NISSHIN STEEL CO., LTD.

ANNUAL REPORT 2016

Contents

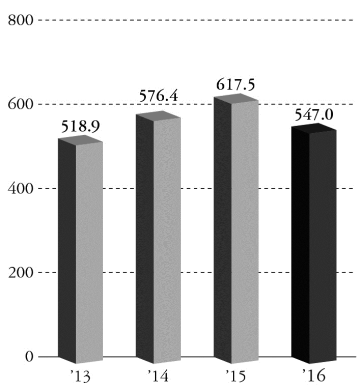
Consolidated Financial Highlights

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2016, 2015 and 2014

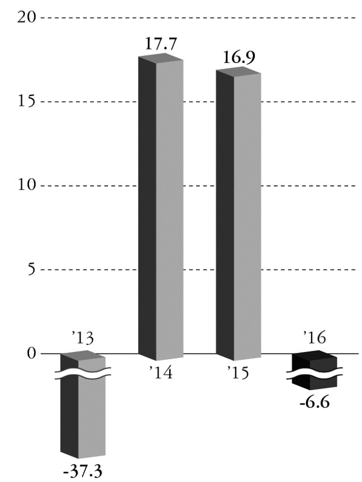
	Millions of yen (except per share amounts)			Percent change	Thousands of U.S. dollars[1] (except per share amounts)
	2016	2015	2014	2016/2015	**2016**
Net sales	**¥ 547,026**	¥ 617,525	¥ 576,447	(11.4)%	**$ 4,854,685**
(Loss) profit attributable to owners of parent	**(6,613)**	16,947	17,759	–	**(58,688)**
Total assets	**708,167**	770,591	741,750	(8.1)%	**6,284,762**
Total net assets	**217,978**	271,997	215,958	(19.9)%	**1,934,487**
(Loss) profit attributable to owners of parent per share[2]	**¥ (60.33)**	¥ 160.51	¥ 177.72	–	**$ (0.53)**
Cash dividends per share[2]	**40.00**	40.00	15.00	0.0%	**0.35**

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 ¥112.68=US$1, the effective rate of exchange at March 31, 2016.
2. Per share amounts are in yen and U.S. dollars.

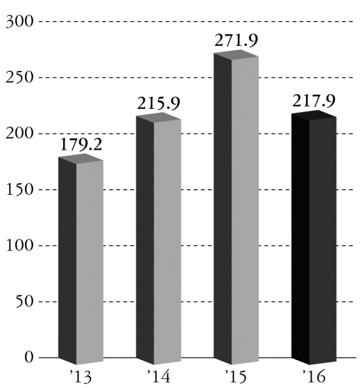
Net Sales
(Billions of yen)
(Years ended March 31)



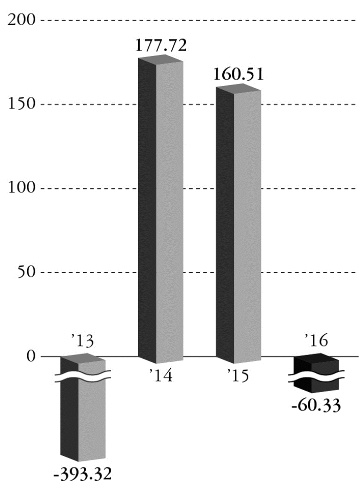
(Loss) Profit Attributable to Owners of Parent
(Billions of yen)
(Years ended March 31)



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



(Loss) Profit Attributable to Owners of Parent per Share
(Yen)
(Years ended March 31)



To Our Shareholders and Investors

Overview of the Fiscal Year Ended March 31, 2016

The Japanese economy started the fiscal year under review on a gradual recovery trend led by the manufacturing industry, due in part to government policy effects. Towards the end of the fiscal year, however, the Japanese economy showed increasing signs of instability as the sentiment of economic slowdown in China and other emerging economies grew even stronger, which, combined with such factors as the yen's further appreciation and substantial falling in resource prices, caused concerns over the level of activity and performance in the export industry.

In the steel industry, harsh conditions persisted, with weak domestic steel demand, particularly in the automotive and construction sectors, and continued high levels of distributors' inventory. Moreover, multiple negative factors were in play, including the deterioration of market conditions in and outside of Japan due to the yen's sharp appreciation and increasing steel exports from China, driven by overproduction.

Under this operating environment, the Nisshin Group made steady progress on the 24th Medium-Term Consolidated Management Plan, ("the 24th Medium-Term Plan"), and exerted a focused effort to maximize the synergies from the management integration with Nippon Metal Industry Co., Ltd.

In terms of manufacturing, we completed renewal work on the steelmaking equipment at the Shunan Works ("Shunan"), which is central to our integration synergies, and started operations of our new continuous casting and other state-of-the-art facilities. We will leverage the full capacity of these cutting-edge facilities for expanding our manufacturing range and improving production efficiency and strengthen our competitiveness both in cost and quality. In the field of special steel, our most-advanced ladle furnace (LF) came on stream at the Kure Works ("Kure") in October 2015 for the production of high-cleanliness steel to meet customers' increasing needs for good quality. By adding this new strength to the sophisticated manufacturing technologies we have developed in special steel, we will cement our position in the relevant sheet market even further.

In parallel with these initiatives, we responded to the harsh management environment by implementing sweeping rationalization and overall cost reduction programs and striving to streamline operations. Efforts included our using more low-priced feedstock and switching the fuels for the heating furnace. We also responded to mounting electricity costs earnestly through measures such as stable operation of energy cost-saving equipment, for example by increasing the ratio of our in-house power generation.

As to sales, we took steps to expand the ratio of high-margined products by promoting sales of the Nisshin Group's profitable original core products (ZAM®, special steel, stainless steel, and pre-painted steel sheet). We are developing additional demand for ZAM®, our highly corrosion-resistant hot-dip coated steel sheet, which has won solid customer approval, by launching new products with characteristics that will help expand its applications and enhance customer benefits. Production and sales of ZAM® have continued steadily at Wheeling-Nisshin, Inc., a U.S. subsidiary that manufactures and sells surface-treated steel sheets, and we will proactively continue to boost sales of ZAM® as one of the Company's core products. In the field of pre-painted steel sheet, we also took steps to broaden the market, such as launching sales of new products with superior heat insulation properties and weather resistance. With regard to stainless steel, we undertook elaborate sales activities in response to demand trends and inventory levels. At the same time, our Sales and Products Development Divisions worked together in an effort to sell high functionality products using the capabilities of our new steelmaking equipment.

Turning to consolidated operating results for the fiscal year ended March 31, 2016, the Nisshin Group focused intensely on joint manufacturing and sales initiatives aimed at securing earnings and maximizing integration synergies. Nevertheless, our Group faced temporary profit-reducing factors such as an inventory valuation loss caused by falling raw materials prices and a loss on devaluation of shares of overseas investment companies. As a result, on a consolidated year-on-year basis net sales were ¥547,026 million, down ¥70,498 million, ordinary profit was ¥6,206 million, down ¥13,490 million, and loss attributable to owners of parent was ¥6,613 million, down ¥23,561 million.

Outlook for the Fiscal Year Ending March 31, 2017

Looking ahead, the Japanese economy is expected to continue along a gradual recovery path, driven by strong corporate earnings and demand for social infrastructure development associated with the 2020 Tokyo Olympics (and Paralympics), as well as the U.S. economy, among other factors. On the other hand, there are concerns about factors that could affect the economy, such as prolonged slowdowns in China and other emerging economies, changes in the European and U.S. business climates, trends in financial policies and exchange rates in different countries, and intensifying geopolitical risks around the world.

The steel industry is likely to see demand growth related to construction and social infrastructure. However, a full-fledged recovery in user industries, mainly the automotive sector, will take some time. In addition, no major improvement has been made on the issue of over production in China, and harsh conditions are expected to remain in and outside Japan.

Under this operating environment, the Nisshin Group will make a concerted effort to complete the 24th Medium-Term Plan, which ends in fiscal 2016, to maximize integration synergies, and to implement structural reforms with an eye to the future from fiscal 2017 onward.

First, with regard to the plan, we will steadily reap the results of the strategic investments we have made to date. The new steelmaking equipment installed at Shunan last year continues to operate smoothly, and we will strive to strengthen our product competitiveness further and realize greater earnings by offering new types of steel that fully leverage the advantages of the new facilities and developing new markets. We will also move to complete our management integration by maximizing integration synergies, continuing to build an optimal production framework with operations concentrated at Shunan after closing steelmaking processes at Kinuura Works. With the LF at Kure, we will seek to boost sales by leveraging the benefits of our expanded product repertoire in the special steel field to meet customers' needs accurately while creating new demand. In addition, we will deepen our development and proposal capabilities by making optimal use of management resources, with such initiatives as proposing solutions that make full use of the strengths of our Group companies in processing and molding technologies and developing innovative fusion products of steel and some other materials.

The Nisshin Group will also steadily pursue structural reforms. On April 1, 2016, we integrated our coated building materials operations with the business of our wholly owned subsidiary Nisshin A&C Co., Ltd., to form a new company called Nisshin Steel A&C Co., Ltd. The new company will consolidate the management resources and abundant expertise of both companies in the Nisshin Group's founding business of coated building materials to bolster its ability to provide comprehensive solutions to customers' increasingly diverse and complex needs. We will work to develop our business flexibly, staying even more closely attuned to our customers and the market environment and harnessing synergies with our materials development capabilities to realize original high functionality products and services as well as earnings growth. These fundamentals also govern Nisshin Stainless Steel Tubing Co., Ltd., which was formed in 2014.

Overseas, our joint venture special steel manufacturing and sales company in China – Zhejiang Nisshin Worthington Precision Specialty Steel Co., Ltd. – established with Japanese and U.S. partners, is scheduled to start operations from July 2016, and will meet the local procurement needs of Japanese, U.S., and European auto parts makers in China's automobile market, which is forecast to grow rapidly going forward. We have also established a new joint company in Taiwan called Taiwan Nisshin Precision Steel Co., Ltd. to produce and sell precision-rolled stainless steel products to cater to a soaring demand, primarily in East Asia. The new company aims to start operations in September 2016. We also consolidated the functions of our Bangkok office and our investee company in Thailand, Nisshin-Jutha Wan Metal Co., Ltd., to set up a new company, Nisshin Steel（Thailand）Co., Ltd., in April 2016 that will lead our business expansion in the ASEAN market. By making strategic use of these new strongholds, and maintaining close links with other ones, we will strive to advance the Nisshin Group's overseas activities even further as a source of its future growth.

