurbish coke ovens and improve yields. In addition, we are working at enhancing cost competitiveness through synergy effects with Nisshin Steel, which became our subsidiary in March 2017.

Facility consolidation and refurbishment of coke ovens

The Kimitsu Works ceased operation of one of its three blast furnaces at the end of fiscal 2015 and has raised productivity of the remaining two to the world's top level, realizing cost reductions while maintaining production capacity. The Yawata Works plans to start operating only one blast furnace by the end of fiscal 2020 and to consolidate all iron-making production processes in the Tobata area. In addition, iron-making competitiveness will be enhanced by improving coke production capacity through the refurbishment of coke ovens and by cost reduction through purchase of coke from outside the Company. We are aiming to acquire competitive advantage by taking such measures to raise facility efficiency.

Realize synergy effects with Nisshin Steel

NSSMC and Nisshin Steel are projecting to generate ¥20 billion or more per year from the following synergy effects, which include rationalization of the iron and steel-making process, involving cessation of operations at the Kure Steelworks No. 2 blast furnace, and achieving a higher operating rate by NSSMC's supply of steel slabs as an alternative source to Nisshin Steel.



Consolidation of major domestic facilities					
		At the time of integration	End of FY2020	Cessation of production lines	Cessation of production lines
Upstream processes	Blast furnace	14	12	-2	Downstream processes -14
	Converter	32	28	-4	
	Continuous casting	30	27	-3	

Latest status of the refurbishing of coke ovens			
Steelworks	Details	Completion time	Capacity
Kashima	Construction of 1F coke oven	Started operation in Aug. 2016	Approx. 340,000 tons/year
Kimitsu	Refurbishment of 4 cokes	Started operation in Jan. 2017	Approx. 900,000 tons/year
Kashima	Construction of 2E coke oven	Apr. 2018	Approx. 580,000 tons/year
Kimitsu	Refurbishment of 5 cokes	Second half of fiscal 2018	Approx. 900,000 tons/year
Muroran*	Refurbishment of 5 West coke oven	First half of fiscal 2019	Approx. 280,000 tons/year

*Hokkai Iron & Coke Corporation

Examples of synergy effects
Pursuit of best practices in operating technology, facility maintenance, etc.
Purchasing cost reduction of materials, equipment, etc.
Pursuit of efficient production for the entire Group
More efficiency of Group companies
Capital and cash flow management
Fixed cost reduction by avoiding large-scale investments, including refurbishment of blast furnaces
Higher operating rate by NSSMC's supply of steel slabs

Becoming the best steelmaker with world-leading capabilities

Enhance global capacity

Seeking to capture demand in the growing global market

NSSMC aims to expand profit in overseas high-grade steel markets, primarily in emerging countries with future growth potential, mainly in three key strategic areas of the overseas automotive, energy and resources, and infrastructure-related sectors, in which we are doubling overseas production capacity from 9 million tons at the end of fiscal 2012 to 19 million tons. Having Nisshin Steel in the NSSMC Group is further expanding capacity to 21 million tons.

Many overseas bases, which started operation around the time of integration in 2012, have been steadily operating to begin contributing to earnings. We feel confident on progress of our global strategy. We have allocated ¥300 billion for business investment over the three years up to fiscal 2017. We are establishing an organization that facilitates timely investments in prime opportunities to make a stepping stone for future growth.

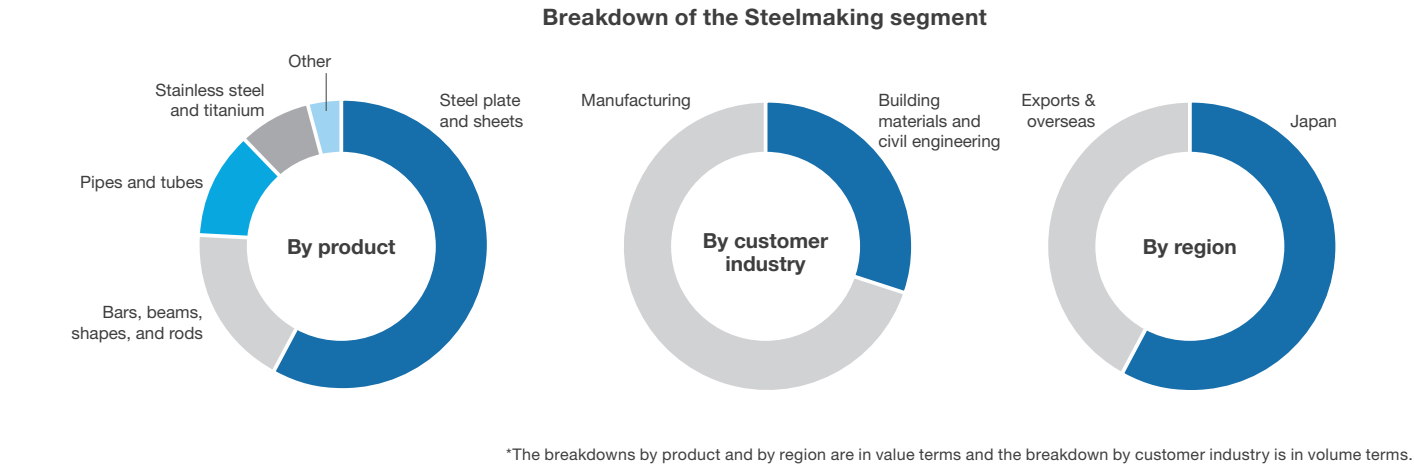
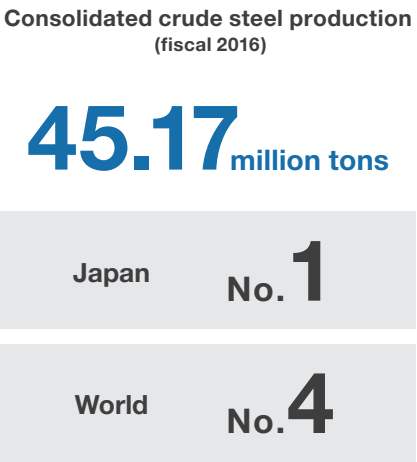
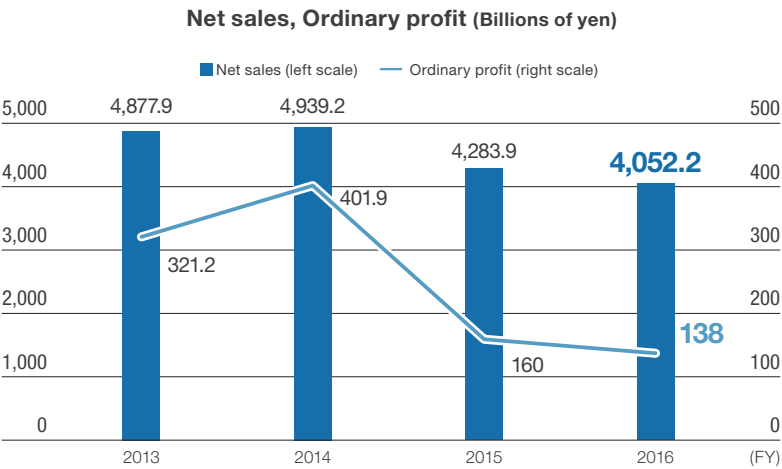


Steelmaking and Steel Fabrication

Fiscal 2016 business results and fiscal 2017 outlook

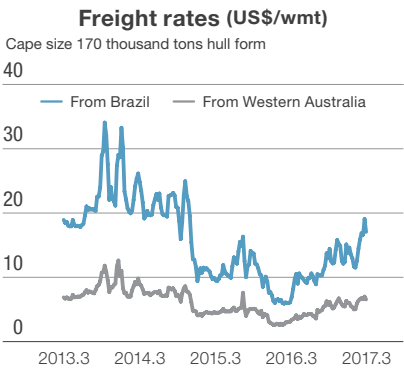
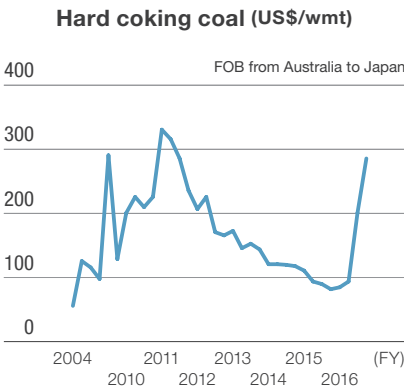
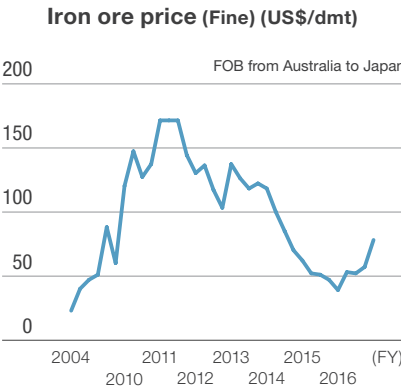
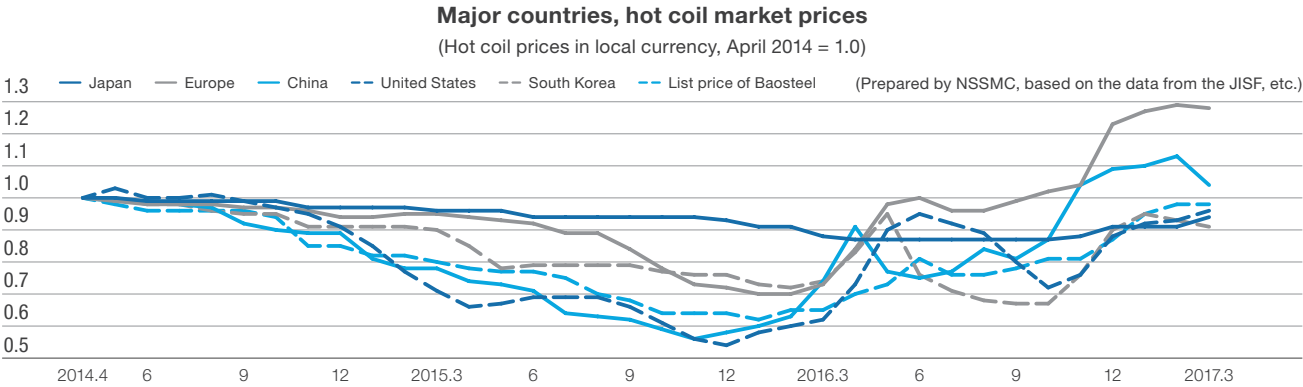
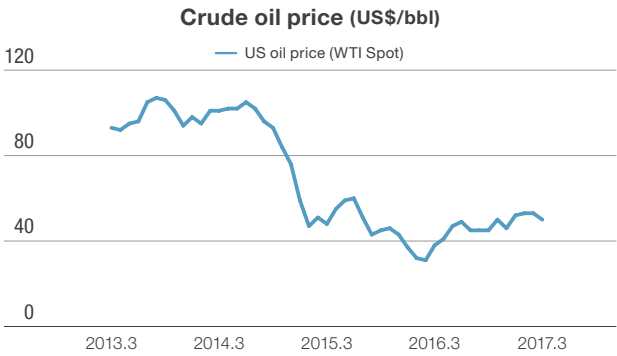
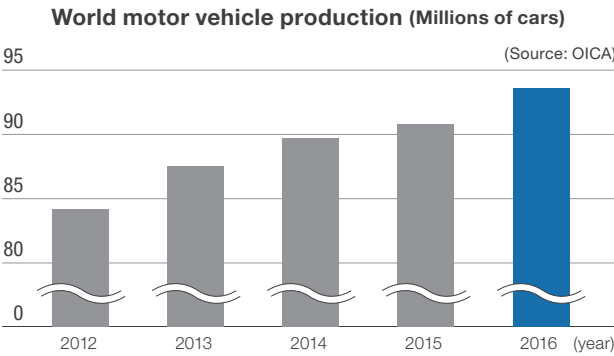
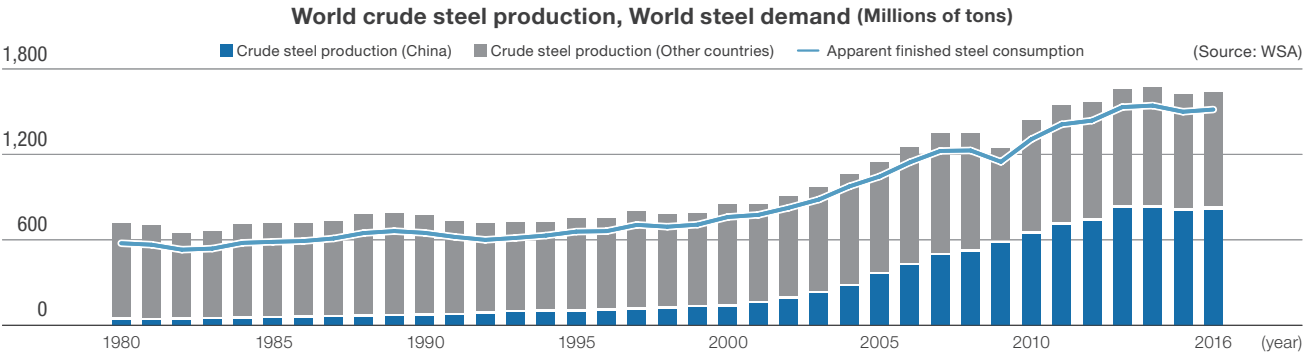
In fiscal 2016, the Steelmaking and Steel Fabrication segment recorded a decrease in sales and profit from the previous year at ¥4,052.2 billion in net sales (compared to ¥4,283.9 billion in fiscal 2015) and ¥138.0 billion in ordinary profit (compared to ¥160.0 billion), despite continued efforts for cost improvement such as reduction in material and fuel costs and yield improvement, and negotiations on sales pricing with customers in response to surge in raw material prices. However, domestic steel demand bottomed out in the first quarter (April to June, 2016) and is increasing mainly for

construction and automobiles, while in terms of overseas markets steel demand in ASEAN countries is recovering albeit moderately and demand in China is firm, triggered by stimulus measures and other factors. In fiscal 2017, as the global steel market is heading toward recovery, we will try to negotiate with customers on reflecting higher raw material prices on product prices and secure margins that allow us attain the reproduction capability. We will thereby plan to improve our earnings.



*The breakdowns by product and by region are in value terms and the breakdown by customer industry is in volume terms.

Steelmaking-related key indicators



Steelmaking and Steel Fabrication

Strategy for each growth area

Automobiles

Business Environment

The overall global automobile market continues to be on a growth track, led by China.

Environmental regulations and crash safety standards have been enhanced for vehicles. CO₂ emission control is most strict in the European Union, where the 2021 emission reduction target of 95g/km has been set, and other countries tend to follow EU in targeting that level.

Energy constraints and consumers’ increasing environmental awareness have led to expansion of the market for hybrid vehicles (HV), plug-in hybrid vehicles (PHV), and electric vehicles (EV). Fuel cell vehicles (FCV), often referred as next-generation eco-cars, have also made their appearance in the market.

As the movement toward industrial globalization continues to advance, automakers are expanding foreign production, synchronized worldwide launch of strategic car models is increasing, and the development period for a new vehicle is becoming shorter. As a result, automakers are demanding suppliers to confront this change in the business environment as well as changes in each company’s requirements.

Applications

High-tensile steel used for outer panels, suspensions, inner panels, structural materials, and reinforced materials; electrical steel sheets for engine motors of eco cars; special wires and rods used for engines, transmissions, and suspensions; pipes and tubes; forged crankshafts; titanium and stainless steel foil for fuel cells, etc.

Advantages

NSSMC has world-leading technology in the development of steel products which combine contradictory performance requirements of car body weight loss to enhance fuel efficiency and higher strength for crash safety, and which are also superior in forming and welding. For example, our high-tensile automobile steel sheets have realized weight loss by being thinner, and our cold-pressed sheets of 1.2 GPa in strength has been commercialized. Steel sheets with strength of 1.5 GPa has already been developed and is currently under consideration for commercial application with some automakers. Also, for hot press processing, base material of 1.8 GPa in strength and galvanized material of 1.5 GPa in strength have been commercialized.

Further, NSSMC can strongly support customers by making use of “coordination across different product types,” which is a benefit from our unrivaled wide range of menus of product types and products, and “total solutions,” which range from provision of materials to processing method and design of components. One example of the “coordination across different product types” is our success in developing electrical steel sheet specifically for drive motors of HVs, PHVs, and EVs and titanium foil for fuel cells for FCVs, together with high-tensile steel sheets that contributes to reduction of vehicle body weight loss. These are examples of how we excel and how we expand our competitiveness.

Strategy

Since early 1990s, NSSMC has been ahead of its peers in establishing a global supply network of steel sheets for automobiles. We are now manufacturing steel sheets in the United States, China, Thailand, Brazil, India, and Mexico to supply to global automakers which are expanding their local production. By the middle of 2017, we plan to start operation in a new base in Indonesia, expanding our globalization to better serve auto assemblers. Meanwhile, responding to an increase in synchronized worldwide launch of strategic car models, we are transferring technology to our overseas bases so as to deliver the same high-grade steel sheets overseas as in Japan. Some overseas bases already have capacity to manufacture ultra-high-tensile steel sheets of 1.2 GPa in strength; other bases will follow. In bars and wire rods, NSSMC is also enhancing its overseas supply chain, by action including expansion of secondary processing bases in China and North America under the bars and wire rods business brand SteelLinC™, with the aim of assuring stable supply of the similar high-grade products as in Japan.

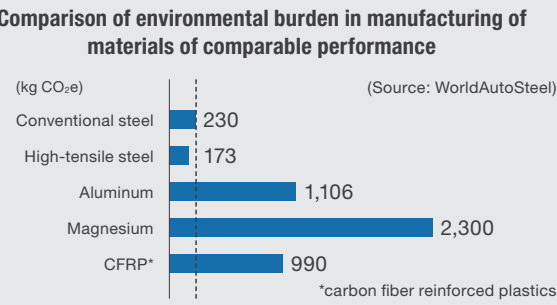
Topic

From material production to product manufacturing, use of the product, and recycling and disposal; Importance of recognizing the advantages of steel based on the Life Cycle Thinking; and further pursuit of the potential of steel

Comparing environmental burden in manufacturing of materials of comparable performance

Regulations for vehicle fuel efficiency have been tightened literally year after year, leading to heightened importance of reduction in car body weight. NSSMC has responded to such conditions by making stronger steel products (high-tensile steel) to enable reduction in vehicle weight. Meanwhile, the enhanced fuel efficiency regulations have encouraged use of aluminum, carbon fiber reinforced plastics (CFRP), and other lightweight materials that have lower specific weight and higher specific strength than steel.

While these lightweight materials contribute to improvement of fuel efficiency, they generate a much higher environmental burden associated with manufacturing compared to steel.



enabling recycling into various steel products, according to specific requirements, and this can be done numerous times. Such features really make steel stand out as material, especially when compared to other lightweight materials which do not have such features.

Steel is the best in the class in recycling

In the selection of materials for manufacturing vehicles, which are produced in such great quantities, recycling characteristics of materials for scrapped vehicles are critically important criteria. Material recycling can be broadly divided into “closed-loop recycling” and “open-loop recycling.” In the “closed-loop recycling,” materials of a disused product are processed without losing their original material characteristics and are re-used as the same material for numerous times. Steel is in the closed-loop category. In the “open-loop recycling,” however, material or a product is finite and recycled in other ways, such as “cascade recycling,” in which the original materials degrade in quality after recycling due to difficulty in extracting impurities, and “thermal recycling,” in which heat generated from incineration is used as energy as the product is technically difficult to return to original materials. In addition, those materials which cannot be recycled must be sent to trash landfills for final disposal.

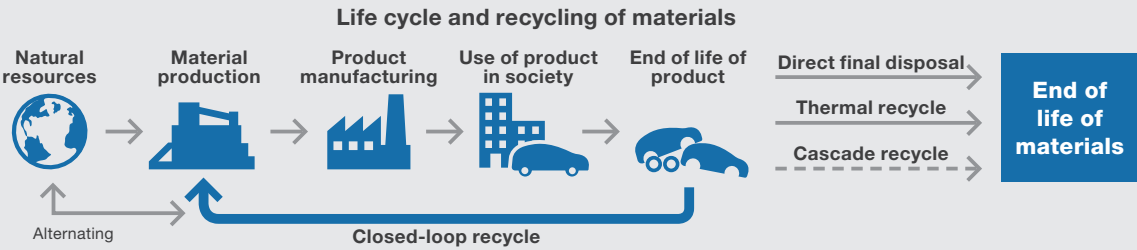
From the perspective of sustainability, the closed-loop recycling, which can be represented by steel, is often regarded as superior recycling. Steel is easily separated from other materials by use of magnetic force and has low environmental impact when being recycled. Economically-viable recycling of steel is well established. Moreover, impurities (elements) mixed in steel scrap can be easily extracted, resulting in minimum deterioration in quality and

Holistic reduction in environmental burden, based on Life Cycle Thinking

Compared to the small weight difference per unit strength between high-tensile steel material and other lightweight materials, the environmental burden in manufacturing and recycling features differ significantly between the material types. Whether these differences outweigh the difference in fuel efficiency improvement is a key point. This approach, to take a holistic picture of an entire life cycle of a product, from raw material extraction or production to end-product manufacturing, use, and recycling after taken out of use, is called Life Cycle Thinking. NSSMC will continue to promote activities to make more and more people to understand advantages of steel in the Life Cycle Thinking.

Pursuing potential of steel

The strength of steel materials commercially used today for automobiles is merely 10% of its theoretical strength, indicating huge potential to be explored for smarter use of steel materials. NSSMC will further raise the performance of steel to satisfy ever-advancing requests such as for vehicle weight reduction and enhanced crash safety. We will also contribute to reduction in environmental burden over the overall life cycle of our products.



Steelmaking and Steel Fabrication



Strategy for each growth area
Energy and resources

Business Environment

Despite some signs of recovery, oil prices have been sluggish for some time. Nevertheless, over the long term, energy demand is expected to expand as the living standard will continue to improve in emerging countries.

At oil and natural gas development sites, existing oil wells and gas wells are likely to gradually become depleted, making the drilling environment severer. In such an environment, we are forecasting a gradual recovery in shipment of high-end products, where NSSMC has strengths.

Needs for renewable energy are rising in Europe and other places.

Toward establishing a hydrogen-oriented society, development of next-generation materials applicable for storage, transportation, and use of hydrogen is required.

