

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2017 (FY2017)

August 1, 2016

NISSHIN STEEL CO., LTD.



Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2017 (FY2017)

Overview

- ✓ Domestic steel inventories remained high partly due to supply chain disruptions caused by the 2016 Kumamoto Earthquake. Overseas, while the Chinese steel market recovered temporarily, their production and exports began to be aggressive again, leaving the future outlook uncertain.
- ✓ Though we strove to keep our sales prices viable in some cases or improve them to such levels in others, declines in market prices of iron ore and nickel hampered our efforts. Sales totaled ¥119.4 billion (down ¥17.8 billion year on year).
- Ordinary loss of ¥1.3 billion (down ¥3.1 billion year-on-year basis) was posted, partly with adverse developments including a slower-than-usual restart of operations following a scheduled outage at Kure Works and such external factors as losses in foreign exchange and inventory valuation. However, excluding the inventory valuation, ordinary income of ¥1.7 billion (down ¥2.6 billion year on year) was generated.
- ✓ In the stainless sector, the market was generally dull. Even though we stayed with our sales policy to focus on profitability, such new negative elements as increases in imports driven by stronger yen emerged. Consequently, ordinary loss came to ¥2.5 billion (down ¥0.5 billion year-on-year) and ordinary loss excluding the inventory valuation stood at ¥1.0 billion (down ¥0.5 billion year-on-year).



Consolidated operating results

| | | No | FY2017 1Q (Actual) a | FY2016 1Q (Actual) b | |
|---|-----------------------------------|----|-------------------------------|-------------------------------|---|
| Net sales | | 1 | 119.4 | 137.2 | |
| Operating income | | 2 | 0.2 | 1.0 | |
| Ordinary income | Ordinary steel / Special steel | 3 | 1.2 | 3.8 | |
| | Stainless steel | 4 | (2.5) | (2.0) | |
| | Total | 5 | (1.3) | 1.8 | |
| Profit attributable to owners of parent | | 6 | (1.5) | 1.2 | |
| | | | | | _ |
| Inventory evaluation | Ordinary steel / Special steel | 7 | (1.5) | (1.0) | |

8

Stainless steel

Total

(1.5)

(3.0)

| Difference (i) a-b |
|----------------------------|
| (17.8) |
| (0.8) |
| (2.6) |
| (0.5) |
| (3.1) |
| (2.7) |
| |
| (0.5) |
| 0.0 |
| (0.5) |

(Billions of yen)

(1.5)

(2.5)



Other Information

| | | | FY2017 | FY2016 |
|---------------------------------------|-----------------------------------|----|----------|----------|
| | | | 1Q | 1Q |
| | | | (Actual) | (Actual) |
| | | No | а | b |
| Crude steel production | Ordinary steel / Special steel | 1 | 68 | 79 |
| (10,000tons) | Stainless steel | 2 | 18 | 15 |
| | Total | 3 | 86 | 94 |
| Sales volume | Ordinary steel / Special steel | 4 | 70 | 74 |
| (10,000tons) | Stainless steel | 5 | 12 | 12 |
| | Total | 6 | 82 | 86 |
| Average sales price products(1,000yer | | 7 | 109 | 124 |
| Export ratio(mone | tary basis;%) | 8 | 15 | 17 |
| Export exchange r | ate(yen/US\$) | 9 | 108 | 121 |

| Difference (i) a-b |
|----------------------------|
| (11) |
| 3 |
| (8) |
| (4) |
| 0 |
| (4) |
| (15) |
| (2) |
| (13) |



Breakdown of Differences in Ordinary Income (1Q of FY2016(Actual) vs 1Q of FY2017(Actual))



(Billions of yen)

