Flash Report
Consolidated Basis
Results for Fiscal 2014
(April 1, 2014—March 31, 2015)

April 28, 2015

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 Ordinary General Meeting of Shareholders:	June 24, 2015
Scheduled date to payment of dividends:	June 25, 2015
Scheduled date to submit Securities Report:	June 24, 2015
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 2014 (April 1, 2014—March 31, 2015)

(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 2014	**5,610,030**	**1.7**	**349,510**	**17.1**	**451,747**	**25.1**	**214,293**	**(11.7)**
Fiscal 2013	5,516,180	25.7	298,390	—	361,097	369.4	242,753	—

(For reference) Comprehensive income: Fiscal 2014 ¥ 439,138 million 63.1%
Fiscal 2013 ¥ 269,248 million 70.1%

	Net income per share	Net income per share after full dilution	Return on Equity	Return on Assets	Return on Sales
	Yen	Yen	%	%	%
Fiscal 2014	**23.48**	—	**7.6**	**6.3**	**6.2**
Fiscal 2013	26.67	—	9.6	5.1	5.4

(For reference) Equity in net income of unconsolidated subsidiaries and affiliates: Fiscal 2014 ¥82,717 million
Fiscal 2013 ¥62,729 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 2014	**7,157,929**	**3,547,059**	**41.6**	**326.30**
Fiscal 2013	7,082,288	3,237,995	37.9	294.11

(For reference) Shareholders' equity: Fiscal 2014 ¥ 2,978,696 million
Fiscal 2013 ¥ 2,683,659 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 2014	**710,998**	**(263,667)**	**(451,843)**	**112,994**
Fiscal 2013	574,767	(196,856)	(367,115)	105,464

2. Dividends

Base date	Dividends per share				
	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 2013	—	2.00	—	3.00	5.00
Fiscal 2014	—	**2.00**	—	**3.50**	**5.50**
Fiscal 2015 (Forecasts)	—	—	—	—	—

	Cash dividends	Ratio of cash dividends to net income	Ratio of cash dividends to net assets
	Millions of yen	%	%
Fiscal 2013	45,705	18.7	1.8
Fiscal 2014	**50,273**	**23.4**	**1.8**
Fiscal 2015 (Forecasts)		—	

Note: The dividend forecasts of end of second quarter and fiscal year for fiscal 2015 are not decided. The Company will announce a dividend distribution plan as soon as it is formulated.

3. Consolidated Financial Forecasts for Fiscal 2015(April 1, 2015—March 31, 2016)

The earnings forecasts for fiscal 2015 are 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, 2016" of "1.(1) Analysis of Consolidated Results of Operations."

4. Others

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

(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: None
(d) Retrospective restatements: None
Note: For further details, please refer to page 26, "5.(5) Changes in Accounting Principles Accompanying Revisions in Accounting Standards."

(3) Number of shares issued (common shares)
(a) Number of shares issued at the end of the period (including treasury stock)
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
Fiscal 2014 374,600,261 shares
Fiscal 2013 378,513,168 shares

(c) Average number of shares issued during the term
Fiscal 2014 9,125,471,690 shares
Fiscal 2013 9,101,625,645 shares

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

Non-Consolidated Financial and Operating Results through Fiscal 2014
(April 1, 2014—March 31, 2015)

(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 2014	**3,733,332**	**0.3**	**228,643**	**22.3**	**276,809**	**23.0**	**170,362**	**(4.4)**
Fiscal 2013	3,720,707	29.2	186,955	—	224,965	—	178,222	—

	Net income per share	Net income per share after full dilution
	Yen	Yen
Fiscal 2014	**18.64**	**—**
Fiscal 2013	19.55	**—**

(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 2014	**5,387,945**	**1,960,121**	**36.4**	**214.44**
Fiscal 2013	5,471,384	1,780,449	32.5	194.78

(For reference) Shareholders' equity: Fiscal 2014 ¥1,960,121 million
Fiscal 2013 ¥1,780,449 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. Analysis of Consolidated Results of Operations and Financial Position

(1) Analysis of Consolidated Results of Operations

Operating Results for Fiscal Year Ended March 31, 2015 (Fiscal 2014)

Overview of Conditions in Fiscal 2014

The global economy recovered at an overall moderate pace in fiscal 2014. While in China and other developing countries, the economy slowed down, becoming less robust, the European economy showed signs of picking up and in the United States solid corporate profits and private consumption supported an ongoing improvement of the economy.

In Japan, corporate production activity and capital expenditure continued to be brisk and employment conditions also improved. However, the overall economy remained essentially flat due to stagnant private consumption associated with the national consumption tax hike, delays in construction projects caused by labor shortages, and other factors.

Domestic steel demand continued to be firm but dipped slightly from the previous year due in part to the lingering impact of the consumption tax hike. Steel exports remained generally flat supported by the gradual recovery in the global economy. However, the international commodity markets were in a downtrend, with Chinese and South Korean steelmakers continuing to supply more in the market, in addition to which there was a decline in prices of iron ore and other primary raw materials, and a slowdown in steel demand in developing countries.

Under these conditions, the Nippon Steel & Sumitomo Metal Corporation Group (“the Company”) continued steadily advancing the measures set forth in the Mid-Term Management Plan (“Mid-term Plan”) formulated in March 2013. These measures included enhancing our technological superiority, building world-leading cost competitiveness to overcome global competition, optimizing our production network by rationalizing iron-making, steelmaking and rolling facilities, promoting global strategies, and strengthening the steelmaking group companies.

Operating Results by Business Segment for Fiscal 2014

The NSSMC Group' 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	
	Fiscal 2014	Fiscal 2013	**Fiscal 2014**	Fiscal 2013
Steelmaking and steel fabrication	**4,939.2**	4,877.9	**401.9**	321.2
Engineering and construction	**348.6**	314.1	**18.7**	17.7
Chemicals	**212.7**	230.1	**6.8**	10.0
New materials	**36.4**	37.2	**2.4**	1.3
System solutions	**206.0**	179.8	**16.5**	12.7
Total	**5,743.1**	5,639.3	**446.6**	363.1
Adjustments	**(133.1)**	(123.1)	**5.0**	(2.1)
Consolidated	**5,610.0**	5,516.1	**451.7**	361.0

Steelmaking and Steel Fabrication

NSSMC tackled various measures with the main focus being on strengthening domestic manufacturing foundation and promoting global strategy.

In Japan, based upon the maximum use of production capacity and the efficient use of superior operating techniques, the Company continued efforts to construct an optimal production system, by ceasing some rolling-related equipment operations, including some flat product manufacturing lines at the Wakayama Works, as formulated in the Mid-term Plan.

In fiscal 2014 the Company thoroughly implemented measures to fortify the domestic manufacturing foundation of the steelmaking and steel fabrication segment, including the completion of blast furnace relining at the Yawata Works and the decisions to reline coke ovens at the Kimitsu Works and the Kashima Works. Further, the Company's manufacturing, sales, technology, and research divisions made collaborative efforts to demonstrate its technological superiority in areas such as proposing solutions to customers and developing highly functional products.