On February 1, 2016, as new business reform themes, we decided to upgrade the No. 1 blast furnace and shut down the No. 2 blast furnace at Kure and at the same time, decided to start discussions with Nippon Steel & Sumitomo Metal Corporation (NSSMC) in regard to the Company becoming a subsidiary of theirs by the end of March, 2017, and in regard to having slabs shipped from NSSMC so as to ensure stable feedstock supply. Amid an increasingly challenging business environment surrounding the steel industry in Japan and overseas, with excessive production capacity mainly in Asia and the slowdown in the Chinese economy, these discussions will pave the way for our joining the NSSMC Group, which aspires to become the largest comprehensive steel manufacturer in the world, and for consolidating both companies' management resources. With such arrangement, we seek to achieve further stabilization and sustainable growth of our Group's business foundation. Besides, we have redefined core products, which form the central pillar of our Group's strategy by product type, as "those to satisfy the two objectives of dramatically creating our customers' value-addition and of significantly contributing to the Company's cash flow." By further developing this core product strategy through the business reform initiative, we aim to build a strong corporate structure that can respond to any environmental changes and to strengthen the competitive advantages. Moreover, with the shut-down of the No. 2 blast furnace, which is nearing its time for renewal, we will secure financial resources for making strategic investments to further increase the added value of Kure on top of the important investments we have already made there, such as the LF. This will further consolidate Kure's position as key works supporting our core product strategy.

Fiscal 2016 will be the final year of the 24th Medium-Term Plan. In addition to achieving our medium-term plan targets this year, we will decide on the new direction for the Nisshin Group in this year, including the abovementioned change of our status into a subsidiary of NSSMC. We will continue to uphold our corporate philosophy to "bring to life the dreams and visions of customers with the use of steel" by utilizing our combined power to create new markets in collaboration with our customers. At the same time, we will take appropriate measures to enhance our corporate governance, which is the cornerstone of all business activities. As we do so, we will strive to continually increase our Company's value, and 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, 2016 stood at ¥708,167 million, down ¥62,423 million from the end of the previous year. This was due mainly to decreases in investments in securities (down ¥22,699 million), asset for retirement benefits (down ¥20,661 million), and inventories (down ¥19,436 million).

Total liabilities declined ¥8,405 million to ¥490,189 million. This was due mainly to decrease in interest-bearing debt (down ¥10,306 million).

Total net assets decreased ¥54,018 million to ¥217,978 million. This was due mainly to decreases in total accumulated other comprehensive income (down ¥40,515 million), loss attributable to owners of parent (¥6,613 million), and cash dividends (¥6,038 million).

Cash Flows

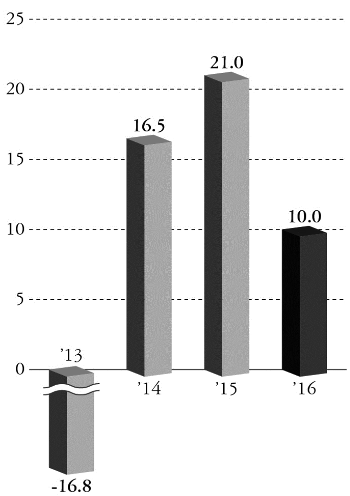
Net cash provided by operating activities totaled ¥50,532 million. ¥26,539 million from depreciation and amortization and decrease of ¥19,173 million in inventories were major contributors.

Net cash used in investing activities totaled ¥28,281 million, with ¥24,813 million spent on acquisition of property, plant and equipment.

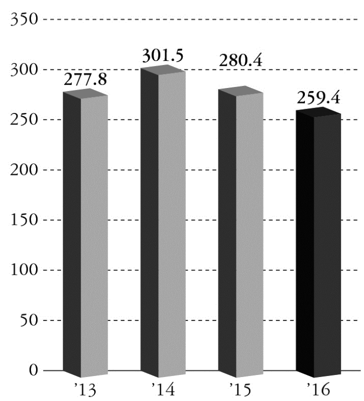
Net cash used in financing activities totaled ¥16,579 million, mainly reflecting ¥10,307 million decrease in interest-bearing debt and ¥6,024 million in cash dividends.

As a result of these developments, and including an effect of foreign currency translation adjustment on cash and cash equivalents, the consolidated balance of cash and cash equivalents at the end of the year ended March 31, 2016 increased by ¥5,156 million to ¥31,344 million.

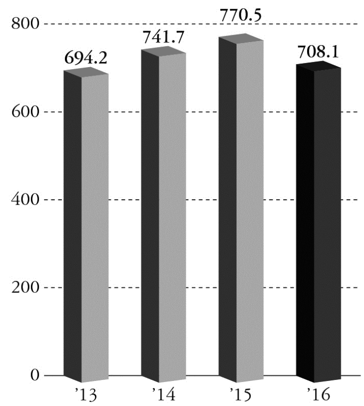
Operating Profit (Loss)
(Billions of yen)
(Years ended March 31)



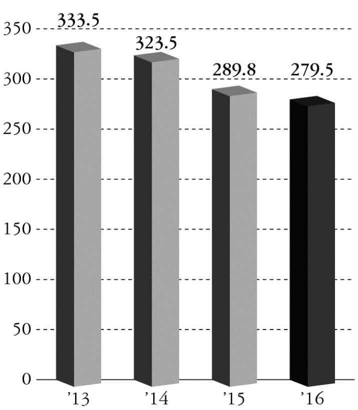
Total Current Assets
(Billions of yen)
(March 31)



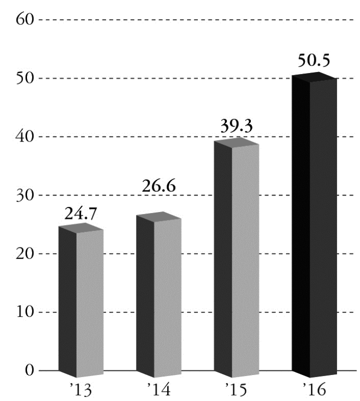
Total Assets
(Billions of yen)
(March 31)



Interest-Bearing Debt
(Billions of yen)
(March 31)



Net Cash Provided by Operating Activities
(Billions of yen)
(Years ended March 31)



Consolidated Balance Sheets

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
ASSETS			
Current assets:			
Cash on hand and in banks (Notes 17 and 19)	**¥ 31,440**	¥ 26,300	**$ 279,020**
Notes and accounts receivable (Note 19)	**77,581**	79,032	**688,507**
Marketable securities (Notes 19 and 20)	**-**	5,000	**-**
Inventories (Note 5)	**124,776**	144,212	**1,107,348**
Deferred income taxes (Note 8)	**5,811**	4,491	**51,570**
Other current assets	**20,248**	22,037	**179,694**
Allowance for doubtful accounts	**(457)**	(639)	**(4,055)**
Total current assets	**259,400**	280,433	**2,302,094**
Investments and long-term receivables:			
Investments in securities (Notes 6, 13, 19 and 20)	**115,066**	137,766	**1,021,175**
Deferred income taxes (Note 8)	**3,212**	2,823	**28,505**
Asset for retirement benefits (Note 9)	**22,585**	43,247	**200,434**
Other (Note 6)	**29,813**	29,162	**264,581**
Allowance for doubtful accounts	**(735)**	(614)	**(6,522)**
Total investments and long-term receivables	**169,942**	212,385	**1,508,182**
Property, plant and equipment, at cost:			
Buildings and structures	**290,061**	284,828	**2,574,201**
Machinery, equipment and vessels	**1,006,929**	993,500	**8,936,182**
	1,296,990	1,278,329	**11,510,383**
Accumulated depreciation	**(1,108,722)**	(1,096,317)	**(9,839,563)**
	188,268	182,011	**1,670,820**
Land	**71,828**	71,828	**637,451**
Construction in progress	**5,639**	13,850	**50,044**
Total property, plant and equipment	**265,736**	267,690	**2,358,324**
Other assets	**13,088**	10,081	**116,151**
Total assets	**¥ 708,167**	¥ 770,591	**$ 6,284,762**

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
LIABILITIES			
Current liabilities:			
Notes and accounts payable (Note 19)	¥ **87,436**	¥ 88,576	$ **775,967**
Short-term loans (Notes 7 and 19)	**50,338**	59,133	**446,734**
Current portion of long-term debt (Notes 7 and 19)	**35,693**	19,539	**316,764**
Provision for environmental remediation	**134**	189	**1,189**
Other current liabilities	**45,713**	43,719	**405,688**
Total current liabilities	**219,316**	211,158	**1,946,361**
Long-term liabilities:			
Long-term debt (Notes 7 and 19)	**193,495**	211,161	**1,717,208**
Deferred income taxes (Note 8)	**16,437**	15,332	**145,873**
Allowance for retirement benefits for directors and corporate auditors	**244**	386	**2,165**
Reserve for rebuilding furnaces	**8,590**	13,911	**76,233**
Provision for environmental remediation	**1,165**	1,119	**10,339**
Liability for retirement benefits (Note 9)	**48,300**	42,552	**428,647**
Other liabilities	**2,637**	2,971	**23,402**
Total long-term liabilities	**270,872**	287,435	**2,403,904**
Total liabilities	**490,189**	498,594	**4,350,275**
NET ASSETS			
Shareholders' equity:			
Common stock, no par value at March 31, 2016 and 2015			
Authorized: 430,000 thousand shares at March 31, 2016 and 2015			
Issued: 109,843 thousand shares at March 31, 2016 and 2015 (Note 15)	**30,000**	30,000	**266,240**
Additional paid-in capital	**76,345**	91,099	**677,538**
Retained earnings	**78,214**	74,160	**694,124**
Treasury stock, at cost (Note 15)	**(549)**	(541)	**(4,872)**
Total shareholders' equity	**184,010**	194,719	**1,633,031**
Accumulated other comprehensive income:			
Unrealized gain or loss on available-for-sale securities	**14,333**	23,356	**127,200**
Deferred gain or loss on hedges	**(651)**	191	**(5,777)**
Adjustment on revaluation of land (Note 14)	**405**	388	**3,594**
Foreign currency translation adjustment	**15,698**	17,741	**139,314**
Retirement benefits asset and liability adjustments	**(2,102)**	26,521	**(18,654)**
Total accumulated other comprehensive income	**27,684**	68,199	**245,686**
Non-controlling interests	**6,283**	9,078	**55,759**
Total net assets	**217,978**	271,997	**1,934,487**
Total liabilities and net assets	¥ **708,167**	¥ 770,591	$ **6,284,762**

