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**First-Half (April-September) Business Results  
for Fiscal 2002 Ending March 2003**

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November, 2002

## Cautionary Statement with Respect to Forward-Looking Statements

Information provided in this report contains forward-looking statements that reflect Nisshin's plans and expectations.

These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause Nisshin's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.

# Half-Year Business Results and Full-Year Forecast

( unit : billion yen )

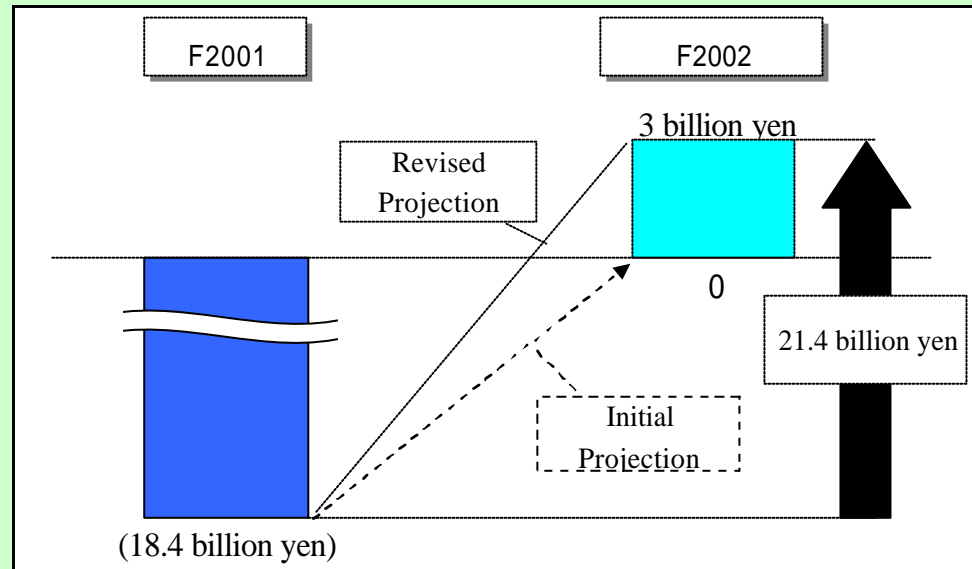
		Half-year Business Results			Full year Forecast		
		Apr-Sep/02 Results	Oct/01-Mar/02 Results	Change	F2002 Forecast	F2001 Results	Change
Consolidated	Sales	199.0	190.7	+ 8.3	405.0	394.4	+ 10.6
	Operating Income	1.6	(6.6)	+ 8.2	13.0	(10.3)	+ 23.3
	Income before Special Items	(4.0)	(9.4)	+ 5.4	3.0	(17.0)	+ 20.0
	Net Income for the Period	(6.2)	(11.9)	+ 5.7	(5.5)	(25.2)	+ 19.7
Unconsolidated	Sales	142.4	130.7	+ 11.7	291.5	279.5	+ 12.0
	Operating Income	1.3	(8.2)	+ 9.5	11.5	(13.2)	+ 24.7
	Income before Special Items	(3.2)	(9.7)	+ 6.5	3.0	(18.4)	+ 21.4
	Net Income for the Period	(4.9)	(9.8)	+ 4.9	(4.0)	(23.2)	+ 19.2

# Summary of First Half and Forecast for Full Year

## Scenario for V-shaped recovery turning into reality

### Returning to the black in fiscal 2002 on a before-special-items basis


- Remarkable turnaround from an unconsolidated loss before special items of 18.4 billion yen in fiscal 2001 to a profit of 3.0 billion yen in the current fiscal period.



### Sharp recovery in profitability of flat rolled and coated steel operations


### Working to be profitable on the basis of net-income for the term as soon as possible and to resume dividend payments

# Factors behind Performance Recovery

-  Accelerated rationalization and sales-related factors such as robust exports

-  **Rationalization programs smoothly proceeding**

- Carried out measures to cut 30 billion yen per year as more fully described in the next page

-  **Brisk exports, brakes put on deterioration in sales prices**

- Strong exports in the first half contributed to increased operating rate and to curb declines in sales prices (positive effects of improved sales prices to come into play in and after next fiscal period)

Increases in raw materials costs absorbed by other positives

## Factors Contributing to Improved Earnings (unconsolidated basis)

loss before special items in fiscal 2001	18.4 billion
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Improvement in fiscal 2002		(Initial projection)	(Current estimates)
Cost reductions	Variables	3.0	4.5
	Contract-outs	3.0	3.0
	Rationalized procurement	3.0	3.0
	Logistics	2.0	1.0
	Labor	5.0	5.0
	Depreciation	9.0	9.0
	Repairs	5.0	4.5
	Sub-total	30.0	30.0
	Cost increases		(2.0)
	<b>Total cost reduction</b>	<b>30.0</b>	<b>28.0</b>
Sales-related factors	(4.0)	3.0	
Retirement benefits	(3.0)	(3.0)	
Fluctuation in purchase prices and in exchange rate, etc.	(5.0)	(6.5)	
<b>Total improvement in earnings</b>	<b>18</b>	<b>21.5</b>	
Income before special items in fiscal	approx. 0	3.0	

Planned rationalization programs  
carried out smoothly

Cost increase associated with higher  
operating rate in the first half

Higher export prices, higher operating  
rate due to brisk exports in first half,  
etc.

