

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

February 3, 2017

NISSHIN STEEL CO., LTD.



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

#### Overview

- ✓ Japan's economy was on a moderate recovery path thanks mainly to higher corporate earnings, improved employment and income environment along with signs of recovery in corporate production activities.
- ✓ Brisk business with such sectors as automotive and construction industries kept domestic steel demand firm and steel inventories adequate.
- Meantime in the international arena, even though some progress was made to curb excessive production capacity of China, crude steel output and steel exports still moved at high levels and uncertainties lingered.
- ✓ Under such circumstances, the Nisshin Steel Group proactively worked to implement diverse programs set out in the 24th Medium-term Management Plan, which entered its final year.
- ✓ The raw materials market became soft and yen was appreciated from the previous fiscal year
  through the first half of the current fiscal year but the coal prices surged in the latter part. In
  addition, production costs rose as the priority was given to stable operation of production
  equipment, and ordinary income totaled ¥2.3 billion (down ¥2.2 billion year on year).



### Consolidated operating results

|                          |                                   |    |                     |                                    |          |                                 |          |                     | ( Billio | ons of yen) |
|--------------------------|-----------------------------------|----|---------------------|------------------------------------|----------|---------------------------------|----------|---------------------|----------|-------------|
|                          |                                   |    |                     | FY2017  1st half  2nd half  FY2016 |          |                                 |          |                     | Differ   | ence        |
|                          |                                   |    | Apr-Jun<br>(Actual) | Jul-Sep<br>(Actual)                | (Actual) | 2nd half<br>Oct-Dec<br>(Actual) | (Actual) | Apr-Dec<br>(Actual) | (i)      | ( ii )      |
|                          |                                   | No | а                   | b                                  | С        | d                               | е        | f                   | e-f      | d-b         |
| Net sales                |                                   | 1  | 119.4               | 132.3                              | 251.7    | 130.0                           | 381.7    | 409.9               | (28.2)   | (2.3)       |
| Operating income         |                                   | 2  | 0.2                 | 4.0                                | 4.2      | 1.5                             | 5.7      | 6.9                 | (1.2)    | (2.5)       |
| Ordinary income          | Ordinary steel /<br>Special steel | 3  | 1.2                 | 3.3                                | 4.5      | 3.3                             | 7.8      | 12.5                | (4.7)    | 0.0         |
|                          | Stainless steel                   | 4  | (2.5)               | (1.0)                              | (3.5)    | (2.0)                           | (5.5)    | (8.0)               | 2.5      | (1.0)       |
|                          | Total                             | 5  | (1.3)               | 2.3                                | 1.0      | 1.3                             | 2.3      | 4.5                 | (2.2)    | (1.0)       |
| Profit attributable to o | wners of parent                   | 6  | (1.5)               | 1.5                                | 0.0      | 0.2                             | 0.2      | 0.0                 | 0.2      | (1.3)       |
|                          |                                   |    |                     |                                    |          |                                 |          |                     |          | -           |
| Inventory evaluation     | Ordinary steel /<br>Special steel | 7  | (1.5)               | (1.0)                              | (2.5)    | 2.0                             | (0.5)    | (4.0)               | 3.5      | 3.0         |
|                          | Stainless steel                   | 8  | (1.5)               | (2.0)                              | (3.5)    | 0.5                             | (3.0)    | (6.0)               | 3.0      | 2.5         |
|                          | Total                             | 9  | (3.0)               | (3.0)                              | (6.0)    | 2.5                             | (3.5)    | (10.0)              | 6.5      | 5.5         |



