

Annual Report 2017

From April 1, 2016 to March 31, 2017



NIPPON YAKIN KOGYO CO., LTD.



President

Hajime Kimura

I would like to extend my heartfelt gratitude for the continued support and patronage of our shareholders. In presenting the annual report for our 135th year (from April 1, 2016 to March 31, 2017), I would like to offer a few words. In the fiscal year under review, the Japanese economy

saw improvements in corporate earnings and employment conditions, leading to a continuation of the overall tone of moderate recovery. However, given factors such as the economic trend in emerging countries, the decision of the United Kingdom to exit the EU, and the direction of the new administration in the United States, the international political and economic situation remained uncertain, resulting in a lack of visibility.

In the stainless and specialty steel industry, Asia, including China, remained in a state of oversupply, but we have begun to see signs of a shift toward demand recovery in such developments as a bottoming out at the beginning of the fiscal year in the price of nickel, our primary raw material, and in the switch towards price increases in iron sources and chrome.

In the Company's strategic field of high-performance alloys (high-nickel alloy products in sheet and coil forms with a nickel content of 20% or more), demand centered on overseas markets was robust. In addition to firm demand in areas such as consumers' durables, primarily in the US, we began to see indications of a recovery in demand from applications in the previously sluggish oil and gas industries. In the standard grade stainless steel division, due in part to the above-mentioned increases in raw material prices, in addition to the moderate recovery trend in the domestic economy, we observed improvements in demand, particularly in the second half of the fiscal year.

Amid these business conditions, the Group strove to achieve more appropriate selling prices that better match costs, primarily in the area of standard grade stainless steel. In addition, with the aim of expanding sales in the strategic field of high-performance alloys, we implemented such initiatives as raising productivity through manufacturing process improvements and broadening our sources for raw materials.

As a result, the Company's sales volumes for the fiscal year under review increased 2.5% year on year (high-performance alloys: up 9.1%, standard grade stainless steel: up 1.2%), while net sales for the fiscal year under review were ¥112,962 million, falling ¥8,082 million year on year. However, with regard to profits, the Company was able to secure increases, and ordinary profit came to ¥2,849 million, an increase of ¥2,325 million year on year, while profit attributable to owners of parent was ¥2,349 million, an increase of ¥1,528 million year on year.

On the subject of dividends of surplus, our basic policy is one of paying stable dividends while taking into account the investments necessary to maintain the business foundation and the outlook for business results, in addition to working to further improve the financial condition of the Company. With regard to the year-end dividend for the fiscal year under review, due to strong business results we will raise the dividend by ¥1 per share to ¥2.5.

The Group must deliver new strategic initiatives to respond

to the changes in the structure of the stainless steel market caused by the reorganization of the domestic industry, the intensifying competition for high-performance alloys in the global market, and the need to secure demand in growing emerging markets such as Russia, India and the Middle East.

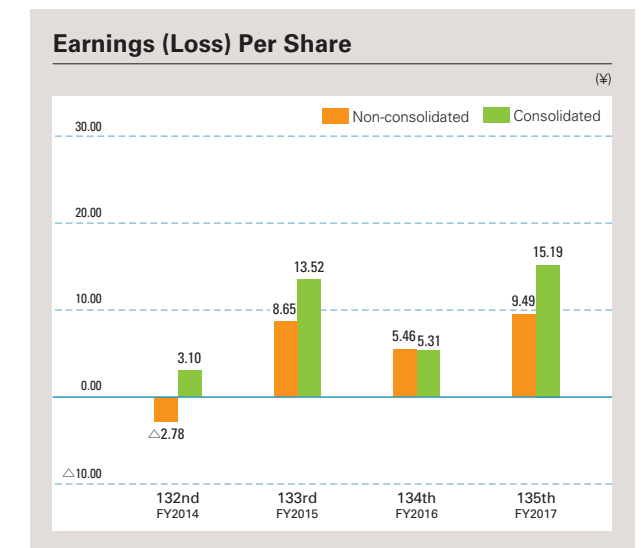
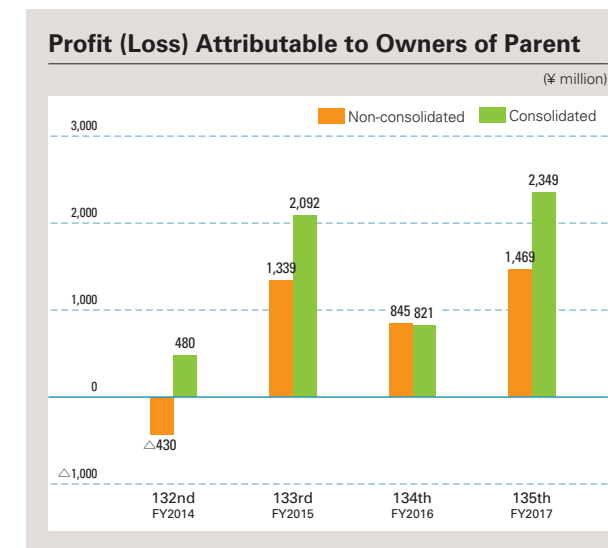
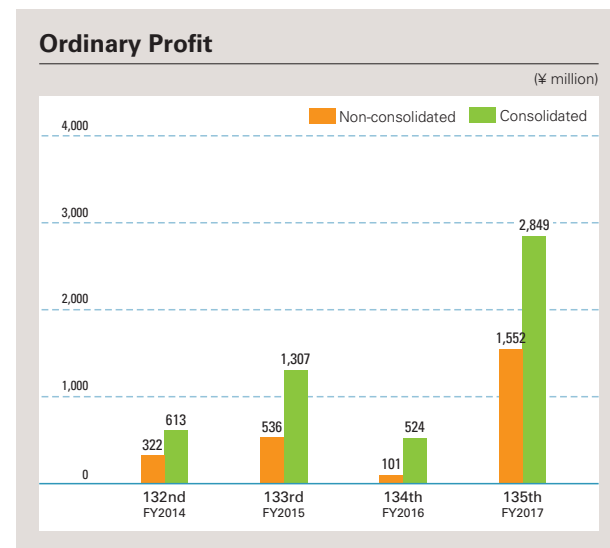
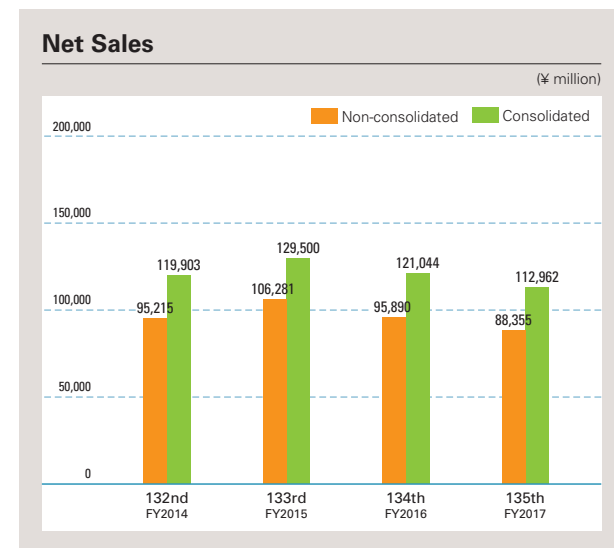
With the intent of implementing a clear response to such internal and external changes in the business environment, we have drawn up a Medium-Term Management Plan 2017 (running from fiscal 2017 to fiscal 2019). Starting in April of this year, the plan adopts a new perspective aimed at winning through as a globally competitive manufacturer of stainless and specialty steel, within which the high-performance alloys business and the standard grade stainless steel business work in tandem.

