Flash Report
Consolidated Basis
Results for Fiscal 2012
(April 1, 2012—March 31, 2013)

May 10, 2013

Company name:	Nippon Steel & Sumitomo Metal Corporation
Stock listing:	Tokyo, Osaka, Nagoya, Sapporo, Fukuoka stock exchanges
Code number:	5401
URL:	http://www.nssmc.com/en/index.html
Representative:	Shoji Muneoka, Chairman and CEO
Contact:	Nozomu Takahashi, General Manager, Public Relations Center
Telephone:	81-3-6867-2130
Scheduled date to Ordinary General Meeting of Shareholders:	June 25, 2013
Scheduled date to payment of dividends:	June 26, 2013
Scheduled date to submit Securities Report:	June 25, 2013
Preparation of supplemental explanatory materials:	Yes
Holding of quarterly financial results meeting:	Yes (for investment analysts)

(Figures of less than ¥1 million have been omitted.)

1. Consolidated Financial and Operating Results through Fiscal 2012 (April 1, 2012—March 31, 2013)

(1) Consolidated Operating Results

(Percentage figures are changes from the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2012	**4,389,922**	**7.3**	**20,110**	**(74.7)**	**76,931**	**(46.2)**	**(124,567)**	**—**
Fiscal 2011	4,090,936	(0.5)	79,364	(52.1)	143,006	(36.8)	58,471	(37.3)

(For reference) Comprehensive income: Fiscal 2012 ¥ 158,302 million _ %
Fiscal 2011 ¥ 3,574 million (91.4%)

	Net income per share	Net income per share after full dilution	Return on Equity	Return on Assets	Return on Sales
	Yen	Yen	%	%	%
Fiscal 2012	**(16.23)**	**—**	**(5.9)**	**1.3**	**0.5**
Fiscal 2011	9.30	—	3.2	2.9	1.9

(For reference) Equity in net income of unconsolidated subsidiaries and affiliates: Fiscal 2012 ¥52,658 million
Fiscal 2011 ¥66,470 million

(2) Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2012	**7,089,498**	**2,938,283**	**33.8**	**263.82**
Fiscal 2011	4,924,711	2,347,343	37.1	290.78

(For reference) Shareholders' equity: Fiscal 2012 ¥ 2,394,069 million
Fiscal 2011 ¥ 1,828,902 million

(3) Consolidated Statements of Cash-Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2012	**313,317**	**(327,336)**	**33,332**	**90,530**
Fiscal 2011	237,414	(226,096)	(31,785)	55,747

2. Dividends

	Dividends per share				
Base date	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2011	—	1.5	—	1.0	2.5
Fiscal 2012	—	**0.0**	—	**1.0**	**1.0**
Fiscal 2013 (Forecast)	—	—	—	—	—

	Cash dividends	Ratio of cash dividends to net income	Ratio of cash dividends to net assets
	Millions of yen	%	%
Fiscal 2011	15,757	26.9	0.9
Fiscal 2012	**9,090**	—	**0.4**
Fiscal 2013 (Forecast)		—	

Note: The dividend forecast of end of second quarter and fiscal year is not decided. The Company will announce a dividend distribution plan as soon as it is formulated.

3. Consolidated Financial Forecasts for Fiscal 2013(April 1, 2013—March 31, 2014)

The earnings forecast for fiscal 2013 is not presented because the outlook has not been determined due to the difficulty formulating reasonably accurate estimates at this time. For further details, please refer to page 5, "Outlook for the Year Ending March 31, 2014" of "1.(1) Operating Results and Financial Position."

4. Others

(1) Changes in the state of material subsidiaries during the period: Yes
Newly included : NIPPON STEEL AND SUMIKIN TUBOS DO BRASIL LTDA. Excluded : —
Note: For further details, please refer to page 23, "4.(6) Basic Material Items for the Preparation of the Consolidated Financial Statements."

(2) Changes in accounting principles, changes in accounting estimates, and retrospective restatements
(a) Changes in accounting principles accompanying revisions in accounting standards: Yes
(b) Changes other than those in (a) above: None
(c) Changes in accounting estimates: Yes
(d) Retrospective restatements: None
Note: For further details, please refer to page 23, "4.(7) Changes in accounting policies".

(3) Number of shares issued (common shares)
(a) Number of shares issued at the end of the period (including treasury stock)
Fiscal 2012 9,503,214,022 shares
Fiscal 2011 6,806,980,977 shares

(b) Number of treasury stock at the end of the period
Fiscal 2012 428,564,671 shares
Fiscal 2011 517,325,579 shares

(c) Average number of shares issued during the term
Fiscal 2012 7,675,024,126 shares
Fiscal 2011 6,289,696,659 shares

(For Reference) A Summary of Non-Consolidated Financial and Operating Results

Non-Consolidated Financial and Operating Results through Fiscal 2012
(April 1, 2012—March 31, 2013)

(1) Non-Consolidated Operating Results

(Percentage figures are changes from the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2012	**2,878,837**	**7.7**	**(43,214)**	**—**	**(17,487)**	**—**	**(150,005)**	**—**
Fiscal 2011	2,672,479	(1.3)	1,187	(97.9)	23,602	(70.6)	19,606	(60.3)

	Net income per share	Net income per share after full dilution
	Yen	Yen
Fiscal 2012	**(19.51)**	**—**
Fiscal 2011	3.11	—

(2) Non-Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2012	**5,513,037**	**1,595,372**	**28.9**	**175.49**
Fiscal 2011	3,498,597	1,220,223	34.9	193.60

(For reference) Shareholders' equity: Fiscal 2012 ¥1,595,372 million
Fiscal 2011 ¥1,220,223 million

* Status of Performance of Audit Procedures

This flash report is exempt from the audit procedures based on Japan's Financial Instruments and Exchange Act. At the time when this flash report was disclosed, the audit procedures based on the Financial Instruments and Exchange Act had not been completed.

* Explanation of the appropriate use of performance forecasts and other related items

The forward-looking statements included in this flash report are based on the assumptions, forecasts, and plans of the Company as of the date on which this document is made public. The Company's actual results may differ substantially from such statements due to various risks and uncertainties.

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1. Operating Results and Financial Position

(1) Operating Results

Operating Results for Fiscal Year Ended March 31, 2013 (Fiscal 2012)

Overview of Conditions in Fiscal 2012

During fiscal 2012, despite continued stagnation in the European economy and an economic slowdown in China, the global economy recovered moderately, mainly due to the expansion of ASEAN economies and a gradual improvement in the US economy during the.,

Japan's overall economy was weak, as domestic capital investment was postponed mainly by the manufacturing industry due to the decline in manufacturing activities for China-related businesses. Near the end of 2012, however, the Japanese economy began to show some signs of improvement, which was supported by the correction of the overvalued yen, overseas economic recovery, and other factors.

Domestic steel demand remained robust in the civil engineering and construction sectors, mainly in the case of reconstruction and disaster prevention projects, but demand in the automotive, shipbuilding, industrial machinery, and other manufacturing sectors declined. Steel exports to the ASEAN countries remained relatively strong, but the overall steel material market was sluggish, as steel mills in South Korea and China continued to supply a large volume of steel products, which weakened the supply and demand balance in the East Asian market.

In this business environment, Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. executed a business integration on October 1, 2012, and became Nippon Steel & Sumitomo Metal Corporation (NSSMC). In March 2013, NSSMC launched the Mid-Term Management Plan. This sets forth the NSSMC Group's management policy covering roughly a three-year period to enhance the Group in every aspect, ranging from scale, cost, and technology to customer service, with the aim of quickly establishing NSSMC as the Best Steelmaker with World-Leading Capabilities.

Operating Results by Business Segment for Fiscal 2012

The NSSMC Group strived earnestly as every company in each segment responded to its changing business environment. The Group reorganized its operating structure on October 1, 2012, from the previous six-segment structure comprising steelmaking and steel fabrication, engineering and construction, urban development, chemicals, new materials, and system solutions to a five-segment structure comprising all of the above excluding urban development. This was because Nippon Steel City Produce, Inc. merged with Kowa Real Estate Co., Ltd..

(Note) The amounts for fiscal 2012 results represent aggregate amounts of the first-half results of Nippon Steel Corporation and the second-half results of the newly-integrated NSSMC.

