

**Flash Report**  
**Consolidated Basis**  
**Results for the Third Quarter of Fiscal 2012**  
**(April 1, 2012—December 31, 2012)**

February 14, 2013

**Company name:** Nippon Steel & Sumitomo Metal Corporation  
**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:** February 14, 2013  
**Scheduled date to pay dividends:** —  
**Preparation of supplemental explanatory materials:** Yes  
**Holding of quarterly financial results meeting:** Yes (for investment analysts)

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

**1. Consolidated Financial and Operating Results through the Third Quarter of Fiscal 2012**  
**(April 1, 2012—December 31, 2012)**

**(1) Consolidated Operating Results (Accumulated)**

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

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Third quarter of Fiscal 2012</b>	<b>3,072,694</b>	<b>0.1</b>	<b>(5,979)</b>	<b>—</b>	<b>32,054</b>	<b>(74.2)</b>	<b>(151,949)</b>	<b>—</b>
Third quarter of Fiscal 2011	3,069,804	1.5	82,152	(46.0)	124,159	(34.1)	(1,254)	—

(For reference) Comprehensive income: Third quarter of Fiscal 2012 ¥ (90,087) million (—%)

Third quarter of Fiscal 2011 ¥ (76,573) million (—%)

	Net income per share	Net income per share after full dilution
	Yen	Yen
<b>Third quarter of Fiscal 2012</b>	<b>(21.05)</b>	<b>—</b>
Third quarter of Fiscal 2011	(0.20)	—

**(2) Consolidated Financial Results**

	Total assets	Net assets	Ratio of shareholders' equity to total assets
	Millions of yen	Millions of yen	%
<b>Third quarter of Fiscal 2012</b>	<b>6,815,129</b>	<b>2,696,333</b>	<b>31.8</b>
Fiscal 2011	4,924,711	2,347,343	37.1

(For reference) Shareholders' equity: Third quarter of Fiscal 2012 ¥ 2,164,833 million

Fiscal 2011 ¥ 1,828,902 million

**2. Dividends**

Base date	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2011	—	1.5	—	1.0	2.5
<b>Fiscal 2012</b>	—	<b>0.0</b>	—		
Fiscal 2012 (Forecast)				1.0	1.0

Note: Whether the dividend forecast under review has been revised: Yes

Note: Nippon Steel & Sumitomo Metal Corporation's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half and at the 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 bases. The Company has set a consolidated payout ratio of approximately 20% for use as an indicator for the distribution of profits based on due consideration of consolidated operating results. Upon consideration of factors including the earnings forecast for the second half of the current fiscal year for approximately ¥35 billion in consolidated net income and the anticipated business environment, the newly integrated Company declared a year-end dividend payment of ¥1.0 per share, representing a consolidated payout ratio of approximately 25%.

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

The Company's consolidated results forecast for the integrated Company in the second half of fiscal 2012 is for ordinary profit of ¥40 billion and net income of ¥35 billion.

The Company's consolidated results forecast for the integrated Company for the full year of fiscal 2012 is for net sales of ¥4,300 billion, ordinary profit of ¥60 billion, and a net loss of ¥140 billion.

For further details, please refer to page 4, "2. Consolidated Forecast Qualitative Information."

Note: Whether the financial forecast under review has been revised: Yes

### 4. Others

(1) Changes in the state of material subsidiaries during the period: Yes

Newly included : NIPPON STEEL AND SUMIKIN TUBOS DO BRASIL LTDA. Excluded : —

Note: For further details, please refer to page 7, "3. (1) Changes in the state of material subsidiaries during the period."

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

Note: For further details, please refer to page 7, "3. (2) Adoption of special accounting methods for the preparation of quarterly consolidated financial statements."

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

(a) Changes in accounting principles accompanying revisions in accounting standards: 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 7, "3. (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)

Third quarter of Fiscal 2012	9,503,214,022 shares
------------------------------	----------------------

Fiscal 2011	6,806,980,977 shares
-------------	----------------------

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

Third quarter of Fiscal 2012	425,456,585 shares
------------------------------	--------------------

Fiscal 2011	517,325,579 shares
-------------	--------------------

(c) Average number of shares issued during the term

Third quarter of Fiscal 2012	7,219,090,095 shares
------------------------------	----------------------

Third quarter of Fiscal 2011	6,289,704,414 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.

#### \* 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. Consolidated Qualitative Information and Financial Review .....	2
2. Consolidated Forecast Qualitative Information .....	4
3. Others .....	7
4. Consolidated Financial Statements	
(1) Consolidated Balance Sheets .....	8
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income .....	10
(3) Matters or Circumstances Causing Material Doubt about Continuing Companies as Going Concerns .....	11
(4) Information on Depreciation and amortization .....	11
(5) Consolidated Segment Information .....	11
(6) Notes in Case of Significant Changes to Shareholders' Equity .....	12
(7) Information Concerning the Corporate Integration .....	13

## 1. Consolidated Qualitative Information and Financial Review

On October 1, 2012, Nippon Steel Corporation and Sumitomo Metal Industries, Ltd., have merged to become Nippon Steel & Sumitomo Metal Corporation. Beginning with the third quarter of fiscal 2012, the reported earnings results represent the performance of the new integrated company Nippon Steel & Sumitomo Metal Corporation.

