# Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2014 (FY2014)

February 10, 2014

# NISSHIN STEEL HOLDINGS CO., LTD.

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#### Overview of the Third Quarter (October 1 to December 31, 2013)

- Domestic steel demand continued steady mainly on automotive and building materials as positive effects of downward corrections of super-strong yen and relevant policies took hold, and sales surged with customers' move to beat the announced consumption tax hike.
- ZAM sales were steady at over 60,000 tons/month thanks primarily to brisk demand from the new energy market including such products as mega solar mounts.
- As to stainless steel, in addition to stable long-term contracts, signs of recovery emerged also in distributor sales, and we maintained our production cut and price-oriented sales stance to firm up the market.
- A malfunction of our blast furnace at the Kure Works occurred in November and even though we resumed normal operation in December, the relevant loss is estimated at approximately 4.0 billion yen – 2.0 billion yen each of operating loss and special loss.

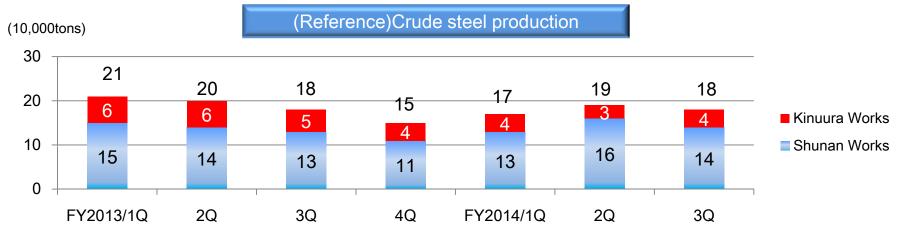
# **Consolidated operating results**

								( 0		ins or yen )
				FY2014 /	Apr - Dec		FY2013		ffor	ence
			1Q	2Q	3Q		Apr - Dec		liei	ence
			(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(i)		( ii )
		No	а	b	С	d	е	d-e		c-b
Net sales		1	131.1	139.2	147.5	417.8	381.5	3	6.3	8.3
Operating income		2	5.4	3.1	4.0	12.5	(13.3)	2	5.8	0.9
Ordinary income	Ordinary Steel / Special Steel	3	4.5	1.8	4.5	10.8	(9.7)	2	0.5	2.7
	Stainless Steel	4	1.5	5.0	0.0	6.5	(3.5)	1	0.0	(5.0)
	total	5	6.0	6.8	4.5	17.3	(13.2)	3	0.5	(2.3)
Net income		6	4.9	4.2	2.9	12.0	(28.5)	4	0.5	(1.3)
Inventory evaluation	Ordinary Steel / Special Steel	7	0.0	0.0	1.5	1.5	(6.0)		7.5	1.5
	Stainless Steel	8	1.0	(0.5)	1.0	1.5	(3.5)		5.0	1.5
	total	9	1.0	(0.5)	2.5	3.0	(9.5)	1	2.5	3.0

(Billions of ven)

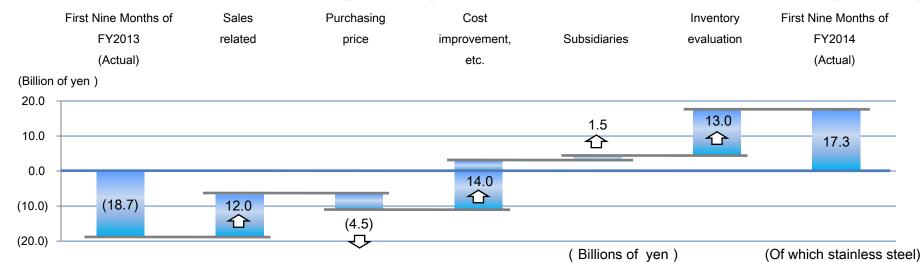
## **Other Information**

				FY2014 /	Apr - Dec	FY2013	Differ	ence	
			1Q	2Q	3Q		Apr - Dec		
			(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(i)	( ii )
		No	а	b	С	d	е	d-e	c-b
Crude steel production	Ordinary Steel / Special Steel	1	81	81	73	235	246	(11)	(8)
(10,000tons)	Stainless Steel	2	17	19	18	54	59	(5)	(1)
	total	3	98	100	91	289	305	(16)	(9)
Sales volume	Ordinary Steel / Special Steel	4	75	73	79	227	228	(1)	6
(10,000tons)	Stainless Steel	5	13	15	14	42	47	(5)	(1)
	total	6	88	88	93	269	275	(6)	5
Average sales price of steel products(1,000yen/tons)		7	119	123	122	121	119	2	(1)
Export ratio(monetary basis;%)		8	17	15	17	16	16	0	2
Export exchange rate(ye	en/US\$)	9	99	99	100	100	80	20	1



