



New Medium-Term Management Plan



May, 2004



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The 15th Medium -Term Management Plan



The New Medium -Term Management Plan

★ Designation: The 15th Medium -Term Management Plan

★ Period covered: Fiscal 2004 through fiscal 2008

★ Major objectives:

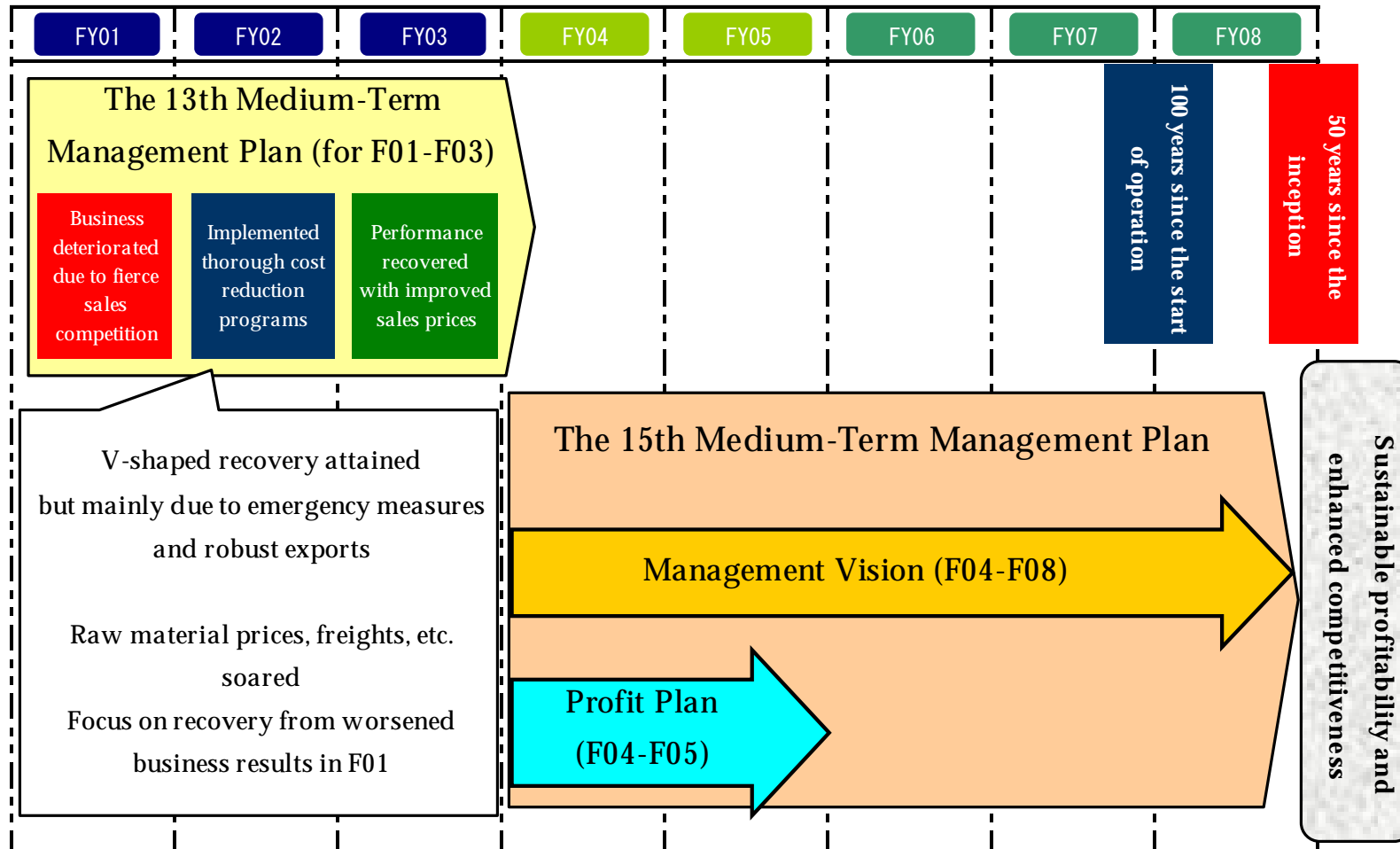
“The Nisshin Steel Group will strive to achieve sustainable profit growth while strengthening the financial base.”

Management Plan is composed of two parts:

- Management Vision to outline management principles (to cover 5 years)
- Profit Plan to ensure stable earnings under the ever-changing business environment (to cover 2 years)



Where the 15th Medium -Term Management Plan Is Positioned



Note:

Start of operation: Tanaka Galvanizing Plant started operation in 1908.

Inception: Nippon Teppan and Nichia Seiko merged in 1959 and Nisshin Steel was established.



Nisshin's View on the Surrounding Business Environment (1)

Socio-economic situation

1. Matured domestic economy, transition to low-growth mode (declining fertility, aging)
2. Globalization and changes to borderless international economies
3. Rapid growth of Asian economies
4. Changes in financial and capital markets
5. Diversification of stakeholders
6. Environmental energy issues

Steel situation

1. Worldwide excess capacity on one hand and rapid increases in new expansion projects on the other
2. China's skyrocketing steel production
3. Shrinking domestic market and expanding overseas market
4. Intensifying customers' requests for Value Analysis and cost reductions
5. Streamlined logistics due to reorganized distribution systems
6. Mega-mergers among world's top players and resultant enhancement of their competitiveness



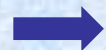
Nisshin's View on the Surrounding Business Environment (2)

China's Skyrocketing Steel Production and Consumption

Crude steel output

2003

220 mil tons



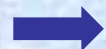
2005 Est.

