NISSHIN STEEL

ANNUAL REPORT 2003

CONTENTS

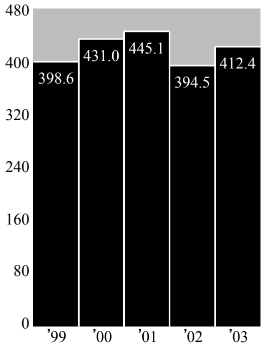
Consolidated Financial Highlights

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2003, 2002 and 2001

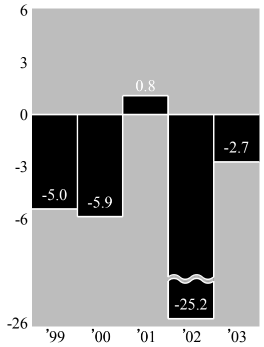
	Millions of yen (except per share amounts)			Percent change	Thousands of U.S. dollars [1] (except per share amounts)
	2003	2002	2001	(2003/2002)	2003
Net sales	¥412,412	¥394,494	¥445,096	4.5%	$3,431,048
Net (loss) income	(2,696)	(25,221)	767	–	(22,429)
Total assets	625,530	638,458	648,846	(2.0)	5,204,077
Total shareholders' equity	229,148	233,500	252,377	(1.9)	1,906,389
Net (loss) income per share [2]	¥(2.73)	¥(25.36)	¥0.77	–%	$(0.02)
Cash dividends per share [2]	2.00	–	2.00	–	0.02

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 ¥120.20=US$1, the effective rate of exchange at March 31, 2003.
2. Per share figures are in yen and U.S. dollars.

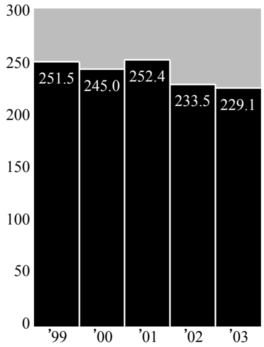
Net Sales
(Billions of yen)
(Years ended March 31)



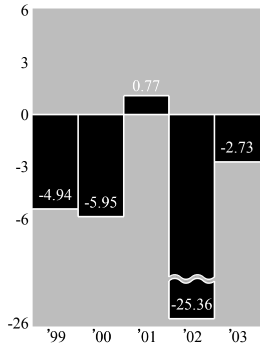
Net (Loss) Income
(Billions of yen)
(Years ended March 31)



Total Shareholders' Equity
(Billions of yen)
(March 31)



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



Message from the President

Manegement Policies

1. Basic Management Policy

The Nisshin Steel Group aspires to be number one in customer satisfaction by manufacturing and marketing environment-friendly steel products that offer superior durability and safety. We value our relationships with shareholders and all other stakeholders.

2. Basic Policy on Shareholder Value

The Company regards securing shareholders' profit as a major managerial task. Our basic policy comprises acquiring the retained earnings necessary for future business development and implementing dividend policies consistent with our performance while striving to maintain stable dividends. We also intend to continue repurchasing our own stock as a part of our efforts to meet shareholders' expectations.

We plan to utilize retained earnings to maintain and strengthen our financial position, devise an optimum production system for the future through carefully selected capital investment, develop new products and technology, expand our presence in fields that will bring out the Company's uniqueness, and strengthen competitiveness while striving to maintain adequate dividend policies.

3. Corporate Strategy

The main aim of the current Medium-Term Management Plan for the year ended March 31, 2002, through the year ending March 31, 2004, is to increase the strength of the entire Group. In line with this goal, we are working toward establishing a profit center at each of our operations and Group companies. However, due to the sudden worsening of the operating environment during the year ended March 31, 2002, we are currently focusing the combined strength of the Group companies on the prompt implemention of rationalization measures designed to dramatically improve our cost structure. In addition, we have moved forward with sweeping, no-holds-barred reforms as part of our endeavors toward a swift recovery of the profit base, and these reforms have steadily produced results. As the year ending March 31, 2004, is the concluding year of the current Medium-Term Management Plan, we will work to cap off the plan by carrying out a range of measures aimed at fully achieving a V-shaped rebound in earnings and, at the same time, formulate a new management vision for the "second corporate birth" of Nisshin Steel.

Overview of the current Medium-Term Management Plan

(1) Basic Policy (where we want to be)

In the midst of intensified domestic and overseas competition, the main objective of the Company and the Group is to develop the international competitiveness in cost and quality necessary to thrive. The entire Group will establish and share the following targets and work together to realize them:

i) To become a highly profitable company in our specialized fields

To be number one in competitive strength by expanding developmental capabilities in all areas of operations, spanning sales, products, technology, and systems.

ii) To become number one in customer service

To provide consistent customer satisfaction, enhancing operations through improved quality, delivery time, and cost.

(2) Key Measures

i) Sales Strategy

We are working to offer high-value-added products in the fields where we excel, make proposals and recommendations to maximize customer benefits, revise and enhance logistics, and offer shorter lead times through the aggressive use of Information Technology (IT) to ensure consumer satisfaction.

ii) Production System and Cost Structure Reform

We are cutting costs across the board, reducing jobs, and creating an optimal production system through selective capital investment to become cost-competitive on an international level.

iii) Group Strategy

We are slashing costs at Group companies, working to expand sales outside the Group, and consolidating common operations to promote the efficient use of the Group's management resources.

iv) Corporate Reform

We are working to reform the corporate culture by creating new personnel and training systems, strengthening our international competitiveness through strategic alliances, and improving management speed and administrative efficiency through aggressive use of IT.

4. Basic Philosophy on Corporate Governance and Implementation of Initiatives

1) Basic Philosophy on Corporate Governance

Nisshin Steel ranks the thorough implementation and continual improvement of corporate governance among its most important managerial responsibilities. We are committed to promoting a policy of further improving overall efficiency and reliability, which entails transparency, fairness, responsibility, and heightened corporate competitiveness.

2) Implementation of Initiatives

i) Board of Directors and Executive Officer System

As a swift response to the dramatic changes in the business environment, effective the year ending March 31, 2004, we shortened the term of office for directors to one year, and in June 2003, we adopted a system of Executive Officers as a means of separating strategic management and operational execution functions and clarifying responsibility and authority.

