

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2016 (FY2016)

August 6, 2015

NISSHIN STEEL CO., LTD.



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Overview of the First Quarter (from April 1, 2015 to June 30, 2015)

- ✓ While the domestic economy was on a recovery track, rebound in steel demand lagged as noted in the construction industry and exports were anemic due to dull overseas markets, which led to a high level of steel inventories at home.
- ✓ As we tailored production to actual demand, our sales volume only reached 860,000 tons and year-on-year sales were down.
- ✓ In addition to lowered iron ore and other raw materials prices, we promoted our group-wide programs for streamlining /total cost reduction and bolstering integration synergy toward improved earnings. As a result, ordinary income excluding loss on inventory valuation came to ¥4.3 billion.
- ✓ In the stainless steel sector, future Ni prices were anticipated to decline and while we worked to maintain our sales prices, the market continued soft and shipments were slow. Mainly due to decreased sales volume, ordinary loss excluding loss on inventory valuation totaled ¥0.5 billion.



Consolidated operating results

					(Billions of yen)
		No	FY2016 1Q (Actual) a	FY2015 1Q (Actual) b	Difference a-b
Net sales		1	137.2	151.0	(13.8)
Operating income		2	1.0	2.2	(1.2)
Ordinary income	Ordinary steel / Special steel	3	3.8	2.2	1.6
	Stainless steel	4	(2.0)	(1.0)	(1.0)
	Total	5	1.8	1.2	0.6
Profit attributable to	owners of parent	6	1.2	0.0	1.2

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



Other Information

		No	FY2016 1Q (Actual) a	FY2015 1Q (Actual) b	Difference a-b
Crude steel production	Ordinary steel / Special steel	1	79	82	(3)
(10,000tons)	Stainless steel	2	15	20	(5)
	Total		94	102	(8)
Sales volume	Ordinary steel / Special steel	4	74	80	(6)
(10,000tons)	Stainless steel	5	12	15	(3)
	Total	6	86	95	(9)
Average sales price of steel products(1,000yen/tons)		7	124	124	0
Export ratio(monetary basis;%)		8	17	17	0
Export exchange	e rate(yen/US\$)	9	121	102	19



Breakdown of Differences in Ordinary Income (1Q of FY2015(Actual) vs 1Q of FY2016(Actual))



(Billions of	yen)	

(Of which stainless steel)

1Q of FY2015(Actual)	1.2	Breakdown	
Sales related	(2.5)	Volume and composition difference (2.5), Price difference (2.0), Export exchange difference 2.0	1.0
Purchasing price	4.5	Iron ore 7.0, Coking coal 1.0, Oil 1.5, Nickel 2.0, Import exchange difference (7.5)	(0.5)
Cost improvement, etc.	1.1	Rationalization, etc.	0.5
Subsidiaries, etc.	0.0		0.0
Inventory evaluation	(2.5)	0.0→(2.5) (Of which, stainless steel 0.5→(1.5))	(2.0)
Total	0.6		(1.0)
1Q of FY2016(Actual)	1.8		(2.0)

© NISSHIN STEEL Consolidated Balance Sheet (Summary)

(Billions of yen)

			(Billions of yen)
		vs Mar 31,2015	Main factor
Cash on hand and in banks	22.5	(3.7)	
Accounts receivable	68.0	(10.9)	decrease in sales
Inventories	145.4	1.2	
Other current assets	29.9	(0.9)	
Tangible and intangible fixed assets	278.4	(0.7)	
Investments in securities, etc.	217.7	(5.3)	Unrealized gain on available-for-sale securities
Total assets	762.2	(8.3)	
Interest-bearing debt	286.9	(2.8)	
Other liabilities	204.3		
Total liabilities	491.3	(7.2)	
Common stock and additional paid-in capital	106.3	(14.7)	Transfer to retained earnings(12.3), Cash dividends(4.3)
Retained earnings	87.6	13.5	Transfer from additional paid-in capital 12.3, Profit attributable to owners of parent 1.2
Treasury stock, at cost	(0.5)	(0.0)	
Accumulated other comprehensive income	70.0	1.8	
Non-controlling interests	7.3	(1.7)	
Total net assets	270.8	(1.0)	
Total liabilities and net assets	762.2	(8.3)	



Consolidated Earnings Forecasts

Outlook for the FY2016(from April 1, 2015 to March 31, 2016)