### Global and Domestic Economic Conditions in the Third Quarter of Fiscal 2012

Economic environment saw the United States continued to recover modestly. In Europe, however, the recessive economic environments persisted and economic growth slowed in China and other emerging countries. These climates led the global economy to mark times as slowed.

The reason why Japanese economic environment was weak as a whole is described below. Public investments were promoted steadily as the reconstruction demand related to the Great East Japan Earthquake grew increasingly apparent, while the global business slowed and capital investment in Japan was sluggish mainly in manufacturing sector. In addition to these environments, production activities associated with Chinese business declined.

### Performance Review by Business Segment in the Third Quarter of Fiscal 2012

The Nippon Steel & Sumitomo Metal Corporation Group companies continued efforts to improve revenue responding to the changing operating environments in each of their business segments. An overview of operating performance by business segment is as follows.

The Group adopted a reorganized operating structure in the third quarter of fiscal 2012. The previous operating structure comprising the six segments of steelmaking and steel fabrication, engineering and construction, urban development, chemicals, new materials and system solutions was revised to an operating structure of five segments comprising all of the above excluding urban development on October 1, 2012.

(Billions of yen)

	Net Sales		Ordinary Profit	
	3Q FY12	3Q FY11	3Q FY12	3Q FY11
Steelmaking and steel fabrication	2,652.8	2,641.4	9.1	94.3
Engineering and construction	205.4	161.4	12.1	2.8
Chemicals	143.0	149.8	8.8	10.7
New materials	32.7	42.0	0.8	0.2
System solutions	121.2	110.6	8.0	7.2
Total	3,155.3	3,105.5	39.1	115.3
Adjustment	(82.6)	(35.7)	(7.0)	8.7
Consolidated Total	3,072.6	3,069.8	32.0	124.1

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

Note 2. Third quarter figures are the sum of results from the first half (April 1 to September 30, 2012) of the former Nippon Steel Corporation and the third quarter (October 1 to December 31, 2012) of Nippon Steel & Sumitomo Metal Corporation.

### **Steelmaking and Steel Fabrication**

Domestic steel demand declined in the manufacturing sector such as the automotive, shipbuilding, industrial machinery and other manufacturing industries, although the steel demand for civil engineering and construction was supported by the reconstruction and disaster prevention projects.

Global steel market flagged due to the slowing pace of the demand increase for exports in the emerging countries in Asia. The weakening steel supply-demand balance also caused the deterioration in the steel market by the high-level inflow of steel products from steel mills in South Korea and China to Japanese market.

In this persisting severe operating environment, the Company continued efforts to maximize cost improvements. The steelmaking and steel fabrication segment recorded net sales of ¥2,652.8 billion and an ordinary profit of ¥9.1 billion.

### **Engineering and Construction**

Nippon Steel & Sumikin Engineering Co., Ltd., continued to face a severe order environment in Japan and overseas. The company focused on conducting meticulous risk management of projects currently under way and improving its cost structure.

The engineering and construction segment recorded net sales of ¥205.4 billion and an ordinary profit of ¥12.1 billion.

### **Chemicals**

Nippon Steel & Sumikin Chemical Co., Ltd., recorded solid results in the chemicals business supported by improving market conditions for certain products. However, results for the epoxy resin and circuit board materials businesses suffered from a sharp drop in smartphone-related demand.

The chemicals segment posted net sales of ¥143.0 billion and an ordinary profit of ¥8.8 billion.

## **New Materials**

Nippon Steel & Sumikin Materials Co., Ltd., posted strong results in the surface-treated copper wire and the carbon fiber product fields amid overall sluggish business.

The new materials segment recorded net sales of ¥32.7 billion and an ordinary profit of ¥0.8 billion.

## **System Solutions**

NS Solutions Corporation brought its number 5 data center online in May of last year as it fortified and expanded its cloud computing services business and progressed with the expansion of business operations in the Asian and North American regions to fulfill the global development needs of its corporate customers.

The system solutions segment recorded net sales of ¥121.2 billion and an ordinary profit of ¥8.0 billion.

## **Sales and Income through the Third Quarter of Fiscal 2012**

The Company posted consolidated net sales of ¥3,072.6 billion, an operating loss of ¥5.9 billion, and ordinary profit of ¥32.0 billion. The Company reported a net loss of ¥151.9 billion for the third quarter of the fiscal year as an unavoidable result of the booking of a ¥234.0 billion special loss from impairment losses, including for the Hirohata Works and Sakai Works, and the impact of the sluggish stock markets, which led to a loss on sales of investments in securities, including from the sale of shares of Sumitomo Metal Industries, Ltd.

## **2. Consolidated Forecast Qualitative Information**

Although Europe remains mired in recessive economic conditions, signs are beginning to appear of a gradual recovery in the global economic environment from a sustaining gradual recovery in business environment in the United States as well as an underlying trend of improving environment in China and emerging countries that had been experiencing slower growth.

The economic environment in Japan continues to exhibit underlying weakness while the correction to the overvalued yen, improving overseas economic conditions, and other factors are supporting uptrend in some areas. In these climates, we expected the underlying weakness to persist for domestic steel demand due to an ongoing decline in demand from the manufacturing industry. However, we anticipate government policies and other factors to fuel substantial growth in demand from the civil engineering and construction industries centered on solid reconstruction and disaster prevention related demand.

