On the Leading Edge: Nippon Steel

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Forging Core Strengths

Nippon Steel Corporation

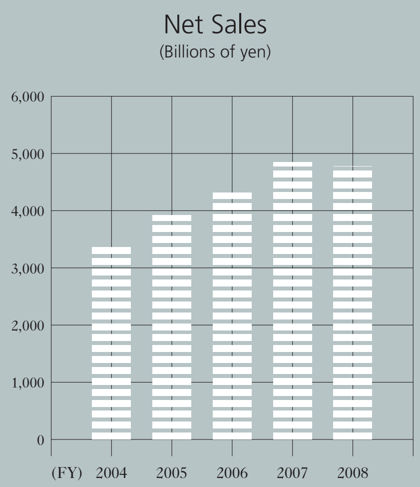
Annual Report 2009

Year ended March 31, 2009

The Nippon Steel Group undertakes the steelmaking and steel fabrication business as its mainstay operation. Underpinned by this backbone segment, Nippon Steel is developing business in five other segments: engineering and construction, urban development, chemicals, new materials and system solutions. The Company is accelerating initiatives toward establishing a structure with an annual crude steel production capacity of more than 40 million metric tons. At the same time, we are stringently adhering to the strategy of growing into a real global player in the steel industry. To accomplish these goals, the Group is constantly forging its core strengths—its "technological edge" and "on-site expertise and capabilities."

Notes:

- Nippon Steel's accounting period covers a 12-month period beginning April 1 and ending March 31 the following year. In this annual report, "fiscal 2008" refers to the 12-month period ended March 31, 2009, while "fiscal 2007" refers to the 12-month period ended March 31, 2008.
- Tonnage figures represent metric tons.
- Product and service names presented in this annual report are, in principle, trademarks or registered trademarks of Nippon Steel in Japan and overseas as of the publication date.

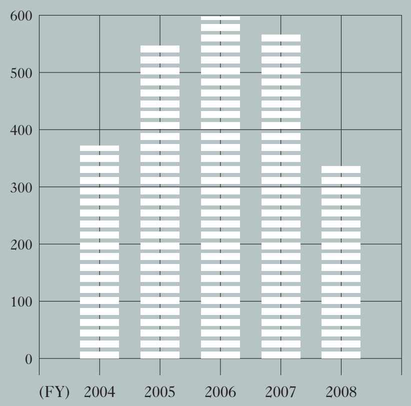


Nippon Steel Corporation and Consolidated Subsidiaries

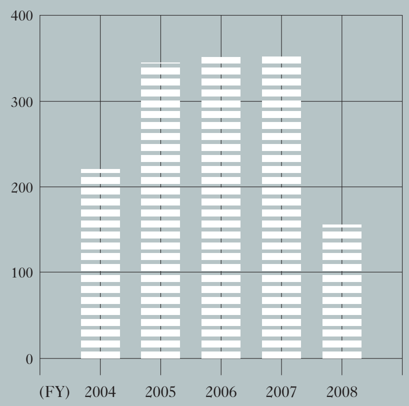
	Millions of yen			Change (%)	Millions of U.S. dollars (Note 1)
(FY)	**2008**	2007	2006	2008 / 2007	**2008**
Operating Results (for the year)					
Net sales	**¥4,769,821**	¥4,826,974	¥4,302,145	(1.2)	**$48,557**
Operating profit	**342,930**	545,580	580,097	(37.1)	**3,491**
Ordinary profit	**336,140**	564,119	597,640	(40.4)	**3,421**
Net income	**155,077**	354,989	351,182	(56.3)	**1,578**
Financial Position (at year-end)					
Total assets	**¥4,870,680**	¥5,193,498	¥5,344,924		**$49,584**
Total net assets	**2,174,809**	2,413,954	2,369,228		**22,139**
Interest-bearing debt	**1,454,214**	1,192,027	1,213,057		**14,804**
Per-Share Data					
Net income (yen)	**¥24.60**	¥56.33	¥54.28		
Cash dividends (yen)	**6.00**	11.00	10.00		
Consolidated payout ratio	**24.4%**	19.5%	18.4%		
Financial Indicators					
Return on sales (Note 2)	**7.0%**	11.7%	13.9%		
Return on assets (Note 3)	**6.7**	10.7	12.1		
Return on equity (Note 4)	**8.7**	18.6	19.7		
Shareholders' equity ratio (Note 5)	**34.3**	36.8	35.4		
Debt-to-equity ratio (times) (Note 6)	**0.87**	0.62	0.64		
Reference					
Crude steel production (consolidated, thousands of tons)	**31,240**	36,233	34,523		
Price of steel (non-consolidated, thousands of yen per ton)	**104.7**	79.8	75.3		
Export ratio (non-consolidated, value basis; %)	**32.5**	33.4	32.3		

Notes: 1. U.S. dollar amounts are translated, for convenience only, at the rate of ¥98.23 = $1, the exchange rate prevailing at the balance sheet date of March 31, 2009.
2. Return on sales = (Ordinary profit / Net sales) x 100
3. Return on assets = (Ordinary profit / Total assets [average for the period]) x 100
4. Return on equity = (Net income / Shareholders' equity [average for the period]) x 100
5. Shareholders' equity ratio = Shareholders' equity / Total assets x 100
6. Debt-to-equity ratio = Interest-bearing debt / Shareholders' equity

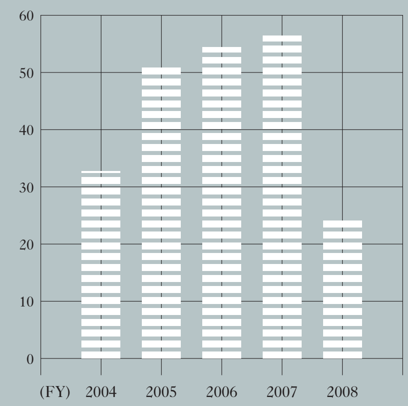
Ordinary Profit
(Billions of yen)



Net Income
(Billions of yen)



Net Income Per Share
(Yen)



Nippon Steel Corporation is committed to being a steelmaker that boasts world-leading, comprehensive strengths in the truest sense. Accordingly, the Nippon Steel Group is constantly working to bolster the trust of its customers, under any kind of operating environment. To this end, we will continue to sharpen our technological edge and reinforce our on-site expertise and capabilities—the two core strengths of the Group and the very sources of our competitiveness.

Review of Fiscal 2008 (April 1, 2008 to March 31, 2009)

The U.S. financial crisis, which surfaced in September 2008, triggered the ensuing global recession. Negatively affected by the recession, domestic crude steel production for fiscal 2008 showed a record year-on-year fall of 13.2%, to 105,500 thousand metric tons, the lowest level in the past seven years.

Nippon Steel's performance was regrettably, but inevitably, impacted by such an unfavorable environment, marking a downturn from the record-level results in the previous fiscal year. During the second half—the fourth quarter in particular—the Company experienced a decline in demand in principal business areas and substantially decreased orders attributable to customers' inventory adjustments. Due to these conditions, we suffered significant deterioration in both revenues and earnings. Our thorough implementation of cost-reduction initiatives proved insufficient to absorb the slowdown in sales driven by a rapid nosedive in demand. In particular, Nippon Steel posted ¥74.2 billion in ordinary loss for the fourth quarter, for ordinary profit totaling ¥336.1 billion for fiscal 2008, down approximately 40% from fiscal 2007.

Fiscal 2008 was the final year of Nippon Steel's medium-term consolidated business plan, which started in fiscal 2006. Although the Company was not able to achieve results as fruitful as it had planned for the final year, it has made steady progress toward achieving its targets under the plan over the three-year medium term. Specifically, we have set our ordinary profit target for each of the three fiscal years at ¥500.0 billion. The three-year average of actual ordinary profit stood at ¥499.0 billion, almost on par with the target. Also, we have set the three-year target for aggregate cost reduction in the steelmaking and steel fabrication business at ¥90.0 billion. The actual cost reduction over the period amounted to ¥160.0 billion, well over the target. These achievements have certainly enabled Nippon Steel to prepare itself for enhancing cost competitiveness in the future.

Under the medium-term plan, the Company intended to make capital expenditures and investments totaling ¥850.0 billion over the period, but the actual figure exceeded ¥1,200.0 billion. This accomplishment showcases the Company's aggressive stance in investing for future growth. Meanwhile, we have obtained an international bond rating of A, which supports our belief that Nippon Steel has accomplished another goal under the medium-term plan of steadily strengthening its financial soundness.

Taking into account the aforementioned, Nippon Steel has decided to pay out an annual dividend of ¥6 per share, down ¥5 compared with that for fiscal 2007, for a consolidated payout ratio of 24.4%. Despite consolidated net loss recorded for the second half, attributable to the violent deterioration in macroeconomic conditions, the Company has reached this decision in line with its policy of valuing profit distributions to its shareholders while carefully examining the status of retained earnings.

