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Commencement of Discussions Regarding Making Sanyo Special Steel
a Subsidiary of Nippon Steel & Sumitomo Metal and Other Matters

Nippon Steel & Sumitomo Metal Corporation announced the subject of the title.
Please refer to the following pages for details.

Commencement of Discussions Regarding Making Sanyo Special Steel
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This is to announce that Nippon Steel & Sumitomo Metal Corporation (President: Kosei Shindo; “NSSMC”) and Sanyo Special Steel Co., Ltd (President: Shinya Higuchi; “Sanyo Special Steel”) have commenced discussions (the “Discussions”) to explore opportunities to make Sanyo Special Steel a subsidiary of NSSMC (the “Proposed Transaction”) and to strengthen the special steel businesses of both companies. The target date of the Proposed Transaction is March 2019. The special steel businesses of both companies currently focus on markets in Asia, but NSSMC’s planned acquisition of Ovako AB (a manufacturer of special steel the headquarters of which are located in Sweden. “Ovako”), which NSSMC intends to close in the first half of 2018, will help the companies to work toward a global business promotion system, with opportunities of enhanced cooperation among NSSMC, Sanyo Special Steel, and Ovako.

Regarding the acquisition of Ovako by NSSMC, please refer to the press release published today by NSSMC entitled “Regarding Acquisition of Shares in Ovako (Making It a Subsidiary).”

Matters such as the specific method of the Proposed Transaction, the shareholding ratio of NSSMC in Sanyo Special Steel and other matters are yet to be discussed, and such matters will be publicly disclosed if and when an agreement is reached. Furthermore, Sanyo Special Steel will continue to be a listed company after it becomes NSSMC’s subsidiary.

1. The Goal of the Discussions

Special steel is used as a material in critical parts for various industries such as those that manufacture automobiles and industrial machinery, and it is expected that demand for it shall continue to grow steadily.

In order to respond to the globalization of both their domestic and foreign clients and meet the various needs of their clients, beginning with the automobile industry, regarding the manufacture and sale of special steel, both companies have agreed to commence the Discussions regarding the Proposed Transaction with the goal of strengthening their fundamental businesses and technological capabilities and progressing toward making adjustments and other such changes with an eye toward global business development, each bringing their management resources to bear in the endeavor.

Both companies intend to consider the matter in detail, including cooperation with Ovako.

2. Prospects (Provisional)

NSSMC and Sanyo Special Steel will immediately commence the Discussions and, if and when an agreement is reached, plan to execute a definitive agreement, with the target date being August 2018. After this, upon execution, both companies plan to consummate the Proposed Transaction, with the target

date being March 2019 after obtaining approvals by domestic and overseas competition authorities and other required procedures are taken.

Tentative timeline, assuming successful negotiations:

- (1) August 2018 (Target): Execution of the definitive agreement
- (2) March 2019 (Target): Sanyo Special Steel becoming NSSMC's subsidiary

3. Method of the Proposed Transaction and Related Matters

(1) Method of the Proposed Transaction

The following methods are contemplated: NSSMC's acquisition of ordinary shares issued or disposed by Sanyo Special Steel by way of third-party allotment, NSSMC's acquisition of Sanyo Special Steel's ordinary shares by tender offer under the Financial Instruments and Exchange Act (Act No. 25, 1948), reorganization procedures under the Companies Act (Act No. 86, 2005), a combination of the foregoing, or other methods. Both companies plan to discuss the method of the Proposed Transaction, including other methods, which will be set forth in the definitive agreement.

(2) Shareholding Ratio after the Proposed Transaction (Percentage of Voting Rights Held)

Currently, the shareholding ratio of NSSMC in Sanyo Special Steel after the Proposed Transaction (percentage of voting rights held) is envisaged to be greater than 51%, but both companies plan to discuss the ratio, which will be set forth in the definitive agreement.

Furthermore, Sanyo Special Steel will continue to be a listed company after becoming NSSMC's subsidiary.

(3) Acquisition Price and Related Matters

The acquisition price (in total) and the type of consideration (cash, securities and others) for NSSMC's acquisition of Sanyo Special Steel's ordinary shares through the series of transactions described in (1) and (2) above is yet to be determined. Both companies plan to discuss these matters and provide them in the definitive agreement. If NSSMC decides to choose cash as consideration, NSSMC intends to use its funds on hand or funds to be borrowed from outside sources.