Applications

High-end oil country tubular goods (OCTG); line pipes; pipes and tubes, and steel plates for boilers; ultralow temperature steel for LNG; steel plates for marine structures; steel plates for the penstock of hydropower generation; steel plates designed for wind power generation; pipes and tubes designed for high-pressure hydrogen environments



Advantages

NSSMC has an 80% global market share in oil country tubular goods (OCTG), which are used in the harsh high-pressure, high-temperature corrosive gas environment of drilling. Our advantages also include a line of products with distinctive features that have been made possible and practical by technological capabilities, such as steel plates for LNG tanks that contain a low amount of nickel and withstand use at ultralow temperature; boiler tubes for ultra super-critical power generation that contributes to reduction in CO₂ emissions by enhanced power generation efficiency; and tubes designed for high-pressure hydrogen environments, of great importance if there is a shift in the future to use of hydrogen to power motor vehicles. These tubes have excellent resistance to hydrogen gas embrittlement, but also have high strength and excellent weldability.

Strategy

We believe it is important to maintain and expand our world-leading technology level in steel materials for the energy market and firmly establish ourselves as a market leader, in order to realize a stable profit structure regardless of the market environment. In the OCTG area, we differentiate ourselves by bundling pipes with special threaded couplings that improve sealant at connections. We are thereby aiming at further fortifying our long-standing relationship of trust with the oil majors.



Strategy for each growth area
Infrastructure

Business Environment

Construction and civil engineering

Along with growth in infrastructure-related demand, many emerging countries are facing issues related to larger, more advanced infrastructure plans and rising construction costs that stem from wage increases and other factors. Contrary to mainstay concrete structures in emerging countries, needs are rising in connection with steel structures, as advanced precast steel enables shortening of construction periods, and thereby results in cost reduction.

Railways

Rail stands out as a means of transportation that results in lower CO₂ emission and less environmental burden and the railway-related market is anticipated to expand in the medium to long term. Going forward, passenger railways will be planned, designed, and built for faster speed while freight railway will be required to have higher load capacity per freight car.

Applications

Construction and civil engineering

H-beams, steel sheet piles, steel pipe piles, rails, and other steel materials used in the civil engineering and construction sectors

Railways

Railway steel wheels, axles, bogies, rails, etc.



Advantages

Construction and civil engineering
NSSMC has excellent technological and product competitiveness, accumulated in the Japanese market where numerous buildings of cutting-edge steel structure have been built. We have various construction methods and products, which excel in measures against noise and vibration, environmental measures, or quake resistance, shortening of construction periods or reduction of costs.

Railways
The trend of higher speed of passenger railways and increased load capacity of freight railways provides opportunities to boost demand for NSSMC's products, which offer outstanding features such as safety (high quality), high performance (low vibration and low noise), high strength, and long product life.

Strategy

Construction and civil engineering
Mainly in emerging countries, in cooperation with local major universities and other academic institutions, NSSMC is promoting initiatives to disseminate its advanced steel structure technology with the ultimate objective of expanding the market.

Railways
Having made capital investments in our North American manufacturing base for railway wheels and axles in fiscal 2014, NSSMC can now manufacture wheels of the same quality in Japan and the United States. By using such facilities and through continuing attention to improving product quality, we are raising our market share in high-end railway wheels, with our eyes on growth potential in demand in both Japan and the United States.

Growth strategy of non-steel business segments

Two objectives of non-steel businesses (Engineering and Construction; Chemicals; New Materials; and System Solutions)
“Maximize synergies with steelmaking” and “Reach top-class profitability in each sector”

Major business areas of the non-steel business segments – Engineering and Construction, Chemicals, New Materials, and System Solutions – are closely linked with the steelmaking business. The Engineering and Construction segment designs and builds steelmaking plants; the Chemicals segment uses 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. The non-steel business segments are also engaged in businesses that evolved from the above main businesses. The Engineering and Construction segment works in engineering

in the environmental and energy, marine and construction, and other steel structure fields; 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. The first objective of the non-steel business segments is to maximize synergies with steelmaking. The second objective is to realize top-class profitability in each respective industry through their operations in various business areas that evolved from the main areas.

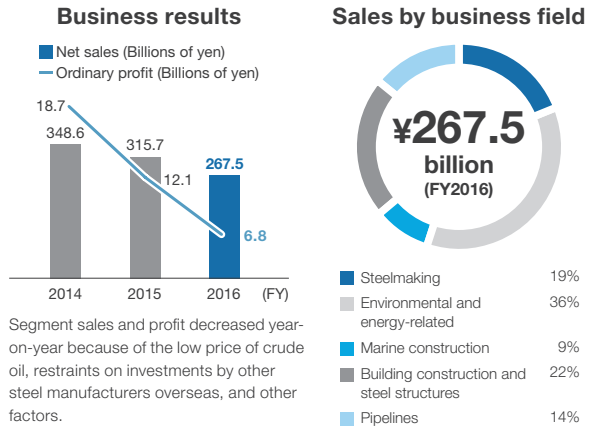


Synergies with the steelmaking business (main businesses)



Areas evolved from main businesses

ENGINEERING & CONSTRUCTION
(Nippon Steel & Sumikin Engineering Co., Ltd.)



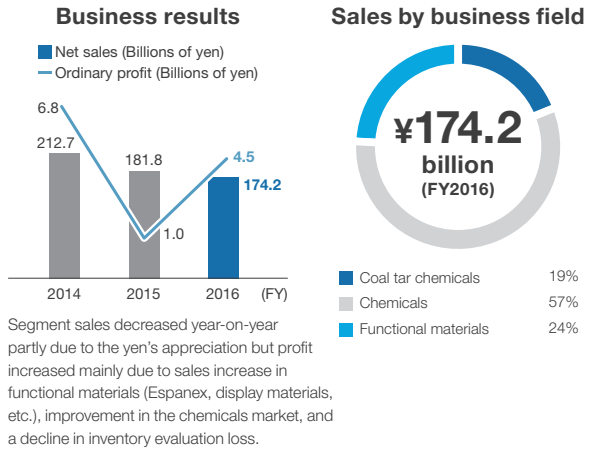
Business field Provision of engineering solutions in steel plants, environmental and energy, marine, building construction and steel structures, pipelines, and new business fields.

Strategy

Nippon Steel & Sumikin Engineering (NSSE) plans to expand its value chain including plant operation and maintenance, centering around the EPC* business, by enhancing the capacity to provide optimal “EPC X Solutions” that are appropriate to customers’ requirements. NSSE is also strengthening its local organizations in the overseas growth areas and developing business that matches local needs. Furthermore, responding to changes in the external environment, NSSE intends to flexibly cooperate with outside parties or internal sources, such as technology and know-how of each business field, and to become a more resilient and flexible complex entity, with the aim of achieving stability and growth in profit.

*EPC: building and construction services that include Engineering, Procurement, and Construction

CHEMICALS
(Nippon Steel & Sumikin Chemical Co., Ltd.)

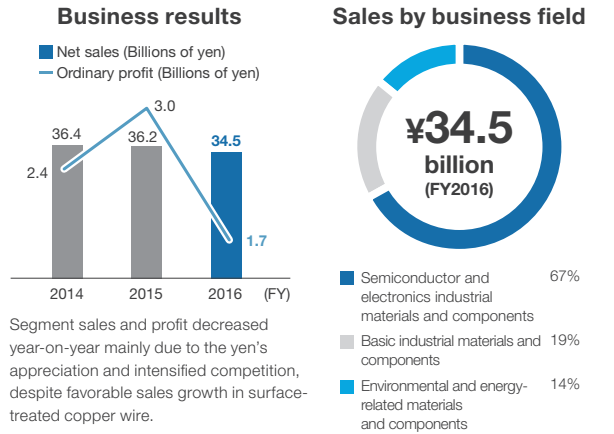
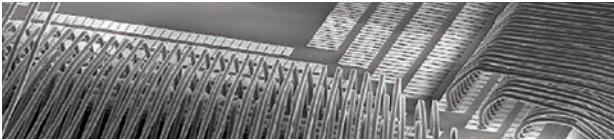


Business field Engaged in a wide range of business lines, including carbon materials, functional materials, resin materials, and other chemicals, by combining coal chemicals and petrochemical by-products of the steelmaking processes.

Strategy

Nippon Steel & Sumikin Chemical (NSSC) is implementing the 2017 Mid-Term Management Plan, in which achievement of an enhanced business base is pursued by establishing a stable profit structure and working to achieve sustainable growth. In order to achieve the segment’s numerical targets of ¥180.0 billion in net sales and ¥8.0 billion in ordinary profit, NSSC must strengthen its business base mainly by management of costs, as stated in the basic policy of the Mid-Term Management Plan, and swiftly establish a stable profit structure centering on its four main business sectors—coal chemicals, chemical products, functional products, and epoxy resin products. Furthermore, in addition to electronic materials, NSSC intends to create new businesses centering on the automotive and infrastructure areas by utilizing its core technologies in carbon and resins.

NEW MATERIALS
(Nippon Steel & Sumikin Materials Co., Ltd.)

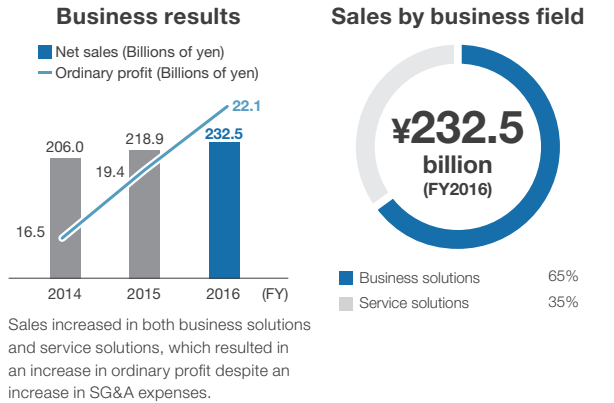


Business field Provision of various material solutions to global customers by using such diverse advanced materials as metals, inorganic materials, and carbon fiber.

Strategy

Consistent with the motto “Innovate the world with advanced materials,” Nippon Steel & Sumikin Materials (NSSM) aims to become a world-leading company in each business area by acquiring distinctive technologies and achieving international cost competitiveness. The three targets of strategy are as follows. To contribute to the creation of value for customers: By emphasizing matching solutions to customers’ true needs, NSSM will contribute to value creation for our customers. To promote global business development: Our production and sales bases in Japan and seven other countries will cooperate to meet increasing global demand, and thereby enhance the level of service for global customers. Domestic bases will fulfill the role of mother plant: NSSM will promote the development of original new products, thoroughly pursue higher productivity and cost reduction at our domestic bases, and expand similar efforts at our overseas bases.

SYSTEM SOLUTIONS
(NS Solutions Corporation)



Business field Provision of IT business solutions to a wide range of sectors by applying the extensive insight and advanced, practical IT capabilities acquired in the steel manufacturing business.

Strategy

In keeping with the advent of widespread use of digital innovations in IT for business, NS Solutions is further strengthening its conventional System Integration (SI) business model, which we now call “NSSOL1.0,” and is developing new ones, NSSOL2.0 and NSSOL4.0. NSSOL2.0 is for building long and deep partnerships with clients, mainly in cloud services and IT outsourcing services, jointly developing new markets, working on the real issues of clients, and ultimately helping them grow their business. NSSOL4.0 aims at exploring new business fields arising from digital innovation, such as loX* solutions and use of AI.

*loX: NS Solutions’ registered trademark, meaning a concept to integrate Internet of Things (IoT) and Internet of Humans (IoH)

Corporate Governance

The NSSMC Group aims to respond to the confidence and trust extended by shareholders, business partners, and all other stakeholders, and to achieve healthy sustainable growth and medium- to long-term improvement in corporate value. For these purposes, the Group has established a corporate governance structure appropriate for its businesses.

Basic structure of corporate governance

- 1

NSSMC, with its core business being steelmaking, has adopted a structure in which a Board of Directors, mainly comprised of Directors with a thorough understanding of NSSMC's business, makes decisions on basic management policy and important business activities, while Audit and Supervisory Board Members, who hold strong legal authority, oversee from independent positions the execution of duties by Directors. Believing that this structure ensures efficiency and fairness in management and is effective for the Company, NSSMC has adopted the company system form of organization with an audit and supervisory board.
- 2

Audit & Supervisory Board Members, each having a thorough understanding of NSSMC's business, and Outside Audit & Supervisory Board Members, with deep insight, oversee the execution of duties by Directors and the status of the Company's assets on a daily basis, in cooperation with accounting auditors, and the Internal Control & Audit Division. In addition, the Company has Outside Directors, who have vast experience in fields such as corporate management, to enhance decision making from diverse perspectives at the Board of Directors' meetings and through oversight of management. At present, NSSMC's Board of Directors consists of 11 Executive Directors, as well as 2 Outside Directors, who are not involved with business execution, and 7 Audit & Supervisory Board Members (of whom 4 are Outside Audit & Supervisory Board Members). This ensures full, multifaceted deliberations, and objective decision-making. In order for all Outside Directors and Outside Audit & Supervisory Board Members to obtain the necessary information and fully execute their role, they regularly meet with the Chairman, the President, and other persons to share management issues and exchange opinions.
- 3

Going beyond the disclosure of information based on the laws and regulations, and rules set by the financial instruments exchanges in Japan, NSSMC intends to clearly and accurately disclose financial and non-financial information at appropriate times, aiming at raising transparency of management and for accurate understanding of the NSSMC Group's operating situation on the part of every stakeholder.
- 4

NSSMC seeks to establish, appropriately manage, and continuously improve the internal control system to comply with relevant laws and regulations and ensure credibility of financial reporting and effectiveness and efficiency of operations. Aiming at establishing a healthy organization with workplaces of positive atmosphere, the Company focuses on dialogues in and out of the workplace, regularly carries out opinion surveys of all employees, and has set up a whistleblower system to handle concerns among employees, Group employees, and their family members. Such additions are intended to establish a sound internal control environment.
- 5

NSSMC regularly checks and reviews the corporate governance structure and its management status, including the analysis and evaluation of the effectiveness of the Board of Directors as a whole at a Board of Directors meeting, so as to autonomously make improvement by taking into account the opinions of Outside Directors and Outside Audit & Supervisory Board Members.

Corporate governance system

Type of system	Company with an audit & supervisory board
Number of Directors	13
Of which, number of Outside Directors	2
Term of office for Directors	1 year
Number of Audit & Supervisory Board Members	7
Of which, Outside Audit & Supervisory Board Members	4
Number of Independent Directors and Audit & Supervisory Board Members	6 (2 Outside Directors and 4 Outside Audit & Supervisory Board Members)
Accounting Auditor	KPMG AZSA LLC
Adoption of Executive Officer System	Yes

Evolution of corporate governance

Outside Directors

At the time of integration (FY 2012)

0 → FY 2017 2

Independent Directors

At the time of integration (FY 2012)

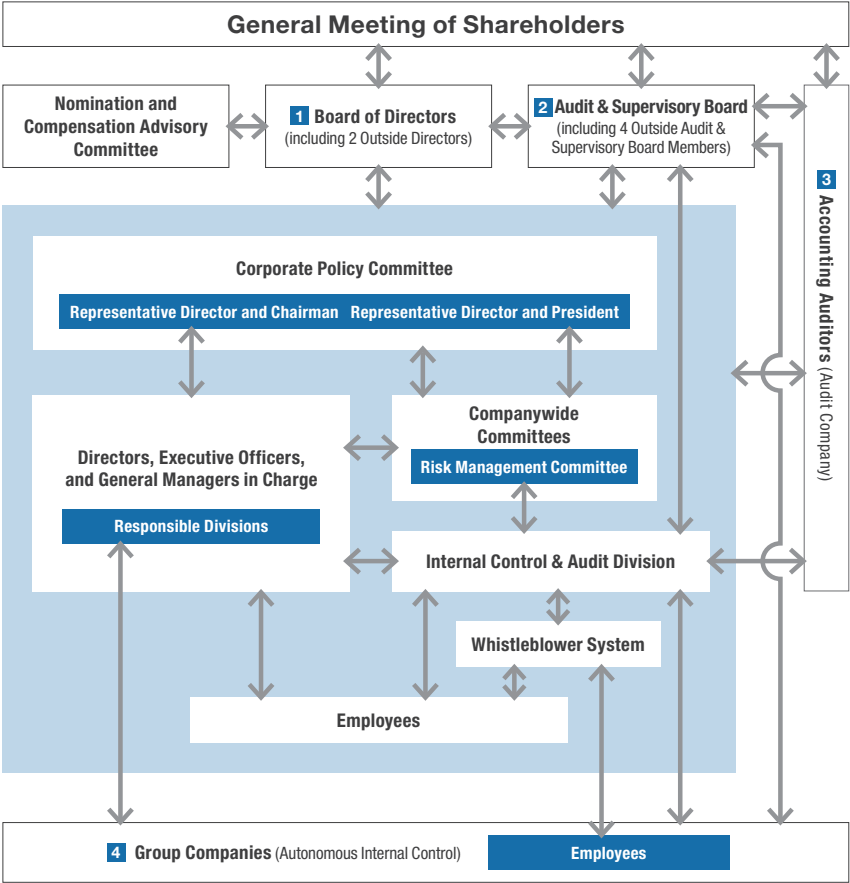
4 → FY 2017 6

October 2015

Establishment of the Nomination and Compensation Advisory Committee

(comprised of the Chairman, the President, and three outside officers)

Corporate governance structure



1 Board of Directors

The Board of Directors comprises 11 Directors with a thorough understanding of NSSMC's business and 2 Outside Directors who hold independent positions. The Board makes decisions on important business activities in an appropriate and prompt manner and oversees the execution of duties by Director and Executive 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 overseeing function of management by providing their opinions and exercising voting power from their independent status at the Board of Directors' and other meetings.

2 Audit & Supervisory Board

The present Audit & Supervisory Board comprises 3 full-time Audit & Supervisory Board Members and 4 Outside Audit & Supervisory Board Members. As an independent organization, the Board oversees the execution of duties by Directors. The Outside Audit & Supervisory Board Members contribute to NSSMC's sound and fair management, by, among other tasks, expressing their respective opinions independently at the Board of Directors, the Audit & Supervisory Board, and other opportunities, and performing supervisory activities, including auditing the business and affairs and the status of assets, based on their vast experience in, and deep insights into, such areas as corporate management, laws, public administration, public finances and corporate accounting. 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.

3 Accounting auditors

Accounting auditors execute the accounting audit activities at NSSMC under the Companies Act and the Financial Instruments and Exchange Act. NSSMC has appointed KPMG AZSA LLC as accounting auditor.

4 Group companies

NSSMC Group companies have established and maintained an internal control system for which NSSMC's divisions in charge assist them as needed. In addition, NSSMC's General Manager of the Internal Control & Audit Division understands and evaluates the internal control status of the entire Group, and gives guidance or advice to each division and Group company.

Execution of business activities

Based on the Company's 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 in a meeting of the Corporate Policy Committee, which is attended by the Chairman, the President, the Vice Presidents, and other members, and generally convenes once a week. As advisory bodies prior to the Corporate Policy Committee and Board of Directors' meetings, NSSMC has 23 companywide committees, each with its own objectives. 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 Heads and other General Managers of relevant units and divisions, under the direction of the Representative Director and President.

Remuneration, etc., for Directors and Audit & Supervisory Board Members

1. Policies

NSSMC’s policies on determining remuneration and other amounts for Directors and Audit & Supervisory Board Members are as follows:

① Directors

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 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.

② Audit & Supervisory Board Members

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. Under the above policies, the remuneration of Directors is limited to a monthly remuneration, and entirely performance linked so as to grant incentives for the NSSMC Group’s sustainable growth and improvement in corporate value. Changes in line with the consolidated performance are determined based on the Company’s consolidated net performance and the Steelmaking and steel fabrication segment’s ordinary income, and by taking into account the relationship with the Mid-Term Management Plan.

2. Method of determining policies

The policy for monthly remuneration for Directors is determined by a Board of Directors’ resolution, and the policy on monthly remunerations for Audit & Supervisory Board Members is determined in consultation with the Audit & Supervisory Board Members.

3. Procedures regarding the determination of the amount of remuneration, etc.

The amount of monthly remuneration for each Director is determined by a Board of Directors’ resolution after a proposal has been examined by the Nomination and Remuneration Advisory Committee, which comprises the Chairman, the President, and three outside officers who are nominated by the President. The amount of monthly remunerations for each Audit & Supervisory Board Member is determined in consultation with the Audit & Supervisory Board Members.

Remuneration of Directors and Audit & Supervisory Board Members in FY2016

Category	Number of recipients	Aggregate amount of remuneration (Millions of yen)
Directors	19	964
Of which, Outside Directors	2	28
Audit & Supervisory Board Members	10	207
Of which, Outside Audit & Supervisory Board Members	5	57
Total	29	1,172

Note: The above number of recipients includes 5 Directors and 3 Audit & Supervisory Board Member who resigned at the conclusion of the 92nd General Meeting of Shareholders held on June 24, 2016.

Policy regarding cross-shareholdings and basic policy regarding the exercise of voting rights associated with those shares

NSSMC holds the shares of companies other than the Company’s related companies as cross-shareholdings. This is mainly to maintain and enhance business relationships, maintain and develop alliances, and promote smooth business operation, with the ultimate aim of enhancing NSSMC’s mid- to long-term corporate value. The rationale on holding those shares is regularly examined by the Board of Directors every year, by evaluating the issuing companies’

operating performance, financial position, and other factors in addition to the prevailing reasons of holding them. NSSMC exercises voting rights of those cross-shareholdings after each responsible division examines the details of the issuing company’s proposals for the General Meeting of Shareholders and makes comprehensive judgements of whether they can contribute to improve the corporate value of NSSMC and the issuing company.

Outside Officers

Independence of Outside Officers (Outside Directors and Outside Audit & Supervisory Board Members)

NSSMC determines the independence of outside officers in harmony with the Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members set by stock exchanges in Japan, and with due consideration to their personal, capital, transactional, and other relationships with the Company. NSSMC decides the independence of outside officers in accordance with the independence standards set by

Support of and briefings to Outside Directors and Outside Audit & Supervisory Board Members

Personnel of the NSSMC General Administration Division and Audit & Supervisory Board Members’ Office support Outside Directors and Outside Audit & Supervisory Board Members by providing timely and appropriate corporate information, which includes preliminary explanation of agenda items or items reported to the Board of Directors’ meetings and other important meetings. In order to ensure the independence of Directors, the Audit & Supervisory Board Members’ Office has designated staff who are dedicated to audit administration works, such as to assist auditing activities under instruction by all Audit & Supervisory Board Members, including Outside Members. NSSMC gives briefings on its Corporate Philosophy and the group business activities to each Outside Director and Outside Audit & Supervisory Board Member when appointed. Opportunities to visit steelworks and research centers are also provided after their appointment.

the financial instruments exchanges in Japan (e.g., Tokyo Stock Exchange), considering each individual’s personal relationship, capital relationship, business relationship, and other interests with NSSMC. As stated above, since NSSMC believes that each of the outside officers is independent, NSSMC has reported all of them as independent officers to each financial instruments exchange in Japan (e.g., Tokyo Stock Exchange).