(Billions of yen)

	Net Sales		Ordinary Profit	
	Fiscal 2012	Fiscal 2011	**Fiscal 2012**	Fiscal 2011
Steelmaking and steel fabrication	3,790.4	3,476.8	41.5	98.8
Engineering and construction	303.0	248.9	18.1	12.7
Chemicals	195.7	197.6	9.7	13.5
New materials	42.2	54.2	0.9	0.6
System solutions	171.9	161.5	11.6	11.2
Total	4,503.3	4,219.7	82.1	137.0
Adjustments	(113.4)	(128.7)	(5.2)	(5.9)
Consolidated Total	4,389.9	4,090.9	76.9	143.0

Steelmaking and Steel Fabrication

In the face of a severe business environment, the steelmaking and steel fabrication segment took wide-ranging steps to strengthen its domestic business base, including investment to replace equipment in upstream steel fabrication processes, such as the repair of the No. 2 blast furnace at Kimitsu Steelworks, At the same time, the segment displayed technical advances through the concerted efforts of its manufacturing, sales, engineering, and research forces. Specific efforts included collaborating with customers in developing high-function products and proposing solutions to them. Moreover, the segment steadily continued to establish its global operating structure, which is designed to capture demand in growth markets, particularly overseas markets, and to swiftly respond to client business developments overseas. NSSMC also started up a joint venture in ASEAN and the U.S. with Australia's BlueScope Steel Limited with the aim of responding quickly to demand for coated products in the overseas building material market, mainly in Asia. The segment continued to devote its utmost efforts to improving the cost structure by adopting measures such as raising the ratio of usage of low-cost materials, improving yield, and thoroughly constraining fixed costs. With regard to steel materials prices, the segment strived to receive the understanding and cooperation of its clients. The segment also integrated or reorganized its group companies and promoted collaboration within the Group. Due to a drop in steel material prices associated with soft market conditions despite the business integration, the steelmaking and steel fabrication segment recorded net sales of ¥3,790.4 billion and ordinary profit of ¥41.5 billion.

Engineering and Construction

Nippon Steel & Sumikin Engineering Co., Ltd. continued to face a severe order environment in Japan and overseas. In the steel production plant, environmental, energy, offshore, pipeline, and construction fields, the company endeavored to secure orders, particularly for large-scale projects, and reduce costs to steadily strengthen its competitiveness while also actively seeking to increase the ratio of overseas sales and develop new products and businesses. Sales growth overseas helped the engineering and construction segment post net sales of ¥303.0 billion and ordinary profit of ¥18.1 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. recorded a decline in sales volumes for epoxy resins and circuit board materials as China's slowing economic growth and other factors led to sluggish smartphone- and computer-related demand. Demand also declined for needle coke used in graphite electrodes for electric furnaces, particularly in the second half of the fiscal year. While markets for some chemical products improved in the second half, the company continued efforts to enhance cost competitiveness in styrene monomers and other products. As a result, the chemicals segment recorded net sales of ¥195.7 billion and ordinary profit of ¥9.7 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd. received strong demand for surface-treated copper wire in its core electronic materials business field, despite the stagnant conditions in the semiconductor market,. In the basic industrial materials and components field, demand for carbon fiber products also increased against the previous year. In the environmental and energy fields, the company established new operating bases in Indonesia and India, in addition to China, to respond to growing demand for metal substrates from overseas users. Consequently, the new materials segment recorded net sales of ¥42.2 billion and ordinary profit of ¥0.9 billion.

System Solutions

NS Solutions Corporation provides comprehensive solutions in the planning, configuration, operation, and maintenance of IT systems for customers in a wide range of businesses and develops leading-edge solutions services to enhance customer capabilities amid changing business conditions. The company fortified and expanded its cloud computing services business with the start-up of the number 5 data center in May 2012. The company also progressed with the expansion of business operations in China, ASEAN countries, North America, and Europe, which is aimed at fulfilling the global development needs of its corporate customers. As a result, the system solutions segment posted net sales of ¥171.9 billion and ordinary profit of ¥11.6 billion.

Sales and Income

In fiscal 2012, NSSMC continued utmost efforts to improve costs but declining steel prices associated with the soft market conditions affected business results. The Company recorded ¥4,389.9 billion in net sales, ¥20.1 billion in operating profit and ¥76.9 billion in ordinary profit. In addition to impairment losses at Hirohata Steelworks, Sakai Steelworks, and other facilities, the Company recorded losses on the sale of shares of Sumitomo Metal Industries, Ltd. and other investment securities, resulting in an specialloss of ¥218.9 billion and a net loss of ¥124.5 billion.

Fund Procurement

The Company launched No, 69 and No. 70 issues of unsecured corporate bonds in fiscal 2012, both on July 20, 2012. Issue No. 69 was valued at ¥10.0 billion and Issue No. 70 ¥20.0 billion.

Current Issues to be Addressed

The global economy remains unstable but is gradually accumulating growth momentum. While the Chinese economic outlook is increasingly uncertain, business conditions are improving in the United States and the ASEAN economies remain strong.

Expectations are rising for improving business conditions in Japan, supported by economic policies, including monetary easing aimed at reversing deflation, and a recovery in export volume accompanied by the correction of the strong yen which began at the end of last year.

Steel demand in Japan is expected to remain robust in the civil engineering and construction industries, as general construction demand and demand related to rebuilding from the Great East Japan Earthquake have emerged. In the case of exports, improving overseas economies, the correction of the strong yen, and other factors are contributing to a recovery in steel exports, but supply pressure from South Korean and Chinese steelmakers is expected to remain strong.

Under these conditions, Nippon Steel & Sumitomo Metal Corporation (NSSMC or the Company) will continue to pay careful attention to domestic and overseas economic trends, steel supply and demand trends, and other developments. As NSSMC anticipates significant rises in raw material costs, it will continue to implement measures to maximize cost structure efficiency and revise product prices with the understanding and cooperation of its customers in addition to the improvement of proposing solutions to them

Outlook for the Year Ending March 31, 2014

As of this moment , NSSMC is unable to forecast reasonably accurate earnings estimates for fiscal 2013 results due to several factors, including the fact that the Company is still negotiating prices for primary raw materials and steel material products. However, the Company will disclose fiscal 2013 earnings forecasts when reasonable estimates become possible.

(2) Financial Position as of March 31, 2013

Assets, Liabilities, Net Assets, and Cash Flow

Consolidated total assets at the end of fiscal 2012 were ¥7,089.4 billion, representing an increase of ¥2,164.7 billion, from ¥4,924.7 billion at the end of fiscal 2011. Main factors were increases associated with the business integration, progress with the global strategy, including the establishment of a joint venture with Australia's BlueScope Steel Limited and an increase in investments in securities (¥284.7 billion) mainly due to the recovery in stock markets, These factors offset a decrease from the booking of impairment losses on business-use properties at Hirohata Steelworks and Sakai Steelworks.

Total liabilities at the end of fiscal 2012 amounted to ¥4,151.2 billion, an increase of ¥1,573.8 billion from ¥2,577.3 billion at the end of fiscal 2011. The increase was primarily due to the business integration, which raised interest-bearing debt by ¥1,208.5 billion, from ¥1,334.5 billion at the end of the fiscal 2012 to ¥2,543.0 billion

Net assets were ¥2,938.2 billion at the end of fiscal 2012, representing an increase of ¥590.9 billion, from ¥2,347.3 billion at the end of fiscal 2011. Despite the net loss of ¥124.5 billion and the dividend payment (¥1.0 per share, for total payment of ¥6.3 billion) the business integration has raised the capital surplus by ¥247.6 billion while reducing treasury stock by ¥192.0 billion owing to the allocation of treasury stock as part of the compensation associated with the business integration. Moreover, unrealized gains on available-for-sale securities were boosted by ¥97.7 billion mainly from the recovery in the stock markets, while foreign currency translation adjustments increased by ¥157.6 billion due to the correction to strong yen.

Shareholders' equity at the end of fiscal 2012 amounted to ¥2,394.0 billion, and the ratio of interest-bearing debt to shareholders' equity (the D/E ratio) was 1.06.

Cash flows provided by activities for fiscal 2012 amounted to ¥313.3 billion. The principal factors influencing operating cash flows were inflows from the loss before income taxes and minority interests of ¥136.9 billion along with in depreciation and amortization of ¥288.7 billion and an impairment loss of ¥132.8 billion, and a decline in inventories, which offset outflows from a ¥86.2 billion decline in notes and accounts payable and payment of ¥57.0 billion in income taxes.

Cash flows from investing activities amounted to an outflow of ¥327.3 billion, as outflows including expenses for capital investments (¥349.8 billion) exceeded inflows from proceeds from the sale of investments in securities (¥101.0 billion) associated with the sale of shares of Sumitomo Metal Industries, Ltd. and the reduction of overlapping resources created by the business integration.

These cash flows resulted in a free cash outflow of ¥14.0 billion in the term under review.

Cash flows from financing activities amounted to an inflow of ¥33.3 billion, as proceeds primarily from long-term loans (¥278.6 billion) exceeded repayments of long-term loans (¥165.8 billion), a net increase in commercial paper (¥68.0 billion), and other outflows.