Higher Ni and other raw materials  
prices

Income before special items  
expected for F2002

# Measures Taken in the First Half (1)

## **Intensive cost reductions**

## **Profit-oriented marketing activities**

Efforts to achieve intended inventory reduction and improved sales prices  
Shift toward and boost sales of higher value-added products such as ZAM

## **Tighter control of business operations**

Pursuit of fine-tuned marketing strategies and laying the foundation to be a major player in the niche markets

## **Review of the logistics policy**

Purchasing Ishida Kinzoku's shares to make the company our affiliate

## **Mindset Reform**

- 1- Profit before market share
- 2- Cover falling domestic demand with OEM alliances

# Measures Taken in the First Half (2)

## Promotion of Overseas Strategies ---Toward Building Four-Pole Global Networks

- Closer link-up with Acerinox ( in automotive exhaust materials, etc.)
- Chinese strategy  
(Ningbo Baoxin Stainless: Expansion decided, Chang Fu: Increased ownership percentage)

## Management & Organizational Reforms

- Review of the decision-making process and the executive system-including group companies (directors' term shortened to one year... took effect in this year)
- Established group-company management meeting

## Introduction of New, Upgraded Basic Systems

To reduce inventories, improvement in customer services

## Stock Repurchase ...Upper limit=20 million shares

So far bought back 8 million shares, further repurchase under consideration

## Viability-oriented Investment

Fiscal 2000 thru fiscal 2003 : Investment=91.4billion yen vs. Depreciation =103 billion yen

# On-going Business Strategies

	Nisshin Steel Proper	Group Companies	Alliances
Business Strategies	<p>Stainless steel business (to be the best in international competitiveness)</p> <p>Flat rolled &amp; coated steel business (to concentrate on differentiated products, etc.)</p> <p>Specialty steel business (to develop new applications, to upgrade logistics, etc.)</p>	<p>Enhancement of Nisshin group's ABC products business</p> <p>Expansion into areas peripheral to steel</p> <p>Products development</p>	<p>International strategy of stainless steel business</p> <p>Alliances with other companies</p>
Sales Strategies	<p>Expand repertoire of differentiated products and boost sales</p> <p>Upgrade our capability to promote suggestion-based sales</p> <p>Strengthen our processing and distribution capabilities</p> <p>Improve our competitiveness in keeping promised deliveries</p>	<p>Double up the frequency of visits to longtime customers Win five new customers per year</p> <p>Mobilize IT techniques. Help customers halve work periods. Obtain customers' production plans early.</p>	
Cost Structure	<p>Strategy on stainless steel raw materials</p> <p>Improve management efficiency</p> <p>Review production systems</p>		<p>Improvement in efficiency through link-ups</p>
Improved Corporate Governance	<p>Build up systems to make Nisshin an international company duly respected in the world market including the U.S., Europe and China</p> <ul style="list-style-type: none"> <li>- Reform in organization, personnel management and business administration</li> <li>- Increase transparency in the evaluation system</li> <li>- Make higher shareholder value as a corporate objective</li> </ul>	<p>Consolidated business reorganization</p>	
Overseas Strategies	<p>Set up four-pole global networks covering North America, Europe, Japan and China (work already started in stainless steel business)</p> <p>Set up four-pole global networks for specialty steel and unique coated products (ZAM, in particular, has good potentials with superb corrosion resistant properties to satisfy needs in all customer segments including ABC, civil engineering, automotive and electrical machinery)</p> <p>Consider overseas markets as expanded domestic market (in terms of capturing niche demand of each customer, and of staying away from low-potential, low-profit exports)... then work to boost sales overseas</p>		
Immediate Measures to Improve Profitability	<ul style="list-style-type: none"> <li>- Lower variable costs through higher operating rate</li> <li>- Reduce procurement costs</li> <li>- Rationalize logistics</li> <li>- Cut labor cost and rationalize contract-outs</li> <li>- Reduce depreciation through selective investment</li> <li>- Expand sales of our specialties (ZAM, stainless steel, etc)</li> </ul>		

# Future Agendas

✍ Under opaque future outlook, will strive to further improve our performance.


- ✍ Concentrate on and boost sales of our specialties- unique coated products, specialty steel, stainless steel, etc.
- ✍ Continue work to improve sales prices and profitability
- ✍ Exercise prudence in exports (Chinese steel safeguards) – pursue local production
- ✍ Continue promoting thorough rationalization (move up programs set forth in the New Medium-Term Management Plan)
- ✍ Reduce burdens associated with retirement benefits (applying to the government agency concerned for discontinuation of partial contribution to the employees' pension fund on its behalf)

✍ With cash flow gained through improved performance and efficient utilization of assets, will strive to strengthen our financial bases and resume dividend payments to our shareholders

- ✍ Reduce inventory assets, invest selectively and concentrate on our specialty niche market
- ✍ Reduce debts
- ✍ Eliminate early tax loss carry-forward
- ✍ Continue repurchasing and utilizing our own stock (for swap, retirement, stock option, etc.)
- ✍ Work toward resumption of dividend payments

✍ Alliances with other companies

# Nisshin Steel's Position in the Steel Industry

 We belong to the Nippon Steel Corp. Group and our fields are niche markets.

In our fields (stainless steel, unique coated products, specialty steel, etc.) we will strive to “maximize profit” and “contribute to the development of the industry”.



## **Flat rolled and coated steel business**

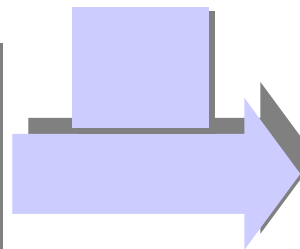
Consider and promote alliances focusing on downstream operations (including; consolidation of plants and facilities)

## **Stainless steel business**

Work proactively to build in market stabilization systems (including surcharge, extra systems, objective parameter for inventory level)

## **Solid financial bases**

Shareholder's equity (unconsolidated) :  
38% of total assets  
DE Ratio (unconsolidated) : 1:1



Strengthen the base both in  
flow and stock  
= Increased shareholder value