Flash Report
Consolidated Basis
Results for the First Quarter of Fiscal 2018
(April 1, 2018—June 30, 2018)
＜under Japanese GAAP＞

August 2, 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
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Scheduled date to submit Securities Report:	August 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 First Quarter of Fiscal 2018 (April 1, 2018—June 30, 2018)

(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 2018	**1,440,883**	**6.3**	**48,195**	**(27.6)**	**87,745**	**(18.8)**	**96,354**	**35.0**
First quarter of Fiscal 2017	1,355,466	29.0	66,536	—	**107,999**	—	**71,352**	—

(For reference) Comprehensive income: First quarter of Fiscal 2018 ¥ 37,934 million (51.3)%
First quarter of Fiscal 2017 ¥ 77,902 million —%

	Earnings per share	Earnings per share after full dilution
	Yen	Yen
First quarter of Fiscal 2018	**109.17**	—
First quarter of Fiscal 2017	80.84	—

(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 2018	**7,639,992**	**3,514,078**	**41.2**
Fiscal 2017	7,526,351	3,515,501	41.8

(For reference) Shareholders' equity: First quarter of Fiscal 2018 ¥ 3,148,466 million
Fiscal 2017 ¥ 3,145,450 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 2017	—	30.00	—	40.00	70.00
Fiscal 2018	—				
Fiscal 2018 (Forecasts)		**40.00**	—	—	—

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

3. Consolidated Financial Forecasts for Fiscal 2018 (April 1, 2018—March 31, 2019)

（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 2018（JGAAP）	3,000,000	9.3	150,000	(4.8)	130,000	31.1	147.0

	Net sales		Business profit (*)		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half of Fiscal 2018（IFRS）	3,000,000	—	160,000	—	110,000	—	125.0
Fiscal 2018（IFRS）	6,300,000	—	350,000	—	240,000	—	269.0

Notes: Whether the consolidated financial forecasts for fiscal 2018 under review have been revised: Yes
For further details, please refer to page 4, "1. Qualitative Information for the First Quarter of Fiscal 2018 (2) Explanation of Information on Future Estimates, Including Consolidated Earnings Forecasts."

As for the consolidated financial forecasts for fiscal 2018 (April 1, 2018―March 31, 2019), Nippon Steel & Sumitomo Metal Corporation (NSSMC or the Company) calculates the figures based on International Financial Reporting Standards(IFRS), as the Company has decided to apply IFRS voluntarily from the consolidated financial statements in the fiscal 2018. The company also prepares the forecast for the first half of fiscal 2018 based on IFRS as well as JGAAP in order to enhance investors' understanding.

(*)Business Profit excludes net financial cost and additional line items from Profit before income taxes. The Company discloses it as an important benchmark of consolidated operating performance.
Additional line items refer to the items that are not recurrent and are remotely related to operational activities of the NSSMC Group, but have a material impact in terms of amount.

***** 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: Yes
(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 2018 950,321,402 shares
Fiscal 2017 950,321,402 shares

(b) Number of treasury stock at the end of the period
First quarter of Fiscal 2018 67,715,620 shares
Fiscal 2017 67,710,915 shares

(c) Average number of shares issued during the term (accumulated)
First quarter of Fiscal 2018 882,608,431 shares
First quarter of Fiscal 2017 882,644,175 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 Quarter of Fiscal 2018

(1) Explanation of Operating Results

Global and Domestic Economic Conditions in the First Quarter of Fiscal 2018

The global economy as a whole showed a solid performance, with the economies of the United States and China holding strong. The economies of Europe and emerging countries reported a further gradual recovery.

The Japanese economy continued to recover moderately, evidenced by such factors as continuing improvements in the employment and income environments and a recovery in corporate production activities

Operating Results by Business Segment in the First Quarter of Fiscal 2018

Business segment of the Nippon Steel & Sumitomo Metal Corporation Group (the NSSMC Group) 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 FY2018	1Q FY2017	**1Q FY2018**	1Q FY2017
Steelmaking and steel fabrication	**1,283.4**	1,208.8	**81.6**	98.7
Engineering and construction	**70.2**	60.8	**(0.2)**	(0.6)
Chemicals	**49.2**	46.5	**5.7**	2.5
New materials	**10.7**	9.0	**0.7**	0.4
System solutions	**58.4**	58.1	**5.2**	5.0
Total	**1,472.0**	1,383.5	**93.1**	106.1
Adjustment	**(31.2)**	(28.0)	**(5.3)**	1.8
Consolidated total	**1,440.8**	1,355.4	**87.7**	107.9

Steelmaking and Steel Fabrication

In the Steelmaking and Steel Fabrication segment, domestic steel demand remained firm, especially shipments to the automotive and industrial machinery sectors. Overseas steel demand as a whole was on a rising trend. In the domestic and overseas steel markets, prices were at a generally high level against a background of solid demand.

