## Consolidated Financial Results

 for the First Six Months of the Fiscal Year Ending March 31, 2017 (FY2017)November 7, 2016
NISSHIN STEEL CD.,LTD.

## (3) NIS5HIN STEEL

## Consolidated Financial Result for the First Six Months of the Fiscal Year Fiding Mapch 39. 2047 (FY2047)

## Overview

$\checkmark \quad$ While we made efforts to raise our product prices to viable levels, sales for the first half only totaled $¥ 251.7$ billion (down $¥ 25.0$ billion year-on-year) due to declines in market prices of raw materials.
$\checkmark$ In terms of earnings, such factors as a slower-than-usual restart of operations following the scheduled outage in May at Kure Works and the inventory valuation loss depressed ordinary income to $¥ 1.0$ billion (down $¥ 4.4$ billion year-on-year) and ordinary income excluding such valuation loss to $¥ 7.0$ billion (down $¥ 3.4$ billion on the same basis).
$\checkmark$ Stainless steel shipments showed signs of picking up and following rises in market prices of raw materials, we raised our prices of Ni-containing stainless products by $¥ 10,000 /$ ton effective with August contracts. However, ordinary loss of the stainless steel sector for the first half stood at $¥ 3.5$ billion (improved by $¥ 0.5$ billion $y-0-y$ ) and ordinary loss excluding the inventory valuation came to $¥ 0.0$ billion (improved by $¥ 1.0$ billion on the same basis).

## Consolidated operating results

|  |  | No |  | FY2017 |  | FY2016 | FY2017 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | $1 \mathrm{Q}$ <br> (Actual) <br> a | 2Q <br> (Actual) <br> b | 1st half (Actual) c | 1st half (Actual) d | 1st half (Previous forecast) e |
| Net sales |  |  | 1 | 119.4 | 132.3 | 251.7 | 276.7 | 252.0 |
| Operating income |  | 2 | 0.2 | 4.0 | 4.2 | 6.3 | 2.5 |
| Ordinary income | Ordinary steel / Special steel | 3 | 1.2 | 3.3 | 4.5 | 9.4 | 4.0 |
|  | Stainless steel | 4 | (2.5) | (1.0) | (3.5) | (4.0) | (6.0) |
|  | Total | 5 | (1.3) | 2.3 | 1.0 | 5.4 | (2.0) |
| Profit attributable to owners of parent |  | 6 | (1.5) | 1.5 | 0.0 | 2.0 | (3.5) |


| (Billions of yen) |  |  |
| :---: | :---: | :---: |
| Difference |  |  |
| ( i ) | ( ii ) | ( iii ) |
| c-d | b-a | c-e |
| (25.0) | 12.9 | (0.3) |
| (2.1) | 3.8 | 1.7 |
| (4.9) | 2.1 | 0.5 |
| 0.5 | 1.5 | 2.5 |
| (4.4) | 3.6 | 3.0 |
| (2.0) | 3.0 | 3.5 |


| Inventory evaluation | Ordinary steel / Special steel | 7 | (1.5) | (1.0) | (2.5) | (2.0) | (1.5) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Stainless steel | 8 | (1.5) | (2.0) | (3.5) | (3.0) | (5.5) |
|  | Total | 9 | (3.0) | (3.0) | (6.0) | (5.0) | (7.0) |


| (0.5) | 0.5 | (1.0) |
| :---: | :---: | :---: |
| (0.5) | (0.5) | 2.0 |
| (1.0) | 0.0 | 1.0 |

## Other Information

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


| Difference |  |  |
| :---: | :---: | :---: |
| ( i ) | ( ii ) | ( iii ) |
| c-d | b-a | c-e |
| (11) | 11 | (4) |
| 1 | (1) | (1) |
| (10) | 10 | (5) |
| (1) | 9 | (1) |
| 2 | 3 | (1) |
| 1 | 12 | (2) |
| (14) | (3) | 1 |
| (1) | 0 | 0 |
| (17) | (6) | (1) |

