Flash Report
Consolidated Basis
Results for the Third Quarter of Fiscal 2017
(April 1, 2017—December 31, 2017)
＜under Japanese GAAP＞

February 1, 2018

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: February 9, 2018
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 Third Quarter of Fiscal 2017 (April 1, 2017—December 31, 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	%
Third quarter of Fiscal 2017	**4,164,556**	**25.0**	**138,031**	**122.1**	**225,484**	**107.8**	**156,056**	**162.7**
Third quarter of Fiscal 2016	3,332,004	(10.3)	62,159	(57.9)	108,517	(41.3)	59,408	(61.2)

(For reference) Comprehensive income: Third quarter of Fiscal 2017 ¥ 310,262 million 368.1%
Third quarter of Fiscal 2016 ¥ 66,282 million —%

	Earnings per share	Earnings per share after full dilution
	Yen	Yen
Third quarter of Fiscal 2017	**176.81**	—
Third quarter of Fiscal 2016	67.08	—

(2) Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets
	Millions of yen	Millions of yen	%
Third quarter of Fiscal 2017	**7,627,772**	**3,525,952**	**41.5**
Fiscal 2016	7,261,923	3,291,015	40.6

(For reference) Shareholders' equity: Third quarter of Fiscal 2017 ¥ 3,164,287 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)				**30.00**	**60.00**

Notes: 1. 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
Fiscal 2017	5,700,000	23.0	300,000	71.9	180,000	37.5	204.00

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 Third 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 8, "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)
Third 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
Third quarter of Fiscal 2017 67,704,637 shares
Fiscal 2016 67,674,097 shares

(c) Average number of shares issued during the term (accumulated)
Third quarter of Fiscal 2017 882,634,161 shares
Third quarter of Fiscal 2016 885,653,360 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 Third 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 5

(1) Quarterly Consolidated Balance Sheets 5

(2) Quarterly Consolidated Statements of Operations and

Quarterly Consolidated Statements of Comprehensive Income 7

(3) Notes on Quarterly Consolidated Financial Statements 8

(Notes to on Going Concern Assumption) 8

(Notes in Case of Significant Changes to Shareholders' Equity) 8

(Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements) 8

(Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements) 8

1. Qualitative Information for the Third Quarter of Fiscal 2017

(1) Explanation of Operating Results

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

The global economy stayed on a recovery trend overall during the period under review. The United States maintained a steady economic recovery against the background of an improvement in employment conditions and income, and Europe sustained a solid undertone. China also experienced a stable economy, supported by infrastructure spending and other factors, despite signs of a slowdown in the growth of some economic indicators. Developing countries also maintained a moderate economic recovery.

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

Operating Results by Business Segment in the Third 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	
	3Q FY2017	3Q FY2016	**3Q FY2017**	3Q FY2016
Steelmaking and steel fabrication	**3,699.8**	2,925.7	**189.7**	81.9
Engineering and construction	**205.2**	186.8	**4.8**	4.6
Chemicals	**151.6**	125.2	**12.9**	4.0
New materials	**27.7**	26.0	**1.5**	1.3
System solutions	**168.2**	158.9	**14.7**	15.8
Total	**4,252.8**	3,422.7	**223.9**	107.7
Adjustments	**(88.3)**	(90.7)	**1.5**	0.7
Consolidated total	**4,164.5**	3,332.0	**225.4**	108.5

Steelmaking and Steel Fabrication

In the Steelmaking and Steel Fabrication segment, domestic demand was firm, especially in the case of shipments to the automotive and industrial machinery sectors.