Attendance of meetings of the Board of Directors and the Audit & Supervisory Board in FY2016

Outside Directors	Attendance at meetings of the Board of Directors	
Mutsutake Otsuka	13/13	
Ichiro Fujisaki	12/13	
Outside Audit & Supervisory Board Members	Board of Directors	Audit & Supervisory Board
Katsunori Nagayasu	11/13	15/17
Hiroshi Obayashi	13/13	17/17
Jiro Makino	13/13	17/17
Seiichiro Azuma	10/10	12/12

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 & 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.

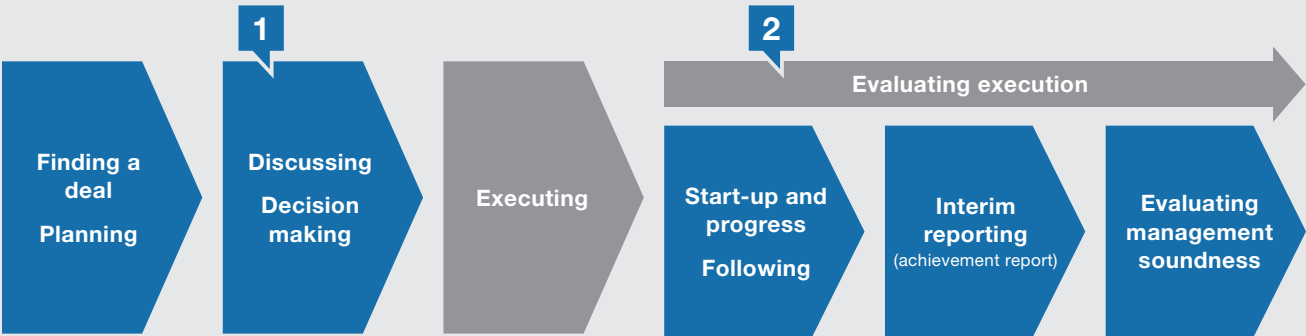
Analysis and evaluation of the Board of Directors effectiveness

Based on individual interviews of each Director and Audit & Supervisory Board Member on evaluation and opinions concerning the management of the Board of Directors, NSSMC’s Board of Directors regularly analyzes and evaluates the effectiveness of the Board as a whole, and use the results for improving the future management of the Board of Directors. In the meeting of the Board of Directors held in April 2017, NSSMC carries out an evaluation of the effectiveness of the Board as a whole,

in light of self-evaluations by each Director and Audit & Supervisory Board Member. It was confirmed that each agenda item, which was submitted and reported to the Board of Directors based on the Companies Act and internal rules, was properly explained in advance, and was resolved after a question and answer session and a discussion on a wide range of viewpoints of internal and outside officers, and with the perspective of raising medium- to long-term corporate value. As a result, the Board of Directors was evaluated as effective.

Business investment management system

NSSMC seeks to make appropriate decision making on business investments, such as for founding and equity investing in companies in Japan and overseas, as well as for M&A deals, to find early and solve promptly issues during the stage of execution of those deals, and share and preserve such know-how, by having a PDCA cycle in the management system.



1

1. Discussion and decision making

Proposed projects are considered in terms of significance to business strategy, market growth, competitive landscape, and individual risks (country, partner, foreign exchange, and other risks). In the case of M&A deals, based on due diligence, their risks are to be understood and appropriately funded. After such a procedure, we confirm the certainty of generating return that matches investment, given consideration to risk scenarios.

Investment and Loan Committee

The Investment and Loan Committee discusses projects from a professional perspective of each corporate unit and division. The business investment projects are submitted to the Corporate Policy Committee after being discussed at the Investment and Loan Committee. Very important projects are then submitted to the Board of Directors.

2

2. Execution evaluation

Immediately after the project start-up, Key Performance Indicators (KPI) are set up for each project and their updated situation is regularly monitored by the corporate division, to know of progress and identify issues at an early stage. Also, after a certain period from the start-up, an interim study and report (“accomplishment report”) are made to share insights and know-how acquired and to utilize them in considering future business investments. After the interim reporting, financial soundness of the project company or companies is continuously evaluated based on the evaluation standards set by the corporate division, to determine and deal with any need for improvement.

Start-up and progress to follow

For about three years since start-up, KPIs for operation, production, shipment, financials, and other items are set up for each project, and the corporate division regularly follows its performance relative to the plan, and reports to the Investment and Loan Committee and the Corporate Policy Committee.

Accomplishment report

About three years from the start-up, the entire processes from decision making to full-scale operation are reviewed and reported to the Investment and Loan Committee and the Corporate Policy Committee.

Evaluation of soundness

Every year, all Group companies in which NSSMC has made direct or indirect investment are evaluated in terms of financial soundness, based on their financial data, and the results are reported at the Corporate Policy Committee. Companies with financial issues are asked to make a plan for improvement and their execution of plans is monitored.

Dialogue with shareholders and investors

Basic policy on dialogues

NSSMC is taking various initiatives to promote constructive dialogues with shareholders from the perspective of a target for sustainable growth and raising mid- to long-term corporate value. In general, dialogues with shareholders and investors, and coordination for these dialogues, are carried out by the General Administration Division, the Accounting & Finance Division, and other divisions in coordination, under the supervision of Directors in charge of General Administration and Accounting & Finance.

the General Meeting of Shareholders. In addition, the Company regularly holds corporate briefings and plant tours, and publishes information brochures to promote shareholders' understanding and enhance communication with them. For institutional investors and Management Plan presentation meetings, visits to steelworks and research centers, and other events, NSSMC discusses its strategies, businesses, operating performance, and other issues. Small meetings with investors, various conferences, and visits to overseas institutional investors are other means for enhancing communication.

Measures to enhance dialogues

For shareholders, NSSMC strives to proactively provide information and cooperatively respond to questions raised by shareholders at

Feedback to the Board of Directors and others

Opinions and comments received from shareholders and investors through the above occasions are regularly reported at Board of Directors' meetings and on other occasions.

IR activities

[Fiscal 2016 results in parentheses]

Event	Summary of event
For institutional investors and analysts	• Quarterly results briefings, presented by the director in charge of IR [4 times]
	• Briefings or telephone conferences on important matters concerning business strategy
	• 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	• Visits to steelworks and research centers [6 times]
	• Results briefings [4 times] *
IR library on the Web	• Plant tours [10 times] *
	• Financial Results • IR Briefing • Security Reports (quarterly; only in Japanese)
	• Annual Reports • Fact Books
	• Mid-Term Management Plan Press Release and IR Briefing • Reports for Shareholders

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

Executive team

(As of June 27, 2017)



Shoji Muneoka
Representative Director and Chairman

Kosei Shindo
Representative Director and President

Soichiro Sakuma
Representative Director and Executive Vice President

- General Administration; Legal; Internal Control & Audit; Business Process Innovation; Human Resources; Environment

Yasumitsu Saeki
Representative Director and Executive Vice President

- Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches
- Cooperating with Executive Vice President E. Hashimoto on Overseas Offices

Shinji Fujino
Representative Director and Executive Vice President

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

Eiji Hashimoto
Representative Director and Executive Vice President

- Head of Global Business Development
- Overseas Offices



Kenji Takahashi
Representative Director and Executive Vice President

- Head of Research and Development

Toshiharu Sakae
Representative Director and Executive Vice President

- Corporate Planning; Group Companies Planning; Accounting & Finance; Raw Materials

Shinji Tanimoto
Managing Director, Member of the Board

- Intellectual Property; Technical Administration & Planning; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology;
- Rendering Assistance to Executive Vice President Y. Saeki on Steel Products Units
- Rendering Assistance to Executive Vice President S. Nakamura on Logistics Technology

Shinichi Nakamura
Managing Director, Member of the Board

- 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

Toshihiko Kunishi
Managing Director, Member of the Board

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

Mutsutake Otsuka*1
Director, Member of the Board

- Executive Advisor to the Board of East Japan Railway Company

Reason for appointment

Deep insight, knowledge and extensive experience in management of a company

Ichiro Fujisaki*1
Director, Member of the Board

- Distinguished Professor of Sophia University

Reason for appointment

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



Yutaka Takeuchi
Senior Audit & Supervisory Board Member

Atsuhiko Yoshie
Senior Audit & Supervisory Board Member

Masato Tsuribe
Audit & Supervisory Board Member

Katsunori Nagayasu*2
Audit & Supervisory Board Member

- Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Reason for appointment

Deep insight, knowledge and extensive experience in management of a bank

Hiroshi Obayashi*2
Audit & Supervisory Board Member

- Attorney, Obayashi Law Office

Reason for appointment

Deep insight and knowledge as an attorney at law and extensive experience as prosecutor-general and in other important posts

Jiro Makino*2
Audit & Supervisory Board Member

- Vice Chairman, The General Insurance Association of Japan

Reason for appointment

Deep insight and knowledge of fiscal matters, based on years at the Ministry of Finance, and extensive experience as the Director General of the National Tax Administration Agency and in other important posts

Seiichiro Azuma*2
Audit & Supervisory Board Member

- Certified Public Accountant, Certified Public Accountant Seiichiro Azuma Office

Reason for appointment

Deep insight and knowledge of corporate accounting, and extensive experience as a certified public accountant

*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

Contributing to building a society with reduced environmental burden

Under the Corporate Philosophy to “contribute to society by providing excellent products and services,” NSSMC is committed to implement our Three Eco-Friendly Initiatives; namely, the way we manufacture is “Eco-friendly” (Eco Process); what we produce is “Eco-friendly” (Eco Products™); and sharing our “Eco-solutions” (Eco Solution). Through these initiatives, we strive earnestly to engage in energy-efficient production activities, reduce waste in manufacturing processes, promote recycling, and thereby reduce environmental burden.



Eco Process

The way we manufacture is “Eco-friendly”



Eco Products™

What we produce is “Eco-friendly”



Eco Solution

Sharing our “Eco-solutions”

Promoting global warming countermeasures

The most effective way to act against global warming is to curb consumption. From the time of the first oil crisis to around 1990, NSSMC has intensively promoted continuous processing, exhaust heat recovery, and other measures, all to enable significant energy conservation. This has led to NSSMC and Japan’s steel industry as a whole achieving the world’s top-class energy efficiency.

NSSMC is striving to reduce CO₂ emissions by using energy generated in steelmaking processes, including power generation, through use of by-product gas or exhaust heat recovery, or by recycling waste plastics and discarded tires. As a result of these efforts, NSSMC and affiliated electric furnace and other companies*1 consumed 1,045 PJ of energy and emitted 91 million tons (preliminary figure)*2 of CO₂ in FY2016.

*1 Affiliated electric furnace and other companies: Osaka Steel Co., Ltd.; Godo Steel, Ltd.; Nippon Steel & Sumikin Stainless Corporation; Nippon Coke & Engineering Co., Ltd.; five Cooperative Thermal Power Companies; and two Sanso Centers, etc.

*2 Preliminary: A provisional value based on the assumption that the CO₂ level in a unit of purchased electricity in FY2016 is the same as in FY2015.

Contributing to the creation of a recycling-oriented society

Through recycling of in-house by-products, in its steelmaking process, NSSMC works for the realization of zero emissions, and is also actively engaged in the recycling of waste generated by other industries or in society. In the iron-making process, approximately 600 kg of by-products are generated for every ton of iron produced. In fiscal 2016, NSSMC produced 42.62 million tons of crude steel and generated 23.80 million tons of by-products. The majority of these by-products were recycled inside and outside the company, and the final disposal amount was approximately 240,000 tons, resulting in a high recycling ratio of 99%.

Moreover, NSSMC recycles waste plastics and discarded tires by using them in steelmaking processes. In the case of waste plastics recycling, NSSMC disposes about 200,000 tons of waste plastics, equivalent to around 30% of waste plastics being collected nationwide, based on the Containers and Packaging Recycling Act in Japan. Our cumulative amount of waste plastics up to the end of fiscal 2016 is approximately 2.68 million tons and the effects of reduction in CO₂ emissions amount to approximately 8.54 million tons.

Contributing to the creation of a recycling-oriented society

NSSMC is promoting management of environmental risk with the aim of continually enhancing preservation of the environment in various regions, with due consideration of environmental risks, which differ by each steelworks or factory, and with due consideration to compliance with Japan’s Air Pollution Control Act and other regulations. We are also engaged in reducing environmental risk throughout the Group.

Atmospheric risk management

In order to reduce emissions of sulfur oxides (SOx) and nitrogen oxides (NOx) and to curb emissions of soot and dust, we have implemented effective facility measures. In addition, we conduct constant monitoring and regular patrols to ensure that no abnormal emissions are released outside.

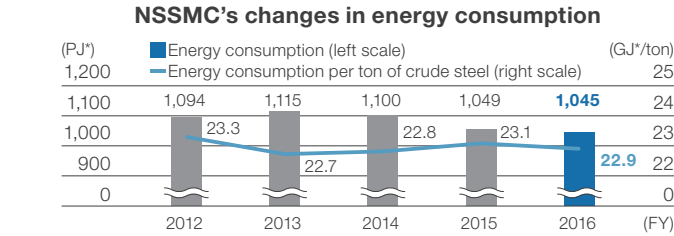
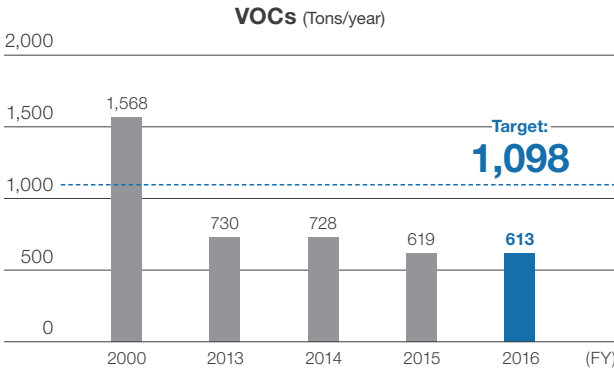
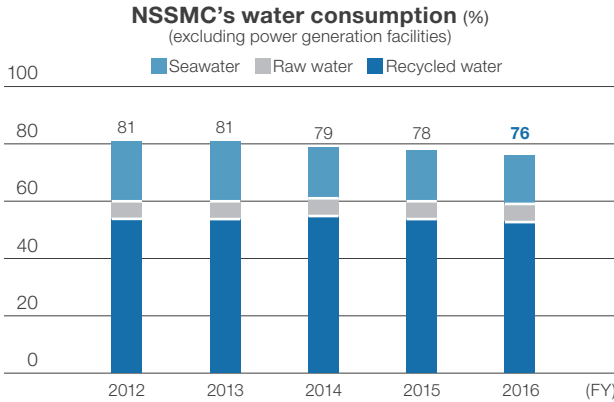
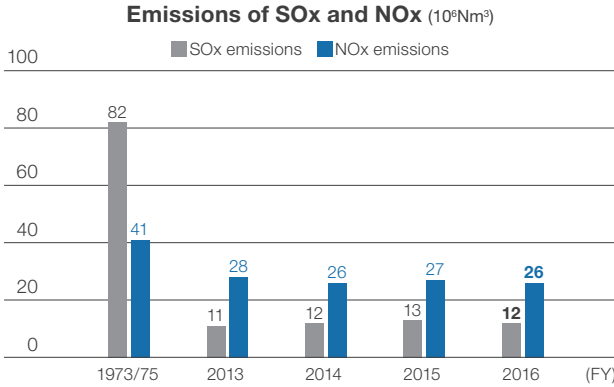
Water quality risk management

NSSMC uses approximately 6.0 billion m³ of freshwater a year at all of its steelworks and factories combined. Approximately 90% of this water is recycled or re-circulated. We try not to waste precious water resources, and to control wastewater discharge. In consideration of the importance of preventing water pollution, we have installed devices such as water discharge automatic monitoring equipment, water drain shut-off gates, and emergency water storage tanks to prevent abnormal wastewater to spill over outside the steelworks or factories.

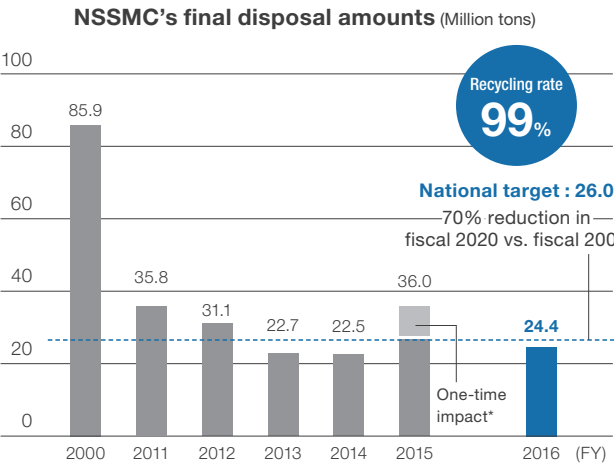
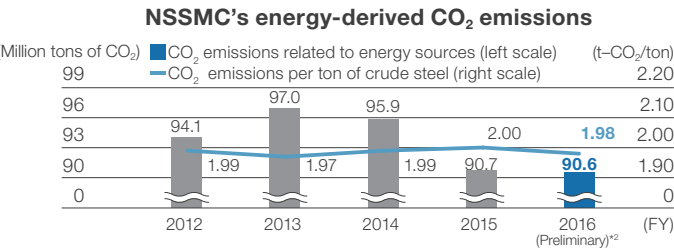
Comprehensive control of discharge of chemical substances

NSSMC appropriately manages and tries to improve the production, handling, and discharge of chemical substances such as VOC* in accordance with laws concerning the management of chemical substances as well as following the voluntary management procedures set by the Japan Iron and Steel Federation (JISF) and NSSMC. We also took the lead to promote the use of alternatives to steelmaking materials and equipment that contain hazardous materials such as asbestos and polychlorinated biphenyl (PCB).

*VOC: Volatile Organic Compounds



*PJ indicates peta-joules (10¹⁵ joules). A joule is a unit of energy, or amount of heat. GJ indicates giga-joules (10⁹ joules)

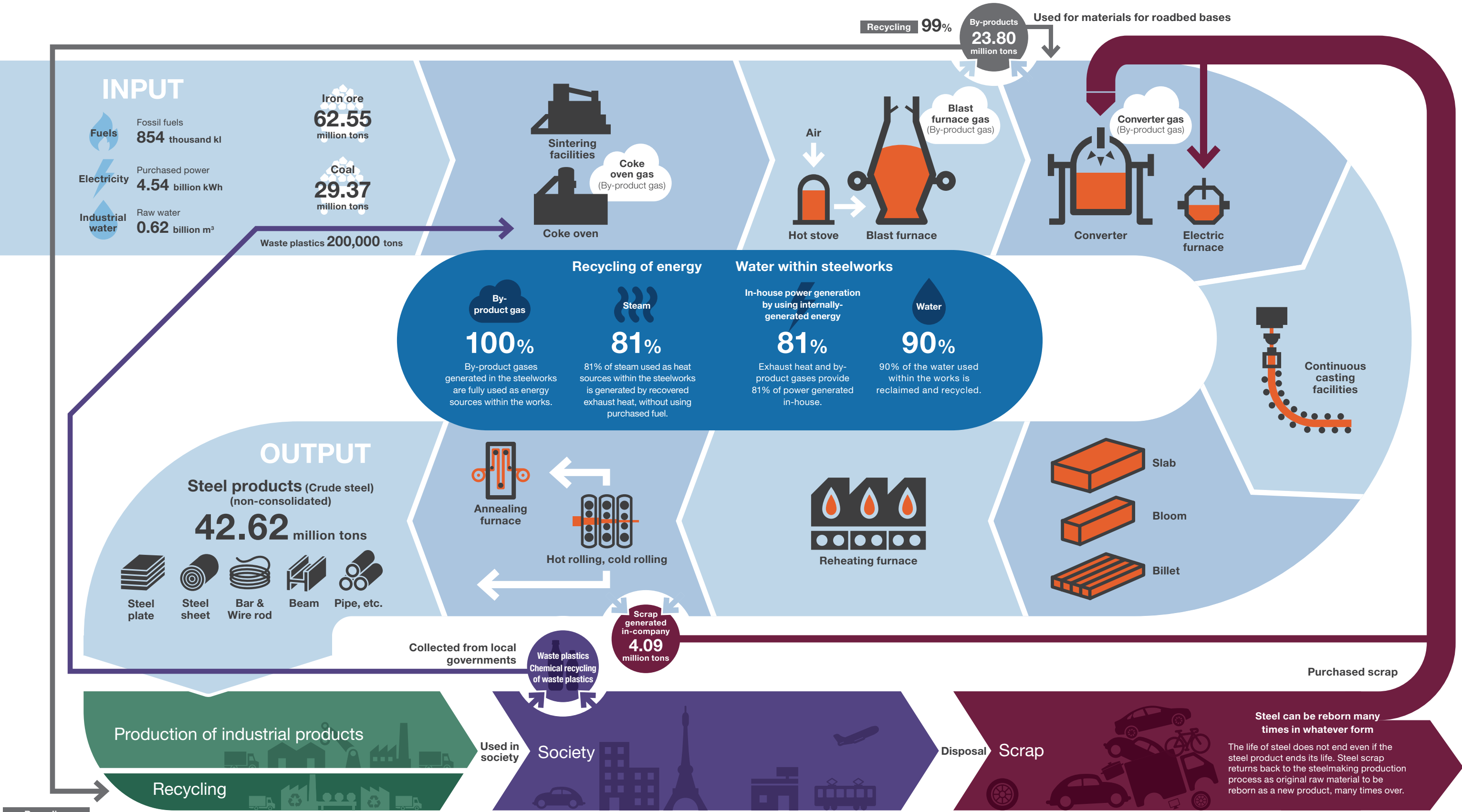


*Including non-recurring waste (97,000 tons) generated by large-scale construction projects.

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 manufacturing bases 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. 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. In addition, steel used in society returns to the steelmaking production process as steel scraps and can be reborn as a new product many times over. Our long-accumulated know-how and technologies have enabled us to use resources and energy thoroughly and efficiently.



Recycling
Sales or commissioned recycling
Cement materials/Other industries

Eco products™ (What we produce is “Eco-friendly”)

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

Our products have advanced or highly specialized functions, are based on our technological capabilities and reliability, and are widely used in diverse areas of society. They contribute to promote (1) measures against climate changes by the saving of energy and a reduction in CO₂ emissions; (2) creation of a recycle-oriented society by lengthening product life and improving recyclability; and (3) environmental risk management by preservation of the environment and control of chemical substances.

Saving of energy and a reduction in CO₂ emissions (promoting measures against climate changes)

NSSMC is contributing to energy conservation by providing electrical steel sheet with higher conversion efficiency of electric and magnetic energy, and by providing steel products with high heat exchange efficiency. The Company is also contributing to reduction in CO₂ emissions through improved fuel efficiency by customers’ use of high-tensile-strength steel sheets, which are thinner and more lightweight.

