Flash Report Consolidated Basis Results for the Third Quarter of Fiscal 2017 (April 1, 2017—December 31, 2017) <under Japanese GAAP>

February 1, 2018

Company name: Stock listing: Code number: URL: **Representative: Contact: Telephone:** Scheduled date to submit Securities Report: Scheduled date to pay dividends: Preparation of supplemental explanatory materials: Yes Holding of quarterly financial results meeting:

Nippon Steel & Sumitomo Metal Corporation Tokyo, Nagoya, Sapporo, Fukuoka stock exchanges 5401 http://www.nssmc.com/en/index.html Kosei Shindo, Representative Director and President Fumiaki Ohnishi, General Manager, Public Relations Center +81-3-6867-2130 February 9, 2018

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 2017 (April 1, 2017—December 31, 2017)

(1) Consolidated Operating Results (Accumulated)

	(Percentage figures are changes from the same period of the previous fiscal year.) Net sales Operating profit Ordinary profit Profit attributable to owners of parent							
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter of Fiscal 2017	4,164,556	25.0	138,031	122.1	225,484	107.8	156,056	162.7
Third quarter of Fiscal 2016	3,332,004	(10.3)	62,159	(57.9)	108,517	(41.3)	59,408	(61.2)
For reference) Comprehensive income: Third quarter of Fiscal 2017 ¥ 310,262 million 368.1%								

Third quarter of Fiscal 2016 ¥ 66,282 million —%

*			
	Earnings per share	Earnings per share after full dilution	
	Yen	Yen	
Third quarter of Fiscal 2017	176.81	—	
Third quarter of Fiscal 2016	67.08	—	

(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 2017	7,627,772	3,525,952	41.5
Fiscal 2016	7,261,923	3,291,015	40.6

(For reference) Shareholders' equity: Third quarter of Fiscal 2017 ¥ 3,164,287 million Fiscal 2016

¥ 2,948,232 million

2. Dividends

	Dividends per share				
	End of first quarterEnd of second quarterEnd of third quarterEnd of fiscal year		Full fiscal year		
	Yen	Yen	Yen	Yen	Yen
Fiscal 2016	—	0.00	—	45.00	45.00
Fiscal 2017	—	30.00	—		
Fiscal 2017 (Forecasts)				30.00	60.00

Notes: 1. Whether the dividends forecasts under review have been revised: Yes

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

(Percentage figures are changes from the same period of the previous fiscal year.) Profit attributable to Net sales Ordinary profit Earnings per share owners of parent Millions of yen % Millions of yen % Millions of yen % Yen Fiscal 2017 5,700,000 23.0 300.000 71.9 180.000 37.5 204.00

Notes: 1. Whether the consolidated financial forecasts for fiscal 2017 under review have been revised: Yes

2. For further details, please refer to page 4, "1. Qualitative Information for the Third Quarter of Fiscal 2017 (2) Explanation of Information on Future Estimates, Including Consolidated Earnings Forecasts."

* Notes

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

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

Note: For further details, please refer to page 8, "2. Quarterly Consolidated Financial Statements and Main Notes (3) Notes on Quarterly Consolidated Financial Statements (Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)."

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

- (a) Changes in accounting principles accompanying revisions in accounting standards: 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 2017 950 321 402 shares

Third quarter of Fiscal 2017	950,521,402 shares
Fiscal 2016	950,321,402 shares

- (b) Number of treasury stock at the end of the periodThird quarter of Fiscal 201767,704,637 sharesFiscal 201667,674,097 shares
- (c) Average number of shares issued during the term (accumulated)
 Third quarter of Fiscal 2017
 882,634,161 shares
 885,653,360 shares

* This quarterly flash report is exempt from the audit procedures.

* Explanation of the appropriate use of performance forecasts and other related items

(Explanation of the appropriate use of performance forecasts)

The forward-looking statements included in this flash report are based on the assumptions, forecasts, and plans of the Company as of the date on which this document is made public. The Company's actual results may differ substantially from such statements due to various risks and uncertainties.

