NISSHIN STEEL

ANNUAL REPORT 2007

Contents

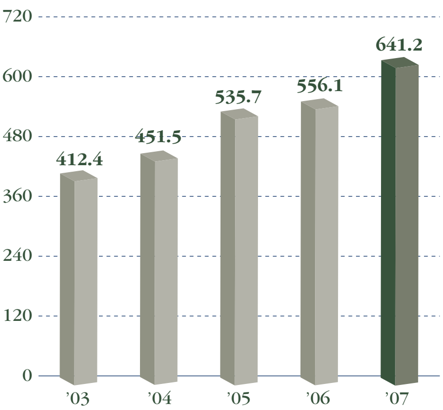
Consolidated Financial Highlights

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2007, 2006 and 2005

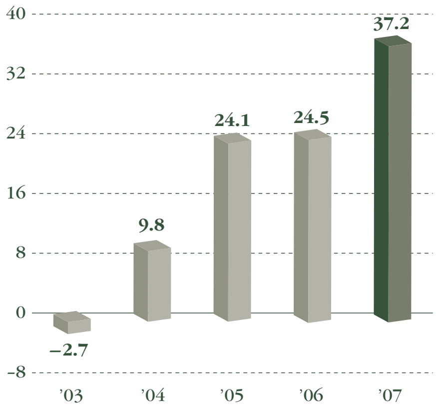
	Millions of yen (except per share amounts)			Percent change	Thousands of U.S. dollars[1] (except per share amounts)
	2007	2006	2005	(**2007**/2006)	**2007**
Net sales	**¥641,246**	¥ 556,057	¥ 535,721	15.3%	**$ 5,431,986**
Net income	**37,214**	24,464	24,123	52.1	**315,239**
Total assets	**826,540**	718,237	682,542	15.1	**7,001,609**
Total net assets[2]	**385,695**	315,595	276,635	22.2	**3,267,217**
Net income per share[3]	**¥ 39.86**	¥25.98	¥ 25.19	53.4%	**$ 0.34**
Cash dividends per share[3]	**7.00**	6.00	5.00	16.7	**0.06**

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 ¥118.05 = US$1, the effective rate of exchange at March 31, 2007.
2. The amounts of total net assets at March 31, 2006 and 2005 represent the value of conventional total shareholders' equity.
3. Per share figures are in yen and U.S. dollars.

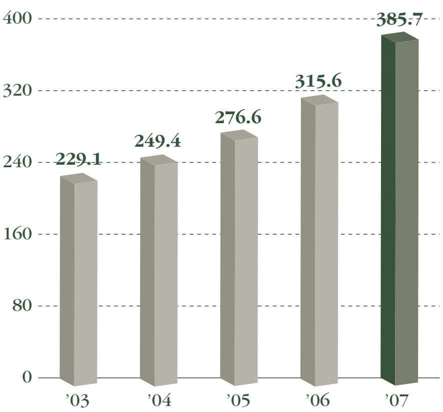
Net Sales
(Billions of yen)
(Years ended March 31)



Net Income (Loss)
(Billions of yen)
(Years ended March 31)

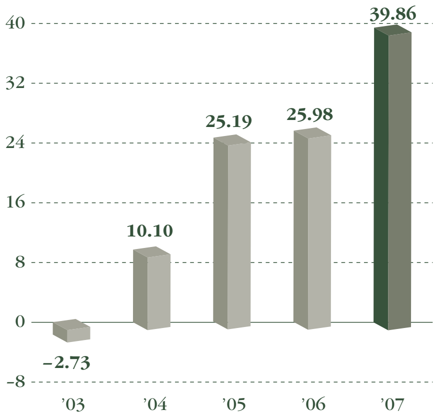


Total Net Assets
(Billions of yen)
(March 31)



Note: The amount of total net assets at March 31, 2003, 2004, 2005 and 2006 represents the value of conventional total shareholders' equity.

Net Income (Loss) per Share
(Yen)
(Years ended March 31)



To Our Shareholders and Investors

Overview of the Fiscal Year Ended March 31, 2007

The Japanese economy expanded slightly during the subject fiscal year, supported by private-sector domestic demand as corporations increased capital expenditures on the back of strong earnings, while personal consumption also remained firm.

The business environment for the steel industry was also favorable. Although prices for raw materials—particularly nonferrous materials such as nickel and zinc—rose due to rapid growth in global crude steel production centered on China, domestic demand from automotive and electric appliance manufacturers remained at high levels, with overseas demand also strong in response to the healthy global economy. The volume of crude steel production in Japan rose for the fourth consecutive year, exceeding 110 million metric tonnes.

Under such circumstances, the Nisshin Steel Group, in accordance with its "Medium-Term Consolidated Management Guideline" begun from the subject fiscal year, vigorously implemented a variety of measures aimed at raising its corporate value.

With the price of nonferrous metals such as nickel and zinc at unprecedented levels, significantly pushing up production costs, the Group implemented measures linking the purchasing, manufacturing and sales departments to control costs by revising inventory levels and pursuing even more efficient use of raw materials. To cover the portion of appreciated costs that could not be absorbed through such efforts alone, the Group made a concerted effort to secure earnings by revising its sales prices to reflect higher costs after gaining the understanding of its customers, and shifting its focus to more high-margin products.

At the same time, the Nisshin Steel Group concentrated on creating its own market by paying particular attention to the needs of its customers, and working to develop new demand. For example, we increased the monthly production volume of ZAM® (hot-dipped zinc-aluminum-magnesium coated steel), a proprietary product with superior corrosion resistance, to the 40,000 MT level, even though the target production figure for the fiscal year to March 2009 is 45,000 MT. We also focused on marketing for DNA-SUS (Dynamic Nisshin Advanced Strategic Unique Stainless), a unique and distinctive lineup of products that is the backbone of our mainstay stainless steel. The anti-corrosive and heat-resistant properties of these products, along with their workability, has been highly regarded by customers and allowed us to steadily penetrate markets.

As a result, the Group's proportion of sales volume from strategic products (stainless steel, specialty steels and special coated products) has grown steadily, reaching 44% at the end of the subject fiscal year, against a target of 47% for the fiscal year to March 2009.

In China, where the market is expected to expand in the future, in December 2006 we established the wholly owned sales company Tsukiboshi (Shanghai) Steel Trading Co., Ltd. in the Shanghai region. This structure allows us to provide customers in China with the same level of technical service and delivery available in Japan for the stainless steel manufactured by Ningbo Baoxin Stainless Steel Co., Ltd. (Ningbo, Zhejiang Province), the Group's stainless steel cold-rolling joint venture. We also expect that it will help increase the sales capabilities of the entire Group.

All of the Nisshin Steel Group companies, including Wheeling-Nisshin, Inc., the U.S. joint venture for coated steel, have achieved strong results, with Ningbo Baoxin Stainless Steel in particular recording significant improvement in performance with the recovery of the stainless steel market in China.

As a result, consolidated net sales for the subject fiscal year rose 15.3% year on year to ¥641,246 million. Income before special items, however, declined 1.6% to ¥62,131 million as a result of the impact from a change in accounting methods for depreciation and rising prices for nonferrous materials. Net income, meanwhile, rose 52.1% from the previous fiscal year to ¥37,214 million following a reduction in extraordinary losses. On a non-consolidated basis, Nisshin Steel Co., Ltd. recorded net sales of ¥485,296 million (up 16.8% year on year), income before special items of ¥53,379 million (down 15.4%), and net income of ¥33,462 million (up 23.2%).

Outlook for the Year Ending March 31, 2008

Looking ahead, despite such factors for instability as continued high crude oil prices and a slowdown in the U.S. economy, we expect the Japanese economy to remain strong, supported by domestic demand that will drive healthy corporate earnings.

In the steel industry, although we have concerns about the impact on the market from a rapid rise in the supply of steel materials following increased production capacity in China, and the continually rising prices for nonferrous materials, we anticipate demand in Japan to remain strong, and expand overseas, centered on China.

Anticipating such circumstances, the Nisshin Steel Group will actively implement measures to meet its business targets and achieve further increases in corporate value.