We expect exports, for which the growth pace has been slowing, to recovering from relatively strong demand from emerging countries in Asia, while the high-level inflow of steel products remains Japan.

Although the global steel market appears to be starting to gradually improve, we anticipate an ongoing severe business environment because the sluggish steel prices aren't picking up completely.

### **Forecast for the Second Half of Fiscal 2012**

The Company's forecasts for consolidated financial performance for the second half of fiscal 2012 are ordinary profit of ¥40.0 billion and a net profit of ¥35.0 billion.

### **Forecast for Fiscal 2012**

The Company's forecasts for consolidated financial performance for the second half of fiscal 2012, ending March 31, 2013, are net sales of ¥4,300.0 billion, ordinary profit of ¥60.0 billion, and a net loss of ¥140.0 billion.

### **Basic Profit Distribution Policy and First-Half (Interim) Dividend Distribution**

The Company'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 a consolidated and non-consolidated bases. The Company has set a consolidated payout ratio target of approximately 20% for use as an indicator for the distribution of profits based on due consideration of consolidated operating results. The level of the first-half (interim) dividend is set based on consideration of the interim performance figures and the forecast for the full fiscal year performance.

Upon consideration of factors including the earnings forecast for the second half of the current fiscal year for approximately ¥35 billion in consolidated net income and the anticipated business environment, the Company has adopted a policy to distribute a fiscal 2012 year-end dividend of ¥1.0 per share, representing a second-half consolidated payout ratio of approximately 25%.

### **Review Status of the Medium-Term Plan and Measures for Financial Condition Improvement**

Regarding the effects of the integration, the Company stated at the first half fiscal 2012 results announcement in November of last year, “In consideration of the present risk of a deteriorating business environment, the Company has determined to realize the maximum potential of future investments and other synergies and is now aiming to achieve a synergy effect of ¥200 billion per annum.” The Company is still at present in the process of assessing the full extent of the synergies and plans to announce a finalized assessment as part of the medium-term plan to be announced in fiscal 2012.

At the end of the third quarter, the Company’s consolidated interest-bearing debt, adding the effect of integration in raw material terms of settlement, amounted to ¥2,596.4 billion and placed the debt/equity ratio at approximately 1.20. The Company is seeking to improve acceleratedly its financial position by reducing inventory assets, enhancing the efficiency of Group finances, selling asset holdings, including overlapping assets of the former companies and conducting other measures to reduce assets by approximately ¥300 billion.

### 3. Others

(1) Changes in the state of material subsidiaries during the third quarter of fiscal 2012:

NIPPON STEEL AND SUMIKIN TUBOS DO BRASIL LTDA., formerly subsidiary of Sumitomo Metal Industries, Ltd. (SMI), became a subsidiary of Nippon Steel & Sumitomo Metal Corporation (NSSMC) upon the business integration of Nippon Steel Corporation and SMI. The company has been designated a specified subsidiary of NSSMC's capital participation exceeding 10 %.

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

Income taxes were computed by multiplying consolidated quarterly income before income taxes and minority interests by a rational estimate of the effective tax rate on consolidated income before income taxes and minority interests for the fiscal year including the quarterly period under review after adjustments for the application of tax-effect accounting.

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

Compared with the previous accounting method, the effect of these changes on the consolidated results for the third quarter of fiscal 2012 was to increase operating profit by ¥4,017 million and ordinary profit by ¥4,345 million.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Millions of yen)	
ASSETS	March 31, 2012	December 31, 2012
<b>Current assets :</b>		
Cash and bank deposits	53,878	85,783
Notes and accounts receivable	442,621	498,740
Inventories	947,534	1,259,115
Other	260,076	251,613
Less: Allowance for doubtful accounts	(594)	(929)
<b>Total current assets</b>	1,703,515	2,094,324
<b>Fixed assets :</b>		
Tangible fixed assets :		
Buildings and structures	498,057	723,834
Machinery and equipment	808,559	1,086,377
Other	509,249	827,942
	1,815,866	2,638,155
Intangible fixed assets	70,020	89,533
Investments and others :		
Investments in securities	1,112,084	1,599,706
Other	227,332	397,514
Less: Allowance for doubtful accounts	(4,109)	(4,103)
	1,335,307	1,993,116
<b>Total fixed assets</b>	3,221,195	4,720,805
<b>Total assets</b>	4,924,711	6,815,129

(Millions of yen)

<b>LIABILITIES</b>	March 31, 2012	December 31, 2012
<b>Current liabilities :</b>		
Notes and accounts payable	471,663	583,447
Short-term loans and portion of long-term loans due within one year	277,424	453,261
Commercial paper	-	74,000
Bonds due within one year	55,000	115,100
Accrued income taxes and enterprise taxes	22,514	13,126
Reserve	6,812	7,298
Other	502,796	661,554
<b>Total current liabilities</b>	<b>1,336,211</b>	<b>1,907,788</b>
<b>Long-term liabilities :</b>		
Bonds and notes	380,073	547,187
Long-term loans	615,255	1,366,688
Accrued pension and severance costs	153,293	193,381
Reserve	22,934	18,092
Other	69,598	85,657
<b>Total long-term liabilities</b>	<b>1,241,155</b>	<b>2,211,007</b>
<b>Total liabilities</b>	<b>2,577,367</b>	<b>4,118,795</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity :</b>		
Common stock	419,524	419,524
Capital surplus	114,546	362,236
Retained earnings	1,552,826	1,404,108
Less: Treasury stock, at cost	(262,573)	(69,753)
	1,824,324	2,116,116
<b>Accumulated other comprehensive income:</b>		
Unrealized gains on available-for-sale securities	70,834	124,978
Deferred hedge income (loss)	(1,698)	2,868
Unrealized gains on revaluation of land	12,770	3,293
Foreign currency translation adjustments	(77,327)	(82,422)
	4,578	48,717
<b>Minority interest in consolidated subsidiaries</b>	<b>518,440</b>	<b>531,499</b>
<b>Total net assets</b>	<b>2,347,343</b>	<b>2,696,333</b>
<b>Total liabilities and net assets</b>	<b>4,924,711</b>	<b>6,815,129</b>