300 mil tons (+ 80 mil tons)

Apparent stainless steel consumption

2002

3.16 mil tons



2005 Est.

4.80 mil tons

(assumed annual growth @15%)



3.97 mil tons

(assumed annual growth @8%)

(2002 apparent consumption: Source = INCO)

Impacts on raw materials and other elements

- Rising prices of such raw materials as iron ore, coke, nickel and chromium (Increases in supplies limited– anticipation of higher prices in future breeding speculation, as noted in case of nickel)
- Higher freights (shortage in shipping capacity)



Nisshin's Major Tasks and Measures Taken in Recent Years

- 1. To stem sinking profitability due to declines in sales prices;**
 - Accelerated Company-wide efforts to cut costs
 - Raised Percentages of strategic products (improved mix)
- 2. To maintain competitiveness despite curtailment in capital and repair investments necessitated by lower earnings;**
 - Scrutinized capital investments more closely
 - Scrutinized repair programs more closely
- 3. To respond to a rapidly increasing number of customers relocating their operations overseas**
 - Set up overseas supply networks with our affiliates and Japanese trading firms
- 4. To ensure long-term and stable raw materials procurement and to deal with increases in raw materials prices;**
 - Made capital investments to secure main materials of stainless steel
 - Initiated permanent cost reduction programs, development of technologies to use less expensive materials and substitutes, studies on introduction of surcharges
- 5. To establish knowledge management (sales, production) to deal with rapidly-progressing generation changes in employees;**
 - Implemented measures to revitalize organization, promote business process reform and maximize IT



Mission Statement

The Nisshin Steel Group believes that its social responsibility is to develop and supply value products, technologies and services and create new markets so that we may help our customers accomplish their missions and goals through duly performing our corporate activities amid the globalizing economy.

Our vision is to evolve and be better as a material maker.

In order to realize our vision;

- We strive to be a company preferred by customers, shareholders and employees of today and tomorrow.
- We also strive to be a company harmonious with other stakeholders and society.



Directions of the 15th Medium-Term Management Plan

1. To structure capabilities to achieve sustainable growth

+ Enhance technological capabilities to supply high-performance, high value-added products

... Pursue ambitions and try to make fresh impressions on customers

Increase the ratio of our No. 1 product to 50% in the mix (for us to be the number one player in the niche market)

+ Share management strategies with customers and create markets

... Be modest and try to grow together with customers

Shorten lead times, slash inventories to half and maintain tight management mode

+ Improve cost and quality competitiveness

Enhance international competitiveness of equipment and manufacturing technologies

+ Expand overseas production and supply bases (particularly in China and the U.S.)

Stand on solid footing and pursue realistic business in order to be a truly global company over the next two years

+ Secure long-term and stable supplies of main raw materials

Secure sufficient and stable supplies of quality raw materials and develop technologies to use less expensive and/or substitute materials

+ Reform human resources management, organization and systems

Corporate governance, securing human resources, investment in personnel

2. To achieve self-reliant management

... Think and act beyond the corporate boundary to keep pace with progress of the network society

Study and promote soft alliances, secure human resources

3. To fulfill corporate social responsibilities and improve shareholder value



Basic Policy

As we are nearing the 100th anniversary of the start of operation (2008) and the 50th anniversary of the corporate inception(2009), we will regard the next five years as “**the time for the second start-up**” and strive to grow further as the Group.

Our top objective is to improve the corporate value of the Nisshin Group.

- To maintain sound financial base and achieve sustainable profit growth and enhance competitiveness



Go forward with strategic investments to make us stronger in the field where we excel.
Enhance foundations of existing business (capital expenditures and other investments)
+ Implement strategic investments



- 1- Place further emphasis on differentiation (high-functional and value-added steel sheet, to be a leading company in value addition)
- 2- Be customer-oriented. (No. 1 customer satisfaction, joint market creation with customers, securing overseas supply systems)
- 3- Establish competitive edge (long-term, stable purchases of raw materials, competitiveness in the international market)
- 4- Maximize profitability through enhancing business bases
(technological capabilities, products development capabilities, marketing capabilities, costs, procurement, and reforms in such areas as business process, management efficiency, human resources, organization, etc.)
- 5- Enhance financial base

Management Vision



Management Targets [Unconsolidated] (Management Vision)

	FY03	FY05	FY09&after
Income before special items	¥ 23.3bil	¥ 30bil	¥ 40bil or over
ROS	8%	9%	11%
ROA	5%	6%	9%
ROI	6%	8%	10%
D/E Ratio	0.8	0.7	0.7 or under
Operating CF	¥ 35.6bil	¥ 40bil	¥ 50bil or over
Total Asset	¥ 534.5bil	¥ 530bil	...
Debt balance	¥ 179.0bil	¥ 165bil	...
Sales	¥ 332.9bil	¥ 360bil	...

ROS (Return on Sales)=Operating Income (=Income before Special Items =IBSI + Interest Payable) ÷ Sales

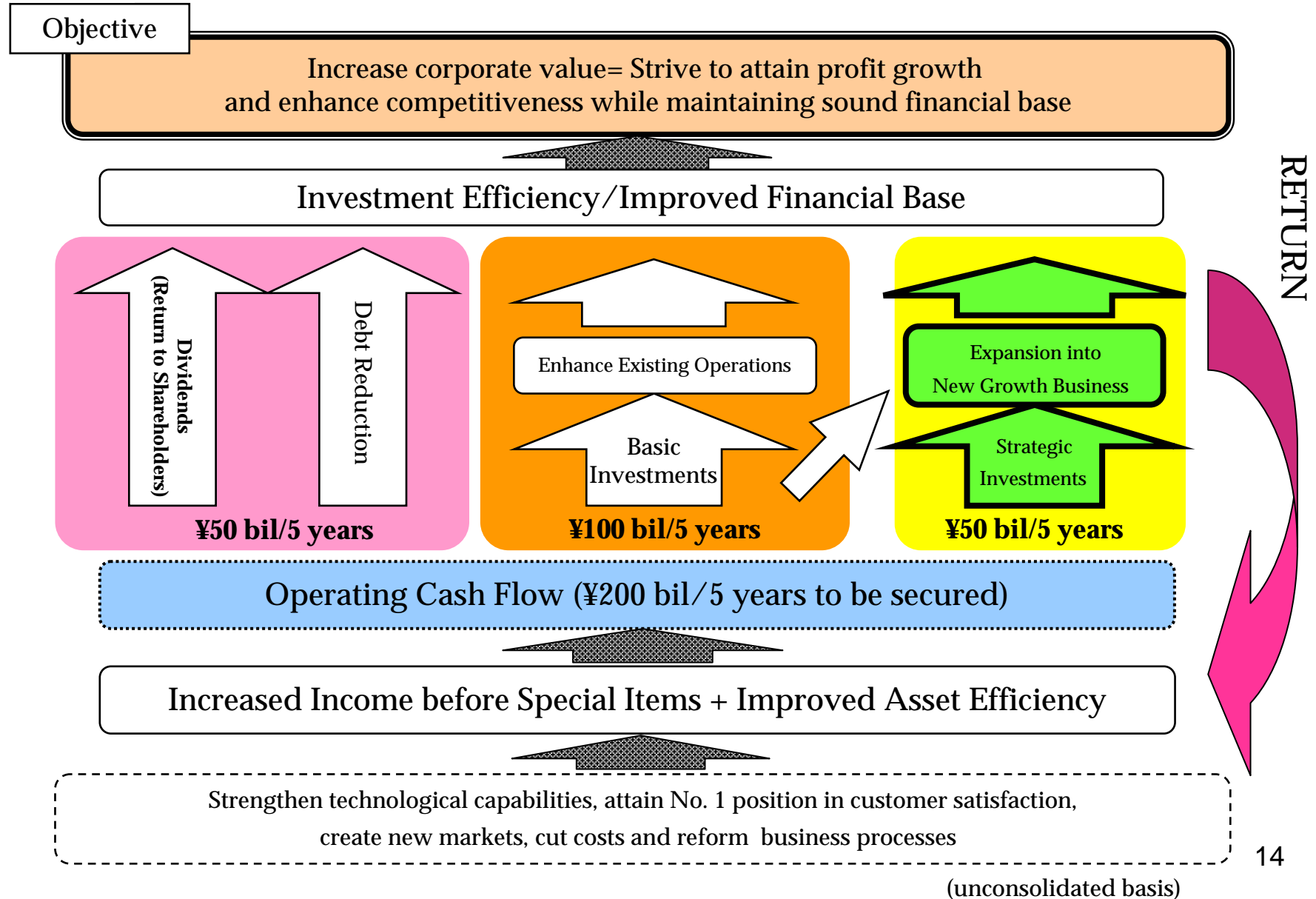
ROA (Return on Asset) =Operating Income ÷ Sales