As a result of the above movements in cash flows, the Company's cash and cash equivalents at the end of the fiscal year under review amounted to ¥90.5 billion.

Trend in Cash Flow Indicators

Fiscal year	2008	2009	2010	2011	2012
Ratio of net worth (%)	34.3	36.9	37.2	37.1	33.8
Ratio of net worth at market price (%)	34.0	46.2	33.4	29.0	30.1
Debt redemption term (years)	11.4	3.2	3.6	5.6	8.1
Interest coverage ratio (times)	6.5	22.0	20.0	14.6	12.2

Notes:

Ratio of net worth: (Net assets - Minority interests) / Total assets
Ratio of net worth at market price: Current aggregate value of shares / Total assets
Debt redemption term: Interest-bearing debt / Cash flows from operating activities
Interest coverage ratio: Cash flows from operating activities / Interest expenses

* Each indicator is calculated from the figures in the consolidated financial statements.
* The current aggregate value of shares is calculated by multiplying the common stock price at term-end by the number of shares outstanding at term-end.
* Interest-bearing debt covers all debt-bearing interest (short-term loans, commercial paper, the current portion of corporate bonds, the current portion of convertible bonds, corporate bonds, convertible bonds, long-term loans, and lease obligations).
* Cash flow figures from operating activities in the consolidated statements of cash flows are used, and interest expense figures from the consolidated statements of cash flows are used.

(3) Basic Profit Distribution Policy and Distribution of Dividends for Fiscal 2012 and Fiscal 2013

NSSMC's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (interim) and second half (year-end) of the fiscal year after taking into account consolidated operating results and such factors as capital requirements for investment and other activities aimed at raising corporate value and performance prospects while also considering the financial structure of the Company on a consolidated and a non-consolidated basis. The Company has set a consolidated payout ratio target of approximately 20% for use as an indicator for the distribution of profits.

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

NSSMC decided not to distribute payments from retained earnings at the end of the first half of fiscal 2012. While the Company is projecting a consolidated net loss for full-year fiscal 2012 due to recording an impairment loss and other factors, the Company intends to distribute a year-end dividend payment of ¥1.00 per share (consolidated payout ratio of 17.4% for the second half of fiscal 2012) after taking into account operating results (¥52.0 billion in consolidated net income) in the second half following the business integration, as well as the outlook for business conditions, and other factors. The Company plans to request approval for this at the General Meeting of Shareholders for fiscal 2012.

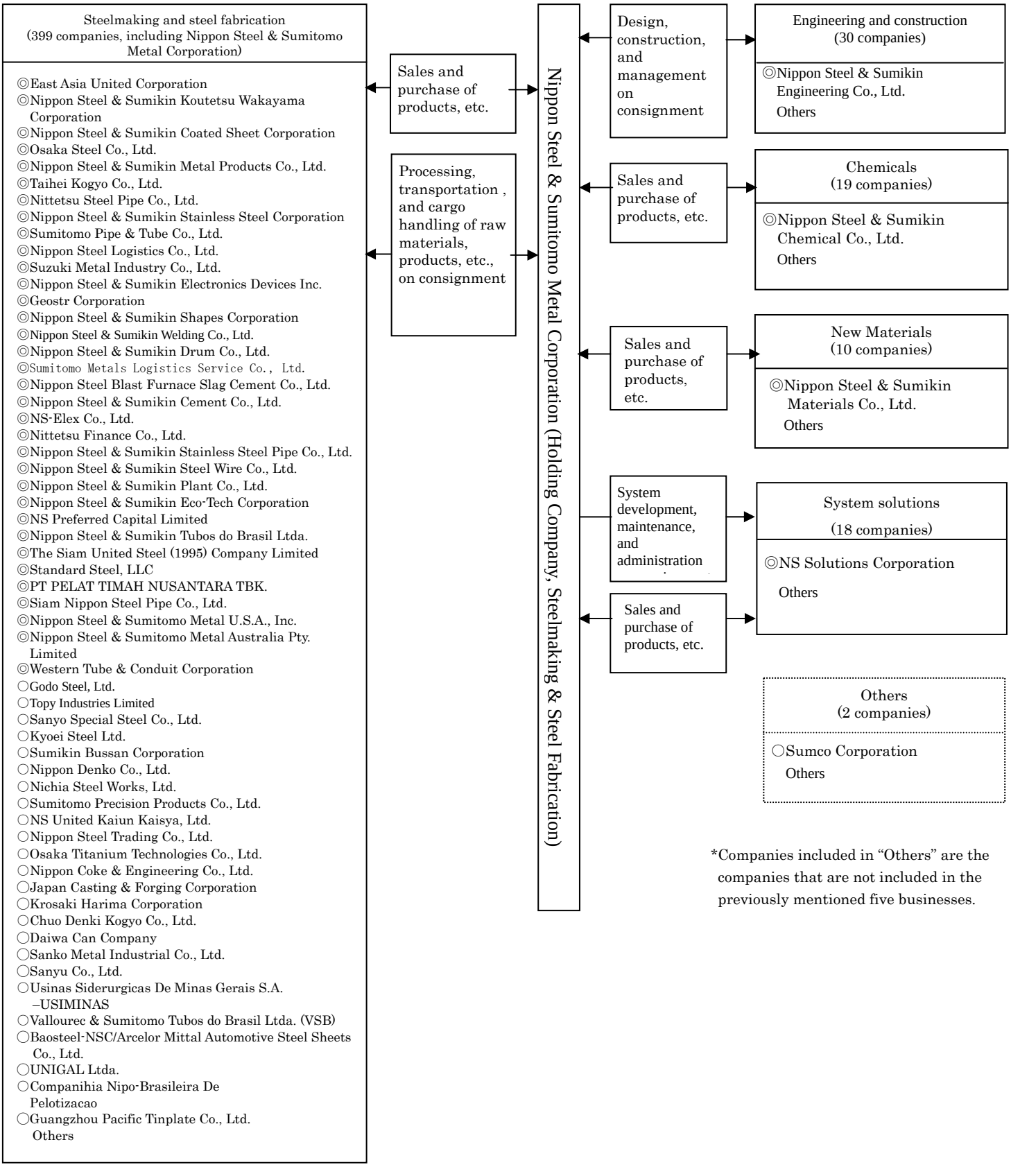
The Company has not determined a dividend distribution plan for fiscal 2013 due to the inability to establish reasonable earnings forecasts. The dividend distribution plan will be disclosed when it becomes available.

2. Corporate Group

Schematic Diagram of Business

The Nippon Steel & Sumitomo Metal Corporation Group is comprised of the parent company Nippon Steel & Sumitomo Metal Corporation, 370 consolidated subsidiaries, and 107 affiliates accounted for by the equity method. The Group's overall businesses are categorized into five industry segments: steelmaking and steel fabrication, engineering and construction, chemicals, new materials, and system solutions. The principal businesses and business relations of Nippon Steel & Sumitomo Metal Corporation and its major subsidiaries and affiliates are outlined below.

◎Major consolidated subsidiaries ○Major affiliates accounted for by the equity method



*Companies included in "Others" are the companies that are not included in the previously mentioned five businesses.

(Note) Of the subsidiaries owned by the Company at the end of this consolidated term (March 31, 2013), the companies for which their stocks are listed (or publicly traded) on any of the domestic stock exchanges are as follows:

Company name	Stock exchange(s) where listed
Osaka Steel Co., Ltd.	First Section of the Tokyo Stock Exchange; First Section of the Osaka Securities Exchange
Taihei Kogyo Co., Ltd.	First Section of the Tokyo Stock Exchange
Sumitomo Pipe & Tube Co., Ltd.	First Section of the Tokyo Stock Exchange
Suzuki Metal Industry Co., Ltd.	Second Section of the Tokyo Stock Exchange
Geostr Corporation	Second Section of the Tokyo Stock Exchange
NS Solutions Corporation	First Section of the Tokyo Stock Exchange

3. Management Policy

Mid-Term Management Plan

The following is an outline of the Mid-Term Management Plan of the NSSMC Group announced on March 13, 2013.

Outline of the Mid-Term Management Plan (based on the information announced on March 13, 2013)

NSSMC Announces Mid-Term Management Plan
Aiming to Become the "Best Steelmaker with World-Leading Capabilities"

Competition in the East Asian market, where Nippon Steel & Sumitomo Metal Corporation ("NSSMC") mainly operates, is expected to intensify. While global steel demand is forecast to grow at a modest rate, newly constructed steelworks are scheduled to begin operation in southern China and the ASEAN region in the first half of 2015, and Japan's domestic steel demand is likely to stay at a level of around 60 million tons per year.

