(Translation)

Corporate Governance Report

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NIPPON STEEL & SUMIKIN BUSSAN CORPORATION
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The corporate governance of NIPPON STEEL & SUMIKIN BUSSAN CORPORATION ("NSSB") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

1. NSSB has established its "Corporate Philosophy," "Management Principles" and "Employee Code of Conduct" as follows, and its Directors (Director, Member of the Board), *Kansayaku* (Audit & Supervisory Board Member) and employees strives to put them into practice in the daily management and business of NSSB.

"Corporate Philosophy"

1. Continuing to be a corporate group driven the aspiration of providing goods and services that offer new value to the larger society.
2. Putting trust and reliability first, and by doing so developing together with our customers.
3. Aiming to become the kind of organization that increasingly cultivates, utilizes, and values human resources and their talents.

"Management Principles"

1. Strengthening and expanding the four areas of business that make NIPPON STEEL & SUMIKIN BUSSAN CORPORATION the core trading company of the NIPPON STEEL & SUMITOMO METALS CORPORATION GROUP.
2. Accelerating global strategies.
3. Bringing to bear all of our strengths as a multiple specialty trading company.
4. Enforcing strict corporate compliance.

(Translation)

"Employee Code of Conduct"

We, NIPPON STEEL & SUMIKIN BUSSAN GROUP employee, shall realize the Group's corporate philosophy through the observation of the following code of conduct.

Growth "Realize corporate growth through personal growth."
We constantly stay ahead of the times with a sense of professionalism.
We study, conduct and take action proactively in order to achieve mutual growth.

Reliability "Be the one that can be trusted and relied upon constantly."
We invest time in daily communication.
We establish solid relationships of reliability through mutual respect.

Borderless "Achieve organizational strength through integration of individuality."
We maintain a flexible mind, breaking free of the confines of existing concepts.
We bring together individual abilities to demonstrate comprehensive strength in all fields.

Challenge "Advance to a higher stage with enthusiasm!"
We never fear failure and willingly take the first step forward with a positive attitude, enthusiasm, curiosity, and the desire to improve.
We are never satisfied with the status quo, have an awareness of potential and existing problems, and generate new value.

2. NSSB endeavors to enhance its corporate governance based on the principles of the Corporate Governance Code in order to continue to implement the Corporate Philosophy, etc.

3. NSSB endeavors to achieve sustainable growth and the increase of its corporate value over the mid- to long-term through the continuous improvement of corporate governance under consolidated management.

4. NSSB has already resolved a basic policy about "The development of an internal control system in accordance with the Companies Act" at the meeting of Board of Directors. By operating this policy appropriately, NSSB further enforces its corporate governance, ensures "compliance with laws and ordinances", "reliability of financial reporting" and "effectiveness and efficiency of operations", and aims to improve it continuously.

5. NSSB judges that the following structure is effective to ensure the efficiency and soundness of management, and adopts the governance system of a "Company with *Kansayaku* Board." This structure is such that, while Directors who have thorough knowledge about the business and management of NSSB make decisions about not only the basic policy of management, but also important business executions, *Kansayaku* who have strong authority attend the meeting of the Board

of Directors and audit the business execution of Directors, etc., from an independent standpoint.

6. NSSB introduces the "Executive Officer System" and targets the efficient operation of the Board of Directors by separating the function of decision-making and supervision and the function of business execution, and adopts a system to promptly cope with changes in the management environment.

7. NSSB recognized the appointment of Independent Outside Directors as an important issue to construct a corporate governance system that is more appropriate for NSSB, and considered the nomination of multiple Independent Outside Director candidates. However, NSSB failed to nominate candidates with sufficient knowledge about the operation of companies and the business and current situation of NSSB in time for the 38th annual general meeting of shareholders held in June 2015. NSSB plans to submit the proposal to nominate multiple Independent Outside Directors to the 39th annual general meeting of shareholders to be held in June 2016.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

(Supplementary Principle 1-2-4 Exercise of Shareholder Rights at General Meeting of Shareholders)

Starting from 2016, NSSB plans to allow electronic exercise of voting rights and participate in the Electronic Voting Platform in order to improve the convenience of exercising shareholder rights.

NSSB translates the convening notice of general meetings of shareholders into English to the extent reasonable, and posts it on NSSB's website in order to create an infrastructure for foreign shareholders of exercising shareholder rights.

(Supplementary Principle 3-2-2 Coordination between External Auditor and Outside Directors)

(Supplementary Principle 4-4-1 Coordination between *Kansayaku* and Outside Directors)

(Principle 4-7 Roles and Responsibilities of Independent Outside Directors)

(Principle 4-8 Effective Use of Independent Outside Directors)

(Supplementary Principle 4-8-1 Exchange information and Shared Awareness of Independent Outside Directors)

(Supplementary Principle 4-8-2 Coordination between Independent Outside Directors and Management or *Kansayaku*)

(Supplementary Principle 4-10-1 Appropriate Involvement and Advice from Independent Outside Directors)

NSSB recognized the appointment of Independent Outside Directors as an important issue to construct a corporate governance system that is more appropriate for NSSB, and considered the nomination of multiple Independent Outside Director candidates. However, NSSB failed to nominate candidates with sufficient knowledge about the operation of companies and the business and current situation of NSSB in time for the 38th annual general meeting of shareholders held in June 2015. NSSB plans to submit the proposal to nominate multiple Independent Outside Directors to the 39th annual general meeting of

shareholders to be held in June 2016.

