NISSHIN STEEL CO., LTD.
ANNUAL REPORT 2015

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

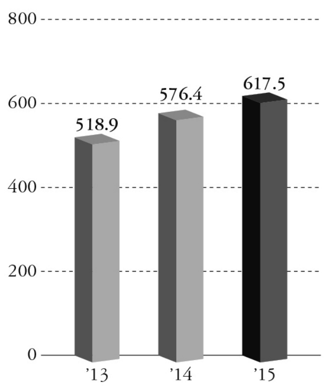
Years ended March 31, 2015, 2014 and 2013

	Millions of yen (except per share amounts)			Percent change	Thousands of U.S. dollars[1] (except per share amounts)
	2015	2014	2013	2015/2014	**2015**
Net sales	**¥ 617,525**	¥ 576,447	¥ 518,981	7.1	**$ 5,138,761**
Net income (loss)	**16,947**	17,759	(37,398)	(4.6)	**141,025**
Total assets	**770,591**	741,750	694,250	3.9	**6,412,507**
Total net assets	**271,997**	215,958	179,253	25.9	**2,263,435**
Net income (loss) per share[2]	**¥ 160.51**	¥ 177.72	¥ (393.32)	(9.7)	**$ 1.33**
Cash dividends per share[2]	**40.00**	15.00	5.00	166.7	**0.33**

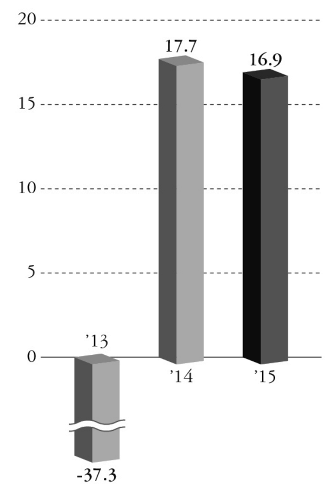
Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥120.17=US$1, the effective rate of exchange at March 31, 2015.

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

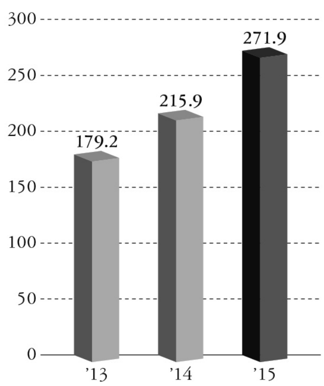
Net Sales
(Billions of yen)
(Years ended March 31)



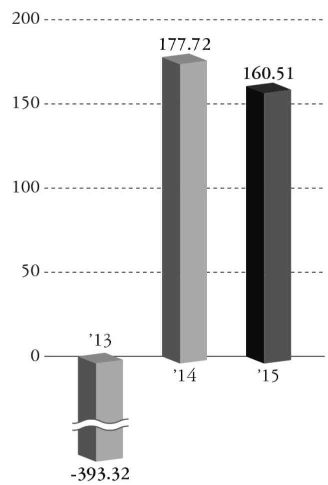
Net Income (Loss)
(Billions of yen)
(Years ended March 31)



Total Net Assets
(Billions of yen)
(March 31)



Net Income (Loss) per Share
(Yen)
(Years ended March 31)



To Our Shareholders and Investors

Overview of the Fiscal Year Ended March 31, 2015

During the fiscal year under review, the Japanese economy was firm overall, led by a continued recovery trend in the corporate activity underpinned by such factors as an improved export environment due to the effect of the government's economic policies and the yen's depreciation, as well as declining crude oil prices. However, demand declined in some sectors, notably automobiles and housing and building materials, mainly due to sluggish private spending in the wake of the consumption tax increase. Overseas, the U.S. economy continued to recover gradually, while concerns got stronger over the slowdown of economic growth in Europe as well as China and other emerging countries.

In the steel industry, domestic demand was also impacted by the consumption tax hike, while overall demand stayed solid, partly due to export growth driven by the yen's depreciation. Meanwhile, the structural issue of a supply glut caused by surplus production capacity in China remained, with the negative consequences on the steel market becoming apparent both in Japan and overseas.

Under this operating environment, the Nisshin Group worked to fully consolidate the gains from the merger of the three companies on April 1, 2014 and to improve the combined earnings of the Group, mainly through proactive sales expansion of high value added original core products (ZAM®, special steel, stainless steel, and pre-painted steel sheets).

In product development and sales, ZAM®, our highly corrosion-resistant hot-dip coated steel sheet, continued to be well accepted for a wide range of applications, including structural materials for housing, automotive components and bases for solar power generators. We succeeded in expanding sales of the product by closely meeting customers' needs. Such initiatives included adding a new series to the product lineup in November 2014, featuring improved coating and low gloss characteristics. In stainless steel, we conducted domestic sales focused on profitability watching demand trends, while in export we put emphasis on improving earnings with increased price competitiveness on the back of the yen's depreciation. In pre-painted steel sheet, we expanded sales and developed demand for highly designable and highly processable products of our original invention, such as the metal siding material offering outstanding anti-stain and scratch resistance, which was jointly introduced with one of our Group companies.

In materials procurement and production, we took vigorous steps to counter rising electricity costs and mounting imported material costs due to the yen's depreciation. In this regard, we promoted rationalization and total cost reduction programs centered on expanding our use of lower-priced feedstocks in upstream processes and reducing procurement costs, as well as capital expenditures and investments to improve productivity and adoption of energy-saving measures. Moreover, while carefully selecting investment projects, we steadily advanced initiatives to ensure safe and stable operation of our production lines, including measures to extend the life of No. 1 blast furnace at the Kure Works and upgrading the control systems for its hot rolling line, and developing safe workplaces by implementing countermeasures to prevent recurrence of the fire accident (of a few years ago). We will continue to step up our efforts in these areas going forward.

In overseas markets, Wheeling-Nisshin, Inc., a U.S. subsidiary that manufactures and sells surface-treated steel sheets, achieved steady growth in production and sales volumes of ZAM®. 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 automakers' transplants.

During the fiscal year under review, the Company procured funds by disposing of treasury stock and through a subordinated loan, and made an early redemption of the 1st series unsecured, interest deferrable and early redeemable subordinated bonds solely for qualified institutional investors (hybrid bond) issued in 2009. As a result, the Company increased its earnings power with reduction in fund procurement interest. At the same time, as we approach the second half of the 24th Medium-Term Consolidated Management Plan ("the 24th Medium-Term Plan") we will also strive to steadily execute the business strategies that will become future earnings sources through further strengthening of the financial base.

Turning to consolidated operating results for the fiscal year ended March 31, 2015, there were a number of factors that depressed profits, namely higher energy costs and lower demand associated with the consumption tax hike. However, the Nisshin Group worked in concert to boost sales of core products and to rationalize and cut overall costs. As a result, on a consolidated basis net sales were ¥617,525 million, up ¥41,078 million year on year, ordinary income was ¥19,697 million, down ¥24 million year on year, and net income was ¥16,947 million, down ¥812 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, mainly in the manufacturing industry and thanks to the diminishing impact of the consumption tax increase and strong corporate earnings and demand for social infrastructure development associated with the 2020 Tokyo Olympics (and Paralympics), as well as the brisk U.S. economy. On the other hand, however, there are concerns about factors that could affect the economy, such as the direction of the European economy, slowdowns in the economies of China and other emerging countries and intensifying geopolitical risks around the world.

The steel industry is expected to enjoy firm activity in every demand sector. However, widespread uncertainties remain, including the still-recovering demand in the housing construction and automobile fields and the adverse effects of foreign exchange fluctuations on the economy. Another factor is the worsening supply glut for steel in Asian markets and the resultant prolonged slump there, for which there is still no sign of abatement.

Under this operating environment, the Nisshin Group will make a concentrated effort to ensure the success of the 24th Medium-Term Plan, aiming to build a robust business base for coping with any environmental change, and to further strengthen the earnings capabilities.

As a move to maximize the integration synergies, which is our main priority, we have already put our continuous casting line up at the Shunan Works into operation as part of a renovation of our steelmaking facilities at the Works. We will strive to realize such expected benefits early as larger coils, a wider range of manufacturing capability, and improved quality and productivity for strengthening our competitiveness. In tandem with this, we will build an optimal production framework by gradually transferring steelmaking processes from the Kinuura Works to the Shunan Works with plans to terminate such operations at the Kinuura Works at the end of November, 2015. Furthermore, we have newly established the Stainless Production Division to oversee those two Works, and will accelerate their integrated operational management across all aspects of production, quality, and cost. With these initiatives, we will work to make the new production system fully workable at an early stage and to steadily capture integration synergies.

In addition, the Nisshin Group will take steps to strengthen all aspects of the development capabilities towards realizing the growth strategies. Through the Group Products Development Strategy Division established in April 2015, we will strengthen the mutual links between the research and development departments. Then, by timely introducing and marketing highly functional products that meet customers' needs, we will aim to expand earnings through actively cultivating demand for our core products and creating new markets.

