Flash Report
Consolidated Basis
Results for the First Quarter of Fiscal 2017
(April 1, 2017—June 30, 2017)
＜under Japanese GAAP＞

July 28, 2017

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
Contact:	Fumiaki Ohnishi, General Manager, Public Relations Center
Telephone:	+81-3-6867-2130
Scheduled date to submit Securities Report:	August 8, 2017
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 Quarter of Fiscal 2017 (April 1, 2017—June 30, 2017)

(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 quarter of Fiscal 2017	**1,355,466**	**29.0**	**66,536**	—	**107,999**	—	**71,352**	—
First quarter of Fiscal 2016	1,051,141	(16.9)	(7,392)	—	(12,050)	—	(14,638)	—

(For reference) Comprehensive income: First quarter of Fiscal 2017 ¥ 77,902 million —%
First quarter of Fiscal 2016 ¥ (113,065) million —%

	Earnings per share	Earnings per share after full dilution
	Yen	Yen
First quarter of Fiscal 2017	**80.84**	—
First quarter of Fiscal 2016	(16.44)	—

(2) Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets
	Millions of yen	Millions of yen	%
First quarter of Fiscal 2017	**7,312,624**	**3,323,616**	**40.7**
Fiscal 2016	7,261,923	3,291,015	40.6

(For reference) Shareholders' equity: First quarter of Fiscal 2017 ¥ 2,978,733 million
Fiscal 2016 ¥ 2,948,232 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 2016	—	0.00	—	45.00	45.00
Fiscal 2017	—				
Fiscal 2017 (Forecasts)		**25.00**	—	—	—

Notes: Whether the dividends forecasts under review have been revised: Yes

3. Consolidated Financial Forecasts for Fiscal 2017 (April 1, 2017—March 31, 2018)

(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
First half of Fiscal 2017	2,700,000	25.0	150,000	435.5	85,000	672.1	96.00
Fiscal 2017	—	—	300,000	71.9	—	—	—

Notes: 1. Whether the consolidated financial forecasts for fiscal 2017 under review have been revised: Yes
2. For further details, please refer to page 4, "1. Qualitative Information for the First Quarter of Fiscal 2017 (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 9, "2. Quarterly Consolidated Financial Statements and Main Notes (3) Notes on Quarterly Consolidated Financial Statements (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: None
(b) Changes other than those in (a) above: None
(c) Changes in accounting estimates: None
(d) Retrospective restatements: None

(4) Number of shares issued (common shares)
(a) Number of shares issued at the end of the period (including treasury stock)
First quarter of Fiscal 2017 950,321,402 shares
Fiscal 2016 950,321,402 shares

(b) Number of treasury stock at the end of the period
First quarter of Fiscal 2017 67,680,683 shares
Fiscal 2016 67,674,097 shares

(c) Average number of shares issued during the term (accumulated)
First quarter of Fiscal 2017 882,644,175 shares
First quarter of Fiscal 2016 890,229,326 shares

* This quarterly flash report is exempt from the audit procedures.

* 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.

Index of Attached Documents

1. Qualitative Information for the First Quarter of Fiscal 2017 2
(1) Explanation of Operating Results 2
(2) Explanation of Information on Future Estimates, Including Consolidated Earnings Forecasts 4
2. Quarterly Consolidated Financial Statements and Main Notes 6
(1) Quarterly Consolidated Balance Sheets 6
(2) Quarterly Consolidated Statements of Operations and
Quarterly Consolidated Statements of Comprehensive Income 8
(3) Notes on Quarterly Consolidated Financial Statements 9
(Notes on Going Concern Assumption) 9
(Notes in Case of Significant Changes to Shareholders' Equity) 9
(Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements) 9
(Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements) 9

1. Qualitative Information for the First Quarter of Fiscal 2017

(1) Explanation of Operating Results

Global and Domestic Economic Conditions in the First Quarter of Fiscal 2017

The global economy remained firm overall during the period under review. The economies of the United States and Europe maintained a steady undertone and the recovery in the economies of China and developing countries continued at a moderate pace.

The Japanese economy continued to recover moderately. While the employment environment began to tighten, the government's economic stimulus measures provided a boost and corporate production activities improved.

Operating Results by Business Segment in the First Quarter of Fiscal 2017

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	
	1Q FY17	1Q FY16	**1Q FY17**	1Q FY16
Steelmaking and steel fabrication	**1,208.8**	927.0	**98.7**	(16.1)
Engineering and construction	**60.8**	55.4	**(0.6)**	1.2
Chemicals	**46.5**	39.2	**2.5**	(1.2)
New materials	**9.0**	8.6	**0.4**	0.4
System solutions	**58.1**	50.0	**5.0**	4.9
Total	**1,383.5**	1,080.4	**106.1**	(10.7)
Adjustments	**(28.0)**	(29.2)	**1.8**	(1.3)
Consolidated total	**1,355.4**	1,051.1	**107.9**	(12.0)

*The first quarter (1Q) is the three-month period from April 1 to June 30.