To further strengthen the Board of Directors' essential functions of formulating management strategies and supervising operations, we reduced the number of Board members to no greater than 10 (an eight-member Board is contemplated for the year ending March 31, 2004). The former articles of incorporation set the maximum number of Board members at 25, and there were 16 directors having served on the Board.

ii) Audit System

The Board of Auditors, comprising four auditors (two of whom are external) appointed at the general meeting of shareholders, ensures the propriety of the Board of Directors and individual directors' execution of their duties.

iii) Establishment of Managerial Advisory Board

In June 2003, we established a Managerial Advisory Board, composed of professionals both from within the Company and from external backgrounds. Through this body, we will obtain comprehensive advice on overall company management in an objective manner, which we will then incorporate in our business operations.

iv) Other Measures

We are also committed to augmenting and improving our compliance framework. In February 2003, in addition to revising our Corporate Action Standards, we established a Compliance Implementation Committee, which includes an external member (an attorney).

Operating Results and Financial Position

1. Operating Results

In the year ended March 31, 2003, conditions in the Japanese economy remained highly bleak, with no indication of easing in the deflationary trend. Although some signs of improvement were seen as a result of strong exports, instability in the finance sector and lackluster conditions in the stock market persisted, and consumer confidence continued low amid concern over the future and a very severe job market.

Domestic steel demand remained weak throughout the fiscal year but markets appeared to bottom out around mid-term, and a more optimistic outlook emerged in the second half. Healthy exports—supported by brisk sales to Southeast Asian markets and robust automobile production stemming from overseas demand—contributed to a year-on-year increase in crude steel output. Also, as production approached equilibrium with demand levels, steel inventories began to normalize.

Against this backdrop, the Nisshin Steel Group focused efforts on rebuilding its business foundation and achieving the earliest possible recovery in earnings, which were less than satisfactory in the previous term. As a first step, we succeeded in the radical reduction of overall costs. In addition to moving up the streamlining initiatives of the current Medium-Term Management Plan—which concludes in the year ending March 31, 2004—we dramatically augmented cost-reduction measures across the board. We also strove to improve profit performance through aggressive rectification of selling prices, which were a substantial cause of the previous term's decline in earnings, and through full emphasis on profitability in every aspect of sales.

On the production side, the Toyo Works' new hot-dipped continuous galvanizing line (HCGL), which went on-line in May 2000, passed the 1 million ton mark in aggregate production volume in the remarkably short span of two years and three months. ZAM (hot-dipped zinc-aluminum-magnesium-coated steel), production of which was initiated by the Toyo Works' new line, has gradually gained recognition in the market as an advanced product that will pave the way to the future, and demand for it is growing rapidly in a variety of fields, including housing, agriculture and civil engineering, automotive, and electronic appliances. To improve our sales and production framework so as to better respond to our customers' needs, we upgraded equipment at the Sakai Works during the term, expanding production capabilities to include ultrathin-gauge products. Further, at the Shunan Works, we shut down two superannuated electric arc furnaces and consolidated operations in a single new piece of equipment in February 2003, thereby substantially enhancing the cost-competitiveness of the works' stainless steel production processes.

In product development, in anticipation of future social trends, Nisshin Steel added a precoated steel sheet, Tecstar Chrome-Free Type, to its lineup of chromium-free coated steel products, which are clear of many of the substances that pose serious environmental impact. During the term, the Company worked to develop highly marketable products that are fine-tuned to the increasingly advanced needs of today's customers, including the new Pearlescent Clear-Coated Stainless Steel Sheet with superb colorfastness and excellent design potential. Use of the product in the electronic appliance casings is expanding steadily.

In overseas operations, Nisshin Steel's stainless steel cold-rolling joint venture, Ningbo Baoxin Stainless Steel Co., Ltd., in Ningbo, Zhejiang Province in China, continued to run the mill at capacity and produce healthy business results. The Company has positioned the joint venture as the backbone of its stainless steel expansion efforts in the rapidly growing Chinese market. Second stage construction on the plant was completed in January 2003, thus doubling annual production capacity to 160,000 tons. The third stage of construction is currently under way, which will further raise capacity to 240,000 tons when completed in early 2004. Ningbo Baoxin Stainless

Steel, along with the continually high level performance of Wheeling-Nisshin, Inc., the Company's coated steel joint venture in the United States, will contribute substantially to the augmentation of Nisshin Steel's overseas business operations.

Benefiting from strong sales to the automotive sector, the Company succeeded in increasing its annual sales volume. With the additional benefit of favorable selling prices, particularly in exports, consolidated net sales for the fiscal year climbed 4.5%, to ¥412.4 billion. Nonconsolidated net sales amounted to ¥294.6 billion, with domestic sales totaling ¥241.2 billion and exports ¥53.4 billion, or 18.1% of sales.

A substantial reduction in costs, particularly fixed costs, as well as recovery in sales volume contributed significantly to an improvement in earnings, and the Company achieved a complete rebound in consolidated income before special items, which surged ¥23.4 billion, to ¥6.3 billion. Nonconsolidated income before special items amounted to ¥5.6 billion. Although the Company recorded gains on the return of the substitution portion of its pension plan to the government as well as the reversal of a reserve for rebuilding furnaces, it also incurred special expenses and losses stemming from retirement benefit expense and devaluation of marketable securities due to falling stock prices, and consequently, the Company recorded a consolidated net loss of ¥2.7 billion and a nonconsolidated net loss of ¥1.1 billion.

2. Financial Position

Although there was an increase in the balance of notes and accounts receivable, with a decline in investment securities and the reduction of inventories, consolidated total assets decreased ¥12.9 billion to ¥625.5 billion. In addition, while there was an increase in the reserve for employees' retirement benefits, total liabilities declined ¥8.0 billion, to ¥387.8 billion, mainly as a result of reduced interest-bearing debt and the reversal of the reserve for rebuilding furnaces. Owing to the net loss of ¥2.7 billion and other factors, including the buyback of Company stock, shareholders' equity at year-end declined ¥4.4 billion, to ¥229.1 billion.