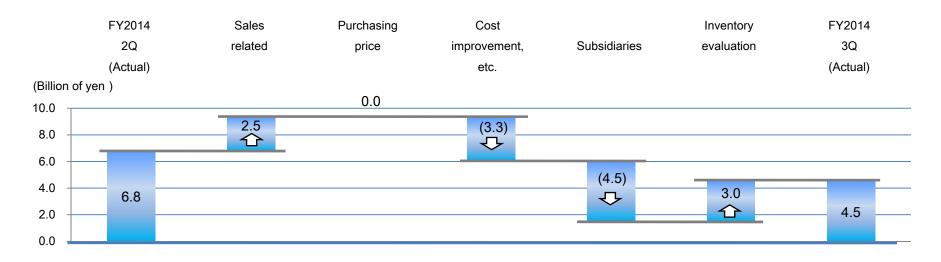
## **Breakdown of Differences in Ordinary Income**

(First Nine Months of FY2013(Actual) vs First Nine Months of FY2014(Actual))



		Breakdown	
First Nine Months of FY2013(Actual)	(18.7)	※1 First Nine Months of FY2013 results include Nippon Metal Industry's first 6-months figure(5.5)	(9.0)
Sales related	12.0	Volume and composition difference 2.5, Export exchange difference 9.5	6.0
Purchasing price	(4.5)	Iron ore 4.5, Coking coal 8.5, Oil 0.5, Nickel 6.5, Import exchange difference(24.5)	(3.5)
Cost improvement, etc.	14.0	Change in depreciation method 5.5, Additional profit-improvement measures 2.0, Facilities trouble at Sakai works(1.0), Malfunction of BF at Kure works(1.0), Stable operation of BF(1.0), Rationalization, etc.	6.5
Subsidiaries	1.5	Domestic consolidated subsidiaries	1.0
Inventory evaluation	13.0	<ul> <li>(10.0)→3.0 (Of which, Stainless steel (4.0)→1.5)</li> <li>※2 First Nine Months of FY2013 results include</li> <li>Nippon Metal Industry's first 6-months figure(0.5)</li> </ul>	5.5
Total	36.0		15.5
First Nine Months of FY2014(Actual)	17.3		6.5

### NISSHIN STEEL HOLDINGS Breakdown of Differences in Ordinary Income (2Q of FY2014(Actual) vs 3Q of FY2014(Actual))



(Billions of yen) (Of which stainless steel)

2Q of FY2014(Actual)	6.8	Breakdown	5.0			
Sales related	2.5	Price difference 2.5	(0.5)			
Purchasing price	0.0	Iron ore(1.0), Coking coal 0.5, Nickel 0.5, Import exchange difference(1.0)	0.0			
Cost improvement, etc.	(3.3)	Facilities trouble at Sakai works 0.5, Malfunction of BF at Kure works(1.0), Stable operation of BF(1.0), Renovation of steelmaking at Shunan works, Rationalization, etc.				
Subsidiaries	(4.5)	Overseas consolidated subsidiaries	(4.5)			
Inventory evaluation	3.0	$(0.5)\rightarrow 2.5$ (Of which, Stainless steel $(0.5)\rightarrow 1.0$ )	1.5			
Total	(2.3)		(5.0)			
3Q of FY2014(Actual)	4.5		0.0			