Power generation with no CO₂ emission
Titanium foil for fuel cells



Reduction in energy loss
Highly-efficient grain-oriented electrical steel sheet, ORIENTCORE-HI-B™



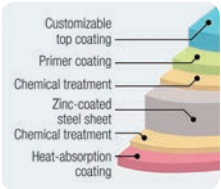
Enhanced efficiency for energy transportation
High-strength line pipe



Enhanced efficiency of motors for hybrid vehicles
Highly-efficient non-oriented electrical steel sheet



Enhanced heat discharge of home appliances
High-heat-absorption steel sheet



Lengthened product life and improved recyclability (promoting the creation of recycle-oriented society)

NSSMC is contributing to lengthened product lives by providing corrosion-resistant, abrasion-resistant steel products, that respond well to usage and the environment to be used. We are also contributing to promote a recycle-oriented society by adding various functions to steel, which has extremely high recyclability.

Sulfuric acid and hydrochloric acid dew-point corrosion-resistant steel
S-TEN™1



High-corrosion resistant, alloy-coated hard steel wires for civil engineering
Tough Guard™ Mild



Prolonged service life and enhanced durability and reliability for the construction industry
Titanium for construction products



Prolonged service life and enhanced durability and reliability for construction and industrial machinery
Abrasion resistant steel plate, ABREX™



Enhanced corrosion resistance for construction products
High corrosion resistance coated steel sheet, SuperDyma™



Preservation of the environment and control of chemical substances (promoting environmental risk management)

NSSMC is contributing to reduction of environmental risks by realizing the same performance, which used to be achieved by adding lead and other substances of concern, without doing so, and by providing steel products that curb noise generation in the use of the products.

Measures against noise for railways
Noise control railway wheels



Eco-friendly system for the energy sector
OCTG connections, CLEANWELL™ DRY



Eco-friendly steel sheet for automobiles
Lead-free free-cutting steel for crankshafts



Eco-friendly steel sheet for home appliances
Electrolytic chromate-free zinc-coated steel sheet for home appliances, NS ZINKOTE™ and NS ZINKOTE™ Color



Environmental preservation (less soil discharge, low noise, and low vibration) for civil engineering
NS ECO-PILE™



ECO SOLUTION (SHARING OUR “ECO-SOLUTIONS”)

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

With the understanding that the transfer of Japan’s advanced energy-saving technologies overseas can be one of the most effective ways to globally reduce CO₂ emissions, NSSMC is participating in global energy-saving and environmental initiatives in various ways including multinational and bilateral arrangements with China and India.

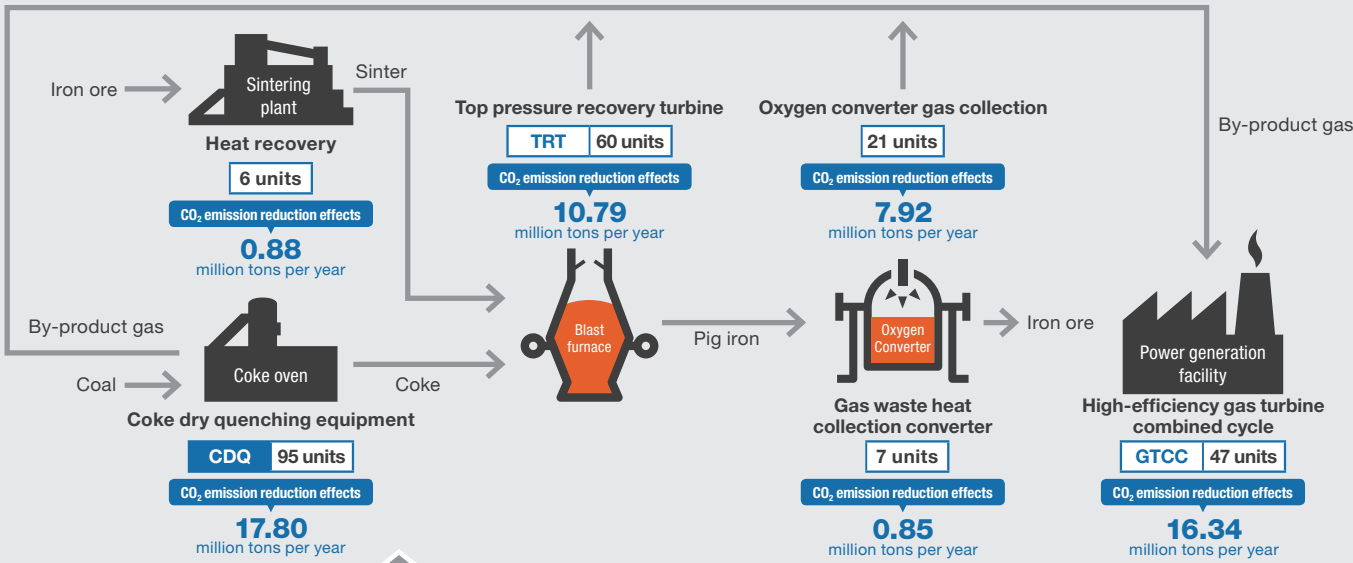
Overseas steel industry’s CO₂ emission reduction effects by introducing Japan’s energy-saving equipment

(Cumulative basis to fiscal 2015, JISF)

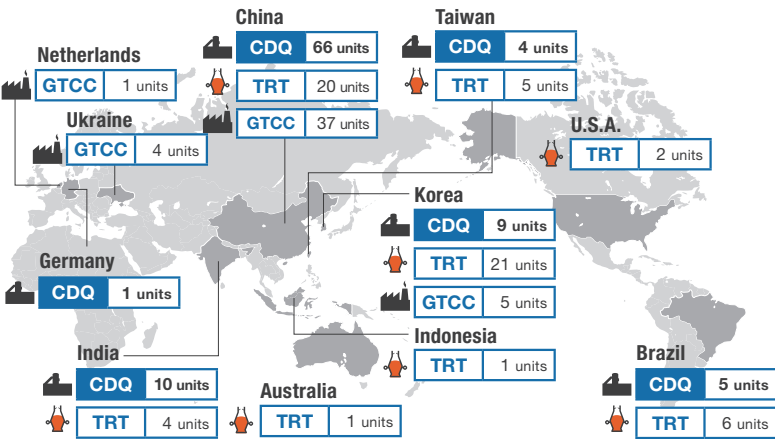
The CO₂ emission reduction effects achieved by Japanese companies’ energy-saving technologies transferred overseas have amounted to over 50 million tons a year in total.

CO₂ emission reduction effects

Total **54.58** million tons per year



Globally-expanding Japanese steel industry’s energy-saving technologies (Numbers represent the number of units.)

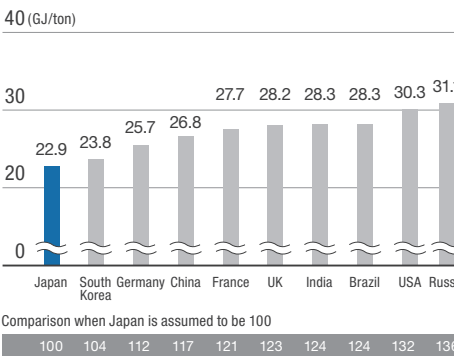


The Coke Dry Quenching (CDQ) power generation equipment uses the exhaust heat, which is collected while the hot coke is quenched with inert gas.

*95 units of CDQ equipment are all from the NSSMC Group (Nippon Steel & Sumikin Engineering).

NSSMC and other steelmakers in Japan had earnestly promoted continuous processing and exhaust heat recovery after the first oil crisis and until around 1990. This has resulted in their achieving the world’s high-level energy efficiency.

Energy efficiency in steelmaking by country (2010)



Comparison when Japan is assumed to be 100

Source: International Comparisons of Energy Efficiency (Sectors of Electricity Generation, Iron and steel, Cement), RITE, 2010 (Numerical values were provided by the Japan Iron and Steel Federation (JISF))

The base that supports growth

NSSMC's sustained growth has been supported by our R&D organization that is world-leading in steel in terms of quality and scale, strong relationships of trust with customers, advanced purchasing strategy jointly fostered with suppliers, and various other assets we have accumulated over many decades. In addition, our cultural attribute of carefully developing and utilizing human resources, that create those assets, and our organization that encourages these people manifest their best are also our precious assets and part of the base to support growth. We will further enhance such invisible values, which do not appear on the financial statements, hand them down to the next generation, and aim to realize further growth.

Organization

Technology

Customers

Employees

Suppliers

Society

Organization

Our organizational strength contributes to realizing the best steelmaking.

Strong worksite teams are indispensable for steelmaking, which requires massive facilities.
The correct functioning of an organization is critically important for team members, who need to maintain high morale and assume strong responsibility.
We are always aiming to grow as organization.

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

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

Code of Conduct

- The NSSMC Group aspires to fulfill its social responsibility by implementing the following nine principles set in this Code of Conduct.
1. Act with a strong sense of ethical values and in compliance with laws and regulations.
 2. Develop and provide socially beneficial, good-quality and safe products and services, thereby earning the satisfaction and trust of our customers.
 3. Engage in fair and free competition and proper business practices, and maintain a sound and proper relationship with political bodies and government agencies.
 4. Actively engage with the public, disclosing corporate information in a fair and proactive manner, while carefully protecting and managing personal data and other types of information.
 5. Create a healthy, safe and comfortable work environment, and respect the character and diversity of our employees.
 6. Actively contribute, as a member of society, to global environmental preservation and to local communities and society.
 7. Reject any relations with antisocial forces and organizations, and take a firm stance against all improper demands.
 8. Comply with laws and regulations of relevant countries and regions, and respect international norms, cultures and customs in conducting our business operations.
 9. Abide by this Code of Conduct and set up an effective mechanism to implement it. If a violation of this Code occurs, act promptly to determine the cause and prevent similar violations in the future, and make appropriate public disclosure.

Together with
Employees

Our workforce assumes a vital role
in our world-leading manufacturing.

We believe that our manufacturing starts with the nonstop development of our prized human assets. NSSMC strives to create the best environment to facilitate efforts of each and every one of our employees to accomplish goals and set higher standards each day.

Human development

NSSMC's launchpad for human resources development is on-the-job training (OJT). All supervisors are required to be accessible to his or her juniors, communicate with them every day, and teach them operational skills and help develop their ability to make judgments. Numerous off-the-job training (OFF-JT) programs are also available to complement these ongoing activities. They are constantly upgraded and modified to respond to changing needs over time.

First, the program for Training for All Job Classes, for all employees, helps them to acquire basic knowledge and skills required for each job class.

In addition, for fostering steel engineers who support advancement in technology, professional technology courses that range from basics to highly advanced as well as variety of other technological training sessions are available. A scheme to help all engineers, young ones and veterans alike, acquire knowledge in a systematic manner has also been established. In response to the mounting demands of globalization, NSSMC has initiated educational programs that include language lessons, intercultural learning programs, seminars prior to overseas assignment, and programs to study at a graduate school in the United States, Europe, or China, all with the aim of fostering people who can work on the global stage.

Balanced work-life

From the viewpoint of supporting the work of employees, we not only seek to provide a good work environment but also a good work-life environment for our employees and their families. We offer various welfare benefit programs that accommodate the needs of employees. These include dormitories, company housing, a childcare or family-care leave system, and the Work-Life Support Program, in which the company partly subsidizes expenses for childcare-related or other services, in response to individual applications by

employees. We opened a 24-hour childcare center for use by shift work employees in three steelworks. We plan to open similar centers in other steelworks. We are enhancing support programs for our employees, who are raising children, in particular those shift work employees, who have a night shift.

Handover of skills and know-how

At manufacturing worksites, it is critically important for NSSMC's growth to have our veteran employees relay their accumulated skills and know-how to the next generation of young workers. Our method of transferring skills has evolved using such systemized teaching methods as visualized work procedures and comprehension tests.

Promoting diversity in the workplace

Within the NSSMC Group people of diverse backgrounds are working together in around 20 countries and regions, with the common aim of being the world leader in steelmaking. Also in many of our companies we have more female employees in important positions than in the past, even at manufacturing sites and in managerial positions.

Respect for human rights

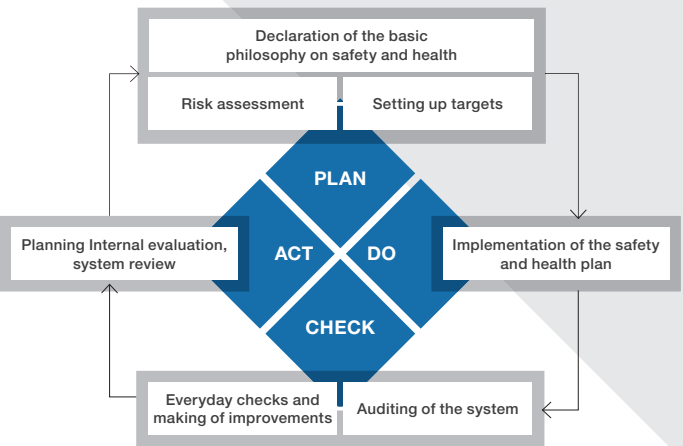
NSSMC respects human rights, gives due attention to the rights of workers, and staunchly opposes the use of forced or child labor. These are prerequisites of our corporate activities. We have also prohibited as unjust the discriminatory treatment of workers, and take such initiatives as organizing training sessions and other activities to enlighten employees and 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.

Safety and health at work

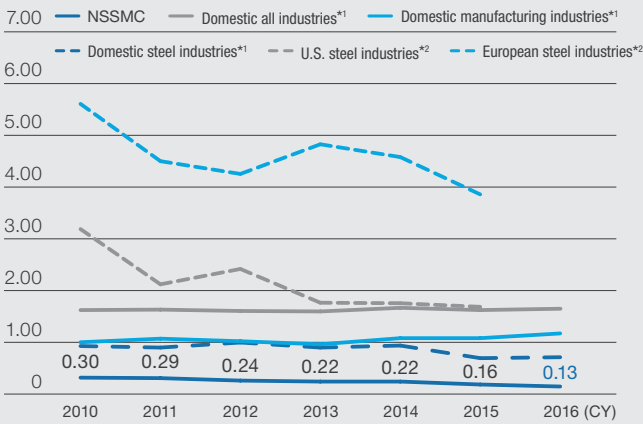
"The safety and health of employees at the Nippon Steel & Sumitomo Metal Corporation Group are the most important, top-priority values and the basis for supporting business development." In keeping with this Basic Philosophy on Safety and Health, we strive to ensure our worksites are safe, and free of accidents or injuries. Specifically, in order to thoroughly eliminate potential risks, we are now working on strengthening risk identification, making our equipment genuinely safer, and carrying out measures to prevent human errors. We are also taking initiatives for prevention of disaster recurrence and the analysis of past disasters. As for safety training, our Taikan Program (an experience-based safety education program), which allows employees to experience worksite risk through simulation, so as to better prepare them in anticipating and managing risk, has been enhanced. As for healthcare management, we have strengthened procedures for employees' medical checkups and examinations, and are promoting preventive measures on behalf of the mind and the body of employees.



Efforts toward safety and health management



Accident frequency rate



*1 Source: JISF "Safety Management Overview, 2017"

*2 Source: WSA

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

Aiming for further advancement in technology

NSSMC will expand the frontiers of steel and create the future

Iron is believed to be one-third of the Earth’s weight. While its theoretical strength is said to be 10GPa, the strength of steel materials commercially used today for automobiles is merely 10% of its theoretical strength.

What supports such a high level of manufacturing that combines huge scale and minute precision is NSSMC’s maximizing the potential of steel as a material, that is, the challenge of “expanding the frontiers of steel.”

R&D organization

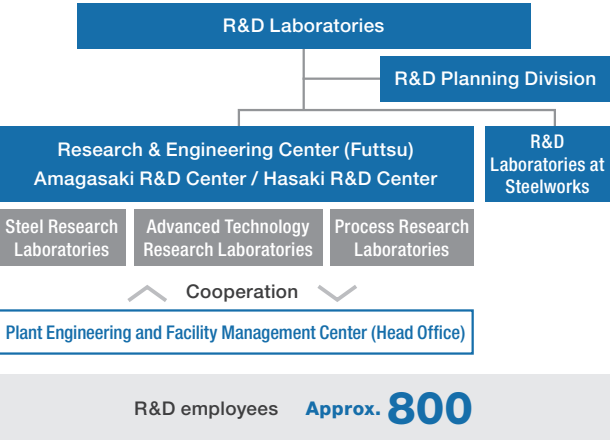
NSSMC’s approximately 800 R&D employees work in three core research centers—Futtsu in Chiba Prefecture, Amagasaki in Hyogo Prefecture, and Hasaki in Ibaraki Prefecture—as well as in the Plant Engineering and Facility Management Center (Head Office) and R&D Laboratories at steelworks across Japan. They make collaborative efforts to ensure integrated R&D activities that encompass basic and fundamental research and application development and engineering. Since the integration and establishment of NSSMC in October 2012, we have consolidated research teams working in the same research field but at various sites. We have also clarified their roles and functions as well as those of R&D Laboratories in each of the steelworks. Work in a given research field is now done at a single location. By taking such measures, we have established an optimal R&D organization to maximize synergies.

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 near customer locations; (3) integrated solutions enhanced by Group companies’ products and technologies; (4) the ability to address environmental and energy-related concerns with solutions maximizing steelmaking 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. Please see details on NSSMC’s advanced technology on page 19, “Advance of NSSMC technology.”

Strengths in R&D

- Comprehensiveness and speed of development, facilitated by the integration of R&D and engineering
- R&D network having locations near customer locations
- Integrated solutions enhanced by Group companies’ R&D organization products and technologies
- Ability to address environmental and energy-related concerns with solutions maximizing steelmaking process technology
- Collaboration between industry and academic institutions, overseas alliances, and joint research with customers
- Extensive portfolio of fundamental and platform technologies

R&D organization



Futtsu



Amagasaki



Hasaki

Together with Suppliers

NSSMC aims to enhance competitiveness, together with suppliers

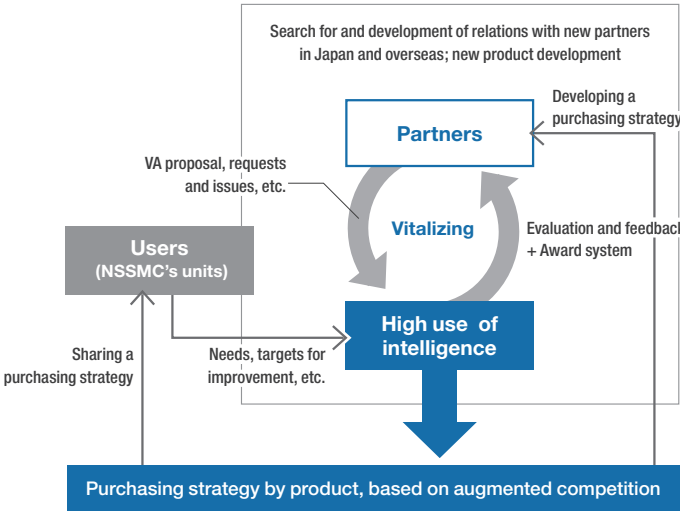
NSSMC purchases around one million product items of equipment and materials from gigantic facilities such as blast furnace to electric and mechanical products as well as safety, emergency, and office supplies from about 1,560 suppliers other than major suppliers of iron ore and coal. A top-flight purchasing strategy, with a focus on dialogues with suppliers, is indispensable for us to enhance manufacturing competitiveness. We do business with suppliers based on the following basic policy.

Basic policy	Compliance with laws	Equal opportunities	Building of a partnership
	Fair disclosure of information and quick transaction processing	Consideration to resource protection and environmental preservation	Preservation of confidentiality

Aiming to enhancing dialogue with suppliers under the Basic Policy, we began a “VoU (Voice of User) and VoS (Voice of Supplier) activity” in fiscal 2015 to collect opinions and comments of NSSMC’s departments which use equipment and materials (users) and suppliers. Moreover, we are trying to advance to a higher plane of intelligence usage, by centrally analyzing and accumulating information, mainly from these activities, and using it to form a high-quality purchasing strategy.

Foundation of a Partner Award System for dynamic utilization of VoS

Starting in fiscal 2015, we give annual awards to suppliers who make outstanding contributions to the improvement of quality and cost of equipment and materials. This award program has increased the number of unsolicited proposals from suppliers, creating a virtuous cycle in communication with suppliers. We intend to use the award system and actively promote the VoS activity for enhancing our purchasing strategy.



Supply chain management that reduces environmental burden

Based on the Life Cycle Assessment concept, NSSMC is taking initiatives in reducing environmental burden at various points along the supply chain. In keeping with rising demand for tighter management of chemical substances, we have created management standards for 16 toxic chemical substances, including cadmium, jointly with customers and suppliers. We then established a system to manage substances of concern contained in purchasing materials and products, including

packaging materials. In addition, as stipulated in the Charter of Corporate Behavior by Keidanren, we have set up internal rules, including an appropriate purchasing policy, which puts us on record as fully considering resource protection and environmental preservation. Concerning materials, we confirm with suppliers that conflict minerals are not in use.

Toxic material management concerning quality assurance

See the website for details <http://www.nssmc.com/en/csr/customer/support.html>

Together with
Customers

Customer’s trust is our precious asset.

NSSMC sees as an important role going beyond providing materials, to ensuring maximum value for customers from the use of materials we provide, with thorough “before & after” services.

We make efforts every day to be trusted by customers, ensuring that our customers say, “only NSSMC can do this.”



Customer evaluation example
Steel sheets for home appliances



In 2016 NSSMC received from Panasonic Corporation the ECO-VC (Value Creation) Gold Award for the development of a new electrical steel sheet that satisfies both high efficiency and good scrap recycling of compressor VA. The ECO-VC Gold Awards are given to suppliers of Panasonic Group companies that make particularly significant contributions to reducing CO₂ emissions and making their products more competitive, out

of approximately 1,000 such contributions from suppliers. We were awarded this award for a seventh consecutive year from Fiscal 2010. Moreover, we also received a newly-established Special Contribution Award.

In Malaysia, Nippon EGalv Steel, an electro-galvanized steel manufacturing and sales subsidiary of the NSSMC Group, received the Best Supplier Award 2016 from Pioneer Electronics AsiaCentre Pte. The award was given to nine suppliers who made outstanding contributions to quality management, environmental response, cost competitiveness, delivery performance, technology, and services in regard to semiconductor & electrical parts and mechanical parts. Nippon EGalv Steel has supplied electro-galvanized steel to their plant in Indonesia since it started operation in 2013. Nippon EGalv was recognized particularly for its delivery performance, contribution to stable production and cooperation in value creation with the plant.