To respond to the business environment as described above and to become at an early stage the "Best Steelmaker with World-Leading Capabilities," namely, a company with higher standards in all areas including scale, cost, technology, and customer service, the NSSMC Group has developed the Mid-Term Management Plan (the "Plan"). The Plan sets forth the NSSMC Group's management policy, beginning in fiscal 2013 and lasting for a period of approximately three years.

The Plan is aimed at **building an organization with world-leading competitive strength by 2015**, when newly emerging steel mills in East Asia are expected to go into full-scale operation, through the early realization of maximum integration synergies made available uniquely to NSSMC by the business integration of former Nippon Steel Corporation and former Sumitomo Metal Industries, Ltd. (the "Business Integration") in terms of technology and cost and on a global basis. By leveraging these synergies, NSSMC aims **to overcome intensifying competition and achieve sustained growth in profits**.

1. Steel Business: Five key initiatives

(1) Enhancing the Company's technological superiority

Through the integration of manufacturing technology, product technology, and R&D capabilities by way of the Business Integration, NSSMC will further enhance its industry-leading technologies with the world's largest team. The Company will strive to lead the world through its actions, including (i) achieving significant advances in productivity through innovation in production processes, (ii) developing high-functioning products in growing sectors, such as the automotive, resource and energy, and overseas infrastructure-related

sectors, and (iii) delivering comprehensive solutions to customers.

Moreover, NSSMC will respond to the evolving needs of customers and society through proactive efforts in research on next-generation materials as well as in research on elemental and basic technologies using advanced analysis and mathematical techniques.

(2) Building world-leading cost competitiveness to win the global competition

NSSMC will aim to realize synergies of 200 billion yen per year or more in approximately three years. Following the Business Integration in October 2012, the Company has initiated concrete measures toward that end, with positive results. NSSMC plans to implement further measures at an early stage to realize maximum effect and at the same time strive to recognize further incremental efficiencies. The Company will also continue to strive to reduce costs, with a view to building world-leading cost competitiveness to win the global competition.

Targeted synergies from the Business Integration

Main measures		Approximate annual amount of synergies
Cost reduction through consolidation of technology and R&D	● Pursuit of the best practices for operation and manufacturing technologies ● Enhancement in the quality, speed, and other aspects of R&D outcomes	60 billion yen
Establishment of an optimal production network	● Optimization of fixed costs through cessation of operation of facilities and achievement of highly-efficient low-cost operation through each stage of production, from pig iron production and steel-making to hot-rolling ● Optimal allocation of tasks among production lines and increase in volume of high-functioning products ● Coordination, etc., among steelworks	60 billion yen
Reduction in procurement costs	● Raw materials: improvement of efficiency in transportation, etc. ● Equipment and materials: centralized procurement, bidding, etc.	30 billion yen
Improvement in efficiency of the head office	● Integration and improvement in efficiency of the head office and domestic and overseas branches, and re-allocation of human resources for global business development and other related activities ● Reduction in general administrative expenses and system development costs	30 billion yen
Integration and reorganization as well as formation of alliances among Group companies	● Integration and reorganization of Group companies ● Expansion of alliances within the Group ● Strengthening of overseas production and sales bases	20 billion yen
Total		200 billion yen or more

(3) Optimizing production network through rationalization of iron-making, steelmaking and rolling facilities

With a view to drastically strengthening cost-competitiveness on a global basis by establishing an optimal production network through the efficient combination of the manufacturing capacities and advanced operational technology capabilities of the former companies, the following will be implemented:

1) Iron making and steelmaking

With due consideration for measures to be taken with respect to the rolling process, NSSMC aims to achieve the following: (i) full utilization of each steelworks through each stage of production, from pig iron production and steelmaking to hot-rolling; (ii) high productivity with lower fixed costs through maximum efforts including the pursuit of a higher pig iron ratio; and (iii) low cost operation through the use of lower-grade raw materials and other means to reduce variable costs.

(A) Kimitsu Works

(a) Shift to two-blast-furnace operation (No. 3 blast furnace to cease operation) (with a target date of the end of fiscal 2015)

(b) Streamlining of No.1 steelmaking plant

a) No. 5 continuous caster to cease operation (with a target date of the first half of fiscal 2014)

b) Shift to one-basic-oxygen-furnace operation (one basic-oxygen-furnace to cease operation) (with a target date of the first quarter of fiscal 2016)

(B) Wakayama Works

Postponement of operation of the new No. 2 blast furnace (two-blast-furnace operation with No. l and No. 5 blast furnaces to continue)

2) Rolling-related equipment (cessation of operation and shift-down)

NSSMC aims to secure its total capacity and at the same time enhance its total competitiveness in terms of cost, quality, timely delivery, and other factors by taking the following measures: (i) enhancement of the efficiency of competitive through combination of technologies of the former companies and the establishment of an optimal network of domestic production bases in each region; (ii) expansion of overseas production lines through the advancement of NSSMC’s global strategy; and (iii) cessation of operation of production lines that are relatively less competitive.

Rolling-related equipment to cease operation or shift down

Type of product	Steelworks	Facilities affected	Approximate schedule
Flat products	Kashima	No. 2 continuous pickling line No. 1 cold strip mill No. 1 continuous annealing line Batch annealing line No. 1 continuous galvanizing line No. 2 electrolytic galvanizing line	End of the 4th quarter of fiscal 2014
	Wakayama	No. 3 pickling line No. 1 cold strip mill Continuous hot-dip galvanizing line Annealing continuous line (electrical steel sheets) (Production of high-carbon steel sheets will continue.)	End of the 1st quarter of fiscal 2014
	Nagoya	No. 4 continuous hot-dip galvanizing line Electro-galvanizing line	End of the 1st quarter of fiscal 2013 End of the 4th quarter of fiscal 2014
	Kimitsu	No. 1 continuous annealing and processing line	End of the 4th quarter of fiscal 2014
Plates	Kashima	Rolling – Shift-down	2nd quarter of fiscal 2013
	Kimitsu	Rolling – Shift-down	2nd quarter of fiscal 2013
Pipes and tubes	Kimitsu	Butt welded pipe line	End of the 4th quarter of fiscal 2013

(4) Promoting the global strategy

NSSMC will pursue the best combination of domestic and overseas resources for production and supply for each product type by leveraging its cost competitiveness and product competitiveness.

1) With respect to the three strategic sectors (high-grade steel for automotives and others; resources and energy, and the infrastructure-related sector including railways, construction and civil engineering), NSSMC will focus on expanding and enhancing the supply chain, including overseas manufacturing and processing bases, and establishing a global network to supply a wide range of products, including flat products
2) NSSMC will sustain or expand its share of overseas markets by meeting demand for high-grade steel and capture growing local demand
3) NSSMC will study measures to promote the establishment of a supply base for steelmaking and hot-rolling steel products in the ASEAN region, with the aim of capturing local demand for middle-grade products and preparing preemptively against the formation of a regional economic bloc.
4) NSSMC will maintain alliances with major overseas steelmakers and seek to maximize the benefits from such alliances.
5) NSSMC will establish organizational and business management that is adequate for the globalization of its business.

(5) Strengthening Group companies in the Steelmaking Business

With a view to realizing integration synergies from the Business Integration at an early stage, forming a group of companies with a competitive edge and streamlining management resources on a consolidated basis, companies with redundant functions or companies whose competitiveness would be increased by integration will be consolidated or reorganized.

In addition, NSSMC will promote reinforcement and upgrade of the Group management by taking such measures as the optimization of various functions (i.e., rolling, processing, transportation, etc.) within the Group.

2. Policies for the non-steel business segments and maximization of combined Group strength

Each business segment will strive to improve its competitiveness and aim to achieve industry-leading profitability in its operations. Further, efforts will be made to maximize the synergies of the NSSMC Group by enhancing the world-leading products and technologies of the Steelmaking Business and the other four business segments and by strengthening R&D alliances and capability for delivering comprehensive solutions to customers.

3. Balancing financial strengths and growth investments

By building a stable revenue base and proceeding with ongoing asset divestitures (targeting approximately 300 billion yen within about three years from the second half of fiscal 2012), NSSMC plans to continue investments (capital expenditures, etc.) to promote growth strategies and at the same time improve its financial strengths. The Company will keep capital expenditures below depreciation expenses (approximately 80% of the depreciation amount), inclusive of a framework for strategic investments estimated to be approximately 100 billion yen on an annual basis.

NSSMC plans to achieve a debt-to-equity ratio of around 1.0 at an early stage and further target a level sufficient for an international “A” rating status (around 0.8).