ROI (Return on Investment) = Operating Income ÷(Debt + Shareholders' Equity)

D/E Ratio = Debt ÷Shareholders' Equity



Scenario 1 to Attain Management Targets (Profit Growth)





Scenario 2 to Attain Management Targets (Profit Growth)

The Nisshin Steel Group holds the increase of the corporate value as the most important objective. Strive to attain profit growth and enhance competitiveness while maintaining sound financial base.

Income before special items target (unconsolidated)

F2009 and after: strive to attain over ¥40 bil/year (for F05: ¥30 bil)

Dividends (Return to Shareholders)

Debt reduction

¥50 bil/5 years

Enhance Existing Operations

(not to exceed depreciation amount)

¥100 bil/5 years

Strategic Investments in Growth Business

¥50 bil/5 years

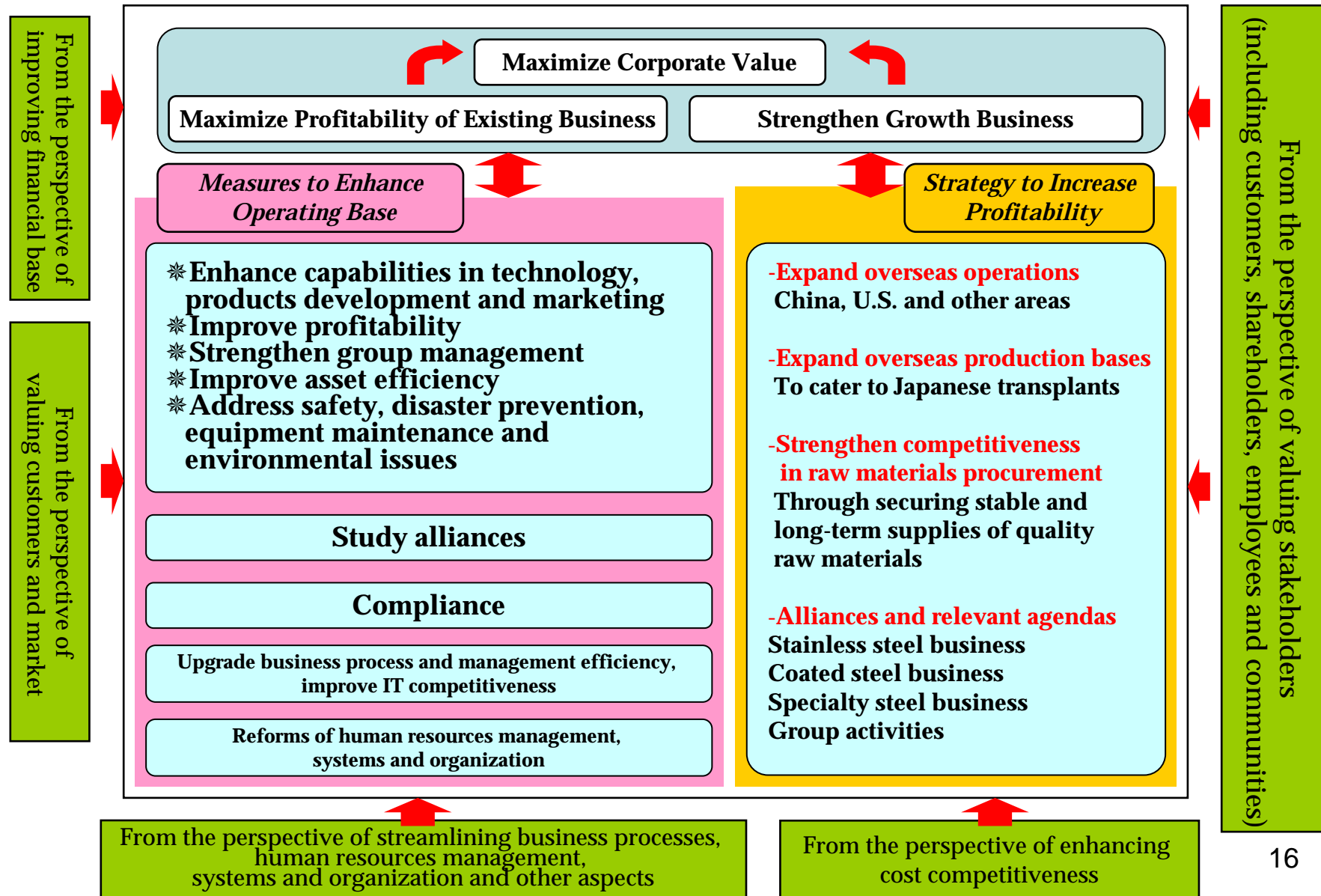
Investments to Enhance Operating Base: ¥150 bil/5 years

Attain IBSI of ¥30 bil/year and Operating CF of ¥200 bil/5 years

(All figures are on an unconsolidated basis)

