

SEMIANNUAL REPORT

For the Six-Month Period Ended September 30, 2000

NISSHIN

NISSHIN STEEL CO., LTD.

STEEL

Vol. 121

FINANCIAL HIGHLIGHTS

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

Six-month period ended September 30, 2000 and year ended March 31, 2000

	Millions of yen (except per share amounts)		Thousands of U.S. dollars ¹ (except per share amounts)
	Six-month period ended Sep. 30, 2000	Year ended Mar. 31, 2000	Six-month period ended Sep. 30, 2000
Net sales	¥222,313	¥430,956	\$2,058,454
Net loss	(6,037)	(5,919)	(55,898)
Net loss per share ²	¥(6.07)	¥(5.95)	\$(0.06)
Cash dividends per share ²	—	2.00	—
Total assets	¥669,256	¥669,266	\$6,196,815
Total shareholders' equity	242,176	244,999	2,242,370

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts are translated into U.S. dollars, for convenience only, at the interbank exchange rate of ¥108.00 to US\$1, the rate prevailing at September 30, 2000.

2. Per share figures are in exact yen and U.S. dollars.

Economic Environment

During the six-month period ended September 30, 2000, demand was relatively firm for the Nisshin Steel Group's mainstay steel sheet, including surface-treated steel sheet and stainless steel sheet, primarily



Minoru Tanaka

from the automotive, construction and home electronics industries. Nevertheless, intensifying competition created a harsh environment for sales prices.

Striving to Secure Profits

In the year ended March 31, 2000, Nisshin Steel launched a two-year medium-term management plan aimed at building a corporate foundation to secure an appropriate level of profits even amid a continued severe economic environment. As part of this plan, the Nisshin Steel Group made concentrated efforts to improve earnings, which resulted in a ¥30 billion improvement in profitability—a key rationalization target—a half year ahead of schedule. Specific factors underpinning this improvement in profitability included close cooperation among the various Group companies, beginning with efforts to reduce manufacturing costs by enhancing operational technologies at each mill, as well as measures to cut variable costs covering raw materials, distribution, sales and other areas while

pruning such fixed costs as personnel and other expenses as well as upgrading our product mix.

As a particularly noteworthy achievement, we made significant strides in paring labor costs on a non-consolidated basis by introducing a system for transferring employees to the payrolls of our related companies as part of structural reforms. We are presently implementing a plan to significantly downsize our workforce over a two-year period, from 5,620 at the end of March 1999 to approximately 4,500 at the end of March 2001. This plan is proceeding on schedule, with the number of employees having been reduced to 4,597 as of September 30, 2000.

Turning to sales strategies, Nisshin Steel worked to shift its product mix toward high-value-added, high-profit products while raising the share of overall sales accounted for by new products and expanding sales of such products as *ZAM* hot-dipped zinc-aluminum-magnesium-alloy-coated steel sheet, chrome-free coated steel sheet, and the *Tough-Tain* Series of stainless steel roofing materials.

Business Results

Looking at consolidated business results in the six-month period ended September 30, 2000, Nisshin Steel recorded interim net sales of ¥222.3 billion thanks to the previously mentioned Groupwide efforts to improve profitability. Regarding profit and loss, such negative factors as plunging

domestic sales prices and rising raw materials prices, beginning with those for stainless steel, were significantly offset by contributions to profitability made by thorough cost-reduction measures, higher turnover, an improved product mix, and a rise in export prices. Accordingly, Nisshin Steel recorded income before special items of ¥9.2 billion. Nonetheless, Nisshin Steel posted a ¥6.0 billion interim net loss due to large extraordinary charges that included adjustments to cover previously unrecognized obligations for retirement benefits necessitated by the application of a new accounting standard as well as a write-down of marketable securities.

Interim Dividends

After carefully considering such factors as current operating conditions as well as continued uncertainties in the business environment during the second half of the year ending March 31, 2001, Nisshin Steel regrets that it must forgo the payment of interim dividends. The Company will make its utmost efforts to meet the expectations of its shareholders at the end of the year and asks for their understanding of this situation.