3. Cash Flows

Despite a ¥1.3 billion loss before provision for income taxes, net cash provided by operating activities amounted to ¥30.1 billion on account of factors that included ¥23.8 billion in depreciation and amortization, an ¥8.7 billion loss on devaluation of marketable securities, and a ¥3.7 billion decrease in inventories.

Net cash used in investing activities amounted to ¥17.2 billion, reflecting the acquisition of property, plant and equipment.

Net cash used in financing activities totaled ¥14.5 billion, as a result of the reduction of interest-bearing debt achieved through decreases in commercial papers, corporate bonds, and other items.

Cash and cash equivalents at year-end amounted to ¥31.3 billion.

Financial ratios

	Year ended March 31,2003	Year ended March 31,2002	Year ended March 31,2001
Shareholders ' equity ratio(%)	36.6	36.6	38.9
Shareholders ' equity ratio at market value(%)	11.2	9.8	16.1
Repayment of debt(years)	7.9	18.2	4.8
Interest coverage ratio	8.2	3.6	11.0

Notes: Shareholders' equity ratio = Shareholders' equity / total assets
Shareholders' equity ratio at market value = Shareholders' market capitalization / total assets
Repayment of debt = Interest-bearing debt / operating cash flows
Interest coverage ratio = Operating cash flows / interest payment

* Each item in the above table is calculated based on consolidated financial data.
* Shareholders' market capitalization is calculated by multiplying the final stock price at year-end by the volume of outstanding stock after the deduction of treasury stock.
* Interest-bearing debt corresponds to the total of bank loans, commercial papers, and corporate bonds recorded in the consolidated balance sheets. Operating cash flows are the cash flows from operating activities listed in the consolidated statements of cash flows. Interest payment is listed as a payment of interest in the consolidated statements of cash flows.

4. Dividends

Although the company forewent the payment of an interim dividend, the Company has decided to pay a dividend of ¥2.0 per share after comprehensive consideration of numerous factors, including the forgoing of a year-end dividend payment in the previous fiscal year, the Company's emphasis on stable profit sharing, the results for the fiscal year under review, and future prospects.

5. Prospects

Numerous factors in the world today present challenges to global economic growth, among them the spread of Severe Acute Respiratory Syndrome (SARS) in China and other parts of Asia and growing sociopolitical unrest in post-war Iraq. Meanwhile, recovery continues to evade the Japanese economy as the broad gap in supply and demand exacerbates deflationary trends and, according to certain views, an even further downturn is anticipated. In the steel industry, although the revenue structure is expected to stabilize as selling prices continue to improve, deindustrialization and the resulting decline in domestic demand is likely to be an obstacle to recovery, and the industry must be prepared for the current tough market conditions to continue for some time to come.

To sustain the earnings improvement it achieved during the term under review and build an even more stable business foundation, Nisshin Steel will proactively implement bold business measures in anticipation of future market changes. Especially in sales, we will further pursue our revenue-enhancing activities and continue our efforts to improve selling prices and configure a product mix with higher profitability while at the same time making broadscale Groupwide efforts to create market opportunities in our fields of expertise, namely stainless steel, special coatings, and special steel. Also, to reinforce Nisshin Steel's tradition of leading the market in technological development, the Company is committed to exerting particular effort into the enrichment of its technological and developmental acumen. Further, we will bolster our financial position by substantially reducing assets through fundamental reassessment of our approach to asset holdings. At the same time, we will raise efficiency by transforming our business processes with the extensive application of IT, as we will accelerate the reforms we are currently implementing in the core systems for production, technology, logistics, and sales.

In consideration of the business environment and the Company's initiatives to improve future operations described above, as well as the effects of fifth stage renovation work on the No. 2 blast furnace of the Kure Works, scheduled for completion in November 2003, Nisshin Steel's current earnings projection is as follows:

Projection for the half year ending September 30, 2003, and the year ending March 31, 2004

(Billions of Yen)

	Projected consolidated results		Projected non-consolidated results	
	Half year	Full year	Half year	Full year
Net sales	¥215.0	¥430.0	¥155.0	¥310.0
Income before speecial items	10.0	17.0	9.5	15.0
Net income	3.0	5.5	4.0	5.5

These estimates are based on certain assumptions the Company deems reasonable at this time, and actual results may differ substantially due to such factors as rapid changes in the economic conditions of major markets (Japan and Southeast Asia) and the demand and supply of products as well as significant fluctuations in exchange rates and capital market prices.

June 2003

Toshihiko Ono.

Toshihiko Ono
President and Chief Executive Officer

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,	2003	2002	2001	2000	1999	1998	1997
Results for the year:							
Net sales	\412,412	\394,494	\445,096	\430,956	\398,584	\462,661	\458,114
Gross profit	59,607	35,951	73,236	69,404	60,014	80,418	77,324
Operating income (loss)	16,097	(10,385)	25,813	15,583	1,428	17,942	16,220
Income (loss) before special items	6,313	(17,096)	16,180	5,610	(561)	14,406	11,798
(Loss) income before provision for income taxes	(1,252)	(39,316)	3,139	(8,878)	(4,343)	11,363	8,790
Net (loss) income	(2,696)	(25,221)	767	(5,919)	(4,968)	3,294	5,172
Year-end financial position:							
Total current assets	\216,768	\212,226	\212,580	\216,843	\259,270	\299,059	\277,838
Total property, plant and equipment	299,079	302,129	320,599	327,421	323,680	307,089	313,618
Total assets	625,530	638,458	648,846	669,266	648,439	670,257	653,201
Total current liabilities	213,808	219,726	224,896	234,163	213,234	238,801	257,306
Long-term debt	128,382	130,680	122,171	133,352	127,787	113,199	77,822
Total shareholders' equity	229,148	233,500	252,377	244,999	251,533	260,389	262,263
Cash flows[1]:							
Net cash provided by operating activities	\ 30,118	\ 13,796	\ 49,186	\ 23,919	\ -	\ -	\ -
Net cash used in investing activities	(17,214)	(9,547)	(33,382)	(53,331)	-	-	-
Net cash (used in) provided by financing activities	(14,514)	13,022	(18,791)	19,535	-	-	-
Per share amounts[2]:							
Net (loss) income per share	\(2.73)	\(25.36)	\0.77	\(5.95)	\(4.94)	\3.24	\5.09
Cash dividends per share	2.00	-	2.00	2.00	2.50	5.00	5.00
Weighted average number of shares issued and outstanding (thousands)	985,679	994,490	994,497	994,497	1,005,386	1,016,533	1,016,533

Notes: 1. Consolidated statements of cash flows have been prepared since the year ended March 31, 2000.

