



The Earnings Results Briefing for the September 2004 Interim Period

Nisshin Steel Co., Ltd.

November 10, 2004



Today's Proceedings

➤ **Opening remarks**

President and Chief Executive Officer

Toshihiko Ono

➤ **Outline of financial results for the
September 2004 Interim Period**

Director and Senior Managing 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 slight 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 the Six-Month Period Ended September 30, 2004

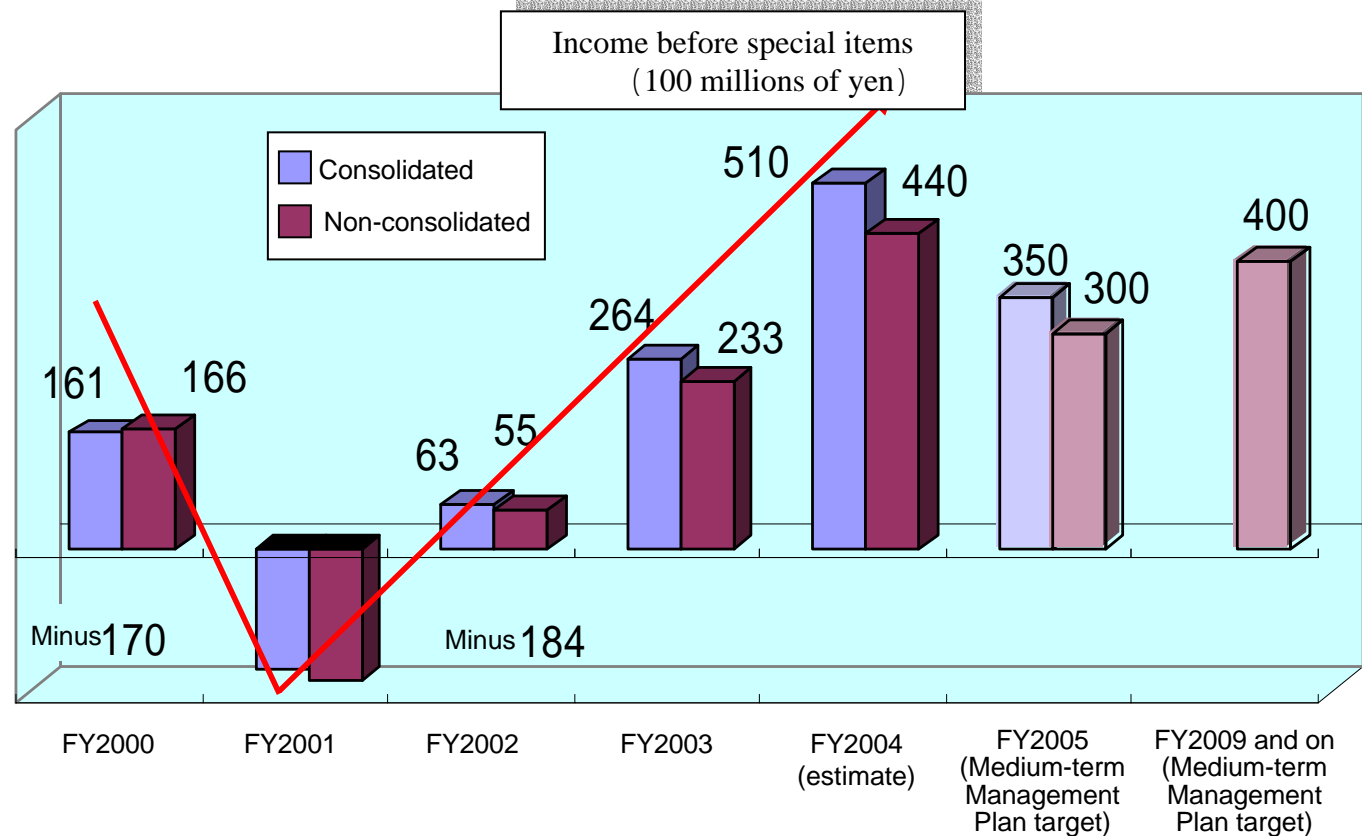
(100 millions of yen)

		Fiscal 2003			Fiscal 2004		Full year (estimate) (f)	Increase/Decrease	
		1st half (a)	2nd half (b)	Full year (c)	1st half (d)	2nd half (estimate) (e)		FY2003 1st half vs FY2004 1st half (d)-(a)	FY2003 vs FY2004 (f)-(c)
Consolidated	Net sales	2,214	2,300	4,514	2,515	2,685	5,200	301	686
	Operating income	187	169	357	285	295	580	98	223
	Income before special items	135	129	264	268	242	510	133	246
	Net income	54	43	97	107	93	200	53	103
Non-consolidated	Net sales	1,633	1,694	3,328	1,848	1,952	3,800	215	472
	Operating income	181	144	325	255	255	510	74	185
	Income before special items	134	99	233	231	209	440	97	207
	Net income	59	29	89	115	85	200	56	111

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



Earnings Estimate for the Full Year Ending March 31, 2005



The profit target under the medium-term business plan was achieved one year ahead of schedule

The future profit target of ¥40 billion/ year under the medium-term business plan was also cleared (set for FY2009 and on, non-consolidated)

The ¥18 billion estimate for income before special items for stainless steel is an all-time high