With regard to special steel, we are proceeding with installation of a new ladle furnace (LF) at the Kure Works, scheduled to come on stream in October 2015, which will enable us to manufacture high-cleanliness steel to meet customers' increasing needs for high quality. The facility is expected to enhance our brand in special steel even further. Moreover, in China, where continued growth in demand for special steel is projected, we established Zhejiang Nisshin Worthington Precision Specialty Steel Co., Ltd. as a joint venture with US and Japanese special steel makers in July 2014 and are in the process of constructing a new plant due to start operations in mid-2016. We will combine the strengths that our Japanese and US joint venture partners have developed to date to devise a supply system that will meet the needs for local procurement, mainly among Japanese, European, and American automakers. We intend to grow this venture into a new pillar of the Nisshin Group's global business expansion and to harness synergies with the above-mentioned LF to expand the special steel markets in and out of Japan.

With regard to highly-evaluated ZAM®, which is highly evaluated by customers, we will ramp up the production capacity at each manufacturing base, and implement operational improvements to secure vertical elasticity for larger output towards achieving a group-wide production system capable of turning out 100,000 tons per month. In stainless steel, we will make full use of the capacity of our new steelmaking facility at the Shunan Works to reinforce the competitive edge of our products, while working to develop original new products that will help enhance customer benefits. Moreover, by combining the special processing and forming technologies of our Group companies with our materials development capabilities, we will proactively propose solutions to our users as another approach to expand the market for high-value added products.

In addition to these initiatives, we will respond to immediate problems such as the significant increase in electricity costs by exerting concerted group-wide efforts on rationalization and overall cost reduction. Specifically, we will continue to raise-investments in energy saving projects, while promoting initiatives to reduce manufacturing costs such as conducting flexible procurement following changes in the market conditions for feedstock and fuel, expanding our use of low-priced feedstock, and trying different fuels for use. At the same time, we will work to reflect portions of these cost increases that we cannot absorb through our own efforts into our sales prices, while seeking customers' understanding.

Furthermore, the Nisshin Group will assiduously pursue structural reforms in the existing businesses for realizing sweeping efficiency gains and streamlining. We will also execute concentrated reallocation of management resources in growth fields such as promising overseas markets. Thus, we will strive to build a robust business foundation suited to cope with rapid changes forecasted for the operating environment going forward.

Guided by our corporate philosophy to "realize our customers' dreams and ideals with the use of steel," we will cooperate with our customers to create new markets. To this end, we will bring together the combined power of the Nisshin Group to address the management issues and attain the profit targets in our 24th Medium-term Plan to realize continued increase in our corporate value. As we do so, we will pursue to evolve day by day as a corporate group that has the trust of its customers and a strong presence in the market.

Toshinori Miki

President & Chief Executive Officer

Management's Discussion and Analysis

Financial Position

Consolidated total assets at the close of the year ended March 31, 2015 stood at ¥770,591 million, up ¥28,840 million from the end of the previous year. This was due mainly to decrease in cash on hand and in banks (down ¥14,568 million) and increases in investments in securities (up ¥14,933 million) and asset for retirement benefits (up ¥16,480 million).

Total liabilities declined ¥27,197 million to ¥498,594 million. This was due mainly to decrease in interest-bearing debt (down ¥33,680 million).

Total net assets rose ¥56,038 million to ¥271,997 million. This was due mainly to increases in disposal of treasury stock (up ¥9,253 million, of which ¥8,208 million of treasury stock and ¥1,044 million of additional paid-in capital), retained earnings (up ¥7,917 million, of which decrease of ¥7,544 million in revision of accounting standard for retirement benefits and ¥16,947 million of net income), and total accumulated other comprehensive income (up ¥37,915 million, of which increase in ¥7,971 million of unrealized gain or loss on available-for-sale securities, ¥10,461 million of foreign currency translation adjustment, and ¥19,165 million of retirement benefits asset and liability adjustments).

Cash Flows

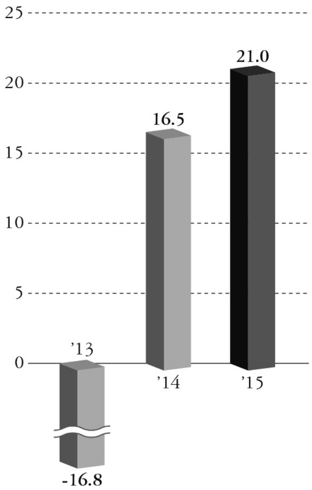
Net cash provided by operating activities totaled ¥39,303 million. ¥24,173 million from depreciation and amortization and ¥19,224 million in income before provision for income taxes were major contributors.

Net cash used in investing activities totaled ¥29,367 million, with ¥25,664 million spent on acquisition of property, plant and equipment.

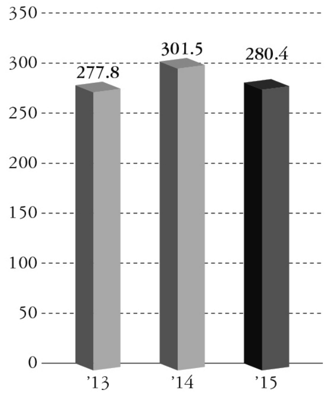
Net cash used in financing activities totaled ¥26,078 million, mainly reflecting ¥33,512 million decrease in interest-bearing debt and ¥9,253 million increase in disposal of treasury stock.

As a result of these developments, and including an increase in effect of foreign currency translation adjustment of cash and cash equivalents by ¥1,504 million, the consolidated balance of cash and cash equivalents at the end of the year ended March 31, 2015 decreased by ¥14,506 million to ¥26,187 million.

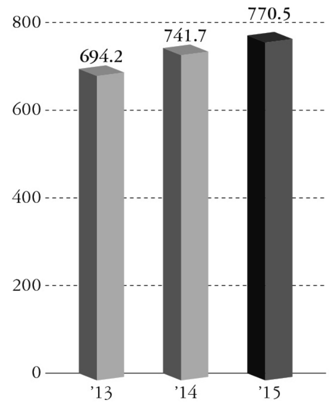
Operating Income (Loss)
(Billions of yen)



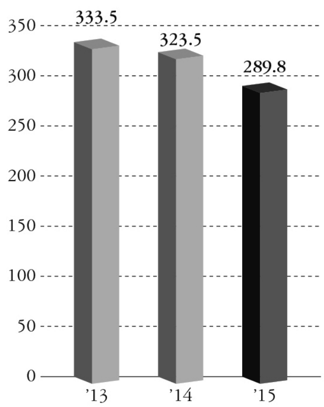
Total Current Assets
(Billions of yen)



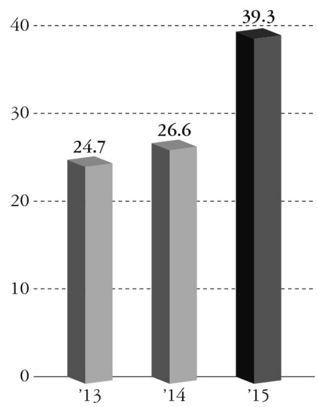
Total Assets
(Billions of yen)



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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2014	**2015**
ASSETS			
Current assets:			
Cash on hand and in banks (Notes 17 and 19)	¥ **26,300**	¥ 40,869	$ **218,856**
Notes and accounts receivable (Note 19)	**79,032**	79,470	**657,668**
Marketable securities (Notes 19 and 20)	**5,000**	10,000	**41,607**
Inventories (Note 5)	**144,212**	143,636	**1,200,066**
Deferred income taxes (Note 8)	**4,491**	3,419	**37,372**
Other current assets	**22,037**	24,822	**183,381**
Allowance for doubtful accounts	**(639)**	(718)	**(5,317)**
Total current assets	**280,433**	301,500	**2,333,635**
Investments and long-term receivables:			
Investments in securities (Notes 6, 13, 19 and 20)	**137,766**	122,832	**1,146,425**
Deferred income taxes (Note 8)	**2,823**	2,847	**23,491**
Asset for retirement benefits (Note 9)	**43,247**	26,766	**359,881**
Other (Note 6)	**29,162**	20,356	**242,672**
Allowance for doubtful accounts	**(614)**	(682)	**(5,109)**
Total investments and long-term receivables	**212,385**	172,121	**1,767,371**
Property, plant and equipment, at cost:			
Buildings and structures	**284,828**	281,860	**2,370,208**
Machinery, equipment and vessels	**993,500**	973,819	**8,267,454**
	1,278,329	1,255,679	**10,637,671**
Accumulated depreciation	**(1,096,317)**	(1,077,739)	**(9,123,050)**
	182,011	177,940	**1,514,612**
Land	**71,828**	72,315	**597,719**
Construction in progress	**13,850**	7,770	**115,253**
Total property, plant and equipment	**267,690**	258,026	**2,227,594**
Other assets	**10,081**	9,969	**83,889**
Deferred assets	—	132	—
Total assets	¥ **770,591**	¥ 741,750	$ **6,412,507**