Index of Attached Documents

1. Qualitative Information for the Third Quarter of Fiscal 2017	2
(1) Explanation of Operating Results	2
(2) Explanation of Information on Future Estimates, Including Consolidated Earnings Forecasts	4
2. Quarterly Consolidated Financial Statements and Main Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Operations and	
Quarterly Consolidated Statements of Comprehensive Income	7
(3) Notes on Quarterly Consolidated Financial Statements	8
(Notes to on Going Concern Assumption)	8
(Notes in Case of Significant Changes to Shareholders' Equity)	8
(Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)	8
(Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements)	8

1. Qualitative Information for the Third Quarter of Fiscal 2017

(1) Explanation of Operating Results

Global and Domestic Economic Conditions in the Third Quarter of Fiscal 2017

The global economy stayed on a recovery trend overall during the period under review. The United States maintained a steady economic recovery against the background of an improvement in employment conditions and income, and Europe sustained a solid undertone. China also experienced a stable economy, supported by infrastructure spending and other factors, despite signs of a slowdown in the growth of some economic indicators. Developing countries also maintained a moderate economic recovery.

The Japanese economy continued to recover moderately, evidenced by factors such as an improvement in private consumption, an increase in capital investment, and an uptick in corporate production activities.

Operating Results by Business Segment in the Third Quarter of Fiscal 2017

The Nippon Steel & Sumitomo Metal Corporation Group's business segments strived to respond to the changing business environment and to improve sales and earnings. An overview of operating results by business segment is shown below.

				(Billions of yen)
	Net Sales		Ordinary Profit	
	3Q FY2017	3Q FY2016	3Q FY2017	3Q FY2016
Steelmaking and steel fabrication	3,699.8	2,925.7	189.7	81.9
Engineering and construction	205.2	186.8	4.8	4.6
Chemicals	151.6	125.2	12.9	4.0
New materials	27.7	26.0	1.5	1.3
System solutions	168.2	158.9	14.7	15.8
Total	4,252.8	3,422.7	223.9	107.7
Adjustments	(88.3)	(90.7)	1.5	0.7
Consolidated total	4,164.5	3,332.0	225.4	108.5

Steelmaking and Steel Fabrication

In the Steelmaking and Steel Fabrication segment, domestic demand was firm, especially in the case of shipments to the automotive and industrial machinery sectors.

Overseas steel demand in general remained solid, especially in China. In the global steel market, temporary signs of weakness emerged at the beginning of the fiscal year due to inventory adjustments. From the second quarter onward, however, conditions improved as supply and demand conditions tightened in part because of progress toward reducing excess production capacity in China. The Steelmaking and Steel Fabrication segment recorded net sales of ¥3,699.8 billion and ordinary profit of ¥189.7 billion.

Engineering and Construction

Nippon Steel & Sumikin Engineering Co., Ltd. continued to face severe operating conditions, including stagnant oil prices and restrained investment by overseas steel manufacturers. However, both sales and profit increased as a whole from the same period last year, supported mainly by steady progress with projects in the domestic construction industry and strict control of project execution. The Engineering and Construction segment posted net sales of ¥205.2 billion and ordinary profit of ¥4.8 billion.

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. expanded sales of circuit board materials and display materials for electronic devices such as smartphones in its functional materials business and continued to benefit from tight demand for styrene monomer, a core product in its chemicals business. Both of these businesses therefore made steady contributions to profitability. In the coal tar chemicals business, sales conditions for needle coke used in graphite electrodes improved significantly. The Chemicals segment recorded net sales of \$151.6 billion and ordinary profit of \$12.9 billion.

New Materials

Nippon Steel & Sumikin Materials Co., Ltd., within its semiconductor and electronics industrial materials business, continued to post favorable sales of surface-treated copper wire and increased sales of metal foils for suspension and other materials. In the environmental and energy fields, sales of metal substrates expanded as the company captured demand in emerging countries. Although overall performance was affected by severer competition, an increase in sales boosted both net sales and profit. The New Materials segment posted net sales of $\frac{27.7}{1.5}$ billion and ordinary profit of $\frac{11.5}{1.5}$ 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. During the term, the company moved forward with the further development of solutions for customers to effectively use AI and machine learning to enhance the sophistication of its business operations. One such example was the establishment of the company's AI Research and Development Center. The System Solutions segment recorded net sales of ¥168.2 billion and ordinary profit of ¥14.7 billion.