### Other Information

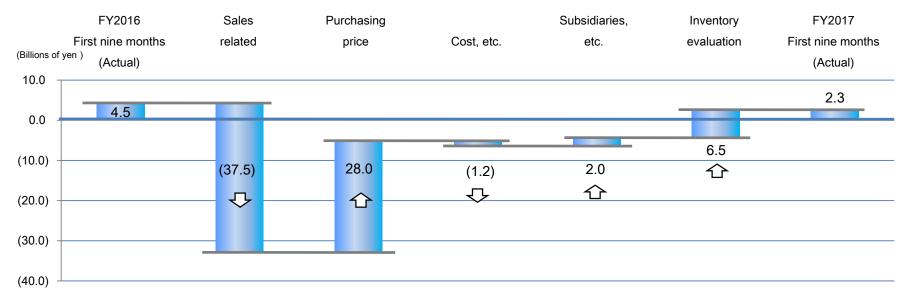
|  |                                   |    |                          | FY2017                   |               |                          |               |                          |
|--|-----------------------------------|----|--------------------------|--------------------------|---------------|--------------------------|---------------|--------------------------|
|  |                                   |    |                          | 1st half                 |               | 2nd half                 |               | FY2016                   |
|  |                                   | No | Apr-Jun<br>(Actual)<br>a | Jul-Sep<br>(Actual)<br>b | (Actual)<br>c | Oct-Dec<br>(Actual)<br>d | (Actual)<br>e | Apr-Dec<br>(Actual)<br>f |
| Crude steel production                               | Ordinary steel /<br>Special steel | 1  | 68                       | 79                       | 147           | 76                       | 223           | 236                      |
| (10,000tons)   | Stainless steel                   | 2  | 18                       | 17                       | 35            | 14                       | 49            | 50                       |
|  | Total                             | 3  | 86                       | 96                       | 182           | 90                       | 272           | 286                      |
| Sales volume   | Ordinary steel /<br>Special steel | 4  | 70                       | 79                       | 149           | 76                       | 225           | 225                      |
| (10,000tons)   | Stainless steel                   | 5  | 12                       | 15                       | 27            | 12                       | 39            | 37                       |
|  | Total                             | 6  | 82                       | 94                       | 176           | 88                       | 264           | 262                      |
| Average sales price of steel products(1,000yen/tons) |                                   | 7  | 109                      | 106                      | 108           | 106                      | 107           | 119                      |
| Export ratio(m                                       | onetary basis;%)                  | 8  | 15                       | 15                       | 15            | 15                       | 15            | 16                       |
| Export exchar  | ge rate(yen/US\$)                 | 9  | 108                      | 102                      | 105           | 109                      | 106           | 122                      |

| Differ       | ence          |
|--------------|---------------|
| ( i )<br>e-f | ( ii )<br>d-b |
| (13)         | (3)           |
| (1)          | (3)           |
| (14)         | (6)           |
| 0            | (3)           |
| 2            | (3)           |
| 2            | (6)           |
| (12)         | 0             |
| (1)          | 0             |
| (16)         | 7             |

#### **NISSHIN STEEL**

# Breakdown of Differences in Ordinary Income (First Nine months of FY2016(Actual) vs First Nine months of

(First Nine months of FY2016(Actual) vs First Nine months of FY2017(Actual))



(Billions of yen)

(Of which stainless steel)

| First Nine months of FY2016(Actual) | 4.5    | Breakdown  | (8.0)  |
|-------------------------------------|--------|--|--------|
| Sales related                       | (37.5) | Price difference (30.0), Volume and composition difference (2.0), Export exchange difference (5.5) | (18.5) |
| Purchasing price                    | 28.0   | Iron oro 4.0. Coking good (4.0) Nickel 7.5. Chromium 2.5. Oil 2.0.                                 | 17.0   |
| Cost, etc.                          | (1.2)  |  | 1.0    |
| Subsidiaries, etc.                  | 2.0    |  | 0.0    |
| Inventory evaluation                | 6.5    | (10.0)→(3.5) ( Of which, stainless steel (6.0)→(3.0))  | 3.0    |
| Total                               | (2.2)  |  | 2.5    |
| First Nine months of FY2017(Actual) | 2.3    |  | (5.5)  |



# Breakdown of Differences in Ordinary Income (2Q of FY2017(Actual) vs 3Q of FY2017(Actual))



(Billions of yen)

(Of which stainless steel)

| 2Q of FY2017(Actual) | 2.3   | Breakdown  | (1.0) |
|----------------------|-------|--|-------|
| Sales related        | 0.5   | Price difference 2.0, Volume and composition difference (1.0) Export exchange difference 0.5 | (1.0) |
| Purchasing price     | (6.5) | Iron ore (1.5), Coking coal (3.0), Nickel (1.0), Chromium (1.0)                              | (2.0) |
| Cost, etc.           | (0.5) |  | (1.0) |
| Subsidiaries, etc.   | 0.0   |  | 0.5   |
| Inventory evaluation | 5.5   | (3.0)→2.5 ( Of which, stainless steel (2.0)→0.5)   | 2.5   |
| Total                | (1.0) |  | (1.0) |
| 3Q of FY2017(Actual) | 1.3   |  | (2.0) |