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2014	**2015**
LIABILITIES			
Current liabilities:			
Notes and accounts payable (Note 19)	**¥ 88,576**	¥ 94,385	**$ 737,089**
Short-term loans (Notes 7 and 19)	**59,133**	60,695	**492,077**
Current portion of long-term debt (Notes 7 and 19)	**19,539**	37,084	**162,594**
Provision for environmental remediation	**189**	159	**1,572**
Other current liabilities	**43,719**	37,940	**363,809**
Total current liabilities	**211,158**	230,265	**1,757,160**
Long-term liabilities:			
Long-term debt (Notes 7 and 19)	**211,161**	225,735	**1,757,185**
Deferred income taxes (Note 8)	**15,332**	13,331	**127,585**
Allowance for retirement benefits for directors and corporate auditors	**386**	424	**3,212**
Reserve for rebuilding furnaces	**13,911**	13,722	**115,761**
Provision for environmental remediation	**1,119**	383	**9,311**
Liability for retirement benefits (Note 9)	**42,552**	38,875	**354,098**
Other liabilities	**2,971**	3,053	**24,723**
Total long-term liabilities	**287,435**	295,526	**2,391,903**
Total liabilities	**498,594**	525,792	**4,149,072**
NET ASSETS			
Shareholders' equity:			
Common stock, no par value at March 31, 2015 and 2014 Authorized: 430,000 thousand shares at March 31, 2015 and 2014 Issued: 109,843 thousand shares at March 31, 2015 and 2014 (Note 15)	**30,000**	30,000	**249,646**
Additional paid-in capital	**91,099**	90,055	**758,084**
Retained earnings	**74,160**	66,242	**617,125**
Treasury stock, at cost (Note 15)	**(541)**	(8,741)	**(4,501)**
Total shareholders' equity	**194,719**	177,556	**1,620,362**
Accumulated other comprehensive income:			
Unrealized gain or loss on available-for-sale securities	**23,356**	15,384	**194,357**
Deferred gain or loss on hedges	**191**	(95)	**1,589**
Adjustment on revaluation of land (Note 14)	**388**	360	**3,228**
Foreign currency translation adjustment	**17,741**	7,279	**147,632**
Retirement benefits asset and liability adjustments	**26,521**	7,355	**220,695**
Total accumulated other comprehensive income	**68,199**	30,284	**567,521**
Minority interests in consolidated subsidiaries	**9,078**	8,117	**75,542**
Total net assets	**271,997**	215,958	**2,263,435**
Total liabilities and net assets	**¥ 770,591**	¥ 741,750	**$ 6,412,507**

Consolidated Statements of Income

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2014	**2015**
Net sales	**¥ 617,525**	¥ 576,447	**$ 5,138,761**
Cost of sales (Note 5)	**547,412**	513,866	**4,555,313**
Gross profit	**70,112**	62,581	**583,440**
Selling, general and administrative expenses (Notes 11 and 12)	**49,057**	46,024	**408,230**
Operating income	**21,055**	16,557	**175,210**
Other income (expenses):			
Interest and dividend income	**1,495**	5,280	**12,440**
Interest expense	**(4,852)**	(5,494)	**(40,376)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**3,195**	5,397	**26,587**
Foreign exchange gain	**3,782**	1,328	**31,472**
Service cost of temporarily transferred employees	**(1,912)**	(1,485)	**(15,910)**
Commission paid	**(1,248)**	-	**(10,385)**
Other, net	**(1,819)**	(1,861)	**(15,136)**
Ordinary income	**19,697**	19,722	**163,909**
Special items:			
Gain on abolishment of retirement benefit plan	**1,722**	-	**14,329**
Gain on sale of properties	**-**	4,322	**-**
Gain on sale of investments in securities	**-**	3,536	**-**
Special items, income and gain	**1,722**	7,858	**14,329**
Loss on sale and disposition of properties	**1,006**	1,553	**8,371**
Loss on impairment of fixed assets	**428**	-	**3,561**
Loss on fire	**760**	1,530	**6,324**
Loss on devaluation of other investments	**-**	271	**-**
Loss from instability experienced at blast furnace	**-**	1,646	**-**
Special items, expense and loss	**2,195**	5,003	**18,265**
Income before provision for income taxes	**19,224**	22,577	**159,973**
Provision for income taxes (Note 8):			
Current	**2,190**	4,066	**18,224**
Deferred	**(521)**	(405)	**(4,335)**
Total provision for income taxes	**1,668**	3,661	**13,880**
Income before minority interests	**17,555**	18,916	**146,084**
Minority interests in earnings of consolidated subsidiaries	**608**	1,156	**5,059**
Net income	**¥ 16,947**	¥ 17,759	**$ 141,025**

	Yen		U.S. dollars (Note 4)
Net income per share	**¥ 160.51**	¥ 177.72	**$ 1.33**
Cash dividends per share	**40.00**	15.00	**0.33**
Weighted average number of shares issued and outstanding (thousands)	**105,585**	99,932	

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2014	**2015**
Income before minority interests	**¥ 17,555**	¥ 18,916	**$ 146,084**
Other comprehensive income (Note 18) :			
Unrealized gain or loss on available-for-sale securities	**7,766**	(76)	**64,625**
Deferred gain or loss on hedges	**272**	(734)	**2,263**
Foreign currency translation adjustment	**2,202**	4,262	**18,324**
Retirement benefits asset and liability adjustments	**19,071**	-	**158,700**
Share of other comprehensive income of companies accounted for by the equity method	**8,752**	9,154	**72,830**
Other, net	**54**	133	**449**
Total other comprehensive income	**38,120**	12,739	**317,217**
Comprehensive income	**¥ 55,676**	¥ 31,655	**$ 463,310**
Total comprehensive income attributable to :			
Shareholders of the Parent Company	**¥ 54,940**	¥ 30,015	**$ 457,185**
Minority interests	**735**	1,640	**6,116**

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, 2015 and 2014

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
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 April 1, 2014	**¥ 30,000**	**¥ 90,055**	**¥ 66,242**	**¥ (8,741)**	**¥ 177,556**
Cumulative effects of changes in accounting policies	–	–	(7,544)	–	(7,544)
Restated balance at April 1,2014	30,000	90,055	58,698	(8,741)	170,012
Changes of items during the year					
Cash dividends	–	–	**(1,501)**	–	**(1,501)**
Net income	–	–	**16,947**	–	**16,947**
Acquisition of treasury stock	–	–	–	**(9)**	**(9)**
Disposal of treasury stock	–	**1,044**	–	**8,208**	**9,253**
Change in scope of equity method	–	–	**(68)**	–	**(68)**
Increase due to adjustment on revaluation of land	–	–	**0**	–	**0**
Other, net	–	–	**84**	–	**84**
Items other than changes in shareholders' equity	–	–	–	–	–
Total changes of items during the year	**–**	**1,044**	**15,462**	**8,199**	**24,706**
Balance at March 31, 2015	**¥ 30,000**	**¥ 91,099**	**¥ 74,160**	**¥ (541)**	**¥ 194,719**

	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, 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 April 1, 2014	**¥ 15,384**	**¥ (95)**	**¥ 360**	**¥ 7,279**	**¥ 7,355**	**¥ 30,284**	**¥ 8,117**	**¥215,958**
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	(1)	(7,545)
Restated balance at April 1,2014	15,384	(95)	360	7,279	7,355	30,284	8,115	208,412
Changes of items during the year								
Cash dividends	–	–	–	–	–	–	–	**(1,501)**
Net income	–	–	–	–	–	–	–	**16,947**
Acquisition of treasury stock	–	–	–	–	–	–	–	**(9)**
Disposal of treasury stock	–	–	–	–	–	–	–	**9,253**
Change in scope of equity method	–	–	–	–	–	–	–	**(68)**
Increase due to adjustment on revaluation of land	–	–	–	–	–	–	–	**0**
Other, net	–	–	–	–	–	–	–	**84**
Items other than changes in shareholders' equity	**7,971**	**287**	**28**	**10,461**	**19,165**	**37,915**	**962**	**38,878**
Total changes of items during the year	**7,971**	**287**	**28**	**10,461**	**19,165**	**37,915**	**962**	**63,584**
Balance at March 31, 2015	**¥ 23,356**	**¥ 191**	**¥ 388**	**¥ 17,741**	**¥ 26,521**	**¥ 68,199**	**¥ 9,078**	**¥ 271,997**