Our first priority will be to further strengthen measures to create the unique markets that will be the source of sustainable growth. To accomplish this, we will accurately grasp customer needs, then develop and present products and services for applications to meet those needs, further deepening our consultative-style sales approach combining the sales and development in which we excel. In particular, amid rapidly rising and fluctuating prices for nickel, zinc and other metals, we will make full use of the inherent superiority in our repertoire of coating processes, stainless steel and specialty steels to provide customers with comprehensive product plans that offer them security and stability.

Also, to proactively anticipate and respond to increasingly sophisticated customer needs, while carefully watching market trends we will steadily implement a variety of measures aimed at establishing unique markets for the Nisshin Steel Group, including strategic capital investments, enhancements to our product development structure, and bolstering of our sales network. Specifically, we are steadily making capital investments aimed at increasing capacity for specialty and stainless steels, focusing on the original products that are recording steady growth in sales volume, such as ZAM® and other special coated products, DNA-SUS and specialty steels that have been highly regarded by customers. These investments will allow us to respond to the needs of our customers and establish a structure able to provide a stable supply into the future. In addition, we are working to establish a more resilient and highly efficient production structure by pursuing alliances centered on the contract production business with Nippon Steel & Sumikin Stainless Steel Corporation and Nippon Metal Industry Co., Ltd.

We will further proactively pursue initiatives to expand the Group's unique markets overseas, where we anticipate future growth. One such measure is establishing the stainless coil center Ri Hong Stainless (Shanghai) Co., Ltd. in Shanghai, which will help stimulate demand in the local Chinese market for the stainless steel business centered on Ningbo Baoxin Stainless Steel Co., Ltd.

In consideration of the business environment described above, and incorporating the various business enhancement measures to be taken by the Nisshin Steel Group, the Group's current results forecasts are as follows.

Billions of yen

	Consolidated Forecast		Non-consolidated Forecast	
	Interim	Full year	Interim	Full year
Net sales	¥350.0	¥710.0	¥280.0	¥570.0
Operating income	30.0	56.0	27.5	50.0
Income before special items	31.0	56.0	27.0	49.0
Net income	18.0	32.0	15.5	28.0

These forecasts are based on certain assumption deemed rational at the time of preparation. Actual results may differ materially as a result of various factors, including economic conditions in major markets (Japan, Asia, etc.), rapid changes in the balance of product supply and demand, significant shifts in foreign exchange rates, or major fluctuations in capital market rates.

Basic Policy on Returns to Shareholders

The Nisshin Steel Group's basic policy with regard to the distribution of earnings is to provide shareholders with an appropriate dividend from retained earnings in line with consolidated results, while securing the internal reserves necessary for future business development to enhance corporate value, and in consideration of the future business outlook.

The Group has established as a benchmark for the distribution of earnings 20% to 30% of consolidated net income combining dividends from retained earnings and acquisition of treasury stock. The acquisition of treasury stock is conducted from the perspective of a flexible capital policy responsive to the business environment, taking into account capital necessary in the future and earnings forecasts.

Internal reserves will be used for investments to ensure sustainable growth and strengthen competitiveness to improve corporate value, as well as to maintain and enhance the Group's financial position.

Dividends from retained earnings for the subject fiscal year, based on the Group's business results and forecasts, and in overall consideration of the economic outlook and plans for business development, were ¥4.00 per share for the year-end, raising the full-year dividend to ¥7.00 per share from ¥6.00 in the previous fiscal year.

I would like to offer my appreciation to all shareholders and investors for their continued support.

June 2007

Hideo Suzuki

Hideo Suzuki
President and Chief Executive Officer

Management's Discussion and Analysis

Financial Position

Consolidated total assets at the close of the year ended March 31, 2007, stood at ¥826,540 million, up ¥108,303 million from the end of the previous year. This was due mainly to increases in notes and accounts receivable (up ¥23,496 million) and investments in securities (up ¥72,244 million).

Total liabilities increased by ¥47,838 million to ¥440,845 million. This was due mainly to increases in notes and accounts payable (up ¥22,932 million) brought on by rising prices for raw materials and fuel, and short-term loans and other interest-bearing debt (up ¥4,705 million).

Total net assets at the close of the subject fiscal year were ¥385,695 million, an increase of ¥60,465 million from ¥325,230 million from the end of the previous fiscal year (total shareholders' equity in the previous fiscal year plus minority interests). This was due mainly to an unrealized gain on available-for-sale securities (up ¥33,229 million), along with dividends (¥5,617 million) and acquisition of treasury stocks (¥5,486 million).

Cash Flows

Net cash provided by operating activities totaled ¥52,250 million. This was due mainly to ¥61,074 million from income before provision for income taxes and ¥31,280 million from depreciation and amortization, against decreases of ¥12,975 million in employees' retirement benefits account, and ¥14,476 million in payment of income taxes.

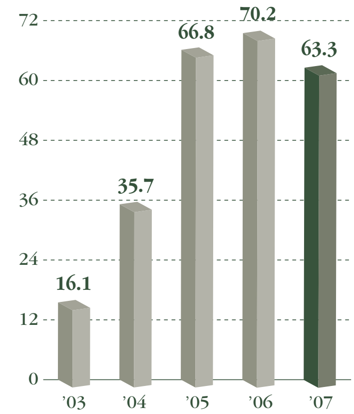
Net cash used in investing activities totaled ¥48,041 million, mainly ¥29,498 million for acquisition of property, plant and equipment and ¥14,812 million for acquisition of investments in securities. Free cash flow amounted to ¥4,209 million.

Net cash used in financing activities totaled ¥7,338 million. This was mainly from a ¥4,701 million increase in interest-bearing debt, ¥5,486 million for acquisition of treasury stocks, and ¥5,622 million in cash dividends.

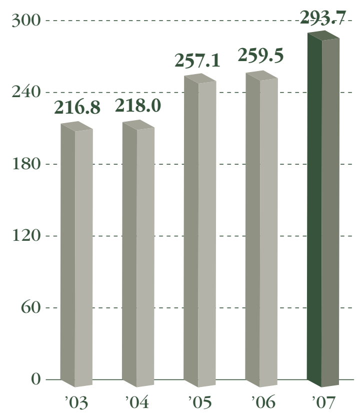
As a result, and with the addition of foreign currency translation adjustment of cash and cash equivalents, the consolidated balance of cash and cash equivalents at the end of the subject fiscal year amounted to ¥15,886 million, down ¥3,098 million from the end of the previous year.

Forward-Looking Statements
The forecasts presented in this report are based on certain assumptions, rationally established by the Company at the time of preparation. Projected results may differ materially due to changes in the business environment or product demand in principal markets (Japan, Asia, etc.), significant fluctuations in exchange rates, or major shifts in capital market rates.

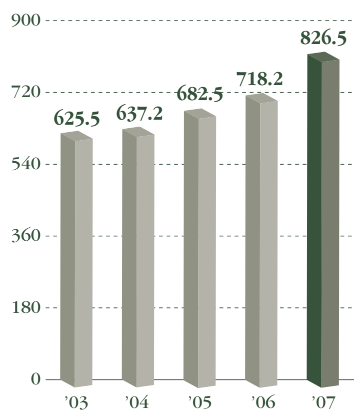
Operating Income
(Billions of yen)



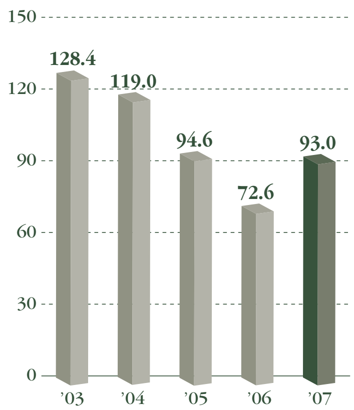
Total Current Assets
(Billions of yen)



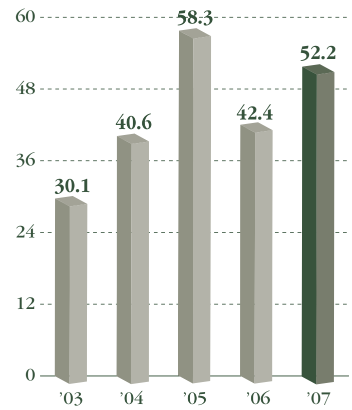
Total Assets
(Billions of yen)



Long-Term Debt
(Billions of yen)



Net Cash Provided by Operating Activities
(Billions of yen)



Medium-Term Consolidated Management Guideline

Targets, Strategies and Progress

After thoroughly considering a range of issues involved and efforts required to achieve sustainable growth from a medium- and long-term perspective, the Nisshin Steel Group worked out the management goals for the year ending March 31, 2009 as "Medium-Term Consolidated Management Guideline." The Medium-Term Guideline also addresses various future medium-term management challenges relating to growth and various potential risks and the responses that will be required in the rapidly changing business environment.

