

SEMIANNUAL REPORT

For the Six-Month Period Ended September 30, 2003

NISSHIN

NISSHIN STEEL CO., LTD.

STEEL

Vol.124

FINANCIAL HIGHLIGHTS

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Six-month periods ended September 30, 2003 and 2002

	Millions of yen (except per share amounts)		Thousands of U.S. dollars ¹ (except per share amounts)
	2003	2002	2003
Net sales	¥ 221,435	¥ 199,090	\$1,990,427
Net income(loss)	5,411	(6,256)	48,638
Net income(loss) per share ²	¥ 5.56	¥(6.31)	\$0.05
Cash dividends per share ²	2.00	-	0.02
Total assets	¥ 630,849	¥ 624,889	\$5,670,553
Total shareholders' equity	240,874	221,447	2,165,159

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥111.25=US\$1, the effective rate of exchange at September 30, 2003.

2. Per share figures are in exact yen and U.S. dollars.

Operating Environment

In the first half of the year ending March 31, 2004, the Japanese economy, which had long been sluggish, showed signs of gradual uptick with brisk exports, rising stock prices, and rebound in corporate earnings, all of which led to more positive business sentiment and improved private-sector capital investment.




Toshihiko Ono

The steel industry enjoyed a relatively stable business environment, with crude steel production exceeding the level of the same half a year ago on the strength of strong exports to Asia, particularly to China, where the economy keeps expanding rapidly.

Performance

Amid such an operating environment, the Nisshin Steel Group sustained the V-shaped earnings recovery attained in the previous year, ended March 31, 2003, as all of the Group companies worked together to reinforce the business foundation. On the sales side, while taking firm steps to improve pricing, we thoroughly implemented such profitability-oriented initiatives as expanding sales of new product ZAM (hot-dipped zinc-aluminum-magnesium coated steel) and refining our product mix for greater emphasis on high-added value. We also continued to promote various measures for drastic cost reduction and better asset efficiency. In addition, we revised our corporate organization and management mechanism in June 2003 for swifter responsiveness to changes in the marketplace.

Increased selling prices and a realigned product mix boosted consolidated net sales for the first half by ¥2.3 billion, or 11.2% over the same period a year ago, to ¥21.4 billion. On the profit side, despite the rise in raw materials prices for stainless steel, our efforts to raise



profitability through improved pricing and other measures, coupled with costcutting programs vigorously pursued over the years, proved successful, producing an income before special items of ¥13.6 billion and net income of ¥5.4 billion.

Since providing stable returns to our shareholders is an important agenda, after comprehensive consideration of earnings for the first half of the year ending March 31, 2004, and the future outlook on economic conditions and prospects for business development, Nisshin Steel has decided to pay an interim shareholders' dividend of ¥2.00 per share.

Future Vision

Although the Japanese economy has begun to rally and show good prospects to be back on track for a self-sustaining recovery soon, the yen's upward trend in currency markets and other factors are still causes for concern, leaving no room for overoptimism about the possibility of such economic upswing. The business environment surrounding the steel industry is also expected to remain unpredictable as prices of nickel and other raw materials continue to rise and steel inventories, which had declined to appropriate levels, are once again turning slightly excessive.

With no intention to be merely content with the higher earnings achieved thus far, Nisshin Steel will implement across-the-board, fine-tuned initiatives to further improve profitability and is determined to maintain the level of earnings for the full year ending March 31, 2004, needed to meet shareholder expectations. Also in the second half of the year ending March 31, 2004, we will complete two projects at the Kure Works - to repair the No. 2 blast furnace and to change the mould of the No. 2 continuous casting machine to a vertical bending type. Although these equipment upgrades mean a temporary increase in expenditures, they will contribute to enhance our upstream

production process and competitiveness in terms of cost and quality. Furthermore, we have begun drafting our new medium-term management plan, which will form a scenario for continued future growth. The plan will consist of a five-year vision encapsulating the path that the Nisshin Steel Group is to follow as well as a two-year action program. The new plan will mark the starting point toward our "second foundation," and we will go forward to create an entirely new Nisshin Steel Group.

A handwritten signature in black ink that reads "Toshihiko Ono." The signature is written in a cursive, flowing style.

Toshihiko Ono
President and CEO

CONSOLIDATED BALANCE SHEETS

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
September 30, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2002	2003
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 32,264	¥ 28,623	\$ 290,013
Marketable securities	2,314	3,001	20,800
Notes and accounts receivable	84,583	73,490	760,298
Inventories	86,692	84,685	779,254
Deferred income taxes	5,577	5,332	50,130
Other current assets	7,459	11,114	67,047
Allowance for doubtful accounts	(1,893)	(1,085)	(17,016)
Total current assets	216,996	205,160	1,950,526
Investments and long-term receivables:			
Investments in securities	98,575	84,399	886,067
Deferred income taxes	2,424	18,347	21,789
Others	10,661	11,469	95,829
Allowance for doubtful accounts	(386)	(497)	(3,470)
Total investments and long-term receivables	111,274	113,718	1,000,215
Property, plant and equipment, at cost:			
Buildings and structures	229,010	228,003	2,058,517
Machinery, equipment and vessels	782,348	781,804	7,032,342
	1,011,358	1,009,807	9,090,859
Accumulated depreciation	(791,981)	(780,463)	(7,118,930)
	219,377	229,344	1,971,929
Land	63,422	63,228	570,085
Construction in progress	12,188	6,300	109,555
Total property, plant and equipment	294,987	298,872	2,651,569
Other assets	7,592	7,139	68,243
	¥ 630,849	¥ 624,889	\$5,670,553

The accompanying notes are an integral part of these financial statements.

