Flash Report
Consolidated Basis
Results for the First Half of Fiscal 2014
(April 1, 2014—September 30, 2014)

October 30, 2014

Company name:	Nippon Steel & Sumitomo Metal Corporation
Stock listing:	Tokyo, Nagoya, Sapporo, Fukuoka stock exchanges
Code number:	5401
URL:	http://www.nssmc.com/en/index.html
Representative:	Kosei Shindo, Representative Director and President
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Scheduled date to submit Securities Report:	November 7, 2014
Scheduled date to pay dividends:	December 1, 2014
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 the First Half of Fiscal 2014 (April 1, 2014—September 30, 2014)

(1) Consolidated Operating Results (Accumulated)

(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	%
First half of Fiscal 2014	**2,778,474**	**3.9**	**135,525**	**(2.7)**	**176,321**	**1.5**	**112,247**	**(2.9)**
First half of Fiscal 2013	2,674,582	39.4	139,299	—	173,686	788.6	115,577	—

(For reference) Comprehensive income: First half of Fiscal 2014 ¥ 194,908 million (50.4%)
First half of Fiscal 2013 ¥ 129,608 million (—%)

	Net income per share	Net income per share after full dilution
	Yen	Yen
First half of Fiscal 2014	**12.30**	**—**
First half of Fiscal 2013	12.73	—

(2) Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets
	Millions of yen	Millions of yen	%
First half of Fiscal 2014	**7,089,294**	**3,373,794**	**39.7**
Fiscal 2013	7,082,288	3,237,995	37.9

(For reference) Shareholders' equity: First half of Fiscal 2014 ¥ 2,816,938 million
Fiscal 2013 ¥ 2,683,659 million

2. Dividends

	Dividends per share				
Base date	End of the first quarter	End of the first half	End of the third quarter	End of the second half	Full-year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2013	—	2.00	—	3.00	5.00
Fiscal 2014	—	2.00			
Fiscal 2014 (Forecasts)			—	—	—

Note: Whether the divided forecasts under review have been revised: None
Note: The Company plans to determine and announce the forecast of the year-end dividend distribution amount at the third-quarter result briefing.

3. Consolidated Financial Forecasts for Fiscal 2014(April 1, 2014—March 31, 2015)

The Company's consolidated financial results forecasts for fiscal 2014 are net sales of ¥5,650 billion, ordinary profit of ¥400 billion, and net income of ¥250 billion (¥27.40 net income per share).

For further details, please refer to page 4, "1. Qualitative Information for the First Half of Fiscal 2014 (2) Explanation of Information on Future Estimates, Including Consolidated Earnings Forecasts."

Note: Whether the consolidated financial forecasts for fiscal 2014 under review have been revised: Yes

***** Notes

(1) Changes in the state of material subsidiaries during the period: None

(2) Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: Yes
Note: For further details, please refer to page 5, "2. Matters Concerning Summary Information (Notes to Financial Statements) (2) Adoption of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements."

(3) 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: None
(d) Retrospective restatements: None
Note: For further details, please refer to page 5, "2. Matters Concerning Summary Information (Notes to Financial Statements) (3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements."

(4) Number of shares issued (common shares)

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

First half of Fiscal 2014	9,503,214,022 shares
Fiscal 2013	9,503,214,022 shares

(b) Number of treasury stock at the end of the period

First half of Fiscal 2014	378,852,875 shares
Fiscal 2013	378,513,168 shares

(c) Average number of shares issued during the term

First half of Fiscal 2014	9,124,597,665 shares
First half of Fiscal 2013	9,081,728,608 shares

* Status of Performance of Quarterly Review Procedures

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

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

(Explanation of the appropriate use of performance forecasts)

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. Qualitative Information for the First Half of Fiscal 2014

(1) Explanation of Operating Results

Global and Domestic Economic Conditions in the First Half of Fiscal 2014

The global economy maintained moderate growth, as solid corporate profits supported improving business conditions in the United States, but the pace of growth continued to decelerate in China and other emerging countries.

In Japan, while private consumption remained weak due to the consumption tax hike and other factors, the economy continued on a moderate recovery, supported by factors such as a pickup capital investment on rising corporate profits and the front-loading of public investment orders.

Operating Results by Business Segment in the First Half of Fiscal 2014

The Nippon Steel & Sumitomo Metal Corporation Group's business segments strived to cope with the changing business environment and to improve their sales and earnings. An overview of operating results by business segment is shown below.

