

July 30, 2012

Company name: Nippon Steel Corporation
Representative: Shoji Muneoka,
Representative Director and President
Code number: 5401 (TSE, OSE, NSE, FSE and SSE)

Reduction of “Capital Reserve” Amount to be Increased as a Result of Share Exchange, and Transfer of the Amount to “Other Capital Surplus”

Nippon Steel Corporation (the “Company”) announced that its Board of Directors passed a resolution today to reduce the amount of Capital Reserve and to transfer such amount to Other Capital Surplus, as follows:

1. Objective of reducing the amount of Capital Reserve

Pursuant to the approval by the 88th annual shareholders’ meeting held on June 26, 2012, the Company will effect the business integration with Sumitomo Metal Industries, Ltd. using a two-step legal procedure, consisting of a share exchange on October 1, 2012 (the “Share Exchange”) followed by an absorption-type merger on the same day. The Company has decided to reduce the whole increased amount of Capital Reserve resulting from the Share Exchange and to transfer the said amount to Other Capital Surplus upon the effectuation of the Share Exchange, in order to allow the execution of the Company’s capital policy in a more flexible manner after the business integration.

2. Method of reducing the amount of Capital Reserve

The amount of the Company’s Capital Reserve will be reduced as follows, subject to the amount of Capital Reserve being increased as a result of the Share Exchange.

(1) Amount of Capital Reserve to be reduced

The amount of Capital Reserve to be increased as a result of the Share Exchange

(Note 1) The amount of stated capital to be increased as a result of the Share Exchange will be zero and the amount of Capital Reserve to be increased will be the “minimum amount required to be increased pursuant to the provisions of laws and regulations.” The specific amount of Capital Reserve to be increased will be calculated in accordance with applicable rules (Article 39 of the Ordinance on Accounting of Companies), based on the market value of the Company’s shares to be delivered in consideration for the Share Exchange (the expected number of shares : 3,200,346,201 shares).

(Note 2) The reduction in the amount of Capital Reserve will result in reducing the amount of Capital Reserve to be increased as a result of the Share Exchange upon the effectuation thereof. Accordingly, the amount of Capital Reserve after reduction will be 111,532,297,171 yen, same as the amount of the Company’s Capital Reserve as of the date hereof.

(2) Handling of the amount of Capital Reserve to be reduced

The total amount of Capital Reserve to be reduced will be transferred to Other Capital Surplus, and will not be recorded as stated capital.

(3) Method of reducing the amount of Capital Reserve

The amount of Capital Reserve will be reduced in accordance with the Company's Board of Directors' resolution pursuant to Article 448, paragraph 3 of the Companies Act.

3. Schedule concerning the reduction of the amount of Capital Reserve

(1) Date of Board of Directors' resolution: July 30, 2012

(2) Period for creditors to make objections: From September 1 to September 30, 2012

(3) Effective date (planned): October 1, 2012 (the same date as the effective date of the Share Exchange)

4. Future outlook

As the amount of Capital Reserve to be reduced as outlined above merely constitutes a transfer of part of the amount of Capital Reserve to Other Capital Surplus, there will be no change in the Company's net asset value and thus its business results will not be affected.

The specific amount of Capital Reserve to be reduced will be announced once it is determined.

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