Flash Report
Consolidated Basis
Results for the First Half of Fiscal 2016
(April 1, 2016—September 30, 2016)
＜under Japanese GAAP＞

November 1, 2016

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 9, 2016
Scheduled date to pay dividends:	—
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 2016 (April 1, 2016—September 30, 2016)

(1) Consolidated Operating Results (Accumulated)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half of Fiscal 2016	**2,160,793**	**(13.8)**	**17,830**	**(81.9)**	**28,013**	**(78.4)**	**11,009**	**(90.8)**
First half of Fiscal 2015	2,507,562	(9.8)	98,380	(27.4)	129,848	(26.4)	120,117	7.0

(For reference) Comprehensive income: First half of Fiscal 2016 ¥(96,546)million —%
First half of Fiscal 2015 ¥(46,679)million —%

	Earnings per share	Earnings per share after full dilution
	Yen	Yen
First half of Fiscal 2016	**12.41**	—
First half of Fiscal 2015	131.23	—

Note: The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015. In accordance with it, earnings per share are calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

(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 2016	**6,179,131**	**2,854,817**	**42.5**
Fiscal 2015	6,425,043	3,009,075	43.2

(For reference) Shareholders' equity: First half of Fiscal 2016 ¥ 2,623,098 million
Fiscal 2015 ¥ 2,773,822 million

2. Dividends

	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 2015	—	3.00	—	15.00	—
Fiscal 2016	—	0.00			
Fiscal 2016 (Forecasts)			—	—	—

Notes: 1. Whether the divided forecasts under review have been revised: No
2. The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015. In accordance with it, the full fiscal year dividend of fiscal 2015 is shown as "—". Assuming the share consolidation, the full fiscal year dividend of fiscal 2015 would be ¥45.00.
3. The Company plans to determine the forecast for the year-end dividend distribution amount, with due consideration of full-year outlook of profit attributable to owners of parent, and to announce it at the time of its third-quarter result announcement.

3. Consolidated Financial Forecasts for Fiscal 2016 (April 1, 2016—March 31, 2017)

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

	Net sales		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2016	4,550,000	(7.3)	130,000	(35.3)	60,000	(58.7)	68.00

Notes: 1. Whether the consolidated financial forecasts for fiscal 2016 under review have been revised: Yes

2. For further details, please refer to page 4, "1. Qualitative Information for the First Half of Fiscal 2016 (2) Explanation of Information on Future Estimates, Including Consolidated Earnings Forecasts."

* Notes

(1) Changes in significant subsidiaries during the period: None

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: Yes

Note: For further details, please refer to page 6, "2. Matters Concerning Summary Information (Notes to Financial Statements) (2) Adoption of Special Accounting Methods for 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 6, "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 2016	950,321,402 shares
Fiscal 2015	950,321,402 shares

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

First half of Fiscal 2016	67,729,853 shares
Fiscal 2015	48,055,060 shares

(c) Average number of shares issued during the term

First half of Fiscal 2016	886,957,724 shares
First half of Fiscal 2015	915,329,152 shares

* The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015. In accordance with it, average number of shares issued during the term is calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

* 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 2016

(1) Explanation of Operating Results

Global and Domestic Economic Conditions in the First Half of Fiscal 2016

The overall global economy lacked strength, growing only moderately. The U.S. economy expanded steadily, led by consumer spending, and Europe continued to recover at a moderate pace, while China's economy remained sluggish, despite indications that governmental stimulus measures are having some effect.

In Japan, the economic recovery continued at a moderate pace. While consumer spending remained sluggish, employment conditions improved and there were signs of an upturn in corporate production activities.

