

Flash Report
Consolidated Basis
Results for the First Half of Fiscal 2013
(April 1, 2013—September 30, 2013)

October 30, 2013

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:	Shoji Muneoka, Chairman and CEO
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Scheduled date to submit Securities Report:	November 8, 2013
Scheduled date to pay dividends	December 2, 2013
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 2013

(April 1, 2013—September 30, 2013)

(1) Consolidated Operating Results (Accumulated)

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

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half of Fiscal 2013	2,674,582	39.4	139,299	—	173,686	788.6	115,577	—
First half of Fiscal 2012	1,918,288	(5.4)	(2,631)	—	19,545	(79.3)	(176,659)	—

(For reference) Comprehensive income: First half of Fiscal 2013 ¥ 129,608 million (_ %)
First half of Fiscal 2012 ¥ (186,532) million (_ %)

	Net income per share	Net income per share after full dilution
	Yen	Yen
First half of Fiscal 2013	12.73	—
First half of Fiscal 2012	(28.09)	—

(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 2013	7,028,947	3,072,751	35.9
Fiscal 2012	7,089,498	2,983,283	33.8

(For reference) Shareholders' equity: First Half of Fiscal 2013 ¥ 2,523,648 million
Fiscal 2012 ¥ 2,394,069 million

2. Dividends

Base date	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 2012	—	0.00	—	1.00	1.00
Fiscal 2013	—	2.00			
Fiscal 2013 (Forecast)			—	—	—

Note: Change from the latest released dividend forecasts: None

Note: The Company plans to determine and announce the forecast of the year-end dividend distribution amount at the third-quarter result briefing

3. Consolidated Financial Forecasts for Fiscal 2013(April 1, 2013—March 31, 2014)

The Company's consolidated results forecast for fiscal 2013 are net sales of ¥5,450 billion, ordinary profit of ¥340 billion, and net income of ¥200 billion.

For further details, please refer to page 4, "1. Qualitative Information for First-Half of Fiscal 2013 (2) Explanation of Information on Future Estimates, Including Consolidated Earnings Forecasts."

Note: Change from the latest released consolidated financial forecasts for fiscal 2013: Yes

* Notes

- (1) Changes in the state of material subsidiaries during the period: None
- (2) Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: Yes
Note: For further details, please refer to page 6, "2. Matters Concerning Summary Information (Notes to Financial Statements) (2) Adoption of special accounting methods for the 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 2013	9,503,214,022 shares
Fiscal 2012	9,503,214,022 shares
 - (b) Number of treasury stock at the end of the period

First half of Fiscal 2013	378,111,323 shares
Fiscal 2012	428,564,671 shares
 - (c) Average number of shares issued during the term

First half of Fiscal 2013	9,081,728,608 shares
First half of Fiscal 2012	6,289,638,377 shares

* Status of Performance of Quarterly Review Procedures

This quarterly flash report is exempt from the quarterly review procedures based on Japan's Financial Instruments and Exchange Law. At the time when this quarterly flash report was disclosed, the quarterly review procedures based on the Financial Instruments and Exchange Law had not been completed.

* 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 2013

(1) Explanation of Operating Results

Global and Domestic Economic Conditions in the First Half of Fiscal 2013

The overall global economy continued to expand gradually in the term under review, supported by factors including the slower but continuing economic growth in China and the ASEAN countries and the ongoing recovery trend in the United States, despite persistent stagnant economic conditions in Europe. The Japanese economy also showed apparent signs of recovery, supported by strong public-sector investment and increasing capital investment accompanying an upturn in corporate earnings and recovering production activity along with improving consumer sentiment and spending.

Operating Results by Business Segment in the First Half of Fiscal 2013

The Nippon Steel & Sumitomo Metal Corporation Group's business segments continued efforts to improve their revenues and earnings by responding to the changing operating environments of each of their business segments.

An overview of operating results by business segment is shown below.