NSSB is continuously proceeding with the consideration thereof and plans to execute after the election the matters related to Independent Outside Directors stipulated in Supplementary Principle 3-2-2 (Coordination between External Auditor and Outside Directors), Supplementary Principle 4-4-1 (Coordination between *Kansayaku* and Outside Directors), Principle 4-7 (Roles and Responsibilities of Independent Outside Directors), Principle 4-8 (Effective Use of Independent Outside Directors), Supplementary Principle 4-8-1 (Exchange information and Shared Awareness of Independent Outside Directors), Supplementary Principle 4-8-2 (Coordination between Independent Outside Directors and Management or *Kansayaku*) and Supplementary Principle 4-10-1 (Appropriate Involvement and Advice from Independent Outside Directors).

(Principle 4-11 Preconditions for Board and *Kansayaku* Board Effectiveness)

Four (4) persons among five (5) Audit and Supervisory Board Members (*Kansayaku*) are Outside *Kansayaku*. These Outside *Kansayaku* have a wealth of expertise and a broad perspective in various fields as lawyers or in the operation of companies, etc. Thus, NSSB strengthens the monitoring and supervising function of the Board of Directors. Furthermore, effective audit is structured by the close communication between the *Kansayaku* Board and External Auditors. The Board of Directors also endeavors to improve the function to ensure its effectiveness.

At present, no *Kansayaku* who are professional accountants or who belonged to department associated with finance have been elected. NSSB plans to submit the proposal to nominate *Kansayaku* who have appropriate expertise on finance and accounting to the 39th annual general meeting of shareholders to be held in June 2016.

(Supplementary Principle 4-11-3 Analysis and Evaluation of the Effectiveness of Board of Directors)

NSSB plans to regularly analyze and evaluate at the meeting of Board of Directors the effectiveness of the Board of Directors as a whole after interviewing each Director and *Kansayaku* individually with respect to various matters, including the evaluation and opinions on the operation of the Board of Directors, etc., and also plans to utilize such analysis and evaluation to improve, among other things, the future operation of the Board of Directors.

The effectiveness of the Board of Directors for fiscal year 2015 will be analyzed and evaluated in due course and a summary of the results will be disclosed.

[Disclosure Based on the Principles of the Corporate Governance Code]

(Principle 1-4 Cross-Shareholdings)

NSSB acquires and holds shares of other companies as cross-shareholdings in order to increase corporate value sustainably for the purpose of the creation of business opportunities and the establishment, maintenance and strengthening of transactional relationships.

(Translation)

The shares as cross-shareholdings (all shares except shares of NSSB Group companies) are examined in terms of their holding significance and economic rationale on an annual basis, taking into consideration, among other things, return and risk with a mid- to long-term view. The Board of Directors examines the main shares in the same manner.

Regarding voting rights concerning cross-shareholdings, on the assumption that said shares contribute to NSSB's financial performance, NSSB judges each agenda item and exercises voting rights appropriately in order to contribute to sustainable growth and the increase of the mid- to long-term corporate value of the investee company.

(Principle 1-7 Related Party Transactions)

Regarding transactions (including indirect transactions) between NSSB and the Directors, NSSB verifies the contents of each transaction. If the transactions fall under conflict of interest transactions, in accordance with laws, regulations and the Regulations of the Board of Directors of NSSB, NSSB seeks approval from, and reports to, the Board of Directors, and confirms that all such transactions will not harm NSSB.

In addition, regarding transactions between NSSB, on the one hand, and *Kansayaku* and other related parties, on the other hand, NSSB verifies the contents of each transaction; subject to applicable laws and regulations, NSSB discloses the transactions appropriately, depending on their importance and nature.

(Principle 3-1 Full Disclosure)

(i) Corporate Philosophy, Management Principles, Employee Code of Conduct and Medium-Term Management Plan

NSSB has established its "Corporate Philosophy," "Management Principles" and "Employee Code of Conduct" as mentioned in "I-1. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information – Basic Views" of this report.

NSSB established the medium-term management plan to embody its "Corporate Philosophy" and "Management Principles." The medium-term management plan outlines strategies and action plans for fulfilling the social responsibility of NSSB as a trading company that offers products and services concerning food, shelter and clothing, and for achieving sustainable growth upon a robust management foundation. The management plan was posted on NSSB's website. Please access the following URL for reference.

(http://www.nssb.nssmc.com/en/corporate/management.html)

(ii) Basic Views and Guidelines on corporate governance

Please refer to "I-1. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information –Basic Views" in this report.

(iii) Board policies and procedures in determining the remuneration of Directors

(Translation)

1. Policies in determining the remuneration of Directors

NSSB has established the "Policies Regarding the Determination of the Amount of Remuneration for Directors, Etc."

Each Director's remuneration consists only of monthly remuneration in cash, and is based entirely upon the performance of NSSB, in order to provide incentives for NSSB's group's sustainable growth and the improvement of its corporate value.

Specifically, NSSB sets the base amount of remuneration for each Director's rank taking into consideration each Director's required skills and responsibilities, and this base amount varies within a specific range, depending on NSSB's consolidated profit or loss (consolidated ordinary profit or loss, and consolidated net profit or loss) and each division's consolidated profit or loss, in view of the connection with the annual management plan and the medium-term management plan, and the amount of each Director's remuneration is determined within the limits approved by the general meeting of shareholders.