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

Consolidated Statements of Operations		(Millions of yen)	
	Third quarter of fiscal 2011	Third quarter of fiscal 2012	
<b>Operating revenues :</b>			
Net sales	3,069,804	3,072,694	
Cost of sales	2,738,273	2,801,555	
<b>Gross margin</b>	331,531	271,139	
Selling, general and administrative expenses	249,378	277,118	
<b>Operating profit (loss)</b>	82,152	(5,979)	
<b>Non-operating profit and loss :</b>			
Non-operating profit :			
Interest	2,724	2,765	
Dividend income	9,768	10,674	
Equity in net income of unconsolidated subsidiaries and affiliates	48,243	47,583	
Other	29,876	31,440	
	90,613	92,465	
Non-operating loss :			
Interest expense	13,638	16,553	
Other	34,967	37,878	
	48,606	54,431	
<b>Ordinary profit</b>	124,159	32,054	
<b>Special profit and loss :</b>			
Special profit :			
Restructuring profit	-	5,024	
	-	5,024	
Special loss :			
Impairment loss	-	139,270	
Loss on sales of investment securities	7,441	94,734	
Loss on valuation of investment securities	89,021	-	
	96,463	234,004	
<b>Income (loss) before income taxes and minority interest</b>	27,695	(196,925)	
Income taxes - current and deferred	19,194	(53,506)	
<b>Income (loss) before minority interest</b>	8,501	(143,419)	
Minority interest in net income of consolidated subsidiaries	9,756	8,530	
<b>Net income (loss)</b>	(1,254)	(151,949)	

Consolidated Statements of Comprehensive Income		(Millions of yen)	
	Third quarter of fiscal 2011	Third quarter of fiscal 2012	
Income (loss) before minority interest	8,501	(143,419)	
Other comprehensive income			
Unrealized gains (losses) on available-for-sale securities	(39,138)	53,602	
Deferred hedge income (loss)	(281)	3,706	
Unrealized gains (losses) on revaluation of land	1,540	-	
Foreign currency translation adjustments	(21,978)	5,910	
Share of other comprehensive income of associates accounted for using equity method	(25,216)	(9,887)	
Total other comprehensive income (loss)	(85,074)	53,331	
Comprehensive income (loss)	(76,573)	(90,087)	
attribute to			
Comprehensive income attribute to owners of the parent	(83,698)	(98,333)	
Comprehensive income attribute to minority interests	7,125	8,246	

### (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 third quarter of the fiscal year (including intangible fixed assets amortization other than goodwill) is as follows:

(Millions of yen)		
	For the third quarter of fiscal 2011	For the third quarter of fiscal 2012
Depreciation and amortization	206,997	203,905

### (5) Consolidated Segment Information

(Information about segment sales, profit (loss))

**Third quarter of fiscal 2011 (April 1, 2011 to December 31, 2011)**

(Millions of yen)

	Reportable segment					Total	Adjustment (*2, *3)	Consolidated (*4)
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions			
<b>Net sales</b>	2,641,448	161,493	149,874	42,078	110,692	3,105,588	(35,783)	3,069,804
<b>Segment profit &lt;Ordinary Profit&gt;</b>	94,311	2,827	10,732	280	7,225	115,377	8,781	124,159

Note 1: Previous reporting has utilized reporting segments for Steelmaking and steel fabrication, Engineering and construction, Urban development, Chemicals, New materials, and System solutions. Following the business integration of Nippon Steel City Produce, Inc., and Kowa Real Estate Co., Ltd. on October 1, 2012, the results for the Urban development segment have been excluded from the reporting segments and are presented within the adjustment amount. Segment information for consolidated cumulative third quarter data for the previous fiscal year is also presented using the revised method of segmentation.

Note 2: The net sales adjustment amount of ¥(35,783) million includes Urban development net sales of ¥52,637 million and an elimination of intersegment sales of ¥(88,421) million.

Note 3: The segment profit adjustment amount of ¥8,781 million includes Urban development profit of ¥11,901 million and an elimination of intersegment sales of ¥(3,120) million.

Note 4: Segment profit is adjusted with respect to ordinary profit in the Consolidated Statements of Operations for the quarter.