(Billions of Yen)

	Net Sales		Ordinary Profit	
	1H FY2014	1H FY2013	**1H FY2014**	1H FY2013
Steelmaking and steel fabrication	**2,466.2**	2,383.6	**159.1**	158.2
Engineering and construction	**155.3**	134.3	**4.8**	3.6
Chemicals	**112.2**	115.0	**4.3**	7.0
New materials	**18.2**	19.2	**1.1**	0.6
System solutions	**94.8**	81.4	**7.2**	4.8
Total	**2,846.9**	2,733.6	**176.8**	174.3
Adjustments	**(68.4)**	(59.0)	**(0.5)**	(0.7)
Consolidated Total	**2,778.4**	2,674.5	**176.3**	173.6

*1 The first half (1H) is a six-month period from April 1 to September 30.

Steelmaking and Steel Fabrication

Thanks to full-fledged reconstruction demand, recovering capital investment, and other trends, steel demand in Japan was generally firm despite a dip in demand from the civil engineering and construction sectors, partly due to seasonal fluctuations in public works demand, and the impact of the consumption tax hike in some manufacturing industry segments. Steel exports were generally solid on the back of a gradual recovery in the global economy, but international steel market conditions continued to require caution because of such factors as the continued high level of production output at Chinese steelmakers.

Under such conditions, the Company continued implementing measures to improve earnings, and the steelmaking and steel fabrication segment recorded net sales of ¥2,466.2 billion and ordinary profit of ¥159.1billion.

Since January 2014, The Company's Nagoya Works has had four power failures and one fire accident. We sincerely regret any inconvenience and anxiety caused to shareholders and all those concerned. We established an Accident Response Committee, which includes several outside experts at its members, under the Crisis Management Headquarters,

headed by the Company President as director. The entire company is making utmost concerted efforts to investigate the causes of each of the accidents, explore measures to prevent their recurrence, and implement them.

Engineering and Construction

Nippon Steel & Sumikin Engineering Co., Ltd. is implementing aggressive overseas strategic initiatives, including full-scale operation at facilities in Southeast Asia and other countries, which were established in the last few years, and the generation of synergies with the leading European waste disposal design and construction company, which the company acquired in May 2014. At the same time, it is enhancing the competitiveness of its existing businesses.
The engineering and construction segment posted net sales of ¥155.3 billion and ordinary profit of ¥4.8 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. continued recording relatively firm sales in the functional materials business for circuit board materials, display materials, and organic EL materials, reflecting the growing demand for smartphones and other factors. However, profits in the chemicals business declined from the previous year due to ongoing sluggish demand and stagnant market conditions for needle coke and epoxy resins combined with deteriorating conditions in the styrene monomer market.
The chemicals segment recorded net sales of ¥112.2 billion and ordinary profit of ¥4.3 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd. benefited from robust demand in the electronic materials field for products that include surface-treated copper wire, a material alternative to gold bonding wire. Demand increased in the basic industrial materials and components field for social infrastructure maintenance and reinforcement materials, and demand from developing countries was also stronger for metal carriers in the environmental and energy field.
The new materials segment posted net sales of ¥18.2 billion and ordinary profit of ¥1.1 billion.

System Solutions

NS Solutions Corporation advanced measures aimed at strengthening sales and marketing and improving profitability while continuing to reinforce and expand its cloud computing and other service businesses. A subsidiary was established in Indonesia in August 2014 with the aim of further expanding its business operations in Asia.
The system solutions segment recorded net sales of ¥94.8 billion and ordinary profit of ¥7.2 billion.

Sales and Profit for the First Half of Fiscal 2014

Nippon Steel & Sumitomo Metal Corporation (NSSMC or the Company) posted first-half consolidated net sales of ¥2,778.4 billion, operating profit of ¥135.5 billion, ordinary profit of ¥176.3 billion, and net income of ¥112.2 billion.

(2) Explanation of Information on Future Estimates, Including Consolidated Earnings Forecasts

Consolidated Earnings Forecasts

Regarding global economic conditions, the U.S. economy is expected to remain robust but growth in China and other emerging countries is likely to keep slowing down. The Japanese economy is expected to remain generally firm and on a moderate recovery track, despite some negative effects from the consumption tax hike.

Domestic steel demand may dip due to the consumption tax hike but is projected to remain generally firm supported by stable public investment and growing capital expenditure. With regard to exports, the world steel demand should also remain basically solid on the back of the firm U.S. economy. However, the ongoing high production output of Chinese steelmakers remains a concern in the international market, and the outlook is likely to remain unpredictable in areas including steel material supply and demand and market conditions in Asia.