Consolidated Statements of Income

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
Net sales	**¥ 547,026**	¥ 617,525	**$ 4,854,685**
Cost of sales (Note 5)	**489,145**	547,412	**4,341,009**
Gross profit	**57,881**	70,112	**513,675**
Selling, general and administrative expenses (Notes 11 and 12)	**47,794**	49,057	**424,156**
Operating profit	**10,087**	21,055	**89,518**
Non-operating profit and loss:			
Interest and dividend income	**2,310**	1,495	**20,500**
Interest expense	**(4,208)**	(4,852)	**(37,344)**
(Losses) earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	**(1,666)**	3,195	**(14,785)**
Foreign exchange (loss) gain	**(153)**	3,782	**(1,357)**
Gains on insurance	**1,146**	-	**10,170**
Gain on retirement adjustment	**1,034**	164	**9,176**
Service cost of temporarily transferred employees	**(2,026)**	(1,912)	**(17,980)**
Commission paid	**-**	(1,248)	**-**
Other, net	**(318)**	(1,984)	**(2,822)**
Ordinary profit	**6,206**	19,697	**55,076**
Special items:			
Reversal of reserve for rebuilding furnaces	**5,413**	-	**48,038**
Gain on abolishment of retirement benefit plan	**-**	1,722	**-**
Special gains	**5,413**	1,722	**48,038**
Loss on sale and disposition of properties	**709**	1,006	**6,292**
Loss on impairment of fixed assets	**7,093**	428	**62,948**
Loss on sale of investments in securities	**104**	-	**922**
Loss on devaluation of investments in securities	**5,212**	-	**46,254**
Loss on fire	**-**	760	**-**
Special losses	**13,120**	2,195	**116,435**
(Loss) profit before provision for income taxes	**(1,499)**	19,224	**(13,303)**
Provision for income taxes (Note 8):			
Current	**1,614**	2,190	**14,323**
Deferred	**4,047**	(521)	**35,915**
Total provision for income taxes	**5,662**	1,668	**50,248**
(Loss) profit attributable to :	**(7,162)**	17,555	**(63,560)**
Non-controlling interests	**(548)**	608	**(4,863)**
Owners of parent	**¥ (6,613)**	¥ 16,947	**$ (58,688)**
	Yen		U.S. dollars (Note 4)
(Loss) profit attributable to owners of parent per share	**¥ (60.33)**	¥ 160.51	**$ (0.53)**
Cash dividends per share	**40.00**	40.00	**0.35**
Weighted average number of shares issued and outstanding (thousands)	**109,621**	105,585	

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
(Loss) profit	**¥ (7,162)**	¥ 17,555	**$ (63,560)**
Other comprehensive income (Note 18) :			
Unrealized gain or loss on available-for-sale securities	**(9,004)**	7,766	**(79,907)**
Deferred gain or loss on hedges	**(976)**	272	**(8,661)**
Foreign currency translation adjustment	**(1,875)**	2,202	**(16,640)**
Retirement benefits asset and liability adjustments	**(28,526)**	19,071	**(253,159)**
Share of other comprehensive income of companies accounted for using equity method	**(792)**	8,752	**(7,028)**
Other, net	**23**	54	**204**
Total other comprehensive income	**(41,151)**	38,120	**(365,202)**
Comprehensive (loss) income	**¥ (48,314)**	¥ 55,676	**$ (428,771)**
Total comprehensive (loss) income attributable to :			
Owners of parent	**¥ (47,105)**	¥ 54,940	**$ (418,042)**
Non-controlling interests	**(1,208)**	735	**(10,720)**

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, 2016 and 2015

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
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)
Profit attributable to owners of parent	–	–	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 April 1, 2015	**¥ 30,000**	**¥ 91,099**	**¥ 74,160**	**¥ (541)**	**¥ 194,719**
Changes of items during the year					
Transfer to retained earnings from additional paid-in capital		**(12,310)**	**12,310**		**–**
Cash dividends		**(4,391)**	**(1,646)**		**(6,038)**
Loss attributable to owners of parent	**–**	**–**	**(6,613)**	**–**	**(6,613)**
Acquisition of treasury stock	**–**	**–**	**–**	**(8)**	**(8)**
Changes in subsidiaries' equity	**–**	**1,947**	**–**	**–**	**1,947**
Change in scope of equity method	**–**	**–**	**27**	**–**	**27**
Decrease due to adjustment on revaluation of land	**–**	**–**	**(0)**	**–**	**(0)**
Other, net	**–**	**–**	**(23)**	**–**	**(23)**
Items other than changes in shareholders' equity	**–**	**–**	**–**	**–**	**–**
Total changes of items during the year	**–**	**(14,754)**	**4,053**	**(8)**	**(10,708)**
Balance at March 31, 2016	**¥ 30,000**	**¥ 76,345**	**¥ 78,214**	**¥ (549)**	**¥ 184,010**

	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	Non-controlling interests	Total net assets
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)
Profit attributable to owners of parent	–	–	–	–	–	–	–	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 April 1, 2015	**¥ 23,356**	**¥ 191**	**¥ 388**	**¥ 17,741**	**¥ 26,521**	**¥ 68,199**	**¥ 9,078**	**¥ 271,997**
Changes of items during the year								
Transfer to retained earnings from additional paid-in capital	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,038)**
Loss attributable to owners of parent	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,613)**
Acquisition of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**
Changes in subsidiaries' equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,947**
Change in scope of equity method	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27**
Decrease due to adjustment on revaluation of land	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0)**
Other, net	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(23)**
Items other than changes in shareholders' equity	**(9,022)**	**(843)**	**16**	**(2,043)**	**(28,623)**	**(40,515)**	**(2,794)**	**(43,309)**
Total changes of items during the year	**(9,022)**	**(843)**	**16**	**(2,043)**	**(28,623)**	**(40,515)**	**(2,794)**	**(54,018)**
Balance at March 31, 2016	**¥ 14,333**	**¥ (651)**	**¥ 405**	**¥ 15,698**	**¥ (2,102)**	**¥ 27,684**	**¥ 6,283**	**¥ 217,978**

	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, 2015	**$ 266,240**	**$ 808,475**	**$ 658,146**	**$ (4,801)**	**$ 1,728,070**
Changes of items during the year					
Transfer to retained earnings from additional paid-in capital	–	**(109,247)**	**109,247**	–	–
Cash dividends	–	**(38,968)**	**(14,607)**	–	**(53,585)**
Loss attributable to owners of parent	–	–	**(58,688)**	–	**(58,688)**
Acquisition of treasury stock	–	–	–	**(70)**	**(70)**
Changes in subsidiaries' equity	–	**17,279**	–	–	**17,279**
Change in scope of equity method	–	–	**239**	–	**239**
Decrease due to adjustment on revaluation of land	–	–	**(0)**	–	**(0)**
Other, net	–	–	**(204)**	–	**(204)**
Items other than changes in shareholders' equity	–	–	–	–	–
Total changes of items during the year	–	**(130,937)**	**35,969**	**(70)**	**(95,030)**
Balance at March 31, 2016	**$ 266,240**	**$ 677,538**	**$ 694,124**	**$ (4,872)**	**$ 1,633,031**

	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 comprehen-sive income	Non-controlling interests	Total net assets
Balance at April 1, 2015	**$ 207,277**	**$ 1,695**	**$ 3,443**	**$ 157,445**	**$ 235,365**	**$ 605,244**	**$ 80,564**	**$2,413,888**
Changes of items during the year								
Transfer to retained earnings from additional paid-in capital	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	–	–	–	**(53,585)**
Loss attributable to owners of parent	–	–	–	–	–	–	–	**(58,688)**
Acquisition of treasury stock	–	–	–	–	–	–	–	**(70)**
Changes in subsidiaries' equity	–	–	–	–	–	–	–	**17,279**
Change in scope of equity method	–	–	–	–	–	–	–	**239**
Decrease due to adjustment on revaluation of land	–	–	–	–	–	–	–	**(0)**
Other, net	–	–	–	–	–	–	–	**(204)**
Items other than changes in shareholders' equity	**(80,067)**	**(7,481)**	**141**	**(18,130)**	**(254,020)**	**(359,558)**	**(24,795)**	**(384,353)**
Total changes of items during the year	**(80,067)**	**(7,481)**	**141**	**(18,130)**	**(254,020)**	**(359,558)**	**(24,795)**	**(479,392)**
Balance at March 31, 2016	**$127,200**	**$ (5,777)**	**$ 3,594**	**$ 139,314**	**$ (18,654)**	**$245,686**	**$ 55,759**	**$1,934,487**

