



**NIPPON STEEL &
SUMITOMO METAL
CORPORATION**

Shareholder Letter

March 2014

This report explains the NSSMC Group's management policies and overview of business operations. We hope you find it useful.

We would like to ask for your continued support to the NSSMC Group.



Kashima Steel Works

To Our Shareholders

Let us thank you first and foremost for your understanding and support.

We are grateful of this opportunity to give you an update on our business performance and strategy as well as recent developments.

Business is performing favorably

Since October 2012 when we began as a new company, our business performance has been more or less favorable. Partly due to the correction of the overvaluation of the yen, Japan's economy is recovering, while domestic steel demand has increased, as our customers have raised their production volume and improved their business.

In such an environment, we have made group-wide earnest efforts to rapidly realize maximum synergy effects from the integration. Also, progress in realizing our Mid-Term Management Plan has been steady. We have been making solid improvements in financial benchmarks, such as in return on sales (ROS), asset compression, and debt to equity ratio, toward achieving our target levels.

Aiming to swiftly become the “Best Steelmaker with World-Leading Capabilities”

While the U.S. economy is expected to grow steadily, it is likely to take some time for a full-fledged recovery in Europe. China's economy is plagued with serious problems and some other emerging economies are showing signs of slowing down, leading to more uncertainties concerning the future. In contrast, Japan's economy appears to be



President & COO Tomono (left) and Chairman & CEO Muneoka (right)

on a self-sustaining recovery path, but the impacts of the consumption tax hike in this April must be evaluated carefully.

Global steel demand is expected to rise from the present 1.5 billion tons to 2.0 billion tons by around the year 2030. However, the potential oversupply situation, 0.5 billion tons in scale, is unlikely to be resolved any time soon. Particularly, in Asia which is our main market, more and more large-scale, up-to-date facilities are being installed, increasing production.

In such an environment, we will focus on executing our Mid-Term Management Plan and steadily and resolutely increase our competitive strength. By doing so, we aim to become literally the “Best Steelmaker with World-leading Capabilities” as quickly as possible.

Measures taken in Japan

Exhibiting superior manufacturing capability

Each manufacturing line in Japan, as the collective mother plant in our global supply setup, must continue to pursue and exhibit manufacturing capability that beats the competition in every way. To this end, we aim at realizing what we have determined to be the optimum production setup, which we have incorporated in the Mid-Term Plan. In April 2014, we are going to implement measures toward that end, such as integration and re-arrangement of some steelworks (please see “Organizational Integration of Steelworks“ on page 4), in order to slim down, improve efficiency, and utilize human resources to the maximum.



The Second Electric Instrumentation Section Skills Competition was held at Nagoya Steelworks in October 2013 for enhancing employees' maintenance skills.

Measures taken in overseas markets

Establishing our presence to capture growth in demand

Overseas, we are determined to position ourselves ahead of other companies to capture growth in demand. Two important markets for us are Asia including ASEAN, with high annual steel demand growth potential, and North America including the U.S., which anticipates automobile sales growth. We have already taken steps to be well positioned in these markets. We plan to strengthen our supply system in growth markets, centered on high-grade products on which we can leverage our advanced technology. In addition to giving suitable priority to new businesses, we continue to be determined to properly respond to changes in the business environment and other factors, and improve or enhance the profitability of our ongoing overseas businesses.



The steel plant in Alabama, U.S.A. to be acquired by both NSSMC and ArcelorMittal (overall view and a pickling line)

Non-steel business areas

Becoming more competitive and exhibiting comprehensive group power

With regard to non-steel business areas, our segment companies and group companies will take initiatives in solving issues in their respective fields, and we anticipate that we will further exhibit business synergy as a group.

Fiscal 2013 operating forecasts and year-end dividend policy

For fiscal 2013 (ending March 31, 2014), we forecast sales of ¥5,450 billion, ordinary profit of ¥340 billion and net profit of ¥220 billion on a consolidated basis.