## © NISSHIN STEEL HOLDINGS Consolidated Balance Sheet (Summary)

(Billions of yen)

		vs Mar 31,2013	Main breakdown
Cash on hand and in banks	38.5		
Accounts receivable	79.9	5.5	
Inventories	141.3	2.9	
Other current assets	29.8	8.0	
Tangible and Intangible fixed assets	266.1	1.3	Depreciation(17.1), Acquisition 18.2
Investments in securities	166.4	14.8	Increase in foreign currency translation adjustment of affiliates 5.6, potential stock gains 8.3
Total assets	722.2	27.9	
Interest-bearing debt	323.4	(10.1)	
Other liabilities	196.5	15.1	
Total liabilities	520.0	5.0	
Common stock and additional paid-in capital	120.0	-	Net income 12.0
Retained earnings	60.4	10.6	Foreign currency translation adjustment 7.9
Treasury stock, at cost Accumulated other	(8.7)	(0.0)	
Comprehensive income	22.6	11.8	
Minority interests	7.8	0.4	
Total net assets	202.2	22.9	
Total liabilities and net assets	722.2	27.9	

## © NISSHIN STEEL HOLDINGS Consolidated Earnings Forecasts

#### Overview of the Forecasts for FY2014

- For the rest of the FY, we intend to increase our output and sales volume of ordinary and special steel products, as domestic steel demand is expected to stay robust.
- In terms of stainless steel, we will continue our reduced production and price-oriented sales stance, and strive to create new markets with our customers through the development of new products and applications.
- Though we expect increases of our subsidiaries' profits and inventory evaluation as compared with the previous forecast, we intend to revise downward ordinary income to 18.0 billion yen due to the loss attributable to the above blast furnace malfunction.
- For reducing our total assets and strengthening our financial position, we sold the land and buildings that our subsidiary owned in Setagaya, Tokyo. The relevant special gain of approximately 2.9 billion yen will be posted in the 4th quarter.

## **Consolidated Earnings Forecasts**

(Billions of yen)

					FY2014			FY2014		
			10	~~~			1		Differ	ence
			1Q	2Q	3Q	4Q		(Previous		
			(Actual)	(Actual)	(Actual)	(Forecast)	(Forecast)	forecast)	(i)	( ii )
		No	а	b	С	d	е	f	d-c	e-f
Net sales		1	131.1	139.2	147.5	153.2	571.0	548.0	5.7	23.0
Operating income		2	5.4	3.1	4.0	3.0	15.5	17.0	(1.0)	(1.5)
Ordinary income	Ordinary Steel / Special Steel	3	4.5	1.8	4.5	1.2	12.0	15.0	(3.3)	(3.0)
	Stainless Steel	4	1.5	5.0	0.0	(0.5)	6.0	4.0	(0.5)	2.0
	total	5	6.0	6.8	4.5	0.7	18.0	19.0	(3.8)	(1.0)
Net income		6	4.9	4.2	2.9	2.5	14.5	15.5	(0.4)	(1.0)
Inventory evaluation	Ordinary Steel / Special Steel	7	0.0	0.0	1.5	1.0	2.5	0.5	(0.5)	2.0
	Stainless Steel	8	1.0	(0.5)	1.0	0.0	1.5	0.0	(1.0)	1.5
	total	9	1.0	(0.5)	2.5	1.0	4.0	0.5	(1.5)	3.5

## **Other Information**

			FY2013			FY2014			FY2014	Differ	ence
			2nd half	1Q	2Q	3Q	4Q		(Previous	Dinor	enee
			(Actual)	(Actual)	(Actual)	(Actual)	(Forecast)	(Forecast)	forecast)	(i)	( ii )
		No	а	b	с	d	е	f	g	e-d	f-g
Crude steel production	Ordinary Steel / Special Steel	1	163	81	81	73	84	319	329	11	(10)
(10,000tons)	Stainless Steel	2	33	17	19	18	19	73	68	1	5
	total	3	196	98	100	91	103	392	397	12	(5)
Sales volume	Ordinary Steel / Special Steel	4	159	75	73	79	82	309	312	3	(3)
(10,000tons)	Stainless Steel	5	30	13	15	14	17	59	57	3	2
	total	6	189	88	88	93	99	368	369	6	(1)
Average sales pric (1,000yen/tons)	ce of steel products	7	114	119	123	122	124	122	122	2	0
Export ratio(mone	tary basis;%)	8	16	17	15	17	16	16	16	(1)	0
Export exchange r	ate(yen/US\$)	9	87	99	99	100	100	100	100	0	0

