



22nd Consolidated Medium-term Management Plan

~ Creating Markets Together with Our Customers ~

March 25, 2010

NISSHIN STEEL CO., LTD.

Developing the Consolidated Medium-term Management Plan

Nisshin Steel Group will:

- ① Further enhance its development prowess to vigorously create its own markets; and**
- ② Aim to become a lean company having “strength” and “flexibility” to respond appropriately to global shifts in the industrial structure attendant rapid changes in the business environment surrounding the steel industry.**

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1. Our perspective on the Surrounding Environment

● Trend in steel demand

- Although the business environment is recovering from the global economic crisis, uptick in domestic consumption is not expected and the future economic prospects are still uncertain.
- As emerging Asian economies such as India and China are expected to return rapidly to growth track and continue to advance, major customers including automotive and home appliances industries are expanding their business in overseas markets.
- Increased needs for new functions and improved performance of steel products (e.g. energy-saving, safety, eco-friendliness)

● Trend in steel industry

- A number of large-scale integrated steel mills started their operations, especially in Asia.
- Supply-demand balance as well as trade balance in Asia has changed due to increased production capacity in China, South Korea, Taiwan and India.

● Changes in procurement of raw materials

- Prices of such raw materials as iron ore and coking coal rose due to the change in supply-demand balance.
- Regarding raw materials for stainless steel including nickel, chromium and molybdenum, wider fluctuations of prices are expected.

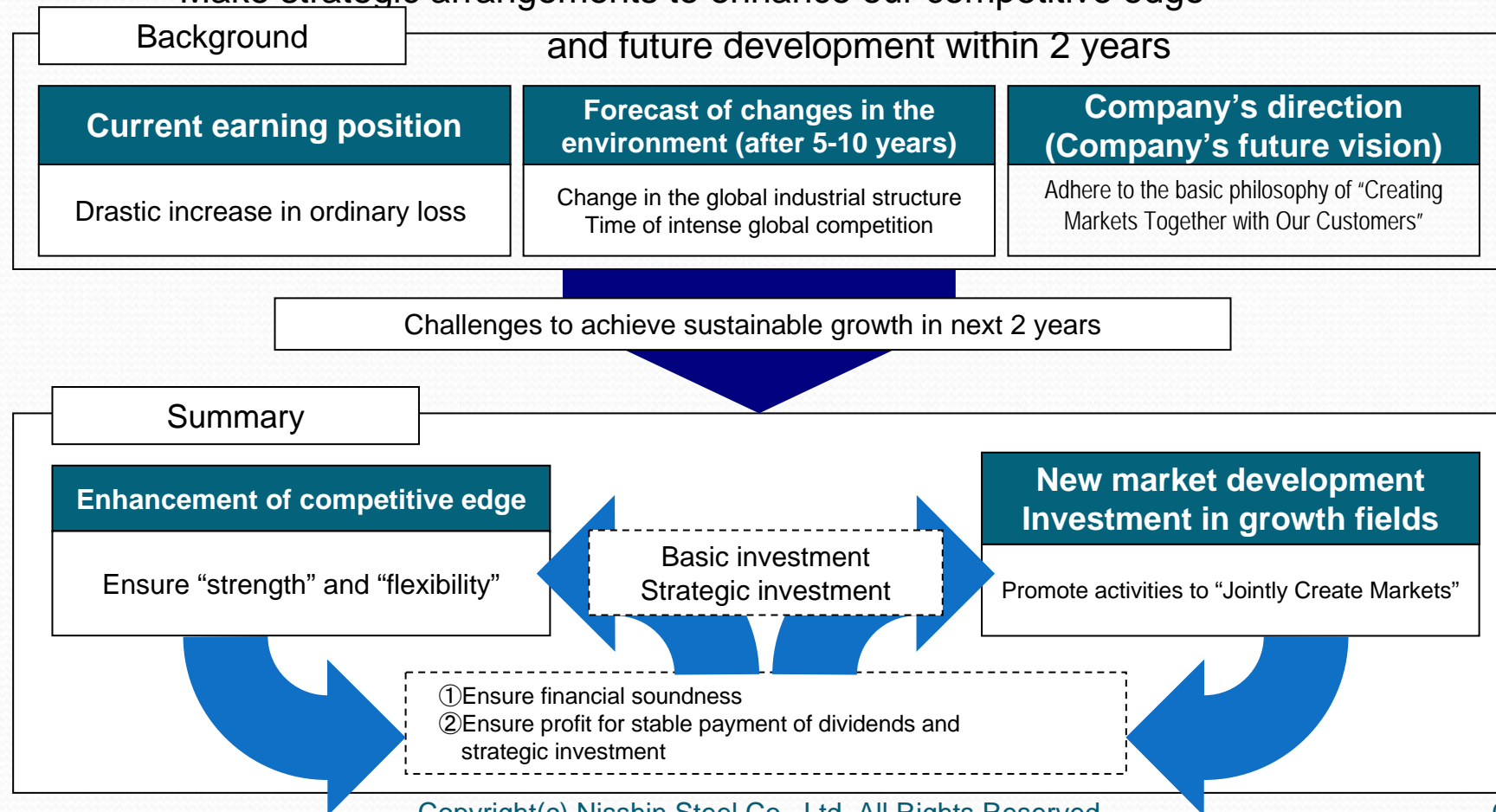
2. Review of Our Previous Consolidated Medium-term Management Guidelines

- **Summary of the previous consolidated medium-term management guidelines**
 - Drastic change in the demand
 - Final annual goals for both quantity and profit in the previous consolidated mid-term management plan were not achieved.
 - **“ZAM maintained stable quantity” while overall demand sharply fell**
 - The advantage of a strategic products confirmed
 - **Implemented “capacity expansion including the installation of ZM No.1 in Sakai”** to strengthen the basis for special steel business.
 - Succeeded in steady expansion of overseas business
 - **“Application of equity method to Acerinox ” “Launching a joint project in Bahru (Malaysia)”** , etc.

