NISSHIN STEEL CO., LTD.

ANNUAL REPORT 2014

Contents

Statements in this annual report with respect to Nisshin Steel Co., Ltd.'s plans, strategies, forecasts and other explanations that are not historical facts are forward-looking statements that are based on management's assumptions and beliefs derived from information currently available and invoke risks and uncertainties.

Factors that could cause actual results to differ materially from such statements include, without limitation, global economic conditions, demand for and competitive pricing pressure on products and services, Nisshin Steel Co., Ltd.'s ability to continue to win acceptance for its products and services in highly competitive markets, and currency exchange rate fluctuations.

Consolidated Financial Highlights

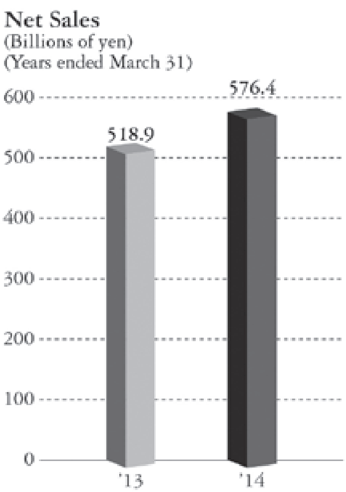
Nisshin Steel Co., Ltd. and its consolidated subsidiaries

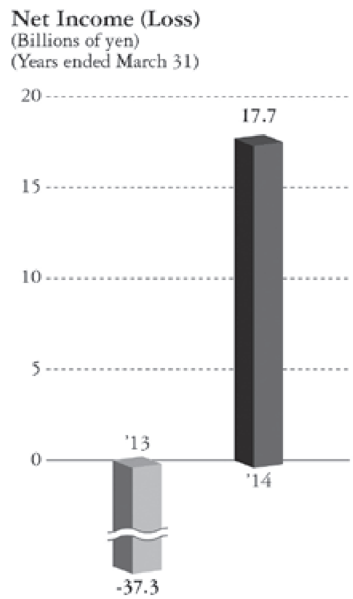
Years ended March 31, 2014 and 2013

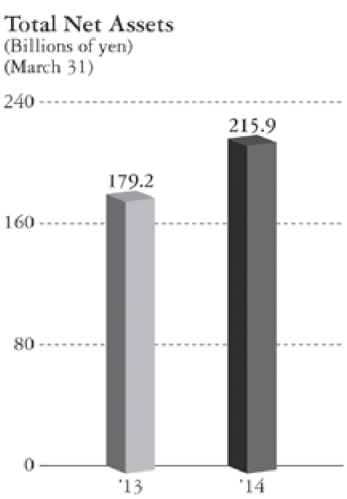
	Millions of yen (except per share amounts)		Percent change	Thousands of U.S. dollars[1] (except per share amounts)
	2014	2013	2014/2013	**2014**
Net sales	**¥ 576,447**	¥ 518,981	11.1%	**$ 5,600,923**
Net income (loss)	**17,759**	(37,398)	–	**172,551**
Total assets	**741,750**	694,250	6.8%	**7,207,054**
Total net assets	**215,958**	179,253	20.5%	**2,098,309**
Net income (loss) per share[2]	**¥ 177.72**	¥ (393.32)	–	**$ 1.72**
Cash dividends per share[2]	**15.00**	5.00	200.0%	**0.14**

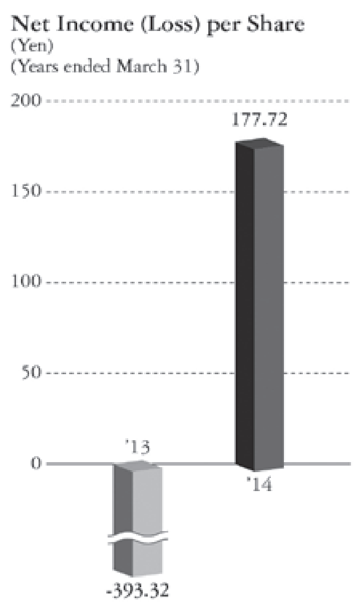
Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥102.92=US$1, the effective rate of exchange at March 31, 2014.

2. Per share amounts are in yen and U.S. dollars.









To Our Shareholders and Investors

Overview of the Fiscal Year Ended March 31, 2014

During the fiscal year under review, the Japanese economy was firm overall, led by a recovery in corporate activity, mainly in the automobile and housing and building materials sectors. This performance was underpinned by such factors as an improved export environment due to the effect of the government's economic policies and the correction of the yen's appreciation, and full-blown reconstruction-related demand following the 2011 Great East Japan Earthquake. Overseas, the European and North American economies gradually recovered, while concerns grew stronger over the slowdown of economic growth in China and emerging countries.

The steel industry also saw firm domestic demand; however, due to the structural issue of a swelling global steel supply glut caused by surplus production capacity in China, the environment continued to be conducive to softening prices in the Asia region and an increase in imported steel, and the impact on the steel market became apparent both in Japan and overseas.

Under this operating environment the Nisshin Group made steady progress on the targets in its 24th Medium-Term Consolidated Management Plan. Our Group worked to enhance its competitive edge, primarily through promoting the main theme of the plan: to maximize the synergies of business integration. At the same time, the Company focused its efforts on improving profits by proactively expanding sales of its proprietary high-added-value products, among other means.

In particular, ZAM®, our highly corrosion-resistant hot-dip coated steel sheet, was well received in a wide range of fields, including structural materials for housing, bases for solar power generators, and automobiles, and achieved a new record for monthly orders as we continued to implement vigorous sales promotion activities. Moreover, in 2013, we took steps such as obtaining Japanese Industrial Standard (JIS) certification for ZAM®, seeking to broaden the market even further. In the field of pre-painted steel sheets, we launched a new product called GRAJET designed for use as a metal siding material, which we jointly developed with Nisshin A&C Co., Ltd. GRAJET is part of our SELiOS brand of pre-painted steel sheets that offers outstanding antifouling and scratch resistance, and has received high praise from customers due to its clear advantage in designability over conventional metal exterior walls, enabled by newly developed printing technology. Going forward, we will continue to actively develop demand.

In the area of production, we rigorously selected investments to secure increases in profits, while at the same time promoting measures to enable a greater degree of freedom in the purchase of raw materials, which led directly to cost reductions such as lower-priced feedstocks in upstream processes and a raised scrap ratio in stainless steel operations. We also continued our focus on rationalization and total cost reduction programs centered on capital expenditures and investments to improve productivity and adoption of energy-saving measures. At the same time we earnestly promoted initiatives to ensure stable operations such as measures to prevent a reoccurrence of the fire at the Sakai Works cold-rolling mill.

Furthermore, the Nisshin Group stepped up strategies in overseas markets. In the U.S., we commenced production of ZAM® in November 2013 at Wheeling-Nisshin, Inc., a subsidiary that manufactures and sells surface-treated steel sheets, and sales volumes have been increasing steadily. In China, Nisshin Steel (Nantong) High-Tech Sheet Co., Ltd. commenced operations in May 2014, as a subsidiary for manufacturing and selling electrolytic copper plated steel sheets to meet local procurement needs of Japanese transplants centered on automotive parts. We have also worked assiduously to expand our presence in the ASEAN region as part of our global development, including completion of Phase II of a capacity expansion project at Bahru Stainless SDN. BHD., a joint venture with Spain's Acerinox, S.A. established in Malaysia for cold rolling of stainless steel.

Turning to consolidated operating results for the fiscal year ended March 31, 2014, there were a number of factors that depressed profits, namely the increase in energy costs, a fire at the Sakai Works cold-rolling mill, and instability experienced at the Kure Works No.1 blast furnace. However, the Company made vigorous efforts to boost sales of core products, to rationalize and cut overall costs, to promote asset reduction and to implement other necessary steps. As a result, on a consolidated basis net sales were ¥576,447 million, up ¥57,466 million year on year, ordinary income was ¥19,722 million, up ¥36,601 million year on year, and net income was ¥17,759 million, up ¥55,158 million year on year.

Outlook for the Fiscal Year Ending March 31, 2015

Looking ahead, the Japanese economy is expected to continue along a basic recovery path spurred by the manufacturing industry, amid expectations for improved corporate performance and an end to deflation. On the other hand, however, there are concerns about factors that could impact the economy, such as stalling demand following a consumption tax increase in April 2014, slowdowns in the economies of China and emerging countries and rapidly increasing geopolitical risks.

The steel industry is expected to enjoy firm domestic demand, despite concerns over the impact of the consumption tax increase. On the other hand, little progress has been made in resolving the global structural supply glut for steel, and intense competition and imbalance in supply and demand are forecast to continue in the Asian markets.

Under this operating environment, the Company absorbed its wholly owned subsidiaries Nisshin Steel Co., Ltd. and Nippon Metal Industry Co., Ltd. on April 1, 2014, and relaunched itself as a reborn "Nisshin Steel." To ensure that it remains the company of choice for its customers in today's uncertain business climates, the Company will make a concentrated effort to secure the success of the 24th Medium-Term Consolidated Management Plan, by getting the most of integration synergies and other resources.

First, we will respond to the immediate problems of a significant increase in electricity costs and high nickel and other raw material prices by making a concerted group-wide effort to address our never-ending challenges of rationalization and saving overall costs. At the same time, we will work to reflect the portion of these cost increases that we cannot absorb through our own efforts appropriately into our sales prices, while seeking understanding from our customers.

Moreover, in order to maximize the effects of integration synergies, we will take steps to complete the renovation of the steelmaking facilities at the Shunan Works early, and to realize relevant benefits including a cost cutback from concentrated steel-making operations and production efficiency gains from larger stainless steel coils. Specifically, we will activate the new facilities in phases from the second half of 2014, targeting start-up of operations in spring of 2015. At the same time, we will make an effort to realize the benefits of our plan early by gradually transferring steel production processes from the Kinuura Works to the Shunan Works, and moving up the termination of steelmaking at the Kinuura Works to the end of 2015. Moreover, by the time we start up the new steelmaking facility, we will achieve cost saving by reorganizing our stainless steel grades to consolidate production, and we will work to reduce manufacturing costs and improve quality and yield through division of production to utilize the characteristics of the hot rolling line at the Kure Works and the Steckel mill at the Kinuura Works.

With regard to special steel, which is one of our core products, we are working to open new markets by leveraging high-cleanliness steel. To this end, we will proceed steadily with construction of a new ladle furnace (LF) at the Kure Works, aiming for completion in September 2015. Moreover, in China, where further growth is forecast, we are taking steps to develop demand from Japanese and European automakers. Specifically, we have decided to establish a special steel manufacturing and sales subsidiary as a joint venture with Japanese and US partners. We intend to grow this venture into a new pillar of the Nisshin Group's global business expansion and will construct a plant, aiming for start-up of operations during 2016.