Steelmaking and Steel Fabrication

In the Steelmaking and Steel Fabrication segment, domestic demand was firm, centered on shipments to the manufacturing industry, especially the automotive sector. Overseas steel demand remained solid in the United States, Europe, and the ASEAN countries and was also firm in China. The global market showed signs of weakness at the beginning of the fiscal year due to inventory adjustments, but prices are generally bottoming out and beginning to improve. However, the problem of excess steelmaking capacity in China is still in the process of being resolved and close attention to future trends will be necessary.

The Steelmaking and Steel Fabrication segment recorded net sales of ¥1,208.8 billion and ordinary profit of ¥98.7 billion.

Engineering and Construction

Nippon Steel & Sumikin Engineering Co., Ltd. continued to face severe operating conditions, including stagnant oil prices and restrained investment by overseas steel manufacturers. Sales increased marginally from the same period last year, supported mainly by steady progress with projects in the domestic construction industry. Although the company made every effort to maximize earnings by strictly controlling project execution, the severe operating conditions ultimately led to a decline in profits. The Engineering and Construction segment posted net sales of ¥60.8 billion and ordinary loss of ¥ 0.6 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. secured profit growth on continuing strong sales of functional materials, mainly used in electronic devices, accompanied by strong demand for styrene monomer and improving sales related to electronic materials in the epoxy business. In addition, the coal chemicals business was on a recovery trend in both sales volume and prices, due to an increase in demand for needle coke used in graphite electrodes, its core application. The Chemicals segment recorded net sales of ¥46.5 billion and ordinary profit of ¥2.5 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd., within its industrial electronic materials business, continued to post strong sales of surface-treated copper wire and increased sales of metal foils for suspension and other materials. In the carbon fiber field, both demand and sales grew for pitch-based carbon fiber, which offers high elasticity and high thermal conductivity characteristics. The company also boosted sales of metal substrates in the environmental and energy field by capturing demand in developing countries. The New Materials segment posted net sales of ¥9.0 billion and ordinary profit of ¥0.4 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 term, the company promoted the reinforcement of its Desktop as a Service (DaaS), including the addition of a web-based conferencing function, and the development of solutions to effectively use AI and machine learning to enhance the sophistication of business operations. The System Solutions segment recorded net sales of ¥58.1 billion and ordinary profit of ¥5.0 billion.

Sales and Profit for the First Quarter of Fiscal 2017

Nippon Steel & Sumitomo Metal Corporation (NSSMC or the Company) posted consolidated net sales of ¥1,355.4 billion, operating profit of ¥66.5 billion, ordinary profit of ¥107.9 billion, and profit attributable to owners of parent of ¥71.3 billion for the first quarter of fiscal 2017.

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

Consolidated Earnings Forecasts

NSSMC anticipates an overall moderate recovery in the global economy supported by firm business conditions in the United States and Europe and ongoing gradual economic recovery in China and developing countries. However, uncertainty lingers over political and other conditions in various countries.

The Japanese economy is expected to maintain a moderate recovery, supported by stable private consumption and capital investment, despite emerging signs of labor shortages in some areas indicated by a rise in the jobs-to-applicants ratio.

The Company expects strong demand for steel in Japan, led by demand in the automotive sector. Demand from the construction and civil engineering sectors is also likely to gain momentum, partly due to preparations for the 2020 Tokyo Olympics. Overseas steel demand in general is also projected to stay robust. The international steel market showed signs of weakness at the beginning of the fiscal year due to inventory adjustments, but progress in inventory adjustment, on the back of strong demand in China, has led to an improvement in the overseas market. However, the problem of excess steelmaking capacity in China is still in the process of being resolved and close attention to future trends will be necessary.

In this environment, there will be some negative impacts from weakness in overseas steel prices and an increase in sub-material costs in markets at the start of the fiscal year. However, NSSMC's Group companies, including those operating overseas businesses, are improving their earnings and the steelmaking business is making progress in cost improvement. In addition, a strong one-time boost caused by an inventory valuation difference is projected to have a significant impact on earnings. Based on this outlook, the Company is forecasting ¥150.0 billion in ordinary profit and ¥85.0 billion in profit attributable to owners of parent in the first half of fiscal 2017.

For full-year fiscal 2017, the final year of the 2017 Mid-Term Management Plan, the Company will steadily implement measures to reduce costs by ¥50.0 billion, the portion remaining to meet the cost reduction target in the mid-term plan, and further improve the earnings of Group companies, including those involved in overseas businesses. Concerning the revision of steel product prices, the Company will continue to carefully respond to customers and seek their understanding in order to secure an appropriate reproducible margin. Based on these factors, the Company is targeting consolidated ordinary profit of ¥300.0 billion or more.