3. Our 22nd Consolidated Medium-Term Management Plan

● Target periods: FY 2010 and FY 2011

→ Make strategic arrangements to enhance our competitive edge



1) Forecast of Changes in the Surrounding Environment

Medium to long-term changes in the environment

- ① Change in domestic demand
 - Reduced market size due to declining and aging population
 - Increased needs for new functions and improved performance of steel products (e.g. energy-saving, safety, eco-friendliness)
- ② Expanded demand in emerging economies
 - Intensified international competition
 - Increased capacity of steel mills in emerging economies
- ③ Progress in cross-border corporate reorganization
 - Global mega-manufactures
 - Vertical integration to upstream/downstream processes
- ④ Change in procurement of raw materials
 - Rise of resource nationalism
 - Depletion and degradation of resources (e.g. zinc)
 - Supplier's market, substantial price increase and instable price
- ⑤ Problems relating to global warming
 - Intensified control on global warming gas emission
 - Increased demand for such energy sources as nuclear, solar and wind.
- ⑥ Revision of accounting and other systems
 - Shift towards adoption of global standards



Major responses to changes in the environment

- Enhance our competitive edge in the shrinking domestic market
- New market development, investment in growth fields
- Respond to expanding overseas markets
- Promote alliance with other companies (effective utilization of external management resources)
- Tackling global environmental problems

2) Company's Direction (Future Vision of the Group)

Company's direction	Entire Group	Adhere to our basic philosophy: "Create Markets Together with Our Customers"	
	Carbon steel (feedstock)	<ul style="list-style-type: none"> Establish cost competitiveness to survive the times of high competition; ensure vertical flexibility 	
	Stainless steel	<ul style="list-style-type: none"> Ensure overwhelming competitive edge in commercial grades; become the No. 1 manufacturer in Japan using our overall abilities (technical/development prowess, sales strength, earning power) by enhancing the sales of original steel products Become a top global manufacturer 	Establish our position in overseas emerging markets
	Surface treatment	<ul style="list-style-type: none"> Expand our business as "Nisshin for coated steel" with a production system of 100,000-ton-per month of ZAM, aggressive overseas/domestic promotion of our unique coated products and the development of next-generation products 	
	Special steel	<ul style="list-style-type: none"> Maintain the No.1 domestic share of steel sheets; Overseas business development 	
	New business	<ul style="list-style-type: none"> Create steel demand especially in the construction field by utilizing our materials development prowess and processing technologies. 	



Specific actions	<ul style="list-style-type: none"> Enhance our business competitive edge New market development, investment in growth fields Expand our business to overseas emerging markets Strengthen our earning power and financial constitution to invest management resources
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3) Enhancement of Our Competitive Edge (1)

● Intensive enhancement of our cost competitiveness

- Build strong corporate constitution that can respond flexibly to changes in the management environment

	Basic measures	Strategic investment	Group partnership - Alliance	
Operational improvements	● Operational improvements integrating sales, manufacturing and research		● Mutual utilization of facilities NSSC: Expand OEM Nippon Metal Industry: Outsource hot-rolling	
	● Improve productivity and yield by fully utilizing mass production facilities (3ZM, 6AP, RSPM etc.)			
	Upstream process	● Ensure competitive edge of Kure Works (carbon steel) ● Increase the use of lower-priced materials in Shunan Works (stainless steel)	● Study further continuous operations of production lines ● Produce high-cleanliness steel ● Revamp the stainless steel making process	● Develop dust disposal (Nippon Steel Corporation)
	Downstream process	● Optimum production systems in Sakai, Ichikawa and Toyo Works ● Ensure downward flexibility by expanding the operating range of each facility	● Boost ZAM production (expansion of operating facilities, consideration of new coating lines)	
Materials	● Look for lower-priced raw materials and expand sources ● Stable procurement of coke and cost reduction	● Stable procurement by investing in raw material rights	● Joint procurement; joint investment in mining companies	
Distribution	● Promote efficiency of distribution ● Cost reduction related to distribution and outsourced processings	● Consideration of new berths in Sakai (for export)		
Disintegrated factories	● Establish a company-wide integrated production system	● Review of the production system for cold-rolling and paint-coating sections		
Cost reduction	● Rationalize labor costs/workforce and increase efficiency; seek to achieve minimum workforce ensuring upward flexibility ● Promote rationalization of outsourcing; repair cost reduction; intensive control/reduction of all other costs			

3) Enhancement of Our Competitive Edge (2)