In such an environment, the segment increased sales compared to the previous year but recorded a decline in profit due to a difference in inventory devaluation and despite NSSMC's efforts to improve costs and to secure appropriate sales prices for continuous supply; this includes adjusting steel product prices, given surges in prices of some auxiliary materials such as scrap and alloy, other material procurement costs, and distribution costs.

The Steelmaking and Steel Fabrication segment recorded net sales of ¥1,283.4 billion and ordinary profit of ¥81.6 billion.

Engineering and Construction

Nippon Steel & Sumikin Engineering Co., Ltd. experienced gradually improving business conditions as oil prices rose and overseas steel manufacturers resumed their capital investments. In addition, the business environment in Japan for construction remained favorable, and steady progress toward project completions was made thanks to strict control of project execution. As a result, both sales and profit recovered but were affected by rising procurement prices and other factors. The Engineering and Construction segment posted net sales of ¥70.2 billion and ordinary loss of ¥0.2 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. reported increases in both sales and profit. In the coal tar chemicals business, a significant improvement in supply and demand conditions led to an increase in the price of needle coke. The chemicals business experienced favorable supply and demand conditions for styrene monomer. The functional materials business continued to record strong sales of resists for LCDs, while the epoxy business also extended firm sales of epoxy for electronic materials. As a result, the Chemicals segment recorded net sales of ¥49.2 billion and ordinary profit of ¥5.7 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd. within its semiconductor and electronics industrial materials business, sustained favorable performance in sales of metal foils for suspension and other materials. Moreover, in the environmental and energy field, sales of metal substrates expanded as the company steadily captured demand in the emerging countries. Although overall performance was affected by severer market competition, an increase in sales raised both net sales and profit. The New Materials segment posted net sales of ¥10.7 billion and ordinary profit of ¥0.7 billion.

System Solutions

NS Solutions Corporation provides advanced solution services and other comprehensive solutions in the planning, configuration, operation, and maintenance of IT systems for clients in a wide range of business fields. During the first quarter, against the backdrop of robust system investments stemming mainly from customers' advanced operational needs, the company's business environment continued to be favorable. In addition, NS Solutions proceeded with the preparation of systems associated with the NSSMC Group's reorganization, including Nisshin Steel, which is scheduled to become a fully-owned subsidiary of NSSMC. As a result, the company reported increases in both net sales and profit. The System Solutions segment recorded net sales of ¥58.4 billion and ordinary profit of ¥5.2 billion.

Sales and Profit for the First Quarter of Fiscal 2018

Compared to the same quarter of the previous year NSSMC posted an increase in consolidated net sales to ¥1,440.8 billion, a decline in operating profit to ¥48.1 billion, a decline in ordinary profit to ¥87.7 billion, and an increase in profit attributable to owners of parent to ¥96.3 billion for the first quarter of fiscal 2018 under review.

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

Consolidated Earnings Forecasts

The global economy as a whole is expected to be firm and the United States and China are likely to experience stable economic conditions while Europe and emerging countries will continue to see a moderate economic recovery. The Japanese economy is also anticipated to record an extended gradual recovery, supported by improvements in the employment and income environments.

Domestic steel demand is expected to remain strong, especially in the automotive and industrial machinery sectors. Overseas steel demand is forecast to remain on an uptrend against the background of strength in the global economy.

In addition, steel markets in Japan and overseas are likely to remain at their current high levels against the background of firm demand. However, protectionist policies in the United States and other developments have led to more uncertainty concerning the outlook for the global economy and developments will require close monitoring.

Amid such operating conditions, NSSMC is projectingordinary profit of ¥150.0 billion for the first half of the fiscal year ending March 31, 2019, based on JGAAP. This forecast takes into account mainly the following positive impacts on profit: (a) prevention of the recurrence of equipment issues through focused injection of refurbishment expenditures; (b) continued corporate-wide promotion of measures to ensure more stable operation; (c) initiatives to secure appropriate sales prices for continuous supply, which includes adjusting steel product prices, given surges in prices of some auxiliary materials such as scrap and alloy, other material procurement costs, and distribution costs; and (d) cost improvement. In addition to these positive factors, the Company is also incorporating a temporary decline in profit and loss of Group companies in the forecast. Further, NSSMC is voluntarily adopting International Financial Reporting Standards (IFRS) from this fiscal year. Based on IFRS, business profit for the first half is estimated to be ¥160.0 billion.

Consolidated business profit for the full fiscal year ending March 31, 2019 is forecast to be ¥350.0 billion. Factors contributing to this will be a rise in production and shipments starting in the first half of the fiscal year stemming from continuing stable production, further progress in cost reduction, and an improvement in the performance of Group companies, including overseas businesses.

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 consolidated and non-consolidated bases. The Company has adopted a consolidated payout ratio target of around 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.

Regarding the dividend from retained earnings for the end of the second quarter (interim), in accordance with the policy described above, the Company is planning to pay a dividend of ¥40 per share (representing a consolidated dividend payout ratio of 32% (based on IFRS)).