Basic Profit Distribution Policy and the Interim Dividend Distribution

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 both a 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 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 intends to distribute dividends at the end of the second quarter (interim) of ¥25 per share (consolidated payout ratio of approximately 26%).

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2017	**June 30, 2017**
Current assets :		
Cash and bank deposits	88,111	**114,515**
Notes and accounts receivable	624,089	**556,361**
Inventories	1,215,649	**1,329,752**
Other	318,766	**307,436**
Less: Allowance for doubtful accounts	(2,179)	**(1,991)**
Total current assets	2,244,436	**2,306,075**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	753,697	**753,538**
Machinery, equipment and vehicles	1,114,851	**1,108,395**
Other	972,288	**979,781**
	2,840,838	**2,841,715**
Intangible assets :	91,287	**87,992**
Investments and others :		
Investments in securities	816,389	**820,466**
Shares of subsidiaries and affiliates	1,041,397	**1,022,630**
Net defined benefit assets	92,948	**99,805**
Other	138,194	**137,164**
Less: Allowance for doubtful accounts	(3,569)	**(3,225)**
	2,085,361	**2,076,841**
Total fixed assets	5,017,487	**5,006,549**
Total assets	7,261,923	**7,312,624**

Millions of yen

LIABILITIES	March 31, 2017	**June 30, 2017**
Current liabilities :		
Notes and accounts payable	728,300	**740,393**
Short-term loans payable	316,115	**305,821**
Commercial paper	20,000	**117,000**
Bonds due within one year	140,000	**160,000**
Income taxes payable	31,909	**23,011**
Provision	2,297	**1,920**
Other	716,511	**657,257**
Total current liabilities	1,955,134	**2,005,404**
Long-term liabilities :		
Bonds and notes	255,690	**225,692**
Long-term loans payable	1,360,025	**1,354,775**
Allowance and reserve	4,799	**4,436**
Net defined benefit liabilities	188,016	**185,522**
Other	207,241	**213,176**
Total long-term liabilities	2,015,774	**1,983,603**
Total liabilities	3,970,908	**3,989,008**
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	**419,524**
Capital surplus	386,873	**386,850**
Retained earnings	1,949,960	**1,979,576**
Less: Treasury stock, at cost	(132,063)	**(132,080)**
	2,624,294	**2,653,872**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	269,282	**271,200**
Deferred hedge income (loss)	(2,370)	**(2,780)**
Unrealized gains on revaluation of land	3,002	**3,002**
Foreign currency translation adjustments	(9,339)	**(16,600)**
Remeasurements of defined benefit plans	63,363	**70,039**
	323,938	**324,861**
Non-controlling interests in consolidated subsidiaries	342,782	**344,882**
Total net assets	3,291,015	**3,323,616**
Total liabilities and net assets	7,261,923	**7,312,624**

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

Quarterly Consolidated Statements of Operations — Millions of yen

	First quarter of Fiscal 2016	**First quarter of Fiscal 2017**
Operating revenues :		
Net sales	1,051,141	**1,355,466**
Cost of sales	946,494	**1,164,929**
Gross profit	104,646	**190,537**
Selling, general and administrative expenses	112,039	**124,000**
Operating profit(loss)	(7,392)	**66,536**
Non-operating profit and loss :		
Non-operating profit :		
Interest income	1,403	**1,348**
Dividend income	6,408	**7,952**
Equity in profit of unconsolidated subsidiaries and affiliates	11,942	**35,708**
Other	9,222	**11,142**
	28,977	**56,153**
Non-operating loss :		
Interest expense	4,822	**5,345**
Other	28,812	**9,344**
	33,634	**14,690**
Ordinary profit(loss)	(12,050)	**107,999**
Extraordinary loss :		
Restructuring loss	6,200	**-**
	6,200	**-**
Profit(loss) before income taxes	(18,250)	**107,999**
Income taxes - current and deferred	(5,954)	**29,419**
Profit(loss)	(12,295)	**78,580**
Profit attributable to non-controlling interests	2,342	**7,228**
Profit(loss) attributable to owners of parent	(14,638)	**71,352**

Quarterly Consolidated Statements of Comprehensive Income — Millions of yen

	First quarter of Fiscal 2016	**First quarter of Fiscal 2017**
Profit(loss)	(12,295)	**78,580**
Other comprehensive income		
Unrealized gains on available-for-sale securities	(54,978)	**1,168**
Deferred hedge income (loss)	1,564	**(655)**
Foreign currency translation adjustments	(32,554)	**(5,906)**
Remeasurements of defined benefit plans	(7,448)	**5,748**
Share of other comprehensive income of affiliates accounted for using equity method	(7,353)	**(1,032)**
Total other comprehensive income	(100,769)	**(678)**
Comprehensive income	(113,065)	**77,902**
(breakdown)		
Comprehensive income attributable to owners of parent	(111,875)	**71,993**
Comprehensive income attributable to non-controlling interests	(1,190)	**5,908**

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

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

None

(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.

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

None