Nippon Steel & Sumitomo Metal Corporation

Notice of the 93rd General Meeting of Shareholders

Nippon Steel & Sumitomo Metal Corporation
6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8071

June 5, 2017

Dear Shareholders:

Kosei Shindo
Representative Director and President
Nippon Steel & Sumitomo Metal Corporation (Code Number 5401) (the "Company")
6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan

Notice of the 93rd General Meeting of Shareholders

We are pleased to invite you to attend the 93rd General Meeting of Shareholders which will be held at **10 a.m., Tuesday, June 27, 2017**, at **the banquet room TSURU (Banquet Floor (1st Floor), the Main Building), Hotel New Otani Tokyo, 4-1, Kioi-cho, Chiyoda-ku, Tokyo, Japan**, the agenda of which is set forth below.

If you are unable to attend, you can exercise your voting rights after reading the "Reference Documents for Exercising Voting Rights" either by returning the Voting Rights Exercise Form by mail or via the Internet, as instructed below. When votes are registered by both methods, the vote registered via the Internet will be treated as the vote of record.

(Voting by mail)
Please indicate your choices on the enclosed Voting Rights Exercise Form and return it so that it will arrive at the Company by 5 p.m., Monday, June 26, 2017.

(Voting via Internet)
Please vote via the Company-designated website (http://www.web54.net) by 5 p.m., Monday, June 26, 2017. Meanwhile, institutional investors can use the Internet voting rights exercise platform operated by ICJ, Inc.

AGENDA

Matters to be reported to the shareholders:

Report on operations for the 92nd term (from April 1, 2016 to March 31, 2017), consolidated financial statements and non-consolidated financial statements, and reports of accounting auditors and the Audit & Supervisory Board on consolidated financial statements for the 92nd term.

Matters for approval by the shareholders:

Item 1: Appropriation of Surplus for the 92nd Term (from April 1, 2016 to March 31, 2017)
Item 2: Election of Thirteen (13) Directors
Item 3: Election of One (1) Audit & Supervisory Board Member

1. Doors will open at 9 a.m.
2. Attendees are requested to submit the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the meeting. When the voting rights are exercised by a proxy, the said proxy is requested to submit the Voting Rights Exercise Form of the principal at the reception desk, together with a power of attorney in this matter. Meanwhile, please note that a proxy must be another shareholder entitled to exercise voting rights.
3. When exercising your voting rights via the Internet, please read the "Exercise of Voting Rights via the Internet" on page 17.
4. If revisions are made to the "Reference Documents for Exercising Voting Rights", the report on operations or consolidated and non-consolidated financial statements, such changes will be indicated on the Company website (http://www.nssmc.com/).
5. In accordance with laws and regulations and Article 14 of the Company's Articles of Incorporation, the following matters are posted on the Company's website (http://www.nssmc.com/).
   - "Executive Officers on and after April 1, 2017," of "Members of the Board of Directors and Audit & Supervisory Board Members" in the business report
   - "Consolidated Statements of Changes in Net Assets" and "Notes to Consolidated Financial Statements" of the consolidated financial statements
   - "Non-Consolidated Statements of Changes in Net Assets" and "Notes to Non-Consolidated Financial Statements" of the non-consolidated financial statements

Reference Documents for Exercising Voting Rights

Item 1 Appropriation of Surplus for the 92nd Term (from April 1, 2016 to March 31, 2017)

The Board of Directors proposes that the term-end dividend for the 92nd term will be paid according to the "Surplus Distribution Policy" described in the page 34 as follows:

(1) Kind of Dividend
Cash

(2) Dividend Payment and Total Payment
45 yen per share Total payment: 39,776,379,750 yen

(3) Effective Date of the Dividend
Wednesday, June 28, 2017

(Reference)
For more information on the annual dividend and dividend payout ratio on a consolidated basis for the 92nd Term as well as those trends, see page 25. Information concerning the acquisition of treasury stocks is presented on page 35.

Item 2 Election of Thirteen (13) Directors

The term of office of all fourteen (14) current Directors ends at the conclusion of the 93rd General Meeting of Shareholders. The Board of Directors proposes that thirteen (13) Directors be elected. The candidates for Directors are set forth below.

Mr. Mutsutake Otsuka and Mr. Ichiro Fujisaki are candidates for Outside Directors.

Candidates for Directors

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
1	Shoji Muneoka (May 3, 1946)	April 1970:	Joined Nippon Steel Corporation (NSC)	38,555
		June 1999:	Director and General Manager, Corporate Secretariat Division of NSC	
		April 2003:	Managing Director and Director, Flat Products Division of NSC	
		April 2005:	Representative Director and Executive Vice President of NSC	
		April 2008:	Representative Director and President of NSC	
		October 2012:	Representative Director, Chairman and CEO of the Company	
		Assumed current position as Representative Director and Chairman of the Company in April 2014		
2	Kosei Shindo (September 14, 1949)	April 1973:	Joined NSC	24,847
		June 2005:	Director (Member of the Board) and General Manager, Corporate Planning Division of NSC	
		June 2006:	Director (under the Executive Management System) and General Manager, Corporate Planning Division of NSC	
		April 2007:	Director (under the Executive Management System) and General Manager, General Administration Division of NSC	
		April 2009:	Executive Vice President (under the Executive Management System) of NSC	
		June 2009:	Representative Director and Executive Vice President of NSC	
		October 2012:	Representative Director and Executive Vice President of the Company	
		Assumed current position as Representative Director and President of the Company in April 2014		
		(Material concurrent positions) Chairman, The Japan Iron and Steel Federation Vice Chair, KEIDANREN (Japan Business Federation)		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
3	Soichiro Sakuma (February 15, 1956)	April 1978:	Joined NSC	14,566
		April 2004:	General Manager (Legal Affairs), General Administration Division of NSC	
		April 2009:	Director (under the Executive Management System) of NSC	
		April 2012:	Managing Director (under the Executive Management System) of NSC	
		June 2012:	Managing Director (Member of the Board) of NSC	
		October 2012:	Managing Director, Member of the Board of the Company	
		Assumed current position as Representative Director and Executive Vice President of the Company in April 2014		
		(Responsibilities) General Administration; Legal; Internal Control & Audit; Business Process Innovation; Human Resources; Environment		
		(Material concurrent positions) Chairman, Nippon Steel & Sumitomo Metal Arts Foundation		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
4	Yasumitsu Saeki (May 8, 1955)	April 1979:	Joined NSC	11,919
		June 2012:	Managing Director (Member of the Board), Director, Flat Products Division, Director, Bar & Wire Rod Division, Director, Pipe & Tube Division and General Manager, India Continuous Annealing and Processing Line Project Group of NSC	
		October 2012:	Managing Director, Member of the Board, Head of Unit, Flat Products Unit, Head of Unit, Bar & Wire Rod Unit and Project Leader, India Continuous Annealing and Processing Line Project of the Company	
		April 2013:	Managing Director, Member of the Board, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project and Project Leader, India Continuous Annealing and Processing Line Project of the Company	
		July 2015:	Managing Director, Member of the Board, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector and Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector of the Company	
		Assumed current position as Representative Director and Executive Vice President of the Company in April 2016		
		(Responsibilities) Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Cooperating with Executive Vice President E. Hashimoto on Overseas Offices (including Corporate Entities)		
		(Material concurrent positions) Vice Chairman, Baosteel-NSC Automotive Steel Sheets Co., Ltd.		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
5	Shinji Fujino (July 29, 1955)	April 1981:	Joined NSC	29,435
		April 2011:	Director (under the Executive Management System), Head of Works, Kimitsu Works of NSC	
		October 2012:	Executive Officer and Head of Works, Kimitsu Works of the Company	
		April 2013:	Managing Executive Officer and Head of Works, Kimitsu Works of the Company	
		April 2014:	Managing Executive Officer of the Company	
		June 2014:	Managing Director, Member of the Board of the Company	
		November 2014:	Managing Director, Member of the Board and Head of Works, Nagoya Works of the Company	
		June 2015:	Managing Executive Officer and Head of Works, Nagoya Works of the Company	
		April 2016:	Executive Vice President of the Company	
		Assumed current position as Representative Director and Executive Vice President of the Company in June 2016		
		(Responsibilities) Intellectual Property; Safety; Plant Safety; Technical Administration & Planning; Standardization; Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag & Cement Cooperating with Executive Vice President S. Sakuma on Environment		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
6	Eiji Hashimoto (December 7, 1955)	April 1979:	Joined NSC	6,363
		April 2009:	Director (under the Executive Management System), Director, Plate Division and Director, Construction Products Division of NSC	
		April 2011:	Director (under the Executive Management System) of NSC	
		October 2012:	Executive Officer of the Company	
		April 2013:	Managing Executive Officer of the Company	
		July 2015:	Managing Executive Officer, Vice Head of Global Business Development and Project Leader, Usiminas Project, Global Business Development Sector of the Company	
		April 2016:	Executive Vice President and Head of Global Business Development of the Company	
		Assumed current position as Representative Director, Executive Vice President and Head of Global Business Development of the Company in June 2016		
		(Responsibilities) Head of Global Business Development Overseas Offices (including Corporate Entities)		
7	Kenji Takahashi (July 1, 1955)	April 1981:	Joined Sumitomo Metal Industries, Ltd.(SMI)	10,792
		June 2012:	Managing Executive Officer of SMI and General Manager of Technology & Quality Administration Department of SMI	
		October 2012:	Executive Officer and Vice Head of Laboratories, Steel Research Laboratories, R&D Laboratories of the Company	
		April 2013:	Managing Executive Officer and Vice Head of Laboratories, Steel Research Laboratories, R&D Laboratories of the Company	
		April 2014:	Managing Executive Officer and Head of Works, Kashima Works of the Company	
		April 2016:	Executive Vice President and Head of Research and Development of the Company	
		Assumed current position as Representative Director and Executive Vice President and Head of Research and Development of the Company in June 2016		
		(Responsibilities) Head of Research and Development		
		(Material concurrent posts) Vice President, The Iron and Steel Institute of Japan		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
8	Toshiharu Sakae (January 25, 1956)	April 1980:	Joined NSC	3,159
		April 2011:	Director (under the Executive Management System) and Head of Division, Raw Materials Division-II of NSC	
		October 2012:	Executive Officer and Head of Division, Raw Materials Division-II of the Company	
		April 2014:	Managing Executive Officer of the Company	
		July 2015:	Managing Executive Officer and Vice Head of Global Business Development of the Company	
		April 2016:	Executive Vice President of the Company	
		Assumed current position as Representative Director and Executive Vice President of the Company in June 2016		
		(Responsibilities) Corporate Planning; Group Companies Planning; Accounting & Finance; Raw Materials		
		(Material concurrent posts) Representative Director and President, East Asia United Steel Corporation Chairman, The Japan Ferrous Raw Materials Association		
9	Shinji Tanimoto (May 24, 1957)	April 1982:	Joined NSC	16,168
		April 2011:	Director (under the Executive Management System) and General Superintendent, Yawata Works of NSC	
		October 2012:	Executive Officer and Head of Works, Yawata Works of the Company	
		April 2013:	Managing Executive Officer and Head of Works, Yawata Works of the Company	
		April 2015:	Managing Executive Officer and Head of Center, Plant Engineering and Facility Management Center of the Company	
		June 2015:	Managing Director, Member of the Board and Head of Center, Plant Engineering and Facility Management Center of the Company	
		Assumed current position as Managing Director, Member of the Board of the Company in April 2017		
		(Responsibilities) Intellectual Property; Technical Administration & Planning; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology Rendering Assistance to Executive Vice President Y. Saeki on Steel Products Units Cooperating with Managing Director S. Nakamura on Transportation & Logistics Technology		
		(Material concurrent positions) Director, Nippon Steel & Sumikin Texeng Co., Ltd.		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
10	Shinichi Nakamura (February 15, 1959)	April 1982:	Joined NSC	6,949
		April 2009:	General Manager, Automotive Flat Products Sales Division, Flat Products Division of NSC	
		October 2012:	General Manager, Automotive Flat Products Division, Flat Products Unit of the Company	
		April 2013:	Executive Officer, Head of Unit, Construction Products Unit of the Company	
		April 2016:	Managing Executive Officer, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector and Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector of the Company	
		Assumed current position as Managing Director, Member of the Board, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector and Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector of the Company in June 2016.		
		(Responsibilities) Head of Unit, Flat Products Unit; Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector; Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector Marketing Administration & Planning; Transportation & Logistics		
		(Material concurrent positions) Director, Nippon Steel & Sumikin Metal Products Co., Ltd. Director, Nippon Steel & Sumikin Coated Sheet Corporation Director, Guangzhou Pacific Tinplate Co., Ltd. Director, Baosteel-NSC Automotive Steel Sheets Co., Ltd.		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
11	[New candidate] Toshihiko Kunishi (July 24, 1959)	April 1982:	Joined SMI	3,709
		April 2010:	General Manager, Tubular Products Export Sales Department, Pipe & Tube Company of SMI	
		October 2012:	General Manager, Oil Country Tubular Goods & Line Pipe Marketing Division, Pipe & Tube Unit of the Company	
		April 2013:	Executive Officer, Vice Head of Unit, Pipe & Tube Unit of the Company	
		July 2015	Executive Officer, Vice Head of Unit, Pipe & Tube Unit and Deputy Project Leader, VSB Project, Global Business Development Sector of the Company	
		April 2016	Managing Executive Officer, Vice Head of Unit, Pipe & Tube Unit and Deputy Project Leader, VSB Project, Global Business Development Sector of the Company	
		Assumed current position as Managing Executive Officer, Head of Unit, Pipe & Tube Unit and Project Leader, VSB Project, Global Business Development Sector of the Company in April 2017		
		(Responsibilities) Head of Unit, Pipe & Tube Unit; Project Leader, VSB Project, Global Business Development Sector		
		(Material concurrent positions) Director, Nippon Steel & Sumikin Pipe Co., Ltd.		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
12	[Outside Director] [Independent Director/Auditor] Mutsutake Otsuka (January 5, 1943) Status of attendance at the Board of Directors (Fiscal 2016) 100% (13 out of 13 meetings)	April 1965:	Joined Japanese National Railways	3,349
		June 1990:	Director and General Manager of Personnel Dept. of East Japan Railway Company	
		June 1992:	Executive Director and General Manager of Personnel Dept. of East Japan Railway Company	
		January 1994:	Executive Director of East Japan Railway Company	
		June 1996:	Executive Director and Deputy Director General of Corporate Planning Headquarters of East Japan Railway Company	
		June 1997:	Executive Vice President and Director General of Corporate Planning Headquarters of East Japan Railway Company	
		June 2000:	President and CEO of East Japan Railway Company	
		April 2006:	Chairman and Director of East Japan Railway Company	
		Assumed current position as Executive Advisor to the Board of East Japan Railway Company in April 2012 Assumed current position as Director (Outside Director) of the Company in June 2014		
		(Material concurrent positions) Outside Audit & Supervisory Board Member, Electric Power Development Co., Ltd. Outside Director, JXTG Holdings, Inc.		
		- Reasons for the election as Outside Director Candidate The Board of Directors has proposed the re-election of Mr. Mutsutake Otsuka as an Outside Director because it believes that he is well-qualified for the position by his appropriate action with effective remarks as an Outside Director of the Company since his appointment at the 90th General Meeting of Shareholders held on June 25, 2014 and by his deep knowledge and ample experience in corporate management.		

(Notes) 1) Since his appointment as an Outside Director of the Company, Mr. Mutsutake Otsuka will have served in such position for three (3) years at the conclusion of this General Meeting of Shareholders.

2) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company has concluded an agreement with Mr. Mutsutake Otsuka that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act and twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties. Upon approval of this Item, the agreement will be continued.

3) The Company has already filed Mr. Mutsutake Otsuka as an "independent director/auditor" with each financial exchange in Japan.

4) Although Mr. Mutsutake Otsuka engaged in the execution of business of East Japan Railway Company which has a business relationship with the Company for transactions of steel and other products / services until March 2012, he does not currently engage in the execution of business of the said company. Since the amount of transactions with the said

company accounted for less than 1% of the consolidated net sales of the Company, the said company is not a specified associated service provider of the Company.

<table>
<tr><th colspan="2">Name (date of birth)</th><th colspan="2">Brief personal history (with material concurrent positions)</th><th>Number of shares of the Company owned</th></tr>
<tr><td>13</td><td>[Outside Director]

[Independent Director/Auditor]

Ichiro Fujisaki
(July 10, 1947)

Status of attendance at the Board of Directors (Fiscal 2016)
92% (12 out of 13 meetings)</td><td>April 1969:</td><td>Joined Ministry of Foreign Affairs of Japan</td><td rowspan="8">5,048</td></tr>
<tr><td></td><td></td><td>August 1999:</td><td>Director-General, North American Affairs Bureau, Ministry of Foreign Affairs of Japan</td></tr>
<tr><td></td><td></td><td>September 2002:</td><td>Deputy Minister for Foreign Affairs</td></tr>
<tr><td></td><td></td><td>January 2005:</td><td>Ambassador of Japan to the United Nations and WTO in Geneva</td></tr>
<tr><td></td><td></td><td>April 2008:</td><td>Ambassador of Japan to the United States of America</td></tr>
<tr><td></td><td></td><td>November 2012:</td><td>Retired from Ambassador of Japan to the United States of America</td></tr>
<tr><td></td><td></td><td colspan="2">Assumed current position as Distinguished Professor of Sophia University in January 2013
Assumed current position as Director (Outside Director) of the Company in June 2014</td></tr>
<tr><td></td><td></td><td colspan="2">(Material concurrent positions)
Outside Director, ITOCHU Corporation
President, The America-Japan Society, Inc.</td></tr>
<tr><td></td><td></td><td colspan="2">- Reasons for the election as Outside Director Candidate
The Board of Directors has proposed the re-election of Mr. Ichiro Fujisaki as an Outside Director because it believes that he is well-qualified for the position by his appropriate action with effective remarks as an Outside Director of the Company since his appointment at the 90th General Meeting of Shareholders held on June 25, 2014 and by his deep knowledge including international affairs, economics, and cultures that he accumulated at the Ministry of Foreign Affairs of Japan, and his ample experience as the Ambassador and other key positions, notwithstanding the fact that he does not have experience participating in corporate management other than serving as an outside director and as an outside audit & supervisory board member.</td></tr>
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(Notes) 1) Since his appointment as an Outside Director of the Company, Mr. Ichiro Fujisaki will have served in such position for three (3) years at the conclusion of this General Meeting of Shareholders.

2) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company has concluded an agreement with Mr. Ichiro Fujisaki that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act or twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties. Upon approval of this Item, the agreement will be continued.

3) The Company has already filed Mr. Ichiro Fujisaki as an "independent director/auditor" with each financial exchange in Japan.

4) Although Mr. Ichiro Fujisaki serves as President of the America-Japan Society, Inc., to which the Company pays the membership fee as a corporate member, the said society is not a specified associated service provider of the Company. The annual membership fee paid to the said society by the Company is 180 thousand yen. In addition, the Company made a donation of 3 million yen for the 100th anniversary of the said society in July 2016.

Item 3 Election of One (1) Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Mr. Katsunori Nagayasu ends at the conclusion of the 93rd General Meeting of Shareholders. The Board of Directors proposes that one (1) Audit & Supervisory Board Member be elected. The candidate for Audit & Supervisory Board Member is set forth below.

The submission of this proposal has been consented to by the Audit & Supervisory Board. Mr. Katsunori Nagayasu is a candidate for Outside Audit & Supervisory Board Member.