NSSMC also advanced its global strategy by capturing demand in overseas growth markets and building an operating structure that better responds to customers' global development requirements. In fiscal 2014, a joint-venture company to manufacture and sell automotive cold-rolled sheets began operation to respond to the expanding automobile market in India. The Company executed an agreement on a joint venture to manufacture and sell automotive flat steel products in Indonesia and agreed to establish a new oil well pipe threading service joint-venture in Brunei, which are a part of ongoing efforts to further strengthen the global supply network.

The Company also continued advancing measures to maximize cost improvement, including raising the ratio of usage of low-cost materials and improving yield, and at the same time worked on adjusting steel material prices with the understanding and cooperation of its customers. The steelmaking and steel fabrication segment recorded net sales of ¥4,939.2 billion and ordinary profit of ¥401.9 billion.

NSSMC sincerely regrets the concern and inconvenience to shareholders and others caused by the power failures and fire accident that occurred at the Nagoya Works last year. The Company addressed the situation with the utmost seriousness and compiled its final assessment by having leading industry and academic experts engage in the investigation of the causes and consideration of measures to prevent recurrence. The countermeasures established from these efforts will be implemented at all Group companies.

Engineering and Construction

Nippon Steel & Sumikin Engineering Co., Ltd. is enhancing the competitiveness of its existing businesses and implementing aggressive overseas strategic initiatives, including full-scale operation at recently established overseas bases in Southeast Asia and other regions, and the acquisition of the leading European waste disposal design and construction company. In addition to the steady execution of the project and the implementation of measures including cost reduction, changes in foreign exchange rates also contributed to profit improvement. The engineering and construction segment posted net sales of ¥348.6 billion and ordinary profit of ¥18.7 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. continued recording relatively firm sales in the business of functional materials such as circuit board and display materials, reflecting the growing demand for smartphones and other factors. However, the worldwide drop in electrode demand drove down profits on needle coke, while China's slowing economic growth and the plummet in the crude oil market led to a sharp drop in the styrene monomer market for general-purpose resin materials, resulting in lower profit. The chemicals segment recorded net sales of ¥212.7 billion and ordinary profit of ¥6.8 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd. recorded a steady increase in sales of surface-treated copper wire, which is an alternative material for gold bonding wire, and a gain in sales of suspension materials and other metallic foil materials in the electronic materials field. Sales were also strong for carbon fiber reinforcement materials for tunnels and bridges as the company captured growing demand related to aging infrastructure renewal and seismic reinforcement. In the environmental and energy field, the company raised sales of metal substrates by effectively responding to motorcycle exhaust gas emissions regulations in developing countries. The new materials segment posted net sales of ¥36.4 billion and ordinary profit of ¥2.4 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 business fields and develops leading-edge solutions services to enhance customer capabilities amid changing business conditions. During the term, the company fortified and expanded its service business, including establishing centers to support the development and strengthening of the NSFITOS IT outsourcing service, and expanded its business coverage in Asia with the establishment of PT. NSSOL SYSTEMS INDONESIA. The system solutions segment recorded net sales of ¥206.0 billion and ordinary profit of ¥16.5 billion.

Sales and Income

NSSMC's consolidated results for fiscal 2014 included ¥5,610.0 billion in net sales, ¥349.5 billion in operating profit, and ¥451.7 billion in ordinary profit.

During fiscal 2014, the Company recorded a gain on sales of investments in securities from the sale of shareholdings and a loss on inactive facilities from disposal and demolition expenses associated with some major manufacturing facilities at the Kimitsu Works, Wakayama Works, and elsewhere. The Company also reported an extraordinary loss on business of subsidiaries and affiliates, the amount of which is equivalent to the impairment loss associated with the equity method affiliated company VALLOUREC & SUMITOMO TUBOS DO BRASIL LTDA. As a result, net income amounted to ¥214.2 billion.

Outlook for the Year Ending March 31, 2016

NSSMC anticipates that, despite some slowdown in China's economy, the economy in the United States will stay firm, business conditions in Europe will bottom out, and the ASEAN region overall will recover.

The Japanese economy is expected to gradually recover with lessening of the effects of the consumption tax increase.

Overall domestic steel demand in the first half of fiscal 2015 is expected to remain firm, which is partly offset by a decline in demand mainly due to seasonal factors in the construction sector and the impact of inventory adjustment in the automotive sector. In the second half, we anticipate a recovery in demand, with contributions coming from demand for cars and a pick-up in housing starts as well as a recovery in capital expenditure. In the first quarter, particularly, inventories will have to be adjusted downward by reducing production so as to address our customers' and the market's high steel inventory levels.

We expect overseas steel demand to remain flat overall. A projected moderate rise in demand in the ASEAN region will be offset by a downturn in China, a slowdown in the energy-related demand triggered by a sharp drop in the

crude oil market, and other factors. International market conditions will likely remain weak amid the persisting excessive supply of steel products in China and elsewhere in East Asia.

Under these conditions, NSSMC will continue to closely monitor the trends in steel material supply and demand and raw material prices, and will also take steps to implement maximum cost improvement. On top of that, the Company will enhance its ability to make product proposals to consumers, improve its overseas supply system, and continue revising its steel material prices with the understanding of its customers.

NSSMC is unable at this time to establish reasonably accurate earnings estimates for fiscal 2015 due to several factors, including the uncertainty of price trends for primary raw materials and steel products. The Company will disclose fiscal 2015 earnings forecasts when reasonable estimates become possible.

(2) Analysis of Consolidated Financial Position

Assets, Liabilities, Net Assets, and Cash Flows

Consolidated total assets at the end of fiscal 2014 were ¥7,157.9 billion, representing an increase of ¥75.6 billion, from ¥7,082.2 billion at the end of fiscal 2013. The main factors were increases in notes and accounts receivable of ¥25.6 billion, and inventories of ¥29.1 billion, among other factors.

Total liabilities at the end of fiscal 2014 amounted to ¥3,610.8 billion, a decrease of ¥233.4 billion from ¥3,844.2 billion at the end of fiscal 2013. The decline was primarily due to a decrease in interest-bearing debt of ¥319.7 billion from ¥2,296.3 billion at the end of fiscal 2013, to ¥1,976.5 billion at the end of fiscal 2014 due to the steady promotion of operating revenue and asset reduction.

Net assets amounted to ¥3,547.0 billion at the end of fiscal 2014, representing an increase of ¥309.0 billion from ¥3,237.9 billion at the end of fiscal 2013, largely due to contributions of ¥214.2 billion in net income and ¥89.8 billion in the increase of unrealized gains on available-for-sale securities.

Shareholders' equity at the end of fiscal 2014 amounted to ¥2,978.6 billion and the ratio of interest-bearing debt to shareholders' equity (the D/E ratio) has improved to 0.66.

Cash flows provided by operating activities in fiscal 2014 amounted to ¥710.9 billion. The principal factors were inflows from income before income taxes and minority interests of ¥376.1 billion, depreciation and amortization of ¥320.0 billion, a loss on business of subsidiaries and affiliates of ¥68.6 billion, and a deduction of ¥82.7 billion in equity in net income of unconsolidated subsidiaries and affiliates. These offset outflows of ¥81.4 billion in the payment of income taxes, and others.