Regarding the year-end dividend distribution, we intend to distribute a year-end dividend of ¥3.0 per share (representing an annual dividend of ¥5.0 per share and consolidated payout ratio of approximately 21%), in consideration of the factors include the earnings forecasts for the current fiscal year, and based on our basic dividend policy. (Please see “Overview of Business Operations disclosed on January 30, 2014” on page 3 for details.)

We deeply apologize for the great inconvenience and anxiety caused to all concerned, including all the nearby residents, by the smoke release associated with power failures that occurred at the Nagoya Works on January 17 and January 20 this year. We intend to take all possible measures to prevent any recurrence of this situation.

We would like to ask for your continued support and understanding.

Representative Director, Chairman and CEO,
Shoji Muneoka

Representative Director, President and COO,
Hiroshi Tomono

Overview of Business Operations

(Disclosed on January 30, 2014)

Forecasts for Fiscal 2013 and Year-End Dividend Distribution Policy

Forecasts for fiscal 2013

Business environment

The overall global economy is experiencing a moderate growth and Japan's economy is steadily recovering. Domestic steel demand is increasing, mainly due to demand from the manufacturing industry, in particular the civil engineering, automobiles and industrial machinery sectors, and exports are steady. However, the effects of the sustained high level of production by Chinese steelmakers need to be continually and closely watched.

Forecasts for fiscal 2013

For the current fiscal 2013 (ending March 31, 2014) profits are expected to increase year-on-year and to record ordinary profit of ¥340 billion and net profit of ¥220 billion.

Update on Mid-Term Management Plan

We are currently making earnest efforts in executing various measures set forth in our Mid-Term Management Plan, according to its five key initiatives: 1) to enhance

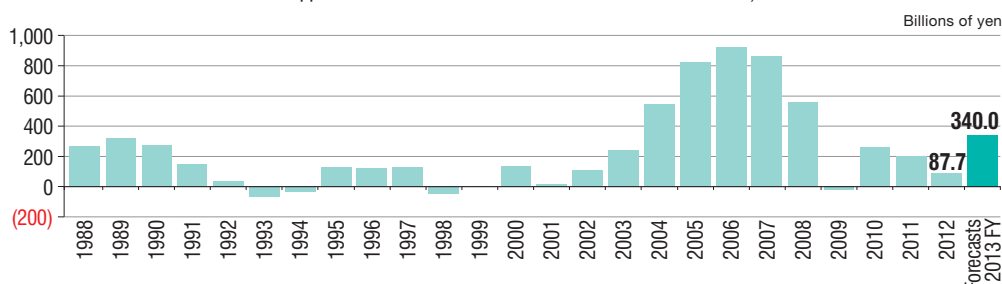
our technological superiority; 2) to build the world-leading cost competitiveness; 3) to promote our global strategy; 4) to strengthen the group companies of the Steelmaking Business; and 5) to optimize production facilities and the group network. We are steadily realizing synergies from the business integration and are likely to achieve the Mid-Term Management Plan's minimum targets in return on sales (ROS), asset compression, and debt to equity ratio in the first fiscal year, ahead of our plan.

Forecasts for fiscal 2013 (results for 1st half 2012 FY: the sum of results of Nippon Steel and Sumitomo Metal for 1st half 2012FY)