Sales and Profit for the Third Quarter of Fiscal 2017

Nippon Steel & Sumitomo Metal Corporation (NSSMC or the Company) posted consolidated net sales of \$4,164.5 billion, operating profit of \$138.0 billion, ordinary profit of \$225.4 billion, and profit attributable to owners of parent of \$156.0 billion for the third quarter of fiscal 2017 under review.

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

NSSMC anticipates that, despite lingering uncertainty over political and other conditions in some countries and regions, the recovery trend in the global economy will continue as a whole. This will be supported by a continued steady recovery in business conditions in the United States, the continuation of firm economic trends in Europe, a stable economic performance in China, and an ongoing moderate economic recovery in the developing countries.

The Japanese economy is expected to maintain a moderate recovery trend, supported by solid private consumption and capital investment.

The Company expects that demand for steel will stay firm in Japan, due principally to demand in the automotive sector and demand from the construction and civil engineering sectors. Overseas steel demand, in general, is also projected to remain firm and stable. The global steel market is expected to remain stable at a high level due to a tighter balance of supply and demand in China and other factors.

In this environment, the NSSMC Group, including its overseas businesses, is expected to post ¥300.0 billion in consolidated ordinary profit for full-year fiscal 2017, mainly by making further improvement in operating results. This is in spite of adverse factors, such as the current hike in primary raw material prices and the rising trend in prices of auxiliary materials, such as scrap and alloys, other materials procurement costs, and distribution costs. Additional adverse factors include the impact of typhoons in October 2017 and a decline in production and shipment stemming from an extended construction period for some facility-related works.

Basic Profit Distribution Policy and the Year-End Dividend Distribution

NSSMC's basic policy regarding profit distribution 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.

While the year-end dividend distribution amount was undecided at the time of the first-half results announcement (October 27, 2017), the Company now plans to pay a dividend of ¥30 per share (bringing the dividend for the full year to ¥60 per share and representing a consolidated payout ratio of approximately 30%), in accordance with the basic profit distribution policy described above and after giving due consideration to the outlook for performance.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

ASSETS	March 31, 2017	December 31, 2017
Current assets :		
Cash and bank deposits	88,111	126,680
Notes and accounts receivable	624,089	591,410
Inventories	1,215,649	1,395,905
Other	318,766	291,817
Less: Allowance for doubtful accounts	(2,179)	(2,026)
Total current assets	2,244,436	2,403,788
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	753,697	759,008
Machinery, equipment and vehicles	1,114,851	1,128,964
Other	972,288	987,419
	2,840,838	2,875,392
Intangible assets :	91,287	84,537
Investments and others :		
Investments in securities	816,389	948,749
Shares of subsidiaries and affiliates	1,041,397	1,067,160
Net defined benefit assets	92,948	112,579
Other	138,194	138,688
Less: Allowance for doubtful accounts	(3,569)	(3,122)
	2,085,361	2,264,054
Total fixed assets	5,017,487	5,223,984

Total assets	7,261,923	7,627,772

		Millions of yen
LIABILITIES	March 31, 2017	December 31, 2017
Current liabilities :		
Notes and accounts payable	728,300	766,955
Short-term loans payable	316,115	282,966
Commercial paper	20,000	129,000
Bonds due within one year	140,000	105,000
Income taxes payable	31,909	27,043
Provision	2,297	2,189
Other	716,511	719,682
Total current liabilities	1,955,134	2,032,836
Long-term liabilities :		
Bonds and notes	255,690	220,695
Long-term loans payable	1,360,025	1,399,155
Allowance and reserve	4,799	4,781
Net defined benefit liabilities	188,016	170,699
Other	207,241	273,651
Total long-term liabilities	2,015,774	2,068,983
Total liabilities	3,970,908	4,101,820
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	419,524
Capital surplus	386,873	386,864
Retained earnings	1,949,960	2,037,763
Less: Treasury stock, at cost	(132,063)	(132,145)
	2,624,294	2,712,007
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	269,282	363,745
Deferred hedge income (loss)	(2,370)	(2,644)
Unrealized gains on revaluation of land	3,002	3,002
Foreign currency translation adjustments	(9,339)	(1,162)
Remeasurements of defined benefit plans	63,363	89,340
	323,938	452,280
Non-controlling interests in consolidated subsidiaries	342,782	361,664
Total net assets	3,291,015	3,525,952
Total liabilities and net assets	7,261,923	7,627,772