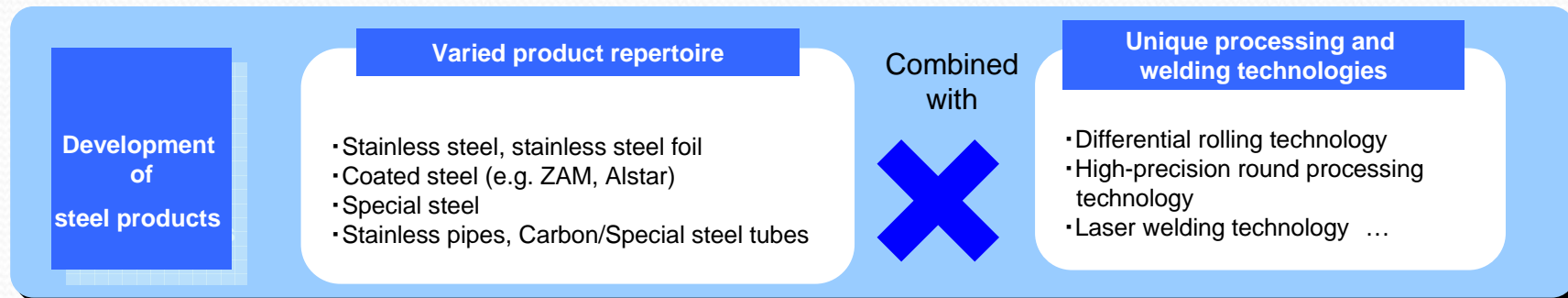
● Enhancing our sales basis

- Maintain and secure markets by improving customer satisfaction
- Structural improvements; shift to high-profit products; expand solution-based sales through concerted efforts of marketing, product development and research

	Stainless steel	Surface treatment		Special steel
		Coating	Paint-coating	
Basic strategy	<ul style="list-style-type: none"> ● Enhance solution proposing capacity based on the needs for new functions and improved performance of steel products (e.g. energy-saving, safety, eco-friendliness) ● Develop new products and offer quality and services that satisfy customers 			
	<ul style="list-style-type: none"> ● Distributor sales: Further strengthen relationship with affiliated distributors ● Term contracts: Sales expansion to unexploited areas ● Stainless pipes: sales expansion and entry into the processing field 	<ul style="list-style-type: none"> ● Continue the intensive demand creation especially for ZAM and special coated products ● Develop and create overseas demand (capacity expansion) 	<ul style="list-style-type: none"> ● Create demand including for SELiOS →Enhance relationships with customers and expand sales to prefabricators and contractors ● Rebuild the production/sales system integrating the entire group 	<ul style="list-style-type: none"> ● Ensure an overwhelming share in the automotive sector; explore new fields ● Closely follow the overseas business expansion of Japanese users
Distribution strategy	<ul style="list-style-type: none"> ● Reorganization of distributor sales and finishing / processing centers 			<ul style="list-style-type: none"> ● Study the optimum methods for finishing and processing
Pricing strategy	<ul style="list-style-type: none"> ● Review the base prices and the surcharge system 			
Shortened delivery time Reduced inventory	<ul style="list-style-type: none"> ● Establish an optimum production system integrating manufacturing and sales ● Consider shortening lead time and improving deadline/accuracy 			

4) New Market Development and Investment in Growth Fields (1)

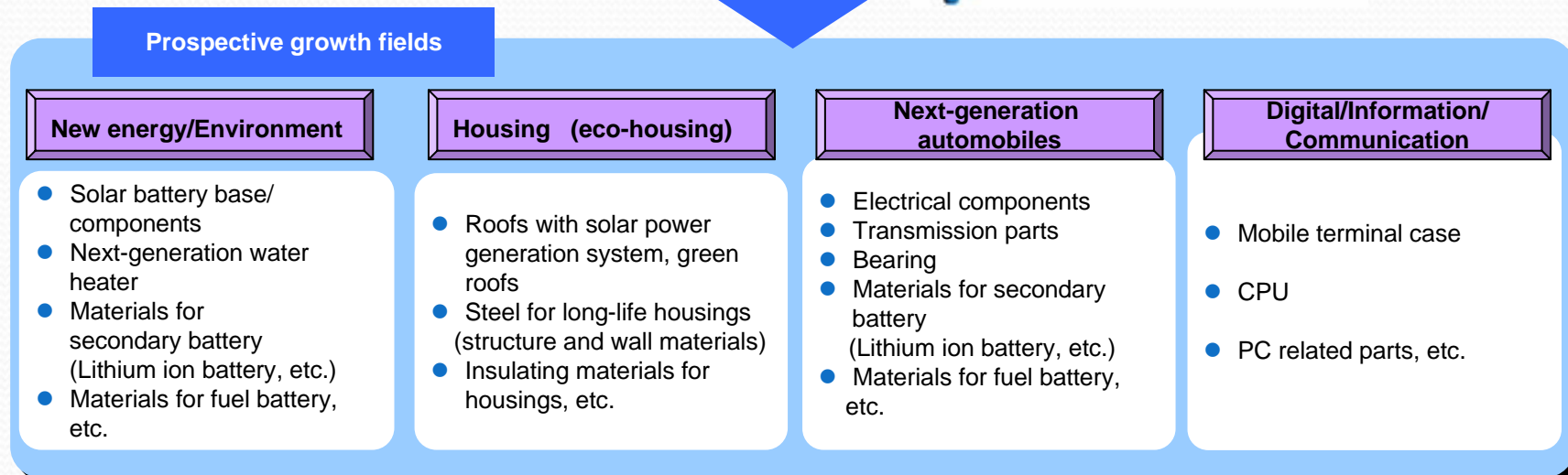
- Provide a varied repertoire of services from supply of steel products to processing and propose comprehensive solutions