Candidates for Audit & Supervisory Board Members

Name (date of birth)	Brief personal history (with material concurrent positions)		Number of shares of the Company owned
[Outside Audit & Supervisory Board Member] [Independent Director/Auditor] Katsunori Nagayasu (April 6, 1947) Status of attendance at the Board of Directors (Fiscal 2016) 85% (11 out of 13 meetings) Status of attendance at the Audit & Supervisory Board (Fiscal 2016) 88% (15 out of 17 meetings)	May 1970:	Joined The Mitsubishi Bank, Limited	1,000
	June 1997:	Director of The Bank of Tokyo-Mitsubishi, Ltd.	
	April 2001:	Director of Mitsubishi Tokyo Financial Group, Inc.	
	April 2008:	President of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)	
	April 2010:	President & CEO of Mitsubishi UFJ Financial Group, Inc. (MUFG)	
	April 2012:	Chairman of BTMU	
	April 2013:	Director of MUFG	
	June 2013:	Retired from Director of MUFG	
	Assumed current position as Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company in June 2013 and Senior Advisor of BTMU in April 2016		
	(Material concurrent positions) Outside Director, Isetan Mitsukoshi Holdings Ltd. Outside Audit & Supervisory Board Member, MITSUBISHI MOTORS CORPORATION Outside Director, Kirin Holdings Company, Limited Outside Director, Mitsubishi Electric Corporation Vice Chair, KEIDANREN (Japan Business Federation)		
	- Reasons for the election as Outside Director Candidate The Board of Directors has proposed the re-election of Mr. Katsunori Nagayasu as an Outside Audit & Supervisory Board Member because it believes that he is well-qualified for the position by appropriate action with effective remarks as an Outside Audit & Supervisory Board Member of the Company since his appointment at the 89th General Meeting of Shareholders held on June 25, 2013 and by his deep knowledge and ample experience in corporate management.		

(Notes) 1) Since his appointment as an Outside Audit & Supervisory Board Member of the Company, Mr. Katsunori Nagayasu will have served in such position for four (4) years at the conclusion of this General Meeting of Shareholders.

2) Concerning the candidate's liability under Article 423, Paragraph 1 of the Companies Act, the Company has concluded an agreement with Mr. Katsunori Nagayasu that limits his liability to the greater of the amount stipulated in Article 425, Paragraph 1 of the Companies Act or twenty million (20,000,000) yen, as long as he acts unknowingly and is not grossly negligent in performing his duties.

3) The Company has already filed Mr. Katsunori Nagayasu as an "independent director/auditor" with each financial exchange in Japan.

4) Although Mr. Katsunori Nagayasu engaged in the execution of business of The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is one of the lenders for the Company until March 2016, he does not currently engage in the execution of business of the said bank. Since the Company has procured capital not only from the said bank but from several financial institutions, the said bank is not a specified associated service provider of the Company.

5) During Mr. Nagayasu's s term of office as a Director at The Bank of Tokyo-Mitsubishi UFJ, Ltd., the bank agreed with the U.K. financial regulatory authority in February 2017 to pay a penalty for the bank's lack of appropriateness, such as the bank's delay in the report to the U.K. financial regulatory authority in connection with a settlement with the U.S. financial regulatory authority concerning the bank's operation under the U.S. financial regulations.

6) Mr. Nagayasu has served as an Outside Audit & Supervisory Board Member at Mitsubishi Motors Corporation since June 2014. The said company received a payment order for surcharge from the Consumer Affairs Agency in January 2017 for a violation of the Act against Unjustifiable Premiums and Misleading Representations concerning the presentation in catalogs and others of the results of fuel consumption tests performed on vehicles manufactured by the said company.
Since his appointment as an Outside Audit & Supervisory Board Member at the said company, Mr. Nagayasu has constantly called the attention of Directors and other officers from a standpoint of legal compliance. After the revelation of the above case, he has appropriately fulfilled his duties by instructing thorough investigations into the case and measures to be taken to prevent the recurrence of such misconduct.

Exercise of Voting Rights via the Internet

Those who are unable to attend the General Meeting of Shareholders can exercise their voting rights via the Internet.

The exercise of voting rights via the Internet is only possible by accessing the designated website (http://www.web54.net).

In order to exercise your voting rights on the website, please read and confirm the following before voting. Please note that the exercise of voting rights via the Internet will require "voting right exercise code" and "password" indicated in the Voting Rights Exercise Form.

• Treatment of votes

When you vote more than once via the Internet, the last vote is treated as the vote of record.

• Treatment of password

1. The password is a means to confirm that the person exercising his or her voting rights is the shareholder in question. Shareholders are advised to keep their passwords confidential until the General Meeting of Shareholders is concluded. Inquiries about passwords may not be made by telephone or any other means.
2. When incorrect passwords are entered more than a specified number of times, the password will be invalidated. In such cases, please follow the instructions on the display.

• Operating system requirements

The following system environment is required to exercise voting rights via the Internet.

1. Display resolution: 800 x 600 dots (SVGA) or more
2. Installed applications:
   (1) Microsoft® Internet Explorer in a version for which Microsoft Corporation currently provides support
   (2) PDF viewer in a version for which Adobe Systems Incorporated currently provides support
3. Any access charges assessed via the Internet providers and communications charges assessed by communications companies in order to use the Internet shall be borne by the shareholders.
4. The website for exercising voting rights by cellular phones is not set up.

• Inquiries about the operation of personal computers and other issues

For inquiries on how to exercise your voting rights via the Internet, please call:
0120-652-031 (toll free within Japan) (9 a.m. ~ 9 p.m.)
This is a dedicated line for website support provided by the transfer agent, Sumitomo Mitsui Trust Bank, Limited.

Business Report
92nd Term: From April 1, 2016 to March 31, 2017

1. Current Situations of the NSSMC Group

(1) Progress and Results of Business Operations and Tasks Ahead

General Review

The global economy as a whole recovered moderately in fiscal 2016. The United States continued to record stable growth and the economies of Europe maintained a moderate economic recovery, while China's economy appeared to improve because of the positive impact of government's economic stimulus measures and other factors.

The Japanese economy remained on a moderate recovery path, evidenced by some improvement in industrial production and other areas.

Domestic steel demand reached bottom in the first quarter of fiscal 2016, increased mainly in the construction and automobile industries, and has been on a recovery trend since the second quarter.

Overseas steel demand conditions included a moderate recovery in the ASEAN economies and a solid trend in China's domestic demand after a persistent slowdown, due to the positive impact of government's economic stimulus measures and some degree of recovery in production activities. International steel market conditions bottomed out at the beginning of 2016 and began to show an uptrend, which sustained throughout fiscal 2016. Given a surge in raw material prices, particularly those for coking coal, and the improvement in demand and supply for steel in the second quarter, the uptrend accelerated from the third quarter onward.

Under such business environment, the Nippon Steel & Sumitomo Metal Corporation ("NSSMC" or the "Company") and its group companies ("NSSMC Group") made steady progress in implementing the strategies of the Mid-Term Management Plan to Fiscal 2017, which was launched in March 2015. Such strategies include enhancing the competitiveness of the domestic "mother mills," advancing global strategies, augmenting technological superiority, realizing world-leading cost-competitiveness, and strengthening the Group companies in the steelmaking business.

Business Segment Review

The NSSMC Group's business segments each put forth utmost management effort to generate results while responding to the changing business environment.

・**Steelmaking and Steel Fabrication**

The Steelmaking and Steel Fabrication segment implemented various measures centered primarily on enhancing the competitiveness of the domestic "mother mills" and advancing global strategies.

In Japan, NSSMC identified the reinforcement and reestablishment of steelworks as a priority management issue and continued to implement policies to enhance these manufacturing capabilities in terms of both facilities and workforce. Concerning facilities, in addition to maintaining and enhancing the soundness of facilities, NSSMC made investments in upgrading them by adopting state-of-the-art technologies. In fiscal 2016, NSSMC relined and expanded the coke oven facilities in its Kimitsu Works and Kashima Works. Concerning the workforce, NSSMC strengthened recruitment activities and took initiatives to train its personnel from a long-term perspective. The aims of these initiatives are to develop personnel who can work well in the work field or when dealing with safety issues and to make certain that the skills of the retiring postwar "baby boom" generation are passed on to the next generations in order to maintain and raise the level of manufacturing skills.

In May 2016, NSSMC concluded an agreement with Nissin Steel Co., Ltd. ("Nisshin Steel") to make it a subsidiary of NSSMC. As a result of the tender offer for the shares of Nisshin Steel, it became a subsidiary of NSSMC on March 13, 2017. Going forward, NSSMC and Nisshin Steel will bring together NSSMC's strengths (i.e., global top-level technological superiority and product readiness, cost-competitiveness centering on iron- and steel-making, and worldwide capabilities) and Nisshin Steel's competitive advantages (i.e., customer- and market-readiness, enabled by meticulous development marketing, and other activities in line with customer needs), and thereby provide better products, technologies, and services on a global basis.

Through these measures, we wish to better serve our customers.

In overseas markets, NSSMC took major strides toward enhancing its global supply network to capture demand in overseas growth markets and build an operating structure that better responds to customers' global development requirements. For example, NSSMC's subsidiary engaged in the manufacture and sale of steel wire for cold heading and forging, which is mainly used as automobile components in the U.S., began construction of a new manufacturing facility. In the United Arab Emirates, with the aim of meeting growing demand for steel sheets for the building and construction market, NSSMC's joint venture for the manufacture and sale of steel sheets completed the installation of an additional production line for hot-dipped galvanized steel sheet during the fiscal year. Another joint venture in Thailand also decided to add capacity.

With the aim of augmenting technological superiority, the members of the NSSMC Group are working as a team in the areas of manufacturing, marketing, technology, and R&D to provide their customers with proposals for solutions to the issues they confront and develop high-function products. For example, in the automobile field, which is one of the NSSMC Group's main customers in the global market, NSSMC's joint venture for the manufacture and sale of steel sheets in the U.S. was the first overseas company to proceed with preparations for manufacturing ultra-high tensile strength steel sheets with high-formability. In the resources and energy field, NSSMC's capabilities to supply superior products and proposals for total solutions were highly regarded, and led to the renewal of long-term sales contracts for oil country tubular goods (OCTG) with oil majors.

Moreover, NSSMC also continued to strive to reduce raw material and fuel costs and improve production yield, from the perspective of cost improvement, and to seek the understanding and cooperation of its customers in adjusting steel product prices, given surge in raw material prices and other factors. The steelmaking and steel fabrication segment recorded net sales of ¥4,052.2 billion and ordinary profit of ¥138.0 billion.

Regarding the fire accident that occurred on the premises of the Oita Works of NSSMC on January 5, 2017, we would like to express our sincere apologies for the great trouble and concern this caused among shareholders, residents in the community, business partners, and others concerned. Under the Company's Emergency Control Headquarters, headed by the president, we are making company-wide efforts to prevent any recurrence of a similar accident.

・Engineering and Construction

Nippon Steel & Sumikin Engineering Co., Ltd. continued to experience severe operating conditions, although orders were firm in the domestic construction field, because of stagnation in the price of crude oil, restraints on investments by other steel manufacturers overseas, and other factors. In fiscal 2016, this company continued to take initiatives to improve profitability through the steady implementation of project management, the reduction of fixed costs and expenses, and other measures, but sales and profits both decreased. The engineering and construction segment posted net sales of ¥267.5 billion and ordinary profit of ¥6.8 billion.

・Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. reported that its chemicals business generated steady sales on the back of the tight balance of supply and demand for styrene monomer, a general-purpose resin material. In the functional materials business, sales of materials for displays remained favorable, particularly for electronic devices, including high-precision display panels. Meanwhile, the coal chemicals business, particularly needle coke for graphite electrodes, experienced stagnant conditions, but there were signs of recovery in demand at the end of the fiscal year. The chemicals segment recorded net sales of ¥174.2 billion and ordinary profit of ¥4.5 billion.

・New Materials

Nippon Steel & Sumikin Materials Co., Ltd., within its industrial electronic materials business, continued to experience favorable sales of surface-treated copper wire. In the carbon fiber and composite materials business, demand for infrastructure maintenance and reinforcement applications, including tunnels and bridges, remained firm. However, net sales and profits both declined because of the impact of more-intense competition and the strengthening of the yen. The new materials segment posted net sales of ¥34.5 billion and ordinary profit of ¥1.7 billion.

・**System Solutions**

NS Solutions Corporation provides comprehensive solutions in the planning, configuration, operation, and maintenance of IT systems for clients in a wide range of business fields and develops leading-edge solutions services that respond to the changing business conditions of its clients. This company's NSFITOS Center, which provides IT outsourcing services, expanded its operations centers to cover both eastern and western Japan in fiscal 2016. It also bolstered its position by making a company with strengths in the network security field its subsidiary and is taking other measures to strengthen its IT outsourcing services to improve its competitiveness. As a result, NS Solutions increased sales and earnings year-on-year. The system solutions segment recorded net sales of ¥232.5 billion and ordinary profit of ¥22.1 billion.

Sales and Profit

NSSMC's consolidated results for fiscal 2016 included ¥4,632.8 billion in net sales, ¥114.2 billion in operating profit, ¥174.5 billion in ordinary profit, and profit attributable to owners of parent amounted to ¥130.9 billion. NSSMC implemented maximum cost improvement measures and group companies, mainly those engaged in overseas business, showed an improvement in earnings. However, results were affected by a less favorable sales mix, which stemmed from sluggish demand for steel products for the energy sector and other reasons; margin deterioration, which was caused by delay in reflecting a surge in coal prices in sales prices; and the appreciation of the yen.

An overview of the consolidated net sales and ordinary profit of each business segment in fiscal 2016 is as follows:

Net Sales and Ordinary Profit by Business Segment

(Billions of yen)

	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Adjustments	Consolidated total
Net sales	4,052.2	267.5	174.2	34.5	232.5	(128.1)	4,632.8
Ordinary profit	138.0	6.8	4.5	1.7	22.1	1.2	174.5

Non-consolidated financial result for fiscal 2016 was net sales of 2,974.2 billion yen, operating profit of (29.1) billion yen, ordinary profit of 48.1 billion yen and profit of 41.5 billion yen.

Assets, Liabilities, and Net Assets

Consolidated total assets at the end of fiscal 2016 were ¥7,261.9 billion, representing an increase of ¥836.8 billion from ¥6,425.0 billion at the end of fiscal 2015. With the effect of acquisition of Nisshin Steel Co., Ltd., the main factors were increases in notes and accounts receivable of ¥100.8 billion, inventories of ¥104.7 billion, tangible fixed assets of ¥261.5 billion, and investments in securities of ¥223.9 billion.

Total liabilities at the end of fiscal 2016 amounted to ¥3,970.9 billion, representing an increase of ¥554.9 billion from ¥3,415.9 billion at the end of fiscal 2015. With the effect of the acquisition mentioned above, the main factors were increases in interest-bearing debt of ¥96.5 billion from ¥2,008.2 billion at the end of fiscal 2015 to ¥2,104.8 billion at the end of fiscal 2016, notes and accounts payable of ¥138.9 billion, deferred tax liabilities of ¥56.4 billion, and net defined benefit liabilities of ¥59.1 billion.

Net assets amounted to ¥3,291.0 billion at the end of fiscal 2016, representing an increase of ¥281.9 billion from ¥3,009.0 billion at the end of fiscal 2015. The main factors in the increase were profit attributable to owners of parent of ¥130.9 billion, an increase in unrealized gains on available-for-sale securities of ¥97.9 billion, and an increase in non-controlling interest of ¥107.5 billion mainly with the effect of acquisition of Nisshin Steel Co., Ltd. These more than offset decreases such as dividend payments of ¥13.5 billion and acquisition of treasury stock of ¥44.1 billion. Shareholders' equity at the end of fiscal 2016 amounted to ¥2,948.2 billion and the ratio of interest-bearing debt to shareholders' equity (the D/E ratio) was 0.71.

Dividends

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 both consolidated and non-consolidated bases.

The Company has adopted a consolidated payout ratio target of around 20%–30% as the benchmark for the "payment of dividends from distributable funds in consideration of the consolidated operating results."

The level of the first-half dividend is determined based on consideration of interim performance figures and forecasts for the full fiscal year performance.

Concerning dividend distribution, the Company forwent the first-half dividend distribution of fiscal 2016. However, in view of the improvement in the Company performance from the time the financial results through the third quarter were disclosed on February 2, 2017, the Company will distribute a year-end dividend payment of ¥45 per share, which will represent an increase of ¥20 per share compared to the previously disclosed forecast of ¥25. The full-year dividend will be ¥45 per share with a consolidated payout ratio of 30.4%.

Tasks Ahead

・**Outlook for Operations in Fiscal 2017**

The overall global economy is expected to show a continued moderate recovery, although conditions will remain uncertain because of political issues in various countries and other factors, as the economies of the U.S., Europe, and China are expected to remain firm and the economies of emerging nations, including Brazil, are likely to bottom out.

The Japanese economy is forecasted to show a continued moderate recovery as labor market conditions are getting tight, the government's economic stimulus measures have positive effects, and industrial production show improvement.

Domestic steel demand is expected to continue to be firm, especially in the construction and automotive sectors.

We anticipate that overseas steel demand will continue to be firm, with strong demand in the U.S. and the ASEAN economies as well as steady domestic demand in China. In addition, in the international steel market, despite some signs of softening due to inventory adjustments, our understanding is that underlying demand is strong and that the adjustment will be temporary. However, the problem of excess steelmaking capacity in China is still in the process of being resolved, prices for coal are rising sharply because of bad weather in Australia, and prices of auxiliary materials and scrap iron as well as distribution costs are also rising. Therefore, close attention to future trends will be necessary.

In these conditions, NSSMC will continue to closely monitor trends in steel product supply and demand and raw material prices, and will also strive to implement maximum cost improvement. Concerning the increase in cost, which stemmed from a surge in prices for coal and other raw materials, the Company has received the understanding of its customers and has been adjusting steel product prices. In order to secure a reproducible margin, which incorporates increase in cost, we intend to continue responding thoroughly and seeking the understanding of our customers regarding the revision of steel product prices.

NSSMC is unable at this time to establish reasonably accurate earnings estimates for fiscal 2017 due to several factors, including the uncertainty of price trends for primary raw materials and steel products. The Company will disclose fiscal 2017 earnings forecasts when reasonable estimates become possible.

Amid this business climate, NSSMC remains committed to growing its businesses both in Japan and overseas acting as the two halves of the whole, buildings on its competitive advantages in technology, cost, and being global. NSSMC will continue to make further efforts towards safe operations and stable production, as well as prioritizing the allocation of its management resources on plants and people to improve the manufacturing and R&D capabilities of its mother mills in Japan, and build on its competitive advantage to advance its global businesses in the growing global market.