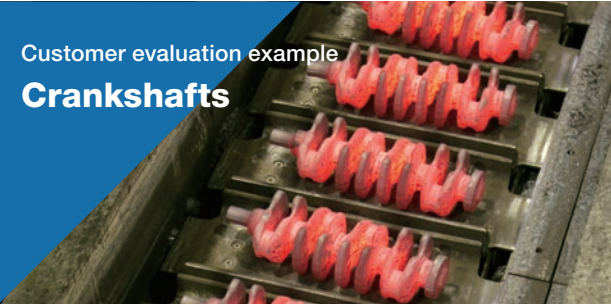
Customer evaluation example
Railway wheels



Both NSSMC and its railway wheel and axle manufacturing subsidiary Standard Steel LLC (SS) received the “Excellent Supplier 2015” award from TTX Company in the U.S. TTX is North America’s largest leasing company of railcars and has over 200,000 freight cars for use throughout North America. Excellent Awards are given to suppliers which score 90 or more points of 100 points in items such as quality, cost, delivery, and service. This award was the 10th time for NSSMC’s since its first award in 2004, and SS’s 25th

consecutive award since the first year TTX made this award. In North America, the recent increase in loading capacity of freight cars has increased the need for high-end wheels for high-load freight cars. NSSMC and SS were quick to develop such wheels and have obtained the Class D attestation, a standard for high load bearing adopted by the Association of American Railroads. Class D wheels are high-end wheels with a long service life and are excellent in terms of load bearing and resistance to wear, compared to the conventional Class C wheels. In particular, NSSMC’s Class D wheels have demonstrated outstanding performance in the improvement of service life, and have been highly regarded by customers in North America. At present, NSSMC commands a 100% share in Japan’s railway wheel market and an overwhelming technological capacity. We will provide high-quality high-performance railway wheels in the North American market, and marketing efforts will also be extended to other markets having increasing need for wheels of high-load freight cars, such as South America and Australia.

Customer evaluation example
Crankshafts



International Crankshaft Inc. (ICI), NSSMC’s crankshaft forging subsidiary in the U.S., received the 2015 Excellence in Value award from American Honda Motor Co. In addition, Huizhou Sumikin Forging Co. in China received the Excellent Quality Award from General Motors in China and SMI Amtek Crankshaft in India received the Quality Excellence Award from General Motors in India respectively in 2015. There are three

categories in Honda Excellence Awards: quality, delivery and value. Twenty-seven suppliers out of 650 Honda suppliers in North America received the Excellence in Value award in 2015. Both Huizhou Sumikin Forging and SMI Amtek Crankshaft received GM’s award for a second consecutive year as their stable continuous supply of high-quality product was highly regarded. The NSSMC Group’s crankshaft business, based in four countries, namely Japan, the U.S. China, and India, has more than a 10% global share in automobile crankshaft and an annual capacity of 12.3 million crankshafts. Given the outlook for additional demand for new engines, we will respond to automakers’ needs such as for forming of crankshafts by even taking into account engine design, while maintaining our proven stable quality and accurate delivery performance.

Awards from customers in FY2016 (in alphabetical order)

Customer	Award	Product type
American Honda Motor Co., Inc.	Excellence in Value 2015	Crankshafts
General Motors China	Excellent Quality Award	Crankshafts
General Motors India	Quality Excellence Award	Crankshafts
Panasonic Corporation	ECO-VC Gold Award, Special Contribution Award	Steel sheets
Pioneer Electronics AsiaCentre Pte. Ltd.	Best Supplier Award 2016	Steel sheets
TTX Company (U.S.A.)	Excellent Supplier 2015	Railway wheels

Together with
Society

NSSMC grows hand in hand with local communities and society.

Having many manufacturing bases all over Japan, NSSMC has a long history of being engaged in business activities 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, aiming at growing together with people in local communities. Our programs include promoting environmental preservation and distinctive social contribution activities such as through education, music, sports, and international exchange.

Preservation of the environment For keeping the earth green

“Creation of a Hometown Forest”

NSSMC’s “Creation of a Hometown Forest” began in 1971, when we planted saplings at Oita Works. At present, each of NSSMC’s steelworks in Japan has its own environmental conservation forest. Our forests, in aggregate, total around 900 hectares (about 2.5 times the area of Central Park in New York) and have become home to a diverse range of birds and small animals. 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 local residents and our employees working together. Our “Creation of a Hometown Forest” has become the first silvicultural program based on an ecological approach by a Japanese company.

“Creation of a sea forest”

In recent years, a new environmental problem that has been identified is sea desertification, meaning that the sea becomes like a desert owing to disappearance of seaweed from the water. The environment for growth of marine life deteriorates when this happens, causing serious damage to coastal fisheries. It was found that a decline of iron, which has been carried from the forest areas to the sea in river water, is one of the causes for sea desertification. To offset a part of the decline in the supply of iron from nature, NSSMC has created iron supply units composed of humus, soil and steel slag, the latter being a by-product of the steelmaking process that is rich in iron. NSSMC is supplying this product and promoting regeneration of seaweed beds.

Education For children's future

Tatara ironmaking method

We sponsor a hands-on steelmaking program for children using the tatara method (a traditional Japanese ironmaking technique) and activities to present the attraction of manufacturing at various places in Japan.

School visits for lectures and internship programs

For elementary and junior high school students, we help support an energy conservation and environmental preservation class, science experiments, and special classroom lectures by sending our employees as lecturers. We also offer work experience opportunities through internship programs to technical college students and university students.

Corporate sessions for teachers

We host visits to our manufacturing sites by teachers to help deepen their understanding of manufacturing, with the hope that it will trigger interests of children into manufacturing through teachers.



Disaster restoration support As a member of a community or a society

Participation in the restoration projects in the
Kaminakajima District, Kamaishi City

Jointly with Kamaishi City and Nippon Steel Kowa Real Estate Co., Ltd., NSSMC is involved in the construction project of Kaminakajima Nursery School, Center for Children and Parents, and Children’s Hall. Based on an agreement with the local community, construction began in April 2017 and is to be completed by late December 2017. This is the third phase of the joint restoration project of the Great East Japan Earthquake of 2011 by the three parties in the district, following the first and second phases in the Kaminakajima Restoration Public Housing Project.

While the housing project has been proceeded well, the need for nursery care and arrangements for nursery environments, in accordance with the various working conditions of parents has risen as an urgent issue in Kamaishi City, indicating a new phase of restoration work. In the Kaminakajima District, following completion of the restoration public housing, it has become important to form a new community for people who came to the district, from a perspective of elderly care and community comprehensive care.

The new project will construct Kaminakajima Nursery School, Center for Children and Parents, and Children’s Hall in the same site, to create a convenient, comprehensive day-care



environment to deal with the issue and support restoration and employment of mothers raising children.

Moreover, by constructing these facilities, where parents and children from less than one-year old to junior high school children get together, near the housing, the facilities will essentially become a place to form a community on top of functioning as children’s facilities.

Salt removal measure on tsunami-devastated farmland

NSSMC donated about 20 tons of converter slag fertilizers, a by-product of steelmaking, to cooperate for research by Tokyo University of Agriculture for salt removal in tsunami-devastated farmland. Deposition of salt occurred at the time of the Great East Japan Earthquake of March 2011 in the Soma area of Fukushima Prefecture. The university applied converter slag fertilizers on strawberry fields and 1.7ha of rice fields and proved its effectiveness in rapid and efficient salt removal. This has thereby been established as the Soma method. Since then, the Soma Project was launched by Tokyo University of Agriculture, Soma City in Fukushima Prefecture, and the agricultural organization JA Soma. The application area was expanded, NSSMC donated about 500 tons of converter slag fertilizers, and approximately 50 ha of rice fields was restored by this method.



Before salt removal



After salt removal

Music and sports For lifestyle enrichment

Community activities through music

Through the Nippon Steel & Sumitomo Metal Arts Foundation, NSSMC has a long history of supporting interest in and enjoyment of music, by helping the development of musicians, holding concerts, supporting excellent music-related activities, and making music awards, principally at Kioi Hall in Tokyo.

Community activities through sports

NSSMC also manages or supports sports teams in the local communities of its steelworks. These include the professional J-League Kashima Antlers football team, which began as our corporate team and finished as a runner-up in the 2016 FIFA Club World Cup Finals; a judo club, which has produced Olympic medalists; baseball teams , which have sent many of its players to the professional leagues; and both a men’s volleyball team and a rugby team. All of these teams also

contribute to their local community through such various activities as sports classes for children, coaching of junior teams, and making our athletic facilities available to local residents for games and training. Together with local residents, we strive to provide renewed vigor to our local communities.



11-Year Financial Performance (Unaudited; only for reference purposes)

		FY 2006	2007	2008	2009	2010	2011	2012*5	2013	2014	2015	2016
Operating Results (Fiscal year) <Millions of yen>												
Net sales	NSSMC/Nippon Steel	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	4,907,429	4,632,890
	Sumitomo Metals	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	580,097	545,580	342,930	32,005	165,605	79,364	20,110	298,390	349,510	167,731	114,202
	Sumitomo Metals	303,774	274,396	226,052	(928)	56,301	76,801	15,759	—	—	—	—
Ordinary profit (loss)	NSSMC/Nippon Steel	597,640	564,119	336,140	11,833	226,335	143,006	76,931	361,097	451,747	200,929	174,531
	Sumitomo Metals	327,676	298,218	225,736	(36,634)	34,049	60,803	10,815	—	—	—	—
Profit (loss) before income taxes	NSSMC/Nippon Steel	621,419	605,485	281,079	11,242	185,377	120,053	(136,970)	399,147	376,188	230,778	181,692
	Sumitomo Metals	341,725	281,298	194,459	(39,758)	(27,991)	(51,251)	(134,831)	—	—	—	—
Profit (loss) attributable to owners of parent	NSSMC/Nippon Steel	351,182	354,989	155,077	(11,529)	93,199	58,471	(124,567)	242,753	214,293	145,419	130,946
	Sumitomo Metals	226,725	180,547	97,327	(49,772)	(7,144)	(53,799)	(133,849)	—	—	—	—
Capital expenditure	NSSMC/Nippon Steel	273,440	308,993	305,738	329,356	287,236	281,748	355,873	257,019	304,389	304,643	351,038
	Sumitomo Metals*1	135,868	178,887	159,118	136,643	109,934	115,797	N.A	—	—	—	—
Depreciation and amortization*2	NSSMC/Nippon Steel	192,454	244,038	273,744	284,092	291,587	280,940	288,770	331,801	320,046	308,276	304,751
	Sumitomot Metals	72,291	102,565	109,854	120,853	126,267	122,937	49,757	—	—	—	—
Research and development costs	NSSMC/Nippon Steel	41,229	45,329	45,797	46,824	46,663	48,175	60,071	64,437	62,966	68,493	69,110
	Sumitomo Metals	18,769	20,102	22,120	22,845	22,783	22,842	N.A	—	—	—	—
Financial Position (End of fiscal year) <Millions of yen>												
Total assets	NSSMC/Nippon Steel	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	6,425,043	7,261,923
	Sumitomo Metals	2,301,556	2,418,310	2,452,535	2,403,670	2,440,761	2,386,158	—	—	—	—	—
Shareholders' equity*3	NSSMC/Nippon Steel	1,892,883	1,908,777	1,668,682	1,844,382	1,860,799	1,828,902	2,394,069	2,683,659	2,978,696	2,773,822	2,948,232
	Sumitomo Metals	880,807	901,946	857,697	829,219	766,777	709,315	—	—	—	—	—
Total net assets*3	NSSMC/Nippon Steel	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	3,009,075	3,291,015
	Sumitomo Metals	924,798	949,303	904,371	879,209	818,080	761,484	—	—	—	—	—
Interest-bearing debt	NSSMC/Nippon Steel	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	2,008,263	2,104,842
	Sumitomo Metals*4	717,984	883,888	990,010	1,138,353	1,173,382	1,172,120	—	—	—	—	—
Cash Flows (Fiscal year) <Millions of yen>												
Cash flows from operating activities	NSSMC/Nippon Steel	478,460	525,777	127,540	437,668	369,500	237,414	313,317	574,767	710,998	562,956	484,288
	Sumitomo Metals	171,833	230,043	190,582	67,002	202,340	88,065	N.A	—	—	—	—
Cash flows from investing activities	NSSMC/Nippon Steel	(374,669)	(438,121)	(306,603)	(412,827)	(325,781)	(226,096)	(327,336)	(196,856)	(263,667)	(242,204)	(343,738)
	Sumitomo Metals	(108,934)	(274,316)	(214,977)	(172,933)	(144,009)	(120,110)	N.A	—	—	—	—
Cash flows from financing activities	NSSMC/Nippon Steel	19,387	(200,604)	170,209	(79,985)	(47,244)	(31,785)	33,332	(367,115)	(451,843)	(337,555)	(135,054)
	Sumitomo Metals	(83,456)	48,751	52,623	87,843	(1,325)	(32,714)	N.A	—	—	—	—
Amounts per Share of Common Stock*6 <yen>												
Profit (loss) attributable to owners of parent per share	NSSMC/Nippon Steel	54.28	56.33	24.60	(1.83)	14.81	9.29	(16.23)	26.67	23.48	158.71*7	147.96
	Sumitomo Metals	47.89	39.43	20.98	(10.74)	(1.54)	(11.61)	—	—	—	—	—
Cash dividends per share	NSSMC/Nippon Steel	10.0	11.0	6.0	1.5	3.0	2.5	1.0	5.0	5.5	45.0*8	45
	Sumitomo Metals	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. The amounts stated for “Sumitomo Metals” for fiscal 2011 and before are only for “Tangible fixed assets.” The amounts stated for “NSSMC/Nippon Steel” and the amounts for “Sumitomo Metals” for the first half of fiscal 2012 (April 1 to September 30) include “Intangible fixed assets” excluding “Goodwill.”

*3. “Shareholders’ equity” stated here is the sum of “Shareholders’ equity” as stated in the balance sheet and “Accumulated other comprehensive income.”

The difference between “Shareholders’ equity” and “Total net assets” is “Non-controlling 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.

*6. On October 1, 2015, NSSMC performed a 1-for-10 share consolidation.

*7. Profit attributable to owners of parent per share for fiscal 2015 is calculated assuming the 1-for-10 share consolidation was performed at the beginning of the year.

*8. The interim dividend for fiscal 2015 would be converted into ¥30 based on this share consolidation, and after adding the fiscal 2015 year-end dividend of ¥15 the annual dividend for fiscal 2015 works out to be ¥45 per share.

11-Year Financial Performance (Unaudited; only for reference purposes)

		FY 2006	2007	2008	2009	2010	2011	2012*6	2013	2014	2015	2016
Financial Indices												
Return on sales ((Ordinary profit / Net sales) x 100)	NSSMC/Nippon Steel Sumitomo Metals	13.9%	11.7%	7.0%	0.3%	5.5%	3.5%	1.8%	6.5%	8.1%	4.1%	3.8%
		20.4%	17.1%	12.2%	(2.8%)	2.4%	4.1%	—	—	—	—	—
Return on equity ((Profit attributable to owners of parent / Shareholders' equity [average for the period]) x 100)	NSSMC/Nippon Steel Sumitomo Metals	19.7%	18.7%	8.7%	(0.7%)	5.0%	3.2%	(5.9%)	9.6%	7.6%	5.1%	4.6%
		28.3%	20.3%	11.1%	(5.9%)	(0.9%)	(7.3%)	—	—	—	—	—
Shareholders' equity ratio ((Shareholders' equity / Total assets) x 100)	NSSMC/Nippon Steel Sumitomo Metals	35.4%	36.8%	34.3%	36.9%	37.2%	37.1%	33.8%	37.9%	41.6%	43.2%	40.6%
		38.3%	37.3%	35.0%	34.5%	31.4%	29.7%	—	—	—	—	—
Number of shares issued as of end of period*1<In thousands>	NSSMC/Nippon Steel Sumitomo Metals	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	950,321	950,321
		4,805,974	4,805,974	4,805,974	4,805,974	4,805,974	4,805,974	—	—	—	—	—
Share price at end of period*1<Yen>	NSSMC/Nippon Steel Sumitomo Metals	828	505	263	367	266	227	235	282	302.5	2,162	2,565
		609	378	197	283	186	167	—	—	—	—	—

Net Sales by Industry Segment*2 <Millions of yen>												
Steelmaking and steel fabrication		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	4,283,923	4,052,261
Engineering and construction		367,968	359,884	386,643	331,905	254,941	248,934	303,002	314,174	348,699	315,727	267,545
Urban development		94,347	93,839	70,152	80,073	86,556	80,419	—	—	—	—	—
Chemicals		318,755	289,029	212,172	179,412	193,896	197,669	195,719	230,130	212,777	181,823	174,227
New materials		65,601	76,157	59,907	58,799	60,888	54,245	42,211	37,241	36,449	36,280	34,519
System solutions		156,505	165,360	161,541	152,234	159,708	161,582	171,980	179,856	206,032	218,941	232,512
Elimination of inter-segment transactions		(183,410)	(151,823)	(159,281)	(137,904)	(119,711)	(128,769)	(113,442)	(123,132)	(133,168)	(129,267)	(128,175)

Segment Profit (Loss)*2 <Millions of yen>												
Steelmaking and steel fabrication		514,562	475,951	307,047	(20,589)	181,968	98,846	41,522	321,287	401,987	160,088	138,017
Engineering and construction		13,031	21,496	24,674	31,655	14,883	12,775	18,189	17,702	18,758	12,163	6,838
Urban development		14,301	12,602	3,929	2,937	9,273	9,371	—	—	—	—	—
Chemicals		23,645	21,050	894	10,431	13,244	13,598	9,778	10,057	6,898	1,093	4,518
New materials		3,129	559	(2,397)	444	2,111	607	984	1,391	2,482	3,073	1,786
System solutions		13,992	14,756	11,479	10,732	11,332	11,215	11,673	12,760	16,565	19,493	22,113
Elimination of inter-segment transactions		(2,564)	(835)	(2,696)	(3,607)	(6,478)	(3,408)	(5,217)	(2,101)	5,053	5,017	1,256

Non-Financial Performance												
Crude steel production<Ten thousands of tons>	NSSMC/Nippon Steel (Consolidated)	3,452	3,623	3,124	2,992	3,492	3,244	4,603	4,816	4,732	4,453	4,517
	NSSMC/Nippon Steel (Non-consolidated)	3,160	3,311	2,861	2,750	3,246	3,020	4,355	4,567	4,496	4,217	4,262
	Sumitomo Metals*3	1,338	1,362	1,287	1,165	1,290	1,272	—	—	—	—	—
Steel products shipments (Non-consolidated)<Ten thousands of tons>	NSSMC/Nippon Steel Sumitomo Metals*4	3,151	3,290	2,820	2,709	3,135	2,909	4,097	4,202	4,188	3,962	3,978
		1,215	1,249	1,144	1,089	1,172	1,124	—	—	—	—	—
Average steel selling price (Non-consolidated)<Thousands of yen per ton>	NSSMC/Nippon Steel Sumitomo Metals*4	75.3	79.8	104.7	75.4	81.7	86.2	80.1	86.0	87.2	77.1	72.6
		100.0	105.7	124.3	88.0	94.2	103.5	—	—	—	—	—
Export ratio (Value basis, non-consolidated)*5<%>	NSSMC/Nippon Steel Sumitomo Metals*4	32.3%	33.4%	32.5%	38.4%	40.4%	39.2%	44%	46%	47%	45%	42%
		46.2%	45.1%	45.2%	42.9%	41.6%	40.9%	—	—	—	—	—
Number of employees (Consolidated)	NSSMC/Nippon Steel Sumitomo Metals	47,257	48,757	50,077	52,205	59,183	60,508	83,187	84,361	84,447	84,837	92,309
		24,982	24,926	24,245	23,674	22,597	23,007	—	—	—	—	—

*1. On October 1, 2015, NSSMC performed a 1-for-10 share consolidation.

*2. Figures for fiscal 2012 and earlier are 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)." 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.

*3. "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. "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 Sumikin Iron & Steel Corporation (present Nippon Steel & Sumikin Koutetsu Wakayama Corporation).