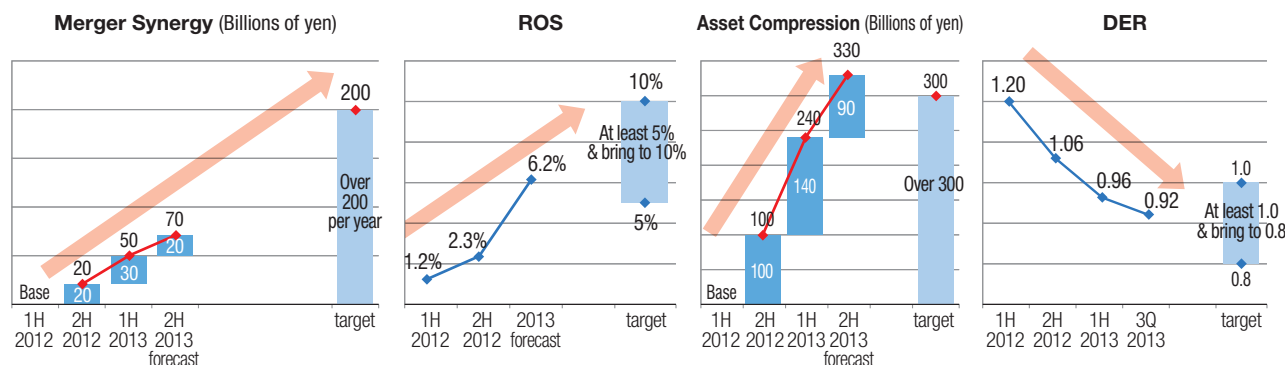
	Nippon Steel	Sumitomo Metal	1st half	2nd half	Results 2012 FY	Billions of yen	
						Results 3Q (nine-month period) 2013FY	Forecasts 2013 FY vs.2012 FY
Net Sales	1,918.2	693.6	2,611.8	2,471.6	5,083.5	4,037.4	5,450.0 366.5
Ordinary Profit	19.5	10.8	30.3	57.3	87.7	282.2	340.0 252.3
Net Income (loss) <EPS>	(176.6)	(133.8)	(310.4)	52.0 <5.7 yen>	(258.4)	192.7 <21.2 yen>	220.0 <24.2 yen> 478.4

Long-term trend of Ordinary profit(loss) on Consolidated basis

(results for 1st half 2012FY before: the sum of results of Nippon Steel and Sumitomo Metal for 1st half 2012 FY before)



Target Financial Indicators & Progress in Mid-term Management Plan



Year-end dividend distribution policy

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

Based on our basic dividend policy, we intend to distribute a year-end dividend of ¥3.0 per share (representing an annual dividend of ¥5.0 per share and consolidated payout ratio of approximately 21%), in consideration of the factors that include the earnings forecasts for the current fiscal year.

Announcement of Change in Top Management (effective April 1, 2014)

At a meeting of the board of directors held on January 16, 2014, it was resolved to make the appointments set forth below for Vice Chairman and President.

Effective as of April 1, 2014

Representative Director and Chairman **Shoji MUNEOKA** (Currently, Representative Director, Chairman and CEO)

Representative Director and Vice Chairman **Hiroshi TOMONO** (Currently, Representative Director, President and COO)

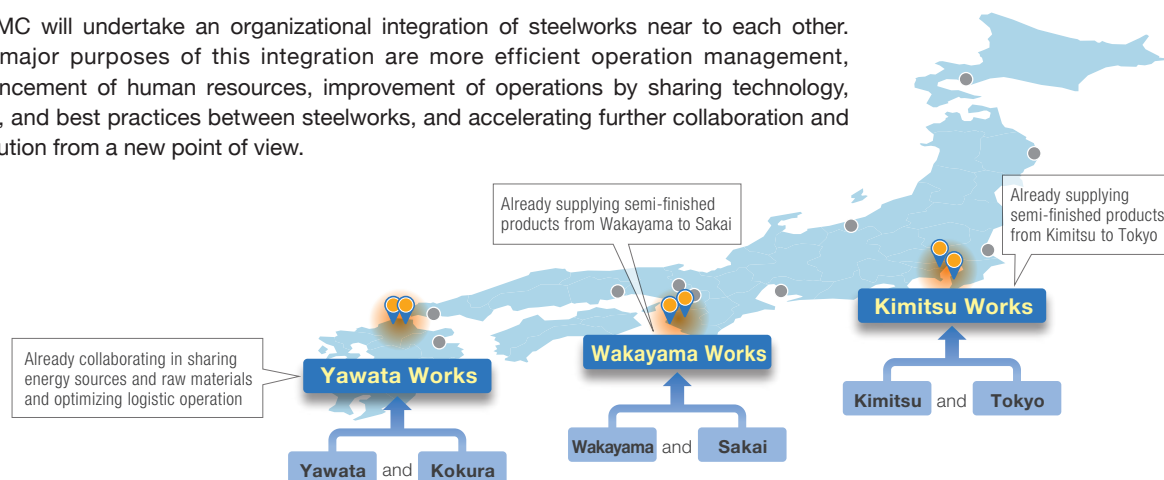
Representative Director and President **Kosei SHINDO** (Currently, Representative Director and Executive Vice President)



