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

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NIS5HIN STEEL CD., LTD.

## NISSHIN STEEL

## Consoldated Financial Results for the Fipst Nine Months of the Fiscal Year Ending March 39. 2017 (FY2097)

## Overview

$\checkmark$ 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.
$\checkmark$ Brisk business with such sectors as automotive and construction industries kept domestic steel demand firm and steel inventories adequate.
$\checkmark$ 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.
$\checkmark$ 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.
$\checkmark$ 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

|  |  | No | FY2017 |  |  |  |  | FY2016 <br> Apr-Dec <br> (Actual) <br> f | (Billions of yen) |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 1st half |  | 2nd half <br> Oct-Dec <br> (Actual) <br> d | (Actual) <br> e | Difference |  |  |
|  |  | Apr-Jun (Actual) <br> a | Jul-Sep <br> (Actual) <br> b |  |  | (Actual) | $\begin{aligned} & \text { (i) } \\ & \text { e-f } \end{aligned}$ |  | ( ii ) $\mathrm{d}-\mathrm{b}$ |
| 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 / 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 owners of parent |  | 6 | (1.5) | 1.5 | 0.0 | 0.2 | 0.2 | 0.0 | 0.2 | (1.3) |


| Inventory evaluation | Ordinary steel / 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

|  |  | No | FY2017 |  |  |  | (Actual) | FY2016 <br> Apr-Dec <br> (Actual) f |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 1st half | (Actual) c | 2nd half <br> Oct-Dec <br> (Actual) <br> d |  |  |
|  |  | Apr-Jun <br> (Actual) <br> a |  |  | Jul-Sep <br> (Actual) <br> b |  |  |
| Crude steel production (10,000tons) | Ordinary steel / Special steel |  | 1 | 68 | 79 | 147 | 76 | 223 | 236 |
|  | Stainless steel |  | 2 | 18 | 17 | 35 | 14 | 49 | 50 |
|  | Total | 3 | 86 | 96 | 182 | 90 | 272 | 286 |
| Sales volume(10,000tons) | Ordinary steel / Special steel | 4 | 70 | 79 | 149 | 76 | 225 | 225 |
|  | 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(monetary basis;\%) |  | 8 | 15 | 15 | 15 | 15 | 15 | 16 |
| Export exchange rate(yen/US\$) |  | 9 | 108 | 102 | 105 | 109 | 106 | 122 |


| Difference |  |
| :---: | :---: |
| ( i ) | ( ii ) |
| e-f | d-b |
| (13) | (3) |
| (1) | (3) |
| (14) | (6) |
| 0 | (3) |
| 2 | (3) |
| 2 | (6) |
| (12) | 0 |
| (1) | 0 |
| (16) | 7 |

## Breakdown of Differences in Ordinary Income  [FYOOT7 (ACtu@lD)



## Breakdown of Differences in Ordinary Income

 (2@ of EY2017(Actul) vs 8@ of FY2017(Actual)

## Consolidated Balance Sheet (Summary)

|  |  | vs Mar 31,----------16 | 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), <br> 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 Eapnings Fopecasts

## Outlook

$\checkmark$ 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.
$\checkmark$ 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.
$\checkmark$ 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

|  |  | No | FY2017 |  | FY2016 <br> (Actual) <br> c |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | (Forecast) <br> a | (Previous forecast) b |  |
| Net sales |  |  | 1 | 512.0 | 516.0 | 547.0 |
| Operating income |  | 2 | 8.5 | 11.0 | 10.0 |
| Ordinary income | Ordinary steel / Special steel | 3 | 9.5 | 9.5 | 17.2 |
|  | Stainless steel | 4 | (4.0) | (2.0) | (11.0) |
|  | Total | 5 | 5.5 | 7.5 | 6.2 |
| Profit attributable to owners of parent |  | 6 | 1.0 | 3.0 | (6.6) |


| ( Billions of yen ) |  |
| :---: | :---: |
| Difference |  |
| ( i ) | ( ii ) |
| a-b | a-c |
| (4.0) | (35.0) |
| (2.5) | (1.5) |
| 0.0 | (7.7) |
| (2.0) | 7.0 |
| (2.0) | (0.7) |
| (2.0) | 7.6 |


| Inventory evaluation | Ordinary steel / Special steel | 7 | 2.5 | 0.0 | (4.5) |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Stainless steel | 8 | (2.5) | (3.0) | (9.0) |
|  | Total | 9 | 0.0 | (3.0) | (13.5) |


| 2.5 | 7.0 |
| :---: | :---: |
| 0.5 | 6.5 |
| 3.0 | 13.5 |

## Other Information



| Difference |  |
| :---: | :---: |
| ( i ) | ( ii ) |
| a-b | a-c |
| (3) | (20) |
| (3) | 1 |
| (6) | (19) |
| 2 | (2) |
| (3) | 1 |
| (1) | (1) |
| (1) | (8) |
| 0 | 0 |
| 2 | (13) |

## Breakdown of Differences in Ordinary Income

 (FY2017(Previous forecest) 또 FY2017(Forecest2)

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



## Breakdown of Differences in Ordinary Income (3Q of FY2017(Actual) vs 40 of FY 2017 (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 | $2.5 \rightarrow 3.5$ ( Of which, stainless steel 0.5 $\rightarrow 0.5$ ) | 0.0 |
| Total | 1.9 |  | 3.5 |
| 4Q of FY2017(Forecast) | 3.2 |  | 1.5 |

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

Rationalization, total cost reduction

effects of integration synergy
(Billions of yen)


## Purchasing Price

|  | FY2016 |  |  |  |  |  | FY2017 |  |  |  |  |  |  | Ave. (Forecast) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1st half |  |  | 2nd half |  |  | Ave. | 1st half |  |  | 2nd half |  |  |  |
|  | 1Q | 2Q | Ave. | 3Q | 4Q | Ave. |  | 1Q | 2Q | Ave. | 3Q | $\overline{4 Q}$ <br> (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 | 4.66 | 4.90 | 4.78 | 4.36 |
| Chromium( $\phi / \mathrm{lb}$ ) | 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 (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)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 $\quad \rightarrow-$ Net D/E ratio(based on the credit rating)


|  | 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 |
| " (based on the credit rating) $※$ | 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)