Fiscal 2009 Outlook

In the current fiscal year, ending March 31, 2010, total real gross domestic product (GDP) on a worldwide basis is expected to show minus growth. Nevertheless, demand recovery in China seems to have begun, encouraging the Japanese automobile and electronics industries to clear their inventories and shift away from production cutbacks. Accordingly, there are some signs that the Japanese economy may exit what is deemed to be its worst period, avoiding a deeper bottom and recovering to some extent.

Though probably not supporting a full-fledged recovery, these positive signs are fueling our expectations that production will return to match the level of real demand for our products after the second quarter of fiscal 2009. Based on such expectations, Nippon Steel recently resumed operation of the No. 1 blast furnace at the Oita Works, whose operation had been suspended temporarily.

Still, we forecast that it will take several years or more for domestic crude steel production to expand again, and thus we will continue to suffer from severe operating conditions for the time being. Therefore, we will aggressively maximize cost-reduction efforts, including the promotion of strategically lean operations, the improvement of productivity and yield and the expanded use of more reasonably priced raw materials.

Nippon Steel sadly anticipates that it will remain in the red for the first half of fiscal 2009. However, the entire Nippon Steel Group is working as one, with strong determination to return to profitability for the full year by stepping up cost-reduction initiatives and maximizing its share of recovering demand.

Fundamental Strategies Aimed at Maximizing True Nippon Steel Value

As with domestic crude steel production, we must realize that a true recovery of economic conditions will possibly require several years. However, medium- to long-term operating environments after such a recovery seem to be somewhat promising: the economies of Brazil, Russia, India and China (BRICs), as well as other rapidly developing countries, are most likely to drive the growth of the global economy. In step with economic growth, steel demand is slated to return to a growth path again. It will be absolutely necessary for the Nippon Steel Group to capture opportunities that arise from such demand expansion. To that end, we must keep reinforcing our cost superiority to remain a leader in the global market—particularly in the ever-competitive markets of emerging countries where our rivals are dynamically bolstering their production capacity.

Of course, cost superiority alone will not be sufficient. Amid the advancing globalization of our supply chain, we have to continue to precisely accommodate ever-evolving customer and societal needs and offer optimal solutions.

With the aim of swiftly responding to business globalization, Nippon Steel has focused on two fundamental strategies. One was to establish a structure that enables an annual crude steel production capacity of more than 40 million metric tons. The Company promoted this strategy in the core market of medium- to high-grade steel, emphasizing scale expansion through financially reasonable capital expenditures and alliances. The other was to make Nippon Steel the top global steelmaker. More specifically, the second strategy called for proactively increasing overseas production and sales building on the backbone of the Company's already competitive domestic operations. Although we may have to gear the

pace of implementation accurately in line with recent drastic changes in our operating environment, we will keep our focus on these two fundamental strategies over the medium to long term, thereby steadily developing our businesses.

I would like to elaborate on the global player strategy a little further. In accordance with this strategy, Nippon Steel has established a business network through alliances with various overseas counterparts. Based on this network, the Company is currently in the process of accelerating joint ventures to expand production lines for automotive steel sheets in China and Brazil. In addition, we are considering the launch of automotive steel sheet businesses in Thailand and India. Particularly noteworthy is the fact that we have increased our share in Brazil-based Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS) to further strengthen the partnership. In Vietnam, we have invested to acquire interest in a new cold-rolling mill owned by The Pohang Iron and Steel Company (POSCO) based in South Korea.

Furthermore, Nippon Steel is developing business in regions that it has not yet penetrated. Specifically, on December 5, 2008, the Company decided to invest in Safal Steel (Proprietary) Limited, a steel sheet manufacturer based in South Africa. Also, on December 25, 2008, the Company decided to acquire Haldex Garphyttan AB, the world's largest valve spring wire producer, through a Group company.

Forging Our Core Strengths

Nippon Steel aims to become the top global steelmaker with a focus on medium- to high-grade steel. This requires the Company to provide technological advantages that enable accurate and consistent responses to ever-advancing customer needs. By continuously sharpening our technological edge, we are constantly solidifying our foundation—and providing differentiated technologies and capabilities to offer unmatched solutions.

In recent years, the entire world has tackled various environmental issues. In response to such global efforts, Nippon Steel has recognized its eco-friendly steel products, dubbed "Eco-Products®," as a priority growth area of business and is accelerating related R&D projects and product launches. The Company's Eco-Products® include high-tensile-strength steel sheets and electrical sheets for hybrid car motors, both of which help to save energy, as well as other products for the energy-related fields, such as fuel cells and wind, photovoltaic and nuclear power generation.

But our technological edge alone does not really produce anything—we need on-site expertise and capabilities to actually create products and generate profits. Nippon Steel defines on-site expertise and capabilities as a range of absolute necessities as a manufacturer to respond to calls from customers and society at large in an integral manner. Accordingly, the term "on-site" here shall cover not only our manufacturing sites, where products are physically produced, but also other processes in our business, such as technological development, purchasing, transport of raw materials and products, and sales and marketing. To sum up, on-site expertise and capabilities refers to Nippon Steel's collective strengths. We are accumulating innovative knowledge in various fields, thereby persistently improving our on-site expertise and capabilities.

What underpins our technological edge and on-site expertise and capabilities is the ability of Nippon Steel Group employees. I believe that being a company that can attract, nurture and make the best of talented individuals undoubtedly holds the key to achieving sustainable corporate growth. Embracing this belief, we are carefully developing and managing our human resources and promoting the intergenerational transfer of skills and techniques, with particular attention paid to generational changes.

Promoting Integrated Group Management

In addition to its mainstay steelmaking and steel fabrication business, Nippon Steel operates the five other businesses of engineering and construction, urban development, chemicals, new materials and system solutions. Each of these businesses has selectively developed its individual operations and dramatically improved its earnings base, thereby making significant contributions to Nippon Steel's consolidated performance to date. They will continue to bolster and refine their own strengths, share the Groupwide management strategies and aim to generate inter-segmental synergies. In this way, the Nippon Steel Group will, as a whole, work to keep maximizing its corporate value.

Many Thanks to Our Shareholders

Indeed, fiscal 2009 will be a critical year for the Nippon Steel Group—critical in the sense that we must reestablish a formidable management foundation capable of realizing sustainable growth in the years to come. To this end, as explained before, all Group companies will join forces to forge the Group's core strengths—its technological edge and on-site expertise and capabilities.

There is a proverb that I personally like. *"Shippuu ni keisou wo shiru"*—this is literally translated into English as "The wind reveals the strongest grass" and is intended to indicate, "When the going gets tough, the tough get going." Even against today's unprecedented headwinds, Nippon Steel must remain the strongest grass, as other grasses may be smothered flat on the ground. With this attitude, we must prepare ourselves aptly for a full-scale recovery in economic conditions. In any economic recovery phase, the gaps in the ability of corporations tend to emerge, clearly dividing the winners from the losers. To continue gaining momentum to make a leap forward when the right time comes, we accept the challenges that we are currently facing as an opportunity to forge our core strengths. Adhering to such a stance, the Nippon Steel Group will take a steady Groupwide approach in tackling today's issues.

At the same time, Nippon Steel will work to earn the ever-greater trust of its customers, shareholders and the global community in remaining a valuable member of society. The Company will achieve this by promoting activities in such areas as safety, environmental protection, disaster prevention and quality assurance. Furthermore, we will step up efforts in such fields as compliance, corporate ethics, social contribution, in-house education and internal auditing.

As the leader of the Nippon Steel Group, I sincerely hope that this report will effectively communicate the Group's management policies and strategies to all shareholders and investors and promote a deeper understanding of the Company. On behalf of all Group employees, I ask for your unwavering support.

October 2009

Shoji Muneoka
Representative Director and President

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Forging Core Strengths

Nippon Steel continues to reinforce its technological edge, on-site expertise and capabilities, and other unique strengths as if it were forging a piece of iron to create stronger steel. In this way, we are reestablishing a sustainable, growth-oriented foundation impervious to fluctuations in our operating environment.

技術先進性

Technological Edge

Boasting world-leading technologies that are applied to automotive steel sheets and other products, Nippon Steel has a very powerful product portfolio, **over 70%** of which are medium- to high-grade steel products. Meanwhile, the Company is operating two blast furnaces—the world's largest such furnaces, each boasting a **furnace volume of 5,775 m^3**—at its Oita Works.

Resource Efficiency and Procurement Capability

資源力

Applying next-generation coke-making technologies, a new coke oven at our Oita Works has increased the environment-friendly use of low-grade coal, which now accounts for **50%** of total coal used by this new coke oven. Also, taking advantage of one of the world's deepest harbor structures at the Oita Works, we are introducing in succession ultra-large iron-ore carriers with a **capacity of 300,000 metric tons**.