We will seek to further enhance consolidated corporate value by realizing a growth strategy under the Medium-Term Guideline and also intend to properly share the results of operations obtained with shareholders in line with the policy of returning profits to shareholders as newly set out under the Medium-Term Guideline.

Management Goals

(Millions of yen, except where noted)

	Results (Year ended March 31, 2007)		FY2008 Goals (Year ending March 31, 2009)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Net sales	¥641,246	¥485,296	¥610,000	¥460,000
Income before special items	62,131	53,379	80,000	70,000
Net income	37,214	33,462	45,000	40,000
Cash flows from operating activities	52,250	47,978	65,000	60,000
Interest-bearing debt	173,840	163,142	180,000	175,000
Total assets	826,540	731,657	780,000	680,000
ROS	9.7%	11.0%	13%	15%
ROA	8.4%	8.1%	10%	11%
ROE	10.8%	10.5%	12%	12%
EPS	¥39.86/share	—	¥50/share	—
BEP	—	69%	—	64%
D/E ratio	0.46	0.47	0.46	0.49
Interest-bearing debt/cash flows from operating activities	3.3	3.4	2.8	2.9

Notes: Assumptions for the year ending March 31, 2009 are an exchange rate of US$1=¥110 and crude steel output of 4.2 million tons/year (including 700,000 tons/year of stainless steel). ROS (return on sales) = Income before special items/net sales. ROA (return on assets) = Business profit (income before special items + interest expense)/total assets. ROE (return on equity) = Net income/(total net assets – minority interests). EPS (earnings per share) = Net income/ (number of shares outstanding – treasury shares). BEP = Breakeven point. D/E ratio = Interest-bearing debt/ (total net assets – minority interests).

Direction of Management of the Nisshin Steel Group

In the years ended March 31, 2005 and 2006, the years covered by the preceding Medium-Term Management Plan, we bolstered our financial base by securing steady profits that were much larger than initially forecast. Under the Medium-Term Guideline, to maximize the Group's corporate value, we will aggressively and intensively invest management resources in areas where we are strong, making strategic moves to ensure further growth and responding to the changing environment at home and abroad.

Specific Strategies

(1) Sustainable growth

(1)-1 Advance into areas not affected by competition

a. Expansion of strategic products by strengthening sales capabilities (stainless steel, specialty steel, unique coated products)

- Proportion of strategic products: From the present 44% to 47% in the year ending March 31, 2009 (over 50% in the future)

b. Building materials/processing

- Creation of new markets by drawing upon the collective capability of the group and strengthening product development

c. Steel pipe business

- In stainless steel pipes, shift to automotive exhaust pipes and piping
- In ordinary steel pipes, development of strategic products (ZAM®, specialty steel, high value-added products)

(1)-2 Business operations specializing in our strong areas in growth markets (overseas)

- Promote operations in our strong areas (stainless steel, surface treatment and other processing), using existing overseas bases and working jointly with partners

(1)-3 Promotion of strategic partnership with domestic firms

(2) Securing product superiority

(2)-1 Maintaining product superiority and boosting market creation by strengthening product development and research and development capabilities

- Raising the proportion of new products/demand developments (from the present 36% to 45% in the year ending March 31, 2009)
- Aggressive resource investment into R&D and market development

(2)-2 Strengthening cost-competitiveness

- Goal for reduction of variable costs in the year ending March 31, 2009: ¥9.0 billion/year (compared with the non-consolidated estimate in the year ended March 31, 2006)

(2)-3 Establishment of optimum production system

- Proactively promote investment conducive to stronger competitiveness and growth Consolidated capital spending: ¥137.0 billion (on a construction basis, total for the years ending March 31, 2007 to 2009)

(2)-4 Securing a stable supply of raw materials

- Stronger ties with suppliers

Strengthening Consolidated Management

(1) Sharing the Group strategy based on consolidated management policy

(2) Optimum allocation of the Group's management resources

(3) Reinforcement of joint R&D systems with group companies

Investment in Human Resources

(1) Securing, proactive fostering and prioritized assignment of human resources for promotion of strategies

- Number of new employees hired (total for the years ending March 2007 to 2009): 690 (430 for Nisshin Steel)

(2) Maintaining and reinforcing shop floor strength through continuous handover of skills

(3) Total efficiency and streamlining of business operations

Medium- and Long-Term Challenges for Growth

In parallel with the implementation of the Medium-Term Guideline, we will deal with medium- and long-term challenges for growth, and achievements made in the course of the period will be reflected in the Guideline.

Potential Risks

Taking into account the rapidly changing business environment at home and abroad, we will identify potential risks during the implementation period of the Medium-Term Guideline as well as measures to avert these risks, thereby establishing a system under which we will be able to rapidly respond to any deterioration in the business environment.

Consolidated Seven-Year Summary

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

Millions of yen
(except per share amounts and weighted average number of shares issued and outstanding)

Years ended March 31	2007	2006	2005	2004	2003	2002	2001
Results for the year:							
Net sales	¥641, 246	¥556, 057	¥535, 721	¥451, 452	¥412, 412	¥394, 494	¥445, 096
Gross profit	112, 677	117, 506	113, 728	78, 477	59, 607	35, 951	73, 236
Operating income (loss)	63, 270	70, 199	66, 848	35, 733	16, 097	(10, 385)	25, 813
Income (loss) before special items	62, 131	63, 153	60, 194	26, 497	6, 313	(17, 096)	16, 180
Income (loss) before provision for income taxes	61, 074	47, 498	46, 493	18, 266	(1, 252)	(39, 316)	3, 139
Net income (loss)	37, 214	24, 464	24, 123	9, 786	(2, 696)	(25, 221)	767
Year-end financial position:							
Total current assets	¥293, 727	¥259, 466	¥257, 085	¥218, 019	¥216, 768	¥212, 226	¥212, 580
Total property, plant and equipment	267, 923	268, 438	270, 940	287, 674	299, 079	302, 129	320, 599
Total assets	826, 540	718, 237	682, 542	637, 247	625, 530	638, 458	648, 846
Total current liabilities	250, 659	239, 008	238, 964	207, 772	213, 808	219, 726	224, 896
Long-term debt	92, 983	72, 615	94, 636	118, 977	128, 382	130, 680	122, 171
Total net assets[1]	385, 695	315, 595	276, 635	249, 416	229, 148	233, 500	252, 377
Cash flows:							
Net cash provided by operating activities	¥ 52, 250	¥ 42, 411	¥ 58, 327	¥ 40, 605	¥ 30, 118	¥ 13, 796	¥ 49, 186
Net cash used in investing activities	(48, 041)	(22, 877)	(26, 487)	(10, 703)	(17, 214)	(9, 547)	(33, 382)
Net cash (used in) provided by financing activities	(7, 338)	(27, 651)	(33, 958)	(31, 875)	(14, 514)	13, 022	(18, 791)
Per share amounts[2]:							
Net income (loss) per share	¥39. 86	¥25. 98	¥25. 19	¥10. 10	¥(2. 73)	¥(25. 36)	¥0. 77
Cash dividends per share	7. 00	6. 00	5. 00	4. 00	2. 00	–	2. 00
Weighted average number of shares issued and outstanding (thousands)	933, 499	941, 658	957, 540	968, 593	985, 679	994, 490	994, 497

1. The amounts of total net assets at March 31, 2001, 2002, 2003, 2004, 2005 and 2006 represent the value of conventional total shareholders' equity.