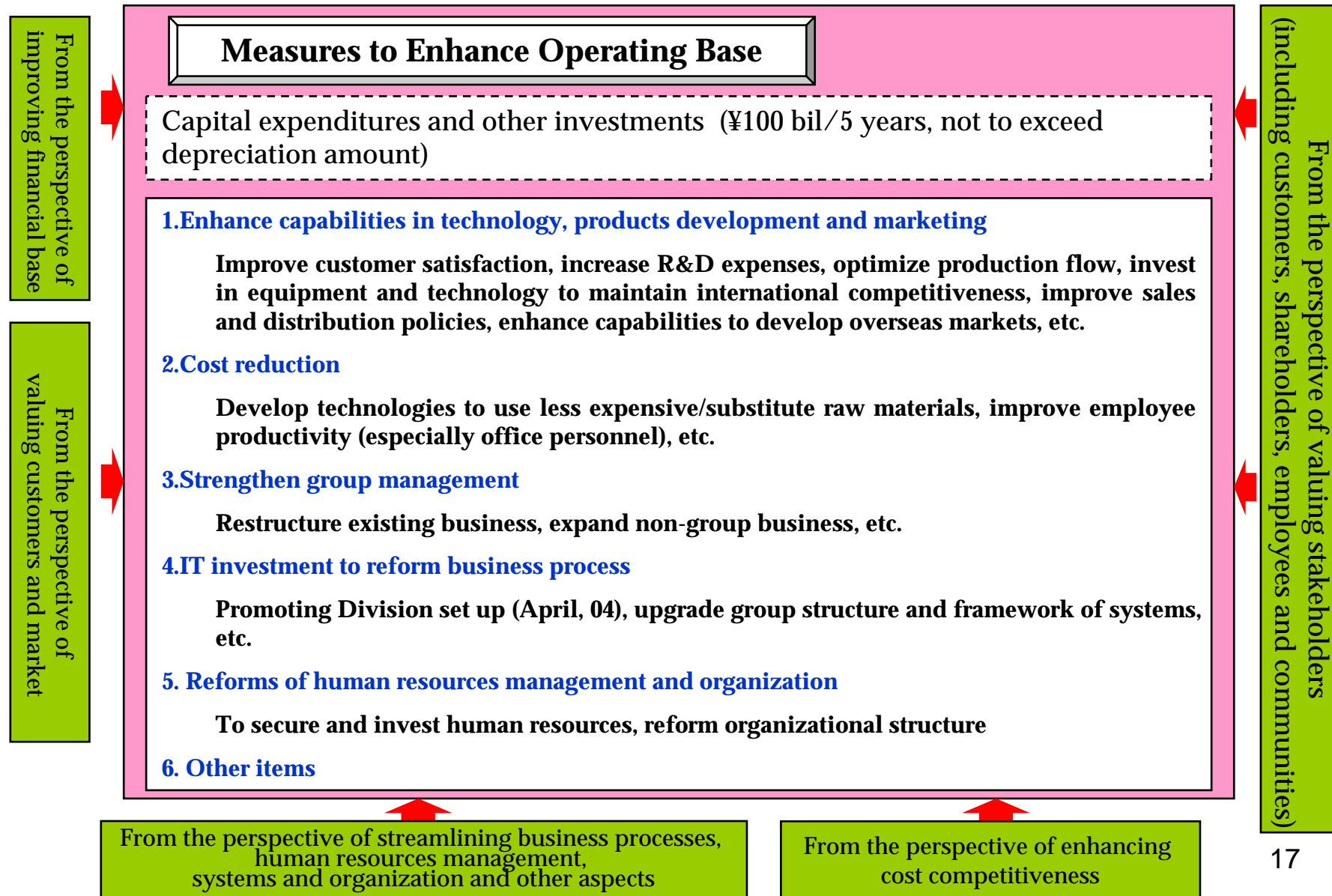


Scenario 3 to Attain Management Targets (Profit Growth)





Measures to Enhance Operating Base





Profit Growth Strategy

From the perspective of improving financial base

From the perspective of valuing customers and market

Profit Growth Strategy

Strategic Investments (¥50 bil/5 years contemplated)

- To realize profit growth in future through maintaining international competitiveness and expanding overseas operations in sight

- 1. Expand operations in growing overseas markets**
(China, U.S.) – Studies launched to develop upstream and downstream operations of Ningbo Baoxin Stainless steel, etc.
- 2. Expand overseas production bases**
Studies launched to set up supply bases of automotive exhaust tubes (in China, U.S.), etc.
To cater to Japanese transplants
- 3. Strengthen competitiveness in raw materials procurement**
Through securing stable and long-term supplies of quality raw materials (joint mine development), etc.
- 4. Alliances and relevant agendas**
To pursue alliances with other companies with potential to profit growth and business structure reforms, etc.
- 5. Other agendas**