	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, 2014	**$ 249,646**	**$ 749,396**	**$ 551,235**	**$ (72,738)**	**$ 1,477,540**
Cumulative effects of changes in accounting policies	–	–	(62,777)	–	(62,777)
Restated balance at April 1,2014	249,646	749,396	488,458	(72,738)	1,414,762
Changes of items during the year					
Cash dividends	–	–	**(12,490)**	–	**(12,490)**
Net income	–	–	**141,025**	–	**141,025**
Acquisition of treasury stock	–	–	–	**(74)**	**(74)**
Disposal of treasury stock	–	**8,687**	–	**68,303**	**76,999**
Change in scope of equity method	–	–	**(565)**	–	**(565)**
Increase due to adjustment on revaluation of land	–	–	–	–	–
Other, net	–	–	**699**	–	**699**
Items other than changes in shareholders' equity	–	–	–	–	–
Total changes of items during the year	**–**	**8,687**	**128,667**	**68,228**	**205,592**
Balance at March 31, 2015	**$ 249,646**	**$ 758,084**	**$ 617,125**	**$ (4,501)**	**$ 1,620,362**

	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, 2014	**$128,018**	**$ (790)**	**$ 2,995**	**$ 60,572**	**$ 61,204**	**$252,009**	**$67,545**	**$1,797,104**
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	(8)	(62,786)
Restated balance at April 1,2014	128,018	(790)	2,995	60,572	61,204	252,009	67,529	1,734,309
Changes of items during the year								
Cash dividends	–	–	–	–	–	–	–	**(12,490)**
Net income	–	–	–	–	–	–	–	**141,025**
Acquisition of treasury stock	–	–	–	–	–	–	–	**(74)**
Disposal of treasury stock	–	–	–	–	–	–	–	**76,999**
Change in scope of equity method	–	–	–	–	–	–	–	**(565)**
Increase due to adjustment on revaluation of land	–	–	–	–	–	–	–	–
Other, net	–	–	–	–	–	–	–	**699**
Items other than changes in shareholders' equity	**66,331**	**2,388**	**233**	**87,051**	**159,482**	**315,511**	**8,005**	**323,525**
Total changes of items during the year	**66,331**	**2,388**	**233**	**87,051**	**159,482**	**315,511**	**8,005**	**529,117**
Balance at March 31, 2015	**$194,357**	**$ 1,589**	**$ 3,228**	**$ 147,632**	**$ 220,695**	**$567,521**	**$ 75,542**	**$2,263,435**

Consolidated Statements of Cash Flows

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2014	**2015**
Cash flows from operating activities:			
Income before provision for income taxes	**¥ 19,224**	¥ 22,577	**$ 159,973**
Depreciation and amortization	**24,173**	22,193	**201,156**
(Decrease) increase in liability for retirement benefits	**(1,832)**	1,473	**(15,245)**
Decrease (increase) in asset for retirement benefits	**324**	(1,809)	**2,696**
Increase in reserve for rebuilding furnaces	**188**	598	**1,564**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(3,195)**	(5,397)	**(26,587)**
Interest and dividend income	**(1,495)**	(5,280)	**(12,440)**
Interest expense	**4,852**	5,494	**40,376**
Loss (gain) on sale and disposition of properties	**1,009**	(2,768)	**8,396**
Decrease (increase) in notes and accounts receivable	**1,439**	(4,599)	**11,974**
Decrease (increase) in inventories	**387**	(4,853)	**3,220**
(Decrease) increase in notes and accounts payable	**(4,456)**	13,546	**(37,080)**
Other, net	**6,092**	(12,879)	**50,694**
	46,711	28,294	**388,707**
Receipt of interest and cash dividends	**4,239**	5,537	**35,275**
Payment of interest	**(6,384)**	(5,579)	**(53,124)**
Payment of income taxes	**(5,264)**	(1,584)	**(43,804)**
Net cash provided by operating activities	**39,303**	26,668	**327,061**
Cash flows from investing activities:			
Acquisition of investments in securities	**(1,286)**	(41)	**(10,701)**
Proceeds from sale of investments in securities	**893**	9,332	**7,431**
Acquisition of shares of subsidiaries and affiliates	**(18)**	(24)	**(149)**
Proceeds from sale of shares of subsidiaries and affiliates	**-**	186	**-**
Acquisition of property, plant and equipment	**(25,664)**	(22,356)	**(213,564)**
Proceeds from sale of property, plant and equipment	**502**	5,408	**4,177**
Other, net	**(3,794)**	(11,757)	**(31,571)**
Net cash used in investing activities	**(29,367)**	(19,252)	**(244,378)**
Cash flows from financing activities:			
Decrease in short-term loans, net	**(1,328)**	(7,029)	**(11,051)**
Decrease in commercial paper, net	**-**	(25,000)	**-**
Proceeds from long-term debt	**54,900**	70,988	**456,852**
Repayment and redemption of long-term debt	**(87,084)**	(49,059)	**(724,673)**
Disposal of treasury stock	**9,253**	-	**76,999**
Acquisition of treasury stock	**(9)**	(8)	**(74)**
Cash dividends	**(1,499)**	(508)	**(12,473)**
Other, net	**(310)**	(992)	**(2,579)**
Net cash (used in) provided by financing activities	**(26,078)**	(11,609)	**(217,009)**
Foreign currency translation adjustment of cash and cash equivalents	**1,504**	1,618	**12,515**
Net decrease in cash and cash equivalents	**(14,638)**	(2,575)	**(121,810)**
Cash and cash equivalents at beginning of year	**40,694**	43,269	**338,636**
Net increase in cash and cash equivalents from newly consolidated subsidiaries	**132**	-	**1,098**
Cash and cash equivalents at end of year (Note 17)	**¥ 26,187**	¥ 40,694	**$ 217,916**

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, 2015 and 2014

1. Basis of Presenting the Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by the Nisshin Steel Co., Ltd. (hereinafter, 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 16 consolidated subsidiaries, listed below (together, the "Companies"):

Nisshin A&C Co., Ltd.
Nisshin Kokan Co., Ltd.
Shinwa Kigyo Co., Ltd.
Tsukiboshi Logistics Co., Ltd.
Nisshin Stainless Steel Tubing Co., Ltd.
Nisshin Stainless Steel Trading Co., Ltd.
Nisshin Koki Co., Ltd.
Tsukiboshi Art Co., Ltd.
Osaka Stainless Center 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

Since the Company merged with Nisshin Steel Co., Ltd. and Nippon Metal Industry Co., Ltd., both wholly owned by the Company, Nisshin Steel Co., Ltd. and Nippon Metal Industry Co., Ltd. were excluded from the consolidation scope in the year ended March 31, 2015.

Tsukiboshi Art Co., Ltd., Osaka Stainless Center Co., Ltd., and Nisshin Stainless Steel Tubing Co., Ltd. became consolidated subsidiaries in the year ended March 31, 2015 due to the increase of the materiality.

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 10 at March 31, 2015 and included:

Nisshin Metal Working Co., Ltd.

Nisshin Steel (Nantong) High-Tech Sheet Co., Ltd. became an unconsolidated subsidiary accounted for using equity method in the year ended 31, 2015 due to the increase of the materiality with the beginning of commercial production.

The number of affiliates accounted for using the equity method was 16 at March 31, 2015 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 decrease of the materiality in the year ended March 31, 2015.

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, 2015.
(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, 2015.
(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 18 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.

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 on impairment of fixed assets

In the year ended March 31, 2015, the Nisshin Group recognized loss on impairment of fixed assets for the following asset group.

Location	Purpose	Type
Hekinan, Aichi Prefecture	Idle properties (production facility of stainless steel pipes and tubes)	Machinery and equipment, etc.

The Group principally groups assets by segment for management computing (by product group) for which cash flows continue to be measured. Idle properties that are not expected to be used in the future are measured at an individual asset group level.
In the year ended March 31, 2015, for idle properties including those that will be dormant, the book value of the asset group of which the fair value significantly decreased was reduced to the recoverable amount, and the amount of the reduction was recorded as loss on impairment of fixed assets (¥428 million (US$3,561 thousand)) in special loss. The loss on impairment of fixed assets consisted of ¥418 million (US$3,478 thousand) of machinery and equipment and ¥10 million (US$83 thousand) of others.
Since it is difficult to divert or sell those assets, they were evaluated assuming that their net sales value was zero.

Loss on fire

An extraordinary loss has been recognized for restoration cost from the fire incident at the Kinuura Works polishing stainless line in the year ended March 31, 2015. An extraordinary loss has been recognized for restoration cost from the fire incident at the Sakai Works cold-rolling mill in the year ended March 31, 2014.

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, and the rate was raised to 8% at April 1, 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 Business Combinations)

On September 13, 2013, the Accounting Standard Board of Japan ("ASBJ") issued "Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7), "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2), "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10) and "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4).

(1) Overview

The Accounting Standards and Guidance were revised mainly with a focus on (i) the treatment of changes to a parent company's ownership of a subsidiary if control is maintained in the acquisition of additional shares of the subsidiary, etc., (ii) the treatment of acquisition-related costs, (iii) the presentation of net income and the change from minority interests in consolidated subsidiaries to non-controlling interests, and (iv) the handling of tentative accounting treatment.

