



NIPPON STEEL & SUMITOMO METAL

The 90th Term
Interim Report

April 1, 2014 to September 30, 2014

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NIPPON STEEL & SUMITOMO METAL CORPORATION

Securities Code: 5401

To Our Shareholders



Representative Director and President,

Kosei Shindo

We would like to thank you for your continued understanding and support.

This October, Nippon Steel & Sumitomo Metal Corporation (“NSS-MC” or the “Company”) marked the second anniversary since our business integration. We foresee severe conditions for the world steel market, as new steelworks successively commence operations in Asia by 2015, widening the supply-demand gap. In this business environment, we continue to firmly advance various measures to accomplish the goals of our Mid-Term Management Plan adopted in March 2013, with the aims of achieving the industry’s highest level of competitiveness and realizing continuous growth in profits.

(Overview of Business Operations and Performance for the First Half of Fiscal 2014)

We would like to present the overview of business operations during the first half of fiscal 2014 (April 1, 2014 to September 30, 2014).

The global economy maintained moderate growth, as solid corporate profits supported improving business conditions in the United States, but the pace of growth continued to decelerate in China and other emerging countries.

In Japan, while private consumption remained weak due to the consumption tax hike and other factors, the economy continued on a moderate recovery, supported by factors such as a pickup in capital investment on rising corporate profits and the front-loading of public investment orders.

Thanks to full-fledged reconstruction demand, recovering capital investment, and other trends, steel demand in Japan was generally firm despite a dip in demand from the civil engineering and construction sectors, partly due to seasonal fluctuations in public works demand, and the impact of the consumption tax hike in some manufacturing industry segments. Steel exports were generally solid on the back of a gradual recovery in the global economy, but international steel market conditions continued to require caution because of such factors as the continued high level of production output at Chinese steelmakers.

Under such conditions, NSSMC continued implementing group-wide measures to improve earnings, and posted consolidated net sales for the first half of fiscal 2014 of ¥2,778.4 billion, operating profit of ¥135.5 billion, ordinary profit of ¥176.3 billion, and net income of ¥112.2 billion.

Since January 2014, the Company's Nagoya Works has had four power failures and one fire accident. We sincerely regret any inconvenience and anxiety caused to shareholders and all those concerned. We established an Accident Response Committee, which includes several outside experts as its members, under the Crisis Management Headquarters, headed by myself as director. The entire company is making utmost concerted efforts to investigate the causes of each of the accidents, explore measures to prevent their recurrence, and implement them. As part of these measures, we reformed relevant organizational structures at our Nagoya Works and Head Office on November 1, 2014 to primarily enhance company-wide disaster prevention and energy capabilities.

(Distribution of Dividend at End of First Half of Fiscal 2014)

In accordance with the basic dividend policy described in page 9 of this report, NSSMC has decided to distribute a dividend of ¥2.0 per share at the end of the first half, representing a consolidated dividend payout ratio of 16%.

(Future Outlook)

Regarding global economic conditions, the U.S. economy is expected to remain robust but growth in China and other emerging countries is likely to keep slowing down. The Japanese economy is expected to remain generally firm and on a moderate recovery track, despite some negative effects from the consumption tax hike.

Domestic steel demand may dip due to the consumption tax hike but is projected to remain generally firm supported by stable public investment and growing capital expenditure. With regard to exports, the world steel demand should also remain basically solid on the back of the firm U.S. economy. However, the ongoing high production output of Chinese steelmakers remains a concern in the international market, and the outlook is likely to remain unpredictable in areas including trends in steel material supply and demand and market conditions in Asia.

In such an environment, the Company will continue applying the utmost management efforts to implement various measures and accomplish the goals of the Mid-Term Management Plan while asking users to cooperate in ensuring appropriate product pricing levels.

With regard to full year of fiscal 2014, the Company intends to steadily respond to strong demand trends, particularly in Japan, and seek to improve cost effectiveness while overcoming the impact of the coke oven fire accident at the Nagoya Works and other factors. The target announced as a forecast at the first-quarter result briefing on July 31, 2014 of ¥400.0 billion in consolidated ordinary profit for fiscal 2014 remains unchanged.