Consolidated Statements of Cash Flows

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
Cash flows from operating activities:			
(Loss) profit before provision for income taxes	**¥ (1,499)**	¥ 19,224	**$ (13,303)**
Depreciation and amortization	**26,539**	24,173	**235,525**
Loss on impairment of fixed assets	**7,093**	428	**62,948**
Decrease in liability for retirement benefits	**(376)**	(1,832)	**(3,336)**
(Increase) decrease in asset for retirement benefits	**(2,188)**	324	**(19,417)**
(Decrease) increase in reserve for rebuilding furnaces	**(5,320)**	188	**(47,213)**
Losses (earnings) of unconsolidated subsidiaries and affiliates accounted for using equity method	**1,666**	(3,195)	**14,785**
Interest and dividend income	**(2,310)**	(1,495)	**(20,500)**
Interest expense	**4,208**	4,852	**37,344**
Loss on sale and disposition of properties	**709**	1,009	**6,292**
Decrease in notes and accounts receivable	**1,063**	1,439	**9,433**
Decrease in inventories	**19,173**	387	**170,154**
Decrease in notes and accounts payable	**(698)**	(4,456)	**(6,194)**
Other, net	**3,755**	5,663	**33,324**
	51,815	46,711	**459,842**
Receipt of interest and cash dividends	**4,285**	4,239	**38,028**
Payment of interest	**(4,236)**	(6,384)	**(37,593)**
Payment of income taxes	**(1,332)**	(5,264)	**(11,821)**
Net cash provided by operating activities	**50,532**	39,303	**448,455**
Cash flows from investing activities:			
Acquisition of investments in securities	**(2,385)**	(1,286)	**(21,166)**
Proceeds from sale of investments in securities	**3,493**	893	**30,999**
Acquisition of shares of subsidiaries and affiliates	**(291)**	(18)	**(2,582)**
Proceeds from sale of shares of subsidiaries and affiliates	**45**	-	**399**
Acquisition of property, plant and equipment	**(24,813)**	(25,664)	**(220,207)**
Proceeds from sale of property, plant and equipment	**402**	502	**3,567**
Other, net	**(4,732)**	(3,794)	**(41,995)**
Net cash used in investing activities	**(28,281)**	(29,367)	**(250,985)**
Cash flows from financing activities:			
Decrease in short-term loans, net	**(8,795)**	(1,328)	**(78,052)**
Proceeds from long-term debt	**20,400**	54,900	**181,043**
Repayment and redemption of long-term debt	**(21,911)**	(87,084)	**(194,453)**
Disposal of treasury stock	**-**	9,253	**-**
Acquisition of treasury stock	**(8)**	(9)	**(70)**
Cash dividends	**(6,024)**	(1,499)	**(53,461)**
Cash dividends paid to non-controlling interests	**(77)**	(117)	**(683)**
Other, net	**(161)**	(193)	**(1,428)**
Net cash used in financing activities	**(16,579)**	(26,078)	**(147,133)**
Foreign currency translation adjustment of cash and cash equivalents	**(514)**	1,504	**(4,561)**
Net increase (decrease) in cash and cash equivalents	**5,156**	(14,638)	**45,757**
Cash and cash equivalents at beginning of year	**26,187**	40,694	**232,401**
Net increase in cash and cash equivalents from newly consolidated subsidiaries	**-**	132	**-**
Cash and cash equivalents at end of year (Note 17)	**¥ 31,344**	¥ 26,187	**$ 278,168**

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, 2016 and 2015

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

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 profit (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 11 at March 31, 2016 and included:

Nisshin Metal Working Co., Ltd.

Nisshin-Jutha Wan Metal Co., Ltd. became an unconsolidated subsidiary accounted for using equity method in the year ended 31, 2016 due to the increase of the materiality. In addition, the company changed its trade name from “Nisshin-Jutha Wan Metal Co., Ltd.” to “Nisshin Steel (Thailand) Co., Ltd.” at April 1, 2016.

The number of affiliates accounted for using the equity method was 16 at March 31, 2016 and included:

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

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, 2016.
(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, 2016.
(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 profit 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).

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, 2016, the Nisshin Group recognized loss on impairment of fixed assets for the following asset group.

Location	Purpose	Type
Ichikawa, Chiba Prefecture	Business assets (production facilities of building material)	Machinery and equipment
Kure, Hiroshima Prefecture	Business assets (No. 2 blast furnace and related facilities)	Machinery and equipment, etc.
Shunan, Yamaguchi Prefecture	Business assets (continuous casting facilities)	Machinery and equipment, etc.

The Group principally categorizes assets by segment for managerial accounting (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.
For the year ended march 31, 2016, their book value has been reduced to recoverable amounts largely because the Companies have decided to discontinue use of some facilities in the future in accordance with business reforms. Recoverable amounts have been calculated by estimating the value in use, and the difference between the book values and the recoverable amounts has been recorded as loss on impairment of fixed assets (¥7,093 million (US$62,948 thousand)) in special loss. The loss on impairment of fixed assets consisted of ¥6,166 million (US$54,721 thousand) of machinery and equipment, ¥488 million (US$4,330 thousand) of buildings and structures and ¥437 million (US$3,878 thousand) of others.
Value in use is calculated by applying a discount rate of 7% to future cash flows.

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 managerial accounting (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) in special loss. The loss on impairment of fixed assets consisted of ¥418 million of machinery and equipment and ¥10 million 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.

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 is imposed on domestic consumption of goods and services at the rate of 8%. 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.

Profit (loss) and Cash Dividends per Share
The computation of profit (loss) 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 profit (loss) of each year.

Standards Issued but not yet Effective
(Implementation Guidance on Recoverability of Deferred Tax Assets)
On March 28, 2016, the Accounting Standard Board of Japan ("ASBJ") issued "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).

(1) Overview

Authority on the Japanese Institute of Certified Public Accountants' practical guidelines on accounting related to tax-effect accounting and practical guidelines for auditing (sections related to accounting treatment) has been transferred to the ASBJ. By following the methods of classifying entities into five categories and assessing the amount of deferred tax assets recorded according to those classifications, ASBJ Guidance No. 26 basically follows the aforementioned practical guidelines' framework for assessing recoverability of deferred tax assets principally provided by the Japanese Institute of Certified Public Accountants Auditing Committee Report No. 66, "Audit Treatment for Judgment of Recoverability of Deferred Tax Assets." It does however make some necessary revisions to category conditions and the handling of the amount of deferred tax assets recorded, and it provides guidance for the application of the "Accounting Standards for Tax-Effect Accounting" (Business Accounting Council) for the recoverability of deferred tax assets.

(2) Scheduled date of adoption

The revised Accounting Guidance is scheduled to be applied from the beginning of the fiscal year ending March 31, 2017.

(3) Impact of adopting revised accounting standards and guidance

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

3. Accounting Changes

(Accounting Changes)
Concerning the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc., the Company adopted these accounting standards from the fiscal year ended March 31, 2016, revising the method of recording changes in the Company's ownership interest in a subsidiary when the Company retains control over the subsidiary in which they are recognized as additional paid-in capital. In addition, the changes in the presentation of profit (loss), etc. and the change of minority interests to non-controlling interests have been implemented. To reflect these changes in presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures set out in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and its effective date is from the beginning of the fiscal year ended March 31, 2016 onward.

As a result, ordinary profit decreased ¥491 million (US$4,357 thousand), and loss before provision for income taxes increased ¥1,947 million (US$17,279 thousand) for the fiscal year ended March 31, 2016.
Additional paid-in capital increased ¥1,947 million (US$17,279 thousand) at the end of the fiscal year ended March 31, 2016.
The balance of additional paid-in capital at the end of the fiscal year ended March 31, 2016 in Consolidated Statements of Changes in Net Assets increased ¥1,947 million (US$17,279 thousand).

(Changes in Presentation)

Consolidated Statements of Income

"Gain on retirement adjustment" that was included in "Other, net" under "Non-operating loss" in the fiscal year ended March 31, 2015, is separately presented under "Non-operating profit" in the fiscal year ended March 31, 2016 due to its increased quantitative materiality. To reflect this change in presentation, corresponding reclassifications have been made to the consolidated financial statements in the fiscal year ended March 31, 2015.

This change resulted in a reclassification of "Other, net" under "Non-operating loss" of (¥1,819) million to "Gain on retirement adjustment" of ¥164 million and "Other, net" under "Non-operating loss" of (¥1,984) million.

Consolidated Statements of Cash Flows

"Loss on impairment of fixed assets" that was included in "Other, net" under "Cash flows from operating activities" in the fiscal year ended March 31, 2015, is separately presented under "Cash flows from operating activities" in the fiscal year ended March 31, 2016 due to its increased quantitative materiality. To reflect this change in presentation, corresponding reclassifications have been made to the consolidated financial statements in the fiscal year ended March 31, 2015.

This change resulted in a reclassification of "Other, net" under "Cash flows from operating activities" of ¥6,092 million to "Loss on impairment of fixed assets" of ¥428 million and "Other, net" under "Cash flows from operating activities" of ¥5,663 million.

"Cash dividends paid to non-controlling interests" that was included in "Other, net" under "Cash flows from financing activities" in the fiscal year ended March 31, 2015, is separately presented under "Cash flows from financing activities" in the fiscal year ended March 31, 2016 due to its increased qualitative materiality. To reflect this change in presentation, corresponding reclassifications have been made to the consolidated financial statements in the fiscal year ended March 31, 2015.

This change resulted in a reclassification of "Other, net" under "Cash flows from financing activities" of (¥310) million to "Cash dividends paid to non-controlling interests" of (¥117) million and "Other, net" under "Cash flows from financing activities" of (¥193) million.

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 ¥112.68 = US$1, the effective rate of exchange at March 31, 2016. 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 ¥112.68 = US$1 or at any other rate.

5. Inventories

Details of "Inventories" in the Consolidated Balance Sheets at March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Finished goods	**¥ 49,953**	¥ 62,769	**$ 443,317**
Work in process	**37,846**	37,260	**335,871**
Raw materials and other supplies	**36,975**	44,182	**328,141**
Total	**¥ 124,776**	¥ 144,212	**$ 1,107,348**

The amounts of inventories on the Consolidated Balance Sheets at March 31, 2016 and 2015 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, 2016 and 2015 include ¥2,665 million (US$23,651 thousand) of such unrealized net loss of inventories and ¥1,149 million of such unrealized net loss of inventories, respectively.

