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Consolidated Financial Results for  
the Second Quarter of the Fiscal  
Year ending March 31, 2010

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**NISSHIN STEEL CO., LTD.**

November 5, 2009

# Qualitative Information about the 2Q of FY ending March 31, 2010

## <From April to September>

Despite the gradual recovery of the activity level of the domestic manufacturing industry including automobiles during the quarter, which seemed to recover from the bottom, demands in the second quarter (April to September) remained at low levels in general.

As to sales, volume composition deteriorated such as the increase in export ratio, and the cost also declined.

Though rationalization was promoted, business performance remains in a severe condition due to carried over raw materials, production cutback cost, and inventory appraisal loss.

## <From October to March>

Domestic demands of automobiles and electricity are expected to complete inventory adjustments and recover from the low production activity.

Demands of the building material industry remain sluggish, and a significant recovery can not be expected.

The steady export market weakened, casting concerns with uncertain future.

With an oversupply in China etc., especially the market condition of the stainless-steel industry declined, and future movements are extremely uncertain.

As to business performance, increase in sales figures and composition improvements are expected, as well as inventory valuation gains to achieve a surplus in the quarter (October to March).

## <Future measures>

Will continue to focus on promoting rationalization and total cost reduction (to include about 31 billion yen in the full business year), increasing sales by introducing a new brand named "SELiOS" for the building material industry, exploiting overseas demands by strategy materials including "ZAM" developed by the Market Development Department, and exploiting new markets by leveraging the "F-tech. Plaza".

# Other Information (Non-Consolidated)

	FY ending March 31, 2010 full year (Forecast)	FY ended March 31, 2009 full year (Actual)	Difference
Crude steel production (1,000tons)	3,240	3,680	(44)
Of which, stainless steel	530	474	56
Sales volume (1,000 tons)	3,330	3,474	(144)
Average sales price of steel products (¥1,000/ton)	104	138	(34)
Export ratio (monetary basis, %)	21	17	4
Export exchange rate (¥/US\$)	92	103	11 (Yen appreciation)
Excess of imports over exports (US\$ million)	588	1,688	(1,100)

Sales by major divisions in Japan (Volume basis)

	Automotive	Construction	Electronics	Spot	Others	Total
1st half of FY ending March 31, 2010	35%	23%	11%	13%	18%	100%
FY ended March 31, 2009	34%	28%	11%	7%	20%	100%

Export ratio

	Ordinary steel	Stainless steel	Total
1st half of FY ending March 31, 2010	16%	37%	23%
FY ended March 31, 2009	12%	29%	17%

# Results of Operations for the 2Q of Fiscal Year ending March 31, 2010

(Billions of yen)					
	2Q of FY ending March 31, 2010	2Q of FY ended March 31, 2009	Difference	2Q of FY ending March 31, 2010	Difference
	Actual	Actual		Current Forecast	
	a	b	a-b	c	a-c
Net sales	187.9	354.9	(167.0)	190.0	(2.1)
Operating income	(57.2)	23.1	(80.3)	(55.0)	(2.2)
Income before special items	(65.1)	22.2	(87.3)	(62.0)	(3.1)
Net income	(73.9)	13.0	(86.9)	(69.0)	(4.9)
Net income per share (Yen)	(81.81)	14.43	(96.24)	(76.34)	(5.47)
Unrealized holding gains on inventories	(29.0)	4.0	(33.0)	(25.0)	(4.0)
(Of which) Stainless Steel Business Results					
Net sales	50.0	100.0	(50.0)	50.0	0.0
Income before special items	(18.0)	2.5	(20.5)	(18.0)	0.0
Unrealized holding gains on inventories	(14.0)	(4.5)	(9.5)	(18.0)	4.0

# Income Before Special Items Differential Breakdown

	(Amount)		(Of which, Stainless steel)
2Q of FY ended Mar. 31, 2009 (Actual)	22.2	Breakdown	2.5
Sales related	(84.0)	Price difference (55.0) Volume and composition difference (29.0)	(34.5)
Purchasing price	20.0	Coke (5.0), Nickels 15.0, Chromium 1.5, Oil and gas 3.0	18.5
Cost improvement, etc.	19.7	Rationalization 13.0, Exchange rate 2.0, Cost for reduced production (2.0)	5.0
Subsidiaries	(10.0)		-
Special items	(33.0)	Unrealized holding gains on inventories	(9.5)
Total	(87.3)		(20.5)
2Q of FY ending Mar. 31, 2010 (Forecast)	(65.1)		(18.0)

# Balance Sheet (Summary)

			(Billions of yen)		
Debit		As of	Credit		As of
		March			March
		2009			2009
Cash on hand and in banks	41.2	1.5	Interest-bearing debt	314.0	27.7
Accounts receivable	57.2	0.2	Other liabilities	159.2	(16.0)
Inventories	131.6	(45.8)	<b>Total liabilities</b>	<b>473.3</b>	<b>11.7</b>
Other current assets	9.8	(10.6)	Common stock and additional paid-in capital	129.8	–
Property, plant and equipment	269.1	(6.0)	Retained earnings	72.4	(78.6)
Intangible assets	8.8	(2.6)	Treasury stock, at cost	(26.4)	(0.0)
Investments and long-term receivables	146.0	5.2	Valuation and translation adjustments	(9.3)	8.7
			Minority interests	5.5	0.0
<b>Total assets</b>	<b>664.1</b>	<b>(58.1)</b>	<b>Total net assets</b>	<b>190.7</b>	<b>(69.8)</b>
			<b>Total liabilities and total net assets</b>	<b>664.1</b>	<b>(58.1)</b>

