

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2018 (Based on Japanese GAAP)

April 26, 2018

Company name: Nisshin Steel Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 5413 URL <http://www.nisshin-steel.co.jp/>
 Representative: President & Chief Executive Officer and Representative Director Kinya Yanagawa
 Executive Officer and General Manager, General Administration Dept. Hirokazu Kuwasako TEL 03-3216-5566
 Scheduled date of ordinary general meeting of shareholders: June 26, 2018
 Scheduled date to file Securities Report: June 26, 2018
 Scheduled date to commence dividend payments: June 5, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	614,196	16.9	17,801	127.2	18,873	214.7	13,014	678.2
Year ended March 31, 2017	525,563	(3.9)	7,834	(22.3)	5,998	(3.4)	1,672	-

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	118.74	-	5.8	2.7	2.9
Year ended March 31, 2017	15.26	-	0.8	0.8	1.5

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	716,693	247,860	32.6	2,131.12
As of March 31, 2017	706,418	226,223	30.2	1,945.79

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	44,384	(27,788)	(23,510)	18,445
Year ended March 31, 2017	57,591	(37,570)	(36,121)	20,630

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	-	0.00	-	5.00	5.00	548	32.8	0.3
Year ended March 31, 2018	-	15.00	-	15.00	30.00	3,293	25.3	1.5
Year ending March 31, 2019 (Forecast)	-	-	-	-	-	-	-	-

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

The earnings forecasts for fiscal 2018 are not presented because the outlook has not been determined due to the difficulty formulating reasonably accurate estimates at this time.

4. Notes

- (1) Changes in significant subsidiaries during the year ended March 31, 2018
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
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|--|-----|
| Changes in accounting policies due to revisions to accounting standards and other regulations: | No |
| Changes in accounting policies due to other reasons: | Yes |
| Changes in accounting estimates: | No |
| Restatement of prior period financial statements: | No |

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2018	109,843,923 shares	As of March 31, 2017	109,843,923 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	238,416 shares	As of March 31, 2017	233,415 shares
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Average number of shares during the period

Year ended March 31, 2018	109,607,524 shares	Year ended March 31, 2017	109,615,312 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	16,717	14,772
Notes and accounts receivable - trade	60,588	65,251
Securities	4,625	5,266
Inventories	132,139	152,001
Deferred tax assets	4,711	5,248
Other	39,537	15,924
Allowance for doubtful accounts	(514)	(512)
Total current assets	257,805	257,952
Non-current assets		
Property, plant and equipment		
Buildings and structures	295,195	304,407
Accumulated depreciation	(219,433)	(225,393)
Buildings and structures, net	75,761	79,013
Machinery, equipment and vehicles	972,997	1,011,413
Accumulated depreciation	(864,787)	(892,574)
Machinery, equipment and vehicles, net	108,210	118,839
Tools, furniture and fixtures	42,791	44,685
Accumulated depreciation	(37,696)	(39,606)
Tools, furniture and fixtures, net	5,094	5,078
Land	71,803	72,700
Construction in progress	12,445	5,751
Total property, plant and equipment	273,314	281,383
Intangible assets	14,075	13,946
Investments and other assets		
Investment securities	114,455	112,635
Deferred tax assets	3,537	3,360
Net defined benefit asset	23,108	30,117
Other	20,849	17,675
Allowance for doubtful accounts	(728)	(377)
Total investments and other assets	161,223	163,410
Total non-current assets	448,613	458,740
Total assets	706,418	716,693

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	112,309	115,770
Short-term loans payable	52,711	65,127
Commercial papers	7,000	22,000
Current portion of bonds	20,000	20,000
Provision for environmental measures	76	147
Other	42,697	46,954
Total current liabilities	234,795	270,000
Non-current liabilities		
Bonds payable	20,000	—
Long-term loans payable	145,323	116,874
Deferred tax liabilities	19,222	21,340
Provision for directors' retirement benefits	265	328
Provision for special repairs	8,590	8,705
Provision for environmental measures	1,181	1,098
Net defined benefit liability	48,191	47,871
Other	2,624	2,613
Total non-current liabilities	245,399	198,833
Total liabilities	480,195	468,833
Net assets		
Shareholders' equity		
Capital stock	30,000	30,000
Capital surplus	76,345	76,345
Retained earnings	77,107	89,820
Treasury shares	(565)	(573)
Total shareholders' equity	182,887	195,592
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,324	24,001
Deferred gains or losses on hedges	(42)	(13)
Revaluation reserve for land	465	458
Foreign currency translation adjustment	11,815	10,103
Remeasurements of defined benefit plans	(2,171)	3,439
Total accumulated other comprehensive income	30,391	37,989
Non-controlling interests	12,944	14,278
Total net assets	226,223	247,860
Total liabilities and net assets	706,418	716,693

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	525,563	614,196
Cost of sales	468,924	539,807
Gross profit	56,639	74,388
Selling, general and administrative expenses	48,805	56,587
Operating profit	7,834	17,801
Non-operating income		
Interest income	171	129
Dividend income	1,416	1,380
Share of profit of entities accounted for using equity method	1,037	3,881
Gain on insurance adjustment	2,682	–
Retirement benefit incomes	583	–
Other	1,240	1,404
Total non-operating income	7,132	6,795
Non-operating expenses		
Interest expenses	3,894	3,123
Service cost of temporarily transferred employees	2,305	406
Foreign exchange losses	329	49
Other	2,439	2,142
Total non-operating expenses	8,968	5,723
Ordinary profit	5,998	18,873
Extraordinary income		
Gain on sales of investment securities	2,442	768
Total extraordinary income	2,442	768
Extraordinary losses		
Loss on sales and retirement of non-current assets	771	654
Impairment loss	813	514
Loss on valuation of investment securities	1,804	1,801
Expenses related to advanced repayment of loans	–	1,016
Total extraordinary losses	3,389	3,986
Profit before income taxes	5,051	15,654
Income taxes - current	2,554	5,220
Income taxes - deferred	1,323	(2,204)
Total income taxes	3,877	3,015
Profit	1,173	12,639
Loss attributable to non-controlling interests	(498)	(375)
Profit attributable to owners of parent	1,672	13,014

