

## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2009

**Company Name: Nisshin Steel Co., Ltd.**

URL: <http://www.nisshin-steel.co.jp/>

Code Number: 5407 (Tokyo, Osaka, Nagoya, and Fukuoka stock exchanges)

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### 1. Highlights of Consolidated Results for the First Quarter of Fiscal Year ending March 31, 2009

(1) Consolidated Operating Results (Rounded down to the nearest millions of yen)

(The percentage figures represent the change from the same period last year)

	Net sales		Operating income		Income before special items		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q of FY ending March 31, 2009	164,345	–	5,307	–	6,717	–	3,811	–
1Q of FY ended March 31, 2008	170,799	18.4	17,779	84.4	18,955	137.2	10,987	140.0

	Net income per share	Fully diluted net income per share
	Yen	Yen
1Q of FY ending March 31, 2009	4.21	–
1Q of FY ended March 31, 2008	11.94	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1Q of FY ending March 31, 2009	836,838	360,191	42.4	391.49
FY ended March 31, 2008	818,310	361,463	43.5	393.01

(Reference) Shareholders' equity and valuation and translation adjustments:

1Q of FY ending March 31, 2009: 354,626 million yen

FY ended March 31, 2008: 356,015 million yen

### 2. Dividends

(Record date)	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2008	–	4.00	–	6.00	10.00
FY ending March 31, 2009	–				
FY ending March 31, 2009 (Forecast)		4.00	–	–	–

Note: Revision of dividend forecasts in the quarter (Y/N): Yes

The Company has left the year-end dividend forecast undecided at this time.

### 3. Consolidated Forecasts for Fiscal Year Ending March 31, 2009

(Percentages presented refer to changes compared with the previous 2Q (cumulative) and full-year results, respectively)

	Net sales		Operating income		Income before special items		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q (Cumulative)	350,000	–	20,000	–	21,500	–	12,500	–	13.80
Full fiscal year	750,000	15.5	37,000	(36.7)	37,000	(32.2)	22,500	(30.1)	24.84

Note: Revision of consolidated forecasts in the quarter (Y/N): Yes

### 4. Other

- (1) Changes in major subsidiaries during the period under review: None
- (2) Adoption of simplified accounting methods or special accounting methods for quarterly financial statements: Yes  
NOTE: For detailed information, refer to “Qualitative Information, Financial Statements, and Etc.” “4. Others” on Page 5.
- (3) Changes in accounting policies and accounting title and classification for quarterly financial statements
  - (i) Changes due to revision of accounting standards, etc.: Yes
  - (ii) Changes other than (i) above: YesNOTE: For detailed information, refer to “Qualitative Information, Financial Statements, and Etc.” “4. Others” on Page 5.
- (4) Total number of shares issued (Common stock)
  - (i) Total number of shares issued at term end (Includes treasury stock)
    - 1Q of FY ending March 31, 2009: 994,500,174 shares
    - FY ended March 31, 2008: 994,500,174 shares
  - (ii) Total treasury stock at term end
    - 1Q of FY ending March 31, 2009: 88,665,146 shares
    - FY ended March 31, 2008: 88,640,050 shares
  - (iii) Average number of shares issued and outstanding during the period (Cumulative period to the quarter)
    - 1Q of FY ending March 31, 2009: 905,845,025 shares
    - 1Q of FY ended March 31, 2008: 920,086,664 shares

### Explanation on Appropriate Use of Performance Forecasts and Other Remarks

(Notations on Forward-looking Statements)

The performance forecasts and other forward-looking statements in these materials are based on certain assumptions deemed rational by the Company at this point in time, and actual performance may differ significantly because of such factors as dramatic changes in the economic conditions or product demand in major markets (Japan, Asia, etc.), substantial variations in the prices of fuel and raw materials, steep fluctuations in foreign exchange rates, and major changes in capital markets.

Nisshin Steel has decided not to project the amount of the year-end dividend for FY ending March 31, 2009 at the present time, given the many uncertain factors that may influence business performance beginning with the future trends in fuel and raw materials prices. The Company will promptly disclose the dividend projection when that becomes possible.

(Others)

From this fiscal year the Nisshin Steel Group has applied Accounting Standard for Quarterly Financial Statements (Accounting Standards Board of Japan (ASBJ) Statement No. 12 dated March 14, 2007) and Implementation Guidance for Accounting Standards for Quarterly Financial Statements (ASBJ Guidance No. 14 dated March 14, 2007), and prepared consolidated quarterly financial statements in accordance with the Quarterly Consolidated Financial Statements Regulations.