4. Promoting organizational and business management

The Company will improve its organizational and business management through such measures as establishing an efficient business management structure where the Company will operate primarily through product-based units and enhancing coordination among steelworks, etc.

5. Continuing to be a company with integrity and reliability

(1) NSSMC will continue to practice its Corporate Philosophy* and strive to further contribute to society.

* NSSMC Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services.

(2) NSSMC will continually strive to be a company with integrity and reliability through compliance with laws, regulations, and rules as well as the implementation of appropriate risk management in the areas of safety, the environment, and disaster prevention.

6. Paths toward new growth

Through the implementation of the measures outlined above, NSSMC will aim to strengthen its competitive position and secure increased profits from overseas businesses. In so doing, the Company aims to achieve in the medium-to-long term an increase in cash flows and growth in profitability, with a targeted return on sales (ROS, ratio of ordinary profit to net sales) of approximately 5% at minimum and the further goal of establishing an organization with the capability to achieve an ROS of 10%.

4. Consolidated Finacial Statements

(1) Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2012	March 31, 2013
Current assets :		
Cash and bank deposits	53,878	**89,350**
Notes and accounts receivable	442,621	**579,562**
Marketable securities	11,912	**8,024**
Inventories	947,534	**1,156,934**
Deferred tax assets	57,715	**81,729**
Other	190,448	**196,594**
Less: Allowance for doubtful accounts	(594)	**(1,461)**
Total current assets	1,703,515	**2,110,734**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	498,057	**734,222**
Machinery and equipment	834,485	**1,163,980**
Land	326,626	**594,824**
Lease assets	7,270	**9,689**
Construction in progress	149,424	**182,782**
	1,815,866	**2,685,500**
Intangible fixed assets		
Patents and utility rights	23,932	**7,370**
Software	29,913	**40,106**
Goodwill	15,713	**48,065**
Lease assets	461	**385**
	70,020	**95,928**
Investments and others :		
Investments in securities	1,112,084	**1,825,664**
Deferred tax assets	81,053	**178,127**
Other	146,278	**197,372**
Less: Allowance for doubtful accounts	(4,109)	**(3,829)**
	1,335,307	**2,197,335**
Total fixed assets	3,221,195	**4,978,763**
Total assets	4,924,711	**7,089,498**

Millions of yen

LIABILITIES	March 31, 2012	March 31, 2013
Current liabilities :		
Notes and accounts payable	471,663	**596,230**
Short-term loans and portion of long-term loans due within one year	277,424	**494,903**
Commercial paper	-	**26,000**
Bonds due within one year	55,000	**135,100**
Current portion of lease liability	2,947	**13,561**
Accounts payable-other	321,103	**405,777**
Allowance for losses on construction contracts	3,522	**2,991**
Provision for loss on disaster	3,290	**-**
Other	201,259	**306,560**
Total current liabilities	1,336,211	**1,981,124**
Long-term liabilities :		
Bonds and notes	380,073	**504,659**
Long-term loans	615,255	**1,346,219**
Lease liability(excluding current portion)	3,811	**19,411**
Deferred tax liabilities	33,939	**38,313**
Accrued pension and severance costs	153,293	**192,635**
Allowance for retirement benefits of directors and corporate auditors	4,931	**5,403**
Reserve for repairs to blast furnaces	18,003	**10,499**
Other	31,846	**52,948**
Total long-term liabilities	1,241,155	**2,170,090**
Total liabilities	2,577,367	**4,151,215**
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	**419,524**
Capital surplus	114,546	**362,321**
Retained earnings	1,552,826	**1,430,876**
Less: Treasury stock, at cost	(262,573)	**(70,490)**
	1,824,324	**2,142,233**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	70,834	**168,611**
Deferred hedge income (loss)	(1,698)	**359**
Unrealized gains on revaluation of land	12,770	**2,592**
Foreign currency translation adjustments	(77,327)	**80,273**
	4,578	**251,836**
Minority interest in consolidated subsidiaries	518,440	**544,213**
Total net assets	2,347,343	**2,938,283**
Total liabilities and net assets	4,924,711	**7,089,498**

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Consolidated Statements of Operations — Millions of yen

	Fiscal 2011	**Fiscal 2012**
Operating revenues :		
Net sales	4,090,936	**4,389,922**
Cost of sales	3,678,639	**3,982,362**
Gross margin	412,297	**407,559**
Selling, general and administrative expenses	332,932	**387,449**
Operating profit	79,364	**20,110**
Non-operating profit and loss :		
Non-operating profit :		
Interest	3,300	**3,869**
Dividend income	12,786	**13,802**
Equity in net income of unconsolidated subsidiaries and affiliates	66,470	**52,658**
Other	38,834	**70,749**
	121,392	**141,079**
Non-operating loss :		
Interest expense	17,834	**23,539**
Other	39,916	**60,719**
	57,750	**84,258**
Ordinary profit	143,006	**76,931**
Special profit :		
Gain on sales of investment securities	15,921	-
Restructuring profit	-	**5,024**
	15,921	**5,024**
Special loss :		
Impairment loss	-	**132,818**
Loss of inactive facilities	7,407	-
Loss on sales of investments in securities	7,575	**75,307**
Loss on valuation of investments in securities	11,710	-
Loss on liquidation of business	12,180	**10,800**
	38,874	**218,926**
Income (loss) before income taxes and minority interest	120,053	**(136,970)**
Income taxes - current	50,923	**49,446**
Income taxes - deferred	1,380	**(75,045)**
	52,303	**(25,599)**
Income (loss) before minority interest	67,750	**(111,371)**
Minority interest in net income of consolidated subsidiaries	9,279	**13,196**
Net income (loss)	58,471	**(124,567)**

Consolidated Statements of Comprehensive Income — Millions of yen

	Fiscal 2011	**Fiscal 2012**
Income (loss) before minority interest	67,750	**(111,371)**
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	(33,277)	**94,610**
Deferred hedge income (loss)	1,503	**1,828**
Unrealized gains (losses) on revaluation of land	1,100	**-**
Foreign currency translation adjustments	(12,003)	**110,206**
Share of other comprehensive income of associates accounted for using equity method	(21,498)	**63,028**
Total other comprehensive income (loss)	(64,175)	**269,673**
Comprehensive income (loss)	3,574	**158,302**
attribute to		
Comprehensive income attribute to owners of the parent	(3,254)	**132,868**
Comprehensive income attribute to minority interests	6,828	**25,433**

(3) Consolidated Statements of Changes in Net Assets

Millions of yen

	Fiscal 2011	Fiscal 2012
Owners' equity:		
Common stock:		
Balance at the beginning of the period	419,524	**419,524**
Changes during current period:		
Total current changes	-	-
Balance at the end of the period	419,524	**419,524**
Capital surplus:		
Balance at the beginning of the period	114,553	**114,546**
Changes during current period:		
Disposal of treasury stock	(7)	**127**
Increase by merger	-	**247,647**
Total current changes	(7)	**247,775**
Balance at the end of the period	114,546	**362,321**
Retained earnings :		
Balance at the beginning of the period	1,522,786	**1,522,826**
Changes during current period:		
Cash dividends	(28,363)	**(6,302)**
Net income (loss)	58,471	**(124,567)**
Increase(decrease) due to the change in the number of consolidated companies	(47)	**8,875**
Increase(decrease) due to reversal of unrealized gains on revaluation of land	(20)	**45**
Total current changes	30,040	**(121,949)**
Balance at the end of the period	1,522,826	**1,430,876**
Treasury stock, at cost:		
Balance at the beginning of the period	(262,524)	**(262,573)**
Changes during current period:		
Acquisition of treasury stock	(30)	**(65,828)**
Disposal of treasury stock	51	**258,536**
Increase(decrease) due to the change in the number of consolidated companies	(70)	**(624)**
Total current changes	(49)	**192,083**
Balance at the end of the period	(262,573)	**(70,490)**
Total shareholders' equity:		
Balance at the beginning of the period	1,794,340	**1,824,324**
Changes during current period:		
Cash dividends	(28,363)	**(6,302)**
Net income (loss)	58,471	**(124,567)**
Acquisition of treasury stock	(30)	**(65,828)**
Disposal of treasury stock	44	**258,663**
Increase by merger	-	**247,647**
Increase(decrease) due to the change in the number of consolidated companies	(118)	**8,250**
Increase(decrease) due to reversal of unrealized gains on revaluation of land	(20)	**45**
Total current changes	29,983	**317,909**
Balance at the end of the period	1,824,324	**2,142,233**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities:		
Balance at the beginning of the period	104,783	**70,834**
Changes during current period:		
Net changes of items other than shareholders' equity	(33,949)	**97,777**
Total current changes	(33,949)	**97,777**
Balance at the end of the period	70,834	**168,611**

