

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

February 6, 2014

NISSHIN STEEL CO., LTD.



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

Overview

- ✓ The domestic steel demand remained generally firm with reinvigorated corporate activities centering on the manufacturing sector spurred by positive effects of the government stimulus packages and the lower yen even though some backlash of the consumption tax hike was noted in housing investment and personal consumption.
- ✓ ZAM continued to perform well in such major applications as agricultural supplies, pre-fabricated houses and automobiles. Recent sales remained at nearly 70,000 tons/month.
- Operating income for the first three quarters rose ¥2.9 billion over the same period of the previous year through our efforts to improve sales prices and group-wide rationalization and total cost reduction programs to cope with rising electricity and other energy costs and higher-priced raw material imports due to the lower yen. Ordinary income remained virtually unchanged from the previous period.
- ✓ Our stainless steel business posted a ¥3.5 billion ordinary income for the third quarter alone (¥4.5 billion in the first three quarters) as improved sales prices, which were lagging rises in raw material prices, gradually penetrated the market.



Consolidated operating results

								(Billio	ns of yen)
				FY2015				Differ	ence
			1Q	2Q	3Q		Apr-Dec	Dille	CIICC
		No	(Actual)	(Actual) b	(Actual)	(Actual) d	(Actual)	(i) c-b	(ii) d-e
Net sales		1	151.0		148.9	<u>.</u>	417.8	(10.9)	
Operating income		2	2.2	6.7	6.5	15.4	12.5	(0.2)	2.9
Ordinary income	Ordinary steel / Special steel	3	2.2	5.1	5.2	12.5	10.8	0.1	1.7
	Stainless steel	4	(1.0)	2.0	3.5	4.5	6.5	1.5	(2.0)
	Total	5	1.2	7.1	8.7	17.0	17.3	1.6	(0.3)
Net income		6	0.0	5.2	7.7	12.9	12.0	2.5	0.9
Inventory evaluation	Ordinary steel / Special steel	7	(0.5)	(1.0)	0.5	(1.0)	1.5	1.5	(2.5)
	Stainless steel	8	0.5	2.0	1.0	3.5	1.5	(1.0)	2.0
	Total	9	0.0	1.0	1.5	2.5	3.0	0.5	(0.5)

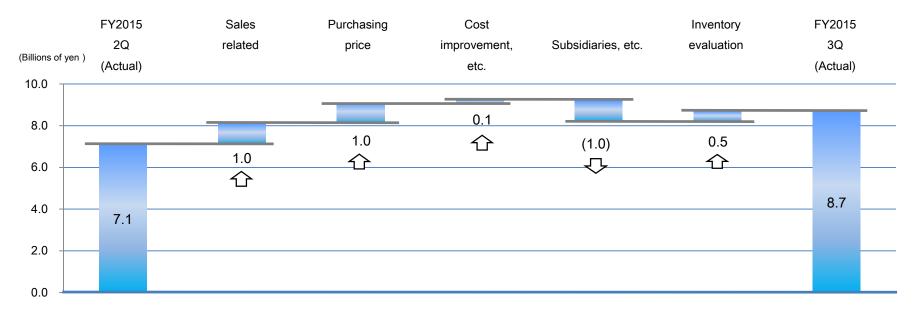


Other Information

		FY2015					
			1Q	2Q	3Q		
			(Actual)	(Actual)	(Actual)	(Actual)	
		No	а	b	С	d	
Crude steel production	Ordinary steel / Special steel	1	82	86	80	248	
(10,000tons)	Stainless steel	2	20	19	16	55	
	Total		102	105	96	303	
Sales volume	Ordinary steel / Special steel	4	80	80	78	238	
(10,000tons)	Stainless steel	5	15	17	13	45	
Total		6	95	97	91	283	
Average sales price of steel products(1,000yen/tons)		7	124	130	126	127	
Export ratio(monetary basis;%)		8	17	18	16	17	
Export exchang	e rate(yen/US\$)	9	102	104	114	106	



Breakdown of Differences in Ordinary Income (2Q of FY2015(Actual) vs 3Q of FY2015(Actual))



(Billions of yen)

(Of which stainless steel)

2	Q of FY2015(Actual)	7.1	Breakdown	2.0
	Sales related	1.0	Price difference 2.0, Volume and composition difference (2.0), Export exchange difference 1.0	2.0
	Purchasing price	1.0	Iron ore 1.5, Nickel 1.5, Import exchange difference (2.5)	
	Cost improvement, etc.	0.1	Rationalization, etc.	1.0
	Subsidiaries, etc.	(1.0)	Unconsolidated affiliates, etc.	(1.0)
	Inventory evaluation	0.5	1.0→1.5 (Of which, stainless steel 2.0→1.0)	(1.0)
	Total	1.6		1.5
3	Q of FY2015(Actual)	8.7		3.5

