



NIPPON STEEL & SUMITOMO METAL CORPORATION

Shareholder Letter 2015



To Our Shareholders,

As always, we are thankful for your support and cooperation. Together with our sincerest greetings, we are pleased to provide you with this Shareholder Letter and to tell you about our 2017 Mid-Term Management Plan for fiscal 2015-2017, announced on March 3, 2015.

We will appreciate our shareholders' continued support and guidance.

March 2015

Nippon Steel & Sumitomo Metal Corporation
Kosei Shindo, President

Steady progress is made in implementing the 2013 Mid-Term Management Plan

Nippon Steel & Sumitomo Metal Corporation Group ("NSSMC") has made steady progress in implementing the 2013 Mid-Term Management Plan (announced in March 2013), with the aim of achieving sustained growth in profits through the early realization of maximum synergies by integration. In the past two years, we promoted cost reduction by consolidating technology of the two former companies and enhancing efficiency, consolidation of facilities, investment in overseas downstream operations, and integration and reorganization of group companies.

Status of the achievement of the 2013 Mid-Term Management Plan

	<i>Estimates for FY2014</i>	<i>Targets of the 2013 Mid-Term Plan</i>
Return on sales (ROS)	7.3%	5% at minimum; 10% after that
Synergy effects	¥140bn per year (¥200bn is expected for fiscal 2015)	¥200bn per year
D/E ratio	About 0.7	1.0 at an early stage; 0.8 after that

NSSMC deals effectively with anticipated changes in the environment

The steel business environment in which the plan will be executed has projected expansion of global steel demand at a moderate rate, particularly in emerging countries where economic growth is creating increased demand for high-grade steel, and for energy saving and environmental responsiveness in various countries. In China, a significant gap in supply and demand is likely to remain for a considerable period. In Japan, while demand related to the 2020 Tokyo Olympic Games is projected to be temporary, steel demand is expected to be firm, supported by increasing domestic production by manufacturing sectors and replacement demand for urban infrastructure, which is intended to make the country less susceptible to disasters and more competitive in global markets as site location.

Anticipated changes in the environment, including fluctuation of oil and raw material prices, and of exchange rates, as well as geopolitical risks, are among the factors considered in developing and adjusting the plan.

Outline of the 2017 Mid-Term Management Plan

Major Initiatives on the Steel Business

● Enhancing mother mills' competitiveness

We will improve and reinforce domestic major facilities, which have been in use for over 40 years.

- ▶ Capital expenditures in Japan: Approx. ¥1,350bn for 3 years (Approx. ¥700bn is estimated for 2 years of fiscal 2013-2014)
- ▶ Newly employed (unconsolidated basis): About 1,300 persons per year (Approx. 700 persons per year in fiscal 2013-2014)



Reinforcing domestic manufacturing bases



Increase hiring and strengthen human resources

● Optimizing the iron-making production framework

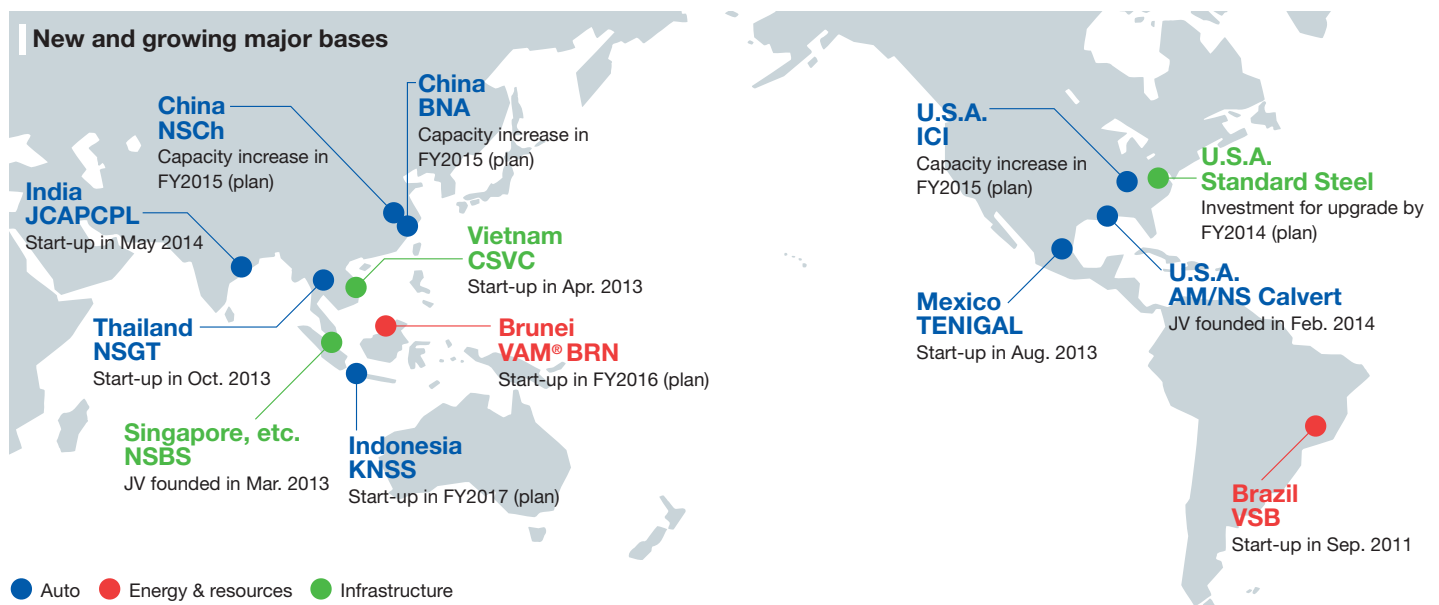
We intend to raise productivity of the entire iron-making network by achieving a higher pig iron ratio.