Millions of yen

	Fiscal 2011	Fiscal 2012
Deferred hedge income (loss):		
Balance at the beginning of the period	(3,099)	**(1,698)**
Changes during current period:		
Net changes of items other than shareholders' equity	1,401	**2,057**
Total current changes	1,401	**2,057**
Balance at the end of the period	(1,698)	**359**
Unrealized gains on revaluation of land:		
Balance at the beginning of the period	11,523	**12,770**
Changes during current period:		
Net changes of items other than shareholders' equity	1,247	**(10,177)**
Total current changes	1,247	**(10,177)**
Balance at the end of the period	12,770	**2,592**
Foreign currency translation adjustments:		
Balance at the beginning of the period	(46,748)	**(77,327)**
Changes during current period:		
Net changes of items other than shareholders' equity	(30,579)	**157,600**
Total current changes	(30,579)	**157,600**
Balance at the end of the period	(77,327)	**80,273**
Total accumulated other comprehensive income:		
Balance at the beginning of the period	66,459	**4,578**
Changes during current period:		
Net changes of items other than shareholders' equity	(61,880)	**247,257**
Total current changes	(61,880)	**247,257**
Balance at the end of the period	4,578	**251,836**
Minority interest in consolidated subsidiaries:		
Balance at the beginning of the period	520,126	**518,440**
Changes during current period:		
Net changes of items other than shareholders' equity	(1,685)	**25,772**
Total current changes	(1,685)	**25,772**
Balance at the end of the period	518,440	**544,213**
Total net assets:		
Balance at the beginning of the period	2,380,925	**2,347,343**
Changes during current period:		
Cash dividends	(28,363)	**(6,302)**
Net income (loss)	58,471	**(124,567)**
Acquisition of treasury stock	(30)	**(65,828)**
Disposal of treasury stock	44	**258,663**
Increase by merger	-	**247,647**
Increase(decrease) due to the change in the number of consolidated companies	(118)	**8,250**
Increase(decrease) due to reversal of unrealized gains on revaluation of land	(20)	**45**
Net changes of items other than shareholders' equity	(63,565)	**273,030**
Total current changes	(33,581)	**590,939**
Balance at the end of the period	2,347,343	**2,938,283**

(4) Consolidated Statements of Cash-Flows

Millions of yen

	Fiscal 2011	**Fiscal 2012**
Cash flows from operating activities :		
Income (loss) before income taxes and minority interests	120,053	**(136,970)**
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation and amortization	280,940	**288,770**
Impairment loss	-	**132,818**
Interest and dividend income (accrual basis)	(16,087)	**(17,671)**
Interest expense (accrual basis)	17,834	**23,539**
Exchange loss(gain) on foreign currency transactions	2,413	**(11,780)**
Amortization of goodwill	3,491	**6,054**
Equity in net (income) loss of unconsolidated subsidiaries and affiliates	(66,470)	**(52,658)**
Loss (gain) on sales of investments in securities	(8,346)	**75,307**
Loss on valuation of investments in securities	11,710	**-**
Loss on disposal of tangible and intangible fixed assets	9,328	**4,437**
Gain on sales of tangible and intangible fixed assets	(7,429)	**(7,576)**
Changes in allowance for doubtful accounts	(1,745)	**(366)**
Changes in notes and accounts receivable	21,222	**(32,630)**
Changes in inventories	(48,663)	**157,786**
Changes in notes and accounts payable	(6,713)	**(86,297)**
Other	(32,187)	**26,972**
Interest and dividend income (cash basis)	20,660	**26,347**
Interest expense (cash basis)	(16,321)	**(25,727)**
Income taxes (cash basis)	(46,276)	**(57,038)**
Net cash provided by operating activities	237,414	**313,317**
Cash flows from investing activities :		
Acquisition of investments in securities	(33,421)	**(80,728)**
Proceeds from sales of investments in securities	51,646	**101,005**
Acquisition of tangible and intangible fixed assets	(257,999)	**(349,817)**
Proceeds from sales of tangible and intangible fixed assets	15,853	**13,206**
Other	(2,175)	**(11,001)**
Net cash used in investing activities	(226,096)	**(327,336)**
Cash flows from financing activities :		
Net increase (decrease) in short-term loans	(31,267)	**(16,286)**
Net increase (decrease) in commercial paper	(32,000)	**(68,000)**
Proceeds from long-term loans	155,233	**278,698**
Payments of long-term loans	(143,162)	**(165,864)**
Proceeds from issuance of bonds and notes	55,000	**30,000**
Redemption of bonds and notes	(5,000)	**(65,000)**
Payments for purchase of treasury stock	(15)	**(563)**
Cash dividends	(28,363)	**(6,302)**
Other	(2,209)	**46,651**
Net cash provided by (used in) financing activities	(31,785)	**33,332**
Effect of exchange rate changes on cash and cash equivalents	(2,444)	**22,229**
Net increase (decrease) in cash and cash equivalents	(22,911)	**41,542**
Cash and cash equivalents at beginning of the year	76,256	**55,747**
Increase (decrease) from the change in the number of companies consolidated	2,402	**(19,735)**
Increase in cash and cash equivalents resulting from merger	-	**12,975**
Cash and cash equivalents at end of year	55,747	**90,530**

(5) Notes to the Presumption of Going Concerns

None

(6) Basic Material Items for the Preparation of the Consolidated Financial Statements

①Scope of Consolidation

The Nippon Steel & Sumitomo Metal Group includes 370 consolidated subsidiaries. Major consolidated subsidiaries are presented in the section "2. Corporate Group."

In the consolidated fiscal year under review, the scope of consolidation was expanded by 103 companies—85 merged companies and 18 newly established or other companies. 19 companies—14 merged companies and 5 liquidations, etc.— were eliminated from the scope of consolidation in the fiscal year under review.

As part of the above, the business integration with Sumitomo Metal Industries, Ltd., on October 1, 2012, added 85 consolidated subsidiaries (all as a consequence of the merger).

Among these, NIPPON STEEL AND SUMIKIN TUBOS DO BRASIL LTDA., formerly subsidiary of Sumitomo Metal Industries, Ltd. (SMI), became a subsidiary of Nippon Steel & Sumitomo Metal Corporation (NSSMC) upon the business integration of Nippon Steel Corporation and SMI. The company has been designated a specified subsidiary of NSSMC's capital participation exceeding 10 %.

The number of consolidated subsidiaries decreased by 6 following the business integration of Nippon Steel City Produce, Inc., and Kowa Real Estate Co., Ltd., on October 1, 2012 (a portion of a consequence of the merger).

②Application of the Equity Method

The Company applies equity-method accounting to 107 affiliated companies. Major equity-method affiliated companies are presented in the section "2. Corporate Group."

In the consolidated fiscal year under review, 39 companies were newly added to the scope of equity-method affiliates and 8 companies were eliminated from the scope of equity-method affiliates.

As part of the above, the business integration with Sumitomo Metal Industries, Ltd., on October 1, 2012, added 28 equity-method affiliated companies. The number of equity-method affiliates decreased by 2 following the business integration of Nippon Steel City Produce, Inc., and Kowa Real Estate Co., Ltd., on October 1, 2012.

(7) Changes in accounting policies

(Changes in accounting principles that are difficult to classify from the changes in accounting estimates)

Beginning in the fiscal 2012, accompanying revisions in the corporate tax law, the Company and its domestic consolidated subsidiaries have changed their method of depreciation for tangible fixed assets acquired on or after April 1, 2012, based on the corporate tax law after revisions.

Compared with the previous accounting method, the effect of these changes on the consolidated results for the fiscal 2012 was to increase operating profit by ¥7,884 million and ordinary profit by ¥8,497 million.

(8) Notes to the Consolidated Financial Statements

①Segment Information

1) Summary of reporting segment

Nippon Steel & Sumitomo Metal Corporation is a company engaged in the steelmaking and steel fabrication businesses, and acts as the holding company for its business segment companies, which are engaged in the engineering and construction, chemicals, new materials, and system solutions businesses. Each business segment company shares the management strategy of the Nippon Steel & Sumitomo Metal Corporation Group, while conducting its business activities independently from and in parallel with other Group members. These five business segments are reporting segments.

Previous reporting has utilized reporting segments for Steelmaking and steel fabrication, Engineering and construction, Urban development, Chemicals, New materials, and System solutions. Following the business integration of Nippon Steel City Produce, Inc., and Kowa Real Estate Co., Ltd. on October 1, 2012, the results for the Urban development segment have been excluded from the reporting segments and are presented within the adjustment amount. Segment information for consolidated cumulative data for the previous fiscal year is also presented using the revised method of segmentation.