Chairman Muneoka (left), New President Shindo (middle), and New Vice Chairman Tomono (right)

Organizational Integration of Steelworks (Effective April 1, 2014)

NSSMC will undertake an organizational integration of steelworks near to each other. The major purposes of this integration are more efficient operation management, enhancement of human resources, improvement of operations by sharing technology, skills, and best practices between steelworks, and accelerating further collaboration and execution from a new point of view.



IR Calendar: Upcoming Events

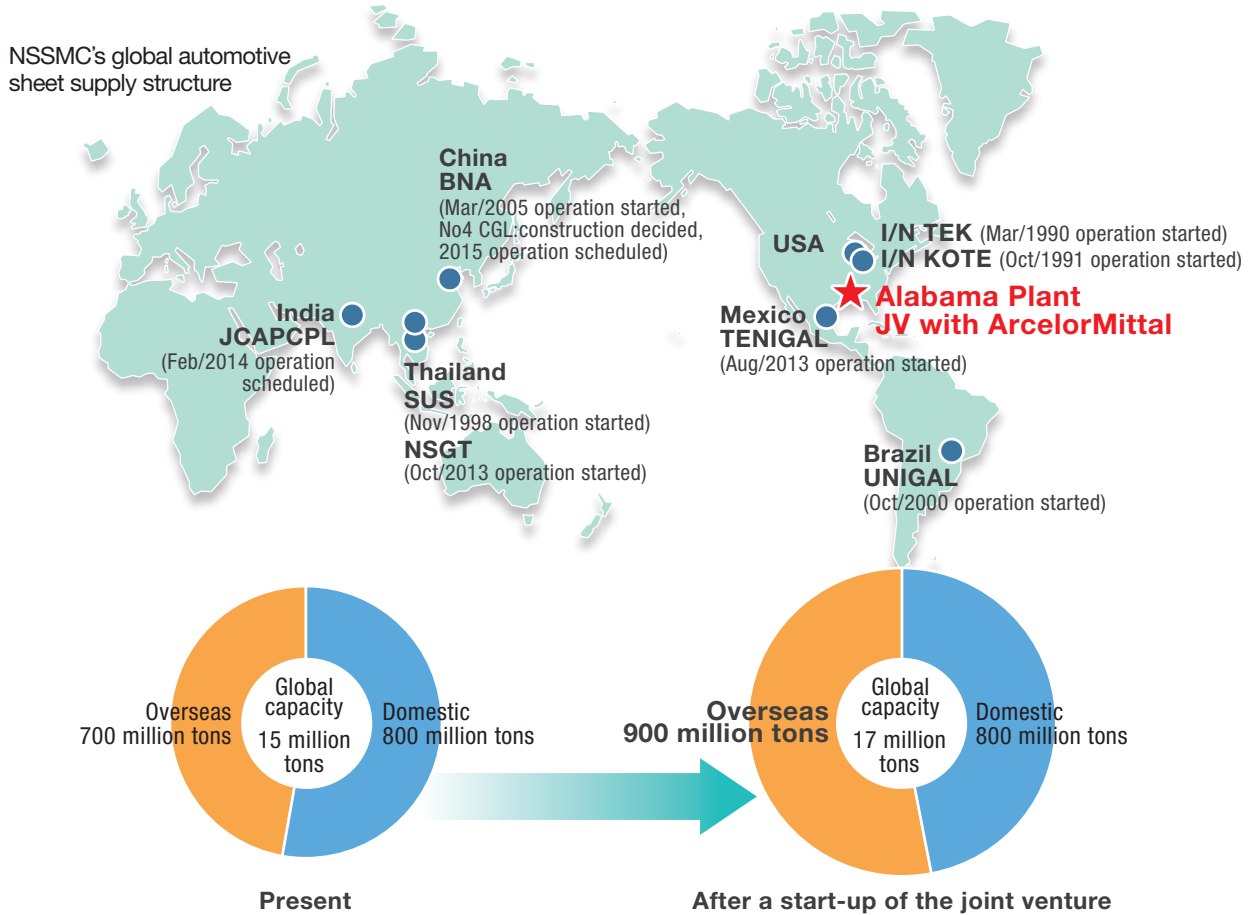
Early May 2014	Announcement of fiscal 2013 earnings and proposal for year-end dividend distribution
Early June 2014	Notice of convocation of the 90th Annual General Meeting of Shareholders
Late June 2014	The 90th Annual General Meeting of Shareholders