Future Issues and Outlook for the Entire Year

Ending March 31, 2001

Looking ahead, the pace of exports to Asia has begun to lose steam while inventory adjustments and other factors are expected to adversely affect production. In the steel sheet

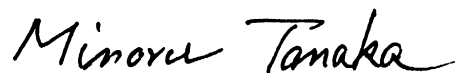
sector in particular, competition is expected to intensify amid unprecedented severe conditions, including downward pressure on pricing.

Under these conditions, the Nisshin Steel Group will continue to make strenuous efforts to strengthen the foundation of its operations as it works to enhance profitability. Specific measures to be implemented will include further cost reductions while raising productivity by maximizing the advantages of the Toyo Works, which was completed in June 2000, and expanding sales of new products.

Regarding projected consolidated business results for the entire year ending March 31, 2001, Nisshin Steel expects to record net sales of ¥440 billion, income before special items of ¥15 billion, and a net loss of ¥5 billion.

Under these circumstances, we ask our shareholders for their continued support of the Nisshin Steel Group.

January 2001



Minoru Tanaka

Chairman, President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
September 30, 2000 and March 31, 2000

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	Sep. 30, 2000	Mar. 31, 2000	Sep. 30, 2000
Current assets:			
Cash on hand and in banks	¥ 18,904	¥ 18,721	\$ 175,037
Marketable securities	3,534	3,920	32,722
Notes and accounts receivable:			
Trade	77,613	74,451	718,639
Unconsolidated subsidiaries and affiliates	16,095	13,167	149,028
Less: Allowance for doubtful accounts	818	881	7,574
	92,890	86,737	860,093
Inventories	93,687	93,114	867,472
Deferred income taxes	3,650	4,949	33,796
Other current assets	7,316	9,402	67,741
Total current assets	219,981	216,843	2,036,861
Investments and long-term receivables:			
Investments in securities	67,405	65,540	624,120
Investments in and advances to unconsolidated subsidiaries and affiliates	27,128	30,397	251,185
Deferred income taxes	5,968	7,326	55,260
Others	13,742	14,913	127,241
Less: Allowance for doubtful accounts	725	498	6,713
Total investments and long-term receivables	113,518	117,678	1,051,093
Property, plant and equipment, at cost:			
Buildings and structures	228,061	227,417	2,111,676
Machinery, equipment and vessels	782,445	758,691	7,244,861
	1,010,506	986,108	9,356,537
Less: Accumulated depreciation	748,133	738,809	6,927,157
	262,373	247,299	2,429,380
Land	63,570	63,471	588,611
Construction in progress	4,414	16,651	40,870
Total property, plant and equipment	330,357	327,421	3,058,861
Other assets	5,400	5,301	50,000
Foreign currency translation adjustments	—	2,023	—
	¥ 669,256	¥669,266	\$6,196,815

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	Sep. 30, 2000	Mar. 31, 2000	Sep. 30, 2000
Current liabilities:			
Short-term loans	¥ 85,381	¥ 89,962	\$ 790,565
Current portion of long-term debt	27,044	28,010	250,407
Notes and accounts payable:			
Trade and construction	63,152	63,366	584,741
Unconsolidated subsidiaries and affiliates	8,696	7,787	80,519
	71,848	71,153	665,260
Accrued income taxes	611	363	5,657
Other current liabilities	53,546	44,675	495,796
Total current liabilities	238,430	234,163	2,207,685
Long-term debt	132,609	133,352	1,227,861
Employees' retirement benefits	19,278	17,496	178,500
Reserve for rebuilding furnaces	24,183	25,658	223,917
Deferred income taxes	2,853	2,889	26,417
Other liabilities	1,571	1,455	14,546
Total liabilities	418,924	415,013	3,878,926
Minority interests in consolidated subsidiaries	8,156	9,254	75,519
Shareholders' equity:			
Common stock, par value ¥50 per share:			
Authorized: 3,977,964 thousand shares at September 30, 2000 and March 31, 2000			
Issued: 994,500 thousand shares at September 30, 2000 and March 31, 2000	79,913	79,913	739,935
Additional paid-in capital	49,893	49,893	461,972
Retained earnings	107,167	115,193	992,287
Unrealized gain on securities available for sale	8,900	—	82,407
Foreign currency translation adjustments	(3,697)	—	(34,231)
	242,176	244,999	2,242,370
Less: Treasury stock, at cost	0	0	0
Total shareholders' equity	242,176	244,999	2,242,370
	¥669,256	¥669,266	\$6,196,815