	Thousands of		
	Millions of yen	U.S. dollars (Note 2)	
	2003	2002	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	¥ 64,850	¥ 80,644	\$ 582,921
Current portion of long-term debt	23,069	45,799	207,362
Notes and accounts payable	66,264	65,098	595,631
Income taxes payable	614	473	5,519
Other current liabilities	38,276	30,593	344,055
Total current liabilities	193,073	222,607	1,735,488
Long-term debt	138,180	120,981	1,242,068
Deferred income taxes	3,394	2,687	30,508
Employees' retirement benefits	35,346	31,659	317,717
Reserve for rebuilding furnaces	10,118	15,284	90,948
Negative goodwill	57	95	512
Other liabilities	1,506	1,439	13,537
Total liabilities	381,674	394,752	3,430,778
Minority interests in consolidated subsidiaries	8,301	8,690	74,616
Shareholders' equity:			
Common stock, no par value at September 30, 2003 and 2002			
Authorized: 3,977,964 thousand shares			
at September 30, 2003 and 2002			
Issued: 994,500 thousand shares			
at September 30, 2003 and 2002			
	79,913	79,913	718,319
Additional paid-in capital	49,893	49,893	448,476
Retained earnings	87,879	80,894	789,924
Adjustment on revaluation of land	385	335	3,461
Unrealized gain on available-for-sale securities	27,134	11,653	243,901
Foreign currency translation adjustment	(1,736)	(780)	(15,605)
	243,468	221,908	2,188,476
Treasury stock, at cost	(2,594)	(461)	(23,317)
Total shareholders' equity	240,874	221,447	2,165,159
	¥630,849	¥624,889	\$5,670,553

CONSOLIDATED STATEMENTS OF INCOME

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Six-month periods ended September 30, 2003 and 2002

	Thousands of		
	Millions of yen	U.S. dollars (Note 2)	
	2003	2002	2003
Net sales	¥221,435	¥199,090	\$1,990,427
Cost of sales	181,205	175,218	1,628,809
Gross profit	40,230	23,872	361,618
Selling, general and administrative expenses	21,496	22,217	193,222
Operating income	18,734	1,655	168,396
Other (income) expenses:			
Interest and dividend income	(973)	(950)	(8,746)
Interest expense	1,687	1,818	15,164
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(370)	567	(3,326)
Foreign exchange loss	864	880	7,766
Service cost of temporarily transferred employees	1,754	1,586	15,767
Retirement benefit expense	1,406	1,770	12,638
Others, net	770	8	6,922
Income (loss) before special items	13,596	(4,024)	122,211
Special items:			
Gain on sale of properties	408	436	3,667
Gain on sale of marketable securities	211	-	1,897
Special items, income and gain	619	436	5,564
Loss on sale and disposition of properties	708	491	6,364
Retirement benefit expense	2,972	3,734	26,714
Special early retirement benefit payments	441	251	3,964
Loss on devaluation of marketable securities	-	934	-
Others	-	528	-
Special items, expense and loss	4,121	5,938	37,042
Income (loss) before provision for income taxes	10,094	(9,526)	90,733
Provision for income taxes:			
Current	837	562	7,524
Deferred	3,712	(3,921)	33,366
Total provision for income taxes	4,549	(3,359)	40,890
Minority interests in earnings of consolidated subsidiaries	134	89	1,205
Net income (loss)	¥ 5,411	¥ (6,256)	\$ 48,638

	Yen	U.S. dollars (Note 2)	
Net income (loss) per share	¥5.56	¥(6.31)	\$0.05
Cash dividends per share	2.00	-	0.02

Weighted average number of shares issued and outstanding (thousands)	972,934	991,773
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The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nissin Steel Co., Ltd. and its consolidated subsidiaries
Six-month periods ended September 30, 2003 and 2002

	Millions of yen	Thousands of U.S. dollars (Note 2)	
	2003	2002	2003
Additional paid-in capital:			
Balance at beginning of period	¥49,893	¥49,893	\$448,476
Balance at end of period	49,893	49,893	448,476
Retained earnings:			
Balance at beginning of period	84,417	87,150	758,804
Net income (loss)	5,411	(6,256)	48,638
Appropriations: Cash dividends	1,949	-	17,518
Balance at end of period	¥87,879	¥80,894	\$789,924