(Of which stainless steel)

| IQ of FY2016(Actual) | 1.8 | Breakdown | (2.0) |
|----------------------|--------|--|-------|
| Sales related | (16.0) | Price difference (12.5), Volume and composition difference (2.0), Export exchange difference (1.5) | (7.0) |
| Purchasing price | 15.5 | Iron org 2 F. Coking good 1 F. Oil 1 F. Nickel 4 F | 8.0 |
| Cost, etc. | (1.6) | slower-than-usual restart of operations following a scheduled outage at Kure Works | (0.5) |
| Subsidiaries, etc. | (0.5) | | (1.0) |
| Inventory evaluation | (0.5) | (2.5)→(3.0) (Of which, stainless steel (1.5)→(1.5)) | 0.0 |
| Total | (3.1) | | 0.5) |
| IQ of FY2017(Actual) | (1.3) | | (2.5) |

© NISSHIN STEEL Consolidated Balance Sheet (Summary)

(Billions of ven)

| | | | (Dillions of yen) |
|---|-------|----------------|--|
| | | vs Mar 31,2016 | Main factor |
| Cash on hand and in banks | 25.8 | (5.5) | |
| Accounts receivable | 67.1 | (10.4) | Decrease in sales |
| Inventories | 126.4 | 1.6 | |
| Other current assets | 19.1 | (6.4) | |
| Tangible and intangible fixed assets | 277.3 | (1.4) | |
| Investments in securities, etc. | 161.7 | (8.2) | Decrease in unrealized gain on available-for- sale securities |
| Total assets | 677.7 | (30.4) | |
| | | | |
| Interest-bearing debt | 272.0 | (7.4) | |
| Other liabilities | 199.9 | (10.7) | |
| Total liabilities | 472.0 | (18.1) | |
| Common stock and additional paid-in capital | 106.3 | - | |
| Retained earnings | 73.9 | (4.2) | Cash dividends(2.7) Profit attributable to owners of parent(1.5) |
| Treasury stock, at cost | (0.5) | (0.0) | |
| Accumulated other comprehensive income | 19.4 | (8.2) | Unrealized gain or loss on available-for-sale securities(2.6), Foreign currency translation adjustments(5.4) |
| Non-controlling interests | 6.5 | 0.2 | |
| Total net assets | 205.7 | (12.2) | |
| Total liabilities and net assets | 677.7 | (30.4) | |



Consolidated Earnings Forecasts

Outlook

- ✓ Shipments are projected at 3.66 million tons (up 20,000 tons from the previous release) but sales are forecast at ¥516 billion (down ¥5 billion year on year), taking into account effects of declines in market prices of iron ore and nickel in the first half of the year to be reflected in our product prices and appreciated yen.
- ✓ Ordinary income for the FY is forecast at ¥11.5 billion (down ¥8.5 billion from the previous release). Factors related to ordinary and special steel products contributing to the lower income include the above-mentioned slower restart of operations at Kure Works and effects of partial delay in reflection of rising market prices of iron ore and other main raw materials in our product prices narrowing our margins between sales and purchases in the FY, among other things.
- ✓ In the stainless sector, with the inventory valuation loss likely to widen (the nickel market to fall to \$4.2/lb from \$4.5/lb), ordinary loss for the FY is estimated at ¥3.5 billion (down ¥2.0 billion from the previous release) and with the inventory valuation excluded, the result is projected to turn to ordinary income of ¥1.5 billion (up ¥0.5 billion from the previous release). The operating environment will remain severe but we intend to continue enhancing our competitiveness in stainless steel through various programs maximizing advantages of the upgraded steelmaking facilities of Shunan Works.



Consolidated Earnings Forecasts

(Billions of yen)