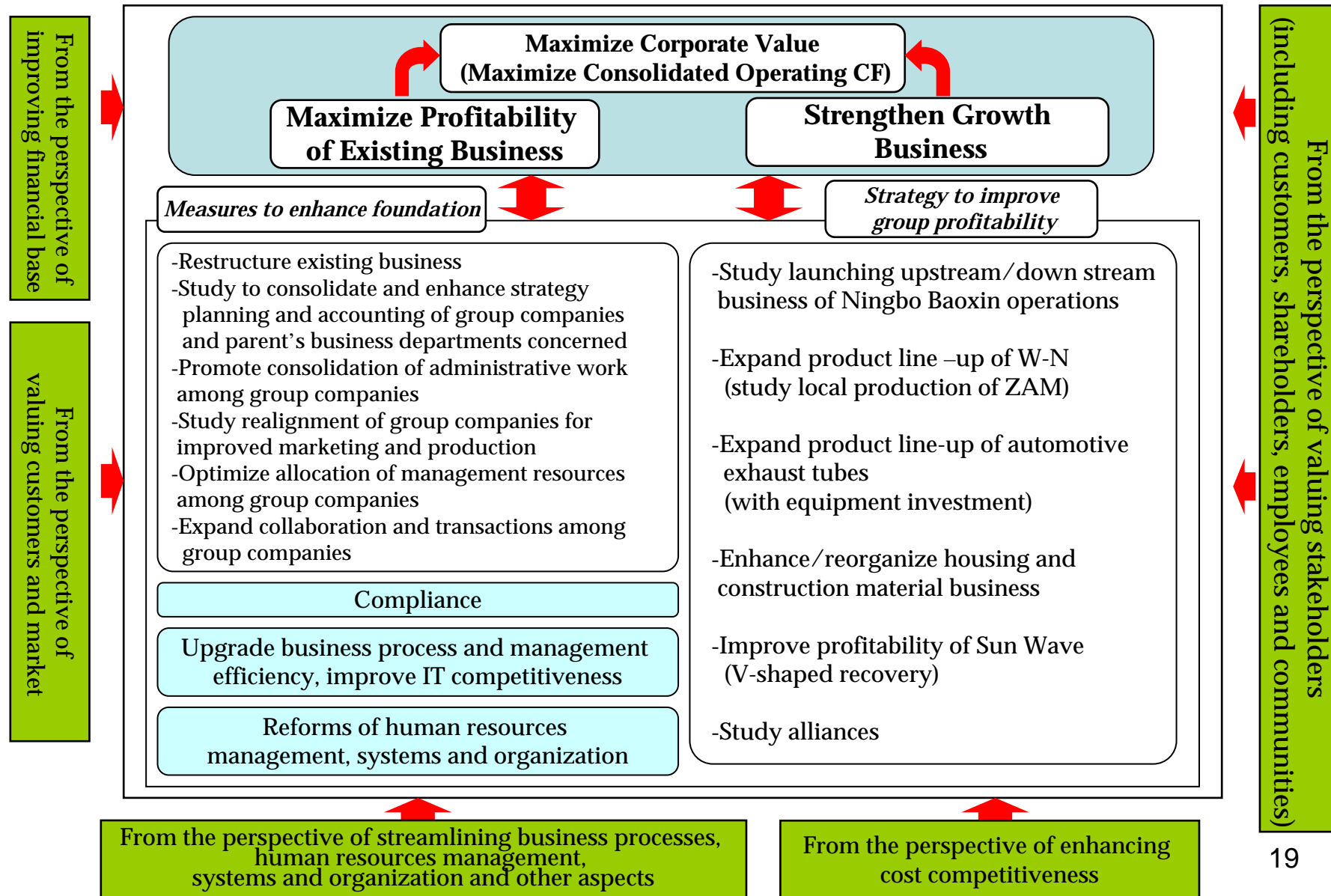
From the perspective of valuing stakeholders (including customers, shareholders, employees and communities)

From the perspective of streamlining business processes, human resources management, systems and organization and other aspects

From the perspective of enhancing cost competitiveness



Profit Growth Relation Chart of Nisshin Group Management





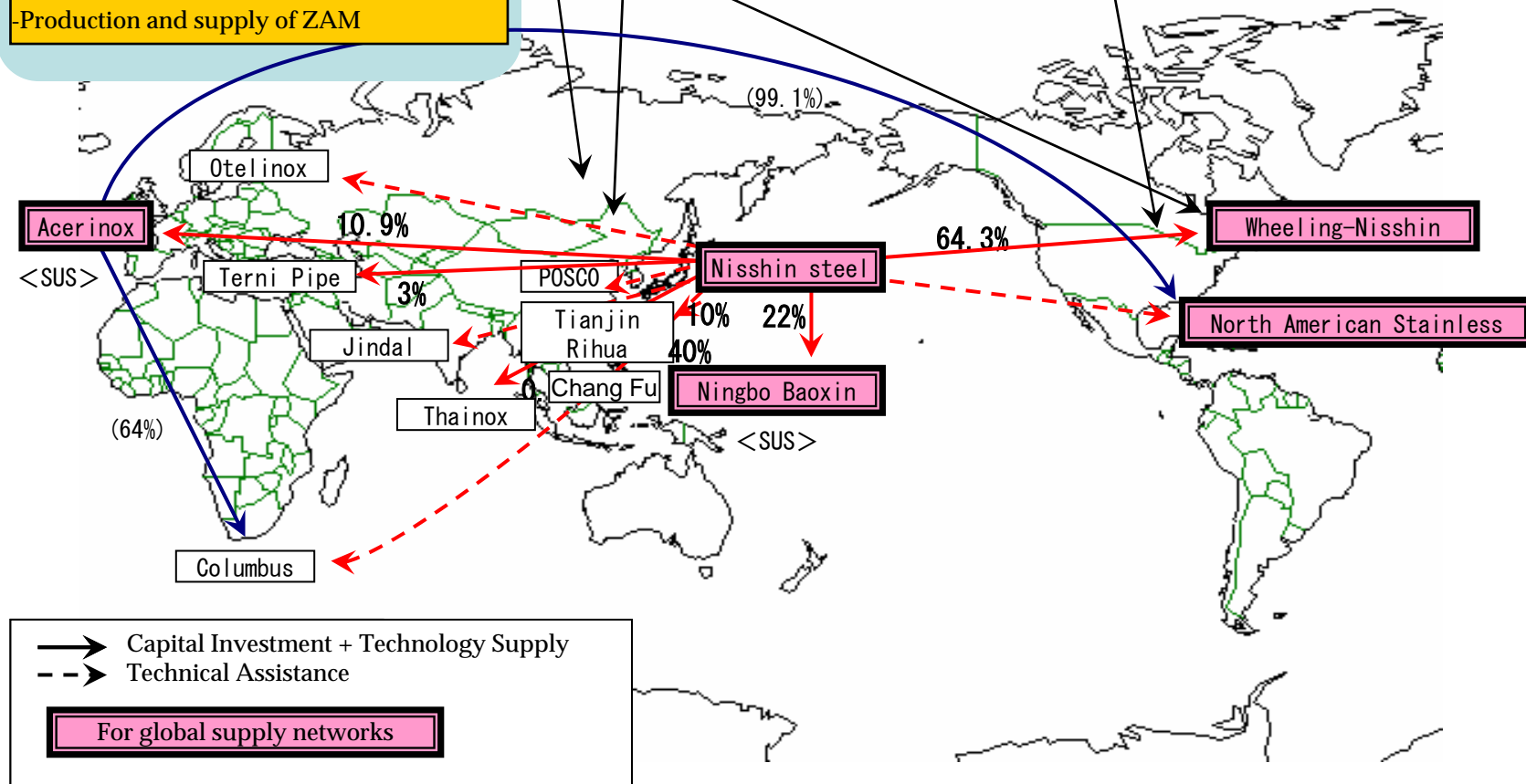
Nisshin Steel's Operations in the Global Arena

New carbon and specialty steel projects under study

- <China>
- Construction of coating operation base(s)
- Construction of upstream/downstream operation bases for specialty steel
- <U.S.>
- Production and supply of ZAM

New stainless steel projects under study

- <China>
- Expansion of Baoxin Stainless into upstream/downstream operations
- Construction of stainless steel processing bases
- <U.S.>
- Construction of stainless steel processing bases



Profit Plan (for F2004 & F2005)



Objectives and Assumptions of Profit Plan

Objectives:

Secure operating CF of ¥200 bil/5 years is imperative for attaining objectives of “measures to enhance business” and “profit growth strategy” described in Management Vision.