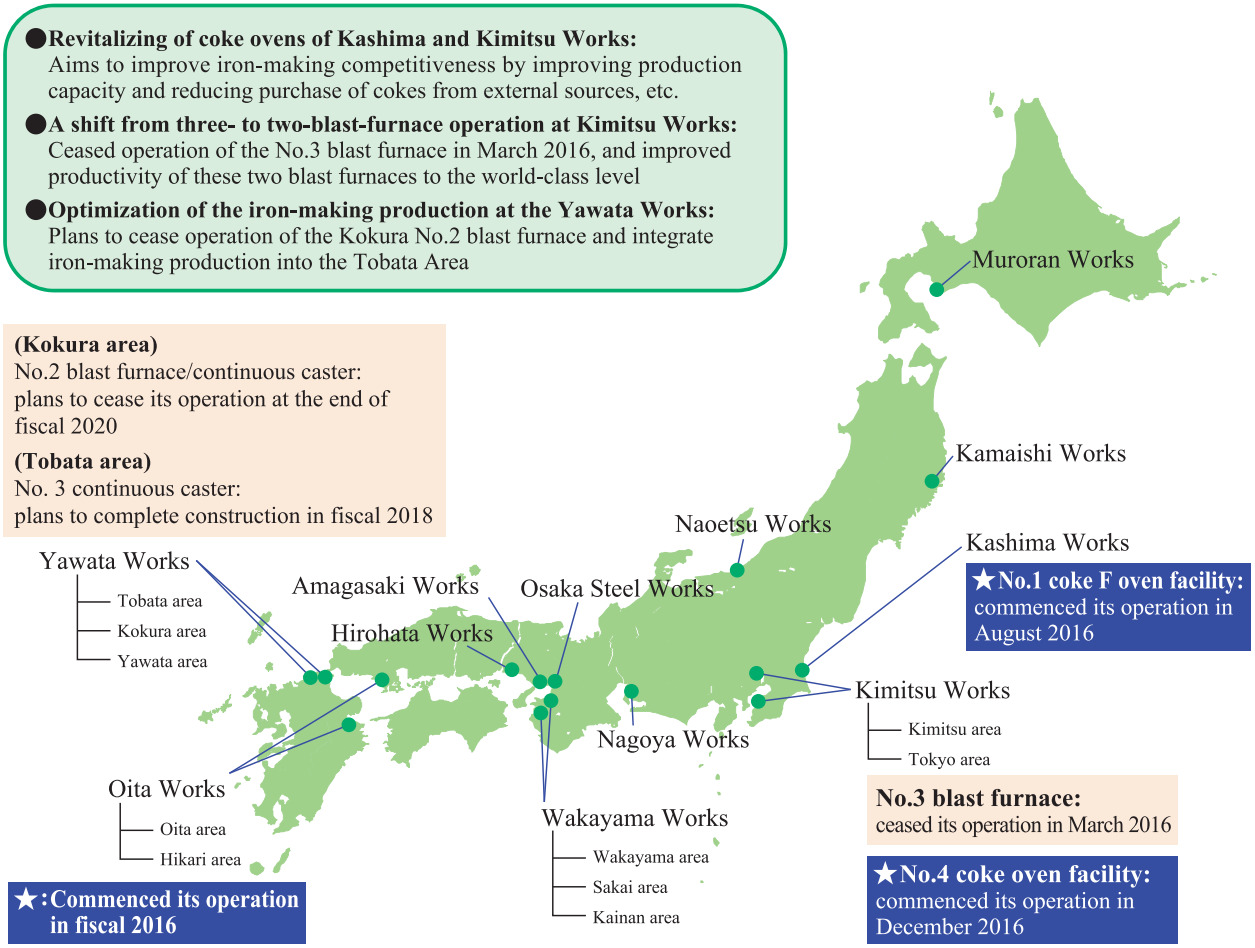
NSSMC wishes to take this opportunity to ask its shareholders for their understanding of the aforementioned circumstances and for their continued support.

(For reference) Progress of 2017 Mid-Term Management Plan

NSSMC has strengthened its global business development based on: (1) “mother mills in Japan as a manufacturing and development base for producing and supplying to customers the world’s leading steel-making and high-grade steel” and (2) “overseas downstream bases, in growth markets, to utilize the mother mills’ materials and technologies.”

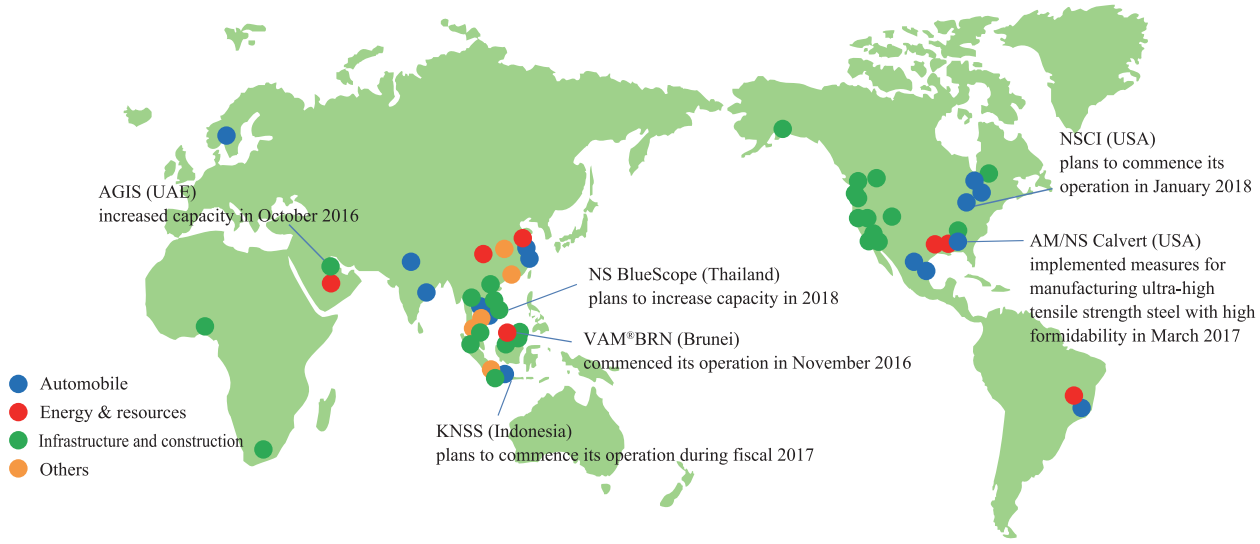
1. Enhancing Mother Mills’ Competitiveness

In Japan, NSSMC will, among others, cease its operation of some blast furnaces and revitalize coke ovens sequentially, and aim to acquire competitive advantages by improving the efficiency of facilities.



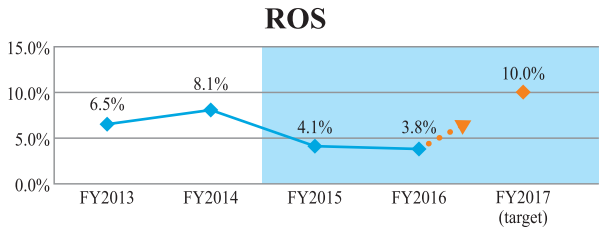
2. Promoting Global Strategy

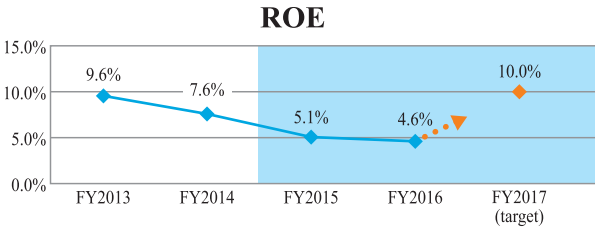
Overseas, NSSMC is working to enhance the supply network and increase profit, with a focus on three strategic business areas: automobile, energy & resources, and infrastructure.

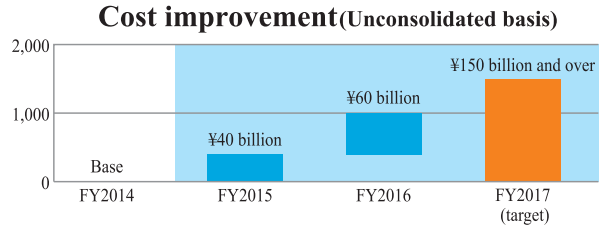


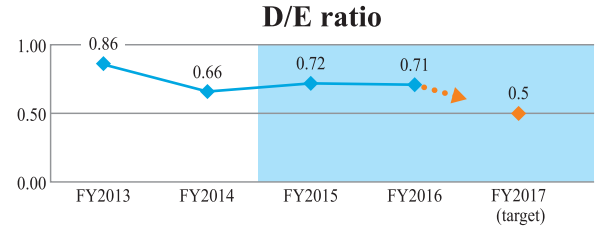
3. Progress on Financial Indicators

NSSMC is advancing measures to achieve the targets set forth in the 2017 Mid-Term Management Plan.









(2) Capital Procurement

Date of issue	Title	Total issued amount
September 26, 2016	1st Unsecured Straight Bonds	10 billion yen
September 26, 2016	2nd Unsecured Straight Bonds	10 billion yen

(3) Plant and Equipment Investments

Classification	Title
Major ongoing plant and equipment investment during fiscal 2016	Renovation and expansion of No. 2 blast furnace and steelmaking equipment (Nippon Steel & Sumikin Koutetsu Wakayama Corporation) Relining of No. 5 coke oven, including fixtures and fittings (Kimitsu Works, NSSMC) New installation of No. 3 continuous caster (CC), including fixtures and fittings (Yawata Works, NSSMC)

(Note)
Nippon Steel & Sumikin Koutetsu Wakayama Corporation started the operation of steelmaking equipment in fiscal 2012.

(4) Transfer of Business

NSSMC made Nisshin Steel its subsidiary on March 13, 2017 by acquiring 51.0% of the total number of outstanding shares of Nisshin Steel through tender offer (TOB) for shares of the common stock of Nisshin Steel.

(5) Changes in Assets and Profits/Losses

Classification \ Fiscal Term	89th Term	90th Term	91st Term	92nd Term (fiscal year 2016)
Crude steel production (million tons)	48.16	47.32	44.53	45.17
Net sales (billions of yen) (Overseas sales shown in brackets)	5,516.1 [2,192.8]	5,610.0 [2,292.4]	4,907.4 [1,903.8]	4,632.8 [1,676.9]
Ordinary profit (billions of yen)	361.0	451.7	200.9	174.5
Profit attributable to owners of parent (billions of yen)	242.7	214.2	145.4	130.9
Total assets (billions of yen)	7,082.2	7,157.9	6,425.0	7,261.9
Net assets (billions of yen)	3,237.9	3,547.0	3,009.0	3,291.0
Earnings per share	266.71 yen	234.82 yen	158.71 yen	147.96 yen
Net assets per share	2,941.09 yen	3,263.03 yen	3,074.28 yen	3,340.21 yen
Dividends per share (Interim dividends shown in brackets)	5.00 yen [2.00 yen]	5.50 yen [2.00 yen]	18.00 yen [3.00 yen]	45.00 yen* [-]
Ratio of cash dividends to consolidated profit (%)	18.7	23.4	28.4	*30.4

Notes:

(1) Figures for crude steel production include, in addition to NSSMC's production, production amounts of Nippon Steel & Sumikin Koutetsu Wakayama Corporation, Osaka Steel Co., Ltd., Nippon Steel & Sumikin Stainless Steel Corporation, Nippon Steel & Sumikin Shapes Corporation, Tokai Special Steel Co., Ltd., Oji Steel Co., Ltd. and Tokyo Kohtetsu Co., Ltd., which all are subsidiaries of NSSMC. Tokyo Kohtetsu Co., Ltd. has been included since the 92nd Term. Figures for crude steel production for the 89th Term or before include production amounts of Shin-Hokkai Steel Co., Ltd., which dissolved on March 31, 2014.

(2) Crude steel production, net sales, ordinary profit, profit attributable to owners of parent and earnings per share do not include those of Nisshin Steel.

(3) On October 1, 2015, NSSMC performed the share consolidation at the ratio of 10 shares to 1 share. Consequently, NSSMC estimates the net assets per share and earnings per share assuming that the share consolidation occurred at the start of the 89th term.

(4) The figures with asterisks (*) are values on the assumption that the proposal on appropriation of surplus for the 92nd Term is approved at the 93rd General Meeting of Shareholders.

(5) On October 1, 2015, NSSMC performed the share consolidation at the ratio of 10 shares to 1 share. The dividend per share noted for the 91st term (fiscal year 2015) is the sum of the interim dividend of 3 yen and the year-end dividend of 15 yen. Recalculating this amount of the dividend based on the share consolidation, the interim dividend would be 30 yen, so adding the year-end dividend of 15 yen, the annual dividend works out to 45 yen per share (consolidated ratio of cash dividends to consolidated profit: 28.4%)

(6) Major Business Operations (as of March 31, 2017)

Business Segment	Main Products		
Steelmaking and Steel Fabrication	Steel Materials	Bars and shapes	Billets, rails, sheet piles, H-beams, other shapes bars, bars, bars-in-coils, wire rods, special wire rods
		Flat-rolled products	Heavy plates, medium plates, hot-rolled sheets, cold-rolled sheets, tinplates, tin-free steel, hot-dipped galvanized sheets, other metallic coated sheets, pre-coated sheets, cold-rolled electrical sheets
		Pipe and tubes	Seamless, butt-welded, electric resistance-welded, electric-arc welded, cold-drawn, coated pipes and tubes, coated steel pipes
		Railway/automotive/machinery parts	Parts for railway vehicles, die-forged products, forged aluminum wheels, retarders, ring-rolled products, forged steel products
		Specialty steel	Stainless steel, machine structural carbon steel, structural alloy steel, spring steel, bearing steel, heat-resistant steel, free-cutting steel, piano wire rods, high tensile strength steel
		Secondary steel products	Steel and synthetic segments, NS-BOX, metro deck, PANZERMAST, vibration-damping sheets and plates, structural steel sheet members, columns, welding materials, drums, bolts/nuts/washers, wire products, OCTG accessories, building and civil engineering materials
	Pig iron, steel ingots and others		Steelmaking pig iron, foundry pig iron, steel ingots, iron and steel slag products, cement, foundry coke
	Businesses incidental to Steelmaking and Steel Fabrication		Design/maintenance/installation of machines/electrical equipment/measurement apparatuses, marine transport, port/harbor transport, land transport, loading/unloading, warehousing, packaging, material testing/analysis, measurement of working environments, surveys on technical information, operation and management of facilities, security services, services related to payment of raw materials, iron-and steelmaking plant construction engineering, operating assistance, steelmaking know-how provision, rolls
	Others		Rolled titanium products, power supply, real estate, services and others
Engineering and Construction	Iron and steelmaking plants, industrial machinery and equipment, industrial furnaces, resources recycling and environment restoration solutions, environmental plants, waterworks, energy facilities and plants, chemical plants, storage tanks, on-land and offshore pipelines laying works, energy-related solutions, offshore structure fabrication/construction, civil engineering work, pipe piling work, building construction, steel-structure construction, trusses, standardized buildings products, base-isolation and vibration-control devices		

Business Segment	Main Products
Chemicals	Pitch coke, pitch, naphthalene, phthalic anhydride, carbon black, styrene monomer, bisphenol A, styrene resin, epoxy resin, adhesive-free copper-clad laminated sheet for flexible printed circuit boards, liquid crystal display materials, organic EL materials, UV/thermosetting resins
New Materials	Rolled metallic foils, semiconductor bonding wire and microballs, fillers for semiconductor encapsulation materials, carbon-fiber composite products, metal catalyst carriers for cleaning automotive emissions
System Solutions	Computer systems engineering and consulting, outsourcing and other services using IT

(7) Major Plants, Research Laboratories, Head Office, Office, Marketing Branches and Overseas Offices (as of March 31, 2017)

Plants	Kashima Works (Kashima), Kimitsu Works (Kimitsu / Itabashi-ku, Tokyo), Nagoya Works (Tokai), Wakayama Works (Wakayama / Kainan / Sakai), Hirohata Works (Himeji), Yawata Works (Kitakyushu), Oita Works (Oita, Hikari), Muroran Works (Muroran), Kamaishi Works (Kamaishi), Amagasaki Works (Amagasaki), Osaka Steel Works (Osaka), Naoetsu Works (Joetsu)
Research Laboratories	Steel Research Laboratories, Advanced Technology Research Laboratories, Process Research Laboratory (Located in Futtsu, Amagasaki, Kamisu) R&D laboratories (Located within Steelworks of Muroran, Kashima, Kimitsu, Nagoya, Hirohata, Yawata, Oita)
Head Office, Office and Marketing Branches	Head Office (Chiyoda-ku, Tokyo) Osaka Office (Osaka) Hokkaido Marketing Branch (Sapporo), Tohoku Marketing Branch (Sendai), Niigata Marketing Branch (Niigata), Hokuriku Marketing Branch (Toyama), Ibaraki Marketing Branch (Mito), Nagoya Marketing Branch (Nagoya / Tokai), Chugoku Marketing Branch (Hiroshima), Shikoku Marketing Branch (Takamatsu), Kyushu Marketing Branch (Fukuoka)
Overseas Offices	Nippon Steel & Sumitomo Metal European Office (Germany), Nippon Steel & Sumitomo Metal Dubai Office (UAE), NIPPON STEEL & SUMITOMO METAL Consulting (Beijing) Co., Ltd. (Beijing, Shanghai, Guangzhou) NIPPON STEEL & SUMITOMO METAL U.S.A., INC. (USA), NIPPON STEEL & SUMITOMO METAL Empreendimentos Siderurgicos Ltda. (Brazil), NIPPON STEEL & SUMITOMO METAL Australia Pty. Limited (Australia), PT. NIPPON STEEL AND SUMITOMO METAL INDONESIA (Indonesia), NIPPON STEEL & SUMITOMO METAL VIETNAM COMPANY LIMITED (Vietnam) NIPPON STEEL & SUMITOMO METAL Southeast Asia Pte. Ltd. (Singapore), NIPPON STEEL & SUMITOMO METAL (Thailand) Co., Ltd. (Thailand), NIPPON STEEL & SUMITOMO METAL India Private Limited (India)

(Notes)
(1) Overseas Offices include local subsidiaries.
(2) See “(9) Principal Subsidiaries and Affiliates” for a listing of major subsidiaries and their locations.

(8) Employment Data (as of March 31, 2017)

NSSMC Group

Business Segment	Number of employees
Steelmaking and Steel Fabrication	78,189 [14,584]
Engineering and Construction	4,923 [594]
Chemicals	1,811 [187]
New Materials	1,404 [292]
System Solutions	5,982 [63]
Total	92,309 [15,720]

(Notes)

(1) Number of employees does not include NSSMC Group employees on loan outside the group. It does include employees on loan to the NSSMC Group from outside the NSSMC Group.

(2) Temporary workers are not included. Numbers of temporary workers (average number of temporary workers employed during fiscal year 2016) are shown in brackets.

NSSMC

Number of employees	Average age	Average number of years employed
24,822 [4,204] employees	37.9 years old	16.0 years

(Notes)

(1) Number of employees does not include employees on loan from NSSMC to other companies. It does include employees on loan to NSSMC from outside the company.

(2) Temporary workers are not included. Number of temporary workers (average number of temporary workers employed during fiscal year 2016) is shown in brackets.

(3) Employees on loan are not included when calculating the average age and average number of years employed.