Cash flows from investing activities amounted to an outflow of ¥263.6 billion, as outflows including expenses for capital investments of ¥324.0 billion exceeded inflows including proceeds from sales of investments in securities of ¥62.7 billion. The result was a free cash inflow of ¥447.3 billion in fiscal 2014.

Cash flows from financing activities amounted to an outflow of ¥451.8 billion, largely due to the repayment of interest-bearing debt of ¥319.7 billion in addition to the payment of cash dividends of ¥45.7 billion at the end of fiscal 2013 and the end of the first half (interim) of fiscal 2014.

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 ¥112.9 billion.

Trend in Cash Flow Indicators

Fiscal year	2010	2011	2012	2013	2014
Ratio of net worth (%)	37.2	37.1	33.8	37.9	41.6
Ratio of net worth at market price (%)	33.4	29.0	30.1	36.3	38.6
Debt redemption term (years)	3.6	5.6	8.1	4.0	2.8
Interest coverage ratio (times)	20.0	14.6	12.2	22.1	34.1

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 (excluding treasury stock) at term-end.
* Interest-bearing debt covers all debt-bearing interest (short-term loans, commercial paper, current portion of corporate bonds, 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 2014 and Fiscal 2015

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 in consideration of the 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 consolidated and non-consolidated bases.

The Company has adopted a "consolidated payout ratio target of approximately 20%" as the benchmark for the payment of dividends from distributable funds in consideration of the consolidated operating results up to the end of fiscal 2014. As part of our ongoing effort to provide ample profit return to our shareholders, we are raising the benchmark to the "consolidated payout ratio target of around 20%–30%" for the payment of dividends from the end of the first half of fiscal 2015.

The level of the first-half (interim) dividend is set based on consideration of interim performance figures and the forecasts for the full fiscal year performance.

In accordance with the basic profit distribution policy described above, the Company distributed a dividend of ¥2.00 per share at the end of the first half of fiscal 2014. Based on the Company's favorable performance since the announcement of the previous earnings forecasts and results for the third quarter on January 29, 2015, the Company plans to request the approval of the General Meeting of Shareholders to increase the planned dividend by ¥0.50 and also distribute a year-end dividend payment of ¥3.50 per share in accordance with this plan. This would bring the full-year dividend distribution amount to ¥5.50 per share, representing a consolidated payout ratio of 23.4% for fiscal 2014.

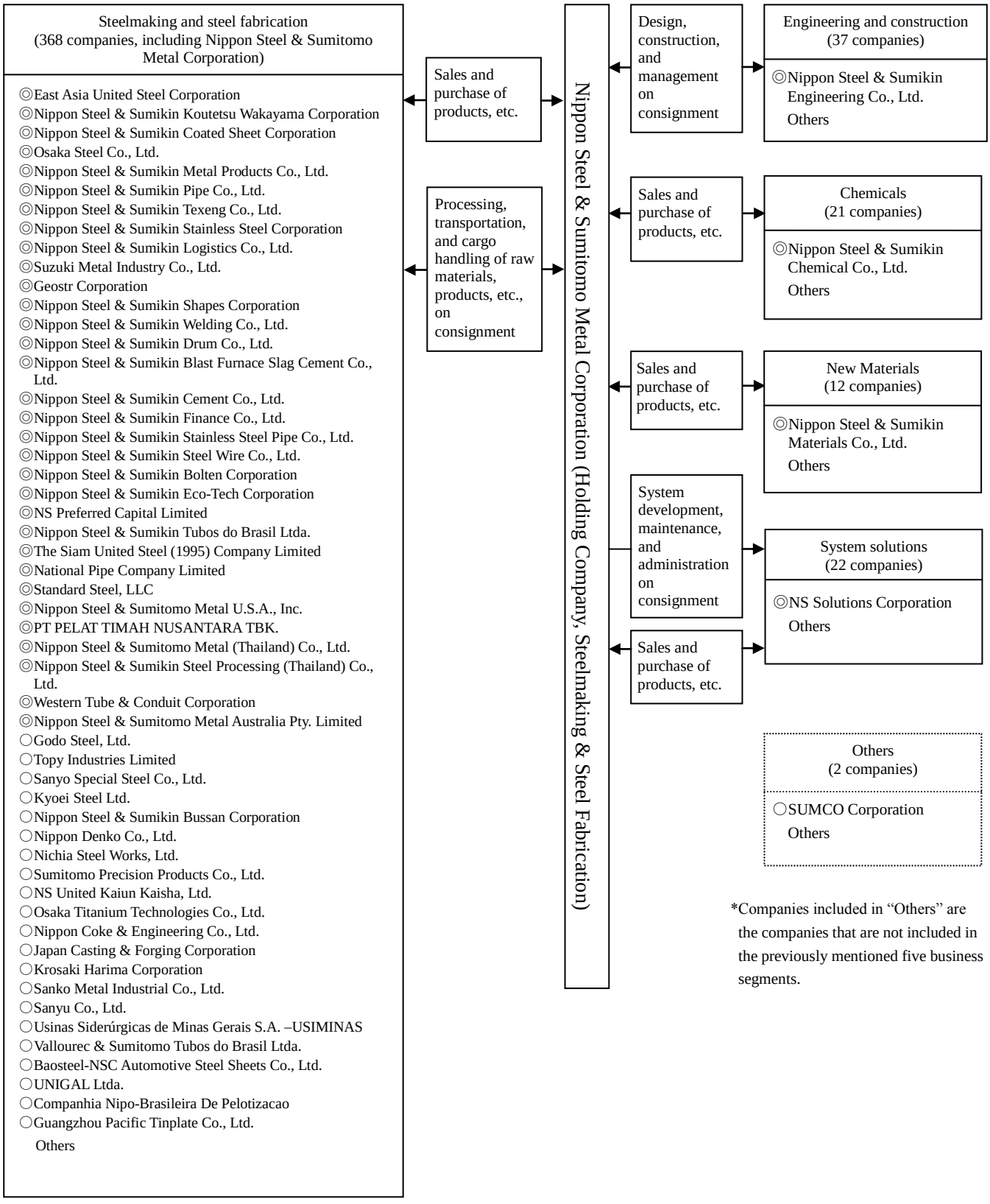
The Company has not determined a dividend distribution plan for fiscal 2015 due to the inability to establish reasonable earnings forecasts. The dividend distribution plan will be disclosed when it becomes available.

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, 356 consolidated subsidiaries, and 105 affiliates accounted for by the equity method. The Group's overall businesses are categorized into five business 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 business segments.

(Note) Of the subsidiaries owned by the Company at the end of this consolidated term (March 31, 2015), the companies for which their stocks are listed on any of the domestic stock exchanges are as follows:

Company name	Stock exchange where listed
Osaka Steel Co., Ltd.	First Section of the Tokyo Stock Exchange
Nippon Steel & Sumikin Texeng 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 2017 Mid-Term Management Plan of the NSSMC Group announced on March 3, 2015.