Creating Markets Together with Our Customers



Utilization of **F-Tech.Plaza**



4) New Market Development and Investment in Growth Fields (2)

- **Enhancing “Joint Development with Consumers” and using overall group capacity**

Research and development of new products

		Focused areas of development	Usage
Stainless steel / Stainless pipes		Increase the purity of single-phased ferritic steel	Materials for fuel battery and Li-ion battery, etc. High-output, exhaust gas purification materials for automobiles. Materials for high-efficiency water heater system. Materials for IT-related equipment, etc.
		Development of original steel types (cost reduction at customer's end by reducing the number of processes)	
		Creation of demand by combining the production of original steel with surface treatment and surface improvements	
		Expansion of demand by suggesting solutions for processing and welding technologies	
Surfacing treatment	ZAM	Order quantity: Work to increase orders from 50,000 →60,000→over 100,000 tons/month Creation of demand through lining up new functions; overseas business expansion	Materials for solar battery, automobiles, roads, agriculture, housings, etc. Power semiconductor base; materials and tubes for automobiles, etc.
	Aluminum coating/ Copper coating	Creation of demand based on product characteristics (e.g. heat shield characteristics, brazing characteristics, conductivity) Sales expansion in overseas markets by providing our know-how	
	New coating	Development of next-generation ZAM	
Special steel		Production of steel sheet from materials of other shape by suggesting solutions for processing technologies Demand expansion using high-cleanliness steel in industrial equipment and construction fields Sales expansion in overseas market through joint development together with customers	Materials for power transmission, tools and motor parts, etc.

New business

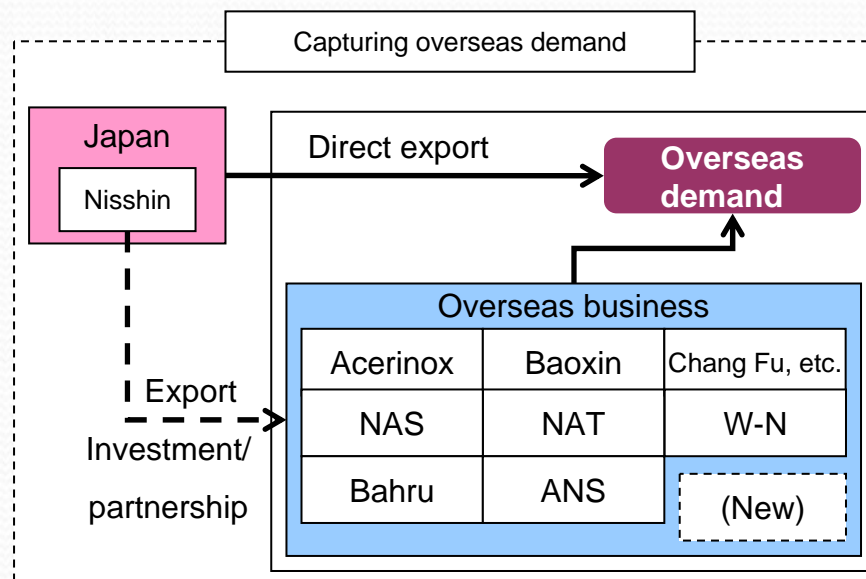
Target fields	Key development priorities	Action plans
Construction material processing	Special steel centered ZAM and stainless steel Crack-free coated construction materials using new foaming technology	Develop steel demand through group-wide efforts. Respond to overseas business expansion of home builders. Improve the product development system for construction materials.
Other fields	Processed products based on stainless steel pipes	
	Battery case processing using original stainless steel Ultra-thin coated steel lines	

5) Business Expansion in Emerging Overseas Markets (1)

- **Aggressive sales expansion and business activities in overseas emerging markets**

- Significant demand increase in emerging economies and intensified competition in unified Asian market
- Reinforcement of industry protection policies of countries in free trade areas (e.g. AD duties, imposed specifications)
- Accelerated local procurement by Japanese users
- Japan's decreased export competitiveness due to appreciation of yen

→ Aggressive expansion and maximum utilization of overseas business in addition to export from Japan (optimum combination of export and local business)