(2) Scheduled date of adoption

The revised Accounting Standards and Guidance are scheduled to be applied from the beginning of the year ending March 31, 2016. The handling of tentative accounting treatment is scheduled to be applied to business combinations carried out at or after the beginning of the year ending March 31, 2016.

(3) Impact of adopting revised accounting standards and guidance

The impact of adopting these revised Accounting Standards and Guidance on these consolidated financial statements is being evaluated.

3. Accounting Changes

(Accounting Changes)

Concerning the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), the Company adopted the provisions described in the main clause of Clause 35 of the standard and in the main clause of Clause 67 of the guidance from the fiscal year ended March 31, 2015, revising its calculation methods for the retirement benefit obligation and service costs. The method of attributing expected retirement benefits to period has been changed from a straight-line basis to a benefit formula basis. In addition, the method of determining the discount rate has been changed from one that uses a discount rate based on the average remaining service period of employees to one that uses a single weighted average discount rate.

Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, at the beginning of the fiscal year ended March 31, 2015, the amount of change resulting from the calculation methods for the retirement benefit obligation and service costs is added to or deducted from retained earnings.

As a result, retirement benefit assets decreased ¥1,607 million (US$13,372 thousand) at the beginning of the fiscal year ended

March 31, 2015, retirement benefit liability increased ¥6,039 million (US$50,253 thousand), and retained earnings decreased ¥7,544 million (US$62,777 thousand). These accounting changes have an immaterial impact on operating income, ordinary income, and income before provision for income taxes for the fiscal year ended March 31, 2015.

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 ¥120.17 = US$1, the effective rate of exchange at March 31, 2015. 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 ¥120.17 = US$1 or at any other rate.

5. Inventories

Details of "Inventories" in the Consolidated Balance Sheets at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Finished goods	¥ **62,769**	¥ 61,448	$ **522,335**
Work in process	**37,260**	35,042	**310,060**
Raw materials and other supplies	**44,182**	47,146	**367,662**
Total	¥ **144,212**	¥ 143,636	$ **1,200,066**

The amounts of inventories on the Consolidated Balance Sheets at March 31, 2015 and 2014 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, 2015 and 2014 include ¥1,149 million (US$9,561 thousand) of such unrealized net loss of inventories and ¥3,839 million 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, 2015 and 2014 include investments in unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Stocks of unconsolidated subsidiaries and affiliates	¥ **59,759**	¥ 55,094	$ **497,287**

"Other" in "Investments and long-term receivables" in the Consolidated Balance Sheets at March 31, 2015 and 2014 include investments in unconsolidated subsidiaries and affiliates as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Equity in unconsolidated subsidiaries and affiliates	¥ **22,101**	¥ 14,040	$ **183,914**

7. Short-term Loans and Long-term Debt

Short-term loans at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Bank loans	¥ **59,133**	¥ 60,695	$ **492,077**

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

Long-term debt at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loans from banks and other financial institutions	**¥ 180,700**	¥ 142,819	**$ 1,503,703**
19th 2.20% unsecured bond of the Company due Jun. 2018	**10,000**	10,000	**83,215**
20th 1.64% unsecured bond of the Company due May 2014	–	20,000	–
1st series unsecured, interest deferrable and early redeemable subordinated bonds solely for qualified institutional investors*1	–	50,000	–
21st 0.62% unsecured bond of the Company due Jun. 2017	**20,000**	20,000	**166,430**
22nd 0.33% unsecured bond of the Company due Mar. 2017	**10,000**	10,000	**83,215**
23rd 0.64% unsecured bond of the Company due Mar. 2019	**10,000**	10,000	**83,215**
Total long-term debt	**230,700**	262,819	**1,919,780**
"Current portion of long-term debt" in the Consolidated Balance Sheets	**(19,539)**	(37,084)	**(162,594)**
"Long-term debt" in the Consolidated Balance Sheets*2	**¥ 211,161**	¥ 225,735	**$ 1,757,185**

*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 agreed with a group of financial institutes (signed on September 28, 2012, ¥23,529 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, 2015, 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. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc."(Act No. 2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.5% to 32.9% and 32.1% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015, and for the temporary differences expected to be realized or settled from April 1, 2016, respectively.

The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax liabilities, after offsetting deferred tax assets, by ¥1,128 million (US$9,386 thousand), and income taxes-deferred by ¥199 million (US$1,655 thousand), and increase unrealized gain on available-for-sale securities by ¥911 million (US$7,580 thousand) and deferred gain on hedges by ¥17 million (US$ 141 thousand) as of and for the year ended March 31, 2015.

Furthermore, under the amended rules for tax loss carry forward applicable to the fiscal year beginning on or after April 1, 2015, the tax deductible amount using tax loss carry forwards was changed to "up to 65% of taxable income for the year before deducting tax loss carry forwards," and under those applicable to the fiscal year beginning on or after April 1, 2017, the tax deductible amount using tax loss carry forwards was changed to "up to 50% of taxable income for the year before deducting tax loss carry forwards." As a result, deferred tax assets decreased by ¥247 million (US$2,055 thousand) and deferred income tax expense increased by ¥247 million (US$2,055 thousand).

Components of the Companies' deferred income tax assets and liabilities at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred income tax assets:			
Tax loss carry forwards	**¥ 40,621**	¥ 47,053	**$ 338,029**
Retirement benefit liability	**10,524**	8,523	**87,575**
Non-deductible portion of reserve for rebuilding furnaces	**4,240**	4,373	**35,283**
Loss on impairment of fixed assets	**2,702**	2,977	**22,484**
Loss on devaluation of investments in securities	**2,436**	2,699	**20,271**
Other	**9,463**	10,035	**78,746**
Preliminary deferred income tax assets	**69,987**	75,663	**582,399**
Valuation allowance	**(62,135)**	(68,198)	**(517,059)**
Total deferred income tax assets	**7,852**	7,464	**65,340**
Deferred income tax liabilities:			
Unrealized gain or loss on available-for-sale securities	**8,874**	7,170	**73,845**
Reserve for postponement of taxation on capital gains from property	**1,758**	1,979	**14,629**
Other	**5,238**	5,379	**43,588**
Total deferred income tax liabilities	**15,870**	14,529	**132,062**
Net deferred income tax liabilities	**¥ 8,017**	¥ 7,064	**$ 66,713**

The reconciliation of the statutory tax rate to the income tax rate reflected in the Consolidated Statements of Income for the years ended March 31, 2015 and 2014 are as follows.

	2015	2014
Statutory tax rate	**35.5%**	37.8%
Reconciliation:		
Valuation allowance	**(18.8)**	(11.2)
Equity in earnings of unconsolidated subsidiaries and affiliates	**(5.9)**	(9.0)
Other	**(2.1)**	(1.4)
Effective rate of income tax expense	**8.7%**	16.2%

9. Employees' Retirement Benefits

(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 years ended March 31, 2015 and 2014 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Retirement benefit obligation at the beginning of the year	**¥ 85,804**	¥ 86,904	**$ 714,021**
Cumulative effects of changes in accounting policies	**7,646**	–	**63,626**
Restated balance	**93,450**	86,904	**777,648**
Service cost	**3,376**	2,777	**28,093**
Interest cost	**1,152**	1,716	**9,586**
Actuarial gain	**(403)**	(698)	**(3,353)**
Retirement benefit paid	**(4,739)**	(4,894)	**(39,435)**
Prior service cost	**(1,019)**	–	**(8,479)**
Contribution by the Companies	**(16)**	(2)	**(133)**
Net increase from newly consolidated subsidiaries	**213**	–	**1,772**
Loss on abolishment	**(8,707)**	–	**(72,455)**
Retirement benefit obligation at the end of the year	**¥ 83,306**	¥ 85,804	**$ 693,234**

The changes in plan assets during the years ended March 31, 2015 and 2014 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Plan assets at the beginning of the year	¥ **73,695**	¥ 65,395	$ **613,256**
Expected return on plan assets	**1,465**	1,300	**12,191**
Actuarial gain	**18,979**	8,348	**157,934**
Contribution by the Companies	**1,108**	2,476	**9,220**
Retirement benefit paid	**(3,193)**	(3,825)	**(26,570)**
Loss on abolishment	**(8,053)**	–	**(67,013)**
Plan assets at the end of the year	¥ **84,001**	¥ 73,695	$ **699,018**

The funded status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2015 and 2014 for the Company's and the consolidated subsidiaries' defined benefit plans are as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Funded retirement benefit obligation	¥ **40,784**	¥ 50,066	$ **339,385**
Plan assets at fair value	**(84,001)**	(73,695)	**(699,018)**
	(43,216)	(23,628)	**(359,623)**
Unfunded retirement benefit obligation	**42,522**	35,737	**353,848**
Net balance of liability and asset recognized on the Consolidated Balance Sheets	**(694)**	12,109	**(5,775)**
Retirement benefit liability	**42,552**	38,875	**354,098**
Asset for retirement benefits	**(43,247)**	(26,766)	**(359,881)**
Net balance of liability and asset recognized on the Consolidated Balance Sheets	¥ **(694)**	¥ 12,109	$ **(5,775)**