6. Investments in Unconsolidated Subsidiaries and Affiliates

"Investments in securities" in the Consolidated Balance Sheets at March 31, 2016 and 2015 include investments in unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Stocks of unconsolidated subsidiaries and affiliates	**¥ 57,696**	¥ 59,759	**$ 512,034**

"Other" in "Investments and long-term receivables" in the Consolidated Balance Sheets at March 31, 2016 and 2015 include investments in unconsolidated subsidiaries and affiliates as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Equity in unconsolidated subsidiaries and affiliates	**¥ 23,134**	¥ 22,101	**$ 205,307**

7. Short-term Loans and Long-term Debt

Short-term loans at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Bank loans	**¥ 50,338**	¥ 59,133	**$ 446,734**

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

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Loans from banks and other financial institutions	**¥ 179,188**	¥ 180,700	**$ 1,590,237**
19th 2.20% unsecured bond of the Company due Jun. 2018	**10,000**	10,000	**88,746**
21st 0.62% unsecured bond of the Company due Jun. 2017	**20,000**	20,000	**177,493**
22nd 0.33% unsecured bond of the Company due Mar. 2017	**10,000**	10,000	**88,746**
23rd 0.64% unsecured bond of the Company due Mar. 2019	**10,000**	10,000	**88,746**
Total long-term debt	**229,188**	230,700	**2,033,972**
"Current portion of long-term debt" in the Consolidated Balance Sheets	**(35,693)**	(19,539)	**(316,764)**
"Long-term debt" in the Consolidated Balance Sheets*1	**¥ 193,495**	¥ 211,161	**$ 1,717,208**

*1. 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, ¥17,647 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 profit" 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, 2016, 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. 15 of 2016) and the "Act for Partial Amendment of the Local Tax Act, etc."(Act No. 13 of 2016) were enacted on March 29, 2016. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.1% to 30.7% for the temporary differences expected to be realized or settled for fiscal years beginning on or after April 1, 2016.

The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax liabilities, after offsetting deferred tax assets, by ¥379 million (US$3,363 thousand), income taxes-deferred by ¥178 million (US$1,579 thousand), deferred gain on hedges by ¥10 million (US$88 thousand), and retirement benefits asset and liability adjustments by ¥31 million (US$275 thousand), and increase unrealized gain on available-for-sale securities by ¥242 million (US$2,147 thousand) as of and for the year ended March 31, 2016.

Furthermore, under the amended rules for tax loss carry forward applicable to the fiscal year beginning on or after April 1, 2016, the tax deductible amount using tax loss carry forwards was changed to "up to 60% 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 55% of taxable income for the fiscal year before deducting tax loss carry forwards," and under those applicable to the fiscal year beginning on or after April 1, 2018, the tax deductible amount using tax loss carry forwards was changed to "up to 50% of taxable income for the fiscal year before deducting tax loss carry forwards." As a result, deferred tax assets decreased by ¥281 million (US$2,493 thousand) and deferred income tax expense increased by ¥281 million (US$2,493 thousand).

Components of the Companies' deferred income tax assets and liabilities at March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred income tax assets:			
Tax loss carry forwards	**¥ 38,890**	¥ 40,621	**$ 345,136**
Retirement benefit liability	**9,549**	10,524	**84,744**
Loss on impairment of fixed assets	**4,645**	2,702	**41,222**
Loss on devaluation of investments in securities	**4,442**	2,436	**39,421**
Non-deductible portion of reserve for rebuilding furnaces	**2,637**	4,240	**23,402**
Other	**8,632**	9,463	**76,606**
Preliminary deferred income tax assets	**68,796**	69,987	**610,543**
Valuation allowance	**(63,733)**	(62,135)	**(565,610)**
Total deferred income tax assets	**5,063**	7,852	**44,932**
Deferred income tax liabilities:			
Unrealized gain or loss on available-for-sale securities	**5,317**	8,874	**47,186**
Reserve for postponement of taxation on capital gains from property	**1,629**	1,758	**14,456**
Other	**5,530**	5,238	**49,077**
Total deferred income tax liabilities	**12,477**	15,870	**110,729**
Net deferred income tax liabilities	**¥ 7,413**	¥ 8,017	**$ 65,788**

The reconciliation of the statutory tax rate to the income tax rate reflected in the Consolidated Statements of Income for the fiscal year ended March 31, 2015 is as follows.

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

The reconciliation of the statutory tax rate to the income tax rate reflected in the Consolidated Statements of Income for the fiscal year ended March 31, 2016 is omitted because the Company recorded a loss before provisions for income taxes.

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, 2016 and 2015 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Retirement benefit obligation at the beginning of the year	**¥ 83,306**	¥ 85,804	**$ 739,314**
Cumulative effects of changes in accounting policies	**-**	7,646	**-**
Restated balance	**83,306**	93,450	**739,314**
Service cost	**3,127**	3,155	**27,751**
Interest cost	**1,000**	1,152	**8,874**
Actuarial loss (gain)	**11,112**	(403)	**98,615**
Retirement benefit paid	**(6,360)**	(4,739)	**(56,443)**
Prior service cost	**-**	(1,019)	**-**
Contribution by the Companies	**(16)**	(16)	**(141)**
Net increase from newly consolidated subsidiaries	**-**	213	**-**
Decrease due to partial abolishment of the plan	**-**	(8,707)	**-**
Other	**291**	221	**2,582**
Retirement benefit obligation at the end of the year	**¥ 92,462**	¥ 83,306	**$ 820,571**

The changes in plan assets during the years ended March 31, 2016 and 2015 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Plan assets at the beginning of the year	**¥ 84,001**	¥ 73,695	**$ 745,482**
Expected return on plan assets	**1,672**	1,465	**14,838**
Actuarial (loss) gain	**(16,651)**	18,979	**(147,772)**
Contribution by the Companies	**565**	886	**5,014**
Retirement benefit paid	**(3,193)**	(3,193)	**(28,336)**
Decrease due to partial abolishment of the plan	**-**	(8,053)	**-**
Other	**352**	221	**3,123**
Plan assets at the end of the year	**¥ 66,747**	¥ 84,001	**$ 592,358**

The funded status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2016 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded retirement benefit obligation	**¥ 44,605**	¥ 40,784	**$ 395,855**
Plan assets at fair value	**(66,747)**	(84,001)	**(592,358)**
	(22,141)	(43,216)	**(196,494)**
Unfunded retirement benefit obligation	**47,856**	42,522	**424,707**
Net balance of liability and asset recognized on the Consolidated Balance Sheets	**25,715**	(694)	**228,212**
Liability for Retirement benefits	**48,300**	42,552	**428,647**
Asset for retirement benefits	**(22,585)**	(43,247)	**(200,434)**
Net balance of liability and asset recognized on the Consolidated Balance Sheets	**¥ 25,715**	¥ (694)	**$ 228,212**

The components of retirement benefit expense for the years ended March 31, 2016 and 2015 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥ 3,127**	¥ 3,155	**$ 27,751**
Interest cost	**1,000**	1,152	**8,874**
Expected return on plan assets	**(1,672)**	(1,465)	**(14,838)**
Amortization of actuarial loss	**(307)**	906	**(2,724)**
Amortization of prior service cost	**(975)**	(1,005)	**(8,652)**
Gain on abolishment	**-**	(1,722)	**-**
Other	**11**	-	**97**
Retirement benefit expense	**¥ 1,183**	¥ 1,019	**$ 10,498**

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

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) at March 31, 2016 and 2015 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Prior service cost	**¥ (975)**	¥ 13	**$ (8,652)**
Actuarial difference	**(27,998)**	19,220	**(248,473)**
Total	**¥ (28,974)**	¥ 19,234	**$ (257,135)**

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) at March 31, 2016 and 2015 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized prior service cost	**¥ 3,495**	¥ 4,471	**$ 31,017**
Unrecognized actuarial difference	**(6,103)**	21,895	**(54,162)**
Total	**¥ (2,607)**	¥ 26,367	**$ (23,136)**

The fair value of plan assets by major category as a percentage of total plan assets at March 31, 2016 and 2015 are as follows:

	Millions of yen	
	2016	2015
Stocks	**64%**	74%
Bonds	**22**	16
Cash on hand and in banks	**6**	6
Other	**8**	4
Total	**100%**	100%

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

	2016	2015
Discount rate:	**0.3%**	1.2%
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 ¥125 million (US$1,109 thousand) and ¥106 million for the years ended March 31, 2016 and 2015.

10. Contingent Liabilities

Contingent liabilities at March 31, 2016 and 2015 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Guarantee of bank loans for employees	**¥ 385**	¥ 511	**$ 3,416**
Guarantee of loans for others in the ordinary course of business	**4,712**	7,615	**41,817**
The Companies issued letters of guarantee for the future for others in the ordinary course of business	**17**	23	**150**

11. Research and Development Expenses

Research and development expenses for the years ended March 31, 2016 and 2015 totaled ¥3,941 million (US$34,975 thousand) and ¥3,975 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, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Freight out	**¥ 16,769**	¥ 17,946	**$ 148,819**
Salaries, bonuses and allowances	**10,250**	10,446	**90,965**
Research and development expenses	**3,941**	3,975	**34,975**
Retirement benefit expense	**558**	731	**4,952**

13. Mortgaged Properties

Breakdown of properties pledged as collateral at March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Properties pledged as collateral:			
Investments in securities	**¥ 16**	¥ 16	**$ 141**

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 gains at March 31, 2016 and 2015 have been recorded as a separate component of accumulated other comprehensive income.

15. Net Assets

Number and types of stock at March 31, 2016 and 2015 are as follows:

	Thousands of shares	
	Number of common stocks, issued	Number of treasury stocks
March 31, 2015	**109,843**	**219**
Increase during the year	–	**6**
Decrease during the year	–	**0**
March 31, 2016	**109,843**	**225**

Increase in the number of treasury stocks consists of six thousand shares due to purchase of shares of less than one unit.