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

NSSMC wishes to take this opportunity to ask our shareholders for your understanding of the aforementioned circumstances and for your continued support.

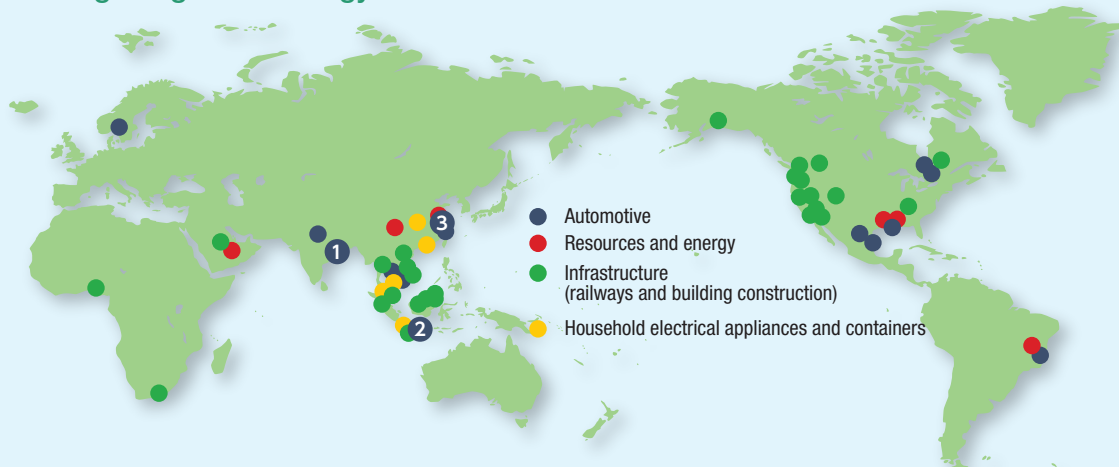
Topics

In this section, we introduce the activities by each business segment in the first half of fiscal 2014.

Steelmaking and Steel Fabrication

We report on the progress of the measures set out in our Mid-Term Management Plan.

■ Promoting the global strategy



① Automotive cold-rolled steel sheet plant has begun operations in India

A joint venture company, founded in India by NSSMC and Tata Steel Limited with the purpose of making and marketing automotive cold-rolled steel sheets, began operations in May 2014. On September 1, an opening ceremony was held with the attendance of government officials, customers, and other invited parties.

② Definitive agreement was executed on a joint venture to make and market automotive steel sheets in Indonesia

NSSMC and PT Krakatau Steel (Persero) Tbk in Indonesia established a joint venture company to make and market automotive steel sheets in Indonesia, and had been discussing detailed matters upon business commencement. A definitive agreement for this joint venture was executed on August 11, 2014.

③ Enhancing capabilities of a company for making and marketing cold-heading wire in China

NSSMC made a decision to expand the capabilities of NBC China, a company for making and marketing of cold-heading wire in China, as well as enhance its production system. Suzhou Wuzhong Economic and Technological Development Zone was selected as the site for building a new plant. Construction of the new plant began on June 12, 2014, with the aim of starting operations in June 2015.



Opening ceremony



Continuous annealing and processing line (C.A.P.L.)

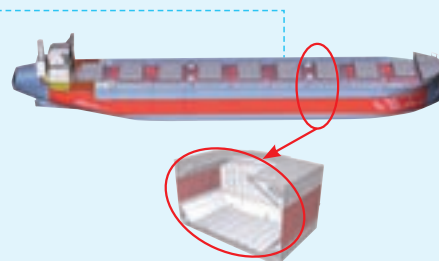
■ Pushing forward with technical advances

Our 7% nickel steel has been selected for use in LNG tanks for imported shale gas from Canada

Our newly developed product after half a century, 7% nickel steel for LNG tanks, has been selected for an above-ground LNG tank—which will be one of Japan's largest—to be built at the LNG receiving terminal at Soma Port in Fukushima Prefecture (Soma LNG). Soma LNG is a receiving terminal for shale gas produced in British Columbia, Canada, and is scheduled for completion by the end of fiscal 2017. NSSMC received an order for approximately 3,500 tons of steel sheet from IHI Corporation, which will construct the tank.