**Third quarter of fiscal 2012 (April 1, 2012 to December 31, 2012)**

(Millions of yen)

	Reportable segment						Adjustment (*2, *3)	Consolidated (*4)
	Steelmaking and steel fabrication	Engineering and construction	Chemicals	New materials	System solutions	Total		
<b>Net sales</b>	2,652,820	205,466	143,055	32,750	121,299	3,155,392	(82,697)	3,072,694
<b>Segment profit &lt;Ordinary Profit&gt;</b>	9,189	12,166	8,844	851	8,079	39,131	(7,077)	32,054

Note 1: Previous reporting has utilized reporting segments for Steelmaking and steel fabrication, Engineering and construction, Urban development, Chemicals, New materials, and System solutions. Following the business integration of Nippon Steel City Produce, Inc., and Kowa Real Estate Co., Ltd. on October 1, 2012, the results for the Urban development segment have been excluded from the reporting segments and are presented within the adjustment amount.

Note 2: The net sales adjustment amount of ¥(82,697) million includes Urban Development net sales of ¥33,935 million and an elimination of intersegment sales of ¥(116,633) million.

Note 3: The segment profit (loss) adjustment amount of ¥(7,077) million includes ¥2,376 million cumulative second quarter profit of the Urban Development segment, ¥724 million in equity in net income of unconsolidated subsidiaries and affiliates associated with Nippon Steel Kowa Real Estate Co., Ltd., ¥(1,340) million in equity in net income of unconsolidated subsidiaries and affiliates associated with SUMCO CORPORATION, and a ¥(8,774) million elimination of intersegment profit.

Note 4: Segment profit is adjusted with respect to ordinary profit in the Consolidated Statements of Operations for the quarter.

Note 5: As described in 'Changes in accounting principles, changes in accounting estimates, and retrospective restatements for the preparation of the quarterly consolidated financial statements', 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. Compared with the previous accounting method, the effect of these changes on the consolidated results for the third quarter of fiscal 2012 was to increase ordinary profit of Steelmaking and steel fabrication segment by ¥4,109 million. The effects of these changes on the consolidated financial statements for other segments were not material.

Note 6: Steelmaking and steel fabrication segment assets increased from the end of the previous fiscal year owing to the merger with Sumitomo Metal Industries, Ltd.

**(6) Notes in case of significant changes to shareholders' equity**

The business integration with Sumitomo Metal Industries, Ltd., on October 1, 2012, had the effect of increasing capital surplus by ¥247,690 million and decreasing treasury stock by ¥192,820 million in the cumulative third quarter results for fiscal 2012. At the end of the third quarter of fiscal 2012, capital surplus amounted to ¥362,236 million and treasury stock amounted to ¥69,753 million.

## **(7) Information Concerning the Corporate Integration**

### **(I) Business Integration between Nippon Steel Corporation and Sumitomo Metal Industries, Ltd.**

Nippon Steel Corporation resolved at the Board of Director's meeting on September 22, 2011, to enter into a Master Integration Agreement for the business integration (the "Merger") with Sumitomo Metal Industries, Ltd. (SMI), upon which Nippon Steel would become the surviving corporation and SMI would be dissolved as of the integration date of October 1, 2012 (the "Integration Date"). The agreement was executed on the same day.

Subsequently, Nippon Steel and SMI executed a share exchange (the "Share Exchange") on the Integration Date pursuant to which Nippon Steel became the wholly owning parent company of SMI and SMI became the wholly owned subsidiary of Nippon Steel.

Upon resolution at the Board of Director's meeting held on April 27, 2012, concerning the final agreement that includes a partial amendment to the content of the Master Integration Agreement for execution of the Merger without provision of shares, cash, or other consideration, a share exchange was effected pursuant to the Share Exchange Agreement, and the Merger was executed pursuant to the Master Integration Agreement.

Upon approval and passage of the Share Exchange Agreement and the Merger Agreement (collectively, the "Business Integration") at the respective general meetings of shareholders of Nippon Steel and SMI held on June 26, 2012, the Business Integration was authorized with an enforcement date of October 1, 2012.

#### **i) Outline of the Corporate Integration**

##### **(a) Name and Business of the acquired company**

Acquired company name	Sumitomo Metal Industries, Ltd.
Business of the acquired company	Steelmaking and steel fabrication

##### **(b) Objectives of the Corporate Integration**

Through the Business Integration, the Companies will make a thorough effort to seek the "combination of their respective advanced management resources that each has built up and the consolidation of the superior areas of their respective businesses". In addition, the Companies will accelerate the implementation of business structure reform by such means as "pursuing greater efficiency in domestic production bases and expanding overseas businesses". Through realization of these objectives at an early stage, the Companies aim to be "the Best Steelmaker with World-Leading Capabilities," a company with higher standards in all areas including scale, cost, technology and customer service.

Through maximization of the potential of steel as a fundamental industrial material by utilizing world-leading technology and manufacturing know-how, the Integrated Company will support the development of customers in and outside Japan, as well as contribute to further growth of the Japanese and global economies and the improvement of global society.

(c) Date of the Corporate Integration

October 1, 2012

(d) Legal Method of the Corporate Integration

The Business Integration had conducted using the following two-step legal procedure, consisting of a share exchange followed by an absorption-type merger on the same day.

Step 1: Share Exchange

On the Integration Date, the Companies had effected a share exchange pursuant to which Nippon Steel & Sumitomo Metal Corporation had acquired all of the issued shares of Sumitomo Metals and had delivered shares of Nippon Steel & Sumitomo Metal Corporation to each of the shareholders of Sumitomo Metals (excluding Nippon Steel & Sumitomo Metal Corporation). Nippon Steel & Sumitomo Metal Corporation had thereupon become a wholly-owning parent company of Sumitomo Metals.

