June 16, 2016
Nippon Steel & Sumitomo Metal Corporation

Supplemental Explanation on Agenda at the 92nd General Meeting of Shareholders

With respect to the agenda described in "Notice of the 92nd General Meeting of Shareholders" (the "Notice") that Nippon Steel & Sumitomo Metal Corporation ("NSSMC") sent out to the shareholders on June 2, 2016, NSSMC will make supplemental explanation for your reference on popular opinions or comments that NSSMC has received until today from the shareholders (including proxy advisory firms) as follows:

1. Item 2: Election of Fourteen (14) Directors and Item 3: Election of Three (3) Audit & Supervisory Board Members

Q1: Isn't the number or percentage of Independent Directors at NSSMC's Board of Directors small?

A1:

- As indicated in Chart 1 below, among twenty-one (21) attendees at meetings of the Board of Directors of NSSMC (the "Board"), two (2) Outside Directors and four (4) Outside Audit & Supervisory Board Members ("A&S Board Members"), which represent 29 % of all of the attendees, are independent; and
- An A&S Board Member generally has the following characteristics and has the sufficient legal authority to audit and supervise Executive Directors:
  (1) Each A&S Board Member is completely independent from the Board and has the strong legal audit authority;
  (2) Each A&S Board Member may exercise its audit authority without a majority vote at the Audit & Supervisory Board (i.e. independent agent system); and
  (3) The term of office for each A&S Board Member is four years while one year for a Director. The Board cannot make any appointment or dismissal of A&S Board Members.

(Chart 1) The Board Composition: six (6) Independent Outside Directors/A&S Board Members, **representing 29 % of all of the attendees**.

Directors	Inside	12 members	Executives
	Outside	2 members	Non-executives (Focus on the audits and supervision of management)
A&S Board Members	Full-time Inside	3 members	
	Outside	4 members	
Total Attendees		21 members	

Q2: Doesn't Mr. Katsunori Nagayasu, the incumbent A&S Board Member lack independence?

A2:

- NSSMC believes that there is no possibility of a conflict of interest between general shareholders and Mr. Katsunori Nagayasu as well as other Outside Directors and Outside A&S Board Members. NSSMC has reported Mr. Katsunori Nagayasu as an Independent A&S Board Member to each financial exchange in Japan and such reports have been accepted;
- Mr. Katsunori Nagayasu is not currently a Chairman, a President or other executives, but a Senior Advisor, of The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is one of NSSMC's lenders;
- As Chart 2 below indicates, NSSMC has a wide range of debt funding sources, which is not limited to The Bank of Tokyo-Mitsubishi UFJ, Ltd.; and
- As described on page 54 of the Notice, the ownership percentage of The Bank of Tokyo-Mitsubishi UFJ, Ltd. in NSSMC's shares is only 1.5%.

(Chart 2) Major Lenders (as of March 31, 2016): **the amount of funds borrowed from The Bank of Tokyo-Mitsubishi UFJ, Ltd. represents 11.6 % of NSSMC's total consolidated interest-bearing debt.**

Lender	Funds borrowed (Billions of yen)	Percentage
Sumitomo Mitsui Banking Corporation	273.1	13.6%
The Bank of Tokyo Mitsubishi UFJ, Ltd.	233.7	11.6%
Mizuho Bank, Ltd.	231.1	11.5%
Sumitomo Mitsui Trust Bank, Limited	108.5	5.4%
Meiji Yasuda Life Insurance Company	106.9	5.3%
Total consolidated interest-bearing debt	2008.2	100%

2. Item 4: Approval for the Fair Rules for the Acquisition of Substantial Shareholdings (the "Plan")

Q1: Considering that NSSMC has few risk of being acquired, isn't the Plan necessary?