Outline of the 2017 Mid-Term Management Plan (based on the information announced on March 3, 2015)

NSSMC's Mid-Term Management Plan

Accelerating towards Becoming the "Best Steelmaker with World-Leading Capabilities"

Nippon Steel & Sumitomo Metal Corporation Group ("NSSMC") has developed the 2017 Mid-Term Management Plan, for fiscal 2015-2017. This plan responds to the present and anticipated business environment and to the challenges that the Group is facing. It also reflects its determination to further raise competitiveness by improving its "technology," "cost," and "being global," to become the "best steelmaker with world-leading capabilities." With this plan, NSSMC aims at prevailing in an intensifying competitive landscape and achieving sustainable profit growth. The main contents of this plan are outlined below.

The Steel Business Environment

The steel business environment in which the plan will be executed has projected expansion of global steel demand at a moderate rate, particularly in emerging countries where economic growth is creating increased demand for high-grade steel, and for energy saving and environmental responsiveness in various countries. In China, a significant gap in supply and demand is likely to remain for a considerable period. In Japan, while demand related to the 2020 Tokyo Olympic Games is projected to be temporary, steel demand is expected to be firm, supported by increasing domestic production by manufacturing sectors and replacement demand for urban infrastructure, which is intended to make the country less susceptible to disasters and more competitive in global markets as site location.
Anticipated changes in the environment, including fluctuation of oil and raw material prices, and of exchange rates, as well as geopolitical risks, are among the factors considered in developing and adjusting the plan.

Major Features of the 2015-2017 Management Plan

1. Steel business:

NSSMC's business model is based on the objective of enhancing the company's global business development: (1) "mother mills in Japan as a manufacturing and development base for producing and supplying to customers the world's leading steel-making and high-grade steel," and (2) "overseas downstream bases, in growth markets, are to utilize the mother mills' materials and technologies."

(1) Enhancing mother mills' competitiveness

1) Improvement of domestic steelworks

Domestic manufacturing bases will continue to contribute to the Group through development and improvement of technology, cost managements, and productivity improvement, as well as stable production of iron and steel. They will also provide middle to high-end product for use in Japan and overseas, and technical assistance to overseas bases.
The 2017 Mid-Term Management Plan targets, as a basic and critical management issue, operational improvement and reinforcement of the major facilities which have been in use for over 40 years.

2) Optimizing the iron-making production framework

NSSMC intends to raise productivity of the entire iron-making network of the company by achieving a higher pig iron ratio. By optimizing the entire production network, the company aims to become more competitive and advantageous relative to its peers in a harsh competitive landscape.
(A) At Kimitsu Works, a shift to two-blast-furnace operation (operation of No. 3 blast furnace to be ceased) will be completed by around the end of fiscal 2015, as called for by the 2013 Mid-Term Management Plan.
(B) Yawata Works, which consists of three areas, Yawata, Tobata, and Kokura, will take the following measures to optimize production framework.

Molten iron will be transported from the Tobata to the Kokura Area as Tobata raise No. 4 blast furnace and installation of private railway between the two areas will be installed.

NSSMC's other steelworks will supply billet to the Kokura Area for its production of special steel bars and wire rods. Although the Kokura No. 2 blast furnace will cease operation, the Kokura Area will raise steelmaking production efficiency, achieve optimal production of bars and wire rods, and enhance competitiveness.

Kokura's production of special steel bars and wire rods will be maintained at the present level.

Meanwhile, Wakayama Works will start preparing for a switch from the No. 5 blast furnace to the new No. 2 blast furnace, which is on standby. The switch will be executed on a timely basis, depending on the demand outlook.

(A) Kimitsu Works (previously disclosed)	Shift to two-blast furnace operation (operation of the No. 3 blast furnace to be ceased)	Around the end of fiscal 2015
(B) Yawata Works	(a) Increase output of the Tobata No. 4 blast furnace and install a private railway and a tunnel for transportation of molten iron to provide Tobata's molten iron to the Kokura Area within Yawata Works	Around fiscal 2018
	(b) Cease operation of the Kokura No. 2 blast furnace	Around the end of fiscal 2018
	(c) Streamlining of a steelmaking plant Kokura's No.4 continuous caster, which performs better in terms of quality management and productivity, in the steelmaking plant will raise capacity utilization, and operation of Kokura's No.3 continuous caster to be ceased.	Around the end of fiscal 2018

(2) Promoting global strategy

NSSMC seeks to maintain and expand its position in the global high-grade steel market, leveraging its technologies in order to achieve objectives in terms of product competitiveness, cost competitiveness, and supply network functions.

1) NSSMC is determined to steadily capture demand for high-grade steel in major business areas (automotive, energy and resources, infrastructure-related such as railway, construction and civil engineering) in the global market. This objective will be attained by providing to customers comprehensive solutions related to their issues on materials, parts design and manufacturing processes, and by further utilization of overseas manufacturing bases to support customers. In the Japanese and global markets, the company will also strive to maintain and expand its position by further differentiating products and demonstrating the NSSMC Group's comprehensive power on distribution and processing.

2) While capturing the demand in overseas growing markets, particularly in the North American and ASEAN markets, where automakers and other major customers have manufacturing bases, NSSMC will ensure its presence and prominence by a combination of exports of high-grade steel products and local production.

3) NSSMC will make best efforts to ensure smooth start-up and raise competitiveness of the overseas projects. Major overseas investment projects are as follows.

(Reference) Major overseas investment projects

Company	Country/region	Sector	Production capacity (1,000 tons per year)	Start-up / planned start-up
AM/NS Calvert (JV with Arcelor Mittal)	U.S.A.	Automotive (Hot-rolling, cold-rolling, CGL)	5,300	Feb. 2014
TENIGAL (JV with Ternium)	Mexico	Automotive (CGL)	400	Aug. 2013
NSGT	Thailand	Automotive (CGL)	360	Oct. 2013
JCAPCPL (JV with TATA)	India	Automotive (CAPL)	600	May 2014
KNSS (JV with PTKS)	Indonesia	Automotive (GAPL)	480	By fiscal 2017
BNA (JV with Baosteel)	China	Automotive (No.4 CGL newly built)	420	By fiscal 2015
VSB (JV with Vallourec)	Brazil	Energy (OCTG)	600	Sep. 2011
VAM® BRN (JV with Sumitomo Corp.)	Brunei	Energy (Threading line)	20	By fiscal 2016
NSBS (JV with BlueScope)	ASEAN, U.S.A.	Infrastructure (CGL, etc.)	1,400	Mar. 2013
CSVC (JV with CSC)	Vietnam	Infrastructure (CDCM, etc.)	1,200	Apr. 2013

4) NSSMC will strengthen organizational and management basis to support the above-mentioned global business development, including reinforcement of regional business supervision, development of personnel for global business development, and setting up of systems for operation and management.

(3) Enhancing technological superiority

Technological leadership greatly contributes to enhance NSSMC's global manufacturing capabilities and supports its business strategy, by taking the following measures.

1) NSSMC aims to further enhance its world-leading technologies by having the largest team of researchers (about 800) in the global steel industry. The company will also strive to lead the world market through its intensive activities including, (i) developing high-end products with excellent functions (e.g. high-tensile steel sheet, corrosion-resistance high-alloy seamless steel tubes) in sectors of growing demand such as automotive, energy and resources, and infrastructure-related sectors, (ii) delivering comprehensive solutions to its customers, ranging from process design to material selection and processing, and (iii) achieving significant improvement in productivity through production process innovation.

