# Flash Report

## **Consolidated Basis**

Results for the First Half of Fiscal 2012 (April 1, 2012—September 30, 2012)

November 9, 2012

Company name:

Nippon Steel & Sumitomo Metal Corporation
(Previous : Sumitomo Metal Industries, Ltd.)

Stock listing: Tokyo, Osaka, Nagoya, Sapporo, Fukuoka stock exchanges

Code number: 5401

URL: http://www.nssmc.com/en/index.html
Representative: Shoji Muneoka, Chairman and CEO

Contact: Nozomu Takahashi, General Manager, Public Relations Center

**Telephone:** 81-3-6867-2130 **Scheduled date to submit Securities Report:** November 14, 2012

Scheduled date to pay dividends

Preparation of supplemental explanatory materials: Yes

**Holding of quarterly financial results meeting:** Yes (for investment analysts)

(Figures of less than ¥1 million have been omitted.)

# 1. Consolidated Financial and Operating Results through the First Half of Fiscal 2012

(April 1, 2012—September 30, 2012)

### (1) Consolidated Operating Results (Accumulated)

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

	Net sales		Operating pr	ofit	Ordinary profit Net inco		me	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half of Fiscal 2012	693,601	0.2	15,759	(61.8)	10,815	(73.9)	(133,849)	_
First half of Fiscal 2011	692,215	(0.2)	41,268	18.7	41,370	42.8	(32,387)	_

(For reference) Comprehensive income: First half of Fiscal 2012  $\S$  (153,989) million ( \_ % )

First half of Fiscal 2011 ¥ (11,112) million ( \_ % )

	Net income per share	Net income per share after full dilution	
	Yen	Yen	
First half of Fiscal 2012	(29.35)	_	
First half of Fiscal 2011	(6.99)	_	

(2) Consolidated Financial Results

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	Total assets	Net assets	Ratio of shareholders' equity to total assets		
	Millions of yen	Millions of yen	%		
First half of Fiscal 2012	2,218,959	552,741	22.5		
Fiscal 2011	2,386,158	761,484	29.7		

(For reference) Shareholders' equity: First half of Fiscal 2012 ¥ 500,102 million

Fiscal 2011 ¥ 709,315 million

### 2. Dividends

2. Dividends					
	Dividends per share				
Base date	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2011	_	1.0	_	1.0	2.0
Fiscal 2012	_	0.0			

### 3. Consolidated Financial Forecasts for Fiscal 2012(April 1, 2012—March 31, 2013)

For details concerning the performance forecasts, please see the Nippon Steel Corporation section of the Nippon Steel & Sumitomo Metal Corporation consolidated financial results for the first half of fiscal 2012.

#### 4. Others

- (1) Changes in the state of material subsidiaries during the period: None
- (2) Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: None
- (3) 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: Yes
  - (d) Retrospective restatements: None

Note: For further details, please refer to page 3, "2. (3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements for the preparation of the quarterly consolidated financial statements."

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

First half of Fiscal 2012 4,354,213,238 shares Fiscal 2011 4,805,974,238 shares

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

First half of Fiscal 2012 170,402,360 shares Fiscal 2011 170,566,535 shares

(c) Average number of shares issued during the term

First half of Fiscal 2012 4,560,198,522 shares First half of Fiscal 2011 4,635,507,661 shares

#### \* Status of Performance of Quarterly Review Procedures

This quarterly flash report is exempt from the quarterly review procedures based on Japan's Financial Instruments and Exchange Law. Therefore, the quarterly review procedures were not conducted based on this law.

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

(Explanation of the appropriate use of performance forecasts)

For details concerning the performance forecasts, please see the Nippon Steel Corporation section of the Nippon Steel & Sumitomo Metal Corporation consolidated financial results for the first half of fiscal 2012.

(Note concerning the presentation of the quarterly securities report)

The Nippon Steel & Sumitomo Metal Corporation quarterly securities report scheduled to be submitted on November 14, 2012, will represent the Nippon Steel Corporation portion of Nippon Steel & Sumitomo Metal Corporation for the first half of the fiscal year ending in March 2013. The report will not represent the Sumitomo Metal Industries, Ltd., portion.

