

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

February 2, 2016

NISSHIN STEEL CO., LTD.



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Overview

- ✓ At home, amid slow demand recovery in the automotive and other sectors, inventory adjustment lagged. Abroad, operating environment remained severe with China's widening supply-demand gap depressing the Asian steel market and reducing exports.
- ✓ Under such circumstances, we kept on tailoring our production and sales to demand for promoting steel inventory optimization. Our crude steel output totaled 2.86 million tons, sales 2.62 million tons and consolidated sales stood at ¥40.99 billion.
- ✓ Meantime, ordinary income was down to ¥4.5 billion, negatively impacted by inventory valuation loss due to falling iron ore and other raw materials prices. Excluding this factor, the income read ¥14.5billion, substantially the same as the previous period.
- ✓ Our stainless steel business did not perform well. The Ni market remained dull for an extended period and caused inventory valuation loss. In addition, business results of our group companies – particularly overseas firms – were lackluster. As a result, ordinary loss came to ¥8 billion and with the valuation loss excluded, ¥2 billion.



Consolidated operating results

									(Billio	ns of yen)
					FY2016			FY2015		
				1st half		2nd half			Differ	ence
			Apr-Jun	Jul-Sep		Oct-Dec		Apr-Dec		
			(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(i)	(ii)
		No	a	b	C	d	` e ´	f	e-f	d-b
Net sales		1	137.2	139.5	276.7	133.2	409.9	459.7	(49.8)	(6.3)
Operating income		2	1.0	5.3	6.3	0.6	6.9	15.4	(8.5)	(4.7)
Ordinary income	Ordinary steel / Special steel	3	3.8	5.6	9.4	3.1	12.5	12.5	0.0	(2.5)
	Stainless steel	4	(2.0)	(2.0)	(4.0)	(4.0)	(8.0)	4.5	(12.5)	(2.0)
	Total	5	1.8	3.6	5.4	(0.9)	4.5	17.0	(12.5)	(4.5)
Profit attributable to o	owners of parent	6	1.2	0.8	2.0	(2.0)	0.0	12.9	(12.9)	(2.8)
Inventory evaluation	Ordinary steel / Special steel	7	(1.0)	(1.0)	(2.0)	(2.0)	(4.0)	(1.0)	(3.0)	(1.0)
	Stainless steel	8	(1.5)	(1.5)	(3.0)	(3.0)	(6.0)	3.5	(9.5)	(1.5)
	Total	9	(2.5)	(2.5)	(5.0)	(5.0)	(10.0)	2.5	(12.5)	(2.5)



Other Information

				FY2016						
				1st half 2nd half						
			Apr-Jun	Jul-Sep		Oct-Dec		Apr-Dec		
			(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)		
		No	а	b	С	d	е	f		
Crude steel production	Ordinary steel / Special steel	1	79	79	158	78	236	248		
(10,000tons)	Stainless steel	2	15	19	34	16	50	55		
	Total	3	94	98	192	94	286	303		
Sales volume	Ordinary steel / Special steel	4	74	76	150	75	225	238		
(10,000tons)	Stainless steel	5	12	13	25	12	37	45		
	Total	6	86	89	175	87	262	283		
Average sales products(1,00	s price of steel 0yen/tons)	7	124	120	122	114	119	127		
Export ratio(m	nonetary basis;%)	8	17	16	16	14	16	17		
Export exchar	nge rate(yen/US\$)	9	121	122	122	121	122	106		

Difference						
(i)	(ii)					
e-f (12)	d-b (1)					
(5)	(3)					
(17)	(4)					
(13)	(1)					
(8)	(1)					
(21)	(2)					
(8)	(6)					
(1)	(2)					
16	(1)					

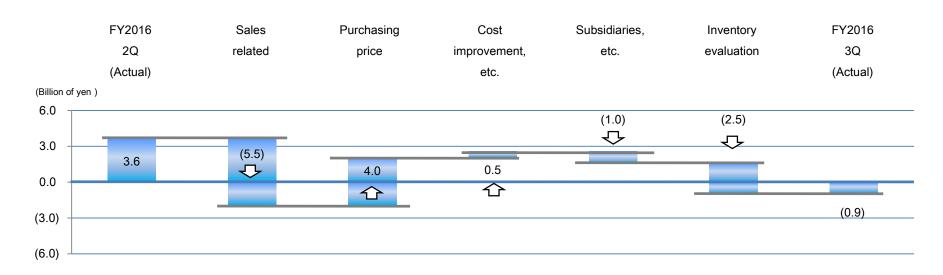
Breakdown of Differences in Ordinary Income (First nine months of FY2015(Actual) vs First nine months of FY2016(Actual))