The decrease of less than one thousand shares in treasury stock consists of less than one 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, 2017

		Amount of cash dividends paid	Cash dividends per share	Record date	Effective date
May 13, 2016	Board of Directors' Meeting	**¥2,744 million** **US$24,352 thousand**	**¥25.0** **US$0.22**	Mar. 31, 2016	Jun. 3, 2016

Cash dividends payment in the year ended 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$38,968 thousand**	**¥40.0** **US$0.35**	Mar. 31, 2015	Jun. 3, 2015
Nov. 13, 2015	Board of Directors' Meeting	**¥1,646 million** **US$14,607 thousand**	**¥15.0** **US$0.13**	Sep. 30, 2015	Nov. 30, 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, 2016 and 2015 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
	2016	2015	**2016**
Cash on hand and in banks	**¥ 31,440**	¥ 26,300	**$ 279,020**
Time deposits and short-term investments with deposit terms or maturity periods exceeding three months	**(5)**	(5)	**(44)**
Other	**(91)**	(107)	**(807)**
Cash and cash equivalents at end of year	**¥ 31,344**	¥ 26,187	**$ 278,168**

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, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrealized gain or loss on available-for-sale securities:			
Amount arising during the year	**¥ (12,932)**	¥ 10,012	**$ (114,767)**
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	**384**	–	**3,407**
Amount before tax effect	**(12,547)**	10,012	**(111,350)**
Tax effect	**3,543**	(2,245)	**31,443**
Unrealized gain or loss on available-for-sale securities	**(9,004)**	7,766	**(79,907)**
Deferred gain or loss on hedges:			
Amount arising during the year	**(901)**	3,991	**(7,996)**
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	**(54)**	(1)	**(479)**
Acquisition adjustment	**(474)**	(3,595)	**(4,206)**
Amount before tax effect	**(1,430)**	395	**(12,690)**
Tax effect	**453**	(122)	**4,020**
Deferred gain or loss on hedges	**(976)**	272	**(8,661)**
Foreign currency translation adjustment:			
Amount arising during the year	**(1,875)**	2,202	**(16,640)**
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	**–**	–	**–**
Amount before tax effect	**(1,875)**	2,202	**(16,640)**
Tax effect	**–**	–	**–**
Foreign currency translation adjustment	**(1,875)**	2,202	**(16,640)**
Retirement benefits asset and liability adjustments:			
Amount arising during the year	**(27,691)**	20,347	**(245,749)**
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	**(1,283)**	(1,113)	**(11,386)**
Amount before tax effect	**(28,974)**	19,234	**(257,135)**
Tax effect	**448**	(163)	**3,975**
Retirement benefits asset and liability adjustments	**(28,526)**	19,071	**(253,159)**
Share of other comprehensive income of companies accounted for with the equity method:			
Amount arising during the year	**(680)**	9,089	**(6,034)**
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	**(111)**	(336)	**(985)**
Share of other comprehensive income of companies accounted for with the equity method	**(792)**	8,752	**(7,028)**
Other, net:			
Amount arising during the year	**33**	82	**292**
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	**3**	2	**26**
Amount before tax effect	**36**	85	**319**
Tax effect	**(13)**	(30)	**(115)**
Other, net	**23**	54	**204**
Total other comprehensive income	**¥ (41,151)**	¥ 38,120	**$ (365,202)**

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, 2016 and 2015 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, 2016)

	Millions of yen		
	Book value	Estimated fair value	Unrealized gain (loss)
(1) Cash on hand and in banks	**¥ 31,440**	**¥ 31,440**	**¥ –**
(2) Notes and accounts receivable	**77,581**	**77,581**	–
(3) Marketable securities and investments in securities			
Stocks of subsidiaries and affiliates	**41,721**	**56,388**	**14,667**
Available-for-sale securities	**52,631**	**52,631**	–
(4) Notes and accounts payable	**(87,436)**	**(87,436)**	–
(5) Short-term loans	**(50,338)**	**(50,338)**	–
(6) Bonds	**(50,000)**	**(50,696)**	**(696)**
(7) Long-term loans			
Loans from banks and other financial institutions	**(179,189)**	**(186,566)**	**(7,376)**
(8) Derivative transactions	**(755)**	**(755)**	–

(Year ended March 31, 2016)

	Thousands of U.S. dollars		
	Book value	Estimated fair value	Unrealized gain (loss)
(1) Cash on hand and in banks	**$ 279,020**	**$ 279,020**	**$ –**
(2) Notes and accounts receivable	**688,507**	**688,507**	**–**
(3) Marketable securities and investments in securities			
Stocks of subsidiaries and affiliates	**370,260**	**500,425**	**130,165**
Available-for-sale securities	**467,083**	**467,083**	**–**
(4) Notes and accounts payable	**(775,967)**	**(775,967)**	**–**
(5) Short-term loans	**(446,734)**	**(446,734)**	**–**
(6) Bonds	**(443,734)**	**(449,911)**	**(6,176)**
(7) Long-term loans			
Loans from banks and other financial institutions	**(1,590,246)**	**(1,655,715)**	**(65,459)**
(8) Derivative transactions	**(6,700)**	**(6,700)**	**–**

(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	–

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 (¥15,975 million (US$141,773 thousand) and ¥17,732 million in the Consolidated Balance Sheets at March 31, 2016 and 2015, 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 (¥4,738 million (US$42,048 thousand) and ¥14,702 million in the Consolidated Balance Sheets at March 31, 2016 and 2015 respectively.) and others (¥0 million (US$0 thousand) and ¥0 million in the Consolidated Balance Sheets at March 31, 2016 and 2015, 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, 2016 and 2015 are as follows:

(Year ended March 31, 2016)

	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	**¥ 31,233**	¥ –	¥ –	¥ –
Notes and accounts receivable	**77,581**	–	–	–
Marketable securities and investments in securities				
National and local governmental bonds, etc.	–	**4**	**11**	–
Total	**¥ 108,814**	¥ **4**	¥ **11**	¥ –

(Year ended March 31, 2016)

	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	**$ 277,183**	$ –	$ –	$ –
Notes and accounts receivable	**688,507**	–	–	–
Marketable securities and investments in securities				
National and local governmental bonds, etc.	–	**35**	**97**	–
Total	**$ 965,690**	$ **35**	$ **97**	$ –

(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	¥ –

20. Securities

Available-for-sale securities

(Year ended March 31, 2016)

	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	**¥ 41,873**	**¥ 20,924**	**¥ 20,949**	**$ 371,609**	**$ 185,694**	**$ 185,915**
Bonds						
National and local governmental bonds, etc	**12**	**11**	**0**	**106**	**97**	**0**
Subtotal	**¥ 41,886**	**¥ 20,935**	**¥ 20,950**	**$ 371,725**	**$ 185,791**	**$ 185,924**
Securities whose book value does not exceed their acquisition cost:						
Stocks	**¥ 10,373**	**¥ 12,090**	**¥ (1,717)**	**$ 92,057**	**$ 107,294**	**$ (15,237)**
Bonds						
National and local governmental bonds, etc	**4**	**4**	**(0)**	**35**	**35**	**0**
Other	**367**	**401**	**(33)**	**3,257**	**3,558**	**(292)**
Subtotal	**¥ 10,745**	**¥ 12,496**	**¥ (1,750)**	**$ 95,358**	**$ 110,898**	**$ (15,530)**
Total	**¥ 52,631**	**¥ 33,432**	**¥ 19,199**	**$ 467,083**	**$ 296,698**	**$ 170,385**

(Year ended March 31, 2015)

	Millions of yen		
	Book value	Acquisition cost	Unrealized gain (loss)
Securities whose book value exceeds their acquisition cost:			
Stocks	¥ 62,331	¥ 30,246	¥ 32,084
Bonds			
National and local governmental bonds, etc	16	16	0
Subtotal	¥ 62,347	¥ 30,262	¥ 32,085
Securities whose book value does not exceed their acquisition cost:			
Stocks	¥ 534	¥ 767	¥ (232)
Bonds			
Other	421	470	(48)
Other	5,000	5,000	–
Subtotal	¥ 5,956	¥ 6,237	¥ (280)
Total	¥ 68,304	¥ 36,500	¥ 31,804

Regarding available-for-sale securities for which fair value information was not available, their aggregate book value on the Consolidated Balance Sheets was ¥4,738 million (US$42,048 thousand) and ¥14,702 million at March 31, 2016 and 2015, respectively.

Sale of securities classified as available-for-sale securities and the aggregate gain and loss for the years ended March 31, 2016 and 2015 are as follows:

(Year ended March 31, 2016)

	Millions of yen	Thousands of U.S. dollars
Sale proceeds	**¥ 1,677**	**$ 14,882**
Aggregate gain	**8**	**70**
Aggregate loss	**104**	**922**

(Year ended March 31, 2015)

	Millions of yen
Sale proceeds	¥ 893
Aggregate gain	–
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, 2016 and 2015, 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, 2016 and 2015 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, 2016)

		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	**¥ 14,685**	**¥ –**	**¥ (755)**
Total			**¥ 14,685**	**¥ –**	**¥ (755)**

* Measurement method for fair value

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

(Year ended March 31, 2016)

		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	**$ 130,324**	**$ –**	**$ (6,700)**
Total			**$ 130,324**	**$ –**	**$ (6,700)**

(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.

(2) Interest-related transactions

(Year ended March 31, 2016)

		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	**¥ 36,407**	**¥ 36,107**	**¥ ***
Total			**¥ 36,407**	**¥ 36,107**	**¥ ***

* Fair value of interest rate swaps which are accounted for 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, 2016)

		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	**$ 323,100**	**$ 320,438**	**$ ***
Total			**$ 323,100**	**$ 320,438**	**$ ***

(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 for 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, 2016)

	Millions of yen		
	Steel Products	Other	Total
Sales to third parties	**¥ 514,409**	**¥ 32,617**	**¥ 547,026**

(Year ended March 31, 2016)

	Thousands of U.S. dollars		
	Steel Products	Other	Total
Sales to third parties	**$ 4,565,220**	**$ 289,465**	**$ 4,854,685**

(Year ended March 31, 2015)

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

Geographical information

(Year ended March 31, 2016)

	Millions of yen				
	Japan	North America	East Asia	Other	Total
Sales to third parties	**¥ 435,422**	**¥ 51,505**	**¥ 35,566**	**¥ 24,532**	**¥ 547,026**

(Year ended March 31, 2016)

	Thousands of U.S. dollars				
	Japan	North America	East Asia	Other	Total
Sales to third parties	**$ 3,864,235**	**$ 457,090**	**$ 315,637**	**$ 217,713**	**$ 4,854,685**

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

(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

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 years ended March 31, 2016 and 2015 are as follows:

(Year ended March 31, 2016)

				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, 2016	Description of the consolidated subsidiary's transactions	2016	Account	2016
Nihon Teppan Co., Ltd.	¥1,300 million $11,537 thousand	Sale of coated steel	50.0%	Sale of the Company's coated steel products to the related party	**¥64,296** **$570,607**	Accounts receivable	**¥7,608** **$67,518**
Canox Corporation	¥2,310 million $20,500 thousand	Sale of coated steel	16.0%	Sale of the Company's coated steel products to the related party	**¥37,973** **$336,998**	Accounts receivable	**¥4,425** **$39,270**

