

March 2nd, 2018

NIPPON STEEL & SUMIKIN CHEMICAL CO., LTD.

NIPPON STEEL & SUMIKIN MATERIALS CO., LTD.

Business Merger Between NIPPON STEEL & SUMIKIN CHEMICAL CO., LTD. and NIPPON STEEL & SUMIKIN MATERIALS CO., LTD.

At the Board of Directors' Meetings held on March 2nd, 2018, NIPPON STEEL & SUMIKIN CHEMICAL CO., LTD. (simply referred to as "NIPPON STEEL & SUMIKIN CHEMICAL" from here on) and NIPPON STEEL & SUMIKIN MATERIALS CO., LTD. (simply referred to as "NIPPON STEEL & SUMIKIN MATERIALS" from here on) each passed a resolution to conduct a business merger (simply called "this merger" from here on), and concluded a "Basic Merger Agreement", the details of which are notified as follows.

This merger will be effective as of October 1st, 2018, and the trade name of the newly merged company is expected to be "NIPPON STEEL & SUMIKIN Chemical & Material Co., Ltd."

Details

1. Background to the Merger

NIPPON STEEL & SUMIKIN CHEMICAL and NIPPON STEEL & SUMIKIN MATERIALS have, as affiliate companies of the NIPPON STEEL & SUMITOMO METAL CORPORATION (simply called "NIPPON STEEL & SUMITOMO METAL" from here on) corporate group, each promoted business development in their corresponding market areas.

NIPPON STEEL & SUMIKIN CHEMICAL was established with the aim of increasing the added value of the coke by-products (crude benzene and tar) produced in NIPPON STEEL & SUMITOMO METAL's steelmaking processes. By effectively using diverse aromatic chemical technologies in the field of coal chemistry, the company is not only the top runner in the coal-chemical industry but also promoted business development towards high-performance functional materials to which proprietary material technologies are applied.

NIPPON STEEL & SUMIKIN MATERIALS was established with the New Materials Products Bureaus of NIPPON STEEL & SUMITOMO METAL as its parent body, and has diversely developed its business and has put onto the market many distinctive products such as semiconductor packaging materials, carbon-fiber & composites and metal catalyst carries for cleaning and automotive emissions with commercialization of the development result of NIPPON STEEL & SUMITOMO METAL's R&D Laboratories as one of its missions.

Even though both companies have boosted their presence in terms of business, for example, by achieving a high share and high profitability with several of their products as a result of efforts made over many years and technological strengths, there is still further potential in the technologies that they each excel in. So, they will be aiming at further growth in the future by fully applying and developing these technologies.

In the future, it is expected that the business environment in which both companies operate will expand enormously to levels considerably larger than those today due to customers integrating and restructuring on a global scale, and this will result in their demands on development speed, quality and supply capability for new products becoming even stronger and diversifying as customers spread further across the globe. Both companies, also, must not ignore intensified competition with rivals who are catching up, and must be ready with the capability to respond aptly to changing circumstances such as these.

The NIPPON STEEL & SUMITOMO METAL group also must respond to the transition to the use of multi-materials in automobiles that will be expected in the future and the expanding need for new materials in the field of electronic functional materials, for example, in on-board digital component mounting, batteries and semiconductors, and must reinforce its overall capabilities to respond to the demand for new materials in answer to changing social and customer needs.

2. Purpose of this Merger

The merger will integrate the business operations of NIPPON STEEL & SUMIKIN CHEMICAL and NIPPON STEEL & SUMIKIN MATERIALS, and combine and unite NIPPON STEEL & SUMIKIN CHEMICAL's material design and production technologies in the area of aromatic chemical synthesis, refining and mixing, with NIPPON STEEL & SUMIKIN MATERIALS' technologies for such materials as thin foils, fine wire and microparticles. In this way, it will play a part in achieving the NIPPON STEEL & SUMITOMO METAL group's aim of strengthening the company's overall responsiveness to demand for new materials. At the same time, it will increase the depth and breadth of corporate resources, such as management, personnel, technical development capabilities, and financial strength, and lay the foundation for business growth and expansion in the future. Moreover, the merger will accelerate the development of new technology and products, enhance the ability to make proposals and provide services to customers, and enforce the appeal of the company with customers.

3. Basic Concept of this Merger for Each Business Domain

NIPPON STEEL & SUMIKIN CHEMICAL and NIPPON STEEL & SUMIKIN MATERIALS will promote the following policies, and will strive to further improve the trust of its customers, clients and local communities and to fulfill the role expected of an affiliated company of the NIPPON STEEL & SUMITOMO METAL group by demonstrating the integration effect of both companies early on and expanding the synergy of their steel business.