- ✓ There are some signs of turnaround in steel demand from each customer sector but concerns are mounting over adverse effects of financial problems in EU, slowdown in the Chinese economic growth and frequently-occurring trade disputes.
- ✓ Sales volume is expected to increase gradually in the second half, which will not be enough to cover the drop in the first half. Y-o-y sales are likely to diminish as well.
- ✓ Falling raw materials prices will lead to some adjustments in our sales prices but we will work to secure adequate margins between sales and purchases to realize ordinary income of ¥18.5 billion excluding loss on inventory valuation.
- ✓ Impacted with low demand, the stainless steel business is sluggish at the moment. On a longer term basis, however, we will move forward with our structural reform initiatives including maximization of integration synergy and development of new products/new applications jointly undertaken by the Shunan Works and the Nisshin Group's Products Development Strategy Division.



Consolidated Earnings Forecasts

(Billions of yen

				FY2016					
			1st	half	2nd half		FY2015		
			1Q	2Q		/F+)	/ A = 4 . = 1\		
		No	(Actual) a	(Forecast) b	(Forecast) c	(Forecast) d	(Actual) e		
Net sales		1	137.2	142.8	297.0	577.0	617.5		
Operating income		2	1.0	4.0	9.5	14.5	21.0		
Ordinary income	Ordinary steel / Special steel	3	3.8	4.7	10.0	18.5	16.1		
	Stainless steel	4	(2.0)	(2.0)	(2.5)	(6.5)	3.5		
	Total	5	1.8	2.7	7.5	12.0	19.6		
Profit attributable to owners of parent		6	1.2	1.3	5.5	8.0	16.9		
Inventory evaluation	Ordinary steel / Special steel	7	(1.0)	(1.0)	(1.0)	(3.0)	(2.5)		

Difference						
(i) b-a	(ii) d-e					
5.6	(40.5)					
3.0	(6.5)					
0.9	2.4					
0.0	(10.0)					
0.9	(7.6)					
0.1	(8.9)					

Inventory evaluation	Ordinary steel / Special steel	7	(1.0)	(1.0)	(1.0)	(3.0)	(2.5)
	Stainless steel	8	(1.5)	(1.0)	(1.0)	(3.5)	2.5
,	Total	9	(2.5)	(2.0)	(2.0)	(6.5)	0.0

0.0	(0.5)
0.5	(6.0)
0.5	(6.5)



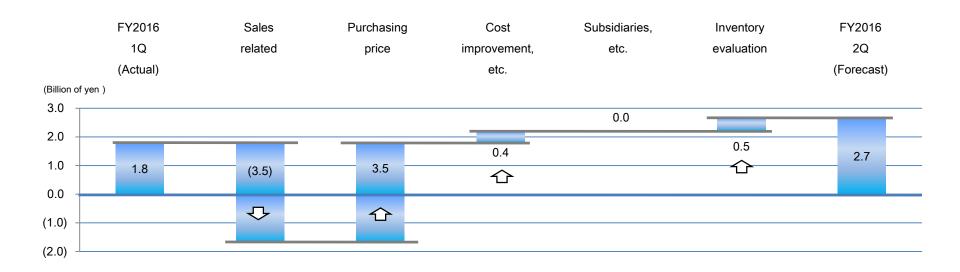
Other Information

				FY2	.016			
			1st	half	2nd half		FY2015	
			1Q	2Q	ZIIU IIaii			
		No	(Actual) a	(Forecast) b	(Forecast)	(Forecast)	(Actual) e	
Crude steel production	Ordinary steel / Special steel	1	79		160	·	327	
(10,000tons)	Stainless steel	2	15	20	33	68	71	
	Total	3	94	101	193	388	398	
Sales volume	Ordinary steel / Special steel	4	74	74	158	306	321	
(10,000tons)	Stainless steel	5	12	14	29	55	60	
	Total	6	86	88	187	361	381	
Average sales price of steel products(1,000yen/tons)		7	124	122	122	122	127	
Export ratio(monetary basis;%)		8	17	16	17	17	17	
Export exchange r	ate(yen/US\$)	9	121	120	120	120	109	

Difference					
(i) b-a	(ii) d-e				
2	(7)				
5	(3)				
7	(10)				
0	(15)				
2	(5)				
2	(20)				
(2)	(5)				
(1)	0				
(1)	11				



Breakdown of Differences in Ordinary Income (1Q of FY2016(Actual) vs 2Q of FY2016(Forecast))



(Billions of yen) (Of which stainless steel)

