

Flash Report
Consolidated Basis
Results for Fiscal 2016
(April 1, 2016—March 31, 2017)
< under Japanese GAAP >

April 28, 2017

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
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Scheduled date to Ordinary General Meeting of Shareholders: June 27, 2017
Scheduled date to pay dividends: June 28, 2017
Scheduled date to submit Securities Report: June 27, 2017
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 Fiscal 2016

(April 1, 2016—March 31, 2017)

(1) Consolidated Operating Results

(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	%
Fiscal 2016	4,632,890	(5.6)	114,202	(31.9)	174,531	(13.1)	130,946	(10.0)
Fiscal 2015	4,907,429	(12.5)	167,731	(52.0)	200,929	(55.5)	145,419	(32.1)

(For reference) Comprehensive income: Fiscal 2016 ¥ 217,453 million —%
Fiscal 2015 ¥ (127,770) million —%

	Earnings per share	Earnings per share after full dilution	Return on Equity	Return on Assets	Return on Sales
	Yen	Yen	%	%	%
Fiscal 2016	147.97	—	4.6	2.6	2.5
Fiscal 2015	158.72	—	5.1	3.0	3.4

(For reference) Equity in profit of unconsolidated subsidiaries and affiliates: Fiscal 2016 ¥79,180 million
Fiscal 2015 ¥44,181 million

Note: The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015. In accordance with it, earnings per share are calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

(2) Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2016	7,261,923	3,291,015	40.6	3,340.22
Fiscal 2015	6,425,043	3,009,075	43.2	3,074.28

(For reference) Shareholders' equity: Fiscal 2016 ¥ 2,948,232 million
Fiscal 2015 ¥ 2,773,822 million

(3) Consolidated Statements of Cash-Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2016	484,288	(343,738)	(135,054)	91,391
Fiscal 2015	562,956	(242,204)	(337,555)	85,203

2. Dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Fiscal year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	—	3.00	—	15.00	—
Fiscal 2016	—	0.00	—	45.00	45.00
Fiscal 2017 (Forecasts)	—	—	—	—	—

	Cash dividends	Ratio of cash dividends to profit	Ratio of cash dividends to net assets
	Millions of yen	%	%
Fiscal 2015	41,273	28.4	1.4
Fiscal 2016	39,776	30.4	1.4
Fiscal 2017 (Forecasts)		—	

Notes: 1. The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015. In accordance with it, the fiscal year dividend of fiscal 2015 is shown as “—”. Assuming the share consolidation, the fiscal year dividend of fiscal 2015 would be ¥45.00.

2. The Company has not determined a dividend distribution plan for fiscal 2017 due to the inability to establish reasonable earnings forecasts. The dividend distribution plan will be disclosed when it becomes available.

3. Consolidated Financial Forecasts for Fiscal 2017 (April 1, 2017—March 31, 2018)

The earnings forecasts for fiscal 2017 are not presented because the outlook has not been determined due to the difficulty formulating reasonably accurate estimates at this time. For further details, please refer to page 7, “(2) Outlook for Fiscal 2017” of “1. Summary of Results of Operations.”

* Notes

(1) Changes in significant subsidiaries during the period: None

(2) 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

Note: For further details, please refer to page 15, “3.(5) Changes in Accounting Principles Accompanying Revisions in Accounting Standards.”

(3) Number of shares issued (common shares)

(a) Number of shares issued at the end of the period (including treasury stock)

Fiscal 2016 950,321,402 shares

Fiscal 2015 950,321,402 shares

(b) Number of treasury stock at the end of the period

Fiscal 2016 67,674,097 shares

Fiscal 2015 48,055,060 shares

(c) Average number of shares issued during the term

Fiscal 2016 884,959,677 shares

Fiscal 2015 916,209,219 shares

* The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015. In accordance with it, average number of shares issued during the term is calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

(For Reference) A Summary of Non-Consolidated Financial and Operating Results
Non-Consolidated Financial and Operating Results through Fiscal 2016
(April 1, 2016—March 31, 2017)

(1) Non-Consolidated Operating Results

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2016	2,974,224	(5.9)	(29,195)	—	48,132	(45.3)	41,541	(50.4)
Fiscal 2015	3,160,787	(15.3)	56,207	(75.4)	87,956	(68.2)	83,736	(50.8)

	Earnings per share	Earnings per share after full dilution
	Yen	Yen
Fiscal 2016	46.87	—
Fiscal 2015	91.26	—

Note: The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015. In accordance with it, earnings per share are calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

(2) Non-Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2016	5,085,063	1,938,126	38.1	2,192.65
Fiscal 2015	4,944,667	1,859,650	37.6	2,058.03

(For reference) Shareholders' equity: Fiscal 2016 ¥1,938,126 million
Fiscal 2015 ¥1,859,650 million

* This 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. Summary of Results of Operations	2
(1) Summary of Results of Operations and Financial Position for Fiscal Year Ended March 31, 2017 (Fiscal 2016)	2
(2) Outlook for the Fiscal Year Ending March 31, 2018 (Fiscal 2017)	7
2. Basic Rationale for Selection of Accounting Standards	8
3. Consolidated Financial Statements	9
(1) Consolidated Balance Sheets.....	9
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income	11
(3) Consolidated Statements of Changes in Net Assets	12
(4) Consolidated Statements of Cash-Flows	14
(5) Notes to the Consolidated Financial Statements	15
(Notes to the Presumption of Going Concerns)	15
(Changes in Accounting Principles Accompanying Revisions in Accounting Standards)	15
(Segment Information).....	15
(Per Share Information)	18
(Major Subsequent Events).....	18

1. Summary of Results of Operations

(1) Summary of Results of Operations and Financial Position for Fiscal Year Ended March 31, 2017 (Fiscal 2016)

Overview of Conditions in Fiscal 2016

The global economy as a whole recovered moderately in fiscal 2016. The United States continued to record stable growth and the economies of Europe maintained a moderate economic recovery, while China's economy appeared to improve because of the positive impact of government's economic stimulus measures and other factors.

The Japanese economy remained on a moderate recovery path, evidenced by some improvement in industrial production and other areas.

Domestic steel demand reached bottom in the first quarter of fiscal 2016, increased mainly in the construction and automobile industries, and has been on a recovery trend since the second quarter.

Overseas steel demand conditions included a moderate recovery in the ASEAN economies and a solid trend in China's domestic demand after a persistent slowdown, due to the positive impact of government's economic stimulus measures and some degree of recovery in production activities. International steel market conditions bottomed out at the beginning of 2016 and began to show an uptrend, which sustained throughout fiscal 2016. Given a surge in raw material prices, particularly those for coking coal, and the improvement in demand and supply for steel in the second quarter, the uptrend accelerated from the third quarter onward.

Under such business environment, the Nippon Steel & Sumitomo Metal Corporation (NSSMC) Group made steady progress in implementing the strategies of the Mid-Term Management Plan to Fiscal 2017, which was launched in March 2015. This included enhancing the competitiveness of the domestic "mother mills," advancing global strategies, augmenting technological superiority, realizing world-leading cost-competitiveness, and strengthening the Group companies in the steelmaking business.