4. Forecasts of Effects on Financial Performance

The effect on financial performance for the current term of NSSMC and Sanyo Special Steel is insignificant. The effects on both companies' financial performance for subsequent terms are unknown.

(Reference) Consolidated Financial Forecasts for the Current Term and Consolidated Performance for the Previous Term

(1) NSSMC

(Unit: million yen)

| | Consolidated sales | Consolidated operating profit | Consolidated ordinary income | Consolidated current profit |
|--|--------------------|-------------------------------|------------------------------|-----------------------------|
| Consolidated financial forecasts for the current term (term ending in March,2018) | 5,700,000 | - | 300,000 | 180,000 |
| Consolidated financial performance for the previous term (term ending in March,2017) | 4,632,890 | 114,202 | 174,531 | 130,946 |

(2) Sanyo Special Steel

(Unit: million yen)

| | Consolidated sales | Consolidated operating profit | Consolidated ordinary income | Consolidated current profit |
|--|--------------------|-------------------------------|------------------------------|-----------------------------|
| Consolidated financial forecasts for the current term (term ending in March,2018) | 150,000 | 11,800 | 11,800 | 7,800 |
| Consolidated financial performance for the previous term (term ending in March,2017) | 138,680 | 11,685 | 11,736 | 7,784 |

(Exhibit: Reference materials) Outline of both NSSMC and Sanyo Special Steel

(Contact Information)

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Overview of NIPPON STEEL & SUMITOMO METAL CORPORATION and Sanyo Special Steel Co., Ltd.

| Trade Name | NIPPON STEEL & SUMITOMO METAL CORPORATION | Sanyo Special Steel Co., Ltd. |
|---|--|--|
| Description of Business Activities | 1. Steelmaking and steel fabrication (Manufacturing and sales of steel products) 2. Engineering and Construction 3. Chemicals 4. New materials 5. System solutions | 1. Specialty Steel (Manufacturing and sales of special steel products) 2. Powders 3. Formed and Fabricated Materials |
| Date of Establishment | April, 1950 *1 | January, 1935 |
| Head Office Location | 6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo | 3007, Nakashima, Shikama-ku, Himeji, Hyogo |
| Name and Title of the Representative | Kosei Shindo Representative Director and President | Shinya Higuchi Representative Director and President |
| Net Sales (Consolidated basis) (FY 2016) | 4,632.8 billion yen | 138.6 billion yen |
| Capital (FY 2016) | 419.5 billion yen | 20.1 billion yen |
| Number of Outstanding Shares (FY 2016) | 950,321,402 | 167,124,036 *3 |
| Total Assets (Consolidated basis) (FY 2016) | 7,261.9 billion yen | 183.4 billion yen |
| Date of Fiscal Year End | March 31 | March 31 |
| Number of Employees (FY 2016) | 92,309 (24,822 on a non- consolidated basis) | 2,598 (1,266 on a non-consolidated basis) |
| Main Customers | Sumitomo Corporation NIPPON STEEL & SUMIKIN BUSSAN CORPORATION Metal One Corporation | Marubeni-Itochu Steel Inc. MITSUI & CO., LTD Metal One Corporation |
| Main Banks | Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd. | Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. |
| Major Shareholders and Ownership Percentage *2 | Japan Trustee Services Bank, Ltd.(Trust Account) 4.1% The Master Trust Bank of Japan, Ltd. (Trust Account) 3.4% | NIPPON STEEL & SUMITOMO METAL CORPORATION 14.5% Company's Kyoeikai Association 6.4% |