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

Six-month period ended September 30, 2000 and year ended March 31, 2000

	Millions of yen		Thousands of U.S. dollars (Note 3)
	Six-month period ended Sep. 30, 2000	Year ended Mar. 31, 2000	Six-month period ended Sep. 30, 2000
Cash flows from operating activities:			
Loss before provision for income taxes	¥ (8,937)	¥ (8,878)	\$ (82,750)
Depreciation and amortization	17,550	33,955	162,500
Interest and dividend income	(1,245)	(2,198)	(11,528)
Interest expense	2,157	4,292	19,972
Equity in losses of unconsolidated subsidiaries and affiliates	696	432	6,444
Loss on devaluation of marketable securities	6,786	—	62,833
Net gain and loss on sale and disposition of property, plant and equipment	368	1,145	3,407
(Increase) decrease in notes and accounts receivable	(5,725)	3,629	(53,009)
(Increase) decrease in inventories	(468)	874	(4,333)
Increase (decrease) in notes and accounts payable	384	(8,856)	3,556
(Decrease) increase in reserve for rebuilding furnaces	(1,475)	989	(13,657)
Increase (decrease) in employees' retirement benefits account	8,161	(3,286)	75,565
Others, net	1,988	5,201	18,407
	20,240	27,299	187,407
Receipt of interest and dividends	1,457	2,376	13,491
Payment of interest	(2,175)	(4,200)	(20,139)
Payment of income taxes	(517)	(1,556)	(4,787)
Net cash provided from operating activities	19,005	23,919	175,972
Cash flows from investing activities:			
Acquisition of marketable securities	(3,595)	(9,287)	(33,287)
Proceeds from sale and redemption of marketable securities	3,894	6,501	36,056
Acquisition of property, plant and equipment	(11,268)	(51,078)	(104,333)
Proceeds from sale of property, plant and equipment	771	1,970	7,139
Others, net	273	(1,437)	2,528
Net cash used in investing activities	(9,925)	(53,331)	(91,897)
Cash flows from financing activities:			
(Decrease) increase in short-term loans	(4,581)	4,356	(42,417)
Proceeds from long-term debt	1,980	31,800	18,333
Repayment and redemption of long-term debt	(3,696)	(15,570)	(34,222)
Cash dividends paid by the parent company	(1,986)	(1,010)	(18,389)
Others, net	(445)	(41)	(4,120)
Net cash (used in) provided from financing activities	(8,728)	19,535	(80,815)
Foreign currency translation adjustment of cash	106	(1,836)	981
Net increase (decrease) in cash	458	(11,713)	4,241
Cash and cash equivalents at beginning of period/year	18,375	27,700	170,139
Increase in cash due to change in the number of consolidated subsidiaries	—	2,388	—
Cash and cash equivalents at end of period/year	¥18,833	¥18,375	\$174,380

The accompanying notes are an integral part of these statements.

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by Nisshin Steel Co., Ltd. (the "Company") and its subsidiaries (together, the "Companies") in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements filed with the Ministry of Finance in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Prior to the period under review, interim financial statements were required to be reported only on a non-consolidated basis in Japan. Effective from the period under review, consolidated interim financial statements have been required to be reported. In this semiannual report, consolidated interim financial statements for the period under review are reported and consolidated financial statements for the previous year are reported for comparison.

2. ACCOUNTING CHANGES

(1) Employees' retirement benefits:

Effective from the period under review, the Companies have adopted a new Japanese accounting standard for employees' retirement benefits. This change increased employees' retirement benefits, together with special early retirement payments, by ¥32,380 million (US\$299,815 thousand), decreased income before special items by ¥1,005 million (US\$9,306 thousand) and increased loss before provision for income taxes by ¥32,162 million (US\$297,796 thousand) relative to what they would have

been had the previous method been used. The Companies made security contributions to the employees' retirement trust and recorded a ¥23,115 million (US\$214,028 thousand) gain in accordance with the new standard. Thus, the net effect of this accounting change was to increase loss before provision for income taxes by ¥9,047 million (US\$83,769 thousand) relative to what it would have been had the previous method been used.