2. Per share figures are in yen.

Consolidated Balance Sheets

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2003	2002	2003
ASSETS			
Current assets:			
Cash on hand and in banks (Note 15)	\ 33,562	\ 34,461	$ 279,218
Marketable securities (Notes 15 and 17)	2,236	3,939	18,602
Notes and accounts receivable	75,653	70,375	629,393
Inventories	85,656	89,526	712,612
Deferred income taxes (Note 8)	8,767	3,185	72,937
Other current assets	12,590	11,665	104,742
Allowance for doubtful accounts	(1,696)	(925)	(14,110)
Total current assets	216,768	212,226	1,803,394
Investments and long-term receivables:			
Investments in securities (Notes 6, 13 and 17)	81,970	92,400	681,947
Deferred income taxes (Note 8)	9,043	13,779	75,233
Others (Note 6)	11,244	12,028	93,544
Allowance for doubtful accounts	(458)	(859)	(3,810)
Total investments and long-term receivables	101,799	117,348	846,914
Property, plant and equipment, at cost (Note 3):			
Buildings and structures (Note 13)	228,687	227,539	1,902,554
Machinery, equipment and vessels (Note 13)	785,270	779,134	6,533,028
	1,013,957	1,006,673	8,435,582
Accumulated depreciation	(786,820)	(773,416)	(6,545,923)
	227,137	233,257	1,889,659
Land (Note 13)	63,308	63,303	526,689
Construction in progress	8,634	5,569	71,830
Total property, plant and equipment	299,079	302,129	2,488,178
Other assets	7,884	6,755	65,591
	\ 625,530	\ 638,458	$5,204,077

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

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2003	2002	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans (Notes 7 and 13)	\ 75,317	\ 75,979	$ 626,597
Current portion of long-term debt (Notes 7 and 13)	34,016	34,151	282,995
Commercial paper	-	10,000	-
Notes and accounts payable	65,769	63,622	547,163
Income taxes payable	1,135	173	9,443
Other current liabilities	37,571	35,801	312,571
Total current liabilities	213,808	219,726	1,778,769
Long-term debt (Notes 7 and 13)	128,382	130,680	1,068,070
Employees' retirement benefits (Note 9)	31,927	25,900	265,616
Reserve for rebuilding furnaces	9,766	14,838	81,248
Deferred income taxes (Note 8)	2,386	3,066	19,850
Negative goodwill	76	114	632
Other liabilities	1,457	1,514	12,121
Total liabilities	387,802	395,838	3,226,306
Minority interests in consolidated subsidiaries	8,580	9,120	71,382
Shareholders' equity:			
Common stock, no par value at March 31, 2003 and 2002			
Authorized: 3,977,964 thousand shares at March 31, 2003 and 2002			
Issued: 994,500 thousand shares at March 31, 2003 and 2002	79,913	79,913	664,834
Additional paid-in capital	49,893	49,893	415,083
Retained earnings	84,417	87,150	702,304
Adjustment on revaluation of land (Note 14)	333	343	2,770
Unrealized gain on available-for-sale securities	16,257	15,820	135,250
Foreign currency translation adjustment	(587)	383	(4,884)
	230,226	233,502	1,915,357
Treasury stock, at cost	(1,078)	(2)	(8,968)
Total shareholders' equity	229,148	233,500	1,906,389
	\625,530	\638,458	$5,204,077

Consolidated Statements of Income

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2003	2002	2003
Net sales	\412,412	\394,494	$3,431,048
Cost of sales	352,805	358,543	2,935,149
Gross profit	59,607	35,951	495,899
Selling, general and administrative expenses (Notes 11 and 12)	43,510	46,336	361,981
Operating income (loss)	16,097	(10,385)	133,918
Other (income) expenses:			
Interest and dividend income	(1,543)	(1,936)	(12,837)
Foreign exchange gain (Note 4)	-	(417)	-
Technical assistance income (Note 4)	-	(877)	-
Interest expense	3,611	3,849	30,042
Equity in losses of unconsolidated subsidiaries and affiliates	74	465	616
Service cost of temporarily transferred employees	3,226	3,985	26,839
Retirement benefit expense	3,303	1,582	27,479
Others, net	1,113	60	9,258
Income (loss) before special items	6,313	(17,096)	52,521
Special items:			
Gain on sale of properties	451	1,291	3,753
Reversal of reserve for rebuilding furnaces	5,720	-	47,587
Gain on return of the substitution portion of pension plan	5,053	-	42,038
Gain on sale of marketable securities	357	-	2,970
Special items, income and gain	11,581	1,291	96,348
Loss on sale and disposition of properties	921	2,193	7,662
Retirement benefit expense	7,215	7,468	60,025
Special early retirement benefit payments	641	4,799	5,333
Loss on devaluation of marketable securities	8,682	9,051	72,230
Loss on liquidation of affiliate	760	-	6,323
Others	927	-	7,712
Special items, expense and loss	19,146	23,511	159,285
Loss before provision for income taxes	(1,252)	(39,316)	(10,416)
Provision for income taxes (Note 8):			
Current	1,951	1,352	16,231
Deferred	(909)	(15,770)	(7,562)
Total provision for income taxes	1,042	(14,418)	8,669
Minority interests in earnings of consolidated subsidiaries	402	323	3,344
Net loss	\ (2,696)	\ (25,221)	$ (22,429)

	Yen		U.S. dollars (Note 5)
Net loss per share	\(2.73)	\(25.36)	$(0.02)
Cash dividends per share	2.00	-	0.02
Weighted average number of shares issued and outstanding (thousands)	985,679	994,490	