In such an environment, the Company will continue applying the utmost management efforts to implement various measures and accomplish the goals of the Mid-Term Management Plan while asking users to cooperate in ensuring appropriate product pricing levels.

The Company intends to steadily respond to strong demand trends, particularly in Japan, and seek to improve cost effectiveness while overcoming the impact of the coke oven fire accident at the Nagoya Works and other adversities. The previously announced target of ¥400 billion in consolidated ordinary profit for fiscal 2014 remains unchanged.

Basic Profit Distribution Policy and the First-Half Dividend Distribution

NSSMC's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half and the second half of the fiscal year. The Company does so in consideration of consolidated operating results and such factors as capital requirements for investment and other activities aimed at raising corporate value and performance prospects. The Company also considers the financial structure of the Company on consolidated and non-consolidated bases. The Company has set a consolidated payout ratio target of approximately 20% for use as an indicator for the distribution of profits based on due consideration of consolidated operating results. The level of the first-half dividend is set based on consideration of interim performance figures and forecasts for the full fiscal year performance.

In accordance with the basic profit distribution policy described above, the Company has decided to distribute a dividend of ¥2.0 per share at the end of the first half, representing a consolidated dividend payout ratio of 16%.

The Company plans to determine and announce the forecast of the year-end dividend distribution amount at the third-quarter result briefing.

2. Matters Concerning Summary Information (Notes to Financial Statements)

(1) Changes in the State of Material Subsidiaries During the Period:

None

(2) Adoption of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements:

Income taxes were computed by multiplying consolidated quarterly income before income taxes and minority interests by a rational estimate of the effective tax rate on consolidated income before income taxes and minority interests for the fiscal year including the quarterly period under review after adjustments for the application of tax-effect accounting.

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements:

Provisions stated in Section 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, hereinafter referred to as the "Retirement Benefits Accounting Standard") and Section 67 of the "Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, hereinafter "Guidance on Retirement Benefits") have been applied from the first quarter of fiscal 2014. With this application, calculation methods for retirement benefit obligations and service costs have been changed. Under this change, the calculation method for annual allocation expenses for projected benefit obligations is changed from the straight-line attribution standard pro-rated on employees' years of service to benefit formula standard pro-rated on employees' salaries. The method for determining the time period over which the discount rate is imputed is changed from the average remaining years of service for employees to mainly the expected period length of benefits payments and weighted average discount rate reflecting the amount to be paid in each period under the expected length of benefits payments for all employees under the plan.

In accordance with the transitional treatment prescribed in Section 37 of the Retirement Benefits Accounting Standard, the Company applied the Accounting Standard for Retirement Benefits at the beginning of the first quarter of fiscal 2014, and the effect of the accounting change in retirement benefit obligations and service costs was reflected in retained earnings.

As a result, net defined benefit assets decreased by ¥27,904 million, net defined benefit liabilities increased by ¥14,506 million and retained earnings decreased by ¥27,824 million at the beginning of the first quarter of fiscal 2014. The effect of this change on consolidated financial results for the first half of fiscal 2014 was to increase operating profit by ¥1,101 million, and both ordinary profit and income before income taxes and minority interests by ¥1,098 million.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2014	September 30, 2014
Current assets :		
Cash and bank deposits	105,303	**85,637**
Notes and accounts receivable	589,802	**563,910**
Inventories	1,225,014	**1,249,359**
Other	354,791	**345,090**
Less: Allowance for doubtful accounts	(1,540)	**(1,628)**
Total current assets	2,273,371	**2,242,370**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	725,473	**715,845**
Machinery, equipment and vehicles	1,078,995	**1,061,965**
Other	807,810	**805,537**
	2,612,280	**2,583,349**
Intangible fixed assets	94,079	**99,075**
Investments and others :		
Investments in securities	1,836,196	**1,914,246**
Net defined benefit assets	111,958	**98,357**
Other	157,727	**154,976**
Less: Allowance for doubtful accounts	(3,324)	**(3,080)**
	2,102,557	**2,164,500**
Total fixed assets	4,808,916	**4,846,924**
Total assets	7,082,288	**7,089,294**