(Year ended March 31, 2015)

				Millions of yen			
				Transaction		Resulting accounting balance	
Name of Related company	Paid-in capital	Principal business	Equity ownership percentage by the consolidated subsidiary at Mar. 31, 2015	Description of the consolidated subsidiary's transactions	2015	Account	2015
Nihon Teppan Co., Ltd.	¥1,300 million	Sale of coated steel	50.0%	Sale of the Company's coated steel products to the related party	¥71,794	Accounts receivable	¥4,576
Canox Corporation	¥2,310 million	Sale of coated steel	16.1%	Sale of the Company's coated steel products to the related party	¥41,646	Accounts receivable	¥4,837

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, 2016 and 2015 are as follows:

(Year ended March 31, 2016)

				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, 2016	Description of the consolidated subsidiary's transactions	2016	Account	2016
Nihon Teppan Co., Ltd.	¥1,300 million $11,537 thousand	Sale of coated steel	50.0%	Purchase of the steel products by Tsukiboshi Shoji Co., Ltd.	**¥18,232** **$161,803**	Accounts payable	**¥6,855** **$60,835**

(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	Sale of coated steel	50.0%	Purchase of the steel products by Tsukiboshi Shoji Co., Ltd.	¥19,255	Accounts payable	¥7,581

The significant related company in the year ended March 31, 2016 and 2015 is Acerinox, S.A. Summary of the consolidated financial condition of Acerinox, S.A. are as follows:

	Millions of euros	
	2016	2015
Total current assets	€ **1,808**	€ 2,159
Total non-current assets	**2,317**	2,270
Total current liabilities	**1,106**	1,293
Total non-current liabilities	**995**	1,279
Total equity	**2,023**	1,856
Revenues	**4,221**	4,380
Profit from ordinary activities	**66**	243
Net profit attributable to the Group	**32**	136

24. Business Combinations

(Transactions under Common Control)

Since Tsukiboshi Shoji Co., Ltd. changed its shareholder rights into different treatment depending on each shareholder, Nisshin Steel's ownership interest to Tsukiboshi Shoji Co., Ltd. increased, and on the other hand non-controlling interests decreased. As a result, additional paid-in capital increased. This matter was accounted for as transactions pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

25. Other

Information on the consolidated cumulative and quarterly results for the year ended March 31, 2016 is as follows:

	Millions of yen (except per share)			
	1Q	2Q	3Q	4Q
Cumulative results				
Net sales	**¥ 137,225**	**¥ 276,759**	**¥ 409,920**	**¥ 547,026**
Profit (loss) before provision for income taxes	**1,803**	**4,107**	**3,042**	**(1,499)**
Profit (loss) attributable to owners of parent	**1,243**	**2,007**	**0**	**(6,613)**
Profit (loss) attributable to owners of parent per share*1	**¥ 11.34**	**¥ 18.31**	**¥ 0.00**	**¥ (60.33)**
Quarterly results				
Profit (loss) attributable to owners of parent per share*1	**¥ 11.34**	**¥ 6.97**	**¥ (18.31)**	**¥ (60.33)**

	Thousands of U.S. dollars (except per share)			
	1Q	2Q	3Q	4Q
Cumulative results				
Net sales	**$ 1,217,829**	**$ 2,456,150**	**$ 3,637,912**	**$ 4,854,685**
Profit (loss) before provision for income taxes	**16,001**	**36,448**	**26,996**	**(13,303)**
Profit (loss) attributable to owners of parent	**11,031**	**17,811**	**0**	**(58,688)**
Profit (loss) attributable to owners of parent per share*1	**$ 0.10**	**$ 0.16**	**$ 0.00**	**$ (0.53)**
Quarterly results				
Profit (loss) attributable to owners of parent per share*1	**$ 0.10**	**$ 0.06**	**$ (0.16)**	**$ (0.53)**

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

26. Major Subsequent Events

(Company split)

On April 1, 2016, the Company conducted an absorption-type company split in which its steel plate production and sales business which engages in the coatings and building materials market and includes the Ichikawa Works (hereinafter, the "Combined Entity") was spun off and succeeded by its wholly owned subsidiary Nisshin A&C Co., Ltd., which consequently changed its trade name to Nisshin Steel A&C Co., Ltd.

Transactions under Common Control

1. Outline of the company split
   (1) Name of the Combined Entity and nature of its business operations
   The Company's steel plate production and sales business which engages in the coatings and building materials market and includes the Ichikawa Works
   (2) Date of the business combination
   April 1, 2016
   (3) Legal form of the business combination
   Absorption-type company split whereby the Company is the splitting company, and Nisshin A&C Co., Ltd. is the succeeding company in the absorption-type split
   (4) New trade name
   Nisshin Steel A&C Co., Ltd.
   (5) Main reason for the business combination
   The business combination is being undertaken so that in the steel plate production and sales business serving the coatings and building materials market, which is the Company's founding business, the Company will be able to swiftly address needs and create a business structure that makes product and market development possible. To that end, the Group will strengthen the Combined Entity's cost competitiveness, development prowess and marketing strengths, by launching a company that provides one-stop solutions which enlist the materials development prowess, cost competitiveness and sales channels of the Combined Entity held by the Company, and accordingly bringing such strengths together with Nisshin A&C Co., Ltd.'s capacity for serving manufacturers of housing materials through its light-gauge steel shapes, and its appeal to building contractors and other such entities, which it has amassed through its operations involving sales of metal siding.

The newly launched company will create construction demand on its own by offering new forms of value to customers, and will accordingly strive to act as an innovative steel building materials manufacturer that conceives new features and added value with respect to buildings.

2. Accounting Method

This acquisition will be accounted for as transactions under common control pursuant to the "Accounting Standard for Business Combination" (ASBJ Statement No. 21, September 13, 2013) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

(Conclusion of key contracts)

On February 1, 2016, the Company entered into a memorandum of understanding with Nippon Steel & Sumitomo Metal Corporation (hereinafter, "NSSMC"), pursuant to which the parties are to commence discussions regarding matters that include making the Company a subsidiary of NSSMC. Since then, the two parties have been proceeding with discussions in that regard. As a result of the discussions, the companies reached agreement on particulars such as specific means of making the Company a subsidiary of NSSMC and conditions for NSSMC's capital contribution to the Company. Accordingly, based on resolutions adopted at the Company's Board of Directors' meeting held on May 13, 2016, the Company and NSSMC formally entered into an agreement on the same day, with respect making the Company a subsidiary of NSSMC and other such matters.

Going forward, the Company is slated to become a subsidiary of NSSMC (hereinafter, the "Proposed Transaction") by around March 2017 through NSSMC's acquisition of shareholdings of 51.00% of the total number of outstanding shares of the Company. To that end, NSSMC will complete procedures (hereinafter, the "Transaction") entailing a tender offer for the Company's common stock (hereinafter, the "Tender Offer") and payment on a capital increase by third-party allotment by the Company (hereinafter, the "Capital Increase by Third-party Allotment"), after having finalized certain procedures undertaken pursuant to domestic and foreign competition laws. We intend to maintain the Company's listing on the First Section of the Tokyo Stock Exchange, even after this series of transactions has been completed.

1. Purpose of the Proposed Transaction, etc.

Through the completion of Proposed Transaction, NSSMC and the Company will strengthen the position of the NSSMC Group as the "Best Steelmaker with World-Leading Capabilities" with the addition of the Company, and will thereby intend to achieve sustainable growth and enhance their corporate value in the mid- to long-term. In addition, in order to increase their competitiveness, the companies will implement the constant supply of steel slabs by NSSMC to the Company subject to the completion of the Proposed Transaction. Both companies wish to better serve their customers by putting these measures into effect, which may also help them to contribute to the creation and development of a more prosperous society. Specifically, the companies will strive to implement the measures and achieve the objectives outlined below:

(1) Creating a synergy effect by exploiting the management resources of both Groups

The Company's strengths are customer and market readiness enabled by meticulous development marketing (such as suggesting solutions from the design stage for customers), and other activities in line with customer needs. NSSMC's strengths are global top-level technological superiority and product readiness, cost competitiveness centering on iron and steel-making, and capability of being global. NSSMC and the Company will bring together these management resources and create synergies, exploiting their respective strengths. Thus, they will provide better products, technologies, and services that would meet customer needs, on a domestic and global basis, and will thereby seek to enhance their profitability.

(2) Promoting alliance measures

After consummating the Proposed Transaction, NSSMC and the Company will promote various alliance measures, including, without limitation, the improvement of efficiency through mutual alliances in the areas of their operations, technologies, facilities, procurement of raw materials, resources and equipment and manufacturing site management (including in the areas of safety, the environment, disaster prevention and maintenance matters) in addition to implementing the supply of steel slabs, as they work to achieve a level of cost-competitiveness necessary for survival in an environment of fierce global competition.

(3) Maximizing corporate value and improving evaluations by shareholders and capital markets

Through the Proposed Transaction, NSSMC and the Company will establish stable financial condition through the efficient use of their funds and assets, looking to help ensure healthy and sustainable growth, and maximize their corporate value in the mid- to long-term, as well as endeavoring to earn higher evaluations from current shareholders and other participants in the capital markets.

