

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

November 5, 2014

NISSHIN STEEL CO., LTD.



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

Overview of the Second Quarter (from April 1, 2014 to September 30, 2014)

- ✓ The domestic steel demand sagged in recent months following the consumption tax hike but through the first half of the year our business with major customer sectors including automotive and non-housing was generally solid.
- ✓ Our production level remained high due to brisk domestic demand and recovery from negative effects of equipment failures of last fiscal year. Despite some unfavorable developments including the weaker yen and rising nickel prices, our efforts to improve sales prices led to a larger profit over the same period last year.
- ✓ ZAM's sales continued robust at about 70,000 tons a month. Special steels were in short supply partly due to strong exports of Japanese-made automotive parts and components.
- We countered energy cost increases and other disadvantages with streamlining and total-cost reduction programs and managed to increase our operating income. But our ordinary income was down from the same period last year as positive effects of transient factors diminished.
- ✓ In stainless steel, sluggish distributor sales were offset by firm fixed-term contracts with users. While we worked hard to improve our sales prices in order to absorb soaring raw material prices, our margins were somewhat slashed due to effects of the weaker yen becoming apparent in the second half.



Other Information

				FY2015		FY2014	FY2015
			1s ¹	t half		2nd half	1st half
			1Q (Actual)	2Q (Actual)	(Actual)	(Actual)	(Previous forecast)
		No	а	b	С	d	е
Crude steel production	Ordinary steel / Special steel	1	82	86	168	156	169
(10,000tons)	Stainless steel	2	20	19	39	39	39
	Total	3	102	105	207	195	208
Sales volume	Ordinary steel / Special steel	4	80	80	160	161	159
(10,000tons)	Stainless steel	5	15	17	32	32	33
	Total	6	95	97	192	193	192
Average sales price of steel products(1,000yen/tons)		7	124	130	127	124	128
Export ratio(monetary basis;%)		8	17	18	17	17	18
Export exchang	e rate(yen/US\$)	9	102	104	103	102	102

Difference							
(i)	(ii)	(iii)					
c-d	b-a	c-e					
12	4	(1)					
0	(1)	0					
12	3	(1)					
(1)	0	1					
0	2	(1)					
(1)	2	0					
3	6	(1)					
0	1	(1)					
1	2	1					



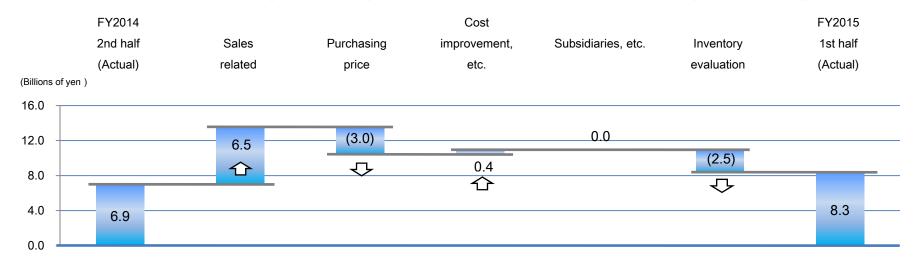
Consolidated operating results

(Billions of ven)

									(Dillic	ons of yen)	
				FY2015		FY2014	FY2015		Difference		
			1st			2nd half	1st half	Difference			
			1Q (Actual)	2Q (Actual)	(Actual)	(Actual)	(Previous forecast)	(i)	(ii)	(iii)	
		No	a	b	C	d	е	c-d	b-a	с-е	
Net sales		1	151.0	159.8	310.8	306.1	313.0	4.7	8.8	(2.2)	
Operating income		2	2.2	6.7	8.9	8.0	8.0	0.9	4.5	0.9	
Ordinary income	Ordinary steel / Special steel	3	2.2	5.1	7.3	6.4	5.0	0.9	2.9	2.3	
	Stainless steel	4	(1.0)	2.0	1.0	0.5	2.0	0.5	3.0	(1.0)	
	Total	5	1.2	7.1	8.3	6.9	7.0	1.4	5.9	1.3	
Net income		6	0.0	5.2	5.2	8.6	4.5	(3.4)	5.2	0.7	
Inventory evaluation	Ordinary steel / Special steel	7	(0.5)	(1.0)	(1.5)	2.5	(1.5)	(4.0)	(0.5)	0.0	
	Stainless steel	8	0.5	2.0	2.5	1.0	2.5	1.5	1.5	0.0	
	Total	9	0.0	1.0	1.0	3.5	1.0	(2.5)	1.0	0.0	