Operating Results by Business Segment in the First Half of Fiscal 2016

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

(Billions of yen)

	Net Sales		Ordinary Profit	
	1H FY16	**1H FY15**	**1H FY16**	**1H FY15**
Steelmaking and steel fabrication	**1,900.8**	2,202.5	**14.0**	110.7
Engineering and construction	**116.5**	140.2	**1.5**	2.1
Chemicals	**81.2**	101.3	**0.8**	3.1
New materials	**17.1**	17.8	**0.7**	1.6
System solutions	**106.0**	106.2	**10.3**	10.1
Total	**2,221.9**	2,568.1	**27.5**	127.8
Adjustments	**(61.1)**	(60.6)	**0.4**	2.0
Consolidated total	**2,160.7**	2,507.5	**28.0**	129.8

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

Steelmaking and Steel Fabrication

Domestic demand for steel declined year-on-year as a result of a slow recovery in sales to the construction industry and depressed sales to manufacturers, particularly in the automotive sector, which was affected by the Kumamoto earthquakes. However, due to the recent increase in demand, mainly in the construction and automotive sectors, overall demand bottomed in 1Q and turned to an uptrend in 2Q.

Overseas steel demand was flat overall. Although there were signs of a moderate recovery in ASEAN countries, the downtrend continued in China, despite some recent signs of the bottoming out of domestic demand.

International market conditions hit bottom at the start of the year and have since remained on a recovery track.

The steelmaking and steel fabrication segment recorded net sales of ¥1,900.8 billion and ordinary profit of ¥14.0 billion.

Engineering and Construction

Nippon Steel & Sumikin Engineering Co., Ltd. recorded healthy orders from the domestic construction industry. However, the business outlook is increasingly uncertain due to low oil prices, a cautious investment stance among overseas steelmakers, and other factors. The company made its maximum efforts to improve earnings by steadily implementing project execution controls, but earnings decreased partly due to a decline in sales and the impact from the strong yen. The engineering and construction segment posted net sales of ¥116.5 billion and ordinary profit of ¥1.5 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. secured stable earnings in the functional materials business on strong sales for styrene monomers, supported by robust demand in the Asian market, and steady sales of circuit board materials, display materials, and other products for electronics components. However, the coal chemicals business continued to face extremely severe business conditions as a result of sluggish demand for needle coke. The chemicals segment recorded net sales of ¥81.2 billion and ordinary profit of ¥0.8 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd. posted continued strong sales of surface-treated copper wire in the electronics industrial materials field. In the carbon fiber and composite materials field, demand was steady for infrastructure maintenance and reinforcement materials for tunnels and bridges. In contrast, the sluggish economies in emerging countries, intensified market competition, and the strong yen contributed to a decline in sales and earnings. The new materials segment posted net sales of ¥17.1 billion and ordinary profit of ¥0.7 billion.

System Solutions

NS Solutions Corporation provides comprehensive solutions in the planning, configuration, operation, and maintenance of IT systems for clients in a wide range of business fields, and develops leading-edge solutions services that respond to the changing business conditions of its clients. During the period under review, NS Solutions concluded a share exchange agreement with a specialized trading company with a particular strength in the network security field, which will become a wholly owned subsidiary effective January 1, 2017. The system solutions segment recorded net sales of ¥106.0 billion and ordinary profit of ¥10.3 billion.

Sales and Profit for the First Half of Fiscal 2016

Nippon Steel & Sumitomo Metal Corporation (NSSMC or the Company) posted first-half consolidated net sales of ¥2,160.7 billion, with operating profit of ¥17.8 billion, ordinary profit of ¥28.0 billion, and profit attributable to owners of parent of ¥11.0 billion.

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

Consolidated Earnings Forecasts

NSSMC anticipates moderate growth in the overall global economy. While economic conditions are likely to remain firm in the United States, centered on consumer spending, and a gradual improvement in the European economy is expected, the sluggish growth in China is projected to continue.

The Japanese economy is expected to recover at a moderate pace, despite sluggish private consumption, owing to the effects of government economic stimulus measures and signs of a recovery in corporate capital investment.

In the second half of fiscal 2016, the Company anticipates a firm recovery in domestic steel demand, albeit at a moderate pace, as a result of the revival of the automotive sector and an increase in construction demand related to the 2020 Tokyo Olympics. With regard to overseas steel demand, there are signs of the bottoming out of local demand in China, while steady gains are anticipated in ASEAN countries and India. In terms of global market conditions, the recent sharp rise in coking coal prices is expected to be increasingly reflected in steel market prices going forward. Against this background, NSSMC will continue to make its utmost efforts to secure margins that are sufficient to allow the resumption of production, in response to the rapid rise in coking coal prices that exceed self-help efforts. At the same time, the Company will work closely with customers to gain their understanding in revising steel material prices.

