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Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019 (Japanese GAAP)

July 31, 2018
Stock Exchange: Tokyo

Listed company name: **NIPPON STEEL & SUMIKIN BUSSAN CORPORATION**
Code No. : 9810
URL: <http://www.nssb.nssmc.com/en/index.html>
Representative name: Yasumitsu Saeki, President and Representative Director
Tel: +81-(0)3-5412-5003

Quarterly securities report to be submitted: August 10, 2018
Start of cash dividend payments: –
Supplementary materials: Yes (Japanese only)
IR conference: No

(Figures rounded down to nearest million yen)

1. Consolidated Earnings through the First Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 to June 30, 2018)

(1) Consolidated Operating Results (Cumulative) (%: change from the same period of the previous 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	%
1Q FYE March 31, 2019	612,326	26.8	8,549	7.1	9,127	(4.7)	7,994	24.6
1Q FYE March 31, 2018	483,045	15.4	7,983	13.6	9,582	32.6	6,415	154.5

Note: Comprehensive income
1Q FYE March 31, 2019: ¥5,645 million (-30.6%)
1Q FYE March 31, 2018: ¥8,138 million (-%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
1Q FYE March 31, 2019	247.80	–
1Q FYE March 31, 2018	207.52	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	902,020	236,407	24.5
As of March 31, 2018	776,395	227,968	27.1

Reference: Equity capital
As of June 30, 2018: ¥220,996 million
As of March 31, 2018: ¥210,675 million

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2018	–	90.00	–	120.00	210.00
FYE March 31, 2019	–				
FYE March 31, 2019 (Est.)		110.00	–	110.00	220.00

Note: Revisions of dividends projections since most recent announcement: None

3. Projected Consolidated Results for Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(%: change from the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	2,500,000	21.2	38,000	17.6	38,000	8.0	23,500	8.2	728.46

Note: Revisions of earnings projections since most recent announcement: None

* Notes

- (1) Material changes in consolidated subsidiaries during the cumulative consolidated period (changes in specific subsidiaries resulting in changes in scope of consolidation): None
- (2) Use of special accounting methods for creating quarterly consolidated financial statements: None
- (3) Changes of accounting policies, changes of accounting estimates and retrospective restatements
 - i. Changes in accounting policies resulting from changes in accounting standards, etc.: None
 - ii. Other accounting policy changes: None
 - iii. Changes in accounting estimates: None
 - iv. Restatements: None
- (4) Number of shares outstanding (common shares)
 - i. Number of shares outstanding at the end of the period (including treasury shares)

As of June 30, 2018	32,307,800 shares
As of March 31, 2018	30,957,800 shares
 - ii. Number of treasury shares at the end of the period

As of June 30, 2018	47,905 shares
As of March 31, 2018	47,663 shares
 - iii. Average number of shares during the period (cumulative quarter)

1Q FYE March 31, 2019	32,260,029 shares
1Q FYE March 31, 2018	30,912,260 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Explanation for the proper use of earnings projections, and other special matters

(Caution on description of future events, etc.)

The preceding projections are based on information available at the time of the publication of these materials, and are not intended as pledges on the part of the Company that the said projections will be achieved. Actual results may differ materially from projections due to various factors that may occur in the future. For the assumptions on which these earnings projections were based, see “1. Qualitative Information on Quarterly Settlement of Accounts, (3) Explanation of Consolidated Earnings Projections and Other Forecasts” on page 3 of the attachment.

(How to acquire supplementary materials)

Supplementary materials were published on TDnet as of July 31, 2018, and they were published on the Company’s website on the same date.

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1. Qualitative Information on Quarterly Settlement of Accounts

(1) Explanation of Operating Results

The world economy during the cumulative first quarter under review remained generally firm, with stable employment conditions and strong personal consumption in the United States, while China experienced some slowdown in consumption and investment. However, the economic outlook is increasingly uncertain amid concerns of the impact of the U.S.-China trade friction.

The Japanese economy remained on a modest recovery trend, with a recovery in personal consumption, and improved corporate earnings and employment conditions.

In this business environment, the Company's consolidated earnings were as follows: Net sales were ¥612.3 billion, up ¥129.2 billion (26.8%). Operating profit was ¥8.5 billion, up ¥500 million (7.1%). Ordinary profit was ¥9.1 billion, down ¥400 million (4.7%). Quarterly profit attributable to owners of parent was ¥7.9 billion, up ¥1.5 billion (24.6%).

Earnings for reportable segments are as below.

(Steel)

In the Steel business, domestic and overseas demand was generally firm. The Company's domestic and export sales volume increased from the corresponding period of the previous fiscal year, due to the transferred business from Mitsui & Co. Group. The Company's domestic and export sales prices were higher than the corresponding period of the previous fiscal year. As a result, net sales in the Steel segment reached ¥519.4 billion, up ¥129.7 billion (33.3%), and ordinary profit was ¥7.4 billion, up ¥1.1 billion (17.6%).

