

Flash Report
Consolidated Basis
Results for the Third Quarter of Fiscal 2013
(April 1, 2013—December 31, 2013)

January 30, 2014

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
Contact:	Nozomu Takahashi, General Manager, Public Relations Center
Telephone:	81-3-6867-2130
Scheduled date to submit Securities Report:	February 7, 2014
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 2013

(April 1, 2013—December 31, 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	%
Third quarter of Fiscal 2013	4,037,489	31.4	221,602	—	282,261	780.6	192,784	—
Third quarter of Fiscal 2012	3,072,694	0.1	(5,979)	—	32,054	(74.2)	(151,949)	—

(For reference) Comprehensive income: Third quarter of Fiscal 2013 ¥ 239,830 million (_ %)

Third quarter of Fiscal 2012 ¥ (90,087) million (_ %)

	Net income per share	Net income per share after full dilution
	Yen	Yen
Third quarter of Fiscal 2013	21.20	—
Third quarter of Fiscal 2012	(21.05)	—

(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 2013	7,093,965	3,163,376	36.8
Fiscal 2012	7,089,498	2,938,283	33.8

(For reference) Shareholders' equity: Third quarter of Fiscal 2013 ¥ 2,612,077 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)				3.00	5.00

Note: Change from the latest released dividend forecasts: Yes

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 ¥220 billion.

For further details, please refer to page 5, "1. Qualitative Information for the Third Quarter 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 7, "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)

Third quarter 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

Third quarter of Fiscal 2013	378,406,345 shares
Fiscal 2012	428,564,671 shares
 - (c) Average number of shares issued during the term

Third quarter of Fiscal 2013	9,094,694,071 shares
Third quarter of Fiscal 2012	7,219,090,095 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 Third Quarter of Fiscal 2013

(1) Explanation of Operating Results

Global and Domestic Economic Conditions in the Third Quarter of Fiscal 2013

The overall global economy continued to expand gradually in the term under review supported by signs of a bottoming of stagnant conditions in Europe, slower but steady economic growth in China and the ASEAN countries, and continuing recovery in the United States.

The Japanese economy also showed signs of sustaining a recovery trend supported by strong public-sector investment, an increase in capital investment, and an improvement in consumer sentiment and spending. The higher capital investment was associated with improved corporate earnings and a recovery in production activities, which stemmed from adjustment to the overvalued yen.

Operating Results by Business Segment in the Third Quarter 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 environment of each of their business segments. An overview of operating results by business segment is shown below.

	(Billions of yen)			
	Net Sales		Ordinary Profit	
	3Q FY13	3Q FY12	3Q FY13	3Q FY12
Steelmaking and steel fabrication	3,599.1	2,652.8	255.7	9.1
Engineering and construction	203.8	205.4	7.6	12.1
Chemicals	174.2	143.0	10.0	8.8
New materials	28.4	32.7	1.4	0.8
System solutions	121.7	121.2	7.3	8.0
Total	4,127.4	3,155.3	282.3	39.1
Adjustments	(89.9)	(82.6)	(0)	(7.0)
Consolidated Total	4,037.4	3,072.6	282.2	32.0

*The above amounts are consolidated cumulative results for the third quarter, representing the nine-month period from April 1 to December 31.

Steelmaking and Steel Fabrication

Domestic steel demand remained strong in the term under review. Reconstruction demand also stayed firm and economic policies began to show their full effects in the civil engineering and construction fields, while demand from the manufacturing industry increased on the back of a recovery in capital investment, a favorable turnaround in business confidence, and other factors.

Steel exports continued to show signs of recovery but the global market conditions remained severe amid ongoing stagnant demand for steel materials, which was caused by persistently strong supply pressure from Chinese steelmakers. The steelmaking and steel fabrication segment recorded net sales of ¥3,599.1 billion and ordinary profit of ¥255.7 billion.

We deeply apologize for the great inconvenience and anxiety caused to all concerned, including all the nearby residents, by the smoke release associated with power failures that occurred at the Nagoya Works on January 17 and January 20 this year. We intend to exert our utmost efforts to avoid any hindrance to the supply of steel products to our customers and to take all possible measures to prevent any recurrence of this situation.