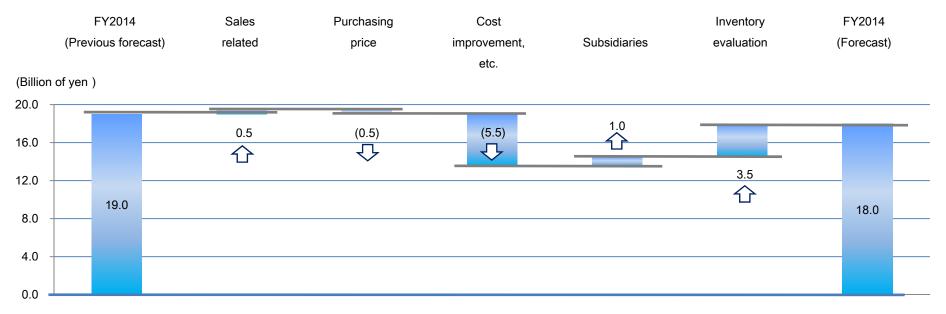
## Breakdown of Differences in Ordinary Income (3Q of FY2014(Actual) vs 4Q of FY2014(Forecast))



(Billions of yen) (Of which stainless steel)

30	Q of FY2014(Actual)	4.5	Breakdown	0.0
	Sales related	1.5	Price difference 0.5, Volume and composition difference 1.0	1.0
	Purchasing price	(1.0)	Nickel (1.0)	(1.0)
	Cost improvement, etc.	(2.8)	Foreign currency exchange(1.5), Labor cost(1.5), Rationalization, etc.	0.5
	Subsidiaries	0.0		0.0
	Inventory evaluation	(1.5)	2.5→1.0 (Of which, Stainless steel $1.0 \rightarrow 0.0$ )	(1.0)
	Total	(3.8)		(0.5)
4	Q of FY2014(Forecast)	0.7		(0.5)

# Solution Street Holdings Street Holdings Breakdown of Differences in Ordinary Income (FY2014(Previous forecast) vs FY2014(Forecast))



(Billions of yen) (Of which, stainless steel)

FY2	014(Previous forecast)	19.0	Breakdown	4.0
	Sales related	0.5	Price difference 0.5	0.0
	Purchasing price	(0.5)		0.0
	Cost improvement, etc.	(5.5)	Stable operation of BF(2.0), Malfunction of BF at Kure works(2.0), Labor cost(1.5), Rationalization, etc.	0.0
	Subsidiaries	1.0	Domestic consolidated subsidiaries	0.5
	Inventory evaluation	3.5	$0.5 \rightarrow 4.0$ ( Of which, Stainless steel $0.0 \rightarrow 1.5$ )	1.5
	Total	(1.0)		2.0
FY2	014(Forecast)	18.0		6.0

# **Cash Dividends**

We have decided to pay year-end cash dividend of ¥15.0 per share for stable shareholder returns.

【 Basic Policies Regarding Decision on Profit Distribution 】 For distributing appropriate surplus dividends according to consolidated results, the Company has a policy of providing stable returns to shareholders that takes into account the securing of internal reserves necessary to future business development that will improve the Company's corporate value and future performance prospects.