Firs	FY2015 st nine months (Actual)	Sales related	Purchasing price	Cost improvement, etc.	Subsidiaries, etc.	Inventory evaluation	FY2016 First nine months (Actual)
30.0				0.0			
20.0							
10.0	17.0	(22.0)	26.5 1		(4.5)	(12.5)	
0.0							4.5
(10.0)					(Billions of y	ven)	(Of which stainless ste

		(Dillions of year) (Of which stains	
First nine months of FY2015(Actual)	17.0	Breakdown	4.5
Sales related	(22.0)	Price difference (20.0), Volume and composition difference (7.0), Export exchange difference 5.0	(6.5)
Purchasing price	26.5	Iron are 20.0. Caking appl 2.0. Oil 7.5. Niekal 11.0	7.5
Cost improvement, etc.	0.0	Rationalization, etc.	0.0
Subsidiaries, etc.	(4.5)	Overseas consolidated subsidiaries(4.5)	(4.0)
Inventory evaluation	(12.5)	2.5→(10.0) (Of which, stainless steel 3.5→(6.0))	(9.5)
Total	(12.5)		(12.5)
First nine months of FY2016(Actual)	4.5		(8.0)



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



(Dilliono di yon)	(Billions of	yen)	į
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(Of which stainless steel)

2	Q of FY2016(Actual)	3.6	Breakdown	(2.0)
	Sales related	(5.5)	Price difference (3.5), Volume and composition difference(2.0)	(2.0)
	Purchasing price	4.0	Iron ore 1.0, Coking coal 0.5, Oil 0.5, Nickel 2.0	2.0
	Cost improvement, etc.	0.5	Rationalization, etc.	0.5
	Subsidiaries, etc.	(1.0)	Overseas consolidated subsidiaries(1.0)	(1.0)
	Inventory evaluation	(2.5)	(2.5)→(5.0) (Of which, stainless steel (1.5)→(3.0))	(1.5)
	Total	(4.5)		(2.0)
3	Q of FY2016(Actual)	(0.9)		(4.0)

© NISSHIN STEEL Consolidated Balance Sheet (Summary)

(Billions of ven)

			(Billions of yen)
		vs Mar 31,2015	Main factor
Cash on hand and in banks	22.7	(3.5)	
Accounts receivable	78.3	(0.6)	Decrease in sales
Inventories	139.6	(4.5)	
Other current assets	20.4	(10.4)	
Tangible and intangible fixed assets	283.2	5.4	
Investments in securities, etc.	206.0	(6.3)	Decrease in unrealized gain on available-for- sale securities
Total assets	750.5	(20.0)	
Interest-bearing debt	283.7	(6.0)	
Other liabilities	205.0	(3.6)	
Total liabilities	488.8	(9.7)	
Common stock and additional paid-in capital	106.3	(14.7)	Transfer to retained earnings(12.3), Cash dividends(4.3)
Retained earnings	84.7	10.6	Transfer from additional paid-in capital 12.3
Treasury stock, at cost	(0.5)	(0.0)	
Accumulated other comprehensive income	63.8	(4.3)	
Non-controlling interests	7.2	(1.7)	
Total net assets	261.6	(10.2)	
Total liabilities and net assets	750.5	(20.0)	



Consolidated Earnings Forecasts

Outlook

- ✓ Domestic demand is on a gradual recovery track and some progress is noted in inventory adjustment. On the other hand, China's widening supply-demand gap is a structural problem and likely to take considerable time before it is rectified.
- ✓ We will give priority to profitability in our production and sales, paying close attention to changes in demand, steel inventory levels, export environment and other relevant indicators. Sales are forecast at ¥549 billion.
- ✓ Continuing declines in raw materials prices will lead to larger inventory valuation loss and drag ordinary income down to ¥6.5 billion. However, without such loss, the income stands at ¥20.5 billion, an improvement over the previous announcement.
- ✓ Our stainless business will also continue to be affected by depressed Ni prices. With expanded inventory valuation loss of ¥8 billion, ordinary loss is forecast at ¥10.5 billion. However, without the inventory valuation factor, the loss will be narrowed to ¥2.5 billion, another improvement over the previous announcement.