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1. Qualitative Information and Financial Review

Global and Domestic Economic Conditions in the First Half of Fiscal 2012

The sense of a slowing trend for global economic growth became more pronounced in the term under review amid

recessive economic conditions in Europe and slowing growth in China and other emerging economies, although the

United States' economy showed ongoing gradual recovery.

The Japanese economy continued to gradually recover as government stimulus policies and emerging

reconstruction-related demand associated with the Great East Japan Earthquake supported brisk consumer spending

and private capital investment, despite persisting record-high yen rates, slowing economic growth overseas, and the

reduced production activities associated with China-related business.

Performance Review for the First Half of Fiscal 2012

Domestic steel demand ultimately remained steady in the first half of the fiscal year as solid demand in the

construction and automobile industries balanced out the ongoing shift of domestic customers to overseas sources

due to the persisting historically high yen and the continued sharp decline in the shipbuilding industry's demand.

Steel exports increased to emerging countries in Asia supported in part by the recovery in production levels after

the flood damage in Thailand. In the first half of fiscal 2012, total crude steel production volume in Japan

amounted to 54.76 million tons, representing an increase of 1.61 million tons compared with the second half of

fiscal 2011.

In these conditions, the Company continued to face a severe operating environment as the strong supply pressure

from steel mills in South Korea and China weakened the steel supply and demand balance and international market

conditions deteriorated and stagnated.

In this severe operating environment, the Company continued its efforts to maximize cost improvements and

constrain spending in all areas to accumulate the funds needed to recover from the damage to facilities caused by

the Great East Japan Earthquake.

The Company's consolidated results for the first half of fiscal 2012 included net sales of \(\frac{\pmathbf{4}693.6}{\pmathbf{5}}\) billion, operating

income of ¥15.7 billion, and ordinary income of ¥10.8 billion. The Company reported a net loss of ¥133.8 billion

for the first half of the fiscal year as an unavoidable result of the booking of a ¥145.6 billion extraordinary loss

from impairment losses on business assets of Nippon Steel & Sumikin Koutetsu Wakayama Corporation (formerly

Sumikin Iron & Steel Corporation) and other subsidiaries along with a loss on valuation of investment securities

caused by the stagnant stock market conditions.

Regarding the distribution of retained earnings, the Company sincerely regrets to announce that it decided to forego

the first-half (interim) dividend at this time.

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Nippon Steel & Sumitomo Metal Corporation (5401) (Previous; Sumitomo Metal Industries, Ltd.) First half of Fiscal 2012

### 2. Others

(1) Changes in the state of material subsidiaries during the first half of fiscal 2012

None

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

  None
- (3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements for the preparation of the quarterly consolidated financial statements:

(Changes in accounting principles that are difficult to classify from the changes in accounting estimates)

Beginning in the first quarter of fiscal 2012, accompanying revisions in the corporate tax law, the Company

and its domestic consolidated subsidiaries have changed their method of depreciation for tangible fixed assets

acquired on or after April 1, 2012, based on the corporate tax law after revisions.

Please note that the effects of these changes on the consolidated financial statements for the first half were not material.

# 3. Consolidated Finacial Statements

# (1) Consolidated Balance Sheets

		(Millions of yen)
ASSETS	March 31, 2012	<b>September 30, 2012</b>
Current assets :		
Cash and deposits	17,637	12,142
Selling, general and administrative expenses:	139,656	99,058
Shipment expenses	175,345	185,331
Employees' salaries and allowances	26,824	27,946
Other	244,723	243,977
Other	54,496	44,029
Allowance for doubtful accounts	(616)	(640)
Total current assets	658,067	611,844
Noncurrent assets :		
Property, plant and equipment:		
Buildings, net	258,733	263,102
Machinery, equipment and vehicles, net	390,554	321,223
Land	346,501	345,578
Other, net	109,668	69,080
Total property, plant and equipment	1,105,457	998,985
Intangible assets	20,108	19,865
Investment and other assets:		
Investment securities	411,651	378,053
Other	191,148	210,446
Allowance for doubtful accounts	(275)	(236)
Total investments and other assets	602,524	588,263
Total noncurrent assets	1,728,090	1,607,114