In light of rapidly changing business environments, Profit Plan has been developed to cover a period of two years- F2004 and F2005 - so as to ensure that earnings will be generated as envisioned, and the Plan will be reviewed from time to time.

Assumptions:

: Exchange rate: ¥105/US\$

: Nisshin’s crude steel output: 3.9 mil tons/year (incl. 700,000 tons of stainless steel)

Ref: Japan’s total crude steel output: 100-plus mil tons/year

Raw material purchases: Upward fluctuation of over ¥33 bil in prices vs. F2003 anticipated for F2005



Consolidated and Unconsolidated Management Targets for F2005 (1)

(unit: billion yen)

	F2003			F2005		
	Consolidated	Unconsolidated	Ratio	Consolidated	Unconsolidated	Ratio
Sales	451.4	332.8	1.4	480	360	1.4
Income before special items (IBSI)	26.4	23.3	1.1	35	30	1.2
Net income	9.7	8.9	1.1	16	13	1.2
Operating CF	40.6	35.6	1.1	45	40	1.1
Total assets	637.2	534.5	-	635	530	-
Debt balance	212.0	179.0	-	195	165	-



Consolidated and Unconsolidated Management Targets for F2005 (2)

	F2003		F2005	
	Consolidated	Unconsolidated	Consolidated	Unconsolidated
ROA	5%	5%	6%	6%
ROI	6%	6%	8%	8%
Break-even point	—	83%	—	78%
D/E Ratio	0.9	0.8	0.8	0.7
Debt/operating CF	5.5	5.4	4.3	4.1



Unconsolidated Management Targets for F2005 (2)

Base IBSI (F2003 Est.) ¹		¥ 21bil
+		
Improvement in profitability	Via sales strategy	¥ 27bil
	Via cost reductions	¥ 15bil
	Total:	¥ 42bil
+		
Market fluctuation of raw materials		(¥ 33bil)
IBSI Target (F2005)		¥ 30bil

Note 1 : The base IBSI is estimated figure in Fiscal 2003,calculated before the end of the year.

The resulted IBSI in Fiscal 2003 is ¥ 23.3billion.



Enhance Sales Base and Profit Base

To maximize profitability through increasing development-oriented and suggestion-based sales, improve product mix

- Raise % of strategic products=36% (1st half F03) – 41% (2nd half F05) – to over 50%
[Strategic products]
 - *stainless steel, specialty steel, special coated products
(ZAM, aluminized and copper coated products)

- Increased sales of proprietary products for differentiation
 - * ZAM (to 30,000 tons/month)
 - “ ZAM Sales Promotion Office” established (April 1, 2004)

- one-stop supplier of steel products, enhance marketing capabilities in overseas markets, etc.

- Measures to upgrade capabilities to offer attractive products
 - market-oriented products development (making suggestions to customers in cooperation with their engineers and development teams, etc.)
 - Enhance development of products to set ourselves apart, etc.



Expanded sales activities in overseas

- Response to globalization strategies of automakers
(to set up four-pole supply networks for automotive exhaust pipes)
- Marketing and supply of strategic products in overseas markets
(Ex. Production and sales of ZAM in the U.S. and China)





Products Development and R&D (1)

Strive to stay ahead of social trends and sophisticated and diversified customer needs, develop products with high functionality and high profitability and launch them on the market.

Key considerations in products development

* Reduce loads on environment

- Longer product lives (ZAM, stainless steel)
- Reduced load on environment after disposal (chrome free)
- Improve atmospheric environment (fuel tank materials, corrosion-resistant stainless steel)
- Prevent global warming (reduce weight, save energy)



*Cater to sophisticated and diversified customer needs

... Suggestions to customers (designs, etc) to create win-win situations

- Special functions
(heat shield, radiation, etc.)
- Corrosion resistance, high strength
- High designability
(transparent coated stainless steel products for ease of designing)
- Workability (Highly workable, heat resistant stainless steel for automotive exhaust pipes)