Global Business Network

グローバル展開力

The Nippon Steel Group is strengthening its global supply structure for automotive steel sheets and other products through alliances with **18 domestic and overseas steelmakers**. Moreover, we are utilizing the production facilities of our alliance partners to realize an **annual crude steel production capacity of more than 40 million metric tons**.

Financial Soundness

財務力

We have **successfully halved** our interest-bearing debt from the level in the late 1990s. Our net debt-to-equity ratio has improved to **0.8 times**. Thanks to these and other achievements, Nippon Steel has obtained an international bond rating of A.

Environmental Responsiveness

環境対応力

With technologies to effectively use gases and thermal energy—by-products of steelmaking processes—Nippon Steel has realized the world's highest level of energy efficiency of approximately **60%**. Also, Nippon Steel has become the first company in the world to recycle an aggregate total of **one million metric tons** of waste plastic.

On-Site Expertise and Capabilities

現場力

Through continual laborsaving investments and production capability improvements, Nippon Steel has attained world-leading labor productivity. Specifically, its per-capita annual crude steel production on a non-consolidated basis at normal facility utilization stands at **2,200 metric tons**.

In the development of medium- to high-grade steel products, we tend to face significant technical challenges. This is because these products are often required to demonstrate contradictory properties.

For example, high-tensile-strength steel sheets, which are used for automotive bodies, are required to be thin and light as well as to have high strength, weldability and formability. Nippon Steel has persistently tackled such development issues to create optimal solutions, thereby attaining high customer acclaim and, consequently, high market shares for its products. Another Nippon Steel product that represents our technological edge is electrical sheets used for hybrid car motors. Electrical sheets convert electric energy into kinetic energy. We have succeeded not only in developing thinner, more lightweight electrical sheets, but also in reducing iron loss—loss as thermal energy—in electrical sheets. Due to these unparalleled characteristics, Nippon Steel's electrical sheets became the first in the world to be adopted for hybrid car motors.

Also, our Ecokote-S—a steel sheet for automotive fuel tanks—received the Prime Minister's Award at the 3rd Monozukuri Nippon Grand Awards. Offering improved corrosion resistance without the use of lead or chromate coating, Ecokote-S is an eco-friendly steel sheet compatible with biofuels.

Nippon Steel will work to integrate its leading technological advantages with customer needs, thereby offering optimally customized products and solutions. We have defined such an approach as "cross-industry collaboration."

In the area of production, Nippon Steel boasts the world's top-level productivity and cost-competitiveness, supported by seven large blast furnaces with a furnace volume of over 4,000 m^3. In fact, two of these furnaces are the world's largest, each boasting a furnace volume of 5,775 m^3. Meanwhile, advanced operation-oriented technologies hold significant importance in expanding furnace volume, improving energy efficiency and ensuring stable furnace operation.

Nippon Steel has developed 3D-VENUS, a visual evaluation and numerical analysis system for blast furnaces. This system enables the per-second monitoring of temperature, pressure and gas distribution inside operating furnaces, while reproducing a three-dimensional image of monitored conditions. In addition, the Company has made a breakthrough in improving manufacturing processes for coke—a material used in blast furnaces. Specifically, we have successfully developed a sophisticated coke oven inspection and maintenance technology that contributes to extending the service life of coke ovens and to energy savings. We are promoting the introduction of this technology to coke ovens at our steelworks nationwide. This technology, too, has earned high acclaim in the industry, having received the Production Award at the 55th Okochi Award.

Going beyond the leading edge, Nippon Steel continues to pioneer the conventionally unthinkable in the industry, creating innovative technologies, products and solutions.

Technological Edge

Our product development capabilities—allowing us to meet ever-advancing customer needs with optimal solutions—have made medium- to high-grade steel products command over 70% of our entire product portfolio.

Nippon Steel has realized high productivity and cost-competitiveness. Behind such successes are the Company's large-capacity blast furnaces, for which it works tirelessly to ensure stable operations through the use of a visual evaluation and numerical analysis system and other leading-edge technologies.

Because Nippon Steel operates its principal production facilities in Japan—a country with poor natural resources—it has to rely on the import of iron ore, coal and other raw materials. To make the situation more unfavorable, the supply of high-quality raw materials will inevitably grow scarce. Having foreseen today's situation from early on, Nippon Steel has aggressively undertaken the development of technologies that enable the manufacture of high-quality products using low-grade raw materials at the same productivity level as with high-quality raw materials. One of our major successes in this regard was the development of SCOPE21* next-generation coke-production technology. Based on the outcome of research conducted by Nippon Steel, this national project had been promoted in cooperation with other steelmakers. SCOPE21 technology enables an increase in the use of low-grade coal to 50%, compared with the 20% allowable in previous coke production processes. The use of low-grade coal is cost-effective, as the material is not likely to experience price hikes. Nippon Steel started the operation of a new coke oven using this technology for the first time in the world at its Oita Works in May 2008.

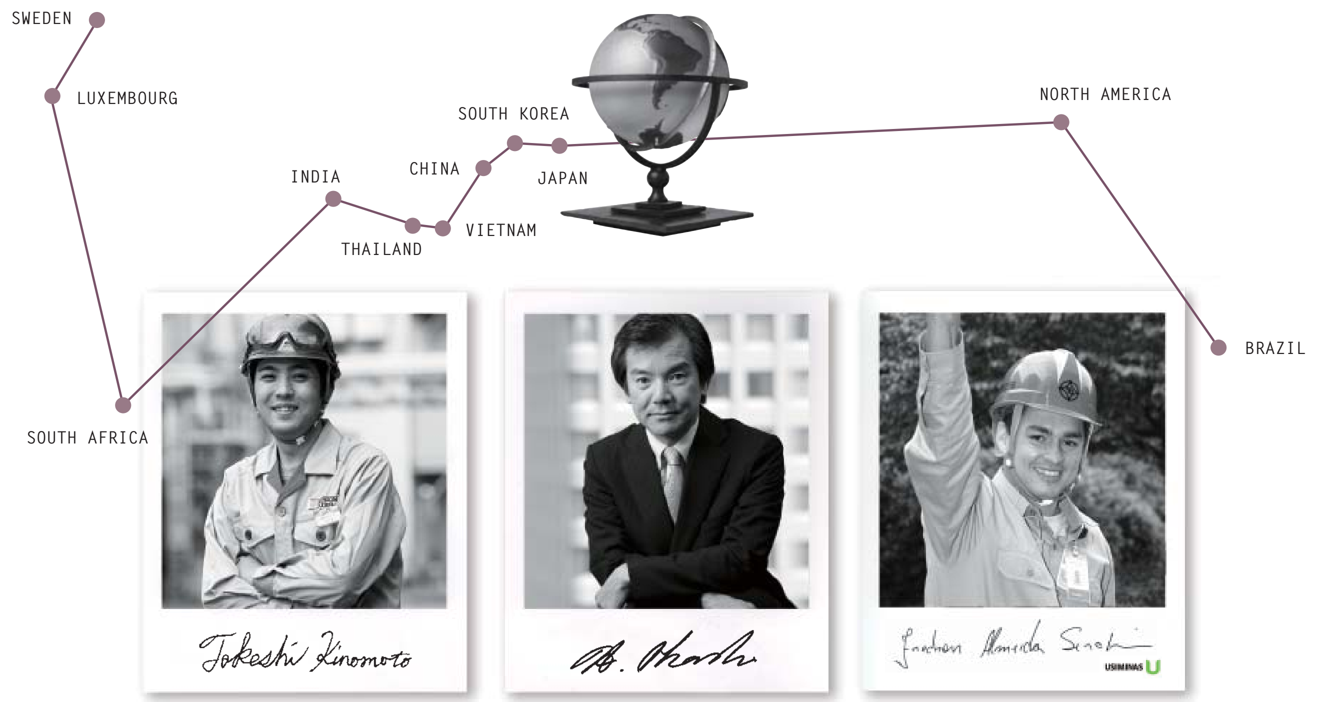
In addition, Nippon Steel has over time established a structure to ensure the stable procurement of raw materials. In the area of transport, Brasil Maru, which carries Nippon Steel's Brazilian iron ore, was launched in December 2007. This ultra-large vessel, boasting a cargo capacity of 327,180 tons, uses the Company's Oita Works, which is the only works that provides deep harbor infrastructure to accommodate vessels of a dead-weight tonnage in excess of 300,000 tons. Through Brasil Maru, we have secured an annual supply of iron ore totaling approximately 1.4 million tons. In addition, we plan to start the operation of five other ultra-large carriers with a capacity of 300,000 tons by the end of 2010. Currently, the ratio of long-term supply contracts using dedicated carriers to all contracts stands at 80% or more.

