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

November 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
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:	November 9, 2018
Scheduled date to pay dividends:	December 3, 2018
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 2018 (April 1, 2018—September 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 half of Fiscal 2018	**2,903,468**	**5.8**	**86,713**	**(13.3)**	**151,545**	**(3.9)**	**141,282**	**42.5**
First half of Fiscal 2017	2,745,096	27.0	99,997	460.8	**157,634**	462.7	**99,153**	800.7

(For reference) Comprehensive income: First half of Fiscal 2018 ¥ 74,982 million (55.0)%
First half of Fiscal 2017 ¥ 166,741 million —%

	Earnings per share	Earnings per share after full dilution
	Yen	Yen
First half of Fiscal 2018	**160.07**	—
First half of Fiscal 2017	112.34	—

(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 2018	**7,751,931**	**3,547,652**	**41.1**
Fiscal 2017	7,526,351	3,515,501	41.8

(For reference) Shareholders' equity: First half of Fiscal 2018 ¥ 3,187,051 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	—	40.00			
Fiscal 2018 (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 forecasts for the full fiscal year performance, and to announce it at the time of its third-quarter result announcement.

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.)

	Revenue		Business profit (*)		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2018 (IFRS)	6,200,000	—	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 Half 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.

[Additional Information]

Consolidated Operating Results (Rough figures based on IFRS) through the First Half of Fiscal 2018(Accumulated) (April 1, 2018―September 30, 2018)

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

	Revenue		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)	2,940,000	—	158,000	—	117,000	—	132.6

(*)Business Profit on Consolidated Statements of Profit or Loss indicates the results of sustainable business activities, and is an important measure to compare and evaluate the Company's consolidated performance continuously. It is defined as being deducted Cost of sales, Selling general and administrative expenses and Other operating expenses from Revenue, and added Equity in profit of unconsolidated subsidiaries and affiliates and Other operating income. Other operating income and expenses is composed mainly of Dividend income, Foreign exchange gains or losses, Loss on disposal of fixed assets.

***** 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 half 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 half of Fiscal 2018 67,721,153 shares
Fiscal 2017 67,710,915 shares

(c) Average number of shares issued during the term (accumulated)
First half of Fiscal 2018 882,605,722 shares
First half of Fiscal 2017 882,639,519 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 2018

(1) Explanation of Operating Results

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

The global economy as a whole showed a solid performance. China's economy remained generally stable, the economy of the United States continued to hold strong, and the economies of Europe and emerging countries remained on the path to a gradual recovery.

The Japanese economy continued to recover moderately, as indicated by further improvements in the employment and income environments and increases in capital investment.

Operating Results by Business Segment in the First Half 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	
	1H FY2018	1H FY2017	**1H FY2018**	1H FY2017
Steelmaking and steel fabrication	**2,557.0**	2,438.0	**126.6**	128.7
Engineering and construction	**161.3**	134.1	**2.9**	1.9
Chemicals	**105.7**	98.3	**12.5**	9.3
New materials	**20.2**	17.9	**1.2**	1.1
System solutions	**124.6**	116.5	**11.5**	10.7
Total	**2,969.0**	2,804.9	**154.9**	151.9
Adjustment	**(65.5)**	(59.8)	**(3.3)**	5.6
Consolidated total	**2,903.4**	2,745.0	**151.5**	157.6

Steelmaking and Steel Fabrication

In the Steelmaking and Steel Fabrication segment, domestic steel demand continued to be 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, NSSMC increased sales compared to the first half of the previous fiscal year and continued its efforts to improve costs and secure appropriate sales prices to ensure continuity of supply. These efforts included adjusting steel product prices to reflect rises in prices of auxiliary materials, such as scrap and alloy, other material procurement costs, and distribution costs. However, heavy rainfall, typhoons, and other natural disasters and a difference in inventory valuation by NSSMC and its Group companies caused profit to be almost flat year-on-year. The Steelmaking and Steel Fabrication segment recorded net sales of ¥2,557.0 billion and ordinary profit of ¥126.6 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 and environment-related sectors remained favorable, and steady progress toward project completions was made thanks to strict control of project execution. As a result, both sales and profit increased. The Engineering and Construction segment posted net sales of ¥161.3 billion and ordinary profit of ¥2.9 billion.