Consolidated Earnings Forecasts

				FY2016		FY2016	FY2015
		No	1st half (Actual) a	2nd half (Forecast) b	(Forecast)	(Previous forecast)	(Actual) e
Net sales		1	276.7	272.3	549.0	561.0	617.5
Operating income		2	6.3	4.7	11.0	12.5	21.0
Ordinary income	Ordinary steel / Special steel	3	9.4	7.6	17.0	19.0	16.1
	Stainless steel	4	(4.0)	(6.5)	(10.5)	(9.5)	3.5
	Total	5	5.4	1.1	6.5	9.5	19.6
Profit attributable to	owners of parent	6	2.0	(1.0)	1.0	4.5	16.9

(Billions of yen)						
Difference						
(i) c-d	(ii) c-e					
(12.0)	(68.5)					
(1.5)	(10.0)					
(2.0)	0.9					
(1.0)	(14.0)					
(3.0)	(13.1)					
(3.5)	(15.9)					

Inventory evaluation	Ordinary steel / Special steel	7	(2.0)	(4.0)	(6.0)	(4.0)	(2.5)
	Stainless steel	8	(3.0)	(5.0)	(8.0)	(4.5)	2.5
	Total	9	(5.0)	(9.0)	(14.0)	(8.5)	0.0

(2.0)	(3.5)
(3.5)	(10.5)
(5.5)	(14.0)



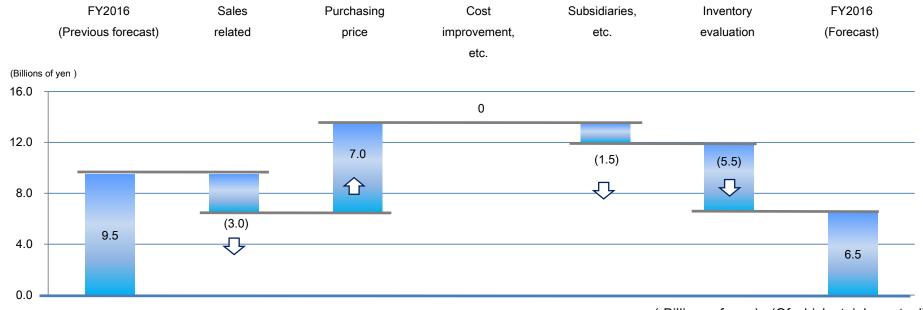
Other Information

			FY2016			FY2016	FY2015
			1st half	2nd half		(Previous	
			(Actual)	(Forecast)	(Forecast)	forecast)	(Actual)
Oweds stand	Onding and a dead /	No	а	b	С	d	е
Crude steel production	Ordinary steel / Special steel	1	158	161	319	322	327
(10,000tons)	O00tons) Stainless steel		34	32	66	66	71
Total		3	192	193	385	388	398
Sales volume	Ordinary steel / Special steel	4	150	154	304	304	321
(10,000tons)	Stainless steel	5	25	28	53	53	60
	Total		175	182	357	357	381
Average sales price of steel products(1,000yen/tons)		7	122	114	118	118	127
Export ratio(monetary basis;%)		8	16	14	15	16	17
Export exchange	rate(yen/US\$)	9	122	121	121	121	109

Difference								
(i) c-d	(ii) c-e							
(3)	(8)							
0	(5)							
(3)	(13)							
0	(17)							
0	(7)							
0	(24)							
0	(9)							
(1)	(2)							
0	12							



Breakdown of Differences in Ordinary Income (FY2016(Previous forecast) vs FY2016(Forecast))

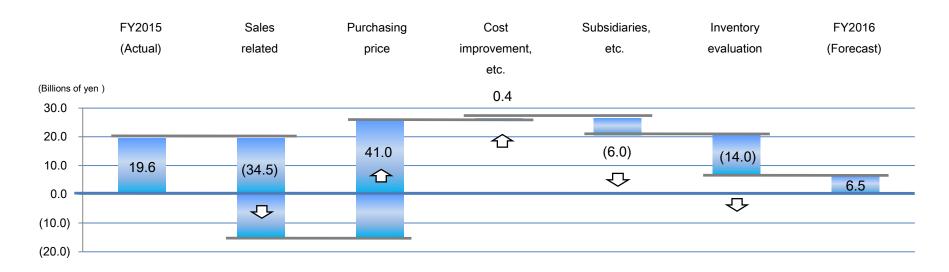


(Billions of yen) (Of which stainless steel)