(9) Principal Subsidiaries and Affiliates (as of March 31, 2017)

Steelmaking and Steel Fabrication

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
[Subsidiaries]	Million yen	%	
Nisshin Steel Co., Ltd. (Chiyoda-ku, Tokyo)	30,000	51.0	Makes and markets ordinary steel, stainless steel and specialty steel
East Asia United Steel Corporation (Chiyoda-ku, Tokyo)	17,217	74.3	Holding company of Nippon Steel & Sumikin Koutetsu Wakayama Corporation
Nippon Steel & Sumikin Koutetsu Wakayama Corporation (Wakayama)	17,217	*100.0	Makes and markets semi-finished steel products
Nippon Steel & Sumikin Coated Sheet Corporation (Chuo-ku, Tokyo)	12,588	100.0	Makes and markets galvanized sheets, prepainted galvanized sheets, coated sheets, and construction materials
Osaka Steel Co., Ltd. (Osaka)	8,769	*60.9	Makes and markets shapes, bars, and billets
Nippon Steel & Sumikin Metal Products Co., Ltd. (Koto-ku, Tokyo)	5,912	100.0	Makes and markets structural materials for buildings and civil engineering work, prepainted galvanized sheets and steelmaking fluxes, and CC powders
Nippon Steel & Sumikin Pipe Co., Ltd. (Chiyoda-ku, Tokyo)	5,831	100.0	Makes, coats and markets steel pipes and tubes
Nippon Steel & Sumikin Texeng Co., Ltd. (Chiyoda-ku, Tokyo)	5,468	100.0	Conducts engineering, maintenance, and operations relating to machinery, electrical instrumentation, systems, and construction for steel-production and other facilities
Nippon Steel & Sumikin Stainless Steel Corporation (Chiyoda-ku, Tokyo)	5,000	100.0	Makes and markets stainless steel
Nippon Steel & Sumikin Logistics Co., Ltd. (Chuo-ku, Tokyo)	4,000	100.0	Undertakes ocean and land transportation and warehousing
Nippon Steel & Sumikin SG Wire Co., Ltd. (Chiyoda-ku, Tokyo)	3,634	100.0	Makes and markets bars and wire rods
Geostr Corporation (Bunkyo-ku, Tokyo)	3,352	*42.0	Makes and markets concrete and metal products for civil engineering and building construction work
Nippon Steel and Sumikin Welding Co., Ltd. (Koto-ku, Tokyo)	2,100	100.0	Makes and markets welding materials and apparatuses
Nippon Steel & Sumikin Drum Co., Ltd. (Koto-ku, Tokyo)	1,654	100.0	Makes and markets drums
Nippon Steel & Sumikin Blast Furnace Slag Cement Co., Ltd. (Kitakyushu)	1,500	100.0	Makes and markets cement and steelmaking slag and calcined lime products
Nippon Steel & Sumikin Cement Co., Ltd. (Muroran)	1,500	85.0	Makes and markets cement
Nihon Teppan Co., Ltd. (Chuo-ku, Tokyo)	1,300	*100.0	Markets, processes, and imports and exports steel products, metal processing machines, and electrical/electronic devices
Nippon Steel & Sumikin Finance Co., Ltd. (Chiyoda-ku, Tokyo)	1,000	100.0	Engages in financing and lending operations

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
Nippon Steel & Sumikin Stainless Steel Pipe Co., Ltd. (Koga)	916	100.0	Makes and markets stainless-steel pipes
Nippon Steel & Sumikin Steel Wire Co., Ltd. (Seki)	897	51.0	Makes and markets secondary products using bars and wire rods
Nippon Steel & Sumikin Eco-Tech Corporation (Chuo-ku, Tokyo)	500	*84.2	Designs, builds, operates, maintains, and manages water-treatment and other systems; designs civil-engineering projects; and performs environmental and chemical analysis
Nippon Steel & Sumikin Bolten Corporation (Osaka)	498	85.0	Makes and markets high-tension bolts, etc.
Nippon Steel & Sumikin Shapes Corporation (Wakayama)	400	100.0	Makes and markets H-beams
NIPPON STEEL AND SUMIKIN TUBOS DO BRASIL LTDA. (Rio de Janeiro, Brazil)	R$2,002 million	*100.0	Markets seamless steel pipe
NS-Siam United Steel Co., Ltd. (Rayong State, Thailand)	THB 13,007 million	80.2	Makes and markets cold-rolled sheets and galvanized sheets
National Pipe Company Limited (Eastern Province, Saudi Arabia)	SAR 200 million	*51.0	Makes and markets primarily steel line pipes
Standard Steel, LLC (Pennsylvania, U.S.A.)	US$ 47 million	*100.0	Makes and markets railway wheels and axles
NIPPON STEEL & SUMITOMO METAL U.S.A., INC. (New York, U.S.A.)	US$ 40 million	100.0	Invests companies in North American region focusing on U.S. and gathers information
PT. PELAT TIMAH NUSANTARA TBK. (Jakarta, Indonesia)	US$ 26 million	35.0	Makes and markets tinplate
NIPPON STEEL & SUMITOMO METAL (Thailand) Co., Ltd. (Bangkok, Thailand)	THB 718 million	100.0	Gathers information in Asian region focusing on Thailand
NIPPON STEEL & SUMITOMO METAL Australia Pty. Limited (New South Wales, Australia)	A$ 21 million	100.0	Participates in mine development in Australia and gathers information
NIPPON STEEL & SUMIKIN Steel Processing (Thailand) Co., Ltd. (Rayong State, Thailand)	THB 571 million	*66.5	Makes and markets cold-heading wire and cold-finished bars

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
[Affiliates]	Million yen	%	
Godo Steel, Ltd. (Osaka)	34,896	*15.1	Makes and markets shapes, rails, bars, billets and wires
Topy Industries Ltd. (Shinagawa-ku, Tokyo)	20,983	*20.1	Makes and markets shapes, bars, and industrial machine parts
Sanyo Special Steel Co., Ltd. (Himeji)	20,182	*14.7	Makes and markets special steel products
Kyoei Steel Ltd. (Osaka)	18,515	25.8	Makes and markets shapes, steel bars, and billets; processes and markets steel
Nippon Steel & Sumikin Bussan Corporation (Minato-ku, Tokyo)	12,335	*36.5	Markets, imports, and exports steel, textiles, foods, and other products
Nippon Denko Co., Ltd. (Chuo-ku, Tokyo)	11,026	*20.9	Makes and markets ferroalloys, advanced materials, industrial chemical products, environmental recycling systems, etc.
Nichia Steel Works, Ltd. (Amagasaki)	10,720	22.6	Makes and markets bolts, wire products
Sumitomo Precision Products Co., Ltd. (Amagasaki)	10,311	*40.6	Makes and markets aerospace hydraulics, heat exchangers, and industrial environmental apparatuses
NS United Kaiun Kaisha, Ltd. (Chiyoda-ku, Tokyo)	10,300	32.8	Undertakes ocean transportation
Unipres Corporation(Yokohama)	10,039	16.4	Manufactures and sell automotive parts
Osaka Titanium technologies Co., Ltd. (Amagasaki)	8,739	23.9	Makes and markets metal titanium, polysilicon, high-functioning materials developed from titanium and silicon for new applications
Nippon Coke & Engineering Company Limited (Koto-ku, Tokyo)	7,000	*23.2	Markets coal; makes and markets coke
Japan Casting & Forging Corporation (Kitakyushu)	6,000	42.0	Makes and markets casting, forgings, ingots and billets
Krosaki Harima Corporation (Kitakyushu)	5,537	*42.9	Makes, markets and constructs refractories
Sanko Metal Industrial Co., Ltd. (Minato-ku, Tokyo)	1,980	*38.7	Makes, processes, installs and sells metal roofs and building materials
Sanyu Co., Ltd. (Hirakata)	1,513	*34.5	Makes and markets cold-finished bars and cold-heading wire
Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS (Estado do Minas Gerais, Brazil)	R$13,200 million	*31.2	Makes and markets steel products
VALLOUREC SOLUÇÕES TUBULARES DO BRASIL S.A. (Estado do Minas Gerais, Brazil)	R$7,088 million	*15.0	Makes seamless steel pipe
Baosteel-NSC Automotive Steel Sheets Co., Ltd. (Shanghai, China)	RMB 3,000 million	50.0	Makes and markets automotive steel sheets

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
UNIGAL Ltda. (Estado do Minas Gerais, Brazil)	R$584 million	*30.0	Makes galvanized sheets
Companhia Nipo-Brasileira De Pelotizacao (Estado do Espírito Santo, Brazil)	R$432 million	*31.4	Makes and markets pellets
Guangzhou Pacific Tinplate Co., Ltd. (Guangzhou, China)	US$36 million	25.0	Makes and markets tinplate

Engineering and Construction

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
[Subsidiaries]	Million yen	%	
Nippon Steel & Sumikin Engineering Co., Ltd. (Shinagawa-ku, Tokyo)	15,000	100.0	Makes and markets industrial machinery and equipment and steel structures; undertakes civil engineering and building constructions work; waste and regeneration treatment business; electricity, gas, and heat supply business

Chemicals

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
[Subsidiaries]	Million yen	%	
Nippon Steel & Sumikin Chemical Co., Ltd. (Chiyoda-ku, Tokyo)	5,000	100.0	Makes and markets coal chemicals, petrochemicals and electronic materials

New Materials

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
[Subsidiaries]	Million yen	%	
Nippon Steel & Sumikin Materials Co., Ltd. (Chuo-ku, Tokyo)	3,000	100.0	Makes and markets semiconductor components and materials, electronic components and materials, carbon-fiber composite products, and metal-processed products.

System Solutions

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
[Subsidiaries]	Million yen	%	
NS Solutions Corporation (Chuo-ku, Tokyo)	12,952	54.7	Provides engineering and consulting pertaining to computer systems, outsourcing and other services using IT

(Notes)

(1) Figures with asterisks (*) include shares held by subsidiaries
(2) The percentage of NSSMC's ownership of Geostr Corporation and PT. PELAT TIMAH NUSANTARA TBK. is 50% or less. However, in light of the standards provided in the Regulations Concerning Financial Statements, NSSMC regards them as its subsidiaries.
(3) The percentage of NSSMC's ownership of Godo Steel, Ltd., Sanyo Special Steel Co., Ltd., Unipres Corporation and VALLOUREC SOLUÇÕES TUBULARES DO BRASIL S.A. are below 20%. However, in light of the standards provided in the Regulations Concerning Financial Statements, NSSMC regards them as its affiliates.
(4) Sumitomo Precision Products Co., Ltd. has been excluded from the scope of NSSMC's affiliates, as NSSMC's shareholding ratio fell to below 15% due to sale of a portion of its shares in the said company, effective May 9, 2017.

(10) Major Lenders (as of March 31, 2017)

Lender	Funds borrowed (Billions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	277.9
Sumitomo Mitsui Banking Corporation	275.3
Mizuho Bank, Ltd.	257.3
Sumitomo Mitsui Trust Bank, Limited	126.3
Meiji Yasuda Life Insurance Company	91.9

(11) Surplus Distribution Policy

1) Dividends

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 after taking into account 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 NSSMC on a consolidated and a non-consolidated basis.

The Company has adopted a "consolidated payout ratio of approximately 20-30%" as the benchmark for the payment of dividends from distributable funds in consideration of the consolidated operating results.

The level of the first half dividend is set based on consideration of the interim operating results and full-year earnings forecasts.

As in the past, the year-end dividend payment will be made according to the resolution of the General Meeting of Shareholders, and any other form of distribution and appropriation of surplus (including the interim dividend) will be made according to the resolution of the Meeting of the Board of Directors as provided in Article 36 of the Articles of Incorporation and with the aim of securing flexibility in financial operations.

2) Acquisition of treasury stocks

The Company will acquire treasury stocks according to the resolution of the Meeting of the Board of Directors, as provided by Article 36 of the Articles of Incorporation and with the aim of securing flexibility in financial operations. At the Meeting of the Board of Directors, the acquisition of treasury stocks will be comprehensively determined after examining the needs of flexible financial operations management and after studying the effect of such an acquisition on NSSMC's financial structure.

2. Shares and Subscription Right for New Shares

(1) Overview of Shares (as of March 31, 2017)

1) Total number of shares authorized to be issued 2,000,000,000 shares
2) Total number of shares issued 950,321,402 shares (including 66,401,852 treasury stocks)
3) Number of shareholders 461,102

4) Top 10 shareholders

Name of shareholder	Shares held (Thousand shares)	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	39,233	4.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,906	3.6
Nippon Life Insurance Company	24,532	2.8
Sumitomo Corporation	18,269	2.1
Japan Trustee Services Bank, Ltd. (Trust Account 5)	17,344	2.0
Mizuho Bank, Ltd.	16,299	1.8
Sumitomo Mitsui Banking Corporation	14,647	1.7
Meiji Yasuda Life Insurance Company	13,960	1.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,655	1.5
Japan Trustee Services Bank, Ltd. (Trust Account 1)	12,840	1.5

(Notes)
(1) The percentage of ownership is calculated based on the total number of shares issued excluding treasury stocks.
(2) Mizuho Bank, Ltd. holds a further 2,235 thousand shares of NSSMC (0.3% ownership) other than those above, as a retirement benefit trust.
(3) Sumitomo Mitsui Banking Corporation holds a further 6,638 thousand shares of NSSMC (0.8% ownership) other than those above, as a retirement benefit trust.

(2) Other Important Matters about Shares

On February 1, 2016, the Board of Directors resolved to acquire treasury stock, as follows. In accordance with this resolution, NSSMC acquired 19,658,800 shares for 44,239,734,850 yen from April 1, 2016 to June 7, 2016. As a result, the total number of treasury stocks acquired based on the resolution is 40,000,000 shares and the total price of acquisition is 85,964,082,350 yen.

Class of shares to be acquired	Common stock
Total number of shares to be acquired	40,000,000 (maximum)
Total price of acquisition	100 billion yen (maximum)
Period of acquisition	From February 2 to June 7, 2016

(3) Subscription Right for New Shares (as of March 31, 2017)

No matters to be reported during this period.

3. Basic Philosophy of Corporate Governance

The Company has established a corporate governance system suited to the businesses of the NSSMC Group in order to achieve the sound and sustainable growth of the NSSMC Group and increase its corporate value over the medium- to long-term, in response to the mandate delegation of responsibilities by and trust of from all stakeholders, including its shareholders and business partners.

The Company has adopted a company structure with an Audit & Supervisory Board, having determined that this system is effective in ensuring the efficiency and soundness of management. Under this system, the Board of Directors, consisting chiefly of Directors with intimate knowledge of NSSMC's businesses (which are mainly steelmaking and steel fabrication), makes decisions not only on basic management policies, but also on the execution of important business matters; and the Audit & Supervisory Board Members, with strong legal authority, attend meetings of the Board of Directors to independently supervise the execution of responsibilities by Directors and officers.

To ensure the soundness of management, Senior Audit & Supervisory Board Members with intimate knowledge of NSSMC's businesses and Outside Audit & Supervisory Board Members with a high degree of expertise, collaborate with NSSMC's Accounting Auditor, Internal Control and Audit Division, and others and audit, among others, the status of performance of responsibilities by the Board of Directors, the status of NSSMC's assets on a day-to-day basis. The Company also appoints several Outside Directors with a deep experience relating to corporate management, etc. in order to make decisions with a diverse range of perspectives and enhance the Board of Directors function of supervising management.

The Company's Board of Directors consists of 12 Executive Directors, as well as 2 Outside Directors, who are not involved with business execution, and 7 Audit & Supervisory Board Members (of whom 4 are Outside Audit & Supervisory Board Members). This ensures full, multifaceted deliberations, and objective decision-making.

4. Members of the Board of Directors and Audit & Supervisory Board Members

(1) Executive Officers as of March 31, 2017

Title and name	Responsibilities/positions and material concurrent positions
Representative Director and Chairman Shoji Muneoka	
Representative Director and President Kosei Shindo	Material concurrent positions Chairman, The Japan Iron and Steel Federation
Representative Directors and Executive Vice Presidents Soichiro Sakuma	General Administration; Legal; Internal Control & Audit; Business Process Innovation; Human Resources; Environment Material concurrent positions Chairman, Nippon Steel & Sumitomo Metal Arts Foundation
Yasumitsu Saeki	Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Cooperating with Executive Vice President E. Hashimoto on Overseas Offices (including Corporate Entities) Material concurrent positions Vice Chairman, Baosteel-NSC Automotive Steel Sheets Co., Ltd.
Shinji Fujino	Intellectual Property; Safety; Plant Safety; Technical Administration & Planning; Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag & Cement Cooperating with Executive Vice President S. Sakuma on Environment
Eiji Hashimoto	Head of Global Business Development Overseas Offices (including Corporate Entities)
Kenji Takahashi	Head of Research and Development Material concurrent positions Vice President, The Iron and Steel Institute of Japan
Toshiharu Sakae	Corporate Planning; Group Companies Planning; Accounting & Finance; Raw Materials Material concurrent positions Representative Director and President, East Asia United Steel Corporation Chairman, The Japan Ferrous Raw Materials Association

Title and name	Responsibilities/positions and material concurrent positions
Managing Directors	
Ritsuya Iwai	Head of Unit, Pipe & Tube Unit; Project Leader, VSB Project, Global Business Development Sector Material concurrent positions Director, Nippon Steel & Sumikin Pipe Co., Ltd.
Machi Nakata	Head of Unit, Railway, Automotive & Machinery Parts Unit Material concurrent positions President, Steel Castings and Forgings Association of Japan
Shinji Tanimoto	Head of Center, Plant Engineering and Facility Management Center Intellectual Property; Safety; Plant Safety; Technical Administration & Planning; Quality Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag & Cement Rendering Assistance to Executive Vice President Y. Saeki on Steel Products Units Material concurrent positions Director, Nippon Steel & Sumikin Texeng Co., Ltd.
Shinichi Nakamura	Head of Unit, Flat Products Unit; Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector; Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector Marketing Administration & Planning; Transportation & Logistics Material concurrent positions Director, Nippon Steel & Sumikin Metal Products Co., Ltd. Director, Nippon Steel & Sumikin Coated Sheet Corporation Director, Guangzhou Pacific Tinplate Co., Ltd. Director, Baosteel-NSC Automotive Steel Sheets Co., Ltd.
Directors (Outside Directors)	
Mutsutake Otsuka	Executive Advisor to the Board of East Japan Railway Company Material concurrent positions Outside Audit & Supervisory Board Member, Electric Power Development Co., Ltd. Outside Director, JX Holdings, Inc.
Ichiro Fujisaki	Distinguished Professor of Sophia University Material concurrent positions Outside Director, ITOCHU Corporation President, The America-Japan Society, Inc.
Senior Audit & Supervisory Board Member Yutaka Takeuchi Atsuhiko Yoshie	
Audit & Supervisory Board Members Masato Tsuribe	

Title and name	Responsibilities/positions and material concurrent positions
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	
Katsunori Nagayasu	Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Material concurrent positions Outside Director, Isetan Mitsukoshi Holdings Ltd. Outside Audit & Supervisory Board Member, MITSUBISHI MOTORS CORPORATION Outside Director, Kirin Holdings Company, Limited Outside Director, Mitsubishi Electric Corporation Vice Chair, Nippon Keidanren (Japan Business Federation)
Hiroshi Obayashi	Attorney, Obayashi Law Office Material concurrent positions Outside Audit & Supervisory Board Member, Daiwa Securities Co. Ltd. Outside Director, Mitsubishi Electric Corporation Outside Audit & Supervisory Board Member, Japan Tobacco Inc.
Jiro Makino	Vice Chairman, The General Insurance Association of Japan
Seiichiro Azuma	Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office

(Notes)

(1) The Company has signed an agreement with each Outside Director and Outside Audit & Supervisory Board Members limiting their liability under Article 423, Paragraph 1 of the Companies Act to 20 million yen or the amount stipulated under Article 425, Paragraph 1 of the Companies Act, whichever is greater, as long as he/she acts unknowingly and is not grossly negligent in performing his/her duties.

(2) Representative Director and Executive Vice President Yasumitsu Saeki served as Director, Baosteel-NSC Automotive Steel Sheets Co., Ltd. until July 18, 2016.

(3) Senior Audit & Supervisory Board Member Yutaka Takeuchi has substantial knowledge of finance and accounting, having experienced Head of Unit, Accounting & Finance Unit of NSSMC.