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

Consolidated Statements of Shareholders' Equity

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2003	2002	2003
Additional paid-in capital:			
Balance at beginning of year	\49,893	\ 49,893	$415,083
Balance at end of year	49,893	49,893	415,083
Retained earnings:			
Balance at beginning of year	87,150	113,965	725,041
Increase due to change in the number of affiliates accounted for using the equity method	-	395	-
Decrease due to change in the number of affiliates accounted for using the equity method	37	-	308
Appropriations: Cash dividends	-	1,989	-
Net loss	(2,696)	(25,221)	(22,429)
Balance at end of year	\84,417	\ 87,150	$702,304

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

Consolidated Statements of Cash Flows

Nisshin Steel Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2003	2002	2003
Cash flows from operating activities:			
Loss before provision for income taxes	\(1,252)	\(39,316)	$(10,416)
Depreciation and amortization	23,797	33,794	197,977
Interest and dividend income	(1,543)	(1,936)	(12,837)
Interest expense	3,611	3,849	30,042
Equity in losses of unconsolidated subsidiaries and affiliates	74	465	616
Loss on sale and disposition of property, plant and equipment	723	900	6,015
Loss on devaluation of marketable securities	8,682	9,051	72,230
(Increase) decrease in notes and accounts receivable	(5,496)	14,976	(45,724)
Decrease in inventories	3,650	4,357	30,366
Increase (decrease) in notes and accounts payable	2,448	(6,141)	20,366
(Decrease) increase in reserve for rebuilding furnaces	(5,072)	680	(42,196)
Increase in employees' retirement benefits account	6,022	4,436	50,100
Others, net	(2,640)	(6,339)	(21,963)
	33,004	18,776	274,576
Receipt of interest and dividends	1,784	2,339	14,842
Payment of interest	(3,695)	(3,831)	(30,741)
Payment of income taxes	(975)	(3,488)	(8,111)
Net cash provided by operating activities	30,118	13,796	250,566
Cash flows from investing activities:			
Acquisition of marketable securities	(6,650)	(5,630)	(55,324)
Proceeds from sale and redemption of marketable securities	7,690	8,989	63,977
Acquisition of property, plant and equipment	(14,603)	(15,176)	(121,489)
Proceeds from sale of property, plant and equipment	1,006	2,028	8,369
Others, net	(4,657)	242	(38,744)
Net cash used in investing activities	(17,214)	(9,547)	(143,211)
Cash flows from financing activities:			
(Decrease) increase in short-term loans	(662)	120	(5,507)
Decrease in commercial paper	(10,000)	(1,000)	(83,195)
Proceeds from long-term debt	31,630	42,398	263,145
Repayment and redemption of long-term debt	(34,063)	(26,126)	(283,387)
Cash dividends paid by the parent company	(6)	(1,994)	(50)
Others, net	(1,413)	(376)	(11,755)
Net cash (used in) provided by financing activities	(14,514)	13,022	(120,749)
Foreign currency translation adjustment of cash and cash equivalents	(955)	383	(7,945)
Net (decrease) increase in cash and cash equivalents	(2,565)	17,654	(21,339)
Cash and cash equivalents at beginning of year	33,790	16,136	281,115
Increase in cash due to a merger of subsidiaries	78	-	648
Cash and cash equivalents at end of year (Note 15)	\31,303	\ 33,790	$260,424

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, 2003 and 2002

1. Basis of Presenting Financial Statements

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

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

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its nine 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
Wheeling-Nisshin, Inc.

The fiscal year periods and the closing dates thereof for financial statements of consolidated subsidiaries are in agreement with those of the Company, except for the three foreign consolidated subsidiaries: Nisshin Holding, Nisshin Steel USA, and Wheeling-Nisshin (the fiscal years end on December 31). In consolidating the three foreign subsidiaries, the Company makes adjustments for the 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 net income (loss) of subsidiaries, subsequent to the date of acquisition, in the Consolidated Statements of Income and Shareholders' Equity.

Evaluations of the assets and liabilities of consolidated subsidiaries are made at 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.

With respect to the elimination of unrealized intercompany profit included in inventories or other assets remaining within the Companies at the balance sheet date, the following two methods have been applied in accordance with the respective circumstances:

Unrealized intercompany profits arising from downstream transactions (sales by the parent company to the subsidiaries) have been entirely eliminated and charged to the parent company.

Unrealized intercompany profits arising from upstream transactions (sales by subsidiaries to the parent company) have been entirely eliminated, and the minority interests were adjusted in proportion to minority ownership percentages.

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 nine at March 31, 2003 and included:

Nisshin Information Service Corp.
Tsukiboshi Art Co., Ltd.
Osaka Stainless Center Co., Ltd.

The number of affiliates accounted for using the equity method was 15 at March 31, 2003 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, 2003 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: One
Decrease in the number of affiliates: One

One of the unconsolidated subsidiaries accounted for using the equity method merged with Shinwa Kigyo Co., Ltd., a consolidated subsidiary, in the year ended March 31, 2003, and one of the affiliates accounted for using the equity method in the year ended March 31, 2002 has became an unconsolidated subsidiary accounted for using the equity method due to an additional acquisition of stocks in the year ended March 31, 2003.

Ishida Kinzoku Co., Ltd. has become an affiliate accounted for using the equity method due to an acquisition of stocks in the year ended March 31, 2003.

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.

Assets and liabilities of overseas subsidiaries are translated into yen 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 have been classified into four categories.

(1) Trading securities are to be valued at fair values on the balance sheet date, and unrealized gain or loss is to be charged to income. The Companies had no trading securities at March 31, 2003 and 2002.

(2) Held-to-maturity securities have been stated at cost after the amortization of premiums or discounts on acquisition, which have been amortized over the period to maturity.

(3) Investments in unconsolidated subsidiaries and major affiliates have been accounted for by the equity method, except for those valued at cost due to the lack of materiality.

(4) Available-for-sale securities have been valued at fair values except for those valued at cost due to the lack of fair value information. Applicable unrealized net-of-tax gains and losses have been included in shareholders' equity.

Allowance for Doubtful Accounts

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

Depreciation and Amortization

Depreciation is computed 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

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

Reserves for Rebuilding Furnaces

Blast furnaces, including related machines, periodically require substantial component replacements and repairs. Such work occurs normally every 10 years for blast furnaces after being 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 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.