© NISSHIN STEEL Consolidated Balance Sheet (Summary)

(Billions of ven)

			(billions or yen)
		vs Mar 31,2014	Main factor
Cash on hand and in banks	22.6	(18.2)	
Accounts receivable	76.0	(3.3)	
Inventories	159.1	15.5	
Other current assets	27.9	(9.5)	
Tangible and intangible fixed assets	272.8	4.8	Depreciation(18.3), Acquisition 22.4
Investments in securities, etc.	179.1	6.8	
Total assets	737.8	(3.8)	
Interest-bearing debt	292.9	(30.6)	
Other liabilities	208.0	5.7	
Total liabilities	500.9	(24.8)	
Common stock and additional paid-in capital	121.0	1.0	Gain on sale of treasury stock 1.0
Retained earnings	70.1	3.9	Revision of accounting standard for retirement benefits(7.5), Net income 12.9, Cash dividends(1.5)
Treasury stock, at cost	(0.5)	8.2	Sale of treasury stock 8.2
Accumulated other comprehensive income	37.6	7.3	
Minority interests	8.6	0.4	
Total net assets	236.9	20.9	
Total liabilities and net assets	737.8	(3.8)	



Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2015 (FY2015)

Overview

- ✓ Some increase in exports is projected with the on-going depreciation of yen.

 Meanwhile in the domestic market, the sales volume will decrease compared with the last release as steel inventories are expected to remain at a high level due to the backlash of the tax hike.
- ✓ Further market development efforts for ZAM will be continued in the future with the introduction of such new products as ZAM+, even though growth in solar-related demand for ZAM has somewhat slowed.
- ✓ Both operating income and ordinary income will be higher than the last release thanks mainly to improved sales prices, lower raw material prices and favorable effects of inventory valuation.
- ✓ Stainless steel shipments are not too brisk with a bearish outlook triggered by falling Ni prices. Meantime, our endeavors to secure adequate margin will be continued in order to counter higher costs of electricity and other energies as well as raw material imports due to the lower yen. Ordinary income is forecast at ¥4 billion.



Consolidated Earnings Forecasts

(Billions of yen)

				FY2015	FY2015	FY2014	
			1st half	2nd half	(Forecast)	(Previous	(Actual)
		No	(Actual) a	(Forecast) b	(Forecast) c	forecast) d	(Actual) e
Net sales		1	310.8	304.2	615.0	617.0	576.4
Operating income		2	8.9	13.1	22.0	19.5	16.5
Ordinary income	Ordinary steel / Special steel	3	7.3	8.7	16.0	13.0	12.7
	Stainless steel	4	1.0	3.0	4.0	2.5	7.0
	Total	5	8.3	11.7	20.0	15.5	19.7
Net income		6	5.2	10.8	16.0	13.0	17.7

Difference					
(i) c-d	(ii) c-e				
(2.0)	38.6				
2.5	5.5				
3.0	3.3				
1.5	(3.0)				
4.5	0.3				
3.0	(1.7)				

Inventory evaluation	Ordinary steel / Special steel	7	(1.5)	(0.5)	(2.0)	(3.0)	2.5
	Stainless steel	8	2.5	0.5	3.0		1.5
	Total	9	1.0	0.0	1.0	0.0	4.0

(4.5)	1.0
1.5	0.0
(3.0)	1.0



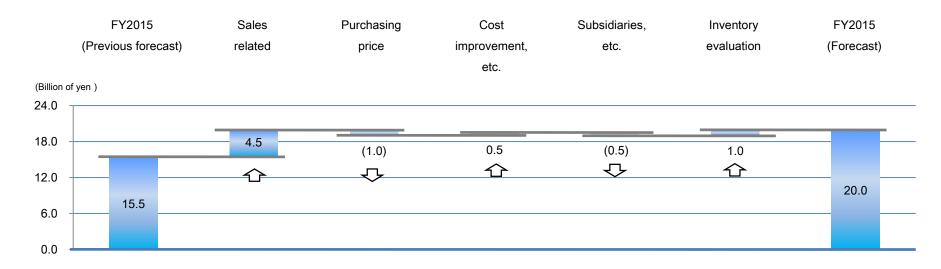
Other Information

			FY2015			FY2015	FY2014
			1st half	2nd half		(Previous	
			(Actual)	(Forecast)	(Forecast)	forecast)	(Actual)
		No	а	b	С	d	е
Crude steel production	Ordinary steel / Special steel	1	168	160	328	333	318
(10,000tons)	Stainless steel	2	39	33	72	74	75
	Total	3	207	193	400	407	393
Sales volume	Ordinary steel / Special steel	4	160	159	319	322	309
(10,000tons)	Stainless steel	5	32	29	61	61	60
	Total	6	192	188	380	383	369
Average sales price of steel products(1,000yen/tons)		7	127	127	127	125	123
Export ratio(monetary basis;%)		8	17	16	17	16	16
Export exchange	rate(yen/US\$)	9	103	114	108	104	100