【Target markets】

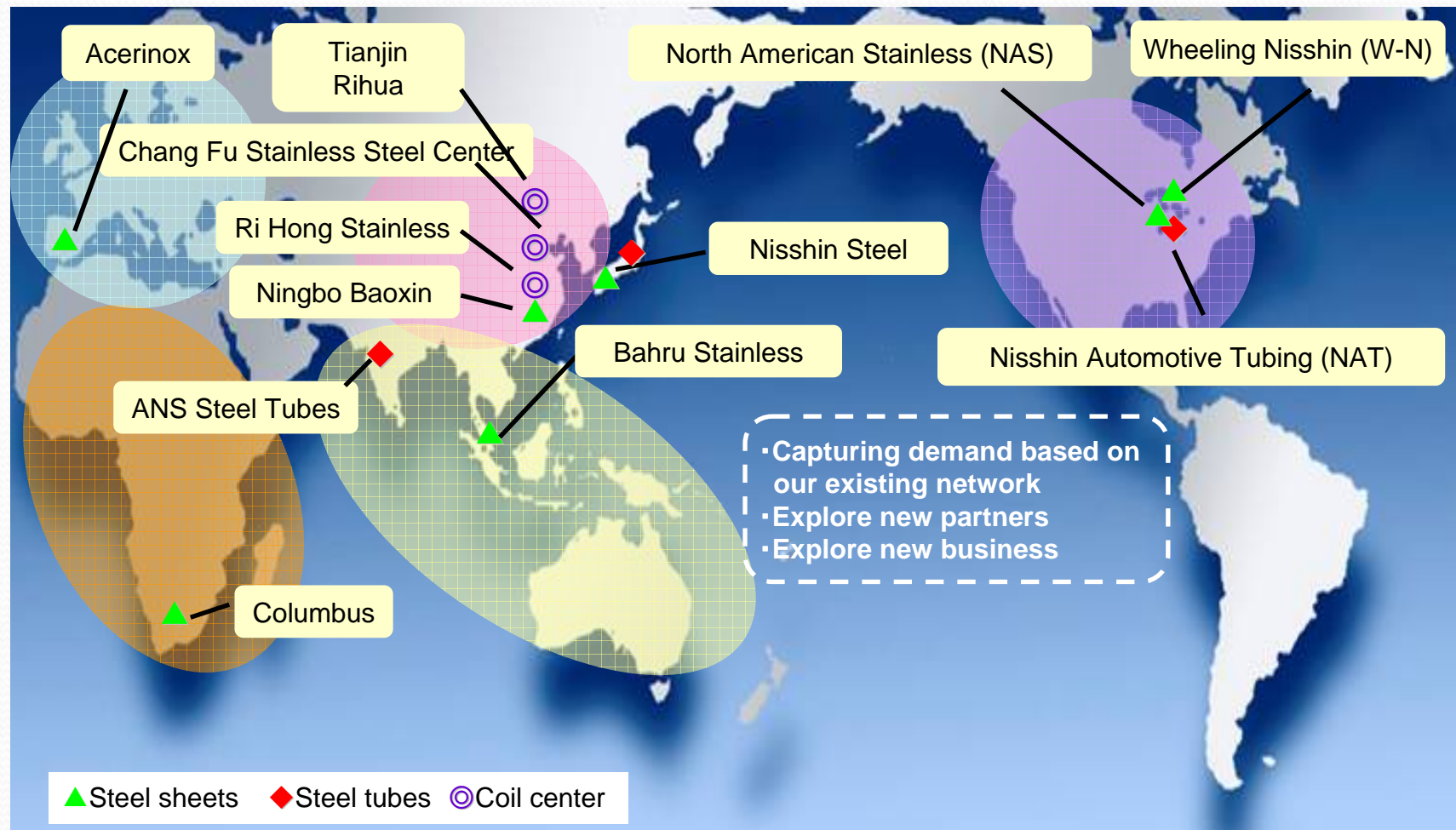
- Study supplying to unexploited regions such as Latin America and Russia, in addition to China, India, South East Asia and USA.

【Methods to capture markets】

- In addition to export, utilize overseas basis of merged companies and partners to explore demand especially from Japanese companies
- Research and explore demand in neighboring countries by utilizing overseas operating bases to expand supply area (explore Latin American markets using Wheeling-Nisshin)







5) Business Expansion in Emerging Overseas Markets (2)

