
The Earnings Results Briefing for the March 2005 Term

Nisshin Steel Co., Ltd.

May 19, 2005



Today's Proceedings

➤ **Opening remarks**

President and Chief Executive Officer

Toshihiko Ono

➤ **Outline of financial results for the March 2004**

Executive Vice-President & Executive Officer

Hiroshi Hotta

➤ **Q&A**

A 3D rendered graphic of a blue crescent moon and a five-pointed star. The moon is positioned behind the star, and both are rendered with a soft blue color and a subtle gradient, giving them a three-dimensional appearance. The star is slightly offset to the left of the moon's center.

Opening remarks

Financial Highlights for FY2004 Ended March 31, 2005

(100 millions of yen)

		March 2004 term (a)	March 2005 Term (b)	Changes (b) - (a)	Rate of Increase decrease
Consolidated	Net sales	4,514	5,357	+ 842	18.7%
	Operating income	357	668	+ 311	87.1%
	Income before special items	264	601	+ 336	127.2%
	Net income	97	241	+ 143	146.5%
Consolidated	Net sales	3,328	3,909	+ 581	17.5%
	Operating income	325	587	+ 261	80.1%
	Income before special items	233	517	+ 284	121.7%
	Net income	89	231	+ 142	159.3%

Dividends

2+2=¥4

2.5+2.5=¥5

Dividend raised by ¥1

We achieved increases in both sales and profits, thanks to rationalization, an improved product mix and adjustments in sales prices.

The medium-term business plan (profit target) was achieved one year ahead of schedule.

Earnings Outlook for FY2005 Ending March 31, 2006

(100 millions of yen)

		March 2005 term (a)	Outlook for the March 2006 term (b)	Changes (b) - (a)	All-time high (1988-1991)
Consolidated	Net sales	5,357	5,800	+ 440	4,787
	Operating income	668	740	+ 70	689
	Income before special items	601	680	+ 80	594
	Net income	241	360	+ 120	335
Consolidated	Net sales	3,909	4,300	+ 390	4,317
	Operating income	587	680	+ 90	652
	Income before special items	517	620	+ 100	585
	Net income	231	320	+ 90	308

Despite negative factors such as sharp rises in prices of raw materials, we will redouble efforts to reduce costs and market strategic products.

We will deploy new measures aimed at enhancing corporate value.

Progress of Medium-Term Business Plan (Profit Plan)

(Net sales, income before special items, net income 100 millions of yen)

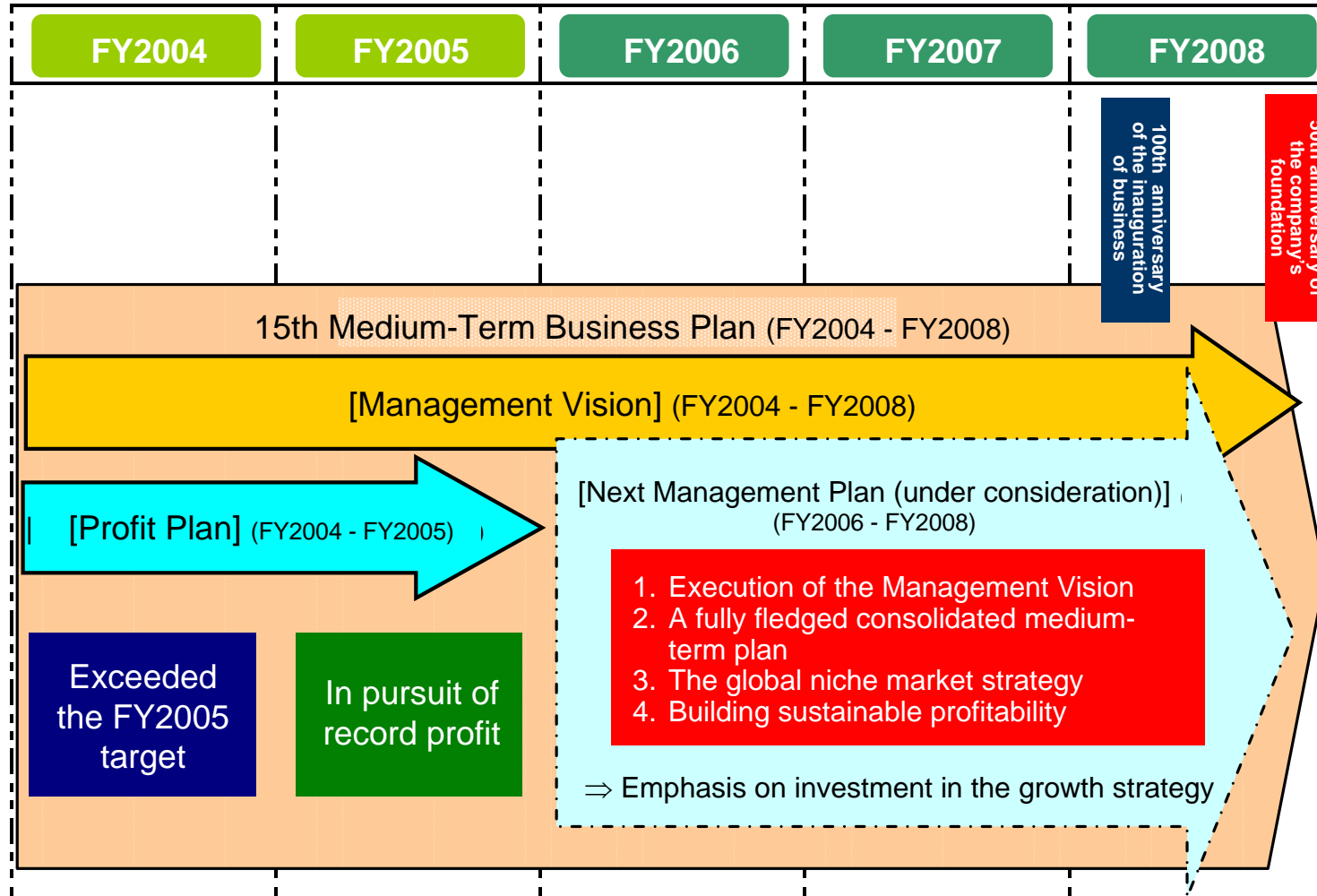
	Consolidated				
	Net sales	Income before special items	Net income	ROA	D/E ratio
March 2005 term	5,357	601	241	10%	0.7
Medium-term business plan March 2006 term target	4,800	350	160	6%	0.8
Achievement rate	112%	172%	151%