2. Procedures in determining the remuneration of Directors

Each Director's remuneration is resolved at the meeting of Board of Directors within the remuneration limits approved by the general meeting of shareholders based on the above "Policies Regarding the Determination of the Amount of Remuneration for Directors, Etc."

(iv) Board policies and procedures in the appointment of senior management and the nomination of Director and Kansayaku candidates

1. Policies in the appointment of senior management and the nomination of Director and *Kansayaku* candidates

For the appointment of senior management and the nomination of Director and *Kansayaku* candidates, NSSB's policy is to consider not only each individual's experience, insight and expertise, but also the size of each of the Board of Directors and the *Kansayaku* board as a whole, and the balance of candidates comprising these respective boards so that NSSB will establish an optimum board composition in which each individual is able to appropriately fulfill his or her role and responsibilities and properly respond to the management challenges of NSSB Group's business.

2. Procedures in the appointment of senior management and the nomination of Director and *Kansayaku* candidates

(1) Regarding the appointment of senior management and the nomination of Director and *Kansayaku* candidates, the President and Director in charge of human resources, etc., discuss it and make the agenda to submit to the Board of Directors.

(2) Director candidates are resolved at the meeting of Board of Directors through the procedure mentioned in (1) above.

(3) *Kansayaku* candidates are resolved at the meeting of Board of Directors through the procedure mentioned in (1) above, with the prior consent of the *Kansayaku* Board.

(4) Senior management is appointed at the meeting of Board of Directors through the procedure mentioned in (1) above.

(v) Explanations with respect to the individual appointments and nominations based on iv)

NSSB explains each individual in the appointment of senior management and in the nomination of Director and *Kansayaku* candidates, by indicating each individual's brief personal history in the reference documents attached to the convocation notice for the general meeting of shareholders and in the securities reports, and indicating NSSB's officer system, including the allocation of each Executive Officer's responsibilities, the designation of managerial positions, and other related matters, in press releases related to officers' personnel matters.

(Supplementary Principles 4-1-1 Roles and Responsibilities of the Board (1))

The Board of Directors decides important business execution matters stipulated in laws, regulations, the Articles of Incorporation, and internal regulations such as the "Regulations of the Board of Directors" and other important managerial matters such as the disposal and acceptance of the transfer of important assets (including investments and loans), the borrowing of a significant amount (including financial plans or guarantees of obligations), the appointment of an important employee, and the establishment or changes of important structures.

The Board of Directors delegates NSSB's general policy of business execution or the execution of important matters on business operations to the President and the Executive Officers.

Executive Directors, etc., report on the status of the execution of duties to the Board of Directors in accordance with the Regulations of the Board of Directors, and the Board of Directors supervises the status of execution through said report.

(Principle 4.9 Independence Standards and Qualification for Independent Outside Directors)

NSSB decides the independence of Outside Directors in accordance with the independence standards set by the Tokyo Stock Exchange, considering each individual's personal relationship, capital relationship, transactional relationship and other interests with NSSB.

(Supplementary Principles 4-11-1 Preconditions for Board and *Kansayaku* Board Effectiveness)

1. To enable prompt decision-making and to establish an effective corporate governance system corresponding to changes in the management environment, the Board of Directors will be an appropriate size for NSSB Group's business lineup and management challenges, and be comprised of members in consideration of the balance among the experience, insight and expertise of the Board of Directors as a whole and its diversity.

   The Articles of Incorporation provide that the number of Directors will be fifteen (15) or less, and the number of *Kansayaku* will be three (3) or more. Currently, ten (10) Directors and five (5) *Kansayaku* (four (4) of which are Outside *Kansayaku*) have been elected.

(Translation)

2. NSSB operates an integrated business in the four core areas of Steel, Industrial Supply & Infrastructure, Textiles and Foodstuffs. Directors who have thorough knowledge about the business are elected, and the diversity of discussion at the meeting of Board of Directors is ensured.
3. Regarding the procedure to nominate Directors, please refer to Principle 3-1 (iv).

(Supplementary Principle 4-11-2 Preconditions for Board and *Kansayaku* Board Effectiveness)

When deciding Director and *Kansayaku* candidates, NSSB confirms that each candidate is able to appropriately fulfill his or her role and responsibilities, including confirming whether the candidate concurrently serves as an officer at other listed companies. Whether Directors and *Kansayaku* serve concurrently as officers at other listed companies is disclosed every year in the reference documents attached to the convocation notice for the general meeting of shareholders, the business report, the securities report, etc.

(Supplementary Principle 4-14-2 Director and *Kansayaku* Training)

NSSB explains its Corporate Philosophy, the details of NSSB Group businesses, etc., to each Outside *Kansayaku*. NSSB also explains to Directors and *Kansayaku*, both of whom were employees of NSSB, their responsibilities and the policies and procedures related to the business.

(Principle 5-1 Policy for Dialogue with Shareholders)

NSSB, to the extent reasonable, responds to the requests from shareholders to engage in dialogue so as to support its sustainable growth and increase corporate value over the mid- to long-term.

The dialogue with shareholders is handled by the Director in charge of the General Affairs & Corporate Communication Department and the dialogue with investors is handled by the Director in charge of the Accounting Department. Related Executive Officers and internal departments including the General Affairs & Cooperate Communication Department and the Accounting Department coordinate and cooperate with said Directors.