2) To accelerate technological development NSSMC plans to increase its R&D spending by about 10 % from the current level. NSSMC will also adequately prepare for the expected future needs of customers and society by engaging in the next generation research on advanced steel products such as those required for the broad utilization of hydrogen, as well as in research on basic and element technologies utilizing advanced analytical and mathematical approaches.

(4) Establishing world-leading cost competitiveness

NSSMC aims to realize cost competitiveness equivalent to 150 billion yen a year or more (unconsolidated basis), in approximately three years. This target will be attained, by maximizing the synergy effect from consolidating the production network and other means, effects from refurbishment of coke ovens, and intensive improvement in operation skills to enable improvement in yields. Combining the effects of all those measures with those of the above measures to strengthen mother mills, NSSMC will establish world-leading cost competitiveness to win in the global competition.

Measures	Amount	Major items
1) Maximize synergy effects	¥60bn	● Optimal production network (raising capacity utilization of the entire iron-making, consolidation of downstream processing, etc.) ● Adoption of best technological practices of the former two companies ● Synergies from integration of group companies ● Slim-down of the head office; etc.
2) Realize effects of investments to improve operation	¥90bn	● Measures to refresh coke ovens ● Improvement in yield; etc.

(5) Strengthening group companies of the Steel business

The group companies already integrated during the 2013 Mid-Term Plan will seek far greater synergies. At the same time, NSSMC will seek group-wide synergies, such as those of NSSMC and group companies, and those among group companies.

In addition to the above, to optimize group structure, NSSMC will undertake further reorganization within the group and concentration on core business operations in light of assessment of each group company's domain business.

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

Each of the non-steel business segments pursues synergies with NSSMC's core business of steelmaking. All of the four segments will strive to improve its competitiveness and aim to achieve top-class profitability in their respective business sectors.

Moreover, the entire Group's maximal synergies will be pursued by combining world-leading products and technologies of the five business segments including the Steel Business segment, making alliances in R&D, and delivering comprehensive solutions to worldwide customers.

(1) Engineering Business

The Engineering Business segment will pursue further profit growth in each business sector. The steelmaking plant business sectors, as the core business sector in this business segment, support the Steel Business to manufacture distinctive products. In the steel structure business sector, business opportunities will be maximized in the disaster prevention and national resilience measures undertaken in Japan, and also in the infrastructure construction towards the 2020 Tokyo Olympic Games. The energy and environment sector will aggressively expand its business into overseas growing markets mainly in Asia.

(2) Chemical Business

The Chemical Business segment executes chemical product businesses using tar, generated as by-product from coke oven in steelmaking, as raw material. Stable profit is being pursued with its main business sectors including carbon materials (e.g. needle coke, carbon black), chemical products (e.g. styrene monomer), PWB materials (ESPANEX) and epoxy resin products. Furthermore the segment will aim to create next-generation business, especially in automotive and infrastructure-related markets, with its core technologies in carbon and resin.

(3) New Material Business

The New Material Business segment promotes material business with technological origin and basic support from R&D division in NSSMC, including the electronic industry materials (e.g. surface-coated bonding wire: EX®), infrastructure-related sector (e.g. carbon fiber composites), and environmental sector (e.g. metal catalyst carriers for exhaust purification). To promote its growth strategy, the segment will advance further improvement in differentiated products and technologies, reinforce overseas production bases, and develop technologies and business for future.

(4) System Solutions Business

The System Solutions Business segment supports efficient production of the Steel Business with its inter-group system solutions function. In addition the segment targets to achieve sustainable growth with leading-edge profitability in the industry by providing competitive system solutions which can satisfy enhancing IT needs in industrial customers, IT outsourcing mainly in operation and maintenance, IT services including cloud computing.

3. Investing management resources for growth

With the objective in enhancing competitiveness of mother mills, capital expenditures in Japan are projected to be around 450 billion yen per year (an increase of around 100 billion yen compared to the 2013 Mid-Term Management Plan). They will include spending for renovation of coke ovens and other large facilities, measures to maintain and improve soundness of facilities, and measures for profit improvement that contributes to greater cost competitiveness. In addition, business investments are projected to be around 100 billion yen per year and growth investment is determined on a timely basis. NSSMC also plans to hire about 1,300 persons per year (an increase of around 600 persons compared to the 2013 Mid-Term Management Plan) in order to enhance its human resources capacity.

In addition, the company will further advance concentration on core business operation on a group-wide basis and proceed with asset compression (targeting approximately 200 billion yen within about three years), which will partially fund growth investment and help improve its financial strengths.

	Fiscal 2015-2017	(Reference) Forecasts for fiscal 2013-14
Capital expenditures in Japan	Approx. ¥1,350bn for 3 years	Approx. ¥700bn in 2 years
Business investment	Approx. ¥300bn for 3 years	Approx. ¥260bn in 2 years
R&D spending	Approx. ¥210bn for 3 years	Approx. ¥130bn in 2 years
Number to be newly employed (unconsolidated basis)	Approx. 1,300 persons per year	Approx. 700 persons per year

4. Continuing to be a company with integrity and reliability

NSSMC will strive to be a trusted company in society by taking the following measures.

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

(2) It will comply with laws, regulations, and rules and implement appropriate measures for risk management in environment, safety, and disaster prevention. In particular, bearing in mind the Nagoya Works' accidents of last year, the company will continue to make concerted efforts in measures to prevent accidents

* NSSMC's Corporate Philosophy: "Nippon Steel & Sumitomo Metal Corporation Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services."

5. Accelerating towards becoming the "best steelmaker with world-leading capabilities"

(1) Through implementation of the measures outlined above, NSSMC will aim to strengthen its competitive base (steel production of 50 million tons) in Japan and secure increased profits and competitiveness in its overseas businesses (overseas sales volume growth of 20% compared to that of fiscal 2014). In so doing, NSSMC aims to achieve in the medium- to long-term an increase in cash flows and growth in profitability, with the targeted return on sales (ROS) of 10% or more and return on equity (ROE) of 10% or more.

(2) After incorporating such investments for growth, NSSMC aims to achieve a debt-to-equity ratio of around 0.5, which is equivalent to the average level of an international "A" rating status, by the end of fiscal 2017 and attain robust financial position.

(3) Regarding return to shareholders the company will raise its targeted payout ratio from the present base of "approximately 20%" to "around 20-30%" on a consolidated basis (applying from the end of the first half of fiscal 2015).

(4) By taking those measures, the company will endeavor to become the "best steelmaker with world-leading capabilities."

2017 Mid-Term Management Plan targets

	Targets for fiscal 2017	(Reference) Forecasts for fiscal 2014
Return on sales (ROS)	10% or more	7.3%
Return on equity (ROE)	10% or more	About 6 -7%
D/E ratio	About 0.5	About 0.7

[Reference: Update on the 2013 Mid-Term Management Plan]

NSSMC has made steady progress in implementing the 2013 Mid-Term Management Plan (announced in March 2013), with the aim of achieving sustained growth in profits through the early realization of maximum synergies by integration. In the past two years, the Group promoted cost reduction by consolidating technology of the two former companies and enhancing efficiency, consolidation of facilities, investment in overseas downstream operations, and integration and reorganization of group companies.