**(Reference)****Non-Consolidated Forecasts for Fiscal Year Ending March 31, 2009**

(Percentages presented refer to changes compared with the previous 2Q (cumulative) and full-year results, respectively)

	Net sales		Operating income		Income before special items		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q (Cumulative)	280,000	–	16,500	–	17,500	–	10,500	–	11.59
Full fiscal year	590,000	12.9	30,500	(42.7)	30,000	(39.2)	18,000	(40.6)	19.87

Note: Revision of non-consolidated forecasts in the quarter (Y/N): Yes

## **[Qualitative Information, Financial Statements, and Etc.]**

### **1. Qualitative Information Regarding Consolidated Operating Results**

During the first quarter of the fiscal year ending March 31, 2009, the outlook for the Japanese economy grew increasingly unclear with the sudden increases in fuel and raw materials prices.

In the steel industry, while demand is generally holding firm, costs are rising due to significant hikes in the prices of iron ore and coal, and responding to this cost squeeze has become an urgent issue.

Under these conditions, the Nisshin Steel Group has established a Rationalization and Overall Cost Reduction Committee to promote further cost reductions throughout the Group. This committee is striving to reduce all types of expenses and to boost productivity. Meanwhile, with the understanding of our customers, those cost increases that cannot be absorbed are being passed on in our sales prices.

The consolidated results for the first (April-June of 2008) quarter of the fiscal year ending March 31, 2009 were net sales of ¥164,345 million, operating income of ¥5,307 million, income before special items of ¥6,717 million, and net income of ¥3,811 million.

In June 2008 our Amagasaki Works lost its Japanese Industrial Standards (JIS) certification after it became clear that tests and inspections required by the JIS were not being carried out on some of the stainless steel pipes produced at the works. We sincerely apologize for the great disturbance this has caused to our customers and other parties concerned. Nisshin Steel is making every effort to prevent any recurrence, and to regain the JIS certification.

### **2. Qualitative Information Regarding Consolidated Financial Position**

As of the end of the first quarter of the fiscal year ending March 31, 2009, consolidated assets stood at ¥836,838 million, up ¥18,528 million from the end of the previous fiscal year (March 31, 2008), as inventories increased by ¥7,271 million and notes and accounts receivable were up ¥5,349 million.

Liabilities rose by ¥19,799 million to ¥476,646 million due to a ¥23,625 million increase in interest-bearing debt and other factors.

Total net assets declined ¥1,271 million to ¥360,191 million due to the increase brought by the net income of ¥3,811 million and decrease brought by dividend of ¥5,435 million.

### **3. Qualitative Information Regarding Consolidated Performance Forecast**

The Nisshin Steel Group will continue striving to increase sales of our unique products, reduce costs, and improve sales prices to secure profits. Nevertheless, there are concerns about negative influence on personal consumption and steel demand likely to be caused by sharp increases in fuel and raw materials prices and the slowdown in the U.S. economy.

Consequently, the Nisshin Steel Group has revised the consolidated performance forecasts previously released on April 28, 2008 considering such management environment, future company programs and other factors.

#### 4. Others

(1) Changes in major subsidiaries during the period under review : None

(2) Adoption of simplified accounting methods or special accounting methods for quarterly consolidated financial statements:

- Simplified accounting methods  
(Depreciation of fixed assets)  
Because budgets are compiled based on projections of fixed asset acquisition, sale and disposition each half-year, the fixed asset depreciation expenses are the amounts allocated to the quarter under the concerned budgets.
- Special accounting methods for quarterly financial statements  
(Tax expenses)  
Tax expenses are derived from quarterly income before income taxes multiplied by estimated yearly effective rate of income tax expense. Provision for income taxes includes both current income taxes and changes in deferred income taxes.

(3) Changes in accounting policies and accounting title and classification for quarterly financial statements:

- (i) Effective from the period under review, the Nisshin Steel Group is applying Accounting Standard for Quarterly Financial Statements (Accounting Standards Board of Japan (ASBJ) Statement No. 12 dated March 14, 2007) and Implementation Guidance for Accounting Standards for Quarterly Financial Statements (ASBJ Guidance No. 14 dated March 14, 2007), and preparing consolidated quarterly financial statements in accordance with the Quarterly Consolidated Financial Statements Regulations.
- (ii) Prior to the period under review, inventory assets held for regular sales were valued at cost primarily using the weighted average method or the moving average method. As the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 dated July 5, 2006) have come into effect from this first quarter, however, these inventory assets are now valued at cost primarily using the weighted average method or the moving average method in which inventories' book value reflects the decrease in their value due to their decrease in profitability, if any.. This change decreased income before provision for income taxes by ¥2,770 million relative to what it would have been had the previous method been used.
- (iii) Prior to the period under review, finance lease transactions which do not involve the transfer of ownership rights were accounted for with the methods for rental transactions. The Accounting Standard for Lease Transactions (ASBJ Statement No. 13 dated March 30, 2007) and the Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16 dated March 30, 2007) may be applied to consolidated quarterly financial statements from April 1, 2008. Effective from the period under review, Nisshin Steel has adopted such standard and guidance, and finance leases which do not involve the transfer of ownership rights with initial lease dates beginning after the application of the standard and guidance are accounted for with the method for regular purchase and sale transactions. Such lease assets are depreciated with the straight-line method, adopting the lease period as the useful life and assuming a residual value of zero.  
The effects of these changes on the Nisshin Steel Group's income are minimal.

## 5. Quarterly Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	June 30, 2008	March 31, 2008		June 30, 2008	March 31, 2008
(ASSETS)			(LIABILITIES)		
<b>Current assets</b>	336,063	315,374	<b>Current liabilities</b>	272,063	284,583
Cash on hand in banks	18,553	18,171	Notes and accounts payable	113,463	106,633
Notes and accounts receivable	98,678	93,328	Short-term loans	77,548	79,375
Inventories	173,803	166,532	Commercial paper	32,000	39,000
Other current assets	45,439	37,749	Current portion of bonds	10,000	10,000
Allowance for doubtful accounts	(411)	(407)	Provisions	617	799
<b>Fixed assets</b>	500,774	502,935	Other current liabilities	38,433	48,774
<b>Property, plant and equipment</b>	263,726	265,789	<b>Long-term liabilities</b>	204,583	172,263
Machinery, equipment and vessels	117,933	123,395	Bonds	60,000	40,000
Other	145,792	142,394	Long-term debt	62,718	50,265
<b>Intangible assets</b>	10,577	11,378	Employees' retirement benefits	34,670	34,201
<b>Investments and long-term receivables</b>	226,470	225,768	Reserve for rebuilding furnaces	10,652	10,156
Investments in securities	193,423	193,253	Other Provisions	1,059	1,089
Other	33,758	33,224	Other	35,482	36,549
Allowance for doubtful accounts	(711)	(709)	<b>Total liabilities</b>	476,646	456,847
			(NET ASSETS)		
			<b>Shareholders' equity</b>	287,998	289,630
			Common stock	79,913	79,913
			Additional paid-in capital	49,893	49,893
			Retained earnings	184,055	185,678
			Treasury stock, at cost	(25,863)	(25,854)
			<b>Valuation and translation adjustments</b>	66,628	66,384
			Unrealized gain on available-for-sale securities	66,902	68,083
			Deferred gain or loss on hedges	307	(1,120)
			Adjustment on revaluation of land	253	253
			Foreign currency translation adjustment	(835)	(831)
			<b>Minority interests in consolidated subsidiaries</b>	5,565	5,447
			<b>Total net assets</b>	360,191	361,463
<b>Total assets</b>	836,838	818,310	<b>Total liabilities and total net assets</b>	836,838	818,310

**(2) Consolidated Statement of Income**

(Millions of yen)

	1Q of FY ending March 31, 2009 (April 1, 2008 to June 30, 2008)
Net sales	164,345
Cost of sales	145,879
Gross profit	18,466
Selling, general and administrative expenses	13,158
Operating income	5,307
Other income	3,952
Interest income	114
Dividend income	1,947
Foreign exchange gain	908
Equity in earnings of unconsolidated subsidiaries and affiliates	665
Other	316
Other expenses	2,542
Interest expense	722
Service cost of temporarily transferred employees	1,027
Other	793
Income before special items	6,717
Special item, expense and loss	105
Loss on sale and disposition of properties	105
Income before provision for income taxes	6,612
Provision for income taxes	2,673
Minority interests in earnings of consolidated subsidiaries	126
<b>Net income</b>	<b>3,811</b>

Effective from the period under review, the Nisshin Steel Group is applying Accounting Standard for Quarterly Financial Statements (Accounting Standards Board of Japan (ASBJ) Statement No. 12 dated March 14, 2007) and Implementation Guidance for Accounting Standards for Quarterly Financial Statements (ASBJ Guidance No. 14 dated March 14, 2007), and preparing consolidated quarterly financial statements in accordance with the Quarterly Consolidated Financial Statements Regulations.

