(Translation)

Corporate Governance Report

Last Update: July 7, 2017
Nippon Steel & Sumitomo Metal Corporation
Representative Director and President
Kosei Shindo
Contact: General Administration Dept.
Securities code: 5401
http://www.nssmc.com/en

The corporate governance of Nippon Steel & Sumitomo Metal Corporation ("NSSMC") is described below.

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

1. Basic Views

(1) For the Group's sound and sustainable growth, and improvement of its corporate value in the mid-to long-term, in response to the delegation of responsibilities by and trust from all stakeholders, including shareholders and business partners, NSSMC has established a corporate governance structure appropriate for the Group's business.

(2) The basic structure of NSSMC's corporate governance is as follows.

a. NSSMC, with its core business being steelmaking, has adopted a company structure with an Audit & Supervisory Board, because NSSMC believes that the following structure is effective in ensuring management efficiency and soundness: the Board of Directors, which consists mainly of Directors familiar with the business of NSSMC, makes decisions on basic management policies and the execution of important business matters; and the Audit & Supervisory Board Members, with considerable legal authority, independently supervise the performance of responsibilities by Directors.

b. To ensure management soundness, full-time Audit & Supervisory Board Members, who are familiar with the business of NSSMC, and Outside Audit & Supervisory Board Members, who have deep insights into respective professional fields, collaborate with NSSMC's accounting auditor, the Internal Control & Audit Division and others, and supervise daily, among other things, the performance of responsibilities by Directors and the status of NSSMC's assets. Further, in order for the Board of Directors to make decisions from diverse perspectives and enhance its function of supervising management, NSSMC has several Outside Directors who have deep insights into corporate management, or other matters. Currently, in addition to 11 Executive Directors, two Outside Directors and seven Audit & Supervisory Board Members (four of which are Outside Audit & Supervisory Board Members) who do not engage in the execution of business, attend meetings of NSSMC's Board of Directors to ensure multifaceted and sufficient deliberations, and objective decision-making.

At NSSMC, in order for all Outside Directors and Outside Audit & Supervisory Board Members to obtain the necessary information and sufficiently fulfill their roles, the Chairman, the President, other senior management, and Senior Audit & Supervisory Board Members regularly hold meetings with those Outside Directors and Outside Audit & Supervisory Board Members to share the management challenges, and exchange opinions.

c. To enhance management transparency and advance a correct understanding by stakeholders on the management situation of the Group, NSSMC not only seeks to disclose information in accordance with applicable laws and regulations and the rules of financial instruments exchanges, but also seeks to disclose financial and non-financial information at an appropriate timing, in an easily understandable manner, and accurately.

d. To comply with applicable laws and regulations, and ensure the integrity of financial reports and the effectiveness and efficiency of business and affairs, NSSMC establishes and appropriately operates an internal control system, and strives to continually improve it. To create a sound and open organization, NSSMC establishes the internal control environment by emphasizing dialogue in and outside the workplace, regularly conducting attitude surveys with all employees, and establishing a whistleblower system to receive consultation and reports not only from employees of NSSMC and the Group companies, but also from temporary workers and employees of contractors and suppliers, and their families.

e. NSSMC regularly examines and reviews, at the Board of Directors, the corporate governance structure, its operating situation, and other relevant facts and circumstances, including the analysis and evaluation of the effectiveness of the Board of Directors as a whole so that NSSMC will be able to make improvements autonomously, considering the opinions of Outside Directors and Outside Audit & Supervisory Board Members.

f. For the specific initiatives and situations regarding the NSSMC's corporate governance, please see each item of this report.

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

NSSMC conducts all matters related to every principle of the Code.

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

[Principle 1.4] (Strategic Shareholdings (So-called "Cross-Shareholdings" in the Corporate Governance Code))

(1) Policy on Strategic Shareholdings

NSSMC holds strategic shareholdings (all shares except shares of NSSMC's affiliates) to improve NSSMC's corporate value in the mid- to long-term through maintaining and strengthening business transaction relationships, maintaining and developing alliance, and smoothly promoting business activities, among other things. In addition, regarding these strategic shareholdings, NSSMC examines the economic rationale of the holding at the Board of Directors, regularly every year, by quantitatively evaluating the significance of holding them, and the performance and financial conditions, among others, of investee companies.

(2) Basic Policy on Exercise of Voting Rights Concerning Strategic Shareholdings

Regarding the exercise of voting rights concerning strategic shareholdings, each responsible division of NSSMC carefully examines the contents of the agenda of the General Meeting of Shareholders of an investee company, comprehensively evaluates the contribution to improvement of the corporate value of NSSMC and the investee company, and thereby exercises its voting rights appropriately.

[Principle 1.7] (Related Party Transactions)

Regarding transactions (including indirect transactions) between NSSMC and Directors, NSSMC verifies the contents of each transaction. If the transactions fall under conflict-of-interest transactions, in accordance with applicable laws and regulations and NSSMC's rules, the "Rules for Board of Directors," NSSMC seeks approval at, and reports to, the Board of Directors, and confirms that all those transactions will not harm NSSMC.

Also, regarding the transactions between NSSMC, on the one hand, and the Audit & Supervisory Board Members and other related parties, on the other hand, NSSMC verifies the contents of each transaction; subject to applicable laws and regulations, it discloses the transactions appropriately, depending on their importance and nature.

[Principle 3.1] (Full Disclosure)

(1) Corporate Philosophy, Management Strategies, and Management Plans

- Corporate Philosophy

  As a fundamental philosophy, the Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services. In order to achieve this, the Group has the following management principles:

  (i) We continue to emphasize the importance of integrity and reliability in our actions.
  (ii) We provide products and services that benefit society, and grow in partnership with our customers.
  (iii) We pursue world-leading technologies and manufacturing capabilities.
  (iv) We continually anticipate and address future changes, innovate from within, and pursue unending progress.
  (v) We develop and bring out the best in our people to make our Group rich with energy and enthusiasm.

- Management Strategies and Management Plans

  NSSMC established the 2017 Mid-Term Management Plan, for fiscal years 2015 to 2017, to firmly respond to changes in the business environment and the Group's challenges, and to further raise competitiveness by improving its "technology," "cost competitiveness," and "capability of being global," and thereby becoming the "best steelmaker with world-leading capabilities." Please refer to the details provided on NSSMC's website.

(2) Basic Views and Guidelines on Corporate Governance

Please refer to I-1 "Basic Views" of this report.