2. Per share figures are in yen.

Consolidated Balance Sheets

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2007	2006	**2007**
ASSETS			
Current assets:			
Cash on hand and in banks (Note 19)	**¥ 15,891**	¥ 18,989	**$ 134,612**
Notes and accounts receivable (Note 6)	**112,759**	89,263	**955,180**
Marketable securities (Notes 19 and 21)	**4,901**	3,546	**41,516**
Inventories	**128,071**	123,975	**1,084,888**
Deferred income taxes (Note 9)	**6,245**	7,594	**52,901**
Other current assets	**26,810**	17,089	**227,107**
Allowance for doubtful accounts	**(950)**	(990)	**(8,047)**
Total current assets	**293,727**	259,466	**2,488,157**
Investments and long-term receivables:			
Investments in securities (Notes 7, 15 and 21)	**238,153**	165,909	**2,017,391**
Deferred income taxes (Note 9)	**3,004**	2,793	**25,447**
Other (Note 7)	**15,512**	13,195	**131,402**
Allowance for doubtful accounts	**(297)**	(353)	**(2,516)**
Total investments and long-term receivables	**256,372**	181,544	**2,171,724**
Property, plant and equipment, at cost (Note 3):			
Buildings and structures (Note 15)	**230,774**	226,933	**1,954,884**
Machinery, equipment and vessels	**793,873**	777,314	**6,724,888**
	1,024,647	1,004,247	**8,679,772**
Accumulated depreciation	**(817,073)**	(795,730)	**(6,921,415)**
	207,574	208,517	**1,758,357**
Land (Note 15)	**56,588**	54,609	**479,356**
Construction in progress	**3,761**	5,312	**31,859**
Total property, plant and equipment	**267,923**	268,438	**2,269,572**
Other assets	**8,518**	8,789	**72,156**
	¥ 826,540	¥ 718,237	**$7,001,609**

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

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2007	2006	**2007**
LIABILITIES			
Current liabilities:			
Notes and accounts payable (Note 6)	**¥ 110,921**	¥ 87,989	**$ 939,610**
Short-term loans (Notes 8 and 15)	**42,542**	40,795	**360,373**
Current portion of long-term debt (Notes 8 and 15)	**16,315**	39,725	**138,204**
Commercial paper	**22,000**	16,000	**186,362**
Income taxes payable	**12,568**	9,976	**106,463**
Provision for environmental remediation	**743**	-	**6,294**
Other current liabilities	**45,570**	44,523	**386,023**
Total current liabilities	**250,659**	239,008	**2,123,329**
Long-term debt (Notes 8 and 15)	**92,983**	72,615	**787,658**
Deferred income taxes (Note 9)	**49,614**	22,511	**420,280**
Employees' retirement benefits (Note 10)	**35,363**	48,338	**299,560**
Reserve for rebuilding furnaces	**9,469**	8,857	**80,212**
Provision for environmental remediation	**971**	-	**8,225**
Other liabilities	**1,786**	1,678	**15,128**
Total liabilities	**440,845**	393,007	**3,734,392**
Minority interests in consolidated subsidiaries	-	9,635	-
SHAREHOLDERS' EQUITY			
Common stock, no par value at March 31, 2006			
Authorized: 3,977,964 thousand shares at March 31, 2006			
Issued: 994,500 thousand shares at March 31, 2006	-	79,913	-
Additional paid-in capital	-	49,893	-
Retained earnings	-	129,333	-
Adjustment on revaluation of land (Note 16)	-	278	-
Unrealized gain on available-for-sale securities	-	65,298	-
Foreign currency translation adjustment	-	615	-
	-	325,330	-
Treasury stock, at cost	-	(9,735)	-
Total shareholders' equity	-	315,595	-
	-	¥718,237	-
NET ASSETS (Note 3)			
Shareholders' equity:			
Common stock, no par value at March 31, 2007			
Authorized: 3,977,964 thousand shares at March 31, 2007			
Issued: 994,500 thousand shares at March 31, 2007 (Note 17)	**79,913**	-	**676,942**
Additional paid-in capital	**49,893**	-	**422,643**
Retained earnings	**160,769**	-	**1,361,872**
Treasury stock, at cost	**(15,221)**	-	**(128,937)**
Total shareholders' equity	**275,354**	-	**2,332,520**
Valuation and translation adjustments:		-	
Unrealized gain on available-for-sale securities	**98,527**	-	**834,621**
Deferred gain on hedges	**34**	-	**288**
Adjustment on revaluation of land (Note 16)	**281**	-	**2,380**
Foreign currency translation adjustment	**1,441**	-	**12,207**
Total valuation and translation adjustments	**100,283**	-	**849,496**
Minority interests in consolidated subsidiaries	**10,058**	-	**85,201**
Total net assets	**385,695**	-	**3,267,217**
	¥826,540	-	**$7,001,609**

Consolidated Statements of Income

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2007	2006	**2007**
Net sales	**¥641,246**	¥556,057	**$5,431,986**
Cost of sales	**528,569**	438,551	**4,477,501**
Gross profit	**112,677**	117,506	**954,485**
Selling, general and administrative expenses (Notes 12 and 13)	**49,407**	47,307	**418,526**
Operating income	**63,270**	70,199	**535,959**
Other (income) expenses:			
Interest and dividend income	**(3,411)**	(2,512)	**(28,895)**
Interest expense	**2,367**	2,323	**20,051**
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	**(3,967)**	127	**(33,604)**
Service cost of temporarily transferred employees	**5,095**	5,367	**43,160**
Foreign exchange gain (Note 4)	**-**	(1,178)	**-**
Retirement benefit expense (Notes 4 and 10)	**-**	2,607	**-**
Other, net	**1,055**	312	**8,936**
Income before special items	**62,131**	63,153	**526,311**
Special items:			
Gain on sale of properties	**183**	2,408	**1,550**
Special items, income and gain	**183**	2,408	**1,550**
Loss on sale and disposition of properties	**1,240**	5,677	**10,504**
Loss from instability in the operation of blast furnace (Note 14)	**-**	6,441	**-**
Retirement benefit expense (Note 10)	**-**	5,945	**-**
Special items, expense and loss	**1,240**	18,063	**10,504**
Income before provision for income taxes	**61,074**	47,498	**517,357**
Provision for income taxes (Note 9):			
Current	**17,084**	23,174	**144,719**
Deferred	**5,385**	(1,273)	**45,616**
Total provision for income taxes	**22,469**	21,901	**190,335**
Minority interests in earnings of consolidated subsidiaries	**1,391**	1,133	**11,783**
Net income	**¥ 37,214**	¥ 24,464	**$ 315,239**

	Yen		U.S. dollars (Note 5)
Net income per share	**¥39.86**	¥25.98	**$0.34**
Cash dividends per share	**7.00**	6.00	**0.06**

Weighted average number of shares issued and outstanding (thousands)	**933,499**	941,658	

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

Consolidated Statement of Shareholders' Equity

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Year ended March 31, 2006

	Millions of yen
	2006
Additional paid-in capital:	
Balance at beginning of year	¥ 49, 893
Balance at end of year	49, 893
Retained earnings:	
Balance at beginning of year	110, 165
Net income	24, 464
Cash dividends	(5, 195)
Decrease due to change in the number of consolidated subsidiaries	(101)
Balance at end of year	¥129, 333

The accompanying notes are an integral part of this financial statement.