| | | | | |
|-----------|--|------|---|------|
| (FY 2016) | Account) | | | |
| | Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.) | 2.6% | NSK Ltd. | 4.5% |
| | Sumitomo Corporation | 1.9% | Japan Trustee Services Bank, Ltd.(Trust Account) | 4.3% |
| | Japan Trustee Services Bank, Ltd. (5 Trust Account) | 1.8% | The Master Trust Bank of Japan, Ltd. (Trust Account) | 4.1% |
| | Mizuho Bank, Ltd. (Standing proxy: Trust & Custody Services Bank, Ltd.) | 1.7% | Sumitomo Mitsui Banking Corporation | 3.4% |
| | Sumitomo Mitsui Banking Corporation | 1.5% | Mizuho Bank, Ltd. | 2.2% |
| | Meiji Yasuda Life Insurance Company (Standing proxy: Trust & Custody Services Bank, Ltd.) | 1.5% | GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A.) | 2.1% |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 1.4% | Marubeni-Itochu Steel Inc. | 1.9% |
| | Japan Trustee Services Bank, Ltd. (1 Trust Account) | 1.4% | DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A.) | 1.7% |

*1 On October 1, 2012, Nippon Steel Corporation merged with Sumitomo Metal Industries, Ltd. by way of an absorption type merger, and changed its trade name to Nippon Steel & Sumitomo Metal Corporation.

*2 The figures indicate the proportion of the number of shares held to the total number of outstanding shares.

*3 Sanyo Special Steel Co., Ltd. implemented a reverse share split by making every 5 shares into 1 share, with the effective date of October 1, 2017. As such, the number of outstanding shares is 33,424,807 shares.

<Operating Results and Financial Position for Past 3 Years>

| Fiscal Year | NIPPON STEEL & SUMITOMO METAL CORPORATION (Consolidated Basis) | | | Sanyo Special Steel Co., Ltd. (Consolidated Basis) | | |
|---|---|---------------------|---------------------|---|-------------------|-------------------|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| Net Assets | 3,547.0 billion yen | 3,009.0 billion yen | 3,291.0 billion yen | 113.6 billion yen | 113.1 billion yen | 123.1 billion yen |
| Total Assets | 7,157.9 billion yen | 6,425.0 billion yen | 7,261.9 billion yen | 202.2 billion yen | 179.8 billion yen | 183.4 billion yen |
| Net Assets per Share | 3,263.03 yen | 3,074.28 yen | 3,340.21 yen | 699.51 yen | 696.69 yen | 759.36 yen |
| Sales | 5,610.0 billion yen | 4,907.4 billion yen | 4,632.8 billion yen | 171.4 billion yen | 149.1 billion yen | 138.6 billion yen |
| Operating Income | 349.5 billion yen | 167.7 billion yen | 114.2 billion yen | 9.1 billion yen | 12.1 billion yen | 11.6 billion yen |
| Ordinary Income | 451.7 billion yen | 200.9 billion yen | 174.5 billion yen | 9.7 billion yen | 11.5 billion yen | 11.7 billion yen |
| Net Income attributable to owners of parent | 214.2 billion yen | 145.4 billion yen | 130.9 billion yen | 6.5 billion yen | 7.4 billion yen | 7.7 billion yen |
| Net Income per Share | 234.82 yen | 158.71 yen | 147.96 yen | 40.60 yen | 46.00 yen | 48.29 yen |
| Dividend per Share | 5.5 yen | 18.0 yen | 45.0 yen | 10.0 yen | 12.0 yen | 12.5 yen |

<Relationship between Party Companies>

| | |
|--|--|
| Capital Ties | As of September 30, 2017, NSSMC held 24,527 thousand shares (*1) representing 15.3% of Sanyo Special Steel Co., Ltd.'s voting rights. As of September 30, 2017, Sanyo Special Steel Co., Ltd. held 577 thousand shares representing 0.1% of NSSMC's voting rights. |
| Personnel Ties | A Representative Director and President, a Director, Member of the Board Senior Managing Executive Officers, and two Directors, Member of the Board Managing Executive Officers of Sanyo Special Steel Co., Ltd. are people from NSSMC, and a Corporate Auditor of Sanyo Special Steel Co., Ltd. is NSSMC's Executive Officer. |
| Business Ties | NSSMC and Sanyo Special Steel Co., Ltd. mutually trust one another in regards to the production of steel materials. |
| Status Applicable to the Related Parties | N/A |

*1 Sanyo Special Steel Co., Ltd. implemented a reverse share split by making every 5 shares into 1 share, with the effective date of October 1, 2017. As such, the number of shares held by NSSMC is 4,905 thousand shares.