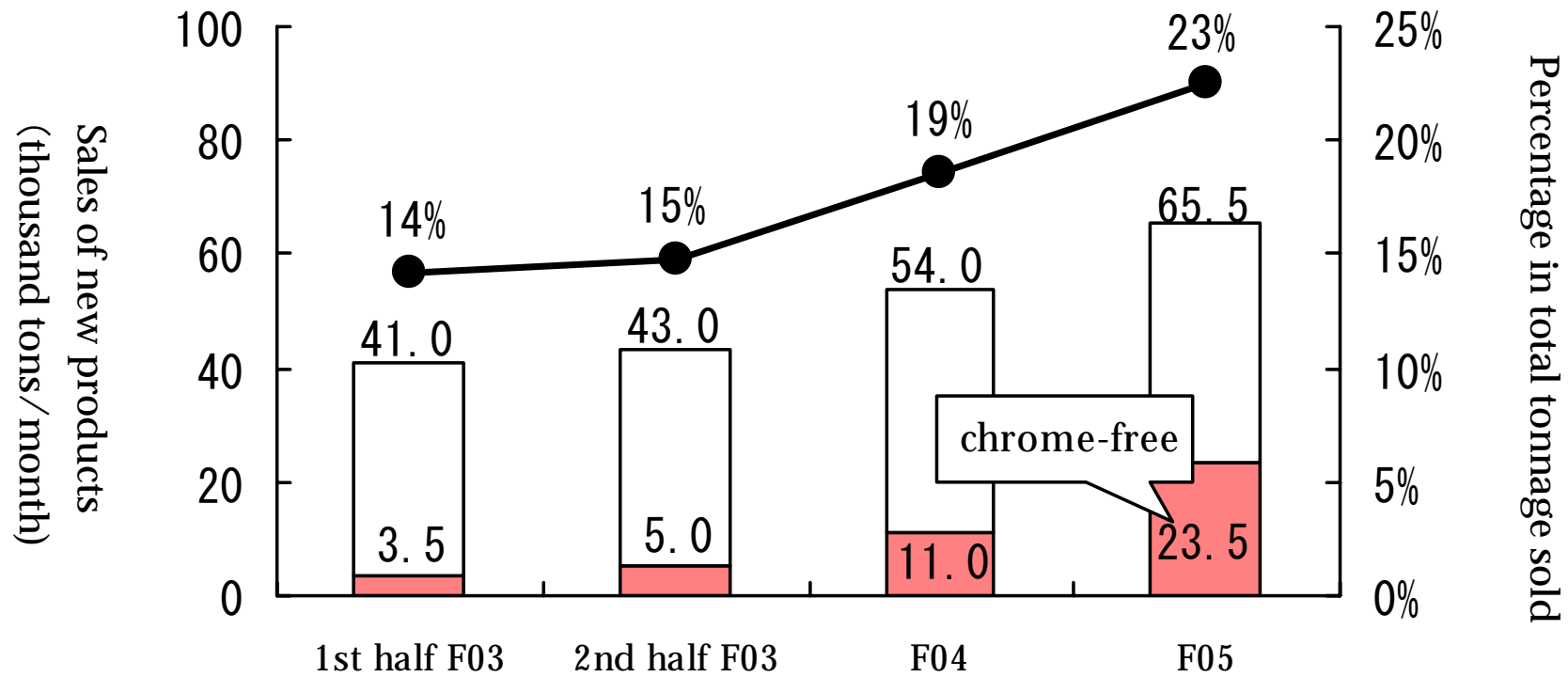


**To focus on development of strategic products
and launch them on the market**



Products Development and R&D (2)

Sales of new products: 41,000 tons/month to 65,000 tons
(up 24,000 tons)/month





Cost reduction programs

Planned cost reduction in F2005 (vs. F2003 Est.)

Reductions in variable costs ¥9 bil

- Positive effects of repair of No. 2 Blast Furnace and vertical bending of No. 2 caster both at Kure Works
- Improvement in energy efficiency and process yield
- Utilization of less expensive raw materials and those from nearby supply sources
- Rationalization of outsourcing
- Rationalization of logistics

Reductions in fixed costs ¥3 bil

- 3,630 employees as of March, 04 to 3,360 as of March, 06

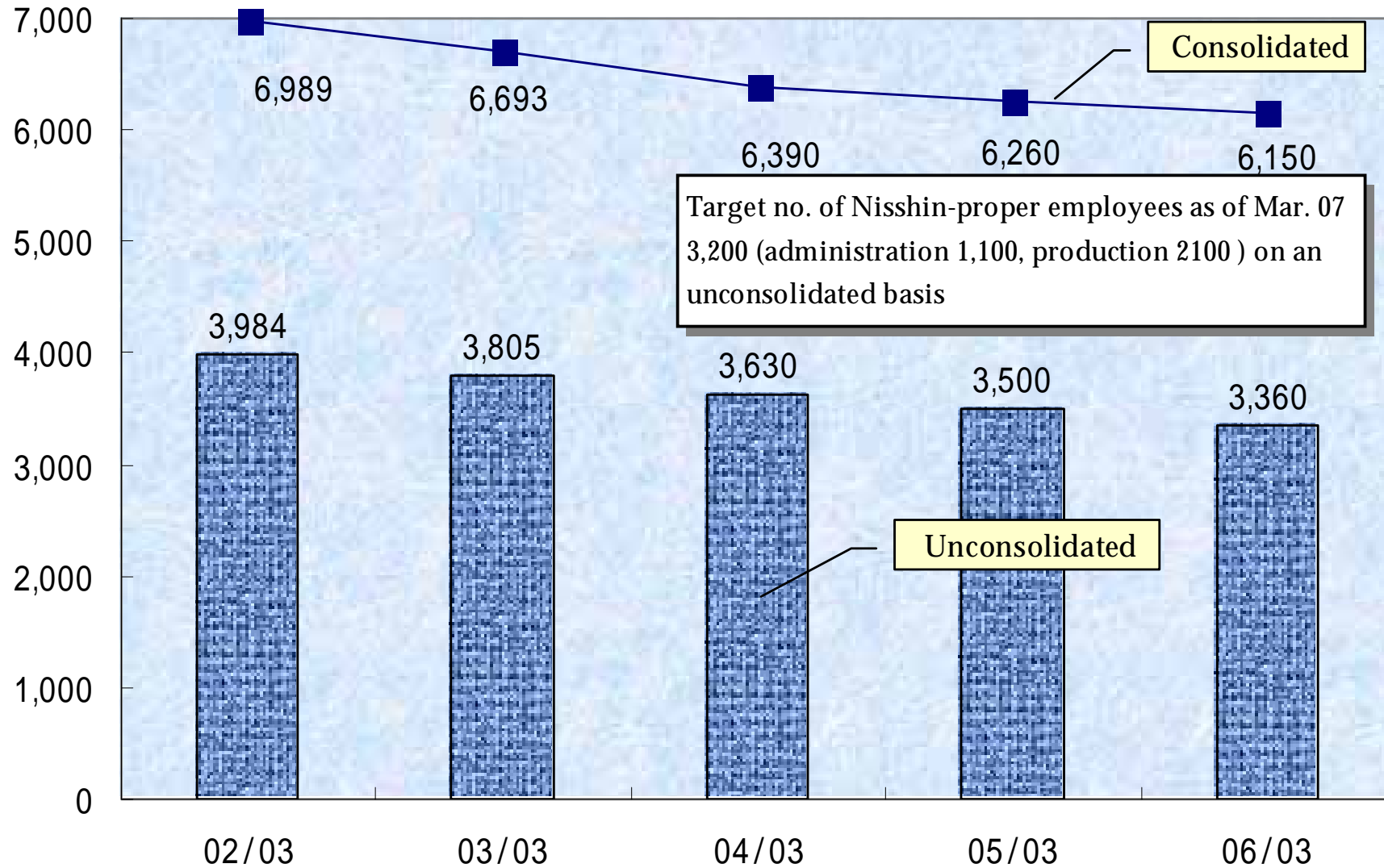
Other ¥3 bil

- Elimination of effects of blast furnace repair (in F03)

Total: ¥15 bil



Manning Plan





Human Resources- Related Measures

1. Raising employee moral

Introduce systems to heighten employee moral

.. do away with seniority-oriented practices and have employees' performance reflected in evaluation