(4) Outside Audit & Supervisory Board Member Seiichiro Azuma is a certified public accountant with substantial knowledge of finance and accounting.

(5) Outside Director Mutsutake Otsuka also holds a post at East Japan Railway Company, with which NSSMC has business relations concerning steel and other products /services transactions, etc.

(6) Outside Audit & Supervisory Board Member Katsunori Nagayasu also holds a post at The Bank of Tokyo-Mitsubishi UFJ, Ltd., with which NSSMC has business relations concerning loans, etc. In addition, he holds a post at MITSUBISHI MOTORS CORPORATION and a post at Mitsubishi Electric Corporation, with which NSSMC has business relations concerning steel products trading, etc.

(7) Outside Audit & Supervisory Board Member Hiroshi Obayashi also holds a post at Mitsubishi Electric Corporation, with which NSSMC has business relations concerning steel products trading, etc.

(8) The Company filed the two Outside Directors – Mutsutake Otsuka and Ichiro Fujisaki and four Outside Audit & Supervisory Board Members – Katsunori Nagayasu, Hiroshi Obayashi and Jiro Makino and Seiichiro Azuma, as its “independent directors/auditors” with each financial exchange in Japan.

(9) JX Holdings, Inc., where Outside Director Mutsutake Otsuka also holds a post, has changed its name to JXTG Holdings, Inc., effective April 1, 2017.

(2) Executive Officers after April 1, 2017

Title and name	Responsibilities/positions
Representative Director and Chairman Shoji Muneoka	
Representative Director and President Kosei Shindo	
Representative Directors and Executive Vice Presidents	
Soichiro Sakuma	General Administration; Legal; Internal Control & Audit; Business Process Innovation; Human Resources; Environment
Yasumitsu Saeki	Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Cooperating with Executive Vice President E. Hashimoto on Overseas Offices
Shinji Fujino	Intellectual Property; Safety; Plant Safety; Technical Administration & Planning; Standardization; Quality Management; Plant Engineering; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag & Cement Cooperating with Executive Vice President S. Sakuma on Environment
Eiji Hashimoto	Head of Global Business Development Overseas Offices (including Corporate Entities)
Kenji Takahashi	Head of Research and Development
Toshiharu Sakae	Corporate Planning; Group Companies Planning; Accounting & Finance; Raw Materials
Managing Directors	
Shinji Tanimoto	Intellectual Property; Technical Administration & Planning; Plant Engineering and Facility Management ; Ironmaking Technology; Steelmaking Technology; Energy Technology Rendering Assistance to Executive Vice President Y. Saeki on Steel Products Units Cooperating with Managing Director S. Nakamura on Transportation & Logistics Technology
Shinichi Nakamura	Head of Unit, Flat Products Unit; Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector; Project Leader, India Continuous Annealing & Processing Line Project, Global Business Development Sector Marketing Administration & Planning; Transportation & Logistics
Directors	
Ritsuya Iwai	Advisor to the President
Machi Nakata	Advisor to the President
Directors (Outside Directors)	
Mutsutake Otsuka	Executive Advisor to the Board of East Japan Railway Company
Ichiro Fujisaki	Distinguished Professor of Sophia University

Title and name	Responsibilities/positions
Senior Audit & Supervisory Board Member Yutaka Takeuchi	
Atsuhiko Yoshie	
Audit & Supervisory Board Members Masato Tsuribe	
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	
Katsunori Nagayasu	Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Hiroshi Obayashi	Attorney, Obayashi Law Office
Jiro Makino	Vice Chairman, The General Insurance Association of Japan
Seiichiro Azuma	Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office

(3) Remuneration Paid to Directors and Audit & Supervisory Board Members

(Unit: yen)

Position	Number of recipients	Classification	Amount
Directors	19	Remuneration	964,901,000
Outside Directors	2	Remuneration	28,800,000
Audit & Supervisory Board Members	10	Remuneration	207,510,000
Outside Audit & Supervisory Board Members	5	Remuneration	57,600,000
Total	29	Remuneration	1,172,411,000

(Note) The above number of recipients includes five Directors and three Audit & Supervisory Board Member who resigned at the conclusion of the 92nd General Meeting of Shareholders held on June 24, 2016.

(4) Policies regarding Decision on the Amount of Remunerations for Directors and Audit & Supervisory Board Members

1) Description of policies

The policies regarding decisions on the amount of remuneration, etc. for Directors and Audit & Supervisory Board Members of NSSMC are as detailed in items (i) and (ii), below.

(i) Directors

NSSMC sets the amount of base remunerations for individual ranks that are deemed to measure up to each Director's required skills and responsibilities. These base remunerations vary within a certain range based on NSSMC's consolidated performance. The Company then allocates monthly remunerations for each Director within the limits approved by the General Meeting of Shareholders.

In accordance with the abovementioned policies, the remuneration of Directors consists solely of monthly remuneration. The amount of remuneration is wholly based upon performance of NSSMC, in order to give incentives for the continuous growth of NSSMC's group and improvement of its corporate value.

Fluctuations in remuneration in response to consolidated performance of NSSMC are determined based on NSSMC's consolidated annual profit/loss and the ordinary profit/loss in the steelmaking segment from the previous fiscal year, with consideration also given to their relation to the Mid-Term Management Plan.

(ii) Audit & Supervisory Board Members

NSSMC allocates monthly remuneration for each Audit & Supervisory Board Member, within the limits approved by the General Meeting of Shareholders, taking into consideration the Audit & Supervisory Board Member's duties depending on the rank and whether the Audit & Supervisory Board Members is full-time or part-time.

2) Methods for decision on policies

Policy on monthly remuneration to Directors is determined by resolution at the Meeting of the Board of Directors. Policy on monthly remuneration to Audit & Supervisory Board Members is determined in consultation with the Audit & Supervisory Board Members.

3) Procedures for Deciding Amount of Remuneration, etc.

The monthly remuneration of each member of the Board of Directors is determined by resolution of the Board of Directors, after deliberation by the "Nomination and Compensation Advisory Committee," which consists of the Chairman, the President, and three members designated by the President from among the Outside Directors/Auditor.

The monthly remuneration of each the Audit and Supervisory Board Member is determined through discussion by the Audit & Supervisory Board Members.

(5) Outside Director/Auditor

1) Material concurrent positions held by Outside Director/Auditor

Such positions are shown on pages 38 through 39.

2) Activities of the Outside Director/Auditor

Position	Name	Main activities
Director	Mutsutake Otsuka	Mr. Otsuka attended 13 Board Meetings (out of 13 meetings held during the term; attendance rate 100%). He has presented an extensive view based on his knowledge and experience as a business manager.
Director	Ichiro Fujisaki	Mr. Fujisaki attended 12 Board Meetings (out of 13 meetings held during the term; attendance rate 92%). He has presented an extensive view based on his knowledge and experience concerning international affairs and economics, etc.
Audit & Supervisory Board Member	Katsunori Nagayasu	Mr. Nagayasu attended 11 Board Meetings (out of 13 meetings held during the term; attendance rate 85%) and 15 Audit & Supervisory Board Members' meetings (out of 17 meetings held during the term; attendance rate 88%). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as a business manager.
Audit & Supervisory Board Member	Hiroshi Obayashi	Mr. Obayashi attended 13 Board Meetings (out of 13 meetings held during the term; attendance rate 100%) and 17 Audit & Supervisory Board Members' meetings (out of 17 meetings held during the term; attendance rate 100%). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as an attorney.
Audit & Supervisory Board Member	Jiro Makino	Mr. Makino attended 13 Board Meetings (out of 13 meetings held during the term; attendance rate 100%) and 17 Audit & Supervisory Board Members' meetings (out of 17 meetings held during the term; attendance rate 100%). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and

		experience concerning public and financial administrations, etc.
Audit & Supervisory Board Member	Seiichiro Azuma	Mr. Azuma attended 10 Board Meetings (out of 10 meetings held during the term; attendance rate 100%) and 12 Audit & Supervisory Board Members' meetings (out of 12 meetings held during the term; attendance rate 100%). He has conducted hearings on business conditions of each Division, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as a certified public accountant possessing deep familiarity with corporate accounting.

3) Total amount of remuneration, etc.

Total amount of remuneration, etc. paid to outside officers is as shown on page 41.

5. Certain Matters concerning Accounting Auditor

(1) Name

KPMG AZSA LLC

(Note) NIPPON STEEL & SUMITOMO METAL U.S.A., INC. and some other subsidiaries of the Company are audited by audit firms other than the above-mentioned audit firm.

(2) Amount of Remunerations, etc. of Accounting Auditor and Grounds for Consent to Such Remunerations, etc. by Audit & Supervisory Board

1) Amount of remunerations paid	139,000,000 yen
2) The amount of remunerations payable by NSSMC and its subsidiaries to accounting auditor for its audit certification services	814,926,800 yen
3) Total amount of cash and other financial benefit payable by NSSMC and its subsidiaries to accounting auditor	844,256,800 yen

(Notes)

(1) With respect to 1) above, the remunerations for audit services under the Companies Act and the remunerations for audit services under the Financial Instruments and Exchange Act are not clearly distinguished and it is not practically possible to distinguish them, therefore, their total amount is shown above.

(2) The Company delegates instruction and advisory services concerning applicable accounting policies, etc. based on International Financial Reporting Standards (IFRS) as non-audit services and others, and pays remunerations for the services.

The Audit & Supervisory Board, having confirmed the audit plan of the Accounting Auditor, the status of execution of their duties, the data used to calculate the estimated remuneration, and other related matters, have determined that the remuneration of the Accounting Auditor is reasonable, and have given their consent in accordance with Article 399, Paragraph 1 of the Companies Act.

(3) Policy regarding Decision on Dismissal or Non-Reelection of Accounting Auditor

NSSMC will dismiss the accounting auditor by unanimous consents of the Audit & Supervisory Board Members upon occurrence of events justifying such dismissal, pursuant to laws and regulations. In addition, the Audit & Supervisory Board shall resolve and submit proposal to dismiss or not to reelect the accounting auditor to the General Meeting of Shareholders if any event materially interferes with continuation of the audit services occurs.

6. Outline of the Resolution Concerning Establishment and Management of the System to Secure Operational Fairness, etc. and Status of Operation of the System

(1) Basic policy on internal control system

The resolutions made to ensure appropriateness of its business are as follows.

NSSMC is aiming at continuous improvement of its corporate value and winning the trust of society under the "Corporate Philosophy of the Nippon Steel & Sumitomo Metal Corporation Group." In addition, NSSMC will establish and appropriately manage an internal control system as follows to comply with applicable laws and regulations, and ensure integrity of financial reporting, and effectiveness and efficiency of business, and will continue to improve such system in view of further enhancement of corporate governance.

1. System to Ensure that Performance of Responsibilities by the Directors of NSSMC Complies with Applicable Laws and Regulations and the Articles of Incorporation.

The Board of Directors will make decisions or receive reports on important matters of management in accordance with the Rules of the Board of Directors and other relevant internal rules.

In accordance with the resolution at the Board of Directors, each of the Executive Directors will, in his/her assigned area, perform his/her responsibilities and supervise the performance of responsibilities of employees, and report such supervisory status to the Board of Directors.

2. System for the Preservation and Management of Information in relation to the Performance of Responsibilities by the Directors of NSSMC

NSSMC will appropriately preserve various information in relation to the performance of responsibilities, including minutes of Meetings of the Board of Directors, by, among others, specifying managers in charge of information preservation and management, and classifying each information by security level, in accordance with the internal rules for information management.

NSSMC will seek to make timely and accurate disclosure of important corporate information, such as its management plan and financial information, in addition to such disclosure as required by applicable laws and regulations.

3. Rules and Other Systems with respect to Loss-related Risk Management of NSSMC

The General Manager of each division will identify and evaluate risks associated with business in his/her division, and carry out his/her duties in accordance with the authority and responsibilities set out in internal rules for organization and operation.

With respect to risks related to areas such as safety and health, environment and disaster prevention, information management, intellectual properties, quality control, and integrity of financial reporting, the division in charge of each specific area (each functional division) will establish rules and other systems from a company-wide perspective, inform other divisions of such rules and systems, identify and evaluate the status of risk management at other divisions through monitoring and other methods, and provide guidance and advice to such divisions.

Upon the occurrence of an accident, disaster, compliance issue, or other event which causes a material effect on the management, the Executive Directors will immediately convene "Emergency Control Headquarters" and other meetings, and take necessary actions in order to minimize the damage, impact, and other effects.

4. System to Ensure Efficiency in the Performance of Responsibilities by Directors of NSSMC

The Board of Directors will make decisions on the execution of management plans and business strategies, as well as important business executions such as capital expenditure, and investments and provision of loans, after such matters are deliberated by companywide Committees for relevant areas such as ordinary budget, plant and equipment investment budget, investment and financing, and technology development, and the Corporate Policy Committee.

The business execution under the resolution at the Board of Directors and other corporate organizations is performed promptly by the Executive Directors, Executive Officers, and General Managers.

5. System to Ensure that Performance of Responsibilities by Employees of NSSMC Complies with Applicable Laws and Regulations and the Articles of Incorporation

NSSMC will build and maintain an internal control system based on autonomous internal controls.

Each General Manager will develop an autonomous internal control system in his/her Division, and strive to ensure thorough compliance with applicable laws and regulations and internal rules, and prevent any violation of applicable laws and regulations in business and affairs. NSSMC will also develop and enhance an employee-education system that includes regular seminars, and the creation and distribution of manuals for the purpose of ensuring compliance with applicable laws and regulations and internal rules. When each General Manager becomes aware of any potentially illegal acts or facts, he or she will immediately report such matters to the General Manager for the Internal Control & the Audit Division.

The General Manager of the Internal Control & Audit Division will confirm the status of developing and operating company-wide internal control systems, and identify and evaluate each Division's situation of compliance with applicable laws and regulations and internal rules, and take necessary measures such as preventing violations of applicable laws and regulations and internal rules. Moreover, the General Manager will report on such matters to the Risk Management Committee, and further report on important items among such matters to the Corporate Policy Committee and the Board of Directors. The General Manager will also establish and operate a whistleblower system that provides consultations and takes reports regarding risks in the operation of business. Employees are obligated to comply with applicable laws and regulations and internal rules and to appropriately perform their responsibilities.

Employees who violate applicable laws and regulations and internal rules will be subject to disciplinary action under the Rules of Employment.

6. System to Ensure Appropriateness of Operation in the Corporate Group Consisting of NSSMC and its Subsidiaries

Under the "Corporate Philosophy of the Nippon Steel & Sumitomo Metal Corporation Group," NSSMC and each Group company will share business strategy and conduct their business in a unified manner, taking into account each company's business characteristics, and will familiarize their respective employees with their respective business operation policies and other related matters. With respect to control of the Group companies, NSSMC will set forth basic rules in the Rules for Control of group companies, and ensure their appropriate application.

Each Group company will build and maintain its internal control system based on autonomous internal controls, and seek to improve measures relating to internal control through, among other measures, information sharing with NSSMC. Each responsible division of NSSMC will confirm the status of internal controls at each Group company, and provide assistance in its improvements, where necessary.

The General Manager of the Internal Control & Audit Division will coordinate with each functional division, and identify and evaluate the situation of internal control of the Group companies as a whole, and provide guidance and advice to each responsible division and each Group company.

The specific systems under the views above are as follows.

(i) System for Reporting to NSSMC in relation to the Performance of Responsibilities by the Group Companies' Directors

The responsible divisions of NSSMC will request that each Group company report on important management matters in relation to NSSMC's consolidated management or each Group company's management, including business plans, significant business policies, and financial results, and give advice and other guidance.

(ii) Rules and Other Systems with respect to Group Companies' Loss-related Risk Management

The responsible divisions of NSSMC will request that each Group company report on the situation of risk management in each Group company, and give advice and other guidance.

(iii) System to Ensure Efficiency in the Performance of Responsibilities by the Group

Companies' Directors

The responsible divisions of NSSMC will evaluate the business performance of each Group company, and give support for the management.

(iv) System to Ensure that the Performance of Responsibilities by Group Companies' Directors and Employees Complies with Applicable Laws and Regulations and the Articles of Incorporation

The responsible divisions of NSSMC will request that Group companies report on their respective situation on compliance with applicable laws and regulations, and the development and operation of internal control systems, and give necessary support, advice, and other guidance. Additionally, such divisions will request that each Group company report on any actions and facts in such Group company that may violate applicable laws and regulations, and promptly report to the General Manager of the Internal Control & Audit Division.

7. Matters concerning Supervision by Audit & Supervisory Board Members

The Directors, Executive Officers, General Managers, and other employees of NSSMC will timely and appropriately report important matters, such as the situation of the performance of responsibilities and facts that cause a material effect on the management, to the Audit & Supervisory Board Members or the Audit & Supervisory Board, directly or through the related divisions such as the Internal Control & Audit Division. They will also report important management matters such as the situation of operation of the internal control system to the Board of Directors, the Corporate Policy Committees and the Risk Management Committees, and other corporate committees, and thereby share such information with Audit & Supervisory Board Members.

The directors, audit & supervisory board members, and employees of each Group company will timely and appropriately report important matters in such Group company, such as the situation of the performance of responsibilities, and facts that cause a material effect on the management, to the Audit & Supervisory Board Members or the Audit & Supervisory Board of NSSMC, directly or through the related Divisions such as the Internal Control & Audit Division.

NSSMC will not unfavorably treat a person who has reported as stated above, for reasons of such report, in accordance with the Rules for the Whistleblower System.

The General Manager of the Internal Control & Audit Division will act as a liaison and cooperate with the Audit & Supervisory Board Members by, among others, exchanging opinions on the situation of operations of internal control systems, both regularly and as needed. The General Manager will also report on the situation of operating the Whistleblower Systems to the Audit & Supervisory Board Members.

NSSMC will establish the Audit & Supervisory Board Members' Office, and assign dedicated staff members, in order to support the performance of responsibilities by Audit & Supervisory Board - 25 - Members. To ensure independence from the Directors, dedicated staff members necessary for supervisory work will be assigned and will engage in such work under the direction of Audit & Supervisory Board Members. The General Manager of the Human Resources Division will discuss personnel matters relating to such staff members, including transfers and evaluations, with the Audit & Supervisory Board Members.

NSSMC will budget costs that it deems necessary for Audit & Supervisory Board Members to perform their responsibilities. In addition, NSSMC will reimburse costs incurred by Audit & Supervisory Board Members after Audit & Supervisory Board Members pay costs in an urgent or temporary situation.

(2) Outline of status of operation

1) Operational organization

NSSMC has established an operational organization for its internal control systems. This organization consists of the Internal Control & Audit Division (14 full-time and 21 concurrently with their other posts), which is responsible for the internal control plan and internal audits, and functional divisions responsible for managing risk in each field (about 670 staffs). NSSMC has also designated a person in charge of risk management (about 150 for NSSMC) and a person

responsible for risk management (about 550 in group companies) who are engaged in planning and promoting autonomous internal-control activities in each division and Group company.

This organization operates the internal control system as follows.

2) Specific status of operation

a) Internal control plan

In March of each year, NSSMC develops an annual plan on internal control for NSSMC Group as a whole based on changes in the related laws and the business circumstances. This plan includes a basic policy, separate plans for each function, including safety, environment, plant safety, and quality, an internal audit plan, and an education plan. Each division and Group company creates its own plan for the fiscal year based on such annual plan developed by NSSMC.

b) Autonomous internal control activities

In accordance with the annual plan, each division and Group company autonomously performs internal control activities based on the characteristics of each business and its inherent risks. Specifically, such activities include establishment, education and voluntary inspections of operational rules, manuals and other documentation; third-party monitoring; and improvements to operations based on the results thereof.