In addition to striving to actively provide information to the shareholders and sincerely responding to their questions and comments in the general meeting of shareholders, NSSB holds IR meetings for institutional investors on a regular basis and responds to requests to hold individual meetings from institutional investors. The opinions and other comments received from the shareholders and investors through the aforementioned initiatives are reported back to the Board of Directors, etc.

Insider information (undisclosed material facts) is appropriately managed in engaging in dialogue with shareholders in accordance with the “Rules to Comply with Insider Trading Regulations.”

(Translation)

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Nippon Steel & Sumitomo Metal Corporation	111,415,290	35.99
Mitsui & Co., Ltd.	33,831,000	10.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,744,000	3.15
Japan Trustee Service Bank, Ltd. (Trust Account)	8,215,000	2.65
Japan Trustee Service Bank, Ltd. (Trust Account 9)	4,698,000	1.52
State Street Bank and Trust Company 505223	4,125,684	1.33
Kyoei Steel, Ltd.	3,851,600	1.24
Employee Stock Ownership	3,682,905	1.19
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	3,114,799	1.01
Japan Trustee Service Bank, Ltd. (Trust Account 4)	3,074,480	0.99

Controlling Shareholder (except for Parent Company)	No
Parent Company	No

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Wholesale Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

Not adopted

5. Other Special Circumstances which may have Material Impact on Corporate Governance

Nippon Steel & Sumitomo Metal Corporation is a company which has a continuous and close business relationship with NSSB, and NSSB is its equity method affiliated company. However, NSSB independently makes and executes its management policy and business plan, and operates its daily business and transactions. Therefore, independency is ensured.

(Translation)

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with *Kansayaku* Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	Not more than 15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Number of Outside Directors	Not elected
Number of Independent Directors	Not elected

[*Kansayaku*]

Establishment of *Kansayaku* Board	Established
Maximum Number of *Kansayaku* Stipulated in Articles of Incorporation	Not stipulated
Number of *Kansayaku*	5

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

Kansayaku receives audit report from Accounting Auditor, and fulltime *Kansayaku* holds information exchange meetings with Accounting Auditor and Internal Auditing Department once every three months, thus mutual cooperation is enforced. *Kansayaku* attends Auditing Meetings and Audit Reporting Meetings at which the members are Directors, etc., and exchanges opinions regarding the yearly auditing plan, auditing results or improvement ideas, thus endeavoring to strengthen internal control functions for sound management.

Appointment of Outside *Kansayaku*	Appointed
Number of Outside *Kansayaku*	4
Number of Independent *Kansayaku*	2

(Translation)

Outside *Kansayaku*'s Relationship with NSSB (1)

Name	Attribute	Relationship with NSSB*												
		A	b	c	d	e	f	g	h	i	j	k	l	m
Nobuyuki Arayashiki	From another company						△	△		△				
Tsuyoshi Watanabe	From another company										△			
Yoshihiro Ogura	Lawyer													
Toru Takegoshi	From another company						○	○		○				

* Categories for "Relationship with NSSB"

* "○" when the *Kansayaku* presently falls or has recently fallen under the category;
"△" when the *Kansayaku* fell under the category in the past

* "●" when a close relative of the *Kansayaku* presently falls or has recently fallen under the category;
"▲"when a close relative of the *Kansayaku* fell under the category in the past

a. Executive of NSSB or its subsidiary
b. Non-executive director or accounting advisor of NSSB or its subsidiaries
c. Non-executive director or executive of a parent company of NSSB
d. *Kansayaku* of a parent company of NSSB
e. Executive of a fellow subsidiary company of NSSB
f. A party whose major client or supplier is NSSB or an executive thereof
g. Major client or supplier of NSSB or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from NSSB besides compensation as a *kansayaku*
i. Major shareholder of NSSB (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of NSSB (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
k. Executive of a company, between which and NSSB outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
l. Executive of a company or organization that receives a donation from NSSB (the *kansayaku* himself/herself only)
m. Others

Outside *Kansayaku*'s Relationship with NSSB (2)

Name	Designation as Independent *Kansayaku*	Supplementary Explanation of the Relationship	Reasons of Appointment
Nobuyuki Arayashiki		Mr. Arayashiki is a former member of Sumitomo Metal Industries, Ltd. (Currently, Nippon Steel & Sumitomo Metal Corporation). NSSB and said company are in a major business relationship, and said company is a major shareholder of NSSB (1st place).	<Reason for appointment as an outside *Kansayaku*> NSSB asks Mr. Arayashiki to reflect his wealth information and knowledge about the steel industry in the audit engagements of NSSB.
Tsuyoshi Watanabe	○	Mr. Watanabe is appointed as an Independent Director/*Kansayaku*. Mr. Watanabe is a former	<Reason for appointment as an outside *Kansayaku*> NSSB asks Mr. Watanabe to reflect his knowledge about textile industry and