In addition, we offer our sincere apologies for the fire that broke out at the hot-rolling shop of the Kawasaki Plant on May 14, 2017, which has caused considerable concern to shareholders. Currently, the entire company is working as one to achieve a complete and early recovery and to guarantee supply of products.

We humbly request the continued support and cooperation of our shareholders as we move forward.

June 2017

Financial Highlights



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[Notes on rounding]

The figures presented in this report are generally rounded to the nearest one million yen. For instance, on page 3 the right-hand chart of "(2) Net Sales," "Net Sales (Non-consolidated)" contains two bars for each respective fiscal year, with the bar on the left showing results broken down by sales of stainless steel flat products, high-performance alloys and other, and one on the right showing results broken down by Japan and exports. Although respective totals are equal before rounding, in some cases the totals shown for each left bar and the corresponding right bar may not equal the sums of the components due to rounding errors. Moreover, in some cases the sum of individual figures presented for financial statement items may not equal the respective totals stated due to such rounding error.

(1) Overview

The following is an overview of the Group's stainless steel flat products and processed goods business.

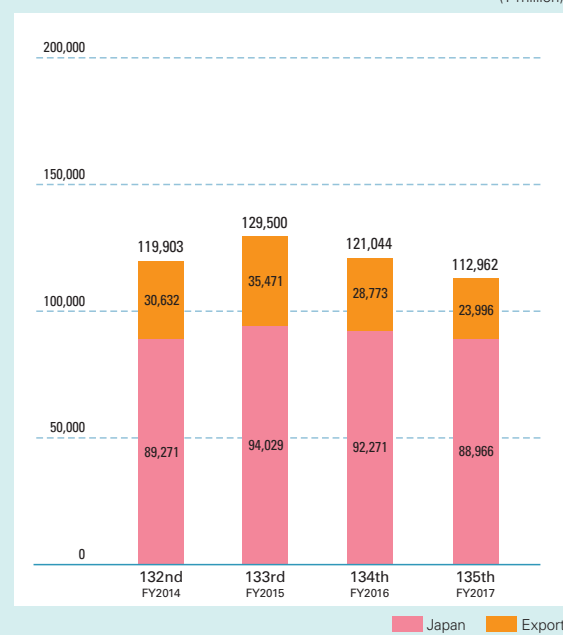
In addition to the moderate recovery trend in the domestic economy, there were price increases for raw materials such as iron sources and chrome, and improvements in demand were observed, particularly in the second half of the fiscal year.

Amid these business conditions, the Group strove to achieve more appropriate selling prices that better match costs, primarily in the area of standard grade stainless steel. In addition, with the aim of expanding sales in the strategic field of high-performance alloys, we implemented such initiatives as raising productivity through manufacturing process improvements and broadening our sources for raw materials.

