

SEMIANNUAL REPORT

For the Six-Month Period Ended September 30, 2007

NISSHIN

NISSHIN STEEL CO., LTD.

STEEL

vol. 128

FINANCIAL HIGHLIGHTS

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Six-month periods ended September 30, 2007 and 2006

	Millions of yen (except per share amounts)		Thousands of U.S. dollars ¹ (except per share amounts)
	2007	2006	2007
Net sales	¥332,024	¥301,296	\$2,876,410
Net income	22,982	13,738	199,099
Net income per share ²	¥25.13	¥14.70	\$0.22
Cash dividends per share ²	4.00	3.00	0.03
Total assets	¥871,802	¥746,010	\$7,552,647
Total net assets	400,052	340,391	3,465,754

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 ¥115.43=US\$1, the effective rate of exchange at September 30, 2007.

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

Operating Environment for the Nisshin Steel Group

During the subject interim period (the first half of the fiscal year ending March 31, 2008), the Japanese economy followed a path of moderate expansion, with corporate earnings holding steady and continued strength in consumer spending.

In the steel industry, demand for steel products was strong overall, driven by the automotive industry and other areas of the manufacturing sector. However, along with rising fuel prices and persistently high raw material costs, the market for stainless steel was hampered by volatility in the price of nickel, a main ingredient of stainless steel.



Hideo Suzuki

Group Business Results and Achievements

In this business environment, the Nisshin Steel Group steadily implemented a range of measures to enhance its corporate value in line with its “Medium-Term Consolidated Management Guideline.”

As an initiative aimed at creating a unique market, we further expanded sales of the well-received ZAM[®] (hot-dipped zinc-aluminum-magnesium coated steel), by developing applications that take advantage of its superior corrosion resistance, and striving to stimulate demand. In specialty steels, we made a vigorous effort to provide solution-oriented proposals tailored to individual work processes of our customers. For the DNA-SUS (Dynamic Nisshin Advanced Strategic Unique Stainless) line of distinctive stainless steel products, a concerted campaign was launched by production, sales, development and all other divisions for ferritic grades favored with rising demand mainly from the automotive industry.

In stainless steel, although demand remained steady, volatility in the price of nickel clouded the market, prompting us to adopt a cautious approach in terms of production and sales that was commensurate with demand.

Overseas, to address the growing market for stainless steel in China we founded Ri Hong Stainless (Shanghai) Co., Ltd., a stainless steel coil center in the Shanghai district, in cooperation with a local partner. Our objective in establishing this firm is to create demand and expand sales of products

manufactured by Ningbo Baoxin Stainless Steel Co., Ltd., our stainless steel cold-rolling joint venture. Further, in anticipation of the rapid growth forecast for the automotive market in India, we partnered with the major Indian automotive parts manufacturer JBM Group to set up ANS Steel Tubes Private Limited, a joint venture for automotive steel tubes, and took other proactive steps to develop our business.

As a result of these initiatives, the Nisshin Steel Group recorded consolidated net sales of ¥332,024 million (up 10.2% from the same period of the previous fiscal year). Despite the impact from rising expenses due to a change in the method to account for depreciation following a revision in the corporate tax laws, performance at Group companies was strong overall, despite dull market conditions overseas. Income before special items amounted to ¥38,663 million (up 76.3%), and net income for the first half totaled ¥22,982 million (up 67.3%). On a non-consolidated basis, Nisshin Steel recorded net sales of ¥266,364 million (up 18.5% from the same period of the previous fiscal year), income before special items of ¥36,198 million (up 101.3%), and net income of ¥22,024 million (up 89.7%).

Dividends for the interim period have been set at ¥4.00 per share, ¥1.00 per share higher than in the previous fiscal year, taking into account the Company's performance during the subject first half and projected earnings in the second half as well as future economic conditions, business development and other factors.

The Company has also repurchased 20,272,000 shares of its treasury stock at a total cost of ¥10,552 million, in accordance with a resolution of its Board of Directors, to better facilitate the conduct of a flexible capital policy responsive to changes in the future business environment.

Outlook and Issues for the Nisshin Steel Group

The Japanese economy is expected to continue its gradual expansion, underpinned by healthy corporate earnings and domestic private demand. Areas of concern remain, however, such as the U.S. subprime loan issue and trends in oil prices.

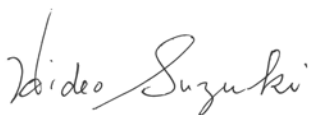
In the steel industry, we expect domestic demand to remain generally solid, although there are several uncertain factors, including stagnant demand for building materials following the June implementation of the revised Building Standard Law, and the impact that the worldwide increase in steel production capacity will have on the market and raw material prices.

