

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2015 (FY2015)

August 8, 2014

NISSHIN STEEL CO., LTD.

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2015 (FY2015)

Overview of the First Quarter (from April 1, 2014 to June 30, 2014)

- The overall domestic steel demand stayed firm partly because negative effects of the consumption tax hike, which had caused serious concern for a temporary stagnation, were within the scope of the assumption.
- ✓ ZAM sales for applications in construction, automotive and new energy areas were generally robust. Order entries ran at nearly about 70,000 tons a month.
- In stainless steel, we worked to improve our sales prices in order to absorb rapidly soaring prices of nickel and other raw materials. As of the 1Q, however, our efforts were outpaced by the cost increases.
- On May 9, a fire broke out in the stainless steel polishing section of the Kinuura Works. While production was resumed at an affected polishing line on June 8 and impacts on earnings were minimal, we will take all necessary actions to prevent a recurrence of such accident.

Consolidated operating results

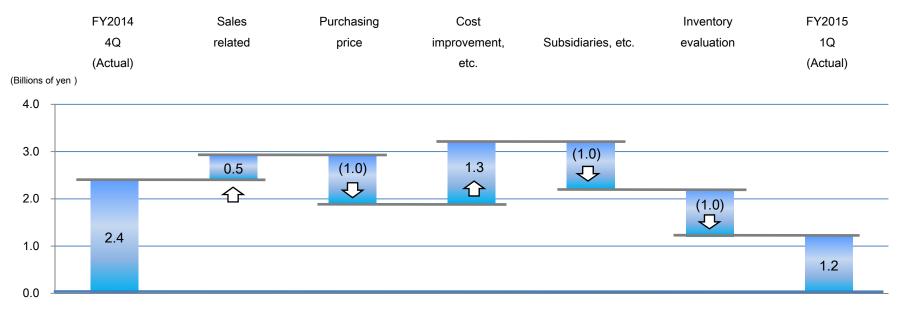
					(Billions of yen)
			FY2015 1Q	FY2014 4Q	Difference
		NIG	(Actual)	(Actual)	
		No	а	b	a-b
Net sales		1	151.0	158.6	(7.6)
Operating income		2	2.2	4.0	(1.8)
Ordinary income	Ordinary steel / Special steel	3	2.2	1.9	0.3
	Stainless steel	4	(1.0)	0.5	(1.5)
	Total	5	1.2	2.4	(1.2)
Net income		6	0.0	5.7	(5.7)

Inventory evaluation	Ordinary steel / Special steel	7	(0.5)	1.0	(1.5)
	Stainless steel	8	0.5	0.0	0.5
	Total	9	0.0	1.0	(1.0)

Other Information

		No	FY2015 1Q (Actual) a	FY2014 4Q (Actual) b	Difference a-b
Crude steel production	Ordinary steel / Special steel	1	82	83	(1)
(10,000tons)	Stainless steel	2	20	21	(1)
	Total	3	102	104	(2)
Sales volume	Ordinary steel / Special steel	4	80	82	(2)
(10,000tons)	Stainless steel	5	15	18	(3)
	Total	6	95	100	(5)
Average sales pr products(1,000ye		7	124	125	(1)
Export ratio(mon	etary basis;%)	8	17	17	0
Export exchange	rate(yen/US\$)	9	102	103	(1)

Breakdown of Differences in Ordinary Income (4Q of FY2014(Actual) vs 1Q of FY2015(Actual))



			(Billions of yen) (Of w	which stainless steel)
4	4Q of FY2014(Actual)	2.4	Breakdown	0.5
	Sales related	0.5	Price difference 1.0, Volume and composition difference (0.5)	0.5
	Purchasing price	(1.0)	Iron ore 0.5, Nickel (2.0), Import exchange difference 0.5	(2.0)
	Cost improvement, etc.	1.3		0.5
	Subsidiaries, etc.	(1.0)	Unconsolidated affiliates, etc.	(1.0)
	Inventory evaluation	(1.0)	1.0→0.0 (Of which stainless steel $0.0 \rightarrow 0.5$)	0.5
	Total	(1.2)		(1.5)
-	IQ of FY2015(Actual)	1.2		(1.0)

© NISSHIN STEEL Consolidated Balance Sheet (Summary)