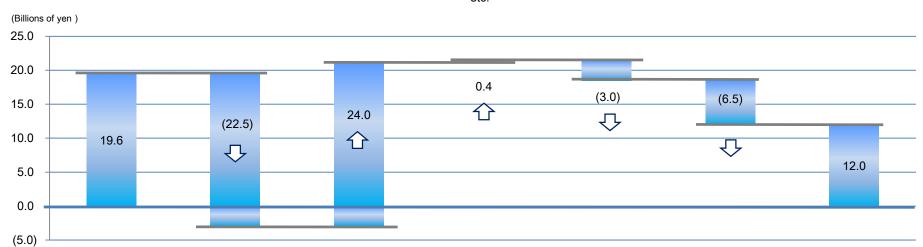
1Q	of FY2016(Actual)	1.8	Breakdown	
	Sales related	(3.5)	Volume and composition difference 0.5, Price difference (4.0)	(1.5)
	Purchasing price		Iron ore 1.5, Coking coal 1.0, Nickel 1.0	1.0
	Cost improvement, etc.	0.4	Rationalization, etc.	
	Subsidiaries, etc.	0.0		0.0
	Inventory evaluation	0.5	(2.5)→(2.0) (Of which, stainless steel (1.5)→(1.0))	0.5
	Total	0.9		0.0
2Q	of FY2016(Forecast)	2.7		(2.0)



Breakdown of Differences in Ordinary Income (FY2015(Actual) vs FY2016(Forecast))

FY2015 Sales Purchasing Cost Inventory FY2016

(Actual) related price improvement, Subsidiaries, etc. evaluation (Forecast) etc.



(Of which stainless steel)

FY	2015(Actual)	19.6	Breakdown	
	Sales related	(22.5)	Volume and composition difference (6.0), Price difference (22.5), Export exchange difference 6.0	(6.5)
	Purchasing price	24.0	ron ore 21.5, Coking coal 4.0, Nickel 11.0, Oil 7.5, mport exchange difference (22.5)	
	Cost improvement, etc.	0.4	Rationalization, etc.	
	Subsidiaries, etc.	(3.0)	Overseas consolidated subsidiaries, etc.	(3.0)
	Inventory evaluation	(6.5)	0.0→(6.5) (Of which, stainless steel 2.5→(3.5))	(6.0)
	Total	(7.6)		(10.0)
FY	2016(Forecast)	12.0		(6.5)



Cash Dividends

We have decided to pay mid-term cash dividends of ¥15.0 per share considering stable shareholder returns and consolidated results and earnings forecasts for this FY2016. The year-end cash dividends for the FY2016 are

The year-end cash dividends for the FY2016 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.

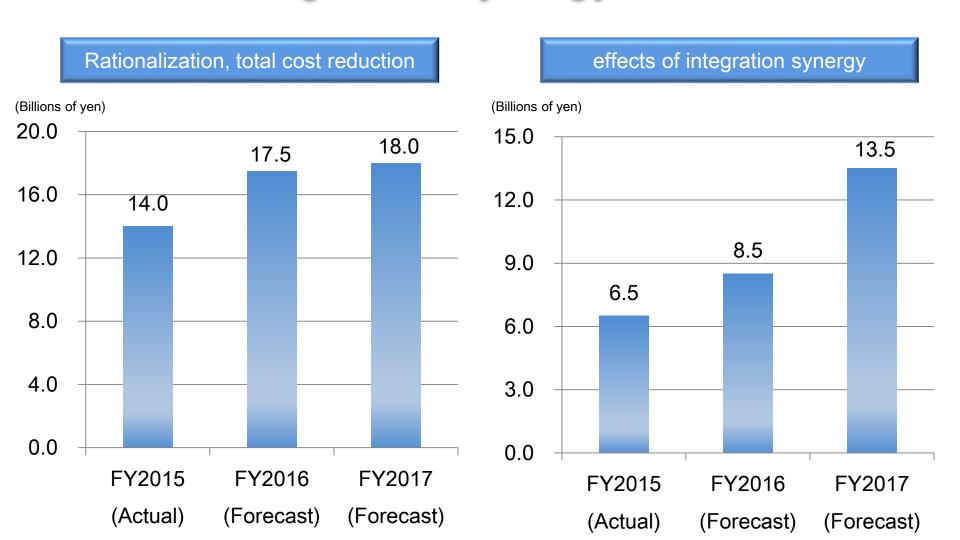


(Reference)