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 strived to raise its overseas sales ratio and develop new products and businesses. The engineering and construction segment posted net sales of ¥203.8 billion and ordinary profit of ¥7.6 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. recorded sluggish sales of needle coke used in graphite electrodes, epoxy resins, and circuit board materials. The styrene monomer market continued to be brisk but is showing some signs of reaching its peak. Sales were also strong for display materials, organic EL materials, and other products. The chemicals segment recorded net sales of ¥174.2 billion and ordinary profit of ¥10.0 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd. benefited from robust demand in the electronic materials field for surface-treated copper wire, a material alternative to gold bonding wire, and other products. Demand increased in the basic industrial materials and components field for social infrastructure maintenance and reinforcement materials and demand from developing countries was also stronger in the environmental and energy field. The new materials segment posted net sales of ¥28.4 billion and ordinary profit of ¥1.4 billion.

System Solutions

NS Solutions Corporation continued to strengthen and expand its cloud computing and other service businesses while fortifying operations in Asia, including the acquisition of all the shares of its Thailand-based subsidiary PALSYS Software Co., Ltd. with the aim of expanding business operations in the region. The system solutions segment recorded net sales of ¥121.7 billion and ordinary profit of ¥7.3 billion.

Sales and Profit for the Third Quarter of Fiscal 2013

Nippon Steel & Sumitomo Metal Corporation (NSSMC or the Company) posted third-quarter consolidated net sales of ¥ 4,037.4 billion, operating profit of ¥221.6 billion, ordinary profit of ¥282.2 billion. Net income amounted to ¥192.7 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

The gradual overall growth in the global economy is expected to continue. While slowing growth in the Chinese and ASEAN economies is a concern, economic conditions in Europe appear to have bottomed out and show signs of recovery. In the United States, potential rising interest rates stemming from tighter monetary policy could partly restrain the economy, but improving corporate activity and consumer spending are likely to help support the ongoing recovery.

Japan's self-sustaining recovery is gaining momentum, on the back of a recovery in capital investment and consumer spending, stemming from a surge in demand ahead of the scheduled hike in the consumption tax rate.

Under such conditions, NSSMC expects domestic steel demand to continue rising in the second half in the civil engineering and construction sectors and in the manufacturing industry led by the automobile and industrial machinery segments. Steel exports are projected to remain strong but Chinese steelmakers have persistently maintained a high level of production output. The Company will continue to closely monitor steel material supply and demand, market trends in Asia, and other developments.

In this business environment, NSSMC will continue to make its best efforts to advance its Mid-Term Management Plan and seek to maintain appropriate product pricing levels with the understanding of customers.

NSSMC's forecasts full-year fiscal 2013 consolidated ordinary profit remains unchanged at ¥340.0 billion from the Company's previous announcement. Net income, which includes gain on sale of investments in securities, is projected to reach ¥220.0 billion, representing ¥20.0 billion rise from the previously announced figure.

Basic Profit Distribution Policy and the Second-Half (Year-End) Dividend Distribution

NSSMC's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (interim) and the 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.

When the first-half results were announced, the Company had not yet determined a year-end dividend distribution amount. In accordance with the basic profit distribution policy described above, after considering factors that include the earnings forecast for the current fiscal year, the Company intends to distribute a dividend of ¥3.0 per

share at the end of the second half (year-end). This would bring the full-year dividend distribution amount to ¥5.0 per share, representing a consolidated dividend payout ratio of approximately 21 %.

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	December 31, 2013
Current assets :		
Cash and bank deposits	89,350	94,870
Notes and accounts receivable	579,562	528,342
Inventories	1,156,934	1,273,416
Other	286,348	324,073
Less: Allowance for doubtful accounts	(1,461)	(1,575)
Total current assets	2,110,734	2,219,127
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	734,222	727,020
Machinery and equipment	1,127,239	1,082,582
Other	824,038	807,980
	2,685,500	2,617,582
Intangible fixed assets	95,928	91,491
Investments and others :		
Investments in securities	1,825,664	1,893,939
Other	375,500	275,324
Less: Allowance for doubtful accounts	(3,829)	(3,499)
	2,197,335	2,165,764
Total fixed assets	4,978,763	4,874,838
Total assets	7,089,498	7,093,965

