

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

1. Consolidated Operating Results

(Billions of yen)

	No	FY2017			FY2016	FY2017	Differen			
		1Q	2Q	1st half	1st half	1st half	(i)	(ii)	(iii)	
		(Actual) a	(Actual) b	(Actual) c	(Actual) d	(Previous forecast) e	c-d	b-a	c-e	
Net sales	1	119.4	132.3	251.7	276.7	252.0	(25.0)	12.9	(0.3)	
Operating income	2	0.2	4.0	4.2	6.3	2.5	(2.1)	3.8	1.7	
Ordinary income	Ordinary steel / Special steel	3	1.2	3.3	4.5	9.4	4.0	(4.9)	2.1	0.5
	Stainless steel	4	(2.5)	(1.0)	(3.5)	(4.0)	(6.0)	0.5	1.5	2.5
	Total	5	(1.3)	2.3	1.0	5.4	(2.0)	(4.4)	3.6	3.0
Profit attributable to owners of parent	6	(1.5)	1.5	0.0	2.0	(3.5)	(2.0)	3.0	3.5	
Inventory evaluation	Ordinary steel / Special steel	7	(1.5)	(1.0)	(2.5)	(2.0)	(1.5)	(0.5)	0.5	(1.0)
	Stainless steel	8	(1.5)	(2.0)	(3.5)	(3.0)	(5.5)	(0.5)	(0.5)	2.0
	Total	9	(3.0)	(3.0)	(6.0)	(5.0)	(7.0)	(1.0)	0.0	1.0

2. Other Information

	No	FY2017			FY2016	FY2017	Differen			
		1Q	2Q	1st half	1st half	1st half	(i)	(ii)	(iii)	
		(Actual) a	(Actual) b	(Actual) c	(Actual) d	(Previous forecast) e	c-d	b-a	c-e	
Crude steel production (10,000tons)	Ordinary steel / Special steel	1	68	79	147	158	151	(11)	11	(4)
	Stainless steel	2	18	17	35	34	36	1	(1)	(1)
	Total	3	86	96	182	192	187	(10)	10	(5)
Sales volume (10,000tons)	Ordinary steel / Special steel	4	70	79	149	150	150	(1)	9	(1)
	Stainless steel	5	12	15	27	25	28	2	3	(1)
	Total	6	82	94	176	175	178	1	12	(2)
Average sales price of steel products(1,000yen/tons)	7	109	106	108	122	107	(14)	(3)	1	
Export ratio(monetary basis;%)	8	15	15	15	16	15	(1)	0	0	
Export exchange rate(yen/US\$)	9	108	102	105	122	106	(17)	(6)	(1)	

3. Breakdown of Differences in Ordinary Income

(i) 1st half of FY2016(Actual) vs 1st half of FY2017(Actual)

(Billions of yen)

(Of which stainless steel)

1st half of FY2016(Actual)	5.4	Breakdown	(4.0)
Sales related	(30.5)	Price difference (25.0), Volume and composition difference (1.5), Export exchange difference (4.0)	(14.5)
Purchasing price	26.0	Iron ore 4.5, Coking coal 1.5, Nickel 6.0, Chromium 2.0, Oil 2.0, Import exchange difference 6.0	13.5
Cost, etc.	1.1	Rationalization, Slower-than-usual restart of operations following a scheduled outage	3.0
Subsidiaries, etc.	0.0	at Kure Works, etc.	(1.0)
Inventory evaluation	(1.0)	(5.0)→(6.0) (Of which, stainless steel (3.0)→(3.5))	(0.5)
Total	(4.4)		0.5
1st half of FY2017(Actual)	1.0		(3.5)

(ii) 1Q of FY2017(Actual) vs 2Q of FY2017(Actual)

(Billions of yen)

(Of which stainless steel)