World-first adoption of steel plate for shipbuilding with excellent collision safety

We developed a new product “NSafe®-Hull,” a highly ductile steel plate for shipbuilding with excellent collision safety. After joint research on commercial applications with Imabari Shipbuilding Co., Ltd. and the National Maritime Research Institute, it was adopted for the first time in the world in a bulk carrier by Mitsui O.S.K. Lines, Ltd. launched in August 2014. “NSafe®-Hull” retains the workability of conventional steel materials, while being more resistant to fracturing. This makes the hull more difficult to breach, which prevents flooding, protects cargo, and prevents oil spills that could cause serious ocean pollution.



Areas using NSafe®-Hull (red and yellow areas)

Full-active suspension wins “Contribution Award” of Ichimura Industrial Award

NSSMC is the first and only company in the world to successfully commercialize a full-active suspension capable of greatly reducing rocking of railway cars. Development of this technology won the “Contribution Award” of the 46th (2013) Ichimura Industrial Award, in recognition of particularly the contribution this technology makes toward improving railway technology in Japan. This traditional and prestigious award is given to engineers who develop outstanding technologies in Japan and contribute to and show significant performance in the development of their respective industrial fields.



New type of railway car Hokuriku Shinkansen using the full-active suspension
(Photo courtesy of East Japan Railway Company)

We have jointly developed a seismic isolation technology for operating rooms

NSSMC and SHIMIZU CORPORATION have jointly developed a low-cost floor seismic isolation system to promote earthquake resistance of existing operating rooms. This new system uses an extremely simple construction that just layers two thin steel sheets one atop the other, but nevertheless achieves highly effective seismic isolation. The aim of introducing this system is to prevent medical equipment and devices from moving or tipping during a major earthquake.

World's strongest ultra-high-tensile steel for building construction has been adopted

Our "BT-HT880," the world's strongest 1,000-N grade ultra-high-tensile steel for building construction has been adopted for the pillars of the experimental facility at the Technical Research Institute of OBAYASHI CORPORATION. It is expected that using 1,000-N grade steel will reduce transportation costs because of the material being thinner and lighter, and will shorten processing and construction period by reducing the number and the amount of welding.



Experimental facility at the Technical Research Institute of OBAYASHI CORPORATION adopting 1,000-N grade steel

Achieving the industry's highest level of cost-competitiveness

Preparations complete for accepting "VALE MAX," large-sized raw material transport vessel

NSSMC has accepted a 400,000 ton-class large-sized vessel operated by Brazilian company Vale S.A. (commonly known as the "VALE MAX") at its Kashima Works for the first time. This vessel is the largest ore carrier ever to be accepted in Japan, and has already been accepted at the Oita and Kimitsu Works. By newly accepting the vessel at our Kashima Works, we aim to further reduce raw material transportation costs.



VALE MAX docks at Kashima Works

Brand Strategy

New brand in bar & wire rod business "SteelLinC™" launched

Together with steel bar and wire rod manufacturers, NSSMC's Bar & Wire Rod Unit launched a new unified brand for the business called "SteelLinC™," and began operations on October 1, 2014. Under the "SteelLinC™" brand, NSSMC and the other member companies will enhance manufacturing capabilities (basic quality and on-site capabilities), accelerate the development and application of high-functionality/high-end products, and reinforce and expand technology development including steel-processing processes (the multiplication of "steel materials x processing methods") as well as supply chain, with the aim of further contributing to the improvement of product value for our customers and their productivity.



The name "SteelLinC™" comes from the combination of the words "Steel" (bar & wire rods from NSSMC), "Link," and "Customer."

Engineering and Construction

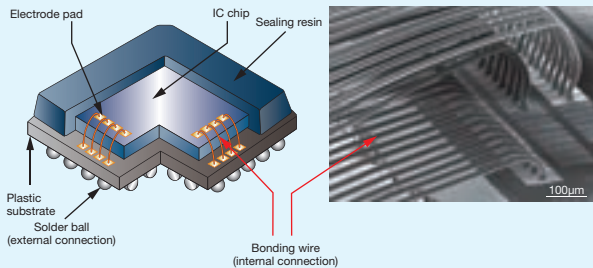
Nippon Steel & Sumikin Engineering Co., Ltd. has acquired all the shares in Germany's Fisia Babcock Environment GmbH (currently Steinmüller Babcock Environment GmbH), one of the top environmental plant engineering firms in Europe. The two companies will leverage each other's strengths to reinforce their business bases.