(3) Board Policies and Procedures in Determining the Compensation of Directors

a. Policies on Determining the Compensation

NSSMC has determined the "Policies regarding the Decision on the Amount of Compensation for Directors and Audit & Supervisory Board Members" at the Board of Directors, and discloses these in the "Term Report."

Directors' compensation consists only of monthly compensation in cash, and is all based upon performance of NSSMC, in order to provide incentives for the Group's sustainable growth and improvement of its corporate value.

Specifically, NSSMC sets the base amount of compensation for each Director's rank taking into consideration each Director's required skills and responsibilities, and this base amount varies within a specific range, based on NSSMC's consolidated net profit or loss and the ordinary profit or loss of the steelmaking segment in the previous fiscal year, in view of the connection with the mid-term management plan, and the amount of each Director's compensation is determined within the limits approved by the General Meeting of Shareholders.

Regarding Audit & Supervisory Board Members' compensation, NSSMC determines the monthly compensation for each Audit & Supervisory Board Member, within the limits approved by the General Meeting of Shareholders, by considering the Audit & Supervisory Board Member's responsibilities, depending on its rank and whether the Audit & Supervisory Board Member is full- or part-time.

b. Procedures for Determining the Compensation

Each Director's compensation is resolved at the Board of Directors after discussion at the "Nomination and Compensation Advisory Committee," comprised of the Chairman, the President, and three members designated by the President from among the Outside Directors and Outside Audit & Supervisory Board Members.

Each Audit & Supervisory Board Member's compensation is determined by discussions of the Audit & Supervisory Board Members.

(4) Policies on and Procedures in the Nomination of Director Candidates and Audit & Supervisory Board Member Candidates and the Appointment of Senior Management

a. Policies on the Nomination of Director Candidates and Audit & Supervisory Board Member Candidates and the Appointment of Senior Management

For the nomination of Director candidates and Audit & Supervisory Board Member candidates, and the appointment of senior management, NSSMC's policy is to consider not only each individual's experience, insight, and expertise, but also the size of each of the Board of Directors and the Audit & Supervisory Board as a whole, and the balance of candidates comprising these respective boards (including the number of Outside Directors and Outside Audit & Supervisory Board Members) so that NSSMC will establish an optimum board composition in which each individual is able to appropriately fulfill its role and responsibilities and properly respond to the management challenges of the Group's business.

b. Procedures in the Nomination of Director Candidates and Audit & Supervisory Board Member Candidates and the Appointment of Senior Management

The nomination of Director candidates and Audit & Supervisory Board Member candidates, and the appointment of senior management, are resolved at the Board of Directors after discussion at the "Nomination and Compensation Advisory Committee," comprised of the Chairman, the President, and three members designated by the President from among the Outside Directors and Outside Audit & Supervisory Board Members.

The nomination of Audit & Supervisory Board Member candidates will be submitted to the Board of Directors for deliberation, after the approval at the

Audit & Supervisory Board.

(5) Explanations for the Nomination of Director Candidates and Audit & Supervisory Board Member Candidates and the Appointment of Senior Management

NSSMC explains the nomination of each individual in nominating Director candidates and Audit & Supervisory Board Member candidates and the appointment of senior management, by indicating NSSMC's management system, including the allocation of each individual's responsibilities, the designation of managerial positions, and other related matters, and each individual's brief personal history in reference materials attached to the "Notice of the General Meeting of Shareholders", the "Securities Report" and press releases related to managerial personnel matters.

In addition, the reasons for appointment and independence of Outside Directors and Outside Audit & Supervisory Board Members are explained in reference materials attached to the "Notice of the General Meeting of Shareholders" and also indicated in [Directors] and [Audit & Supervisory Board Members] of "Organizational Composition and Operation" of II-1 of this report for your reference.

[Supplementary Principle 4.1.1] (Brief Summary of the Scope of Matters Delegated to the Management)

NSSMC's rules, "the Rules for the Board of Directors," specify that the following matters shall be resolved at the Board of Directors: the matters to be resolved at the Board of Directors as set forth under applicable laws and regulations and in the Articles of Incorporation, such as the disposal and acquisition of material assets (including investments and provision of loans), decisions on financial plans, the appointment of important employees, and the important organizational reforms. The decision-making regarding matters except for those matters above is delegated to each of the President and other Executive Directors.

NSSMC has introduced an Executive Officer system for setting clear responsibilities and improving management efficiency by more prompt decision-making.

[Principle 4.9] (Independence Standards of Independent Directors and Audit & Supervisory Board Members)

NSSMC decides the independence of Outside Directors and Outside Audit & Supervisory Board Members in accordance with the independence standards set by financial instruments exchanges in Japan (e.g. Tokyo Stock Exchange), considering each individual's personal relationship, capital relationship, transaction relationship, and other interests with NSSMC. For the interests between the Outside Directors and Outside Audit & Supervisory Board Members, on the one hand, and the NSSMC, on the other hand, on which the NSSMC bases its decisions, please refer to [Directors] and [Audit & Supervisory Board Members] of "Organizational Composition and Operation" of II-1 of this report.

[Supplementary Principle 4.11.1] (View on the Balance between Knowledge, Experience, and Skills of the Board of Directors as a Whole, and on Diversity and Board Size)

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

The Articles of Incorporation provide that the number of Directors will be twenty (20) or less, and the number of Audit & Supervisory Board Members will be seven (7) or less. Currently, thirteen

(13) Directors (two of which are Outside Directors), and seven Audit & Supervisory Board Members (four of which are Outside Audit & Supervisory Board Members) have been elected. For the balance of the Board of Directors as a whole and its diversity, please see "(i) Supervision by the Board of Directors" and "(ii) Supervision by Audit & Supervisory Board Members" of II-2, (2) of this report.

[Supplementary Principle 4.11.2] (Directors and Audit & Supervisory Board Members Serving Concurrently as Directors, Audit and Supervisory Board Members, or Management at Other Listed Companies)

When deciding Director candidates and Audit & Supervisory Board Member candidates, NSSMC confirms that each candidate is able to appropriately fulfill its role and responsibilities, including confirming whether the candidate concurrently serves as a director, an audit and supervisory board member, or the management at other listed companies. Whether Directors and Audit & Supervisory Board Members serve concurrently as directors, audit and supervisory board members or management at other listed companies are disclosed every year in reference materials attached to "Notice of Convocation for the General Meeting of Shareholders," and in "Term Report" and "Securities Report," among others. They are all posted on NSSMC's website. Please see the site for details.