(2) Financial instruments:

Effective from the period under review, the Companies have adopted a new Japanese accounting standard for financial instruments and changed the accounting for marketable securities and allowance for doubtful accounts. This change decreased income before special items by ¥147 million (US\$1,361 thousand) and increased loss before provision for income taxes by the same amount relative to what they would have been had the previous method been used. Also, effective from the period under review, recognition of an unrealized gain on available-for-sale securities has been made. A net-of-tax unrealized gain of ¥10,608 million (US\$98,222 thousand) has been credited to shareholders' equity and applicable deferred income tax liabilities of ¥7,585 million (US\$70,231 thousand) have been credited and netted against deferred income tax assets.

(3) Foreign currency translations:

Effective from the period under review, the Companies have adopted a newly revised Japanese accounting standard for foreign currency translations. This change decreased income before special items by ¥2 million (US\$19 thousand) and increased loss before provision for income taxes by the same amount relative to what they would have been had the previous method been used. Also, effective from the period under review, recognition of an unrealized loss on available-for-sale securities has been made based on the period-end foreign currency exchange rates. A

net-of-tax unrealized loss of ¥1,708 million (US\$15,815 thousand) has been debited to shareholders' equity and applicable deferred income tax assets of ¥1,222 million (US\$11,315 thousand) have been debited. In addition, effective from the period under review, a foreign currency translation adjustment account has been recorded in shareholders' equity. That was previously recorded in assets or liabilities as the case may be.

3. UNITED STATES DOLLAR AMOUNTS

The Companies maintain their accounting records in yen, except for subsidiaries in the United States, which maintain their accounting records in U.S. dollars. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on a basis of ¥108.00=US\$1, the effective rate of exchange at September 30, 2000. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that the yen amounts have been or could be readily converted, realized or settled in dollars at ¥108.00=US\$1 or at any other rate.

4. SUBSEQUENT EVENT

The Company decided to issue a domestic unsecured bond for qualified institutional investors at the Board of Directors Meeting held on October 27, 2000. The bond was issued on November 24, 2000. Details of the bond are as follows:

Total amount: ¥10,000 million (US\$92,593 thousand)

Interest rate: 1.35%

Due date: November 24, 2005

DIRECTORY

As of December 2000

DOMESTIC

Registered Head Office

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Branches

Osaka, Nagoya, Chugoku

Sales Offices

Hokkaido, Tohoku, Niigata,
Hokuriku, Shizuoka, Shikoku,
Okayama, Kyushu

Works

Shunan, Amagasaki, Kure, Sakai,
Toyo, Osaka, Ichikawa

OVERSEAS

Singapore Representative Office

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(Subsidiaries)

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BOARD OF DIRECTORS

As of December 2000

**Chairman, President and
Chief Executive Officer**
Minoru Tanaka*

Executive Vice Presidents
Yasushige Miyagawa*
Toshihiro Okuyama*

Senior Managing Directors
Naoshi Goto
Nobuji Monzen
Kashio Shiotani
Kazuo Hoshino

Managing Directors
Nobuhiko Hayashi
Fumio Hoshi
Takuo Tanaka
Takaoki Uesugi
Hideo Suzuki
Takashi Sugiyama

Directors
Hideki Furutani
Hisao Kawase
Hiromi Toyota
Takenao Yasuda
Michio Ryo
Kazuo Yamamoto
Takashi Nagai

Standing Auditors
Kaneshige Yamamoto
Takeo Sakai

Auditors
Yasuo Hara
Hidehiko Iwasaki
Yukihiko Kumagai

*Representative Director

INVESTOR INFORMATION

As of September 30, 2000

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Shinkokusai Building,
4-1, Marunouchi 3-chome,
Chiyoda-ku, Tokyo 100-8366,
Japan
Telephone: (81-3) 3216-5566
Facsimile: (81-3) 3216-5546

Year of Establishment
1928

Common Stock:
Authorized: 3,977,964 thousand shares
Issued: 994,500 thousand shares
Paid-in capital: ¥79,913,126 thousand

Number of Shareholders
66,329

Independent Certified Public Accountants
ChuoAoyama Audit Corporation

For further information, please contact the Public Relations Team.

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