Under these business conditions, the Nisshin Steel Group will continue to focus on the creation of unique markets by bringing together its accumulated technology and insight to develop products that accurately meet the needs of customers, and expand sales. During the subject interim period, we completed renovations of the continuous pickling facilities at the Kure Works, a measure aimed at enhancing the competitiveness of specialty steel. During the second half, we plan to bring on line new cold rolling facilities at the Sakai Works. We have also decided to introduce stainless steel foil facilities employing the latest technological advances, part of our response to customers' needs for improved quality and precision, as well as anticipated growth in the market. These new facilities will quickly be integrated into our corporate arsenal, enhancing a structure able to steadily provide customers with high-quality, unique products.

To achieve our medium-term consolidated management targets, we will address the various problems arising from deterioration in the supply-demand balance for raw materials, as well as aggressively pursue strategies aimed at expanding our business network, such as effective mutual utilization of the respective business resources of companies both in Japan and overseas, to establish a business foundation able to respond flexibly and promptly to the constantly changing business environment.

Going forward, the Nisshin Steel Group will work toward creating unique markets together with its customers, and establishing a strong business foundation able to respond flexibly to the rapid changes in the environment, aiming to realize its management principles, "We strive to be a company preferred by customers, shareholders and employees of today and tomorrow" and "We also strive to be a company harmonious with other stakeholders and society." We thank you for your continued support of Nisshin Steel.

November 2007

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

Hideo Suzuki
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
September 30, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 14,753	¥ 14,721	\$ 127,809
Notes and accounts receivable	99,078	103,867	858,338
Marketable securities	4,524	1,474	39,193
Inventories	167,728	121,877	1,453,071
Deferred income taxes	6,363	5,937	55,124
Other current assets	29,275	24,962	253,618
Allowance for doubtful accounts	(639)	(981)	(5,536)
Total current assets	321,082	271,857	2,781,617
Investments and long-term receivables:			
Investments in securities	250,037	181,044	2,166,135
Deferred income taxes	3,144	3,143	27,237
Other	23,660	13,666	204,973
Allowance for doubtful accounts	(424)	(286)	(3,673)
Total investments and long-term receivables	276,417	197,567	2,394,672
Property, plant and equipment, at cost:			
Buildings and structures	232,103	228,665	2,010,768
Machinery, equipment and vessels	800,701	786,627	6,936,681
	1,032,804	1,015,292	8,947,449
Accumulated depreciation	(828,772)	(806,071)	(7,179,867)
	204,032	209,221	1,767,582
Land	56,586	54,622	490,219
Construction in progress	5,246	4,122	45,448
Total property, plant and equipment	265,864	267,965	2,303,249
Other assets	8,439	8,621	73,109
Total assets	¥ 871,802	¥ 746,010	\$7,552,647

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable	¥115,240	¥ 97,471	\$ 998,354
Short-term loans	42,524	42,279	368,396
Current portion of long-term debt	24,635	15,550	213,419
Commercial paper	34,000	20,000	294,551
Provision for environmental remediation	672	904	5,822
Other current liabilities	57,423	49,757	497,471
Total current liabilities	274,494	225,961	2,378,013
Long-term debt	93,472	97,514	809,772
Deferred income taxes	56,010	27,972	485,229
Employees' retirement benefits	34,771	42,409	301,230
Allowance for retirement benefits for directors and corporate auditors	522	-	4,522
Reserve for rebuilding furnaces	9,835	9,176	85,203
Provision for environmental remediation	974	924	8,438
Other liabilities	1,672	1,663	14,486
Total liabilities	471,750	405,619	4,086,893
Net assets:			
Shareholders' equity:			
Common stock, no par value at September 30, 2007 and 2006			
Authorized: 3,977,964 thousand shares at September 30, 2007 and 2006			
Issued: 994,500 thousand shares at September 30, 2007 and 2006	79,913	79,913	692,307
Additional paid-in capital	49,893	49,893	432,236
Retained earnings	180,059	140,255	1,559,898
Treasury stock, at cost	(25,821)	(11,631)	(223,694)
Total shareholders' equity	284,044	258,430	2,460,747
Valuation and translation adjustments:			
Unrealized gain on available-for-sale securities	104,042	70,789	901,343
Deferred gain or loss on hedges	(316)	24	(2,738)
Adjustment on revaluation of land	281	278	2,434
Foreign currency translation adjustment	1,593	915	13,801
Total valuation and translation adjustments	105,600	72,006	914,840
Minority interests in consolidated subsidiaries	10,408	9,955	90,167
Total net assets	400,052	340,391	3,465,754
Total liabilities and net assets	¥871,802	¥746,010	\$7,552,647

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Nisshin Steel Co., Ltd. and its consolidated subsidiaries