As another initiative to ensure stable procurement, Nippon Steel has invested in competitive mines in Brazil, Australia and Canada. One example was joint investment in Nacional Minérios S.A. (NAMISA) in Brazil in 2008. After the expansion of production at NAMISA-affiliated and other mines, the Company will purchase 45% of its iron ore and 25% of its coking coal from mines in which it has an equity stake. Including these figures, we are currently engaged in long-term purchasing contracts for 100% of the iron ore and 85% of the coking coal that we use to manufacture our products.

* SCOPE21: Super Coke Oven for Productivity and Environmental Enhancement toward the 21st century

Resource Efficiency and Procurement Capability

To ensure stable supply of its products, Nippon Steel has implemented forward-looking initiatives in resource procurement and utilization. The Company's green technologies have enabled the increased use of low-grade raw materials, which are relatively immune to price hikes. At the same time, we have long solidified the foundations for stabilizing our procurement activities over the long term through investments in competitive mines throughout the world and the introduction of super iron ore carriers.



Global Business Network

Underpinned by its competitive domestic operations, Nippon Steel has constructed a global business network through alliances with top steelmakers in each region throughout the world. Based on this network, the Company is meticulously accommodating the needs of customers worldwide in the area of medium- to high-grade steel products. At the same time, we have established a collaborative production structure under which we and other domestic and overseas steelmakers leverage the strengths of particular specialty areas.

Nippon Steel has formed alliances with leading steelmakers in each region of the world. This global network includes Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS) in Brazil, ArcelorMittal in Europe, Tata Steel in India, Baoshan Iron and Steel Co., Ltd. in China, and The Pohang Iron and Steel Company (POSCO) in South Korea. Of particular note is that USIMINAS is not only our alliance partner in South America, but it is also an equity-method affiliate.

Amid the ongoing globalization in automobile and other industries, the Company has recognized the importance of "cross-industry collaboration" and accordingly accelerated the implementation of local production strategies through alliances. In line with these strategies, we are advancing joint ventures on a global scale to expand production facilities for automotive steel sheets. Specifically, we are extending hot-dip galvanizing lines in China and Brazil, while pushing ahead toward the launch of automotive steel sheet businesses in Thailand and India. During fiscal 2008, the year under review, the Company purchased the voting shares in USIMINAS held by Companhia Vale do Rio Doce—a natural resources powerhouse in Brazil—to further strengthen its relationship with USIMINAS. Also, in Vietnam, we have invested to acquire interest in a new cold-rolling mill owned by POSCO. In Sweden, we have decided to acquire Haldex Garphyttan AB—the world's largest valve spring wire producer based in Sweden—through a Group company. Furthermore, as its first business base on the African continent, the Company has decided to invest in Safal Steel (Proprietary) Limited, a steel sheet manufacturer based in South Africa.

Nippon Steel is also promoting alliances on the domestic front. Specifically, the Company has formed alliances and is accordingly enhancing collaboration with three blast furnace operators—namely, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., and Nisshin Steel Co., Ltd. At the same time, we have entered into business partnerships with 10 electric furnace operators. Through these partnerships, Nippon Steel and its partners are effectively utilizing each other's facilities to manufacture flagship products, thereby bolstering the individual competitiveness of each partner.

Gross Interest-Bearing Debt and Gross Debt-to-Equity Ratio
(as of March 31)

Financial Soundness

Today's corporate management requires steady capital expenditure and R&D activities as well as agile decision-making concerning strategic investments. The Company's financial strength supports all of these activities. Nippon Steel has long worked to reduce its interest-bearing debt, while continuing to undertake large-scale investments aimed at boosting future corporate growth. As a result, the Company has established a sound financial standing, recording a net debt-to-equity ratio of 0.8 times as of March 31, 2009.

Nippon Steel first began full-scale efforts to strengthen its financial standing in the late 1990s. The balance of interest-bearing debt stood at ¥2,640.8 billion as of March 31, 1998. This figure has been more than halved in 10 years, and the Company's interest-bearing debt totaled ¥1,192.0 billion as of March 31, 2008. Meanwhile, during the same period, we have more than doubled our shareholders' equity, from ¥878.7 billion to ¥1,908.7 billion.

The balance of interest-bearing debt as of March 31, 2009 stood at ¥1,454.2 billion, a year-on-year increase of ¥262.1 billion. Behind this increase were aggressive capital expenditure and investments from fiscal 2006 to September 30, 2008, as well as violent fluctuations in operating conditions in the second half of fiscal 2008, the year under review. However, Nippon Steel recorded a gross debt-to-equity ratio of 0.87 times (0.8 times on a net basis) and total shareholders' equity of ¥1,668.6 billion. These figures collectively represent the Company's strong financial standing.

With a view to preparing for the strategic investments necessary to reinforce its global network further—a distinctive strength of the Company—Nippon Steel has recognized the improvement of funding capabilities as one of its priority management issues. More specifically, the Company aims to maintain an international bond rating of A. As of March 31, 2009, Moody's Japan K.K. has given Nippon Steel an unsecured long-term debt rating of A1, while Standard & Poor's has issued a long-term corporate credit rating of A- for Nippon Steel.

By Nippon Steel's definition, Eco-Processes refer to the manufacture of products at the world's highest energy efficiency. Such processes are, naturally, indispensable for bolstering the Company's cost-competitiveness and for maintaining sustainable growth.

Nippon Steel fully reuses gaseous by-products that are generated through steelmaking processes as fuel gas for heating steel and as an energy source used at power stations within steelworks. The Company also recovers and reuses for power generation the exhaust heat generated through steelmaking processes. These activities have enabled us to achieve an energy efficiency rate of approximately 60% with all of our steelworks included in the data calculation. Particularly notable are the Company's coke dry quenching (CDQ) facilities. Often large in scale, CDQ facilities extinguish burning coke and recover exhaust heat to generate electricity. Disseminating CDQ's significant benefits in energy saving, we are offering technological support to overseas steelmakers—including those in China and India—with regard to CDQ facilities.

In addition to gases and thermal energy, Nippon Steel internally reuses as steel raw materials most of the by-products generated through steelmaking processes. Also, by promoting the reuse of such by-products as raw materials in other industries, the Company has achieved a recycling rate of approximately 98%. Being one of the most innovative of all facilities, rotary hearth furnaces (RHFs) are capable of recovering reduced iron and zinc from dry dust, sludge and other by-products that contain a high level of iron oxide. While utilizing RHFs internally, we are also currently constructing RHF-equipped plants in South Korea through a joint project with POSCO.

Moreover, since 2000, Nippon Steel has undertaken a project in which its steelworks recycle almost all of the plastic containers and wrapping materials collected by local governments throughout Japan. Plastic containers and wrapping materials are indirectly heated and chemically decomposed in a coke oven into hydrocarbon oil (40%), coke (20%) and coke-oven gas (40%). Hydrocarbon oil is reused at the Group's chemical plants to manufacture a plastic raw material. Coke is reused as a blast furnace material in steelmaking. Coke-oven gas is reused as fuel for power stations and blast furnaces within steelworks. Nippon Steel boasts the world's largest annual plastic recycling capacity of 250,000 tons. The aggregate amount of plastics recycled by the Company reached one million tons in May 2008.

Environmental Responsiveness

Nippon Steel's "Eco-Processes" realizes the world's premier energy efficiency. While constantly enhancing its Eco-Processes, the Company is joining forces with other industries and society to achieve sustainable development of the global community. In this way, we aim to become a model steelmaker.

Technological edge alone does not create customer satisfaction. That requires on-site expertise and capabilities to convert technological edge into actual value for customers. Pursuant to such a concept, Nippon Steel has always worked to strengthen its on-site expertise and capabilities, focusing on the two aspects of its business foundation—facilities and human resources.

In the area of facility enhancement, Nippon Steel has continually invested in improving process continuity and labor efficiency. As a result, the Company has realized the world's highest level of labor productivity. In fiscal 2008, the year under review, we started the Companywide implementation of a Core Manufacturing Functions Enhancement Program. Through this program, we aim to improve the quality of our maintenance operations—involving facility overhaul and more rigorous inspection and repair—in three years, thereby realizing the full potential of our facilities. We will continue to allocate a certain amount of management resources to this program, regardless of the operating environment.

Excellent human resources always underlie superior on-site expertise and capabilities. Positioning on-the-job training at the heart of our human resource development, we are also providing our employees with opportunities to refine their specialty skills. These opportunities take the form of voluntary *KAIZEN* (total quality control [TQC]) activities and the "skills triathlon" maintenance skills competition. By spreading these activities throughout the Company, we are raising the overall technological and technical level of every employee.

Voluntary *KAIZEN* activities are a particular source of Nippon Steel's on-site expertise and capabilities. Inevitably, every workplace faces unexpected incidents and various problems from time to time. Voluntary *KAIZEN* activities help Nippon Steel employees develop their ability to identify problems and issues on a daily basis and solve them efficiently and effectively, as well as to swiftly and accurately respond to unexpected incidents. As of today, the Nippon Steel Group has more than 3,000 voluntary *KAIZEN* activity circles. Each of these circles is regularly endeavoring to make improvements in their individual areas of know-how. Their efforts are accumulating steadily, allowing the Company as a whole to keep reinforcing its on-site expertise and capabilities.