1 Promoting the Global Strategy

1-1 Automotive Sheet Supply Network to Be Enhanced in North America

In November 2013, NSSMC and ArcelorMittal agreed to jointly purchase ThyssenKrupp Steel USA, LLC (“TKUS”) and to form a joint venture to acquire and operate TKUS. TKUS, located in Calvert, Alabama, U.S.A., has production facilities for hot-rolled, cold-rolled, and hot-dip galvanized products.

The new joint venture is intended to meet the growing customer needs in the expanding automotive sheet market in North America, by means of the company’s strong production and supply capability.

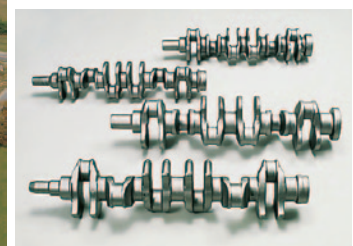


1-2 Expansion of Crankshaft Forging Business in the U.S.A.

International Crankshaft Inc., NSSMC’s subsidiary that forges crankshafts in the U.S.A., decided to build a fourth forging press line. This will expand our supply capacity of forged crankshafts, which are indispensable for small-sized high-performance engines, in the growing North American automotive market.



Overall view of International Crankshaft Inc.



Crankshafts for passenger cars

1-3 Chinese Tinplate Joint Venture Started Commercial Operation

WISCO-NIPPON STEEL Tinplate Co., Ltd. ("WINSteel"), a joint venture of NSSMC and Wuhan Iron and Steel (Group) Corporation ("WISCO"), started its commercial production of tinplate in December 2013. By combining NSSMC's world-ranking technologies and WISCO's solid business base in China, NSSMC expects to capture demand growth for tinplate for food cans and beverage cans, production of which are increasing in China in line with a rise in and change of living standards and lifestyle.



Overall view of WINSteel's plants

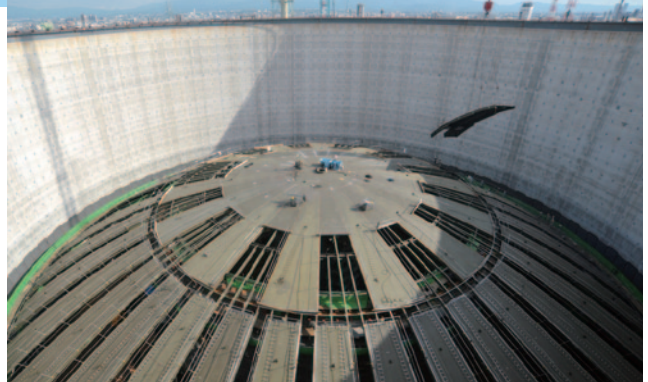


WINSteel's electrolytic tinning facility

2 Enhancing Technological Superiority

2-1 "7% Nickel Steel for LNG Tank" Received the Nikkei Business Daily Best Products Award of the Nikkei Excellent Products & Services Awards for 2013

For containment of LNG, that is stored at cryogenic temperatures (under -162 deg C,) "9%Ni Steel," containing 9% nickel, has been used for over half a century. NSSMC has developed 7%Ni Steel which possesses high safety and strength equal to 9% Ni Steel, reducing the amount of nickel, which is expensive, required. The product was awarded the Nikkei Business Daily Best Products Award of the Nikkei Excellent Products & Services Awards for 2013.