Millions of yen		
LIABILITIES	March 31, 2013	December 31, 2013
Current liabilities :		
Notes and accounts payable	596,230	652,934
Short-term loans and portion of long-term loans due within one year	494,903	546,398
Commercial paper	26,000	-
Bonds due within one year	135,100	90,000
Accrued income taxes and enterprise taxes	20,329	30,493
Allowance for losses on construction contracts	2,991	3,720
Other	705,570	530,256
Total current liabilities	1,981,124	1,853,803
Long-term liabilities :		
Bonds and notes	504,659	445,665
Long-term loans	1,346,219	1,294,837
Accrued pension and severance costs	192,635	208,324
Reserve	15,903	15,352
Other	110,672	112,605
Total long-term liabilities	2,170,090	2,076,785
Total liabilities	4,151,215	3,930,589
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	419,524
Capital surplus	362,321	371,463
Retained earnings	1,430,876	1,597,382
Less: Treasury stock, at cost	(70,490)	(62,846)
	2,142,233	2,325,523
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	168,611	249,848
Deferred hedge income (loss)	359	1,949
Unrealized gains on revaluation of land	2,592	2,592
Foreign currency translation adjustments	80,273	32,162
	251,836	286,553
Minority interest in consolidated subsidiaries	544,213	551,299
Total net assets	2,938,283	3,163,376
Total liabilities and net assets	7,089,498	7,093,965

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

Quarterly Consolidated Statements of Income	Millions of yen	
	Third quarter of fiscal 2012	Third quarter of fiscal 2013
Operating revenues :		
Net sales	3,072,694	4,037,489
Cost of sales	2,801,555	3,476,865
Gross margin	271,139	560,624
Selling, general and administrative expenses	277,118	339,021
Operating profit (loss)	(5,979)	221,602
Non-operating profit and loss :		
Non-operating profit :		
Interest	2,765	3,405
Dividend income	10,674	13,158
Equity in net income of unconsolidated subsidiaries and affiliates	47,583	53,076
Other	31,440	45,225
	92,465	114,865
Non-operating loss :		
Interest expense	16,553	19,642
Other	37,878	34,563
	54,431	54,206
Ordinary profit	32,054	282,261
Special profit :		
Gain on sales of investment securities	-	44,619
Restructuring profit	5,024	-
	5,024	44,619
Special loss :		
Impairment loss	139,270	-
Loss of inactive facilities	-	15,904
Loss on sales of investments in securities	94,734	-
	234,004	15,904
Income (loss) before income taxes and minority interest	(196,925)	310,976
Income taxes - current and deferred	(53,506)	106,201
Income (loss) before minority interest	(143,419)	204,774
Minority interest in net income of consolidated subsidiaries	8,530	11,989
Net income (loss)	(151,949)	192,784

Quarterly Consolidated Statements of Comprehensive Income	Millions of yen	
	Third quarter of fiscal 2012	Third quarter of fiscal 2013
Income (loss) before minority interest	(143,419)	204,774
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	53,602	75,826
Deferred hedge income (loss)	3,706	1,232
Foreign currency translation adjustments	5,910	(30,854)
Share of other comprehensive income of associates accounted for using equity method	(9,887)	(11,147)
Total other comprehensive income (loss)	53,331	35,056
Comprehensive income (loss)	(90,087)	239,830
attribute to		
Comprehensive income attribute to owners of the parent	(98,333)	227,501
Comprehensive income attribute to minority interests	8,246	12,328

(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 and profit (loss))

Third quarter of Fiscal 2012 (April 1, 2012—December 31, 2012)

(Millions of yen)

	Reporting segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales	2,652,820	205,466	143,055	32,750	121,299	3,155,392	(82,697)	3,072,694
Segment profit <Ordinary Profit>	9,189	12,166	8,844	851	8,079	39,131	(7,077)	32,054

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.

Third quarter of Fiscal 2013 (April 1, 2013—December 31, 2013)

(Millions of yen)

	Reporting segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales	3,599,105	203,853	174,221	28,495	121,728	4,127,404	(89,914)	4,037,489
Segment profit <Ordinary Profit>	255,771	7,630	10,033	1,474	7,396	282,306	(45)	282,261

(Depreciation Information)

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

(Millions of yen)

	For the third quarter of fiscal 2012	For the third quarter of fiscal 2013
Depreciation and amortization	203,905	245,160