# Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (FY2016) 

May 9, 2016

## NISSHIN STEEL

## Consolidated Financial Result for the Fiscal Yeap Ended March 31.2016 (FY2016)

## Overview

$\checkmark$ Amid weak domestic demand and worsening export environment, domestic steel inventory remained high. We tailored our production and sales to actual demand so as to optimize the inventory. As a result, our crude steel output totaled 3.79 million tons and sales 3.58 million tons (down 190,000 and 230,000 tons respectively from the previous period).
$\checkmark$ While our current consolidated performance had sales of $¥ 547$ billion and ordinary income of $¥ 6.2$ billion (down $¥ 70.5$ billion and $¥ 13.4$ billion respectively from the previous period) mainly due to reduced sales volume and inventory valuation loss caused by falling raw materials prices, ordinary income with the inventory valuation loss excluded came to $¥ 19.7$ billion (up $¥ 0.1$ billion from the previous period) and the same earnings level as the previous period was maintained.
$\checkmark$ Our stainless steel business, negatively impacted by inventory valuation loss and lackluster performance of overseas subsidiaries, did not fare well, posting ordinary loss of $¥ 11$ billion and ordinary loss excluding the inventory valuation loss of $¥ 2$ billion (down $¥ 14.5$ billion and $¥ 3$ billion respectively from the previous period).
$\checkmark$ In addition, as our overseas investment companies had to record loss on devaluation of investments in securities due to temporary factors including declines in raw materials prices, profit attributable to owners of parent totaled $¥ 6.6$ billion (down $¥ 23.5$ billion from the previous period).

## Consolidated operating results

|  |  | No | FY2016 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | (Actual) <br> a | $\begin{gathered} \hline \text { (Forecast) } \\ b \\ \hline \end{gathered}$ |  |
| Net sales |  |  | 1 | 547.0 | 549.0 | 617.5 |
| Operating income |  | 2 | 10.0 | 11.0 | 21.0 |
| Ordinary income | Ordinary steel / Special steel | 3 | 17.2 | 17.0 | 16.1 |
|  | Stainless steel | 4 | (11.0) | (10.5) | 3.5 |
|  | Total | 5 | 6.2 | 6.5 | 19.6 |
| Profit attributable to owners of parent |  | 6 | (6.6) | 1.0 | 16.9 |


| ( Billions of yen) |  |
| :---: | :---: |
| Difference |  |
| ( i ) | ( ii ) |
| a-b | a-c |
| (2.0) | (70.5) |
| (1.0) | (11.0) |
| 0.2 | 1.1 |
| (0.5) | (14.5) |
| (0.3) | (13.4) |
| (7.6) | (23.5) |


| Inventory evaluation | Ordinary steel / <br> Special steel | 7 | (4.5) | (6.0) | (2.5) |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Stainless steel | 8 | (9.0) | (8.0) | 2.5 |
|  | Total | 9 | (13.5) | (14.0) | 0.0 |


| 1.5 | (2.0) |
| :---: | :---: |
| (1.0) | (11.5) |
| 0.5 | (13.5) |

## Other Information



| Difference |  |
| :---: | :---: |
| ( i ) | ( ii ) |
| a-b | a-c |
| (5) | (13) |
| (1) | (6) |
| (6) | (19) |
| 2 | (15) |
| (1) | (8) |
| 1 | (23) |
| (1) | (10) |
| 0 | (2) |
| (1) | 11 |

Breakdown of Differences in Ordinary Income (FY2016(Forecest) vs FY2016(Actual)


## Breakdown of Differences in Ordinary Income 

| FY2015 | Sales | Purchasing | Cost | Subsidiaries, | Inventory | FY2016 |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
| (Actual) | related | price | improvement, <br> etc. | etc. | evaluation | (Actual) |



| FY2015(Actual) | 19.6 | Breakdown | 3.5 |
| :---: | :---: | :---: | :---: |
| Sales related | (36.0) | Price difference (34.0), Volume and composition difference(8.0), Export exchange difference 6.0 | (14.0) |
| Purchasing price | 41.5 | Iron ore 25.0, Coking coal 4.5, Oil 10.5, Nickel 19.0, Import exchange difference (22.5) | 16.0 |
| Cost improvement, etc. | 0.6 | Rationalization, etc. | 0.5 |
| Subsidiaries, etc. | (6.0) | consolidated subsidiaries, etc.(6.0) | (5.5) |
| Inventory evaluation | (13.5) | $0.0 \rightarrow(13.5) \quad$ ( Of which, stainless steel $2.5 \rightarrow(9.0)$ ) | (11.5) |
| Total | (13.4) |  | (14.5) |
| FY2016(Actual) | 6.2 |  | (11.0) |