Breakdown of Differences in Ordinary Income (2nd half of FY2014(Actual) vs 1st half of FY2015(Actual))



(Billions of yen) (Of which stainless steel)

2r	nd half of FY2014(Actual)	6.9	Breakdown	0.5
	Sales related	6.5	Price difference 3.5, Volume and composition difference 2.5, Export exchange difference 0.5	5.0
	Purchasing price	(3.0)	Iron ore 2.5, Coking coal 2.5, Nickel (5.5), Import exchange difference (2.0)	(6.5)
	Cost improvement, etc.	0.4		0.5
	Subsidiaries, etc.	0.0		0.0
	Inventory evaluation	(2.5)	3.5→1.0 (Of which, stainless steel 1.0→2.5)	1.5
	Total	1.4		0.5
15	t half of FY2015(Actual)	8.3		0.0



Breakdown of Differences in Ordinary Income (1Q of FY2015(Actual) vs 2Q of FY2015(Actual))



(Billions of yen)

(Of which stainless steel)

		(======================================	, , , , , , , , , , , , , , , , , , , ,
1Q of FY2015(Actual)	1.2	Breakdown	(1.0)
Sales related	3.0	Price difference 1.5, Volume and composition difference 1.5	2.5
Purchasing price 0.0		Iron ore 1.5, Coking coal 1.0, Nickel (2.0), Import exchange difference (0.5)	(2.0)
Cost improvement, etc.	0.9	Rationalization, etc.	0.0
Subsidiaries, etc.	1.0	Unconsolidated affiliates, etc.	1.0
Inventory evaluation	1.0	0.0→1.0 (Of which, stainless steel 0.5→2.0)	1.5
Total	5.9		3.0
2Q of FY2015(Actual)	7.1		2.0



Breakdown of Differences in Ordinary Income (1st half of FY2015(Previous forecast) vs 1st half of FY2015(Actual))



(Billions of yen)

(Of which stainless steel)

		(= merie or year)	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
1st half of FY2015(Previous forecast)	7.0	Breakdown	2.0
Sales related	1.0	Price difference 0.5, Volume and composition difference 0.5	0.0
Purchasing price	(0.5)	Iron ore 1.0, Nickel(0.5), Import exchange difference(1.0)	(1.0)
Cost improvement, etc.	0.8	Rationalization, etc.	0.0
Subsidiaries, etc.	0.0		0.0
Inventory evaluation	0.0	1.0→1.0 (Of which stainless steel 2.5→2.5)	0.0
Total	1.3		(1.0)
1st half of FY2015(Actual)	8.3		1.0

© NISSHIN STEEL Consolidated Balance Sheet (Summary)

(Billions of yen)

			(Billions of year)
		vs Mar 31,2014	Main factor
Cash on hand and in banks	31.6	(9.2)	
Accounts receivable	81.0	1.5	
Inventories	153.5	9.8	
Other current assets	22.8	(14.6)	
Tangible and intangible fixed assets	272.7	4.7	Depreciation(12.2), Acquisition 16.5
Investments in securities, etc.	170.0	(2.1)	
Total assets	731.8	(9.8)	
Interest-bearing debt	303.6	(19.9)	
Other liabilities	207.0	4.7	
Total liabilities	510.6	(15.1)	
Common stock and additional paid-in capital	121.0	1.0	Gain on sale of treasury stock 1.0
Retained earnings	62.5	(3.7)	Revision of accounting standard for retirement benefits(7.5), Net income 5.2, Cash dividends(1.5)
Treasury stock, at cost	(0.5)	8.2	Sale of treasury stock 8.2
Accumulated other comprehensive income	29.6	(0.6)	
Minority interests	8.4	0.3	
Total net assets	221.1	5.2	
Total liabilities and net assets	731.8	(9.8)	