| | | | | FY2017 (Forecast) | | FY2017 (Previous | FY2016 (Actual) | | Difference | ons of yen) |
|--------------------------|-----------------------------------|----|---------------|----------------------|-------|---------------------|--------------------|------------|---------------|--------------|
| | | No | 1st half a | 2nd half b | С | forecast) d | е | (i) c-d | (ii) b-a | (iii) c-e |
| Net sales | | 1 | 252.0 | 264.0 | 516.0 | 521.0 | 547.0 | (5.0) | 12.0 | (31.0) |
| Operating income | | 2 | 2.5 | 14.5 | 17.0 | 25.5 | 10.0 | (8.5) | 12.0 | 7.0 |
| Ordinary income | Ordinary steel / Special steel | 3 | 4.0 | 11.0 | 15.0 | 21.5 | 17.2 | (6.5) | 7.0 | (2.2) |
| | Stainless steel | 4 | (6.0) | 2.5 | (3.5) | (1.5) | (11.0) | (2.0) | 8.5 | 7.5 |
| | Total | 5 | (2.0) | 13.5 | 11.5 | 20.0 | 6.2 | (8.5) | 15.5 | 5.3 |
| Profit attributable to o | wners of parent | 6 | (3.5) | 11.0 | 7.5 | 14.5 | (6.6) | (7.0) | 14.5 | 14.1 |
| | | | | | | | - | | - | |
| Inventory evaluation | Ordinary steel / Special steel | 7 | (1.5) | (1.5) | (3.0) | (5.0) | (4.5) | 2.0 | 0.0 | 1.5 |
| | Stainless steel | 8 | (5.5) | 0.5 | (5.0) | (2.5) | (9.0) | (2.5) | 6.0 | 4.0 |
| | Total | 9 | (7.0) | (1.0) | (8.0) | (7.5) | (13.5) | (0.5) | 6.0 | 5.5 |



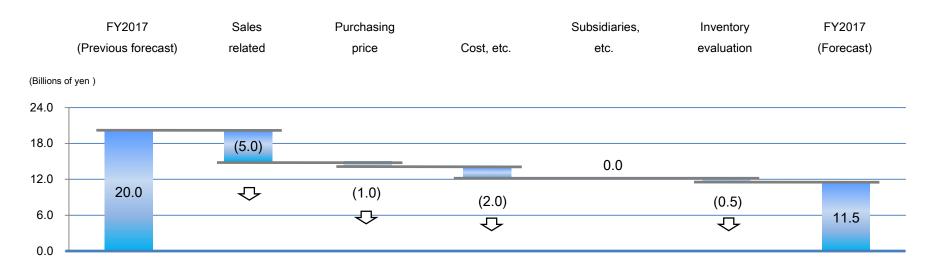
Other Information

| | | | | FY2017 | | FY2017 | FY2016 |
|--------------------------------|-----------------------------------|----|----------|------------|-----|-----------|----------|
| | | | | (Forecast) | | (Previous | (Actual) |
| | | | 1st half | 2nd half | | forecast) | |
| | | No | а | b | С | d | е |
| Crude steel production | Ordinary steel / Special steel | 1 | 151 | 163 | 314 | 324 | 314 |
| (10,000tons) | Stainless steel | 2 | 36 | 35 | 71 | 68 | 65 |
| | Total | 3 | 187 | 198 | 385 | 392 | 379 |
| Sales volume | Ordinary steel / Special steel | 4 | 150 | 157 | 307 | 307 | 306 |
| (10,000tons) | Stainless steel | 5 | 28 | 31 | 59 | 57 | 52 |
| | Total | 6 | 178 | 188 | 366 | 364 | 358 |
| Average sales products(1,00 | = | 7 | 107 | 111 | 109 | 110 | 117 |
| Export ratio(monetary basis;%) | | 8 | 15 | 15 | 15 | 15 | 15 |
| Export exchar | nge rate(yen/US\$) | 9 | 106 | 105 | 106 | 110 | 120 |

| | Difference | | | | | |
|--------------|---------------|--------------|--|--|--|--|
| (i) c-d | (ii) b-a | (iii) c-e | | | | |
| (10) | 12 | 0 | | | | |
| 3 | (1) | 6 | | | | |
| (7) | 11 | 6 | | | | |
| 0 | 7 | 1 | | | | |
| 2 | 3 | 7 | | | | |
| 2 | 10 | 8 | | | | |
| (1) | 4 | (8) | | | | |
| 0 | 0 | 0 | | | | |
| (4) | (1) | (14) | | | | |