		member of Toyo Rayon Co., Ltd. (Currently, Toray Industries, Inc.) and Toray International, Inc. The transaction value between NSSB and the said companies is small.	experience to operate company in the audit engagements of NSSB. <Reason for appointment as an Independent Director/*Kansayaku*> The criteria of Securities Listing Regulations of the Tokyo Stock Exchange do not apply to Mr. Watanabe, and he has a high level of independence. NSSB judges a conflict of interest with general shareholders will not arise.
Yoshihiro Ogura	○	Mr. Ogura is appointed as an Independent Director/*Kansayaku*. Mr. Ogura concurrently serves as an outside director of Toshiba Machine Co., Ltd.	<Reason for appointment as an outside *Kansayaku*> NSSB asks Mr. Ogura to reflect his many years of experience and broad perspective as a lawyer in the audit engagements of NSSB. <Reason for appointment as an Independent Director/*Kansayaku*> NSSB has neither entered into a consultant agreement with Mr. Ogura nor his Hibiki law office, and has not entrusted him with individual legal services for NSSB. NSSB judges a conflict of interest with general shareholders will not arise.
Toru Takegoshi		Mr. Takegoshi is an executive officer of Nippon Steel & Sumitomo Metal Corporation. NSSB and said company are in a major business relationship, and said company is a major shareholder of NSSB (1st place).	<Reason for appointment as an outside *Kansayaku*> NSSB asks Mr. Takegoshi to reflect his many years of experience and broad perspective in the audit engagements of NSSB.

[Independent Directors/*Kansayaku*]

Number of Independent Directors/*Kansayaku*	2

Matters relating to Independent Directors/*Kansayaku*

NSSB appoints all Outside Directors/*Kansayaku* who have the qualifications of Independent Directors/*Kansayaku* as Independent Directors/*Kansayaku*.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration

Supplementary Explanation

Each Director's remuneration consists only of monthly remuneration in cash, and is based entirely upon the performance of NSSB, in order to provide incentives for NSSB's group's sustainable growth and the

improvement of its corporate value.

Specifically, NSSB sets the base amount of remuneration for each Director's rank taking into consideration each Director's required skills and responsibilities, and this base amount varies within a specific range, depending on NSSB's consolidated profit or loss (consolidated ordinary profit or loss, and consolidated net profit or loss) and each division's consolidated profit or loss, in view of the connection with annual management plan and medium-term management plan, and the amount of each Director's remuneration is determined within the limits approved by the general meeting of shareholders.

Recipients of Stock Options	No

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

NSSB discloses the total amount of remuneration paid to Directors, *Kansayaku* and outside *Kansayaku* separately in securities reports and business reports. Director's remuneration for FY 2014 was noted as follows.

Amount of Directors' remuneration: 15 directors, 376 million yen

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Each Director's remuneration consists only of monthly remuneration in cash, and is based entirely upon the performance of NSSB, in order to provide incentives for NSSB's group's sustainable growth and the improvement of its corporate value.

Specifically, NSSB sets the base amount of remuneration for each Director's rank taking into consideration each Director's required skills and responsibilities, and this base amount varies within a specific range, depending on NSSB's consolidated profit or loss (consolidated ordinary profit or loss, and consolidated net profit or loss) and each division's consolidated profit or loss, in view of the connection with annual management plan and medium-term management plan, and the amount of each Director's remuneration is determined within the limits approved by the general meeting of shareholders.

[Supporting System for Outside Directors and/or *Kansayaku*]

To support the duty of outside *Kansayaku*, NSSB establishes the Office of the *Kansayaku* Board and arranges two employees. The General Affairs & Corporate Communication Department also supplies the necessary support such as the notice of the meeting of Board of Directors and its change, sending the

documents of meeting of Board of Directors in advance, and the explanation of resolution matters in advance.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

NSSB implements and operates the following internal corporate structure to ensure appropriate and efficient business execution. NSSB introduces the "Executive Officer System" and targets the efficient operation of the Board of Directors by separating the function of decision-making and supervision and the function of business execution, and adopts the management system to promptly cope with changes in the management environment.

(1) Board of Directors

The Board of Directors is organized by all Directors. Meeting of Board of Directors is held once every month. Important matters related to management are determined and the business execution of each Director is supervised.

(2) Management Meeting

The Management Meeting is organized by Directors who serve as Executive Officers or Senior Advisors concurrently. It is held twice per month in principle. The policy of important business execution matters and other important matters related to management are discussed and the inquiries of the President are answered. *Kansayaku* have the right to attend the meeting and give his/her opinion.

(3) Audit & Supervisory Board Member (*Kansayaku*)

Audit & Supervisory Board Members (*Kansayaku*) attend important meetings such as meeting of Board of Director or Management Meeting to supervise the condition of business execution by Directors. Audit & Supervisory Board Member (*Kansayaku*) has the right to inspect all draft plans and reports on the database, claim Directors report in case of necessity, and state opinion at the meeting.

(4) Internal Auditing

Internal Auditing Department (16 members) is established and it is managed by President directly. It audits regularly validity and efficiency of business execution by NSSB and group companies in Japan and foreign countries.

(5) Accounting Auditor

NSSB requests Deloitte Touche Tohmatsu LLC to execute financial audits in accordance with the Companies Act, and financial statements audits and internal control audits in accordance with the

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Financial Instruments and Exchange Act. The Accounting Auditor, Audit & Supervisory Board Members (*Kansayaku*) and Internal Auditing Department exchange information regularly and in mutual cooperation.

(6) Establishment of various committees

NSSB establishes various committees to further strengthen corporate governance. Major committees and their roles are as follows.

(a) Compliance Crisis Committee

To cope with the occurrence of various matters related to compliance and crisis management.

(b) Information Security Committee

To realize, ensure and support the basic principles stipulated in the basic policy on information security.