Total assets	2,386,158	2,218,959

		(Millions of yen)
LIABILITIES	March 31, 2012	September 30, 2012
G		
Current liabilities:	251 442	225 214
Notes and accounts payable-trade	251,443	225,314
Selling, general and administrative expenses:	224,685	233,268
Employees' salaries and allowances	10,687	4,874
Other	204,220	251,268
Total current liabilities	691,035	714,725
Noncurrent liabilities :		
Bonds payable	206,266	196,519
Long-term loans payable	660,169	694,460
Provision for retirement benefits	18,918	18,465
Provision for special repairs	220	210
Other	48,062	41,835
Oulci	40,002	41,033
Total noncurrent liabilities	933,637	951,492
Total liabilities	1,624,673	1,666,217
NET ASSETS		
Shareholders' equity:		
Capital stock	262,072	262,072
Capital surplus	61,829	61,829
Retained earnings	504,065	263,441
Treasury stock	(91,186)	(38,700)
Total shareholders' equity	736,781	548,643
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	6,122	(10,692)
Deferred gains or losses on hedges	(188)	(126)
Revaluation reserve for land	11,021	11,014
Foreign currency translation adjustment	(44,422)	(48,736)
Total accumulated other comprehensive income	(27,465)	(48,540)
Minority interests	52,169	52,638
Total net assets	761,484	552,741
Total liabilities and net assets	2,386,158	2,218,959

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

Consolidated Statements of Operations (Millions of yen) First half of First half of fiscal 2011 fiscal 2012 Net Sales 692,215 693,601 Cost of sales 592,143 614,565 **Gross profit** 100,072 79,035 Selling, general and administrative expenses: Shipment expenses 16,759 18,889 17,517 Employees' salaries and allowances 17,563 Other 26,869 24,481 Total Selling, general and administrative expenses 58,803 63,276 **Operating income** 41,268 15,759 Non-operating income: Dividends income 4,513 2,874 Equity in earnings of affiliates 8,060 5,707 Other 6,122 4,889 18,696 Total non-operating income 13,471 Non-operating expenses: Interest expenses 6,685 6,527 11,909 Other 11,887 18,594 Total non-operating expenses 18,415 **Ordinary income** 41,370 10,815 **Extraordinary losses:** Impairment loss 121,999 Loss on valuation of investment securities 79,761 23,647 Loss on disaster 12,320 1,990 Loss on sales of investment securities Total extraordinary losses 94,073 145,647 Losses before income taxes (52,702)(134,831) Income taxes-current 5,204 4,276 Income taxes-deferred (26,546)(5,904)(21,342)Total income taxes **(1,627)** Net losses before minority interest in income adjustment (31,360)(133,203)Minority interests in income 645 1,026 Net losses (32,387)(133,849)

Consolidated Statements of Comprehensive Income		(Millions of yen)
	First half of fiscal 2011	First half of fiscal 2012
Net losses before minority interests	(31,360)	(133,203)
Other comprehensive income:		
Valuation difference on available-for-sale securities	15,652	(15,704)
Sel Deferred gains on hedges	116	110
Shipment expenses	91	(293)
Employees' salaries and allowances	4,387	(4,897)
Other	20,248	(20,785)
Comprehensive income	(11,112)	(153,989)
attribute to		
Comprehensive income attributable to owners of the parent	(12,001)	(154,861)
Comprehensive income attributable to minority interests	888	872

# (3) Matters or Circumstances Causing Material Doubt about Continuing Companies as Going Concerns

None

## (4) Information on Depreciation and amortization

Depreciation and amortization for the first half of the fiscal year (including intangible fixed assets amortization other than goodwill) is as follows:

		(Millions of yen)
	For the first half of fiscal 2011	For the first half of fiscal 2012
Depreciation and amortization	59,266	49,757

## (5) Notes in case of significant changes to shareholders' equity

In accordance with the decision of the Board of Directors on August 30, 2012, the Company acquired 451,761,000 shares of treasury stock at a value of ¥50,145 million. All of the acquired treasury stock from the decision was then retired, thereby reducing retained earnings and treasury stock by ¥102,624 million.