Operating Results by Business Segment for Fiscal 2016

The NSSMC Group's business segments each put forth utmost management effort to generate results while responding to the changing business environment. An overview of operating results by business segment is shown below.

	(Billions of yen)			
	Net Sales		Ordinary Profit	
	Fiscal 2016	Fiscal 2015	Fiscal 2016	Fiscal 2015
Steelmaking and steel fabrication	4,052.2	4,283.9	138.0	160.0
Engineering and construction	267.5	315.7	6.8	12.1
Chemicals	174.2	181.8	4.5	1.0
New materials	34.5	36.2	1.7	3.0
System solutions	232.5	218.9	22.1	19.4
Total	4,761.0	5,036.6	173.2	195.9
Adjustments	(128.1)	(129.2)	1.2	5.0
Consolidated total	4,632.8	4,907.4	174.5	200.9

Steelmaking and steel fabrication

The Steelmaking and Steel Fabrication segment implemented various measures centered primarily on enhancing the competitiveness of the domestic “mother mills” and advancing global strategies.

In Japan, NSSMC identified the reinforcement and reestablishment of steelworks as a priority management issue and continued to implement policies to enhance these manufacturing capabilities in terms of both facilities and workforce. Concerning facilities, in addition to maintaining and enhancing the soundness of facilities, NSSMC made investments in upgrading them by adopting state-of-the-art technologies. In fiscal 2016, NSSMC relined and expanded the coke oven facilities in its Kimitsu Works and Kashima Works. Concerning the workforce, NSSMC strengthened recruitment activities and took initiatives to train its personnel from a long-term perspective. The aims of these initiatives are to develop personnel who can work well in the work field or when dealing with safety issues and to make certain that the skills of the retiring postwar “baby boom” generation are passed on to the next generations in order to maintain and raise the level of manufacturing skills.

In May 2016, NSSMC concluded an agreement with Nissin Steel Co., Ltd. to make it a subsidiary of NSSMC. As a result of the tender offer for the shares of Nisshin Steel, it became a subsidiary of NSSMC on March 13, 2017. Going forward, NSSMC and Nisshin Steel will bring together NSSMC's strengths (i.e., global top-level technological superiority and product readiness, cost-competitiveness centering on iron- and steel-making, and worldwide capabilities) and Nisshin Steel's competitive advantages (i.e., customer- and market-readiness, enabled by meticulous development marketing, and other activities in line with customer needs), and thereby provide better products, technologies, and services on a global basis. Through these measures, we wish to better serve our customers.

In overseas markets, NSSMC took major strides toward enhancing its global supply network to capture demand in

overseas growth markets and build an operating structure that better responds to customers' global development requirements. For example, NSSMC's subsidiary engaged in the manufacture and sale of steel wire for cold heading and forging, which is mainly used as automobile components in the U.S., began construction of a new manufacturing facility. In the United Arab Emirates, with the aim of meeting growing demand for steel sheets for the building and construction market, NSSMC's joint venture for the manufacture and sale of steel sheets completed the installation of an additional production line for hot-dipped galvanized steel sheet during the fiscal year. Another joint venture in Thailand also decided to add capacity.

With the aim of augmenting technological superiority, the members of the NSSMC Group are working as a team in the areas of manufacturing, marketing, technology, and R&D to provide their customers with proposals for solutions to the issues they confront and develop high-function products. For example, in the automobile field, which is one of the Group's main customers in the global market, NSSMC's joint venture for the manufacture and sale of steel sheets in the U.S. was the first overseas company to proceed with preparations for manufacturing ultra-high tensile strength steel sheets with high-formability. In the resources and energy field, NSSMC's capabilities to supply superior products and proposals for total solutions were highly regarded, and led to the renewal of long-term sales contracts for oil country tubular goods (OCTG) with oil majors.

Moreover, NSSMC also continued to strive to reduce raw material and fuel costs and improve production yield, from the perspective of cost improvement, and to seek the understanding and cooperation of its customers in adjusting steel product prices, given surge in raw material prices and other factors. The steelmaking and steel fabrication segment recorded net sales of ¥4,052.2 billion and ordinary profit of ¥138.0 billion.

Regarding the fire accident that occurred on the premises of the Oita Works of NSSMC on January 5, 2017, we would like to express our sincere apologies for the great trouble and concern this caused among residents in the community, business partners, and others concerned. Under the Company's Emergency Control Headquarters, headed by the president, we are making company-wide efforts to prevent any recurrence of a similar accident.

Engineering and Construction

Nippon Steel & Sumikin Engineering Co., Ltd. continued to experience severe operating conditions, although orders were firm in the domestic construction field, because of stagnation in the price of crude oil, restraints on investments by other steel manufacturers overseas, and other factors. In fiscal 2016, this company continued to take initiatives to improve profitability through the steady implementation of project management, the reduction of fixed costs and expenses, and other measures, but sales and profits both decreased. The engineering and construction segment posted net sales of ¥267.5 billion and ordinary profit of ¥6.8 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. reported that its chemicals business generated steady sales on the back of the tight balance of supply and demand for styrene monomer, a general-purpose resin material. In the functional materials business, sales of materials for displays remained favorable, particularly for electronic devices, including high-precision display panels. Meanwhile, the coal chemicals business, particularly needle coke for graphite electrodes, experienced stagnant conditions, but there were signs of recovery in demand at the end of the fiscal year. The chemicals segment recorded net sales of ¥174.2 billion and ordinary profit of ¥4.5 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd., within its industrial electronic materials business, continued to experience favorable sales of surface-treated copper wire. In the carbon fiber and composite materials business, demand for infrastructure maintenance and reinforcement applications, including tunnels and bridges, remained firm. However, net sales and profits both declined because of the impact of more-intense competition and the strengthening of the yen. The new materials segment posted net sales of ¥34.5 billion and ordinary profit of ¥1.7 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. This company's NSFITOS Center, which provides IT outsourcing services, expanded its operations centers to cover both eastern and western Japan during the term. It also bolstered its position by making a company with strengths in the network security field its subsidiary and is taking other measures to strengthen its IT outsourcing services to improve its competitiveness. As a result, NS Solutions increased sales and earnings year-on-year. The system solutions segment recorded net sales of ¥232.5 billion and ordinary profit of ¥22.1 billion.

Sales and Profit

NSSMC's consolidated results for fiscal 2016 included ¥4,632.8 billion in net sales, ¥114.2 billion in operating profit, ¥174.5 billion in ordinary profit, and profit attributable to owners of parent amounted to ¥130.9 billion. NSSMC implemented maximum cost improvement measures and group companies, mainly those engaged in overseas business, showed an improvement in earnings. However, results were affected by a less favorable sales mix, which stemmed from sluggish demand for steel products for the energy sector and other reasons; margin deterioration, which was caused by delay in reflecting a surge in coal prices in sales prices; and the appreciation of the yen.