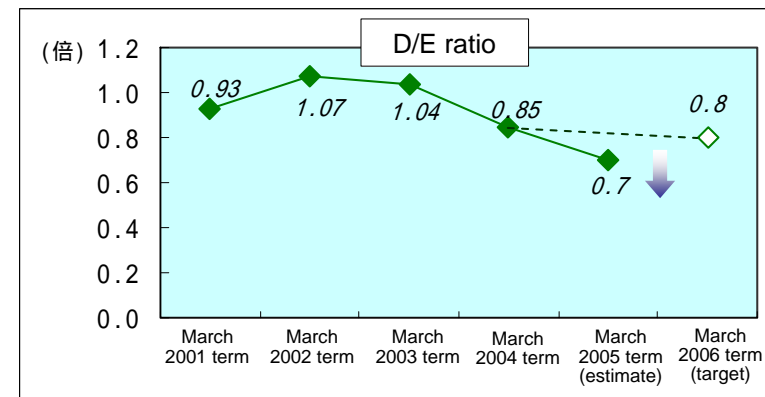
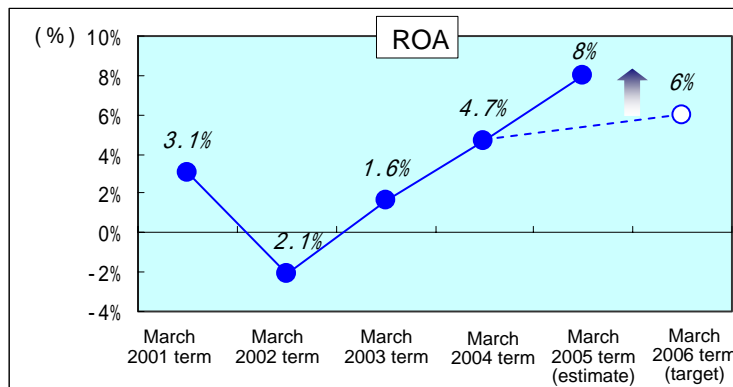
Progress of Medium-Term Business Plan (Profit Plan)

(100 millions of yen)

	Consolidated					Non-consolidated				
	Net sales	Income before special items	Net income	ROA	D/E ratio	Net sales	Income before special items	Net income	ROA	D/E ratio
Latest estimate for the March 2005 term	5,200	510	200	8%	0.7	3,800	440	200	8%	0.7
Medium-term business plan for the March 2006 term	4,800	350	160	6%	0.8	3,600	300	130	6%	0.7
Achievement rate	108%	146%	125%	106%	147%	154%
Results for the March 2004 term	4,514	264	97	4.7%	0.85	3,328	233	89	4.9%	0.79
Record profits (FY1989)	4,593	572	335	7.7%	...	4,287	586	309	11.2%	0.89