(3) Notes regarding the assumptions of going concerns  
Not Applicable

(4) Notes when there are outstanding changes in the amount of shareholders' equity  
Not Applicable

**(Reference)****Previous First Quarter Consolidated Statement of Income (Summary)**

1Q of Fiscal Year ended March 31, 2008 (April 1, 2007 to June 30, 2007)

(Millions of yen)

	1Q of FY ended March 31, 2008 (April 1, 2007 to June 30, 2007)
I Net sales	170,799
II Cost of sales	139,681
Gross profit	31,118
III Selling, general and administrative expenses	13,339
Operating income	17,779
IV Other income	3,171
V Other expenses	1,995
Income before special items	18,955
VI Special items, income and gain	60
VII Special items, expense and loss	55
Income before provision for income taxes	18,960
Provision for income taxes	7,903
Minority interests in earnings of consolidated subsidiaries	69
Net income	10,987

**(Presentation Materials)****I Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2009****1. Results of Operations**

(Billions of yen)

	1Q of FY ending March 31, 2009 Actual	1Q of FY ended March 31, 2008 Actual	Difference
Net sales	<b>164.3</b>	170.7	(6.4)
Operating income	<b>5.3</b>	17.7	(12.4)
Income before special items	<b>6.7</b>	18.9	(12.2)
Net income	<b>3.8</b>	10.9	(7.1)
Net income per share (Yen)	<b>4.21</b>	11.94	(7.73)
Unrealized holding gains on inventories	<b>2.0</b>	8.5	(6.5)

(Of which) Stainless Steel Business Results

Net sales	<b>50.0</b>	64.0	(14.0)
Income before special items	<b>0.0</b>	12.0	(12.0)
Unrealized holding gains on inventories	<b>-3.5</b>	7.5	(11.0)

**2. Other Information (Non-Consolidated)**

	1Q of FY ending March 31, 2009	1Q of FY ended March 31, 2008	Difference
Crude steel production (1,000 tons)	<b>1,006</b>	1,008	(2)
Of which, stainless steel	<b>142</b>	152	(10)
Sales volume (1,000 tons)	<b>987</b>	993	(6)
Average sales price of steel products (¥1,000/ton)	<b>133</b>	142	(9)
Export ratio (monetary basis; %)	<b>19</b>	18	1
Export exchange rate (¥/U.S. \$)	<b>105</b>	121	16 (Yen appreciation)
Excess of imports over exports (US\$ million)	<b>381</b>	348	33

**3. Income Before Special Items Differential Breakdown**

Item	Amount (billions of yen)	Breakdown	Of which, stainless steel
1Q of FY ended March 31, 2008, Actual	18.9		12.0
Sales related	(1.0)	Volume and composition difference (1.0)	(7.0)
Purchasing price	(11.0)	Nickels 6.0, Iron ore (5.0) Coke and PCI (6.0) Chromium (2.0), Oil and gas (4.0)	4.5
Cost improvement, etc.	(0.2)	Rationalization 0.8, Exchange rate 5.0, Subsidiaries 0.5 Changes in estimated useful lives (0.5) Unrealized holding gains on inventories (6.5)	(9.5)
Total	(12.2)		(12.0)
1Q of FY ending March 31, 2009, Actual	6.7		0.0

#### 4. Balance Sheet (Summary)

As of June, 2008

Debit		Vs.
		March, 2008
Cash on hand and in banks	18.5	+0.3
Accounts receivable	98.6	+5.3
Inventories	173.8	+7.2
Other current assets	45.0	+7.6
Property, plant and equipment	263.7	(2.0)
Intangible assets	10.5	(0.8)
Investments and long-term receivables	226.4	+0.7
<b>Total assets</b>	<b>836.8</b>	<b>18.5</b>

(Billions of yen)

Credit		Vs.
		March, 2008
Interest-bearing debt	242.2	+23.6
Other liabilities	234.3	(3.8)
<b>Total liabilities</b>	<b>476.6</b>	<b>19.7</b>
Common stock and additional paid-in capital	129.8	–
Retained earnings	184.0	(1.6)
Treasury stock, at cost	(25.8)	(0.0)
Valuation and translation adjustments	66.6	+0.2
Minority interests	5.5	+0.1
<b>Total net assets</b>	<b>360.1</b>	<b>(1.2)</b>
<b>Total liabilities and total net assets</b>	<b>836.8</b>	<b>18.5</b>

## II Forecasts of Results of Operations for the Fiscal Year Ending March 31, 2009

### 1. Results of Operations

(Billions of yen)