	(Billions of yen)			
	Net Sales		Ordinary Profit	
	1H FY13	1H FY12	1H FY13	1H FY12
Steelmaking and steel fabrication	2,383.6	1,625.6	158.2	5.4
Engineering and construction	134.3	139.4	3.6	7.8
Chemicals	115.0	93.3	7.0	3.5
New materials	19.2	22.0	0.6	0.4
System solutions	81.4	81.7	4.8	5.7
Total	2,733.6	1,962.3	174.3	23.1
Adjustment	(59.0)	(44.0)	(0.7)	(3.5)
Consolidated Total	2,674.5	1,918.2	173.6	19.5

*1 The first half is the six-month period from April 1 to September 30.

*2 Amounts for the first half of fiscal 2012 are those of Nippon Steel Corporation.

Steelmaking and Steel Fabrication

During the term under review, domestic steel demand was supported by sustained strong demand for civil engineering and construction projects underpinned by ongoing reconstruction demand and the effects of economic policies. Demand from the manufacturing industry also increased due to the recovery in capital investment, improving business confidence, and other factors. While steel exports showed some signs of recovery, the global prices remained sluggish due to the ongoing stagnant demand for steel materials caused by persistent strong supply pressure from Chinese steelmakers.

In these conditions, Nippon Steel & Sumitomo Metal Corporation (NSSMC or the Company) strived to maximize cost improvements, including realizing integration effects, and sought to revise product prices with the understanding and cooperation of its customers. The steelmaking and steel fabrication segment recorded net sales of ¥2,383.6 billion and ordinary profit of ¥158.2 billion.

Engineering and Construction

Nippon Steel & Sumikin Engineering Co., Ltd. endeavored to secure orders for large-scale projects and reduce costs with the aim of strengthening its competitiveness. The segment also worked hard to raise its overseas sales ratio and to develop new products and businesses. As a result, the engineering and construction segment posted net sales of ¥134.3 billion and ordinary profit of ¥3.6 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. recorded sluggish sales for needle coke used in graphite electrodes, epoxy resins, and circuit board materials. However, the market continued to be brisk for styrene monomer, and sales were strong for display materials, organic EL materials, and other products. In sum, the chemicals segment recorded net sales of ¥115.0 billion and ordinary profit of ¥7.0 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd. was impacted by falling prices caused by intensified competition in the electronic materials field, but demand remained solid in the basic industrial materials and components field. In the environmental and energy field, the company accelerated the development of overseas business involving metal substrates. The new materials segment posted net sales of ¥19.2 billion and ordinary profit of ¥0.6 billion.

System Solutions

NS Solutions Corporation continued to strengthen and expand its cloud computing and other service businesses while establishing an operating base in inland China and preparing business operations for its corporate entity in Thailand with the aim of supporting the global development of customers and expanding operations in the Asian region. The system solutions segment recorded net sales of ¥81.4 billion and ordinary profit of ¥4.8 billion.

Sales and Profit for the First Half of Fiscal 2013

NSSMC posted first-half consolidated net sales of ¥2,674.5 billion, operating profit of ¥139.2 billion, and ordinary profit of ¥173.6 billion. Net income amounted to ¥115.5 billion due to the incorporation of a gain on the sale of investments in securities and a loss on inactive facilities.

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

Consolidated Earnings Forecasts

NSSMC sees signs of a bottoming of business conditions in Europe and anticipates slower but gradual economic growth in China and the ASEAN countries. Despite concerns over the scaling back of monetary easing and other factors, we believe the economic recovery is continuing in the United States. Overall, NSSMC anticipates a gradual expansion of the global economy. The Japanese economy continues to gain traction for a self-sustaining recovery fueled by the correction of the strong yen, a surge in demand before the scheduled increase in the consumption tax rate, increasing capital investment, and recovering consumer sentiment and spending.

In these conditions, we expect the first-half growth in domestic steel demand in the civil engineering and construction sectors to continue in the second half and demand to continue growing in the manufacturing industry supported by ongoing recovery in capital investment, improving business confidence, and other factors. We expect that steel exports will remain strong but Chinese steelmakers are maintaining high production output. We will continue to carefully monitor steel material supply and demand, market trends in Asia, and other developments.