In stainless steel pipes and tubes, we integrated the operations of the Amagasaki Works and Nippon Metal Tube Co., Ltd. and launched Nisshin Stainless Steel Tubing Co., Ltd. on April 1, 2014. Through the integration we have formed a structure capable of rapidly matching operations closely to the market in this intensely competitive field. At the same time, the new company also concentrates production items to enable higher capacity utilization and ensure strong competitiveness and high profitability. Furthermore, in the processing field, where the Company has strengths, we will take into account the medium- to long-term trends such as a demand shift to overseas markets while continuing to pursue optimum production systems, including business partnerships and consolidation of facilities.

In addition to strengthening our competitiveness in production through these initiatives, we will combine our outstanding materials development prowess with the special processing and forming technologies of our Group companies in a concerted Group-wide effort to create demand and develop new markets by actively proposing solutions to our customers. We will expand our profits and improve our product mix by increasing sales of our high-value-added products, with a primary focus on our core products ZAM®, special steel, stainless steel, and pre-painted steel sheets.

Furthermore, in order to respond to the rapid changes forecasted for the operating environment going forward, the Nisshin Group will work assiduously on structural reforms in its existing businesses for sweeping efficiency gains and a leaner organization. These efforts will generate management resources that can be redeployed in aggressive investments in growth fields such as overseas markets. Thus, we will strive to build a robust business foundation to enable us to win out in competition at the global level.

Guided by our corporate philosophy of "realize our customers' dreams and ideals with the use of steel," we will work with our customers to create new markets. To this end, we will try even harder to bring together the combined power of the Nisshin Group under the newly launched Nisshin Steel. We will strive to attain our profit targets and to increase our corporate value, as we continue to evolve day by day as a corporate group with a strong market presence.

Toshinori Miki

President & Chief Executive Officer

Management's Discussion and Analysis

Financial Position

Consolidated total assets at the end of the year ended March 31, 2014 stood at ¥741,750 million, up ¥47,499 million from the end of the year ended March 31, 2013 mainly due to an increase of investments in securities by ¥6,647 million, inventories by ¥5,316 million, and notes and accounts receivable by ¥5,073 million.

Total liabilities amounted to ¥525,792 million, up ¥10,795 million from the end of the year ended March 31, 2013 mainly due to an increase of notes and accounts payable by ¥13,151 million and a decrease of interest-bearing debt by ¥10,045 million.

Total net assets were ¥215,958 million, up ¥36,704 million from the end of the year ended March 31, 2013 mainly due to the current year's net income of ¥17,759 million.

Cash Flows

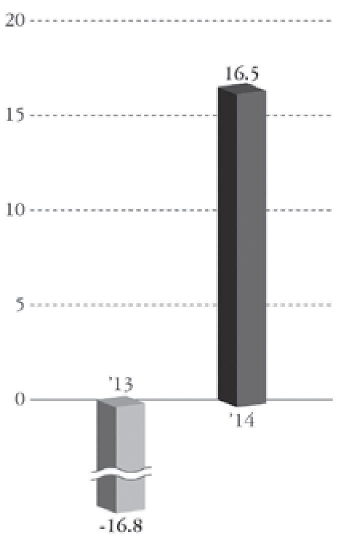
Net cash provided by operating activities totaled ¥26,668 million. Major contributors thereto were income before provision for income taxes of ¥22,577 million and depreciation and amortization of ¥22,193 million.

Net cash used in investing activities totaled ¥19,252 million, with ¥22,356 million spent on acquisition of property, plant and equipment.

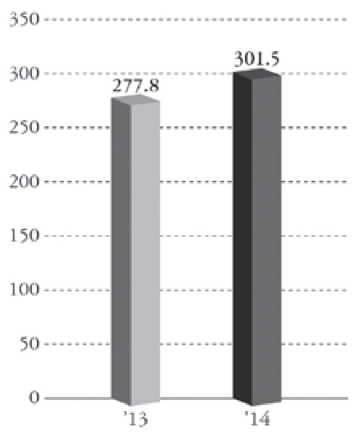
Net cash used in financing activities totaled ¥11,609 million, which is mainly due to a decrease in interest-bearing debt by ¥10,045 million.

As a result of these developments, and including an increase in effect of foreign currency translation adjustment of cash and cash equivalents by ¥1,618 million, the consolidated balance of cash and cash equivalents at the end of the year ended March 31, 2014 decreased by ¥2,575 million to ¥40,694 million.

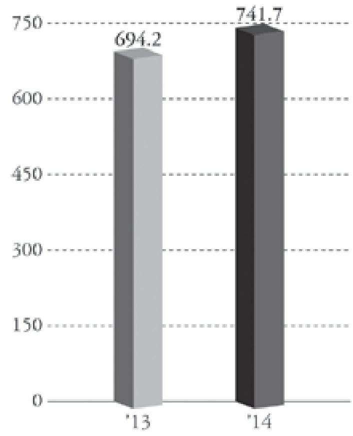
Operating Income (Loss)
(Billions of yen)



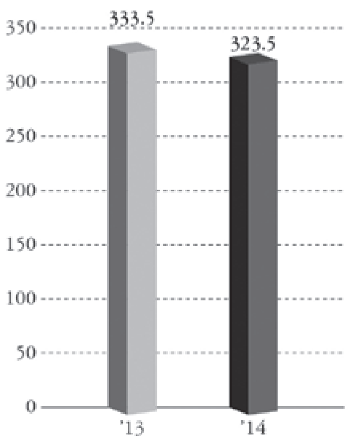
Total Current Assets
(Billions of yen)



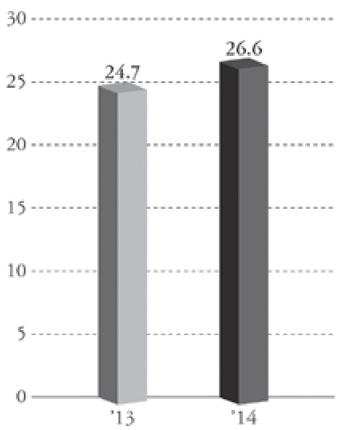
Total Assets
(Billions of yen)



Interest-Bearing Debt
(Billions of yen)



Net Cash Provided by Operating Activities
(Billions of yen)



Consolidated Balance Sheets

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	**2014**
ASSETS			
Current assets:			
Cash on hand and in banks (Notes 17 and 19)	**¥ 40,869**	¥ 43,274	**$ 397,094**
Notes and accounts receivable (Note 19)	**79,470**	74,397	**772,153**
Marketable securities (Notes 19 and 20)	**10,000**	5,134	**97,162**
Inventories (Note 5)	**143,636**	138,320	**1,395,608**
Deferred income taxes (Note 8)	**3,419**	1,577	**33,219**
Other current assets	**24,822**	15,779	**241,177**
Allowance for doubtful accounts	**(718)**	(680)	**(6,976)**
Total current assets	**301,500**	277,802	**2,929,459**
Investments and long-term receivables:			
Investments in securities (Notes 6, 13, 19 and 20)	**122,832**	116,185	**1,193,470**
Deferred income taxes (Note 8)	**2,847**	2,598	**27,662**
Asset for retirement benefits (Note 9)	**26,766**	-	**260,066**
Other (Note 6)	**20,356**	33,189	**197,784**
Allowance for doubtful accounts	**(682)**	(787)	**(6,626)**
Total investments and long-term receivables	**172,121**	151,185	**1,672,376**
Property, plant and equipment, at cost:			
Buildings and structures	**281,860**	279,626	**2,738,631**
Machinery, equipment and vessels	**973,819**	960,836	**9,461,902**
	1,255,679	1,240,463	**12,200,534**
Accumulated depreciation	**(1,077,739)**	(1,063,591)	**(10,471,618)**
	177,940	176,871	**1,728,915**
Land	**72,315**	73,114	**702,633**
Construction in progress	**7,770**	6,703	**75,495**
Total property, plant and equipment	**258,026**	256,689	**2,507,054**
Other assets	**9,969**	8,175	**96,861**
Deferred assets	**132**	397	**1,282**
Total assets	**¥ 741,750**	¥ 694,250	**$ 7,207,054**

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	**2014**
LIABILITIES			
Current liabilities:			
Notes and accounts payable (Note 19)	¥ **94,385**	¥ 81,234	$ **917,071**
Short-term loans (Notes 7 and 19)	**60,695**	67,706	**589,729**
Current portion of long-term debt (Notes 7 and 19)	**37,084**	49,038	**360,318**
Commercial paper (Note 19)	**-**	25,000	**-**
Provision for environmental remediation	**159**	67	**1,544**
Other current liabilities	**37,940**	36,056	**368,635**
Total current liabilities	**230,265**	259,103	**2,237,320**
Long-term liabilities:			
Long-term debt (Notes 7 and 19)	**225,735**	191,816	**2,193,305**
Deferred income taxes (Note 8)	**13,331**	11,407	**129,527**
Allowance for retirement benefits for directors and corporate auditors	**424**	397	**4,119**
Reserve for rebuilding furnaces	**13,722**	13,124	**133,326**
Provision for environmental remediation	**383**	393	**3,721**
Employees' retirement benefits (Note 9)	**-**	35,859	**-**
Liability for retirement benefits (Note 9)	**38,875**	-	**377,720**
Other liabilities	**3,053**	2,894	**29,663**
Total long-term liabilities	**295,526**	255,893	**2,871,414**
Total liabilities	**525,792**	514,997	**5,108,744**
NET ASSETS			
Shareholders' equity:			
Common stock, no par value at March 31, 2014 and 2013 Authorized: 430,000 thousand shares at March 31, 2014 and 2013 Issued: 109,843 thousand shares at March 31, 2014 and 2013 (Note 15)	**30,000**	30,000	**291,488**
Additional paid-in capital	**90,055**	90,055	**875,000**
Retained earnings	**66,242**	49,797	**643,626**
Treasury stock, at cost (Note 15)	**(8,741)**	(8,732)	**(84,930)**
Total shareholders' equity	**177,556**	161,120	**1,725,184**
Accumulated other comprehensive income:			
Unrealized gain or loss on available-for-sale securities	**15,384**	15,366	**149,475**
Deferred gain or loss on hedges	**(95)**	385	**(923)**
Adjustment on revaluation of land (Note 14)	**360**	360	**3,497**
Foreign currency translation adjustment	**7,279**	(5,305)	**70,724**
Retirement benefits asset and liability adjustments	**7,355**	-	**71,463**
Total accumulated other comprehensive income	**30,284**	10,805	**294,247**
Minority interests in consolidated subsidiaries	**8,117**	7,327	**78,867**
Total net assets	**215,958**	179,253	**2,098,309**
Total liabilities and net assets	¥ **741,750**	¥ 694,250	$ **7,207,054**