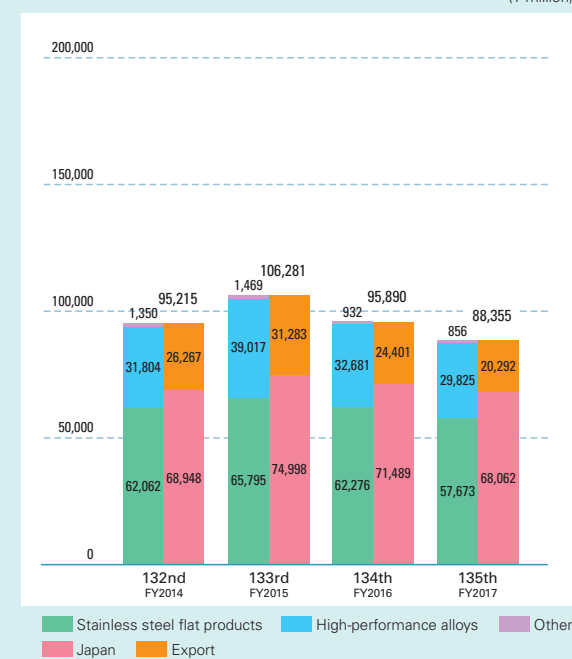
As a result, the Company's sales volumes for the fiscal year under review increased 2.5% year on year (high-performance alloys: up 9.1%, standard grade stainless steel: up 1.2%), while net sales for the fiscal year under review were ¥112,962 million, falling ¥8,082 million year on year. Of this amount, sales in Japan were ¥88,966 million while export sales came to ¥23,996 million. (Ratio of domestic to export: 78.8% : 21.2%)

(2) Net Sales

Net Sales (Consolidated)



Net Sales (Non-consolidated)



(3) Net Sales Breakdown

Description			134th FY2016 (Term ended March 31, 2016) (A)	135th FY2017 (Term ended March 31, 2017) (B)	year on year (B)/(A)
High-performance alloys	Sales volume	Thousand tons	39.9	43.5	109.1%
	Sales amount	¥ million	32,681	29,825	91.3%
Stainless steel flat products	Sales volume	Thousand tons	204.6	207.0	101.2%
	Sales amount	¥ million	62,276	57,673	92.6%
Other	Sales amount	¥ million	932	856	91.8%
Total	Sales amount	¥ million	95,890	88,355	92.1%
Export	Sales amount	¥ million	24,401	20,292	83.2%

(4) Capital Investment

Taking into account trends in the business environment, the Group made investment to enhance the competitiveness of high-performance alloys, considered as the Group's most important strategic product, while also investing in the environment and energy saving fields, along with initiatives to strengthen the Group's business foundations.

As a result, capital investments totaled ¥2,339 million in the fiscal year under review.

(5) Fund Procurement

Working capital and capital investment funds were allocated from the Company's own funds, issuing corporate bonds and bank borrowings.

(6) Overview of Medium-Term Management Plan 2017 (Note)

(i) Positioning and concept of Medium-Term Management Plan 2017

By the 100th anniversary of its founding in 2025, the Company aims to become "A global top supplier of high-performance alloys, based on a robust domestic stainless steel business and a sustainable long-term corporate foundation." This Medium-Term Management Plan 2017 is positioned as the first three-year step towards this, and raises the following three themes.

- (A) Establishing the Company as a top supplier that uses competitiveness derived from superlative QCD (quality, cost, delivery) to lead the Asian high-performance alloy market.
- (B) Establishing the Company as a supplier that earns the trust of clients and has real presence in the domestic stainless steel market.
- (C) Continuing the Company's role as a corporation that contributes to society through paying close attention to the local environment and through the practice of recycling, resource conservation and energy conservation.

(ii) Basic strategy for Medium-Term Management Plan 2017

The following initiatives will be undertaken to implement the three themes of the Medium-Term Management Plan 2017.

- (A) Further enhancement of the high-performance alloys business
 - We will further strengthen the competitiveness of our mainstay products and broaden the lineup, we will unearth demand in priority areas and markets for expanding sales of high-performance alloys.
 - We will expand global sales and the production capability, while reinforcing initiatives aimed at markets in Asia and emerging countries.
- (B) Rebuilding of the standard grade stainless steel business
 - We will move forward with structural adjustments to respond to the reorganization of the industry and the structural changes in the domestic stainless steel market.
 - We will actively work to expand sales for high value-added materials where demand is robust, such as checker and polka plates, heat resistant steel and free-machining steel.
- (C) Reforming manufacturing processes and renovating the Kawasaki Plant
 - In order to "Create new added value" as a supply base for high-performance alloy products, we will implement process reforms (including capital investment) that cover the whole range of quality, cost and delivery at the Kawasaki Plant and the Oheyama Plant.
 - As part of the evolution toward a compact urban-style plant that is environmentally friendly, we will carry out a renovating of the Kawasaki Plant.

(D) Strengthening the competitiveness of raw materials and the Oheyama Plant

- We will maximize raw material cost-competitiveness by using low-priced raw materials to the limit.
- By leveraging the management resources of the Oheyama Plant (technology, people, facilities, location), we will work to reinforce the business.

(E) Upgrading company infrastructure and reinforcing company foundation

- We will strive to reinforce the company foundation and improve the nature of the Company such that it is less affected by the external environment, aiming to continue to be a corporation whose existence is valuable.

(F) Promoting initiatives to put in place a corporate governance structure and to fulfil corporate responsibilities

- We will significantly strengthen the internal control structure of the Group.
- We will engage forcefully in environmental protection activities in order to contribute to the creation of a sustainable recycling-orientated society.

(iii) Capital investment plan for the Medium-Term Management Plan 2017

With a view to achieving the reform of manufacturing processes and the renovating of the Kawasaki Plant, we will carry out strategic capital investment. Including other capital investment, the planned investment for the next three years is ¥28,000 million, equivalent to more than twice the depreciation expense that will be incurred during the Medium-Term Management Plan period.