A trash incineration plant in Sweden supervised by the company (left) and the company's new logo (right)

New Materials

A group company of Nippon Steel & Sumikin Materials Co., Ltd., Nippon Micrometal Corporation, together with NSSMC, received the 2014 "Science and Technology Award (Development Section)" of the Minister of Education, Culture, Sports, Science and Technology, for its development of EX wire (surface-coated copper wire).



Semiconductor package structure (left) and an example of EX wire packaging (right)

Chemicals

Nippon Steel & Sumikin Chemical Co., Ltd. is responding to expanding demand for mobile terminals with its functional materials business segment, including superior-quality display materials, as well as circuit board materials and organic EL materials.



"ESFINE" resist material for color filters of liquid crystal displays

System Solutions

NS Solutions Corporation offers IT infrastructure services that optimally meet its customers' unique business operation needs, with its core offering the "absonne" cloud service for next-generation data centers and mission-critical systems.



Next-generation No. 5 data center (operations room shown on right)

Summary of Consolidated Financial Statements

Consolidated Balance Sheets (billion yen)

Items	September 30, 2014
ASSETS	
Current assets	2,242.3
Fixed assets	4,846.9
Total assets	7,089.2
LIABILITIES	
Current liabilities	1,700.0
Long-term liabilities	2,015.4
Total liabilities	3,715.5
NET ASSETS	
Shareholders' equity	2,437.0
Accumulated other comprehensive income	379.8
Minority interest in consolidated subsidiaries	556.8
Total net assets	3,373.7
Total liabilities and net assets	7,089.2

Consolidated Statements of Operations (billion yen)

Items	First half of fiscal 2014
Net sales	2,778.4
Cost of sales	2,408.9
Gross margin	369.5
Selling, general and administrative expenses	234.0
Operating profit	135.5
Non-operating profit	80.5
Non-operating loss	39.7
Ordinary profit	176.3
Special profit	5.2
Special loss	10.1
Income before income taxes and minority interest	171.4
Income taxes - current and deferred	51.3
Minority interest in net income of consolidated subsidiaries	7.7
Net income	112.2

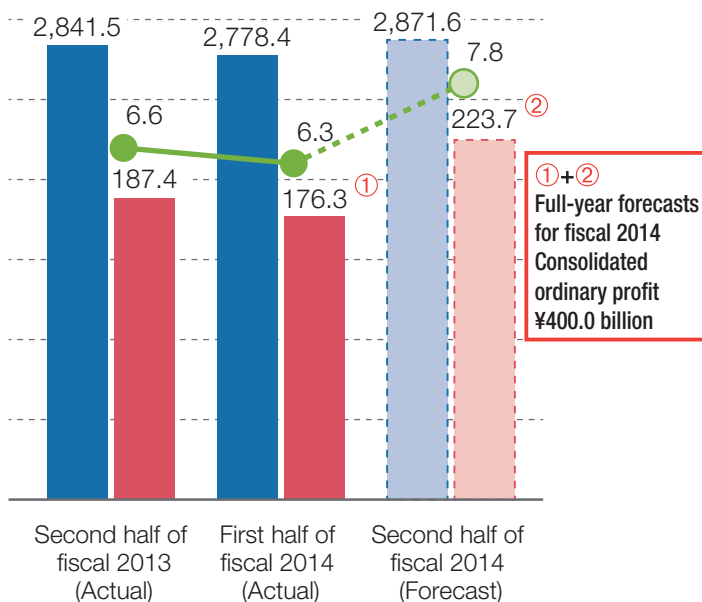
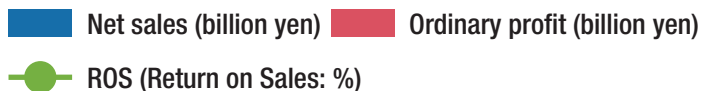
Consolidated Segment Information (April 1, 2014 to September 30, 2014) (billion yen)

