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

October 27, 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
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Scheduled date to submit Securities Report:	November 10, 2017
Scheduled date to pay dividends:	November 30, 2017
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 2017 (April 1, 2017—September 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 half of Fiscal 2017	**2,745,096**	**27.0**	**99,997**	**460.8**	**157,634**	**462.7**	**99,153**	**800.7**
First half of Fiscal 2016	2,160,793	(13.8)	17,830	(81.9)	28,013	(78.4)	11,009	(90.8)

(For reference) Comprehensive income: First half of Fiscal 2017 ¥ 166,741 million —%
First half of Fiscal 2016 ¥ (96,546) million —%

	Earnings per share	Earnings per share after full dilution
	Yen	Yen
First half of Fiscal 2017	**112.34**	—
First half of Fiscal 2016	12.41	—

(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 2017	**7,477,057**	**3,411,338**	**40.9**
Fiscal 2016	7,261,923	3,291,015	40.6

(For reference) Shareholders' equity: First half of Fiscal 2017 ¥ 3,055,856 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	**—**	**30.00**			
Fiscal 2017 (Forecasts)			—	—	—

Notes: 1. Whether the dividends forecasts under review have been revised: None
2. 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 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
Fiscal 2017	5,600,000	20.9	300,000	71.9	170,000	29.8	193.00

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 Half 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 half 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 half of Fiscal 2017 67,691,787 shares
Fiscal 2016 67,674,097 shares

(c) Average number of shares issued during the term (accumulated)
First half of Fiscal 2017 882,639,519 shares
First half of Fiscal 2016 886,957,724 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.

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1. Qualitative Information for the First Half of Fiscal 2017

(1) Explanation of Operating Results

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

The global economy stayed firm overall during the period under review. The economies of the United States and Europe maintained a steady undertone, while the economy of China remained solid and a moderate recovery trend continued in developing countries. However, uncertainties stemming from political and other conditions in some countries persisted.

The Japanese economy continued to recover moderately, evidenced by factors such as a firm trend in private consumption and capital investment and improvement in corporate production activities.

Operating Results by Business Segment in the First Half 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	
	1H FY17	1H FY16	**1H FY17**	1H FY2016
Steelmaking and steel fabrication	**2,438.0**	1,900.8	**128.7**	14.0
Engineering and construction	**134.1**	116.5	**1.9**	1.5
Chemicals	**98.3**	81.2	**9.3**	0.8
New materials	**17.9**	17.1	**1.1**	0.7
System solutions	**116.5**	106.0	**10.7**	10.3
Total	**2,804.9**	2,221.9	**151.9**	27.5
Adjustment	**(59.8)**	(61.1)	**5.6**	0.4
Consolidated total	**2,745.0**	2,160.7	**157.6**	28.0

Steelmaking and Steel Fabrication

In the Steelmaking and Steel Fabrication segment, domestic demand was firm, centered on shipments to the automotive sector. Overseas steel demand in general remained solid. In the global market, temporary signs of weakness emerged at the beginning of the fiscal year due to inventory adjustments; however, in the second quarter, conditions improved, especially on the back of firm domestic demand in China. The Steelmaking and Steel Fabrication segment recorded net sales of ¥2,438.0 billion and ordinary profit of ¥128.7 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. Both sales and profit increased from the same period last year, supported mainly by steady progress with projects in the domestic construction industry and strict control of project execution. The Engineering and Construction segment posted net sales of ¥134.1 billion and ordinary profit of ¥1.9 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. secured steady growth as sales of styrene monomer, a core product in the chemicals division, remained firm. In the functional materials business, sales were also favorable due to growth in circuit board materials, display materials, and organic EL displays for electronics components. In addition, in the coal tar chemicals business, conditions improved along with an increase in demand for needle coke used in graphite electrodes. The Chemicals segment recorded net sales of ¥98.3 billion and ordinary profit of ¥9.3 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd., within its semiconductor and electronics industrial 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 basic industrial materials and components business, demand grew for pitch-based carbon fiber, which offers high elasticity and high thermal conductivity characteristics, and is also used as structural materials and heat dissipation materials in the industrial field. Despite a certain degree of impact from increased market competition, an increase in sales boosted both sales and profit. The New Materials segment posted net sales of ¥17.9 billion and ordinary profit of ¥1.1 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 expanded sales of its Desktop as a Service (DaaS), and moved forward with the further 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 ¥116.5 billion and ordinary profit of ¥10.7 billion.

Sales and Profit for the First Half of Fiscal 2017

Nippon Steel & Sumitomo Metal Corporation (NSSMC or the Company) posted consolidated net sales of ¥2,745.0 billion, operating profit of ¥99.9 billion, ordinary profit of ¥157.6 billion, and profit attributable to owners of parent of ¥99.1 billion for the first half of fiscal 2017.

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

Consolidated Earnings Forecasts

NSSMC anticipates that, despite lingering uncertainty over political and other conditions in some countries, overall moderate conditions in the global economy will continue. This will be supported by favorable business conditions in the United States and Europe, sustained firm conditions in China, and ongoing gradual economic recovery in developing countries.

The Japanese economy is expected to maintain a moderate recovery, supported by stable private consumption and capital investment, despite some restraint in business activities caused by labor shortages in some areas.

The Company expects that demand for steel will stay firm in Japan, led principally by demand in the automotive sector and demand from the construction and civil engineering sectors. Overseas steel demand in general is also projected to remain robust.