Consolidated Earnings Forecasts

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

- Our policy to prioritize profit will be maintained and exports curtailed accordingly. Considering impacts of the consumption tax hike on housing investments and personal consumption, our previously-released profit forecasts for both ordinary steel and stainless steel will be revised downward in line with production cut.
- ✓ "ZAM+(plus)" with improved post-paint and anti-glare properties will be launched in the market. Through augmenting our core products, we will strive to develop new demand and further boost sales.
- Responding to anticipated unfavorable developments including lower sales quantities and exchange loss associated with the weaker yen, we intend to upgrade our product mix and promote streamlining and total cost reduction programs, and we will keep the previously-released operating income as well as ordinary incomes unchanged.
- ✓ Although profitability of stainless steel is likely to remain depressed, we will continue our efforts to improve our sales prices, enhance streamlining and total-cost reduction programs and maximize synergy effects for an early recovery of profit.



Other Information

			FY2015			FY2014	FY2015
			1st half	2nd half			(Previous
			(Actual)	(Forecast)	(Forecast)	(Actual)	Forecast)
		No	а	b	С	d	е
Crude steel production	Ordinary steel / Special steel	1	168	165	333	318	332
(10,000tons)	Stainless steel	2	39	35	74	75	77
	Total	3	207	200	407	393	409
Sales volume	Ordinary steel / Special steel	4	160	162	322	309	326
(10,000tons)	Stainless steel	5	32	29	61	60	65
	Total	6	192	191	383	369	391

Difference						
(ii) c-e						
1						
(3)						
(2)						
(4)						
(4)						
(8)						



Consolidated Earnings Forecasts

				FY2015		FY2014	FY2015
		No	1st half (Actual) a	2nd half (Forecast) b	(Forecast)	(Actual) d	(Previous Forecast) e
Net sales		1	310.8	306.2	617.0	576.4	638.0
Operating income		2	8.9	10.6	19.5	16.5	19.5
Ordinary income	Ordinary steel / Special steel	3	7.3	5.7	13.0	12.7	12.0
	Stainless steel	4	1.0	1.5	2.5	7.0	3.5
	Total	5	8.3	7.2	15.5	19.7	15.5
Net income		6	5.2	7.8	13.0	17.7	13.0

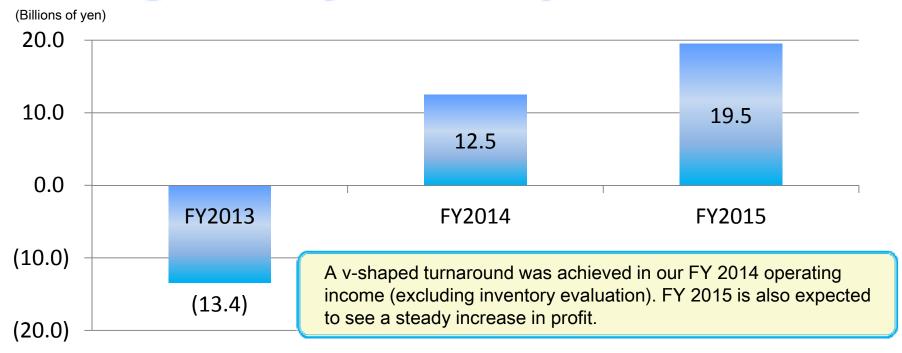
(Billions of yen)							
Difference							
(i) c-d	(ii) c-e						
40.6	(21.0)						
3.0	0.0						
0.3	1.0						
(4.5)	(1.0)						
(4.2)	0.0						
(4.7)	0.0						

Inventory evaluation	Ordinary steel / Special steel	7	(1.5)	(1.5)	(3.0)	2.5	(2.5)
	Stainless steel	8	2.5	0.5	3.0	1.5	3.5
·	Total	9	1.0	(1.0)	0.0	4.0	1.0

(5.5)	(0.5)
1.5	(0.5)
(4.0)	(1.0)