In this business environment, NSSMC will continue advancing the Mid-Term Management Plan and maximizing management efforts, while seeking to maintain appropriate product pricing levels with the understanding of customers.

Our second-half results will be affected by plans to reline the No. 4 blast furnace at the Yawata Works and the non-recurrence of valuation gains booked on foreign currency-denominated assets due to currency fluctuation. During the term, we plan to steadily implement cost improvements, including from integration effects, and to improve revenue across the Group with the aim of maintaining consolidated ordinary profit of ¥170 billion, the same level as the first half, as we seek to secure consolidated ordinary profit of ¥340 billion for full-year fiscal 2013.

Basic Profit Distribution Policy and First-Half (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 consolidated and non-consolidated bases. The Company has set a consolidated payout ratio target of approximately 20% for use as an indicator for the distribution of profits based on due consideration of consolidated operating results. The level of the first-half (interim) dividend is set based on consideration of interim performance figures and the forecasts for the full fiscal year performance.

In accordance with the basic profit distribution policy described above, NSSMC has decided to distribute a dividend at the end of the second quarter (interim) of ¥2.0 per share.

The Company plans to determine and announce the forecast of the year-end dividend distribution amount at the third-quarter result briefing.

2. Matters Concerning Summary Information (Notes to Financial Statements)

(1) Changes in the state of material subsidiaries during the period:

None

(2) Adoption of special accounting methods for the preparation of quarterly consolidated financial statements:

Income taxes were computed by multiplying consolidated quarterly income before income taxes and minority interests by a rational estimate of the effective tax rate on consolidated income before income taxes and minority interests for the fiscal year including the quarterly period under review after adjustments for the application of tax-effect accounting.

(3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements:

None

3. Quartely Consolidated Finacial Statements

(1) Quarterly Consolidated Balance Sheets

Millions of yen		
ASSETS	March 31, 2013	September 30, 2013
Current assets :		
Cash and bank deposits	89,350	84,966
Notes and accounts receivable	579,562	519,477
Inventories	1,156,934	1,223,877
Other	286,348	300,892
Less: Allowance for doubtful accounts	(1,461)	(1,561)
Total current assets	<u>2,110,734</u>	<u>2,127,652</u>
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	734,222	724,945
Machinery and equipment	1,127,239	1,114,637
Other	824,038	803,131
	<u>2,685,500</u>	<u>2,642,714</u>
Intangible fixed assets	95,928	94,154
Investments and others :		
Investments in securities	1,825,664	1,859,441
Other	375,500	308,887
Less: Allowance for doubtful accounts	(3,829)	(3,903)
	<u>2,197,335</u>	<u>2,164,425</u>
Total fixed assets	<u>4,978,763</u>	<u>4,901,294</u>
Total assets	<u>7,089,498</u>	<u>7,028,947</u>

	Millions of yen	
LIABILITIES	March 31, 2013	September 30, 2013
Current liabilities :		
Notes and accounts payable	596,230	590,539
Short-term loans and portion of long-term loans due within one year	494,903	521,282
Commercial paper	26,000	-
Bonds due within one year	135,100	130,000
Accrued income taxes and enterprise taxes	20,329	26,959
Allowance for losses on construction contracts	2,991	3,854
Other	705,570	591,308
Total current liabilities	<u>1,981,124</u>	<u>1,863,944</u>
Long-term liabilities :		
Bonds and notes	504,659	445,662
Long-term loans	1,346,219	1,306,610
Accrued pension and severance costs	192,635	206,915
Reserve	15,903	14,966
Other	110,672	118,095
Total long-term liabilities	<u>2,170,090</u>	<u>2,092,250</u>
Total liabilities	<u>4,151,215</u>	<u>3,956,195</u>
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	419,524
Capital surplus	362,321	371,461
Retained earnings	1,430,876	1,538,399
Less: Treasury stock, at cost	<u>(70,490)</u>	<u>(62,746)</u>
	2,142,233	2,266,638
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	168,611	224,389
Deferred hedge income (loss)	359	(6,659)
Unrealized gains on revaluation of land	2,592	2,592
Foreign currency translation adjustments	80,273	36,686
	<u>251,836</u>	<u>257,009</u>
Minority interest in consolidated subsidiaries	<u>544,213</u>	<u>549,103</u>
Total net assets	<u>2,938,283</u>	<u>3,072,751</u>
Total liabilities and net assets	<u>7,089,498</u>	<u>7,028,947</u>