The accompanying notes are an integral part of these
financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Six-month periods ended September 30, 2003 and 2002

Thousands of

	Millions of yen		U.S. dollars (Note 2)
	2003	2002	2003
Cash flows from operating activities:			
Income (loss) before provision for income taxes	¥10,094	¥(9,526)	\$ 90,733
Depreciation and amortization	12,161	11,686	109,312
Interest and dividend income	(973)	(950)	(8,746)
Interest expense	1,687	1,818	15,164
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(370)	567	(3,326)
Loss on sale and disposition of property, plant and equipment	299	22	2,688
Loss on devaluation of marketable securities	-	934	-
Increase in notes and accounts receivable	(9,086)	(3,290)	(81,672)
(Increase) decrease in inventories	(1,259)	4,665	(11,317)
Increase in notes and accounts payable	506	1,649	4,548
Increase in reserve for rebuilding furnaces	353	446	3,173
Increase in employees' rebuilding benefits account	3,419	5,755	30,733
Others, net	5,796	(2,800)	52,099
	22,627	10,976	203,389
Receipt of interest and dividends	1,342	1,165	12,063
Payment of interest	(1,737)	(1,855)	(15,614)
Payment of income taxes	(1,360)	(346)	(12,225)
Net cash provided by operating activities	20,872	9,940	187,613
Cash flows from investing activities:			
Acquisition of marketable securities	(2,168)	(4,333)	(19,488)
Proceeds from sale and redemption of marketable securities	4,130	2,659	37,124
Acquisition of property, plant and equipment	(8,351)	(10,007)	(75,065)
Proceeds from sale of property, plant and equipment	894	962	8,036
Others, net	(561)	(327)	(5,043)
Net cash used in investing activities	(6,056)	(11,046)	(54,436)
Cash flows from financing activities:			
(Decrease) increase in short-term loans	(10,468)	4,665	(94,094)
Decrease in commercial paper	-	(10,000)	-
Proceeds from long-term debt	16,161	6,250	145,267
Repayment and redemption of long-term debt	(17,308)	(4,301)	(155,577)
Cash dividends paid by the parent company	(1,941)	(5)	(17,447)
Others, net	(1,557)	(497)	(13,996)
Net cash used in financing activities	(15,113)	(3,888)	(135,847)
Foreign currency translation adjustment of cash and cash equivalents	(857)	(715)	(7,703)
Net decrease in cash and cash equivalents	(1,154)	(5,709)	(10,373)
Cash and cash equivalents at beginning of period	31,303	33,790	281,375
Increase in cash due to a merger of subsidiaries	-	78	-
Cash and cash equivalents at end of period	¥30,149	¥28,159	\$271,002

The accompanying notes are an integral part of these financial statements.

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by Nisshin Steel Co., Ltd. (the "Company") and its subsidiaries (together, the "Companies") in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. UNITED STATES DOLLAR AMOUNTS

The Companies maintain their accounting records in yen except for subsidiaries in the United States, which maintain their accounting records in U.S. dollars. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars on a basis of $¥111.25=US\$1$, the effective rate of exchange at September 30, 2003. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that the yen amounts have been or could be readily converted, realized or settled in dollars at $¥111.25=US\$1$ or at any other rate.

As of December 31, 2003**DOMESTIC****Registered Head Office**

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Branches

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Hokuriku, Shikoku, Okayama,
Kyushu

Works

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Ichikawa, Shunan, Amagasaki

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BOARD OF DIRECTORS

As of December 31, 2003

Chairman of the Board of Directors

Kazuo Hoshino*

President & Chief Executive Officer

Toshihiko Ono*

Directors

Takashi Sugiyama

Takenao Yasuda

Takaoki Uesugi

Hiromi Toyota

Hiroshi Hotta

Hideo Suzuki

* Representative Director

Managing Executive Officers

Hisao Kawase

Michio Ryo

Takashi Nagai

Shigeaki Matsunaga

Makoto Yada

Hitoshi Asanuma

Executive Officers

Kenichi Masuhara

Yuji Itou

Toshio Miura

Fumio Oda

Toshinori Miki

Kazuhisa Obama

Yoshikazu Tsuda

Yukio Nariyoshi

Standing Auditors

Nobuji Monzen

Toshiaki Ouchi

Hiroaki Shinagawa

Auditor

Hidehiko Iwasaki

Senior Managing Executive Officers

Takashi Sugiyama

Takenao Yasuda

Takaoki Uesugi

Hiromi Toyota

Hiroshi Hotta

Hideo Suzuki

INVESTOR INFORMATION

As of September 30, 2003

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Year of Establishment

1928

Common Stock:

Authorized: 3,977,964 thousand shares
Issued: 994,500 thousand shares
Paid-in capital: ¥ 79,913,126 thousand

Number of Shareholders

64,012

Independent Certified Public Accountants

ChuoAoyama Audit Corporation

For further information, please contact the Public and Investor Relations Team.

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