The Company had kept reserve accounts for substantial component replacements for hot blast stoves in addition to blast furnaces. The replacements for hot blast stoves occurred normally every 20 years. A hot blast stove, for which a substantial component replacement was expected in the year ending March 31, 2004, has long been operating in a sturdy and well-kept condition. In the year ended March 31, 2003, the Company decided such substantial component replacement would not be necessary or take place, and a reversal of the Reserve for Rebuilding Furnaces was made by the applicable amount. The Company also decided that the remaining hot blast furnaces would not require the substantial component replacement, and applicable reversals were made in the year ended March 31, 2003. The total reversal of the reserve of ¥5,720 million (US$47,587 thousand) has been credited to income.

Employees' Retirement Benefits

Effective from the year ended March 31, 2001, the Companies have adopted the Japanese accounting standard for retirement benefits, which requires the same accounting methods for the lump-sum severance benefit payments and defined benefit pension plans based on the actuarial calculation of projected benefit obligation for each employee.

The Company's defined benefit pension plans contained a future benefit obligation on behalf of the Japanese Government (the so-called "substitution portion"). Following the revised enactment of the Japanese Welfare Pension Insurance Law, the Company received permission from the Minister of Health, Labour and Welfare with respect to the application for return of the substitution portion and was released from the obligation for future benefits on January 30, 2003.

In accordance with the transition provision prescribed by Article 47-2 of "Practical Guidelines for Accounting for Retirement Benefits (Accounting Committee Report No. 13)" issued by the Accounting Committee of the Japanese Institute of Certified Public Accountants, the Company recognized a gain from the return of the substitution portion of pension plans by reducing the retirement benefit obligation and the plan assets related to such substitution portion as of the date when the Company received the permission from the Minister of Health, Labour and Welfare under which the Company was released from the obligation for future benefits relating to the substitution portion. The gain on the return of the substitution portion of ¥5,053 million (US$42,038 thousand) has been credited to "Special items, income and gain."

The pension plan assets to be returned to the Japanese Government amounted to ¥51,248 million (US$426,356 thousand) as of March 31, 2003.

Leases

The Company, as a lessee, charges 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, a 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 is paid by the Companies on the purchases of products, merchandise and services from venders, are offset, and the net balance is included in "Other current liabilities" in the Consolidated Balance Sheets.

Net Loss and Cash Dividends per Share

The computation of net loss 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 negligible risk of fluctuation in value.

3. Change in Accounting Method

Depreciation of Property, plant and equipment

Prior to the year ended March 31, 2003, depreciation of structures; all machinery and equipment at the Kure Works, Shunan Works and Osaka Works; cold-rolling mills at the Sakai Works and Toyo Works; and vehicles and tools had been computed using the declining-balance method. Effective from the year ended March 31, 2003, depreciation has been computed using the straight-line method.

In recent years, the Company had been making enormous and continuous capital investments, such as the construction of Toyo Works. The operation of Toyo Works and quality of their products have swiftly become stable. The Company views its capital expenditure as having passed its peak and investments will now focus on the maintenance of existing facilities rather than the construction of new facilities. Since the demand for steel products has been sluggish, the operation of the Company's facilities is expected to be constant at a relatively lower level than before. The Company sees that the effect of capital expenditure will result in a constant run, and that the straight-line method is suitable for the depreciation in current circumstances.

This change decreased depreciation expenses by ¥7,509 million (US$62,471 thousand), increased income before special items by ¥6,081 million (US$50,591 thousand) and decreased loss before provision for income taxes by the same amount for the year ended March 31, 2003, relative to what they would have been had the previous method been used.

Accounting Standard for Treasury Stock and Reduction of Legal Reserves

"Accounting Standard for Treasury Stock and Reduction of Legal Reserves (Accounting Standards No. 1)" has been applied effective from the year ended March 31, 2003. This change had no material effect on profit and loss for the year under review.

Earnings per Share

"Accounting Standard for Earnings per Share (Accounting Standards No. 2)" and "Implementation Guidance on Accounting Standard for Earnings per Share (Accounting Standards Implementation Guidance No. 4)" have been applied effective from the year ended March 31, 2003. This change had no effect on profit and loss for the year under review.

4. Change in Accounting Title and Classification

Foreign exchange gain or loss

Prior to the year ended March 31, 2003, foreign exchange gain or loss was shown separately in other (income) expenses in the Consolidated Statements of Income. Effective from the year ended March 31, 2003, foreign exchange gain or loss has been included in "Others, net" in other (income) expenses in the statements as its materiality in other income has been decreased. It amounted to a loss of ¥1,077 million (US$8,960 thousand) in the year ended March 31, 2003.

Technical assistance income

Prior to the year ended March 31, 2003, technical assistance income was shown separately in other (income) expenses in the Consolidated Statements of Income. Effective from the year ended March 31, 2003, technical assistance income has been included in "Others, net" in other (income) expenses in the statements as its materiality in other income has been decreased. It amounted to ¥171 million (US$1,423 thousand) in the year ended March 31, 2003.

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 a basis of ¥120.20 = US$1, the effective rate of exchange at March 31, 2003. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that the yen amounts have been or could be readily converted, realized or settled in dollars at ¥120.20 = US$1 or at any other rate.