Meanwhile, Nippon Steel has held the "skills triathlon" maintenance skills competition as an annual Companywide event since 2005. At this event, technicians selected from each steelworks and Group company compete with each other, demonstrating their machinery maintenance skills. These competitions have been very effective in improving the skills and techniques of young technicians, who will serve as a future foundation of the Company.

We will continue to bolster efforts aimed at strengthening our on-site expertise and capabilities from the two perspectives of facility enhancement and human resource development. Through such an approach, we aim to evolve into the best manufacturer in the world.

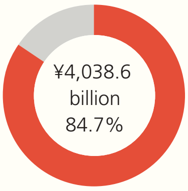
現場力

On-Site Expertise and Capabilities

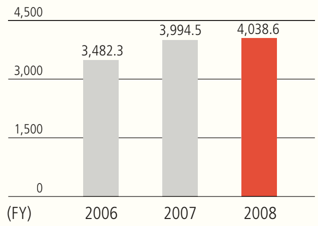
"On-site expertise and capabilities," coupled with "technological edge," forms the two core strengths of the Nippon Steel Group. On-site expertise and capabilities here do not just refer to our manufacturing skills. Rather, the term encompasses our comprehensive ability to respond to the expectations of customers and society throughout all of our business processes—including technological development, purchasing, transport of raw materials and products, and sales and marketing. Such expertise and capabilities empower the Nippon Steel Group to efficiently transform technological edge into tangible products and services and consequently generate profits.

Steelmaking and Steel Fabrication

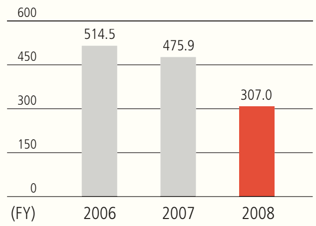
Composition of Consolidated Net Sales (see Note)



Consolidated Net Sales (Billions of yen)



Consolidated Operating Profit (Billions of yen)



Performance Highlights

Nippon Steel responded to rapidly decreased demand and reduced costs amid deterioration in operating conditions throughout the period. Segment sales were up ¥44.1 billion year on year to ¥4,038.6 billion due to higher sales prices, notwithstanding a significant decline in production and shipment. Despite a year-on-year decrease due to surging raw material and fuel prices and production cutbacks, we secured ¥307.0 billion in operating profit attributable to product price revisions and cost reductions.

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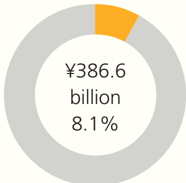
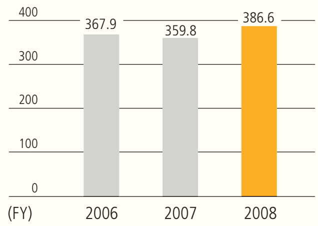
Engineering and Construction

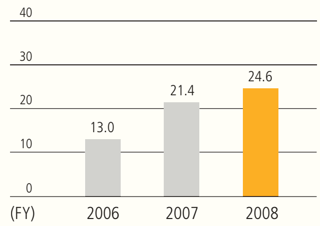
Composition of Consolidated Net Sales (see Note)



Consolidated Net Sales (Billions of yen)



Consolidated Operating Profit (Billions of yen)



Performance Highlights

This segment was negatively affected by slower capital expenditures and intensified competition in major markets attributable to the global recession. Despite Nippon Steel's all-out sales activities, the order situation was severe. However, thanks to our reinforced risk and project management for order backlog, we posted record-high segment sales and operating profit, totaling ¥386.6 billion and ¥24.6 billion, respectively.

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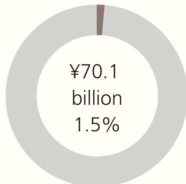
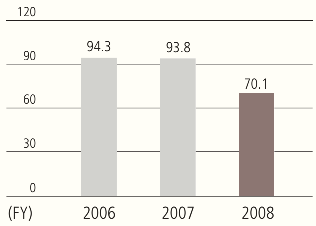
Urban Development

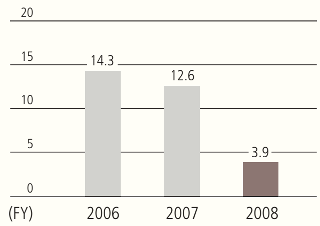
Composition of Consolidated Net Sales (see Note)



Consolidated Net Sales (Billions of yen)



Consolidated Operating Profit (Billions of yen)



Performance Highlights

The condominium sales market suffered a low rate of contracts signed due to weakened consumer sentiment. Also, in the building leasing market, stagnant demand for office space in the corporate sector resulted in an increase in vacancy rates. Despite our full-fledged management efforts amid such harsh conditions, segment sales and operating profit fell 25.2% and 68.8% to ¥70.1 billion and ¥3.9 billion, respectively.

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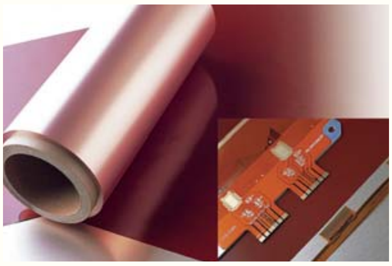
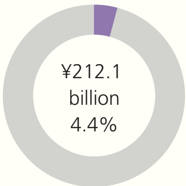
Note: Composition of consolidated net sales indicates the ratio of segment sales to consolidated net sales (eliminating intersegment transactions).

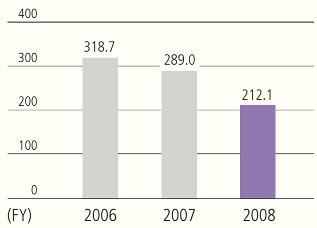
Chemicals



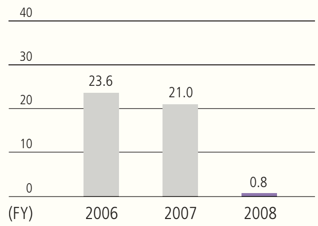
Composition of Consolidated Net Sales (see Note)



Consolidated Net Sales (Billions of yen)



Consolidated Operating Profit (Billions of yen)

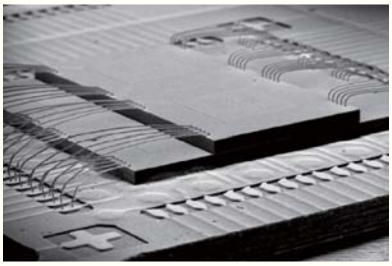


Performance Highlights

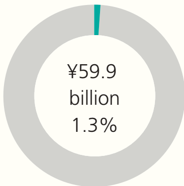
Robust demand in the first half supported the performance of coal tar chemicals and electronic materials. In the second half, however, segment performance was adversely impacted by violent crude oil and naphtha price fluctuations and a deterioration in conditions in commodity markets caused by a global demand slowdown. As a result, segment sales and operating profit sank 26.6% and 96.1% year on year to ¥212.1 billion and ¥0.8 billion, respectively.

page 33

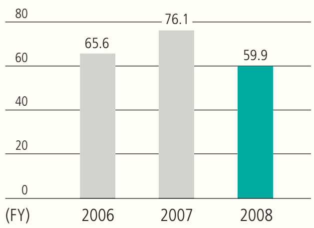
New Materials



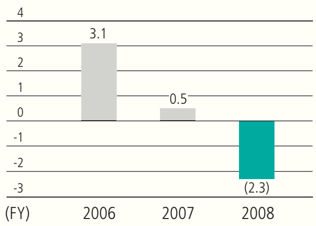
Composition of Consolidated Net Sales (see Note)



Consolidated Net Sales (Billions of yen)



Consolidated Operating Profit (Billions of yen)



Performance Highlights

Despite a slower decline in demand for basic industrial materials and energy-related and environmental materials and components amid the global recession, this segment was hit by a significant demand nosedive in the mainstay electronic materials and components field. As a result, segment sales dropped 21.3% year on year to ¥59.9 billion, while the segment posted ¥2.3 billion in operating loss.

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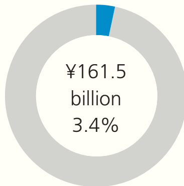
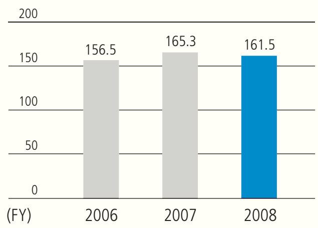
System Solutions

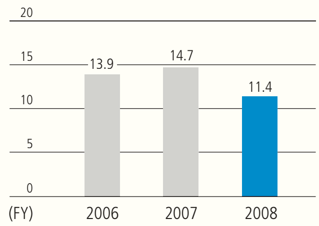
Composition of Consolidated Net Sales (see Note)



Consolidated Net Sales (Billions of yen)



Consolidated Operating Profit (Billions of yen)



Performance Highlights

Our corporate clients grew increasingly careful in making IT investments on the back of economic uncertainties in the first half. In the second half, our clients postponed their planned IT investments and reduced their IT system-related expenditures due to the outlook of performance deterioration. Despite full-scale efforts to achieve our targets, segment sales and operating profit decreased 2.3% and 22.4% to ¥161.5 billion and ¥11.4 billion, respectively.