	Reportable segment						Adjustment	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Total		
Net sales	2,466.2	155.3	112.2	18.2	94.8	2,846.9	(68.4)	2,778.4
Segment profit	159.1	4.8	4.3	1.1	7.2	176.8	(0.5)	176.3

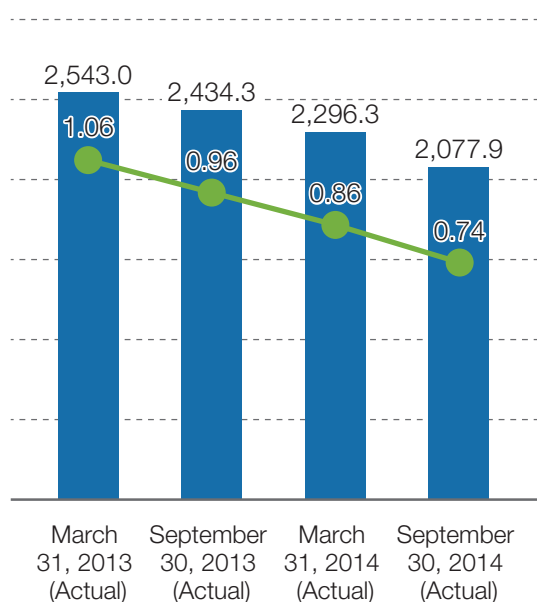
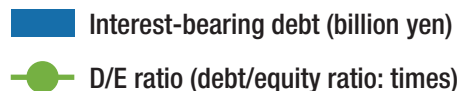
* Figures less than ¥0.1 billion are rounded down to the nearest ¥0.1 billion.

Changes in Consolidated Operating Results

Operating results



Financial structure



Operating results forecasts for full year of fiscal 2014

With regard to operating results forecasts for full year of fiscal 2014, the Company intends to steadily respond to strong demand trends, particularly in Japan, and seek to improve cost effectiveness while overcoming the impact of the coke oven fire accident at the Nagoya Works and other factors. The target announced as a forecast at the first-quarter result briefing on July 31, 2014 of ¥400.0 billion in consolidated ordinary profit for fiscal 2014 remains unchanged.

Information about NSSMC shares

Basic Dividend Policy

Our basic dividend 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 a consolidated and nonconsolidated basis. We have set a consolidated dividend 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 the interim performance figures and the forecast for the full fiscal year performance.

Shareholder Benefits

NSSMC conduct various programs for shareholders such as plant tours and business briefings.

The Company will send to applicable shareholders about the details of such events.

■ Plant Tours and Business Briefings

Event	Summary of program	Number of times (Period)	Applicable shareholders
Invitation to plant tours (by random ballot)	We invite shareholders to a tour of our steel works and manufacturing sites. (Each tour will be held semi-annually (spring and fall). Please apply by selecting one steel work or manufacturing site from four to five locations.)	Semi-annually (March to April and October to November)	Shareholders who own 10,000 or more shares as of the end of September and March
Invitation to business briefings (by random ballot)	We are planning to conduct business briefings at Tokyo, Osaka and other locations.	Semi-annually (July to September and February to March)	

■ Other Events

Event	Summary of program	Number of times (Period)	Applicable shareholders
Invitation to football games of the Kashima Antlers soccer team (by random ballot)	We will invite our shareholders to J1-League football games (home or away).	Semi-annually (April to August and August to December)	Shareholders who own 5,000 or more shares as of the end of September and March
Sending the Company calendar	We will send to shareholders our Company calendar.	Annually (Late November to early December)	Shareholders who own 7,000 or more shares as of the end of September
Invitation to concerts at Kioi Hall (by random ballot)	We will invite our shareholders to concerts such as the periodic "Kioi Sinfonietta Tokyo" concerts.	Semi-annually (March to July and September to February)	Shareholders who own 50,000 or more shares as of the end of September and March

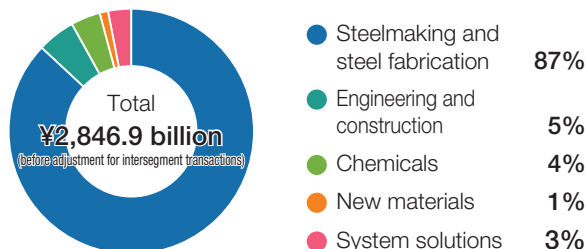
Corporate Profile, etc.