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

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

Consolidated Balance Sheets

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries
As of March 31, 2017 and 2016

	<Millions of yen>	
	2017	2016
ASSETS		
Current assets:		
Cash and bank deposits (Notes 14, 16 and 25)	¥ 88,111	¥ 85,365
Notes and accounts receivable (Notes 16 and 23)	624,089	523,207
Marketable securities (Notes 14, 16 and 17)	4,654	525
Inventories (Notes 5)	1,215,649	1,110,901
Deferred tax assets (Note 20)	59,441	56,004
Other (Note 25)	254,669	214,635
Less: Allowance for doubtful accounts	(2,179)	(567)
Total current assets	2,244,436	1,990,072
Fixed assets:		
Tangible fixed assets:		
Buildings and structures (Note 25)	2,463,167	2,137,597
Accumulated depreciation	(1,709,470)	(1,455,409)
Buildings and structures, net	753,697	682,187
Machinery, equipment and vehicles (Note 25)	7,571,204	6,536,437
Accumulated depreciation	(6,456,352)	(5,507,581)
Machinery, equipment and vehicles, net	1,114,851	1,028,856
Tools, furniture and fixtures (Note 25)	311,385	264,740
Accumulated depreciation	(263,482)	(222,055)
Tools, furniture and fixtures, net	47,903	42,684
Land (Notes 8 and 25)	654,475	592,596
Leased assets	19,441	19,244
Accumulated depreciation	(9,123)	(10,246)
Leased assets, net	10,318	8,997
Construction in progress	259,591	223,916
Total tangible fixed assets	2,840,838	2,579,240
Intangible assets:		
Goodwill	38,652	41,756
Leased assets	359	288
Patents and utility rights	5,229	6,222
Software	47,045	39,413
Total intangible assets	91,287	87,680
Investments and others:		
Investments in securities (Notes 16, 17 and 25)	816,389	592,402
Shares of subsidiaries and affiliates (Notes 6 and 8)	1,041,397	979,879
Long-term loans receivable (Note 25)	36,713	41,909
Net defined benefit assets (Note 19)	92,948	58,708
Deferred tax assets (Note 20)	55,521	51,959
Other	45,959	45,698
Less: Allowance for doubtful accounts	(3,569)	(2,508)
Total investments and others	2,085,361	1,768,049
Total fixed assets	5,017,487	4,434,970
Total assets	¥ 7,261,923	¥ 6,425,043

The accompanying notes are integral parts of these statements.
Income before income taxes and minority interests
Income before minority interests

	<Millions of yen>	
	2017	2016
LIABILITIES		
Current liabilities:		
Notes and accounts payable (Note 16)	¥ 728,300	¥ 589,319
Short-term loans payable (Notes 16 and 25)	316,115	400,386
Commercial paper (Notes 16 and 25)	20,000	—
Bonds due within one year (Notes 16 and 25)	140,000	50,000
Current portion of lease obligations (Note 25)	3,769	3,498
Accounts payable-other (Note 16)	383,125	332,587
Income taxes payable	31,909	25,342
Provision for loss on construction contracts	2,297	2,124
Other (Note 25)	329,616	211,658
Total current liabilities	1,955,134	1,614,918
Long-term liabilities:		
Bonds and notes (Notes 16 and 25)	255,690	335,683
Long-term loans payable (Notes 16 and 25)	1,360,025	1,209,116
Lease obligations (excluding current portion) (Note 25)	8,444	8,378
Deferred tax liabilities (Note 20)	99,293	42,818
Deferred tax liabilities on revaluation of land (Note 8)	7,069	8,904
Allowance for retirement benefits of directors and Audit & Supervisory Board members	4,799	4,805
Net defined benefit liabilities (Note 19)	188,016	128,837
Other	92,433	62,504
Total long-term liabilities	2,015,774	1,801,049
Total liabilities	3,970,908	3,415,968
Commitments and contingent liabilities (Note 7)		
NET ASSETS (Note 13)		
Shareholders' equity:		
Common stock	419,524	419,524
Capital surplus	386,873	383,010
Retained earnings	1,949,960	1,837,919
Less: Treasury stock, at cost	(132,063)	(87,942)
Total shareholders' equity	2,624,294	2,552,512
Accumulated other comprehensive income (Note 12)		
Unrealized gains on available-for-sale securities (Note 17)	269,282	171,378
Deferred hedge income (loss)	(2,370)	(10,883)
Unrealized gains on revaluation of land (Note 8)	3,002	3,025
Foreign currency translation adjustments	(9,339)	14,652
Remeasurements of defined benefit plans (Note 19)	63,363	43,136
Total accumulated other comprehensive income	323,938	221,310
Non-controlling interests in consolidated subsidiaries (Note 8)	342,782	235,252
Total net assets	3,291,015	3,009,075
Total liabilities and net assets	¥ 7,261,923	¥ 6,425,043

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries

Years ended March 31, 2017 and 2016

	<Millions of yen>	
	2017	2016
Consolidated Statements of Operations		
Net sales	¥ 4,632,890	¥ 4,907, 429
Cost of sales (Note 10)	4,065,779	4,288,386
Gross profit	567,111	619,043
Selling, general and administrative expenses (Notes 9 and 10)	452,908	451,312
Operating profit	114,202	167,731
Non-operating profit:		
Interest income	5,654	5,700
Dividend income	14,923	17,811
Equity in profit of unconsolidated subsidiaries and affiliates	79,180	44,181
Other	43,162	40,039
	142,921	107,732
Non-operating loss:		
Interest expense	18,006	20,110
Loss on disposal of fixed assets	19,158	14,258
Exchange loss on foreign currency transactions	9,987	658
Other	35,440	39,508
	82,593	74,534
Ordinary profit	174,531	200,929
Extraordinary profit:		
Gain on sales of shares of subsidiaries and affiliates	24,172	32,650
Settlement received	—	30,000
Gain on step acquisitions	10,027	—
	34,200	62,650
Extraordinary loss:		
Impairment loss (Note 11)	—	13,712
Loss on inactive facilities (Note 11)	12,793	19,088
Loss on disaster (Note11)	7,839	—
Restructuring loss (Note11)	6,407	—
	27,039	32,801
Profit before income taxes	181,692	230,778
Income taxes - current (Note 20)	47,074	48,593
Income taxes - deferred (Note 20)	(11,377)	30,638
	35,697	79,232
Profit	145,995	151,546
Profit attributable to non-controlling interests	15,048	6,127
Profit attributable to owners of parent	¥ 130,946	¥ 145,419

The accompanying notes are integral parts of these statements.

	<Millions of yen>	
	2017	2016
Consolidated Statements of Comprehensive Income		
Profit	¥ 145,995	¥ 151,546
Other comprehensive income:		
Unrealized gains on available-for-sale securities	68,181	(105,268)
Deferred hedge income (loss)	6,515	(10,156)
Unrealized gains on revaluation of land	—	56
Foreign currency translation adjustments	(30,691)	(74,285)
Remeasurements of defined benefit plans	20,348	(34,712)
Share of other comprehensive income of affiliates accounted for using equity method	7,103	(54,950)
Total other comprehensive income(Note 12)	71,458	(279,317)
Comprehensive income	¥ 217,453	¥ (127,770)
(Breakdown)		
Comprehensive income attributable to owners of parent	¥ 203,625	¥ (130,268)
Comprehensive income attributable to non-controlling interests	¥ 13,828	¥ 2,497

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, 2017 and 2016

	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
Balance at March 31, 2015	9,503,214	¥419,524	¥371,471	¥1,752,210	¥(61,508)	¥279,641
Cash dividends	—	—	—	(59,711)	—	—
Profit attributable to owners of parent	—	—	—	145,419	—	—
Acquisition of treasury stock	—	—	—	—	(41,899)	—
Disposal of treasury stock	—	—	12,252	—	15,866	—
Decrease due to the share consolidation*	(8,552,892)	—	—	—	—	—
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	—	(401)	—
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	0	—	—
Change in shares of parent arising from transactions with non-controlling interests	—	—	(712)	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	(108,262)
Total change for fiscal 2015	(8,552,892)	—	11,539	85,708	(26,434)	(108,262)
Balance at March 31, 2016	950,321	¥419,524	¥383,010	¥1,837,919	¥(87,942)	¥171,378
Cash dividends	—	—	—	(13,554)	—	—
Profit attributable to owners of parent	—	—	—	130,946	—	—
Acquisition of treasury stock	—	—	—	—	(44,321)	—
Disposal of treasury stock	—	—	(17)	—	199	—
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	(5,385)	0	—
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	34	—	—
Change in shares of parent arising from transactions with non-controlling interests	—	—	3879	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	97,904
Total change for fiscal 2016	—	—	3,862	112,041	(44,121)	97,904
Balance at March 31, 2017	950,321	¥419,524	¥386,873	¥1,949,960	¥(132,063)	¥269,282

	<Millions of yen>					
	Deferred hedge income (loss)	Unrealized gains on revaluation of land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests in consolidated subsidiaries	Total
Balance at March 31, 2015	¥371	¥2,885	¥134,732	¥79,366	¥568,362	¥3,547,059
Cash dividends	—	—	—	—	—	(59,711)
Profit attributable to owners of parent	—	—	—	—	—	145,419
Acquisition of treasury stock	—	—	—	—	—	(41,899)
Disposal of treasury stock	—	—	—	—	—	28,118
Decrease due to the share consolidation*	—	—	—	—	—	—
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	—	—	(401)
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	—	—	0
Change in shares of parent arising from transactions with non-controlling interests	—	—	—	—	—	(712)
Net changes of items other than shareholders' equity	—	140	(120,080)	(36,230)	(333,109)	(608,797)
Total change for fiscal 2015	(11,255)	140	(120,080)	(36,230)	(333,109)	(537,984)
Balance at March 31, 2016	¥(10,883)	¥3,025	¥14,652	¥43,136	¥235,252	¥3,009,075
Cash dividends	—	—	—	—	—	(13,554)
Profit attributable to owners of parent	—	—	—	—	—	130,946
Acquisition of treasury stock	—	—	—	—	—	(44,321)
Disposal of treasury stock	—	—	—	—	—	182
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	—	—	(5,385)
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	—	—	34
Change in shares of parent arising from transactions with non-controlling interests	—	—	—	—	—	3,879
Net changes of items other than shareholders' equity	8,513	(23)	(23,991)	20,226	107,530	210,158
Total change for fiscal 2016	8,513	(23)	(23,991)	20,226	107,530	281,940
Balance at March 31, 2017	¥(2,370)	¥3,002	¥(9,339)	¥63,363	¥342,782	¥3,291,015

The accompanying notes are integral parts of these statements.

*The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015.

Consolidated Statements of Cash Flows

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	<Millions of yen>	
	2017	2016
Cash flows from operating activities:		
Profit before income taxes	¥ 181,692	¥ 230,778
Adjustments to reconcile profit (loss) to net cash provided by operating activities:		
Depreciation and amortization	304,751	308,276
Impairment loss	—	13,712
Amortization of goodwill	4,015	3,498
Interest and dividend income	(20,577)	(23,512)
Interest expenses	18,006	20,110
Equity in profit of unconsolidated subsidiaries and affiliates	(79,180)	(44,181)
Loss on disposal of tangible fixed assets and intangible assets	8,694	3,744
Loss (gain) on sales of tangible and intangible assets	(7,192)	(5,233)
Loss (gain) on sales of investments in securities	(8,535)	(6,765)
Loss (gain) on sales of shares of subsidiaries and affiliates	(24,172)	(32,650)
Loss (gain) on step acquisitions	(10,027)	—
Restructuring loss	6,407	—
Settlement received	—	(30,000)
Changes in allowance for doubtful accounts	1,439	(1,732)
Changes in notes and accounts receivable	(29,227)	91,530
Changes in inventories	26,500	123,394
Changes in notes and accounts payable	27,363	(84,501)
Other	109,945	6,205
Subtotal	509,900	572,674
Interest and dividend income received	34,568	38,086
Interest expenses paid	(18,428)	(19,684)
Settlement received	—	30,000
Income taxes	(41,751)	(58,120)
Net cash provided by operating activities	484,288	562,956
Cash flows from investing activities:		
Acquisition of tangible and intangible assets	(321,879)	(298,670)
Proceeds from sales of tangible and intangible assets	15,004	10,111
Acquisition of investments in securities	(48,715)	(3,134)
Proceeds from sales of investments in securities	42,520	18,121
Acquisition of shares of subsidiaries and affiliates	(14,413)	(21,565)
Proceeds from sales of shares of subsidiaries and affiliates	30,820	54,747
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 14)	(52,892)	(3,776)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	13,019	—
Payment for loans	(9,511)	(5,020)
Proceeds from collections of loans	3,504	8,158
Other	(1,193)	(1,175)
Net cash used in investing activities	(343,738)	(242,204)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(49,857)	(32,715)
Net increase (decrease) in commercial paper	13,000	—
Proceeds from long-term loans payable	179,443	322,584
Payments of long-term loans payable	(271,826)	(209,582)
Proceeds from issuance of bonds and notes	20,000	—
Redemption of bonds and notes	(50,000)	(40,000)
Redemption of preferred securities	—	(300,000)
Payments for purchase of treasury stock	(44,315)	(41,874)
Cash dividends	(13,554)	(59,711)
Cash dividends to non-controlling shareholders	(4,720)	(7,876)
Proceeds from issuance of common stock to non-controlling shareholders	2,696	3,619
Other	84,080	28,000
Net cash used in financing activities	(135,054)	(337,555)
Effect of exchange rate changes on cash and cash equivalents		
	(655)	(10,688)
Net increase (decrease) in cash and cash equivalents	4,839	(27,491)
Cash and cash equivalents at beginning of year	85,203	112,994
Increase (decrease) from the change in the number of consolidated companies	1,348	(299)
Cash and cash equivalents at end of year (Note 14)	¥ 91,391	¥ 85,203

The accompanying notes are integral parts of these statements.

Notes to Consolidated Financial Statements

Nippon Steel & Sumitomo Metal Corporation and Consolidated Subsidiaries

1. 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.

2. NOTES TO THE PRESUMPTION OF GOING CONCERN

None

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Scope of consolidation

Number of consolidated subsidiaries: 366 companies

For details on the subsidiaries included in consolidation, reference should be made to the list of principal subsidiaries and affiliates of NSSMC on pages 101-102 of this report.

In fiscal 2016, the year ended March 31, 2017, the scope of consolidation expanded by 40 companies, including 31 acquired and 6 newly established companies. 13 companies —6 merged companies and 4 liquidations, etc.—were eliminated from the scope of consolidation in fiscal 2016.

As part of the above, the acquisition of Nisshin Steel Co., Ltd., on March 13, 2017, added 29 companies to the scope of consolidated subsidiaries.

Non-adoption of the consolidation accounting treatment for the unconsolidated subsidiaries (33 companies) has no material effect on total assets, net sales, profit or retained earnings in the consolidated financial statements.

(2) Application of equity method

Number of affiliates accounted for by the equity method: 113 companies

For details on the affiliates included in consolidation, reference should be made to the list of principal subsidiaries and affiliates of NSSMC on pages 101-102 of this report.

During fiscal 2016, 15 companies were added as equity-method affiliates and 5 companies were removed as equity-method affiliates.

As part of the above, the acquisition of Nisshin Steel Co., Ltd., on March 13, 2017, added 14 companies to the scope of equity-method affiliates.

Non-adoption of the equity method for the unconsolidated subsidiaries (33 companies) and affiliates (72 companies) has no material effect on profit 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
1 domestic subsidiary	January 31
3 domestic subsidiaries	December 31
149 foreign subsidiaries	December 31

Principal foreign subsidiaries using a December 31 fiscal year-end:
NIPPON STEEL AND SUMIKIN TUBOS DO BRASIL LTDA.
NS-Siam United Steel Co., Ltd.
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 & SUMITOMO METAL Australia Pty. Limited
NIPPON STEEL & SUMIKIN Steel Processing (Thailand) Co., Ltd.

(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. Furthermore, depreciation of facilities attached to buildings and structures acquired on and after April 1, 2016 is calculated using the straight-line method.

Useful lives of tangible fixed assets are generally as follows:

Buildings: Mainly 31 years

Machinery: Mainly 14 years

(Changes in Accounting Policies)

Accompanying tax reform, the NSSMC Group has applied “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Practical Issues Task Force [PITF] No. 32, issued June 17, 2016) in its consolidated financial statements from fiscal 2016 and changed its method of depreciation for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change in accounting principles on the consolidated financial statements for fiscal 2016 was not material.

(7) Intangible assets (excluding leased assets)

Amortization of intangible 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.

(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 revenues 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 foreign currency translation adjustments and non-controlling interests in consolidated subsidiaries item under net assets.

(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 principal, the NSSMC Group adopts the deferred hedging accounting method. In addition, for interest swaps whose amounts, index, and period meet the conditions for hedged items, the “exceptional” method is adopted. Using this method, the NSSMC Group does not account for gains and losses on those interest swaps on a fair value basis, but recognizes swap interest on an accrual basis. For foreign exchange forward contracts and currency swaps whose amounts, currency, and period meet the conditions of hedged items, the “assigning” method is adopted. Using this method, the NSSMC Group does not account for gains and losses on those foreign exchange forward contracts and currency swaps on a fair value basis, but converts hedged items using the rates of those foreign exchange forward contracts 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 transaction, long-term bank loans, and debt securities issued by the NSSMC Group. The NSSMC Group has a policy which aims to utilize these hedging instruments in order to reduce its exposure to the risk of fluctuations in market prices, interest rates, or foreign exchange rates. Therefore, the NSSMC Group’s purchase of hedging instruments is limited to the amount of the hedged items.

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

(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 profit, 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.

Changes to presentation (Year ended March 31, 2017)
(Consolidated Statements of Operations)

“Exchange loss on foreign currency transactions” which was included in “Other” under “Non-operating loss” for the previous fiscal year is stated independently for the current fiscal year due to its exceeding 10% of the total amount of non-operating loss. Previous fiscal year figures in the consolidated statements of operations have been reclassified to reflect the change to the presentation method.

As a result of this change, the¥40,166 million amount stated as “Other” under “Non-operating loss” in the statement of operations for the previous fiscal year has been reclassified into “Exchange loss on foreign currency transactions” of ¥658 million and “Other” of ¥39,508 million.

(Consolidated Statements of Cash Flows)

Due to the reduced material significance of the category “Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation” (¥(6,202) million in fiscal 2015) in “Cash flows from financing activities,” its category is included in “Other” beginning with fiscal 2016. Previous fiscal year figures in the consolidated statements of cash flows have been reclassified to reflect the change to the presentation method.

Additional Information

The NSSMC Group has applied “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan [ASBJ] Guidance No. 26, issued March 28, 2016) in its consolidated financial statements from fiscal 2016.

4. 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.

5. INVENTORIES

Items relevant to inventories are as follows:

	<Millions of yen>	
	2017	2016
Finished and half-finished products	¥ 582,692	¥ 497,631
Work in process	69,704	61,754
Raw materials and supplies	563,252	551,515

6. UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Items relevant to unconsolidated subsidiaries and affiliates are as follows:

	<Millions of yen>	
	2017	2016
Shares of subsidiaries and affiliates	¥ 1,041,397	¥ 979,879

7. CONTINGENT LIABILITIES AND NOTES AND BILLS DISCOUNTED ENDORSED

(1) Guarantee liabilities

(Year ended March 31, 2017)

	Outstanding amounts	Substantial amounts
	<Millions of yen>	<Millions of yen>
	2017	2017
Contingent liabilities for:		
Guarantee of loans		
AM/NS Calvert LLC	¥ 52,109	¥ 52,109
WISCO-NIPPON STEEL Tinplate Co., Ltd.	11,209	11,209
JAMSHEDPUR CONTINUOUS ANNEALING & PROCESSING COMPANY PRIVATE LIMITED	10,680	5,233*
Japan-Brazil Niobium Corporation	8,512	8,512
TENIGAL, S. de R.L. de C.V.	7,558	7,558
Bahru Stainless Sdn. Bhd.	1,251	1,251
UNIGAL Ltda.	1,009	1,009
Other	2,148	1,908*
Total	¥ 94,480	¥ 88,793

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

	Outstanding amounts	Substantial amounts
	<Millions of yen>	<Millions of yen>
	2017	2017
Contingent liabilities for:		
Reserved guarantee of loans	¥ 866	¥ 675
Maximum repurchase obligation amount associated with the liquidation of receivables	796	796

	Outstanding amounts	Substantial amounts
	<Millions of yen>	<Millions of yen>
	2016	2016

(Year ended March 31, 2016)

Contingent liabilities for:		
Guarantee of loans		
AM/NS Calvert LLC	¥ 58,619	¥ 58,619
WISCO-NIPPON STEEL Tinplate Co., Ltd.	15,955	15,955
JAMSHEDPUR CONTINUOUS ANNEALING & PROCESSING COMPANY PRIVATE LIMITED	12,515	6,132*2
Japan-Brazil Niobium Corporation	9,491	9,491
TENIGAL, S. de R.L. de C.V.	8,972	8,972
UNIGAL Ltda.	1,690	1,690
VALLOUREC & SUMITOMO TUBOS DO BRASIL LTDA.*1	1,340	1,340
Other	1,294	1,017*2
Total	¥ 109,878	¥ 103,218

*1:The company changed its name to Vallourec Soluções Tubulares do Brasil S.A. on October 1, 2016.

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

	Outstanding amounts	Substantial amounts
	<Millions of yen>	<Millions of yen>
	2016	2016
Contingent liabilities for:		
Reserved guarantee of loans	¥ 968	¥ 764
Maximum repurchase obligation amount associated with the liquidation of receivables	1,200	1,200

(2) Notes and bills endorsed

	<Millions of yen>	<Millions of yen>
	2017	2016
Notes and bills endorsed	¥ 0	¥ 0

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

8. 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 non-controlling interests, which were charged to “Deferred tax liabilities on revaluation of land” and “Non-controlling 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, 2017)
(Revaluation done on March 31, 2002)
The excess of the carrying amounts of the revalued land over its fair value on March 31, 2017 was ¥1,577 million.
(Revaluation done on March 31, 2001)
The excess of the carrying amounts of the revalued land over its fair value on March 31, 2017 was ¥1,576 million.
(Revaluation done on March 31, 2000)
The excess of the carrying amounts of the revalued land over its fair value on March 31, 2017 was ¥1,924 million.

(Year ended March 31, 2016)
(Revaluation done on March 31, 2002)
The excess of the carrying amounts of the revalued land over its fair value on March 31, 2016 was ¥2,309 million.
(Revaluation done on March 31, 2001)
The excess of the carrying amounts of the revalued land over its fair value on March 31, 2016 was ¥11,939 million.
(Revaluation done on March 31, 2000)
The excess of the carrying amounts of the revalued land over its fair value on March 31, 2016 was ¥1,909 million.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2017 and 2016 are as follows:

	<Millions of yen>			
	2017		2016	
Transportation and storage	¥	109,887	¥	107,280
Salaries		117,248		117,953
Retirement benefit expenses		6,214		5,824
Research and development expenses		53,966		53,912
Depreciation and amortization		6,965		7,033
Amortization of goodwill		6,459		7,063

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2017 and 2016 are ¥69,110 million and ¥68,493 million, respectively.

11. EXPLANATORY NOTES ON EXTRAORDINARY PROFIT AND LOSS

(Year ended March 31, 2017)
Extraordinary loss
(1) Loss on inactive facilities
Loss on inactive facilities was recorded mainly due to retirement and disassembly of manufacturing facilities based on decision to phase out major production equipment.

(2) Loss on disaster
Loss on disaster was recorded owing to the Oita Works’ Fire Accident in its Plate Mill, including expenses for the restoration and retirement of manufacturing facilities, etc.

(3) Restructuring loss
Restructuring loss was recorded due to restructuring of Butt-welding Fittings Business of NIPPON STEEL & SUMIKIN KIKOH COMPANY, LTD., for steelmaking and steel fabrication segment.

(Year ended March 31, 2016)
Extraordinary loss
(1) Impairment loss
Impairment loss associated with property put into business, etc., is accounted for as an extraordinary loss of the chemicals segment and other segments. This categorization

is based on recognizing the declining profitability in the deteriorating business conditions as impairment losses mainly associated with property of a consolidated subsidiary put into the coal tar chemicals business in China. The grouping method, in principle, is to use each steelworks as a group while also recognizing individual units that generate independent cash flow. Recoverable amounts are calculated based on the net sale amount for properties held for lease and the estimate of the use value for business-use properties, with future cash flow calculated by applying a discount rate of 8.0% to the present value. The amount of impairment loss for buildings and structures is ¥1,026 million, ¥1,030 million for machinery, equipment and vehicles, ¥47 million for tools, furniture and fixtures, ¥302 million for land, and ¥11,306 million for construction in progress.