[Breakdown of capital investment plan] Strategic capital investment: ¥15,000 million; Reinforcing business foundation: ¥9,500 million; Investment related to affiliates: ¥3,500 million (strategic capital investment is the total of manufacturing process reforms and the renovating of the Kawasaki Plant)

(iv) Targets for the Medium-Term Management Plan 2017

- With regard to ordinary profit, we will secure a level of profits that allows both active capital investment aimed at the future and a strengthening of the financial structure through reductions in borrowings.

[Ordinary profit targets] Non-consolidated ¥5,500 million, consolidated ¥7,000 million

- By targeting ROE of 8% or more and a net debt to equity ratio of less than 1.0, we will strive to both improve capital efficiency and to improve the financial structure.
- Setting a payout ratio objective of 20% or more, we will strive to strike a balance between returns to shareholders, strengthening the financial base and investment for growth.

(Note) Further details on the Medium-Term Management Plan 2017 are available on the Company's corporate website: http://www.nyk.co.jp/files/pdf/ja/ir_news_170509_02.pdf (Japanese only)

(7) Results of Operations and Assets

1. Four fiscal years ended March 31 (consolidated)

Description	132nd FY2014 (Term ended March 31, 2014)	133rd FY2015 (Term ended March 31, 2015)	134th FY2016 (Term ended March 31, 2016)	135th FY2017 (Term ended March 31, 2017)
Net sales (¥ million)	119,903	129,500	121,044	112,962
Ordinary profit (¥ million)	613	1,307	524	2,849
Profit attributable to owners of parent (¥ million)	480	2,092	821	2,349
Earnings per share (¥)	3.10	13.52	5.31	15.19
Total assets (¥ million)	137,370	141,015	134,774	135,666
Net assets (¥ million)	30,998	34,254	34,150	36,889

2. Four fiscal years ended March 31 (non-consolidated)

Description	132nd FY2014 (Term ended March 31, 2014)	133rd FY2015 (Term ended March 31, 2015)	134th FY2016 (Term ended March 31, 2016)	135th FY2017 (Term ended March 31, 2017)
Net sales (¥ million)	95,215	106,281	95,890	88,355
Ordinary profit (¥ million)	322	536	101	1,552
Profit (loss) (¥ million)	△ 430	1,339	845	1,469
Earnings (loss) per share (¥)	△ 2.78	8.65	5.46	9.49
Total assets (¥ million)	122,715	126,785	121,351	122,596
Net assets (¥ million)	33,277	35,382	35,466	37,216

(8) Major Subsidiaries, etc.

1. Consolidated subsidiaries

Name of company	Common stock	Holding ratio of voting rights	Main lines of business
NAS TOA CO., LTD.	¥ million 100	100.00 %	Production and sales of stainless steel and high-performance alloy welded pipes & tubes
NAS Stainless Steel Strip MFG. Co., Ltd.	682	100.00	Production and sales of stainless steel precision strip
NAS TRADING CO., LTD.	785	100.00	Sales and processing of stainless steel, specialty steel and processed products
Clean Metals Co., Ltd.	200	100.00	Sales and processing of stainless steel, specialty steel and processed products
NAS CREATE CO., LTD.	90	100.00	Sales of packaging materials for stainless steel products and non-life insurance agency business
NAS ENGINEERING CO., LTD.	102	100.00	Equipment installation and other engineering business
NAS TEC CO., LTD.	100	100.00	Contract work services involving production and processing of specialty steel and stainless steel
Miyazu Kairiku Unnyu Co., Ltd.	32	100.00	Harbor transport, truck transport, customs brokerage and sales of processed sand
NAS TOA (THAILAND) CO., LTD.	Thousands of THB 220,000	99.99	Production and sales of stainless steel pipes & tubes and processed products

(Note) Figures provided for holding ratio of voting rights include indirect holdings.

2. Equity-method affiliates

Name of company	Common stock	Holding ratio of voting rights	Main lines of business
Mitoyo Kinzoku K.K.	¥ million 20	49.00 %	Sales and processing of stainless steel and non-ferrous metal materials

(Note) The figure provided for holding ratio of voting rights includes indirect holdings.

(9) Main Lines of Business

Production and sales of stainless steel, heat resistant steel, high-nickel alloy steel plate (sheet, medium-thick plate, strip), steel forgings and processed products, and production of ferro-nickel

(10) Main Business Locations

1. The Company

Head office	5-8, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan
Branch	Tokyo, Osaka, Kyushu (Fukuoka-shi, Fukuoka), Nagoya, Hiroshima, Niigata
Manufacturing base	Kawasaki Plant (Kawasaki-shi, Kanagawa), Oheyama Plant (Miyazu-shi, Kyoto)

(Note) Locations outside Japan include local subsidiaries, Nippon Yakin Shanghai Co., Ltd. in Shanghai, China, Nippon Yakin America, Inc. in Chicago, U.S.A., Nippon Yakin Europe Limited in London, U.K., and Nippon Yakin Asia Pte. Ltd. in Singapore.

2. Subsidiaries

NAS TOA CO., LTD.	Head office (Chuo-ku, Tokyo)
	Branch : Osaka
	Factory: Chigasaki Plant (Kanagawa)
NAS Stainless Steel Strip MFG. Co., Ltd.	Head office (Osaka-shi, Osaka)
	Branch : Tokyo, Osaka
	Factory: Shiga Plant
NAS TRADING CO., LTD.	Head office (Chuo-ku, Tokyo)
	Branch : Tokyo, Nagoya, Osaka
	Division: Processing Center (Osaka, Aichi)
NAS TOA (THAILAND) CO., LTD.	Head office & Factory (Thailand)

(Note) Locations outside Japan include NAS KOTAI (THAILAND) CO., LTD., which is an overseas subsidiary of NAS Stainless Steel Strip MFG. Co., Ltd. in Bangkok, Thailand, and NAS TRADING (THAILAND) CO., LTD., which is an overseas subsidiary of NAS TRADING CO., LTD.