Differ	ence
(i) c-d	(ii) c-e
(5)	10
(2)	(3)
(7)	7
(3)	10
0	1
(3)	11
2	4
1	1
4	8



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



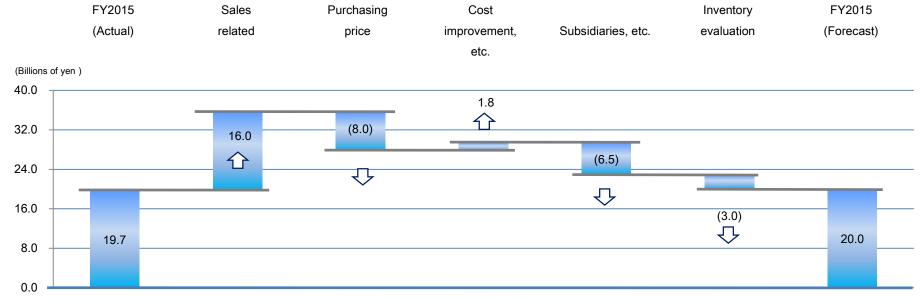
(Billions of yen)

(Of which stainless steel)

FY2	FY2015(Previous forecast)		Breakdown	2.5
	Sales related	4.5	Price difference 2.5, Volume and composition difference (1.0), Export exchange difference 3.0	2.0
	Purchasing price	(1.0)	Iron ore 1.5, Nickel 2.0, Oil 2.0, Import exchange difference (6.0)	(0.5)
	Cost improvement, etc.	0.5	Rationalization, etc.	0.5
	Subsidiaries, etc.	(0.5)	Unconsolidated affiliates, etc.	(0.5)
	Inventory evaluation	1.0	0.0→1.0 (Of which, stainless steel 3.0→3.0)	0.0
	Total	4.5		1.5
FY2	FY2015(Forecast) 20.0			4.0



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



(Billions of yen) (Of which stainless steel)

FY2	FY2015(Actual)		Breakdown	7.0
	Sales related	16.0	Price difference 9.0, Volume and composition difference 3.0, Export exchange difference 4.0	15.5
	Purchasing price		Iron ore 12.0, Coking coal (6.0), Oil 2.5, Nickel (8.0), Import exchange difference (19.0)	(15.0)
	Cost improvement, etc.	1.8	Rationalization, etc.	1.5
	Subsidiaries, etc.	(6.5)	Overseas consolidated subsidiaries (4.0), Unconsolidated affiliates, etc. (2.5)	(6.5)
	Inventory evaluation	(3.0)	4.0→1.0 (Of which stainless steel 1.5→3.0)	1.5
	Total	0.3		(3.0)
FY2	FY2015(Forecast) 20			4.0



Cash Dividends

Cash dividends of ¥40 a share (¥40 for full fiscal year) will be paid based on a concept of paying dividends to correspond to our consolidated business results.

【 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.

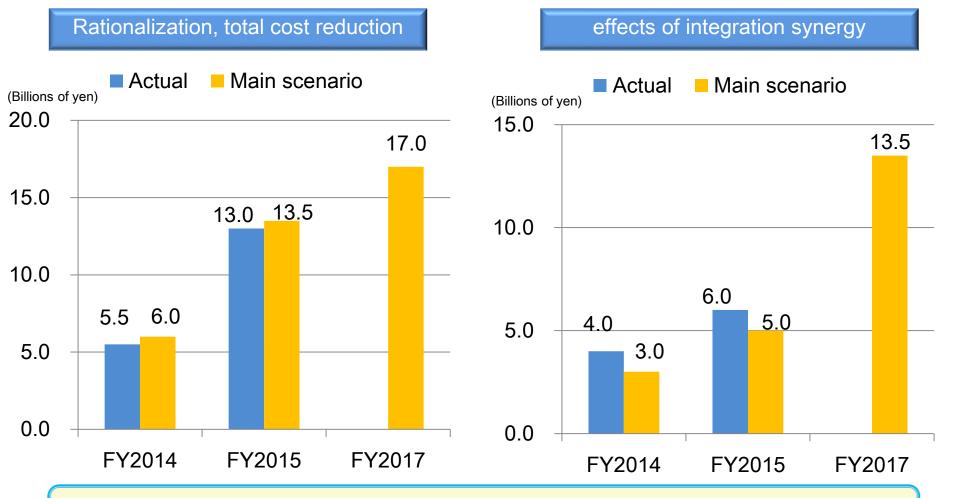


(Reference)