Consolidated Statements of Income

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	**2014**
Net sales	**¥ 576,447**	¥ 518,981	**$ 5,600,923**
Cost of sales (Note 5)	**513,866**	488,800	**4,992,868**
Gross profit	**62,581**	30,180	**608,054**
Selling, general and administrative expenses (Notes 11 and 12)	**46,024**	47,014	**447,182**
Operating income (loss)	**16,557**	(16,833)	**160,872**
Other income (expenses):			
Interest and dividend income	**5,280**	5,616	**51,301**
Interest expense	**(5,494)**	(5,740)	**(53,381)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**5,397**	3,362	**52,438**
Foreign exchange gain	**1,328**	1,756	**12,903**
Service cost of temporarily transferred employees	**(1,485)**	(1,587)	**(14,428)**
Other, net	**(1,861)**	(3,454)	**(18,082)**
Ordinary income (loss)	**19,722**	(16,878)	**191,624**
Special items:			
Gain on sale of properties	**4,322**	54	**41,993**
Gain on sale of investments in securities (Note 20)	**3,536**	-	**34,356**
Gain on negative goodwill	**-**	1,736	**-**
Special items, income and gain	**7,858**	1,791	**76,350**
Loss on sale and disposition of properties	**1,553**	701	**15,089**
Loss on devaluation of other investments	**271**	2,391	**2,633**
Loss from instability experienced at blast furnace	**1,646**	-	**15,993**
Loss on fire	**1,530**	-	**14,865**
Loss on devaluation of investments in securities	**-**	3,071	**-**
Retirement benefit expense	**-**	3,782	**-**
Expenses for integration	**-**	512	**-**
Other	**-**	127	**-**
Special items, expense and loss	**5,003**	10,586	**48,610**
Income (loss) before provision for income taxes	**22,577**	(25,674)	**219,364**
Provision for income taxes (Note 8):			
Current	**4,066**	1,964	**39,506**
Deferred	**(405)**	8,364	**(3,935)**
Total provision for income taxes	**3,661**	10,328	**35,571**
Income (loss) before minority interests	**18,916**	(36,003)	**183,793**
Minority interests in earnings of consolidated subsidiaries	**1,156**	1,395	**11,232**
Net income (loss)	**¥ 17,759**	¥ (37,398)	**$ 172,551**

	Yen		U.S. dollars (Note 4)
Net income (loss) per share	**¥ 177.72**	¥ (393.32)	**$ 1.72**
Cash dividends per share	**15.00**	5.00	**0.14**
Weighted average number of shares issued and outstanding (thousands)	**99,932**	95,084	

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	**2014**
Income (loss) before minority interests	¥ **18,916**	¥ (36,003)	$ **183,793**
Other comprehensive income (Note 18) :			
Unrealized gain or loss on available-for-sale securities	**(76)**	8,672	**(738)**
Deferred gain or loss on hedges	**(734)**	235	**(7,131)**
Foreign currency translation adjustment	**4,262**	2,236	**41,410**
Share of other comprehensive income of companies accounted for by the equity method	**9,154**	5,072	**88,942**
Other, net	**133**	(41)	**1,292**
Total other comprehensive income	**12,739**	16,175	**123,775**
Comprehensive income (loss)	¥ **31,655**	¥ (19,827)	$ **307,568**
Total comprehensive income (loss) attributable to :			
Shareholders of the Parent Company	¥ **30,015**	¥ (21,547)	$ **291,634**
Minority interests	**1,640**	1,719	**15,934**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

Years ended March 31, 2014 and 2013

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2012	¥ 79,913	¥ 49,893	¥ 88,577	¥ (26,444)	¥ 191,939
Changes of items during the year					
Cash dividends	–	–	(1,358)	–	(1,358)
Net loss	–	–	(37,398)	–	(37,398)
Acquisition of treasury stock	–	–	–	(4)	(4)
(Decrease) increase by share transfer	(49,913)	40,162	–	17,716	7,965
Other, net	–	–	(22)	–	(22)
Items other than changes in shareholders' equity	–	–	–	–	–
Total changes of items during the year	(49,913)	40,162	(38,779)	17,711	(30,818)
Balance at April 1, 2013	**¥ 30,000**	**¥ 90,055**	**¥ 49,797**	**¥ (8,732)**	**¥ 161,120**
Changes of items during the year					
Cash dividends	**–**	**–**	**(500)**	**–**	**(500)**
Net income	**–**	**–**	**17,759**	**–**	**17,759**
Acquisition of treasury stock	**–**	**–**	**–**	**(8)**	**(8)**
Other, net	**–**	**–**	**(814)**	**–**	**(814)**
Items other than changes in shareholders' equity	**–**	**–**	**–**	**–**	**–**
Total changes of items during the year	**–**	**–**	**16,444**	**(8)**	**16,436**
Balance at March 31, 2014	**¥ 30,000**	**¥ 90,055**	**¥ 66,242**	**¥ (8,741)**	**¥ 177,556**

	Millions of yen							
	Accumulated other comprehensive income							
	Unrealized gain or loss on available-for-sale securities	Deferred gain or loss on hedges	Adjustment on revaluation of land	Foreign currency translation adjustment	Retirement benefits asset and liability adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2012	¥ 6,718	¥ 319	¥ 360	¥ (12,485)	¥ –	¥ (5,087)	¥ 6,633	¥193,485
Changes of items during the year								
Cash dividends	–	–	–	–	–	–	–	(1,358)
Net loss	–	–	–	–	–	–	–	(37,398)
Acquisition of treasury stock	–	–	–	–	–	–	–	(4)
(Decrease) increase by share transfer	–	–	–	–	–	–	–	7,965
Other, net	–	–	–	–	–	–	–	(22)
Items other than changes in shareholders' equity	8,648	65	–	7,179	–	15,893	693	16,587
Total changes of items during the year	8,648	65	–	7,179	–	15,893	693	(14,231)
Balance at April 1, 2013	**¥ 15,366**	**¥ 385**	**¥ 360**	**¥ (5,305)**	**¥ –**	**¥ 10,805**	**¥ 7,327**	**¥179,253**
Changes of items during the year								
Cash dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(500)**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,759**
Acquisition of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**
Other, net	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(814)**
Items other than changes in shareholders' equity	**17**	**(480)**	**–**	**12,585**	**7,355**	**19,478**	**789**	**20,268**
Total changes of items during the year	**17**	**(480)**	**–**	**12,585**	**7,355**	**19,478**	**789**	**36,704**
Balance at March 31, 2014	**¥ 15,384**	**¥ (95)**	**¥ 360**	**¥ 7,279**	**¥ 7,355**	**¥ 30,284**	**¥ 8,117**	**¥215,958**

	Thousands of U.S. dollars (Note 4)				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2013	**$ 291,488**	**$ 875,000**	**$ 483,841**	**$ (84,842)**	**$ 1,565,487**
Changes of items during the year					
Cash dividends	–	–	**(4,858)**	–	**(4,858)**
Net income	–	–	**172,551**	–	**172,551**
Acquisition of treasury stock	–	–	–	**(77)**	**(77)**
Other, net	–	–	**(7,909)**	–	**(7,909)**
Items other than changes in shareholders' equity	–	–	–	–	–
Total changes of items during the year	–	–	**159,774**	**(77)**	**159,696**
Balance at March 31, 2014	**$ 291,488**	**$ 875,000**	**$ 643,626**	**$ (84,930)**	**$ 1,725,184**

	Thousands of U.S. dollars (Note 4)							
	Accumulated other comprehensive income							
	Unrealized gain or loss on available-for-sale securities	Deferred gain or loss on hedges	Adjustment on revaluation of land	Foreign currency translation adjustment	Retirement benefits asset and liability adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2013	**$149,300**	**$ 3,740**	**$ 3,497**	**$ (51,544)**	**$ –**	**$104,984**	**$ 71,191**	**$1,741,673**
Changes of items during the year								
Cash dividends	–	–	–	–	–	–	–	**(4,858)**
Net income	–	–	–	–	–	–	–	**172,551**
Acquisition of treasury stock	–	–	–	–	–	–	–	**(77)**
Other, net	–	–	–	–	–	–	–	**(7,909)**
Items other than changes in shareholders' equity	**165**	**(4,663)**	–	**122,279**	**71,463**	**189,253**	**7,666**	**196,929**
Total changes of items during the year	**165**	**(4,663)**	–	**122,279**	**71,463**	**189,253**	**7,666**	**356,626**
Balance at March 31, 2014	**$149,475**	**$ (923)**	**$ 3,497**	**$ 70,724**	**$ 71,463**	**$294,247**	**$ 78,867**	**$2,098,309**

Consolidated Statements of Cash Flows

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	**2014**
Cash flows from operating activities:			
Income (loss) before provision for income taxes	**¥ 22,577**	¥ (25,674)	**$ 219,364**
Depreciation and amortization	**22,193**	30,921	**215,633**
Decrease in employees' retirement benefits account	**-**	(1,213)	**-**
Increase in liability for retirement benefits	**1,473**	-	**14,312**
Decrease in prepaid pension cost	**-**	3,350	**-**
Increase in asset for retirement benefits	**(1,809)**	-	**(17,576)**
Increase in reserve for rebuilding furnaces	**598**	422	**5,810**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(5,397)**	(3,362)	**(52,438)**
Interest and dividend income	**(5,280)**	(5,616)	**(51,301)**
Interest expense	**5,494**	5,740	**53,381**
(Gain) loss on sale and disposition of properties	**(2,768)**	646	**(26,894)**
(Increase) decrease in notes and accounts receivable	**(4,599)**	12,737	**(44,685)**
(Increase) decrease in inventories	**(4,853)**	13,847	**(47,153)**
Increase (decrease) in notes and accounts payable	**13,546**	(10,455)	**131,616**
Other, net	**(12,879)**	4,153	**(125,136)**
	28,294	25,497	**274,912**
Receipt of interest and cash dividends	**5,537**	6,823	**53,799**
Payment of interest	**(5,579)**	(5,753)	**(54,207)**
Payment of income taxes	**(1,584)**	(1,853)	**(15,390)**
Net cash provided by operating activities	**26,668**	24,714	**259,113**
Cash flows from investing activities:			
Acquisition of investments in securities	**(41)**	(47)	**(398)**
Proceeds from sale of investments in securities	**9,332**	1,356	**90,672**
Acquisition of shares of subsidiaries	**(24)**	(354)	**(233)**
Proceeds from sale of shares of subsidiaries and affiliates	**186**	5,134	**1,807**
Acquisition of property, plant and equipment	**(22,356)**	(22,644)	**(217,217)**
Proceeds from sale of property, plant and equipment	**5,408**	1,005	**52,545**
Other, net	**(11,757)**	(9,338)	**(114,234)**
Net cash used in investing activities	**(19,252)**	(24,889)	**(187,057)**
Cash flows from financing activities:			
Decrease in short-term loans, net	**(7,029)**	(2,192)	**(68,295)**
(Decrease) increase in commercial paper, net	**(25,000)**	15,000	**(242,907)**
Proceeds from long-term debt	**70,988**	66,600	**689,739**
Repayment and redemption of long-term debt	**(49,059)**	(56,831)	**(476,671)**
Acquisition of treasury stock	**(8)**	(4)	**(77)**
Cash dividends	**(508)**	(1,361)	**(4,935)**
Other, net	**(992)**	(1,096)	**(9,638)**
Net cash (used in) provided by financing activities	**(11,609)**	20,112	**(112,796)**
Foreign currency translation adjustment of cash and cash equivalents	**1,618**	1,560	**15,720**
Net (decrease) increase in cash and cash equivalents	**(2,575)**	21,497	**(25,019)**
Cash and cash equivalents at beginning of year	**43,269**	18,235	**420,413**
Net increase in cash and cash equivalents from newly consolidated subsidiaries	**-**	1,354	**-**
Net increase in cash and cash equivalents due to share transfer	**-**	2,182	**-**
Cash and cash equivalents at end of year (Note 17)	**¥ 40,694**	¥ 43,269	**$ 395,394**