## Breakdown of Differences in Ordinary Income 



Breakdown of Differences in Ordinary Income (1@ Of FY2017(Actual) vs 2@ of FY2017 (Actuall)

| (Billion of yen)FY2017 <br> (Actual) |
| :--- |

## Breakdown of Differences in Ordinary Income (1st half of EY2017(Previous forecast) ws ist half of FY2017(Actual)) <br> FY2017 <br> 1st half <br> (Previous forecast) <br> (Billion of yen) <br> Purchasing <br> price <br> Cost, <br> etc. <br> Subsidiaries, <br> etc. <br> evaluation <br> Inventory <br> FY2017 <br> 1st half (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 | $(7.0) \rightarrow(6.0) \quad$ ( Of which, stainless steel (5.5) $\rightarrow(3.5)$ ) | 2.0 |
| Total | 3.0 |  | 2.5 |
| 1st half of FY2017(Actual) | 1.0 |  | (3.5) |

Consolidated Balance Sheet (Summary)
(Billions of yen )

|  |  | vs Mar 31,2016 | Main factor |
| :---: | :---: | :---: | :---: |
| Cash on hand and in banks | 28.9 | (2.4) |  |
| Accounts receivable | 67.9 | (9.6) | Decrease in sales |
| Inventories | 124.2 | (0.5) |  |
| Other current assets | 21.5 | (4.0) |  |
| Tangible and intangible fixed assets | 284.3 | 5.4 |  |
| Investments in securities, etc. | 153.1 | (16.8) |  |
| Total assets | 680.1 | (28.0) |  |


| Interest-bearing debt | 268.3 | (11.2) |  |
| :---: | :---: | :---: | :---: |
| Other liabilities | 203.3 | 7.3) |  |
| Total liabilities | 471.6 | (18.5) |  |
| Common stock and additional paid-in capital | 106.3 | - |  |
| Retained earnings | 75.5 | (2.6) | Cash dividends(2.7) |
| Treasury stock, at cost | (0.5) | (0.0) |  |
| Accumulated other comprehensive income | 15.4 | (12.2) | Foreign currency translation adjustments(13.0) |
| Non-controlling interests | 11.7 | 5.4 |  |
| Total net assets | 208.4 | (9.5) |  |
| Total liabilities and net assets | 680.1 | (28.0) |  |

## Consolidated Earnings Forecasts

## Outlook

$\checkmark \quad$ In terms of sales, we intend to promote profitability-focused selling activities keeping an eye on market inventory levels, movements in customer industries and load balancing on the production side. While overall shipments are likely to decrease, sales will remain unchanged at $¥ 516.0$ billion as announced in past July.
$\checkmark$ In terms of earnings, significant cost increases attributable to soaring coal prices are likely to trim ordinary income to $¥ 7.5$ billion (down $¥ 4.0$ billion from the July release) and ordinary income excluding the inventory valuation to $¥ 10.5$ billion (down $¥ 9.0$ billion from July).
$\checkmark$ Ordinary loss for stainless steel will be $¥ 2.0$ billion (improved by $¥ 1.5$ billion from the July release) and income without the inventory valuation $¥ 1.0$ billion (down $¥ 0.5$ billion from July). As overall demand and improvement in the business climate are expected to continue, we intend to implement another round of $¥ 10,000$ /ton price hike effective with November contracts (total increase of $¥ 20,000 /$ ton combined with the August portion).

## Consolidated Earnings Forecasts

|  |  | No |  | FY2017 |  | FY2017 | FY2016 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 1st half (Actual) a | 2nd half (Forecast) b | (Forecast) c | (Previous forecast) d | (Actual) e |
| Net sales |  |  | 1 | 251.7 | 264.3 | 516.0 | 516.0 | 547.0 |
| Operating income |  | 2 | 4.2 | 6.8 | 11.0 | 17.0 | 10.0 |
| Ordinary income | Ordinary steel Special steel | 3 | 4.5 | 5.0 | 9.5 | 15.0 | 17.2 |
|  | Stainless steel | 4 | (3.5) | 1.5 | (2.0) | (3.5) | (11.0) |
|  | Total | 5 | 1.0 | 6.5 | 7.5 | 11.5 | 6.2 |
| Profit attributable to owners of parent |  | 6 | 0.0 | 3.0 | 3.0 | 7.5 | (6.6) |


| (Billions of yen ) |  |  |
| :---: | :---: | :---: |
| Difference |  |  |
| ( i ) | ( ii ) | ( iii ) |
| b-a | c-d | c-e |
| 12.6 | 0.0 | (31.0) |
| 2.6 | (6.0) | 1.0 |
| 0.5 | (5.5) | (7.7) |
| 5.0 | 1.5 | 9.0 |
| 5.5 | (4.0) | 1.3 |
| 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 |