(Billions of yen)

		vs Mar 31,2014	Main factor
Cash on hand and in banks	24.8	(16.0)	
Accounts receivable	73.2	(6.1)	
Inventories	151.1	7.5	
Other current assets	35.7	(1.7)	
Tangible and intangible fixed assets	267.6	(0.3)	Depreciation(6.0), Acquisition 4.7
Investments in securities, etc.	170.5	(1.6)	
Total assets	723.2	(18.4)	
Interest-bearing debt	307.9	(15.5)	
Other liabilities	207.3	5.0	
Total liabilities	515.2	(10.4)	
Common stock and additional paid-in capital	120.0	-	
Retained earnings	57.2	(8.9)	Revision of accounting standard for retirement benefits(7.5), Cash dividends(1.5)
Treasury stock, at cost	(8.7)	(0.0)	
Accumulated other comprehensive income	30.9	0.7	
Minority interests	8.3	0.2	
Total net assets	207.9	(7.9)	
Total liabilities and net assets	723.2	(18.4)	

Consolidated Earnings Forecasts

Overview of the FY2015(from April 1, 2014 to March 31, 2015)

- The steel demand is expected to remain strong as exemplified with signs of recovery in requirements from some sectors including the automotive industry.
- On the global arena, however, the future outlook remains opaque because unfavorable developments led by the worldwide oversupply of steel are feared to continue.
- Under such business environment, we anticipate to have higher sales and higher operating income, which is estimated at ¥19.5 billion, up ¥3 billion over the previous period. Ordinary income, affected with the reduction of a transient factor posted by our group companies in the previous period, is estimated at ¥15.5 billion.
- We intend to further rationalization, total cost reduction and effects of integration synergy and to expand sales of our core products through the group-wide efforts with a view to raising our profitability.



Consolidated Earnings Forecasts

0.0

9

Total

								(Bi	lions of yen)	
				FY2	015					
			1st	half	2nd half		FY2014	Differ	Difference	
		No	1Q (Actual) a	2Q (Forecast) b	(Forecast) c	(Forecast) d	(Actual) e	(i) b-a	(ii) d-e	
Net sales		1	151.0	162.0	325.0	638.0	576.4	11.0	61.6	
Operating income		2	2.2	5.8	11.5	19.5	16.5	3.6	3.0	
Ordinary income	Ordinary steel / Special steel	3	2.2	2.8	7.0	12.0	12.7	0.6	(0.7)	
	Stainless steel	4	(1.0)	3.0	1.5	3.5	7.0	4.0	(3.5)	
	Total	5	1.2	5.8	8.5	15.5	19.7	4.6	(4.2)	
Net income		6	0.0	4.5	8.5	13.0	17.7	4.5	(4.7)	
Inventory evaluation	Ordinary steel / Special steel	7	(0.5)	(1.0)	(1.0)	(2.5)	2.5	(0.5)	(5.0)	
	Stainless steel	8	0.5	2.0	1.0	3.5	1.5	1.5	2.0	

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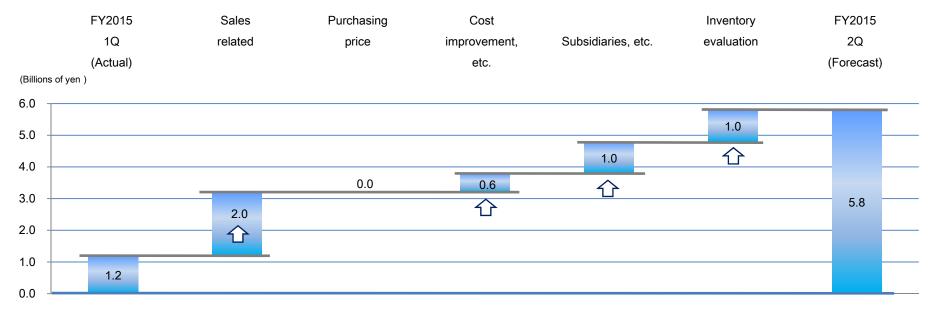
1.0

(3.0)

Other Information

				FY2	015				
			1st half 2nd half		FY2014	FY2014 Difference			
			1Q	2Q	Zhù Hali				
		No	(Actual) a	(Forecast) b	(Forecast) c	(Forecast) d	(Actual) e	(i) b-a	(ii) d-e
Crude steel production	Ordinary steel / Special steel	1	82	87	163	332	318	5	14
(10,000tons)	Stainless steel	2	20	19	38	77	75	(1)	2
	Total	3	102	106	201	409	393	4	16
Sales volume	Ordinary steel / Special steel	4	80	79	167	326	309	(1)	17
(10,000tons)	Stainless steel	5	15	18	32	65	60	3	5
	Total	6	95	97	199	391	369	2	22
Average sales pr products(1,000ye		7	124	132	-	-	123	8	-
Export ratio(mone	etary basis;%)	8	17	20	-	-	16	3	-
Export exchange	rate(yen/US\$)	9	102	102	-	-	100	C	-