# Forecasts of Results of Operations for the Fiscal Year ending March 31, 2010

		FY ending March 31, 2010			(Billions of yen)	
		Forecast	Current forecast	Difference	FY ended March 31, 2009 Actual	Difference
Consolidated	Net sales	440.0	420.0	20.0	617.3	(177.3)
	Operating income	(42.0)	(55.0)	13.0	(7.3)	(34.7)
	Income before special items	(51.0)	(62.0)	11.0	(12.3)	(38.7)
	Net income	(61.0)	(69.0)	8.0	(25.4)	(35.6)
	Net income per share (Yen)	(67.49)	(76.34)	8.85	(28.15)	(39.34)
Non-consolidated	Net sales	340.0	320.0	20.0	477.2	(137.2)
	Operating income	(44.0)	(55.0)	11.0	(12.9)	(31.1)
	Income before special items	(50.0)	(60.0)	10.0	(16.1)	(33.9)
	Net income	(57.0)	(67.0)	10.0	(26.7)	(30.3)
	Net income per share (Yen)	(62.95)	(73.99)	11.04	(29.57)	(33.38)
Unrealized holding gains on inventories		(21.0)	(25.0)	4.0	(17.5)	(3.5)
(Of which) Stainless Steel Business Results						
Net sales		115.0	110.0	5.0	150.0	(35.0)
Income before special items		(13.0)	(13.0)	0.0	(30.0)	17.0
Unrealized holding gains on inventories		(9.0)	(16.0)	7.0	(28.0)	19.0

# Income Before Special Items Differential Breakdown

	(Amount)		(Of which, Stainless steel)
FY ended Mar. 31, 2009 (Actual)	(12.3)	Breakdown	(30.0)
Sales related	(123.5)	Price difference (102.0) Volume and composition difference (21.5)	(47.0)
Purchasing price	52.0	Coke (11.5), Iron ore 8.5, Nickels 13.5, Chromium 7.0, Oil and gas 4.5	24.0
Cost improvement, etc.	39.8	Rationalization 22.5, Exchange rate 7.0, Cost for reduced production (2.0)	21.0
Subsidiaries	(3.5)		-
Special items	(3.5)	Unrealized holding gains on inventories	19.0
Total	(38.7)		17.0
FY ending Mar. 31, 2010 (Forecast)	(51.0)		(13.0)

# Income Before Special Items Differential Breakdown

	(Amount)		(Of which, Stainless steel)
1st half of FY ended Mar. 31, 2010 (Forecast)	(65.1)	Breakdown	(18.0)
Sales related	23.5	Price difference 16.5 Volume and composition difference 7.0	10.5
Purchasing price	6.0	Coke 8.5, Iron ore 4.0, Nickels (5.5), Chromium (0.5)	(6.5)
Cost improvement, etc.	3.2	Exchange rate 3.0, Cost for reduced production 1.5	0.0
Subsidiaries	9.5		-
Special items	37.0	Unrealized holding gains on inventories	19.0
Total	79.2		23.0
2nd half of FY ending Mar. 31, 2010 (Forecast)	14.1		5.0

# Interest-bearing debt and D/E ratio

Interest-bearing debt and D/E ratio

	March 2009	June 2009	September 2009	December 2009	March 2010
	Actual	Actual	Actual	Forecast	Forecast
Interest-bearing debt (Billions of yen)	286.2	309.5	314.0	312.1	299.0
D/E ratio	1.12	1.46	1.70	1.66	1.52
D/E ratio<net>※1	0.97	1.27	1.47	1.44	1.32
// (based on the credit rating)※2	-	-	-	1.15	1.05

※1 (Balance of interest-bearing debt - Current balance of saving) / Equity

※2 Hybrid securities that are accepted as capital according to the credit rating by the Japan Credit Rating Agency

(Interest payment deferral provision・Unsecured corporate bond with prepayment provision  
<Subordinated corporate bond・Limited to qualified institutional investors>)

D/E ratio for 5 billion yen, 50% of which is considered to be capital.

## Issue of hybrid securities [October] 【50 billion yen of very long term subordinated debt】

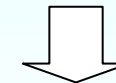
### ■ Local environments

- ① Impaired equity capital due to a decline in revenue
- ② Promotion of overseas growth strategy  
: Enforced cooperation with Acerinox, S.A.  
(Equity method affiliate: Joint venture with a Malaysian company)



### ■ (According to credit rating) Procurement of capital with equity credit

- ① Enhancement of equity capital
- ② Reimbursement of the existing interest-bearing debt (Replacement)



Realizing future growth strategy and a financial standing that can respond to the “economic turbulence”.