In this environment, for the full fiscal year 2017, which will be the final year of the 2017 Mid-Term Management Plan, the Company will continue to exert maximum management efforts to capture strong steel demand through continued stable production, steadily implement measures to reduce costs, and make further improvements in the earnings of Group companies, including those involved in overseas business. 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. Through the implementation of these and other initiatives, the Company is targeting consolidated ordinary profit of ¥300 billion or more, as we announced at the time of the release of results for the first quarter (on July 28, 2017).

Basic Profit Distribution Policy and the First-Half Dividend Distribution

NSSMC's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (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 basic profit distribution policy described above, the Company has decided to increase the per-share dividend at the end of the second quarter (interim) by ¥5 from ¥25, as previously disclosed, to ¥30 (consolidated payout ratio of approximately 26.7%), in light of an increase in profit from the level announced at the time of the release of results for the first quarter.

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

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2017	**September 30, 2017**
Current assets :		
Cash and bank deposits	88,111	**106,707**
Notes and accounts receivable	624,089	**625,913**
Inventories	1,215,649	**1,350,787**
Other	318,766	**291,317**
Less: Allowance for doubtful accounts	(2,179)	**(1,948)**
Total current assets	2,244,436	**2,372,778**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	753,697	**750,994**
Machinery, equipment and vehicles	1,114,851	**1,099,287**
Other	972,288	**1,009,723**
	2,840,838	**2,860,006**
Intangible assets :	91,287	**86,386**
Investments and others :		
Investments in securities	816,389	**884,273**
Shares of subsidiaries and affiliates	1,041,397	**1,034,911**
Net defined benefit assets	92,948	**105,225**
Other	138,194	**137,061**
Less: Allowance for doubtful accounts	(3,569)	**(3,586)**
	2,085,361	**2,157,885**
Total fixed assets	5,017,487	**5,104,278**
Total assets	7,261,923	**7,477,057**

Millions of yen

LIABILITIES	March 31, 2017	**September 30, 2017**
Current liabilities :		
Notes and accounts payable	728,300	**747,576**
Short-term loans payable	316,115	**349,371**
Commercial paper	20,000	**160,000**
Bonds due within one year	140,000	**125,000**
Income taxes payable	31,909	**33,114**
Provision	2,297	**2,008**
Other	716,511	**704,157**
Total current liabilities	1,955,134	**2,121,228**
Long-term liabilities :		
Bonds and notes	255,690	**210,693**
Long-term loans payable	1,360,025	**1,312,657**
Allowance and reserve	4,799	**4,465**
Net defined benefit liabilities	188,016	**180,429**
Other	207,241	**236,244**
Total long-term liabilities	2,015,774	**1,944,490**
Total liabilities	3,970,908	**4,065,718**
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	**419,524**
Capital surplus	386,873	**386,866**
Retained earnings	1,949,960	**2,007,377**
Less: Treasury stock, at cost	(132,063)	**(132,110)**
	2,624,294	**2,681,658**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	269,282	**312,531**
Deferred hedge income (loss)	(2,370)	**(294)**
Unrealized gains on revaluation of land	3,002	**3,002**
Foreign currency translation adjustments	(9,339)	**(18,710)**
Remeasurements of defined benefit plans	63,363	**77,669**
	323,938	**374,198**
Non-controlling interests in consolidated subsidiaries	342,782	**355,482**
Total net assets	3,291,015	**3,411,338**
Total liabilities and net assets	7,261,923	**7,477,057**

(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 2016	**First half of Fiscal 2017**
Operating revenues :		
Net sales	2,160,793	**2,745,096**
Cost of sales	1,918,536	**2,396,943**
Gross profit	242,257	**348,152**
Selling, general and administrative expenses	224,426	**248,154**
Operating profit	17,830	**99,997**
Non-operating profit and loss :		
Non-operating profit :		
Interest income	2,820	**2,561**
Dividend income	7,448	**9,376**
Equity in profit of unconsolidated subsidiaries and affiliates	35,018	**64,472**
Other	19,015	**18,071**
	64,303	**94,481**
Non-operating loss :		
Interest expense	9,247	**10,524**
Other	44,872	**26,319**
	54,119	**36,844**
Ordinary profit	28,013	**157,634**
Extraordinary loss :		
Loss on inactive facilities	2,712	**2,954**
Restructuring loss	6,407	**-**
	9,119	**2,954**
Profit before income taxes	18,894	**154,679**
Income taxes - current and deferred	2,136	**40,095**
Profit	16,757	**114,583**
Profit attributable to non-controlling interests	5,748	**15,430**
Profit attributable to owners of parent	11,009	**99,153**

Quarterly Consolidated Statements of Comprehensive Income — Millions of yen

	First half of Fiscal 2016	**First half of Fiscal 2017**
Profit	16,757	**114,583**
Other comprehensive income		
Unrealized gains on available-for-sale securities	(13,585)	**44,469**
Deferred hedge income	2,830	**1,540**
Foreign currency translation adjustments	(93,590)	**(1,484)**
Remeasurements of defined benefit plans	4,990	**12,849**
Share of other comprehensive income of affiliates accounted for using equity method	(13,949)	**(5,216)**
Total other comprehensive income	(113,303)	**52,158**
Comprehensive income	(96,546)	**166,741**
(breakdown)		
Comprehensive income attributable to owners of parent	(92,945)	**149,131**
Comprehensive income attributable to non-controlling interests	(3,600)	**17,610**

(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