[Supplementary Principle 4.11.3] (Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole)

NSSMC will regularly analyze and evaluate at the Board of Directors the effectiveness of the Board of Directors as a whole after interviewing each Director and Audit & Supervisory Board Member individually with respect to various matters, including the evaluation and opinions on the operation of the Board of Directors, and will utilize such analysis and evaluation to improve, among others, the future operation of the Board of Directors.

The Board of Directors, at its meeting held in April 2016, analyzed and evaluated the effectiveness of the Board of Directors as a whole, based on the self-evaluation of each Director and Audit & Supervisory Board Member, confirming that the Board of Directors functions effectively because, among other reasons, all of the matters submitted for deliberation or reported to the Board of Directors pursuant to the Companies Act or NSSMC's rules were resolved or confirmed, after discussion among Directors and Audit & Supervisory Board Members, from the point of view of improvement of NSSMC's corporate value in the mid-to long-term or other various perspectives, with relevant information being provided in advance.

[Supplementary Principle 4.14.2] (Training Policy for Directors and Audit & Supervisory Board Members)

NSSMC explains its corporate philosophy and the Group business lineups, among others, to each Outside Director and Outside Audit & Supervisory Board Member once they assume their positions. In addition, after the assumption, NSSMC provides opportunities for them to visit steelworks and research laboratories, among others. NSSMC also explains anew to Executive Directors and Audit & Supervisory Board Members, both of whom were employees of NSSMC, their responsibilities under important applicable laws and regulations such as the Companies Act, and NSSMC's rules, upon the assumption of their positions.

[Principle 5.1] (Policy for Dialogue with Shareholders)

With a view to achieving sustainable growth and improvement of NSSMC's corporate value in the mid- to long-term, NSSMC takes various measures to enhance constructive dialogue with the shareholders. The dialogue with the shareholders and investors is generally supervised by the Director responsible for General Administration and the Director responsible for Accounting and Finance, and the General Administration Division and the Accounting & Finance Division work in conjunction with other divisions of NSSMC to enhance the measures.

Specifically, for shareholders, in addition to striving to actively provide information to the shareholders and sincerely responding to their questions and comments in the General Meeting of Shareholders, NSSMC seeks to promote understanding of its management situation, and enhance dialogue through holding management business briefings and plant tours, regularly in various locations, and issuing information booklets. On the other hand, for institutional investors, NSSMC not only explains its management strategies, business lineups, business performance and other related matters, by means of briefings on financial results in each quarter, briefings on the mid-term management plan, steelworks/research laboratory tours, and other opportunities, but also seeks to enhance dialogue by means of, among others, small meetings for investors, various conferences, and visit to overseas institutional investors. The opinions and other comments received from the shareholders and investors through the above-listed initiatives are reported and fed back to the Board of Directors and others responsible for the dialogue with the shareholders and investors on a regular basis.

Insider information (undisclosed material facts) is appropriately managed in accordance with NSSMC's rules, "Rules on Insider Information Management and Insider Trading Regulations."

"NSSMC Corporate Disclosure and Dialogue Policy" is posted on the NSSMC's website. Please see that site for reference.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	39,233,100	4.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,906,000	3.36
Nippon Life Insurance Company	24,532,498	2.58
Sumitomo Corporation	18,269,011	1.92
Japan Trustee Services Bank, Ltd. (Trust Account 5)	17,344,900	1.83
Mizuho Bank, Ltd.	16,299,898	1.72
Sumitomo Mitsui Banking Corporation	14,647,067	1.54
Meiji Yasuda Life Insurance Company	13,960,774	1.47
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,655,401	1.44
Japan Trustee Services Bank, Ltd. (Trust Account 1)	12,840,200	1.35

Controlling Shareholder (except for Parent Company)	-------
Parent Company	None

Supplementary Explanation

1. In addition to the above, Mizuho Bank, Ltd. has established retirement benefit trusts holding 2,235 thousand shares in NSSMC (shareholding ratio: 0.24%).
2. In addition to the above, Sumitomo Mitsui Banking Corporation has established retirement benefit trusts

holding 6,638 thousand shares in NSSMC (shareholding ratio: 0.70%).

3. In addition to the above, there are 66,401 thousand treasury shares owned by NSSMC (shareholding ratio: 6.99%).
4. In the Statement of Large-Volume Holdings made available for public inspection on October 21, 2016, it is stated that Mizuho Bank, Ltd. and its joint shareholder, Asset Management One Co., Ltd. held the following shares of NSSMC as of October 14, 2016. However, as NSSMC is unable to confirm the actual number of shares held by the said companies as of the end of the previous fiscal year, they are not included in the above Status of Major Shareholders.

   The details in the Statement of Large-Volume Holdings are as follows:

Name / Company Name	Number of Shares Owned	Shareholding Ratio (%)
Mizuho Bank, Ltd.	18,534,898	1.95
Asset Management One Co., Ltd.	37,272,800	3.92
Total	55,807,698	5.87

5. In the Statement of Large-Volume Holdings made available for public inspection on March 21, 2017, it is stated that Mitsubishi UFJ Financial Group, Inc. held the following shares of NSSMC as of March 13, 2017. However, as NSSMC is unable to confirm the actual number of shares held by the said company and its group companies as of the end of the previous fiscal year, they are not included in the above Status of Major Shareholders, other than The Bank of Tokyo-Mitsubishi UFJ, Ltd.

   The details in the Statement of Large-Volume Holdings are as follows:

Name / Company Name	Number of Shares Owned	Shareholding Ratio (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,655,401	1.44
Mitsubishi UFJ Trust and Banking Corporation	30,443,021	3.20
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	3,636,000	0.38
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2,314,238	0.24
Total	50,048,660	5.27

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section, Nagoya Stock Exchange First Section, Fukuoka Stock Exchange Main Board, Sapporo Stock Exchange Main Board
Fiscal Year-End	March
Type of Business	Iron & Steel
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion

Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	More than 300

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

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

NSSMC has four listed subsidiaries. While sharing business strategies with NSSMC, each subsidiary conducts its corporate management autonomously, at its own responsibility and on its own authority.