	Non-consolidated				
	Net sales	Income before special items	Net income	ROA	D/E ratio
March 2005 term	3,909	517	231	10%	0.7
Medium-term business plan March 2006 term target	3,600	300	130	6%	0.7
Achievement rate	109%	172%	178%

ROA: Business profit/total assets

D/E ratio: Interest-bearing debts/shareholders' equity

Direction of the Next Business Plan



Notes Inauguration of business : The Tanaka Zinc metal plating factory launched operations in 1908.
 Foundation : Nippon Teppan and Nichia Steel merged in 1959 to create Nisshin Steel.

Action Plans for Realizing the Management Vision

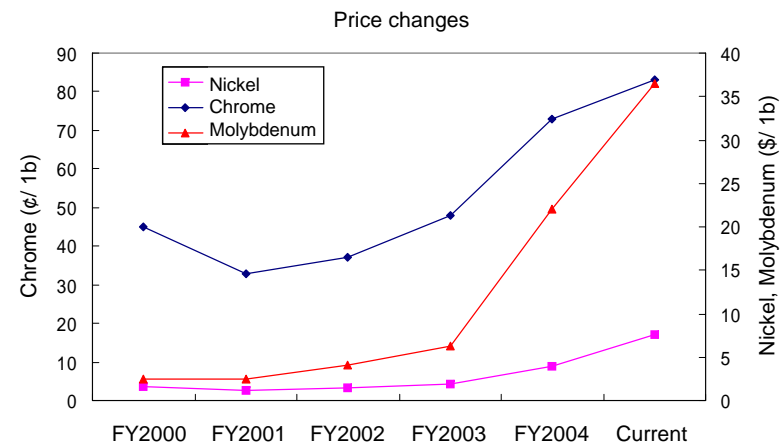
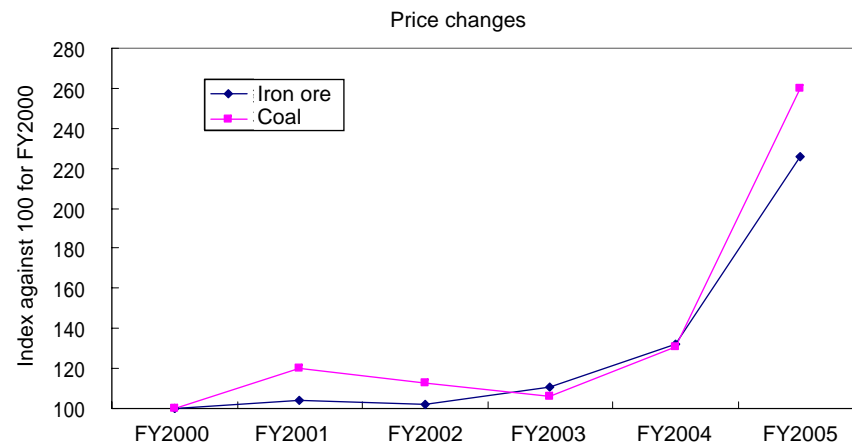
Supply/demand and price trends of raw materials and fuels, and responses

[Assumptions]

- Sharp rises in raw materials prices and prolonged supply tightness.
The earliest capacity expansion 2 to 3 years away for iron ore, the soonest of all.
Destabilizing factors other than real supply/demand. For nickel: inflows of speculative funds; For molybdenum: copper by-product

[Action Plans]

- Develop technologies that use low-price, alternative raw materials.
- Secure stable supplies of raw materials (long-term contracts, new sources of supply).



Action Plans for Realizing the Management Vision

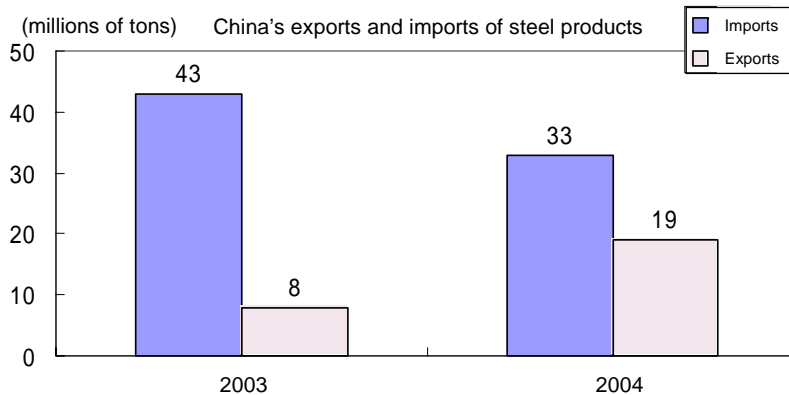
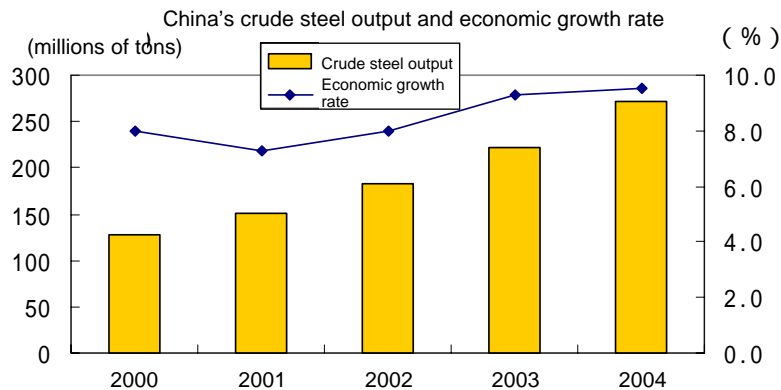
China's economic growth and overcapacity

{Outlook}

- China getting on a stable growth track.
- Steel production increases expected to slow down due to the government's macroeconomic control, difficulty in procuring raw materials, underdeveloped infrastructure and environmental problems.