Consolidated Statement of Changes in Net Assets

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Year ended March 31, 2007

Millions of yen

	Shareholders' equity					Valuation and translation adjustments						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain on hedges	Adjustment on revaluation of land	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2006	**¥79,913**	**¥49,893**	**¥129,333**	**¥ (9,735)**	**¥249,404**	**¥65,298**	**-**	**¥278**	**¥615**	**¥66,191**	**¥9,635**	**¥325,230**
Changes of items during the period												
Cash dividends* (Note 18)	-	-	(2,816)	-	(2,816)	-	-	-	-	-	-	(2,816)
Cash dividends (Note 18)	-	-	(2,801)	-	(2,801)	-	-	-	-	-	-	(2,801)
Net income	-	-	37,214	-	37,214	-	-	-	-	-	-	37,214
Acquisition of treasury stock	-	-	-	(5,486)	(5,486)	-	-	-	-	-	-	(5,486)
Decrease due to change in number of unconsolidated subsidiaries and affiliates accounted for using the equity method	-	-	(118)	-	(118)	-	-	-	-	-	-	(118)
Decrease due to adjustment on revaluation of land	-	-	(3)	-	(3)	-	-	-	-	-	-	(3)
Other	-	-	(40)	-	(40)	-	-	-	-	-	-	(40)
Items other than changes in shareholders' equity	-	-	-	-	-	33,229	34	3	826	34,092	423	34,515
Total changes of items during the period	**-**	**-**	**31,436**	**(5,486)**	**25,950**	**33,229**	**34**	**3**	**826**	**34,092**	**423**	**60,465**
Balance at March 31, 2007	**¥79,913**	**¥49,893**	**¥160,769**	**¥(15,221)**	**¥275,354**	**¥98,527**	**¥34**	**¥281**	**¥1,441**	**¥100,283**	**¥10,058**	**¥385,695**

Thousands of U.S. dollars (Note 5)

	Shareholders' equity					Valuation and translation adjustments						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain on hedges	Adjustment on revaluation of land	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2006	**$676,942**	**$422,643**	**$1,095,578**	**$(82,465)**	**$2,112,698**	**$553,139**	**-**	**$2,355**	**$5,210**	**$560,704**	**$81,618**	**$2,755,020**
Changes of items during the period												
Cash dividends* (Note 18)	-	-	(23,854)	-	(23,854)	-	-	-	-	-	-	(23,854)
Cash dividends (Note 18)	-	-	(23,727)	-	(23,727)	-	-	-	-	-	-	(23,727)
Net income	-	-	315,239	-	315,239	-	-	-	-	-	-	315,239
Acquisition of treasury stock	-	-	-	(46,472)	(46,472)	-	-	-	-	-	-	(46,472)
Decrease due to change in number of unconsolidated subsidiaries and affiliates accounted for using the equity method	-	-	(1,000)	-	(1,000)	-	-	-	-	-	-	(1,000)
Decrease due to adjustment on revaluation of land	-	-	(25)	-	(25)	-	-	-	-	-	-	(25)
Other	-	-	(339)	-	(339)	-	-	-	-	-	-	(339)
Items other than changes in shareholders' equity	-	-	-	-	-	281,482	288	25	6,997	288,792	3,583	292,375
Total changes of items during the period	**-**	**-**	**266,294**	**(46,472)**	**219,822**	**281,482**	**288**	**25**	**6,997**	**288,792**	**3,583**	**512,197**
Balance at March 31, 2007	**$676,942**	**$422,643**	**$1,361,872**	**$(128,937)**	**$2,332,520**	**$834,621**	**$288**	**$2,380**	**$12,207**	**$849,496**	**$85,201**	**$3,267,217**

* This profit appropriation item was approved at the ordinary general meeting of shareholders held on June 28, 2006.
The accompanying notes are an integral part of this financial statement.

Consolidated Statements of Cash Flows

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2007	2006	2007
Cash flows from operating activities:			
Income before provision for income taxes	¥61,074	¥47,498	$517,357
Depreciation and amortization	31,280	23,258	264,972
(Decrease) increase in employees' retirement benefits account	(12,975)	5,118	(109,911)
Increase in reserve for rebuilding furnaces	611	934	5,176
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(3,967)	127	(33,604)
Interest and dividend income	(3,411)	(2,512)	(28,895)
Interest expense	2,367	2,324	20,051
Loss on sale and disposition of property, plant and equipment	1,047	3,267	8,869
(Increase) decrease in notes and accounts receivable	(23,482)	23,466	(198,916)
Increase in inventories	(4,074)	(26,799)	(34,511)
Increase in notes and accounts payable	22,908	6,302	194,053
Other, net	(7,841)	(5,248)	(66,420)
	63,537	77,735	538,221
Receipt of interest and dividends	5,522	4,767	46,777
Payment of interest	(2,333)	(2,409)	(19,763)
Payment of income taxes	(14,476)	(37,682)	(122,626)
Net cash provided by operating activities	52,250	42,411	442,609
Cash flows from investing activities:			
Acquisition of investments in securities	(14,812)	(3,618)	(125,472)
Proceeds from sale of investments in securities	549	576	4,651
Acquisition of property, plant and equipment	(29,498)	(17,949)	(249,877)
Proceeds from sale of property, plant and equipment	1,103	2,947	9,343
Other, net	(5,383)	(4,833)	(45,600)
Net cash used in investing activities	(48,041)	(22,877)	(406,955)
Cash flows from financing activities:			
Increase in short-term loans, net	1,746	185	14,790
Increase in commercial paper, net	6,000	3,000	50,826
Proceeds from long-term debt	36,750	19,000	311,309
Repayment and redemption of long-term debt	(39,795)	(39,749)	(337,103)
Acquisition of treasury stocks	(5,486)	(3,602)	(46,472)
Cash dividends	(5,622)	(5,180)	(47,624)
Other, net	(931)	(1,305)	(7,886)
Net cash used in financing activities	(7,338)	(27,651)	(62,160)
Foreign currency translation adjustment of cash and cash equivalents	31	1,108	263
Net decrease in cash and cash equivalents	(3,098)	(7,009)	(26,243)
Cash and cash equivalents at beginning of year	18,984	25,900	160,813
Increase in cash due to change in the number of consolidated subsidiaries	–	93	–
Cash and cash equivalents at end of year (Note 19)	¥15,886	¥18,984	$134,570

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

Notes to Consolidated Financial Statements

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2007 and 2006

1. Basis of Presenting the Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Nisshin Steel Co., Ltd. (the "Company") and its subsidiaries in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting 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.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 10 consolidated subsidiaries, listed below (together, the "Companies"):

Nisshin A&C Co., Ltd.
Nisshin Kokan Co., Ltd.
Nisshin Koki Co., Ltd.
Shinwa Kigyo Co., Ltd.
Tsukiboshi Logistics Co., Ltd.
Tsukiboshi Shoji Co., Ltd.
Nisshin Holding, Inc.
Nisshin Steel USA, LLC
Nisshin Automotive Tubing LLC
Wheeling-Nisshin, Inc.

The fiscal year periods and the closing dates thereof for the financial statements of consolidated subsidiaries are in agreement with those of the Company, except for the four foreign consolidated subsidiaries: Nisshin Holding, Nisshin Steel USA, Nisshin Automotive Tubing, and Wheeling-Nisshin (with fiscal years ending on December 31). In consolidating the four foreign subsidiaries, the Company makes adjustments for any material transactions subsequent to December 31.

Regarding the elimination of investments in the stock of consolidated subsidiaries, together with the underlying equity in the net assets of such subsidiaries, the Company follows the step-by-step acquisition approach to include equity in the net income (loss) of subsidiaries, subsequent to the date of acquisition, in the Consolidated Statements of Income and Shareholders' Equity, and in the Consolidated Statement of Changes in Net Assets.

Valuation of the assets and liabilities of consolidated subsidiaries is made at their fair values in proportion to the parent company's equity in the subsidiaries upon each acquisition.

The difference between the cost of an investment in a subsidiary and the amount of underlying equity in the net assets of the subsidiary is deferred as an asset or a liability as the case may be and amortized over a period of five years on a straight-line basis.

Investments in unconsolidated subsidiaries and affiliates are accounted for using the equity method, except for those valued at cost due to the lack of materiality.

The number of unconsolidated subsidiaries accounted for using the equity method was eight at March 31, 2007 and included:

Tsukiboshi Art Co., Ltd.
Osaka Stainless Center Co., Ltd.

The number of affiliates accounted for using the equity method was 17 at March 31, 2007 and included:

Nihon Teppan Co., Ltd.
Sun Wave Corporation
Sanko Metal Industrial Co., Ltd.
Canox Corporation
Ningbo Baoxin Stainless Steel Co., Ltd.

Changes in the number of subsidiaries and affiliates accounted for using the equity method during the year ended March 31, 2007 are as follows:

Increase in the number of unconsolidated subsidiaries: One
Decrease in the number of unconsolidated subsidiaries: One
Increase in the number of affiliates: Two
Decrease in the number of affiliates: One

The newly established Tsukiboshi (Shanghai) Steel Trading Co., Ltd. became an unconsolidated subsidiary accounted for using the equity method in the year ended March 31, 2007. Nihon Pipe System Co., Ltd. and Iwata Koutetsu Co., Ltd. became affiliates accounted for using the equity method due to the acquisition of equity in the year ended March 31, 2007.