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

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	13
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with NSSMC (1)

Name	Attribute	Relationship with NSSMC*										
		a	b	c	d	e	f	g	h	i	j	k
Mutsutake Otsuka	From another company								△			
Ichiro Fujisaki	Academic								○		○	

* Categories for "Relationship with NSSMC"

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

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

a. Executive of NSSMC or its subsidiaries
b. Non-executive director or executive of a parent company of NSSMC
c. Executive of a fellow subsidiary of NSSMC
d. A person whose major client or supplier is NSSMC or an executive of such person
e. Major client or supplier of NSSMC or an executive of such client or supplier
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from NSSMC besides compensation as a director/audit & supervisory board member
g. Major shareholder of NSSMC (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier of NSSMC (which does not fall under any of d, e, or f) (the director himself/herself only)
i. Executive of a company with which NSSMC mutually appoints outside directors/audit & supervisory board members (the director himself/herself only)
j. Executive of a company or organization that receives donations from NSSMC (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Mutsutake Otsuka	Yes	Although Mr. Otsuka engaged in the execution of business of East Japan Railway Company which has a business relationship with NSSMC 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 NSSMC, the said company is not a	**[Reasons for Appointment as an Outside Director]** NSSMC believes that Mr. Otsuka is well-qualified for the position by his deep insights and vast experience as a company executive. **[Reasons for Designation as an Independent Director]** Although he engaged in the execution of business of East Japan Railway Company which has a business relationship with NSSMC 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 NSSMC, the

		specified associated service provider of NSSMC.	said company is not a specified associated service provider of NSSMC. In addition, his other material concurrent positions are only as an outside director and outside audit & supervisory board member at other companies, and he does not engage in the execution of business of the said companies. He does not conflict with the independence standards as set by each financial instruments exchange on which NSSMC is listed (e.g. Tokyo Stock Exchange), and does not have any special interests with NSSMC. Because NSSMC believes that there is no possibility of a conflict of interest between him and the general shareholders as stated above, NSSMC has designated him as an Independent Director.
Ichiro Fujisaki	Yes	Although Mr. Fujisaki serves as President of the America-Japan Society, Inc., to which NSSMC pays the membership fee as a corporate member, the said society is not a specified associated service provider of NSSMC. The annual membership fee paid to the said society by NSSMC is 180,000 yen. In addition, NSSMC made a donation of 3,000,000 yen for the 100th anniversary of the said society in July 2016.	**[Reasons for Appointment as an Outside Director]** NSSMC believes that Mr. Fujisaki is well-qualified for the position by his deep insights into international affairs, economies, cultures and other matters that he accumulated at the Ministry of Foreign Affairs of Japan, and his vast experience serving as the Ambassador and other key positions. **[Reasons for Designation as an Independent Director]** Although he serves as President of the America-Japan Society, Inc., to which NSSMC pays the membership fee as a corporate member, the said society is not a specified associated service provider of NSSMC. The annual membership fee paid to the said society by NSSMC is 180,000 yen. In addition, NSSMC made a donation of 3,000,000 yen for the 100th anniversary of the said society in July 2016. In addition, his other material concurrent position is only as an outside director at the other company, and he does not engage in the execution of business of the said company. He does not conflict with the independence standards as set by each financial instruments exchange on which NSSMC is listed (e.g. Tokyo Stock Exchange), and does not have any special interests with NSSMC. Because NSSMC believes that there is no possibility of a conflict of interest between him and the general

			shareholders as stated above, NSSMC has designated him as an Independent Director.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or CompensationCommittee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to CompensationCommittee
Committee's Name	Nomination and Compensation Advisory Committee	Nomination and Compensation Advisory Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	2	2
Outside Experts	1	1
Other	0	0
Chairperson	An Executive Director	An Executive Director

Supplementary Explanation

A member who falls under the category of an "Outside Expert" in the member composition is an Outside Audit & Supervisory Board Member, and the Chairperson of the Committee is a Representative Director and President.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	7
Number of Audit & Supervisory Board Members	7

Cooperation among Audit & Supervisory Board Members, Accounting Auditors, and Internal Audit Departments

Audit & Supervisory Board Members, the Accounting Auditor (audit company), and the internal audit department (Internal Control & Audit Division) cooperate with each other to engage in supervision.

Specifically, Audit & Supervisory Board Members and the Accounting Auditor regularly exchange information, and work closely with others, and each engages in supervision under the audit and supervisory plans.

In addition, the Internal Control & Audit Division reports regularly to the Audit & Supervisory Board Members with respect to the internal control situation of the Group as a whole and the occurrence of and

response to accidents and incidents, among others, and exchange opinions with such Audit & Supervisory Board Members. The Division reports quarterly to the Accounting Auditor with respect to the contents and related matters of the discussions at the Risk Management Committee, and discusses appropriately with the Accounting Auditor the developmentand operation of the internal control system relating to financial reports, and pursues its continuous improvement.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	4
Number of Independent Audit & Supervisory Board Members	4

Outside Audit & Supervisory Board Members' Relationship with NSSMC (1)

Name	Attribute	Relationship with NSSMC*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Katsunori Nagayasu	From another company										△			
Hiroshi Obayashi	Lawyer													
Jiro Makino	Other													
Seiichiro Azuma	CPA													

* Categories for "Relationship with NSSMC"

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

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

a. Executive of NSSMC or its subsidiary
b. Non-executive director or accounting advisor of NSSMC or its subsidiaries
c. Non-executive director or executive of a parent company of NSSMC
d. Audit & supervisory board member of a parent company of NSSMC
e. Executive of a fellow subsidiary of NSSMC
f. A person whose major client or supplier is NSSMC or an executive of such a person
g. Major client or supplier of NSSMC or an executive of such client or supplier
h. Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from NSSMC besides compensation as a director/audit & supervisory board member
i. Major shareholder of NSSMC (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier of NSSMC (which does not fall under any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
k. Executive of a company with which NSSMC mutually appoints outside directors/audit & supervisory board members (the audit & supervisory board member himself/herself only)
l. Executive of a company or organization that receives donations from NSSMC (the audit & supervisory board member himself/herself only)
m. Others

Outside Audit & Supervisory Board Members' Relationship with NSSMC (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Katsunori Nagayasu	Yes	Although Mr.Nagayasu engaged until March 2016 in the execution of business of The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is one of the lenders for NSSMC, he does not currently engage in the execution of business of the said bank. Since NSSMC 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 NSSMC.	**[Reasons for Appointment as an Outside Audit & Supervisory Board Member]** NSSMC believes that Mr. Nagayasu is well-qualified for the position by his deep insights and vast experience as a company executive. **[Reasons for Designation as an Independent Audit & Supervisory Board Member]** Although he engaged until March 2016 in the execution of business of The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is one of the lenders for NSSMC, he does not currently engage in the execution of business of the said bank. Since NSSMC 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 NSSMC. In addition, his other material concurrent positions are only as an outside director and outside audit & supervisory board member, etc. at other companies, and he does not engage in the execution of business of the said companies. He does not conflict with the independence standards as set by each financial instruments exchange on which NSSMC is listed (e.g. Tokyo Stock Exchange), and does not have any special interests with NSSMC. Because NSSMC believes that there is no possibility of a conflict of interest between him and the general shareholders as stated above, NSSMC has designated him as an Independent Audit & Supervisory Board Member.
Hiroshi Obayashi	Yes	Not applicable	**[Reasons for Appointment as an Outside Audit & Supervisory Board Member]** NSSMC believes that Mr. Obayashi is well-qualified for the position by his deep insights as a legal professional and vast experience that he accumulated as Prosecutor-General and other key positions.