(11) Employees of the Group and the Company

	Group	Company	Average age	Average length of service
Number of employees (Persons)	2,018	1,064	40 years old, 0 months	18 years, 2 months
Year-on-year change	Increase 20	Increase 18		

(Note) The number of employees is the number of persons actually at work.

(12) Major Creditors

Creditor	Balance at the end of the fiscal year
Mizuho Bank, Ltd.	16,642 <small>¥ million</small>
Mitsubishi UFJ Trust and Banking Corporation	5,917
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,118
Development Bank of Japan Inc.	4,010
Sumitomo Mitsui Trust Bank, Limited	1,727

(Note) In addition to the aforementioned, the Company issues unsecured bonds to qualified institutional investors with the financial institution below as guarantor.

(Guarantor)	(Bonds outstanding)
Sumitomo Mitsui Trust Bank, Limited	¥2,400 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥405 million
Mitsubishi UFJ Trust and Banking Corporation	¥288 million

(13) Number of Authorized Shares

Common Stock 558,000,000 shares

(14) Number of Issued Shares

Common Stock 154,973,338 shares
(Including 287,020 shares of treasury stock)

(15) Number of Shares per Unit

100 shares

(16) Number of Shareholders (Persons)

24,190

(17) Major Shareholders (Top 10)

Shareholder name	Number of shares held	Share-holding ratio
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank Japan Ltd.)	4,559 <small>Thousands of shares</small>	2.95 %
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,246	2.74
Japan Trustee Services Bank, Ltd. (Trust Account)	3,535	2.29
Nippon Yakin Associates Stock Holding Partnership	3,465	2.24
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,178	2.05
Mizuho Bank, Ltd. (Standing proxy: Trust & Custody Services Bank, Ltd.)	3,115	2.01
Japan Trustee Services Bank, Ltd. (Trust Account 2)	2,238	1.45
Japan Trustee Services Bank, Ltd. (Trust Account 1)	2,182	1.41
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,800	1.16
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1,775	1.15

(Notes)

- Figures stated for number of shares held have been rounded down to the nearest one thousand shares.
- Share-holding ratio has been calculated deducting treasury stock (287,020 shares).

(Note) Details and figures presented in (8) to (17), on pages 6 to 8, are current as of March 31, 2017.

Consolidated Financial Statements

Consolidated Balance Sheets

Item	As of March 31, 2017	As of March 31, 2016
Assets		
Current assets	55,662	53,860
Cash and deposits	6,045	4,900
Notes and accounts receivable	20,477	20,177
Marketable securities	–	30
Merchandise and finished products	6,951	6,992
Work in progress	14,133	15,934
Raw materials and purchased supplies	7,755	5,524
Deferred tax assets	68	66
Other current assets	713	774
Allowance for doubtful receivables	▲ 481	▲ 538
Fixed assets	79,948	80,866
Tangible fixed assets	73,965	75,179
Buildings and structures	11,016	11,318
Machinery, equipment and vehicles	21,951	22,028
Land	38,698	38,694
Construction in progress	710	1,500
Other tangible fixed assets	1,592	1,639
Intangible fixed assets	1,296	1,555
Software	433	498
Other intangible fixed assets	862	1,058
Investments and other assets	4,687	4,131
Investment securities	3,978	3,233
Deferred tax assets	96	107
Other investments and other assets	635	813
Allowance for doubtful receivables	▲ 22	▲ 22
Deferred assets	57	49
Bond issuance cost	57	49
Total assets	135,666	134,774

(Note) As of March 31, 2017 As of March 31, 2016
Assets pledged as collateral 69,896 72,283

POINT Current assets

Inventories (the total of merchandise and finished products, work in progress, and raw materials and purchased supplies) have increased by approximately ¥400 million in comparison with the level on March 31, 2016, due to higher production, resulting from an increase in sales volume against a backdrop of firm demand.

POINT Fixed assets

Capital investment on tangible fixed assets and on intangible fixed assets fell by approximately ¥1,200 million and ¥300 million, respectively, due to the ending of a round of large-scale investment.

Item	As of March 31, 2017	As of March 31, 2016
Liabilities		
Current liabilities	61,065	58,311
Notes and accounts payable	17,024	15,199
Short-term debt	26,071	26,093
Current portion of bonds	754	600
Current portion of long-term debt	10,839	9,728
Accrued income taxes	589	257
Accrued consumption taxes	549	850
Reserve for employees' bonuses	962	716
Other current liabilities	4,277	4,868
Long-term liabilities	37,713	42,313
Bonds payable	1,739	1,800
Long-term debt	15,796	20,249
Deferred tax liabilities	7,418	7,292
Deferred tax liabilities on land revaluation	918	912
Net defined benefit liabilities	9,674	9,437
Reserve for environmental measures	2	12
Reserve for prevention of metal mine pollution	5	5
Other long-term liabilities	2,162	2,606
Total liabilities	98,777	100,624
Net assets		
Equity	33,959	31,853
Common stock	24,301	24,301
Capital surplus	9,542	9,542
Retained earnings	255	▲ 1,851
Treasury stock	▲ 139	▲ 139
Accumulated other comprehensive income	2,925	2,292
Unrealized gain on available-for-sale securities	1,107	507
Net deferred losses on hedges	1	1
Land revaluation reserve	1,744	1,733
Foreign currency translation adjustments	74	50
Non-controlling interests	5	5
Total net assets	36,889	34,150
Total liabilities and net assets	135,666	134,774

(Note) As of March 31, 2017 As of March 31, 2016
Guarantee liabilities 1 6
Notes discounted 1,570 2,408
Notes endorsed 484 478

POINT Net assets

The shareholders' equity ratio was 27.2% as of March 31, 2017.