Corporate profile

Company name	Nippon Steel & Sumitomo Metal Corporation
Head office	6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8071, Japan
Paid-in capital	¥419.5 billion
Business	Steelmaking and steel fabrication / Engineering and construction / Chemicals / New materials / System solutions
Number of employees (consolidated)	84,361 (as of March 31, 2014)
Stock listings	Tokyo, Nagoya, Fukuoka, Sapporo
Securities code	5401
Total number of shares authorized to be issued	20,000,000,000 shares
Total number of shares issued	9,503,214,022 shares (as of September 30, 2014)
Number of shareholders	539,726 (as of September 30, 2014)

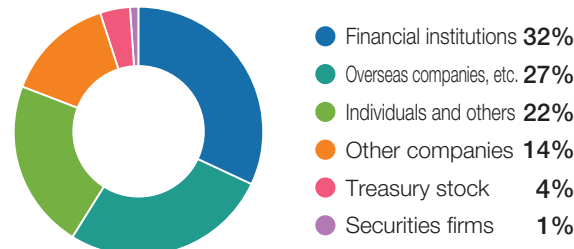
Sales composition by business segment

(Results of the first half of fiscal 2014)



Percentage of ownership by shareholder composition

(as of September 30, 2014)



Principal Shareholders (as of September 30, 2014)

Name of shareholder	Shares held (Thousand shares)	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	369,142	3.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	307,598	3.2
Sumitomo Corporation	262,690	2.8
Nippon Life Insurance Company	256,265	2.7
Mizuho Bank, Ltd.	182,600	1.9
Sumitomo Mitsui Banking Corporation	146,470	1.5
Meiji Yasuda Life Insurance Company	138,977	1.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	136,356	1.4
Kobe Steel, Ltd.	134,882	1.4
THE BANK OF NEW YORK MELLON SA/NV 10	103,070	1.1
Total	2,038,054	21.4

NSSMC Group's Guiding Principles

Corporate Philosophy

Nippon Steel & Sumitomo Metal Corporation Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services.

Management Principles

1. We continue to emphasize the importance of integrity and reliability in our actions.
2. We provide products and services that benefit society, and grow in partnership with our customers.
3. We pursue world-leading technologies and manufacturing capabilities.
4. We continually anticipate and address future changes, innovative from within, and pursue unending progress.
5. We develop and bring out the best in our people to make our Group rich with energy and enthusiasm.

Shareholder Reference Information

Fiscal year	April 1 to March 31
Annual Meeting of Shareholders	Latter part of June
Record date for the Annual Meeting of Shareholders	March 31
Record date for dividends	March 31, September 30 and such other date as determined by the Board of Directors
Share trading unit	1,000 shares
Website for electronic public notices	The Company's website http://www.nssmc.com/en/index.html/
Articles of Incorporation and Regulations Relating to Shares	Posted on "Investor Relations" of the Company's website
Registration agent	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Place of business of registration agent	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department (Mailing address) 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan (Telephone enquiries) Telephone number designated for the Company's shareholders: 0120-785-401 (toll free within Japan) Main number of transfer agent: 0120-782-031 (toll free within Japan)

●Change of address, and request for sale and purchase of shares less than one unit

Please contact and consult with the securities firm in where you have an account.

Shareholders for whom special accounts have been opened due to their lack of an account in a securities firm should contact Sumitomo Mitsui Trust Bank, Limited, our administrator of the special accounts.

●Payment of accrued dividends

Please contact Sumitomo Mitsui Trust Bank, Limited, our registration agent.

●Fees concerning sale and purchase of less than one unit of shares

Charged at the amount specified separately (please refer to "Investor Relations" on the Company's website).

NIPPON STEEL & SUMITOMO METAL CORPORATION

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<http://www.nssmc.com/en/index.html/>