6. Investments in Unconsolidated Subsidiaries and Affiliates

"Investments in securities" in the Consolidated Balance Sheets at March 31, 2003 and 2002 contain investments in unconsolidated subsidiaries and affiliates as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Stocks of unconsolidated subsidiaries and affiliates	**\23,933**	\22,829	**$199,110**
Bonds of unconsolidated subsidiaries and affiliates	**900**	900	**7,488**

"Others" in "Investments and long-term receivables" in the Consolidated Balance Sheets at March 31, 2003 and 2002 contain investments in unconsolidated subsidiaries and affiliates as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Equity in unconsolidated subsidiaries and affiliates	**5,384**	\5,634	$**44,792**

7. Short-Term Loans and Long-Term Debt

Short-term loans at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Bank loans	**\75,317**	\75,979	**$626,597**

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

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Loans from banks and other financial institutions	**\106,798**	\104,231	**$ 888,502**
8th 2.15% unsecured bond of the Company due Dec. 2002	**-**	10,000	**-**
9th 2.325% unsecured bond of the Company due Jul. 2006	**20,000**	20,000	**166,389**
10th 1.72% unsecured bond of the Company due Nov. 2005	**10,000**	10,000	**83,195**
11th 1.35% unsecured bond of the Company due Nov. 2005	**10,000**	10,000	**83,195**
12th 1.45% unsecured bond of the Company due Oct. 2008	**10,000**	10,000	**83,195**
13th 0.4% unsecured bond of the Company due Feb. 2008	**5,000**	-	**41,597**
1.8% secured bond of Tsukiboshi Logistics due Mar. 2004	**600**	600	**4,992**
Total long-term debt	**162,398**	164,831	**1,351,065**
Portion due within one year	**(34,016)**	(34,151)	**(282,995)**
"Long-term debt" in the Consolidated Balance Sheets	**\128,382**	\130,680	**$1,068,070**

8. Income Taxes

The Company and its domestic subsidiaries are subject to a number of different normal taxes based on income. Income taxes consist of corporate income tax, inhabitants' taxes and enterprise taxes. Due to the change in local tax law during the year ended March 31, 2003, the statutory tax rate used in the calculation of deferred tax assets and liabilities was reduced to 40.4% for the year ended March 31, 2003 from 41.7% for the year ended March 31, 2002. As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥168 million (US$1,398 thousand) as of March 31, 2003 and income taxes-deferred and unrealized gain on available-for-sale securities increased by ¥522 million (US$4,343 thousand) and ¥354 million (US$2,945 thousand), respectively, for the year ended March 31, 2003.

Components of the Companies' deferred income tax assets and liabilities at March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Deferred income tax assets:			
Non-deductible portion of employees' retirement benefits	**\15,217**	\13,127	**$126,598**
Tax loss carryforward	**11,088**	14,738	**92,246**
Non-deductible portion of accrued bonus expense	**1,903**	1,111	**15,832**
Non-deductible portion of reserve for rebuilding furnaces	**1,342**	-	**11,165**
Elimination of unrealized intercompany profit	**1,200**	908	**9,983**
Others	**2,160**	2,906	**17,970**
Preliminary deferred income tax assets	**32,910**	32,790	**273,794**
Valuation allowance	**(1,042)**	(1,186)	**(8,669)**
Total deferred income tax assets	**31,868**	31,604	**265,125**
Deferred income tax liabilities:			
Unrealized gain on available-for-sale securities	**10,997**	11,445	**91,489**
Depreciation expenses of U.S. subsidiaries	**2,386**	2,754	**19,850**
Reserve for postponement of taxation on capital gains from property	**1,879**	2,025	**15,632**
Others	**1,182**	1,482	**9,834**
Total deferred income tax liabilities	**16,444**	17,706	**136,805**
Net deferred income tax assets	**\15,424**	\13,898	**$128,320**

The reconciliation of the statutory tax rate to the income tax rate reflected in the Consolidated Statements of Income for the years ended March 31, 2003 and 2002 is not shown since the operating result for each year was a loss before provision for income taxes.

9. Employees' Retirement Benefits

Analysis of the reserve account for "Employees' retirement benefits" at March 31, 2003 and 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Projected benefit obligations	**\128,493**	\217,340	**$1,068,993**
Plan assets	**(53,922)**	(127,479)	**(448,602)**
Funded status	**74,571**	89,861	**620,391**
Unrecognized transition amount	**(17,835)**	(29,874)	**(148,378)**
Unrecognized actuarial differences	**(29,519)**	(43,548)	**(245,582)**
Unrecognized prior-service costs	**4,710**	9,461	**39,185**
Total employees' retirement benefits	**31,927**	25,900	**265,616**
Prepaid pension cost	**-**	-	**-**
"Employees' retirement benefits" in the Consolidated Balance Sheets	**\ 31,927**	\ 25,900	**$ 265,616**

Note: The above table includes the amount related to the portion subject to the Japanese Welfare Pension Insurance Law.

Components of retirement benefit expense for the years ended March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Service cost	**\ 4,246**	\ 4,356	**$ 35,324**
Interest cost	**5,481**	6,856	**45,599**
Expected return on plan assets	**(3,155)**	(4,746)	**(26,248)**
Amortization of transition amount	**7,215**	7,468	**60,025**
Amortization of unrecognized actuarial differences	**2,921**	786	**24,301**
Amortization of unrecognized prior-service costs	**(672)**	(728)	**(5,590)**
Total retirement benefit expense	**16,036**	13,992	**133,411**
Gain on return of the substitution portion of pension plan	**(5,053)**	-	**(42,038)**
Total	**\10,983**	\13,992	**$ 91,373**

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

	2003	2002
Discount rate:	**2.8%**	2.8%
Expected rate of return on plan assets:	**2.8%**	3.5%
Method of attributing the projected benefits to periods of services:	**Straight-line basis**	Straight-line basis
Amortization of transition amount:	**6 years**	6 years
Amortization of unrecognized actuarial differences:	**14 years**	14 years
Amortization of unrecognized prior-service costs:	**14 years**	14 years

10. Contingent Liabilities

Contingent liabilities at March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Contingent liabilities arising from:			
Guarantee of loans for others in the ordinary course of business	**\2,126**	\2,666	**$17,687**
Guarantee of bank loans for employees	**2,289**	2,380	**19,043**

In addition, the Companies issued letters of guarantee for the future for others in the ordinary course of business. The aggregate amount was ¥272 million (US$2,263 thousand) and ¥302 million at March 31, 2003 and 2002, respectively.

11. Research and Development Expenses

Research and development expenses for the years ended March 31, 2003 and 2002 totaled ¥3,312 million (US$27,554 thousand) and ¥4,622 million, respectively, which were included in selling, general and administrative expenses.

