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

February 2, 2016
NIS5HIN STEEL CD., LTD.

## Overview

$\checkmark$ 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.
$\checkmark$ 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.
$\checkmark$ 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 $¥ 14.5$ billion, substantially the same as the previous period.
$\checkmark$ 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

|  |  | No | FY2016 |  |  |  |  | FY2015 <br> Apr-Dec (Actual) $\qquad$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 1st half |  | 2nd half |  |  |
|  |  | Apr-Jun (Actual) a | Jul-Sep (Actual) b | (Actual) | Oct-Dec (Actual) d | (Actual) e |  |
| Net sales |  |  | 1 | 137.2 | 139.5 | 276.7 | 133.2 | 409.9 | 459.7 |
| Operating income |  |  | 2 | 1.0 | 5.3 | 6.3 | 0.6 | 6.9 | 15.4 |
| Ordinary income | Ordinary steel / Special steel | 3 | 3.8 | 5.6 | 9.4 | 3.1 | 12.5 | 12.5 |
|  | Stainless steel | 4 | (2.0) | (2.0) | (4.0) | (4.0) | (8.0) | 4.5 |
|  | Total | 5 | 1.8 | 3.6 | 5.4 | (0.9) | 4.5 | 17.0 |
| Profit attributable to owners of parent |  | 6 | 1.2 | 0.8 | 2.0 | (2.0) | 0.0 | 12.9 |

(Billions of yen )

| Difference |  |
| :---: | :---: |
| ( i ) | ( ii ) |
| e-f | d-b |
| (49.8) | (6.3) |
| (8.5) | (4.7) |
| 0.0 | (2.5) |
| (12.5) | (2.0) |
| (12.5) | (4.5) |
| (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) |

## NISSHIN STEEL

## Other Information

|  |  | No | FY2016 |  |  |  | (Actual) e | FY2015 <br> Apr-Dec (Actual) $\qquad$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 1st half |  | 2nd half <br> Oct-Dec <br> (Actual) <br> d |  |  |
|  |  | Apr-Jun (Actual) | Jul-Sep (Actual) |  | (Actual) c |  |  |
| Crude steel production (10,000tons) | Ordinary steel / Special steel |  | 1 | 79 | 79 | 158 | 78 | 236 | 248 |
|  | Stainless steel |  | 2 | 15 | 19 | 34 | 16 | 50 | 55 |
|  | Total | 3 | 94 | 98 | 192 | 94 | 286 | 303 |
| Sales volume <br> (10,000tons) | Ordinary steel / Special steel | 4 | 74 | 76 | 150 | 75 | 225 | 238 |
|  | Stainless steel | 5 | 12 | 13 | 25 | 12 | 37 | 45 |
|  | Total | 6 | 86 | 89 | 175 | 87 | 262 | 283 |
| Average sales price of steel products(1,000yen/tons) |  | 7 | 124 | 120 | 122 | 114 | 119 | 127 |
| Export ratio(monetary basis;\%) |  | 8 | 17 | 16 | 16 | 14 | 16 | 17 |
| Export exchange rate(yen/US\$) |  | 9 | 121 | 122 | 122 | 121 | 122 | 106 |


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

## Breakdown of Differences in Ordinary Income

 FY201 (6)ACtu@li))


## Breakdown of Differences in Ordinary Income © @ Of FY2016(Actual) vs 2@ of FY2016(Actuall )

FY2016
2Q
(Actual)
(Billion of yen )

Sales
related urchasing price

Cost improvement,
etc.

Subsidiaries,
etc.