		FY ending March 31, 2009 - full year				FY ended March 31, 2008 - full year (Actual)	Vs. current forecast	
		Current forecast	Previous forecast (As of 28 Apr. 2008)	Change			(Amount)	(%)
				(Amount)	(%)			
Consolidated	Net sales	<b>750.0</b>	750.0	0.0	0.0	649.4	100.6	15.5
	Operating income	<b>37.0</b>	46.0	(9.0)	-19.6	58.4	(21.4)	-36.7
	Income before special items	<b>37.0</b>	44.0	(7.0)	-15.9	54.5	(17.5)	-32.2
	Net income	<b>22.5</b>	26.0	(3.5)	-13.5	32.1	(9.6)	-30.1
	Net income per share (Yen)	<b>24.84</b>	28.70	(3.86)	-	35.37	(10.53)	-
Non-consolidated	Net sales	<b>590.0</b>	610.0	(20.0)	-3.3	522.7	67.3	12.9
	Operating income	<b>30.5</b>	41.0	(10.5)	-25.6	53.2	(22.7)	-42.7
	Income before special items	<b>30.0</b>	37.0	(7.0)	-18.9	49.3	(19.3)	-39.2
	Net income	<b>18.0</b>	20.0	(2.0)	-10.0	30.3	(12.3)	-40.6
	Net income per share (Yen)	<b>19.87</b>	22.08	(2.21)	-	33.30	(13.43)	-
Unrealized holding gains on inventories		<b>16.0</b>	21.0	(5.0)	-	12.5	3.5	-

(Of which) Stainless Steel Business Results

Net sales	<b>210.0</b>	250.0	(40.0)	-16.0	225.0	(15.0)	-6.7
Income before special items	<b>9.0</b>	17.0	(8.0)	-47.1	32.0	(23.0)	-71.9
Unrealized holding gains on inventories	<b>0.0</b>	3.5	(3.5)	-	12.5	(12.5)	-

### 2. Other information (Non-Consolidated)

	FY ending March 31, 2009 full year	FY ended March 31, 2008 full year	Difference
Crude steel production (1,000 tons)	<b>4,130</b>	4,118	14
Of which, stainless steel	<b>640</b>	636	8
Sales volume (1,000 tons)	<b>3,990</b>	3,933	61
Average sales price of steel products (¥1,000/ton)	<b>149</b>	135	14
Export ratio (monetary basis; %)	<b>17</b>	16	1
Export exchange rate (¥/U.S. \$)	<b>105</b>	114	9 (Yen appreciation)
Excess of imports over exports (US\$ million)	<b>2,000</b>	1,412	588

### 3. Income before Special Items Differential Breakdown

#### (1) FY ended March 31, 2008 Actual Results vs. FY ending March 31, 2009 Forecasts

Item	Amount (Billions of yen)	Breakdown	Of which stainless steel
FY ended March 31, 2008 Actual	54.5		32.0
Sales related	67.0	Price difference 63.5 Volume and composition difference 3.5	(11.0)
Purchasing price	(111.0)	Coke and PCI (48.5), Iron ore (28.0) Chromium (21.5), Oil and gas (18.0) Nickels 25.0	(10.0)
Cost improvement, etc.	26.5	Rationalization 4.0, Exchange rate 21.0 Depreciation (3.0) Subsidiaries 4.0 Changes in estimated useful lives (1.5) Unrealized holding gains on inventories 3.5	(2.0)
Total	(17.5)		(23.0)
FY ending March 31, 2009 Forecast (Current)	37.0		9.0

#### (2) FY ending March 31, 2009 Forecasts (Previous vs. Current)

Item	Amount (Billions of yen)	Breakdown	Of which stainless steel
FY ending March 31, 2009 Forecast (Previous)	44.0		17.0
Sales related	(6.0)	Price difference (4.5) Volume and composition difference (1.5)	(15.0)
Purchasing price	8.0	Coke and PCI 6.0, Iron ore (2.0) Chromium 5.0, Oil and gas (6.0), Nickels 10.0	10.5
Cost improvement, etc.	(9.0)	Rationalization 3.5, Exchange rate (6.5) Depreciation (1.0), Subsidiaries 1.5 Unrealized holding gains on inventories (5.0)	(3.5)
Total	(7.0)		(8.0)
FY ending March 31, 2009 Forecast (Current)	37.0		9.0

#### (Reference) Change in Interest-Bearing Debt and D/E Ratio

	March 2008 actual	June 2008 actual	March 2009 forecast
Interest-bearing debt (Billions of yen)	218.6	242.2	253.0
D/E ratio	0.61	0.68	0.68