# © NISSHIN STEEL Consolidated Balance Sheet (Summary)

|   |       |                | ( Billions of yen )  |
|---|-------|----------------|--|
|   |       | vs Mar 31,2016 | Main factor  |
| Cash on hand and in banks                   | 20.6  | (10.7)         |  |
| Accounts receivable                         | 63.8  | (13.7)         | Decrease in sales  |
| Inventories                                 | 131.7 | 6.9            |  |
| Other current assets                        | 20.8  | (4.7)          |  |
| Tangible and intangible fixed assets        | 283.7 | 4.9            |  |
| Investments in securities, etc.             | 163.7 | (6.1)          | Foreign currency translation adjustment  |
| Total assets                                | 684.5 | (23.5)         |  |
|   |       |                |  |
| Interest-bearing debt                       | 258.4 | (21.0)         |  |
| Other liabilities                           | 209.3 | (1.3)          |  |
| Total liabilities                           | 467.7 | (22.4)         |  |
| Common stock and additional paid-in capital | 106.3 | -              |  |
| Retained earnings                           | 75.6  | (2.5)          | Cash dividends(2.7), Profit attributable to owners of parent 0.2   |
| Treasury stock, at cost                     | (0.5) | (0.0)          |  |
| Accumulated other comprehensive income      | 22.9  | (4.7)          | Unrealized gain or loss on available-for-sale securities 8.5, Foreign currency translation adjustments(14.2) |
| Non-controlling interests                   | 12.4  | 6.1            |  |
| Total net assets                            | 216.8 | (1.1)          |  |
| Total liabilities and net assets            | 684.5 | (23.5)         |  |



#### Consolidated Earnings Forecasts

#### Outlook

- ✓ While Japan's economy is expected to continue growing moderately, there are a number of uncertain and increasingly worrisome factors mainly originating overseas, which include movements in foreign exchange and stock prices as well as possible trade issues associated with rising protectionism.
- Domestic steel demand is likely to remain firm with anticipated uptick in consumption of steel and other materials for upgrading infrastructure in the metropolitan area for the Tokyo Olympics /Paralympics, among other things.
- ✓ While the Company intends to continue implementing a number of programs set out in the 24th Medium-term Management Plan, further price hikes of coal and other raw materials are likely to reduce ordinary income to ¥5.5 billion (down ¥2 billion from the November release).



### **Consolidated Earnings Forecasts**

| ( | Billions | of yen | ) |
|---|----------|--------|---|
|   |          |        |   |

|                           |                                   |    | FY2        | 017<br>(Previous | FY2016   |       | rence  |
|---------------------------|-----------------------------------|----|------------|------------------|----------|-------|--------|
|                           |                                   |    | (Forecast) | forecast)        | (Actual) | (i)   | ( ii ) |
|                           |                                   | No | а          | b                | С        | a-b   | а-с    |
| Net sales                 |                                   | 1  | 512.0      | 516.0            | 547.0    | (4.0) | (35.0) |
| Operating income          |                                   | 2  | 8.5        | 11.0             | 10.0     | (2.5) | (1.5)  |
| Ordinary income           | Ordinary steel /<br>Special steel | 3  | 9.5        | 9.5              | 17.2     | 0.0   | (7.7)  |
|                           | Stainless steel                   | 4  | (4.0)      | (2.0)            | (11.0)   | (2.0) | 7.0    |
|                           | Total                             | 5  | 5.5        | 7.5              | 6.2      | (2.0) | (0.7)  |
| Profit attributable to ov | wners of parent                   | 6  | 1.0        | 3.0              | (6.6)    | (2.0) | 7.6    |
|                           |                                   |    |            |                  |          |       |        |
| Inventory evaluation      | Ordinary steel /<br>Special steel | 7  | 2.5        | 0.0              | (4.5)    | 2.5   | 7.0    |
|                           | Stainless steel                   | 8  | (2.5)      | (3.0)            | (9.0)    | 0.5   | 6.5    |
|                           | Total                             | 9  | 0.0        | (3.0)            | (13.5)   | 3.0   | 13.5   |