Assets, Liabilities, Net Assets, and Cash Flows

Consolidated total assets at the end of fiscal 2016 were ¥7,261.9 billion, representing an increase of ¥836.8 billion from ¥6,425.0 billion at the end of fiscal 2015. With the effect of acquisition of Nisshin Steel Co., Ltd., the main factors were increases in notes and accounts receivable of ¥100.8 billion, inventories of ¥104.7 billion, tangible fixed assets of ¥261.5 billion, and investments in securities of ¥223.9 billion.

Total liabilities at the end of fiscal 2016 amounted to ¥3,970.9 billion, representing an increase of ¥554.9 billion from ¥3,415.9 billion at the end of fiscal 2015. With the effect of the acquisition mentioned above, the main factors were increases in interest-bearing debt of ¥96.5 billion from ¥2,008.2 billion at the end of fiscal 2015 to ¥2,104.8 billion at the end of fiscal 2016, notes and accounts payable of ¥138.9 billion, deferred tax liabilities of ¥56.4 billion, and net defined benefit liabilities of ¥59.1 billion.

Net assets amounted to ¥3,291.0 billion at the end of fiscal 2016, representing an increase of ¥281.9 billion from ¥3,009.0 billion at the end of fiscal 2015. The main factors in the increase were profit attributable to owners of parent of ¥130.9 billion, an increase in unrealized gains on available-for-sale securities of ¥97.9 billion, and an increase in non-controlling interest of ¥107.5 billion mainly with the effect of acquisition of Nisshin Steel Co., Ltd. These more than offset decreases such as dividend payments of ¥13.5 billion and acquisition of treasury stock of ¥44.1 billion.

Shareholders' equity at the end of fiscal 2016 amounted to ¥2,948.2 billion and the ratio of interest-bearing debt to shareholders' equity (the D/E ratio) was 0.71.

Cash flows provided by operating activities in fiscal 2016 amounted to an inflow of ¥484.2 billion (compared to ¥562.9 billion in fiscal 2015). The principal factors were inflows from profit before income taxes of ¥181.6 billion, depreciation and amortization of ¥304.7 billion, and an increase in notes and accounts payable of ¥27.3 billion. These offset outflows of ¥29.2 billion from an increase in notes and accounts receivable.

Cash flows from investing activities amounted to an outflow of ¥343.7 billion, (compared to an outflow of ¥242.2 billion in fiscal 2015), as outflows including expenses for capital investments of ¥321.8 billion, and acquisition of investment securities and that of subsidiaries and associates of ¥116.0 billion mainly with the effect of acquisition of Nisshin Steel Co., Ltd. exceeded inflows including proceeds from sales of investment securities and those of subsidiaries and affiliates of ¥86.3 billion. The result was a free cash inflow of ¥140.5 billion in fiscal 2016 (compared to ¥320.7 billion in fiscal 2015).

Cash flows from financing activities amounted to an outflow of ¥135.0 billion (compared to ¥337.5 billion in fiscal 2016), largely due to the effective repayment of interest-bearing debt of ¥165.3 billion after deducting the impact of increase in interest-bearing debt of ¥261.8 billion with the effect of acquisition of Nisshin Steel Co., Ltd. Other factors

included the payment for purchase of treasury stock of 44.3 billion and the payment of cash dividends of ¥13.5 billion at the end of fiscal 2015.

Basic Profit Distribution Policy and Distribution of Dividends for Fiscal 2016

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 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.

Concerning dividend distribution, the Company forwent the first-half dividend distribution of fiscal 2016. However, in view of the improvement in the Company performance from the time the financial results through the third quarter were disclosed on February 2, 2017, the Company plans to request the approval of the General Meeting of Shareholders to distribute a year-end dividend payment of ¥45 per share, which will represent an increase of ¥20 per share compared to the previously disclosed forecast of ¥25. The full-year dividend will be ¥45 per share with a consolidated payout ratio of 30.4%.

(2) Outlook for the Fiscal Year Ending March 31, 2018 (Fiscal 2017)

Outlook for Operations in Fiscal 2017

The overall global economy is expected to show a continued moderate recovery, although conditions will remain uncertain because of political issues in various countries and other factors, as the economies of the U.S., Europe, and China are expected to remain firm and the economies of emerging nations, including Brazil, are likely to bottom out.

The Japanese economy is forecast to show a continued moderate recovery as labor market conditions are getting tight, the government's economic stimulus measures have positive effects, and industrial production show improvement.

Domestic steel demand is expected to continue to be firm, especially in the construction and automotive sectors.

We anticipate that overseas steel demand will continue to be firm, with strong demand in the U.S. and the ASEAN economies as well as steady domestic demand in China. In addition, in the international steel market, despite some signs of softening due to inventory adjustments, our understanding is that underlying demand is strong and that the adjustment will be temporary. However, the problem of excess steelmaking capacity in China is still in the process of being resolved,

prices for coal are rising sharply because of bad weather in Australia, and prices of auxiliary materials and scrap iron as well as distribution costs are also rising. Therefore, close attention to future trends will be necessary.

In these conditions, NSSMC will continue to closely monitor trends in steel product supply and demand and raw material prices, and will also strive to implement maximum cost improvement. Concerning the increase in cost, which stemmed from a surge in prices for coal and other raw materials, the Company has received the understanding of its customers and has been adjusting steel product prices. In order to secure a reproducible margin, which incorporates increase in cost, we intend to continue responding thoroughly and seeking the understanding of our customers regarding the revision of steel product prices.

NSSMC is unable at this time to establish reasonably accurate earnings estimates for fiscal 2017 due to several factors, including the uncertainty of price trends for primary raw materials and steel products. The Company will disclose fiscal 2017 earnings forecasts when reasonable estimates become possible.

Outlook for Distribution of Dividends for Fiscal 2017

The Company has not determined a dividend distribution plan for fiscal 2017 due to the inability to establish reasonable earnings forecasts, as stated above. The dividend distribution plan will be disclosed when it becomes available.

2. Basic Rationale for Selection of Accounting Standards

Since the Company is promoting business development globally, with regard to the transition to international accounting standards, it is giving consideration to adopting such standards from the first quarter of the fiscal year ending March 31, 2019. Consideration is being given to adopting either the International Financial Reporting Standards (designated IFRS) or Japan's Modified International Standards (JMIS).