Two affiliates accounted for using the equity method merged and became an affiliate accounted for using the equity method in the year ended March 31, 2007.

Sales Recognition

Sales of finished goods are generally recognized when goods are shipped to the customers.

Foreign Currency Translation

Foreign currency transactions are generally translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates.

The assets and liabilities of overseas subsidiaries are translated into yen at the foreign exchange rates prevailing at the respective balance sheet dates, whereas net assets are translated at historical rates. Income and expenses are translated at the foreign exchange rates prevailing at the respective balance sheet dates.

Inventory Valuation

Inventories are valued at the weighted-average cost, except for supplies, which are valued at the moving-average cost.

Investments in Securities

Investments in securities are classified into four categories:

(1) Trading securities are valued at their fair values on the balance sheet date, and any unrealized gain or loss is charged to income. The Companies had no trading securities at March 31, 2007 and 2006.
(2) Held-to-maturity securities are stated at cost after the amortization of premiums or discounts on acquisition, which are amortized over the period to maturity. The Companies had no held-to-maturity securities at March 31, 2007.
(3) Investments in unconsolidated subsidiaries and major affiliates are accounted for using the equity method, except for those valued at cost due to the lack of materiality.
(4) Available-for-sale securities are valued at their fair values except for those valued at cost due to the lack of fair value information. Applicable unrealized net-of-tax gains and losses are included in valuation and translsation adjustments.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is evaluated based on the actual bad debt rate in the past. For doubtful receivables etc., the likelihood of collection is evaluated in accounting for the allowance.

Provision for Environmental Remediation

The provision for environmental remediation is estimated and recorded to provide for future potential costs, such as waste management costs for stored PCB (polychlorinated biphenyl).

Property, Plant and Equipment

Depreciation is computed using the declining-balance method except buildings which are accounted for using the straight-line method.

The range of useful lives utilized is mainly from 15 to 50 years for buildings and structures, from seven to 14 years for machinery and equipment and from 10 to 15 years for vessels. Additional depreciation is charged to income for machinery and equipment when the Companies operate with additional shifts.

The cost of maintenance, repairs and minor renewals is charged to operating income as incurred. Major renewals and improvements are capitalized. The cost of property, plant and equipment retired or otherwise disposed of and the corresponding accumulated depreciation are eliminated from the related accounts, and the resulting profit or loss is reflected in income.

Other Assets

Amortization of intangible assets including software is computed using the straight-line method. Software is amortized over the internally estimated useful life, i.e., five years.

Reserve for Rebuilding Furnaces

Blast furnaces, including related machines, periodically require substantial component replacements and repairs. Such work occurs normally every 10 years after blast furnaces are put into operation. The estimated future costs of such work are provided for and charged to income on a straight-line basis over the periods to the date of the anticipated replacements and repairs. The difference between such estimated costs and the actual costs is charged or credited to income at the time the work takes place. In estimating such future costs for a specific furnace, the general price level increase and other economic factors are taken into consideration.

Employees' Retirement Benefits

The lump-sum severance benefit payments and the defined benefit pension plans are accounted for using the actuarial calculation of projected benefit obligation for each employee.

Leases

The Companies, as a lessee, charge periodic capital lease payments to expenses when paid.

Income Taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

Consumption Tax

In Japan, consumption tax is imposed on domestic consumption of goods and services at the rate of 5%. The consumption tax imposed on the Companies' sales to customers is withheld by the Companies at the time of sale and paid to the national government. The consumption tax withheld upon sale is not included in the amount of "Net sales" in the accompanying Consolidated Statements of Income but is recorded as a liability. The balances of consumption tax withheld and consumption tax paid (an asset item), which are paid by the Companies on the purchases of products, merchandise and services from vendors, are offset, and the net balance is included in "Other current liabilities" in the Consolidated Balance Sheets.

Net Income and Cash Dividends per Share

The computation of net income per share is based on the weighted average number of common shares issued and outstanding during each year. Cash dividends per share shown for each year in the accompanying Consolidated Statements of Income are based on cash dividends applicable to the net income of each year.

Cash and Cash Equivalents

Cash and cash equivalents included in the Consolidated Statements of Cash Flows comprise cash on hand and in banks, deposits that can be withdrawn upon demand and easily cashable short-term investments with a three-month or shorter redemption term that carry a negligible risk of fluctuation in value.

3. Changes in Accounting Policies

Depreciation of Property, Plant and Equipment

Prior to the year ended March 31, 2007, depreciation of property, plant and equipment had been computed using the straight-line method. Effective from the year ended March 31, 2007, depreciation of property, plant and equipment except buildings has been computed using the declining-balance method.

In recent years, expanding foreign demand such as the rapidly growing Chinese economy and expanding domestic demand deriving from increasing corporate profit boosted world-wide demand for steel products. To meet that demand, each country is expanding its production capacity radically, amd this resulted in a polarized market structure – a general-purpose steel market with intensive competition and a high grade steel market.

In its Medium-Term Consolidated Management Guideline which begins from the year ended March 31, 2007, the Company changed its investment policy in order to nurture future growth through such steps as the creation of the Company's original market field. As a result, business risks such as the shortening of product life cycles have arisen.

To ensure the Company's sound financial structure through the early collection of invested capital in this circumstance, the Company changed its method of computing the depreciation of property, plant and equipment except buildings to the declining-balance method.

This change increased depreciation expenses by ¥7,057 million (US$59,780 thousand) and decreased income before special items and income before provision for income taxes by ¥5,820 million (US$49,301 thousand) for the year ended March 31, 2007, relative to what they would have been had the previous method been used.

Accounting Standard for the Presentation of Net Assets in the Balance Sheet

Effective from the year ended March 31, 2007, the Companies have applied "Accounting standards for the presentation of net assets in the balance sheet (Accounting Standards Board of Japan, Statement No. 5)", and "Implementation guidance for accounting standards for the presentation of net assets in the balance sheet (Accounting Standards Board of Japan, Guidance No. 8)" both issued by the Accounting Standards Board of Japan on December 9, 2005.

The amount corresponding to the conventional "Shareholders' equity" in the Balance Sheet is ¥375,603 million (US$3,181,728 thousand).

"Net assets" in the Balance Sheet for this year is presented according to the revision of "Regulations Concerning the Terminology, Form and Presentation Methods of Consolidated Financial Statements" dated April 25, 2006.

4. Accounting Title and Classification

Foreign Exchange Gain or Loss

Prior to the year ended March 31, 2007, foreign exchange gain was shown separately in other (income) expenses in the Consolidated Statements of Income. Effective from the year ended March 31, 2007, foreign exchange gain has been included in "Other, net" in other (income) expenses in the statements as its materiality in other income has decreased.

Such a gain amounted to ¥49 million (US$415 thousand) in the year ended March 31, 2007.

Retirement Benefit Expense

Prior to the year ended March 31, 2007, retirement benefit expense was shown separately in other (income) expenses in the Consolidated Statements of Income. Effective from the year ended March 31, 2007, retirement benefit expense has been included in "Other, net" in other (income) expenses in the statements as its materiality in other expense has decreased.

This expense amounted to ¥601 million (US$5,091 thousand) in the year ended March 31, 2007.

5. U.S. Dollar Amounts

U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars on the basis of ¥118.05 = US$1, the effective rate of exchange at March 31, 2007. 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 ¥118.05 = US$1 or at any other rate.

6. Notes Receivable and Payable with Due Date at the Balance Sheet Date

Financial institutions were closed on March 31, 2007 in Japan. Notes receivable and payable with due dates of March 31, 2007 are accounted for as if they had been settled on March 31, 2007. These balances at March 31, 2007 were ¥2,166 million (US$18,348 thousand) and ¥3,743 million (US$31,707 thousand), respectively.