## Consolidated Balance Sheet (Summary)

( Billions of yen )

|  |  | vs Mar 31,---------15 | Main factor |
| :---: | :---: | :---: | :---: |
| Cash on hand and in banks | 31.4 | 5.1 |  |
| Accounts receivable | 77.5 | (1.4) | Decrease in sales |
| Inventories | 124.7 | (19.4) |  |
| Other current assets | 25.6 | (5.2) |  |
|  | 278.---- | 1.0 |  |
| Investments in securities, etc. | 169.9 | (42.4) | Decrease in asset for retirement benefits, Decrease in unrealized gain on available-forsale securities, etc. |
| Total assets | 708.1 | (62.4) |  |


| Interest-bearing debt | 279.5 | (10.3) |  |
| :---: | :---: | :---: | :---: |
| Other liabilities | 210.6 | 1.9 |  |
| Total liabilities | 490.1 | (8.4) |  |
| Common stock and additional paid-in capital | 106.3 | (14.7) | Transfer to retained earnings(12.3), Cash dividends(4.3) |
| Retained earnings | 78.2 | 4.0 | Transfer from additional paid-in capital 12.3, Profit attributable to owners of parent(6.6) |
| Treasury stock, at cost | (0.5) | (0.0) |  |
| Accumulated other comprehensive income | 27.6 | (40.5) | Unrealized gain or loss on available-for-sale securities(9.0), Retirement benefits asset and liability adjustments(28.6) |
| Non-controlling interests | 6.2 | (2.7) |  |
| Total net assets | 217.9 | (54.0) |  |
| Total liabilities and net assets | 708.1 | (62.4) |  |

## Consolidated Cash Flows

( Billions of yen )

|  | FY2016 | Main factor |  |  |  |
| :--- | ---: | :--- | ---: | ---: | ---: |

## Consolidated Earnings Forecasts

## Outlook

$\checkmark$ Domestic demand is likely to bottom out in the April-June quarter and pick up in the second half of the year as the Olympics-related construction and infrastructure upgrade projects are gradually started.
$\checkmark$ In terms of earnings, through programs of maximizing synergy, reducing total costs and slashing inventory valuation loss, the Company expects to generate ordinary income of $¥ 20$ billion and $¥ 27.5$ billion with the inventory valuation loss excluded (up $¥ 13.8$ billion and $¥ 7.8$ billion respectively from the previous period).
$\checkmark$ As to our stainless steel business, through such steps as optimizing the linked production systems of Shunan - Kinuura and promoting product development and sales activities with strengths of renewed melting facilities at the Shunan Works maximized, the Company will work to build a business model unsusceptible to market conditions and to make ordinary income of $¥ 1$ billion excluding inventory valuation loss (up $¥ 3$ billion from the previous period).

## Consolidated Earnings Forecasts

|  |  | No | FY2017(Forecast) |  |  | FY2016 <br> (Actual) <br> d | Difference ( i ) c-d |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 1st half a | $\begin{gathered} \text { 2nd half } \\ \text { b } \\ \hline \end{gathered}$ | c |  |  |
| Net sales |  |  | 1 | 254.0 | 267.0 | 521.0 | 547.0 | (26.0) |
| Operating income |  | 2 | 9.0 | 16.5 | 25.5 | 10.0 | 15.5 |
| Ordinary income | Ordinary steel / Special steel | 3 | 7.5 | 14.0 | 21.5 | 17.2 | 4.3 |
|  | Stainless steel | 4 | (2.5) | 1.0 | (1.5) | (11.0) | 9.5 |
|  | Total | 5 | 5.0 | 15.0 | 20.0 | 6.2 | 13.8 |
| Profit attributable to owners of parent |  | 6 | 3.0 | 11.5 | 14.5 | (6.6) | 21.1 |
| Inventory evaluation | Ordinary steel / Special steel | 7 | (3.5) | (1.5) | (5.0) | (4.5) | (0.5) |
|  | Stainless steel | 8 | (2.0) | (0.5) | (2.5) | (9.0) | 6.5 |
|  | Total | 9 | (5.5) | (2.0) | (7.5) | (13.5) | 6.0 |