The components of retirement benefit expense for the years ended March 31, 2015 and 2014 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	¥ **3,155**	¥ 2,557	$ **26,254**
Interest cost	**1,152**	1,716	**9,586**
Expected return on plan assets	**(1,465)**	(1,300)	**(12,191)**
Amortization of actuarial loss	**906**	2,070	**7,539**
Amortization of prior service cost	**(1,005)**	(1,140)	**(8,363)**
Gain on abolishment	**(1,722)**	–	**(14,329)**
Retirement benefit expense	¥ **1,019**	¥ 3,905	$ **8,479**

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

Prior service cost and actuarial loss included in other comprehensive income (before tax effect) at March 31, 2015 and 2014 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Prior service cost	¥ **13**	¥ –	$ **108**
Actuarial loss	**19,220**	–	**159,940**
Total	¥ **19,234**	¥ –	$ **160,056**

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) at March 31, 2015 and 2014 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrecognized prior service cost	¥ **4,471**	¥ 4,458	$ **37,205**
Unrecognized actuarial loss	**21,895**	2,674	**182,200**
Total	¥ **26,367**	¥ 7,132	$ **219,414**

The fair value of plan assets by major category as a percentage of total plan assets at March 31, 2015 and 2014 are as follows:

	Millions of yen	
	2015	2014
Stocks	**74%**	68%
Bonds	**16**	28
Cash on hand and in banks	**6**	1
Other	**4**	3
Total	**100%**	100%

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

	2015	2014
Discount rate:	**1.2%**	2.0%
Expected rate of return on plan assets:	**2.0%**	2.0%

(Defined Contribution plan)

The required contribution of the consolidated subsidiaries of the Company amounts to ¥106 million (US$882 thousand) and ¥98 million for the years ended March 31, 2015 and 2014.

10. Contingent Liabilities

Contingent liabilities at March 31, 2015 and 2014 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Guarantee of bank loans for employees	**¥ 511**	¥ 596	**$ 4,252**
Guarantee of loans for others in the ordinary course of business	**7,615**	8,338	**63,368**
The Companies issued letters of guarantee for the future for others in the ordinary course of business	**23**	19	**191**
Notes discounted	**–**	688	**–**

11. Research and Development Expenses

Research and development expenses for the years ended March 31, 2015 and 2014 totaled ¥3,975 million (US$33,078 thousand) and ¥3,665 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, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Freight out	**¥ 17,946**	¥ 17,239	**$ 149,338**
Salaries, bonuses and allowances	**10,446**	10,168	**86,926**
Research and development expenses	**3,975**	3,639	**33,078**
Retirement benefit expense	**731**	796	**6,083**

13. Mortgaged Properties

Breakdown of properties pledged as collateral at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Properties pledged as collateral:			
Investments in securities	**¥ 16**	¥ 16	**$ 133**

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, 2015 has been recorded as a separate component of accumulated other comprehensive income.

15. Net Assets

Number and types of stock at March 31, 2015 and 2014 are as follows:

	Thousands of shares	
	Number of common stocks, issued	Number of treasury stocks
March 31, 2014	**109,843**	**9,915**
Increase during the year	–	**7**
Decrease during the year	–	**9,703**
March 31, 2015	**109,843**	**219**

Increase in the number of treasury stocks consists of seven thousand shares due to purchase of shares of less than one unit.
The decrease of 9,703 thousand shares in treasury stock consists of 8,435 thousand shares due to the sales of treasury stock through public offering, 1,265 thousand shares due to the sales of treasury stock through third-party allocation, two thousand shares due to the change of the ownership ratio for an affiliate accounted for using the equity method, and less than one thousand shares due to the sales of the shares less than one 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, 2016

		Amount of cash dividends paid	Cash dividends per share	Record date	Effective date
May 15, 2015	Board of Directors' Meeting	**¥4,391 million** **US$36,539 thousand**	**¥40.0** **US$0.33**	Mar. 31, 2015	Jun. 3, 2015

Cash dividends payment in the year ended 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	¥15.0	Mar. 31, 2014	Jun. 9, 2014

17. Supplementary Cash Flow Information

The reconciliation of "Cash on hand and in banks" in the Consolidated Balance Sheets at March 31, 2015 and 2014 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
	2015	2014	**2015**
Cash on hand and in banks	**¥ 26,300**	¥ 40,869	**$ 218,856**
Time deposits and short-term investments with deposit terms or maturity periods exceeding three months	**(5)**	(5)	**(41)**
Other	**(107)**	(170)	**(890)**
Cash and cash equivalents at end of year	**¥ 26,187**	¥ 40,694	**$ 217,916**

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, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrealized gain or loss on available-for-sale securities:			
Amount arising during the year	**¥ 10,012**	¥ 4,548	**$ 83,315**
Reclassification adjustments for gains and losses included in net income	**–**	(3,536)	**–**
Amount before tax effect	**10,012**	1,011	**83,315**
Tax effect	**(2,245)**	(1,087)	**(18,681)**
Unrealized gain or loss on available-for-sale securities	**7,766**	(76)	**64,625**
Deferred gain or loss on hedges:			
Amount arising during the year	**3,991**	2,135	**33,211**
Reclassification adjustments for gains and losses included in net income	**(1)**	(37)	**(8)**
Acquisition adjustment	**(3,595)**	(3,288)	**(29,915)**
Amount before tax effect	**395**	(1,190)	**3,287**
Tax effect	**(122)**	456	**(1,015)**
Deferred gain or loss on hedges	**272**	(734)	**2,263**
Foreign currency translation adjustment:			
Amount arising during the year	**2,202**	4,262	**18,324**
Reclassification adjustments for gains and losses included in net income	**–**	–	**–**
Amount before tax effect	**2,202**	4,262	**18,324**
Tax effect	**–**	–	**–**
Foreign currency translation adjustment	**2,202**	4,262	**18,324**
Retirement benefits asset and liability adjustments:			
Amount arising during the year	**20,347**	–	**169,318**
Reclassification adjustments for gains and losses included in net income	**(1,113)**	–	**(9,261)**
Amount before tax effect	**19,234**	–	**160,056**
Tax effect	**(163)**	–	**(1,356)**
Retirement benefits asset and liability adjustments	**19,071**	–	**158,700**
Share of other comprehensive income of companies accounted for with the equity method:			
Amount arising during the year	**9,089**	8,838	**75,634**
Reclassification adjustments for gains and losses included in net income	**(336)**	316	**(2,796)**
Share of other comprehensive income of companies accounted for with the equity method	**8,752**	9,154	**72,830**
Other, net:			
Amount arising during the year	**82**	208	**682**
Reclassification adjustments for gains and losses included in net income	**2**	2	**16**
Amount before tax effect	**85**	210	**707**
Tax effect	**(30)**	(77)	**(249)**
Other, net	**54**	133	**449**
Total other comprehensive income	**¥ 38,120**	¥ 12,739	**$ 317,217**

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, 2015 and 2014 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, 2015)

	Millions of yen		
	Book value	Estimated fair value	Unrealized gain (loss)
(1) Cash on hand and in banks	¥ **26,300**	¥ **26,300**	¥ –
(2) Notes and accounts receivable	**79,032**	**79,032**	–
(3) Marketable securities and investments in securities			
Stocks of subsidiaries and affiliates	**42,027**	**85,073**	**43,046**
Available-for-sale securities	**68,304**	**68,304**	–
(4) Notes and accounts payable	**(88,576)**	**(88,576)**	–
(5) Short-term loans	**(59,133)**	**(59,133)**	–
(6) Bonds	**(50,000)**	**(50,759)**	**(759)**
(7) Long-term loans			
Loans from banks and other financial institutions	**(180,700)**	**(185,719)**	**(5,018)**
(8) Derivative transactions	**674**	**674**	–

(Year ended March 31, 2015)

	Thousands of U.S. dollars		
	Book value	Estimated fair value	Unrealized gain (loss)
(1) Cash on hand and in banks	**$ 218,856**	**$ 218,856**	**$ –**
(2) Notes and accounts receivable	**657,668**	**657,668**	**–**
(3) Marketable securities and investments in securities			
Stocks of subsidiaries and affiliates	**349,729**	**707,938**	**358,209**
Available-for-sale securities	**568,394**	**568,394**	**–**
(4) Notes and accounts payable	**(737,089)**	**(737,089)**	**–**
(5) Short-term loans	**(492,077)**	**(492,077)**	**–**
(6) Bonds	**(416,077)**	**(422,393)**	**(6,316)**
(7) Long-term loans			
Loans from banks and other financial institutions	**(1,503,703)**	**(1,545,468)**	**(41,757)**
(8) Derivative transactions	**5,608**	**5,608**	**–**

(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) Bonds	(120,000)	(121,883)	(1,883)
(7) Long-term loans			
Loans from banks and other financial institutions	(142,819)	(143,273)	(454)
(8) Derivative transactions	279	279	–

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 and (5) Short-term loans

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.