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
ASSETS	March 31, 2016	March 31, 2017
Current assets :		
Cash and bank deposits	85,365	88,111
Notes and accounts receivable	523,207	624,089
Marketable securities	525	4,654
Inventories	1,110,901	1,215,649
Deferred tax assets	56,004	59,441
Other	214,635	254,669
Less: Allowance for doubtful accounts	(567)	(2,179)
Total current assets	<u>1,990,072</u>	<u>2,244,436</u>
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	682,187	753,697
Machinery, equipment and vehicles	1,028,856	1,114,851
Tools, furniture and fixtures	42,684	47,903
Land	592,596	654,475
Lease assets	8,997	10,318
Construction in progress	223,916	259,591
Total tangible fixed assets	<u>2,579,240</u>	<u>2,840,838</u>
Intangible assets :		
Goodwill	41,756	38,652
Lease assets	288	359
Patents and utility rights	6,222	5,229
Software	39,413	47,045
Total intangible assets	<u>87,680</u>	<u>91,287</u>
Investments and others :		
Investments in securities	592,402	816,389
Shares of subsidiaries and affiliates	979,879	1,041,397
Long-term loans receivable	41,909	36,713
Net defined benefit assets	58,708	92,948
Deferred tax assets	51,959	55,521
Other	45,698	45,959
Less: Allowance for doubtful accounts	(2,508)	(3,569)
Total investments and others	<u>1,768,049</u>	<u>2,085,361</u>
Total fixed assets	<u>4,434,970</u>	<u>5,017,487</u>
Total assets	<u>6,425,043</u>	<u>7,261,923</u>

	Millions of yen	
LIABILITIES	March 31, 2016	March 31, 2017
Current liabilities :		
Notes and accounts payable	589,319	728,300
Short-term loans payable	400,386	316,115
Commercial paper	-	20,000
Bonds due within one year	50,000	140,000
Current portion of lease obligations	3,498	3,769
Accounts payable-other	332,587	383,125
Income taxes payable	25,342	31,909
Provision for loss on construction contracts	2,124	2,297
Other	211,658	329,616
Total current liabilities	<u>1,614,918</u>	<u>1,955,134</u>
Long-term liabilities :		
Bonds and notes	335,683	255,690
Long-term loans payable	1,209,116	1,360,025
Lease obligations (excluding current portion)	8,378	8,444
Deferred tax liabilities	42,818	99,293
Deferred tax liabilities on revaluation of land	8,904	7,069
Allowance for retirement benefits of directors and Audit & Supervisory Board members	4,805	4,799
Net defined benefit liabilities	128,837	188,016
Other	62,504	92,433
Total long-term liabilities	<u>1,801,049</u>	<u>2,015,774</u>
Total liabilities	<u>3,415,968</u>	<u>3,970,908</u>
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	419,524
Capital surplus	383,010	386,873
Retained earnings	1,837,919	1,949,960
Less: Treasury stock, at cost	(87,942)	(132,063)
Total shareholders' equity	<u>2,552,512</u>	<u>2,624,294</u>
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	171,378	269,282
Deferred hedge income (loss)	(10,883)	(2,370)
Unrealized gains on revaluation of land	3,025	3,002
Foreign currency translation adjustments	14,652	(9,339)
Remeasurements of defined benefit plans	43,136	63,363
Total accumulated other comprehensive income	<u>221,310</u>	<u>323,938</u>
Non-controlling interests in consolidated subsidiaries	<u>235,252</u>	<u>342,782</u>
Total net assets	<u>3,009,075</u>	<u>3,291,015</u>
Total liabilities and net assets	<u>6,425,043</u>	<u>7,261,923</u>

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

Consolidated Statements of Operations		Millions of yen	
	Fiscal 2015	Fiscal 2016	
Operating revenues :			
Net sales	4,907,429	4,632,890	
Cost of sales	4,288,386	4,065,779	
Gross profit	619,043	567,111	
Selling, general and administrative expenses	451,312	452,908	
Operating profit	167,731	114,202	
Non-operating profit and loss :			
Non-operating profit :			
Interest income	5,700	5,654	
Dividend income	17,811	14,923	
Equity in profit of unconsolidated subsidiaries and affiliates	44,181	79,180	
Other	40,039	43,162	
	107,732	142,921	
Non-operating loss :			
Interest expense	20,110	18,006	
Other	54,424	64,586	
	74,534	82,593	
Ordinary profit	200,929	174,531	
Extraordinary profit :			
Gain on sales of shares of subsidiaries and associates	32,650	24,172	
Settlement received	30,000	-	
Gain on step acquisitions	-	10,027	
	62,650	34,200	
Extraordinary loss :			
Impairment loss	13,712	-	
Loss on inactive facilities	19,088	12,793	
Loss on disaster	-	7,839	
Restructuring loss	-	6,407	
	32,801	27,039	
Profit before income taxes	230,778	181,692	
Income taxes - current	48,593	47,074	
Income taxes - deferred	30,638	(11,377)	
	79,232	35,697	
Profit	151,546	145,995	
Profit attributable to non-controlling interests	6,127	15,048	
Profit attributable to owners of parent	145,419	130,946	

Consolidated Statements of Comprehensive Income		Millions of yen	
	Fiscal 2015	Fiscal 2016	
Profit	151,546	145,995	
Other comprehensive income			
Unrealized gains on available-for-sale securities	(105,268)	68,181	
Deferred hedge income (loss)	(10,156)	6,515	
Unrealized gains on revaluation of land	56	-	
Foreign currency translation adjustments	(74,285)	(30,691)	
Remeasurements of defined benefit plans	(34,712)	20,348	
Share of other comprehensive income(loss) of affiliates accounted for using equity method	(54,950)	7,103	
Total other comprehensive income	(279,317)	71,458	
Comprehensive income	(127,770)	217,453	
(Breakdown)			
Comprehensive income attributable to owners of parent	(130,268)	203,625	
Comprehensive income attributable to non-controlling interests	2,497	13,828	

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2015	Shareholders' equity					Millions of yen
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' equity	
Balance at March 31, 2015	419,524	371,471	1,752,210	(61,508)	2,481,698	
Changes of items during period						
Cash dividends			(59,711)		(59,711)	
Profit attributable to owners of parent			145,419		145,419	
Acquisition of treasury stock				(41,899)	(41,899)	
Disposal of treasury stock		12,252		15,866	28,118	
Increase(decrease) due to the change in the number of consolidated companies				(401)	(401)	
Increase due to reversal of unrealized gains on revaluation of land			0		0	
Change in shares of parent arising from transactions with non-controlling interests		(712)			(712)	
Net changes of items other than shareholders' equity						
Total change for fiscal 2015	-	11,539	85,708	(26,434)	70,813	
Balance at March 31, 2016	419,524	383,010	1,837,919	(87,942)	2,552,512	

	Accumulated other comprehensive income						Non-controlling interests in consolidated subsidiaries	Total net assets
	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Unrealized gains on revaluation of land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2015	279,641	371	2,885	134,732	79,366	496,997	568,362	3,547,059
Changes of items during period								
Cash dividends								(59,711)
Profit attributable to owners of parent								145,419
Acquisition of treasury stock								(41,899)
Disposal of treasury stock								28,118
Increase(decrease) due to the change in the number of consolidated companies								(401)
Increase due to reversal of unrealized gains on revaluation of land								0
Change in shares of parent arising from transactions with non-controlling interests								(712)
Net changes of items other than shareholders' equity	(108,262)	(11,255)	140	(120,080)	(36,230)	(275,687)	(333,109)	(608,797)
Total change for fiscal 2015	(108,262)	(11,255)	140	(120,080)	(36,230)	(275,687)	(333,109)	(537,984)
Balance at March 31, 2016	171,378	(10,883)	3,025	14,652	43,136	221,310	235,252	3,009,075