Consolidated Statements of Operations

Item	Term ended March 31, 2017	Term ended March 31, 2016
Net sales	112,962	121,044
Cost of sales	98,679	109,518
Selling, general and administrative expenses	9,930	9,635
Operating profit	4,352	1,892
Non-operating income	263	387
Interest and dividends received	71	130
Other non-operating income	192	257
Non-operating expenses	1,766	1,755
Interest paid	1,016	1,214
Other non-operating expenses	750	540
Ordinary profit	2,849	524
Extraordinary profits	4	418
Extraordinary losses	87	292
Profit before income taxes	2,765	651
Income taxes (corporate tax, residential tax and enterprise tax)	403	228
Income tax adjustment	13	▲ 398
Profit (loss) attributable to non-controlling interests	0	▲ 0
Profit attributable to owners of parent	2,349	821

(Note) Term ended March 31, 2017 Term ended March 31, 2016
Earnings per share 15.19 5.31

Consolidated Statements of Cash Flows

Item	Term ended March 31, 2017	Term ended March 31, 2016
Cash flows from operating activities	8,361	6,770
Cash flows from investing activities	▲ 3,048	▲ 2,738
Cash flows from financing activities	▲ 4,228	▲ 4,061
Foreign currency translation adjustment of cash and cash equivalents	20	▲ 122
Net increase (decrease) in cash and cash equivalents	1,105	▲ 151
Cash and cash equivalents at the beginning of the term	4,830	4,980
Balance of cash and cash equivalents at the end of the term	5,935	4,830

POINT Net sales

The Group focused on more appropriate selling prices, mostly in the area of standard grade stainless steel. In addition, with the aim of the expansion of sales in the Company's strategic field of high-performance alloys, we implemented initiatives to enhance productivity through improving manufacturing processes and broaden our sources for raw materials. Also, as a result of firm overseas demand for consumers' durables and indications of a recovery in applications in the previously sluggish oil and gas industries, the high-performance alloy field posted growth in sales volume of approximately 9%, while standard grade stainless steel increased by about 1%. However, net sales for the fiscal year under review declined by approximately ¥8,100 million year on year due to the impact of the weak raw material market in the first half of the fiscal year.

POINT Ordinary profit

In addition to the increase in sales volume mentioned above, the disappearance of loss on valuation of inventory after the bottoming out of nickel prices and so on led to an increase in profit by around ¥2,300 million year on year.

Consolidated Statements of Changes in Equity (Term ended March 31, 2017)

	Equity					Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance as of April 1, 2016	24,301	9,542	▲ 1,851	▲ 139		31,853
Changes of items during the period:						
Dividends of surplus	–	–	▲ 232	–	–	▲ 232
Profit attributable to owners of parent	–	–	2,349	–	–	2,349
Purchase of treasury stock	–	–	–	▲ 0	–	▲ 0
Reversal of land revaluation reserve	–	–	▲ 11	–	–	▲ 11
Changes outside scope of equity – net	–	–	–	–	–	–
Total changes of items during the period	–	–	2,106	▲ 0	–	2,106
Balance as of March 31, 2017	24,301	9,542	255	▲ 139		33,959

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Net deferred loss on hedges	Land revaluation reserve	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2016	507	1	1,733	50	2,292	5	34,150
Changes of items during the period:							
Dividends of surplus	–	–	–	–	–	–	▲ 232
Profit attributable to owners of parent	–	–	–	–	–	–	2,349
Purchase of treasury stock	–	–	–	–	–	–	▲ 0
Reversal of land revaluation reserve	–	–	–	–	–	–	▲ 11
Changes outside scope of equity – net	599	▲ 1	11	23	633	0	633
Total changes of items during the period	599	▲ 1	11	23	633	0	2,739
Balance as of March 31, 2017	1,107	1	1,744	74	2,925	5	36,889

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

Item	As of March 31, 2017	As of March 31, 2016
Assets		
Current assets	43,445	44,775
Cash and deposits	3,201	2,419
Notes receivable	6,451	6,465
Accounts receivable	9,527	9,057
Merchandise and finished products	3,021	2,637
Work in progress	13,593	15,325
Raw materials and purchased supplies	6,878	4,769
Prepaid expenses	162	85
Short-term loans receivable	167	3,617
Other current assets	444	402
Fixed assets	79,094	76,527
Tangible fixed assets	65,996	67,054
Buildings	7,325	7,428
Structures	2,537	2,650
Machinery and equipment	20,240	20,266
Vessels	0	1
Vehicles and other land delivery equipment	17	14
Tools, furniture and fixtures	136	142
Land	34,416	34,416
Lease assets	724	749
Construction in progress	601	1,388
Intangible fixed assets	1,204	1,449
Software	402	467
Other intangible fixed assets	802	983
Investments and other assets	11,894	8,024
Investment securities	3,166	2,545
Shares of subsidiaries and affiliates	4,822	4,822
Long-term loans receivable	3,430	–
Long-term prepaid expenses	117	289
Other investments and other assets	362	370
Allowance for doubtful receivables	▲ 2	▲ 2
Deferred assets	57	49
Bond issuance cost	57	49
Total assets	122,596	121,351

(Note) As of March 31, 2017 As of March 31, 2016
 Monetary claims against subsidiaries (short-term) 8,498 11,715
 Monetary claims against subsidiaries (long-term) 3,442 23

POINT Current assets

Inventories (the total of merchandise and finished products, work in progress, and raw materials and purchased supplies) have increased by approximately ¥800 million in comparison with the level on March 31, 2016, due to higher production, resulting from an increase in sales volume against a backdrop of firm demand.