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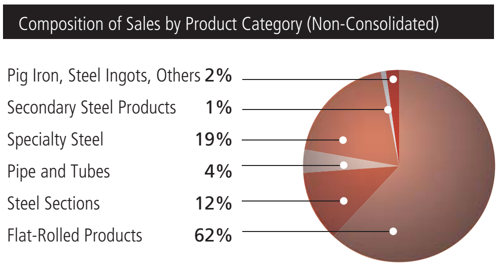


(Billions of yen)

(FY)	2006	2007	2008
Net Sales	3,482.3	3,994.5	4,038.6
Operating Profit	514.5	475.9	307.0

Business Profile

Nippon Steel's steelmaking and steel fabrication business boasts the world's leading technologies for medium- to high-grade steel, which requires high formability, corrosion resistance and weld strength. Such technologies empower the Company to offer customers a variety of steel as well as a wide range of solutions in such areas as processing and welding.

Business Strategies

Nippon Steel aims to become the top global steelmaker with a focus on medium- to high-grade steel. To this end, the Company is constantly reinforcing its technological edge and manufacturing skills and capabilities. The following five core initiatives underpin our efforts in this regard.

(1) Accurately capturing steel demand, particularly for medium- to high-grade steel, by improving our ability to meet customer needs

(2) Continuously enhancing and broadening technological capabilities and manufacturing skills to accurately capture steel demand

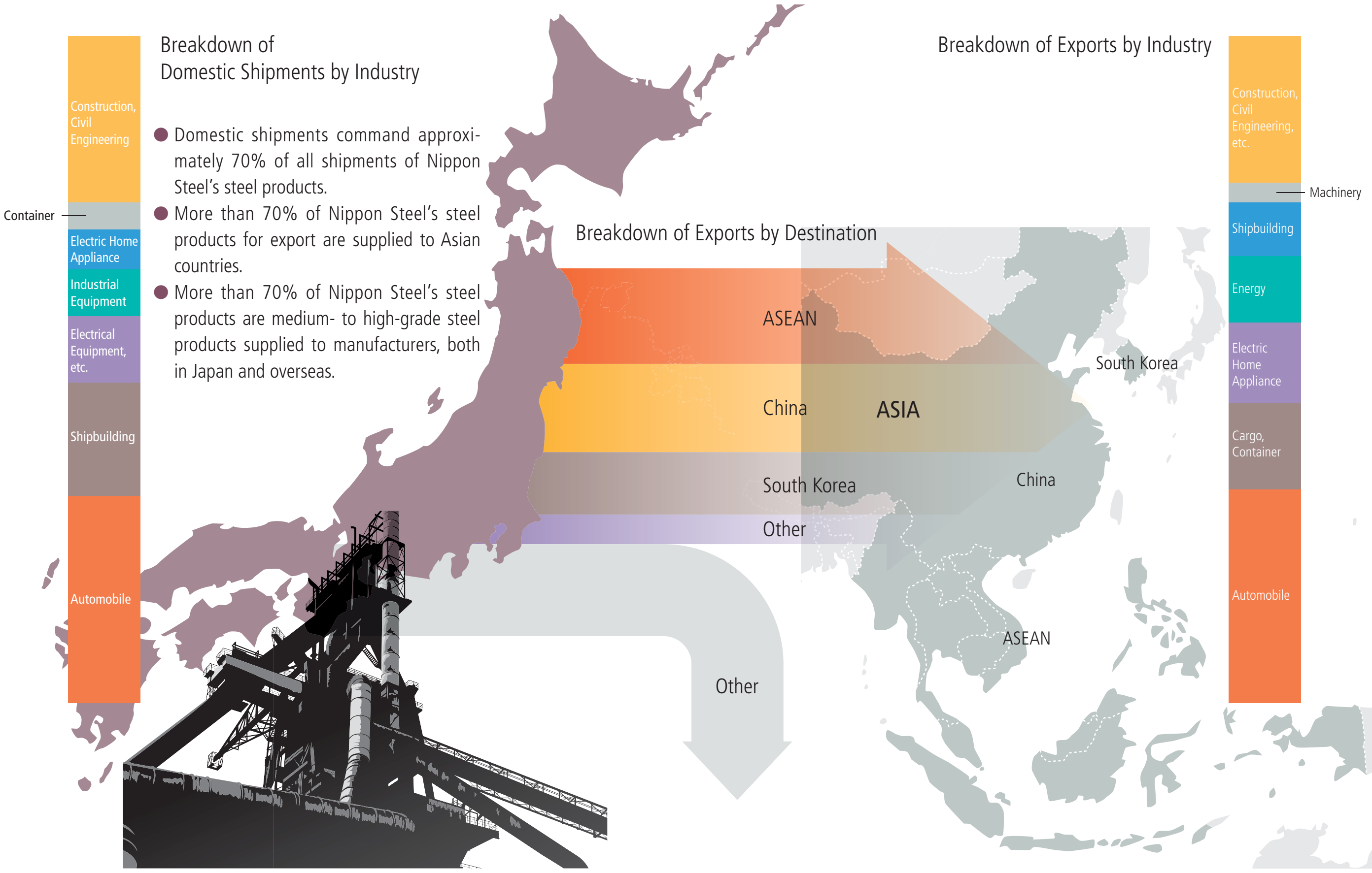
(3) Always solidifying a business foundation required for future growth

(4) Strategically promoting initiatives aimed at bolstering profitability and financial standing in close cooperation with Group companies within the segment

(5) Effectively strengthening and expanding alliances

Annual Summary

The first half of fiscal 2008 witnessed a slowdown in the activities of the domestic construction industry, a decline in real demand in the United States and a deceleration in the economic growth of the BRIC nations. Nevertheless, demand for steel remained steady overall both in Japan and overseas. Meanwhile, the tightening of the supply-demand balance for steel raw materials resulted in a surge in iron ore and coking coal prices. Prices of scrap iron, crude oil and other commodities also soared. Under these conditions, Nippon Steel worked diligently to improve segment profitability through various initiatives, including thorough cost reductions and strategic product price revisions.



In the second half, however, as the financial crisis surfaced in the United States, corporations operating in Nippon Steel's principal target markets advanced production and inventory adjustments rapidly. This situation resulted in a sudden and significant contraction in demand for our general-purpose products as well as for our mainstay medium- to high-grade steel products, which are primarily used by manufacturers. These conditions led to a sudden fall in domestic crude steel production—from a record high in the previous fiscal year, when production had risen to a high not recorded for 34 years—to 105,500 thousand metric tons, at 13.2% the largest year-on-year decline in our history. In fact, this figure is the first low in the past seven years since the 102,060 thousand metric tons recorded in fiscal 2001.

In response to demand contraction, Nippon Steel reduced output on a crude steel basis by one million metric tons year on year in the third quarter. During the fourth quarter, the Company continued to implement output reduction measures, such as decreasing blast furnace productivity* to an unprecedentedly low level, stopping furnace ventilation for longer hours and conducting intermittent rolling operations. In addition, we have moved up the scheduled blow-off in line with the renovation of the No. 1 blast furnace at our Oita Works, while having carried out the banking** of the No. 2 blast furnace at our Kimitsu Works. Through these initiatives, a year-on-year output reduction during the fourth quarter totaled a little less than four million metric tons, allowing us to adjust our supply-demand conditions.

As a result, Nippon Steel's shipment of steel products in fiscal 2008 amounted to 28.2 million metric tons, a year-on-year decrease of 4.7 million metric tons, which approximately equals the output reduction conducted during the second half. Sales in this segment improved ¥44.1 billion year on year to ¥4,038.6 billion. Strategic product price revisions more than offset the negative impact of a significant decline in production and shipment. Despite a substantial fall totaling ¥168.9 billion attributable to surging material and fuel prices and reduced production, the Company was able to secure ¥307.0 billion in operating profit in this segment through strategic product price revisions and full-fledged cost reduction efforts.

* Blast furnace productivity = Daily production of a furnace (metric tons) / Furnace volume (m^3)

** Banking refers to the process of temporarily stopping blast furnace production but making it possible to restart production at a later date by stopping the air blast flow.