7. Investments in Unconsolidated Subsidiaries and Affiliates

"Investments in securities" in the Consolidated Balance Sheets at March 31, 2007 and 2006 include investments in unconsolidated subsidiaries and affiliates as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Stocks of unconsolidated subsidiaries and affiliates	¥29,782	¥27,446	$252,283

"Other" in "Investments and long-term receivables" in the Consolidated Balance Sheets at March 31, 2007 and 2006 include investments in unconsolidated subsidiaries and affiliates as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Equity in unconsolidated subsidiaries and affiliates	¥9,486	¥8,008	$80,356

8. Short-term Loans and Long-term Debt

Short-term loans at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Bank loans	¥42,542	¥40,795	$360,373

It is a normal business custom in Japan for short-term borrowings to be rolled over.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Loans from banks and other financial institutions	¥ 66,298	¥ 59,340	$561,609
9th 2.325% unsecured bond of the Company due Jul. 2006	–	20,000	–
12th 1.45% unsecured bond of the Company due Oct. 2008	10,000	10,000	84,710
13th 0.4% unsecured bond of the Company due Feb. 2008	3,000	3,000	25,413
14th 0.79% unsecured bond of the Company due Nov. 2009	10,000	10,000	84,710
15th 1.02% unsecured bond of the Company due Nov. 2010	10,000	10,000	84,710
16th 1.68% unsecured bond of the Company due Jul. 2011	10,000	–	84,710
Total long-term debt	109,298	112,340	925,862
"Current portion of long-term debt" in the Consolidated Balance Sheets	(16,315)	(39,725)	(138,204)
"Long-term debt" in the Consolidated Balance Sheets	¥ 92,983	¥ 72,615	$787,658

9. Income Taxes

The Company and its domestic subsidiaries are subject to a number of different taxes based on income, which in the aggregate indicate a statutory tax rate of approximately 40.4%. Income taxes consist of corporate income tax, inhabitants' taxes and enterprise taxes.

Components of the Companies' deferred income tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred income tax assets:			
Non-deductible portion of employees' retirement benefits	¥16,397	¥22,006	$138,899
Non-deductible portion of reserve for rebuilding furnaces	3,365	3,253	28,505
Non-deductible portion of accrued bonus expense	3,267	3,526	27,675
Loss on impairment of fixed assets	1,777	1,777	15,053
Others	8,591	9,465	72,774
Preliminary deferred income tax assets	33,397	40,027	282,906
Valuation allowance	(4,549)	(4,618)	(38,535)
Total deferred income tax assets	28,848	35,409	244,371
Deferred income tax liabilities:			
Unrealized gain on available-for-sale securities	65,075	42,143	551,249
Reserve for postponement of taxation on capital gains from property	2,827	3,169	23,947
Depreciation expenses of U.S. subsidiaries	664	1,146	5,625
Others	647	1,076	5,482
Total deferred income tax liabilities	69,213	47,534	586,303
Net deferred income tax liabilities	¥(40,365)	¥(12,125)	$(341,932)

The reconciliations of the statutory tax rate to the income tax rate reflected in the Consolidated Statements of Income for the years ended March 31, 2007 and 2006 are as follows:

	2007	2006
Statutory tax rate	40.4%	40.4%
Reconciliation:		
Equity in earnings of unconsolidated subsidiaries and affiliates	(2.6)	–
Valuation allowance	–	3.9
Others	(1.0)	1.8
Effective rate of income tax expense	36.8%	46.1%

10. Employees' Retirement Benefits

Analysis of the reserve account for "Employees' retirement benefits" at March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligations	¥121,074	¥125,163	$1,025,616
Plan assets	(108,900)	(90,274)	(922,490)
Funded status	12,174	34,889	103,126
Unrecognized actuarial differences	9,661	(615)	81,838
Unrecognized prior-service costs	12,515	13,779	106,014
Total employees' retirement benefits	34,350	48,053	290,978
Prepaid pension cost	1,013	285	8,582
"Employees' retirement benefits" in the Consolidated Balance Sheets	¥ 35,363	¥ 48,338	$ 299,560

Components of retirement benefit expense for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service costs	¥ 2,561	¥ 2,298	$21,694
Interest cost	2,462	2,419	20,855
Expected return on plan assets	(1,803)	(1,324)	(15,273)
Amortization of transition amount	-	5,945	-
Amortization of unrecognized actuarial differences	838	2,975	7,099
Amortization of unrecognized prior-service costs	(1,265)	(1,265)	(10,716)
Retirement benefit expense	¥ 2,793	¥11,048	$23,659

Assumptions made in the calculation of the above information are as follows:

	2007	2006
Discount rate:	2.0%	2.0%
Expected rate of return on plan assets:	2.0%	2.0%
Method of attributing the projected benefits to periods of services:	Straight-line basis	Straight-line basis
Amortization of transition amount:	-	6 years
Amortization of unrecognized actuarial differences:	Primarily 14 years	14 years
Amortization of unrecognized prior-service costs:	14 years	14 years

11. Contingent Liabilities

Contingent liabilities at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Contingent liabilities arising from:			
Guarantee of bank loans for employees	¥1,719	¥1,896	$14,562
Guarantee of loans for others in the ordinary course of business	1,888	2,228	15,993

In addition, the Companies issued letters of guarantee for the future for others in the ordinary course of business. The aggregate amount was ¥23 million (US$195 thousand) and ¥23 million at March 31, 2007 and 2006, respectively.

12. Research and Development Expenses

Research and development expenses for the years ended March 31, 2007 and 2006 totaled ¥5,017 million (US$42,499 thousand) and ¥4,109 million, respectively. They were included in selling, general and administrative expenses.

13. Selling, General and Administrative Expenses

Principal selling, general and administrative expenses for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Freight out	¥16,499	¥15,404	$139,763
Salaries, bonuses and allowances	10,758	10,904	91,131
Research and development expenses	5,017	4,109	42,499

14. Loss from Instability in the Operation of Blast Furnace

"Loss from instability in the operation of blast furnace" is extra costs and recovery expenses related to instability in the operation of Blast Furnace No. 1 at the Company's Kure Works in the year ended March 31, 2006.

15. Mortgaged Properties

Breakdowns of properties pledged as collateral and liabilities guaranteed by right of collateral at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Properties pledged as collateral:			
Investments in securities	¥29	¥ 29	$246
Land	15	50	127
Buildings and structures	–	103	–
Total	¥44	¥182	$373
Liabilities guaranteed by right of collateral:			
Short-term bank loans	–	¥1,570	–
Long-term bank loans (including the portion due within one year)	–	800	–
Total	–	¥2,370	–

16. Adjustment on Revaluation of Land

At March 31, 2002, some of the affiliates accounted for using the equity method revalued land in accordance with the Law concerning Revaluation of Land. The Company's share of a net-of-tax unrealized gain at March 31, 2007 has been recorded as a separate component of valuation and translation adjustments, while that at March 31, 2006 has been recorded as a separate component of shareholders' equity.

17. Net Assets

Number and types of stock at March 31, 2007 and 2006 are as follows:

	Thousands of shares	
	Number of common stocks, issued	Number of treasury stocks
March 31, 2006	994,500	55,738
Increase during the period	-	12,457
Decrease during the period	-	-
March 31, 2007	994,500	68,195

18. Cash Dividends

Cash dividends declared are as follows:

Cash dividends payment in the year ended March 31, 2007

		Amount of dividends paid	Cash dividends per share	Books closing date	Effective date
Jun. 28, 2006	Ordinary General Meeting of Shareholders	¥2,816 million US$23,854 thousand	¥3.0 US$0.03	Mar. 31, 2006	Jun. 29, 2006
Oct. 31, 2006	Board of Directors' Meeting	¥2,801 million US$23,727 thousand	¥3.0 US$0.03	Sep. 30, 2006	Nov. 22, 2006

Cash dividends payment in the year ending March 31, 2008

May 17, 2007	Board of Directors' Meeting	¥3,705 million US$31,385 thousand	¥4.0 US$0.03	Mar. 31, 2007	Jun. 1, 2007

19. Reconciliations of Cash on Hand and in Banks to Cash and Cash Equivalents at End of Year

The reconciliations of "Cash on hand and in banks" in the Consolidated Balance Sheets at March 31, 2007 and 2006 to "Cash and cash equivalents at end of year" in the Consolidated Statements of Cash Flows for the years then ended are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash on hand and in banks	¥15,891	¥18,989	$134,612
Marketable securities	4,901	3,546	41,516
Total	20,792	22,535	176,128
Time deposits and short-term investments with deposit terms or maturity periods exceeding three months	(4,906)	(3,551)	(41,558)
Cash and cash equivalents at end of year	¥15,886	¥18,984	$134,570

20. Leases

Details of finance leases other than those that acknowledge the transfer of ownership to the lessee are as follows:

(1) Pro forma information regarding leased property at March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Amount equivalent to leased article acquisition costs	¥2,242	¥2,040	$18,992
Amount equivalent to the accumulated depreciation	(833)	(1,098)	(7,056)
Amount equivalent to the year-end balance	¥1,409	¥ 942	$11,936

(2) The amount of outstanding future lease payments at March 31, 2007 and 2006, which includes the portion of interest thereon, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Future lease payments:			
Due within one year	¥ 410	¥381	$ 3,473
Due over one year	999	561	8,463
Total	¥1,409	¥942	$11,936

(3) Lease payments and amounts equivalent to depreciation expenses for the year ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Lease payments	¥463	¥652	$3,922
Amount equivalent to depreciation expenses	463	652	3,922

Note: The amount equivalent to depreciation expenses is calculated using the straight-line method, which designates residual value as zero, over the years equivalent to contracted lease periods.