Rationalization, total cost reduction and effects of integration synergy

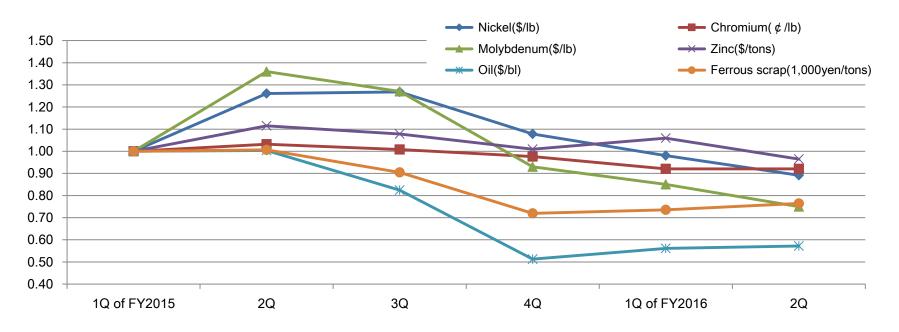




Purchasing Price

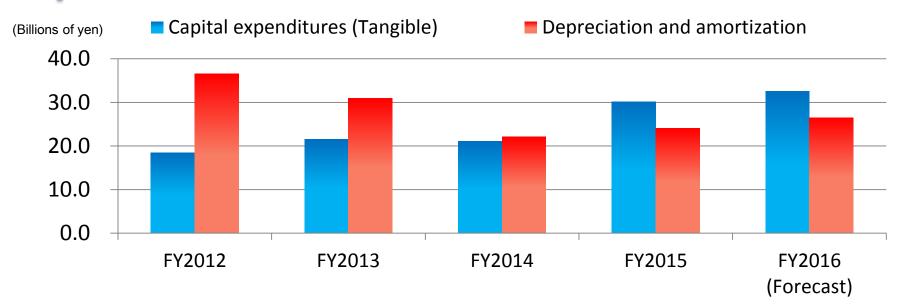
	FY2015					FY2016				
	1st half			2nd half				1st half		
	1Q	2Q	Ave.	3Q	4Q	Ave.	Ave.	1Q	2Q (Forecast)	Ave. (Forecast)
Nickel(\$/lb)	6.64	8.37	7.51	8.42	7.16	7.79	7.65	6.51	5.92	6.22
Chromium(¢/lb)	126.0	130.0	128.0	127.0:	123.0	125.0	126.5	116.0	116.0	116.0
Molybdenum(\$/lb)	10.0	13.6	11.8	12.7	9.3	11.0	11.4	8.5	7.5	8.0
Zinc(\$/tons)	2,073	2,311	2,192	2,235 <u>:</u>	2,092	2,164	2,178	2,195	2,000	2,098
Oil(\$/bl)	104.9	105.3	105.1	: 86.5	53.8	70.1	87.6	58.9	60.0	59.5
Ferrous scrap (1,000yen/tons)	31.4	31.6	31.5	28.4	22.6	25.5	28.5	23.1	24.0	23.6

Transition of Purchasing Price (1.00: 1Q of FY2015)





Capital expenditures (Tangible)/ Depreciation and amortization

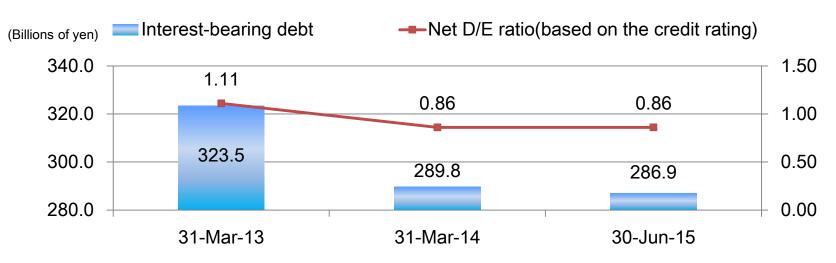


(Billions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016 (Forecast)
Capital expenditures (Tangible)	18.5	21.5	21.1	30.1	32.5
Depreciation and amortization	36.6	30.9	22.1	24.1	26.5



Interest-bearing debt and Net D/E ratio



	31-Mar-14	31-Mar-15	30-Jun-15
Cash on hand and in banks(Billions of yen)	40.8	26.3	22.5
Interest-bearing debt(Billions of yen)	323.5	289.8	286.9
Net D/E ratio	1.36	1.00	1.00
	1.11	0.86	0.86

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 2014, as well as 50% of 40 billion yen at the end of March of 2015 and June of 2015 entered as capital respectively)