- ▶ **Kimitsu Works** Shift to two-blast-furnace operation (operation of the No. 3 blast furnace to be ceased) will be completed by around the end of fiscal 2015, as called for by the 2013 Mid-Term Management Plan
- ▶ **Yawata Works** Increase output of the Tobata No. 4 blast furnace, install a privaterailway for transportation of molten iron, and cease operation of the Kokura No. 2 blast furnace
- ▶ **Wakayama Works** Start preparing for a switch from the No. 5 blast furnace to the new No. 2 blast furnace

● Promoting global strategy

Leveraging our technologies, cost competitiveness, and supply network functions, we seek to maintain and expand our position in the global high-grade steel market.

- ▶ Business investment for future growth Approx. ¥300bn for 3 years
- ▶ Raise competitiveness of the overseas bases, which are currently starting up or increasing capacity, at an early stage



(announced on March 3, 2015)

● Enhancing technological superiority

With the aim of leading the world by developing high-end products with excellent functions, delivering comprehensive solutions to our customers, and achieving significant improvement in productivity through production process innovation, we intend to accelerate technological development by engaging in next-generation research on advanced steel products as well as in research on basic and element technologies.

▶ R&D spending: Approx. ¥210bn for 3 years (Approx. ¥130bn estimated for 2 years of fiscal 2013-2014)

● Establishing world-leading cost competitiveness

We aim to realize cost competitiveness equivalent to ¥150bn a year or more (unconsolidated basis.), in approximately 3 years

● Strengthening group companies of the steel business

The group companies which have already been integrated during the 2013 Mid-Term Plan are seeking further greater synergies. At the same time, NSSMC will seek group-wide synergies, such as those of NSSMC and group companies, and those among group companies.

Major Initiatives on the non-steel business segments

Each of the non-steel business segments pursues synergies with NSSMC's core business of steelmaking. All of the four segments will strive to improve their competitiveness and aim to achieve top-class profitability in their respective business sectors.

Financial strategy and shareholder return policy

We aim to achieve in the medium- to long-term an increase in cash flows and growth in profitability, and attain robust financial position.

▶ Profitability targets: **10% or more, both in return on sales (ROS) and return on equity (ROE)**

▶ Asset compression: **Approx. ¥200bn for 3 years**

▶ D/E ratio: **Approx. 0.5**

Regarding return to shareholders, we will raise our targeted dividend payout ratio from the present base of "approximately 20%" to "around 20-30%" on a consolidated basis (applicable from fiscal 2015.)

Continuing to be a company with integrity and reliability

- We will continue to practice our Corporate Philosophy and strive to further contribute to society.
- We will comply with laws, regulations, and rules, and implement appropriate measures for risk management in safety, environment, and disaster prevention. In particular, bearing in mind the Nagoya Works' accidents of last year, we will continue to make concerted efforts in measures to prevent accidents.

NSSMC 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.

By taking the measures stated above, we will endeavor to become the "best steelmaker with world-leading capabilities."

Revision in shareholder benefit program

We have a shareholder benefit program to express our gratitude to shareholders and to facilitate their understanding of our Group activities.

In addition to reviewing the consolidated dividend payout policy, we have reviewed our shareholder benefit program and have decided to make the partial revision stated below, effective from the end of September 2015 as a record date, due to high odds to obtain benefits of some of the programs at present.

Details on programs, such as how to apply, will be separately informed to applicable shareholders.

● Plant tours and business briefings (no change)

Events	Summary of programs	Period of implementation	Applicable shareholders
Plant tours (by lottery)	Shareholders are invited to a tour of our steelworks and manufacturing sites	Twice a year (March-April and October-November)	Shareholders who own 10,000 or more shares as of the end of September or March
Business briefings (by lottery)	Business briefings are conducted in Tokyo, Osaka, and other locations	Twice a year (July-September and February-March)	

● Other shareholder benefit programs (Changed parts are underlined.)

Events	Summary of programs	Period of implementation	Applicable shareholders	
			New	Current
Company calendar	NSSMC's calendar is distributed to shareholders	Once a year (Late November to early December)	Shareholders who own <u>5,000 or more shares</u> as of the end of September	Shareholders who own <u>7,000 or more shares</u> as of the end of September
Invitation to football games of Kashima Antlers (by lottery)	Shareholders are invited to J1-League football games (home and away)	Twice a year (April-August and August-December)	Shareholders who own <u>50,000 or more shares</u> as of the end of September or March	Shareholders who own <u>5,000 or more shares</u> as of the end of September or March
Invitation to concerts at Kioi Hall (by lottery)	Shareholders are invited to periodic Kioi Sinfonietta Tokyo concerts and other concerts	Twice a year (March-July and September-February)	Shareholders who own 50,000 or more shares as of the end of September or March (<u>Increase in the number of invitees</u>)	Shareholders who own 50,000 or more shares as of the end of September or March

Administrative information for shareholders

Items	Details
Registration agent	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business (Mailing address) 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Japan (Phone inquiries) 0120-785-401 (Toll-free for domestic phone calls only) +81-3-3323-7111 (Outside Japan)
Notification of change of address and request for purchase and sale of fractional unit shares	The request shall be made through a securities company in which shareholders have an account. (With respect to shares administered through a special account, please contact Sumitomo Mitsui Trust Bank, Limited.)
Request for payment of unpaid dividends	Please contact Sumitomo Mitsui Trust Bank, Limited.