12. Selling, General and Administrative Expenses

Principal selling, general and administrative expenses for the years ended March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Freight out	**\15,314**	\15,676	**$127,404**
Salaries, bonuses and allowances	**9,208**	9,604	**76,606**
Research and development expenses	**3,312**	4,622	**27,554**

13. Mortgaged Properties

Breakdowns of properties pledged as collateral and liabilities guaranteed by right of collateral at March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Properties pledged as collateral:			
Buildings and structures	**\ 166**	\ 178	**$ 1,381**
Machinery, equipment and vessels	**235**	272	**1,955**
Land	**1,252**	1,251	**10,416**
Investments in securities and unconsolidated affiliates	**578**	3,346	**4,809**
Total	**\2,231**	\5,047	**$18,561**
Liabilities guaranteed by right of collateral:			
Short-term bank loans	**\1,330**	\1,120	**$11,065**
Long-term bank loans (including portion due within one year)	**1,441**	2,295	**11,988**
Bonds	**600**	600	**4,992**
Total	**\3,371**	\4,015	**$28,045**

14. Adjustment on Revaluation of Land

At March 31, 2002, some of the unconsolidated subsidiaries and affiliates accounted for using the equity method made a revaluation of land for business purposes in accordance with the Law concerning Revaluation of Land. The Company's share of a net-of-tax unrealized gain at March 31, 2003 and 2002 has been recorded as a separate component of shareholders' equity.

15. Reconciliation 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, 2003 and 2002 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
	2003	2002	**2003**
Cash on hand and in banks	**\33,562**	\34,461	**$279,218**
Marketable securities	**2,236**	3,939	**18,602**
Total	**35,798**	38,400	**297,820**
Time deposits and short-term investments with deposit terms or maturity periods exceeding three months in "Marketable securities"	**(4,495)**	(4,610)	**(37,396)**
Cash and cash equivalents at end of year	**\31,303**	\33,790	**$260,424**

16. Leases

Details on 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, 2003 and 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Amount equivalent to leased article acquisition costs	**\1,256**	\1,398	**$10,449**
Amount equivalent to the accumulated depreciation	**(696)**	(754)	**(5,790)**
Amount equivalent to the year-end balance	**\ 560**	\ 644	**$ 4,659**

(2) The amount of outstanding future lease payments at March 31, 2003 and 2002, which includes the portion of interest therein, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Future lease payments:			
Due within one year	**\221**	\242	**$1,839**
Due over one year	**339**	402	**2,820**
Total	**560**	\644	$**4,659**

(3) Lease payments and amounts equivalent to depreciation expenses for the year ended March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Lease payments	**\290**	\325	**$2,413**
Amount equivalent to depreciation expenses	**290**	325	**2,413**

Note: 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.

17. Marketable Securities

The aggregated market value of held-to-maturity securities was higher than the book value by ¥74 million (US$616 thousand) at March 31, 2003. The market value was lower than the book value by ¥24 million at March 31, 2002.

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 ¥2,548 million (US$21,198 thousand) at March 31, 2003, down from ¥4,468 million at March 31, 2002.

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, 2003 and 2002 as follows:

	Millions of yen		Thousands of U.S. dollars
Number of years from the balance sheet date	**2003**	2002	**2003**
Within one year	**\3,190**	\6,999	**$26,539**
Over one year and within five years	**172**	1,116	**1,431**
Over five years and within ten years	**16**	39	**133**

18. Derivative Transactions

The Companies' policy on derivatives restricts the use of derivative transactions to those related to actual demands and forbids their use for purposes of profit acquisition. The Companies confine the use of derivative transactions to hedging risk against interest rate fluctuations or reducing interest rates of bank loans, bonds and other financing means. The Companies' derivative transactions are those to which hedge accounting is applied, and fair values and other information at March 31, 2003 and 2002 are not shown in accordance with Japanese accounting standards for financial instruments.

19. Segment Information

Business Segment Information

The Companies are mainly engaged in the manufacturing and selling of steel products and related businesses. These businesses accounted for more than 90% of the Companies' combined assets at March 31, 2003 and 2002 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, 2003 and 2002 and combined sales for the two years then ended.

Sales to Overseas Customers

The Companies' overseas sales for the year ended March 31, 2003 amounted to ¥93,190 million (US$775,291 thousand), of which ¥40,399 million (US$336,098 thousand) was accounted for by North American sales, and represented 22.6% of consolidated net sales. The Companies' overseas sales for the year ended March 31, 2002 amounted to ¥82,589 million, of which ¥36,282 million was accounted for by North American sales, and represented 20.9% of consolidated net sales.

20. Related Party Transaction

Material transactions of the Company with its 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, 2003 are as follows:

				Millions of yen/Thousands of U.S. dollars			
				Transactions		Resulting accounting balance	
Name of related company	Paid-in capital	Principal business	Equity ownership percentage by the Company	Description of the Company's transactions		Account	
Nihon Teppan Co., Ltd.	\1,300 million $10,815 thousand	Sale of coated steel	50%	Sale of the Company's coated steel products to the related party by the Company	**\38,210** **$317,887**	Accounts receivable	**\12,435** **$103,453**

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Nisshin Steel Co., Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended March 31, 2003, 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 audits in accordance with auditing standards, procedures and practices generally accepted and applied 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 consolidated subsidiaries as of March 31, 2002 and 2003, and the consolidated results of their operations and their cash flows for each of the two years in the period ended March 31, 2003 in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

As described in Note 3, effective for the year ended March 31, 2003, Nisshin Steel Co., Ltd. changed its accounting method for depreciation of property, plant and equipment.

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.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation
Tokyo, Japan
June 26, 2003

Investor Information

(As of March 31, 2003)

Nisshin Steel Co., Ltd.

Registered Head Office	Shinkoukusai Building, 4-1, Marunouchi 3-chome, 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

Common Stock Price Range
(Tokyo Stock Exchange)

	2003		2002		2001	
	High	Low	High	Low	High	Low
First Quarter	**¥78**	**¥61**	¥137	¥106	¥129	¥108
Second Quarter	**68**	**50**	122	73	125	83
Third Quarter	**56**	**35**	89	49	108	78
Fourth Quarter	**85**	**47**	80	58	114	85

Years ended March 31

Number of Shareholders	64,785
Independent Certified Public Accountants	ChuoAoyama Audit Corporation

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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NISSHIN STEEL

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