Breakdown of Differences in Ordinary Income (FY2017(Previous forecast) vs FY2017(Forecast))



(Billions of yen) (Of which stainless steel)

| FY | 2017(Previous forecast) | 20.0 | Breakdown | (1.5) |
|----|-------------------------|-------|---|-------|
| | Sales related | (5.0) | Price difference (1.5), Volume and composition difference (1.0), Export exchange difference (2.5) | (2.0) |
| | Purchasing price | (1.0) | Iron ore (3.0), Oil (2.0), Zinc (1.5), Nickel 1.5, Import exchange difference 5.5 | 3.0 |
| | Cost, etc. | (2.0) | slower-than-usual restart of operations following a scheduled outage at Kure Works | (0.5) |
| | Subsidiaries, etc. | 0.0 | | 0.0 |
| | Inventory evaluation | (0.5) | (7.5)→(8.0) (Of which, stainless steel (2.5)→(5.0)) | (2.5) |
| | Total | (8.5) | | (2.0) |
| FY | 2017(Forecast) | 11.5 | | (3.5) |



Breakdown of Differences in Ordinary Income (FY2017 1st half(Forecast) vs FY2017 2nd half(Forecast))

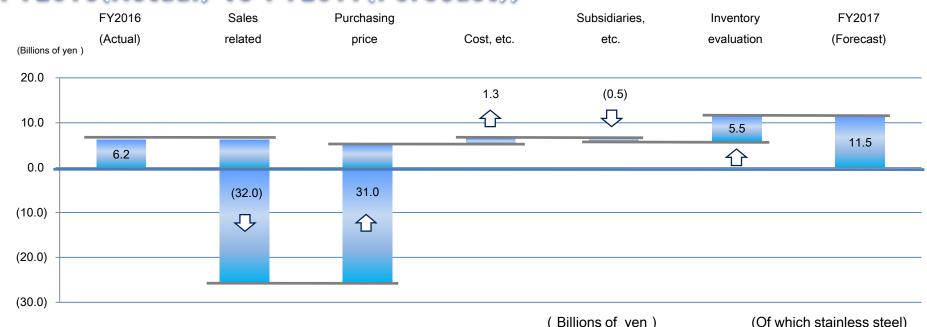


(Billions of yen) (Of which stainless steel)

| FY2 | 2017 1st half(Forecast) | (2.0) | Breakdown | (6.0) |
|-----|-------------------------|-------|--|-------|
| | Sales related | 9.0 | Price difference 5.0, Volume and composition difference 4.0 | 3.0 |
| | Purchasing price | (3.5) | Iron ore (2.0), Coking coal (0.5), Oil (1.5), Nickel (1.5), Import exchange difference 3.0 | (1.5) |
| | Cost, etc. | 4.0 | | 0.0 |
| | Subsidiaries, etc. | 0.0 | | 1.0 |
| | Inventory evaluation | 6.0 | (7.0)→(1.0) (Of which, stainless steel (5.5)→0.5) | 6.0 |
| | Total | 15.5 | | 8.5 |
| FY2 | 2017 2nd half(Forecast) | 13.5 | | 2.5 |



Breakdown of Differences in Ordinary Income (FY2016(Actual) vs FY2017(Forecast))



| | | (Billions of you) | 11000 01001) |
|----------------------|--------|--|--------------|
| FY2016(Actual) | 6.2 | Breakdown | (11.0) |
| Sales related | (32.0) | Price difference (27.5), Volume and composition difference 3.0, Export exchange difference (7.5) | (13.5) |
| Purchasing price | 31.0 | Iron ore 3.5, Coking coal 1.0, Nickel 6.5, Chromiun 3.0 Import exchange difference 16.5 | 16.5 |
| Cost, etc. | 1.3 | | 1.0 |
| Subsidiaries, etc. | (0.5) | | (0.5) |
| Inventory evaluation | 5.5 | (13.5)→(8.0) (Of which, stainless steel (9.0)→(5.0)) | 4.0 |
| Total | 5.3 | | 7.5 |
| FY2017(Forecast) | 11.5 | | (3.5) |



Cash Dividends

The cash dividends for the fiscal year ending March 31, 2017 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.