(c) Environment Committee

To discuss and determine environmental policy for NSSB-wide promotion of environmental conservation activities.

(d) Investment and Loan Committee

To investigate and examine investment and loan matters before the Management Meeting.

(e) Credit Committee

To discuss the necessary matters to judge the authorization about applications for credit limits, and to answer inquiries by authorized persons.

(f) Safety Trade Control and Trade Business Control Committee

To implement internal corporate structure and operational standards related to the trading business

(7) Outline of Contract for Limitation of liability

NSSB concluded contracts for the limitation of liability for damages to the extent of the Minimum Liability Amount stipulated in Article 425, paragraph 1 of Companies Act with Directors (excluding Directors who execute the business of NSSB) and Audit & Supervisory Board Members (*Kansayaku*) in accordance with Article 427, paragraph 1 of the Companies Act, and Article 27, paragraph 2 and Article 38, paragraph 2 of the Articles of Incorporation.

3. Reasons for Adoption of Current Corporate Governance System

Ten (10) persons who have thorough knowledge of NSSB business were elected as Directors, Members of the Board to improve the efficiency of management. Outside directors were not elected.
Four (4) persons among five (5) Audit & Supervisory Board Members (*Kansayaku*) are Outside Audit & Supervisory Board Members (Outside *Kansayaku*). These Outside Audit & Supervisory Board Members (Outside *Kansayaku*) have a wealth experience and a broad perspective in various fields as lawyers or in the operation of companies. NSSB strengthens the monitoring and supervising function of the Board of Directors, which has decision-making and supervising of business authority.
Each Audit & Supervisory Board Member (*Kansayaku*) makes mutual cooperation to execute the daily audit engagements according to the schedule and makes decisions objectively about the legitimacy of the Directors' business execution and the validity and rationality of operational judgment with independent perspectives at meeting of Board of Directors or other important meetings. Thus, NSSB considers that the monitoring and supervising function in NSSB works thoroughly.

NSSB recognized the appointment of Independent Outside Directors as an important issue to construct a corporate governance system that is more appropriate for NSSB, and considered the nomination of multiple Independent Outside Director candidates. However, NSSB failed to nominate candidates with sufficient knowledge about the operation of companies and the business and current situation of NSSB in time for the 38th annual general meeting of shareholders held in June 2015. NSSB plans to submit the proposal to nominate multiple Independent Outside Directors to the 39th annual general meeting of shareholders to be held in June 2016.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Scheduling AGMs Avoiding the Peak Day	In 2015, it was held on June 23rd.
Allowing Electronic Exercise of Voting Rights	From 2016, NSSB is going to allow electronic exercise of voting rights in order to improve the convenience of exercising shareholder rights.
Participation in Electronic Voting Platform	From 2016, NSSB is going to participate in Electronic Voting Platform in order to improve the convenience of exercising shareholder rights. NSSB held IR explanation meeting on May 26th and November 26th in 2015. In this meeting, company outline, contents of business, financial statements and medium-term management plan were explained.
Providing Convocation Notice in English	From 2015, the summarization of convocation notice in English was posted on NSSB's website.
Other	The convocation notice and resolution notice of the general meeting of shareholders were posted on NSSB's website. NSSB is targeting

	visualization such as projecting the business reports on to a wide screen at the general meeting of shareholders.

2. IR Activities

	Supplementary Explanations
Regular Investor Briefings for Analysts and Institutional Investors	NSSB held IR explanation meeting on May 26th and November 26th in 2015. In this meeting, company outline, contents of business, financial statements and medium-term management plan were explained.
Posting of IR Materials on Website	Quarterly financial results, year-end financial results, supplementary documents, quarterly reports and securities reports (all in Japanese) were posted on NSSB's website. The convocation notice and resolution notice of the general meeting of shareholders and documents concerning timely disclosure to the Tokyo Stock Exchange are also posted on NSSB's website. English translation of the convocation notice (summarize) and resolution notice of the general meeting of shareholders, and financial results are posted on NSSB's website. English translation of main news releases also posted on NSSB's website.
Establishment of Department and/or Manager in Charge of IR	Some employees in the General Affairs & Corporate Communication Department and Accounting Department are assigned as persons in charge of IR, and other departments in the Corporate Planning & Administration Division support them.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Implementation of Environmental Activities, CSR Activities etc.	NSSB considers the issues related to sustainability including society and the environment as the most important issue and an essential part of company management. NSSB, in accordance with its environmental policy, establishes environmental committee to comply with environmental laws and regulations related to NSSB Group business and promote environmental conservation actions such as saving energy, and establishes the Environmental Management Section in the General Affairs & Corporate Communication Department to cope with environmental issues. NSSB establishes specialized departments to deal with safety and quality, and endeavors to operate factories safely, improve the quality of goods and ensure the safety of foods.

Development of Policies on Information Provision to Stakeholders	NSSB executes timely disclosure appropriately in accordance with laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act, and securities listing regulations of stock exchanges. NSSB endeavors to supply information such as other press releases or various information on NSSB's website, which is different from the disclosure in accordance with laws and regulations. NSSB performs IR activities for investors and endeavors to fulfill and improve it.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

NSSB clarifies its basic attitude to regard compliance as important in accordance with the Corporate Philosophy, Management Principles and Employee Code of Conduct.
NSSB implements and operates internal control appropriately, further strengthens its corporate governance, endeavors to ensure "compliance with laws and ordinances", "reliability of financial reporting" and "effectiveness and efficiency of operations", and aims to improve it continuously.