Step 2: Absorption-type Merger

On the Integration Date, the Companies had effected an absorption-type merger pursuant to which Nippon Steel & Sumitomo Metal Corporation had been the company surviving the absorption-type merger and Sumitomo Metals had been the company absorbed in the absorption-type merger subject to the effectuation of the Share Exchange.

(e) Integrated Company Name

Nippon Steel & Sumitomo Metal Corporation

(f) Acquired Ration of voting

100%

(g) Primary reasons for the decision to acquire the company

Nippon Steel's decision to acquire the company was based on factors that include the fact that the corporate integration would be executed utilizing shares as the consideration and Nippon Steel retains shares of the company and the fact that shareholders of Nippon Steel before the integration would retain the greatest percentage of shares of the post-integration company.

**ii) Period of the Business Results of the Acquired Company included in the Consolidated Statements of Operations to be concerned with the period**

October 1, 2012 — December 31, 2012

**iii) The Historical Cost of the Acquired Company and the Breakdown**

Value of the acquisition (the current price of the common stock which Nippon Steel & Sumitomo Metal Corporation delivered on the date of business combination)	¥ 505,654 million
<u>Expense needed for the acquisition directly (expense for advisory, etc)</u>	<u>¥ 1,972 million</u>
The historical cost	¥ 507,627 million

**iv) Exchange Ratio by type of share, Calculation Method and Number of Shares Exchanged**

- (a) Type of shares to be exchanged (the share exchange ratio for a share of common stock of Nippon Steel to be allotted for each share of common stock of SMI)

A 0.735 share of common stock of Nippon Steel was delivered for each share of common stock of SMI.

- (b) Share Exchange Ratio Calculation Method

1. Basis for calculation

Nippon Steel and SMI, in order to ensure fair and appropriate calculation of the integration ratio (the merger ratio is as of the conclusion of the Master Integration Agreement contract on September 22, 2011; the stock exchange ratio is as of the conclusion of the Share Exchange Agreement on April 27, 2012), each requested their respective financial advisors to conduct independent financial analysis of the integration ratio.

Nippon Steel engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“Mitsubishi UFJ Morgan Stanley”), Merrill Lynch Japan Securities Co., Ltd. (“Merrill Lynch Japan Securities”), Mizuho Securities Co., Ltd. (“Mizuho Securities”), and JP Morgan Securities Japan Co., Ltd. (“JP Morgan”).

SMI engaged SMBC Nikko Securities Inc. (“SMBC Nikko Securities”), Goldman Sachs Securities Co., Ltd. (“Goldman Sachs”), Deutsche Securities Inc. (“Deutsche Securities”) and Daiwa Securities Capital Markets Co., Ltd. (“Daiwa Securities Capital Markets”), which merged with Daiwa Securities Co., Ltd., on April 1, 2012).

2. Calculation details

Nippon Steel in consideration of the findings of the financial analysis of the integration ratio provided by Mitsubishi UFJ Morgan Stanley, Merrill Lynch Japan Securities, Mizuho Securities, and JPMorgan, and SMI in consideration of the findings of the financial analysis of the integration ratio provided by SMBC Nikko Securities, Goldman Sachs, Deutsche Securities, and Daiwa Securities Capital Markets, following meticulous negotiation and consultation in overall consideration of each company’s financial status, asset status, outlook for future business and performance, and other factors, on September 22,

2011, determined that it shall be appropriate to utilize the share exchange ratio presented in section iv)

(a) above as the effective integration ratio and concluded the Master Integration Agreement.

Although the Companies decided to change the method of the Business Integration from the One-Step Merger planned when the companies concluded the Master Integration Agreement on September 22, 2011, to a two-step procedure whereby the Share Exchange will be followed by an absorption-type merger on the same day, it was determined that the two-step procedure would not change the relative share value of Nippon Steel or SMI shares, and, therefore, the change in business integration procedure would not affect the exchange ratio of Nippon Steel shares to be distributed in exchange for each share of SMI.

Each of the Companies, in taking into consideration the respective parties' status after September 22, 2011, as well as advice from their respective financial advisors, which was based on publicly available information and other information that was provided by the parties to their respective financial advisors, has confirmed that no event has occurred since September 22, 2011, that would require the parties to reconsider the agreed allocation ratio of Nippon Steel shares to be distributed in exchange for each share of SMI.

Based on the above, Nippon Steel and SMI agreed and resolved to execute the Share Exchange at the integration (merger) ratio agreed upon in the Master Integration Agreement entered into on September 22, 2011, and concluded the Share Exchange Agreement on April 27, 2012.

- (c) The number of shares which Nippon Steel & Sumitomo Metal Corporation delivered  
3,200,346,200 shares

**v) Goodwill Amount, Reason for payment, Manner and period of amortization**

- (a) The goodwill amount is ¥34,080 million.
- (b) The reason for payment is the cost of acquisition exceeded the current market value at the time of the corporate integration.
- (c) The amortization method and period will be the straight-line method over a period of 10 years.

**(II) Business Integration between Nippon Steel City Produce, Inc. and Kowa Real Estate Co., Ltd.**

Nippon Steel City Produce, Inc. ("Nippon Steel City Produce"), resolved at the Board of Director's meeting on March 26, 2012, to enter into a Master Integration Agreement for the business integration (the "Merger") with Kowa Real Estate Co., Ltd. ("Kowa"), upon which Kowa would become the surviving

company and Nippon Steel City Produce would be dissolved as of the integration date of October 1, 2012. The agreement was executed on the same day.