Overseas steel demand in general remained solid, especially in China. In the global steel market, temporary signs of weakness emerged at the beginning of the fiscal year due to inventory adjustments. From the second quarter onward, however, conditions improved as supply and demand conditions tightened in part because of progress toward reducing excess production capacity in China. The Steelmaking and Steel Fabrication segment recorded net sales of ¥3,699.8 billion and ordinary profit of ¥189.7 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. However, both sales and profit increased as a whole 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 ¥205.2 billion and ordinary profit of ¥4.8 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. expanded sales of circuit board materials and display materials for electronic devices such as smartphones in its functional materials business and continued to benefit from tight demand for styrene monomer, a core product in its chemicals business. Both of these businesses therefore made steady contributions to profitability. In the coal tar chemicals business, sales conditions for needle coke used in graphite electrodes improved significantly. The Chemicals segment recorded net sales of ¥151.6 billion and ordinary profit of ¥12.9 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd., within its semiconductor and electronics industrial materials business, continued to post favorable sales of surface-treated copper wire and increased sales of metal foils for suspension and other materials. In the environmental and energy fields, sales of metal substrates expanded as the company captured demand in emerging countries. Although overall performance was affected by severer competition, an increase in sales boosted both net sales and profit. The New Materials segment posted net sales of ¥27.7 billion and ordinary profit of ¥1.5 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 moved forward with the further development of solutions for customers to effectively use AI and machine learning to enhance the sophistication of its business operations. One such example was the establishment of the company’s AI Research and Development Center. The System Solutions segment recorded net sales of ¥168.2 billion and ordinary profit of ¥14.7 billion.

Sales and Profit for the Third Quarter of Fiscal 2017

Nippon Steel & Sumitomo Metal Corporation (NSSMC or the Company) posted consolidated net sales of ¥4,164.5 billion, operating profit of ¥138.0 billion, ordinary profit of ¥225.4 billion, and profit attributable to owners of parent of ¥156.0 billion for the third quarter of fiscal 2017 under review.

(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 and regions, the recovery trend in the global economy will continue as a whole. This will be supported by a continued steady recovery in business conditions in the United States, the continuation of firm economic trends in Europe, a stable economic performance in China, and an ongoing moderate economic recovery in the developing countries.

The Japanese economy is expected to maintain a moderate recovery trend, supported by solid private consumption and capital investment.

The Company expects that demand for steel will stay firm in Japan, due principally to demand in the automotive sector and demand from the construction and civil engineering sectors. Overseas steel demand, in general, is also projected to remain firm and stable. The global steel market is expected to remain stable at a high level due to a tighter balance of supply and demand in China and other factors.

In this environment, the NSSMC Group, including its overseas businesses, is expected to post ¥300.0 billion in consolidated ordinary profit for full-year fiscal 2017, mainly by making further improvement in operating results. This is in spite of adverse factors, such as the current hike in primary raw material prices and the rising trend in prices of auxiliary materials, such as scrap and alloys, other materials procurement costs, and distribution costs. Additional adverse factors include the impact of typhoons in October 2017 and a decline in production and shipment stemming from an extended construction period for some facility-related works.

Basic Profit Distribution Policy and the Year-End 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.

While the year-end dividend distribution amount was undecided at the time of the first-half results announcement (October 27, 2017), the Company now plans to pay a dividend of ¥30 per share (bringing the dividend for the full year to ¥60 per share and representing a consolidated payout ratio of approximately 30%), in accordance with the basic profit distribution policy described above and after giving due consideration to the outlook for performance.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2017	December 31, 2017
Current assets :		
Cash and bank deposits	88,111	**126,680**
Notes and accounts receivable	624,089	**591,410**
Inventories	1,215,649	**1,395,905**
Other	318,766	**291,817**
Less: Allowance for doubtful accounts	(2,179)	**(2,026)**
Total current assets	2,244,436	**2,403,788**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	753,697	**759,008**
Machinery, equipment and vehicles	1,114,851	**1,128,964**
Other	972,288	**987,419**
	2,840,838	**2,875,392**
Intangible assets :	91,287	**84,537**
Investments and others :		
Investments in securities	816,389	**948,749**
Shares of subsidiaries and affiliates	1,041,397	**1,067,160**
Net defined benefit assets	92,948	**112,579**
Other	138,194	**138,688**
Less: Allowance for doubtful accounts	(3,569)	**(3,122)**
	2,085,361	**2,264,054**
Total fixed assets	5,017,487	**5,223,984**
Total assets	7,261,923	**7,627,772**