1. System to ensure the compliance of Directors' business execution with laws, regulations and the Articles of Incorporation (In this chapter, hereinafter called "Laws, etc.")

The Board of Directors makes decisions and receives reports about important matters of management in accordance with the Regulations of Board of Directors, etc.
Directors, Members of the Board perform business execution in accordance with the division of business responsibilities, supervise employees' business execution and reports to the Board of Directors in accordance with the resolution matters of the Board of Directors.
In case Directors, Members of the Board find other Director's action in non-compliance with Laws, etc., he/she shall report to the Audit and Supervisory Board Members (*Kansayaku*) and the Board of Directors immediately, and the Audit and Supervisory Board Members (*Kansayaku*) and the Board of Directors shall promptly take corrective action and thus the soundness of Directors' business execution shall be maintained.

2. System for storage and preservation of information related to Directors' business execution

Various information related to business execution such as the minutes of the Meeting of Board of Directors shall be preserved appropriately after the responsible person is clarified and the confidentiality level is set in accordance with the Information Management Regulations and Information Security Basic Regulations.
NSSB aims to disclose important information such as management plans or financial information

appropriately in a timely manner, in addition to the method stipulated in laws and ordinances.

3. Regulations concerning the Risk of Loss Management and other Systems

Each Executive Officer shall understand and estimate business risk executed by the department which he/she manages, and take an action in accordance with the regulations and the various committees.
The main risk management categories are as follows:

(1) Credit Risk
NSSB has already established “Credit Management Regulations,” and holds the “Credit Committee” in case of necessity, thus aiming to prevent the occurrence of loss due to bad debt.

(2) Investment and Loan Risk
NSSB has already established the “Investment Management Regulations,” and holds the “Investment and Loan Committee” and investigates and examines investment and loan matters.

(3) Market Risk
Regarding market risk such as exchange risk or country risk, NSSB has already established necessary regulations in accordance with the type of risk, and understands and estimates the risk appropriately.

(4) Risk related to the quality and safety of goods
NSSB has already established the “Regulations related to the Quality, Safety and Indication of Goods” to cope with accidents related to quality and safety, and ensures quality, safety and reliability for customers and end-users.

(5) Compliance Risk
NSSB has already established the “Compliance Manual” in accordance with the Management Principles and enforces compliance with laws and ordinances related to business activities.

(6) Industrial Safe and Health Risk
The special organization related to industrial safety and health in NSSB aims to instruct and support safety policy to prevent accidents and disasters.

(7) Contingency to affect NSSB's management seriously
In the case of contingency to affect NSSB's management seriously, NSSB holds the Compliance Crisis Committee immediately to minimize the loss and influence, and takes necessary measures promptly in accordance with the direction of the President.

(Translation)

NSSB has already established the "Crisis Management Manual" to prepare for the occurrence of accidents and incidents in NSSB and its subsidiaries, and implements the corporate structure to immediately report to top management.
NSSB executes activities to monitor NSSB-level risk in normal times and takes measures to decrease the extracted risk.

4. System to ensure efficient performance of Directors

Important individual execution matters such as management plans, business strategy and investment and loans shall be determined by the Board of Directors through discussion at the Management Meeting, etc.
The matters in accordance with the determination of the Board of Directors, etc., shall be executed by the Representative Director, each Director, Member of the Board, each Executive Officer and each general manager.
The division of business responsibilities, direction line or authorization process shall be prescribed by the "Regulations Concerning Organizational Structure and Division of Business Responsibilities" and "Table of Authorization Standards," and their authority and responsibilities are clarified.

5. System to ensure the compliance of employees' business execution with Laws, etc.

Each department and office shall manage the operation of internal control on its initiatives under the responsibility of each Executive Officer.
Each general manager of a department or office shall comply with various laws and ordinances related to its business and enforce them, and aim to prevent non-compliance activities. In case a general manager discovers an activity or fact which may not comply with Laws, etc., he/she shall promptly report it to the Internal Control Department and other related departments.
After the receipt of a report, the Internal Control Department and other related departments shall cooperate with each other, correct the issue and aim to prevent its re-occurrence.
The Internal Auditing Department shall perform internal audits in accordance with the "Internal Auditing Regulations," and aim to prevent a breach of rules or injustice, find such issues at an early stage and correct them.
These departments shall report important facts such as violations of laws and ordinances to the Management Meeting, etc.
Employees shall comply with laws, ordinance and regulations, and have the responsibility to do his/her work appropriately. NSSB shall establish regulations to comply with Laws, etc., and implement and operate employee education such as seminars or instructional manuals to comply with Laws, etc.
Employee who conducts non-compliance actions shall be reprimanded in accordance with the "Reward and Punishment Regulations."