Such divisions and Group companies immediately report any accidents, disasters, facts that may violate applicable laws and regulations, etc. to the Internal Control & Audit Division, and coordinate with the relevant divisions to take corrective measures, such as measures to prevent recurrence. The Internal Control & Audit Division compiles case studies of such incidents and shares them within the NSSMC Group. Each division and Group company then performs inspections for similar risks.

c) Internal audits, etc.

Internal audits confirm the status of internal controls via internal-control checklists and other documents. Additionally, the Internal Control & Audit Division and each functional division monitor each division and group company.

As measures to complement NSSMC's internal controls, NSSMC also operates a hotline for internal reporting and consultation hotlines, which are open to employees of NSSMC and group companies and their families, as well as employees of NSSMC's suppliers and others, and NSSMC and its major group companies conduct employee awareness surveys regarding internal controls.

d) Assessment and improvement

The Internal Control & Audit Division reports the status of operation of the internal control system at the quarterly meeting of the Risk Management Committee. It is also reported at meetings of the Corporate Policy Committee and Board of Directors. Such status is also shared with each division and Group company at the meeting of the persons in charge of risk management and the meeting of the persons responsive for risk management.

The Internal Control & Audit Division also assesses the effectiveness of its internal control system as of the end of each fiscal year, and compiles a report of its assessment based on the status of internal-control activities, internal audits, etc. This assessment is then reported to the Risk Management Committee, Corporate Policy Committee, and Board of Directors.

Based on the results of these assessments, NSSMC establishes measures to improve the effectiveness of its internal control system, and incorporates them into the next fiscal year's internal control plan.

e) Education and awareness raising

The Company educates employees and officers of NSSMC and those of its group companies through sessions on internal controls prepared by NSSMC. The sessions include position-specific training, and are given to everyone from new hires to executive management. The Company also works actively to raise awareness of its approach to internal controls, establishment of better workplace culture, and other topics through a dialog between the Internal Control & Audit Division, and each division of NSSMC, and its group companies.

f) Coordination with Audit and Supervisory Board Members and Accounting Auditor

The Internal Control & Audit Division reports the status of internal controls to the Audit

and Supervisory Board each quarter. It also reports and discusses the status of internal controls with the Risk Management Committee with the attendance of Audit and Supervisory Board Members. The Internal Control & Audit Division is also committed to sharing information and coordinating, including holding monthly liaison meetings with the Audit & Supervisory Board Members' Office. It reports and discusses such matters as the results of assessments of internal controls relating to the status of operation of the Risk Management Committee and reporting of financial statements to the Accounting Auditor periodically.

7. Basic Policy regarding the Control of NSSMC

Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NSSMC

Under the corporate philosophy that the NSSMC group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services, the NSSMC group aims to improve its corporate value, and further the common interests of its shareholders, by enhancing its competitiveness and profitability through the planning and execution of management strategies.

NSSMC has decided to take necessary action to prepare for the acquisition of substantial shareholdings in NSSMC or other related activities that could disturb such corporate philosophy and management strategies and cause damage to NSSMC's corporate value by, among other reasons, threatening obstruction of the existence and development of NSSMC, and which could result in harm to the common interests of NSSMC's shareholders.

NSSMC believes that in the event a third party proposes the acquisition of substantial shareholdings in NSSMC (a "Takeover Proposal"), the ultimate decision as to whether or not to accept the Takeover Proposal should be made by the then shareholders of NSSMC. On the other hand, NSSMC believes that such Takeover Proposals could include those with the potential to cause clear damage to the corporate value of NSSMC or the common interests of the shareholders of NSSMC or those with the potential to practically coerce shareholders into selling their shares of NSSMC.

Consequently, NSSMC implemented the Fair Rules for the Acquisition of Substantial Shareholders (Takeover Defense Measures) (the "Plan") because NSSMC believes it is the Board of Directors' responsibility to put in place clear and transparent rules in order to prepare for such disadvantages to the shareholders of NSSMC in the event a Takeover Proposal is made by a third party, and, for the occasions where a Takeover Proposal is actually made, to create an environment in which the shareholders of NSSMC can make an appropriate informed judgment based on sufficient information and with a reasonable time period to consider the Takeover Proposal.

Outline of Measures to Keep the Control over Decision-Making on Financial and Business Policies out of the Hands of Inappropriate in view of the above Basic Policy

NSSMC adopted the Plan in order to protect and enhance common interests of the shareholders of NSSMC by the resolution of the Board of Directors in March 2006. Subsequently in March 2016, after 10 years had passed since the adoption of the Plan, NSSMC reconsidered the necessity of the Plan, while at the same time determined to change the system to the one in which prior approval of shareholders is required to adopt or renew the Plan in an effort to further enhance its reliability and legal stability. At the 92nd General Meeting of Shareholders held on June 24 of that year, NSSMC received approval by the shareholders of the Plan that reflects such changes. A summary of the Plan approved by the shareholders is indicated in paragraphs (1) through (3) below.

(1) Provision of the Required Information by the Bidder and examinations at a meeting of the Board of Directors

When the Board of Directors has received all of the information as stipulated in the Plan (the "Required Information") from any person who has an intention to hold 15% or more of the voting rights ratio of the shares, etc. of NSSMC ("Bidder"), the Board of Directors shall review as to whether or not the Takeover Proposal made by the Bidder is in the best interests of the corporate value and the common interests of shareholders. (The review period, as a general rule, is 12 weeks.)

(2) Procedures to ascertain shareholders' will

In order to have shareholders determine whether or not to accept a Takeover Proposal, the Board of Directors, as a general principle, after the review period, holds a shareholders vote to ascertain shareholders' will (a "Shareholders Vote") regarding whether or not the issuance of the stock acquisition rights (the "Rights") by way of a gratis allotment (implementation of measures to a Bidder) will be implemented and the necessity thereof, through a written ballot or at a meeting held to confirm the shareholders' will.

However, after examinations of the Required Information by the Board of Directors, in such case the Board of Directors determines that the Takeover Proposal is in the best interests of the corporate value of NSSMC and the common interests of shareholders of NSSMC, a Shareholders Vote will not be held and the

issuance of the Rights by way of a gratis allotment will also not be implemented.

(3) In the event the Rights are issued by way of a gratis allotment

The implementation of issuance of the Rights by way of a gratis allotment under the Plan is only limited to such cases in which i) the shareholders of NSSMC vote in favor of the issuance of the Rights by way of a gratis allotment at the Shareholders Vote, ii) the Bidder fits within one of the four categories including so-called green mailer specified as harmful and abusive according to the judicial precedents, and the Board of Directors determines the Takeover Proposal may cause clear damage to the common interests of the shareholders of NSSMC and iii) the Board of Directors determines the Bidder failed to comply with the procedures set forth in the Plan.

With respect to judgments regarding ii) and iii) above, NSSMC will obtain in advance the opinion of the Independent Committee, comprising three of the Outside Directors or Outside Audit & Supervisory Board Members of NSSMC, in order to enhance the fairness of the judgments of the Board of Directors in connection with the implementation of the Plan, and respects such opinion to the maximum extent possible.

The Plan of NSSMC has been posted on NSSMC's website.

Judgment of the Board of Directors on the Measures above and ground for such Judgment

The Plan sets forth the rules and procedures that enable the shareholders to make a judgment on the necessity of the issuance of the Rights by way of a gratis allotment) based on sufficient information and with reasonable time period of consideration. The Plan is designed to improve NSSMC' corporate value as well as to protect and enhance the common interests of the shareholders by leaving ultimate decision as to whether or not to accept the Takeover Proposal to the shareholders of NSSMC and, therefore, it is not detrimental to the common interests of shareholders of NSSMC or it is not intended to maintain the status held by the directors of NSSMC.

In view of the above, the Board of Directors judges that the Plan is in compliant with "Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NSSMC" mentioned above.

(Note) With respect to amount of money and number of shares expressed in this Business Report, the amount less than unit are truncated.

● Consolidated Financial Statements

(1) Consolidated Balance Sheet

Millions of yen

ASSETS	March 31, 2017
Current assets :	
Cash and bank deposits	**88,111**
Notes and accounts receivable	**624,089**
Marketable securities	**4,654**
Inventories	**1,215,649**
Deferred tax assets	**59,441**
Other	**254,669**
Less: Allowance for doubtful accounts	**(2,179)**
Total current assets	**2,244,436**
Fixed assets :	
Tangible fixed assets :	
Buildings and structures	**753,697**
Machinery, equipment and vehicles	**1,114,851**
Tools, furniture and fixtures	**47,903**
Land	**654,475**
Lease assets	**10,318**
Construction in progress	**259,591**
	2,840,838
Intangible assets	
Patents and utility rights	**5,229**
Software	**47,045**
Goodwill	**38,652**
Lease assets	**359**
	91,287
Investments and others :	
Investments in securities	**816,389**
Shares of subsidiaries and affiliates	**1,041,397**
Long-term loans receivable	**36,713**
Net defined benefit assets	**92,948**
Deferred tax assets	**55,521**
Other	**45,959**
Less: Allowance for doubtful accounts	**(3,569)**
	2,085,361
Total fixed assets	**5,017,487**
Total assets	**7,261,923**

LIABILITIES	March 31, 2017
Current liabilities :	
Notes and accounts payable	**728,300**
Short-term loans payable	**316,115**
Commercial paper	**20,000**
Bonds due within one year	**140,000**
Current portion of lease obligations	**3,769**
Accounts payable-other	**383,125**
Income taxes payable	**31,909**
Provision for loss on construction contracts	**2,297**
Other	**329,616**
Total current liabilities	**1,955,134**
Long-term liabilities :	
Bonds and notes	**255,690**
Long-term loans payable	**1,360,025**
Lease obligations (excluding current portion)	**8,444**
Deferred tax liabilities	**99,293**
Deferred tax liabilities on revaluation of land	**7,069**
Allowance for retirement benefits of directors and audit & supervisory board members	**4,799**
Net defined benefit liabilities	**188,016**
Other	**92,433**
Total long-term liabilities	**2,015,774**
Total liabilities	**3,970,908**
NET ASSETS	
Shareholders' equity :	
Common stock	**419,524**
Capital surplus	**386,873**
Retained earnings	**1,949,960**
Less: Treasury stock, at cost	**(132,063)**
	2,624,294
Accumulated other comprehensive income:	
Unrealized gains on available-for-sale securities	**269,282**
Deferred hedge income (loss)	**(2,370)**
Unrealized gains on revaluation of land	**3,002**
Foreign currency translation adjustments	**(9,339)**
Remeasurements of defined benefit plans	**63,363**
	323,938
Non-controlling interests in consolidated subsidiaries	**342,782**
Total net assets	**3,291,015**
Total liabilities and net assets	**7,261,923**

(2) Consolidated Statement of Operations

Millions of yen

	Fiscal 2016
Operating revenues :	
Net sales	**4,632,890**
Cost of sales	**4,065,779**
Gross profit	**567,111**
Selling, general and administrative expenses	**452,908**
Operating profit	**114,202**
Non-operating profit and loss :	
Non-operating profit :	
Interest income	**5,654**
Dividend income	**14,923**
Equity in profit of unconsolidated subsidiaries and affiliates	**79,180**
Other	**43,162**
	142,921
Non-operating loss :	
Interest expense	**18,006**
Other	**64,586**
	82,593
Ordinary profit	**174,531**
Extraordinary profit :	
Gain on sales of shares of subsidiaries and affiliates	**24,172**
Gain on step acquisitions	**10,027**
	34,200
Extraordinary loss :	
Loss on inactive facilities	**12,793**
Loss on disaster	**7,839**
Restructuring loss	**6,407**
	27,039
Profit before income taxes	**181,692**
Income taxes - current	**47,074**
Income taxes - deferred	**(11,377)**
	35,697
Profit	**145,995**
Profit attributable to non-controlling interests	**15,048**
Profit attributable to owners of parent	**130,946**

(3) Consolidated Statement of Changes in Net Assets

Fiscal2016 Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' equity
Balance at March 31, 2016	419,524	383,010	1,837,919	(87,942)	2,552,512
Changes of items during period					
Cash dividends			(13,554)		(13,554)
Profit attributable to owners of parent			130,946		130,946
Acquisition of treasury stock				(44,321)	(44,321)
Disposal of treasury stock		(17)		199	182
Increase(decrease) due to the change in the number of consolidated companies			(5,385)	0	(5,385)
Increase due to reversal of unrealized gains on revaluation of land			34		34
Change in shares of parent arising from transactions with non-controlling interests		3,879			3,879
Net changes of items other than shareholders' equity					
Total change for fiscal 2016	-	3,862	112,041	(44,121)	71,782
Balance at March 31, 2017	**419,524**	**386,873**	**1,949,960**	**(132,063)**	**2,624,294**

	Accumulated other comprehensive income						Non-controlling interests in consolidated subsidiaries	Total net assets
	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Unrealized gains on revaluation of land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2016	171,378	(10,883)	3,025	14,652	43,136	221,310	235,252	3,009,075
Changes of items during period								
Cash dividends								(13,554)
Profit attributable to owners of parent								130,946
Acquisition of treasury stock								(44,321)
Disposal of treasury stock								182
Increase(decrease) due to the change in the number of consolidated companies								(5,385)
Increase due to reversal of unrealized gains on revaluation of land								34
Change in shares of parent arising from transactions with non-controlling interests								3,879
Net changes of items other than shareholders' equity	97,904	8,513	(23)	(23,991)	20,226	102,628	107,530	210,158
Total change for fiscal 2016	97,904	8,513	(23)	(23,991)	20,226	102,628	107,530	281,940
Balance at March 31, 2017	**269,282**	**(2,370)**	**3,002**	**(9,339)**	**63,363**	**323,938**	**342,782**	**3,291,015**

(For reference)

● Consolidated Statement of Cash-Flows

Fiscal 2016	Millions of yen
Cash flows from operating activities	**484,288**
Cash flows from investing activities	**(343,738)**
Cash flows from financing activities	**(135,054)**
Other	**(655)**
Net increase (decrease) in cash and cash equivalents	**4,839**
Cash and cash equivalents at beginning of the year	**85,203**
Increase (decrease) from the change in the number of companies consolidated	**1,348**
Cash and cash equivalents at end of year	**91,391**

(For reference)

●Consolidated Segment Information

Fiscal 2016

Millions of yen

	Reportable segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales								
Sales to external customers	4,016,670	234,861	168,596	34,519	178,242	4,632,890	-	4,632,890
Inter-segment sales or transfers	35,590	32,683	5,630	-	54,270	128,175	(128,175)	-
Total	4,052,261	267,545	174,227	34,519	232,512	4,761,065	(128,175)	4,632,890
Segment profit <Ordinary Profit>	138,017	6,838	4,518	1,786	22,113	173,274	1,256	174,531
Segment assets	6,716,970	248,628	146,406	30,584	200,252	7,342,843	(80,919)	7,261,923
Segment liabilities <Interest-bearing debt>	2,092,610	6,066	7,400	8,790	1,177	2,116,045	(12,000)	2,104,045
Other items								
Depreciation and amortization	294,008	2,653	6,110	2,116	4,174	309,064	(4,313)	304,751
Increase (decrease) in tangible/intangible assets	335,733	5,637	7,005	2,224	4,343	354,943	(3,905)	351,038

● Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheet

Millions of yen

ASSETS	March 31, 2017
Current assets :	
Cash and bank deposits	**18,580**
Accounts receivable	**108,787**
Finished products	**130,372**
Semi-finished products	**218,737**
Work in process	**3,400**
Raw materials	**165,501**
Supplies	**204,049**
Advance payments-other	**54,125**
Prepaid expenses	**20,878**
Deferred tax assets	**28,000**
Accounts receivable-other	**144,500**
Other	**6,906**
Less: Allowance for doubtful accounts	**(1,440)**
Total current assets	**1,102,399**
Fixed assets :	
Tangible fixed assets :	
Buildings	**283,273**
Structures	**185,568**
Machinery and equipment	**768,367**
Vehicles	**2,133**
Tools, furniture and fixtures	**19,192**
Land	**438,791**
Lease assets	**2,501**
Construction in progress	**125,355**
	1,825,183
Intangible fixed assets :	
Patents and utility rights	**621**
Software	**29,084**
Goodwill	**28,512**
Lease assets	**202**
	58,421
Investments and others :	
Investments in securities	**687,233**
Shares of subsidiaries and affiliates	**1,134,042**
Investments in capital of subsidiaries and affiliates	**101,090**
Long-term loans receivable	**13**
Long-term loans receivable from subsidiaries and affiliates	**129,944**
Long-term prepaid expenses	**33,420**
Other	**14,431**
Less: Allowance for doubtful accounts	**(1,118)**
	2,099,058
Total fixed assets	**3,982,663**
Total assets	**5,085,063**

LIABILITIES	March 31, 2017
Current liabilities :	
Accounts payable	**311,537**
Short-term loans payable	**260,353**
Commercial paper	**13,000**
Bonds due within one year	**120,000**
Current portion of lease obligations	**1,408**
Accounts payable-other	**414,531**
Accrued expenses	**33,299**
Income tax payable	**2,260**
Advances received	**1,265**
Deposits received	**419,404**
Other	**6,711**
Total current liabilities	**1,583,772**
Long-term liabilities :	
Bonds and notes	**235,690**
Long-term loans payable	**1,129,733**
Lease obligations (excluding current portion)	**2,272**
Deferred tax liabilities	**25,300**
Accrued pension and severance costs	**104,542**
Other	**65,626**
Total long-term liabilities	**1,563,165**
Total liabilities	**3,146,937**
NET ASSETS	
Shareholders' equity :	
Common stock	**419,524**
Capital surplus	
Legal capital surplus	**111,532**
Other capital surplus	**271,732**
Total Capital surplus	**383,265**
Retained earnings :	
Other retained earnings	
Reserve for special depreciation	**347**
Reserve for investment loss	**24**
Reserve for advanced depreciation of noncurrent assets	**66,227**
Reserve for specific disaster prevention	**51**
Retained earnings carried forward	**964,023**
Total retained earnings	**1,030,673**
Less: Treasury stock, at cost	**(128,120)**
Total shareholders' equity	**1,705,343**
Valuation and translation adjustments :	
Unrealized gains on available-for-sale securities	**231,081**
Deferred hedge income (loss)	**1,701**
Total valuation and translation adjustments	**232,782**
Total net assets	**1,938,126**
Total liabilities and net assets	**5,085,063**

(2) Non-Consolidated Statement of Operations

Millions of yen

	Fiscal 2016
Operating revenues :	
Net sales	**2,974,224**
Cost of sales	**2,767,588**
Gross profit	**206,636**
Selling, general and administrative expenses	**235,832**
Operating loss	**(29,195)**
Non-operating profit and loss :	
Non-operating profit :	
Interest and dividend income	**106,102**
Other	**28,189**
	134,291
Non-operating loss :	
Interest expense	**16,353**
Other	**40,610**
	56,963
Ordinary profit	**48,132**
Extraordinary profit and loss :	
Extraordinary profit :	
Gain on sales of shares of subsidiaries and affiliates	**18,158**
	18,158
Extraordinary loss :	
Loss on inactive facilities	**12,471**
Loss on disaster	**7,839**
Loss on valuation of investments in capital of subsidiaries and affiliates	**10,968**
Loss on restructuring of subsidiaries and affiliates	**5,470**
	36,749
Profit before income taxes	**29,541**
Income taxes - current	**700**
Income taxes - deferred	**(12,700)**
	(12,000)
Profit	**41,541**

(3) Non-Consolidated Statement of Changes in Net Assets

Fiscal 2016

Millions of yen

	Shareholders' equity											
		Capital surplus			Retained earnings							
					Other retained earnings							
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for special depreciation	Reserve for investment loss	Reserve for advanced depreciation of noncurrent assets	Reserve for specific disaster prevention	Retained earnings carried forward	Total retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2016	419,524	111,532	271,732	383,264	433	24	67,985	44	934,197	1,002,686	(83,806)	1,721,669
Changes of items during period												
Reversal of reserve for special depreciation					(86)				86	-		-
Provision of reserve for advanced depreciation of noncurrent assets							3,018		(3,018)	-		-
Reversal of reserve for advanced depreciation of noncurrent assets							(4,777)		4,777	-		-
Provision of reserve for specific prevention								6	(6)	-		-
Cash dividends									(13,554)	(13,554)		(13,554)
Profit									41,541	41,541		41,541
Acquisition of treasury stock											(44,315)	(44,315)
Disposal of treasury stock			0	0							2	2
Net changes of items other than shareholders' equity												
Total change for fiscal year 2016	-	-	0	0	(86)	-	(1,758)	6	29,825	27,987	(44,313)	(16,326)
Balance at March 31, 2017	**419,524**	**111,532**	**271,732**	**383,265**	**347**	**24**	**66,227**	**51**	**964,023**	**1,030,673**	**(128,120)**	**1,705,343**

	Valuation and translation adjustments			
	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Total valuation and translation adjustments	Total net assets
Balance at March 31, 2016	142,739	(4,757)	137,981	1,859,650
Changes of items during period				
Reversal of reserve for special depreciation				-
Provision of reserve for advanced depreciation of noncurrent assets				-
Reversal of reserve for advanced depreciation of noncurrent assets				-
Provision of reserve for specific prevention				-
Cash dividends				(13,554)
Profit				41,541
Acquisition of treasury stock				(44,315)
Disposal of treasury stock				2
Net changes of items other than shareholders' equity	88,341	6,459	94,801	94,801
Total change for fiscal year 2016	88,341	6,459	94,801	78,475
Balance at March 31, 2017	**231,081**	**1,701**	**232,782**	**1,938,126**

Notes to the Consolidated Financial Statements

I. Significant Accounting Policies for Consolidated Financial Statements

1. Scope of Consolidation
   (1) Consolidated Subsidiaries
   Number of consolidated subsidiaries: 366 companies
   Principal consolidated subsidiaries are presented in "1. Current Situations of NSSMC Group, (9) Principal Subsidiaries and Affiliates."