{Action Plan}

- Responses to rising imports of steel products (commercial grades) from China.



Action Plans for Realizing the Management Vision

Future business plans for growth markets

{Basic stance}

- Global supply of products and services in which we excel.

{Action Plans}

- North America: New business development centering on WN, NAT
- China: Business development centered on Ningbo Baoxin
- Europe: Partnership with ACERINOX
- Other areas: Identify growth markets

Action Plans for Realizing the Management Vision

Direction of strategic investment

{Basic stance}

- Strategic investment to enhance customer satisfaction.

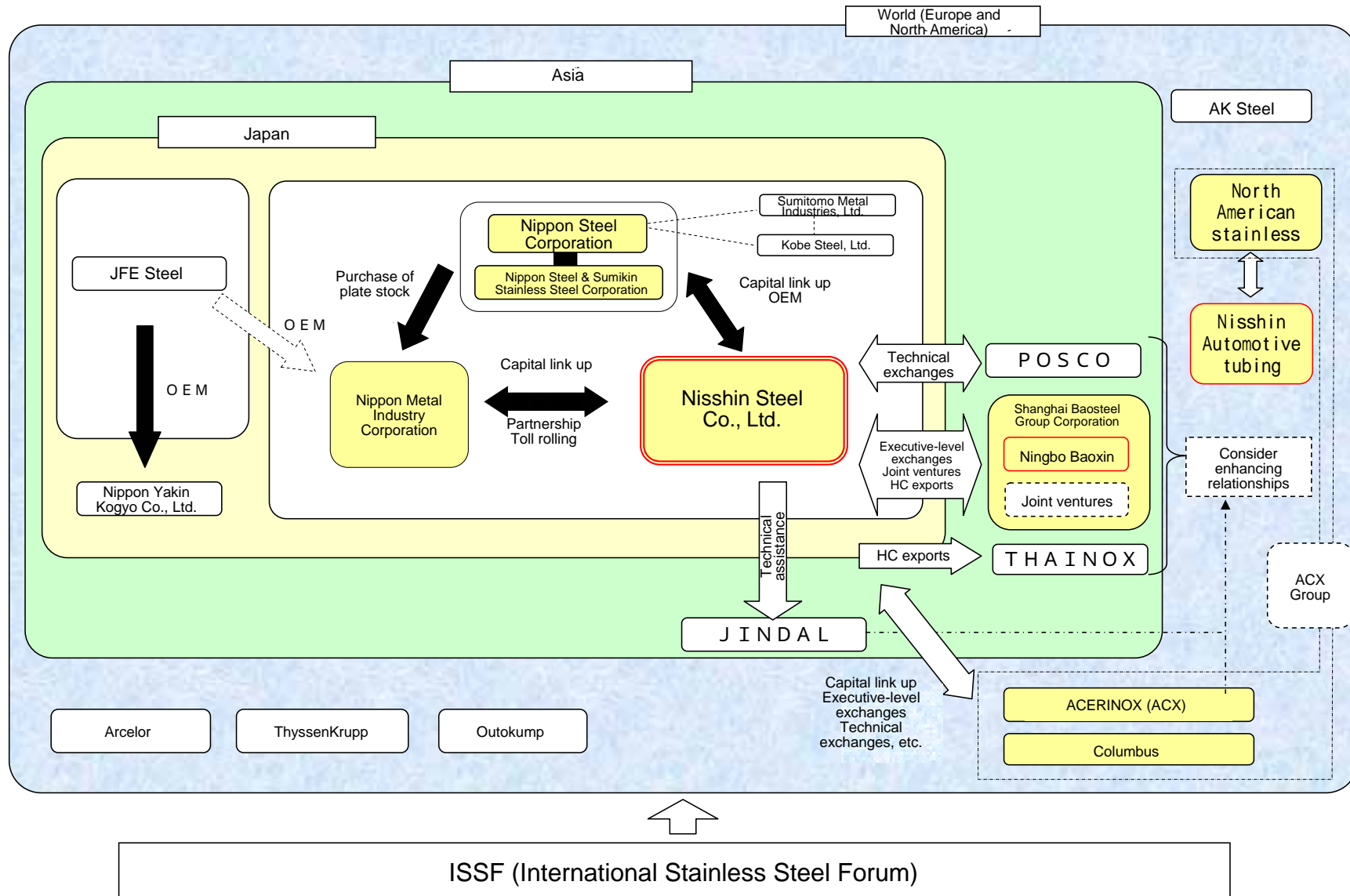
{Action Plans}

- Domestic - Specialize in strategic products, areas in which we excel.
- Overseas - Global business development in growing niche markets.
- Build alliances to achieve efficient and stable production.



In parallel with shareholder returns, consider strategic utilization of cash.

Stainless Steel Business Strategy



Partnership with Nippon Metal Industry Corp.

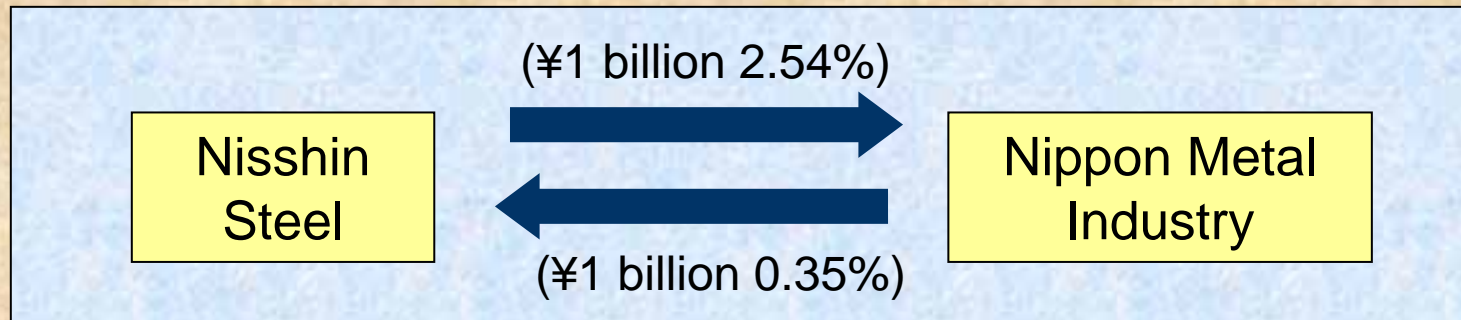
1. Further strengthening of partnership

[Cooperative programs under development]

- Promotion of toll rolling
- Partnership in distribution
- Supply of stainless hot coils to Ningbo Baoxin Stainless Steel Co. etc.