POINT Fixed assets

Capital investment on tangible fixed assets and on intangible fixed assets fell by approximately ¥1,100 million and ¥200 million, respectively, due to the ending of a round of large-scale investment.

Item	As of March 31, 2017	As of March 31, 2016
Liabilities		
Current liabilities	51,224	47,509
Notes payable	6,774	6,431
Accounts payable	7,206	5,159
Short-term debt	19,907	19,633
Current portion of bonds	754	600
Current portion of long-term debt	10,189	9,011
Lease obligations	449	431
Accounts payable - other	912	1,172
Accrued expenses	1,926	1,838
Deposits received	1,287	871
Reserve for employees' bonuses	569	388
Notes payable - equipment	339	1,123
Other current liabilities	911	853
Long-term liabilities	34,156	38,375
Bonds payable	1,739	1,800
Long-term debt	14,796	18,953
Lease obligations	1,046	1,270
Deferred tax liabilities	7,785	7,683
Deferred tax liabilities on land revaluation	404	404
Reserve for employees' retirement benefits	7,452	7,206
Reserve for environmental measures	2	12
Reserve for prevention of metal mine pollution	5	5
Asset retirement obligations	220	220
Long-term accounts payable - other	703	812
Other long-term liabilities	5	10
Total liabilities	85,380	85,885
Net assets		
Equity	35,619	34,382
Common stock	24,301	24,301
Capital surplus	9,542	9,542
Statutory reserve	9,542	9,542
Retained earnings	1,909	673
Other retained earnings	1,909	673
Retained earnings brought forward	1,909	673
Treasury stock	▲ 134	▲ 134
Valuation and translation adjustments	1,598	1,084
Unrealized gain on available-for-sale securities	926	412
Land revaluation reserve	672	672
Total net assets	37,216	35,466
Total liabilities and net assets	122,596	121,351

(Note) As of March 31, 2017 As of March 31, 2016
 Monetary debt against subsidiaries (short-term) 4,482 4,010
 Guarantee liabilities 1 6

POINT Interest-bearing debt

The total amount of combined short-term debt, long-term debt and bonds payable decreased by approximately ¥2,600 million year on year.

POINT Net assets

The shareholders' equity ratio was 30.4% as of March 31, 2017.

Non-consolidated Statements of Operations

Item	Term ended March 31, 2017	Term ended March 31, 2016
Net sales	88,355	95,890
Cost of sales	80,409	89,971
Selling, general and administrative expenses	5,617	5,224
Operating profit	2,329	695
Non-operating income	763	886
Interest and dividends received	384	404
Other non-operating income	380	482
Non-operating expenses	1,541	1,480
Interest paid	892	1,063
Other non-operating expenses	649	417
Ordinary profit	1,552	101
Extraordinary profits	–	410
Extraordinary losses	88	198
Profit before income taxes	1,464	312
Income taxes (corporate tax, residential tax and enterprise tax)	▲ 5	▲ 95
Income tax adjustment	▲ 0	▲ 438
Profit	1,469	845

(Note) Term ended March 31, 2017 Term ended March 31, 2016
 Earnings per share 9.49 5.46

POINT Net sales

In the stainless and specialty steel industry, Asia, including China, remained in a state of oversupply, but due to firm overseas demand for consumers' durables and indications of a recovery in applications in the previously sluggish oil and gas industries, the high-performance alloy field posted growth in sales volume of approximately 9%, while standard grade stainless steel increased by about 1% as a result of increased demand owing to a moderate recovery in the domestic economy and the raising raw material prices. However, net sales for the fiscal year under review declined by approximately ¥7,500 million year on year due to the impact of the weak raw material market in the first half of the fiscal year.

POINT Ordinary profit

In addition to the increase in sales volume mentioned above, the disappearance of loss on valuation of inventory after the bottoming out of nickel prices and so on led to an increase in profit by around ¥1,500 million year on year.

Non-consolidated Statements of Changes in Equity (Term ended March 31, 2017)

	Equity						
	Common stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity
		Statutory reserve	Total capital surplus	Other retained earnings	Total retained earnings		
Balance as of April 1, 2016	24,301	9,542	9,542	673	673	▲ 134	34,382
Changes of items during the period:							
Dividends of surplus	–	–	–	▲ 232	▲ 232	–	▲ 232
Profit	–	–	–	1,469	1,469	–	1,469
Purchase of treasury stock	–	–	–	–	–	▲ 0	▲ 0
Changes outside scope of equity – net	–	–	–	–	–	–	–
Total changes of items during the period	–	–	–	1,237	1,237	▲ 0	1,236
Balance as of March 31, 2017	24,301	9,542	9,542	1,909	1,909	▲ 134	35,619
	Valuation and translation adjustments				Total net assets		
	Net unrealized gain on available-for-sale securities	Land revaluation reserve	Total valuation and translation adjustments				
Balance as of April 1, 2016	412	672	1,084	35,466			
Changes of items during the period:							
Dividends of surplus	–	–	–	▲ 232			
Profit	–	–	–	1,469			
Purchase of treasury stock	–	–	–	▲ 0			
Changes outside scope of equity – net	514	–	514	514			
Total changes of items during the period	514	–	514	1,750			
Balance as of March 31, 2017	926	672	1,598	37,216			