(Industrial Supply and Infrastructure)

In the Industrial Supply and Infrastructure business, net sales reached ¥22.4 billion, up ¥200 million (1.2%). Ordinary profit reached ¥700 million, down ¥600 million (46.9%), reflecting the absence of a non-recurring profit related to business combinations recorded by a Thailand-based equity method affiliate during the corresponding period of the previous fiscal year.

(Textiles)

In the Textiles business, net sales were ¥35.3 billion, down ¥800 million (2.4%). Ordinary profit remained on the same level with the corresponding period of the previous fiscal year, finishing at ¥900 million.

(Foodstuffs)

In the Foodstuffs business, net sales were ¥34.8 billion, up ¥100 million (0.5%). Ordinary profit was ¥500 million, down ¥100 million (22.1%).

(*Additional Information)

The ordinary loss of ¥600 million occurred by disposal of real estate for sale.

(2) Explanation of Financial Position

Total assets at the end of the first quarter under review were ¥902.0 billion, up ¥125.6 billion from the end of the previous period, due to an increase in notes and accounts receivable - trade, etc., backed by an increased sales volume.

Total liabilities were ¥665.6 billion, up ¥117.1 billion from the end of the previous period, due to increases in notes and accounts payable - trade and interest-bearing debts reflecting an increased sales volume.

As for total net assets, capital stock and capital surplus increased, reflecting a capital increase through third-party allotment, and while there was a payment of dividends, profit attributable to owners of parent for the cumulative first quarter under review was also recorded, resulting in total net assets of ¥236.4 billion, up ¥8.4 billion from the end of the previous period.

As of the end of the cumulative first quarter under review, equity capital was ¥220.9 billion and the equity ratio was 24.5%.

(3) Explanation of Consolidated Earnings Projections and Other Forecasts

The consolidated earnings projections for the fiscal year ending March 31, 2019 remains as stated in the announcement on May 10, 2018.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	Previous Fiscal Year (As of March 31, 2018)	First Quarter Under Review (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	28,554	27,208
Notes and accounts receivable - trade	471,777	588,474
Inventories	112,340	114,177
Other	16,329	24,571
Allowance for doubtful accounts	(1,323)	(1,371)
Total current assets	627,678	753,060
Non-current assets		
Property, plant and equipment	55,030	55,190
Intangible assets		
Goodwill	51	34
Other	708	673
Total intangible assets	760	708
Investments and other assets		
Other	96,062	96,192
Allowance for doubtful accounts	(3,136)	(3,130)
Total investments and other assets	92,926	93,061
Total non-current assets	148,716	148,959
Total assets	776,395	902,020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	249,614	265,554
Short-term loans payable	132,084	163,711
Commercial papers	20,000	50,000
Income taxes payable	6,075	2,056
Provision	4,485	3,712
Other	29,049	42,476
Total current liabilities	441,308	527,511
Non-current liabilities		
Bonds payable	30,000	60,000
Long-term loans payable	65,538	65,364
Provision	523	553
Net defined benefit liability	2,107	2,136
Other	8,949	10,047
Total non-current liabilities	107,118	138,101
Total liabilities	548,426	665,612

(Millions of Yen)		
	Previous Fiscal Year (As of March 31, 2018)	First Quarter Under Review (As of June 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	12,335	16,389
Capital surplus	50,751	54,805
Retained earnings	131,006	135,291
Treasury shares	(140)	(142)
Total shareholders' equity	193,953	206,344
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,581	11,502
Deferred gains or losses on hedges	(502)	(199)
Foreign currency translation adjustment	5,190	2,915
Remeasurements of defined benefit plans	452	435
Total accumulated other comprehensive income	16,722	14,652
Non-controlling interests	17,293	15,410
Total net assets	227,968	236,407
Total liabilities and net assets	776,395	902,020

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

(Quarterly Consolidated Statements of Income)

(Cumulative First Quarter)

(Millions of Yen)