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

Quarterly Consolidated Statements of Income		Millions of yen
	First half of fiscal 2012	First half of fiscal 2013
Operating revenues :		
Net sales	1,918,288	2,674,582
Cost of sales	1,755,185	2,312,504
Gross margin	163,102	362,077
Selling, general and administrative expenses	165,733	222,777
Operating profit (loss)	(2,631)	139,299
Non-operating profit and loss :		
Non-operating profit :		
Interest	1,647	2,237
Dividend income	6,794	8,606
Equity in net income of unconsolidated subsidiaries and affiliates	30,430	28,909
Other	17,757	35,698
	56,631	75,452
Non-operating loss :		
Interest expense	9,179	13,513
Other	25,275	27,552
	34,454	41,065
Ordinary profit	19,545	173,686
Special profit :		
Gain on sales of investment securities	-	31,132
	-	31,132
Special loss :		
Impairment loss	139,262	-
Loss of inactive facilities	-	14,599
Loss on sales of investments in securities	94,058	-
Loss on valuation of investments in securities	24,615	-
	257,936	14,599
Income (loss) before income taxes and minority interest	(238,391)	190,219
Income taxes - current and deferred	(66,631)	66,671
Income (loss) before minority interest	(171,759)	123,548
Minority interest in net income of consolidated subsidiaries	4,899	7,971
Net income (loss)	(176,659)	115,577

Quarterly Consolidated Statements of Comprehensive Income		Millions of yen
	First half of fiscal 2012	First half of fiscal 2013
Income (loss) before minority interest	(171,759)	123,548
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	(3,609)	52,766
Deferred hedge income (loss)	(2,675)	(6,540)
Foreign currency translation adjustments	(1,190)	(27,722)
Share of other comprehensive income of associates accounted for using equity method	(7,296)	(12,443)
Total other comprehensive income (loss)	(14,772)	6,059
Comprehensive income (loss)	(186,532)	129,608
attribute to		
Comprehensive income attribute to owners of the parent	(190,895)	120,750
Comprehensive income attribute to minority interests	4,363	8,858

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

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

None

(Segment Information)

(Information about segment sales, profit (loss))

First half of Fiscal 2012 (April 1, 2012—September 30, 2012)

(Millions of yen)

	Reporting segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales	1,625,658	139,463	93,390	22,088	81,706	1,962,307	(44,018)	1,918,288
Segment profit <Ordinary Profit>	5,474	7,890	3,598	446	5,703	23,114	(3,568)	19,545

Note: Previous reporting has classified reporting segments into Steelmaking and steel fabrication, Engineering and construction, Urban development, Chemicals, New materials, and System solutions. Following the business integration of Nippon Steel City Produce, Inc., and Kowa Real Estate Co., Ltd. on October 1, 2012, the results for the Urban development segment have been excluded from the reportable segments and are presented within the adjustments amount. Segment information for consolidated cumulative first half data for the previous fiscal year is also presented using the revised method of segmentation.

First quarter of Fiscal 2013 (April 1, 2013—September 30, 2013)

(Millions of yen)

	Reporting segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales	2,383,604	134,328	115,042	19,256	81,414	2,733,646	(59,063)	2,674,582
Segment profit <Ordinary Profit>	158,245	3,649	7,002	659	4,841	174,397	(711)	173,686

(Depreciation Information)

Depreciation and amortization (including intangible fixed assets amortization other than goodwill) is as follows:

(Millions of yen)

	For the first half of fiscal 2012	For the first half of fiscal 2013
Depreciation and amortization	119,075	161,424