(2) Loss on inactive facilities
Loss on inactive facilities was recorded mainly due to retirement and disassembly of manufacturing facilities 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, 2017 and 2016 are as follows:

	<Millions of yen>	
	2017	2016
Unrealized gains on available-for-sale securities:		
Amount for the current term	¥ 114,655	¥ (147,820)
Amount due to reclassification adjustments	(16,718)	(13,163)
Amount before adjustments in deferred tax accounting	97,936	(160,984)
Amount due to deferred tax accounting	(29,755)	55,715
Unrealized gains on available-for-sale securities	68,181	(105,268)
Deferred hedge income (loss):		
Amount for the current term	¥ 1,870	¥ (7,699)
Amount due to reclassification adjustments	7,621	(7,349)
Amount before adjustments in deferred tax accounting	9,492	(15,049)
Amount due to deferred tax accounting	(2,976)	4,892
Deferred hedge income (loss)	6,515	(10,156)
Unrealized gains on revaluation of land:		
Amount for the current term	¥ —	¥ —
Amount before adjustments in deferred tax accounting	—	—
Amount due to deferred tax accounting	—	56
Unrealized gains on revaluation of land	—	56
Foreign currency translation adjustments:		
Amount for the current term	¥ (28,565)	¥ (74,274)
Amount due to reclassification adjustments	(2,125)	(11)
Amount before adjustments in deferred tax accounting	(30,691)	(74,285)
Amount due to deferred tax accounting	—	—
Foreign currency translation adjustments	(30,691)	(74,285)
Remeasurements of defined benefit plans:		
Amount for the current term	¥ 28,602	¥ (42,029)
Amount due to reclassification adjustments	(58)	(11,182)
Amount before adjustments in deferred tax accounting	28,544	(53,212)
Amount due to deferred tax accounting	(8,195)	18,499
Remeasurements of defined benefit plans	20,348	(34,712)
Share of other comprehensive income of affiliates accounted for using equity method:		
Amount for the current term	¥ 11,817	¥ (54,050)
Amount due to reclassification adjustments	(4,714)	(900)
Share of other comprehensive income of affiliates accounted for using equity method	7,103	(54,950)
Total other comprehensive income	¥ 71,458	¥ (279,317)

13. CHANGES IN NET ASSETS AND SHAREHOLDERS' EQUITY

Notes on the consolidated statements of changes in net assets for the years ended March 31, 2017 and 2016 are as follows:

(Year ended March 31, 2017)

(1) Information on issued shares

Type of stock	March 31, 2016	Increase	Decrease	March 31, 2017
Common stock (Thousands)	950,321	—	—	950,321

(2) Information on treasury stock

Type of stock	March 31, 2016	Increase	Decrease	March 31, 2017
Common stock (Thousands)	48,055	19,689	70	67,674

(Reason for increase or decrease of treasury stock)

Increase (Thousands)

1. Treasury stock purchases	19,658
2. Odd-lot stock purchases	31

Decrease (Thousands)

1. Sold by affiliates	69
2. Odd-lot stock sold	1

(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 24, 2016	Common stock	¥13,554	¥15	March 31, 2016	June 27, 2016

Dividends of which record date belong to the year ended March 31, 2017, and the effective date belong to the year ending March 31, 2018 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 27, 2017	Common stock	Retained earnings	¥39,776	¥45	March 31, 2017	June 28, 2017

(Year ended March 31, 2016)

(1) Information on issued shares

Type of stock	March 31, 2015	Increase	Decrease	March 31, 2016
Common stock (Thousands)	9,503,214	—	8,552,892	950,321

Note: The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015.

(Reason for increase or decrease of issued shares)

Decrease (Thousands)

1.Share consolidation	8,552,892
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(2) Information on treasury stock

Type of stock	March 31, 2015	Increase	Decrease	March 31, 2016
Common stock (Thousands)	374,600	22,111	348,656	48,055

Note: The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015.

(Reason for increase or decrease of treasury stock)

Increase (Thousands)

1. Treasury stock purchases	20,341
2. Increase associated with the change in the scope of consolidation	1,316
3. Odd-lot stock purchases	304
4. Purchased by affiliates	149

Decrease (Thousands)

1. Share consolidation	249,186
2. Disposal of treasury stock for stock exchange	99,406
3. Odd-lot stock sold	64

(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 24, 2015	Common stock	¥31,991	¥3.5	March 31, 2015	June 25, 2015
At the Meeting of the Board of Directors held on October 29, 2015	Common stock	¥27,719	¥3.0	September 30, 2015	November 30, 2015

Dividends of which record date belong to the year ended March 31, 2016, and the effective date belong to the year ending March 31, 2017 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, 2016	Common stock	Retained earnings	¥13,554	¥15.0	March 31, 2016	June 27, 2016

Note:The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015. In accordance with this, cash dividends per share of which record date is March 31,2016 is based on the share consolidation.

14. NOTES ON CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Cash and cash equivalents

<Millions of yen>				
	2017	2016		
Cash and bank deposits	¥ 88,111	¥ 85,365		
Less: Time deposits with original maturity over 3 months	(854)	(662)		
Securities due within 3 months	4,135	500		
Cash and cash equivalents	¥ 91,391	¥ 85,203		

(2) Principal assets and liabilities of a company that became a consolidated subsidiary due to acquisition of stock

Assets and liabilities at the time Nisshin Steel Co., Ltd. became a consolidated subsidiary as a result of the acquisition of stock as well as the relationship between the acquisition price paid for the stock and expenditure (net) for the acquisition are presented below.

<Millions of yen>		
Current assets	¥	250,595
Fixed assets		419,026
Goodwill		1,696
Current liabilities		(224,318)
Long-term liabilities		(256,754)
Non-controlling interests in consolidated subsidiaries		(99,492)
Acquisition price paid for the stock		90,753
Gain on step acquisitions		(10,027)
Carrying amount of shares held before acquisition		(4,753)
Cash and cash equivalents held by Nisshin Steel Co., Ltd.		(23,079)
Expenditure for the acquisition	¥	52,892

15. LEASE COMMITMENTS

(1) Finance leases

(Years ended March 31, 2017 and 2016)

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 3, "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 assets

Software

Accounting for the depreciation and amortization of leased assets

Included in Note 3, "Summary of Significant Accounting Policies"

(2) Operating leases(non-cancelable)

The amount of outstanding future lease payments due at March 31, 2017 and 2016 are summarized as follows:

<Millions of yen>				
	2017	2016		
Future lease payments:				
Within one year	¥ 4,749	¥ 4,257		
Over one year	8,560	9,250		
	¥ 13,310	¥ 13,507		

The amount of outstanding future lease income due at March 31, 2017 and 2016 are summarized as follows:

<Millions of yen>				
	2017	2016		
Future lease income:				
Within one year	¥ 1,010	¥ 1,058		
Over one year	8,321	5,146		
	¥ 9,331	¥ 6,205		

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). 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 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. 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 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 is 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.

(Year ended March 31, 2017)

<Millions of yen>				
	Book value*		Fair value*	
				Differences
(1) Cash and bank deposits	¥	88,111	¥	88,111
(2) Notes and accounts receivable		624,089		624,089
(3) Marketable and investment securities:				
Held-to-maturity debt securities		9,125		9,117
Available-for-sale securities		780,564		780,564
(4) Notes and accounts payable		(728,300)		(728,300)
(5) Short-term loans payable		(316,115)		(316,115)
(6) Bonds due within one year		(140,000)		(140,000)
(7) Accounts payable-other		(383,125)		(383,125)
(8) Bonds and notes		(255,690)		(264,114)
(9) Long-term loans payable		(1,360,025)		(1,385,961)
(10) Derivative transactions		2,938		2,938

*Figures shown in parentheses are liability items. The fair value of assets and liabilities stemming from derivative transactions are shown in net figures, and figures for items with total net fair values that are liabilities are shown in parentheses.

(Year ended March 31, 2016)

<Millions of yen>				
	Book value*		Fair value*	
				Differences
(1) Cash and bank deposits	¥	85,365	¥	85,365
(2) Notes and accounts receivable		523,207		523,207
(3) Marketable and investment securities:				
Held-to-maturity debt securities		5,000		4,986
Available-for-sale securities		559,870		559,870
(4) Notes and accounts payable		(589,319)		(589,319)
(5) Short-term loans payable		(400,386)		(400,386)
(6) Bonds due within one year		(50,000)		(50,000)
(7) Accounts payable-other		(332,587)		(332,587)
(8) Bonds and notes		(335,683)		(348,848)
(9) Long-term loans payable		(1,209,116)		(1,249,156)
(10) Derivative transactions		(5,490)		(5,490)

*Figures shown in parentheses are liability items. The fair value of assets and liabilities stemming from derivative transactions are shown in net figures, and figures for items with total net fair values that are liabilities are shown in parentheses.

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.”

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.

(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.”

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

(Year ended March 31, 2017)

Item	<Millions of yen>	
	Book value	
Unlisted stocks	¥	31,354

(Year ended March 31, 2016)

Item	<Millions of yen>	
	Book value	
Unlisted stocks	¥	28,057

The items in the preceding table do not have market values, and estimating their future cash flow is deemed to be practically impossible. Therefore, determining the fair value of these items is deemed to be extremely difficult,

and 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, 2017)

	<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	¥ 88,111	¥ —	¥ —	¥ —
Notes and accounts receivable	624,089	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
Government bonds/municipal bonds	489	—	—	—
Corporate bonds	—	4,500	—	—
Negotiable certificates of deposit	4,135	—	—	—
Available-for-sale securities with maturity dates	53	—	152	—
Total	¥ 716,879	¥ 4,500	¥ 152	¥ —

(Year ended March 31, 2016)

	<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	¥ 85,365	¥ —	¥ —	¥ —
Notes and accounts receivable	523,207	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
Government bonds/municipal bonds	—	—	—	—
Corporate bonds	—	4,500	—	—
Negotiable certificates of deposit	500	—	—	—
Available-for-sale securities with maturity dates	25	65	—	—
Total	¥ 609,098	¥ 4,565	¥ —	¥ —

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, 2017)

	<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	¥ 119,241	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	20,000	—	—	—	—	—
Bonds	140,000	85,700	60,000	45,000	15,000	50,000
Long-term loans payable	196,874	179,008	106,780	111,957	120,503	841,775
Lease obligations	3,769	1,504	1,137	856	623	4,322
Total	¥ 479,884	¥ 266,213	¥ 167,917	¥ 157,813	¥ 136,127	¥ 896,097

(Year ended March 31, 2016)

	<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	¥ 125,092	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper		—	—	—	—	—
Bonds	50,000	120,000	65,700	60,000	45,000	45,000
Long-term loans payable	275,293	178,137	138,398	79,429	88,470	724,680
Lease obligations	3,498	2,483	1,122	824	621	3,325
Total	¥ 453,884	¥ 300,621	¥ 205,221	¥ 140,253	¥ 134,092	¥ 773,006

17. SECURITIES

(Year ended March 31, 2017)

Information regarding marketable and investment securities at March 31, 2017 is as follows:

(1) Held-to-maturity debt securities

	<Millions of yen>		
	2017		
	Book value	Fair value	Differences
Held-to-maturity debt securities whose fair value is in excess of the book value on the balance sheet:			
Government bonds /municipal bonds	¥ 489	¥ 492	¥ 2
Corporate bonds	2,500	2,504	4
Subtotal	¥ 2,989	¥ 2,996	¥ 7
Held-to-maturity debt securities whose fair value is less than the book value on the balance sheet:			
Corporate bonds	¥ 2,000	¥ 1,985	¥ (14)
Negotiable certificates of deposit	4,135	4,135	—
Subtotal	¥ 6,135	¥ 6,121	¥ (14)
Total	¥ 9,125	¥ 9,117	¥ (7)

(2) Available-for-sale securities

	<Millions of yen>		
	2017		
	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	¥ 623,173	¥ 277,967	¥ 345,206
Other	83,787	52,725	31,061
Subtotal	¥ 706,961	¥ 330,693	¥ 376,267
Available-for-sale securities whose book value on the balance sheet is less than the related cost:			
Corporate shares	¥ 73,587	¥ 78,876	¥ (5,289)
Bonds	16	16	—
Subtotal	¥ 73,603	¥ 78,893	¥ (5,289)
Total	¥ 780,564	¥ 409,586	¥ 370,978

(3) Available-for-sale securities sold in the year ended March 31, 2017

<Millions of yen>					
2017					
	Amount of sales		Gain on sales		Loss on sales
Corporate shares	¥ 9,024	¥ 4,558	¥ 160		
Bonds	9	0	—		
Other	31,458	4,136	—		
Total	¥ 40,492	¥ 8,695	¥ 160		

(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 ¥3,400 million at March 31, 2017.

(Year ended March 31, 2016)

Information regarding marketable and investment securities at March 31, 2016 is as follows:

(1) Held-to-maturity debt securities

<Millions of yen>					
2016					
	Book value		Fair value		Differences
Held-to-maturity debt securities whose fair value is in excess of the book value on the balance sheet:					
Government bonds /municipal bonds	¥ —	¥ —	¥ —		—
Corporate bonds	—	—	—		—
Subtotal	¥ —	¥ —	¥ —		—
Held-to-maturity debt securities whose fair value is less than the book value on the balance sheet:					
Corporate bonds	¥ 4,500	¥ 4,486	¥ (13)		
Negotiable certificates of deposit	500	500	—		
Subtotal	¥ 5,000	¥ 4,986	¥ (13)		
Total	¥ 5,000	¥ 4,986	¥ (13)		

(2) Available-for-sale securities

<Millions of yen>					
2016					
	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	¥ 429,042	¥ 199,348	¥ 229,693		
Other	93,750	80,047	13,702		
Subtotal	¥ 522,792	¥ 279,396	¥ 243,396		
Available-for-sale securities whose book value on the balance sheet is less than the related cost:					
Corporate shares	¥ 37,077	¥ 45,612	¥ (8,534)		
Bonds	—	—	—		
Subtotal	¥ 37,077	¥ 45,612	¥ (8,534)		
Total	¥ 559,870	¥ 325,008	¥ 234,861		

(3) Available-for-sale securities sold in the year ended March 31, 2016

<Millions of yen>					
2016					
	Amount of sales		Gain on sales		Loss on sales
Corporate shares	¥ 17,818	¥ 7,266	¥ 513		
Bonds	—	—	—		
Other	17	12	0		
Total	¥ 17,836	¥ 7,278	¥ 513		

(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 ¥3,442 million at March 31, 2016.

18. INFORMATION ON DERIVATIVES

(Year ended March 31, 2017)

(1) Derivatives not subject to hedge accounting

<Millions of yen>						
		Contract amounts,etc.		Fair value	Appraisal profit or loss	Method for computing fair value
Type of derivative		Over one year				
Non-market transactions	Foreign exchange forward contracts Buying Australian dollars	¥48,142	¥—	¥210	¥210	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Buying U.S. dollars	1,369	—	65	65	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Buying Other	102	0	(1)	(1)	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Selling U.S. dollars	726	—	(8)	(8)	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Selling Other	0	0	(0)	(0)	Based on foreign exchange forward quotes
Non-market transactions	Currency swaps Paying Malaysian ringgits Receiving U.S. dollars	703	—	3	3	Based on prices provided by third parties
Non-market transactions	Currency swaps Paying Indian rupees Receiving U.S. dollars	1,556	895	190	190	Based on prices provided by third parties
Total		¥52,600	¥896	¥459	¥459	

(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>						
		Contract amounts,etc.		Fair value	Method for computing fair value	
Hedge accounting method	Type of derivative	Principal hedged items	Over one year			
Deferred hedging accounting method	Interest rate swaps Interest rate pay fixed receive floating	Long-term loans payable	¥61,017	¥61,017	¥600	Based on prices provided by third parties
Deferred hedging accounting method	Interest rate swaps Interest rate pay floating receive fixed	Bonds	25,000	—	269	Based on prices provided by third parties
Deferred hedging accounting method	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable and Accounts payable-other	147,104 8,488	530 1,560	2,040 (400)	Based on foreign exchange forward quotes
Deferred hedging accounting method	Foreign exchange forward contracts Selling U.S. dollars Other	Accounts receivable	15,490 2,872	33 —	(43) (21)	Based on foreign exchange forward quotes
Deferred hedging accounting method	Commodity swaps Commodity pay fixed receive floating	Electricity	294	186	37	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	225,639	215,191	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive fixed	Long-term loans payable	5,000	—	*	
Assigning method of currency swaps	Currency swaps Paying Yen receiving U.S. dollars	Long-term loans payable	96,881	83,244	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable	95 55	7 —	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	104	—	*	
Total			¥588,044	¥361,770	¥2,478	

*Since interest rate swaps subject to the exceptional method are handled together with long-term loans payable that are subject to hedging, their fair value is presented within the fair value of such 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, 2016)

(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	¥47,230	¥—	¥1,466	¥1,466	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Buying U.S. dollars	7,394	—	46	46	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Buying Other	5	—	(0)	(0)	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Selling U.S. dollars	240	—	9	9	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Selling Other	5	—	(0)	(0)	Based on foreign exchange forward quotes
Non-market transactions	Currency swaps Paying Malaysian ringgits Receiving U.S. dollars	725	—	2	2	Based on prices provided by third parties
Total		¥55,601	¥—	¥1,523	¥1,523	

(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.			Method for computing fair value
			Over one year	Fair value		
Deferred hedging accounting method	Interest rate swaps Interest rate pay floating receive fixed	Bonds	¥35,000	¥25,000	¥962	Based on prices provided by third parties
Deferred hedging accounting method	Foreign exchange forward contracts Buying U.S. dollars	Accounts payable and Accounts payable-other	152,662	380	(8,113)	Based on foreign exchange forward quotes
	Other		17,695	2,828	140	
Deferred hedging accounting method	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	14,586	312	(3)	Based on foreign exchange forward quotes
	Other		2,022	0	69	
Deferred hedging accounting method	Commodity swaps Commodity pay fixed receive floating	Electricity	343	205	(70)	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	228,670	190,927	*	
	Interest rate pay floating receive fixed		25,000	5,000	*	
Assigning method of currency swaps	Currency swaps Paying Yen receiving U.S. dollars	Long-term loans payable	108,177	96,881	*	
	Foreign exchange forward contracts Buying U.S. dollars		Accounts payable	364	—	
Assigning method of foreign exchange forward contracts	Other		398	—		
	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	247	—	*	
Assigning method of foreign exchange forward contracts	Other			1,526	—	
Total			¥588,044	¥361,770	¥2,478	

*Since interest rate swaps subject to the exceptional method are handled together with 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.

Parts 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 plans and lump-sum retirement payment plans 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>

	2017	2016
Balance at beginning of year	¥ 543,424	¥ 562,038
Service costs	25,566	25,122
Interest costs	3,539	4,214
Actuarial differences	(315)	8,817
Benefits paid	(58,790)	(57,487)
Prior service costs	88	(1,005)
Change in scope of consolidation	92,632	-
Other	647	1,725
Balance at end of year	¥ 606,792	¥ 543,424

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

<Millions of yen>

	2017	2016
Balance at beginning of year	¥ 485,596	¥ 536,538
Expected return on plan assets	7,143	7,809
Actuarial differences	28,375	(34,231)
Contributions by the employer	14,619	15,248
Benefits paid	(36,311)	(36,187)
Change in scope of consolidation	66,799	-
Other	(41,300)	(3,580)
Balance at end of year	¥ 524,922	¥ 485,596

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

<Millions of yen>

	2017	2016
Balance at beginning of year	¥ 12,300	¥ 12,067
Net pension expense	2,481	3,215
Benefits paid	(1,318)	(1,355)
Contributions to the plan	(882)	(954)
Other	616	(672)
Balance at end of year	¥ 13,197	¥ 12,300

(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>			
	2017		2016	
Funded defined benefit obligations	¥	479,047	¥	463,295
Plan assets		(536,017)		(496,765)
		(56,970)		(33,469)
Unfunded defined benefit obligations		152,038		103,598
Net liabilities (assets) arising from defined benefit obligations	¥	95,067	¥	70,129
Net defined benefit liabilities	¥	188,016	¥	128,837
Net defined benefit assets		(92,948)		(58,708)
Net liabilities (assets) arising from defined benefit obligations	¥	95,067	¥	70,129

Note: Includes plans using the simplified method

(e) Net pension expense

	<Millions of yen>			
	2017		2016	
Service costs	¥	25,566	¥	25,122
Interest costs		3,539		4,214
Expected return on plan assets		(7,143)		(7,809)
Amortization of actuarial differences		606		(10,393)
Amortization of prior service costs		(696)		(759)
Net pension expense for the simplified method		2,481		3,215
Other		4,134		4,112
Total	¥	28,487	¥	17,700

(f) Remeasurements of defined benefit plans

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

	<Millions of yen>			
	2017		2016	
Prior service costs	¥	784	¥	(222)
Actuarial differences		(29,328)		53,435
Total	¥	(28,544)	¥	53,212

(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>			
	2017		2016	
Unrecognized prior service costs	¥	(9,457)	¥	(10,242)
Unrecognized actuarial differences		(93,160)		(63,831)
Total	¥	(102,618)	¥	(74,074)

(h) Plan assets

1) Categories of plan assets

The major categories of plan assets are as follows:

	2017	2016
Debt securities	35 %	38 %
Equity securities	44	42
Cash and bank deposits	9	8
Other	12	12
Total	100 %	100 %

Note: 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 the year ended March 31, 2017 and 25% for the year ended March 31, 2016.

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:

	2017	2016
Discount rate	Mainly 0.7%	Mainly 0.7%
Expected long-term rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

(3) Defined contribution plan

The estimated amount of contribution to the defined contribution plan was ¥4,864 million for the year ended March 31, 2017 and ¥4,567 million for the year ended March 31, 2016.

20. DEFERRED TAX ACCOUNTING

(1) Components of deferred tax assets and liabilities at March 31, 2017 and 2016		<Millions of yen>	
	2017	2016	
Deferred tax assets:			
Reserve for accrued bonuses	¥ 25,273	¥ 22,554	
Net defined benefit liabilities	38,270	30,139	
Loss on revaluation of inventories	11,848	11,621	
Impairment loss	63,129	62,858	
Depreciation in excess of limit	35,698	34,361	
Tax losses carried forward	122,841	93,999	
Unrealized gains on tangible fixed assets	52,058	52,169	
Other	85,927	54,038	
Subtotal	435,049	361,744	
Valuation allowance	(224,263)	(159,220)	
Total	210,786	202,524	
Deferred tax liabilities:			
Special tax purpose reserve	(76,897)	(65,343)	
Unrealized gains on available-for-sale securities	(110,105)	(71,670)	
Net unrealized gains on assets and liabilities of consolidated subsidiaries	(8,112)	(364)	
Total	(195,116)	(137,378)	
Net deferred tax assets	¥ 15,669	¥ 65,145	

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

Years ended March 31	2017	2016*
Statutory tax rate	30.9%	—
Permanent non-deductible expenses	1.1	—
Permanent non-taxable income	(1.0)	—
Effect of foreign tax rate differences	(1.5)	—
Valuation allowance	(9.0)	—
Other	(0.9)	—
Actual tax rate	19.6%	—

*Since the difference between the statutory tax rate and the actual tax rate is not significant (less than 5% of the statutory tax rate), no reconciliation of these two rates is presented.

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

Year ended March 31, 2016

In accordance with the establishment in the national assembly on March 29, 2016, 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 of 32.3% utilized in the previous consolidated fiscal year for the computation of deferred tax assets and deferred tax liabilities for the current consolidated fiscal year (applied only to assets and liabilities to be recovered or settled on or after April 1, 2016) has been revised from 32.3% utilized

in the previous consolidated fiscal year to 30.9% for assets and liabilities to be recovered or settled during the period of April 1, 2016 to March 31, 2018, and to 30.6% for assets and liabilities to be recovered or settled from April 1, 2018 and thereafter.
The revisions had the effect of increasing deferred tax assets (the amount remaining after deducting the amount of deferred tax liabilities) by ¥194 million, income taxes–deferred reported in the current consolidated fiscal year by ¥4,985 million, unrealized gains on available-for-sale securities by ¥4,217 million, and remeasurements of defined benefit plans by ¥1,222 million.