Inventory evaluation FY20163Q
(Actual)

( Billions of yen )
(Of which stainless steel)

| 2Q 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 | $(2.5)$ | $(2.5) \rightarrow(5.0) \quad$ ( Of which, stainless steel (1.5) $\rightarrow(3.0))$ | $(1.5)$ |  |
| Total | $(4.5)$ |  | $(2.0)$ |  |
| 3Q of FY2016(Actual) | $(0.9)$ |  | $(4.0)$ |  |

# Consolidated Balance Sheet (Summary) 

(Billions of yen )

|  |  | vs Mar 31,-----------15 | 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-forsale 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

$\checkmark$ 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.
$\checkmark$ 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.
$\checkmark$ 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.
$\checkmark$ 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

|  |  | No |  | FY2016 |  | FY2016 | FY2015 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 1st half (Actual) a | 2nd half (Forecast) b | $\begin{gathered} \text { (Forecast) } \\ c \end{gathered}$ | (Previous forecast) d | (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 ) | ( ii ) |
| c -d | 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) |

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## Other Information

|  |  |  |  | FY2016 |  | FY2016 | FY2015 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | No | 1st half (Actual) a | 2nd half (Forecast) b | (Forecast) <br> c | (Previous <br> forecast) d | (Actual) e |
| Crude steel production | Ordinary steel / Special steel | 1 | 158 | 161 | 319 | 322 | 327 |
| (10,000tons) | Stainless steel | 2 | 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 | 6 | 175 | 182 | 357 | 357 | 381 |
| Average sales products(1,000 | e of steel /tons) | 7 | 122 | 114 | 118 | 118 | 127 |
| Export ratio(m | ary basis;\%) | 8 | 16 | 14 | 15 | 16 | 17 |
| Export exchan | ate(yen/US\$) | 9 | 122 | 121 | 121 | 121 | 109 |


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


\section*{Breakdown of Differences in Ordinary Income (FY2010(Previous forecast) vs FY2010(Forecast)) <br> | FY2016 | Sales | Purchasing | Cost | Subsidiaries, | Inventory | FY2016 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (Previous forecast) | related | price | improvement, | etc. | evaluation |  |}


( Billions of yen) (Of which stainless steel)

| FY2016(Previous forecast) | 9.5 | 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) | $(8.5) \rightarrow(14.0) \quad$ ( Of which, stainless steel (4.5) $\rightarrow$ (8.0)) | (3.5) |
| Total | (3.0) |  | (1.0) |
| FY2016(Forecast) | 6.5 |  | (10.5) |

## Breakdown of Differences in Ordinary Income (FY2045(Actual) vs EY2016(Fopecast))

| FY2015 | Sales | Purchasing | Cost | Subsidiaries, | Inventory |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
| (Actual) | related | price | improvement, | etc. | evaluation |



|  |  | ( 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 ore 25.0, Coking coal 4.5, Oil 10.5, Nickel 18.5, Import exchange difference (22.5) | 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) | $0 \rightarrow$ (14.0) ( Of which, stainless steel (2.5 $\rightarrow$ (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 | 3Q | 4Q | Total |
| FY2015 | - | 0.0 | - | 40.0 | 40.0 |
| FY2016 | - | 15.0 | - | 25.0 | 40.0 |

## (Reference)

## Rationalization, total cost reduction and effects of integration synergy

Rationalization, total cost reduction
effects of integration synergy



## Purchasing Price

NISSHIN STEEL

|  | FY2015 |  |  |  |  |  | Ave. | FY2016 |  |  |  |  |  | Ave. <br> (Forecast) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1 st half |  |  | 2nd half |  |  |  | 1st half |  |  |  | 2nd half |  |  |
|  | 1Q | 2Q | Ave. | 3Q | 4Q | Ave. |  | 1Q | 2Q | Ave. | 3Q | (Forecast) | (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( $¢ / \mathrm{lb}$ ) | 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 <br> - Capital expenditures (Tangible) <br> - Depreciation and amortization


(Billions of yen)

|  | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 <br> (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

(Billions of yen) $\quad$ Interest-bearing debt $\quad=-$ Net D/E ratio(based on the credit rating)


|  | 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 |
| " (based on the credit rating) $※$ | 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)