## Other Information

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


| Difference |  |  |
| :---: | :---: | :---: |
| ( i ) | ( ii ) | ( iii ) |
| b-a | c-d | c-e |
| 3 | (17) | (17) |
| (1) | (2) | 4 |
| 2 | (19) | (13) |
| 4 | (5) | (4) |
| 2 | (3) | 4 |
| 6 | (8) | 0 |
| 4 | 1 | (7) |
| (1) | 0 | 0 |
| 0 | (1) | (15) |

## Breakdown of Differences in Ordinary Income (4st half of EY2017(Actual) vs 2nd half of FY2017(Fopecast))


( 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), Oil (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 | $(6.0) \rightarrow 3.0 \quad$ ( Of which, stainless steel (3.5) $\rightarrow 0.5$ ) | 4.0 |
| Total | 5.5 |  | 5.0 |
| 2nd half of FY2017(Forecast) | 6.5 |  | 1.5 |

## Breakdown of Differences in Ordinary Income

 (FY2017(Prewfous fopceest) ws FY2017(Fopecest))FY2017
(Previous
(Billion of yen ) forecast)

Sales
related

Purchasing
price

Cost, etc

Subsidiaries
etc.

Inventory evaluation

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 | $(8.0) \rightarrow(3.0) \quad$ ( Of which, stainless steel (5.0) $\rightarrow(3.0)$ ) | 2.0 |
| Total | (4.0) |  | 1.5 |
| FY2017(Forecast) | 7.5 |  | (2.0) |




## (Reference)

## Purchasing Price

|  | FY2016 |  |  |  |  |  | Ave. | FY2017 |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1st half |  | Ave. | 2nd half |  | Ave. |  | 1st half |  | Ave. | 2nd half Ave. <br> (Forecast) | Ave. <br> (Forecast) |
|  | 1Q | 2Q |  | 3Q | 4Q |  |  | 1Q | 2Q |  |  |  |
| Nickel(\$/lb) | 6.51: | 5.91 | 6.21 | 4.78: | 4.27 | 4.53 | 5.37 | 3.86 | 4.00 | 3.93 | 4.70 | 4.32 |
| Chromium( $\phi / \mathrm{lb}$ ) | 116.0: | 116.0 | 116.0 | 116.0: | 100.0 | 108.0 | 112.0 | 100.0: | 90.0 | 95.0 | 112.0 | 103.5 |
| Molybdenum(\$/lb) | 8.5 | 7.5 | 8.0 | 5.8: | 5.3 | 5.6 | 6.8 | 5.3: | 7.0 | 6.2 | 7.0 | 6.6 |
| Zinc(\$/tons) | 2,195: | 1,844 | 2,020 | 1,611 | 1,676 | 1,644 | 1,832 | 1,915: | 2,254 | 2,085 | 2,300 | 2,192 |
| Oil(\$/bl) | 58.9: | 55.2 | 57.1 | 44.3: | 30.2 | 37.3 | 47.2 | 39.5: | 44.1 | 41.8 | 50.0 | 45.9 |
| Ferrous scrap (1,000yen/tons) | 23.1 | 20.0 | 21.6 | 13.9 | 13.9 | 13.9 | 17.7 | 20.5: | 17.8 | 19.2 | 19.0 | 19.1 |

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


## Capital expenditures (Tangible)d Depreciation and amortization

(Billions of yen)
$\square$ Capital expenditures (Tangible)
$\square$ Depreciation and amortization

(Billions of yen)

|  | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 <br> (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

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


|  | 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)