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2014 and 2013

1. Basis of Presenting the Financial Statements

Nisshin Steel Holdings Co., Ltd. (hereinafter, the “Company”) was established as a holding company on October 1, 2012 by means of joint share transfer, with Nisshin Steel Co., Ltd. (hereinafter Nisshin Steel) and Nippon Metal Industry Co., Ltd. (hereinafter Nippon Metal Industry) as its wholly owned subsidiaries. Effective April 1, 2014, the Company merged with Nisshin Steel and Nippon Metal Industry, both wholly owned by the Company.

In addition, the Company changed its trade name from “Nisshin Steel Holdings Co., Ltd.” to “Nisshin Steel Co., Ltd.”

The accompanying consolidated financial statements have been prepared from the accounts maintained by the Company and its subsidiaries in conformity with accounting principles generally accepted in Japan, which are different in certain respects in so far as the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 15 consolidated subsidiaries, listed below (together, the “Companies”):

Nisshin Steel Co., Ltd
Nippon Metal Industry Co., Ltd
Nisshin A&C Co., Ltd.
Nisshin Kokan Co., Ltd.
Shinwa Kigyo Co., Ltd.
Tsukiboshi Logistics Co., Ltd.
Nikkinko Trading Co., Ltd
Nisshin Koki Co., Ltd.
Tsukiboshi Shoji Co., Ltd.
Nisshin Holding, Inc.
Nisshin Steel USA, LLC
Wheeling-Nisshin, Inc.
Nisshin Automotive Tubing LLC
Nisshin France S.A.
NSA Metals Proprietary Limited

The fiscal year periods and the closing dates thereof for the financial statements of consolidated subsidiaries are in agreement with those of the Company, except for the six foreign consolidated subsidiaries: Nisshin Holding, Nisshin Steel USA, Wheeling-Nisshin, Nisshin Automotive Tubing, Nisshin France and NSA Metals (with fiscal years ending on December 31). In consolidating these foreign subsidiaries, the Company makes adjustments for any material transactions subsequent to December 31.

Regarding the elimination of investments in the stock of consolidated subsidiaries, together with the underlying equity in the net assets of such subsidiaries, the Company follows the step-by-step acquisition approach to include equity in the net income (loss) of subsidiaries, subsequent to the date of acquisition, in the Consolidated Statements of Income and the Consolidated Statements of Changes in Net Assets.

Valuation of the assets and liabilities of consolidated subsidiaries is made at their fair values in proportion to the parent company’s equity in the subsidiaries upon each acquisition.

The difference between the cost of an investment in a subsidiary and the amount of underlying equity in the net assets of the subsidiary is deferred as an asset or a liability as the case may be and amortized over a period of five years on a straight-line basis.

Investments in unconsolidated subsidiaries and affiliates are accounted for using the equity method, except for those valued at cost due to the lack of materiality.

The number of unconsolidated subsidiaries accounted for using the equity method was 12 at March 31, 2014 and included:

Tsukiboshi Art Co., Ltd.
Osaka Stainless Center Co., Ltd.

The number of affiliates accounted for using the equity method was 17 at March 31, 2014 and included:

Nihon Teppan Co., Ltd.
Sanko Metal Industrial Co., Ltd.
Canox Corporation
Ningbo Baoxin Stainless Steel Co., Ltd.
Acerinox, S.A.

An affiliate was excluded from the scope of the equity method due to the sales of its shares in the year ended March 31, 2014.

Foreign Currency Translation

Foreign currency transactions are generally translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheets dates.

The assets and liabilities of overseas subsidiaries are translated into yen at the foreign exchange rates prevailing at the respective balance sheets dates, whereas net assets are translated at historical rates.

Investments in Securities

Investments in securities are classified into four categories:

(1) Trading securities are valued at their fair values on the balance sheets date, and any unrealized gain or loss is charged to income. The Companies had no trading securities at March 31, 2014.
(2) Held-to-maturity securities are stated at cost after the amortization of premiums or discounts on acquisition, which are amortized over the period to maturity. The Companies had no held-to-maturity securities at March 31, 2014.
(3) Investments in unconsolidated subsidiaries and major affiliates are accounted for using the equity method, except for those valued at cost due to their lack of materiality.
(4) Available-for-sale securities are valued at their fair values except for those valued at cost due to a lack of fair value information. Applicable unrealized net-of-tax gains and losses are included in accumulated other comprehensive income.

Inventory Valuation

Inventories are valued at cost mainly using the weighted average method (the amounts on the Consolidated Balance Sheets reflect the decrease in their value due to their decrease in profitability, if any), except for supplies which are valued at the moving-average cost (the amounts on the Consolidated Balance Sheets reflect the decrease in their value due to their decrease in profitability, if any).

Property, Plant and Equipment

Depreciation is computed using the straight-line method.

The cost of maintenance, repairs and minor renewals is charged to operating income as incurred. Major renewals and improvements are capitalized. The cost of property, plant and equipment retired or otherwise disposed of and the corresponding accumulated depreciation are eliminated from the related accounts, and the resulting profit or loss is reflected in income.

Leased Assets

Finance leases which do not involve the transfer of ownership rights are depreciated with the straight-line method, adopting the lease period as the useful life and assuming a residual value of zero.

Other Assets

Amortization of intangible assets including software is computed using the straight-line method. Software is amortized over the internally estimated useful life, i.e., five years.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is evaluated based on the actual bad debt rate in the past. For doubtful receivables, etc., the likelihood of collection is evaluated in accounting for the allowance.

Employees' Retirement Benefits

The retirement benefit obligation for employees is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Actuarial gain or loss is recognized in expenses using the straight-line method over mainly 18 years. Prior service cost is recognized in expenses using the straight-line method over mainly 14 years.

Allowance for Retirement Benefits for Directors and Corporate Auditors

The allowance for retirement benefits for directors and corporate auditors is calculated based on internal rules.

Nisshin Steel decided to abolish the lump-sum severance benefit payments for directors and corporate auditors at the Annual Shareholders' Meeting held on June 26, 2003. The Company posted the amount for payments of the lump-sum severance benefit payments for their duties performed until June 26, 2003.

Reserve for Rebuilding Furnaces

Blast furnaces, including related machines, periodically require substantial component replacements and repairs. Such work occurs normally every 10 years after blast furnaces are put into operation. The estimated future costs of such work are provided for and charged to income on a straight-line basis over the periods to the date of the anticipated replacements and repairs. The difference between such estimated costs and the actual costs is charged or credited to income at the time the work takes place. In estimating such future costs for a specific furnace, the general price level increase and other economic factors are taken into consideration.

Provision for Environmental Remediation

The provision for environmental remediation is estimated and recorded to provide for future potential costs, such as waste management costs for stored PCB (polychlorinated biphenyl).

Deferred Assets

Significant bond issue costs, except for those that are not material, are deferred and amortized over a reasonable period of time through bond redemption.

Sales Recognition

Sales of finished goods are generally recognized when goods are shipped to the customers.

Loss from instability experienced at blast furnace

An extraordinary loss has been recognized for restoration cost from the operation trouble regarding to instability experienced at the Kure Works blast furnace of the Company's subsidiary, Nisshin Steel.

Loss on fire

An extraordinary loss has been recognized for restoration cost from the fire incident at the Sakai Works cold-rolling mill of the Company's subsidiary, Nisshin Steel.

Income Taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

Consumption Tax

In Japan, consumption tax was imposed on domestic consumption of goods and services at the rate of 5% until March 31, 2014. The consumption tax imposed on the Companies' sales to customers is withheld by the Companies at the time of sale and paid to the national government. The consumption tax withheld upon sale is not included in the amount of "Net sales" in the accompanying Consolidated Statements of Income but is recorded as a liability. The balances of consumption tax withheld and consumption tax paid (an asset item), which are paid by the Companies on the purchase of products, merchandise and services from vendors, are offset, and the net balance is included in "Other current liabilities" in the Consolidated Balance Sheets.

Cash and Cash Equivalents

Cash and cash equivalents included in the Consolidated Statements of Cash Flows comprise cash on hand and in banks, deposits that can be withdrawn upon demand and easily cashable short-term investments with a three-month or shorter redemption term that carry a negligible risk of fluctuation in value.

Net Income and Cash Dividends per Share

The computation of net income per share is based on the weighted average number of common shares issued and outstanding during each year. Cash dividends per share shown for each year in the accompanying Consolidated Statements of Income are based on cash dividends applicable to the net income of each year.

Standards Issued but not yet Effective

(Accounting Standards for Retirement Benefits)

On May 17, 2012, the Accounting Standard Board of Japan ("ASBJ") issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

(1) Overview

Under the revised Accounting Standard, unrecognized actuarial gain and loss and unrecognized prior service cost are recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus is recognized as a liability or asset without any adjustments. With regard to the method for attribution of expected retirement benefits to period, the benefit formula basis becomes applicable besides the straight-line basis. Furthermore, the method to determine the discount rate has been also revised.

(2) Scheduled date of adoption

The revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the year ending March 31, 2015. As tentative treatments are specified in the Accounting Standard and related Guidance, the revision will not be retrospectively applied to the consolidated financial statements of prior periods.

(3) Impact of adopting revised accounting standards and guidance

The impact is being evaluated at the time of preparation of these consolidated financial statements.

3. Accounting Changes

(Accounting Changes)

The Company adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) at the end of the fiscal year ended March 31, 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits.

Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits asset and liability adjustments through accumulated other comprehensive income.

As a result of this change, retirement benefit liability and retirement benefit assets were recognized in the amount of ¥38,875 million (US$377,720 thousand) and ¥26,766 million (US$260,066 thousand), respectively, and accumulated other comprehensive income decreased by ¥7,355 million (US$71,463 thousand) at March 31, 2014. In addition, net assets per share decreased by ¥73.90 (US$0.71).

(Changes in accounting policies that are impossible to distinguish from changes in accounting estimates)

The Company's domestic consolidated subsidiaries (except for some subsidiaries) changed depreciation method of property, plant and equipment (excluding buildings) from the declining-balance method to the straight-line method from the year ended March 31, 2014.

Under the "24th Medium-Term Consolidated Management Plan" (FY2014-FY2017), domestic sales and production are to be focused on core products that a steady demand is expected for. Accordingly, capital investments are to be made carefully selected for quality improvement and cost reduction to enable a stable production capacity. The Group's facilities are, therefore, expected to operate more evenly and stably on a long-term basis. Based on these changes, the Group decided to change the depreciation method for property, plant and equipment (excluding buildings) to the straight-line method to allocate the depreciation expenses more appropriately.

This change decreased depreciation expenses by ¥7,222 million (US$70,171 thousand) and increased operating income, ordinary income and income before provision for income taxes by ¥6,039 million (US$58,676 thousand) for the year ended March 31, 2014, relative to what they would have been had the previous method been used.

(Changes in Presentation)

Consolidated Balance Sheets

"Provision for loss on disaster," that was separately presented under "Current liabilities" in the fiscal year ended March 31, 2013, is included in "Other current liabilities" under "Current liabilities" in the fiscal year ended March 31, 2014 due to its decreased financial materiality. To reflect this change in presentation, corresponding reclassifications have been made to the consolidated financial statements ended March 31, 2013.

This change resulted in a reclassification of "Provision for loss on disaster" of ¥140 million to "Other current liabilities" under "Current liabilities" for the year ended March 31, 2013.

Consolidated Statements of Income

"Retirement benefits expense" that was separately presented under "Other expenses" in the fiscal year ended March 31, 2013, is included in "Other, net" under "Other expenses" in the fiscal year ended March 31, 2014 due to its decreased financial materiality. To reflect this change in presentation, corresponding reclassifications have been made to the consolidated financial statements ended March 31, 2013.

This change resulted in a reclassification of "Retirement benefits expense" of ¥1,743 million (US$16,935 thousand) to "Other, net" under "Other expenses".

4. U.S. Dollar Amounts

U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars on the basis of ¥102.92 = US$1, the effective rate of exchange at March 31, 2014. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that the yen amounts have been or could be readily converted, realized or settled in dollars at ¥102.92 = US$1 or at any other rate.

5. Inventories

Details of "Inventories" in the Consolidated Balance Sheets at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Finished goods	**¥ 61,448**	¥ 57,621	**$ 597,046**
Work in process	**35,042**	31,213	**340,478**
Raw materials and other supplies	**47,146**	49,485	**458,083**
Total	**¥ 143,636**	¥ 138,320	**$ 1,395,608**

The amounts of inventories on the Consolidated Balance Sheets at March 31, 2014 and 2013 reflect the decrease in their value due to their decrease in profitability (after setting off the reversal amount of reducing the book value at the end of the previous consolidated fiscal year). "Cost of sales" in the Consolidated Statements of Income for the year ended March 31, 2014 and 2013 include ¥3,839 million (US$37,300 thousand) and ¥327million of such unrealized net gain of inventories, respectively.

6. Investments in Unconsolidated Subsidiaries and Affiliates

"Investments in securities" in the Consolidated Balance Sheets at March 31, 2014 and 2013 include investments in unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Stocks of unconsolidated subsidiaries and affiliates	**¥ 55,094**	¥ 45,653	**$ 535,308**

"Other" in "Investments and long-term receivables" in the Consolidated Balance Sheets at March 31, 2014 and 2013 include investments in unconsolidated subsidiaries and affiliates as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Equity in unconsolidated subsidiaries and affiliates	**¥ 14,040**	¥ 9,622	**$ 136,416**

7. Short-term Loans and Long-term Debt

Short-term loans at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Bank loans	**¥ 60,695**	¥ 67,706	**$ 589,729**

It is a normal business custom in Japan for short-term loans to be rolled over.

Long-term debt at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Loans from banks and other financial institutions	**¥ 142,819**	¥ 130,854	**$ 1,387,670**
18th 1.66% unsecured bond of the Company due May. 2013	–	10,000	–
19th 2.20% unsecured bond of the Company due Jun. 2018	**10,000**	10,000	**97,162**
20th 1.64% unsecured bond of the Company due May. 2014	**20,000**	20,000	**194,325**
1st series unsecured, interest deferrable and early redeemable subordinated bonds solely for qualified institutional investors*1	**50,000**	50,000	**485,814**
21st 0.62% unsecured bond of the Company due Jun. 2017	**20,000**	20,000	**194,325**
22nd 0.33% unsecured bond of the Company due Mar. 2017	**10,000**	–	**97,162**
23rd 0.64% unsecured bond of the Company due Mar. 2019	**10,000**	–	**97,162**
Total long-term debt	**262,819**	240,854	**2,553,624**
"Current portion of long-term debt" in the Consolidated Balance Sheets	**(37,084)**	(49,038)	**(360,318)**
"Long-term debt" in the Consolidated Balance Sheets*2	**¥ 225,735**	¥ 191,816	**$ 2,193,305**

*1. (1) From the day after October 9, 2009 – October 31, 2014: Annual rate 4.612 % (fixed rate)

(2) From the day after October 31, 2014: 6-Month Yen London Interbank Offered Rate + 4.75% (floating rate)

*2. The following is the financial covenants in the syndicated loan contract that the Company's consolidated subsidiary, or Nisshin Steel Co., Ltd. agreed with a group of financial institutes (signed on September 28, 2012, ¥25,000 million included in long-term debt).

(Financial Covenants)

(1) The amount of shareholders' equity in the Consolidated Balance Sheets at March 31, 2013, at the end of the following fiscal years, and at the end of the following second quarters shall be maintained at least 75% of the amount at the end of the latest fiscal year or of the latest second quarter. Note that the above shareholders' equity includes a portion judged as equity credit attributes by the Japan Credit Rating Agency of the 1st series unsecured, interest deferrable and early redeemable subordinated bonds solely for qualified institutional investors.

(2) "Ordinary income" in the Consolidated Statements of Income for the fiscal year ended March 31, 2013 and for the following fiscal years shall not record loss for two consecutive years.

At March 31, 2014, Nisshin Steel Co., Ltd had not breached the financial covenants.

8. Income Taxes

The "Act for Partial Amendment of the Income Tax Act, etc" (Act No.10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconciliation Corporate Tax effective for fiscal years beginning on or after April 1, 2014.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 37.8% to 35.5% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014. This tax rate change has an immaterial impact on the consolidated financial statements.

Components of the Companies' deferred income tax assets and liabilities at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred income tax assets:			
Tax loss carry forwards	**¥ 47,053**	¥ 49,230	**$ 457,180**
Non-deductible portion of employees' retirement benefits	**–**	8,502	**–**
Retirement benefit liability	**8,523**	–	**82,811**
Non-deductible portion of reserve for rebuilding furnaces	**4,373**	3,911	**42,489**
Loss on impairment of fixed assets	**2,977**	3,219	**28,925**
Loss on devaluation of investments in securities	**2,699**	3,193	**26,224**
Other	**10,035**	8,898	**97,502**
Preliminary deferred income tax assets	**75,663**	76,954	**735,163**
Valuation allowance	**(68,198)**	(70,728)	**(662,631)**
Total deferred income tax assets	**7,464**	6,226	**72,522**
Deferred income tax liabilities:			
Unrealized gain or loss on available-for-sale securities	**7,170**	6,199	**69,665**
Reserve for postponement of taxation on capital gains from property	**1,979**	1,822	**19,228**
Other	**5,379**	5,435	**52,263**
Total deferred income tax liabilities	**14,529**	13,458	**141,167**
Net deferred income tax liabilities	**¥ 7,064**	¥ 7,231	**$ 68,635**

The reconciliation of the statutory tax rate to the income tax rate reflected in the Consolidated Statements of Income for the year ended March 31, 2014 is as follows.

	2014
Statutory tax rate	**37.8%**
Reconciliation:	
Valuation allowance	**(11.2)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(9.0)**
Other	**(1.4)**
Effective rate of income tax expense	**16.2%**

The reconciliation of the statutory tax rate to the income tax rate reflected in the Consolidated Statements of Income for the year ended March 31, 2013 is omitted because the Company recorded a net loss.

9. Employees' Retirement Benefits

(Year ended March 31, 2014)

(Defined benefit plan)

The Company and most of its domestic consolidated subsidiaries have defined benefit plans, i.e., lump-sum severance benefit payments and defined benefit pension plans.

The changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows.

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Retirement benefit obligation at April 1, 2013	**¥ 86,904**	**$ 844,383**
Service cost	**2,777**	**26,982**
Interest cost	**1,716**	**16,673**
Actuarial loss	**(698)**	**(6,781)**
Retirement benefit paid	**(4,894)**	**(47,551)**
Contribution by the companies	**(2)**	**(19)**
Retirement benefit obligation at March 31, 2014	**¥ 85,804**	**$ 833,696**

The changes in plan assets during the year ended March 31, 2014 are as follows.

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Plan assets at April 1, 2013	**¥ 65,395**	**$ 635,396**
Expected return on plan assets	**1,300**	**12,631**
Actuarial gain	**8,348**	**81,111**
Contribution by the Companies	**2,476**	**24,057**
Retirement benefit paid	**(3,825)**	**(37,164)**
Plan assets at March 31, 2014	**¥ 73,695**	**$ 716,041**

The funded status of the plans and the amounts recognized in the consolidated balance sheet at March 31, 2014 for the Company's and the consolidated subsidiaries' defined benefit plans are as follows.

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Funded retirement benefit obligation	**¥ 50,066**	**$ 486,455**
Plan assets at fair value	**(73,695)**	**(716,041)**
	(23,628)	**(229,576)**
Unfunded retirement benefit obligation	**35,737**	**347,230**
Net balance of liability and asset recognized on the Consolidated Balance Sheets	**12,109**	**117,654**
Retirement benefit liability	**38,875**	**377,720**
Asset for retirement benefits	**(26,766)**	**(260,066)**
Net balance of liability and asset recognized on the Consolidated Balance Sheets	**¥ 12,109**	**$ 117,654**

The components of retirement benefit expense for the year ended March 31, 2014 are as follows.