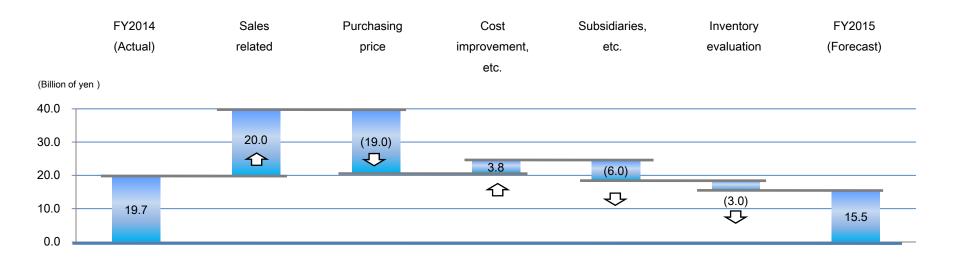
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(Billions of yen) (Of which stainless steel)

1Q (of FY2015(Actual)	1.2	Breakdown	(1.0)
	Sales related	2.0	Price difference 1.5, Volume and composition difference 0.5	2.5
	Purchasing price	0.0	Iron ore 1.0, Coking coal 1.0, Nickel (1.5), Import exchange difference (0.5)	(1.5)
	Cost improvement, etc.	0.6		0.5
	Subsidiaries, etc.	1.0	Unconsolidated affiliates, etc.	1.0
	Inventory evaluation	1.0	$0.0 \rightarrow 1.0$ (Of which stainless steel $0.5 \rightarrow 2.0$)	1.5
	Total	4.6		4.0
2Q (of FY2015(Forecast)	5.8		3.0

© NISSHIN STEEL Breakdown of Differences in Ordinary Income (FY2014(Actual) vs FY2015(Forecast))



F	Y2014(Actual)	19.7	Breakdown	7.0
	Sales related	20.0	Price difference 14.0, Volume and composition difference 4.5, Export exchange difference 1.5	17.5
	Purchasing price	(19.0)	Iron ore 3.0, Coking coal 3.5, Nickel (14.0), Import exchange difference (9.0)	(19.5)
	Cost improvement, etc.	3.8	Rationalization 7.0, etc.	2.5
	Subsidiaries, etc.	(6.0)	Overseas consolidated subsidiaries, Unconsolidated affiliates, etc.	(6.0)
	Inventory evaluation	(3.0)	4.0 \rightarrow 1.0 (Of which, stainless steel 1.5 \rightarrow 3.5)	2.0
	Total	(4.2)		(3.5)
F	Y2015(Forecast)	15.5		3.5

(Billions of ven)

(Of which stainless steel)

Cash Dividends

We regret to announce that we are obliged to forgo the payment of mid-term dividends at the end of the 2nd Quarter.

The year-end cash dividends for the fiscal year ending March 31, 2015 are undetermined, which will be announced as soon as they are made available.

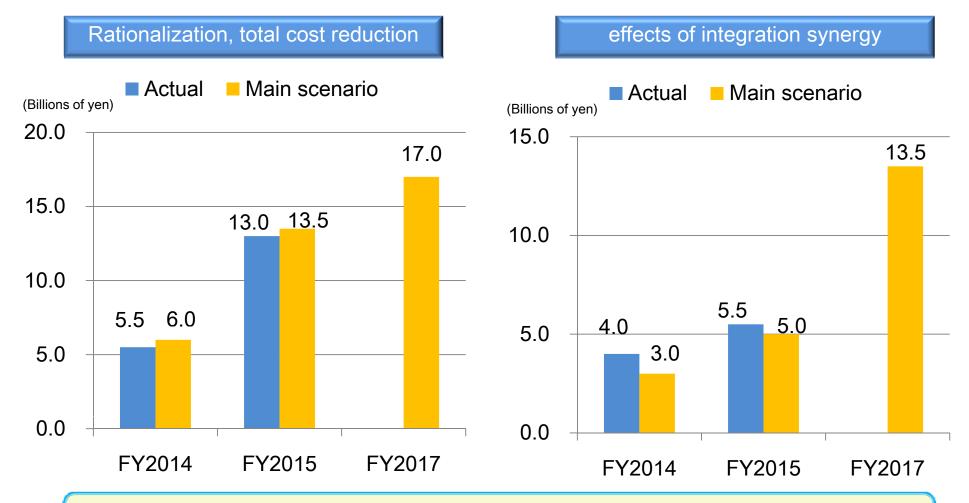
【 Basic Policies Regarding Decision on Profit Distribution 】 For distributing appropriate surplus dividends according to consolidated results, the Company has a policy of providing stable returns to shareholders that takes into account the securing of internal reserves necessary to future business development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



(Reference)



Solution Street Rationalization, total cost reduction and effects of integration synergy