A1:

- While NSSMC's market capitalization is currently the highest in the world steel sector, NSSMC believes that there is possibility that strategic buyers or others would emerge who intended to control over the management of NSSMC by acquiring substantial shareholdings in NSSMC's shares;
- NSSMC recognizes that the relevant Japanese legal systems, such as tender offer regulations, two-tiered takeover regulations, etc. are far less effective than those in Europe and the United States in terms of the protection of shareholders' rights, and that a bidder may, through a partial acquisition of NSSMC's shares, (i) acquire effective control

of NSSMC for a smaller amount of investment, or (ii) easily engage in abusive takeover actions; and

- NSSMC believes that it is the Board's responsibility to put in place clear and transparent rules in order to prepare for potential disadvantages to the shareholders of NSSMC in the event a takeover proposal is made by a third party, and to create an environment in which the shareholders of NSSMC can make an appropriate judgment based on sufficient information and with a reasonable time period to consider the takeover proposal.

Q2: Isn't the number or percentage of Independent Directors at NSSMC's Board of Directors small?

A2:

- For NSSMC's Board independence and corporate governance structure to ensure objective decision-making by the Board, please see Q&A No,1 of Section 1 above;
- Unlike many Japanese companies' rules for the acquisition of substantial shareholdings being adopted by shareholders with countermeasures implemented by the resolution of the board of directors or a third-party committee, NSSMC has adopted "the Plan with countermeasures implemented via shareholder approval" where, in the event a takeover proposal is made by a bidder, the necessity of issuance of the stock acquisition rights by way of a gratis allotment as countermeasures is judged by the then shareholders of NSSMC; and
- Consequently, NSSMC believes that, irrespective of the number or percentage of Independent Outside Directors in NSSMC's Board, the Plan should adequately reflect the will of its shareholders in case shareholder's judgments on the necessity of countermeasures are made.

Q3: Isn't the triggering threshold of "15% or more" low?

A3:

- NSSMC adopted the threshold of "15% or more", considering the following points:
  (1) The Companies Act of Japan and the Financial Instruments and Exchange Law of Japan set forth the substantial control standard to decide affiliated companies as "15% or more";
  (2) The Foreign Exchange and Foreign Trade Act of Japan regulates, as inward direct investments, the acquisition of 10% or more of all of the outstanding shares in a Japanese listed company that engages in the subject businesses in light of potential significant adverse effect to the smooth management of the Japanese economy;
  (3) NSSMC recognizes that "15% or more" threshold is common for rights plans in the United States, the country where rights plans originated;
  (4) The size of the investment required for acquisition of 15% or more of NSSMC's shares is substantial, and it is assumed that the purpose of such substantial investment in NSSMC would be strategic (not portfolio investment); and
  (5) In terms of the shareholder composition of NSSMC, the voting rights ratio of the biggest single shareholder is as low as 4%.

Q4: Isn't the length of the review period for a takeover proposal too long?

A4:

- Without the Plan, under current Japanese tender offer regulations, NSSMC's shareholders would have to make a judgment on a takeover proposal in 30 business days after such takeover proposal was made. NSSMC believes that the 30 business days period would be too short for NSSMC's shareholders to make an informed judgment, based on sufficient information (including alternative proposals from the management of NSSMC); and
- Taking as an example the merger between former Nippon Steel and former Sumitomo Metal effective in October, 2012 (the "Business Integration"), as indicated in Chart 3 below, it took considerable amount of time for negotiations between the two companies, merger reviews by domestic and overseas anti-trust authorities or other matters. Consequently, NSSMC believes that the review period for a takeover proposal of 12 weeks (up to a maximum of 30 weeks depending on the content or other elements of the takeover proposal) is essentially reasonable in light of the period of consideration or negotiation in large M&A deals and merger reviews or other necessary processes by relevant authorities.

(Chart 3) Actual Case: Business Integration between former Nippon Steel and former Sumitomo Metal:

Date		Events	Time spent
2011	February 3	Execution of the Memorandum Regarding Consideration of the Business Integration	-
	May 31	Merger Filing to the Japanese Fair Trade Commission	4 months
	September 22	Execution of Master Integration Agreement	8 months
	December 14	Clearance from the Japanese Fair Trade Commission	11 months
2012	June 26	Shareholder Approvals for the Business Integration	17 months
	October 1	Effective Date of the Business Integration	20 months

Note: This material is not the "Reference Documents for Exercising Voting Rights" under the Companies Act of Japan and is intended solely for informational purposes.