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Service cost	**¥ 2,557**	**$ 24,844**
Interest cost	**1,716**	**16,673**
Expected return on plan assets	**(1,300)**	**(12,631)**
Amortization of actuarial loss	**2,070**	**20,112**
Amortization of prior service cost	**(1,140)**	**(11,076)**
Retirement benefit expense	**¥ 3,905**	**$ 37,942**

Note: Retirement benefit expense for consolidated subsidiaries adopting the simplified method are included in "Service cost".

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) at March 31, 2014 are as follows.

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Unrecognized prior service cost	**¥ 4,458**	**$ 43,315**
Unrecognized actuarial loss	**2,674**	**25,981**
Total	**¥ 7,132**	**$ 69,296**

The fair value of plan assets by major category as a percentage of total plan assets at March 31, 2014 are as follows:

	Millions of yen
	2014
Stocks	**68%**
Bonds	**28**
Cash on hand and in banks	**1**
Other	**3**
Total	**100%**

Assumptions used in the calculation of the above information are as follows:

	2014
Discount rate:	**2.0%**
Expected rate of return on plan assets:	**2.0%**

(Defined Contribution plan)

The required contribution of the consolidated subsidiaries of the Company amounts to ¥98 million (US$952 thousand) for the year ended March 31, 2014.

(Year ended March 31, 2013)

Analysis of the reserve account for "Employees' retirement benefits" at March 31, 2013 is as follows:

	Millions of yen
	2013
Projected benefit obligations	¥ 86,904
Plan assets	(65,395)
Funded status	21,508
Unrecognized actuarial differences	(7,409)
Unrecognized prior-service costs	5,478
Total employees' retirement benefits	19,578
Prepaid pension cost	16,281
"Employees' retirement benefits" in the Consolidated Balance Sheets	¥ 35,859

Components of retirement benefit expense for the year ended March 31, 2013 are as follows:

	Millions of yen
	2013
Service costs	¥ 2,392
Interest cost	2,205
Expected return on plan assets	(1,527)
Amortization of unrecognized actuarial differences	3,147
Amortization of unrecognized prior-service costs	(1,281)
Other	3,782
Retirement benefit expense	¥ 8,719

Assumptions made in the calculation of the above information are as follows:

	2013
Discount rate:	2.0%
Expected rate of return on plan assets:	2.0%
Method of attributing the projected benefits to periods of services:	Straight-line basis
Amortization of unrecognized actuarial differences:	Primarily 17 years
Amortization of unrecognized prior-service costs:	Primarily 14 years

10. Contingent Liabilities

Contingent liabilities at March 31, 2014 and 2013 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Guarantee of bank loans for employees	¥ **596**	¥ 789	$ **5,790**
Guarantee of loans for others in the ordinary course of business	**8,338**	8,531	**81,014**
The Companies issued letters of guarantee for the future for others in the ordinary course of business	**19**	18	**184**
Notes discounted	**688**	2,244	**6,684**

11. Research and Development Expenses

Research and development expenses for the years ended March 31, 2014 and 2013 totaled ¥3,665 million (US$35,610 thousand) and ¥4,472 million, respectively. They were included in manufacturing cost, selling, general and administrative expenses.

12. Selling, General and Administrative Expenses

Principal selling, general and administrative expenses for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Freight out	**¥ 17,239**	¥ 16,259	**$ 167,499**
Salaries, bonuses and allowances	**10,168**	9,450	**98,795**
Research and development expenses	**3,639**	4,444	**35,357**
Retirement benefit expense	**796**	1,076	**7,734**

13. Mortgaged Properties

Breakdown of properties pledged as collateral at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Properties pledged as collateral:			
Investments in securities	**¥ 16**	¥ 16	**$ 155**
Total	**¥ 16**	¥ 16	**$ 155**

14. Adjustment on Revaluation of Land

At March 31, 2002, some of the affiliates accounted for using the equity method revalued land in accordance with the Law concerning Revaluation of Land. The Company's share of a net-of-tax unrealized gain at March 31, 2014 has been recorded as a separate component of accumulated other comprehensive income.

15. Net Assets

Number and types of stock at March 31, 2014 and 2013 are as follows:

	Thousands of shares	
	Number of common stocks, issued	Number of treasury stocks
March 31, 2013	**109,843**	**9,903**
Increase during the year	–	**11**
Decrease during the year	–	**0**
March 31, 2014	**109,843**	**9,915**

Increase in the number of treasury stocks consists of eight thousand shares due to purchase of shares of less than one unit and three thousand shares due to change of the ownership ratio for an affiliate accounted for using the equity method.
Decrease in the number of treasury stocks consists of less than one thousand shares due to sales of the shares less than standard unit by the Company upon requests by its shareholders.

16. Cash Dividends

Cash dividends declared are as follows:

Cash dividends payment in the year ending March 31, 2015

		Amount of cash dividends paid	Cash dividends per share	Record date	Effective date
May 19, 2014	Board of Directors' Meeting	**¥1,501 million** **US$14,584 thousand**	**¥15.0** **US$0.14**	Mar. 31, 2014	Jun. 9, 2014

Cash dividends payment in the year ended March 31, 2014

		Amount of cash dividends paid	Cash dividends per share	Record date	Effective date
May 20, 2013	Board of Directors' Meeting	¥549 million	¥5.0	Mar. 31, 2013	Jun. 10, 2013

17. Supplementary Cash Flow Information

The reconciliation of "Cash on hand and in banks" in the Consolidated Balance Sheets at March 31, 2014 and 2013 to "Cash and cash equivalents at end of year" in the Consolidated Statements of Cash Flows for the years then ended are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash on hand and in banks	¥ **40,869**	¥ 43,274	$ **397,094**
Time deposits and short-term investments with deposit terms or maturity periods exceeding three months	**(5)**	(5)	**(48)**
Other	**(170)**	–	**(1,651)**
Cash and cash equivalents at end of year	¥ **40,694**	¥ 43,269	$ **395,394**

18. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Unrealized gain or loss on available-for-sale securities:			
Amount arising during the year	¥ **4,548**	¥ 7,802	$ **44,189**
Reclassification adjustments for gains and losses included in net income	**(3,536)**	2,523	**(34,356)**
Amount before tax effect	**1,011**	10,326	**9,823**
Tax effect	**(1,087)**	(1,653)	**(10,561)**
Unrealized gain or loss on available-for-sale securities	**(76)**	8,672	**(738)**
Deferred gain or loss on hedges:			
Amount arising during the year	**2,135**	(1,050)	**20,744**
Reclassification adjustments for gains and losses included in net income	**(37)**	3,497	**(359)**
Acquisition adjustment	**(3,288)**	(2,069)	**(31,947)**
Amount before tax effect	**(1,190)**	378	**(11,562)**
Tax effect	**456**	(142)	**4,430**
Deferred gain or loss on hedges	**(734)**	235	**(7,131)**
Foreign currency translation adjustment:			
Amount arising during the year	**4,262**	2,236	**41,410**
Reclassification adjustments for gains and losses included in net income	**–**	–	**–**
Amount before tax effect	**4,262**	2,236	**41,410**
Tax effect	**–**	–	**–**
Foreign currency translation adjustment	**4,262**	2,236	**41,410**
Share of other comprehensive income of companies accounted for with the equity method:			
Amount arising during the year	**8,838**	4,647	**85,872**
Reclassification adjustments for gains and losses included in net income	**316**	425	**3,070**
Share of other comprehensive income of companies accounted for with the equity method	**9,154**	5,072	**88,942**
Other, net:			
Amount arising during the year	**208**	(68)	**2,020**
Reclassification adjustments for gains and losses included in net income	**2**	2	**19**
Amount before tax effect	**210**	(66)	**2040**
Tax effect	**(77)**	24	**(748)**
Other, net	**133**	(41)	**1,292**
Total other comprehensive income	¥ **12,739**	¥ 16,175	$ **123,775**

19. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The Companies' cash is put mainly into short-term deposits, and temporary surplus is invested in highly secure financial assets.

The Company obtains funds, which are deemed necessary according to its loan and investment plan, mainly from bank loans and bond issues. It also obtains short-term operating funds from bank loans and commercial paper. A group cash management system has been implemented among the Company and major subsidiaries, which enables lending and borrowing of funds in both directions in a recurrent and continuous manner.

Derivatives are used to avoid interest rate risk for loans and foreign exchange risk for transactions in foreign currency. The policy on derivatives of the Company and its consolidated subsidiaries restricts the use of derivative transactions to those related to actual demands and forbids their use for the purpose of speculation.

(2) Types of financial instruments, their risk and risk management system

The Company is exposed to credit risk of customers arising from notes and accounts receivable. In order to manage such risk, due dates and account balances of customers are controlled in accordance with the corporate management rules. The credit status of major customers is also monitored in necessity.

Marketable securities and investment in securities are exposed to market value risk. Such securities are mainly those of the corporations with which the Company has a business relationship. The Company monitors the market value as well as financial situations of the issuing companies on a regular basis.

As loans and bonds have interest rate risk, the Company uses interest rate swap transactions for some loans, which meet the exceptional requirements defined in Japanese generally accepted accounting principles for financial instruments.

Derivative transactions are made in accordance with the corporate management rules. The Company makes transactions only with financial institutions with high ratings in order to reduce credit risk.

Liquidity risk of operating credit and loans is managed according to a method in which each group company prepares its own cash-flow projections on a timely basis, etc.

2. Estimated fair value of financial instruments

Book value, estimated fair value and unrealized gains (losses) of financial instruments on the Consolidated Balance Sheets at March 31, 2014 and 2013 are as follows. The table below does not include financial instruments for which it is extremely difficult to determine the fair value.