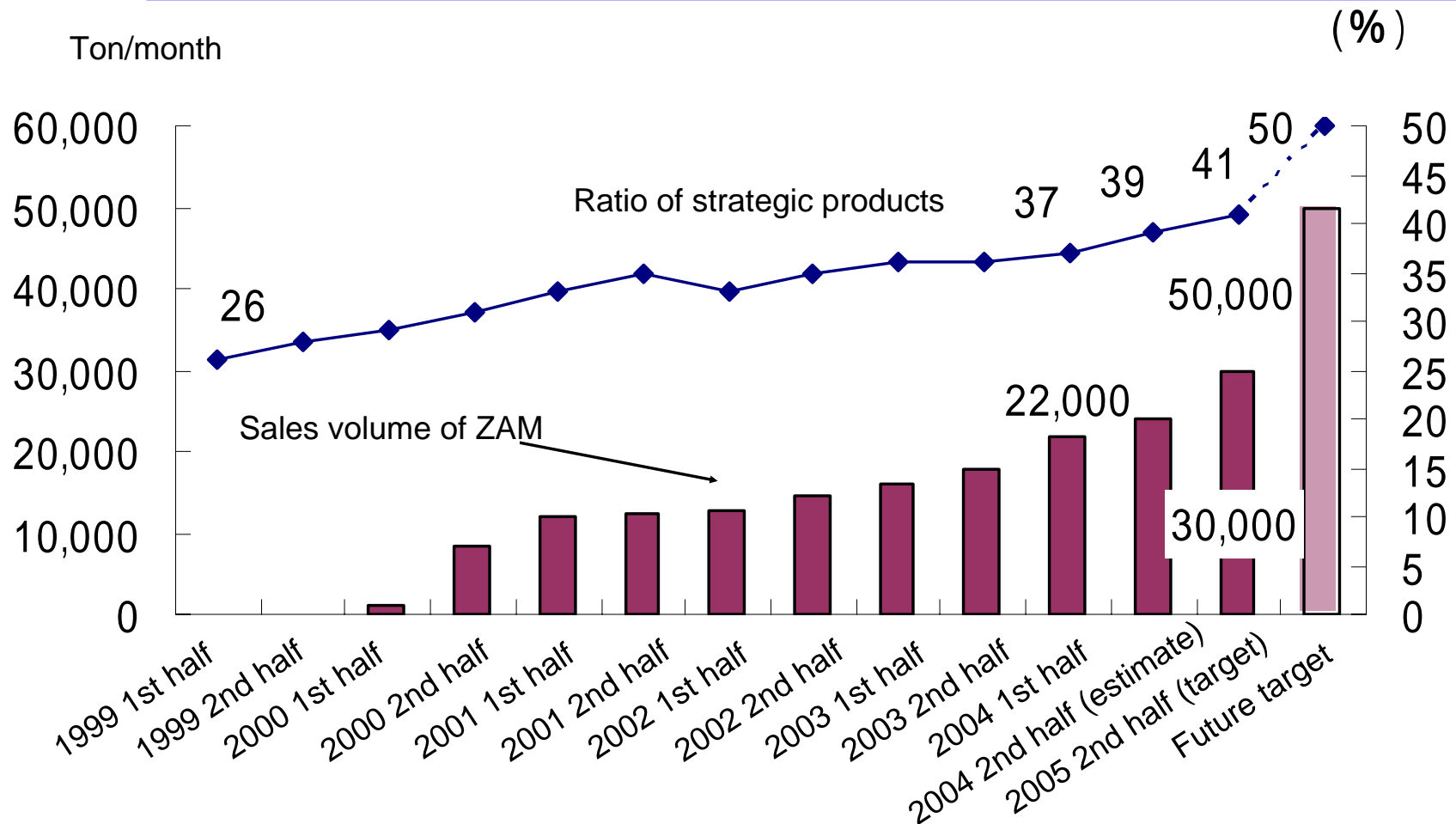
ROA: Business profit/total assets

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





Strategic Products Ratio, Monthly Sales of ZAM



《Future target》 Raise the ratio of strategic products (stainless steel, special steel, coated steel < - ZAM, aluminum-coated, copper-coated - >) to 50% of total sales



Promotion of Growth Strategy(1)

Business expansion in overseas growth markets

- Expansion of Ningbo Baoxin Stainless Steel
- Strategic Steering Committee with Shanghai Baosteel Group Corp.

【Action plan Steel pipe business, expansion of the ZAM market, stainless steel processing business in China

Expansion of overseas production, supply bases

- Stainless pipe production in North America (NAT)
- Exchange with ACERINOX Group
- Technical assistance to JINDAL (India)

【Action plan】 Expansion of WN (increased sales of ZAM in North America)



Promotion of Growth Strategy(2)

Partnership with Nippon Metal Industry Corp.

- Establish the structure for stable supply of products to customers and strengthen competitiveness of both firms through mutual utilization of production facilities, distribution systems and other management resources.

Toll rolling arrangement with Nippon Metal Industry Corp.

- Stainless steel slabs (up to 5,000 tons a month) cost at our Shunan works to be hot rolled at Nippon Metal Industry's Kinuura steel works.

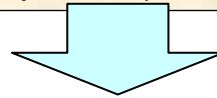


Future Direction

- Aim for “a major company in the niche market”

Sales expansion and growth strategy for strategic products
(stainless steel, special steel, coated steel)

Products	Our current position
Cold-rolled stainless steel	2 nd largest market share
Special steel	top market share
Coated steel	ZAM (the one and only product), 100% aluminized (top share/2 companies), electrolytic copper plating (the one and only product)



- Specialize in high value-added products
- As the top manufacturer, we will map out the global strategy and growth strategy, for stainless steel in particular



**Outline of financial results for the
September 2004 Interim Period**



Interim Results(Consolidated,non-consolidated)

100 millions of yen

	Interim results (A)	Estimate in September (B)	Difference (A-B)	FY2003 interim period (C)	Difference (A-C)
Net sales	2,515	2,500	15	2,214	301
non-consolidated subsidiaries, etc.	1,848	1,850	Minus 2	1,633	215
	667	650	17	581	86
Operating income	285	270	15	187	98
non-consolidated subsidiaries, etc.	255	240	15	181	74
	30	30	0	6	24
Income before special items	268	240	28	135	133
non-consolidated subsidiaries, etc.	231	210	21	134	97
	37	30	7	1	36
Net income	107	80	27	54	53
non-consolidated subsidiaries, etc.	115	100	15	59	56
	Minus 8	Minus 20	12	Minus 5	Minus 3



Sales (non-consolidated)

	FY2003									FY2004		
	1st half			2nd half			Full year			1st half		
Sales volume (10,000 tons)	199			198			397			196		
Ordinary steel, etc.	981	(123)	12.5%	1,001	(111)	11.1%	1,982	(234)	11.8%	1,078	(143)	13%
Stainless steel	652	(188)	28.8%	693	(197)	28.4%	1,346	(385)	28.6%	770	(201)	26%
Sales (100 millions of yen)	1,633	(311)	19.0%	1,694	(308)	18.2%	3,328	(619)	18.6%	1,848	(344)	19%

Figures in parentheses are the value of exports, % represents the export ratio

Gross average unit price (¥1,000 per ton)	82			85			84			94		
Exchange rate for exports (yen/dollar)	118			108			113			110		
Crude steel production (in units of 10,000 tons)	202			187			389			199		

Figures in parentheses are the value of exports



Market Trends

[Domestic market]

- Demand is firm in each sector, while the supply-demand situation for steel products remains tight. The rise in demand is spreading from hot rolled to cold rolled and coated products with market prices maintaining an upward trend.
- Demand for stainless steel is also strong, underpinned by demand from automotive and IT/digital-related industries. Market prices are turning upwards after temporarily leveling off. Concern over an inventory increase due to imports.