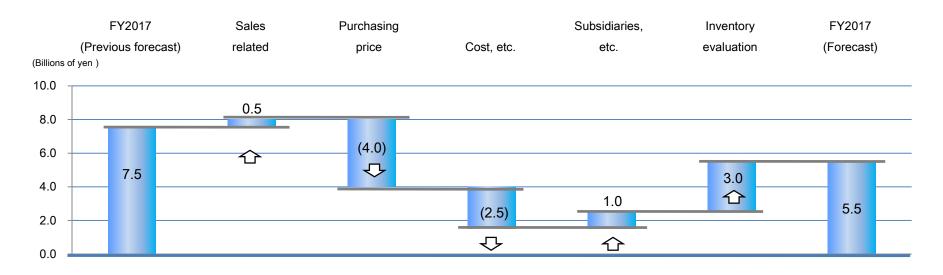
### Other Information

|                             |                                   |    | FY2        | 017                 | FY2016   |
|-----------------------------|-----------------------------------|----|------------|---------------------|----------|
|                             |                                   |    | (Forecast) | (Previous forecast) | (Actual) |
|                             |                                   | No | а          | b                   | С        |
| Crude steel production      | Ordinary steel /<br>Special steel | 1  | 294        | 297                 | 314      |
| (10,000tons)                | Stainless steel                   | 2  | 66         | 69                  | 65       |
|                             | Total                             | 3  | 360        | 366                 | 379      |
| Sales volume                | Ordinary steel /<br>Special steel | 4  | 304        | 302                 | 306      |
| (10,000tons)                | Stainless steel                   | 5  | 53         | 56                  | 52       |
|                             | Total                             | 6  | 357        | 358                 | 358      |
| Average sales products(1,00 | •                                 | 7  | 109        | 110                 | 117      |
| Export ratio(m              | onetary basis;%)                  | 8  | 15         | 15                  | 15       |
| Export exchar               | ge rate(yen/US\$)                 | 9  | 107        | 105                 | 120      |

| Differ       | ence          |
|--------------|---------------|
| ( i )<br>a-b | ( ii )<br>a-c |
| (3)          | (20)          |
| (3)          | 1             |
| (6)          | (19)          |
| 2            | (2)           |
| (3)          | 1             |
| (1)          | (1)           |
| (1)          | (8)           |
| 0            | O             |
| 2            | (13)          |



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



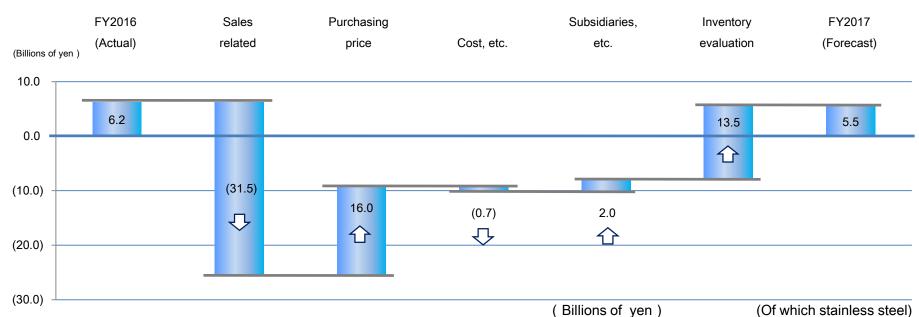
(Billions of yen)

(Of which stainless steel)

| FY  | FY2017(Previous forecast) |       | Breakdown  | (2.0) |
|-----|---------------------------|-------|--|-------|
|     | Sales related             | 0.5   | Volume and composition difference (1.0), Export exchange difference 1.5              | (0.5) |
|     | Purchasing price          | (4.0) | Iron ore (0.5), Coking coal (1.0), Nickel (0.5),<br>Import exchange difference (1.5) | (1.5) |
|     | Cost, etc.                | (2.5) |  | (1.0) |
|     | Subsidiaries, etc.        | 1.0   |  | 0.5   |
|     | Inventory evaluation      | 3.0   | (3.0)→0.0 ( Of which, stainless steel (3.0)→(2.5))                                   | 0.5   |
|     | Total                     | (2.0) |  | (2.0) |
| FY2 | 2017(Forecast)            | 5.5   |  | (4.0) |