Status of the achievement of the 2013 Mid-Term Management Plan

	Estimates for FY2014	Targets of the 2013 Mid-Term Plan
Return on sales (ROS)	7.3%	5% at minimum; 10% after that
Synergy effects	¥140bn per year (¥200bn is expected for fiscal 2015)	¥200bn per year
D/E ratio	About 0.7	1.0 at an early stage; 0.8 after that

4. Basic Rationale for Selection of Accounting Standards

The NSSMC Group is examining the applicability of International Financial Reporting Standards (IFRS) as it advances the global development of its operations.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2014	**March 31, 2015**
Current assets :		
Cash and bank deposits	105,303	**113,822**
Notes and accounts receivable	589,802	**615,429**
Marketable securities	8,025	**2,025**
Inventories	1,225,014	**1,254,203**
Deferred tax assets	107,015	**95,598**
Other	239,750	**253,754**
Less: Allowance for doubtful accounts	(1,540)	**(1,019)**
Total current assets	2,273,371	**2,333,813**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	725,473	**714,150**
Machinery, equipment and vehicles	1,078,995	**1,056,333**
Tools, furniture and fixtures	37,545	**41,851**
Land	582,389	**591,202**
Lease assets	10,021	**9,403**
Construction in progress	177,854	**184,931**
	2,612,280	**2,597,872**
Intangible fixed assets :		
Goodwill	41,476	**50,046**
Lease assets	366	**335**
Patents and utility rights	8,006	**8,039**
Software	44,230	**40,441**
	94,079	**98,862**
Investments and others :		
Investments in securities	691,246	**768,744**
Investments in subsidiaries and affiliates	1,145,502	**1,079,523**
Long-term loans receivable	59,368	**58,579**
Net defined benefit assets	111,958	**123,764**
Deferred tax assets	56,429	**48,054**
Other	41,376	**52,567**
Less: Allowance for doubtful accounts	(3,324)	**(3,854)**
	2,102,557	**2,127,380**
Total fixed assets	4,808,916	**4,824,115**
Total assets	7,082,288	**7,157,929**

Millions of yen

LIABILITIES	March 31, 2014	March 31, 2015
Current liabilities :		
Notes and accounts payable	661,267	**674,634**
Short-term loans payable	435,357	**363,654**
Commercial paper	32,000	**-**
Bonds due within one year	65,000	**40,000**
Current portion of lease obligations	8,278	**5,740**
Accounts payable-other	336,425	**383,912**
Income taxes payable	36,894	**31,003**
Provision for loss on construction contracts	3,078	**1,670**
Other	232,835	**189,179**
Total current liabilities	1,811,137	**1,689,797**
Long-term liabilities :		
Bonds and notes	425,668	**385,676**
Long-term loans payable	1,313,248	**1,169,840**
Lease obligations (excluding current portion)	14,592	**10,249**
Deferred tax liabilities	43,327	**128,202**
Deferred tax liabilities on revaluation of land	8,562	**8,039**
Allowance for retirement benefits of directors and corporate auditors	5,132	**4,968**
Reserve for repairs to blast furnaces	8,607	**-**
Net defined benefit liabilities	157,373	**161,332**
Other	56,643	**52,763**
Total long-term liabilities	2,033,155	**1,921,073**
Total liabilities	3,844,293	**3,610,870**
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	**419,524**
Capital surplus	371,465	**371,471**
Retained earnings	1,652,054	**1,752,210**
Less: Treasury stock, at cost	(62,882)	**(61,508)**
	2,380,162	**2,481,698**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	189,831	**279,641**
Deferred hedge income (loss)	(3,099)	**371**
Unrealized gains on revaluation of land	2,554	**2,885**
Foreign currency translation adjustments	71,565	**134,732**
Remeasurements of defined benefit plans	42,644	**79,366**
	303,496	**496,997**
Minority interest in consolidated subsidiaries	554,335	**568,362**
Total net assets	3,237,995	**3,547,059**
Total liabilities and net assets	7,082,288	**7,157,929**

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

Consolidated Statements of Operations — Millions of yen

	Fiscal 2013	**Fiscal 2014**
Operating revenues :		
Net sales	5,516,180	**5,610,030**
Cost of sales	4,760,308	**4,801,781**
Gross margin	755,872	**808,248**
Selling, general and administrative expenses	457,482	**458,738**
Operating profit	298,390	**349,510**
Non-operating profit and loss :		
Non-operating profit :		
Interest income	4,516	**5,290**
Dividend income	16,578	**18,159**
Equity in net income of unconsolidated subsidiaries and affiliates	62,729	**82,717**
Other	62,491	**70,629**
	146,316	**176,797**
Non-operating loss :		
Interest expense	25,297	**19,920**
Other	58,311	**54,640**
	83,609	**74,560**
Ordinary profit	361,097	**451,747**
Extraordinary profit :		
Gain on sales of investment in securities	56,650	**14,317**
	56,650	**14,317**
Extraordinary loss :		
Loss on inactive facilities	18,600	**21,276**
Loss on business of subsidiaries and affiliates	-	**68,600**
	18,600	**89,876**
Income before income taxes and minority interests	399,147	**376,188**
Income taxes - current	71,162	**73,288**
Income taxes - deferred	69,405	**72,662**
	140,568	**145,950**
Income before minority interests	258,579	**230,237**
Minority interests in net income of consolidated subsidiaries	15,826	**15,944**
Net income	242,753	**214,293**

Consolidated Statements of Comprehensive Income — Millions of yen

	Fiscal 2013	**Fiscal 2014**
Income before minority interests	258,579	**230,237**
Other comprehensive income		
Unrealized gains on available-for-sale securities	18,017	**87,127**
Deferred hedge income (loss)	(2,933)	**4,489**
Unrealized gains on revaluation of land	-	**120**
Foreign currency translation adjustments	(3,586)	**59,756**
Remeasurements of defined benefit plans	-	**37,142**
Share of other comprehensive income of affiliates accounted for using equity method	(828)	**20,264**
Total other comprehensive income	10,668	**208,900**
Comprehensive income	269,248	**439,138**
attributable to		
Comprehensive income attributable to owners of the parent	250,295	**407,753**
Comprehensive income attributable to minority interests	18,952	**31,385**

(3) Consolidated Statements of Changes in Net Assets

Fiscal2013 Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' equity
Balance at March 31, 2013	419,524	362,321	1,430,876	(70,490)	2,142,233
Cumulative effects of changes in accounting policies					-
Restated balance	419,524	362,321	1,430,876	(70,490)	2,142,233
Changes of items during period					
Cash dividends			(27,373)		(27,373)
Net income			242,753		242,753
Acquisition of treasury stock				(737)	(737)
Disposal of treasury stock		9,143		8,366	17,509
Increase(decrease) due to the change in the number of consolidated companies			926	(21)	904
Increase due to reversal of unrealized gains on revaluation of land			-		-
Reclassification of remeasurements of defined benefit plans for foreign companies			4,871		4,871
Net changes of items other than shareholders' equity					
Total change for fiscal 2013	-	9,143	221,177	7,607	237,929
Balance at March 31, 2014	**419,524**	**371,465**	**1,652,054**	**(62,882)**	**2,380,162**