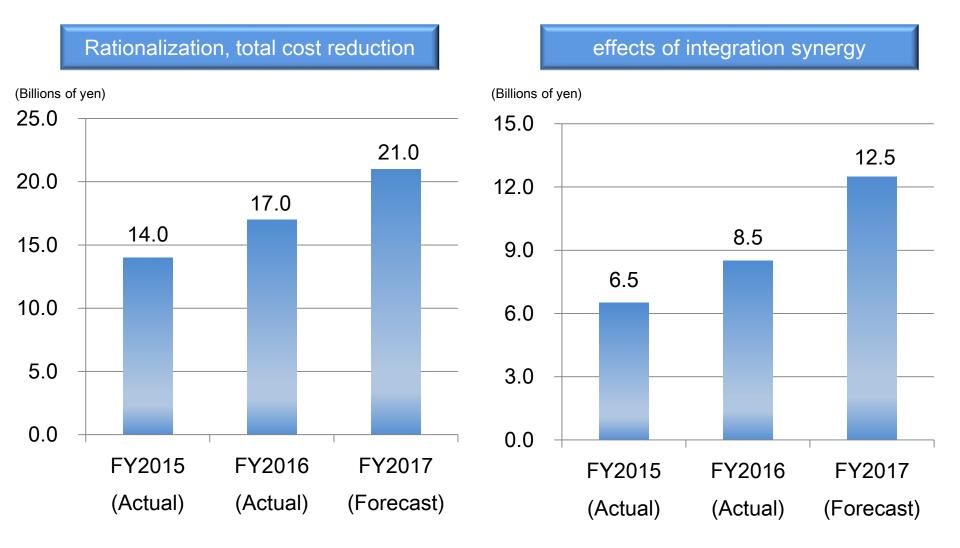


(Reference)