   In the consolidated fiscal year under review, the scope of consolidation expanded by 40 companies, including 31 newly acquired and 6 newly established companies. 13 companies—6 merged companies and 4 liquidations, etc.—were eliminated from the scope of consolidation in the consolidated fiscal year under review.

   As part of the above, the acquisition with Nisshin Steel Co., Ltd., on March 13, 2017, added 29 companies to the scope of consolidated subsidiaries.

   (2) Fiscal Year of Consolidated Subsidiaries
   The closing dates of accounts for the fiscal year-ends at NIPPON STEEL & SUMITOMO METAL U.S.A., INC., and other consolidated subsidiaries are variably December 31 and January 31. Significant business events that occur between those dates and the March 31 consolidated fiscal year-end are accordingly presented as occurring within the applicable consolidated fiscal year.

2. Application of Equity Method
   Affiliates accounted for by the equity method: 113 companies
   Principal affiliates accounted for by the equity method are presented in "1. Current Situations of NSSMC Group, (9) Principal Subsidiaries and Affiliates."

   During the consolidated fiscal year under review, 15 companies were added to the scope of equity-method affiliates and 5 companies were removed from the scope of equity-method affiliates.

   As part of the above, the acquisition with Nisshin Steel Co., Ltd., on March 13, 2017, added 14 companies to the scope of equity-method affiliates.

3. Accounting Principles
   (1) Basis and Method of Evaluation of Significant Assets
      1) Marketable securities
         • Held-to-maturity debt securities: Amortized cost method (straight-line method)
         • Available-for-sale securities:
         Securities with market quotations: Stated at market value as of the balance sheet date (Net unrealized gains or losses are comprehensively included in net assets, and the cost of securities sold is determined by the moving-average method.)

         Securities without market quotations: Stated at cost determined by the moving-average method

      2) Inventories
      Inventories are stated principally using the cost accounting method based on the periodic average method. (Regarding balance sheet values, this method is designed to reduce book value when the contribution of inventories to profitability declines.)

(2) Depreciation Methods for Material Depreciable Assets

1) Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is mainly calculated using the declining-balance method.
However, depreciation of buildings is mainly calculated using the straight-line method.
Furthermore, depreciation of facilities attached to buildings and structures acquired on and after April 1, 2016 is calculated using the straight-line method.

Useful lives of tangible fixed assets are generally as follows:

Buildings:	Mainly 31 years
Machinery and equipment:	Mainly 14 years

(Changes in Accounting Principles)

Accompanying tax reform, the Company has applied "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (PITF No. 32, issued June 17, 2016) in its consolidated financial statements since the first quarter of fiscal 2016. As a result, the Company has changed its method of depreciation for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change in accounting principles on the consolidated financial statements for fiscal 2016 was not material.

2) Intangible assets (excluding lease assets)

Amortization of intangible assets is calculated using the straight-line method.

Software products for internal use are amortized mainly over the estimated useful lives of 5 years.

3) Lease assets

•Assets concerning finance leases in which ownership is transferred to the lessee

These assets are depreciated using the same method of depreciation for tangible fixed assets owned by the Company.

•Assets concerning finance leases in which ownership is not transferred to the lessee

These assets are depreciated to a residual value of zero based on the straight-line method over a useful life period corresponding to the lease contract period.

(3) Accounting Basis for Significant Allowances and Provisions

1) Allowance for doubtful accounts

To provide for potential losses on doubtful accounts, the allowance for doubtful accounts is computed based on the historical experienced default ratio for non-specific receivables, as well as the estimated irrecoverable portion of specific doubtful receivables calculated on an individual basis.

2) Provision for loss on construction contracts

To provide for potential losses associated with construction contracts in the future, an allowance is computed for potential losses related to construction contracts not completed at the end of the consolidated fiscal year under review.

3) Allowance for retirement benefits of directors and audit & supervisory board members

The allowance for retirement benefits of directors and audit & supervisory board members is calculated based on internal rules for the projected amount to be paid at term-end.

(4) Other Significant Accounting Policies for Consolidated Financial Statements

1) Basis for the accounting of income and cost

Through the end of the consolidated fiscal year under review, regarding projects for which the outcome of the portion completed is deemed certain, the Company has applied the percentage-of-completion standard (estimating the project progress percentage based on the percentage of the cost incurred to the estimated total cost). The completion-of-contract method is applied to other projects.

2) Important assets and liabilities in foreign currencies and foreign currency translation

Monetary assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated into yen at the spot rate prevailing on the closing date of accounts, and the resulting foreign exchange gains or losses are recognized as income or expenses. For foreign consolidated subsidiaries, assets and liabilities are translated into yen at the spot rate prevailing on the closing date of accounts, revenue and expense accounts are translated at the average rate of exchange in effect during the fiscal year, and foreign currency translation adjustments are included in the foreign currency translation adjustments and non-controlling interests in consolidated subsidiaries item under net assets.

3) Significant hedge accounting

In principal, the NSSMC Group adopts the deferred hedging accounting method. For foreign exchange forward contracts and currency swaps whose amounts, currency, and period meet the conditions of hedged items, the “assigning” method is adopted. In addition, for interest swaps whose amounts, index, and period meet the conditions for hedged items, the “exceptional” method is adopted.

4) Retirement benefit accounting policy

The employee retirement benefit obligation is computed primarily based on the benefit formula basis using the projected retirement benefit obligation at the end of the consolidated fiscal year under review. Prior service cost is appropriated using the straight-line method over a specified period (mainly10 years) within the employees’ average remaining service period at the time when such cost accrues. Actuarial differences are principally charged to expenses proportionally using the straight-line method from the consolidated fiscal year following the year in which such differences accrue over a specified period (mainly 10 years) within the employees’ average remaining service period at the time when such differences accrue.

5) Method and period for amortization of goodwill

Goodwill is amortized using the straight-line method over the period, where it is possible to estimate such a period, for which the excess cost is expected to have an effect on the consolidated balance sheets. Otherwise, the excess cost is amortized proportionately over 5 years.

6) Accounting for consumption taxes

The accounting treatment used with respect to consumption tax and local consumption taxes is the tax-excluded method.

4. Additional Information

The Company has applied “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued March 28, 2016) in its consolidated financial statements since fiscal 2016.

II. Notes to the Consolidated Balance Sheets

1. Mortgaged Assets and Liabilities

Category of assets	Amount (Millions of yen)	Category of liabilities	Amount (Millions of yen)
Cash and bank deposits	5	Short-term loans payable	1,420
Buildings and structures (net)	3,816	Long-term loans payable	6,966
Machinery, equipment and vehicles (net)	6,746	(Including the portion of loans due within one year)	
Land	10,894	Other	515
Investment securities	16		
Long-term loans receivable	5,990		
Total	27,469	Total	8,902

Further, the Company has provided ¥1,261 million of shares of subsidiaries and affiliates, etc., to serve as collateral for the loans of affiliates.

2. Inventories

Goods and finished products (including semi-finished products)	¥582,692 million
Work in process	69,704 million
Raw materials and supplies	563,252 million

3. Accumulated Depreciation of Tangible Fixed Assets ¥8,438,428 million

4. Contingent Liabilities

The Company guarantees loans from financial institutions and other sources held by other companies.

(1) Loan guarantee liabilities

	(Outstanding amounts for the year ended)	(Substantial amounts)
AM/NS Calvert LLC	52,109 million	52,109 million
WISCO-NIPPONSTEEL Tinplate Co., Ltd.	11,209 million	11,209 million
JAMSHEDPUR CONTINUOUS ANNEALING & PROCESSING COMPANY PRIVATE LIMITED	10,680 million	5,233 million
Japan-Brazil Niobium Corporation	8,512 million	8,512 million
TENIGAL, S.de R.L.de C.V.	7,558 million	7,558 million
Bahru Stainless Sdn. Bhd	1,251 million	1,251 million
UNIGAL Ltda.	1,009 million	1,009 million
Other	2,148 million	1,908 million
Total	¥94,480 million	¥88,793 million

(2) Reserved guarantees of loans

¥866 million

(The substantial amount guaranteed is ¥675 million.)

(3) Maximum repurchase obligation amount associated with the liquidation of receivables

¥796 million

The substantial amount guaranteed is equivalent to the maximum repurchase obligation.

(4) Notes and bills endorsed ¥0 million

5. Revaluation of Land

The certain consolidated subsidiaries and affiliates to which the equity method is applied have carried out the revaluation of land used for business purposes in accordance with the "Law Regarding the Partial Revision to the Land Revaluation Law" (Law No. 34, issued on March 31, 1998). Revaluation differences computed by consolidated subsidiaries, net of tax and non-controlling interests, which were charged to "deferred tax liabilities on revaluation of land" and "non-controlling interests in consolidated subsidiaries," respectively, were recorded as a separate component of net assets as "unrealized gains on revaluation of land." Additionally, revaluation differences accounted for by affiliates to which the equity method is applied were recorded as a separate component of net assets as "unrealized gains on revaluation of land" in proportion to the equity rate.

- Revaluation method
  Land values were primarily determined as provided for in Articles 2-3~5 of the "Enforcement Order for the Land Revaluation Law" (Cabinet Order No. 119, issued on March 31, 1998).

- Revaluation conducted on March 31, 2002
- The excess of the carrying amounts of the revalued land over its market value at the end of consolidated fiscal year 2016 was ¥1,577 million.

- Revaluation conducted on March 31, 2001
- The excess of the carrying amounts of the revalued land over its market value at the end of consolidated fiscal year 2016 was ¥1,576 million.

- Revaluation conducted on March 31, 2000
- The excess of the carrying amounts of the revalued land over its market value at the end of consolidated fiscal year 2016 was ¥1,924 million.

III. Notes to the Consolidated Statements of Changes in Net Assets

1. Number and Type of Shares Issued at the End of the Consolidated Fiscal Year

Number of shares issued at the end of the period (including treasury stock)

Common stock 950,321,402 shares

Number of treasury stock at the end of the period

Common stock 67,674,097 shares

2. Dividends

(1) Amount of Dividend Payments

Decision	Type of stock	Total dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders (June 24, 2016)	Common stock	13,554	15	March 31, 2016	June 27, 2016

(2) Dividends for which the Record Date Belongs to the Consolidated Fiscal Year under Review , but the Effective Date is in the Following Consolidated Fiscal Year (Planned)

Decision	Type of stock	Source of dividends	Total dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders (June 27, 2017)	Common stock	Retained earnings	39,776	45	March 31, 2017	June 28, 2017

IV. Notes to the Financial Instruments

1. Current Status of Financial Instruments

(1) Policy Regarding Financial Instruments

The Company considers its business plan as it undertakes the procurement of necessary funds (mainly through the arrangement of borrowings and the issuance of commercial paper and bonds), and its fund procurement methods are chosen based on consideration of the short- or long-term nature of funding requirements and other special characteristics of funding requirements. Surplus fund management is restricted to management methods that emphasize safety and capabilities for conversion into cash when necessary. In addition, in cases when the Company undertakes transactions in derivatives, such transactions are limited to transactions (including forecast transactions) undertaken as a part of business activities (for the purpose of hedging risks associated with actual transactions executed in the course of the Company's business activities), and the Company has a policy of not engaging in derivatives transactions for trading purposes (transactions with the purpose of obtaining profit through the trading of derivatives themselves).

(2) Types of Financial Instruments and Related Risk

The Company is exposed to credit risk arising from notes and accounts receivable–trade and other receivables. However, the Company limits transactions to principal suppliers with which it can offset receivables against notes and accounts payable and borrowings and to companies with high credit ratings. The Company therefore judges that it is exposed to almost no contractual default credit risk. In addition, accompanying the Company's exports of products, etc., the Company is exposed to foreign currency exchange risk associated with receivables denominated in foreign currencies. The Company holds marketable securities (short-term investments) and investments in securities, mainly stocks of transactions partner companies and other business collaborators, and the Company is exposed to market price risk owing to these stockholdings. Also, the Company extends long-term loans to its affiliates, etc.

The Company incurs such trade payables as notes and accounts payable that are, in principle, payable within one year. The Group is exposed to foreign currency exchange risk arising from a portion of trade payables associated with imports of raw materials, etc., that is denominated in foreign currencies. The Company's fund procurement is as described in (1) above. Please note that a portion of funds procured by means of long-term borrowings and bonds is associated with variable interest rates and the related payment burden changes due to trends in market interest rates.

The Company limits derivative transactions associated with negotiable securities, interest rates, or currency exchange rates to hedge transactions 1) to avoid risk in change to the value of marketable securities in its possession, 2) to maintain the proportion of assets and liabilities bearing fixed or variable interest rates, and 3) to avoid exchange risk associated with sales, funding, investment, and financing activities undertaken as a part of business activities. The derivatives transactions executed by the Company are exposed to risk of market price fluctuation, future changes in interest rates, market conditions, and currency exchange rates. However, the Company limits such transactions to those with the objectives described in 1), 2), and 3) above and therefore judges that the transactions present limited risk to the Company's business.

(3) Systems for Management of Financial Instrument Risk

1) Management of credit risks (the risk that transactions partners may default on their obligations, etc.)

In accordance with the Company's credit management regulations, information related to the credit management situation of transactions partners is shared, and asset preservation measures are considered and implemented when necessary.

2) Management of market risks (the risks arising from fluctuations in interest rates, exchange rates, and other indicators)

A. Market price risks

Regarding marketable securities and investments in securities, the Company maintains a grasp of fair value situations when necessary and undertakes deliberations regarding whether such securities are required for business purposes.

B. Interest rate risks

The Company executes interest swap transactions to control risk from interest rate changes associated with interest payments on borrowings and bonds.

C. Currency exchange risks

Regarding foreign currency-denominated trade assets and liabilities, the Company executes forward exchange contracts and currency swaps to avoid exchange risk associated with sales, funding, investment, and financing activities undertaken as a part of business activities.

Derivative transactions are executed in accordance with internal derivative transaction management regulations. These regulations require prospective derivative transactions involving financial products be discussed by the Funding Management Committee. As deemed necessary, the committee reports approved transactions to the Management Conference and Board of Directors for discussion. Transactions are executed upon final approval by the General Manager, Head of Accounting & Finance Division within the pre-authorized scope of transactions. Reports on the balance and profitability status of such transactions are regularly submitted to the Funding Management Committee, and an evaluation of the effectiveness of hedging activities is conducted

each six-month semiannual fiscal period.

3) Management of fund procurement liquidity-related risk (the risk that the Group may not be able to meet its payment obligations on the scheduled date)
Based on reports from each of the Company's divisions, Accounting & Finance Division prepares and updates cash flow plans when necessary and employs other methods to manage liquidity risk. To prepare for unexpected events, the Company arranges commitment line contracts.

The systems of consolidated subsidiaries are generally the same as those of the Company described in items (1) through (3) above.

2. Estimated Fair Value and Other Matters Related to Financial Instruments

Carrying value on the consolidated balance sheets as of March 31, 2017 (the closing date of the consolidated accounts), estimated fair value, and unrealized gains (losses) are shown in the following table.

(Millions of yen)

	Carrying value (*)	Estimated fair value (*)	Unrealized gain (loss)
(1) Cash and bank deposits	88,111	88,111	-
(2) Notes and accounts receivable	624,089	624,089	-
(3) Marketable securities and investments in securities			
Held-to-maturity securities	9,125	9,117	(7)
Available-for-sale securities	780,564	780,564	-
(4) Notes and accounts payable	(728,300)	(728,300)	-
(5) Short-term loans payable	(316,115)	(316,115)	-
(6) Bonds due within one year	(140,000)	(140,000)	-
(7) Accounts payable-other	(383,125)	(383,125)	-
(8) Bonds and notes	(255,690)	(264,114)	(8,423)
(9) Long-term loans payable	(1,360,025)	(1,385,961)	(25,936)
(10) Derivative transactions	2,938	2,938	-

*Figures shown in parentheses are liability items. The fair value of assets and liabilities stemming from derivative transactions are shown in net figures, and figures for items with total net fair values that are liabilities are shown in parentheses.

Notes:

1. Methods for computing the estimated fair value of financial instruments and matters related to securities and derivative transactions

(1) Cash and bank deposits, and (2) Notes and accounts receivable

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's ledger, the ledger value has been used.

(3) Marketable securities and investments in securities

The estimated fair values of these items are mainly valued at the exchange trading price.

(4) Notes and accounts payable, (5) Short-term loans payable, (6) Bonds due within one year, and (7)Accounts payable-other

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's ledger, the ledger value has been used.

(8) Bonds and notes, and (9) Long-term loans payable

Bonds are valued at the market trading price. To estimate the fair value of long-term loans payable, the current value of these items is evaluated by discounting the total value of associated principal and interest using a notional interest rate that would be employed if that total value of funds were to be newly procured through the same kind of procurement method. Bonds and long-term loans payable with variable interest rates are subject to special case interest swap treatment (see (10) below), and their fair values are estimated by calculating the total value of associated principal and interest that are treated together with interest swaps, and then discounting that value using a rationally estimated notional interest rate that might be employed if that total value of funds were to be newly procured through the same kind of procurement method.