Millions of yen

LIABILITIES	March 31, 2014	September 30, 2014
Current liabilities :		
Notes and accounts payable	661,267	**678,753**
Short-term loans payable	435,357	**330,548**
Commercial paper	32,000	**20,000**
Bonds due within one year	65,000	**40,000**
Income taxes payable	36,894	**24,254**
Provision	3,078	**3,490**
Other	577,539	**602,970**
Total current liabilities	1,811,137	**1,700,018**
Long-term liabilities :		
Bonds and notes	425,668	**405,672**
Long-term loans payable	1,313,248	**1,259,454**
Allowance and reserve	13,739	**6,311**
Net defined benefit liabilities	157,373	**178,945**
Other	123,125	**165,098**
Total long-term liabilities	2,033,155	**2,015,482**
Total liabilities	3,844,293	**3,715,500**
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	**419,524**
Capital surplus	371,465	**371,469**
Retained earnings	1,652,054	**1,709,072**
Less: Treasury stock, at cost	(62,882)	**(62,987)**
	2,380,162	**2,437,079**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	189,831	**246,177**
Deferred hedge income (loss)	(3,099)	**2,734**
Unrealized gains on revaluation of land	2,554	**2,554**
Foreign currency translation adjustments	71,565	**74,455**
Remeasurements of defined benefit plans	42,644	**53,937**
	303,496	**379,859**
Minority interests in consolidated subsidiaries	554,335	**556,855**
Total net assets	3,237,995	**3,373,794**
Total liabilities and net assets	7,082,288	**7,089,294**

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

Quarterly Consolidated Statements of Operations — Millions of yen

	First half of fiscal 2013	**First half of Fiscal 2014**
Operating revenues :		
Net sales	2,674,582	**2,778,474**
Cost of sales	2,312,504	**2,408,920**
Gross margin	362,077	**369,554**
Selling, general and administrative expenses	222,777	**234,028**
Operating profit	139,299	**135,525**
Non-operating profit and loss :		
Non-operating profit :		
Interest	2,237	**2,453**
Dividend income	8,606	**9,320**
Equity in net income of unconsolidated subsidiaries and affiliates	28,909	**39,402**
Other	35,698	**29,407**
	75,452	**80,585**
Non-operating loss :		
Interest expense	13,513	**10,483**
Other	27,552	**29,306**
	41,065	**39,789**
Ordinary profit	173,686	**176,321**
Special profit :		
Gain on sales of investments in securities	31,132	**5,273**
	31,132	**5,273**
Special loss :		
Loss on inactive facilities	14,599	**10,193**
	14,599	**10,193**
Income before income taxes and minority interests	190,219	**171,400**
Income taxes - current and deferred	66,671	**51,372**
Income before minority interests	123,548	**120,028**
Minority interests in net income of consolidated subsidiaries	7,971	**7,780**
Net income	115,577	**112,247**

Quarterly Consolidated Statements of Comprehensive Income — Millions of yen

	First half of fiscal 2013	**First half of Fiscal 2014**
Income before minority interests	123,548	**120,028**
Other comprehensive income		
Unrealized gains on available-for-sale securities	52,766	**54,373**
Deferred hedge income (loss)	(6,540)	**5,735**
Foreign currency translation adjustments	(27,722)	**(51)**
Remeasurements of defined benefit plans	-	**11,565**
Share of other comprehensive income (loss) of associates accounted for using equity method	(12,443)	**3,258**
Total other comprehensive income	6,059	**74,880**
Comprehensive income	129,608	**194,908**
Attributable to		
Comprehensive income attributable to owners of the parent	120,750	**188,609**
Comprehensive income attributable to minority interests	8,858	**6,298**

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(Notes in Case of Significant Changes to Shareholders' Equity)

None

(Segment Information)

(Information about segment sales, profit (loss))

First half of Fiscal 2013 (April 1, 2013—September 30, 2013)

(Millions of yen)

	Reportable segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales	2, 383, 604	134, 328	115, 042	19, 256	81, 414	2, 733, 646	(59, 063)	2, 674, 582
Segment profit <Ordinary Profit>	158, 245	3, 649	7, 002	659	4, 841	174, 397	(711)	173, 686

First half of Fiscal 2014 (April 1, 2014—September 30, 2014)

(Millions of yen)

	Reportable segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales	2, 466, 234	155, 328	112, 230	18, 270	94, 892	2, 846, 956	(68, 481)	2, 778, 474
Segment profit <Ordinary Profit>	159, 173	4, 870	4, 378	1, 177	7, 259	176, 859	(537)	176, 321

(Depreciation Information)

Depreciation and amortization (including intangible fixed assets amortization other than goodwill) are as follows:

(Millions of yen)

	For the first half of fiscal 2013	For the first half of fiscal 2014
Depreciation and amortization	161,424	154,576