7% Nickel Steel used for a LNG tank © Osaka Gas Co., Ltd.



2-2 SuperDyma® Received the Chairperson's Award, Eco-Products Awards Steering Committee

SuperDyma®, NSSMC's high-corrosion-resistant, highly-durable steel sheet which can eliminate the need for anti-corrosion painting and galvanizing work in its manufacturing processes, received the Chairperson's Award, Eco-Products Awards Steering Committee, of the 10th Eco-Products Awards. Due to its superior durability and advantage of cost reduction, SuperDyma® is used as an installation mount material for solar panels.

Solar panels using SuperDyma® for their mounts

2-3 Fukushima Floating Offshore Wind Farm Demonstration Project

A consortium made up of 11 companies and universities including NSSMC has been participating in the world's first experimental offshore floating wind farm project sponsored by the Ministry of Economy, Trade and Industry. As part of Phase I, the floating power facility, offshore at Fukushima Prefecture, started operation in November 2013. The NSSMC Group has been contributing by developing steel materials which excel in workability, corrosion resistance, and strength, and that provide advantages for fabrication technology.

2 MW downwind-type floating offshore generation facility "Fukushima Mirai" (approx. 80 meters in windmill diameter) © Fukushima Offshore Wind Consortium





NIPPON STEEL & SUMITOMO METAL CORPORATION GROUP

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.

Shareholder benefits

NSSMC conducts various programs for shareholders such as plant tours and management presentations. The Company will send to applicable shareholders about the details of such events.

Plant Tours and Management Presentations for shareholders

Event	Summary of program	Number of times (Period)	Applicable shareholders
Invitation to plant tours (by random ballot)	We invite shareholders to a tour of our steel works and manufacturing sites. (Each tour will be held semi-annually (spring and fall). Please apply by selecting one steel work or manufacturing site from to five locations.)	Semi-annually (March to April and October to November)	Shareholders who own 10,000 or more shares as of the end of September and March.
Invitation to management presentations (by random ballot)	We are planning to conduct management presentations at Tokyo, Osaka and other locations.	Semi-annually (July to September and February to March)	



Plant tours: Shareholders see how steel is manufactured up close.

Other Events

Event	Summary of program	Number of times (Period)	Applicable shareholders
Invitation to football games of the Kashima Antlers FC (by random ballot)	We will invite our shareholders to J1-League football games (home and away).	Semi-annually (April to August and August to December)	Shareholders who own 5,000 or more shares as of the end of September and March.
Company calendar	We will send to shareholders our Company calendar.	Annually (Late November to early December)	Shareholders who own 7,000 or more shares as of the end of September
Invitation to concerts at Kioi Hall (by random ballot)	We will invite our shareholders to concerts such as the periodic "Kioi Sinfonietta Tokyo" concerts.	Semi-annually (March to July and September to February)	Shareholders who own 50,000 or more shares as of the end of September and March.



Management presentation: NSSMC's executive make presentations on the company's strategies and performance.

Shareholders Reference Information

Place of business of registration agent	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department (Mailing address) 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan (Telephone enquiries) Telephone number designated for the Company's shareholders: 0120-785-401 (toll free within Japan) Main number of transfer agent: 0120-782-031 (toll free within Japan)
Change of address, and request for sale and purchase of shares less than one unit	Please contact and consult with the securities firms in which you have an account. Shareholders for whom special account have been opened due to their lack of an account in a securities firms should contact Sumitomo Mitsui Trust Bank, Limited, our administrator of the special account.
Payment of accrued dividends	Please contact Sumitomo Mitsui Trust Bank, Limited, our registration agent.



NIPPON STEEL & SUMITOMO METAL CORPORATION

NIPPON STEEL & SUMITOMO METAL

2-6-1 Chiyoda-ku, Tokyo 100-8071, Japan
Tel: +81-3-6867-4111 (Rep.)

Website: <http://www.nssmc.com/en/index.html>