Change of Operating Income (excluding inventory evaluation)



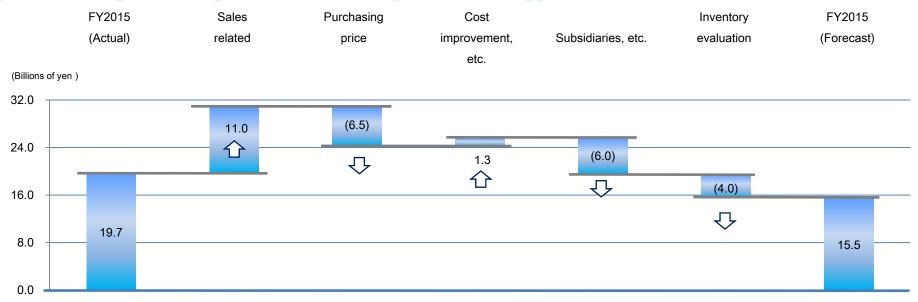
	FY2013 (Actual)	FY2014 (Actual)	FY2015 (Forecast)
Operating income	(21.9)	16.5	19.5
Inventory evaluation	(8.5)	4.0	0.0
Operating income (excluding inventory evaluation) ×	(13.4)	12.5	19.5

[※] FY2013 results include Nippon Metal Industry's first 6-months figure.

(Operating income(5.1), Inventory evaluation(0.5))



Breakdown of Differences in Ordinary Income (FY2015(Actual) vs FY2015(Forecast))

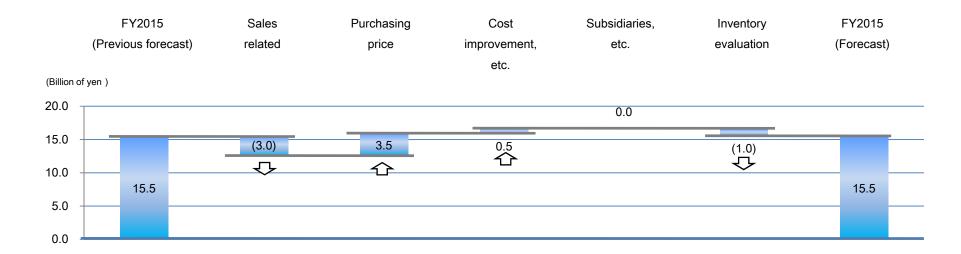


(Billions of yen) (Of which stainless steel)

FY2015(Actual)	19.7	Breakdown	7.0
Sales related	11.0	Price difference 7.5, Volume and composition difference 1.5, Export exchange difference 2.0	13.5
Purchasing price	(6.5)	Iron ore 11.0, Coking coal 6.5, Nickel (9.5), Import exchange difference (12.5)	(14.5)
Cost improvement, etc.	1.3		1.0
Subsidiaries, etc.	(6.0)	Overseas consolidated subsidiaries, etc	(6.0)
Inventory evaluation	(4.0)	4.0→0.0 (Of which stainless steel 1.5→3.0)	1.5
Total	(4.2)		(4.5)
FY2015(Forecast)	15.5		2.5

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Breakdown of Differences in Ordinary Income (FY2015(Previous forecast) vs FY2015(Forecast))



(Billions of yen)

(Of which stainless steel)

FY2	015(Previous forecast)	15.5	Breakdown	
	Sales related	(3.0)	Price difference(3.0), Volume and composition difference (1.5), Export exchange difference 1.5	(1.5)
	Purchasing price	3.5	Iron ore 4.5, Nickel 2.0, Import exchange difference (3.0)	1.0
	Cost improvement, etc.	0.5	Rationalization, etc.	0.0
	Subsidiaries, etc.	0.0		0.0
	Inventory evaluation	(1.0)	1.0→0.0 (Of which, stainless steel 3.5→3.0)	(0.5)
	Total	0.0		(1.0)
FY2	015(Forecast)	15.5		2.5



(Reference)