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

Quarterly Consolidated Statements of Operations		Millions of year
	Third quarter of	Third quarter of
	Fiscal 2016	Fiscal 2017
Operating revenues :		
Net sales	3,332,004	4,164,55
Cost of sales	2,936,021	3,641,58
Gross profit	395,982	522,96
Selling, general and administrative expenses	333,823	384,93
Operating profit	62,159	138,03
Non-operating profit and loss :		
Non-operating profit :		
Interest income	4,386	3,89
Dividend income	12,246	15,57
Equity in profit of unconsolidated	56,193	02.00
subsidiaries and affiliates	50,195	93,89
Other	28,217	29,44
	101,044	142,80
Non-operating loss :		
Interest expense	13,724	15,48
Other	40,961	39,86
	54,685	55,35
Ordinary profit	108,517	225,48
Extraordinary profit :		
Gain on sales of investment in securities	-	24,57
	-	24,57
Extraordinary loss :		
Loss on inactive facilities	10,184	5,96
Restructuring loss	6,407	6,20
	16,591	12,16
Profit before income taxes	91,925	237,88
Income taxes - current and deferred	22,160	62,50
Profit	69,765	175,38
Profit attributable to non-controlling interests	10,356	19,32
Profit attributable to owners of parent	59,408	156,05

Quarterly Consolidated Statements of Comprehensive Income		Millions of yen
	Third quarter of Fiscal 2016	Third quarter of Fiscal 2017
Profit	69,765	175,385
Other comprehensive income		
Unrealized gains on available-for-sale securities	64,958	96,021
Deferred hedge income	12,256	(1,111)
Foreign currency translation adjustments	(91,786)	9,290
Remeasurements of defined benefit plans	21,423	24,869
Share of other comprehensive income of affiliates accounted for using equity method	(10,335)	5,805
Total other comprehensive income	(3,483)	134,876
Comprehensive income	66,282	310,262
(breakdown)		
Comprehensive income attributable to owners of parent	66,279	284,116
Comprehensive income attributable to non-controlling interests	2	26,146

(3) Notes on Quarterly Consolidated Financial Statements (Notes on Going Concern Assumption) None

(Notes in Case of Significant Changes to Shareholders' Equity) None

(Adoption of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements)

The Company reasonably estimated the effective tax rate following application of tax-effect accounting on profit before income taxes for the consolidated fiscal year, which includes the quarterly period under review, and applied this percentage to quarterly profit before income taxes to determine income taxes.

(Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements) None

Nippon Steel & Sumitomo Metal Corporation Code Number: 5401 Listings: Tokyo, Nagoya, Sapporo and Fukuoka Stock Exchanges Contact: Fumiaki Ohnishi, General Manager, Public Relations Center-Tel: +81-3-6867-2130

Supplementary Information on the Financial Results for the Third Quarter of Fiscal 2017