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



|                      |        | (2)  | <b>,</b> |
|----------------------|--------|--|----------|
| FY2016(Actual)       | 6.2    | Breakdown  | (11.0)   |
| Sales related        | (31.5) | Price difference (24.5), Volume and composition difference (1.0), Export exchange difference (6.0)   | (14.5)   |
| Purchasing price     | 16.0   | Iron ore 2.5, Coking coal (10.0), Nickel 5.0, Chromiun 2.5, Oil 1.5, Import exchange difference 16.0 | 14.0     |
| Cost, etc.           | (0.7)  |  | 0.0      |
| Subsidiaries, etc.   | 2.0    |  | 1.0      |
| Inventory evaluation | 13.5   | (13.5)→0.0 ( Of which, stainless steel (9.0)→(2.5))  | 6.5      |
| Total                | (0.7)  |  | 7.0      |
| FY2017(Forecast)     | 5.5    |  | (4.0)    |



# Breakdown of Differences in Ordinary Income (3Q of FY2017(Actual) vs 4Q of FY2017(Forecast))



(Billions of yen) (Of which stainless steel)

| 3Q of FY2017(Actual) |                        | 1.3   | Breakdown   | (2.0) |
|----------------------|------------------------|-------|---|-------|
|                      | Sales related          | 6.5   | Price difference 4.0, Volume and composition difference 2.5 | 3.5   |
|                      | Purchasing price       | (8.0) | Coking coal (5.5), Nickel (0.5)                             | (1.5) |
|                      | Cost, etc.             | 2.9   |   | 1.5   |
|                      | Subsidiaries, etc.     | (0.5) |   | 0.0   |
|                      | Inventory evaluation   | 1.0   | 2.5→3.5 ( Of which, stainless steel 0.5→0.5)                | 0.0   |
|                      | Total                  | 1.9   |   | 3.5   |
| 4Q                   | 4Q of FY2017(Forecast) |       |   | 1.5   |



#### Cash Dividends

The year-end 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.