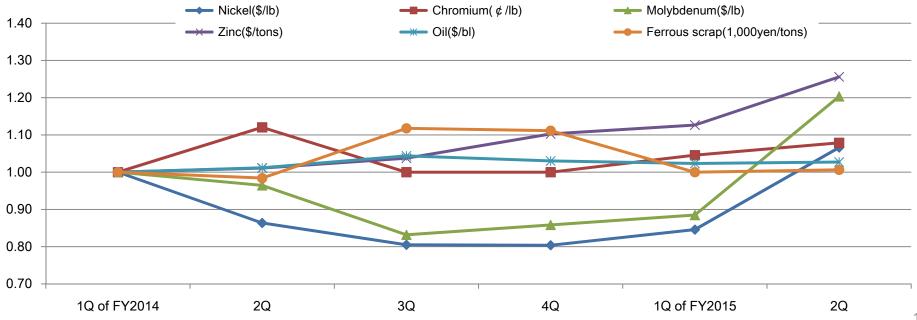




Purchasing Price

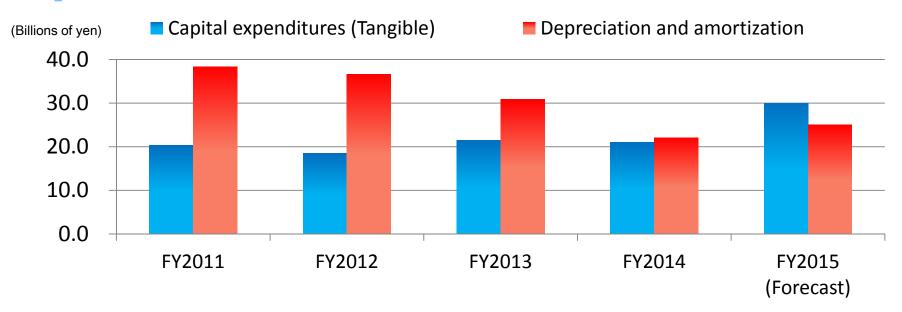
	FY2014						FY2015			
	1st half			2nd half				1st half		
	1Q	2Q	(Average)	3Q	4Q	(Average)	(Average)	1Q	2Q	(Average)
Nickel(\$/lb)	7.85	6.78	7.32	6.32	6.31	6.32	6.82	6.64	8.37	7.51
Chromium(¢/lb)	120.5	135.0	127.8	120.5	120.5	120.5	124.1	126.0	130.0	128.0
Molybdenum(\$/lb)	11.3	10.9	11.1	9.4	9.7	9.6	10.3	10.0	13.6	11.8
Zinc(\$/tons)	1,840	1,860	1,850	1,909	2,029	1,969	1,910	2,073	2,311	2,192
Oil(\$/bl)	102.5	103.7	103.1	107.0	105.6	106.3	104.7	104.9	105.3	105.1
Ferrous scrap (1,000yen/tons)	31.4	30.9	31.2	35.1	34.9	35.0	33.1	31.4	31.6	31.5

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





Capital expenditures (Tangible)/ Depreciation and amortization

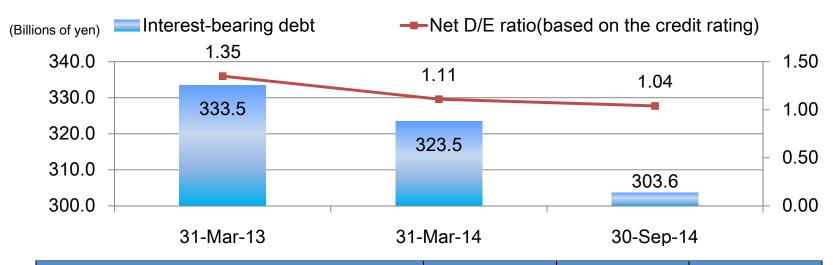


(Billions of yen)

	FY2011	/2011 FY2012		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-Sep-14
Cash on hand and in banks(Billions of yen)	43.2	40.8	31.6
Interest-bearing debt(Billions of yen)	333.5	323.5	303.6
Net D/E ratio	1.69	1.36	1.28
	1.35	1.11	1.04

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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