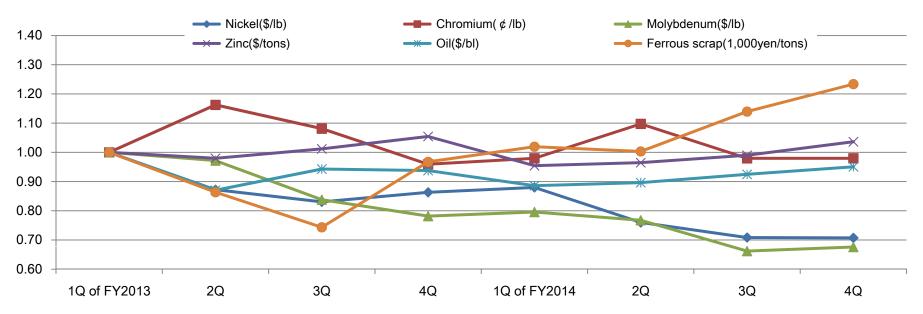




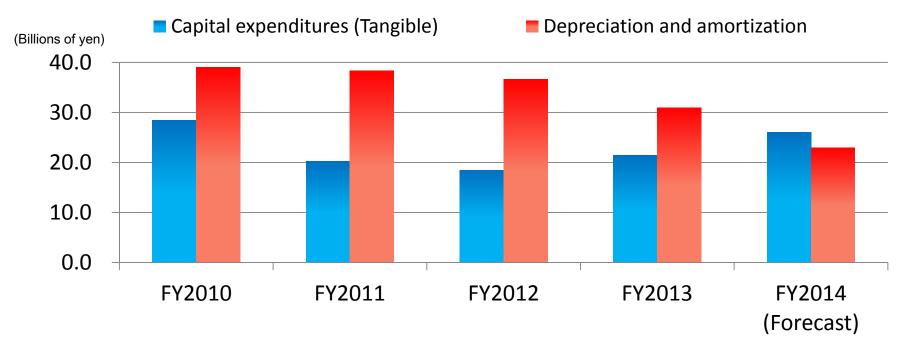
# **Purchasing Price**

				FY201	3			FY2014						
		1st ha	alf		2nd half			1st half			2nd half			
	1Q	2Q	(Average)	3Q	4Q	(Average)	(Average)	1Q	2Q	(Average)		(Forecast) 4Q		(Forecast) (Average)
Nickel(\$/lb)	8.92	7.78	8.35	7.41	7.70	7.56	7.95	7.85	6.78	7.32	6.32	6.31	6.32	6.82
Chromium( ¢ /lb)	123.0	143.0	133.0	133.0	118.0	125.5	129.3	120.5	135.0	127.8	120.5	120.5	120.5	124.1
Molybdenum(\$/lb)	14.2	13.8	14.0	11.9	11.1	11.5	12.8	11.3	10.9	11.1	9.4	9.6	9.5	10.3
Zinc(\$/tons)	1,928	1,889	1,909	1,951	2,033	1,992	1,950	1,840	1,860	1,850	1,909	1,998	1,954	1,902
Oil(\$/bl)	115.7	100.7	108.2	109.1	108.5	108.8	108.5	102.5	103.7	103.1	107.0	110.0	108.5	105.8
Ferrous scrap (1,000yen/tons)	30.8	26.6	28.7	22.9	29.8	26.4	27.5	31.4	30.9	31.2	35.1	38.0	36.6	33.9

Transition of Purchasing Price (1.00 : 1Q of FY2013)



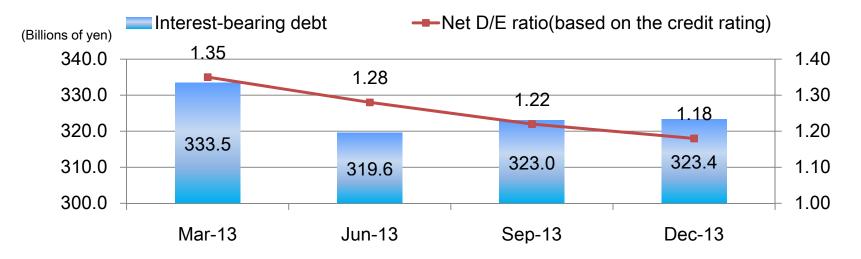
## Capital Expenditures (Tangible)/ Depreciation and Amortization



(Billions of yen)

	FY2010	FY2011	FY2012	FY2013	FY2014 (Forecast)
Capital expenditures (Tangible)	28.4	20.3	18.5	21.5	26.0
Depreciation and amortization	39.0	38.4	36.6	30.9	23.0

## Interest-bearing debt and Net D/E ratio, etc.



	Mar-13	Jun-13	Sep-13	Dec-13
Cash on hand and in banks(Billions of yen)	43.2	30.4	37.9	38.5
Interest-bearing debt(Billions of yen)	333.5	319.6	323.0	323.4
Net D/E ratio	1.69	1.59	1.51	1.47
<ul><li>(based on the credit rating) ※</li></ul>	1.35	1.28	1.22	1.18

※ Hybrid securities that are accepted as capital according to the credit rating by the Japan Credit Rating Agency

(Interest payment deferral provision-unsecured corporate bond with prepayment provision <subordinated corporate bond-limited to qualified institutional investors>) Net D/E ratio for 5billion yen, 50% of which is considered to be capital.

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