For the full period of fiscal 2016, the Company is maintaining its previous forecast disclosed at the time of the first-quarter results announcement (July 28, 2016), and intends to achieve ¥130.0 billion in consolidated ordinary profit.

Basic Profit Distribution Policy and the First-Half Dividend Distribution

NSSMC's basic policy regarding profit distribution 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 both consolidated and non-consolidated bases. The Company has adopted a consolidated payout ratio target of around 20%–30% as the benchmark for the "payment of dividends from distributable funds in consideration of the consolidated operating results." The level of the first-half dividend is determined based on consideration of interim performance figures and forecasts for the full fiscal year performance.

In accordance with the above basic profit distribution policy, the Company sincerely regrets that it has decided to forgo the first-half dividend distribution, as disclosed at the time of the first-quarter results announcement .

The Company plans to determine the forecast for the year-end dividend distribution amount, with due consideration of the full-year outlook of profit attributable to owners of parent, and announce it at the time of its third-quarter results announcement.

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

(1) Changes in Significant Subsidiaries during the Period:

None

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

The Company reasonably estimated the effective tax rate following application of tax-effect accounting on profit before income taxes for the consolidated fiscal year, which includes the quarterly period under review, and applied this percentage to quarterly profit before income taxes to determine income taxes.

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

(Changes in Accounting Principles)

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Accompanying tax reform, the Company has applied "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (PITF No. 32, issued June 17, 2016) in its consolidated financial statements since the first quarter of fiscal 2016. As a result, the Company has changed its method of depreciation for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change in accounting principles on the quarterly consolidated financial statements for the first half of fiscal 2016 was not material.

(Additional Information)

Application of the "Implementation Guidance on Recoverability of Deferred Tax Assets"

The Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued March 28, 2016) in its consolidated financial statements since the first quarter of fiscal 2016.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2016	**September 30, 2016**
Current assets :		
Cash and bank deposits	85,365	**74,884**
Notes and accounts receivable	523,207	**423,117**
Inventories	1,110,901	**1,062,191**
Other	271,164	**261,089**
Less: Allowance for doubtful accounts	(567)	**(1,197)**
Total current assets	1,990,072	**1,820,085**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	682,187	**678,512**
Machinery, equipment and vehicles	1,028,856	**995,144**
Other	868,195	**879,533**
	2,579,240	**2,553,190**
Intangible assets :	87,680	**78,968**
Investments and others :		
Investments in securities	592,402	**598,931**
Shares of subsidiaries and affiliates	979,879	**930,291**
Net defined benefit assets	58,708	**59,567**
Other	139,566	**140,534**
Less: Allowance for doubtful accounts	(2,508)	**(2,437)**
	1,768,049	**1,726,886**
Total fixed assets	4,434,970	**4,359,045**
Total assets	6,425,043	**6,179,131**

Millions of yen

LIABILITIES	March 31, 2016	**September 30, 2016**
Current liabilities :		
Notes and accounts payable	589,319	**544,252**
Short-term loans payable	400,386	**361,468**
Bonds due within one year	50,000	**80,000**
Income taxes payable	25,342	**19,407**
Provision	2,124	**588**
Other	547,744	**583,390**
Total current liabilities	1,614,918	**1,589,107**
Long-term liabilities :		
Bonds and notes	335,683	**295,687**
Long-term loans payable	1,209,116	**1,200,985**
Allowance and reserve	4,805	**4,132**
Net defined benefit liabilities	128,837	**117,950**
Other	122,606	**116,451**
Total long-term liabilities	1,801,049	**1,735,205**
Total liabilities	3,415,968	**3,324,313**
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	**419,524**
Capital surplus	383,010	**383,205**
Retained earnings	1,837,919	**1,835,270**
Less: Treasury stock, at cost	(87,942)	**(132,231)**
	2,552,512	**2,505,769**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	171,378	**155,059**
Deferred hedge income (loss)	(10,883)	**(7,085)**
Unrealized gains on revaluation of land	3,025	**2,999**
Foreign currency translation adjustments	14,652	**(81,538)**
Remeasurements of defined benefit plans	43,136	**47,894**
	221,310	**117,328**
Non-controlling interests in consolidated subsidiaries	235,252	**231,719**
Total net assets	3,009,075	**2,854,817**
Total liabilities and net assets	6,425,043	**6,179,131**