1Q of FY2017(Actual)	(1.3)	Breakdown	(2.5)
Sales related	1.5	Volume and composition difference 3.5, Price difference (1.5) Export exchange difference (0.5)	1.0
Purchasing price	0.0	Coking coal (0.5), Nickel (1.0), Chromium 0.5, Import exchange difference 1.5	0.5
Cost, etc.	1.1	Slower-than-usual restart of operations following a scheduled outage at Kure Works, etc.	0.0
Subsidiaries, etc.	1.0		0.5
Inventory evaluation	0.0	(3.0)→(3.0) (Of which, stainless steel (1.5)→(2.0))	(0.5)
Total	3.6		1.5
2Q of FY2017(Actual)	2.3		(1.0)

(iii) 1st half of FY2017(Previous forecast) vs 1st half of FY2017(Actual)

(Billions of yen)

(Of which stainless steel)

1st half of FY2017(Previous forecast)	(2.0)	Breakdown	(6.0)
Sales related	0.5	Price difference 2.0, Volume and composition difference (1.0), Export exchange difference (0.5)	(0.5)
Purchasing price	0.0		0.0
Cost, etc.	0.5		0.0
Subsidiaries, etc.	1.0		1.0
Inventory evaluation	1.0	(7.0)→(6.0) (Of which, stainless steel (5.5)→(3.5))	2.0
Total	3.0		2.5
1st half of FY2017(Actual)	1.0		(3.5)

4. Consolidated Balance Sheet (September 30, 2016)

(Billions of yen)

		vs Mar 31,2016			vs Mar 31,2016
Cash on hand and in banks	28.9	(2.4)	Interest-bearing debt	268.3	(11.2)
Accounts receivable	67.9	(9.6)	Other liabilities	203.3	(7.3)
Inventories	124.2	(0.5)	Total liabilities	471.6	(18.5)
Other current assets	21.5	(4.0)	Common stock and additional paid-in capital	106.3	-
Tangible and intangible fixed assets	284.3	5.4	Retained earnings	75.5	(2.6)
Investments in securities, etc.	153.1	(16.8)	Treasury stock, at cost	(0.5)	(0.0)
Total assets	680.1	(28.0)	Accumulated other comprehensive income	15.4	(12.2)
			Non-controlling interests	11.7	5.4
			Total net assets	208.4	(9.5)
			Total liabilities and net assets	680.1	(28.0)

II . Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2017 (FY2017)

1. Consolidated Earnings Forecasts

(Billions of yen)

	No	FY2017		(Forecast) c	FY2017 (Previous forecast) d	FY2016 (Actual) e	Difference			
		1st half (Actual) a	2nd half (Forecast) b				(i) b-a	(ii) c-d	(iii) c-e	
Net sales	1	251.7	264.3	516.0	516.0	547.0	12.6	0.0	(31.0)	
Operating income	2	4.2	6.8	11.0	17.0	10.0	2.6	(6.0)	1.0	
Ordinary income	Ordinary steel / Special steel	3	4.5	5.0	9.5	15.0	17.2	0.5	(5.5)	(7.7)
	Stainless steel	4	(3.5)	1.5	(2.0)	(3.5)	(11.0)	5.0	1.5	9.0
	Total	5	1.0	6.5	7.5	11.5	6.2	5.5	(4.0)	1.3
Profit attributable to owners of parent	6	0.0	3.0	3.0	7.5	(6.6)	3.0	(4.5)	9.6	
Inventory evaluation	Ordinary steel / Special steel	7	(2.5)	2.5	0.0	(3.0)	(4.5)	5.0	3.0	4.5
	Stainless steel	8	(3.5)	0.5	(3.0)	(5.0)	(9.0)	4.0	2.0	6.0
	Total	9	(6.0)	3.0	(3.0)	(8.0)	(13.5)	9.0	5.0	10.5