21. INFORMATION CONCERNING THE BUSINESS COMBINATION

(Year ended March 31, 2017)

1. Outline of the Business Combination

(1) Name and Business of the Acquired Company

Acquired company name	Nisshin Steel Co., Ltd.
Business of the acquired company	Steelmaking and steel fabrication

(2) Objectives of the Business Combination

NSSMC and Nisshin Steel Co., Ltd. aim to bring together the respective management resources that they have fostered to date and create synergies, and thereby enhance competitiveness, and to strengthen the position of the NSSMC Group as the “Best Steelmaker with World-Leading Capabilities” with the addition of Nisshin Steel Co., Ltd., and to thereby enhance sustainable growth and corporate value in the mid- to long-term and contribute to the creation and development of a more prosperous society.

(3) Date of the Business Combination

March 13, 2017

(4) Legal Method of the Business Combination

Share acquisition with cash as consideration.

(5) Name of the Company after the Business Combination

No changes are made to the name of the company after the business combination.

(6) Acquired Ratio of Voting

Ratio of voting rights owned before the business combination: 8%

Ratio of voting rights additionally acquired on the date of the business combination: 43%

Ratio of voting rights after acquisition: 51%

(7) Primary Reasons for Determining the Acquiring Company

NSSMC acquired 51% of voting rights of the acquired company through share acquisition with cash as consideration.

2. Period of the Business Performance of the Acquired Company included in the Consolidated Statement of Operations Regarding the Consolidated Fiscal Year

As the deemed acquisition date assumed to be the end of consolidated fiscal year, only the balance sheet of the acquired company was consolidated, and the consolidated statement of operations does not include the business performance of the acquired company.

3. The Acquisition Cost of the Acquired Company and its Breakdown by the Type of Consideration

Fair value on the date of the business combination of the acquired company’s shares held before the business combination	¥14,781 million
Cash paid for additional acquisition	¥75,972 million
Total Acquisition Cost	¥90,753 million

4. Difference between Acquisition Cost for Acquired Company and Total Acquisition Cost for Each Transaction Leading to Acquisition

Gain on step acquisitions: ¥10,027 million

5. Details and Amounts of Major Acquisition-Related Expenses

Advisory fees, etc.: **¥627 million**

6. Amount, Cause and Amortization Method and Period of Goodwill Generated

- (1) The amount of goodwill is ¥1,696 million.
- (2) The cause is the acquisition cost exceeded the fair value of the net assets acquired on date of the business combination.
- (3) The amortization method and period will be the straight-line method over a period of 5 years.

7. Amounts of Assets Acquired and Liabilities Assumed on the Date of the Business Combination and Breakdown by Major Items

Current assets	¥250,595 million
Fixed assets	¥419,026 million
Total assets	¥669,622 million
Current liabilities	¥224,318 million
Long-term liabilities	¥256,754 million
Total liabilities	¥481,073 million

8. Estimated Effect on the Consolidated Statement of Operations if the Business Combination had been completed at the Beginning of the Fiscal Year

Net sales	¥525,563 million
Ordinary profit	¥5,998 million
Profit before income taxes	¥5,051 million

(Method of the estimation)

These figures are estimated based on the consolidated statement of operations of the acquired company from April 1, 2016 to March 31, 2017 and have not been audited.

22. SEGMENT INFORMATION

(1) Segment information

(a) General information about reportable segments

NSSMC is a company engaged in the steelmaking and steel fabrication business, 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, performance of construction work under contract, waste processing and recycling, and supplying electricity, gas, and heat
Chemicals	Manufacturing and marketing of coal-based chemical products, petrochemicals, and electronic materials
New materials	Manufacturing and marketing of materials for semiconductors and electronic parts, carbon fiber and composite products, and products that apply technologies for metal processing and joining
System solutions	Computer systems engineering and consulting services; IT-enabled outsourcing and other services

(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 3, “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, 2017)

<Millions of yen>

	Reportable segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales								
Sales to external customers	¥ 4,016,670	¥ 234,861	¥ 168,596	¥ 34,519	¥ 178,242	¥ 4,632,890	¥ —	¥ 4,632,890
Inter-segment sales or transfers	35,590	32,683	5,630	—	54,270	128,175	(128,175)	—
Total	4,052,261	267,545	174,227	34,619	232,512	4,761,065	(128,175)	4,632,890
Segment profit <Ordinary profit>	¥ 138,017	¥ 6,838	¥ 4,518	¥ 1,786	¥ 22,113	¥ 173,274	¥ 1,256	¥ 174,531
Segment assets	¥ 6,716,970	¥ 248,628	¥ 146,406	¥ 30,584	¥ 200,252	¥ 7,342,843	¥ (80,919)	¥ 7,261,923
Segment liabilities <Interest-bearing debt>	¥ 2,092,610	¥ 6,066	¥ 7,400	¥ 8,790	¥ 1,177	¥ 2,116,045	¥ (12,000)	¥ 2,104,045
Other items								
Depreciation and amortization	¥ 294,008	¥ 2,653	¥ 6,110	¥ 2,116	¥ 4,174	¥ 309,064	¥ (4,313)	¥ 304,751
Amortization of goodwill	2,518	1,257	—	—	240	4,015	—	4,015
Interest income	5,566	124	19	16	133	5,860	(206)	5,654
Interest expense	17,831	118	98	135	28	18,212	(206)	18,006
Equity in profit of unconsolidated subsidiaries and affiliates	70,723	655	920	—	21	72,320	6,859	79,180
Balance of investments in equity-method companies	931,342	4,056	19,749	—	32	955,181	76,571	1,031,752
Increase (decrease) in tangible fixed assets and intangible assets	335,733	5,637	7,005	2,224	4,343	354,943	(3,905)	351,038

- Notes: 1. Segment profit adjustments of ¥1,256 million includes investment return of ¥6,524 million from the equity-method affiliate Nippon Steel Kowa Real Estate Co., Ltd., an investment return of ¥629 million from the equity-method affiliate SUMCO Corporation, and elimination of inter-segment sales or transfers of ¥(5,897) 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.
4. Depreciation and amortization includes depreciation of long-term prepaid expenses.
5. The increased amount of tangible fixed assets and intangible assets includes the increased amount of long-term prepaid expenses.

(Year ended March 31, 2016)

<Millions of yen>

	Reportable segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales								
Sales to external customers	¥ 4,241,521	¥ 288,088	¥ 176,360	¥ 36,280	¥ 165,178	¥ 4,907,429	¥ —	¥ 4,907,429
Inter-segment sales or transfers	42,402	27,639	5,463	—	53,762	129,267	(129,267)	—
Total	4,283,923	315,727	181,823	36,280	218,941	5,036,697	(129,267)	4,907,429
Segment profit <Ordinary profit>	¥ 160,088	¥ 12,163	¥ 1,093	¥ 3,073	¥ 19,493	¥ 195,912	¥ 5,017	¥ 200,929
Segment assets	¥ 5,862,481	¥ 254,243	¥ 146,620	¥ 30,498	¥ 175,767	¥ 6,469,611	¥ (44,568)	¥ 6,425,043
Segment liabilities <Interest-bearing debt>	¥ 1,997,699	¥ 3,347	¥ 9,087	¥ 10,671	¥ 1,463	¥ 2,022,270	¥ (15,207)	¥ 2,007,063
Other items								
Depreciation and amortization	¥ 298,280	¥ 2,819	¥ 5,441	¥ 2,457	¥ 3,942	¥ 312,940	¥ (4,664)	¥ 308,276
Amortization of goodwill	1,833	1,466	—	—	198	3,498	—	3,498
Interest income	5,619	93	22	2	160	5,899	(199)	5,700
Interest expense	20,018	32	88	109	59	20,309	(199)	20,110
Equity in profit of unconsolidated subsidiaries and affiliates	30,461	765	1,637	—	32	32,897	11,284	44,181
Balance of investments in equity-method companies	842,499	3,518	20,284	—	11	866,313	108,117	974,431
Increase (decrease) in tangible fixed assets and intangible assets	289,190	3,676	8,755	1,663	4,715	308,001	(3,358)	304,643

Notes: 1. Segment profit adjustments of ¥5,017 million includes investment return of ¥7,628 million from the equity-method affiliate Nippon Steel Kowa Real Estate Co., Ltd., an investment return of ¥3,631 million from the equity-method affiliate SUMCO Corporation, and elimination of inter-segment sales or transfers of ¥(6,243) 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 assets includes the increased amount of long-term prepaid expenses.

(2) Associated information

(Year ended March 31, 2017)

(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			Total
	Asia	Other		
¥2,955,981	¥1,676,909	¥1,042,224	¥634,684	¥4,632,890

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
Nippon Steel & Sumikin Bussan Corporation	¥744,325	Steelmaking and steel fabrication
Sumitomo Corporation	675,417	Steelmaking and steel fabrication

(Year ended March 31, 2016)

(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			Total
	Asia	Other		
¥3,003,583	¥1,903,846	¥1,213,290	¥690,555	¥4,907,429

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
Nippon Steel & Sumikin Bussan Corporation	¥ 778,496	Steelmaking and steel fabrication
Sumitomo Corporation	770,608	Steelmaking and steel fabrication
Metal One Corporation	494,904	Steelmaking and steel fabrication

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

(Year ended March 31, 2017)

There were no material impairment losses on fixed assets.

(Year ended March 31, 2016)

<Millions of yen>

Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Adjustments	Total
¥ 1,459	¥ —	¥ 12,253	¥ —	¥ —	¥ —	¥ 13,712

Note: Impairment loss associated with property put into business, etc., is accounted for as an extraordinary loss of the Chemicals segment. This categorization is based on recognizing the declining profitability in the deteriorating business environments as impairment losses mainly associated with property of a consolidated subsidiary put into the coal tar chemicals business in China.

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

(Year ended March 31, 2017)

<Millions of yen>

	Reportable segment						Total
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Adjustments	
Balance at fiscal year-end	¥ 24,849	¥ 9,017	¥ —	¥ —	¥ 4,785	¥ —	¥ 38,652

Note: 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, 2016)

<Millions of yen>

	Reportable segment						Total
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Adjustments	
Balance at fiscal year-end	¥ 28,714	¥ 11,020	¥ —	¥ —	¥ 2,022	¥ —	¥ 41,756

Note: 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, 2017 and 2016)

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

23. RELATED PARTY INFORMATION

(1) Related party transaction

(Year ended March 31, 2017)

Transaction with related party

Transaction of NSSMC with related party

Unconsolidated subsidiaries and affiliates

	<Millions of yen>			
	Transactions during the year ended March 31, 2017		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	Sells steel products	¥613,880	Notes and accounts receivable	¥17,379
(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				

Notes: 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, 2017		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	Sells steel products	¥130,445	Notes and accounts receivable	¥18,186
(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				

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

(Year ended March 31, 2016)

Transaction with related party

Transaction of NSSMC with related party

Unconsolidated subsidiaries and affiliates

	<Millions of yen>			
	Transactions during the year ended March 31, 2016		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	Sells steel products	¥644,043	Notes and accounts receivable	¥16,515
(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				

Notes: 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, 2016		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	Sells steel products	¥134,452	Notes and accounts receivable	¥14,425
(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				

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

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

(Years ended March 31, 2017 and 2016)

There are no parent company and significant affiliates.

24. EARNINGS PER SHARE AND NET ASSETS PER SHARE

Reconciliation of the differences between basic and diluted earnings per share ("EPS") and net assets per share ("BPS") for the years ended March 31, 2017 and 2016 are as follows:

(Year ended March 31, 2017)

	Millions of yen	Thousands of shares	Yen
	Profit attributable to owners of parent	Weighted average number of shares	EPS
Basic EPS			
Profit attributable to owners of parent available to common shareholders	¥ 130,946	884,959	¥ 147.96
	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	¥ 2,948,232	882,647	¥ 3,340.21

(Year ended March 31, 2016)

	Millions of yen	Thousands of shares	Yen
	Profit attributable to owners of parent	Weighted average number of shares	EPS
Basic EPS			
Profit attributable to owners of parent available to common shareholders	¥ 145,419	916,209	¥ 158.71
	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	¥ 2,773,822	902,266	¥ 3,074.28

Regarding diluted earnings per share, no figures for diluted earnings per share have been disclosed because no latent shares existed. NSSMC carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015. In accordance with this, earnings per share is calculated based on the assumption that the share consolidation had been carried out at the beginning of fiscal 2015.

25. BONDS, NOTES, AND LOANS

Bonds, notes, and loans of the NSSMC Group at March 31, 2017 and 2016 consisted of the following:

		<Millions of yen>	
		2017	2016
Bonds and Notes: NSSMC	3.3% SB due March 2017	¥ —	¥ 10,000
	3.175% SB due September 2017	10,000	10,000
	3% Euro MTN yen bonds due February 2019	693	689
	1.77% SB due September 2017	29,999	29,998
	1.66% SB due December 2017	29,999	29,999
	1.92% SB due March 2018	29,997	29,995
	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
	1.942% SB due June 2019	20,000	20,000
	1.53% SB due March 2020	20,000	20,000
	0.815% SB due April 2016	—	10,000
	0.73% SB due July 2017	10,000	10,000
	1.076% SB due June 2020	15,000	15,000
	1.293% SB due March 2021	30,000	30,000
	0.583% SB due May 2016	—	10,000
	0.846% SB due May 2018	10,000	10,000
	0.491% SB due July 2016	—	10,000
	1.109% SB due September 2021	15,000	15,000
	0.48% SB due October 2016	—	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
	0.28% SB due September 2026	10,000	—
	0.64% SB due September 2031	10,000	—
Nisshin Steel Co., Ltd.	2.2% SB due June 2018	10,000	—
	0.62% SB due June 2017	20,000	—
	0.64% SB due March 2019	10,000	—
Total		¥ 395,690	¥ 385,683

Note: "SB" = straight bonds, "MTN" = mid-term note

<Millions of yen>				
	2017		2016	
Loans:				
Short-term loans payable	¥	119,241*3	¥	125,092
Loans principally from banks and insurance companies due 2018–2075 for 2017*1		1,556,899*4		1,484,410
Lease obligations due 2018–2030 for 2017*2		12,213		11,876
Commercial paper		20,000*5		-
Total	¥	1,708,354	¥	1,621,379

*1 Including a portion due within one year of ¥196,874 million for 2017 and ¥275,293 million for 2016
*2 Including a portion due within one year of ¥3,769 million for 2017 and ¥3,498 million for 2016
*3 Average interest-rate at March 31, 2017 is 0.8%.
*4 Average interest-rate at March 31, 2017 is 0.8%.
*5 Average interest-rate at March 31, 2017 is (0.0)%.

The aggregate annual maturities of long-term debt as of March 31, 2017 are as follows:

<Millions of yen>					
Years ending March 31	2018	2019	2020	2021	2022
Bonds and notes	¥140,000	¥85,700	¥60,000	¥45,000	¥15,000
Long-term loans payable	196,874	179,008	106,780	111,957	120,503
Lease obligations	3,769	1,504	1,137	856	623

The following are the NSSMC Group's assets pledged as collateral primarily to secure long-term loans payable, short-term loans payable, and others, totaled ¥8,902 million and ¥10,858 million at March 31, 2017 and 2016, respectively.

<Millions of yen>				
Years ended March 31	2017		2016	
(Factory foundation mortgage)				
Buildings and structures	¥	3,000	¥	2,839
Machinery, equipment and vehicles		6,715		5,788
Tools, furniture and fixtures		0		0
Land		8,203		8,112
Total	¥	17,919	¥	16,740
(Pledged assets)				
Cash and bank deposits	¥	5	¥	5
Current assets–other		-		4,965
Buildings and structures		816		845
Machinery, equipment and vehicles		30		39
Land		2,690		2,690
Investments in securities		16		-
Long-term loans receivable		5,990		2,067
Total	¥	9,549	¥	10,613

In addition, at March 31, 2017, out of the above secured liabilities, ¥1,261 million of shares of affiliates are pledged as collateral against the loans of those affiliates.
And, at March 31, 2016, out of the above secured liabilities, ¥1,261 million of shares of affiliates are pledged as collateral against the loans of those affiliates.

Independent Auditor’s Report



Independent Auditor’s Report

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

We have audited the accompanying consolidated financial statements of Nippon Steel & Sumitomo Metal Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2016, 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 misstatement, 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, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

June 27, 2017
Tokyo, Japan

Principal Subsidiaries and Affiliates (As of March 31, 2017)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Steelmaking and Steel Fabrication (382 companies)			
Consolidated Subsidiaries (282 companies)			
Nisshin Steel Co., Ltd.	30,000	51.3%	Manufactures and markets ordinary steel, stainless steel and specialty steel
East Asia United Steel Corporation	17,217	74.3%	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 shapes, bars, and billets
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	100.0%	Conducts engineering, maintenance, and operations relating to machinery, electrical instrumentation, systems, and construction for steel-production and other facilities
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
Nippon Steel & Sumikin SG Wire Co., Ltd.	3,634	100.0%	Manufactures and markets bars and wire rods
Geostr Corporation	3,352	42.3%	Manufactures and markets concrete and metal products for civil engineering and building construction work
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
Nihon Teppan Co., Ltd.	1,300	100.0%	Markets, processes, and imports and exports steel products, metal processing machines, and electrical / electronic devices
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 Eco-Tech Corporation	500	85.1%	Designs, builds, operates, maintains, and manages water-treatment and other systems; designs civil-engineering projects; and performs environmental and chemical analysis
Nippon Steel & Sumikin Bolten Corporation	498	85.0%	Manufactures and markets high-tension bolts, etc.
Nippon Steel & Sumikin Shapes Corporation	400	100.0%	Manufactures and markets H-beams
Nippon Steel & Sumikin Tubos do Brasil Ltda.	R2,002 million	100.0%	Markets seamless steel pipes
NS-Siam United Steel Co., Ltd.	THB13,007million	80.2%	Manufactures and markets cold-rolled sheets and galvanized 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 railway wheels and axles
Nippon Steel & Sumitomo Metal U.S.A., Inc.	US\$40 million	100.0%	Invests companies in North American region focusing on U.S. 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 & Sumitomo Metal Australia Pty. Limited	A\$21 million	100.0%	Participates in mine development in Australia and gathers information
Nippon Steel & Sumikin Steel Processing (Thailand) Co., Ltd.	THB571 million	66.5%	Manufactures and markets cold-heading wire and cold-finished bars
250 other companies			
Affiliates Accounted for by the Equity Method (100 companies)			
Godo Steel, Ltd.	34,896	17.8%	Manufactures and markets shapes, rails, bars, billets, and wires
Topy Industries, Ltd.	20,983	20.6%	Manufactures and markets shapes, bars, and industrial machine parts
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 shapes, steel bars, and billets; processes and markets steel
Nippon Steel & Sumikin Bussan Corporation	12,335	36.8%	Markets, imports, and exports steel, textiles, foods, and other products
Nippon Denko Co., Ltd.	11,026	21.0%	Manufactures and markets ferroalloys, advanced materials, industrial chemical products, environmental recycling systems, etc.

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Affiliates Accounted for by the Equity Method			
Nichia Steel Works, Ltd.	10,720	24.2%	Manufactures and markets bolts and wire products
Sumitomo Precision Products Co., Ltd.	10,311	40.7%	Manufactures and markets aerospace hydraulics, heat exchangers, and industrial environmental apparatuses
NS United Kaiun Kaisha, Ltd.	10,300	33.4%	Undertakes ocean transportation
Unipres Corporation	10,039	16.4%	Manufactures and markets automotive parts
Osaka Titanium Technologies Co., Ltd.	8,739	23.9%	Manufactures and markets metal titanium, polysilicon, high-functioning materials developed from titanium and silicon for new applications
Nippon Coke & Engineering Co., Ltd.	7,000	23.3%	Markets coal; 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	47.0%	Manufactures, markets, and constructs refractories
Sanko Metal Industrial Co., Ltd.	1,980	39.8%	Manufactures, processes, installs, and sells metal roofs and building materials
Sanyu Co., Ltd.	1,513	34.8%	Manufactures and markets cold-finished bars and cold-heading wire
Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS	R13,200 million	31.4%	Manufactures and markets steel products
Vallourec Soluções Tubulares do Brasil S.A.	R7,088 million	15.0%	Manufactures seamless steel 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 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
78 other companies			
Engineering and Construction (41 companies)			
Consolidated Subsidiaries (38 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
40 other companies			
Chemicals (19 companies)			
Consolidated Subsidiaries (12 companies)		Affiliates Accounted for by the Equity Method (7 companies)	
Nippon Steel & Sumikin Chemical Co., Ltd.	5,000	100.0%	Manufactures and markets coal chemicals, petrochemicals, and electronic materials
18 other companies			
New Materials (13 companies)			
Consolidated Subsidiaries (13 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
12 other companies			
System Solutions (23 companies)			
Consolidated Subsidiaries (21 companies)		Affiliates Accounted for by the Equity Method (2 companies)	
NS Solutions Corporation	12,952	61.3%	Provides engineering and consulting pertaining to computer systems, outsourcing and other services using IT
22 other companies			
Other (1 company)			
Affiliates Accounted for by the Equity Method (1 company)			

Total consolidated subsidiaries: 366 companies Total affiliates accounted for by the equity method: 113 companies

Investor Information

(As of March 31, 2017)

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)

950,321,402 shares

Common Shares (Authorized)

2,000,000,000 shares

Number of Shareholders

461,102

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: 1 Share 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

100 shares

Share Ownership by Category

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



Principal Shareholders

Name	Shares owned (Thousands)	Shareholding ratio (%) ^{*3}
Japan Trustee Services Bank, Ltd. (Trust Account)	39,233	4.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,906	3.4
Nippon Life Insurance Company	24,532	2.6
Sumitomo Corporation	18,269	1.9
Japan Trustee Services Bank, Ltd. (Trust Account 5)	17,344	1.8
Mizuho Bank, Ltd. ^{*1}	16,299	1.7
Sumitomo Mitsui Banking Corporation ^{*2}	14,647	1.5
Meiji Yasuda Life Insurance Company	13,960	1.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,655	1.4
Japan Trustee Services Bank, Ltd. (Trust Account 1)	12,840	1.4

^{*1} Apart from those shares listed above, Mizuho Bank, Ltd. has 2,235 thousand shares (0.2% shareholding ratio) as retirement benefit trust.

^{*2} Apart from those shares listed above, Sumitomo Mitsui Banking Corporation has 6,638 thousand shares (0.7% shareholding ratio) as retirement benefit trust.

^{*3} Treasury stock owned by Nippon Steel & Sumitomo Metal Corporation, a total of 66,401 thousand shares, is included in calculation of the shareholding ratio.