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	1,173	12,639
Other comprehensive income		
Valuation difference on available-for-sale securities	6,104	3,598
Deferred gains or losses on hedges	523	–
Foreign currency translation adjustment	(1,741)	476
Remeasurements of defined benefit plans, net of tax	(50)	5,613
Share of other comprehensive income of entities accounted for using equity method	(2,616)	(1,626)
Others	(59)	–
Total other comprehensive income	2,159	8,062
Comprehensive income	3,332	20,701
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,263	20,612
Comprehensive income attributable to non-controlling interests	(931)	89

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,000	76,345	78,214	(549)	184,010
Changes of items during period					
Dividends of surplus			(2,744)		(2,744)
Profit attributable to owners of parent			1,672		1,672
Purchase of treasury shares				(16)	(16)
Change of scope of consolidation			12		12
Change of scope of equity method			83		83
Other			(130)		(130)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	(1,106)	(16)	(1,122)
Balance at end of current period	30,000	76,345	77,107	(565)	182,887

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	14,333	(651)	405	15,698	(2,102)	27,684	6,283	217,978
Changes of items during period								
Dividends of surplus								(2,744)
Profit attributable to owners of parent								1,672
Purchase of treasury shares								(16)
Change of scope of consolidation								12
Change of scope of equity method								83
Other								(130)
Net changes of items other than shareholders' equity	5,990	608	59	(3,882)	(68)	2,707	6,660	9,367
Total changes of items during period	5,990	608	59	(3,882)	(68)	2,707	6,660	8,244
Balance at end of current period	20,324	(42)	465	11,815	(2,171)	30,391	12,944	226,223

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,000	76,345	77,107	(565)	182,887
Changes of items during period					
Dividends of surplus			(2,195)		(2,195)
Profit attributable to owners of parent			13,014		13,014
Purchase of treasury shares				(7)	(7)
Change of scope of consolidation			1,870		1,870
Reversal of revaluation reserve for land			7		7
Other			14		14
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	12,712	(7)	12,704
Balance at end of current period	30,000	76,345	89,820	(573)	195,592

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	20,324	(42)	465	11,815	(2,171)	30,391	12,944	226,223
Changes of items during period								
Dividends of surplus								(2,195)
Profit attributable to owners of parent								13,014
Purchase of treasury shares								(7)
Change of scope of consolidation								1,870
Reversal of revaluation reserve for land								7
Other								14
Net changes of items other than shareholders' equity	3,677	28	(7)	(1,711)	5,610	7,598	1,334	8,932
Total changes of items during period	3,677	28	(7)	(1,711)	5,610	7,598	1,334	21,636
Balance at end of current period	24,001	(13)	458	10,103	3,439	37,989	14,278	247,860

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	5,051	15,654
Depreciation	27,819	34,646
Impairment loss	813	514
Increase (decrease) in net defined benefit liability	560	1,583
Decrease (increase) in net defined benefit asset	(1,340)	(1,495)
Increase (decrease) in provision for special repairs	–	105
Share of loss (profit) of entities accounted for using equity method	(1,037)	(3,881)
Interest and dividend income	(1,587)	(1,509)
Interest expenses	3,894	3,123
Loss (gain) on sales and retirement of property, plant and equipment	769	664
Decrease (increase) in notes and accounts receivable - trade	17,020	360
Decrease (increase) in inventories	(7,279)	(17,619)
Increase (decrease) in notes and accounts payable - trade	24,665	(55)
Other, net	(11,455)	17,158
Subtotal	57,893	49,248
Interest and dividend income received	1,879	4,727
Interest expenses paid	(3,992)	(4,601)
Income taxes (paid) refund	1,811	(4,990)
Net cash provided by (used in) operating activities	57,591	44,384
Cash flows from investing activities		
Purchase of investment securities	(1,230)	(48)
Proceeds from sales of investment securities	194	11,061
Purchase of property, plant and equipment	(31,580)	(33,174)
Proceeds from sales of property, plant and equipment	224	121
Purchase of shares of subsidiaries and associates	(1,366)	–
Proceeds from sales of shares of subsidiaries and associates	376	–
Other, net	(4,187)	(5,749)
Net cash provided by (used in) investing activities	(37,570)	(27,788)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(17,367)	(2,664)
Increase (decrease) in commercial papers	7,000	15,000
Proceeds from long-term loans payable	11,600	46,400
Repayments of long-term loans payable	(25,688)	(59,756)
Redemption of bonds	(10,000)	(20,000)
Purchase of treasury shares	(9)	(7)
Cash dividends paid	(2,744)	(2,198)
Dividends paid to non-controlling interests	(73)	(125)
Proceeds from share issuance to non-controlling shareholders	1,343	–
Other, net	(181)	(157)
Net cash provided by (used in) financing activities	(36,121)	(23,510)
Effect of exchange rate change on cash and cash equivalents	(709)	(81)
Net increase (decrease) in cash and cash equivalents	(16,810)	(6,995)
Cash and cash equivalents at beginning of period	31,344	20,630
Increase in cash and cash equivalents from newly consolidated subsidiary	6,097	4,810
Cash and cash equivalents at end of period	20,630	18,445