Six-month periods ended September 30, 2007 and 2006

	Millions of yen												
	Shareholders' equity					Valuation and translation adjustments						Minority interests in consolidated subsidiaries	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain or loss on hedges	Adjustment on revaluation of land	Foreign currency translation adjustment	Total valuation and translation adjustments			
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	
Changes of items during the period													
Cash dividends	-	-	(3,705)	-	(3,705)	-	-	-	-	-	-	(3,705)	
Net income	-	-	22,982	-	22,982	-	-	-	-	-	-	22,982	
Acquisition of treasury stock	-	-	-	(10,600)	(10,600)	-	-	-	-	-	-	(10,600)	
Other	-	-	13	-	13	-	-	-	-	-	-	13	
Items other than changes in shareholders' equity	-	-	-	-	-	5,515	(350)	-	152	5,317	350	5,667	
Total changes of items during the period	-	-	19,290	(10,600)	8,690	5,515	(350)	-	152	5,317	350	14,357	
Balance at September 30, 2007	¥79,913	¥49,893	¥180,059	¥(25,821)	¥284,044	¥104,042	¥(316)	¥281	¥1,593	¥105,600	¥10,408	¥400,052	
Balance at March 31, 2006	¥79,913	¥49,893	¥129,333	¥(9,735)	¥249,404	¥65,297	-	¥278	¥615	¥66,190	¥9,635	¥325,229	
Changes of items during the period													
Cash dividends	-	-	(2,816)	-	(2,816)	-	-	-	-	-	-	(2,816)	
Net income	-	-	13,738	-	13,738	-	-	-	-	-	-	13,738	
Acquisition of treasury stock	-	-	-	(1,896)	(1,896)	-	-	-	-	-	-	(1,896)	
Other	-	-	-	-	-	5,492	24	0	300	5,816	320	6,136	
Items other than changes in shareholders' equity	-	-	-	-	-	5,492	24	0	300	5,816	320	15,162	
Total changes of items during the period	-	-	10,922	(1,896)	9,026	5,492	24	0	300	5,816	320	15,162	
Balance at September 30, 2006	¥79,913	¥49,893	¥140,255	¥(11,631)	¥258,430	¥70,789	¥24	¥278	¥915	¥72,006	¥9,955	¥340,391	

	Thousands of U.S. dollars (Note 3)												
	Shareholders' equity					Valuation and translation adjustments						Minority interests in consolidated subsidiaries	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain or loss on hedges	Adjustment on revaluation of land	Foreign currency translation adjustment	Total valuation and translation adjustments			
Balance at March 31, 2007	\$692,307	\$432,236	\$1,392,784	\$(131,863)	\$2,385,464	\$853,565	\$ 295	\$2,434	\$12,484	\$868,778	\$87,135	\$3,341,377	
Changes of items during the period													
Cash dividends	-	-	(32,097)	-	(32,097)	-	-	-	-	-	-	(32,097)	
Net income	-	-	199,099	-	199,099	-	-	-	-	-	-	199,099	
Acquisition of treasury stock	-	-	-	(91,831)	(91,831)	-	-	-	-	-	-	(91,831)	
Other	-	-	112	-	112	-	-	-	-	-	-	112	
Items other than changes in shareholders' equity	-	-	-	-	-	47,778	(3,033)	-	1,317	46,062	3,032	49,094	
Total changes of items during the period	-	-	167,114	(91,831)	75,283	47,778	(3,033)	-	1,317	46,062	3,032	124,377	
Balance at September 30, 2007	\$692,307	\$432,236	\$1,559,898	\$(223,694)	\$2,460,747	\$901,343	\$(2,738)	\$2,434	\$13,801	\$914,840	\$90,167	\$3,465,754	