Other Information

|  |  | No | FY2017(Forecast) |  |  | $\begin{gathered} \text { FY2016 } \\ \text { (Actual) } \\ \mathrm{d} \\ \hline \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 1st half a | 2nd half b | c |  |
| Crude steel production (10,000tons) | Ordinary steel / Special steel |  | 1 | 163 | 161 | 324 | 314 |
|  | Stainless steel | 2 | 35 | 33 | 68 | 65 |
|  | Total | 3 | 198 | 194 | 392 | 379 |
| Sales volume <br> (10,000tons) | Ordinary steel / Special steel | 4 | 150 | 157 | 307 | 306 |
|  | Stainless steel | 5 | 27 | 30 | 57 | 52 |
|  | Total | 6 | 177 | 187 | 364 | 358 |
| Average sales price of steel products(1,000yen/tons) |  | 7 | 110 | 111 | 110 | 117 |
| Export ratio(monetary basis;\%) |  | 8 | 15 | 15 | 15 | 15 |
| Export exchange rate(yen/US\$) |  | 9 | 110 | 110 | 110 | 120 |


| Difference <br> ( i ) <br> c-d |
| :---: |
| 10 |
| 3 |
| 13 |
| 1 |
| 5 |
| 6 |
| (7) |
| 0 |
| (10) |

## Breakdown of Differences in Ordinary Income (FY2016(Actual) vs EY2017(Forecest))



## (Reference)

## Purchasing Price

NISSHIN STEEL

|  | FY2015 |  |  |  |  |  | Ave. | FY2016 |  |  |  |  |  | Ave. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1st half |  |  | 2nd half |  |  |  | 1st half |  |  | 2nd half |  | Ave. |  |
|  | 1Q | 2Q | Ave. | 3Q | 4Q | Ave. |  | 1Q | 2Q | Ave. | 3Q | 4Q |  |  |
| Nickel(\$/lb) | $6.64{ }^{\text {\% }}$ | 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: | 100.0 | 108.0 | 112.0 |
| Molybdenum(\$/lb) | 10.0 | 13.6 | 11.8 | 12.7: | 9.3 | 11.0 | 11.4 | 8.5: | 7.5 | 8.0 | 5.8: | 5.3 | 5.6 | 6.8 |
| Zinc(\$/tons) | 2,073: | 2,311 | 2,192 | 2,235: | 2,092 | 2,164 | 2,178 | 2,195 | 1,844 | 2,020 | 1,611: | 1,676 | 1,644 | 1,832 |
| Oil(\$/bl) | 104.9: | 105.3 | 105.1 | 86.5: | 53.8 | 70.1 | 87.6 | 58.9 | 55.2 | 57.1 | 44.3: | 30.2 | 37.3 | 47.2 |
| 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: | 13.9 | 13.9 | 17.7 |

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


## Capital expenditures (Tangible)d Depreciation and amortization

(Billions of yen)

- Capital expenditures (Tangible)
- Depreciation and amortization

(Billions of yen)

|  | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 |
| :--- | ---: | ---: | ---: | ---: | ---: |
| Capital expenditures (Tangible) | 18.5 | 21.5 | 21.1 | 30.1 | 28.8 |
| 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-Mar-16 |
| :--- | ---: | ---: | ---: |
| Cash on hand and in banks(Billions of yen) | 40.8 | 26.3 | 31.4 |
| Interest-bearing debt(Billions of yen) | 323.5 | 289.8 | 279.5 |
| Net D/E ratio | 1.36 | 1.00 | 1.17 |
| " (based on the credit rating) $※$ | 1.11 | 0.86 | 0.98 |

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 2016 entered as capital respectively)