→ Pursuing other programs deeper partnership

2. Mutual capital participation



Equity ratio as at March 31, 2005

Sharing Strategy with China's Shanghai Baosteel Group

The Strategic Steering Committee with Shanghai Baosteel Group Corp.

- 1st meeting (held in December 2004)
 - Exchanged information on global and China's stainless steel supply/demand outlook & the raw materials situation
 - Promotion of mutual understanding about the importance of supply/demand
 - Discussed possible future joint ventures
 - Agreed on processing and other joint ventures with the Baosteel Group
- 2nd meeting scheduled for Fall 2005
 - Further strengthening of cooperative relations



Ningbo Baoxin Stainless Steel Co., Ltd.

(Joint venture with Shanghai Baosteel Group, Nisshin Steel has a 22% equity stake)

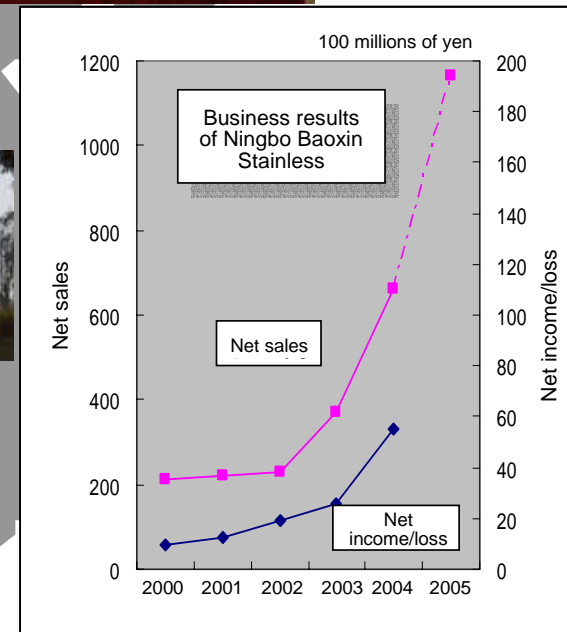
2004 results Sales ¥66.0 billion, net income ¥5.5 billion

Establishing an annual cold-rolling capacity of 600,000 tons this autumn

One of the world's largest roller of hot coils supplied by Nisshin Steel

After discussions at the Strategic Steering Committee with Shanghai Baosteel Group, an agreement was reached to jointly push ahead with steel pipe and other processing businesses.

Cultivation of demand in China and response to requirements of Japanese companies operating in China





**Outline of financial results for the
March 2005 term**



Full-year results (consolidated, non-consolidated)

100 millions of yen

		FY2004 full-year results (A)	Estimate as of March 2005 (B)	Difference (A) - (B)	FY2003 full-year results (C)	Difference (A) - (C)
Net sales		5,357	5,310	47	4,514	843
	non-consolidated	3,909	3,890	19	3,328	581
	subsidiaries, etc.	1,448	1,420	28	1,186	262
Operating income		668	650	18	357	311
	non-consolidated	587	570	17	325	262
	subsidiaries, etc.	81	80	1	32	49
Income before special items		601	580	21	264	337
	non-consolidated	517	500	17	233	284
	subsidiaries, etc.	84	80	4	31	53
Net income		241	230	11	97	144
	non-consolidated	231	220	11	89	142
	subsidiaries, etc.	10	10	0	8	2
Break-down	Stainless steel	1,610	1,600	10	1,346	264
	...	210	200	10	80	130



Sales (non-consolidated)

	FY2003 full-year results	FY2004		
		1st half	2nd half	Full-year results
Ordinary steel etc.	1,982 (234)	1,078 (144)	1,221 (160)	2,299 (304)
Stainless steel	1,346 (385)	770 (200)	840 (210)	1,610 (410)
Sales (100 millions of yen)	3,328 (619)	1,848 (344)	2,061 (370)	3,909 (714)

Figures in parentheses are the value of exports

Export ratio	18.6%	18.6%	17.9%	18.2%
Gross average unit price (¥1,000 per ton)	84	94	104	99

Changes in average unit price; Peak (FY1990=¥124,000) Bottom (FY2002 1st half =¥75,000) Current (FY2000 2nd half =¥104,000)

Exchange rate for exports (yen/dollar)	113	110	105	107
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An appreciation of one yen to the dollar to push up income by approx. ¥560 million a year

Crude steel production (in units of 10,000 tons)	389	199	208	407
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Demand Trends

[Domestic]

- Automakers are maintaining high levels of production and this trend is likely to continue. The housing sector is firm in terms of both housing starts and non-residential construction. Market prices rose against the backdrop of firm demand, higher raw material prices, and tightening supply.
- Demand for stainless steel held firm, centering on demand from the automotive sector, with market prices increasing against higher prices of raw materials. In the future, prices may soften amid concern over market inventories.

[Exports]

- Demand for ordinary steel and special steel was robust, with market prices holding firm. With current prices hovering at very high levels, the rise in market prices is likely to slow down.
- Demand for stainless steel held firm, with signs of tightening supply, mainly in hot-rolled products. In the future, supply/demand adjustments are probable, especially in China.