Implementing Initiatives toward Achieving Sustainable Growth

In line with the aforementioned changes in operating conditions, Nippon Steel is now in the process of revising its strategies. Still, the Company expects that—with Asian economies playing a central role—the global economy will return to a medium- to long-term growth path and steel demand will recover at a certain point in the future. Based on these expectations, we continued to implement initiatives aimed at further accelerating our global expansion and ensuring our stable procurement of raw materials over the long term.

Global Network (Red cell indicates recent movement)

Nippon Steel

Haldex Garphyttan AB (Sweden)

New cold-rolling mill in Vietnam

Safal Steel (Proprietary) Limited (steelworks under construction)

Automotive steel sheet joint venture in China
(Baosteel-NSC/Arcelor Mittal Automotive Steel Sheets Co., Ltd.)

Europe / South Africa

Northern Europe (Sweden)	Acquisition of Haldex Garphyttan AB, the world's largest valve spring wire producer
South Africa	Investment in Safal Steel (Proprietary) Limited

Asia

Southeast Asia (Vietnam)	Launch of a cold-rolling mill joint venture with POSCO
China	Strengthening of an automotive steel sheet joint venture with Baoshan Iron and Steel Co., Ltd. and other parties
South Korea	Strategic alliance with POSCO
Thailand	Promotion of a joint venture for cold-rolling mills, tin plate, and pipe and tubes
India	Technological cooperation with Tata Steel

● Accelerating Our Global Expansion

Nippon Steel will continue to form strategic alliances and build a joint-venture network involving domestic and overseas counterparts. Specifically, the Company will work to strengthen and expand joint ventures in China and Brazil for automotive steel sheets. As part of such efforts, Nippon Steel has acquired the voting shares in Brazil-based Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS) held by Companhia Vale do Rio Doce—a Brazilian natural resources giant. The enhanced ownership in USIMINAS, which is our alliance partner in South America and an equity-method affiliate, will enable us to accurately accommodate customer needs in Brazil and other South American nations. Also, as part of strategic investments in the growth markets of Eastern Asia, the Company has decided to invest in and launch a joint venture using a new cold-rolling mill owned in Vietnam by South Korea-based The Pohang Iron and Steel Company (POSCO).

Meanwhile, the African region is expected to show an increase in steel demand in the future. To gain a strong foothold in this region, Nippon Steel has invested in Safal Steel (Proprietary) Limited, a steel sheet manufacturer based in South Africa. In Sweden, Suzuki Metal Industry Co., Ltd.—a former Nippon Steel equity-method affiliate and a key secondary manufacturer in the Group's specialty wire business—has acquired Haldex Garphyttan AB, the world's largest valve spring wire producer. Suzuki Metal has issued new shares through a third-party allotment to fund a portion of the acquisition cost. Nippon Steel has subscribed and completed the payment for those new shares and accordingly turned Suzuki Metal into a consolidated subsidiary. By stepping up collaboration with Suzuki Metal, the Nippon Steel Group will strive to establish a firm global-player status in the high-grade wire rod field.

● Securing Long-Term Stable Materials Procurement

As a means to ensure the stable supply of raw materials, Nippon Steel has made joint investment in Nacional Minérios S.A. (NAMISA)—a Brazil-based iron ore producing and marketing subsidiary of Brazil's second largest steelmaker, Companhia Siderurgica Nacional (CSN)—with another Japanese steelmaker, a Japanese trading house and POSCO. In addition, as an initiative in line with the strategic alliance formed with POSCO, Nippon Steel has promoted a joint project for dry dust recycling and reduced iron production. Through this project, the Company is currently constructing plants equipped with rotary hearth furnaces (RHFs) at POSCO's steelworks in Pohang and Gwangyang. RHFs are scheduled to commence operation by the end of 2009.

Automotive steel sheet joint venture with USIMINAS (UNIGAL Ltda.)

Blast furnace at Ipatinga Works of USIMINAS (Brazil)

North America / South America

Brazil	Reinforcement of strategic relationship with USIMINAS through increased investment
	Strengthening of an automotive steel sheet joint venture with USIMINAS
United States	Promotion of an automotive steel sheet joint venture with ArcelorMittal

Domestic Network

Domestic Network		
Sumitomo Metal Industries, Ltd.	Kobe Steel, Ltd.	Nisshin Steel Co., Ltd.

Osaka Steel Co., Ltd.	Godo Steel, Ltd.	Oji Steel Co., Ltd.	Nakayama Steel Works, Ltd.	Chubu Steel Plate Co., Ltd.	TOPY Industries Ltd.
Sanyo Special Steel Co., Ltd.	Aichi Steel Corporation	Daido Steel Co., Ltd.	Mitsubishi Steel Muroran Inc.		

Domestic Steelworks (Non-Consolidated)

(Crude steel production units: Thousands of metric tons)

Nagoya Works (Aichi)	
Crude steel production:	5,957
Employees:	2,922
Main products:	Sheets, plates, pipe and tubes

Hirohata Works (Hyogo)	
Crude steel production:	1,084
Employees:	1,191
Main product:	Sheets

Yawata Works (Fukuoka)	
Crude steel production:	3,164
Employees:	2,810
Main products:	Sheets, shapes, rails, pipe and tubes

(Cold ferrous materials melting furnace)

Hikari Pipe & Tube Division (Yamaguchi)	
Employees:	244
Main products:	Pipe and tubes, titanium

Oita Works (Oita)	
Crude steel production:	7,855
Employees:	1,629
Main products:	Sheets, plates

Sakai Works (Osaka)	
Employees:	327
Main product:	Shapes

Blast furnace

Muroran Works (Hokkaido)	
Crude steel production:	1,352
Employees:	583
Main products:	Bars and wire rods

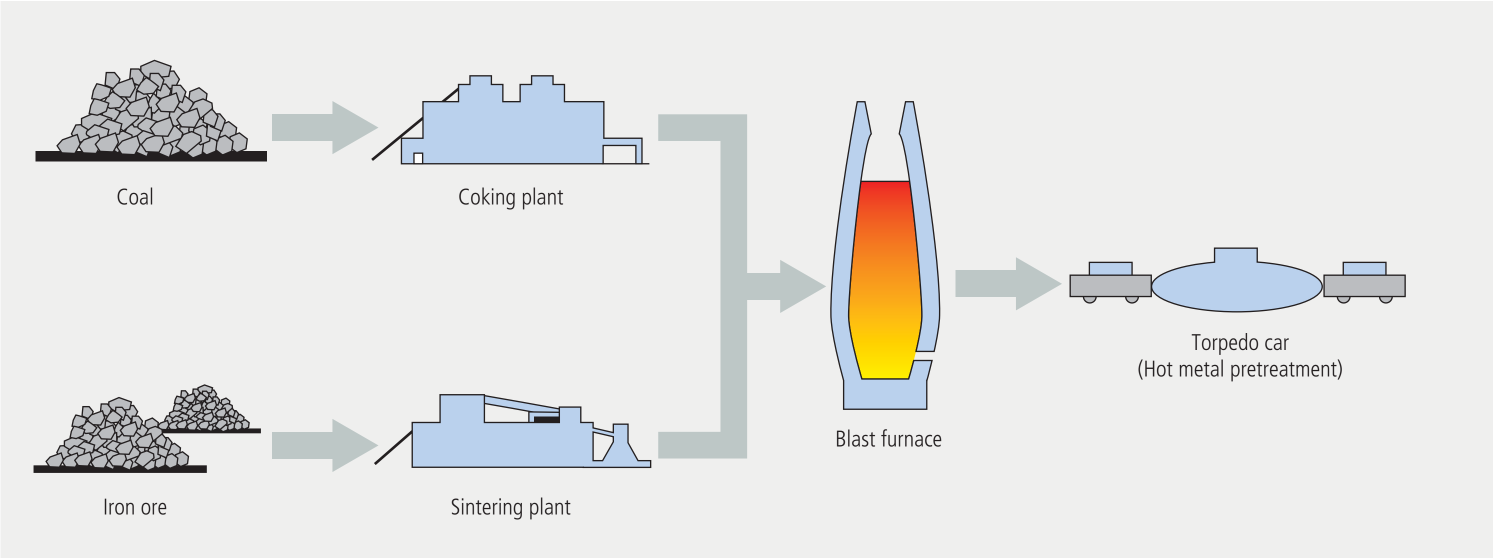
* Blast furnace transferred to Hokkai Iron & Coke Co., Ltd., in 1994.