2. Other Information

	No	FY2017		(Forecast) c	FY2017 (Previous forecast) d	FY2016 (Actual) e	Difference			
		1st half (Actual) a	2nd half (Forecast) b				(i) b-a	(ii) c-d	(iii) c-e	
Crude steel production (10,000tons)	Ordinary steel / Special steel	1	147	150	297	314	314	3	(17)	(17)
	Stainless steel	2	35	34	69	71	65	(1)	(2)	4
	Total	3	182	184	366	385	379	2	(19)	(13)
Sales volume (10,000tons)	Ordinary steel / Special steel	4	149	153	302	307	306	4	(5)	(4)
	Stainless steel	5	27	29	56	59	52	2	(3)	4
	Total	6	176	182	358	366	358	6	(8)	0
Average sales price of steel products(1,000yen/tons)	7	108	112	110	109	117	4	1	(7)	
Export ratio(monetary basis;%)	8	15	14	15	15	15	(1)	0	0	
Export exchange rate(yen/US\$)	9	105	105	105	106	120	0	(1)	(15)	

3. Breakdown of Differences in Ordinary Income

(i) 1st half of FY2017(Actual) vs 2nd half of FY2017(Forecast)

		(Billions of yen)	(Of which stainless steel)
1st half of FY2017(Actual)	1.0	Breakdown	(3.5)
Sales related	8.5	Price difference 6.5, Volume and composition difference 2.0	2.0
Purchasing price	(16.0)	Iron ore (3.0), Coking coal (10.5), Nickel (2.0), Chromium (1.5), Oil (1.5), Import exchange difference 3.5	(2.0)
Cost, etc.	4.0	Slower-than-usual restart of operations following a scheduled outage at Kure Works, etc.	0.5
Subsidiaries, etc.	0.0		0.5
Inventory evaluation	9.0	(6.0)→3.0 (Of which, stainless steel (3.5)→0.5)	4.0
Total	5.5		5.0
2nd half of FY2017(Forecast)	6.5		1.5

(ii) FY2017(Previous forecast) vs FY2017(Forecast)

		(Billions of yen)	(Of which stainless steel)
FY2017(Previous forecast)	11.5	Breakdown	(3.5)
Sales related	0.0	Price difference 3.0, Volume and composition difference (3.0)	(0.5)
Purchasing price	(11.0)	Iron ore (0.5), Coking coal (10.0), Nickel (1.0), Chromium (0.5), Oil 0.5, Import exchange difference 1.0	(1.0)
Cost, etc.	0.5		0.0
Subsidiaries, etc.	1.5		1.0
Inventory evaluation	5.0	(8.0)→(3.0) (Of which, stainless steel (5.0)→(3.0))	2.0
Total	(4.0)		1.5
FY2017(Forecast)	7.5		(2.0)

(iii) FY2016(Actual) vs FY2017(Forecast)

		(Billions of yen)	(Of which stainless steel)
FY2016(Actual)	6.2	Breakdown	(11.0)
Sales related	(32.0)	Price difference (24.5), Export exchange difference (7.5)	(14.0)
Purchasing price	20.0	Iron ore 3.0, Coking coal (9.0), Nickel 5.5, Chromium 2.5, Oil 1.5, Import exchange difference 17.5	15.5
Cost, etc.	1.8	Rationalization, Slower-than-usual restart of operations following a scheduled outage at Kure Works, etc.	1.0
Subsidiaries, etc.	1.0		0.5
Inventory evaluation	10.5	(13.5)→(3.0) (Of which, stainless steel (9.0)→(3.0))	6.0
Total	1.3		9.0
FY2017(Forecast)	7.5		(2.0)

4. Cash Dividends

After a comprehensive review of numerous factors including our financial and earning positions, we regrettably decided to forgo the dividends for the end of the 2Q.

The year-end cash dividends for the fiscal year ending March 31, 2017 are undetermined.

(Reference) Interest-Bearing Debt and Net D/E Ratio

	31-Mar-15	31-Mar-16	30-Sep-16
Cash on hand and in banks(Billions of yen)	26.3	31.4	28.9
Interest-bearing debt(Billions of yen)	289.8	279.5	268.3
Net D/E ratio	1.00	1.17	1.22
" (based on the credit rating) ※	0.86	0.98	1.01

※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 September of 2016 entered as capital respectively)