Nippon Steel City Produce and Kowa subsequently concluded a merger agreement on June 11, 2012. Upon approval and passage of the merger agreement at the respective general meetings of shareholders of Nippon Steel City Produce held on June 26, 2012, and Kowa held on July 20, 2012, the Merger was authorized with an enforcement date of October 1, 2012, on which day Kowa revised its corporate name to Nippon Steel Kowa Real Estate Co., Ltd.

**i) Outline of the Corporate Integration that a Subsidiary Carried out**

(a) Name of the integration companies and the business

Integrated company	Kowa Real Estate Co., Ltd.
Description of business	Owing, leasing and managing real estate. Developing, buying and selling of real estate as well as real estate brokering and consulting services. Planning and investing in real estate securitized products.
Non-integrated company	Nippon Steel City Produce, Inc.
Description of business	Development and sales of lots, as well as leasing and managing real estate. Consulting on the effective utilization of real estate.

(b) Objectives of the Corporate Integration

Through this corporate integration, Nippon Steel City Produce and Kowa Real Estate will bring together their excellent business resources and expertise cultivated up to this point and organically integrate their respective specialty areas so that the companies can maintain a balanced business portfolio with an emphasis on developing and leasing office and condominium buildings as well as became an integrated developer that can provide multidimensional real estate services. As a result of this integration, the companies will enhance profitability, financial stability and brand value. In addition, they will exert a strong presence in the real estate industry and pursue the realization of sustainable growth.

(c) Date of the Corporate Integration

October 1, 2012

(d) Outline of the Corporate Integration including the legal method

The companies had integrated through merger. (Kowa Real Estate is surviving company, and Nippon Steel City Produce is dissolved.)

**ii) Outline of the Accounting Treatment**

The accounting method for this report is based on the Accounting Standard for Business Divestitures (ASBJ Statement No.7) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10).

**iii) Name of the Division where the Combination Company was included in Disclosure of the Segment Information**

Urban development segment

**iv) Approximation of the Profit and Loss of the Combination Company reported on the Consolidated Statements of Operations to be concerned with the period**

Net sales	¥ 33,935 million
-----------	------------------

Ordinary profit	¥ 3,100 million
-----------------	-----------------

Net sales comprise urban development business net sales of ¥33,935 million in the first half of the consolidated fiscal year.

Ordinary profit comprises urban development business ordinary profit of ¥2,376 million in the first half of the consolidated fiscal year and an equity-method investment return associated with Nippon Steel Kowa Real Estate Co., Ltd., of ¥724 million in the third quarter of the consolidated fiscal year.

Nippon Steel & Sumitomo Metal Corporation

Code Number: 5401

Listings: Tokyo, Osaka, Nagoya, Sapporo and Fukuoka Stock Exchanges

Contact: Nozomu Takahashi, General Manager, Public Relations Center-Tel: 81-3-6867-2130

**Supplementary Information on the Financial Result  
for the Third quarter of Fiscal 2012**

**Japanese Steel Industry**

1. Crude Steel Production

(million tons)

	1st half		2nd half		total
	1st quarter	2nd quarter	3rd quarter	4th quarter	
2011FY	26.37	26.95	53.32	53.15	106.46
2012FY	27.50	27.26	54.76	*26.11	106.78

\* METI forecast

2. Inventory Volume

At the end of:	Inventory at manufacturers and distributors (million tons)	Inventory /shipment ratio (%)	Rolled sheets * <sup>1</sup> (million tons)	H-flange beams * <sup>2</sup> (million tons)
Jan. 2011	5.18	(130.7)	3.88	0.160
Feb. 2011	5.19	(136.1)	3.80	0.175
Mar. 2011	5.17	(128.5)	3.89	0.183
Apr. 2011	5.38	(152.1)	4.04	0.188
May 2011	5.66	(155.7)	4.20	0.206
June 2011	5.60	(141.9)	4.21	0.215
July 2011	5.43	(139.6)	4.18	0.206
Aug. 2011	5.62	(152.1)	4.35	0.193
Sep. 2011	5.64	(141.7)	4.38	0.181
Oct. 2011	5.57	(132.4)	4.35	0.179
Nov. 2011	5.55	(137.3)	4.25	0.173
Dec. 2011	5.58	(146.7)	4.32	0.174
Jan. 2012	5.62	(147.4)	4.28	0.175
Feb. 2012	5.55	(139.1)	4.15	0.188
Mar. 2012	5.51	(126.1)	4.11	0.203
Apr. 2012	5.52	(149.7)	4.04	0.203
May 2012	5.53	(141.6)	4.07	0.195
June 2012	5.46	(138.4)	3.96	0.196
July 2012	5.41	(135.7)	3.92	0.189
Aug. 2012	5.57	(151.9)	4.09	0.180
Sep. 2012	5.68	(147.0)	4.16	0.179
Oct. 2012	5.54	(139.0)	4.07	0.184
Nov. 2012	5.43	(142.0)	3.94	0.183
Dec.* <sup>3</sup> 2012	5.45	(150.5)	3.92	0.179

\*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

### 3. Pig Iron Production

(Non-consolidated basis)

2011FY (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	7.76	8.03	15.79	7.57	7.41	14.98	30.77
Sumitomo Metal	2.73	3.27	6.01	3.27	3.29	6.56	12.56

2012FY (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	7.78	8.01	15.79				
Sumitomo Metal	3.02	3.32	6.34				
NSSMC	(10.80)	(11.33)	(22.13)	10.62	Approx. 11.1	Approx. 21.7	Approx. 43.8

\* Nippon Steel includes Hokkai Iron & Coke Co., Ltd. Sumitomo Metal Industries includes Nippon Steel & Sumikin Koutetsu Wakayama Corporation (formerly Sumikin Iron & Steel Corporation). NSSMC includes Hokkai Iron & Coke Co., Ltd. and Nippon Steel & Sumikin Koutetsu Wakayama Corporation.