(6) 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.

(7) 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.

(8) 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 (¥17,732 million (US$147,557 thousand) and ¥20,260 million in the Consolidated Balance Sheets at March 31, 2015 and 2014, 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 (¥14,702 million (US$122,343 thousand) and ¥14,615 million in the Consolidated Balance Sheets at March 31, 2015 and 2014 respectively.) and others (¥0 million (US$0 thousand) and ¥0 million in the Consolidated Balance Sheets at March 31, 2015 and 2014, 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, 2015 and 2014 are as follows:

(Year ended March 31, 2015)

	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	**¥ 26,119**	**¥ –**	**¥ –**	**¥ –**
Notes and accounts receivable	**79,032**	–	–	–
Marketable securities and investments in securities				
Certificate of deposit	**5,000**	**–**	**–**	**–**
National and local governmental bonds, etc.	–	**4**	**11**	–
Total	**¥ 110,151**	**¥ 4**	**¥ 11**	**¥ –**

(Year ended March 31, 2015)

	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	**$ 217,350**	**$ –**	**$ –**	**$ –**
Notes and accounts receivable	**657,668**	–	–	–
Marketable securities and investments in securities				
Certificate of deposit	**41,607**	**–**	**–**	**–**
National and local governmental bonds, etc.	–	**33**	**91**	–
Total	**$ 916,626**	**$ 33**	**$ 91**	**$ –**

(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	¥ –

20. Securities

Available-for-sale securities

(Year ended March 31, 2015)

	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	**¥ 62,331**	**¥ 30,246**	**¥ 32,084**	**$ 518,690**	**$ 251,693**	**$ 266,988**
Bonds						
National and local governmental bonds, etc	**16**	**16**	**0**	**133**	**133**	**0**
Subtotal	**¥ 62,347**	**¥ 30,262**	**¥ 32,085**	**$ 518,823**	**$ 251,826**	**$ 266,996**
Securities whose book value does not exceed their acquisition cost:						
Stocks	**¥ 534**	**¥ 767**	**¥ (232)**	**$ 4,443**	**$ 6,382**	**$ (1,930)**
Bonds						
Other	**421**	**470**	**(48)**	**3,503**	**3,911**	**(399)**
Other	**5,000**	**5,000**	–	**41,607**	**41,607**	–
Subtotal	**¥ 5,956**	**¥ 6,237**	**¥ (280)**	**$ 49,563**	**$ 51,901**	**$ (2,330)**
Total	**¥ 68,304**	**¥ 36,500**	**¥ 31,804**	**$ 568,394**	**$ 303,736**	**$ 264,658**

(Year ended March 31, 2014)

	Millions of yen		
	Book value	Acquisition cost	Unrealized gain (loss)
Securities whose book value exceeds their acquisition cost:			
Stocks	¥ 45,278	¥ 22,141	¥ 23,136
Bonds			
National and local governmental bonds, etc	16	16	0
Subtotal	¥ 45,295	¥ 22,157	¥ 23,137
Securities whose book value does not exceed their acquisition cost:			
Stocks	¥ 6,657	¥ 7,648	¥ (990)
Bonds			
Other	1,170	1,301	(130)
Other	10,000	10,000	–
Subtotal	¥ 17,828	¥ 18,949	¥ (1,121)
Total	¥ 63,123	¥ 41,107	¥ 22,015

Regarding available-for-sale securities for which fair value information was not available, their aggregate book value on the Consolidated Balance Sheets was ¥14,702 million (US$122,343 thousand) and ¥14,615 million at March 31, 2015 and 2014, respectively.

Sale of securities classified as available-for-sale securities and the aggregate gain and loss for the years ended March 31, 2015 and 2014 are as follows:

(Year ended March 31, 2015)

	Millions of yen	Thousands of U.S. dollars
Sale proceeds	**¥ 893**	**$ 7,431**
Aggregate gain	–	–
Aggregate loss	–	–

(Year ended March 31, 2014)

	Millions of yen
Sale proceeds	¥ 9,332
Aggregate gain	3,536
Aggregate loss	–

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, 2015 and 2014, 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, 2015 and 2014 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 forecasted foreign currency denominated transactions.

(1) Currency-related transactions

(Year ended March 31, 2015)

		Millions of yen			
		Principle hedged items	Contract amount	Contract amount over one year	Fair value
Deferral hedge accounting	Forward exchange contracts and currency options Buy: U.S. dollars	Forecasted foreign currency denominated transactions	**¥ 24,867**	**¥ –**	**¥ 675**
	Forward exchange contracts and currency options Sell: U.S. dollars	Forecasted foreign currency denominated transactions	**45**	**–**	**(0)**
Total			**¥ 24,913**	**¥ –**	**¥ 674**

* Measurement method for fair value

Fair values are calculated based on price presented by correspondent financial institutions.

(Year ended March 31, 2015)

		Thousands of U.S. dollars			
		Principle hedged items	Contract amount	Contract amount over one year	Fair value
Deferral hedge accounting	Forward exchange contracts and currency options Buy: U.S. dollars	Forecasted foreign currency denominated transactions	**$ 206,931**	**$ –**	**$ 5,617**
	Forward exchange contracts and currency options Sell: U.S. dollars	Forecasted foreign currency denominated transactions	**374**	**–**	**(0)**
Total			**$ 207,314**	**$ –**	**$ 5,608**

(Year ended March 31, 2014)

		Millions of yen			
		Principle hedged items	Contract amount	Contract amount over one year	Fair value
Deferral hedge accounting	Forward exchange contracts and currency options Buy: U.S. dollars	Forecasted foreign currency denominated transactions	¥ 23,790	¥ –	¥ 279
Total			¥ 23,790	¥ –	¥ 279

* Measurement method for fair value

Fair values are calculated based on price presented by correspondent financial institutions.

(2) Interest-related transactions
(Year ended March 31, 2015)

		Millions of yen			
		Principle hedged items	Contract amount	Contract amount over one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps: Receive floating/pay fixed	Interest of bank loans, bonds and other means of financing	**¥ 42,329**	**¥ 42,129**	**¥ ***
	Interest rate swaps: Receive fixed /pay floating	Interest of bank loans, bonds and other means of financing	**2,000**	**–**	*****
Total			**¥ 44,329**	**¥ 42,129**	**¥ ***

* Fair value of interest rate swaps which are accounted using special treatment is included in that of corresponding hedged long-term borrowings as those interest rate swaps are recorded as an adjustment to interest expense of hedged instruments under the special treatment.

(Year ended March 31, 2015)

		Thousands of U.S. dollars			
		Principle hedged items	Contract amount	Contract amount over one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps: Receive floating/pay fixed	Interest of bank loans, bonds and other means of financing	**$ 352,242**	**$ 350,578**	**$ ***
	Interest rate swaps: Receive fixed /pay floating	Interest of bank loans, bonds and other means of financing	**16,643**	**–**	*****
Total			**$ 368,885**	**$ 350,578**	**$ ***

(Year ended March 31, 2014)

		Millions of yen			
		Principle hedged items	Contract amount	Contract amount over one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps: Receive floating/pay fixed	Interest of bank loans, bonds and other means of financing	¥ 41,940	¥ 41,640	¥ *
	Interest rate swaps: Receive fixed /pay floating	Interest of bank loans, bonds and other means of financing	2,000	2,000	*
Total			¥ 43,940	¥ 43,640	¥ *

* Fair value of interest rate swaps which are accounted using special treatment is included in that of corresponding hedged long-term borrowings as those interest rate swaps are recorded as an adjustment to interest expense of hedged instruments under the special treatment.