Japanese Steel Industry

1. Crude Steel Production

_								(million tons)
		1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
20		<u>^</u>	2110 quarter 26.33		<u>,</u>	26.23	52.62	105.17
	016FY	26.21 26.09		52.54 52.04		20.23 (*)Approx.26.40		
20	017FY	26.09	23.94	32.04	20.39	(*)METI forecast	11	App10x.104.85
. .		X 7 1				(*)IVIE II IOIecasi		
<u>2. In</u>	ventory	Volume	Inventory at					
А	t the en	d of: a	manufacturers nd distributors (million tons)	/shipm	entory ent ratio (%)	Rolled sheets * (million tons)		nge beams * ² illion tons)
Jan.	2	2016	5.88	(162	.8)	4.27	0.1	185
Feb.	2	2016	5.72	(156	.5)	4.17	0.1	192
Mar.	2	2016	5.50	(135	.5)	4.11	0.2	203
Apr.	2	2016	5.57	(164	.2)	4.08	0.1	196
May	2	2016	5.70	(160	.8)	4.18	0.1	198
June	2	2016	5.56	(146	.6)	4.03	0.1	197
July	2	2016	5.39	(141	.8)	3.91	0.1	191
Aug.	. 2	2016	5.67	(164	.7)	4.05	0.1	187
Sep.	2	2016	5.61	(149	.4)	3.97	0.1	180
Oct.	2	2016	5.61	(140	.4)	3.96	0.1	177
Nov.	2	2016	5.43	(135	.3)	3.83	0.1	173
Dec.	2		5.48	(146	.8)	3.81	0.1	177
Jan.	2		5.60	(148	.6)	3.89	0.1	186
Feb.	2	2017	5.64	(151	.9)	3.88	0.2	200
Mar.	2	2017	5.37	(125	.4)	3.80	0.2	201
Apr.	2	2017	5.54	(151	.7)	3.88	0.1	197
May	2	2017	5.78	(156	.1)	4.08	0.1	197
June	2	2017	5.56	(140	.1)	4.01	0.1	193
July	2	2017	5.42	(142	.2)	3.95	0.1	189
Aug.	. 2	2017	5.66	(158	.3)	4.14	0.1	179
Sep.	2	2017	5.70	(145	.5)	4.15	0.1	182
Oct.	2	2017	5.83	(150	.1)	4.11	0.1	176
Nov.	2	2017	5.66	(139	.2)	4.00	0.1	173
Dec.	*3 2	2017	5.66	(148	.7)	4.05	0.1	175

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

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

*3 Preliminary report

NSSMC

3. Pig Iron Production

(million tons)

				-			
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2016FY	10.49	10.76	21.26	10.66	10.24	20.89	42.15
2017FY	9.92	10.13	20.05	10.08	Approx.10.80	Approx.20.90	Approx.40.90

*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))

(million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2016FY(*1)	11.16	11.53	22.70	11.52	10.95	22.47	45.17
2017FY (*2)	11.44	11.69	23.12	11.68	Approx.12.40	Approx.24.10	Approx.47.20

*1 Not Including Nisshin Steel Co., Ltd.

*2 Including Nisshin Steel Co., Ltd.

(Non-consolidated basis)

(million tons)

							Ĩ
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
	1st quarter	211d quarter	13t Ilali	Ju quarter	+iii quarter	211d Hall	totai
2016FY	10.58	10.93	21.51	10.84	10.28	21.11	42.62
2017FY	9.90	10.19	20.09	10.08	Approx.10.80	Approx.20.90	Approx.41.00

*Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation

5. Steel Products Shipment

F								(million tons)
		1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
ſ	2016FY	9.60	10.09	19.68	10.29	9.81	20.09	39.78
ſ	2017FY	9.34	9.39	18.72	9.39	Approx.10.20	Approx.19.60	Approx.38.30

*Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation

6. Average Price of Steel Products

(thousands of yen / ton)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2016FY	68.1	67.9	68.0	70.9	83.6	77.1	72.6
2017FY	84.0	83.0	83.5	86.0	Approx.86	Approx.86	Approx.85

*Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation

7. Export Ratio of Steel Products (Value basis)

-								(%)
		1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
	2016FY	43	43	43	42	41	42	42
ſ	2017FY	42	41	42	41	Approx.42	Approx.41	Approx.41

*Including Nippon Steel & Sumikin Koutetsu Wakayama Corporation

8. Foreign Exchange Rate

(¥∕\$)

Γ							1	
		1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
ſ	2016FY	111	103	107	106	114	110	109
	2017FY	111	111	111	113	Approx.113	Approx.113	Approx.112

9. Amount of Capital Expenditure and Depreciation

(Consolidated basis)

		(billions of yen)
	Capital Expenditure	Depreciation
2016FY	351.0	304.7
2017FY	Approx.450.0	Approx.350.0