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

Quarterly Consolidated Statements of Operations — Millions of yen

	First half of fiscal 2015	**First half of Fiscal 2016**
Operating revenues :		
Net sales	2,507,562	**2,160,793**
Cost of sales	2,177,202	**1,918,536**
Gross profit	330,360	**242,257**
Selling, general and administrative expenses	231,979	**224,426**
Operating profit	98,380	**17,830**
Non-operating profit and loss :		
Non-operating profit :		
Interest income	2,935	**2,820**
Dividend income	8,824	**7,448**
Equity in profit of unconsolidated subsidiaries and affiliates	28,697	**35,018**
Other	26,011	**19,015**
	66,469	**64,303**
Non-operating loss :		
Interest expense	9,789	**9,247**
Other	25,212	**44,872**
	35,002	**54,119**
Ordinary profit	129,848	**28,013**
Extraordinary profit :		
Gain on sales of shares of subsidiaries and associates	33,461	**-**
Settlement received	30,000	**-**
	63,461	-
Extraordinary loss :		
Loss on inactive facilities	15,870	**2,712**
Restructuring loss	-	**6,407**
	15,870	**9,119**
Profit before income taxes	177,438	**18,894**
Income taxes - current and deferred	51,260	**2,136**
Profit	126,178	**16,757**
Profit attributable to non-controlling interests	6,061	**5,748**
Profit attributable to owners of parent	120,117	**11,009**

Quarterly Consolidated Statements of Comprehensive Income — Millions of yen

	First half of Fiscal 2015	**First half of Fiscal 2016**
Profit	126,178	**16,757**
Other comprehensive income		
Unrealized gains on available-for-sale securities	(90,007)	**(13,585)**
Deferred hedge income (loss)	(7,483)	**2,830**
Unrealized gains on revaluation of land	(11)	**-**
Foreign currency translation adjustments	(27,868)	**(93,590)**
Remeasurements of defined benefit plans	(27,178)	**4,990**
Share of other comprehensive income of affiliates accounted for using equity method	(20,308)	**(13,949)**
Total other comprehensive income	(172,858)	**(113,303)**
Comprehensive income	(46,679)	**(96,546)**
(breakdown)		
Comprehensive income attributable to owners of parent	(53,085)	**(92,945)**
Comprehensive income attributable to non-controlling interests	6,405	**(3,600)**

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

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

(Acquisition of Treasury Stock)

The Company acquired 19,658,800 shares of treasury stock in the first half of fiscal 2016 in accordance with a resolution made at the Company's Board of Directors held on February 1, 2016. As a result, treasury stock increased by ¥44,239 million.

(Segment Information)

(Information about segment sales, profit)

First half of Fiscal 2015 (April 1, 2015—September 30, 2015)

(Millions of yen)

	Reportable segment					Total	Adjustments	Consolidated Total
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales	2,202,567	140,214	101,338	17,811	106,253	2,568,185	(60,623)	2,507,562
Segment profit <Ordinary Profit>	110,741	2,179	3,170	1,622	10,117	127,832	2,015	129,848

First half of Fiscal 2016 (April 1, 2016—September 30, 2016)

(Millions of yen)

	Reportable segment					Total	Adjustments	Consolidated Total
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales	1,900,877	116,541	81,288	17,196	106,025	2,221,929	(61,136)	2,160,793
Segment profit <Ordinary Profit>	14,077	1,593	802	710	10,368	27,552	460	28,013

(Depreciation Information)

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

(Millions of yen)

	For the first half of Fiscal 2015	For the first half of Fiscal 2016
Depreciation and amortization	151,927	145,233