February 27, 2015

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Announcement of Revision in Earnings Forecasts of a Subsidiary

Today, GEOSTR Corporation, a subsidiary of Nippon Steel & Sumitomo Metal Corporation (the “Company”), announced revision of its earnings forecasts, as per the attachment.

The impact of the revision will be immaterial with regard to the Company’s consolidated earnings forecasts.

attachment

February 27, 2015

Company name: GEOSTR Corporation
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Notice Concerning Posting of Loss on Valuation of Subsidiaries' Stocks (Planned) and Revision to Earnings Forecasts

In view of recent trends in performance, GEOSTR Corporation (the "Company") hereby notifies that it has revised the earnings forecasts it announced on September 26, 2014 as outlined below.

The Company also notifies that it expects to account for an impairment loss on the stocks of a consolidated subsidiary owned by the Company and to post a loss on valuation of subsidiaries' stocks as an extraordinary loss in its non-consolidated financial statements.

1. Posting of loss on valuation of subsidiaries' stocks (planned) and details of loss

RESCOHOUSE Corporation, a consolidated subsidiary of the Company, is expected to post a net loss for the fiscal year ending March 31, 2015 (fiscal 2014), as orders have decreased substantially in response to a fall in the housing market resulting from a reactionary decline after the consumption tax increase. As a result, as the Company's net assets will decline significantly, the Company expects to post a loss on valuation of subsidiaries' stocks of approximately 480 million yen as an extraordinary loss in its non-consolidated financial statements for fiscal 2014, based on Accounting Standards for Financial Instruments.

However, as the loss on valuation of subsidiaries' stocks will have no impact on consolidated earnings and will be based on the net assets of RESCOHOUSE Corporation at the end of the fiscal year, the amount may change going forward.

Furthermore, going forward, the number of housing starts is estimated to pick up due to factors such as measures to revitalize the housing market through the Eco-point program, and the Company has already embarked on drawing up and implementing an earnings improvement plan for the subsidiary concerned. In this way, the Company intends to improve earnings at an early stage.

2. Revision to full-year fiscal 2014 consolidated earnings forecasts (April 1, 2014–March 31, 2015)

(Million yen)

	Net sales	Operating profit	Ordinary profit	Net profit	Earnings per share (Yen)
Previous forecasts (A)	22,900	45	80	25	0.80

Revised forecasts (B)	19,700	(580)	(490)	(460)	(14.70)
Increase/decrease (B-A)	(3,200)	(625)	(570)	(485)	—
Change (%)	(14.0)	—	—	—	—
Results for fiscal 2013 ended March 31, 2014 (for reference)	23,441	244	291	155	4.98

(Reasons for revision to consolidated earnings forecasts)

As outlined in "1. Posting of loss on valuation of subsidiaries' stocks (planned) and details of loss," sales and profits of the Company and its manufacturing subsidiaries are expected to be lower than the previous forecasts due to deterioration in the earnings of consolidated subsidiary RESCOHOUSE Corporation as well as the postponement of the timing of orders and sales.

As a result of the above, consolidated net sales are also expected to be lower than the previous forecast while operating profit, ordinary profit, and net income are expected to end up in deficit.

3. Revision to full-year fiscal 2014 non-consolidated earnings forecasts (April 1, 2014–March 31, 2015)

(Million yen)

	Net sales	Operating profit	Ordinary profit	Net profit	Earnings per share (Yen)
Previous forecasts (A)	16,800	60	120	55	1.76
Revised forecasts (B)	14,300	(260)	(175)	(640)	(20.46)
Increase/decrease (B-A)	(2,500)	(320)	(295)	(695)	—
Change (%)	(14.9)	—	—	—	—
Results for fiscal 2013 ended March 31, 2014 (for reference)	16,646	130	209	112	3.61

(Reasons for revision to non-consolidated earnings forecasts)

As outlined in "2. Reasons for revision to consolidated earnings forecasts," non-consolidated net sales are expected to fall short of the previous forecast, resulting in an estimated downward revision in operating profit and ordinary profit, mainly due to the postponement of the timing of orders and sales. In addition, as outlined in "1. Posting of loss on valuation of subsidiaries' stocks (planned) and details of loss," net income is expected to end up at a loss of 640 million yen, as the loss on valuation of subsidiaries' stocks will be posted as an extraordinary loss.

However, the Company has unofficially received a partial order related to the Tokyo Outer Ring Road, for which it had made preparations for some time, and orders in the overall civil engineering sector for fiscal 2014, including this order, are currently expected to amount to approximately 35,000 million yen (an increase of approximately 2.2 times compared to the previous year).

Note: The above forecasts are based on information that was available on the announcement date of this release. Actual results may differ from this forecast for a number of reasons.