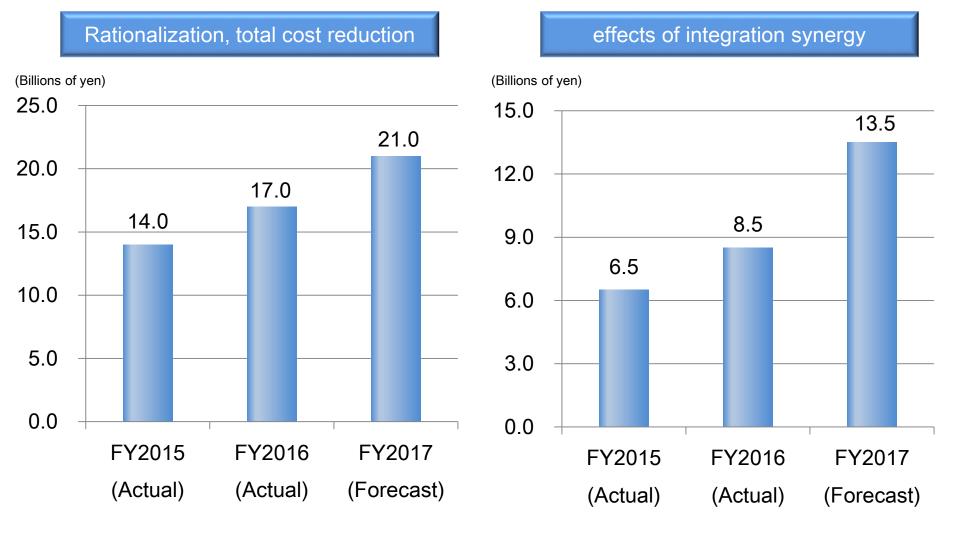


## (Reference)





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

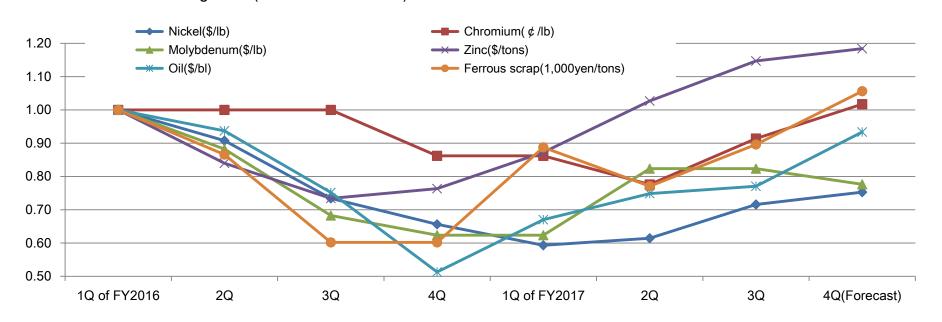




### Purchasing Price

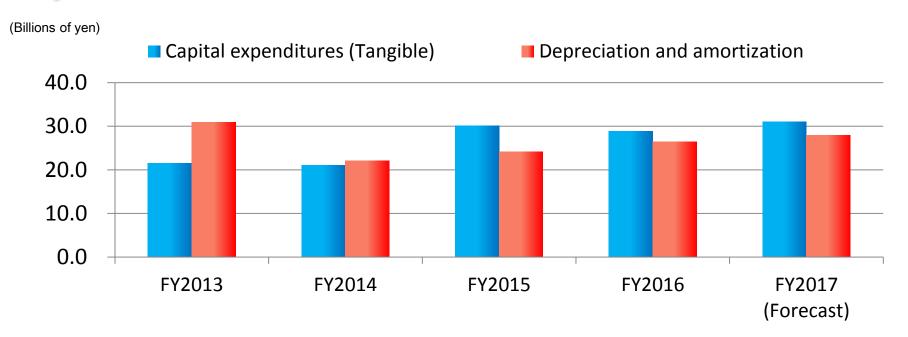
|                                  | FY2016   |       |       |          |       |       | FY2017   |       |          |       |       |                  |                    |                    |
|----------------------------------|----------|-------|-------|----------|-------|-------|----------|-------|----------|-------|-------|------------------|--------------------|--------------------|
|                                  | 1st half |       |       | 2nd half |       |       | 1st half |       | 2nd half |       |       |                  |                    |                    |
|                                  | 1Q       | 2Q    | Ave.  | 3Q       | 4Q    | Ave.  | Ave.     | 1Q    | 2Q       | Ave.  | 3Q    | 4Q<br>(Forecast) | Ave.<br>(Forecast) | Ave.<br>(Forecast) |
| Nickel(\$/lb)                    | 6.51     | 5.91  | 6.21  | 4.78     | 4.27  | 4.53  | 5.37     | 3.86  | 4.00     | 3.93  | 4.66  | 4.90             | 4.78               | 4.36               |
| Chromium(¢/lb)                   | 116.0    | 116.0 | 116.0 | 116.0    | 100.0 | 108.0 | 112.0    | 100.0 | 90.0     | 95.0  | 106.0 | 118.0            | 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              | 6.8                | 6.5                |
| Zinc(\$/tons)                    | 2,195    | 1,844 | 2,020 | 1,611    | 1,676 | 1,644 | 1,832    | 1,915 | 2,254    | 2,085 | 2,518 | 2,600            | 2,559              | 2,322              |
| Oil(\$/bl)                       | 58.9     | 55.2  | 57.1  | 44.3     | 30.2  | 37.3  | 47.2     | 39.5  | 44.1     | 41.8  | 45.4  | 55.0             | 50.2               | 46.0               |
| Ferrous scrap<br>(1,000yen/tons) | 23.1     | 20.0  | 21.6  | 13.9     | 13.9  | 13.9  | 17.7     | 20.5  | 17.8     | 19.2  | 20.7  | 24.4             | 22.6               | 20.9               |

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





# Capital expenditures (Tangible)/ Depreciation and amortization

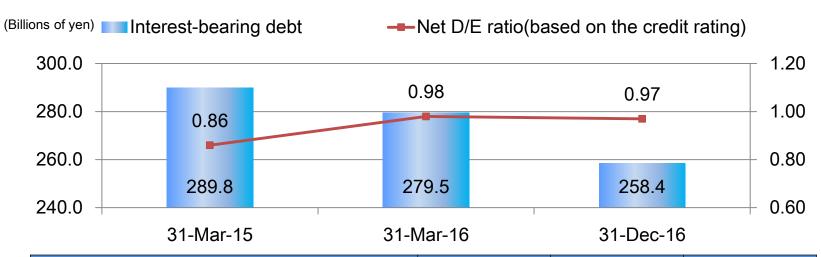


(Billions of yen)

|                                 | 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



|  | 31-Mar-15 | 31-Mar-16 | 31-Dec-16 |
|--|-----------|-----------|-----------|
| Cash on hand and in banks(Billions of yen) | 26.3      | 31.4      | 20.6      |
| Interest-bearing debt(Billions of yen)     | 289.8     | 279.5     | 258.4     |
| Net D/E ratio                              | 1.00      | 1.17      | 1.16      |
|  | 0.86      | 0.98      | 0.97      |

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