	Accumulated other comprehensive income							
	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Unrealized gains (losses) on revaluation of land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2013	168,611	359	2,592	80,273	-	251,836	544,213	2,938,283
Cumulative effects of changes in accounting policies								-
Restated balance	168,611	359	2,592	80,273	-	251,836	544,213	2,938,283
Changes of items during period								
Cash dividends								(27,373)
Net income								242,753
Acquisition of treasury stock								(737)
Disposal of treasury stock								17,509
Increase(decrease) due to the change in the number of consolidated companies								904
Increase due to reversal of unrealized gains on revaluation of land								-
Reclassification of remeasurements of defined benefit plans for foreign companies								4,871
Net changes of items other than shareholders' equity	21,220	(3,458)	(37)	(8,708)	42,644	51,660	10,122	61,782
Total change for fiscal 2013	21,220	(3,458)	(37)	(8,708)	42,644	51,660	10,122	299,712
Balance at March 31, 2014	**189,831**	**(3,099)**	**2,554**	**71,565**	**42,644**	**303,496**	**554,335**	**3,237,995**

Fiscal2014 Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' equity
Balance at March 31, 2014	419,524	371,465	1,652,054	(62,882)	2,380,162
Cumulative effects of changes in accounting policies			(27,824)		(27,824)
Restated balance	419,524	371,465	1,624,230	(62,882)	2,352,338
Changes of items during period					
Cash dividends			(45,704)		(45,704)
Net income			214,293		214,293
Acquisition of treasury stock				(142)	(142)
Disposal of treasury stock		5		6	11
Increase(decrease) due to the change in the number of consolidated companies			(40,567)	1,511	(39,056)
Increase due to reversal of unrealized gains on revaluation of land			(41)		(41)
Reclassification of remeasurements of defined benefit plans for foreign companies					-
Net changes of items other than shareholders' equity					
Total change for fiscal 2014	-	5	127,980	1,374	129,359
Balance at March 31, 2015	**419,524**	**371,471**	**1,752,210**	**(61,508)**	**2,481,698**

	Accumulated other comprehensive income						Minority interests in consolidated subsidiaries	Total net assets
	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Unrealized gains (losses) on revaluation of land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2014	189,831	(3,099)	2,554	71,565	42,644	303,496	554,335	3,237,995
Cumulative effects of changes in accounting policies								(27,824)
Restated balance	189,831	(3,099)	2,554	71,565	42,644	303,496	554,335	3,210,171
Changes of items during period								
Cash dividends								(45,704)
Net income								214,293
Acquisition of treasury stock								(142)
Disposal of treasury stock								11
Increase(decrease) due to the change in the number of consolidated companies								(39,056)
Increase due to reversal of unrealized gains on revaluation of land								(41)
Reclassification of remeasurements of defined benefit plans for foreign companies								-
Net changes of items other than shareholders' equity	89,809	3,471	330	63,167	36,722	193,501	14,026	207,528
Total change for fiscal 2014	89,809	3,471	330	63,167	36,722	193,501	14,026	336,887
Balance at March 31, 2015	**279,641**	**371**	**2,885**	**134,732**	**79,366**	**496,997**	**568,362**	**3,547,059**

(4) Consolidated Statements of Cash-Flows

Millions of yen

	Fiscal 2013	**Fiscal 2014**
Cash flows from operating activities :		
Income before income taxes and minority interests	399,147	**376,188**
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation and amortization	331,801	**320,046**
Interest and dividend income (accrual basis)	(21,095)	**(23,450)**
Interest expense (accrual basis)	25,297	**19,920**
Exchange loss(gain) on foreign currency transactions	(12,627)	**(22,711)**
Amortization of goodwill	9,712	**9,099**
Equity in net income of unconsolidated subsidiaries and affiliates	(62,729)	**(82,717)**
Gain on sales of investments in securities	(56,650)	**(14,317)**
Loss on disposal of tangible and intangible fixed assets	4,932	**6,812**
Gain on sales of tangible and intangible fixed assets	(8,775)	**(9,496)**
Loss on business of subsidiaries and affiliates	-	**68,600**
Changes in allowance for doubtful accounts	(370)	**(156)**
Changes in notes and accounts receivable	(5,308)	**(13,898)**
Changes in inventories	(53,562)	**(24,970)**
Changes in notes and accounts payable	63,056	**12,057**
Other	9,183	**155,711**
Subtotal	622,012	**776,717**
Interest and dividend income (cash basis)	35,614	**36,592**
Interest expense (cash basis)	(26,058)	**(20,861)**
Income taxes (cash basis)	(56,800)	**(81,450)**
Net cash provided by operating activities	574,767	**710,998**
Cash flows from investing activities :		
Acquisition of investments in securities	(44,702)	**(19,157)**
Proceeds from sales of investments in securities	132,294	**62,753**
Acquisition of tangible and intangible fixed assets	(319,413)	**(324,074)**
Proceeds from sales of tangible and intangible fixed assets	17,211	**19,223**
Other	17,753	**(2,411)**
Net cash used in investing activities	(196,856)	**(263,667)**
Cash flows from financing activities :		
Net increase (decrease) in short-term loans	(72,220)	**(6,065)**
Net increase (decrease) in commercial paper	6,000	**(32,000)**
Proceeds from long-term loans	234,812	**56,767**
Payments of long-term loans	(258,383)	**(278,235)**
Redemption of bonds and notes	(149,455)	**(65,000)**
Payments for purchase of treasury stock	(731)	**(137)**
Cash dividends	(27,373)	**(45,704)**
Other	(99,763)	**(81,469)**
Net cash provided by (used in) financing activities	(367,115)	**(451,843)**
Effect of exchange rate changes on cash and cash equivalents	3,983	**10,030**
Net increase (decrease) in cash and cash equivalents	14,779	**5,518**
Cash and cash equivalents at beginning of the year	90,530	**105,464**
Increase (decrease) from the change in the number of consolidated companies	153	**2,011**
Cash and cash equivalents at end of year	105,464	**112,994**

(5) Notes to the Consolidated Financial Statements

(Notes to the Presumption of Going Concerns)

None

(Basic Significant Items for the Preparation of the Consolidated Financial Statements)

1) Scope of Consolidation

The Nippon Steel & Sumitomo Metal Corporation Group includes 356 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 13 companies—including newly established and newly acquired companies. 34 companies—20 merged companies and 8 divestments, etc.— were eliminated from the scope of consolidation in the fiscal year under review.

2) Application of the Equity Method

The Company applies equity-method accounting to 105 affiliated companies. Major equity-method affiliated companies are presented in the section "2. Corporate Group."
In the consolidated fiscal year under review, 1 company was newly added to the scope of equity-method affiliates and 5 companies were eliminated from the scope of equity-method affiliates.

(Changes in Accounting Principles Accompanying Revisions in Accounting Standards)

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 beginning 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 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 fiscal 2014. The effect of this change on consolidated financial results for fiscal 2014 was to increase operating profit by ¥2,375 million, and both ordinary profit and income before income taxes and minority interests by ¥2,362 million. Information concerning the effect of this change on a per share basis is presented in the relevant sections of this report.