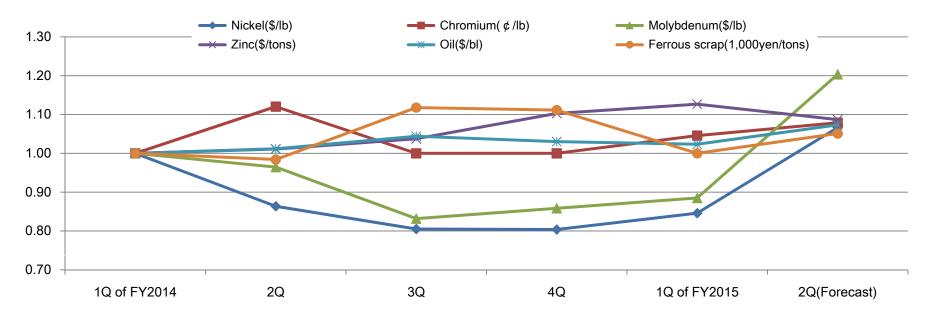


Despite some equipment downtime at Sakai Works and Kure Works in the previous period, rationalization and total cost reduction projects are proceeding steadily. In addition, effects of integration synergy are being achieved at a higher pace than contemplated in the main scenario.

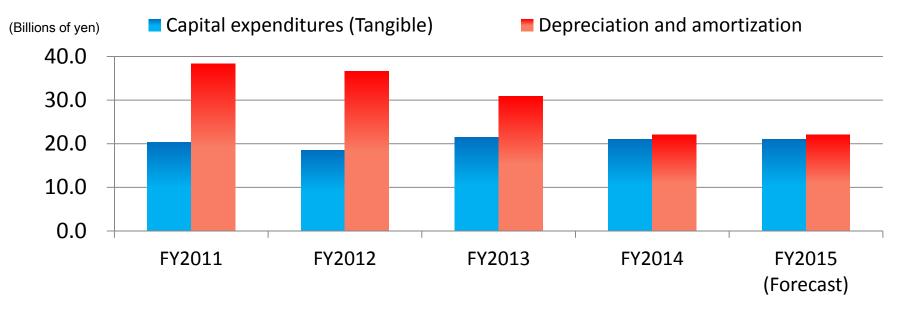
Purchasing Price

			FY2015							
		1st half			2nd half				1st half	
	1Q	2Q	(Average)	3Q	4Q	(Average)	(Average)	1Q	2Q (Forecast)	(Average) (Forecast)
Nickel(\$/lb)	7.85	6.78	7.32	6.32	6.31	6.32	6.82	6.64	8.37	7.51
Chromium(¢ /lb)	120.5	135.0	127.8	120.5	120.5	120.5	124.1	126.0	130.0	128.0
Molybdenum(\$/lb)	11.3	10.9	11.1	9.4	9.7	9.6	10.3	10.0	13.6	11.8
Zinc(\$/tons)	1,840	1,860	1,850	: 1,909	2,029	1,969	1,910	2,073	2,000	2,037
Oil(\$/bl)	102.5	103.7	103.1	107.0	105.6	106.3	104.7	104.9	110.0	107.5
Ferrous scrap (1,000yen/tons)	31.4	30.9	31.2	35.1	34.9	35.0	33.1	31.4	33.0	32.2

Transition of Purchasing Price (1.00 : 1Q of FY2014)



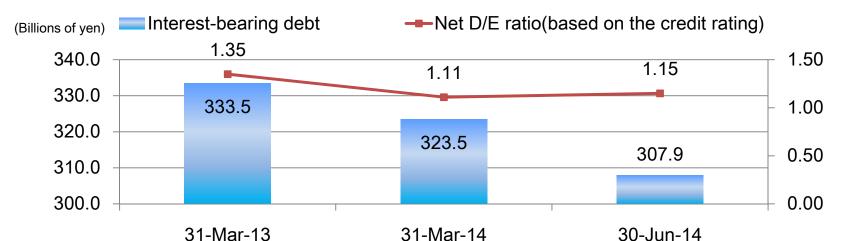
Capital expenditures (Tangible)/ Depreciation and amortization



(Billions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015 (Forecast)
Capital expenditures (Tangible)	20.3	18.5	21.5	21.1	30.0
Depreciation and amortization	38.4	36.6	30.9	22.1	25.0

Interest-bearing debt and Net D/E ratio



	31-Mar-13	31-Mar-14	30-Jun-14
Cash on hand and in banks(Billions of yen)	43.2	40.8	24.8
Interest-bearing debt(Billions of yen)	333.5	323.5	307.9
Net D/E ratio	1.69	1.36	1.42
(based on the credit rating) ※	1.35	1.11	1.15

X 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 50billion yen, 50% of which is considered to be capital.

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