Chemicals

Nippon Steel Chemical & Material Co., Ltd. (renamed from Nippon Steel & Sumikin Chemical Co., Ltd. as of the end of September 2018) reported increases in both sales and profit. This was due to continued favorable supply and demand conditions for needle coke in the coal tar chemicals business and for styrene monomer in the chemicals business. Moreover, continued firm sales of resists for LCDs in the functional materials business and of epoxy resin for electronic materials in the epoxy business contributed to an increase in both sales and profit. As a result, the Chemicals segment recorded net sales of ¥105.7 billion and ordinary profit of ¥12.5 billion.

New Materials

Nippon Steel Chemical & Material Co., Ltd. (renamed from Nippon Steel & Sumikin Materials Co., Ltd. as of the end of September 2018), in its semiconductor and electronics industrial materials business, continued to record favorable sales of metal foils for suspension used in hard disk drives. Moreover, in the environmental and energy field, sales of metal substrates expanded as the company captured demand in emerging countries. In the carbon fiber composite business as well, the segment secured steady profit in the civil engineering construction field. Although overall performance was affected by severer market competition, increases were reported in both net sales and profit. The New Materials segment posted net sales of ¥20.2 billion and ordinary profit of ¥1.2 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 half of the fiscal year under review, 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 solutions for use of IoT technology, development of platforms for analysis of data based on AI technology, and other activities. As a result, the company reported increases in both net sales and profit. The System Solutions segment recorded net sales of ¥124.6 billion and ordinary profit of ¥11.5 billion.

Sales and Profit for the First Half of Fiscal 2018

Compared to the same half of the previous year, NSSMC posted an increase in consolidated net sales to ¥2,903.4 billion, a decline in operating profit to ¥86.7 billion, a decline in ordinary profit to ¥151.5 billion, and an increase in profit attributable to owners of parent to ¥141.2 billion for the first half of fiscal 2018. Please note that the NSSMC Group will voluntarily apply International Financial Reporting Standards (IFRS) beginning with the fiscal year ending March 31,

2019. Based on IFRS, NSSMC's consolidated revenue is estimated to amount to ¥2,940.0 billion, business profit to ¥158.0 billion, and profit attributable to owners of parent to ¥117.0 billion for the first half of this fiscal year.

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

Consolidated Earnings Forecasts

The global economy overall is expected to continue growing moderately as the United States is likely to maintain stable economic conditions and China's economy is expected to slow but remain generally stable.

The Japanese economy is also anticipated to record an extended recovery, supported by further improvements in the employment and income environments.

In Japan, demand for steel and steel market prices are forecast to remain firm. On the other hand, trends in overseas demand and market conditions are becoming more uncertain due to the possible impact on the world economy of protectionist policies in the United States, such as the unfolding U.S.-China trade conflict. Developments will require close monitoring.

Amid such operating conditions, although the effects of natural disasters, including heavy rainfall and typhoons, as well as the impact of a difference in inventory valuation by NSSMC and its Group companies may have an influence on performance, NSSMC will continue to maximize group-wide management initiatives to reach its consolidated business profit target of ¥350.0 billion (based on IFRS) for the full fiscal year, announced on August 2, 2018 at the time of the announcement of results for the first quarter. These initiatives will include (a) implementing measures to stabilize equipment use and operations; (b) securing appropriate sales prices to maintain continuity in supply, which includes adjusting steel product prices to take account of surges in prices of auxiliary materials, such as scrap and alloys, other material procurement costs, and distribution costs; and (c) making steady progress in cost improvement measures.

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 annual 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 has decided to pay a dividend of ¥40 per share (representing a consolidated dividend

payout ratio of 30.2% (based on IFRS)), as announced on August 2, 2018 at the time of the announcement of results for the first quarter.