			[Reasons for Designation as an Independent Audit & Supervisory Board Member] His material concurrent positions are only as an outside director and outside audit & supervisory board member at other companies, and he does not engage in the execution of business of the said companies. He does not conflict with either the independence standards or attribute information as set by each financial instruments exchange on which NSSMC is listed (e.g. the Tokyo Stock Exchange), and does not have any special interests in NSSMC. Because NSSMC believes that there is no possibility of a conflict of interest between him and the general shareholders as stated above, NSSMC has designated him as an Independent Audit & Supervisory Board Member.
Jiro Makino	Yes	Not applicable	**[Reasons for Appointment as an Outside Audit & Supervisory Board Member]** NSSMC believes that Mr. Makino is well-qualified for the position by his deep insights into national finances in general that he accumulated at the Ministry of Finance, and vast experience serving as a National Tax Agency Commissioner, and other key positions. **[Reasons for Designation as an Independent Audit & Supervisory Board Member]** He does not conflict with either the independence standards or attribute information as set by each financial instruments exchange on which NSSMC is listed (e.g. the Tokyo Stock Exchange), and does not have any special interests in NSSMC. Because NSSMC believes that there is no possibility of a conflict of interest between him and the general shareholders as stated above, NSSMC has designated him as an Independent Audit & Supervisory Board Member.
Seiichiro Azuma	Yes	Not applicable	**[Reasons for Appointment as an Outside Audit & Supervisory Board Member]** NSSMC believes that Mr. Azuma is well-qualified for the position by his deep insights and vast experience as a certified public accountant who is familiar with corporate accounting.

			[Reasons for Designation as an Independent Audit & Supervisory Board Member] He does not conflict with either the independence standards or attribute information as set by each financial instruments exchange on which NSSMC is listed (e.g. the Tokyo Stock Exchange), and does not have any special interests in NSSMC. Because NSSMC believes that there is no possibility of a conflict of interest between him and the general shareholders as stated above, NSSMC has designated him as an Independent Audit & Supervisory Board Member.

[Independent Directors/ Audit & Supervisory Board Members]

Number of Independent Directors/ Audit & Supervisory Board Members	6

Matters relating to Independent Directors/ Audit & Supervisory Board Members

NSSMC decides the independence of Outside Directors and Outside Audit & Supervisory Board Members in accordance with the independence standards set by the financial instruments exchanges in Japan (e.g. Tokyo Stock Exchange), considering each individual's personal relationship, capital relationship, businessrelationship, and other interests with NSSMC.

As stated above, since NSSMC believes that each of the Outside Directors and Outside Audit & Supervisory Board Members is independent, NSSMC has reported all of them as Independent Directors or Audit & Supervisory Board Members to each financial instruments exchange in Japan (e.g. Tokyo Stock Exchange).

[Incentives]

Incentive Policies for Directors	Performance-linked Compensation

Supplementary Explanation

Directors' compensation consists only of monthly compensation in cash, and is all based upon performance of NSSMC, in order to provide incentives for the Group's sustainable growth and improvement of its corporate value.

Specifically, NSSMC sets the base amount of compensation for each Director's rank, taking into consideration each Director's required skills and responsibilities, and this base amount varies within a specific range, based on NSSMC's consolidated net profit or loss and the ordinary profit or loss of the steelmaking segment in the previous fiscal year, in view of the connection with the mid term management plan, and the amount of each Director's compensation is determined within the limits approved by the General Meeting of Shareholders.

Recipients of Stock Options	

Supplementary Explanation

[Director Compensation]

Disclosure of Individual Directors' Compensation	Selected Directors

Supplementary Explanation

The total amounts for all the Directors, all the Outside Directors, all the Audit & Supervisory Board Members, and all the Outside Audit & Supervisory Board Members, respectively, are disclosed in the Securities Report and the Term Report. In addition, when the total amount of consolidated compensation and other consideration for an individual Director is one hundred million (100,000,000) yen or more, such total amount is disclosed in the Securities Report.

In fiscal year 2016, total monthly compensation amounts of 964,901,000 yen were paid to nineteen (19) directors (including monthly compensation of 28,800,000 yen to two Outside Directors) and 207,510,000 yen paid to ten (10) Audit & Supervisory Board Members (including monthly compensation of 57,600,000 yen to five (5) Outside Audit & Supervisory Board Members).

* The amounts stated above include the compensation paid to five Directors and three Audit & Supervisory Board Members both of whom resigned at the conclusion of the 92nd General Meeting of Shareholders held on June 24, 2016.

Policy on Determining Compensation Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

This is indicated in (3) "Board Policies and Procedures in Determining the Compensation of Directors" of [Principle 3.1] (Full Disclosure), I-1 [Disclosure Based on the Principles of the Corporate Governance Code] of this report for reference.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

NSSMC supports the performance of responsibilities by Outside Directors and Outside Audit & Supervisory Board Members by assigning a sufficient number of staff members in the General Administration Division and the Audit & Supervisory Board Members' Office, and timely and appropriately providing company information such as offering prior explanations about the matters to be submitted for deliveration orreported to meetings of the Board of Directors and other important meetings. The Audit & Supervisory Board Members' Office has dedicated staff members that support Audit & Supervisory Board Members, in order to ensure their independence from the Directors. Under the direction of all Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, such staff members support supervisory activities and otherwise engage in work relating to supervision.

2. Matters on Functions of Business Execution, Supervision, Nomination, and Compensation Decisions

(Overview of Current Corporate Governance System)

A summary of and views on the current corporate governance system are indicated in the I-1 "Basic Views" of this report.

Please also see I-1 "Basic Views" of this report, in addition, the following supplementary explanations about business execution, auditing and supervision, nomination, and compensation decisions, among others, and the chart at the end.