FY2	FY2016(Previous forecast)		Breakdown	(9.5)
	Sales related	(3.0)	Price difference (3.0), Volume and composition difference 0.0	0.0
Purchasing price		7.0	Iron ore 1.5, Coking coal 0.5, Oil 1.0, Nickel 2.5	4.0
	Cost improvement, etc.	0.0		0.0
	Subsidiaries, etc.	(1.5)	Overseas consolidated subsidiaries(1.5)	(1.5)
	Inventory evaluation	(5.5)	(8.5)→(14.0) (Of which, stainless steel (4.5)→(8.0))	(3.5)
Total		(3.0)		(1.0)
FY2	FY2016(Forecast)			(10.5)



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



(Billions of yen)

(Of which stainless steel)

FY2015(Actual)	19.6	Breakdown	3.5
Sales related	(34.5)	Price difference (33.0), Volume and composition difference(7.5), Export exchange difference 6.0	(13.5)
Purchasing price	41.0	Iron are 25.0. Caking and 4.5. Oil 10.5. Nickel 19.5.	15.5
Cost improvement, etc.	0.4	Rationalization, etc.	0.0
Subsidiaries, etc.	(6.0)	Overseas consolidated subsidiaries(6.0)	(5.5)
Inventory evaluation	(14.0)	0→(14.0) (Of which, stainless steel (2.5→(8.0))	(10.5)
Total	(13.1)		(14.0)
FY2016(Forecast)	6.5		(10.5)



Cash dividends

We have decided to pay year-end cash dividends of ¥25.0 per share. As a result, annual cash dividends for the FY2016 will be ¥40.0 per share.

(yen)

	Dividends per share								
	1Q	2Q	4Q	Total					
FY2015	-	0.0	1	40.0	40.0				
FY2016	-	15.0	-	25.0	40.0				

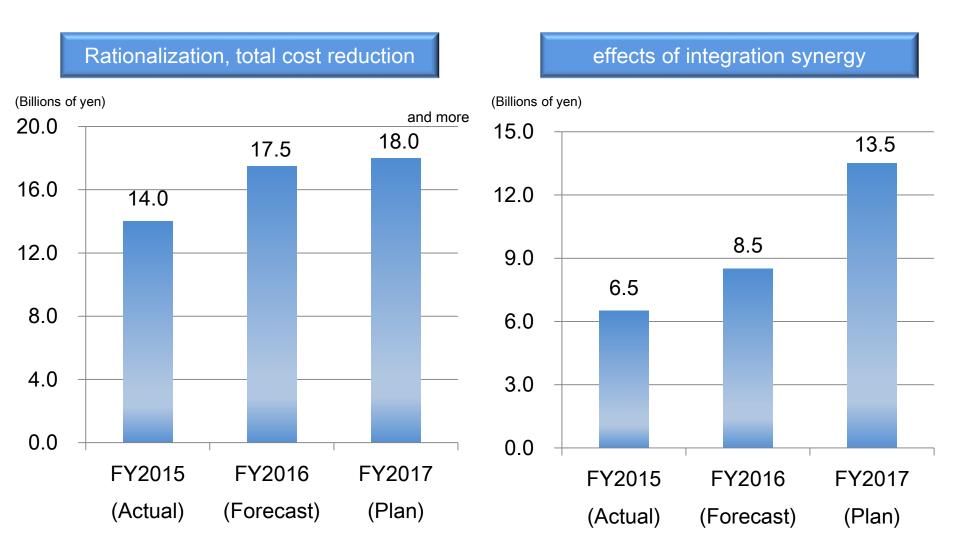


(Reference)