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# Reference

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# Investment and Depreciation

Investment and Depreciation

(Billions of yen)

	FY ended March 31, 2009  Actual	FY ending March 31, 2010		
		1st half Actual	2nd half Forecast	Total Forecast
Investment	38.0	11.3	23.6	34.9
Depreciation	40.4	18.2	20.8	39.0

# Labor cost and Number of employee

	2006	2007	2008	2009	2010 (Forecast)
Labor cost (non-consolidated)(Billions of yen)	43	41	39	36	32
Number of employee (End of March)	6,186	6,234	6,210	6,216	6,264

## Export and Import US\$ Balance (Non-consolidated)

(US\$ million)

	FY ending March 31, 2010			FY ended March 31, 2009		
	1st half	2nd half	Total	1st half	2nd half	Total
Export	333	409	742	517	247	764
Import	619	711	1,330	1,290	1,162	2,452
Balance*	286	302	588	773	915	1,688

\*Excess of imports over exports

# Purchase Price

	FY ending March 31, 2010 (Forecast)				
	1Q	2Q	1st half	2nd half	Full year
Nickel(\$/lb)	4.8	5.9	5.3	8.0	6.7
Chrome( ¢ /lb)	87.0	77.0	82.0	104.0	93.0
Molybdenum(\$/lb)	8.9	9.1	9.0	14.0	11.5
Zinc(\$/t)	1,473	1,762	1,618	1,900	1,759
Oil(\$/bl)	51.2	68.5	59.9	70.0	65.0

	FY ended March 31, 2009 (Actual)						
	1Q	2Q	1st half	3Q	4Q	2nd half	Full year
Nickel(\$/lb)	13.1	11.7	12.4	8.6	4.9	6.8	9.6
Chrome( ¢ /lb)	129.0	200.0	164.5	213.0	193.0	203.0	183.8
Molybdenum(\$/lb)	33.2	33.0	33.1	33.5	16.7	25.1	29.1
Zinc(\$/t)	2,113	1,770	1,942	1,185	1,172	1,179	1,561
Oil(\$/bl)	106.6	124.0	115.3	71.0	42.6	56.8	86.1

# Distribution Ownership by Shareholder Group

(Thousands)

	End of Sep. 2008		End of Mar. 2009		End of Sep. 2009	
		%		%		%
Financial institutions	327,620	32.9%	378,495	38.1%	379,171	38.1%
Securities companies	9,546	1.0%	3,284	0.3%	17,675	1.8%
Other companies	196,431	19.8%	198,778	20.0%	198,897	20.0%
Foreign	213,106	21.4%	154,360	15.5%	117,222	11.8%
Treasury stock	88,795	8.9%	89,010	9.0%	89,036	9.0%
Individuals	159,002	16.0%	170,573	17.1%	192,499	19.3%
Total	994,500					

# Quarterly Operating Results

[Consolidated]

(Billions of yen)

	FY ended March 31, 2009							FY ending March 31, 2010 (Forecast)				
	1Q	2Q	1st half	3Q	4Q	2nd half	Total	1Q	2Q	1st half	2nd half	Total
Net sales	164.3	190.6	354.9	163.6	98.8	262.4	617.3	83.9	104.0	187.9	252.1	440.0
Operating income	5.3	17.8	23.1	3.8	(34.2)	(30.4)	(7.3)	(42.1)	(15.1)	(57.2)	15.2	(42.0)
Income before special items	6.7	15.5	22.2	0.0	(34.5)	(34.5)	(12.3)	(45.0)	(20.1)	(65.1)	14.1	(51.0)
Net income	3.8	9.2	13.0	(3.1)	(35.3)	(38.4)	(25.4)	(52.5)	(21.4)	(73.9)	12.9	(61.0)

[Non-consolidated]

Net sales	Ordinary steel	79.9	100.2	180.1	89.1	58.0	147.1	327.2	40.1	51.2	91.3	133.7	225.0
	Stainless steel	50.0	50.0	100.0	35.0	15.0	50.0	150.0	20.0	30.0	50.0	65.0	115.0
	Total	129.9	150.2	280.1	124.1	73.0	197.1	477.2	60.1	81.2	141.3	198.7	340.0
Operating income		2.8	15.6	18.4	2.7	(34.0)	(31.3)	(12.9)	(42.8)	(15.6)	(58.4)	14.4	(44.0)
Income before special items	Ordinary steel	4.6	10.2	14.8	6.4	(7.3)	(0.9)	13.9	(283.0)	240.0	(43.0)	6.0	(37.0)
	Stainless steel	0.0	2.5	2.5	(7.0)	(25.5)	(32.5)	(30.0)	(15.0)	(3.0)	(18.0)	5.0	(13.0)
	Total	4.6	12.7	17.3	(0.6)	(32.8)	(33.4)	(16.1)	(298.0)	237.0	(61.0)	11.0	(50.0)
Net income		2.9	7.5	10.4	(3.0)	(34.1)	(37.1)	(26.7)	(49.0)	(18.8)	(67.8)	10.8	(57.0)

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