Fiscal 2016	Shareholders' equity					Total Shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost		
Balance at March 31, 2016	419,524	383,010	1,837,919	(87,942)		2,552,512
Changes of items during period						
Cash dividends			(13,554)			(13,554)
Profit attributable to owners of parent			130,946			130,946
Acquisition of treasury stock				(44,321)		(44,321)
Disposal of treasury stock		(17)		199		182
Increase(decrease) due to the change in the number of consolidated companies			(5,385)	0		(5,385)
Increase due to reversal of unrealized gains on revaluation of land			34			34
Change in shares of parent arising from transactions with non-controlling interests		3,879				3,879
Net changes of items other than shareholders' equity						
Total change for fiscal 2016	-	3,862	112,041	(44,121)		71,782
Balance at March 31, 2017	419,524	386,873	1,949,960	(132,063)		2,624,294

	Accumulated other comprehensive income						Non-controlling interests in consolidated subsidiaries	Total net assets
	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Unrealized gains on revaluation of land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2016	171,378	(10,883)	3,025	14,652	43,136	221,310	235,252	3,009,075
Changes of items during period								
Cash dividends								(13,554)
Profit attributable to owners of parent								130,946
Acquisition of treasury stock								(44,321)
Disposal of treasury stock								182
Increase(decrease) due to the change in the number of consolidated companies								(5,385)
Increase due to reversal of unrealized gains on revaluation of land								34
Change in shares of parent arising from transactions with non-controlling interests								3,879
Net changes of items other than shareholders' equity	97,904	8,513	(23)	(23,991)	20,226	102,628	107,530	210,158
Total change for fiscal 2016	97,904	8,513	(23)	(23,991)	20,226	102,628	107,530	281,940
Balance at March 31, 2017	269,282	(2,370)	3,002	(9,339)	63,363	323,938	342,782	3,291,015

(4) Consolidated Statements of Cash-Flows

	Millions of yen	
	Fiscal 2015	Fiscal 2016
Cash flows from operating activities :		
Profit before income taxes	230,778	181,692
Adjustments to reconcile profit to net cash provided by operating activities :		
Depreciation and amortization	308,276	304,751
Impairment loss	13,712	-
Amortization of goodwill	3,498	4,015
Interest and dividend income (accrual basis)	(23,512)	(20,577)
Interest expense (accrual basis)	20,110	18,006
Equity in profit of unconsolidated subsidiaries and affiliates	(44,181)	(79,180)
Loss on disposal of tangible and intangible assets	3,744	8,694
Loss (gain) on sales of tangible and intangible assets	(5,233)	(7,192)
Loss (gain) on sales of investments in securities	(6,765)	(8,535)
Loss (gain) on sales of shares of subsidiaries and affiliates	(32,650)	(24,172)
Loss (gain) on step acquisitions	-	(10,027)
Restructuring loss	-	6,407
Settlement received	(30,000)	-
Changes in allowance for doubtful accounts	(1,732)	1,439
Changes in notes and accounts receivable	91,530	(29,227)
Changes in inventories	123,394	26,500
Changes in notes and accounts payable	(84,501)	27,363
Other	6,205	109,945
Subtotal	572,674	509,900
Interest and dividend income (cash basis)	38,086	34,568
Interest expense (cash basis)	(19,684)	(18,428)
Settlement received	30,000	-
Income taxes (cash basis)	(58,120)	(41,751)
Net cash provided by operating activities	562,956	484,288
Cash flows from investing activities :		
Acquisition of tangible and intangible assets	(298,670)	(321,879)
Proceeds from sales of tangible and intangible assets	10,111	15,004
Acquisition of investments in securities	(3,134)	(48,715)
Proceeds from sales of investments in securities	18,121	42,520
Acquisition of shares of subsidiaries and affiliates	(21,565)	(14,413)
Proceeds from sales of shares of subsidiaries and affiliates	54,747	30,820
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,776)	(52,892)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	13,019
Other	1,962	(7,201)
Net cash used in investing activities	(242,204)	(343,738)
Cash flows from financing activities :		
Net increase (decrease) in short-term loans	(32,715)	(49,857)
Net increase (decrease) in commercial paper	-	13,000
Proceeds from long-term loans	322,584	179,443
Payments of long-term loans	(209,582)	(271,826)
Proceeds from issuance of bonds and notes	-	20,000
Redemption of bonds and notes	(40,000)	(50,000)
Redemption of preferred securities	(300,000)	-
Payments for purchase of treasury stock	(41,874)	(44,315)
Cash dividends	(59,711)	(13,554)
Other	23,743	82,055
Net cash used in financing activities	(337,555)	(135,054)
Effect of exchange rate changes on cash and cash equivalents	(10,688)	(655)
Net increase (decrease) in cash and cash equivalents	(27,491)	4,839
Cash and cash equivalents at beginning of the year	112,994	85,203
Increase (decrease) from the change in the number of consolidated companies	(299)	1,348
Cash and cash equivalents at end of year	85,203	91,391

(5) Notes to the Consolidated Financial Statements

(Notes to the Presumption of Going Concerns)

None

(Changes in Accounting Principles Accompanying Revisions in Accounting Standards)

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Accompanying tax reform, the Company has applied “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (PITF No. 32, issued June 17, 2016) in its consolidated financial statements since fiscal 2016. As a result, the Company has changed its method of depreciation for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change in accounting principles on the consolidated financial statements for fiscal 2016 was not material.

(Segment Information)

1) Summary of reportable segment

Nippon Steel & Sumitomo Metal Corporation is a company engaged in the steelmaking and steel fabrication businesses, and acts as the holding company for its business segment companies, which are engaged in the engineering and construction, chemicals, new materials, and system solutions businesses. Each business segment company shares the management strategy of the Nippon Steel & Sumitomo Metal Corporation Group, while conducting its business activities independently from and in parallel with other Group members. These five business segments are reportable segments.