Rationalization, total cost reduction and effects of integration synergy

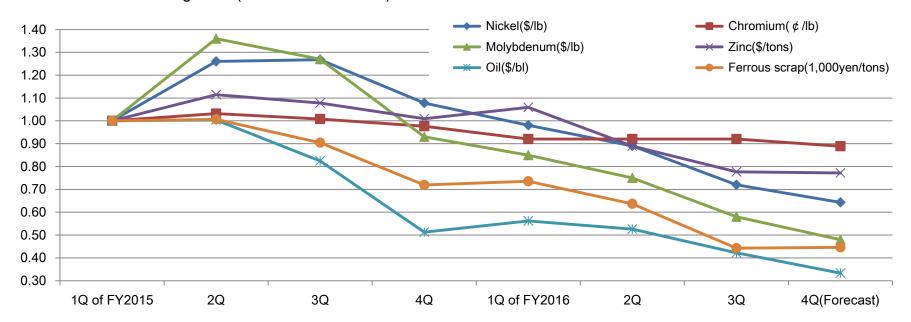




Purchasing Price

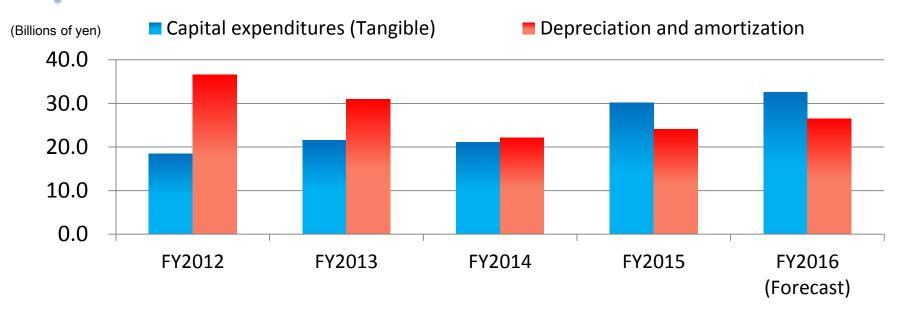
	FY2015							FY2016						
		1st hal	f	2nd half			1st half		2nd half					
	1Q	2Q	Ave.	3Q	4Q	Ave.	Ave.	1Q	2Q	Ave.	3Q	4Q (Forecast)	Ave. (Forecast)	Ave. (Forecast)
Nickel(\$/lb)	6.64	8.37	7.51	8.42	7.16	7.79	7.65	6.51 _:	5.91	6.21	4.78	4.27	4.53	5.37
Chromium(¢/lb)	126.0	130.0	128.0	127.0	123.0	125.0	126.5	: 116.0	116.0	116.0	: 116.0	112.0	114.0	115.0
Molybdenum(\$/lb)	10.0	13.6	11.8	12.7	9.3	11.0	11.4	8.5	7.5	8.0	: 5.8	4.8	5.3	6.7
Zinc(\$/tons)	2,073	2,311	2,192	2,235	2,092	2,164	2,178	2,195	1,844	2,020	1,611	1,600	1,606	1,813
Oil(\$/bl)	104.9	105.3	105.1	86.5	53.8	70.1	87.6	58.9	55.2	57.1	44.3	35.0	39.7	48.4
Ferrous scrap (1,000yen/tons)	31.4	31.6	31.5	28.4	22.6	25.5	28.5	23.1	20.0	21.6	13.9:	14.0	14.0	17.8

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





Capital expenditures (Tangible)/ Depreciation and amortization

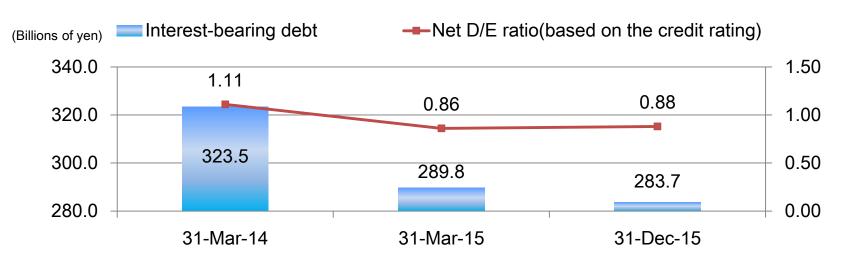


(Billions of yen)

	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	31-Dec-15
Cash on hand and in banks(Billions of yen)	40.8	26.3	22.7
Interest-bearing debt(Billions of yen)	323.5	289.8	283.7
Net D/E ratio	1.36	1.00	1.03
	1.11	0.86	0.88

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