Board of Directors and Audit & Supervisory Board Members

As of June 28, 2017

Representative Director and President	Hajime Kimura
Representative Director	Hisashi Kubota
Director	Akira Horiuchi
Director	Yasuhiro Kiuchi
Director	Takashi Michibayashi
Director	Koichi Sano
Audit & Supervisory Board Member (Full time)	Yasuhiko Kobayashi
Audit & Supervisory Board Member (Full time)	Mamoru Kishida
Audit & Supervisory Board Member	Hiromi Maeda
Audit & Supervisory Board Member	Masahiko Kishiki

(Reference)
Among the Directors, Messrs. Takashi Michibayashi and Koichi Sano serve as Outside Directors. Among the Audit & Supervisory Board Members, Messrs. Mamoru Kishida and Masahiko Kishiki serve as Outside Audit & Supervisory Board Members.

Executive Officers

As of June 28, 2017

President and Executive Officer	Hajime Kimura
Senior Managing Officer	Hisashi Kubota
Managing Officer	Akira Horiuchi
Managing Officer	Yasuhiro Kiuchi
Managing Officer	Masato Noda
Managing Officer	Wang Kun
Executive Officer	Syuichi Sasaki
Executive Officer	Shingo Kobayashi
Executive Officer	Shigemi Urata
Executive Officer	Kenji Nagata
Executive Officer	Shinpei Ito
Executive Officer	Hisashi Yamada

Accounting Auditor

As of June 28, 2017

Yaesu Audit Company

Locations in Japan

As of June 28, 2017

Head Office

Sanei Bldg., 5-8, Kyobashi 1-chome, Chuo-ku, Tokyo 104-8365, Japan
Phone: +81-(0)3-3272-1511

Osaka Branch

Kogin Bldg., 1-1, Korai-bashi 4-chome, Chuo-ku, Osaka-shi, Osaka 541-0043, Japan
Phone: +81-(0)6-6222-5411

Nagoya Branch

NBF Nagoya Hiroko-ji Bldg., 3-6, Sakae 2-chome, Naka-ku, Nagoya-shi, Aichi 460-0008, Japan
Phone: +81-(0)52-211-1102

Kyushu Branch

Ayasugi Bldg., 15-6, Tenjin 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka 810-0001, Japan
Phone: +81-(0)92-722-4170

Hiroshima Branch

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Niigata Branch

Hokuetsu Daiichi Bldg., 2-25, Higashi Odori 1-chome, Niigata-shi, Niigata 950-0087, Japan
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Kawasaki Plant

4-2, Kojima-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa 210-8558, Japan
Phone: +81-(0)44-271-3012

Oheyama Plant

413, Suzu, Miyazu-shi, Kyoto 629-2251, Japan
Phone: +81-(0)772-46-3121

Locations Outside Japan

As of June 28, 2017

Nippon Yakin America, Inc. (subsidiary in Chicago)

2800 S River Road Suite 140, Des Plaines, Illinois 60018, U.S.A.
Phone: +1 (847) 227-9730

Nippon Yakin Shanghai Co., Ltd. (subsidiary in Shanghai)

Rm.1018, Shanghai International Trade Centre, 2201 Yan An Road(W.), Shanghai, China
Phone: +86 (21) 5239-2670 Fax: +86 (21) 5239-2679

Nippon Yakin Europe Limited (subsidiary in London)

72 Hammersmith Road, London, W14 8TH, United Kingdom
Phone: +44 (20) 7858-0948 Fax: +44 (870) 928-9968

Nippon Yakin Asia Pte. Ltd. (subsidiary in Singapore)

10 Anson Road, #31-09 International Plaza, Singapore 079903
Phone: +65-6226-2376 Fax: +65-6226-3426

Tank truck for transporting sulfuric acid

Tank trucks are specialized vehicles for transporting solids, liquids and gases, and can be broadly divided into the following: tank trucks for transporting hazardous materials as prescribed by the Fire Services Act (primarily oil and deleterious substances), tank trucks for transporting non-hazardous powdered or granular materials such as cement, and tank trucks for transporting high-pressure gas. Sulfuric acid is classified as a deleterious substance.

In order to ensure strength, many tanks are in the shape of a cylinder, and tank trucks for transporting hazardous materials nearly all use bare tanks. The tank materials can withstand high pressures, and with the aim of preventing load leaks or chemical changes are mostly constructed from welded assemblies of carbon steel or high tensile steel, aluminum alloys for fats and oils, or stainless steel for foodstuff-related loads. For highly corrosive loads such as strong acids or alkalis, tanks may use such materials as FRP or titanium, which resists chemical changes. Furthermore, the Fire Services Act mandates the use of tank materials with strength equal to or greater than 3.2 mm of steel sheets.

Here we introduce a use case involving NAS354N (4 mm thickness) as a material for the tanks of tank trucks for transporting sulfuric acid. Partly because the load is sulfuric acid, which by nature is strongly reducing, other materials have traditionally been used. However, due to the customer's desire to lower material costs, we provided samples of our super austenitic stainless steel for immersion tests, and NAS354N was accepted for use. Thus far, we have a track record of having produced tank materials equivalent to three tank trucks for the same application.

Going forward, we expect demand for this material to expand as a substitute material for titanium and so on.



Tank truck before painting (provided by Amako Industries Co., Ltd.)



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