Reportable segment	Principal businesses
Steelmaking and steel fabrication	Manufacturing and marketing of steel products
Engineering and construction	Manufacturing and marketing of industrial machinery and equipment as well as steel structures, performance of construction work under contract, waste processing and recycling, and supplying electricity, gas, and heat
Chemicals	Manufacturing and marketing of coal-based chemical products, petrochemicals, and electronic materials
New materials	Manufacturing and marketing of materials for semiconductors and electronic parts, components, carbon fiber and composite products, and products that apply technologies for metal processing
System solutions	Computer systems engineering and consulting services; IT-enabled outsourcing and other services

2) Information on the amounts of sales, profit, assets, liabilities, and other items for reportable segments

Fiscal 2015 (April 1, 2015—March 31, 2016)

(Millions of yen)

	Reportable segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales								
Sales to external customers	4,241,521	288,088	176,360	36,280	165,178	4,907,429	-	4,907,429
Inter-segment sales or transfers	42,402	27,639	5,463	-	53,762	129,267	(129,267)	-
Total	4,283,923	315,727	181,823	36,280	218,941	5,036,697	(129,267)	4,907,429
Segment profit <Ordinary Profit>	160,088	12,163	1,093	3,073	19,493	195,912	5,017	200,929
Segment assets	5,862,481	254,243	146,620	30,498	175,767	6,469,611	(44,568)	6,425,043
Segment liabilities <Interest-bearing debt>	1,997,699	3,347	9,087	10,671	1,463	2,022,270	(15,207)	2,007,063
Other items								
Depreciation and amortization	298,280	2,819	5,441	2,457	3,942	312,940	(4,664)	308,276
Amortization of goodwill	1,833	1,466	-	-	198	3,498	-	3,498
Interest income	5,619	93	22	2	160	5,899	(199)	5,700
Interest expenses	20,018	32	88	109	59	20,309	(199)	20,110
Equity in profit (loss) of unconsolidated subsidiaries and affiliates	30,461	765	1,637	-	32	32,897	11,284	44,181
Balance of investments in equity method companies	842,499	3,518	20,284	-	11	866,313	108,117	974,431
Increase (decrease) in tangible/intangible assets	289,190	3,676	8,755	1,663	4,715	308,001	(3,358)	304,643

Information of net sales about geographical area

(Millions of yen)

Japan	Overseas			Total
		Asia	Other	
3,003,583	1,903,846	1,213,290	690,555	4,907,429

Note: Sales information is based on the geographical location of customers, and it is classified by region.

Fiscal 2016 (April 1, 2016—March 31, 2017)

(Millions of yen)

	Reportable segment					Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
Net sales								
Sales to external customers	4,016,670	234,861	168,596	34,519	178,242	4,632,890	-	4,632,890
Inter-segment sales or transfers	35,590	32,683	5,630	-	54,270	128,175	(128,175)	-
Total	4,052,261	267,545	174,227	34,519	232,512	4,761,065	(128,175)	4,632,890
Segment profit <Ordinary Profit>	138,017	6,838	4,518	1,786	22,113	173,274	1,256	174,531
Segment assets	6,716,970	248,628	146,406	30,584	200,252	7,342,843	(80,919)	7,261,923
Segment liabilities <Interest-bearing debt>	2,092,610	6,066	7,400	8,790	1,177	2,116,045	(12,000)	2,104,045
Other items								
Depreciation and amortization	294,008	2,653	6,110	2,116	4,174	309,064	(4,313)	304,751
Amortization of goodwill	2,518	1,257	-	-	240	4,015	-	4,015
Interest income	5,566	124	19	16	133	5,860	(206)	5,654
Interest expenses	17,831	118	98	135	28	18,212	(206)	18,006
Equity in profit (loss) of unconsolidated subsidiaries and affiliates	70,723	655	920	-	21	72,320	6,859	79,180
Balance of investments in equity method companies	931,342	4,056	19,749	-	32	955,181	76,571	1,031,752
Increase (decrease) in tangible/intangible assets	335,733	5,637	7,005	2,224	4,343	354,943	(3,905)	351,038

Information of net sales about geographical area

(Millions of yen)

Japan	Overseas			Total
		Asia	Other	
2,955,981	1,676,909	1,042,224	634,684	4,632,890

Note: Sales information is based on the geographical location of customers, and it is classified by region.

(Per Share Information)

(Yen)

	Fiscal 2015 (April 1, 2015—March 31, 2016)	Fiscal 2016 (April 1, 2016—March 31, 2017)
Net assets per share	3,074.28	3,340.22
Earnings per share	158.72	147.97

Regarding diluted earnings per share, no figures for diluted earnings per share have been disclosed because no latent shares existed.

The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015. In accordance with it, earnings per share is calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

Notes: Basis for calculations

1. Earnings per share

(Yen)

	Fiscal 2015 (April 1, 2015—March 31, 2016)	Fiscal 2016 (April 1, 2016—March 31, 2017)
Earnings per share		
Profit attributable to owners of parent	145,419 Million	130,946 Million
Value not available to common shares	— Million	— Million
Profit attributable to owners of parent available to common shares	145,419 Million	130,946 Million
Average number of outstanding common shares during the period	916,209,219 Shares	884,959,677 Shares

2. Net assets per share

(Yen)

	End of fiscal 2015 (March 31, 2016)	End of fiscal 2016 (March 31, 2017)
Total net assets	3,009,075 Million	3,291,015 Million
Amounts deducted from total net assets	235,252 Million	342,782 Million
Portion of non-controlling interests	235,252 Million	342,782 Million
Net assets at fiscal year-end available to common shares	2,773,822 Million	2,948,232 Million
Number of common shares at fiscal year-end used in calculating net assets per share	902,266,342 Shares	882,647,305 Shares

(Major Subsequent Events)

None

Results and dividends of Fiscal 2016 (Year ended March 31, 2017)

Overview of Profitability (Consolidated)

	2016FY		1st half ⇒ 2nd half	2015FY	2015FY ⇒ 2016FY	Previous Forecasts (Released on Feb. 2, 2017)	
	1st half	2nd half					
Net sales	4,632.8	2,160.7	2,472.0	+ 311.3	4,907.4	- 274.6	4,550.0
Operating profit	114.2	17.8	96.3	+ 78.5	167.7	- 53.5	
Non-Consolidated	(29.1)				56.2	- 85.3	
Ordinary profit	174.5	28.0	146.5	※1 + 118.5	200.9	※1 - 26.4	130.0
[ROS]	[3.8%]	[1.3%]	[5.9%]	[+4.6%]	[4.1%]	[-0.3%]	
Non-Consolidated	48.1				87.9	- 39.8	
Extraordinary profit (loss)	※2 7.1	(9.1)	16.2	+ 25.3	29.8	- 22.7	
Profit attributable to owners of parent	130.9	11.0	119.9	+ 108.9	145.4	- 14.5	80.0
< Earnings per share (¥) > *1	< 148.0 >	< 12.4 >	< 135.9 >	< +123.5 >	< 158.7 >	< - 10.7 >	< 90.0 >
[ROE]	[4.6%]	[0.8%]	[8.6%]	[+7.8%]	[5.1%]	[- 0.5%]	
Interest-bearing debt	2,104.8				2,008.2	*2 + 96.5	
D/E ratio	0.71			0.72		-0.01	

*1 The Company carried out the share consolidation at the ratio of 10 shares to 1 share effective October 1, 2015. In accordance with it, earnings per share are calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

*2 The effect of acquisition of Nisshin Steel Co., Ltd. and others : Increasing interest-bearing debt by ¥ 261.8 billions.