Reporting segment	Principal businesses
Steelmaking and steel fabrication	Manufacturing and marketing of steel products
Engineering and construction	Manufacturing and marketing of industrial machinery and equipment as well as steel structures, performance of construction work under contract, waste processing and recycling, and supplying electricity, gas, and heat
Chemicals	Manufacturing and marketing of coal-based chemical products, petrochemicals, and electronic materials
New materials	Manufacturing and marketing of materials for semiconductors and electronic parts, carbon fiber and composite products, and products that apply technologies for metal processing and joining
System solutions	Computer systems engineering and consulting services

2) Method for calculating the sales, income (loss), assets, liabilities, and other items for reporting segments

The accounting methods for the reporting business segments are generally those set forth in “Material Items Which Form the Basis for Preparation of the Consolidated Financial Statements.” Figures for income of reporting segments are on an Ordinary Profit basis, and liabilities are the balance of interest-bearing liabilities. Please note that inter-segment sales are based on prices employed in transactions with third parties.

3) Information on the amounts of sales, income (loss), assets, liabilities, and other items for reporting segments

Fiscal 2011 (April 1, 2011—March 31, 2012)

(Millions of yen)

	Reporting segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales								
Sales to external customers	3,431,456	210,259	190,929	54,245	128,132	4,015,022	75,914	4,090,936
Inter-segment sales or transfers	45,399	38,674	6,740	－	33,450	124,265	(124,265)	－
Total	3,476,855	248,934	197,669	54,245	161,582	4,139,287	(48,350)	4,090,936
Segment income (loss) <Ordinary Profit>	98,846	12,775	13,598	607	11,215	137,043	5,962	143,006
Segment assets	4,383,511	212,958	146,129	34,434	140,293	4,917,326	7,384	4,924,711
Segment liabilities <Interest-bearing debt>	1,258,758	1,020	9,217	15,094	1,137	1,285,228	49,284	1,334,512
Other items								
Depreciation and amortization	264,083	3,840	7,366	3,382	2,459	281,131	(190)	280,940
Amortization of goodwill	3,143	128	－	－	166	3,438	53	3,491
Interest income	3,190	117	15	5	226	3,555	(254)	3,300
Interest expenses	16,638	15	96	104	51	16,905	928	17,834
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	63,992	252	1,680	－	(4)	65,921	549	66,470
Balance of investments in equity method companies	474,919	721	13,026	－	18	488,685	974	489,660
Increase (decrease) in tangible/intangible fixed assets (net investment)	262,318	6,644	5,693	3,703	6,316	284,676	(2,928)	281,748

Information of net sales by geographical area

(Millions of yen)

Japan	Overseas			Total
		Asia	Other	
2,749,228	1,341,708	944,552	397,155	4,090,936

Note: Sales information is based on the geographical location of customers, and it is classified by region.

Fiscal 2012 (April 1, 2012—March 31, 2013)

(Millions of yen)

	Reporting segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales								
Sales to external customers	3,745,491	248,215	188,442	42,211	134,388	4,358,749	31,173	4,389,922
Inter-segment sales or transfers	44,959	54,787	7,277	−	37,592	144,615	(144,615)	−
Total	3,790,450	303,002	195,719	42,211	171,980	4,503,364	(113,442)	4,389,922
Segment income (loss) <Ordinary Profit>	41,522	18,189	9,778	984	11,673	82,148	(5,217)	76,931
Segment assets	6,557,868	253,789	157,308	31,447	145,081	7,145,495	(55,996)	7,089,498
Segment liabilities <Interest-bearing debt>	2,526,725	3,472	7,043	16,771	681	2,554,693	(14,838)	2,539,855
Other items								
Depreciation and amortization	277,622	3,303	6,674	2,366	3,239	293,207	(4,436)	288,770
Amortization of goodwill	5,892	(3)	−	−	165	6,054	−	6,054
Interest income	3,740	143	9	0	241	4,136	(267)	3,869
Interest expenses	23,101	47	38	95	25	23,309	229	23,539
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	52,576	540	601	−	(2)	53,716	(1,058)	52,658
Balance of investments in equity method companies	977,973	1,874	15,788	−	15	995,651	85,043	1,080,694
Increase (decrease) in tangible/intangible fixed assets (net investment)	359,287	2,920	9,390	1,929	5,151	378,678	(22,805)	355,873

Information of net sales by geographical area

(Millions of yen)

Japan	Overseas			Total
		Asia	Other	
2,796,951	1,592,971	1,108,468	484,502	4,389,922

Note: Sales information is based on the geographical location of customers, and it is classified by region.

② Per Share Information

(Yen)

	Fiscal 2011 (April 1, 2011－March 31, 2012)	**Fiscal 2012 (April 1, 2012－March 31, 2013)**
Net assets per share	290.78	**263.82**
Net income (loss) per share	9.30	**(16.23)**
Net income per share after full dilution	―	**―**

Regarding diluted net income per share for the year ended March 31, 2012, although there were some latent shares, no figures for diluted net income per share have been disclosed due to lack of dilution effect. At the end of fiscal 2012, no latent shares existed.

Notes: Basis for calculations

1. Net income (loss) per share and net income per share after full dilution

(Yen)

	Fiscal 2011 (April 1, 2011－March 31, 2012)	**Fiscal 2012 (April 1, 2012－March 31, 2013)**
Net income (loss) per share		
Net income (loss)	58,471 Million	**(124,567) Million**
Value not attributed to common shares	― Million	**― Million**
Net income (loss) attributed to common shares	58,471 Million	**(124,567) Million**
Average number of outstanding common shares during the period	6,289,696,659 Shares	**7,675,024,126 Shares**
Net income per share after full dilution		
Summary of latent shares not included in the computation of net income per share after full dilution, since these securities are not dilutive	Euroyen preferred securities with exchange rights and maturity dates in 2012 (Total face value of ¥300,000 million)	―

2. Net assets per share

(Yen)

	End of fiscal 2011 (March 31, 2012)	**End of fiscal 2012 (March 31, 2013)**
Total net assets	2,347,343 Million	**2,938,283 Million**
Amounts deducted from total net assets	518,440 Million	**544,213 Million**
Portion of minority interest	518,440 Million	**544,213 Million**
Net assets at fiscal year-end applicable to common shares	1,828,902 Million	**2,394,069 Million**
Number of common shares at fiscal year-end used in calculating net assets per share	6,289,655,398 Shares	**9,074,649,351 Shares**

③ Information Concerning the Corporate Integration

1. Business Integration between Nippon Steel Corporation and Sumitomo Metal Industries, Ltd.

Nippon Steel Corporation resolved at the Board of Director's meeting on September 22, 2011, to enter into a Master Integration Agreement for the business integration (the "Merger") with Sumitomo Metal Industries, Ltd. (SMI), upon which Nippon Steel would become the surviving corporation and SMI would be dissolved as of the integration date of October 1, 2012 (the "Integration Date"). The agreement was executed on the same day.

Subsequently, Nippon Steel and SMI executed a share exchange (the "Share Exchange") on the Integration Date pursuant to which Nippon Steel became the wholly owning parent company of SMI and SMI became the wholly owned subsidiary of Nippon Steel.

Upon resolution at the Board of Director's meeting held on April 27, 2012, concerning the final agreement that includes a partial amendment to the content of the Master Integration Agreement for execution of the Merger without provision of shares, cash, or other consideration, a share exchange was effected pursuant to the Share Exchange Agreement, and the Merger was executed pursuant to the Master Integration Agreement.

Upon approval and passage of the Share Exchange Agreement and the Merger Agreement (collectively, the "Business Integration") at the respective general meetings of shareholders of Nippon Steel and SMI held on June 26, 2012, the Business Integration was authorized with an enforcement date of October 1, 2012.

i) Outline of the Corporate Integration

(a) Name and Business of the acquired company

Acquired company name	Sumitomo Metal Industries, Ltd.
Business of the acquired company	Steelmaking and steel fabrication

(b) Objectives of the Corporate Integration

Through the Business Integration, the Companies will make a thorough effort to seek the "combination of their respective advanced management resources that each has built up and the consolidation of the superior areas of their respective businesses". In addition, the Companies will accelerate the implementation of business structure reform by such means as "pursuing greater efficiency in domestic production bases and expanding overseas businesses". Through realization of these objectives at an early stage, the Companies aim to be "the Best Steelmaker with World-Leading Capabilities," a company with higher standards in all areas including scale, cost, technology and customer service.

Through maximization of the potential of steel as a fundamental industrial material by utilizing world-leading technology and manufacturing know-how, the Integrated Company will support the

development of customers in and outside Japan, as well as contribute to further growth of the Japanese and global economies and the improvement of global society.