\* At the first half of fiscal 2012 of NSSMC, it is simple adding up of Nippon Steel and Sumitomo Metal Industries.

### 4. Crude Steel Production

(Consolidated basis)

2011FY (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	8.30	8.31	16.61	7.85	7.98	15.83	32.44
Sumitomo Metal	2.81	3.39	6.20	3.31	3.42	6.73	12.93

2012FY (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	8.29	8.51	16.81				
Sumitomo Metal	3.10	3.43	6.53				
NSSMC	(11.39)	(11.95)	(23.34)	11.01	Approx. 11.6	Approx. 22.6	Approx. 45.9

\* At the first half of fiscal 2012 of NSSMC, it is simple adding up of Nippon Steel and Sumitomo Metal Industries.

(Non-consolidated basis)

2011FY (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	7.75	7.78	15.53	7.29	7.39	14.67	30.20
Sumitomo Metal	2.77	3.34	6.11	3.25	3.36	6.61	12.72

2012FY (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	7.70	7.95	15.66				
Sumitomo Metal	3.07	3.38	6.44				
NSSMC	(10.77)	(11.33)	(22.10)	10.40	Approx. 11.0	Approx. 21.4	Approx. 43.5

\* Sumitomo Metal Industries and NSSMC include Nippon Steel & Sumikin Koutetsu Wakayama Corporation (formerly Sumikin Iron & Steel Corporation).

\* At the first half of fiscal 2012 of NSSMC, it is simple adding up of Nippon Steel and Sumitomo Metal Industries.

## 5. Steel Products Shipment

2011FY (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	7.40	7.28	14.68	7.20	7.21	14.41	29.09
Sumitomo Metal	2.24	2.88	5.12	2.99	3.14	6.12	11.24

2012FY (million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	7.46	7.50	14.97				
Sumitomo Metal	2.78	2.86	5.64				
NSSMC	(10.24)	(10.36)	(20.61)	9.60	Approx. 10.7	Approx. 20.3	Approx. 40.9

\* Sumitomo Metal Industries and NSSMC include Nippon Steel & Sumikin Koutetsu Wakayama Corporation (formerly Sumikin Iron & Steel Corporation).

\* At the first half of fiscal 2012 of NSSMC, it is simple adding up of Nippon Steel and Sumitomo Metal Industries.

## 6. Average Price of Steel Products

2011FY (thousands of yen / ton)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	85.8	89.8	87.8	87.6	81.5	84.5	86.2
Sumitomo Metal	104.5	107.3	106.0	103.1	99.8	101.4	103.5

2012FY (thousands of yen / ton)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
Nippon Steel	80.0	75.6	77.8				
Sumitomo Metal	94.7	94.4	94.5				
NSSMC	(84.0)	(80.8)	(82.4)	78.1	Approx. 77	Approx. 78	Approx. 80

\* Sumitomo Metal Industries and NSSMC include Nippon Steel & Sumikin Koutetsu Wakayama Corporation (formerly Sumikin Iron & Steel Corporation).

\* At the first half of fiscal 2012 of NSSMC, it is weighted average of Nippon Steel and Sumitomo Metal Industries.

#### 7. Export Ratio of Steel Products (Value basis)

2011FY								(%)
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total	
Nippon Steel	42	40	41	37	38	37	39	
Sumitomo Metal	49	42	45	40	43	42	43	

2012FY								(%)
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total	
Nippon Steel	42	42	42					
Sumitomo Metal	46	45	46					
NSSMC	(43)	(43)	(43)	43	Approx. 47	Approx. 45	Approx. 44	

\* Sumitomo Metal Industries and NSSMC include Nippon Steel & Sumikin Koutetsu Wakayama Corporation (formerly Sumikin Iron & Steel Corporation).

\* At the first half of fiscal 2012 of NSSMC, it is weighted average of Nippon Steel and Sumitomo Metal Industries.

#### 8. Foreign Exchange Rate

								(¥/\$)
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total	
2011FY	82	78	80	78	78	78	79	
2012FY	81	79	80	80	Approx. 90	Approx. 85	Approx. 82	

#### 9. Amount of Capital Expenditure and Depreciation

			(billion yen)	
			Capital Expenditure	Depreciation
2011FY	Nippon Steel	Consolidated	265.0	280.9
	Sumitomo Metal	Consolidated	115.7	122.9
2012FY	NSSMC	Consolidated	440.0	340.0

\* At the first half of fiscal 2012, it is simple adding up of Nippon Steel and Sumitomo Metal Industries. At the latter half of fiscal 2012, it is expected numbers of NSSMC.