(1) Business Execution

The execution of important matters concerning the management of NSSMC and the Group is determined at the "Board of Directors" (held once or twice per month) after deliberations in the "Corporate Policy Committee" (held once a week, in principle) comprised of the Chairman, President, Executive Vice Presidents, and other members, pursuant to NSSMC's rules. As corporate committees engaging in deliberations before the Corporate Policy Committee and the Board of Directors, there are 23 company-wide committees, depending on their respective purposes and areas.

The business execution under the resolution at the Board of Directors, the Corporate Policy Committee and other corporate organizations is performed promptly by the Executive Directors, Executive Officers, and General Managers, including the General Managers of the business units, under the supervison of the Representative Director and President.

(2) Supervision

(i) Supervision by the Board of Directors

The Board of Directors is comprised of eleven (11) Executive Directors who are familiar with the business of NSSMC and two Outside Directors who are independent. The Board appropriately and promptly decides on the execution of important business, and supervises the performance of the responsibilities of Directors, Executive Officers, and other officers.

Of the above, the Outside Directors contribute to the Board of Directors' decision-making from diverse perspectives and its enhancement of the function of supervising management by, among others, expressing their respective opinions independently, at the Board of Directors and other opportunities, and exercising their voting rights, based on their vast experience in, and deep insights into, such areas as corporate management and international affairs and economies. In addition, Outside Directors strive to share information and understanding about NSSMC's management issues with the Chairman, President and Outside Audit & Supervisory Board Members through liaison meetings and other means, as well as opportunities for exchanging opinions exclusively among Outside Directors and Outside Audit & Supervisory Board Members.

To secure capable Outside Directors and allow them to adequately carry out their expected roles, NSSMC has concluded an agreement with each of the Outside Directors that limits his liability under Article 423, paragraph 1 of the Companies Act to the greater of twenty (20) million yen or the Minimum Liability Amount, as defined in Article 425, paragraph 1 of the Companies Act, so long as he acts in good faith and without gross negligence in performing his responsibilities.

(ii) Supervision by Audit & Supervisory Board Members

NSSMC's Audit & Supervisory Board Members are comprised of three (3) full-time Audit & Supervisory Board Members who are familiar with business of NSSMC and four (4) Outside Audit & Supervisory Board Members who are independent. The Audit &

Supervisory Board Members act with the obligation of contributing to the establishment of a high-quality corporate governance system that enables the Group's sound and sustainable growth, by supervising the performance of responsibilities by Directors, and other matters, as an independent organ fulfilling its roles and responsibilities that are recently expected, in response to the delegation of responsibilities by the shareholders, and social trust.

Specifically, the Audit & Supervisory Board Members cooperate with each other and proceed with daily supervisory activities in a planned way, with a focus on the development and operation of the internal control system and the progress of various measures for management plans, in accordance with, among others, the audit and supervisory standards, and the policies and plans of audit and supervision as set forth by the Audit & Supervisory Board. In addition, the Audit & Supervisory Board Members attend important meetings, such as meetings of the Board of Directors, and conduct onsite audits of steelworks and other facilities. Further, the Audit & Supervisory Board Members ask Directors and employees, among others, to explain the performance of their responsibilities, and other related matters, and actively express opinions.

For the Group companies, the Audit & Supervisory Board Members of NSSMC exchange opinions and information with the Directors of such Group companies, and as necessary, receive business reports from them and ask them for explanations. Further, the Audit & Supervisory Board Members of NSSMC seek to improve the quality of the supervisory activities as the whole Group, by establishing close cooperation with the Group companies' audit & supervisory board members, through liaison conferences and other opportunities. In addition, five members are assigned as staff dedicated to assisting the Audit & Supervisory Board Members of NSSMC.

The Outside Audit & Supervisory Board Members contribute to NSSMC's sound and fair management, by, among other tasks, expressing their respective opinions independently at the Board of Directors, the Audit & Supervisory Board, and other opportunities, and performing supervisory activities, including auditing the business and affairs and the status of assets, based on their vast experience in, and deep insights into, such areas as corporate management, laws, public administration, public finances and corporate accounting. In addition, Outside Audit & Supervisory Board Members strive to share information and understanding about NSSMC's management issues with the Chairman, President and Outside Directors through liaison meetings and other means, as well as opportunities for exchanging opinions exclusively among Outside Directors and Outside Audit & Supervisory Board Members.

To contribute to further improvement in supervisory conditions that allows the Audit & Supervisory Board Members to independently perform more enriching supervisory activities, NSSMC has concluded an agreement with each of the Outside Audit & Supervisory Board Members that limits his liability under Article 423, paragraph 1 of the Companies Act to the greater of twenty (20) million yen, or the Minimum Liability Amount as defined in Article 425, paragraph 1 of the Companies Act, so long as he acts in good faith and without gross negligence in performing his responsibilities.

(iii) Accounting Audits

NSSMC has appointed KPMG AZSA LLC as its accounting auditor. The names of the certified public accountants who have executed the accounting audit activities at NSSMC under the Companies Act and the Financial Instruments and Exchange Act, and the composition of the assistants for such audit activities, are as follows.

KPMG AZSA LLC

- Names of the Certified Public Accountants who Have Executed the Activities

(Designated Limited Liability Partner)

Mr. Toshiya Mori, certified public accountant; Mr. Satoshi Yokosawa, certified public accountant; and Mr. Takashi Hasumi, certified public accountant.

The number of years that Mr. Toshiya Mori, Mr. Satoshi Yokosawa, and Mr. Takashi Hasumi have continuously conducted NSSMC's audits is seven or less.

- Composition of the Assistants Involved in Accounting Audit Activities

The composition of the assistants involved in accounting audit activities is decided under KPMG AZSA's appointment standards. Specifically, certified public accountants are the principal members, and assistants, such as system specialists, are also included.

In addition, KPMG AZSA and its executive partners in charge of NSSMC's audits have no special interests with NSSMC.

(iv) Internal Control and Audit

NSSMC has determined its basic policy on the internal control system at the Board of Directors, as indicated in "IV. Matters Related to the Internal Control System" of this report, and is operating it under such policy.

(3) Decision on Directors' Compensation and the Nomination of Director Candidates and Audit & Supervisory Board Member Candidates

This is indicated in (3) "Board Policies and Procedures in Determining the Compensation of Directors" and (4) "Policies on and Procedures in the Nomination of Director Candidates and Audit & Supervisory Board Member Candidates and the Appointment of Senior Management" of [Principle 3.1] (Full Disclosure) of I-1 of this report for reference.