[Exports]

- The market for commercial grade steel products softened temporarily under the impact of the Chinese government's steps to cool down economic activity, but market prices of high-grade steel products rose on strong demand from Chinese manufacturers. Prices of commercial grades steel products rebounded recently.
- Stainless steel was in strong demand from China and Southeast Asia, but market prices temporarily weakened due to the falling price of nickel. The market improved later reflecting rises in nickel prices.

Domestic sales by sector (in terms of volume)

	Automobiles	Construction materials	Electric machinery	Store sales	Others	Total
2004 1st half	35%	26%	11%	11%	17%	100%

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

Export by product (in terms of value)

	FY2003			2004
	1st half	2nd half	Full year	1st half
Ordinary and special steel	13%	11%	12%	13%
Stainless steel	29%	28%	29%	26%
Total	19%	18%	19%	19%



Changes in Non-consolidated Income Before Special Items (2003 1st half : 2004 1st half)

100 millions of yen

2003 1st half income before special items		134	
Factors for change	Sales	280	Improvements in selling prices, composition of products
	Purchase price	Minus 220	Ni materials Minus 125, Cr Minus 25, coke Minus 35
	Foreign exchange rate difference	20	Imports 40 , exports Minus 20 (Exchange rate for exports rises from ¥118 to ¥110 to the dollar)
	Cost improvement	17	
Total		97	
2004 1st half income before special items		231	



Changes in Non-consolidated Income Before Special Items (2003 2nd half : 2004 1st half)

100 millions of yen

2003 2nd half income before special items		99	
Factors for change	Sales	195	Improvements in selling prices and product mix
	Purchase price	Minus 120	Ni materials Minus 50, Cr Minus 15, coke Minus 20
	Foreign exchange rate difference	5	Exports 5 (Exchange rate for exports levels off at ¥110 to the dollar)
	Impact of blast-furnace repairs	30	
	Cost improvement	22	
Total		132	
2004 1st half income before special items		231	



Full-year Earnings Forecast

100 millions of yen

	FY2004 Earnings outlook			1st half: 2nd half
	1st half	2nd half outlook	Total	
Net sales	2,515	2,685	5,200	170
non-consolidated subsidiaries, etc.	1,848	1,952	3,800	104
	667	733	1,400	66
Operating income	285	295	580	10
non-consolidated subsidiaries, etc.	255	255	510	0
	30	40	70	10
Income before special items	268	242	510	Minus 26
non-consolidated subsidiaries, etc.	231	209	440	Minus 22
	37	33	70	Minus 4
Net income	107	93	200	Minus 14
non-consolidated subsidiaries, etc.	115	85	200	Minus 30
	Minus 8	8	0	16



Changes in Non-consolidated Income Before Special Items (2004 1st half : 2004 2nd half)

100 millions of yen

2004 1st half income before special items		231	
Factors for change	Sales	95	Improvements in selling prices and product mix
	Purchase price	Minus 90	Ni materials Minus 15, Cr Minus 20 coke Minus 15
	Foreign exchange rate difference	0	(Exchange rate for exports levels off at ¥110 to the dollar)
	Cost improvement	Minus 27	Impact of typhoons Minus 10
Total		Minus 22	
2004 2nd half outlook		209	



Changes in Non-consolidated Income Before Special Items (FY2003: FY2004)

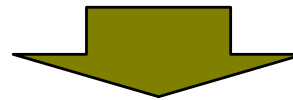
100 millions of yen

FY2003 income before special items		233	
Factors for change	Sales	570	Improvements in selling prices
	Purchase price	Minus 430	Ni materials Minus 190, Cr Minus 60, coke Minus 90
	Foreign exchange rate difference	20	Imports 40 exports Minus 20 (Exchange rate for exports rises from ¥113 to ¥110 to the dollar)
	Impact of blast-furnace repairs	30	
	Cost improvement	17	Impact of typhoons Minus 10
Total		207	
FY2004 outlook		440	



Income Before Special Items by Sector

	FY2003			FY2004		
	1st half	2nd half		1st half	2nd half outlook	
Flat rolled and coated products	89	64	153	131	129	260
Stainless steel products	45	35	80	100	80	180
Total income before special items	134	99	233	231	209	440



Flat rolled and coated products

In the first half, income before special items rose year on year thanks to improved prices on the back of strong demand, and the effects of various sales promotion measures. A similar performance to the first half is expected in the second half.

Stainless steel products

While raw material prices rose in the first half, income before special items increased over the second half of the previous year, thanks to improved selling prices and rationalization. In the second half, the company intends to make all-out efforts to improve selling prices, but a further rise in raw materials prices is likely.