(Segment Information)

1) Summary of reportable 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 reportable segments.

Reportable 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, components, carbon fiber and composite products, and products that apply technologies for metal processing
System solutions	Computer systems engineering and consulting services

2) Method for calculating the sales, profit, assets, liabilities, and other items for reportable segments

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

3) Information on the amounts of sales, profit, assets, liabilities, and other items for reportable segments

Fiscal 2013 (April 1, 2013—March 31, 2014)

(Millions of yen)

	Reportable segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales								
Sales to external customers	4,827,826	284,803	223,082	37,241	143,225	5,516,180	-	5,516,180
Inter-segment sales or transfers	50,082	29,370	7,047	-	36,631	123,132	(123,132)	-
Total	4,877,909	314,174	230,130	37,241	179,856	5,639,312	(123,132)	5,516,180
Segment profit <Ordinary Profit>	321,287	17,702	10,057	1,391	12,760	363,199	(2,101)	361,097
Segment assets	6,495,381	255,702	163,913	30,544	162,127	7,107,670	(25,381)	7,082,288
Segment liabilities <Interest-bearing debt>	2,281,573	3,325	6,449	15,465	2,147	2,308,961	(14,816)	2,294,145
Other items								
Depreciation and amortization	321,140	3,194	5,962	2,161	3,758	336,217	(4,415)	331,801
Amortization of goodwill	9,439	0	-	0	272	9,712	-	9,712
Interest income	4,352	166	13	0	260	4,793	(277)	4,516
Interest expenses	25,187	117	45	103	120	25,575	(277)	25,297
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	59,691	486	660	-	(23)	60,815	1,913	62,729
Balance of investments in equity method companies	1,013,128	2,326	18,502	-	(7)	1,033,949	105,972	1,139,921
Increase (decrease) in tangible/intangible fixed assets	244,493	2,508	7,685	1,871	4,278	260,836	(3,816)	257,019

Information of net sales about geographical area

(Millions of yen)

Japan	Overseas			Total
		Asia	Other	
3,323,375	2,192,805	1,469,320	723,485	5,516,180

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

Fiscal 2014 (April 1, 2014—March 31, 2015)

(Millions of yen)

	Reportable segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales								
Sales to external customers	4,892,257	313,158	205,210	36,449	162,953	5,610,030	-	5,610,030
Inter-segment sales or transfers	46,982	35,541	7,566	-	43,078	133,168	(133,168)	-
Total	4,939,239	348,699	212,777	36,449	206,032	5,743,199	(133,168)	5,610,030
Segment profit <Ordinary Profit>	401,987	18,758	6,898	2,482	16,565	446,693	5,053	451,747
Segment assets	6,519,482	278,142	166,299	29,844	165,491	7,159,259	(1,330)	7,157,929
Segment liabilities <Interest-bearing debt>	1,968,348	605	6,759	12,890	1,749	1,990,352	(15,190)	1,975,161
Other items								
Depreciation and amortization	309,971	2,866	5,571	2,557	3,853	324,820	(4,774)	320,046
Amortization of goodwill	7,834	1,080	22	(0)	160	9,099	-	9,099
Interest income	5,161	80	27	0	223	5,494	(203)	5,290
Interest expenses	19,835	56	28	112	91	20,123	(203)	19,920
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	68,801	508	996	-	(13)	70,293	12,424	82,717
Balance of investments in equity method companies	933,766	2,796	20,143	-	(20)	956,685	118,501	1,075,186
Increase (decrease) in tangible/intangible fixed assets	290,753	1,775	12,030	1,372	3,127	309,059	(4,670)	304,389

Information of net sales about geographical area

(Millions of yen)

Japan	Overseas			Total
		Asia	Other	
3,317,619	2,292,410	1,484,914	807,496	5,610,030

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

(Deferred Tax Accounting)

In accordance with the promulgation on March 31, 2015, of the Act on Partial Revision of the Income Tax Act and the Act on Partial Revision of the Local Tax Act, the effective statutory tax rate of 35.6% utilized in the previous consolidated fiscal year for the computation of deferred tax assets and deferred tax liabilities for the current consolidated fiscal year (applied only to assets and liabilities to be recovered or settled on or after April 1, 2015) has been revised from 35.6% utilized in the previous consolidated fiscal year to 33.1% for assets and liabilities to be recovered or settled during the period of April 1, 2015, to March 31, 2016, and to 32.3% for assets and liabilities to be recovered or settled from April 1, 2016, and thereafter.

The revisions had the effect of increasing deferred tax assets (the amount remaining after deducting the amount of deferred tax liabilities) by ¥6,546 million, income taxes–deferred reported in the current consolidated fiscal year by ¥10,877 million, unrealized gains on available-for-sale securities by ¥13,470 million, and remeasurements of defined benefit plans by ¥4,213 million.

(Per Share Information)

(Yen)

	Fiscal 2013 (April 1, 2013－March 31, 2014)	**Fiscal 2014 (April 1, 2014－March 31, 2015)**
Net assets per share	294.11	**326.30**
Net income per share	26.67	**23.48**

Regarding diluted net income per share, no figures for diluted net income per share have been disclosed because no latent shares existed.

As described in “Changes in Accounting Principles Accompanying Revisions in Accounting Standards”, the Company applied the Retirement Benefits Accounting Standard, and complied with transitional treatment as prescribed in Section 37 of the Retirement Benefits Accounting Standard. As a result, net assets per share of fiscal 2014 decreased by ¥2.87, and net income per share increased by ¥0.17.

Notes: Basis for calculations

1. Net income per share

(Yen)

	Fiscal 2013 (April 1, 2013－March 31, 2014)	**Fiscal 2014 (April 1, 2014－March 31, 2015)**
Net income per share		
Net income	242,753 Million	**214,293 Million**
Value not available to common shares	― Million	**― Million**
Net income available to common shares	242,753 Million	**214,293 Million**
Average number of outstanding common shares during the period	9,101,625,645 Shares	**9,125,471,690 Shares**

2. Net assets per share

(Yen)

	End of fiscal 2013 (March 31, 2014)	**End of fiscal 2014 (March 31, 2015)**
Total net assets	3,237,995 Million	**3,547,059 Million**
Amounts deducted from total net assets	554,335 Million	**568,362 Million**
Portion of minority interest	554,335 Million	**568,362 Million**
Net assets at fiscal year-end available to common shares	2,683,659 Million	**2,978,696 Million**
Number of common shares at fiscal year-end used in calculating net assets per share	9,124,700,854 Shares	**9,128,613,761 Shares**

(Major Subsequent Events)

Share consolidation

NSSMC resolved to approve a partial revision to the Articles of Incorporation associated with change of the share trading unit of Company stock (from 1,000 shares to 100 shares) at the Meeting of the Board of Directors held on April 28, 2015 and to submit a request for approval of a share consolidation (10 shares becoming one share) to the General Meeting of Shareholders scheduled to be held on June 24, 2015.

Subject to approval of the share consolidation at the General Meeting of Shareholders, the partial revision to the Articles of Incorporation and share consolidation will be enforced on October 1, 2015.