(c) Date of the Corporate Integration

October 1, 2012

(d) Legal Method of the Corporate Integration

The Business Integration had conducted using the following two-step legal procedure, consisting of a share exchange followed by an absorption-type merger on the same day.

Step 1: Share Exchange

On the Integration Date, the Companies had effected a share exchange pursuant to which Nippon Steel & Sumitomo Metal Corporation had acquired all of the issued shares of Sumitomo Metals and had delivered shares of Nippon Steel & Sumitomo Metal Corporation to each of the shareholders of Sumitomo Metals (excluding Nippon Steel & Sumitomo Metal Corporation). Nippon Steel & Sumitomo Metal Corporation had thereupon become a wholly-owning parent company of Sumitomo Metals.

Step 2: Absorption-type Merger

On the Integration Date, the Companies had effected an absorption-type merger pursuant to which Nippon Steel & Sumitomo Metal Corporation had been the company surviving the absorption-type merger and Sumitomo Metals had been the company absorbed in the absorption-type merger subject to the effectuation of the Share Exchange.

(e) Integrated Company Name

Nippon Steel & Sumitomo Metal Corporation

(f) Acquired Ration of voting

100%

(g) Primary reasons for the decision to acquire the company

Nippon Steel's decision to acquire the company was based on factors that include the fact that the corporate integration would be executed utilizing shares as the consideration and Nippon Steel retains shares of the company and the fact that shareholders of Nippon Steel before the integration would retain the greatest percentage of shares of the post-integration company.

ii) Period of the Business Results of the Acquired Company included in the Consolidated Statements of Operations to be concerned with the period

October 1, 2012 ― March 31, 2013

iii) The Historical Cost of the Acquired Company and the Breakdown

Value of the acquisition (the current price of the common stock which Nippon Steel & Sumitomo Metal Corporation delivered on the date of business combination)	¥ 505,654 million
Expense needed for the acquisition directly (expense for advisory, etc)	¥ 1,972 million
The historical cost	¥ 507,627 million

iv) Exchange Ratio by type of share, Calculation Method and Number of Shares Exchanged

(a) Type of shares to be exchanged (the share exchange ratio for a share of common stock of Nippon Steel to be allotted for each share of common stock of SMI)

A 0.735 share of common stock of Nippon Steel was delivered for each share of common stock of SMI.

(b) Share Exchange Ratio Calculation Method

Basis for calculation

Nippon Steel and SMI, in order to ensure fair and appropriate calculation of the integration ratio (the merger ratio is as of the conclusion of the Master Integration Agreement contract on September 22, 2011; the stock exchange ratio is as of the conclusion of the Share Exchange Agreement on April 27, 2012), each requested their respective financial advisors to conduct independent financial analysis of the integration ratio.

Nippon Steel engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“Mitsubishi UFJ Morgan Stanley”), Merrill Lynch Japan Securities Co., Ltd. (“Merrill Lynch Japan Securities”), Mizuho Securities Co., Ltd. (“Mizuho Securities”), and JP Morgan Securities Japan Co., Ltd. (“JP Morgan”).

SMI engaged SMBC Nikko Securities Inc. (“SMBC Nikko Securities”), Goldman Sachs Securities Co., Ltd. (“Goldman Sachs”), Deutsche Securities Inc. (“Deutsche Securities”) and Daiwa Securities Capital Markets Co., Ltd. (“Daiwa Securities Capital Markets”), which merged with Daiwa Securities Co., Ltd., on April 1, 2012).

Calculation details

Nippon Steel in consideration of the findings of the financial analysis of the integration ratio provided by Mitsubishi UFJ Morgan Stanley, Merrill Lynch Japan Securities, Mizuho Securities, and JPMorgan, and SMI in consideration of the findings of the financial analysis of the integration ratio provided by SMBC Nikko Securities, Goldman Sachs, Deutsche Securities, and Daiwa Securities Capital Markets,

following meticulous negotiation and consultation in overall consideration of each company's financial status, asset status, outlook for future business and performance, and other factors, on September 22, 2011, determined that it shall be appropriate to utilize the share exchange ratio presented in section ⅳ) (a) above as the effective integration ratio and concluded the Master Integration Agreement.

Although the Companies decided to change the method of the Business Integration from the One-Step Merger planned when the companies concluded the Master Integration Agreement on September 22, 2011, to a two-step procedure whereby the Share Exchange will be followed by an absorption-type merger on the same day, it was determined that the two-step procedure would not change the relative share value of Nippon Steel or SMI shares, and, therefore, the change in business integration procedure would not affect the exchange ratio of Nippon Steel shares to be distributed in exchange for each share of SMI.

Each of the Companies, in taking into consideration the respective parties' status after September 22, 2011, as well as advice from their respective financial advisors, which was based on publicly available information and other information that was provided by the parties to their respective financial advisors, has confirmed that no event has occurred since September 22, 2011, that would require the parties to reconsider the agreed allocation ratio of Nippon Steel shares to be distributed in exchange for each share of SMI.

Based on the above, Nippon Steel and SMI agreed and resolved to execute the Share Exchange at the integration (merger) ratio agreed upon in the Master Integration Agreement entered into on September 22, 2011, and concluded the Share Exchange Agreement on April 27, 2012.

(c) The number of shares which Nippon Steel & Sumitomo Metal Corporation delivered
3,200,346,200 shares

v) Goodwill Amount, Reason for payment, Manner and period of amortization

(a) The goodwill amount is ¥34,080 million.

(b) The reason for payment is the cost of acquisition exceeded the current market value at the time of the corporate integration.

(c) The amortization method and period will be the straight-line method over a period of 10 years.

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2. Business Integration between Nippon Steel City Produce, Inc. and Kowa Real Estate Co., Ltd.

Nippon Steel City Produce, Inc. ("Nippon Steel City Produce"), resolved at the Board of Director's meeting on March 26, 2012, to enter into a Master Integration Agreement for the business integration (the "Merger") with Kowa Real Estate Co., Ltd. ("Kowa"), upon which Kowa would become the surviving

company and Nippon Steel City Produce would be dissolved as of the integration date of October 1, 2012. The agreement was executed on the same day.

Nippon Steel City Produce and Kowa subsequently concluded a merger agreement on June 11, 2012. Upon approval and passage of the merger agreement at the respective general meetings of shareholders of Nippon Steel City Produce held on June 26, 2012, and Kowa held on July 20, 2012, the Merger was authorized with an enforcement date of October 1, 2012, on which day Kowa revised its corporate name to Nippon Steel Kowa Real Estate Co., Ltd.

i) Outline of the Corporate Integration that a Subsidiary Carried out

(a) Name of the integration companies and the business

Integrated company	Kowa Real Estate Co., Ltd.
Description of business	Owing, leasing and managing real estate. Developing, buying and selling of real estate as well as real estate brokering and consulting services. Planning and investing in real estate securitized products.
Non-integrated company	Nippon Steel City Produce, Inc.
Description of business	Development and sales of lots, as well as leasing and managing real estate. Consulting on the effective utilization of real estate.

(b) Objectives of the Corporate Integration

Through this corporate integration, Nippon Steel City Produce and Kowa Real Estate will bring together their excellent business resources and expertise cultivated up to this point and organically integrate their respective specialty areas so that the companies can maintain a balanced business portfolio with an emphasis on developing and leasing office and condominium buildings as well as becoming an integrated developer that can provide multidimensional real estate services. As a result of this integration, the companies will enhance profitability, financial stability and brand value. In addition, they will exert a strong presence in the real estate industry and pursue the realization of sustainable growth.

(c) Date of the Corporate Integration

October 1, 2012

(d) Outline of the Corporate Integration including the legal method

The companies had integrated through a merger. (Kowa Real Estate is the surviving company, and Nippon Steel City Produce is dissolved.)

ii) Outline of the Accounting Treatment

The accounting method for this report is based on the Accounting Standard for Business Divestitures (ASBJ Statement No.7) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10).

iii) Name of the Division where the Combination Company was included in Disclosure of the Segment Information

Urban development segment

iv) Approximation of the Profit and Loss of the Combination Company reported on the Consolidated Statements of Operations to be concerned with the period

Net sales	¥ 33,935 million
Ordinary profit	¥ 4,209 million

Net sales comprise urban development business net sales of ¥33,935 million in the first half of the consolidated fiscal year.

Ordinary profit comprises urban development business ordinary profit of ¥2,376 million in the first half of the consolidated fiscal year and an equity-method investment return associated with Nippon Steel Kowa Real Estate Co., Ltd., of ¥1,833 million in the second half of the consolidated fiscal year.

④ Major Subsequent Events

None