Special Items (Consolidated)

100 millions of yen

	FY2003			FY2004		
	1st half	2nd half		1st half	2nd half outlook	Total outlook
Income before special items	135	129	264	268	240	510
Special items, income and gain	6	54	60	0	10	10
Gain on sale of properties	6	54	60	0	10	10
Others	-	-	-	-	-	-
Special items, expense and loss	Minus 41	Minus 101	Minus 142	Minus 68	Minus 70	Minus 140
Retirement benefit expense	Minus 29	Minus 30	Minus 59	Minus 29	Minus 30	Minus 60
Special early retirement benefit payments	Minus 4	Minus 2	Minus 6	-	-	-
Loss on sale and disposition of properties	Minus 8	Minus 69	Minus 77	Minus 39	Minus 40	Minus 80
Special items income/expense	Minus 35	Minus 47	Minus 82	Minus 68	Minus 60	Minus 130
Income before provision for income taxes	100	82	182	200	180	380
Total provision for income taxes	Minus 46	Minus 38	Minus 84	Minus 93	Minus 90	Minus 180
Net income	54	43	97	107	90	200



Balance Sheet (as of the end of September 2004)

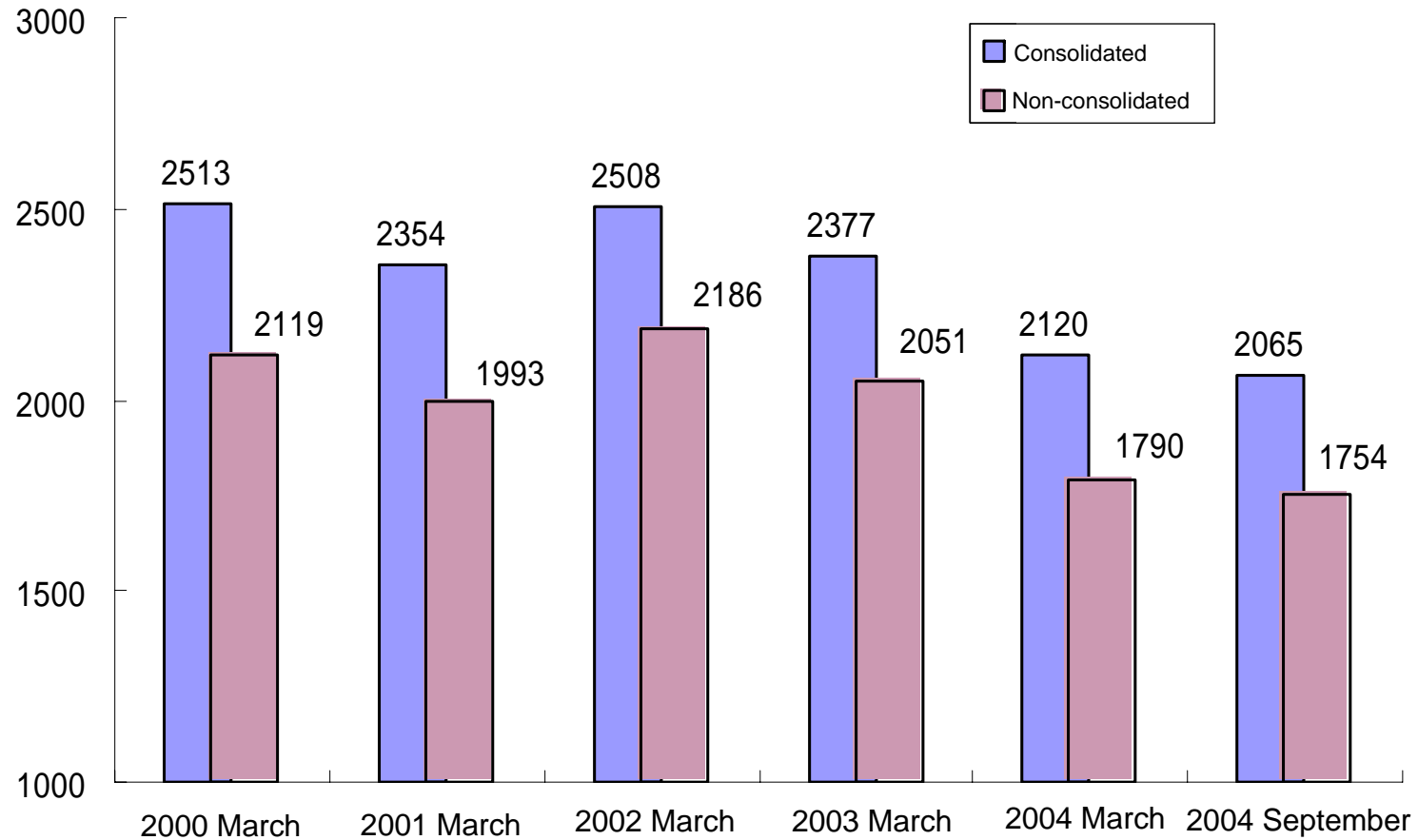
100 millions of yen

(Assets)	Consolidated	
		Compared with the end of March 2004
Cash on hand and in banks	288	+ 2
Notes and accounts receivable	941	+ 45
Inventories	938	+ 83
Other current assets	159	+ 53
Tangible, intangible fixed assets	2,870	Minus 89
Investments etc.	1,299	+ 66
Deferred tax assets	43	+ 7
Total assets	6,542	+ 169

(Liabilities)	Consolidated	
		Compared with the end of March 2004
Notes and accounts payable	759	+ 30
Reserves	478	+ 32
Interest-bearing debt	2,065	Minus 54
Other liabilities	459	+ 26
Deferred tax liabilities	75	+ 4
Total liabilities	3,836	38
Minority interests	88	7
Shareholders' equity	799	-
Additional paid-in capital	498	-
Retained earnings	991	+ 88
Unrealized gain on available-for-sale securities	376	+ 30
Treasury stock, at cost	Minus 47	4
Total shareholders' equity	2,617	+ 123
Total of liabilities, minority interests and shareholders' equity	6,542	+ 169