2. Overview of Nippon Steel & Sumitomo Metal Corporation (as of March 31, 2016)

(1) Name		Nippon Steel & Sumitomo Metal Corporation
(2) Location		6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo
(3) Name and title of the representative		Kosei Shindo Representative Director and President
(4) Description of business activities		1. Steelmaking and steel fabrication (Manufacturing and sales of steel products)
		2. Engineering and construction
		3. Chemicals
		4. New materials
		5. System solutions
(5) Capital		¥419,524 million (US$3,723,145 thousand)
(6) Date of establishment		April 1, 1950
(7) Issued shares		950 million shares
(8) Operating results and financial conditions (consolidated basis)		
	Net assets	¥3,009,075 million (US$26,704,605 thousand)
	Total assets	¥6,425,043 million (US$57,020,260 thousand)
	Net sales	¥4,907,429 million (US$43,551,908 thousand)
	Operating profit	¥167,731 million (US$1,488,560thousand)
	Ordinary profit	¥200,929 million (US$1,783,182thousand)
	Profit attributable to owners of parent	¥145,419 million (US$1,290,548thousand)

3. Information Regarding the Proposed Transaction

(1) Overview of the Transaction

The aim of the Transaction is NSSMC's acquisition of the Company shares to reach the ownership ratio of 51.00% of the total number of outstanding shares of the Company, by means of a combination of the Tender Offer and (if necessary) the Capital Increase by Third-Party Allotment. Because of the nature of a tender offer, NSSMC's share ownership ratio (meaning the ratio of the shares owned by NSSMC in comparison to the total number of outstanding shares of the Company; hereinafter, the same shall apply) after the implementation of the Tender Offer will not be fixed before the settlement is completed; therefore, it is contemplated that if the Tender Offer results in a share ownership ratio for NSSMC of less than 51.00%, which is the target ratio in the Tender Offer, the Proposed Transaction will be realized through NSSMC purchasing the Company shares through the Capital Increase by Third-Party Allotment. The Company and NSSMC view the Tender Offer and the Capital Increase by Third-Party Allotment as related procedures designed to achieve the Proposed Transaction and view the Capital Increase by Third-Party Allotment as a supplement to the Tender Offer.

(2) Implementation of the Tender Offer

When the conditions (including, without limitation, the completion of certain procedures required under domestic and foreign competition laws) are satisfied, NSSMC will promptly conduct the Tender Offer prior to the payment for the Capital Increase by Third-Party Allotment (the timing of the Tender Offer may vary depending on the time of the satisfaction of these conditions precedent; however, at present, we assume that the Tender Offer will start by around February 2017). In implementing the Tender Offer, the proposed purchase price for the Tender Offer is planned to be ¥1,620 (US$14.37) per share of the Company.

The maximum number of shares to be purchased during the Tender Offer is planned to be 46,896,300 shares, the number of shares needed for the shares owned by NSSMC to represent 51.00% of the total outstanding shares of the Company at the time of the completion of the settlement for the Tender Offer (units of less than 100 shares shall be rounded up), when combined with 9,124,200 shares (NSSMC's shareholding ratio: 8.31%), the number of the Company shares owned by NSSMC as of the submission date of the tender offer statement.

(3) Payment on the Capital Increase by Third-party Allotment

In the event of a possible scenario where the number of shares owned by NSSMC does not reach 51.00% of the total number of outstanding shares of the Company at the time of completion of the settlement for the Tender Offer, the

Company is to carry out the Capital Increase by Third-party Allotment, with the Company issuing offered shares and NSSMC acting as the subscriber thereof, with the payment period thereof from December 1, 2016, to June 23, 2017 (95,706,600 shares of common stock at ¥1,620 per share for a total (maximum) of ¥155,045 million (rounded to the nearest million Japanese yen)). Only where the Tender Offer does not result in NSSMC's acquisition of such maximum number of shares, NSSMC will make a payment only to the extent needed for the number of shares owned by NSSMC upon completion of the purchase in the Capital Increase by Third-Party Allotment to be the number of shares calculated by multiplying the total number of outstanding shares of the Company at that time by 51.00%.

(4) Supply of steel slabs

After the realization of the Proposed Transaction through the Transaction, NSSMC will commence the constant supply (for consideration) of steel slabs to the Company approximately within fiscal year 2019, and the Company will purchase such steel slabs. The specific terms and conditions, such as the timing of the commencement of supply and the volume, price, etc. of supply shall be separately determined through mutual consultation between the companies.

(5) Number of the Company shares to be newly obtained by NSSMC, etc.

As set forth in 3. (2) above, the maximum number of shares to be purchased during the Tender Offer is scheduled to be only the number of shares necessary to make the number of shares owned by NSSMC 51.00% of the total number of the outstanding shares of the Company as of the time of completion of the settlement for the Tender Offer, when combined with the number of shares owned by NSSMC as of the submission date of the tender offer statement (units of less than 100 shares shall be rounded up). As of the submission date of the Securities Report, NSSMC owns 9,124,200 shares of the Company (a share ownership ratio of 8.31%). Based on this, the maximum number of shares to be purchased shall be 46,896,300 shares (a share ownership ratio of 42.69%) and, the number of shares scheduled to be owned by NSSMC after the Tender Offer shall be 56,020,500 shares (a share ownership ratio of 51.00%). In addition, as described in 3. (3) above, the Company will offer 95,706,600 common shares in the Capital Increase by Third-Party Allotment. NSSMC will pay only for the offered shares in the number necessary to make its shareholding 51.00% of the total number of outstanding shares of the Company upon completion of the purchase in the Capital Increase by Third-Party Allotment, and if NSSMC comes to own 51.00% of the total number of outstanding shares of the Company through the Tender Offer alone, NSSMC will not make any payment for the Capital Increase by Third-Party Allotment. Therefore, the minimum number of the Company shares to be newly obtained by NSSMC through the Transaction shall be 46,896,300 shares when the subscription for the Tender Offer reaches the maximum number of shares to be purchased and the payment for the Capital Increase by Third-Party Allotment is not made, and the maximum number shall be 95,706,600 shares when payment regarding the Capital Increase by Third-Party Allotment is conducted in full.

(Capital increase by third-party allotment)

As noted in the above subsection, "Conclusion of key contracts," at the Board of Directors' meeting held on May 13, 2016, the Company adopted a resolution to conduct an offering of shares by means of a third-party allotment (hereinafter, the "Capital Increase by Third-party Allotment") with Nippon Steel & Sumitomo Metal Corporation (hereinafter, "NSSMC") as the subscriber.

(1) Method of offering	Third-party allotment
(2) Class and number of shares to be issued	95,706,600 shares of common stock *1
(3) Issue price	¥1,620 (US$14.37) per share
(4) Total issue price	¥155,044 million (US$1,375,967 thousand) *1
(5) Total capitalization	¥77,522 million (US$687,983 thousand) *1
(6) Payment date	From December 1, 2016 (Thu.) to June 23, 2017 (Fri.) *2
(7) Allottee	Nippon Steel & Sumitomo Metal Corporation
(8) Use of proceeds	Investment for the Company's facility renewal, repayment of interest-bearing liabilities, etc.
(9) Other	As noted in the above subsection, "Conclusion of key contracts," NSSMC is to make payment for the Capital Increase by Third-party Allotment, subject to the satisfaction of conditions stipulated in the agreement between the Company and NSSMC related to making the Company a subsidiary of NSSMC, including the completion of settlement by NSSMC with respect to the tender offer of the Company common stock.

*1. It has been determined that NSSMC will purchase only the number of shares needed to bring NSSMC's ownership ratio to 51.00% of the total number of outstanding shares of the Company upon completion of the purchase in the Capital Increase by Third-Party Allotment (with units of less than 100 shares rounded up). Therefore, there is a possibility of there being no purchase, or partial purchase, of the offered shares subscribed to by NSSMC, depending on the results of the tender offer of the Company common stock (hereinafter, the "Tender Offer"), which is to be conducted before the payment for the Capital Increase by Third-party Allotment.

*2. The Company adopted a resolution to set the payment period under the Companies Act for the Capital Increase by Third-Party Allotment as the period from December 1, 2016 (Thu.) to June 23, 2017 (Fri.); therefore, such payment period is given as the payment date. The Company decided on such a long payment period (i.e., December 1, 2016 (Thu.) to June 23, 2017 (Fri.)) because the payment for the Capital Increase by Third-Party Allotment will be made after the completion of settlement of the Tender Offer, meaning the timing of the Tender Offer and the payment date for the Capital Increase by Third-Party Allotment will vary depending on, among other factors, when approvals are obtained for the Proposed Transaction from domestic and foreign competition authorities because the implementation of the Tender Offer is conditioned on, among other conditions, the obtaining of such approvals.

Also, a subscription agreement for the Capital Increase by Third-party Allotment has been concluded with NSSMC, and NSSMC is a Special Subscriber as defined in Article 206-2, paragraph (1) of the Companies Act. Given that, a proposal to approve the subscription agreement pursuant to Article 206-4 and Article 206-5 was submitted and adopted at the annual shareholders meeting of the Company held on June 24, 2016.

EY
Building a better working world

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Independent Auditor's Report

The Board of Directors
Nisshin Steel Co., Ltd.

We have audited the accompanying consolidated financial statements of Nisshin Steel Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, 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, 2016, 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 22, 2016
Tokyo, Japan

Board of Directors, Corporate Auditors and Executive Officers

(As of June 24, 2016)

Directors	Toshinori Miki*1	Yukio Nariyoshi *1
	Koji Mizumoto *1	Katsuhisa Miyakusu *1
	Kinya Yanagawa	Yukio Uchida
	Hideo Tanaka	Nobuhiro Miyoshi
	Sonoko Hatchoji	Isao Endo
Audit and Supervisory Board Members	Kazuhisa Obama *2	Yukihiro Ito
	Yoshiaki Nanbo	Tatsu Katayama
President and Chief Executive Officer	Toshinori Miki	
Vice-President and Executive Officers	Yukio Nariyoshi	Koji Mizumoto
	Katsuhisa Miyakusu	Kinya Yanagawa
Managing Executive Officers	Yukio Uchida	Hideo Tanaka
	Nobuhiro Miyoshi	Masahiro Sasaki
	Takayuki Kondo	Junya Hayakawa
	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, 2016)
Authorized: 430,000 thousand shares
Issued: 109,843 thousand shares
Capital: ¥30,000,000 thousand

Common Stock Price Range
(Tokyo Stock Exchange)

	2016		2015	
	High	Low	High	Low
First Quarter	¥ 1,757	¥ 1,423	¥ 1,358	¥ 875
Second Quarter	1,559	991	1,452	991
Third Quarter	1,425	1,049	1,240	823
Fourth Quarter	1,446	1,077	1,690	1,052

Note: Years ended March 31.

Number of Shareholders
43,825

Independent Certified Public Accountants
Ernst & Young ShinNihon LLC

Inquiries:
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General Administration Department
Nisshin Steel Co., Ltd.
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