(Year ended March 31, 2014)

	Millions of yen		
	Book value	Estimated fair value	Unrealized gain (loss)
(1) Cash on hand and in banks	¥ **40,869**	¥ **40,869**	¥ **–**
(2) Notes and accounts receivable	**79,470**	**79,470**	**–**
(3) Marketable securities and investments in securities			
Stocks of subsidiaries and affiliates	**34,833**	**69,452**	**34,619**
Available-for-sale securities	**63,123**	**63,123**	**–**
(4) Notes and accounts payable	**(94,385)**	**(94,385)**	**–**
(5) Short-term loans	**(60,695)**	**(60,695)**	**–**
(6) Commercial paper	**(–)**	**(–)**	**(–)**
(7) Bonds	**(120,000)**	**(121,883)**	**(1,883)**
(8) Long-term loans			
Loans from banks and other financial institutions	**(142,819)**	**(143,273)**	**(454)**
(9) Derivative transactions	**279**	**279**	**–**

(Year ended March 31, 2014)

	Thousands of U.S. dollars		
	Book value	Estimated fair value	Unrealized gain (loss)
(1) Cash on hand and in banks	**$ 397,094**	**$ 397,094**	**$ –**
(2) Notes and accounts receivable	**772,153**	**772,153**	**–**
(3) Marketable securities and investments in securities			
Stocks of subsidiaries and affiliates	**338,447**	**674,815**	**336,368**
Available-for-sale securities	**613,321**	**613,321**	**–**
(4) Notes and accounts payable	**(917,071)**	**(917,071)**	**–**
(5) Short-term loans	**(589,729)**	**(589,729)**	**–**
(6) Commercial paper	**(–)**	**(–)**	**(–)**
(7) Bonds	**(1,165,954)**	**(1,184,249)**	**(18,295)**
(8) Long-term loans			
Loans from banks and other financial institutions	**(1,387,670)**	**(1,392,081)**	**(4,411)**
(9) Derivative transactions	**2,710**	**2,710**	**–**

(Year ended March 31, 2013)

	Millions of yen		
	Book value	Estimated fair value	Unrealized gain (loss)
(1) Cash on hand and in banks	¥ 43,274	¥ 43,274	¥ –
(2) Notes and accounts receivable	74,397	74,397	–
(3) Marketable securities and investments in securities			
Stocks of subsidiaries and affiliates	26,154	39,224	13,069
Available-for-sale securities	62,395	62,395	–
(4) Notes and accounts payable	(81,234)	(81,234)	–
(5) Short-term loans	(67,706)	(67,706)	–
(6) Commercial paper	(25,000)	(25,000)	–
(7) Bonds	(110,000)	(113,316)	(3,316)
(8) Long-term loans			
Loans from banks and other financial institutions	(130,854)	(132,405)	(1,551)
(9) Derivative transactions	1,470	1,470	–

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

(1) Cash on hand and in banks and (2) Notes and accounts receivable

Since these are settled in a short period of time and their fair value is almost equal to the book value, they are based on the book value.

(3) Marketable securities and investments in securities

Fair value of stocks is based on the price presented by stock exchanges, while bonds are based on the price presented by stock exchanges or financial institutions.

(4) Notes and accounts payables, (5) Short-term loans and (6) Commercial paper

Since these are settled in a short period of time and their fair value is almost equal to the book value, they are based on the book value.

(7) Bonds

Fair value of bonds is based on the market price. The fair value of the 1st Series Unsecured, Interest Deferrable and Early Redeemable Subordinated Bonds Solely for Qualified Institutional Investors is calculated by discounting the principal and interest payments by the assumed discount rate for bonds of the same rating.

(8) Long-term loans

Fair value of long-term loans is calculated by discounting the principal and interest payments by the assumed discount rates for similar new loans.

(9) Derivative transactions

Please refer to Note “21. Derivative transactions”.

2. Financial instruments for which it is extremely difficult to determine the fair value

In “(3) Marketable securities and investments in securities: Stocks of subsidiaries and affiliates”, the fair value for unlisted stocks (¥20,260 million (US$196,851 thousand) and ¥19,498 million in the Consolidated Balance Sheets at March 31, 2014 and 2013, respectively.) does not have to be disclosed because there is no market price for them, their future cash flow cannot be estimated, and because it is deemed very difficult to determine their fair value.

In “(3) Marketable securities and investments in securities: Available-for-sale securities”, the fair value for unlisted stocks (¥14,615 million (US$142,003 thousand) and ¥13,271 million in the Consolidated Balance Sheets at March 31, 2014 and 2013 respectively.) and others (¥0 million (US$0 thousand) and ¥0 million in the Consolidated Balance Sheets at March 31, 2014 and 2013, respectively.) does not have to be disclosed because there is no market price for them, their future cash flow cannot be estimated, and because it is deemed very difficult to determine their fair value.

The redemption schedule for receivables and marketable securities with maturities at March 31, 2014 and 2013 are as follows:

(Year ended March 31, 2014)

	Millions of yen			
	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
Cash on hand and in banks	¥ **40,422**	¥ –	¥ –	¥ –
Notes and accounts receivable	**79,470**	–	–	–
Marketable securities and investments in securities				
Certificate of deposit	**10,000**	**–**	**–**	**–**
National and local governmental bonds, etc.	–	**4**	**11**	–
Total	¥ **129,893**	¥ **4**	¥ **11**	¥ –

(Year ended March 31, 2014)

	Thousands of U.S. dollars			
	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
Cash on hand and in banks	**$ 392,751**	**$** –	**$** –	**$** –
Notes and accounts receivable	**772,153**	–	–	–
Marketable securities and investments in securities				
Certificate of deposit	**97,162**	**–**	**–**	**–**
National and local governmental bonds, etc.	–	**38**	**106**	–
Total	**$ 1,262,077**	**$ 38**	**$ 106**	**$** –

(Year ended March 31, 2013)

	Millions of yen			
	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
Cash on hand and in banks	¥ 43,017	¥ –	¥ –	¥ –
Notes and accounts receivable	74,397	–	–	–
Marketable securities and investments in securities				
National and local governmental bonds, etc.	–	4	11	–
Total	¥ 117,415	¥ 4	¥ 11	¥ –

20. Securities

Available-for-sale securities

(Year ended March 31, 2014)

	Millions of yen			Thousands of U.S. dollars		
	Book value	Acquisition cost	Unrealized gain (loss)	Book value	Acquisition cost	Unrealized gain (loss)
Securities whose book value exceeds their acquisition cost:						
Stocks	**¥ 45,278**	**¥ 22,141**	**¥ 23,136**	**$ 439,933**	**$ 215,128**	**$ 224,795**
Bonds						
National and local governmental bonds, etc	**16**	**16**	**0**	**155**	**155**	**0**
Subtotal	**¥ 45,295**	**¥ 22,157**	**¥ 23,137**	**$ 440,099**	**$ 215,283**	**$ 224,805**
Securities whose book value does not exceed their acquisition cost:						
Stocks	**¥ 6,657**	**¥ 7,648**	**¥ (990)**	**$ 64,681**	**$ 74,310**	**$ (9,619)**
Bonds						
Other	**1,170**	**1,301**	**(130)**	**11,368**	**12,640**	**(1,263)**
Other	**10,000**	**10,000**	–	**97,162**	**97,162**	–
Subtotal	**¥ 17,828**	**¥ 18,949**	**¥ (1,121)**	**$ 173,221**	**$ 184,113**	**$ (10,891)**
Total	**¥ 63,123**	**¥ 41,107**	**¥ (22,015)**	**$ 613,321**	**$ 399,407**	**$ (213,904)**

(Year ended March 31, 2013)

	Millions of yen		
	Book value	Acquisition cost	Unrealized gain (loss)
Securities whose book value exceeds their acquisition cost:			
Stocks	¥ 48,381	¥ 25,846	¥ 22,534
Bonds			
National and local governmental bonds, etc	16	16	0
Subtotal	¥ 48,398	¥ 25,863	¥ 22,535
Securities whose book value does not exceed their acquisition cost:			
Stocks	¥ 7,935	¥ 9,154	¥ (1,219)
Bonds			
Other	927	1,119	(191)
Other	5,134	5,134	–
Subtotal	¥ 13,996	¥ 15,407	¥ (1,410)
Total	¥ 62,395	¥ 41,270	¥ 21,124

Regarding available-for-sale securities for which fair value information was not available, their aggregate book value on the Consolidated Balance Sheets was ¥14,615 million (US$142,003 thousand) and ¥13,271 million at March 31, 2014 and 2013, respectively.

Sale of securities classified as available-for-sale securities and the aggregate gain and loss for the years ended March 31, 2014 and 2013 are as follows:

(Year ended March 31, 2014)

	Millions of yen	Thousands of U.S. dollars
Sale proceeds	**¥ 9,332**	**$ 90,672**
Aggregate gain	**3,536**	**34,356**
Aggregate loss	–	–

(Year ended March 31, 2013)

	Millions of yen
Sale proceeds	¥ 4,864
Aggregate gain	572
Aggregate loss	22

21. Derivative Transactions

The policy on derivatives of the Company and its consolidated subsidiaries restricts the use of derivative transactions to those related to actual demands and forbids their use for the purpose of speculation. The Company and its consolidated subsidiaries use derivative transactions for the purpose of reducing the impact on earnings caused by future market fluctuations, hedging losses, reducing procurement costs and fixing costs. In the years ended March 31, 2014 and 2013, the Company and its consolidated subsidiaries used interest rate swaps, forward exchange contracts and currency options to hedge the risk against rate fluctuations or reduce the interest rates of bank loans, bonds and other means of financing.

Under the hedge accounting method, hedging instruments and hedged items for the year ended March 31, 2014 and 2013 are as follows:

- The deferral hedge accounting method is adopted for hedging transactions. As for interest swaps, when the amounts, index and period meet the conditions for hedged items, the exceptional method defined in Japanese generally accepted accounting principles for financial instruments is applied.
- Hedging instruments are interest rate swaps, forward exchange contracts, currency options and currency swaps.
- Hedged items are the interest of bank loans, bonds and other means of financing and foreign currency transactions.

22. Segment Information

The Companies operate solely in the steel business segment, so the disclosure of business segment information has been omitted.

Products and services information

(Year ended March 31, 2014)

	Millions of yen		
	Steel Products	Other	Total
Sales to third parties	**¥ 541,972**	**¥ 34,474**	**¥ 576,447**

(Year ended March 31, 2014)

	Thousands of U.S. dollars		
	Steel Products	Other	Total
Sales to third parties	**$ 5,265,954**	**$ 334,959**	**$ 5,600,923**

(Year ended March 31, 2013)

	Millions of yen		
	Steel Products	Other	Total
Sales to third parties	¥ 487,630	¥ 31,351	¥ 518,981

Geographical information

(Year ended March 31, 2014)

	Millions of yen				
	Japan	North America	East Asia	Other	Total
Sales to third parties	**¥ 464,206**	**¥ 41,466**	**¥ 46,088**	**¥ 24,686**	**¥ 576,447**

(Year ended March 31, 2014)

	Thousands of U.S. dollars				
	Japan	North America	East Asia	Other	Total
Sales to third parties	**$ 4,510,357**	**$ 402,895**	**$ 447,804**	**$ 239,856**	**$ 5,600,923**

Notes: Net sales information above is based on customer location.

(Year ended March 31, 2013)

	Millions of yen				
	Japan	North America	East Asia	Other	Total
Sales to third parties	¥ 416,948	¥ 37,112	¥ 36,362	¥ 28,557	¥ 518,981

The amortization and balance of goodwill by segments at and for the years ended March 31, 2014 and 2013 are as follows.

(Year ended March 31, 2014)
No relevant information.