Balance of interest-bearing debt



Consolidated shareholders equity (100million)	2,449	2,523	2,335	2,291	2,494	2,617
D/E ration	1.03	0.93	1.07	1.04	0.85	0.79



Consolidated Cash Flows

(100 millions of yen)

(References)

	FY2004 1st half	Notes to consolidated financial statements	FY2003
Cash flows from operating activities	212	Income before provision for income taxes of ¥19.9 billion, allowance for depreciation of ¥12.3 billion, a decrease in inventories of ¥8.2 billion, etc.	406
Cash flows from investing activities	Minus124	Acquisition of tangible and intangible fixed properties including repairs at the No.2 blast furnace at the Kure steel works of ¥11.4 billion, etc.	Minus107
Free cash flows	88		299
Cash flows from financial activities	Minus83	A reduction in borrowings and other interest-bearing debt of ¥5.4 billion, acquisition of own shares of ¥900 million, cash dividends of ¥1.9 billion	Minus318
Cash and cash equivalents at the end of period	288		278



Return to Shareholders

Dynamic implementation of IR activities

→ Enhancement of corporate value

Interim dividend ¥2.5 per share

Term-end dividend To be decided after
examining earnings
performance

Active promotion of stock repurchase

Carried out in July <4 million shares worth ¥889 million>

→ Total 33.86 million shares

A board resolution made to facilitate timely acquisitions

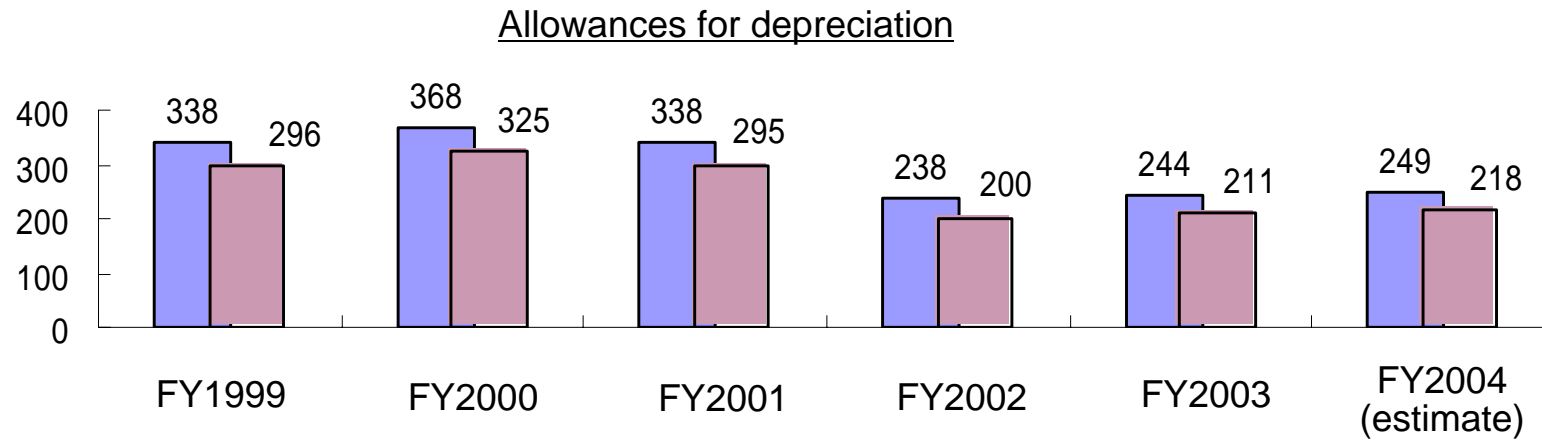
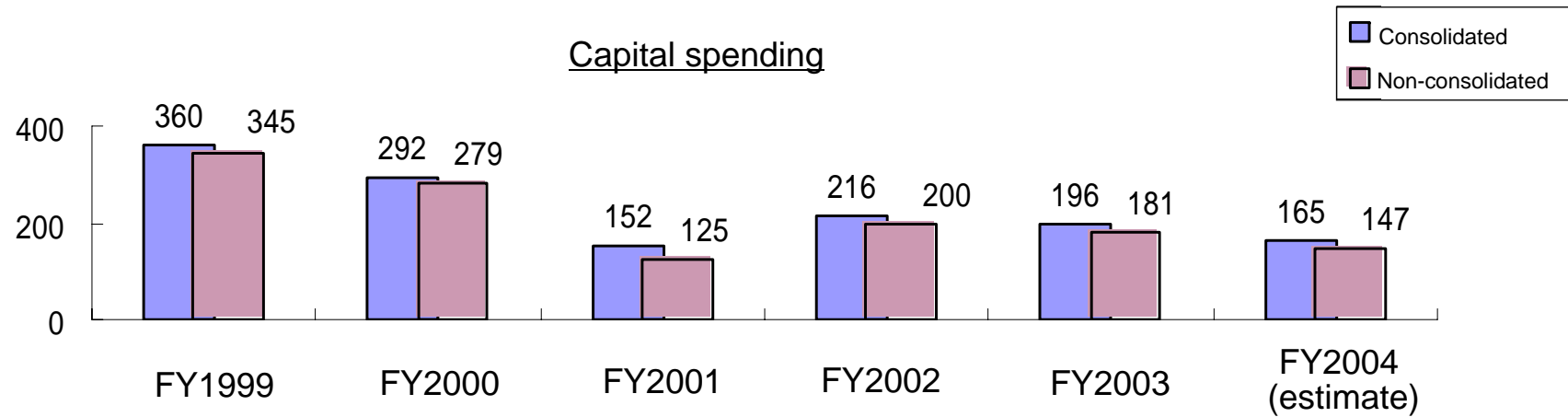
A press release dated November 5...To repurchase own shares under a ceiling of 12 million shares or ¥2.1 billion.