	Cumulative First Quarter of Previous Fiscal Year (April 1, 2017 to June 30, 2017)	Cumulative First Quarter Under Review (April 1, 2018 to June 30, 2018)
Net sales	483,045	612,326
Cost of sales	451,145	576,270
Gross profit	31,900	36,056
Selling, general and administrative expenses	23,916	27,507
Operating profit	7,983	8,549
Non-operating income		
Interest income	93	110
Dividend income	757	490
Share of profit of entities accounted for using equity method	1,299	734
Purchase discounts	144	124
Other	276	576
Total non-operating income	2,571	2,038
Non-operating expenses		
Interest expenses	743	1,005
Foreign exchange losses	25	-
Other	204	454
Total non-operating expenses	972	1,459
Ordinary profit	9,582	9,127
Extraordinary income		
Gain on sales of investment securities	64	107
Gain on bargain purchase	-	1,318
Total extraordinary income	64	1,426
Extraordinary losses		
Loss on sales of non-current assets	-	55
Loss on valuation of investment securities	220	-
Loss on valuation of investments in capital	-	129
Loss on liquidation of subsidiaries and associates	-	205
Total extraordinary losses	220	390
Profit before income taxes	9,425	10,163
Income taxes	2,784	1,876
Profit	6,641	8,286
Profit attributable to non-controlling interests	226	292
Profit attributable to owners of parent	6,415	7,994

(Quarterly Consolidated Statements of Comprehensive Income)
(Cumulative First Quarter)

	(Millions of Yen)	
	Cumulative First Quarter of Previous Fiscal Year (April 1, 2017 to June 30, 2017)	Cumulative First Quarter Under Review (April 1, 2018 to June 30, 2018)
Profit	6,641	8,286
Other comprehensive income		
Valuation difference on available-for-sale securities	2,289	(65)
Deferred gains or losses on hedges	2	302
Foreign currency translation adjustment	(966)	(2,329)
Remeasurements of defined benefit plans, net of tax	20	(17)
Share of other comprehensive income of entities accounted for using equity method	151	(530)
Total other comprehensive income	1,496	(2,640)
Comprehensive income	8,138	5,645
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,237	5,924
Comprehensive income attributable to non-controlling interests	(99)	(278)

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes to Shareholders' Equity)

On April 2, 2018, the Company underwent a capital increase by third-party allotment and received payment from Mitsui & Co. Ltd. Consequently, in the cumulative first quarter under review, capital stock and legal capital surplus both increased by ¥4,045 million, resulting in capital stock of ¥16,389 million and capital surplus of ¥54,805 million at the end of the first quarter under review.

(Additional Information)

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan [ASBJ] Statement No. 28, issued on February 16, 2018) and relevant Guidelines effective from the beginning of the first quarter under review. Accordingly, deferred tax assets are presented under "investments and other assets" and deferred tax liabilities are presented under "non-current liabilities."

(Segment Information, etc.)

[Segment Information]

I Cumulative First Quarter of Previous Fiscal Year (April 1, 2017 to June 30, 2017)

1. Information on sales and profit/loss in each reporting segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Note 2)	Quarterly consolidated statement of income amount (Note 3)
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	389,651	22,141	36,162	34,664	482,620	425	483,045	–	483,045
Intersegment sales or transfers	200	282	2	–	485	45	530	(530)	–
Total	389,852	22,423	36,164	34,664	483,105	470	483,575	(530)	483,045
Segment profit (Ordinary profit)	6,314	1,492	978	767	9,552	29	9,582	0	9,582

(Notes) 1. "Others" represents items not included under "reportable segments," and it includes real estate business.

2. The adjustment of ¥0 million in "segment profit" represents the elimination of inter-segment trade.

3. The total profit of the "reportable segments" and "others" aligns with the ordinary profit in the quarterly consolidated statement of income excepting the adjustment of ¥0 million.

2. Information on impairment loss on non-current assets, goodwill, etc., for each reporting segment

Not applicable.

II Cumulative First Quarter Under Review (April 1, 2018, to June 30, 2018)

1. Information on sales and profit/loss in each reporting segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Note 2)	Quarterly consolidated statement of income amount (Note 3)
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	519,447	22,410	35,304	34,824	611,986	339	612,326	–	612,326
Intersegment sales or transfers	203	194	1	–	399	35	434	(434)	–
Total	519,651	22,604	35,306	34,824	612,386	374	612,761	(434)	612,326
Segment profit (loss) (Ordinary profit (loss))	7,429	792	917	597	9,737	(607)	9,129	(1)	9,127

- (Notes) 1. “Others” represents items not included under “reportable segments,” and it includes real estate business.
2. The downward adjustment of ¥1 million in “segment profit (loss)” represents the elimination of inter-segment trade.
3. The total profit (loss) of the “reportable segments” and “others” aligns with the ordinary profit in the quarterly consolidated statement of income excepting the downward adjustment of ¥1 million.

2. Information on impairment loss on non-current assets, goodwill, etc., for each reporting segment

(Significant impairment loss on non-current assets)

Not applicable.

(Significant change in amount of goodwill)

Not applicable.

(Significant gain on negative goodwill)

The Company recorded ¥1,318 million in gain on bargain purchase after acquiring a business in the steel segment and acquiring shares of a company related to the business. Gain on bargain purchase is extraordinary income and therefore is not included in segment profit.