The Company plans to determine the forecast for the year-end dividend distribution amount, with due consideration of forecasts for the full fiscal year performance, 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, 2018	**September 30, 2018**
Current assets :		
Cash and bank deposits	108,782	**135,968**
Notes and accounts receivable	678,579	**661,700**
Inventories	1,380,003	**1,508,364**
Other	233,902	**255,107**
Less: Allowance for doubtful accounts	(1,766)	**(1,514)**
Total current assets	2,399,500	**2,559,626**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	759,716	**770,004**
Machinery, equipment and vehicles	1,131,993	**1,202,755**
Other	983,250	**977,710**
	2,874,959	**2,950,469**
Intangible assets :	84,972	**113,421**
Investments and others :		
Investments in securities	871,399	**838,733**
Shares of subsidiaries and affiliates	1,069,688	**1,025,310**
Net defined benefit assets	116,573	**118,429**
Other	112,982	**150,829**
Less: Allowance for doubtful accounts	(3,726)	**(4,889)**
	2,166,917	**2,128,414**
Total fixed assets	5,126,850	**5,192,305**
Total assets	7,526,351	**7,751,931**

Millions of yen

LIABILITIES	March 31, 2018	**September 30, 2018**
Current liabilities :		
Notes and accounts payable	775,126	**767,005**
Short-term loans payable	300,632	**371,778**
Commercial paper	76,000	**210,000**
Bonds due within one year	85,700	**60,700**
Income taxes payable	43,916	**48,348**
Provision for loss on construction contracts	1,508	**3,423**
Other	803,197	**721,338**
Total current liabilities	2,086,080	**2,182,593**
Long-term liabilities :		
Bonds and notes	209,996	**229,998**
Long-term loans payable	1,380,660	**1,458,773**
Allowance and reserve	4,991	**4,554**
Net defined benefit liabilities	166,152	**163,479**
Other	162,967	**164,879**
Total long-term liabilities	1,924,768	**2,021,685**
Total liabilities	4,010,849	**4,204,279**
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	**419,524**
Capital surplus	386,865	**387,249**
Retained earnings	2,076,769	**2,182,732**
Less: Treasury stock, at cost	(132,162)	**(132,188)**
	2,750,997	**2,857,318**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	313,116	**295,991**
Deferred hedge income (loss)	(2,107)	**390**
Unrealized gains on revaluation of land	3,001	**2,966**
Foreign currency translation adjustments	(4,898)	**(60,325)**
Remeasurements of defined benefit plans	85,341	**90,709**
	394,453	**329,732**
Non-controlling interests in consolidated subsidiaries	370,050	**360,600**
Total net assets	3,515,501	**3,547,652**
Total liabilities and net assets	7,526,351	**7,751,931**

(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 2017	**First half of Fiscal 2018**
Operating revenues :		
Net sales	2,745,096	**2,903,468**
Cost of sales	2,396,943	**2,550,811**
Gross profit	348,152	**352,656**
Selling, general and administrative expenses	248,154	**265,943**
Operating profit	99,997	**86,713**
Non-operating profit and loss :		
Non-operating profit :		
Interest income	2,561	**2,741**
Dividend income	9,376	**10,871**
Equity in profit of unconsolidated subsidiaries and affiliates	64,472	**69,731**
Other	18,071	**20,473**
	94,481	**103,819**
Non-operating loss :		
Interest expense	10,524	**8,991**
Other	26,319	**29,996**
	36,844	**38,987**
Ordinary profit	157,634	**151,545**
Extraordinary profit :		
Gain on sales of investment in securities	-	**28,749**
	-	**28,749**
Extraordinary loss :		
Loss on inactive facilities	2,954	**-**
Loss on disaster	-	**21,039**
	2,954	**21,039**
Profit before income taxes	154,679	**159,255**
Income taxes - current and deferred	40,095	**20,346**
Profit	114,583	**138,908**
Profit(loss) attributable to non-controlling interests	15,430	**(2,373)**
Profit attributable to owners of parent	99,153	**141,282**

Quarterly Consolidated Statements of Comprehensive Income — Millions of yen

	First half of Fiscal 2017	**First half of Fiscal 2018**
Profit	114,583	**138,908**
Other comprehensive income		
Unrealized gains on available-for-sale securities	44,469	**(13,720)**
Deferred hedge income	1,540	**2,061**
Foreign currency translation adjustments	(1,484)	**(33,283)**
Remeasurements of defined benefit plans	12,849	**4,593**
Share of other comprehensive income of affiliates accounted for using equity method	(5,216)	**(23,576)**
Total other comprehensive income	52,158	**(63,926)**
Comprehensive income	166,741	**74,982**
(breakdown)		
Comprehensive income attributable to owners of parent	149,131	**76,597**
Comprehensive income attributable to non-controlling interests	17,610	**(1,614)**

(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 half of fiscal 2018.