Millions of yen

LIABILITIES	March 31, 2017	**December 31, 2017**
Current liabilities :		
Notes and accounts payable	728,300	**766,955**
Short-term loans payable	316,115	**282,966**
Commercial paper	20,000	**129,000**
Bonds due within one year	140,000	**105,000**
Income taxes payable	31,909	**27,043**
Provision	2,297	**2,189**
Other	716,511	**719,682**
Total current liabilities	1,955,134	**2,032,836**
Long-term liabilities :		
Bonds and notes	255,690	**220,695**
Long-term loans payable	1,360,025	**1,399,155**
Allowance and reserve	4,799	**4,781**
Net defined benefit liabilities	188,016	**170,699**
Other	207,241	**273,651**
Total long-term liabilities	2,015,774	**2,068,983**
Total liabilities	3,970,908	**4,101,820**
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	**419,524**
Capital surplus	386,873	**386,864**
Retained earnings	1,949,960	**2,037,763**
Less: Treasury stock, at cost	(132,063)	**(132,145)**
	2,624,294	**2,712,007**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	269,282	**363,745**
Deferred hedge income (loss)	(2,370)	**(2,644)**
Unrealized gains on revaluation of land	3,002	**3,002**
Foreign currency translation adjustments	(9,339)	**(1,162)**
Remeasurements of defined benefit plans	63,363	**89,340**
	323,938	**452,280**
Non-controlling interests in consolidated subsidiaries	342,782	**361,664**
Total net assets	3,291,015	**3,525,952**
Total liabilities and net assets	7,261,923	**7,627,772**

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

Quarterly Consolidated Statements of Operations — Millions of yen

	Third quarter of Fiscal 2016	**Third quarter of Fiscal 2017**
Operating revenues :		
Net sales	3,332,004	**4,164,556**
Cost of sales	2,936,021	**3,641,588**
Gross profit	395,982	**522,968**
Selling, general and administrative expenses	333,823	**384,936**
Operating profit	62,159	**138,031**
Non-operating profit and loss :		
Non-operating profit :		
Interest income	4,386	**3,891**
Dividend income	12,246	**15,574**
Equity in profit of unconsolidated subsidiaries and affiliates	56,193	**93,896**
Other	28,217	**29,442**
	101,044	**142,804**
Non-operating loss :		
Interest expense	13,724	**15,486**
Other	40,961	**39,865**
	54,685	**55,352**
Ordinary profit	108,517	**225,484**
Extraordinary profit :		
Gain on sales of investment in securities	-	**24,572**
	-	**24,572**
Extraordinary loss :		
Loss on inactive facilities	10,184	**5,969**
Restructuring loss	6,407	**6,200**
	16,591	**12,169**
Profit before income taxes	91,925	**237,887**
Income taxes - current and deferred	22,160	**62,501**
Profit	69,765	**175,385**
Profit attributable to non-controlling interests	10,356	**19,329**
Profit attributable to owners of parent	59,408	**156,056**

Quarterly Consolidated Statements of Comprehensive Income — Millions of yen

	Third quarter of Fiscal 2016	**Third quarter of Fiscal 2017**
Profit	69,765	**175,385**
Other comprehensive income		
Unrealized gains on available-for-sale securities	64,958	**96,021**
Deferred hedge income	12,256	**(1,111)**
Foreign currency translation adjustments	(91,786)	**9,290**
Remeasurements of defined benefit plans	21,423	**24,869**
Share of other comprehensive income of affiliates accounted for using equity method	(10,335)	**5,805**
Total other comprehensive income	(3,483)	**134,876**
Comprehensive income	66,282	**310,262**
(breakdown)		
Comprehensive income attributable to owners of parent	66,279	**284,116**
Comprehensive income attributable to non-controlling interests	2	**26,146**

(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