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2018	June 30, 2018
Current assets :		
Cash and bank deposits	108,782	**136,645**
Notes and accounts receivable	678,579	**617,074**
Inventories	1,380,003	**1,436,756**
Other	233,902	**252,138**
Less: Allowance for doubtful accounts	(1,766)	**(1,649)**
Total current assets	2,399,500	**2,440,964**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	759,716	**766,261**
Machinery, equipment and vehicles	1,131,993	**1,212,751**
Other	983,250	**977,552**
	2,874,959	**2,956,565**
Intangible assets :	84,972	**120,736**
Investments and others :		
Investments in securities	871,399	**848,592**
Shares of subsidiaries and affiliates	1,069,688	**1,017,874**
Net defined benefit assets	116,573	**113,323**
Other	112,982	**145,768**
Less: Allowance for doubtful accounts	(3,726)	**(3,832)**
	2,166,917	**2,121,725**
Total fixed assets	5,126,850	**5,199,028**
Total assets	7,526,351	**7,639,992**

Millions of yen

LIABILITIES	March 31, 2018	**June 30, 2018**
Current liabilities :		
Notes and accounts payable	775,126	**770,234**
Short-term loans payable	300,632	**398,482**
Commercial paper	76,000	**130,000**
Bonds due within one year	85,700	**75,700**
Income taxes payable	43,916	**37,373**
Provision for loss on construction contracts	1,508	**2,941**
Other	803,197	**724,685**
Total current liabilities	2,086,080	**2,139,418**
Long-term liabilities :		
Bonds and notes	209,996	**229,997**
Long-term loans payable	1,380,660	**1,429,221**
Allowance and reserve	4,991	**4,536**
Net defined benefit liabilities	166,152	**168,568**
Other	162,967	**154,171**
Total long-term liabilities	1,924,768	**1,986,495**
Total liabilities	4,010,849	**4,125,914**
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	**419,524**
Capital surplus	386,865	**387,654**
Retained earnings	2,076,769	**2,137,804**
Less: Treasury stock, at cost	(132,162)	**(132,175)**
	2,750,997	**2,812,808**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	313,116	**299,016**
Deferred hedge income (loss)	(2,107)	**(106)**
Unrealized gains on revaluation of land	3,001	**2,966**
Foreign currency translation adjustments	(4,898)	**(52,323)**
Remeasurements of defined benefit plans	85,341	**86,105**
	394,453	**335,658**
Non-controlling interests in consolidated subsidiaries	370,050	**365,611**
Total net assets	3,515,501	**3,514,078**
Total liabilities and net assets	7,526,351	**7,639,992**

(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 2017	**First quarter of Fiscal 2018**
Operating revenues :		
Net sales	1,355,466	**1,440,883**
Cost of sales	1,164,929	**1,256,790**
Gross profit	190,537	**184,092**
Selling, general and administrative expenses	124,000	**135,897**
Operating profit	66,536	**48,195**
Non-operating profit and loss :		
Non-operating profit :		
Interest income	1,348	**1,375**
Dividend income	7,952	**9,093**
Equity in profit of unconsolidated subsidiaries and affiliates	35,708	**35,139**
Other	11,142	**9,082**
	56,153	**54,690**
Non-operating loss :		
Interest expense	5,345	**4,561**
Other	9,344	**10,580**
	14,690	**15,141**
Ordinary profit	107,999	**87,745**
Extraordinary profit :		
Gain on sales of investment in securities	-	**10,296**
	-	**10,296**
Profit before income taxes	107,999	**98,042**
Income taxes - current and deferred	29,419	**(1,755)**
Profit	78,580	**99,797**
Profit attributable to non-controlling interests	7,228	**3,442**
Profit attributable to owners of parent	71,352	**96,354**

Quarterly Consolidated Statements of Comprehensive Income — Millions of yen

	First quarter of Fiscal 2017	**First quarter of Fiscal 2018**
Profit	78,580	**99,797**
Other comprehensive income		
Unrealized gains on available-for-sale securities	1,168	**(12,615)**
Deferred hedge income (loss)	(655)	**1,649**
Foreign currency translation adjustments	(5,906)	**(37,657)**
Remeasurements of defined benefit plans	5,748	**425**
Share of other comprehensive income of affiliates accounted for using equity method	(1,032)	**(13,665)**
Total other comprehensive income	(678)	**(61,862)**
Comprehensive income	77,902	**37,934**
(breakdown)		
Comprehensive income attributable to owners of parent	71,993	**37,594**
Comprehensive income attributable to non-controlling interests	5,908	**339**

(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)

At the beginning of the first quarter of fiscal 2018, the Company adopted the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, February 16, 2018) and "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, February 16, 2018)

The application of this practical solution had no effect on the quarterly consolidated financial statements for the first quarter of fiscal 2018.