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, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Cash flows from operating activities:			
Income before provision for income taxes	¥37,981	¥21,484	\$329,039
Depreciation and amortization	17,852	14,928	154,657
Decrease in employees' retirement benefits account	(592)	(5,929)	(5,129)
Increase in prepaid pension cost	(6,802)	-	(58,927)
Increase in reserve for rebuilding furnaces	367	318	3,179
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,629)	(1,691)	(14,112)
Interest and dividend income	(2,896)	(1,982)	(25,089)
Interest expense	1,216	1,176	10,535
Loss on sale and disposition of property, plant and equipment	682	438	5,908
Decrease (increase) in notes and accounts receivable	13,627	(14,593)	118,054
(Increase) decrease in inventories	(39,737)	2,114	(344,252)
Increase in notes and accounts payable	4,168	9,282	36,108
Other, net	(2,767)	(5,515)	(23,971)
	21,470	20,030	186,000
Receipt of interest and dividends	3,877	3,198	33,587
Payment of interest	(1,229)	(1,140)	(10,647)
Payment of income taxes	(13,004)	(8,787)	(112,657)
Net cash provided by operating activities	11,114	13,301	96,283
Cash flows from investing activities:			
Acquisition of investments in securities	(2,943)	(5,329)	(25,496)
Proceeds from sale of investments in securities	205	30	1,776
Acquisition of property, plant and equipment	(13,379)	(13,882)	(115,906)
Proceeds from sale of property, plant and equipment	171	143	1,481
Other, net	(1,649)	(79)	(14,285)
Net cash used in investing activities	(17,595)	(19,117)	(152,430)
Cash flows from financing activities:			
(Decrease) increase in short-term loans, net	(8)	1,485	(69)
Increase in commercial paper, net	12,000	4,000	103,959
Proceeds from long-term debt	10,836	28,853	93,875
Repayment and redemption of long-term debt	(2,014)	(28,133)	(17,448)
Acquisition of treasury stock	(10,600)	(1,896)	(91,831)
Cash dividends	(3,696)	(2,818)	(32,019)
Other, net	(45)	(46)	(390)
Net cash provided by financing activities	6,473	1,445	56,077
Foreign currency translation adjustment of cash and cash equivalents	(130)	103	(1,126)
Net decrease in cash and cash equivalents	(138)	(4,268)	(1,196)
Cash and cash equivalents at beginning of period	15,886	18,984	137,625
Cash and cash equivalents at end of period	¥15,748	¥14,716	\$136,429

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

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. Changes in Accounting Policies

(1) Depreciation of Property, Plant and Equipment

In accordance with the amendment of the Corporation Tax Law, effective from the period under review, the Company and its consolidated subsidiaries (excluding certain consolidated subsidiaries) have changed the depreciation method for those property, plant and equipment acquired after April 1, 2007 to the method based on the amended Corporation Tax Law.

This change increased depreciation expenses by ¥186 million (US\$1,611 thousand) and decreased income before special items and income before provision for income taxes by ¥138 million (US\$1,196 thousand) for the period under review, relative to what they would have been had the previous method been used.

(2) Allowance for Retirement Benefits for Directors and Corporate Auditors

Prior to the period under review, retirement benefits for directors and corporate auditors had been recognized as expenses at the periods they were disbursed. However, in accordance with “Audit Treatment for Reserves of Special Taxation Measures Law, Allowances or Reserves of Special Law, and Allowance for Retirement Benefits for Directors and Corporate

Auditors” (The Japanese Institute of Certified Public Accountant, The Audit and Assurance Implementation Committee Report No. 42, April 13, 2007), effective from the period under review, the Company has changed its accounting treatment of these expenses to a method under which a provision to the allowance for retirement benefits for directors and corporate auditors is made in the necessary amount determined under internal rules.

This change increased selling, general and administrative expenses by ¥522 million (US\$4,522 thousand) and decreased income before special items and income before provision for income taxes by the same amount for the period under review, relative to what they would have been had the previous method been used.

3. 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 ¥115.43=US\$1, the effective rate of exchange at September 30, 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 ¥115.43=US\$1 or at any other rate.

4. Subsequent Event

The Company decided to issue a domestic unsecured bond at the Board of Directors Meeting held on October 31, 2007. The bond was issued on November 20, 2007. Details of the bond are as follows:

Total amount: ¥10,000 million
(US\$86,633 thousand)
Interest rate: 1.37%
Due date: November 20, 2012

DIRECTORY

(As of December 31, 2007)

DOMESTIC

Registered Head Office

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Branches

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Hokuriku, Shikoku, Okayama,
Kyushu

Works

Kure, Sakai, Toyo, Osaka,
Ichikawa, Shunan, Amagasaki

OVERSEAS

Singapore Representative Office

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(Subsidiaries)

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Nisshin Steel

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Facsimile: (86-21) 5208-0639

BOARD OF DIRECTORS, AUDITORS AND EXECUTIVE OFFICERS

(As of December 31, 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

Kenji Minami

Toshinori Miki

Yukio Nariyoshi

Takafumi Fukami

Koji Tomita

Executive Officers

Akira Ichii

Yukio Uchida

Hideyuki Moriya

Tadashi Nakagawa

Hiroshi Takahashi

Koji Mizumoto

Katsuhisa Miyakusu

INVESTOR INFORMATION

(As of September 30, 2007)

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Chiyoda-ku, Tokyo 100-8366, Japan
Telephone: (81-3) 3216-5511
Facsimile: (81-3) 3214-1895

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

Number of Shareholders

47,408

Independent Certified Public Accountants

Ernst & Young ShinNihon

Further Information

For further information, please contact:

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Nisshin Steel Website

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