Rationalization, total cost reduction and effects of integration synergy

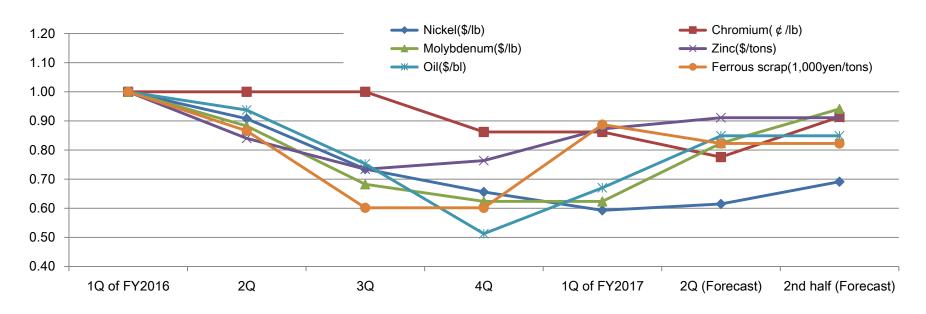




Purchasing Price

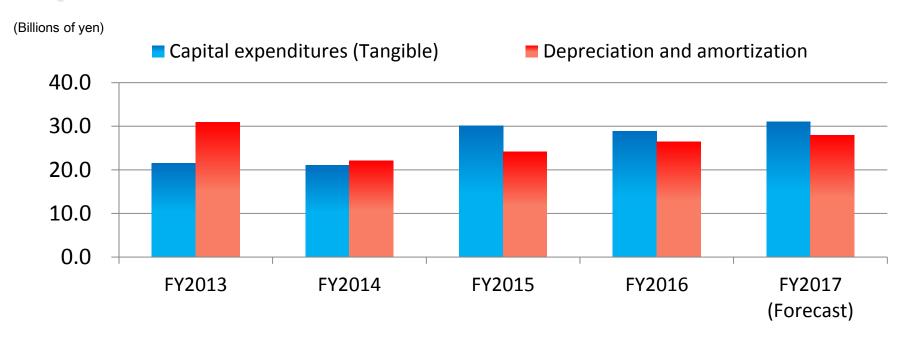
| | FY2016 | | | | | | FY2017 | | | | | |
|----------------------------------|----------|-------|----------|-----------|-------|-------|--------|----------|------------------|--------------------|--------------------|-----------------|
| | 1st half | | 2nd half | | | | | 1st half | | 2nd half | | |
| | 1Q | 2Q | Ave. | 3Q | 4Q | Ave. | Ave. | 1Q | 2Q (Forecast) | Ave. (Forecast) | Ave. (Forecast) | Ave. (Forecast) |
| Nickel(\$/lb) | 6.51 | 5.91 | 6.21 | 4.78 | 4.27 | 4.53 | 5.37 | 3.86 | 4.00 | 3.93 | 4.50 | 4.22 |
| Chromium(¢/lb) | 116.0 | 116.0 | 116.0 | 116.0 | 100.0 | 108.0 | 112.0 | 100.0 | 90.0 | 95.0 | 106.0 | 100.5 |
| Molybdenum(\$/lb) | 8.5 | 7.5 | 8.0 | 5.8 | 5.3 | 5.6 | 6.8 | 5.3 | 7.0 | 6.2 | 8.0 | 7.1 |
| Zinc(\$/tons) | 2,195 | 1,844 | 2,020 | 1,611 | 1,676 | 1,644 | 1,832 | 1,915 | 2,000 | 1,958 | 2,000 | 1,979 |
| Oil(\$/bl) | 58.9 | 55.2 | 57.1 | 44.3 | 30.2 | 37.3 | 47.2 | 39.5 | 50.0 | 44.7 | 50.0 | 47.4 |
| Ferrous scrap (1,000yen/tons) | 23.1: | 20.0 | 21.6 | : 13.9 | 13.9 | 13.9 | 17.7 | 20.5 | 19.0 | 19.8 | 19.0 | 19.4 |

Transition of Purchasing Price (1.00: 1Q of FY2016)





Capital expenditures (Tangible)/ Depreciation and amortization

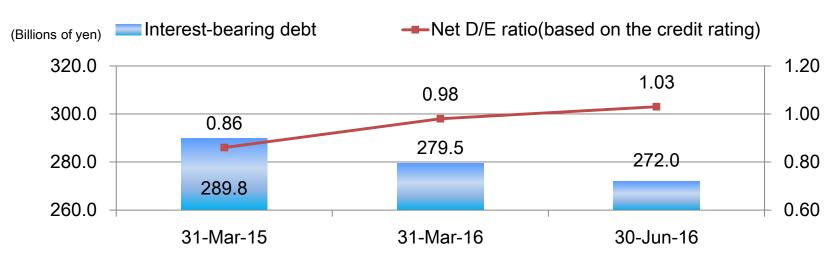


(Billions of yen)

| | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 (Forecast) |
|---------------------------------|--------|--------|--------|--------|----------------------|
| Capital expenditures (Tangible) | 21.5 | 21.1 | 30.1 | 28.8 | 31.0 |
| Depreciation and amortization | 30.9 | 22.1 | 24.1 | 26.5 | 28.0 |



Interest-bearing debt and Net D/E ratio



| | 31-Mar-15 | 31-Mar-16 | 30-Jun-16 |
|--|-----------|-----------|-----------|
| Cash on hand and in banks(Billions of yen) | 26.3 | 31.4 | 25.8 |
| Interest-bearing debt(Billions of yen) | 289.8 | 279.5 | 272.0 |
| Net D/E ratio | 1.00 | 1.17 | 1.24 |
| | 0.86 | 0.98 | 1.03 |

Net D/E ratio with 50% of the principal of hybrid loans, which receive equity credit from Japan Credit Rating Agency, deemed as capital. (40 billion yen at the end of March of 2015, March of 2016 and June of 2016 entered as capital respectively)