● Utilizing our global network



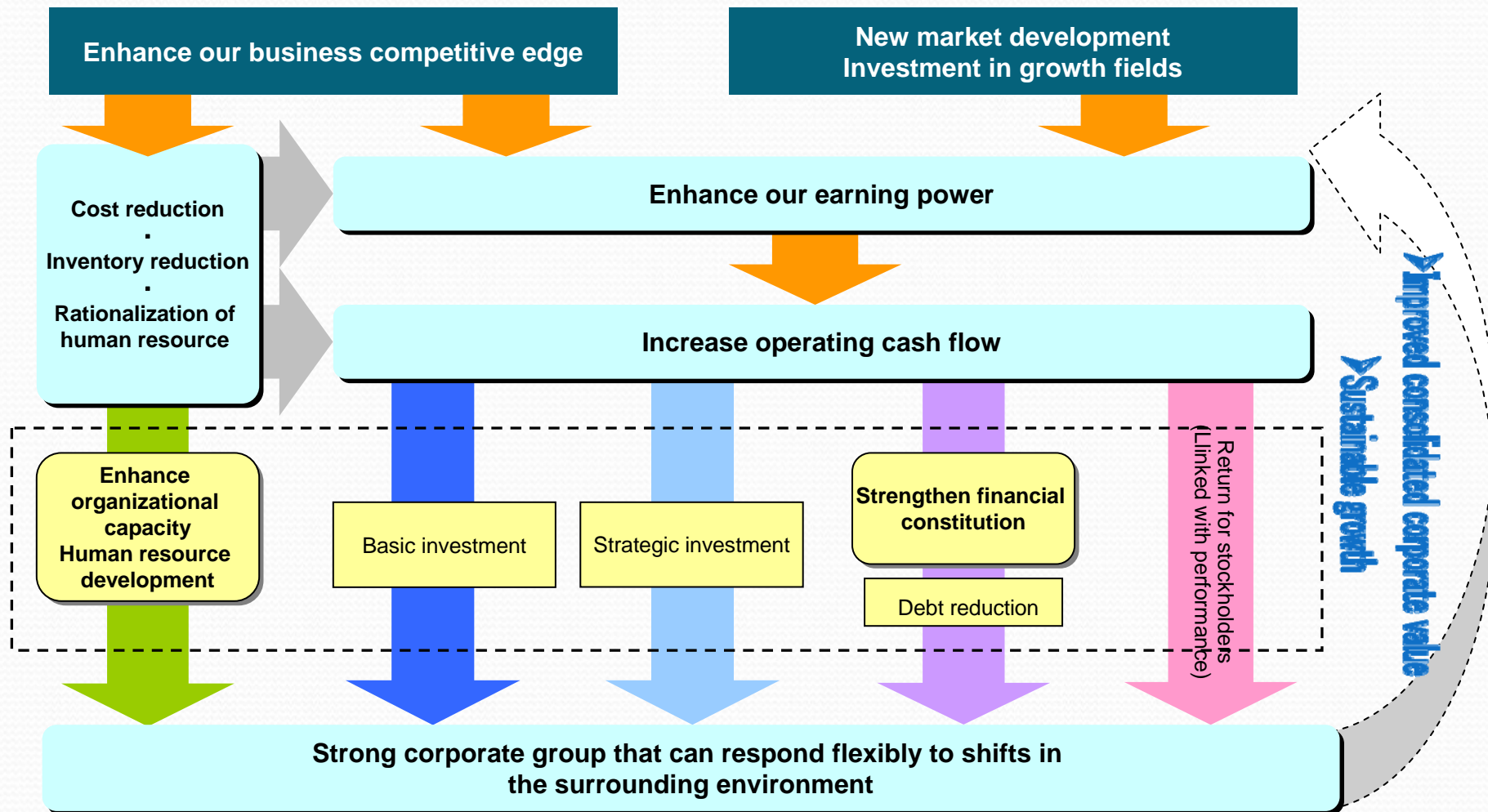
5) Business Expansion in Emerging Overseas Markets (3)

- Enhance existing overseas business and consider the possibility of new business

	USA	China	South East Asia · India
Stainless steel	<p>North American Stainless (NAS)</p> <ul style="list-style-type: none"> ○Acerinox subsidiary ○Strengthen relations with NAT 	<p>Bao Steel Group/Ningbo Baoxin Stainless Steel</p> <ul style="list-style-type: none"> ○One of the world's largest cold rolling mills ○Responds to growing local demand 	<p>Bahru Stainless (Malaysia)</p> <ul style="list-style-type: none"> ○Joint venture with Acerinox ○Starts production in 2011 (TBC) ○Studying process integration from melting to cold rolling 
	<p>Wheeling-Nisshin (W-N)</p> <ul style="list-style-type: none"> ○Our 100% subsidiary ○Strengthens coating business including Latin American markets 	<div style="border: 2px solid blue; padding: 10px; background-color: yellow;"> <ul style="list-style-type: none"> ● Overseas expansion of new surface treatment business <ul style="list-style-type: none"> ▪ ZAM : Consider establishing a global supply system (USA, Asia) ▪ Alstar: Explore demand for exhausted gas tubes (Asia) ▪ Copperfite: Establish a local supply system for consumers (USA, Asia) </div>	
Steel tube business	<p>Nisshin Automotive Tubing (NAT)</p> <ul style="list-style-type: none"> ○Expands NAS-NAT partnership ○Considers entry to oil-feeding tubes 	<p>Ningbo Baoxin Stainless Steel</p> <ul style="list-style-type: none"> ○Considering the utilization of Baoxin steel tube business 	<p>ANS Steel Tubes (India)</p> <ul style="list-style-type: none"> ○Joint venture with JBM Group ○Started production of SUS steel tubes (2009~) 