※1 Analysis in consolidated ordinary profit (Billions of yen)

	1st half ⇒2nd half change	2015FY ⇒2016FY change	Change from the previous forecasts
Change in Consolidated Ordinary Profit	+ 119.0	- 26.0	+ 45.0
1. Ferrous materials business	+ 110.0	- 22.0	+ 38.0
① Manufacturing shipment volume	+ 12.0	+ 12.0	+ 6.0
② Selling prices and production mix	+ 145.0	- 48.0	
③ Raw materials prices (including carry-over of raw materials)	- 188.0	- 57.0	+ 11.0
④ Cost improvement	+ 12.0	+ 60.0	~
⑤ Inventory evaluation impact	+ 79.0	+ 25.0	- 2.0
⑥ Group companies	+ 36.0	+ 72.0	+ 15.0
⑦ FOREX	+ 27.0	- 39.0	~
⑧ Oita Works' Fire Accident	- 10.0	- 10.0	~
⑨ Other	- 3.0	- 37.0	+ 8.0
2. Non-ferrous materials business	+ 9.0	~	+ 4.0
3. Adjustments	~	- 4.0	+ 3.0

※2 Extraordinary profit (loss) (Billions of yen)

	2016 FY	
	1st half	2nd half
Extraordinary profit (loss)	7.1	(9.1)
Gain on sales of shares of subsidiaries and associates	24.1	24.1
Gain on step acquisitions	10.0	10.0
Loss on inactive facilities	(12.7)	(10.0)
Loss on disaster	(7.8)	(7.8)
Restructuring loss	(6.4)	-

< Factors Influencing Performance >

(1) Nippon Steel & Sumitomo Metal Corporation

	2016FY		2015FY	2015FY ⇒ 2016FY	Previous Forecasts (Released on Feb. 2, 2017)	
	1st half	2nd half				
Consolidated crude steel output volume (10,000 tons)	4,517	2,270	2,247	4,453	+ 65	Approx. 4,530
Non-Consolidated crude steel output volume (10,000 tons) *1	4,262	2,151	2,111	4,217	+ 45	Approx. 4,280
Steel materials shipment volume (10,000 tons) *1	3,978	1,968	2,009	3,962	+ 16	Approx. 3,960
Steel materials price (¥1,000/ton) *1	72.6	68.0	77.1	77.1	- 4.5	Approx. 73
Exchange rate (¥/\$)	109	107	110	121	- 12	Approx. 109

*1 Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation

(2) All Japan

	2016FY	2015FY	2015FY ⇒ 2016FY	Previous Forecasts (Released on Feb. 2, 2017)		
Crude steel output volume (10,000 tons)	10,516	5,255	5,261	10,423	+ 93	Approx. 10,523
Steel consumption (10,000 tons) *2 (In manufacturing industries)	6,161 (3,871)	3,024 (1,909)	3,137 (1,962)	6,088 (3,892)	+ 73 (-21)	6,161 (3,865)
<% of manufacturing>	<62.8%>	<63.1%>	<62.5%>	<63.9%>	<-1.1%>	<62.7%>
Plain carbon steel consumption (10,000 tons)	4,888	2,391	2,497	4,843	+ 45	4,888
In construction	2,181	1,058	1,123	2,115	+ 66	2,187
In manufacturing	2,707	1,332	1,374	2,728	- 21	2,701
Specialty steel consumption (10,000 tons)	1,273	633	640	1,245	+ 28	1,273
Inventory volume (10,000 tons)	*3 567	561	567	550	+ 17	
Rolled sheets (10,000 tons)	*3 388	397	388	411	- 22	

*2 The Company estimates *3 Revised report for February 2017

(Reference) Segment Information

	2016FY		1st half ⇒ 2nd half	2015FY	2015FY ⇒ 2016FY	Previous Forecasts (Released on Feb. 2, 2017)	
	1st half	2nd half					
Net sales	4,632.8	2,160.7	2,472.0	+ 311.3	4,907.4	- 274.6	4,550.0
Steelmaking and steel fabrication	4,052.2	1,900.8	2,151.3	+ 250.5	4,283.9	- 231.7	4,000.0
Engineering and construction	267.5	116.5	151.0	+ 34.5	315.7	- 48.2	270.0
Chemicals	174.2	81.2	92.9	+ 11.7	181.8	- 7.6	165.0
New materials	34.5	17.1	17.3	+ 0.2	36.2	- 1.7	35.0
System solutions	232.5	106.0	126.4	+ 20.4	218.9	+ 13.6	223.0
Adjustments	(128.1)	(61.1)	(67.0)	- 5.9	(129.2)	+ 1.1	(143.0)
Ordinary profit	174.5	28.0	146.5	+ 118.5	200.9	- 26.4	130.0
Steelmaking and steel fabrication	138.0	14.0	123.9	+ 109.9	160.0	- 22.0	100.0
Engineering and construction	6.8	1.5	5.2	+ 3.7	12.1	- 5.3	5.0
Chemicals	4.5	0.8	3.7	+ 2.9	1.0	+ 3.5	4.0
New materials	1.7	0.7	1.0	+ 0.3	3.0	- 1.3	1.5
System solutions	22.1	10.3	11.7	+ 1.4	19.4	+ 2.7	21.0
Adjustments	1.2	0.4	0.7	+ 0.3	5.0	- 3.8	(1.5)

[Dividends]

Based on the Company's favorable performance since the announcement of the previous earnings forecasts and results for the third quarter on February 2, 2017, the Company plans to request the approval of the General Meeting of Shareholders to increase the planned dividend by ¥20 and also distribute a year-end dividend payment of ¥45 per share in accordance with the basic profit distribution policy described previously. This would bring the full-year dividend distribution amount to ¥45 per share, representing a consolidated payout ratio of 30.4% for fiscal 2016.

Forecasts of Consolidated Financial Results for Fiscal 2017

Fiscal 2017 Forecast

The Company is unable at this time to establish reasonably accurate earnings estimates for fiscal 2017 due to several factors, including the uncertainty of price trends for primary raw materials and steel products. The Company will disclose fiscal 2017 earnings forecasts when reasonable estimates become possible.