3. Reasons for Adoption of Current Corporate Governance System

This is indicated in (2) of I-1 "Basic Views" of this report, for reference.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	A notice of the General Meeting of Shareholders is sent three weeks prior to the General Meeting of Shareholders (one week prior to the statutory deadline).
Scheduling AGMs Avoiding the Peak Day	The ordinary General Meeting of Shareholders is held by avoiding the peak day.
Allowing Electronic Exercise of Voting Rights	Implemented.
Participation in Electronic Voting Platform	NSSMC is registered at the electronic voting platform operated by ICJ, Inc.
Providing Convocation Notice	The English translation of the notice of the General Meeting of Shareholders

in English	is posted on the website of NSSMC and Tokyo Stock Exchange four weeks prior to the General Meeting of Shareholders.
Other	From the viewpoint of early disclosure of information, the notice of the General Meeting of Shareholders held this year, with its English translation, was posted on the website of NSSMC and Tokyo Stock Exchange on May 29, which was four weeks prior to the date of the General Meeting of Shareholders.

2. IR Activities

	Supplementary Explanations	Explanation by a representative
Preparation and Publication of Disclosure Policy	"NSSMC Corporate Disclosure and Dialogue Policy" has been established and is available on NSSMC's website.	
Regular Investor Briefings for Individual Investors	Management performance briefings are held for individual shareholders.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	At the time of announcing the performance four times a year, an officer in charge of IR holds briefings in Japan to explain the performance overview and other topics. When important matters arise regarding the management strategies, briefings are organized as necessary.	Yes
Regular Investor Briefings for Overseas Investors	NSSMC has face-to-face meetings with overseas investors.	Yes
Posting of IR Materials on Website	IR presentation materials and other related information are posted on NSSMC's website in a timely manner.	
Establishment of Department and/or Manager in Charge of IR	The Investor Relations Department in the Accounting & Finance Division is established.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The "Corporate Philosophy of the Nippon Steel & Sumitomo Metal Corporation Group" provides that the Group continues to emphasize the importance of integrity and reliability, and the "Code of Conduct of the Nippon Steel Sumitomo Metal Corporation Group" requires that the Group act with a strong sense of ethical values and in compliance with applicable laws and regulations, and respect the positions of various stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	NSSMC recognizes that the social responsibility of NSSMC is to sincerely engage in its core business, to realize stable profits while supplying products and services that satisfy customers, to ensure the management's transparency, and to take social responsibility, such as environmental protection, by bearing necessary costs. Based on this fundamental recognition, NSSMC stipulates in the "Corporate Philosophy of the Nippon Steel & Sumitomo Metal Corporation Group" that the Group will contribute to society by providing excellent products and services, and strives for actions to fulfill the corporate social responsibility. The detailed actions are introduced in the "Sustainability Report" issued by NSSMC every year and other disclosure materials. (*Posted on NSSMC's website.)
Development of Policies on	(1) The "Code of Conduct of the Nippon Steel Sumitomo Metal Corporation

Information Provision to Stakeholders	Group" provides that NSSMC discloses its corporate information in a fair and proactive manner. (2) The "Basic Policy on Internal Control System" of NSSMC provides that NSSMC seeks timely and accurate disclosure of important corporate information such as management plans and financial information, in compliance with applicable laws and regulations, and other requirements. (3) The "Rules on Insider Information Management and Insider Trading Regulations" provide that after corporate decision that falls under "insider information" is made by or reported to the Board of Directors, NSSMC will release it promptly to multiple news media organizations, and disclose it in accordance with the rules of each financial instruments exchange on which NSSMC is listed (e.g. Tokyo Stock Exchange). (4) The "NSSMC Corporate Disclosure and Dialogue Policy" provides that NSSMC will disclose information in compliance with applicable laws and regulations and the rules of each financial instruments exchange, and that with respect to financial and non-financial information other than that stated above, NSSMC will also disclose the information that is considered to be likely to affect investment decision in a timely, appropriate, and fair manner.

IV. Matters Related to the Internal Control System

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

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 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. Basic Views on Eliminating Anti-Social Forces

NSSMC provides, in "Corporate Philosophy of the Nippon Steel & Sumitomo Metal Corporation Group," that the Group continues to emphasize the importance of integrity and reliability, and provides in the "Code of Conduct of the Nippon Steel Sumitomo Metal Corporation Group" that the Group will not have any relationships of any kind with anti-social forces or organizations that threaten order and safety in the civil society, and will take firm action against all unreasonable demands. NSSMC has established "Rules that Prohibit any Relationships with Anti-social Forces and Prevent Damage Caused by Them," and internal systems thereunder.

Specifically, NSSMC defines the role of each relevant division and communication systems between them by establishing a division, a General manager, and a personnel in charge of public relations, maintains regular contacts with police departments and other relevant authorities, and seeks to promote educational activities through information sharing within the Group and internal seminars.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted

Supplementary Explanation

(1) The Basic Policy on the Composition of Persons to Control the 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 Shareholdings" (the "Plan") because NSSMC believes it is the Board's 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.

(2) Outline of Measures to Keep the Control over Decision-Making on Financial and Business Policies out of the Hands of Inappropriate Persons in light of the 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 (i) through (iii) below.

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

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 (a "Bidder"), the Board 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.)

(ii) Procedures to ascertain shareholders' will

In order to have shareholders determine whether or not to accept a Takeover Proposal, the Board, 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 a meeting held to confirm the shareholders' will.

However, after examinations of the Required Information by the Board, in such case the Board 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.

(iii) 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 implementation of measures to a Bidder 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 determines the Takeover Proposal may cause clear damage to the common interests of the shareholders of NSSMC and (iii) the Board determines the Bidder failed to comply with the procedures set forth in the Plan.

Furthermore, when judging (ii) or (iii) above, the Board shall obtain an opinion of the Independent Committee beforehand, which consists of three members appointed from outside Directors and outside Audit & Supervisory Board Members, respecting such opinion as much as possible. For the members of the Independent Committee.

The currently effective Plan is posted on NSSMC's website.

(3) Judgment of the Board of Directors on the Measures above and the Grounds 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's 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 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.

2. Other Matters Concerning to Corporate Governance System

(1) The Corporate Governance System, including an Overview of the Internal Control System

Please see the chart indicated below.

