

September 1, 2006  
Nisshin Steel Co., Ltd.

**Impact of Collapse of Hiroshima Prefectural Water Service Tunnel (as of September 1)**

The following is a report on action taken by Nisshin Steel as of September 1, regarding the accident described in the title that occurred on August 25.

We would like to express our gratitude to all parties who have shown concern for our business operations. We are continuing to do our utmost to minimize the impact of this accident.

We are also deeply thankful for the extensive cooperation provided to us in the efforts being taken.

1. Although the Nisshin Steel Kure Works have been forced to operate intermittently since the accident, we expect to be able to improve our operation rate to roughly 80% with water conservation and an improvement in the internal water recycling rate and supply of the minimum amount of water with maritime shipping, etc.
2. In production support, we are reviewing hot coil supply from Nippon Steel Corporation for ordinary steel and increased production of stainless steel from our partners Nippon Steel & Sumikin Stainless Steel Corporation and Nippon Metal Industry Co., Ltd. under OEM contract, etc.
3. In addition to the current state of facility operation and production support, we are speaking with customers to explain our current conditions and implementing measures to minimize the impact on customers through close scrutiny of our inventory status.

Please note that we plan to report developments regarding this case and its impact on our business operation, as soon as action is finalized.

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