Rationalization, total cost reduction and effects of integration synergy



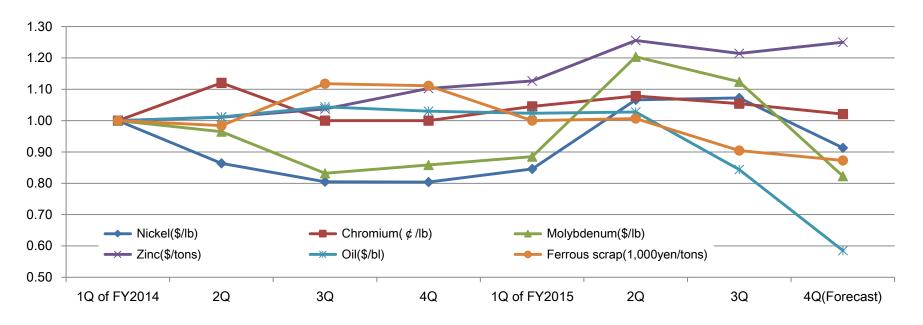
Achievements in rationalization and total cost reduction programs for fiscal 2014 will be as initially planned. On the other hand, integration synergy for fiscal 2014 will exceed the plan by ¥6 billion.



Purchasing Price

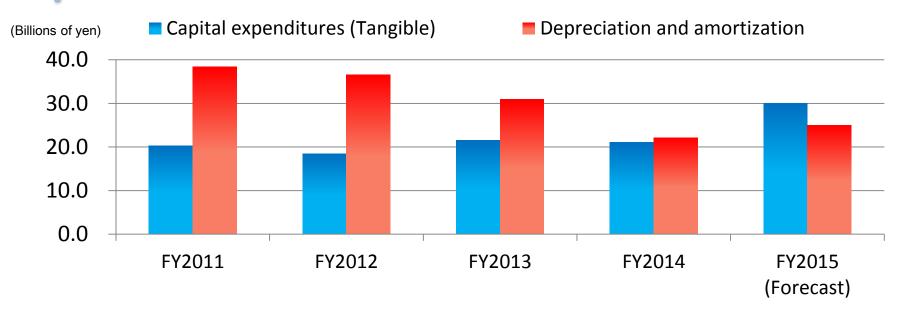
	FY2014						FY2015							
	1st half			2nd half				1st half			2nd half			
	1Q	2Q	Ave.	3Q	4Q	Ave.	Ave.	1Q	2Q	Ave.	3Q	4Q (Forecast)	Ave. (Forecast)	Ave. (Forecast)
Nickel(\$/lb)	7.85	6.78	7.32	6.32	6.31	6.32	6.82	6.64	8.37	7.51	8.42	7.17	7.80	7.65
Chromium(¢/lb)	120.5	135.0	127.8	120.5	120.5	120.5	124.1	126.0	130.0	128.0	127.0	123.0	125.0	126.5
Molybdenum(\$/lb)	11.3	10.9	11.1	9.4	9.7	9.6	10.3	10.0	13.6	11.8	12.70	9.30	11.0	11.4
Zinc(\$/tons)	1,840	1,860	1,850	1,909	2,029	1,969	1,910	2,073	2,311	2,192	2,235	2,300	2,268	2,230
Oil(\$/bl)	102.5	103.7	103.1	107.0	105.6	106.3	104.7	104.9	105.3	105.1	86.5	60.0	73.2	89.2
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	28.4	27.4	27.9	29.7

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





Capital expenditures (Tangible)/ Depreciation and amortization

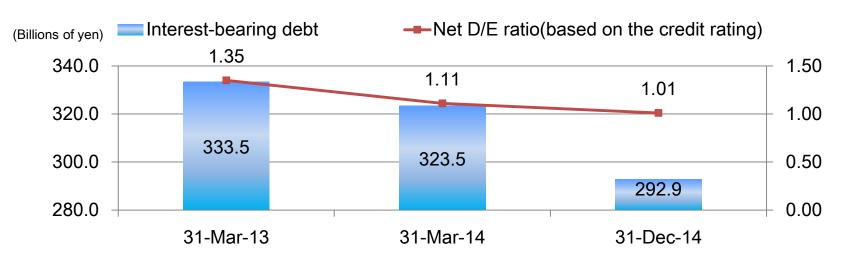


(Billions of yen)

	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	31-Dec-14
Cash on hand and in banks(Billions of yen)	43.2	40.8	22.6
Interest-bearing debt(Billions of yen)	333.5	323.5	292.9
Net D/E ratio	1.69	1.36	1.18
	1.35	1.11	1.01

Net D/E ratio with 50% of the principal of hybrid securities/hybrid loans,
which receive equity credit from Japan Credit Rating Agency, deemed as capital.
(50% of 50 billion yen each at the end of March of 2013 and 2014,
as well as 50% of 40 billion yen at the end of December of 2014
entered as capital respectively)