(References) Principal Data

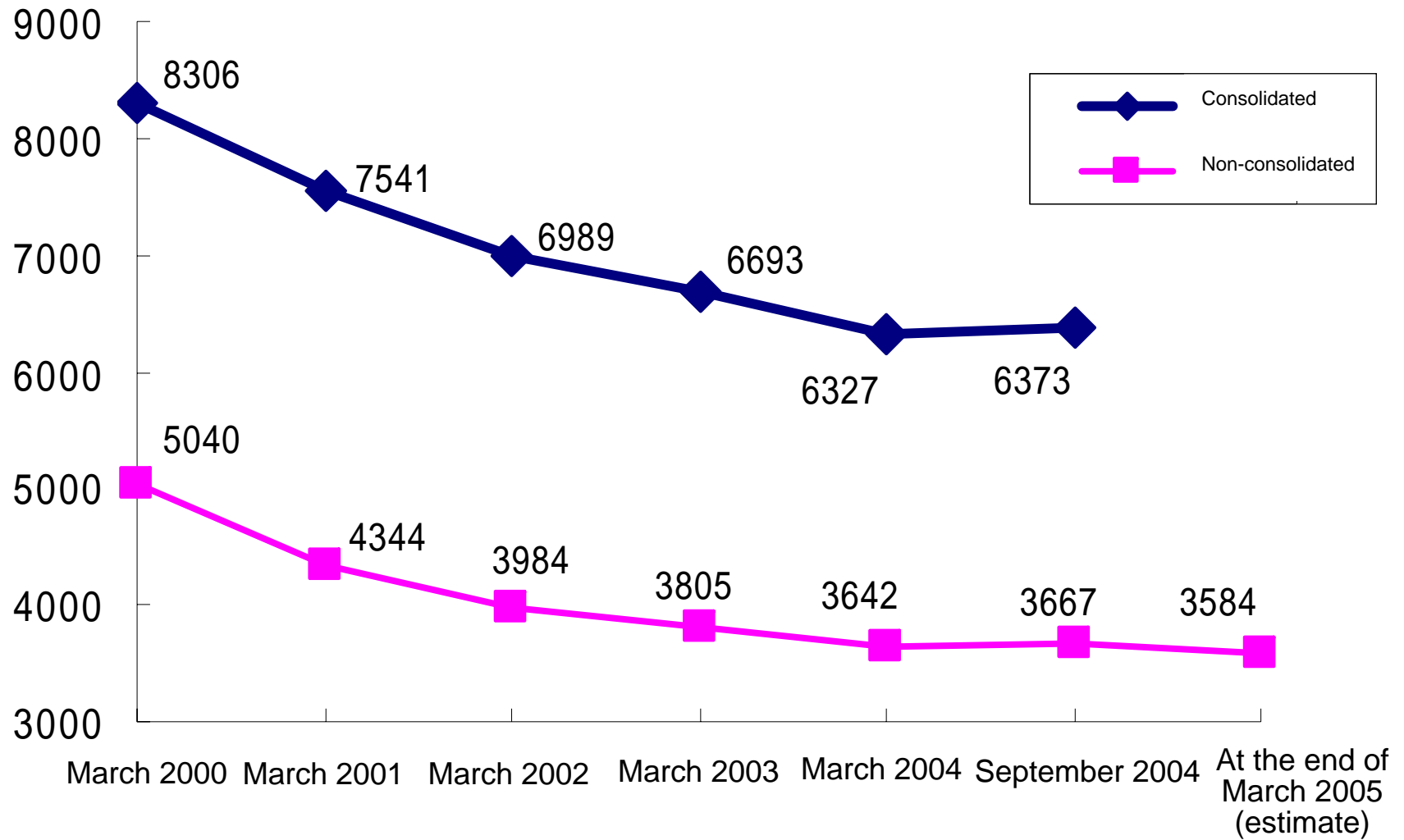


Capital Spending (final acceptance basis) and Depreciation Allowances



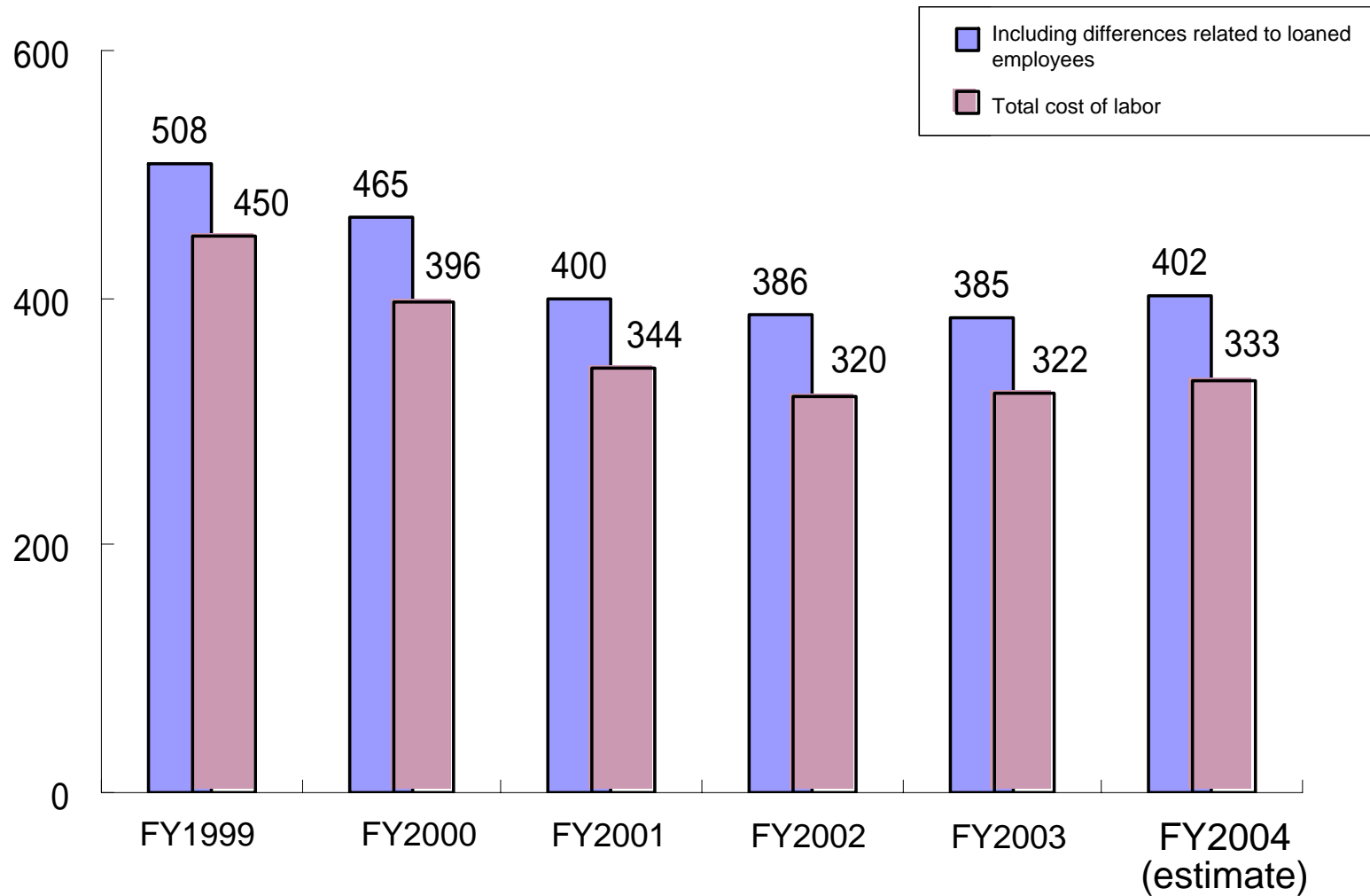


Personnel





Cost of Labor (non-consolidated)



- Differences related to loaned employees include their retirement benefit expenses



Exchange rates, dollar balance (non-consolidated) NISSHIN STEEL

Millions of dollars

	FY2003			FY2004		
	1st half	2nd half	Total	1st half	2nd half	Total
Exports	254	271	525	298	320	620
Imports	413	482	895	557	610	1,170
Balance	(Imports over exports) 159	(Imports over exports) 211	(Imports over exports) 370	(Imports over exports) 259	(Imports over exports) 290	(Imports over exports) 550
Exchange rate for exports (yen per dollar)	118	108	113	110	110	110



Purchase prices

	FY2003	FY2004 1st half	Current November 3	Market trends
Zinc (\$/t)	899	1,028	1,024	A global shortage of supply is feared due to a rise in demand from China, forcing prices up.
Ni (\$/lb)	4.37	6.18	6.20	As demand rises due to increased production of stainless steel in China, market prices hover around their highs due to limited increases in supply.
Cr (¢/lb)	48.0	68.0	10-12 78.0	Market prices hover around their highs due to robust demand coupled with other factors, such as the rising South African rand, pushing up costs.



Distribution of share ownership

1,000 shares

	As of the end of September 2004		As of the end of March 2004	
		Ratio		Ratio
Financial institutions	443,236	44.6%	424,958	42.7%
Securities companies	12,485	1.3%	24,848	2.5%
Other institutions	147,864	14.9%	155,739	16.7%
Foreign investors	94,848	9.5%	64,736	6.5%
Company (treasury stock)	34,343	3.4%	30,276	3.0%
Individuals etc.	261,724	26.3%	293,943	29.6%
Total no. of shares outstanding	994,500			



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This material has been prepared on the basis of an earnings results briefing for the September 2004 Interim Period on November 05, 2004. 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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