Domestic sales by sector (in terms of quantity)

	Automobiles	Construction materials	Electric machinery	Store sales	Others	Total
FY2004	35%	25%	11%	11%	18%	100%

Others include industrial machinery, commercial and household use (kitchen, etc.)

Export by product (in terms of value)

FY	FY2003	FY2004		
	Full year	1st half	2nd half	Full year
Ordinary and special steel	12%	13%	13%	13%
Stainless steel	29%	26%	25%	26%
Total	19%	19%	18%	18%



Changes in Non-consolidated Income before special items (FY2003: FY2004)

100 millions of yen

FY2003 full-year income before special items		233	
Factors for change	Sales	650	Improvements in prices, and product mix
	Purchase price	Minus 440	Ni Minus 190, Iron ore Minus 20, Coke Minus 80, Others
	Impact of blast-furnace repairs	30	
	Foreign exchange rate difference	30	Exports Minus 30, Imports 60
	Cost improvement	14	Cost improvements 55, Cost of labor Minus 40, Others
Total		284	
FY2004 full-year income before special items		517	



FY2005 Earnings Outlook

100 millions of yen

		FY2004 full-year results (A)	FY2005 earnings outlook		(B) - (A)
			1st half	Full year (B)	
Net sales		5,357	2,900	5,800	443
	non-consolidated subsidiaries, etc.	3,909	2,150	4,300	391
		1,448	750	1,500	52
Operating income		668	370	740	72
	non-consolidated subsidiaries, etc.	587	340	680	93
		81	30	60	Minus 21
Income before special items		601	340	680	79
	non-consolidated subsidiaries, etc.	517	310	620	103
		84	30	60	Minus 24
Net income		241	180	360	119
	subsidiaries, etc.	231	160	320	89
	non-consolidated	10	20	40	30
Break-down	Stainless steel	1,610	800	1,600	Minus 10
		210	90	180	Minus 30



Changes in Non-consolidated Income Before Special Items (FY2004:FY2005)

100 millions of yen

FY2004 full-year results		517	
Factors for change	Sales	520	Improvements in prices, and product mix
	Purchase price	Minus 80	Iron ore - Coke Minus 260, stainless steel materials Minus 170
	Foreign exchange rate difference	20	Exports Minus 20 , Imports 40
	Cost improvement etc.	43	Cost improvements 40, Bonuses Minus 25 Others
Total		103	
FY2005 full-year outlook		620	



Special Items (Consolidated)

100 millions of yen

	FY2003			FY2004		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Income before special items	135	129	264	268	286	601
Special items, income and gain	6	54	60	0	19	19
Gain on sale of properties	6	54	60	0	19	19
Others	-	-	-	-	-	-
Special items, expense and loss	Minus 41	Minus 101	Minus 142	Minus 68	Minus 88	Minus 156
Retirement benefit expense	Minus 29	Minus 30	Minus 59	Minus 29	Minus 30	Minus 59
Special early retirement benefit payments	Minus 4	Minus 2	Minus 6	-	-	-
Impairment loss	-	-	-	Minus 31	Minus 41	Minus 72
Loss on sale and disposition of properties	Minus 8	Minus 69	Minus 77	Minus 8	Minus 18	Minus 26
Special items income/expense	Minus 35	Minus 47	Minus 82	Minus 68	Minus 69	Minus 137
Income before provision for income taxes	100	82	182	200	264	464
Total provision for income taxes	Minus 46	Minus 39	Minus 85	Minus 93	Minus 130	Minus 223
Net income	54	43	97	107	134	241



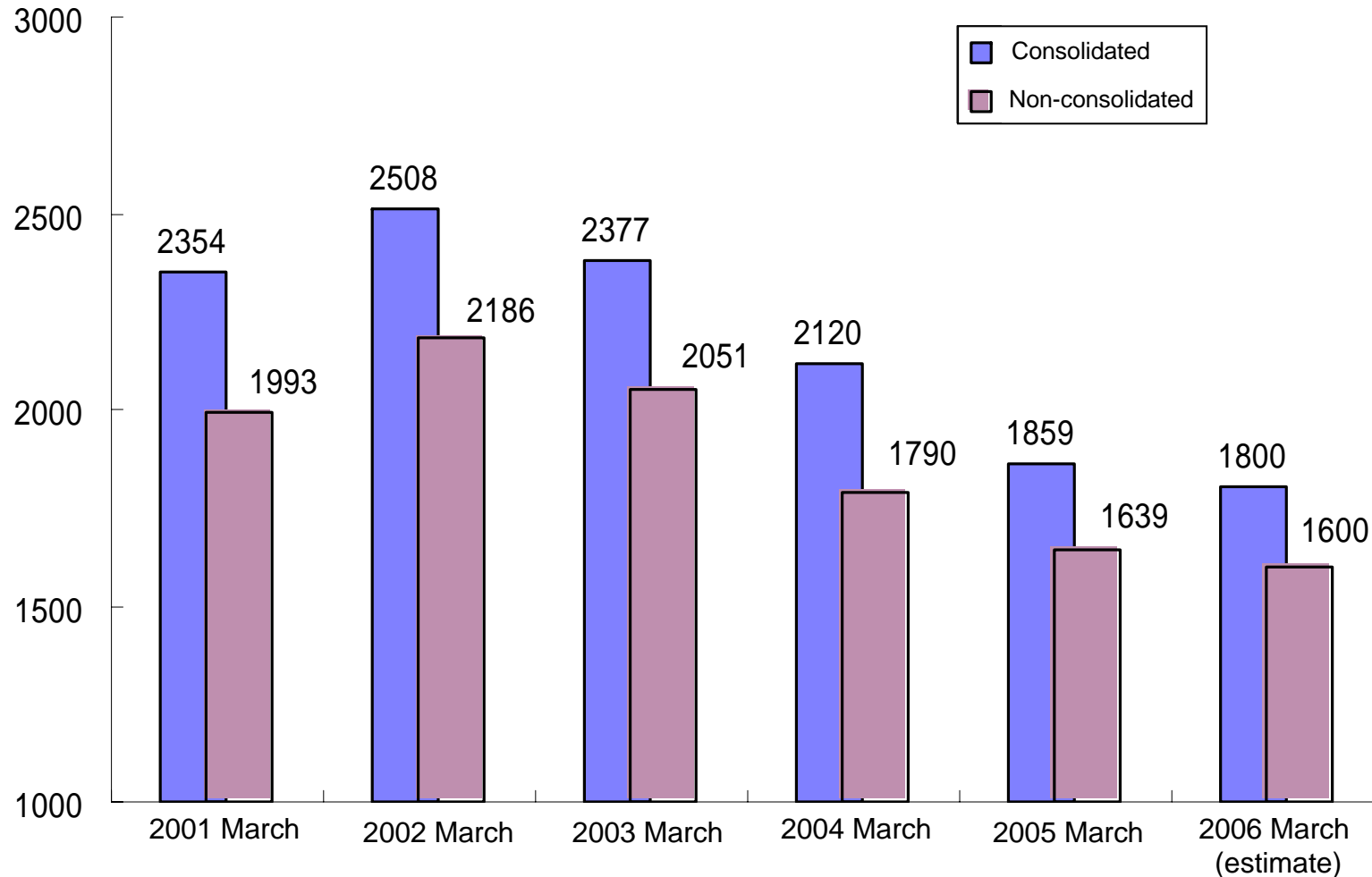
Balance Sheet (consolidated, as of the end of March 2005)