(Translation)

6. System to ensure the appropriateness of business executed by NSSB and its subsidiaries

NSSB and each subsidiary shall establish internal regulations to ensure the appropriateness of business in accordance with the Corporate Philosophy, Management Principles and Employee Code of Conduct, and hold business strategy in common based on the business characteristics of each division and subsidiary. Thus, NSSB and each subsidiary shall operate as a single group.
Each Director, Member of the Board, Executive Officer and general manager in NSSB and the directors of each subsidiary shall have employees fully understand the Corporate Philosophy, Management Principles, Employee Code of Conduct and regulations, and perform self-check and monitoring.
The Executive Officer in charge of the management of each subsidiary shall operate it appropriately in accordance with the "Subsidiary Management Regulations" and "Subsidiary Management Standards."
NSSB shall dispatch its Executive Officers or employees to subsidiaries as Directors or Auditors (*Kansayaku*) in case of necessity, and ensure the appropriateness of business execution.
The Internal Control Department shall cooperate with the related departments, instruct and support the internal control system of NSSB and its subsidiaries, hold information with the subsidiary in common, and aim to fulfill the internal control.
NSSB has already established the "Compliance Hotline System" as a reception point of Internal Reporting related to the risk of business operations, and keeps the confidentiality of reports strictly and never treats reporters unfavorably.
NSSB and its subsidiaries shall never have any relationship with anti-social forces. In case NSSB or subsidiaries receive unreasonable demands from anti-social forces, they shall take action in a resolute attitude.

The concrete system is as follows.

(1) System about reports on business execution by directors of subsidiaries to NSSB

Each subsidiary shall report important matters such as business plans, settlement, investment and loans to NSSB regularly and in case of necessity, and NSSB shall give said subsidiary instructions and advice.

(2) Regulations related to the risk management of loss of subsidiaries and other systems

Each subsidiary shall monitor the risk of business operations in normal times, and take measures to decrease the extracted risk.
NSSB has already established the "Emergency Report System" as a reporting method about the risk of loss in NSSB and its subsidiaries, and has already prepared the "Crisis Management Manual" for contingencies.

(Translation)

(3) System to ensure efficient performance of subsidiary's Directors

Each subsidiary shall establish regulations related to the organizational structure, the division of business responsibilities and authorities, and execute its business through the determination of important matters by the Board of Directors. NSSB shall evaluate subsidiaries with its achievements and operations, and support their management.

(4) System to ensure compliance of Directors' and employees' business execution of the subsidiaries with Laws, etc.

Each subsidiary shall implement and operate its regulations in compliance with Laws, etc. In case a Director or an employee discovers actions in non-compliance with Laws, etc., he/she shall report to the Board of Directors in his/her own company immediately and report to NSSB with Emergency Report system, and NSSB shall give said subsidiary instructions and advice.

7. Matters of audit by Audit & Supervisory Board Member (*Kansayaku*)

Directors, Members of the Board, Executive Officers and employees of NSSB, and Directors, Auditors and employees of the Subsidiaries shall report on the condition of the business execution of NSSB and said subsidiary, and important matters such as facts that influence the management of NSSB, to an Audit & Supervisory Board Member (*Kansayaku*) or the Audit & Supervisory Board (*Kansayaku* Board) appropriately in a timely manner, and directly or through the related departments such as the Internal Control Department. Directors shall report import matters such as the operating condition of internal control at the Board of Directors Meeting and the Management Meeting, and hold such information with the Audit & Supervisory Members (*Kansayaku*) in common.
NSSB shall not treat such reporters unfavorably for the reason of his/her report.
To support audit engagements by Audit & Supervisory Board Members (*Kansayaku*), NSSB has already established Audit & Supervisory Board Members' Office (*Kansayaku* Office) and arranges the employees necessary for audit engagements. To ensure the independence of Office members from Directors, these Office members work exclusively and execute audit engagements under the Audit & Supervisory Board Members (*Kansayaku*).
The change and evaluation of Office members shall be discussed with the Audit & Supervisory Board Members (*Kansayaku*).
NSSB shall include expenses necessary for the execution of audit engagements by the Audit & Supervisory Board Member (*Kansayaku*) in its budget. NSSB shall meet a request from Audit & Supervisory Board Members (*Kansayaku*) for urgent and extraordinary expenses after the fact.

(Translation)

2. Basic Views on Eliminating Anti-Social Forces

NSSB aims to continue to be a company group relied upon by society, and has the policy never to have a relationship with Anti-Social Forces which threaten public order and social safety, and to never meet unreasonable demands.
NSSB has already established an internal corporate structure such as the Compliance Manual and the assignment of a responsible person for unreasonable demands.
NSSB belongs to the particular association managed by the Metropolitan Police Department and receives instructions and information, and cooperates with outside special organs such as the police or lawyers, etc., in normal times.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

2. Other Matters Concerning to Corporate Governance System

<Timely Disclosure Structure>

The internal corporate structure of Timely Disclosure shall be as follows.

1. Timely disclosure of Decisions by NSSB

A decision which becomes the object of timely disclosure about NSSB and its subsidiaries shall be determined and reported by the Board of Directors or the Management Meeting in accordance with the internal regulations, and disclosed in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange.

2. Timely disclosure about the Facts which occurred for NSSB

Facts which occurred for NSSB or subsidiaries shall be disclosed in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange promptly after the occurrence of said Fact.

3. Timely disclosure about NSSB's Earning information

Earning information shall be submitted and reported to the Board of Directors in accordance with NSSB's regulations and disclosed in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange.

(Translation)

Each disclosure noted above shall be executed in a timely manner under the responsibility of the Executive Officer managing the General Affairs & Corporate Communication Department (Entity Responsible for the Handling of Information stipulated in the Securities Listing Regulations of the Tokyo Stock Exchange).
NSSB shall post it to NSSB's website at the same time of disclosure.

<Corporate Governance System of NSSB>