(2) Overview of the Timely Disclosure System

NSSMC's internal system for ensuring the timely disclosure of its corporate information as decribed below.

(i) Information Disclosure Concerning Corporate Decisions

Corporate Decisions by NSSMC and its subsidiaries that are subject to timely disclosure are submitted for deliberation by or reported to the Board of Directors, or reported to the General Manager of the General Administration Division in accordance with the internal

rules, and then disclosed in accordance with the rules of each financial instruments exchange on which NSSMC is listed (e.g. Tokyo Stock Exchange).

(ii) Information Disclosure Concerning the Occurrence of Facts

Occurrence of Facts regarding NSSMC and its subsidiaries that are subject to timely disclosure are reported to the Board of Directors or the General Manager of the General Administration Division in accordance with the internal rules, and then disclosed in accordance with the rules of each financial instruments exchange on which NSSMC is listed (e.g. Tokyo Stock Exchange).

(iii) Information Disclosure Concerning Financial Results

Information concerning financial results is submitted for deliberation by and reported to the Board of Directors, and then disclosed in accordance with the rules of each financial instruments exchange on which NSSMC is listed (e.g. Tokyo Stock Exchange).

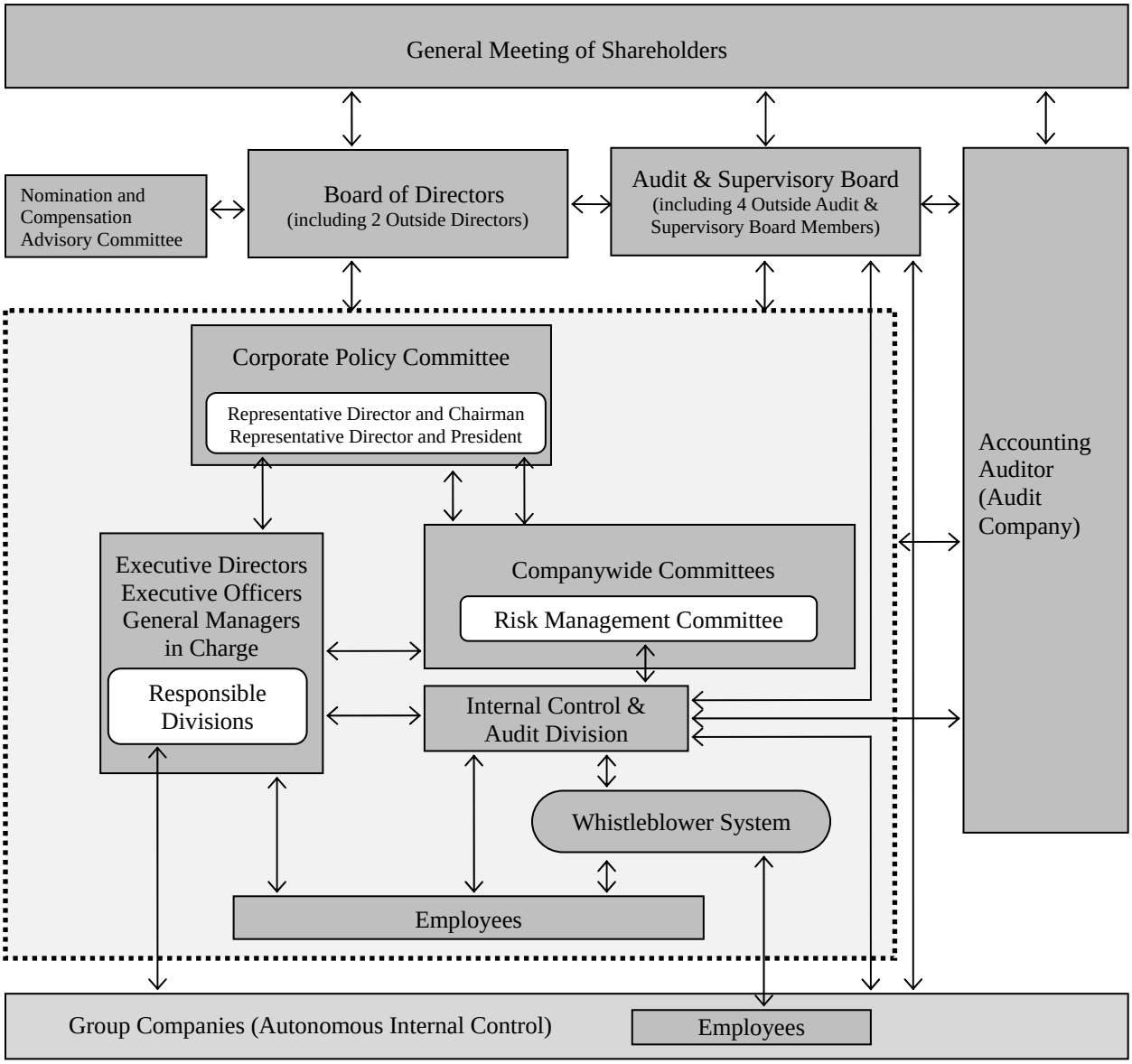
(iv) Others

All of the information mentioned above is disclosed by the Senior Manager of the General Administration Department of the General Administration Division (the responsible person for handling information), in a timely manner. Furthermore, when such information is disclosed, it is posted on NSSMC's website.

(Translation)

<Reference: Relationship Diagram regarding NSSMC's Organization and Internal Control>

The following is a diagram illustrating the relationship regarding NSSMC's organization and internal control.



(Note)

1: The execution of important matters concerning the management of NSSMC and NSSMC Group is determined at the Board of Directors (held once or twice per month) after deliberations in the Corporate Policy Committee (held once a week, in principle) comprised of the Chairman, President, Executive Vice Presidents, and other members, pursuant to NSSMC's rules.

2: As corporate organizations engaging in deliberations before the Corporate Policy Committee and the Board of Directors, there are 23 company-wide committees in total, including the Ordinary Budget Committee, the Plant and Equipment Investment Budget Committee, the Investment and Financing Committee, the Fund Management Committee, the Technology Development Committee, the Environment Management Committee, and the Risk Management Committee, depending on each purpose.

3: 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.

4: As far as the Group companies are concerned, each company establishes and develops an internal control system based on its autonomous internal control, and the responsible divisions of NSSMC provide assistance in their improvement, where necessary. Furthermore, the General Manager for the Internal Control & Audit Division of NSSMC identifies and evaluates the situation of internal control of NSSMC Group as a whole, and gives guidance and advice to each responsible division and each Group company.