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, 2015)

	Millions of yen		
	Steel Products	Other	Total
Sales to third parties	**¥ 583,603**	**¥ 33,922**	**¥ 617,525**

(Year ended March 31, 2015)

	Thousands of U.S. dollars		
	Steel Products	Other	Total
Sales to third parties	**$ 4,856,478**	**$ 282,283**	**$ 5,138,761**

(Year ended March 31, 2014)

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

Geographical information

(Year ended March 31, 2015)

	Millions of yen				
	Japan	North America	East Asia	Other	Total
Sales to third parties	**¥ 484,356**	**¥ 56,057**	**¥ 49,733**	**¥ 27,378**	**¥ 617,525**

(Year ended March 31, 2015)

	Thousands of U.S. dollars				
	Japan	North America	East Asia	Other	Total
Sales to third parties	**$ 4,030,589**	**$ 466,480**	**$ 413,855**	**$ 227,827**	**$ 5,138,761**

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

(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

23. Related Party Transactions

Material transactions of the Company 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 year ended March 31, 2015 is as follows:

(Year ended March 31, 2015)

				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, 2015	Description of the consolidated subsidiary's transactions	2015	Account	2015
Nihon Teppan Co., Ltd.	¥1,300 million $10,818 thousand	Sale of coated steel	50.0%	Sale of the Company's coated steel products to the related party	**¥71,794** **$597,436**	Accounts receivable	**¥4,576** **$38,079**
Canox Corporation	¥2,310 million $19,222 thousand	Sale of coated steel	16.1%	Sale of the Company's coated steel products to the related party	**¥41,646** **$346,559**	Accounts receivable	**¥4,837** **$40,251**

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, 2015 and 2014 are as follows:

(Year ended March 31, 2015)

Name of Related company	Paid-in capital	Principal business	Equity ownership percentage by the consolidated subsidiary at Mar. 31, 2015	Millions of yen/Thousands of U.S. dollars Transaction Description of the consolidated subsidiary's transactions	2015	Resulting accounting balance Account	2015
Nihon Teppan Co., Ltd.	¥1,300 million $10,818 thousand	Sale of coated steel	50.0%	Purchase of the steel products by Tsukiboshi Shoji Co., Ltd.	**¥19,255** **$160,231**	Accounts payable	**¥7,581** **$63,085**

(Year ended March 31, 2014)

Name of Related company	Paid-in capital	Principal business	Equity ownership percentage by the consolidated subsidiary at Mar. 31, 2014	Millions of yen Transaction Description of the consolidated subsidiary's transactions	2014	Resulting accounting balance Account	2014
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	¥68,127	Accounts receivable	¥4,300
				Purchase of the steel products by Tsukiboshi Shoji Co., Ltd.	¥20,914	Accounts payable	¥8,833
Canox Corporation	¥2,310 million	Sale of coated steel	16.1%	Sale of the Nisshin Steel's coated steel products to the related party	¥40,867	Accounts receivable	¥4,737

The significant related company in the year ended March 31, 2015 and 2014 is Acerinox, S.A. Summary of the consolidated financial condition of Acerinox, S.A. are as follows:

	Millions of euros **2015**	2014
Total current assets	**€ 2,159**	€ 1,790
Total non-current assets	**2,270**	2,200
Total current liabilities	**1,293**	1,447
Total non-current liabilities	**1,279**	990
Total equity	**1,856**	1,553
Revenues	**4,380**	3,966
Profit from ordinary activities	**243**	33
Net profit attributable to the Group	**136**	22

24. Business Combinations

(Transactions under Common Control)

(1) Outline of the business combination

(i) Name and business of combined entities

Name and business of the acquiring company

Name: Nisshin Steel Holdings Co., Ltd.

Business: Business management of subsidiaries engaged in manufacture, processing and sales of steel and non-ferrous metals and business incidental and relating to the foregoing

Names and businesses of the acquired companies

Name: Nisshin Steel Co., Ltd.

Business: Manufacture, processing and sales of steel products

Name: Nippon Metal Industry Co., Ltd.

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

(ii) Date of the business combination

April 1, 2014

(iii) Legal form of the business combination

An absorption-type merger with Nisshin Steel Holdings Co., Ltd. being the surviving company, and Nisshin Steel and Nippon Metal Industry being the absorbed companies. Both Nisshin Steel and Nippon Metal were 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 Nisshin Steel Holdings Co., Ltd. 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 Nisshin Steel Holdings Co., Ltd., 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 Nisshin Steel Holdings Co., Ltd. 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 Nisshin Steel Holdings Co., Ltd. to "Nisshin Steel Co., Ltd." was also decided.

(2) Accounting Method

This acquisition was 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).

25. Other

(1) Information on the consolidated cumulative and quarterly results for the year ended March 31, 2015 is as follows:

	Millions of yen (except per share)			
	1Q	2Q	3Q	4Q
Cumulative results				
Net sales	**¥ 151,058**	**¥ 310,830**	**¥ 459,731**	**¥ 617,525**
Income before provision for income taxes	**1,110**	**7,404**	**15,934**	**19,224**
Net Income	**33**	**5,258**	**12,930**	**16,947**
Net income per share*1	**¥ 0.34**	**¥ 51.79**	**¥ 124.04**	**¥ 160.51**
Quarterly results				
Net income per share*1	**¥ 0.34**	**¥ 50.65**	**¥ 69.98**	**¥ 36.65**

	Thousands of U.S. dollars (except per share)			
	1Q	2Q	3Q	4Q
Cumulative results				
Net sales	**$ 1,257,035**	**$ 2,586,585**	**$ 3,825,671**	**$ 5,138,761**
Income before provision for income taxes	**9,236**	**61,612**	**132,595**	**159,973**
Net Income	**274**	**43,754**	**107,597**	**141,025**
Net Income per share*1	**$ 0.00**	**$ 0.43**	**$ 1.03**	**$ 1.33**
Quarterly results				
Net Income per share*1	**$ 0.00**	**$ 0.42**	**$ 0.58**	**$ 0.30**

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

(2) Significant lawsuits and claims, etc.

The Company filed a suit with the Tokyo High Court to rescind the decision rendered by the Japan Fair Trade Commission that dismissed the Company's hearing request regarding a cease and desist order and surcharge payment order issued by the Commission which found the Company'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, the Company received a judgment which dismissed the Company's claim. Since the Company is dissatisfied with the said judgment, it filed a final appeal with the Supreme Court on December 26, 2013.

26. Major Subsequent Events

(Transfer of additional paid-in capital to the account of retained earnings)

At the Board of Directors' meeting held on May 15, 2015, the Company resolved to appropriate the Company's surplus and transfer additional paid-in capital to retained earnings as follows.

1. Purpose of appropriation of surplus

The Company was established as Nisshin Steel Holdings Co., Ltd. on October 1, 2012 and merged with Nisshin Steel Co., Ltd. and Nippon Metal Industry Co., Ltd. effective as of April 1, 2014 with the Company being as the surviving company. As a result of this, the previous retained earnings were transferred to additional paid-in capital. As of the end of March 2015, the Company's additional paid-in capital amounted to ¥134,267 million (US$1,117,308 thousand), while its retained earnings were in a deficit of ¥12,310 million (US$102,438 thousand).

To redress this imbalance of the capital structure, the Company decided to appropriate surplus and transfer additional paid-in capital to retained earnings by resolution of the Board of Directors in accordance with the provisions of Article 452 and Article 459 of the Companies Act.

2. Outline of appropriation of surplus

Other additional paid-in capital, which is included in total additional paid-in capital of ¥134,267 million (US$1,117,308 thousand) as of the end of March 2015, is reduced by ¥12,310 million (US$102,438 thousand), and the amount of the reduction in other additional paid-in capital is transferred to other retained earnings (retained earnings brought forward) included in retained earnings.

Pursuant to the provision of Article 459, Paragraph 1 of the Companies Act, the Company has stipulated in the Articles of Incorporation that the Board of Directors may decide on this matter.

(1) Account and amount of surplus decrease

Other additional paid-in capital of ¥12,310 million (US$102,438 thousand) included in additional paid-in capital

(2) Account and amount of surplus increase

Other retained earnings (retained earnings brought forward) of ¥12,310 million (US$102,438 thousand) included in retained earnings

Building a better
working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

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. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, 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. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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.

Ernst & Young ShinNihon LLC

June 18, 2015
Tokyo, Japan

Board of Directors, Corporate Auditors and Executive Officers

(As of June 24, 2015)

Directors	Toshinori Miki*1	Yukio Nariyoshi *1
	Koji Mizumoto *1	Katsuhisa Miyakusu *1
	Kenji Minami	Yukio Uchida
	Masahiro Sasaki	Hideo Tanaka
	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	Yukio Nariyoshi	Koji Mizumoto
	Katsuhisa Miyakusu	
Managing Executive Officers	Kenji Minami	Yukio Uchida
	Masahiro Sasaki	Hideo Tanaka
	Nobuhiro Miyoshi	Hiroshi Takahashi
	Takayuki Kondo	Junya Hayakawa
	Junichi Higurashi	Tatsuji Tomiyasu
	Shigeru Matsunaga	Kiyoshi Yasui
	Toshiaki Naganuma	Atsushi Tsuchiya
	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, 2015)	Authorized: 430,000 thousand shares Issued: 109,843 thousand shares Balance: ¥30,000,000 thousand

Common Stock Price Range
(Tokyo Stock Exchange)

	2015		2014	
	High	Low	High	Low
First Quarter	¥ 1,358	¥ 875	¥ 1,196	¥ 653
Second Quarter	1,452	991	1,388	777
Third Quarter	1,240	823	1,508	1,194
Fourth Quarter	1,690	1,052	1,267	834

Note: Years ended March 31.

Number of Shareholders	47,600
Independent Certified Public Accountants	Ernst & Young ShinNihon LLC

Inquiries:
Public & Investor Relations Team
General Administration Department
Nisshin Steel Co., Ltd.
Shin Kokusai Building, 4-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8366, Japan
Telephone: (81)-3 3216-5566 Facsimile: (81)-3 3216-5546

NISSHIN STEEL