(Year ended March 31, 2013)

	Millions of yen
	Steel
Amortization	¥ 1,375
Balance at March 31	–

23. Related Party Transactions

Material transactions of the Company and the consolidated subsidiaries with related companies and individuals, excluding transactions with consolidated subsidiaries which are removed from the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the years ended March 31, 2014 and 2013 are as follows:

(Year ended March 31, 2014)

				Millions of yen/Thousands of U.S. dollars			
				Transaction		Resulting accounting balance	
Name of Related company	Paid-in capital	Principal business	Equity ownership percentage by the consolidated subsidiary at Mar. 31, 2014	Description of the consolidated subsidiary's transactions	2014	Account	2014
Nihon Teppan Co., Ltd.	¥1,300 million $12,631 thousand	Sale of coated steel	50.0%	Sale of the Nisshin Steel's coated steel products to the related party	**¥68,127** **$661,941**	Accounts receivable	**¥4,300** **$41,780**
				Purchase of the steel products by Tsukiboshi Shoji Co., Ltd.	**¥20,914** **$203,206**	Accounts payable	**¥8,833** **$85,823**
Canox Corporation	¥2,310 million $22,444 thousand	Sale of coated steel	16.1%	Sale of the Nisshin Steel's coated steel products to the related party	**¥40,867** **$397,075**	Accounts receivable	**¥4,737** **$46,026**

(Year ended March 31, 2013)

				Millions of yen			
				Transaction		Resulting accounting balance	
Name of Related company	Paid-in capital	Principal business	Equity ownership percentage by the consolidated subsidiary at Mar. 31, 2013	Description of the consolidated subsidiary's transactions	2013	Account	2013
Nihon Teppan Co., Ltd.	¥1,300 million	Sale of coated steel	50.0%	Sale of the Nisshin Steel's coated steel products to the related party	¥55,109	Accounts receivable	¥8,114
				Purchase of the steel products by Tsukiboshi Shoji Co., Ltd.	¥18,675	Accounts payable	¥7,174
Canox Corporation	¥2,310 million	Sale of coated steel	15.9%	Sale of the Nisshin Steel's coated steel products to the related party	¥38,111	Accounts receivable	¥4,507

The significant related company in the year ended March 31, 2014 and 2013 is Acerinox, S.A. Summary of the consolidated financial condition of Acerinox, S.A. are as follows:

	Millions of euros	
	2014	2013
Total current assets	€ **1,790**	€ 1,907
Total non-current assets	**2,200**	2,308
Total current liabilities	**1,447**	1,324
Total non-current liabilities	**990**	1,178
Total equity	**1,553**	1,713
Revenues	**3,966**	4,554
Profit (loss) from ordinary activities	**33**	(18)
Net profit (loss) attributable to the Group	**22**	(18)

24. Other

(1) Information on the consolidated cumulative and quarterly results for the year ended March 31, 2014 is as follows:

	Millions of yen (except per share)			
	1Q	2Q	3Q	4Q
Cumulative results				
Net sales	**¥ 131,149**	**¥ 270,336**	**¥ 417,841**	**¥ 576,447**
Income before provision for income taxes	**5,688**	**11,637**	**15,587**	**22,577**
Net Income	**4,945**	**9,163**	**12,084**	**17,759**
Net income per share*1	**¥ 49.49**	**¥ 91.69**	**¥ 120.93**	**¥ 177.72**
Quarterly results				
Net income per share*1	**¥ 49.49**	**¥ 42.20**	**¥ 29.24**	**¥ 56.79**

	Thousands of U.S. dollars (except per share)			
	1Q	2Q	3Q	4Q
Cumulative results				
Net sales	**$ 1,274,280**	**$ 2,626,661**	**$ 4,059,862**	**$ 5,600,923**
Loss before provision for income taxes	**55,266**	**113,068**	**151,447**	**219,364**
Net loss	**48,047**	**89,030**	**117,411**	**172,551**
Net loss per share*1	**$ 0.48**	**$ 0.89**	**$ 1.17**	**$ 1.72**
Quarterly results				
Net loss per share*1	**$ 0.48**	**$ 0.41**	**$ 0.28**	**$ 0.55**

*1. Per share amounts are in yen and U.S. dollars.

(2) Significant lawsuits and claims, etc.

The Company's consolidated subsidiary, Nisshin Steel, filed a suit with the Tokyo High Court to rescind the decision rendered by the Japan Fair Trade Commission that dismissed Nisshin Steel's hearing request regarding a cease and desist order and surcharge payment order issued by the Commission which found Nisshin Steel's act in violation of the antimonopoly law in connection with the sale of prepainted hot dip zinc coated steel sheets and steel bands for building material manufacturers. On December 13, 2013, Nisshin Steel received a judgment which dismissed Nisshin Steel's claim. Since Nisshin Steel is dissatisfied with the said judgment, it filed a final appeal with the Supreme Court on December 26, 2013.

25. Major Subsequent Events

(Merger among the Company, Nisshin Steel and Nippon Metal Industry, and renaming of Nisshin Steel Holdings)

Effective April 1, 2014, the Company merged with Nisshin Steel Co., Ltd. and Nippon Metal Industry Co., Ltd., both wholly owned by the Company, and changed its trade name from "Nisshin Steel Holdings Co., Ltd." to "Nisshin Steel Co., Ltd."

(1) Outline of the business combination

(i) Name, businesses and amount of assets and liabilities of the acquired companies

Name: Nisshin Steel Co., Ltd.

Businesses: Manufacture, processing and sales of steel products

Amounts of assets and liabilities assumed at the date of transaction are as follows:

	Millions of yen	Thousands of U.S. dollars
Total assets	¥ 626,606	$ 6,088,282
Total liabilities	469,363	4,560,464
Total net assets	157,243	1,527,817

Name: Nippon Metal Industry Co., Ltd.

Businesses: Manufacture, processing and sales of stainless steel and other metal products

Amounts of assets and liabilities assumed at the date of transaction are as follows:

	Millions of yen	Thousands of U.S. dollars
Total assets	¥ 55,527	$ 539,516
Total liabilities	56,070	544,792
Total net assets	(543)	(5,275)

(ii) Date of the business combination

April 1, 2014

(iii) Legal form of the business combination

An absorption-type merger with the Company being the surviving company, and Nisshin Steel and Nippon Metal Industry being the absorbed companies. Both Nisshin Steel and Nippon Metal will be dissolved.

(iv) New trade name

Nisshin Steel Co., Ltd.

(v) Main reason for the business combination

On October 1, 2012, the management of Nisshin Steel and Nippon Metal Industry was consolidated and the Company was established as a holding company aiming at forming an organization which would enable the group companies to acquire actual consolidated merits as early as possible, such as consolidation of sales departments, in order to adapt to structural changes in the business environment and to survive against severe competition.

Such management consolidation had been considered with a view to a merger among the Company, Nisshin Steel and Nippon Metal Industry as a further organizational restructuring for the next step to maximize consolidation merits. Therefore, while the management resources were consolidated, the three companies' merger proposals have been examined and investigated in a concrete manner.

In light of further integration in the manufacturing departments and eliminating overlapping functions in the administration departments so as to maximize consolidation merits, an absorption-type merger was determined to be consummated under which the Company will be the absorption-type merger subsisting company and Nisshin steel and Nippon Metal Industry will be the absorbed companies with the effective date being April 1, 2014. At the same time, the renaming of the Company to "Nisshin Steel Co., Ltd." was also decided.

(2) Accounting Method

This acquisition will be accounted for as transactions under common control pursuant to the "Accounting Standard for Business Combination" (ASBJ Statement No.21, revised on December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, revised on December 26, 2008).

Accordingly, the Company expects to recognize a "loss on extinguishment of tie-in shares" of ¥17 billion as a special loss in its non-consolidated financial statements ending March 31, 2015. As the Company owned 100% shares of the Nisshin Steel and Nippon Metal Industry, there will be no impact on the consolidated financial statements from the merger.

Building a better working world

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Independent Auditor's Report

The Board of Directors
Nisshin Steel Co., Ltd.

We have audited the accompanying consolidated financial statements of Nisshin Steel Co., Ltd. (former company name: Nisshin Steel Holdings Co., Ltd.) and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nisshin Steel Co., Ltd. (former company name: Nisshin Steel Holdings Co., Ltd.) and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

1. We draw attention to changes in accounting policies that are impossible to distinguish from changes in accounting estimates: The Company's domestic consolidated subsidiaries (except for some subsidiaries) changed depreciation method of property, plant and equipment (excluding buildings) from the declining-balance method to the straight-line method from the year ended March 31, 2014.
2. We draw attention to major subsequent events; Effective April 1, 2014, the Company merged with Nisshin Steel Co., Ltd. and Nippon Metal Industry Co., Ltd., both wholly owned by the Company.

Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

June 20, 2014
Tokyo, Japan

Ernst & Young ShinNihon LLC

Board of Directors, Corporate Auditors and Executive Officers

(As of June 25, 2014)

Directors	Toshinori Miki*1	Umeo Irie *1
	Yukio Nariyoshi*1	Koji Mizumoto*1
	Kenji Minami	Yukio Uchida
	Masahiro Sasaki	Katsuhisa Miyakusu
	Nobuhiro Miyoshi	Isao Endo
Audit and Supervisory Board Members	Kazuhisa Obama *2	Yukihiro Ito
	Koichi Muraoka	Yoichiro Yamakawa
	Makoto Haya	
President and Chief Executive Officer	Toshinori Miki	
Vice-President and Executive Officers	Umeo Irie	Yukio Nariyoshi
	Koji Mizumoto	
Managing Executive Officers	Kenji Minami	Yukio Uchida
	Masahiro Sasaki	Katsuhisa Miyakusu
	Nobuhiro Miyoshi	Hiroshi Takahashi
	Junya Hayakawa	Junichi Higurashi
	Kiyoshi Yasui	Takashi Nakao
	Tetsuo Kaharu	

*1 Representative Director

*2 Senior Audit and Supervisory Board Member

Investor Information

Nisshin Steel Co., Ltd.

Registered Head Office	Shin Kokusai Building, 4-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8366, Japan Telephone: (81)-3 3216-5566 Facsimile: (81)-3 3216-5546
Year of Establishment	2012
Common Stock (As of March 31, 2014)	Authorized: 430,000 thousand shares Issued: 109,843 thousand shares Balance: ¥30,000,000 thousand

Common Stock Price Range
(Tokyo Stock Exchange)

	2014		2013	
	High	Low	High	Low
First Quarter	¥ 1,196	¥ 653	¥ –	¥ –
Second Quarter	1,388	777	–	–
Third Quarter	1,508	1,194	849	476
Fourth Quarter	1,267	834	820	631

Note: Years ended March 31.

Number of Shareholders	51,983
Independent Certified Public Accountants	Ernst & Young ShinNihon LLC

Inquiries:

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NISSHIN STEEL