Establish fair and reasonable employee evaluation system

2. Improve efficiency of administrative work and promote use of IT

3. Secure capable human resources and invest in such resources

Secure capable human resources (hiring from job market, flexible hiring operation by the Group)

Implement training programs (by rank, by department)

4. Other relevant systems, retirement benefit accounting

Discontinuation of paying portions of welfare pension plans on behalf of the national government and introduction of new pension system (cash-balance type pension fund)

Obligations regarding retirement payments. Amortization of transition caused at the time of accounting change scheduled to complete in F2005 (¥5.8 bil amortized annually in F03)



Cash Flow Plan (Unconsolidated)

Billions of yen

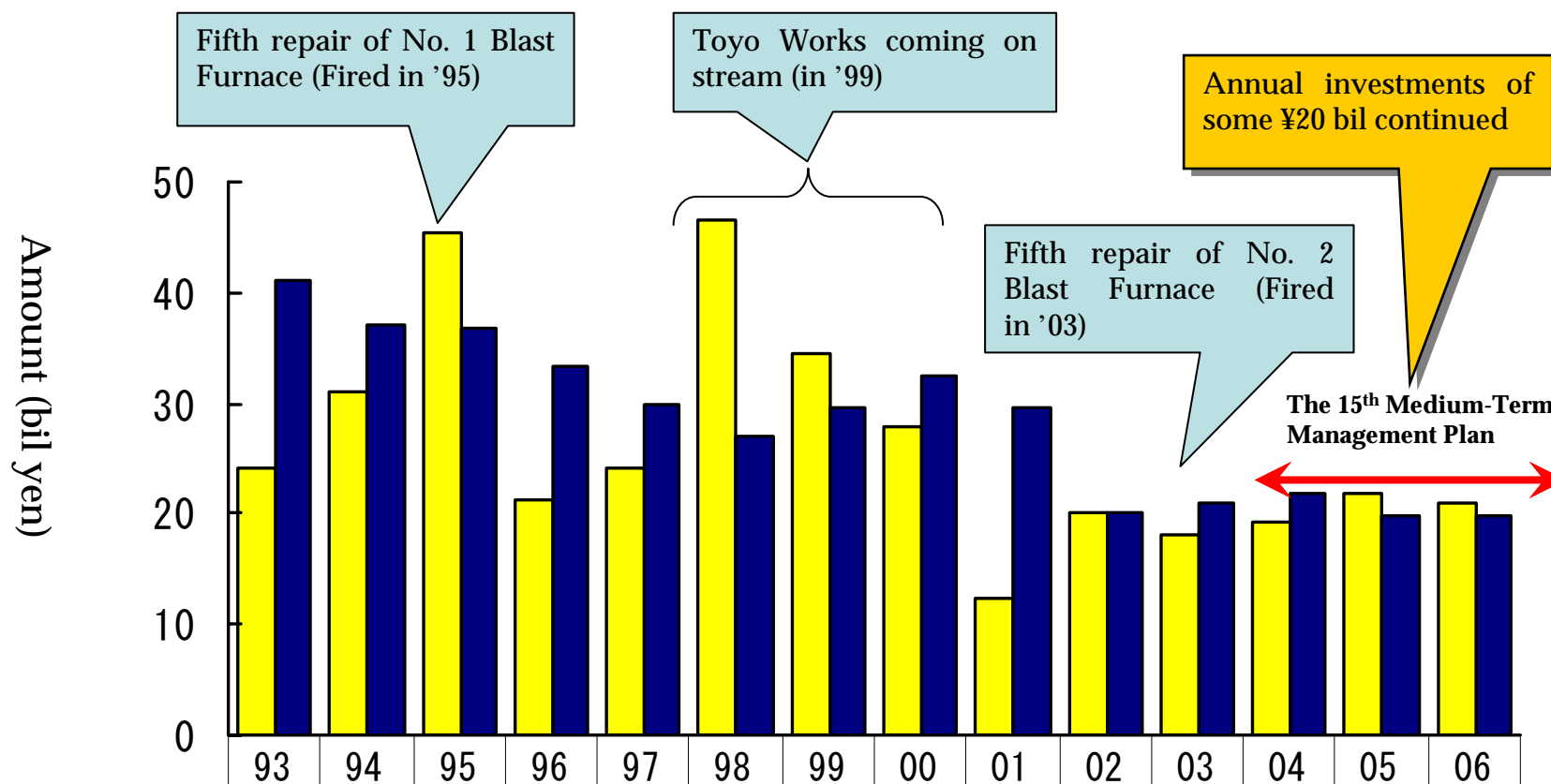
	F03	Targets			
		F04	F05	F06	Total
Operating CF	36	50	40	35	125
Investing CF	(9)	(28)	(19)	(20)	(67)
Capital expenditures	(17)	(27)	(19)	(20)	(66)
FCF	27	22	21	15	58

Securing operating CF of ¥200 bil (F04-F08)

- Investments to strengthen operating base
- Intensive strategic investments in growth business
- Debt reduction to build sound financial base



Capital Investment and Depreciation (Unconsolidated)



	93	94	95	96	97	98	99	00	01	02	03	04	05	06
■ Investment	24	31	45.3	21.4	24	46.5	34.5	27.9	12.4	20	18.1	19.2	21.8	20.9
■ Depreciation	41.2	37	36.8	33.3	30	26.9	29.6	32.4	29.5	20	21.1	21.9	19.9	19.8



Summary

The next five years will mark “the period of the second start” .

Sound Financial Base + Attainment of Sustainable Profit Growth and Enhancement of Competitiveness

Management Vision

Direction of Management: Nisshin Steel will strive to be a company

- to lead development of high-functional and high value-added products,
- to create customers and markets,
- to have international competitiveness in production equipment and technology
- to be active in the global arena

(through structuring overseas production and supply bases)

Capital Expenditures, Investments to Attain Profit Growth and Enhance Competitiveness

- securing operating CF (¥200 bil/5 years unconsolidated)
- promotion of strategic investments totaling ¥50 bil/5 years + investments to enhance foundation of existing business totaling ¥100 bil/5 year

Enhancement of Consolidated Management

- Nisshin and the related companies to consolidate strategy planning and profit management

Profit Plan

Securing Operating CF of ¥200 bil/5 years – to Attain Management Vision

- IBSI Targets (¥30 bil/year unconsolidated and ¥35 bil/year consolidated in F2005)



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End of Report