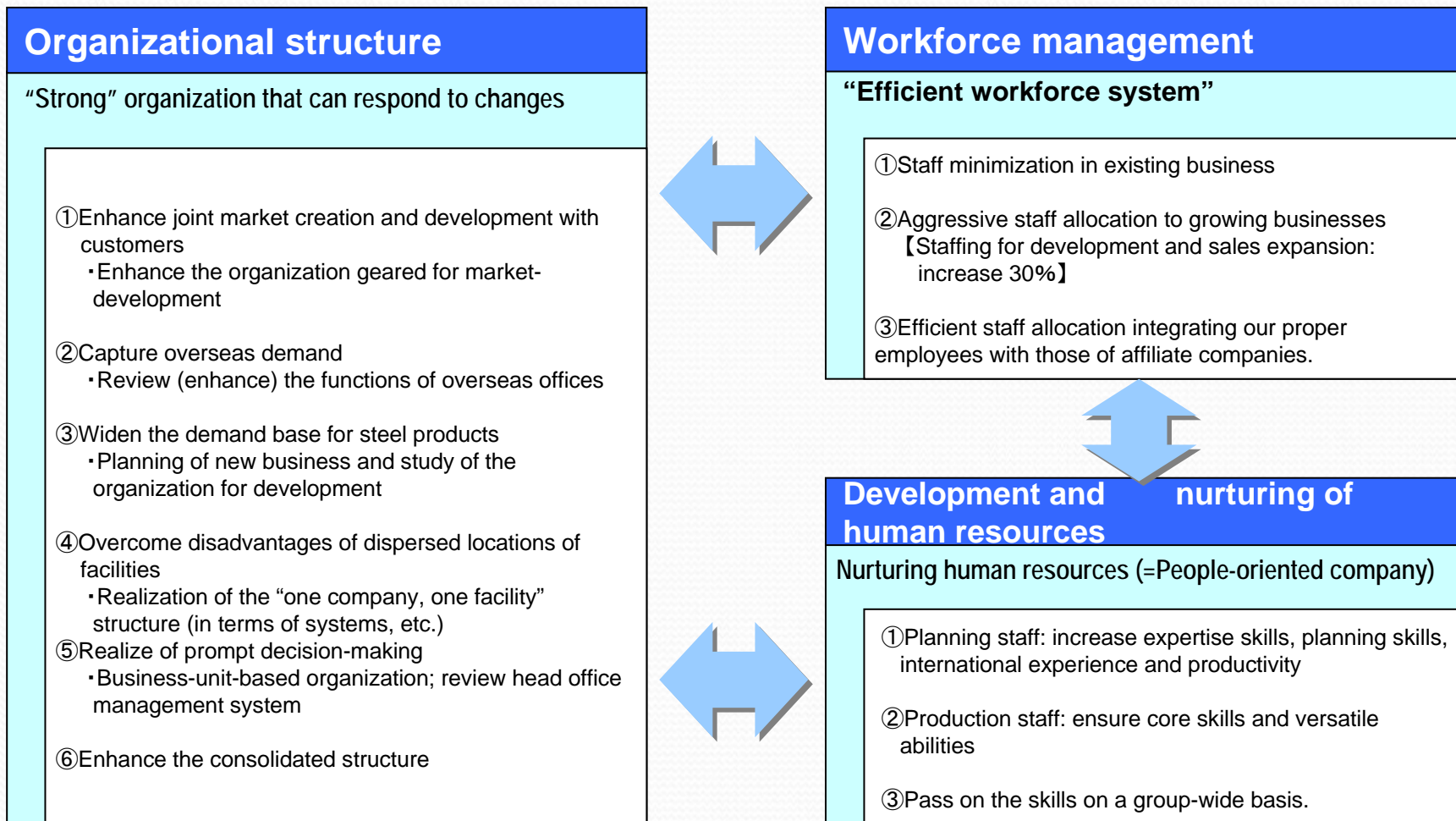
6) Enhancing Our Earning Power and Financial Constitution to Invest Management Resources (1)

- Sustainable growth cycle



6) Enhancing Our Earning Power and Financial Constitution to Invest Management Resources (2)

- **Striving to become a strong corporate group that can respond flexibly to changes in the surrounding environment**



6) Enhancing Our Earning Power and Financial Constitution to Invest Management Resources (3)

- **Balance the efficient investment of management resources and the enhancement of financial constitution by selecting and concentrating capital expenditures and investment and lending**

- **Capital Expenditures**

- **Basic investment**

Give priority to basic investment to enhance cost competitiveness and maintain quality superiority

Outlook for basic investment

		(100 million yen)				
		Acceptance basis				
		2010	2011	2012	2013	2014
Amount of investment		239	184	211	187	270
		5-year average: 21,800 million yen				

- **Strategic investment**

- Immediately start considering ①increasing ZAM production, ②stainless steel upstream process and ③consolidation of prepainting lines.
 - Study in details other programs individually (e.g. concentration of production bases, improvement of distribution efficiency, production of high-cleanliness steel) including determination of business profitability.

- **Investment and Lending**

- Domestic Market: Distribution strategy; investment in new business such as processing field; improvement of the Group's efficiency, etc.
 - Overseas Market: Strengthening and expansion of existing business; investment in new businesses (e.g. coating, prepainting, special steel); investment for rights to take raw materials, etc.