(Electronic Functional Materials Field)

In the field of electronic functional materials in particular (Adhesive-less Copper-Clad Laminate for flexible printed wiring boards, bonding wire/microballs for semiconductors, metal foils, etc.) in which we have the top market share in several categories and products, we will ascertain and analyze customer needs in areas of market

overlap. This will at once help us to strengthen our lateral sales strengths and also integrate products and technologies that we have strength in, which, in turn, will create further strength and synergy, and enhance our response to market sectors such as IoT is being progressively incorporated into electronic applications as part of the information infrastructure.

(Carbon-fiber Composite Products Business)

In NIPPON STEEL & SUMIKIN CHEMICAL's epoxy resin business and NIPPON STEEL & SUMIKIN MATERIALS's carbon-fiber composite products business, we will effectively apply each other's resources in tackling the development and commercialization of new products, and will help in the transition to multiple materials in world markets as typified by the automobile market that we are engaged in as part of the NIPPON STEEL & SUMITOMO METAL CORPORATION group.

(Coal Tar Chemicals/Chemicals Business)

In NIPPON STEEL & SUMIKIN CHEMICAL's coal tar chemicals business and chemicals business, our mission will firstly be to increase the added value of the coke by-products (crude benzene and tar) produced in steelmaking processes and enhance consolidated earnings by further improving our competitive strength in technology and costs, and we will also be engaged in reducing CO₂ emissions and enhancing its value and upgrading hydrogen utilization technology.

In promoting these respective policies, we will flexibly and proactively be committed to the effective use of and cooperation with external resources, as necessary, and properly respond to the rapidly changing needs of the market, society and customers.

4. Summary of this Merger

(1) Scheduled date of merger	October 1st, 2018
(2) Name of new company (tentative)	NIPPON STEEL & SUMIKIN Chemical & Material Co., Ltd.
(3) Main business lines	Pitch coke, pitch, naphthalene, phthalic anhydride, carbon black, styrene monomers, bisphenol A, styrene resins, epoxy resins, Adhesive-less Copper-Clad Laminate for flexible printed wiring boards, liquid crystal display materials, organic EL materials, UV/thermosetting resin materials, rolled metallic foils, semiconductor bonding wire and microballs, fillers for semiconductor encapsulation materials, carbon-fiber composite products, metal catalyst carries for cleaning and automotive emissions
(4) Capital	Five billion yen
(5) Shareholders	NIPPON STEEL & SUMITOMO METAL CORPORATION (100%)

5. Outline of Parties Concerned in this Merger

(1) Name of company	NIPPON STEEL & SUMIKIN CHEMICAL CO., LTD.	NIPPON STEEL & SUMIKIN MATERIALS CO., LTD.
(2) Date of establishment	October 1st, 1956	July 1st, 2006
(3) Headquarters site	4-14-1 Sotokanda, Chiyoda-ku, Tokyo	7-16-3 Ginza, Chuo-ku, Tokyo
(4) Representatives	CEO Katsuhiko Ota	CEO Kenji Yamada
(5) Main business lines	Pitch coke, pitch, naphthalene, phthalic anhydride, carbon black, styrene monomers, bisphenol A, styrene resins, epoxy resins, Adhesive-less Copper-Clad Laminate for flexible printed wiring boards, liquid crystal display materials, organic EL materials, UV/thermosetting resin materials	Rolled metallic foils, semiconductor bonding wire and microballs, fillers for semiconductor encapsulation materials, carbon-fiber composite products, metal catalyst carries for cleaning and automotive emissions
(6) Capital	Five billion yen	Three billion yen
(7) Shareholders	NIPPON STEEL & SUMITOMO METAL CORPORATION (100%)	NIPPON STEEL & SUMITOMO METAL CORPORATION (100%)
(8) Gross sales	174.2 billion yen (consolidated: year ending March 31st, 2017)	34.5 billion yen (consolidated: year ending March 31st, 2017)
(9) Number of employees	1,872 (consolidated: as of end of March, 2017)	1,404 (consolidated: as of end of March, 2017)

6. Outline of Parent Company (NIPPON STEEL & SUMITOMO METAL CORPORATION)

(1) Name of company	NIPPON STEEL & SUMITOMO METAL CORPORATION
(2) Date of establishment	October 1st, 2012 (inauguration of NIPPON STEEL & SUMITOMO METAL CORPORATION)
(3) Headquarters site	2-6-1 Marunouchi, Chiyoda-ku, Tokyo
(4) Representative	CEO Kosei Shindoh
(5) Main business lines	Various businesses relating to steelmaking, engineering, chemicals, advanced materials, and system solutions
(6) Capital	419.5 billion yen
(7) Gross sales	4,632.8 billion yen (consolidated: year ending March 31st, 2017)
(8) Number of employees	92,309 (consolidated: as of end of March, 2017)

*For more details about this merger, contact:

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