100 millions of yen

(Assets)	Consolidated		(Liabilities)	Consolidated	
		Compared with end-March 2004			Compared with end-March 2004
Cash on hand and deposits	259	Minus 27	Notes and accounts payable	811	+ 81
Notes and accounts receivable	1,124	+ 228	Reserves	511	+ 67
Marketable securities	22	+ 10	Interest-bearing debt	1,859	Minus 260
Inventories	968	+ 113	Other liabilities	680	+ 247
Other current assets	195	+ 66	Deferred tax liabilities	104	+ 34
Tangible fixed properties	2,709	Minus 167	Total liabilities	3,967	170
Intangible fixed properties	87	+ 4	Minority interests	91	+ 10
Investments etc.	1,457	+ 225	Shareholders' equity	799	-
			Additional paid-in capital	498	-
			Retained earnings	1,101	+ 198
			Unrealized gain on available-for-sale securities	441	+ 96
			Treasury stock, others	Minus 75	Minus 22
			Total shareholders' equity	2,766	+ 272
Total assets	6,825	+ 452	Total of liabilities, minority interests and shareholders' equity	6,825	+ 452



Balance of interest-bearing debt



Consolidated shareholders equity (¥100million)	2524	2335	2291	2494	2766	-
D/E Ratio	0.93	1.07	1.04	0.85	0.67	0.6



Consolidated Cash flows

100 millions of yen

	FY2004	Notes to consolidated financial statements	FY2003
Cash flows from operating activities	583	High-level cash flows were generated with net income (¥24.1 billion) and allowances for depreciation (¥24.9 billion). Cash flows from operating activities rose despite increases in accounts receivable, inventories and purchase liabilities.	406
Cash flows from investing activities	Minus 264	Cash flows from investment activities decreased due to payments for the acquisition of tangible fixed properties such as repairs of two blast furnaces and 2 CC vertical bending remodeling as well as payments for the acquisition of investment securities.	Minus 107
Free cash flows	319		299
Cash flows from financial activities	Minus 339	Free cash flows of ¥31.9 billion were used to repay interest-bearing debt, repurchase own shares and pay out dividends.	Minus 318
Cash and cash equivalents at the end of period	259		278



Return to Shareholders

Dynamic implementation of IR activities

Enhancement of corporate value

Interim dividend ¥2.5 per share

Term-end dividend ¥2.5 per share planned

¥1 increase from the previous FY (¥2 + ¥2 = ¥4)

Active promotion of stock repurchase

FY2004 12.61million shares worth some ¥3 billion

Total about 43.09 million shares

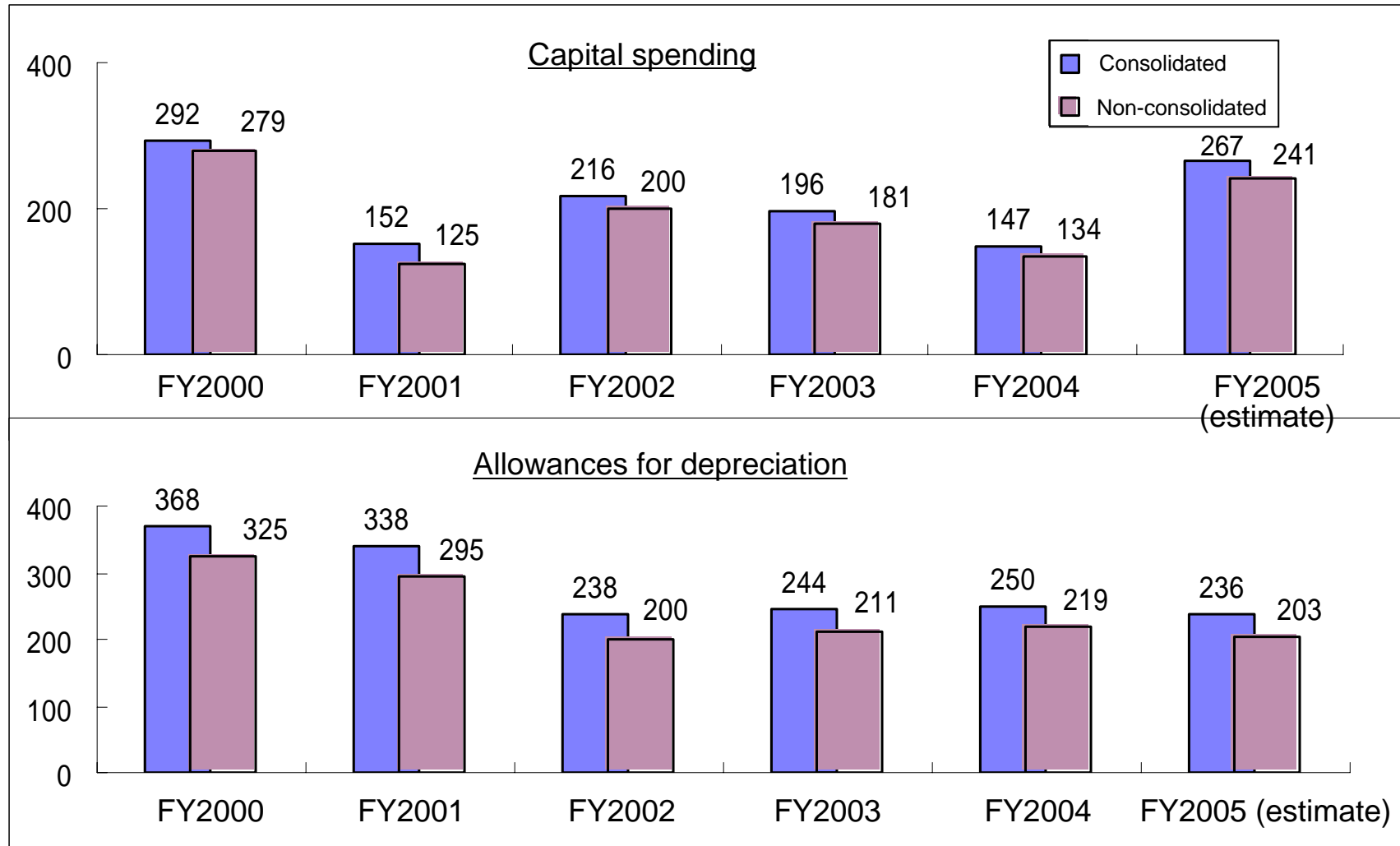
A board resolution made to facilitate timely acquisitions