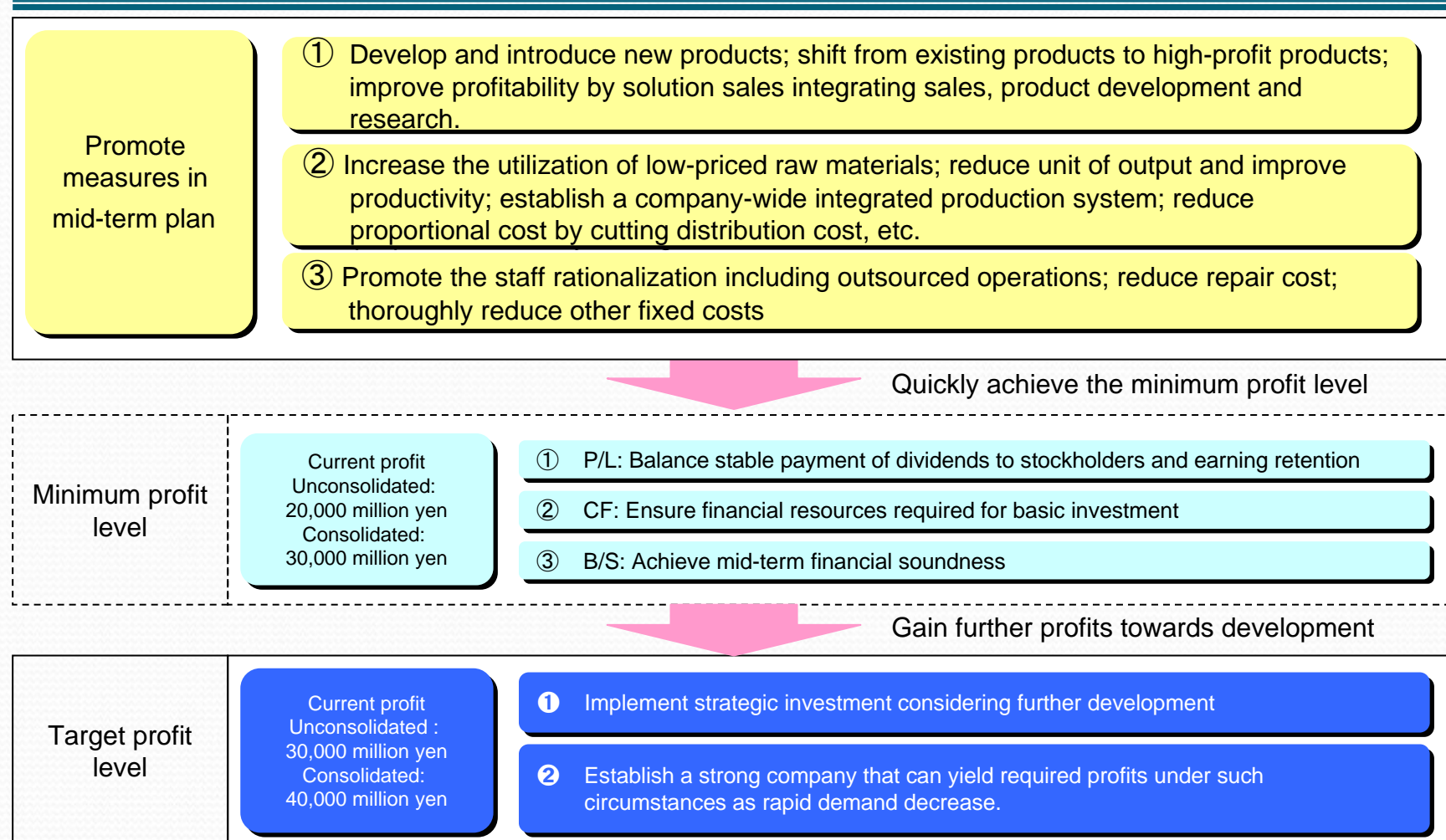
- **Research and development**

- An important challenge to achieve sustainable growth; aggressively invest funds and human resources including the introduction of pilot plants

Direction
for development

- Aggressively promote development such as revolutionary new technologies that will forge the future of our company (e.g. new-generation coating technologies) in addition to the needs-based development and the development of process technologies
 - At the same time, strengthen functions of "F-Tech. Plaza" to enhance solution-based development

6) Enhancing Our Earning Power and Financial Constitution to Invest Management Resources (4)



※ These amounts are a rough indication for profit. Specific figures and relevant fiscal terms.

6) Enhancing Our Earning Power and Financial Constitution to Invest Management Resources (5)

① Target indicators for financial soundness

- Capital ratio: 40% or higher
- D/E ratio: 1.0 or lower
- Rating: A+ or higher

② Return for stockholders (including the acquisition of treasury stocks)

- Pay stable dividends primarily linked to performance

③ Response to P/L in inventory valuation

- Reduce inventory and control P/L in inventory valuation

④ Enhance and review consolidated structure

- Promote integrated group-wide management

4. Approach to Global Environmental Problems

**Environmental
conservation
activities**

**Contribution to
global environmental
conservation through
our products**

**Development of
eco-friendly
Steel-manufacturing
technology**

- Promotion of 3R (Reuse, Reduce, Recycle)
 - Aggressively save energy and reduce CO₂ (Investments in energy-saving: high-efficiency power generation, recycling of waste heat)
 - Respond to environment and recycling efforts (Collection and recycling of by-products)
- Contribution to global environmental conservation through our products
 - Offer “eco-materials” that are friendly to environment and human beings
 - DNA-SUS … Contribute by offering product characteristics such as corrosion resistance, heat resistance and workability
 - Chromium-free steel sheets … Respond to the need to reduce environmentally hazardous substances
 - ZAM … Extend life of products and save resources by its outstanding corrosion resistance
- Participate in COURSE50* (Japan Iron & Steel Federation Project)
 - Utilization of blast furnace hydrogen recycling
 - Separation and collection of CO₂

※CO₂ Ultimate Reduction in Steelmaking process by Innovative technology for cool Earth 50

5. “Compliance First” as the Basis of Our Corporate Management

- **Our basic philosophy**

- Nisshin Steel Group will continue to contribute to society while practicing our company’s basic philosophy of harmonizing with society as a “good corporate citizen” that is trusted.

- **Compliance declaration**

- We will promote business management in good faith that “prioritizes” compliance as an absolute requirement.
- We will not pursue and accept profits that cannot be obtained without taking risks against compliance.
- We are committed to promoting business activities that will give firm root to compliance spirit as our corporate culture.

End

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