21. Securities

The Companies had no held-to-maturity securities as of March 31, 2007. The aggregated market value of held-to-maturity securities was higher than the book value by ¥4 million at March 31, 2006.

Regarding held-to-maturity securities and available-for-sale securities for which fair value information was not available, their aggregate book value on the balance sheets was ¥6,523 million (US$55,256 thousand) at March 31, 2007, up from ¥4,495 million at March 31, 2006.

Available-for-sale securities with pre-decided maturity dates and bonds categorized as held-to-maturity securities were expected to be redeemed at March 31, 2007 and 2006 as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Number of years from the balance sheet date:			
Within one year	¥13	¥1,217	$110
Over one year and within five years	16	29	136

22. Derivative Transactions

The policy on derivatives of the Company and its consolidated subsidiaries restricts the use of derivative transactions to those related to actual demands and forbids their use for the purposes of profit acquisition. The Company and its consolidated subsidiaries use derivative transactions for the purpose of reducing the impact on earnings caused by future market fluctuation, hedging losses, reducing procurement costs and fixing costs. In the year ended March 31, 2007 and 2006, the Company and its consolidated subsidiaries used only interest swaps to hedge risk against rate fluctuations or reduce the interest rates of bank loans, bonds and other means of financing. When the amounts, index and period meet the conditions for hedged items, the exceptional method is adopted.

Specific changes relating to derivative transactions for the year ended March 31, 2007 are as follows:

- The deferral hedge accounting method is adopted for hedging transactions other than interest swaps.
- Exchange contract trading, currency option trading and currency swap trading are adopted as hedging instruments.
- Foreign currency transaction is adopted as an hedged item.

The derivative transactions of the Company and its consolidated subsidiaries are those to which hedge accounting is applied, and fair values and other information at March 31, 2007 and 2006 are not shown, in accordance with Japanese accounting standards for financial instruments.

23. Segment Information

Business Segment Information

The Companies are mainly engaged in the manufacture and sale of steel products and related businesses. These businesses accounted for more than 90% of the Companies' combined assets at March 31, 2007 and 2006 and combined sales and operating income for the two years then ended.

Information by Geographic Segment

The Company and its domestic consolidated subsidiaries accounted for more than 90% of the Companies' combined assets at March 31, 2007 and 2006 and combined sales for the two years then ended.

Sales to Overseas Customers

The Companies' overseas sales for the year ended March 31, 2007 amounted to ¥151,869 million (US$1,286,480 thousand), of which ¥67,231 million (US$569,513 thousand) was accounted for by North American sales, representing 23.7% of consolidated net sales. The Companies' overseas sales for the year ended March 31, 2006 amounted to ¥113,475 million, of which ¥56,695 million was accounted for by North American sales, representing 20.4% of consolidated net sales.

24. Related Party Transactions

Material transactions of the Company with related companies and individuals, excluding transactions with consolidated subsidiaries which are eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the year ended March 31, 2007 and 2006 are as follows:

				Millions of yen/Thousands of U.S. dollars					
				Transaction			Resulting accounting balance		
Name of related company	Paid-in capital	Principal business	Equity ownership percentage by the Company	Description of the Company's transactions	**2007**	2006	Account	**2007**	2006
Nihon Teppan Co., Ltd.	¥1,300 million $11,012 thousand	Sale of coated steel	50.0%	Sale of the Company's coated steel products to the related party by the Company	**¥67,563** **$572,325**	¥61,421	Accounts receivable	**¥20,641** **$174,850**	¥14,739
Canox Corporation	¥2,310 million $19,568 thousand	Sale of coated steel	15.6%	Sale of the Company's coated steel products to the related party by the Company	**¥41,213** **$349,115**	¥38,048	Accounts receivable	**¥8,931** **$75,654**	¥8,060

Report of Independent Auditors

To the Board of Directors and Shareholders of Nisshin Steel Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nisshin Steel Co., Ltd. and its subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nisshin Steel Co., Ltd. and its subsidiaries as of March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 3, effective for the year ended March 31, 2007, Nisshin Steel Co., Ltd. changed its accounting policy for depreciation of property, plant and equipment except buildings has been computed using the declining-balance method.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 5 to the accompanying consolidated financial statements.

Misuzu Audit Corporation

Misuzu Audit Corporation
Tokyo, Japan

The Fuji Accounting Office

The Fuji Accounting Office
Tokyo, Japan

June 22, 2007

Report of Independent Auditors

To the Board of Directors and Shareholders of Nisshin Steel Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nisshin Steel Co., Ltd.and its subsidiaries as of March 31, 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nisshin Steel Co., Ltd.and its subsidiaries as of March 31, 2006, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Misuzu Audit Corporation

Misuzu Audit Corporation
(formerly ChuoAoyama PricewaterhouseCoopers)
Tokyo, Japan

June 28, 2006

Investor Information
(As of March 31, 2007)

Nisshin Steel Co., Ltd.

Registered Head Office	Shin Kokusai Building, 4-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8366, Japan Telephone: (81)-3 3216-5566 Facsimile: (81)-3 3216-5546
Year of Establishment	1928
Year of Incorporation	1959
Common Stock	Authorized: 3,977,964 thousand shares Issued: 994,500 thousand shares Capital: ¥79,913,126 thousand

Common Stock Price Range
(Tokyo Stock Exchange)

	2007		2006		2005	
	High	Low	High	Low	High	Low
First Quarter	**¥413**	**¥310**	¥292	¥250	¥245	¥184
Second Quarter	**380**	**326**	420	266	247	205
Third Quarter	**449**	**332**	439	333	258	227
Fourth Quarter	**571**	**391**	416	337	300	236

Note: Years ended March 31.

Number of Shareholders	49,566
Independent Certified Public Accountants	Misuzu Audit Corporation The Fuji Accounting Office

For further information or additional copies of our corporate brochure or annual report, please contact the Public & Investor Relations Team.

Public & Investor Relations Team
General Administration Department
Nisshin Steel Co., Ltd.
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Telephone: (81)-3 3216-5566 Facsimile: (81)-3 3216-5546

Board of Directors, Corporate Auditors, and Executive Officers
(As of June 22, 2007)

Directors

Toshihiko Ono*1
Hideo Suzuki*2
Takashi Nagai*2
Shigeaki Matsunaga
Makoto Yada
Fumio Oda
Yuji Kashihara
Yoshikazu Tsuda

*1 Chairman of the Board of Directors
*2 Representative Director

Auditors

Takashi Sugiyama*3
Toshiaki Ouchi
Hiroaki Shinagawa
Masanori Imanaga
Yoichiro Yamakawa

*3 Standing Auditor

President and Chief Executive Officer

Hideo Suzuki

Vice-Presidents and Executive Officers

Takashi Nagai
Shigeaki Matsunaga
Makoto Yada

Managing Executive Officers

Fumio Oda
Yuji Kashihara
Yoshikazu Tsuda
Yoshifumi Hiraoka
Toshio Miura
Umeo Irie
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Yukio Nariyoshi
Takafumi Fukami
Koji Tomita

Executive Officers

Akira Ichii
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Hiroshi Takahashi
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Katsuhisa Miyakusu

NISSHIN STEEL

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