Dividend payout ratio 21%

Gross shareholder return ratio 34%

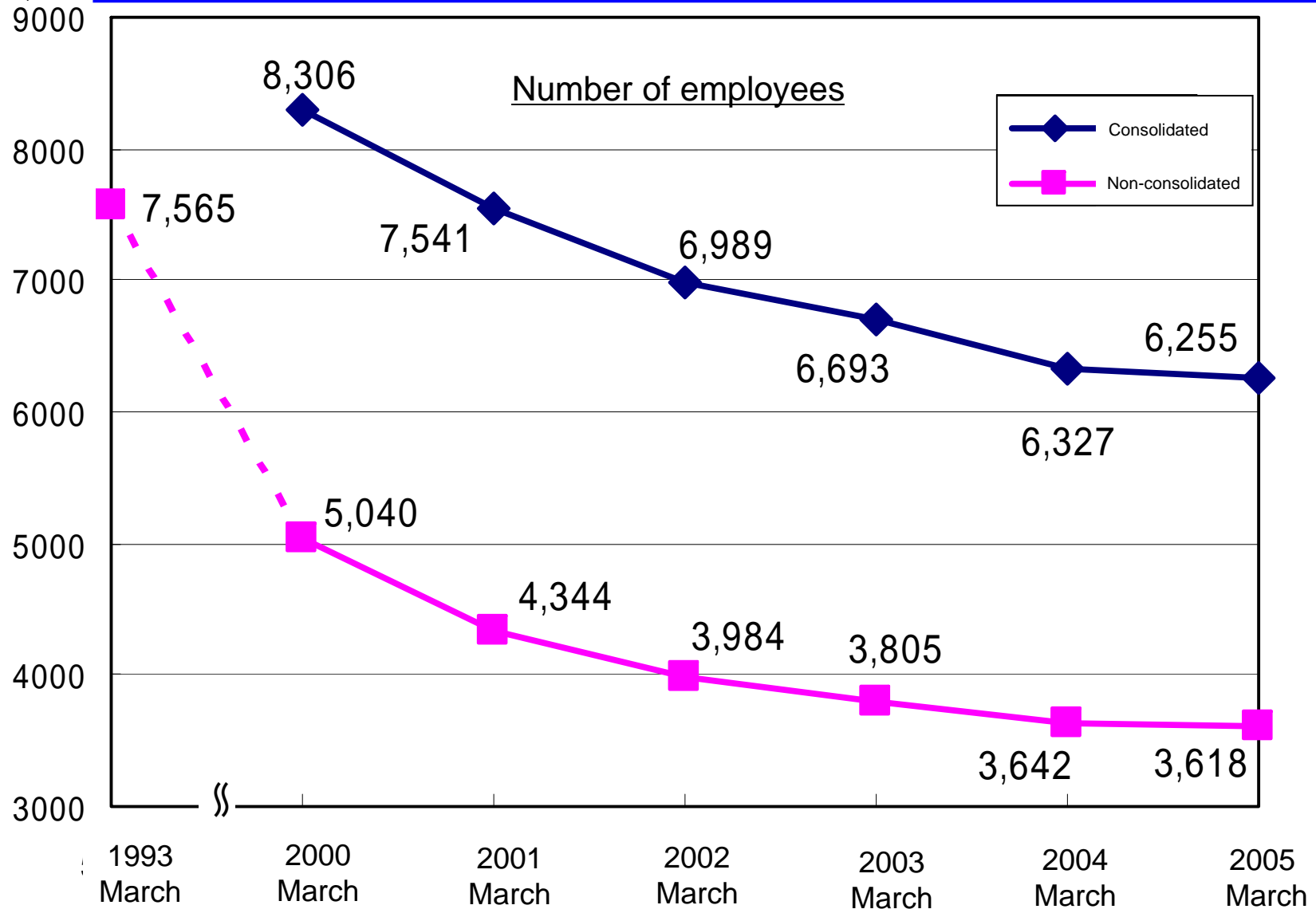


Capital Spending (final acceptance basis) and Depreciation Allowances



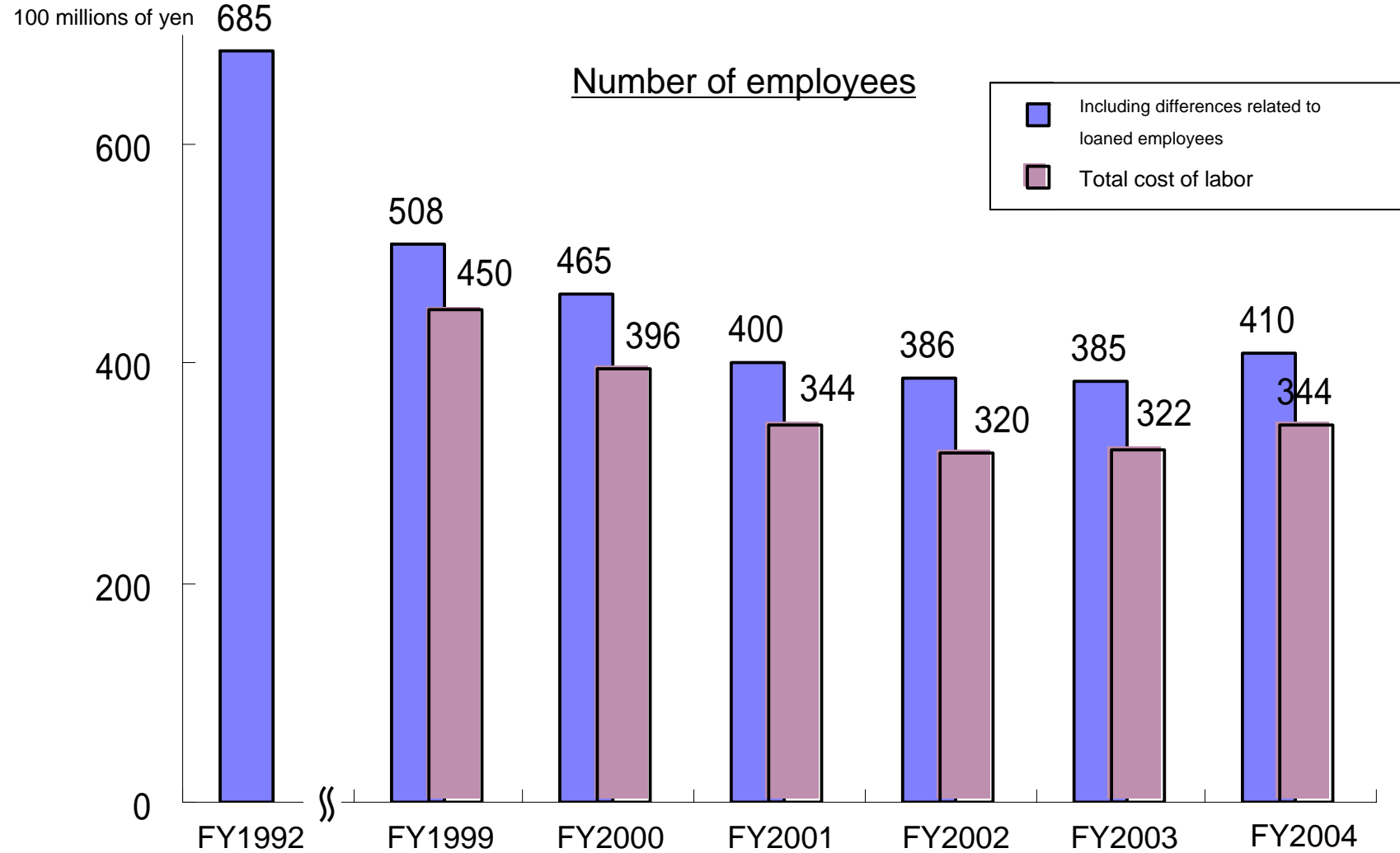
(number of people)

Personnel





Cost of Labor (non-consolidated)



Differences related to loaned employees include their retirement benefit expenses



Exchange rates, dollar balance (non-consolidated)

Millions of dollars

	FY2003			FY2004		
	1st half	2nd half	Total	1st half	2nd half	Total
Exports	254	271	525	298	337	635
Imports	413	482	895	557	636	1,193
Balance	Imports over exports 159	Imports over exports 211	Imports over exports 370	Imports over exports 259	Imports over exports 299	Imports over exports 558
Exchange rate for exports (yen per dollar)	118	108	113	110	105	107



Purchase prices

	FY2003	FY2004			Current (May 12)	Market trends
		1st half	2nd half	Total		
Zinc (\$/t)	899	1,004	1,215	1,109	1,225	While demand is rising steadily, there is concern over a supply shortage stemming from the tightening supply of zinc ore. The price is trending up.
Ni (\$/lb)	4.37	6.18	6.37	6.28	8.05	Demand is rising due to increased stainless steel production by China. There is a shortage of supply as it fails to keep pace with increasing demand. Market prices hover around their highs.
Cr (¢/lb)	48.0	68.0	78.0	73.0	4-6 83.0	Market prices hover around their highs against the backdrop of robust demand and other factors that push up costs, such as the rising currency of the major producing country (South Africa).



Distribution of share ownership

1,000 shares

	as of the end of March 2004		As of the end of March 2005	
		Ratio		Ratio
Financial institutions	424,958	42.7%	420,978	42.3%
Securities companies	24,848	2.5%	6,553	0.7%
Other institutions	155,846	15.8%	154,766	15.6%
Foreign investors	64,736	6.5%	132,268	13.3%
Treasury stock	30,276	3.0%	43,095	4.3%
Individuals etc.	293,836	29.5%	236,840	23.8%
Total number of shares outstanding	994,500			



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This material has been prepared on the basis of an earnings results briefing for the March 2005 term on May 10, 2005. Statements on the company's future plans, strategy and earnings outlook in this material were derived from information that was available as of the date of the earnings results briefing, and as such, contain uncertainties. The above-mentioned outlook could differ from actual results for a variety of important factors including, but not limited to, the political and economic situation at home and abroad, fluctuations of demand patterns in major markets and various institutional changes.

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