(Reference) Previously Announced Projects

Establishment, Business Consolidation and Reorganization

■ Already Running Projects

Time	Projects
June 2016	(Conversion of Mandatory Convertible Bonds of Vallourec (France), subscribed by NSSMC, to Ordinary Shares) The issuance of the new shares under the rights issue and of the mandatory convertible bonds was completed in May 2016. The mandatory convertible bonds were converted to ordinary shares on June 2016.
July 2016	(Issuance of Subscription Rights of Usiminas) Underwriting allotment of preemptive subscription rights for ordinary shares
July 2016	(Establishment of Nippon Steel & Sumikin Precision Machining Co., Ltd.) Merger between Nippon Steel & Sumikin Fine Technology Co., Ltd. and Nippon Tubular Products Co., Ltd.
Sep. 2016	(Integration of Steel Sheet Business Companies in Thailand) Integration between The Siam United Steel (1995) Co., Ltd. ("SUS") and Nippon Steel & Sumikin Galvanizing (Thailand) Co., Ltd. ("NSGT")
Oct. 2016	(NSSMC and Vallourec, merged the Pipe and Tube Business in Brazil.) Vallourec & Sumitomo Tubos do Brasil Ltda. and Vallourec Tubos do Brasil S.A. merged to become a new company Vallourec Soluções Tubulares do Brasil S.A. ("VSB")
Feb. 2017	(Partial Sale of SUMCO Shares and Subsequent Change in Scope of NSSMC's Equity-Method Affiliates) NSSMC sold a part of its shareholding in SUMCO Corporation. After the execution of the sale, SUMCO was out of the scope of NSSMC's equity-method affiliates.
Mar. 2017	(The result of the Tender Offer for Nisshin Steel Co., Ltd.'s Shares) The Tender offer ended on March 6, 2017. As a result of the Tender Offer, Nisshin Steel Co., Ltd. became a subsidiary of NSSMC.

■ Previously Announced Other Projects, etc

Time	Projects
May 2017 (announced in Mar. 2017)	(Notice concerning planned Partial Sale of Sumitomo Precision Products Shares and Subsequent Change in Scope of NSSMC's Equity-Method Affiliates) NSSMC has decided to sell a part of its shareholding in Sumitomo Precision Products Co., Ltd. After the execution of the sale, Sumitomo Precision Products will be out of the scope of NSSMC's equity-method affiliates.
Oct. 2017 (announced in Mar. 2017)	(Commencement of Discussions on the Acquisition of Ring Techs by Topy Industries) Topy Industries Limited and NSSMC have agreed to commence discussions on Topy Industries' acquisition of 100 percent shares of Ring Techs Co., Ltd., a subsidiary of NSSMC, to make Ring Techs a wholly-owned subsidiary of Topy Industries.
Oct. 2017 (announced in Apr. 2017)	(Reinforcement of Joint Venture with Mitsubishi Steel Mfg) Reinforcement of Joint Venture (Mitsubishi Steel Muroran Inc.) with Mitsubishi Steel Mfg.

Nippon Steel & Sumitomo Metal Corporation

Code Number: 5401

Listings: Tokyo, Nagoya, Sapporo and Fukuoka Stock Exchanges

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Supplementary Information on the Financial Results for Fiscal 2016

Japanese Steel Industry

1. Crude Steel Production

	(million tons)						
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2015FY	25.86	26.20	52.05	26.33	25.84	52.17	104.23
2016FY	26.21	26.34	52.55	26.39	26.23	52.61	105.16

2. Inventory Volume

At the end of:		Inventory at manufacturers and distributors (million tons)	Inventory /shipment ratio (%)	Rolled sheets *1 (million tons)	H-flange beams *2 (million tons)
Mar.	2015	5.84	(137.3)	4.31	0.218
Apr.	2015	5.73	(155.6)	4.23	0.206
May	2015	5.87	(162.2)	4.31	0.207
June	2015	5.73	(147.3)	4.20	0.201
July	2015	5.64	(144.4)	4.07	0.197
Aug.	2015	5.86	(169.1)	4.26	0.198
Sep.	2015	5.79	(150.4)	4.21	0.198
Oct.	2015	5.65	(140.1)	4.13	0.195
Nov.	2015	5.68	(153.0)	4.08	0.189
Dec.	2015	5.72	(161.4)	4.09	0.185
Jan.	2016	5.87	(162.8)	4.27	0.185
Feb.	2016	5.72	(156.5)	4.17	0.192
Mar.	2016	5.50	(135.5)	4.11	0.203
Apr.	2016	5.61	(164.2)	4.08	0.196
May	2016	5.70	(159.0)	4.18	0.198
June	2016	5.56	(146.7)	4.03	0.197
July	2016	5.39	(142.0)	3.91	0.191
Aug.	2016	5.67	(164.7)	4.05	0.187
Sep.	2016	5.61	(149.5)	3.97	0.180
Oct.	2016	5.61	(140.4)	3.96	0.177
Nov.	2016	5.42	(135.1)	3.83	0.173
Dec.	2016	5.48	(146.9)	3.81	0.177
Jan.	2017	5.60	(148.6)	3.89	0.186
Feb.	2017	5.67	(153.4)	3.88	0.200

*1 Hot-rolled, cold-rolled and coated sheets

*2 Inventories of distributors dealing with H-flange beams manufactured by Nippon Steel & Sumitomo Metal Corporation

NSSMC**3. Pig Iron Production**

(million tons)

	1st half		1st half	2nd half		total	
	1st quarter	2nd quarter		3rd quarter	4th quarter		
2015FY	10.45	10.89	21.35	10.65	10.52	21.17	42.51
2016FY	10.49	10.76	21.26	10.66	10.24	20.89	42.15

*Including Hokkai Iron & Coke Co., Ltd. and Nippon Steel & Sumikin Koutetsu Wakayama Corporation

4. Crude Steel Production

(Consolidated basis (The Company and its domestic consolidated subsidiaries [Excluding Nisshin Steel Co., Ltd.]))

(million tons)

	1st half		1st half	2nd half		total	
	1st quarter	2nd quarter		3rd quarter	4th quarter		
2015FY	10.89	11.38	22.27	11.14	11.12	22.26	44.53
2016FY	11.16	11.53	22.70	11.52	10.95	22.47	45.17

(Non-consolidated basis)

(million tons)

	1st half		1st half	2nd half		total	
	1st quarter	2nd quarter		3rd quarter	4th quarter		
2015FY	10.31	10.76	21.07	10.56	10.55	21.11	42.17
2016FY	10.58	10.93	21.51	10.84	10.28	21.11	42.62

*Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation

5. Steel Products Shipment

(million tons)

	1st half		1st half	2nd half		total	
	1st quarter	2nd quarter		3rd quarter	4th quarter		
2015FY	9.85	9.79	19.64	9.99	9.99	19.98	39.62
2016FY	9.60	10.09	19.68	10.29	9.81	20.09	39.78

*Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation

6. Average Price of Steel Products

(thousands of yen / ton)

	1st half		1st half	2nd half		total	
	1st quarter	2nd quarter		3rd quarter	4th quarter		
2015FY	82.8	79.8	81.3	75.5	70.6	73.1	77.1
2016FY	68.1	67.9	68.0	70.9	83.6	77.1	72.6

*Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation

7. Export Ratio of Steel Products (Value basis)

(%)

	1st half		2nd half			total
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half	
2015FY	48	46	47	43	43	45
2016FY	43	43	43	42	41	42

*Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation

8. Foreign Exchange Rate

(¥ / \$)

	1st half		2nd half			total
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half	
2015FY	121	122	121	118	120	121
2016FY	111	103	106	114	110	109

9. Amount of Capital Expenditure and Depreciation

(Consolidated basis)

(billions of yen)

	Capital Expenditure	Depreciation
2015FY	304.6	308.2
2016FY	351.0	304.7