(10) Derivative transactions

The estimated fair values of forward exchange contracts are valued at the forward exchange market rate. Because items subject to assigning method accounting (period-by-period allocation) are accounted for together with notes and accounts receivable—trade and notes and accounts payable—trade, their fair values are shown including the fair value of the said notes and accounts receivable—trade and notes and accounts payable—trade (see (2) and (4) above). The estimated fair values of interest swaps are mainly valued at the price provided by the financial institutions making markets in these securities. Regarding special case treatment items, because these are treated together with the bonds or long-term loans being hedged, the fair value of these items are listed inclusive of the value of the hedged bonds or long-term loans (see (8) and (9) above).

2. Unlisted stocks, etc. (balance sheet value: ¥31,354 million) do not have market values, and it is not possible to estimate their future cash flows. As determining the estimated fair value of these items was recognized to be extremely difficult, their fair value has not been included in "(3) Marketable securities and investments in securities."

V. Notes to the Per Share Information

Net assets per share	¥3,340.21
Earnings per share	¥147.96

VI. Notes to the Business Combination

1. Outline of the Business Combination

(1) Name and Business of the Acquired Company

Acquired company name	Nisshin Steel Co., Ltd.
Business of the acquired company	Steelmaking and steel fabrication

(2) Objectives of the Business Combination

NSSMC and Nisshin Steel Co., Ltd. aim to bring together the respective management resources that they have fostered to date and create synergies, and thereby enhance competitiveness, and to strengthen the position of the NSSMC Group as the "Best Steelmaker with World-Leading Capabilities" with the addition of Nisshin Steel Co., Ltd., and to thereby enhance sustainable growth and corporate value in the mid- to long-term and contribute to the creation and development of a more prosperous society.

(3) Date of the Business Combination

March 13, 2017

(4) Legal Method of the Business Combination

Share acquisition with cash as consideration.

(5) Name of the Company after the Business Combination

No changes are made to the name of the company after the business combination.

(6) Acquired Ratio of Voting

Ratio of voting rights owned before the business combination: 8%
Ratio of voting rights additionally acquired on the date of the business combination: 43%
Ratio of voting rights after acquisition: 51%

(7) Primary Reasons for the Determining the Acquiring Company

NSSMC acquired 51% of voting rights of the acquired company through share acquisition with cash as consideration.

2. Period of the Business Performance of the Acquired Company included in the Consolidated Statements of Operations Regarding the Consolidated Fiscal Year

As the deemed acquisition date assumed to be the end of consolidated fiscal year, only the balance sheet of the acquired company was consolidated, and the consolidated statement of operations did not include the results of the acquired company.

3. The Acquisition Cost of the Acquired Company and its Breakdown by the Type of Consideration

Fair value of the acquired company's shares held immediately before the business combination on the date of the business combination	¥14,781 million
Cash paid for additional acquisition	¥75,972 million
Total Acquisition Cost	¥90,753 million

4. Difference between Acquisition Cost for Acquired Company and Total Acquisition Cost for Each Transaction Leading to Acquisition
Gain on step acquisitions: ¥10,027 million

5. Details and Amounts of Major Acquisition-Related Expenses
Advisory fees, etc.: ¥627 million

6. Amount, Cause and Amortization Method and Period of Goodwill Generated
(1) The amount of goodwill is ¥1,696 million.
(2) The cause is the acquisition cost exceeded the fair value of the net assets acquired on date of the business combination.
(3) The amortization method and period will be the straight-line method over a period of 5 years.

7. Amounts of Assets Acquired and Liabilities Assumed on the Date of the Business Combination and Breakdown by Major Items

Current assets	¥250,595 million
Fixed assets	¥419,026 million
Total assets	¥669,622 million
Current liabilities	¥224,318 million
Long-term liabilities	¥256,754 million
Total liabilities	¥481,073 million

8. Estimated Effect on the Consolidated Statement of Operations if the Business Combination had been completed at the Beginning of the Fiscal Year

Net sales	¥525,563 million
Ordinary profit	¥5,998 million
Profit before income taxes	¥5,051 million

(Method of the estimation)
These figures are estimated based on the consolidated statements of operations of the acquired company from April 1, 2016 to March 31, 2017 and have not been audited.

Notes to the Non-Consolidated Financial Statements

I. Significant Accounting Policies

1. Basis and Method of Evaluation of Assets
(1) Marketable Securities
• Shares of subsidiaries and affiliates: Stated at cost determined by the moving-average method
• Available-for-sale securities:
Securities with market quotations: Stated at market value as of the balance sheet date (Net unrealized gains or losses are comprehensively included in net assets, and the cost of securities sold is determined by the moving-average method.)
Securities without market quotations: Stated at cost determined by the moving-average method

(2) Inventories
• Products, semi-finished products, work in process, raw materials, and supplies (molds and rolls): Cost accounting method based on the periodic average method (the method of reducing book value when the contribution of inventories to profitability declines)

• Supplies (excluding molds and rolls): Cost accounting method mainly based on the first-in, first-out method (the method of reducing book value when the contribution of inventories to profitability declines)

2. Depreciation Methods for Fixed Assets
(1) Tangible Fixed Assets (excluding lease assets)
Depreciation of tangible fixed assets is mainly calculated using the declining-balance method.
However, the straight-line method is used for buildings.
Furthermore, depreciation of facilities attached to buildings and structures acquired on and after April 1, 2016 is calculated using the straight-line method.

Useful lives of tangible fixed assets are generally as follows:

Buildings:	Mainly 31 years
Machinery and equipment:	Mainly 14 years

(Changes in Accounting Principles)
Accompanying tax reform, the Company has applied "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (PITF No. 32, issued June 17, 2016) in its non-consolidated financial statements since fiscal 2016. As a result, the Company has changed its method of depreciation for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change in accounting principles on the non-consolidated financial statements for fiscal 2016 was not material.

(2) Intangible Assets (excluding lease assets)
Amortization of intangible fixed assets is calculated using the straight-line method.
Software products made by the Company are amortized over the projected usage periods that are of 5 years.

(3) Lease Assets
• Assets concerning finance leases in which ownership is transferred to the lessee
These assets are depreciated using the same method of depreciation for tangible fixed assets owned by the Company.

• Assets concerning finance leases in which ownership is not transferred to the lessee
These assets are depreciated to a residual value of zero based on the straight-line method over a useful life period corresponding to the lease contract period.

3. Accounting Basis for Allowances

(1) Allowance for Doubtful Accounts

To provide for potential losses on doubtful accounts, the allowance for doubtful accounts is computed based on the historical experienced default ratio for non-specific receivables as well as based on the estimated irrecoverable portion of specific doubtful receivables calculated individually.

(2) Accrued Pension and Severance Costs

To provide for employee retirement benefits, an allowance is calculated based on projections of retirement benefit obligations and the pension fund asset balance at the end of the fiscal year under review. The employee retirement benefit obligation is computed based on the benefit formula basis using the projected retirement benefit obligation at the end of the fiscal year under review. Prior service cost is appropriated using the straight-line method over a specified period (10 years) within the employees' average remaining service period at the time when such costs accrues. Actuarial differences are principally charged to expenses proportionally using the straight-line method from the fiscal year following the year in which such differences accrue over a specified period (10 years) within the employees' average remaining service period at the time when such differences accrue.

4. Other Significant Accounting Policies for Financial Statements

(1) Important Assets and Liabilities in Foreign Currencies and Foreign Currency Translation

Monetary assets and liabilities of the Company denominated in foreign currencies are translated into yen at the spot rate prevailing on the closing date of accounts, and the resulting foreign exchange gains or losses are recognized as income or expenses.

(2) Method of Hedge Accounting

In principal, the Company adopts the deferred hedging accounting method. For foreign exchange forward contracts and currency swaps whose amounts, currency, and period meet the conditions of hedged items, the "assigning" method is adopted. In addition, for interest swaps whose amounts, index, and period meet the conditions for hedged items, the "exceptional" method is adopted.

(3) Method and Period for Amortization of Goodwill

Goodwill is amortized using the straight-line method over the period, where it is possible to estimate such a period, for which the excess cost is expected to have an effect on the consolidated balance sheets. Otherwise, the excess cost is amortized proportionately over 5 years.

(4) Retirement Benefit Accounting Policy

The accounting methods for unrecognized actuarial differences associated with the retirement benefits and unrecognized past service liability used herein differ from the methods used in the consolidated financial statements.

(5) Accounting for Consumption Taxes

The accounting treatment used with respect to consumption tax and local consumption taxes is the tax-excluded method.

5. Additional Information

The Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued March 28, 2016) in its non-consolidated financial statements since fiscal 2016.

II. Notes to the Non-Consolidated Balance Sheets

1. Accumulated Depreciation of Tangible Fixed Assets ¥5,367,267 million

2. Contingent Liabilities

The Company guarantees loans from financial institutions and other sources held by other companies.

(1) Loan Guarantee Liabilities

	(Outstanding amounts for the year ended)	(Substantial amounts)
AM/NS Calvert LLC	52,109 million	52,109 million
NS-Siam United Steel Co.,Ltd.	14,498 million	14,498 million
WISCO-NIPPONSTEEL Tinplate Co., Ltd.	11,209 million	11,209 million
JAMSHEDPUR CONTINUOUS ANNEALING & PROCESSING COMPANY PRIVATE LIMITED	10,680 million	5,233 million
PT KRAKATAU NIPPON STEEL SUMIKIN	9,872 million	9,872 million
Japan-Brazil Niobium Corporation	8,512 million	8,512 million
TENIGAL, S.de R.L.de C.V.	7,558 million	7,558 million
SOUTHERN TUBE LLC	7,006 million	7,006 million
NIPPON STEEL & SUMIKIN CRANKSHAFT LLC	2,431 million	2,431 million
UNIGAL Ltda.	1,009 million	1,009 million
Other	2,089 million	1,274 million
Total	¥126,979 million	¥120,717 million

(2) Reserved Guarantees of Loans ¥692 million

(The substantial amount guaranteed is ¥692 million.)

3. Accounts Payable and Receivable to Subsidiaries and Affiliates

Short-term accounts receivable	¥127,780 million
Long-term accounts receivable	129,944 million
Short-term accounts payable	759,593 million
Long-term accounts payable	618 million

III. Notes to the Non-Consolidated Statements of Income

Transactions with Subsidiaries and Affiliates

Operating transactions	
Net sales	¥834,004 million
Purchases	1,096,731 million
Non-operating transactions	
Proceeds from the transfer of assets, etc.	¥397,961 million
Expenditures from the transfer of assets, etc.	123,957 million

IV. Notes to the Statements of Changes in Net Assets

Number and Type of Treasury Stocks Outstanding at the End of the Fiscal Year

Common stocks	66,401,852 shares

V. Notes to the Tax-Effect Accounting

Deferred tax assets primarily arise from the exclusion from expenses of accrued bonus, pension and severance costs, impairment loss, and net loss carried forward. Deferred tax liabilities primarily arise from unrealized gains on available-for-sale securities.

VI. Notes to the Related party information

Category	Name	Equity ownership percentage	Relation with related party	Description of transaction	Amount of transaction (millions of yen)	Account	Resulting account balances
Affiliate	AM/NS Calvert LLC	Holding 50% indirectly	Guarantees of loans	Guarantees of loans	52,109	—	—

VII. Notes to the Per Share Information

Net assets per share	¥2,192.65
Earnings per share	¥46.87

Report of Accounting Auditor on Consolidated Financial Statements (Copy)

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditor's Report

May 9, 2017

Mr. Kosei Shindo
Representative Director and President
Nippon Steel & Sumitomo Metal Corporation

KPMG AZSA LLC

Toshiya Mori (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Satoshi Yokosawa (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Takashi Hasumi (Seal)
Designated Limited Liability Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets and the related notes of Nippon Steel & Sumitomo Metal Corporation ("NSSMC") for the year from April 1, 2016 to March 31, 2017 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the consolidated financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of NSSMC and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles

generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in NSSMC which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Report of Accounting Auditor on Non-Consolidated Financial Statements (Copy)

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditor's Report

May 9, 2017

Mr. Kosei Shindo
Representative Director and President
Nippon Steel & Sumitomo Metal Corporation

KPMG AZSA LLC

Toshiya Mori (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Satoshi Yokosawa (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Takashi Hasumi (Seal)
Designated Limited Liability Partner
Certified Public Accountant

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of operations, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Nippon Steel & Sumitomo Metal Corporation ("NSSMC") for the 92nd business year from April 1, 2016 to March 31, 2017 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Non-Consolidated Financial Statements and Others

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the non-consolidated financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of NSSMC for the period, for which the non-consolidated financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Report of Audit & Supervisory Board on Business Report and other issues, Consolidated Financial Statements and Non-Consolidated Financial Statements (Copy)

[English Translation of the Board of Audit & Supervisory Board Members' Report Originally Issued in the Japanese Language]

Audit Report

The Audit & Supervisory Board, following deliberations on the reports made by each Audit & Supervisory Board Member concerning the audit of performance of duties by Directors of Nippon Steel & Sumitomo Metal Corporation ("NSSMC") for the 92nd fiscal year from April 1, 2016 to March 31, 2017, has prepared this audit report, and hereby reports as follows:

1. Auditing Method Used by Each Audit & Supervisory Board Member and the Audit & Supervisory Board and Details Thereof

(1) The Audit & Supervisory Board established auditing policies and auditing plans, focused as key audit points on establishment and management of systems to ensure that the business of the Corporate Group consisting of NSSMC and its subsidiaries will be conducted properly, including systems to ensure that the performance of duties by the Directors will be in compliance with the laws and regulations and with NSSMC's Articles of Incorporation (hereinafter referred to as the "Internal Control System") and on promotion of the measures for Management Plan, and received reports from each Audit & Supervisory Board Member regarding the progress and results of audits, as well as received reports from the Directors, other relevant personnel and the Accounting Auditor regarding the performance of their duties, and sought explanations as necessary.

(2) In compliance with the standard concerning Audit & Supervisory Board Member's audit, which was established by the Audit & Supervisory Board, each Audit & Supervisory Board Member endeavored to gather information and to create an improved environment for auditing through close communication with the Directors, employees including those working in the Internal Audit Department and other relevant personnel in accordance with the auditing policies and auditing methods, and conducted audits by the following method:

1) Each Audit & Supervisory Board Member also attended Meetings of the Board of Directors, management meetings and other meetings, received reports from the Directors, employees and other relevant personnel regarding the performance of their duties, sought explanations as necessary, inspected important documents, and examined the operations and financial position of NSSMC at the Head Office and Works of NSSMC. As for the subsidiaries of NSSMC, each Audit & Supervisory Board Member endeavored to keep communication and shared information with the Directors and Audit & Supervisory Board Members and other related personnel of the subsidiaries, and received reports from the subsidiaries regarding their businesses and sought explanations as necessary.
2) With respect to the resolution of the Board of Directors on the Internal Control System and establishment and management thereof based on such resolution, each Audit & Supervisory Board Member received explanation from the Directors and other relevant personnel, scrutinized it and expressed opinion thereon. With respect to the internal control on financial reporting, each Audit & Supervisory Board Member received report on assessment of such internal control and auditing thereof not only from the Directors and other relevant personnel of NSSMC, but also from KPMG AZSA LLC, and sought explanations as necessary.
3) As for the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NSSMC as described in the Business Report, each Audit & Supervisory Board Member examined its contents based on discussions at the Meetings of Board of Directors and other relevant meetings.
4) The Audit & Supervisory Board Members confirmed whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. The Audit & Supervisory Board Members also received notification from the Accounting Auditor that system for ensuring appropriate execution of the duties of the Accounting Auditor has been prepared and sought explanations as necessary.

Based on the foregoing method, the Audit & Supervisory Board Members reviewed the Business Report for this fiscal year and the supplementary schedules thereof, the non-consolidated financial statements for this fiscal year (non-consolidated balance sheet, non-consolidated statement of operations, non-consolidated

statement of changes in net assets and the related notes) and supplementary schedules as well as the consolidated financial statements for this fiscal year (consolidated balance sheet, consolidated statements of operations, consolidated statement of changes in net assets and the related notes).

2. Audit Results

(1) Audit Results on the Business Report, etc.

1) In our opinion, the Business Report and the supplementary schedules fairly represent NSSMC's condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of NSSMC.
2) We have found no evidence of misconduct or material facts in violation of the applicable laws and regulations, nor of any violation with respect to the Articles of Incorporation of NSSMC, related to performance of duties by the Directors.
3) In our opinion, the content of the resolutions of the Board of Directors regarding the Internal Control System is appropriate. In addition, we have found no matters to remark in regard to both the description in the Business Report related to the internal control system and Directors' execution of responsibilities. We received reports from the Directors of NSSMC, etc. as well as KPMG AZSA LLC stating that the internal control on financial reporting is effective.
4) We have found no matters to remark in regard to the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NSSMC as described in the Business Report. In our opinion, the Measures to Prevent Decisions on the Financial and Business Policies of NSSMC from Being Controlled by Those Deemed Inappropriate in Light of the Basic Policy as described in the Business Report are in accordance with such Basic Policy, not to impair common interest of the shareholders of NSSMC or intended to protect position of current management of NSSMC.

(2) Results of Audit of the Non-Consolidated Financial Statements and Supplementary Schedules

In our opinion, the method and the results of the audit used and conducted by KPMG AZSA LLC, the Accounting Auditor, are appropriate.

(3) Results of Audit of the Consolidated Financial Statements

In our opinion, the method and the results of the audit used and conducted by KPMG AZSA LLC, the Accounting Auditor, are appropriate.

May 11, 2017

The Audit & Supervisory Board of Nippon Steel & Sumitomo Metal Corporation

Senior Audit & Supervisory Board Member	Yutaka Takeuchi (Seal)
Senior Audit & Supervisory Board Member	Atsuhiko Yoshie (Seal)
Audit & Supervisory Board Member	Masato Tsuribe (Seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Katsunori Nagayasu (Seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Hiroshi Obayashi (Seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Jiro Makino (Seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Seiichiro Azuma (Seal)

NSSMC Group’s Guiding Principles

Corporate Philosophy

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, innovative 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 Reference Information

Fiscal year end	March 31 each year
General Meeting of Shareholders	Latter part of June each year
Record date for the General Meeting of Shareholders	Shareholders entitled to exercise the right at the General Meeting of Shareholders shall be those who are electronically recorded as having the voting rights in the latest Register of Shareholders of March 31 each year.
Record date for dividends	NSSMC may distribute its surplus to the shareholders or pledgees of shares registered in the latest Register of Shareholders as of March 31, September 30 and such other date as determined by the Board of Directors.
Website for electronic public notices	http://www.nssmc.com/en/index.html/
Articles of Incorporation and Regulations Relating to Shares	Articles of Incorporation and Regulations Relating to Shares are posted on NSSMC's website under "Investor Relations."
Registration agent	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Place of business of registration agent (Mailing address and telephone enquiries)	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan Telephone number designated for NSSMC'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 firm in where you have an account.
Shareholders for whom special accounts have been opened due to their lack of an account in a securities firm should contact Sumitomo Mitsui Trust Bank, Limited, our administrator of the special accounts.

Payment of accrued dividends
Please contact Sumitomo Mitsui Trust Bank, Limited, our registration agent.

Fees concerning sale and purchase of less than one unit of shares
Charged at the amount specified separately (please refer to "Investor Relations" on NSSMC's website).

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