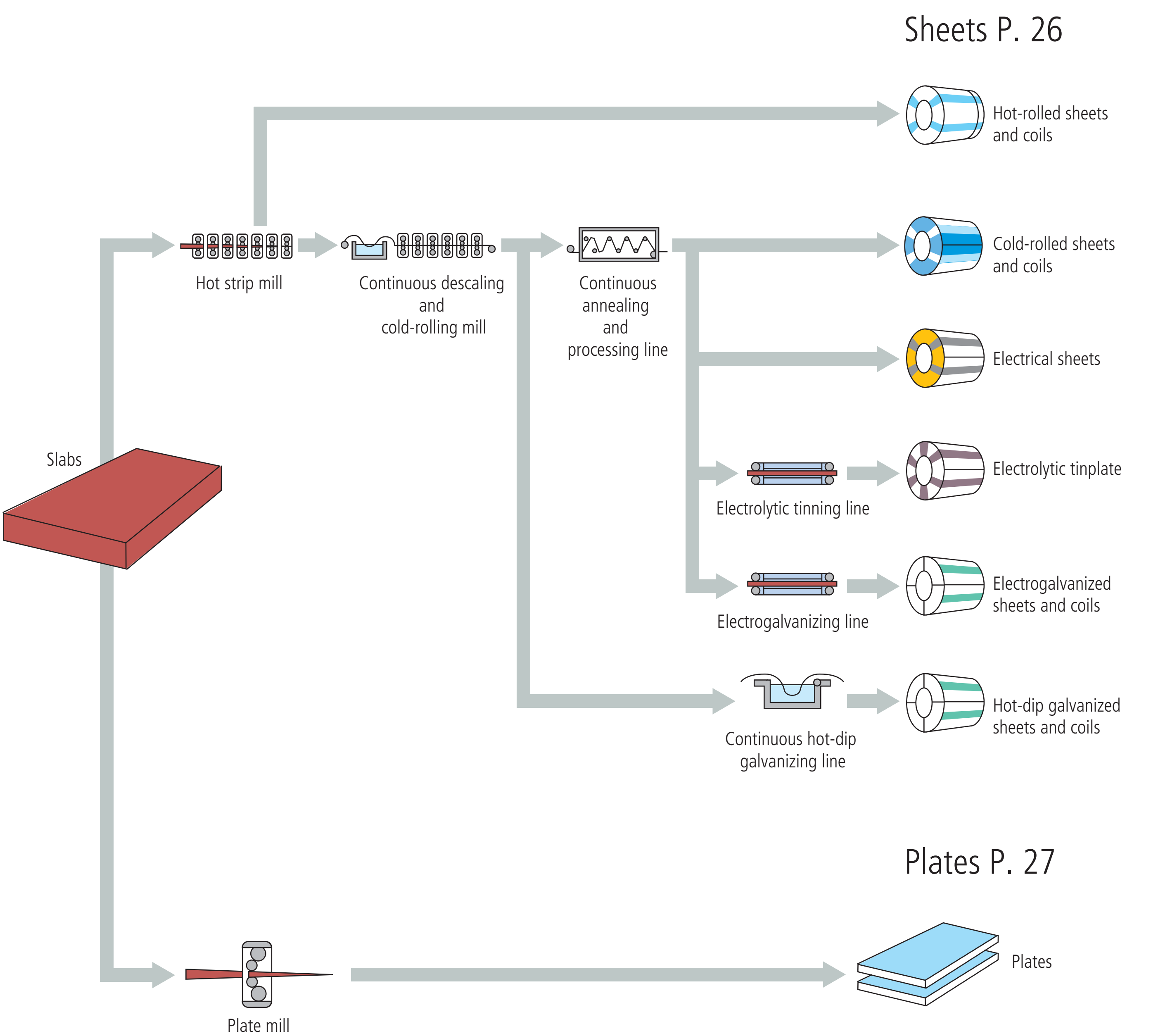
Kamaishi Works (Iwate)	
Employees:	216
Main product:	Wire rods

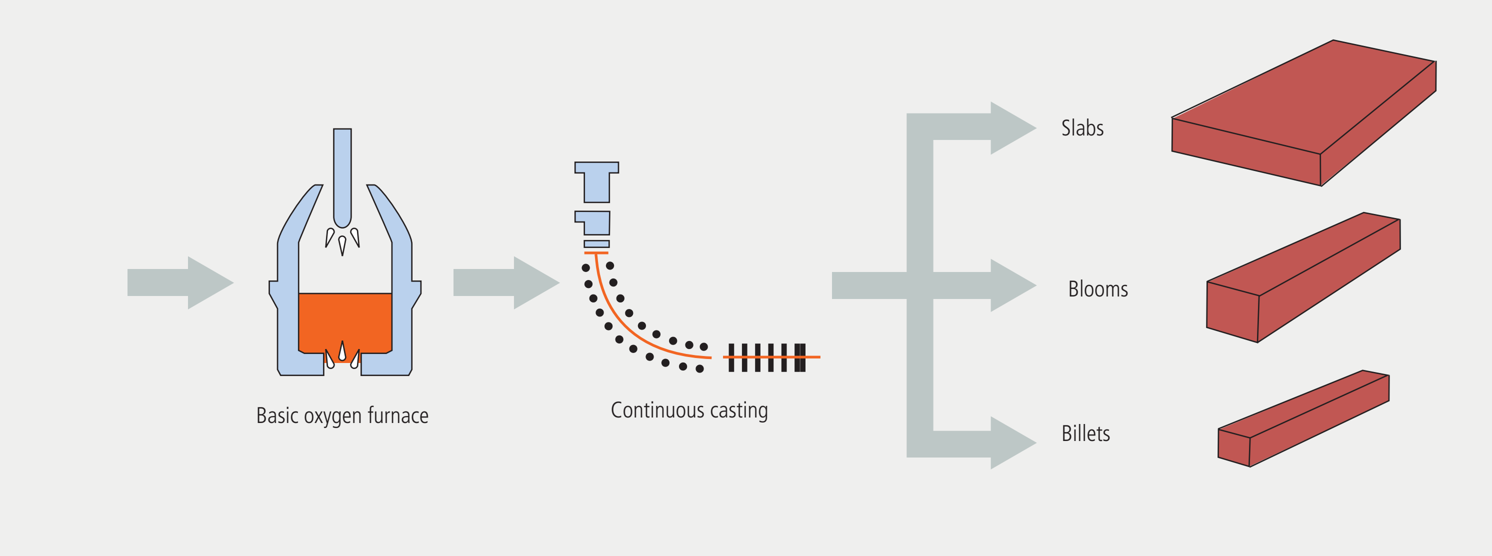
Tokyo Works (Tokyo)	
Employees:	117
Main product:	Pipe and tubes

Kimitsu Works (Chiba)	
Crude steel production:	9,201
Employees:	3,363
Main products:	Sheets, plates, wire rods, shapes, pipe and tubes

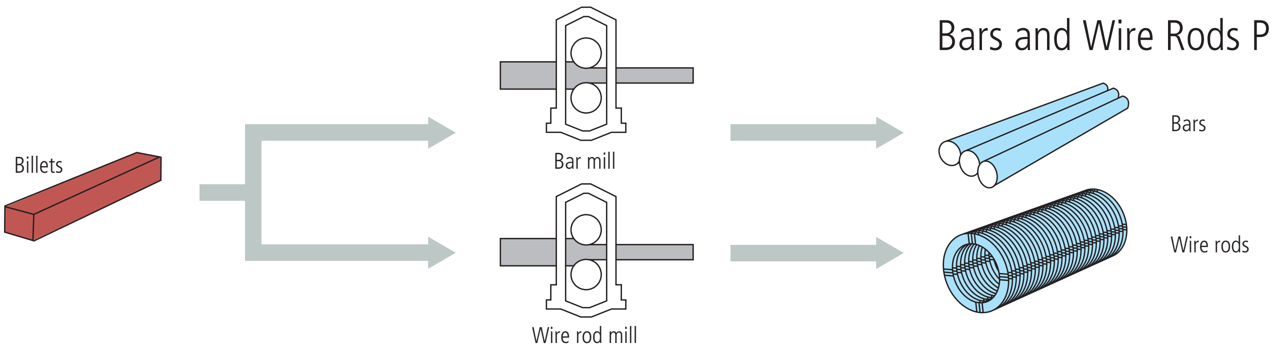
Steelmaking Flow



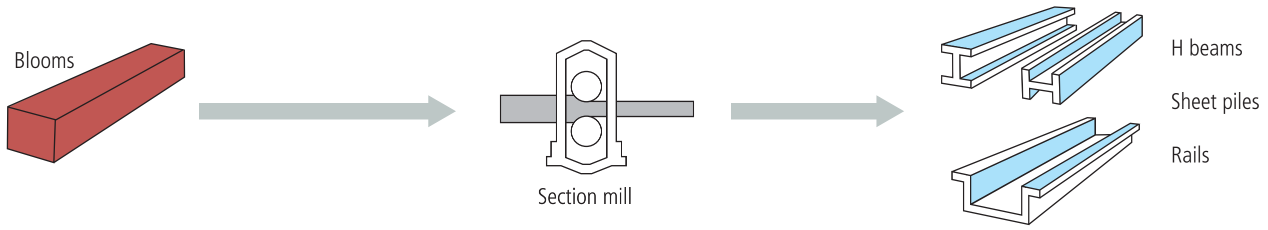




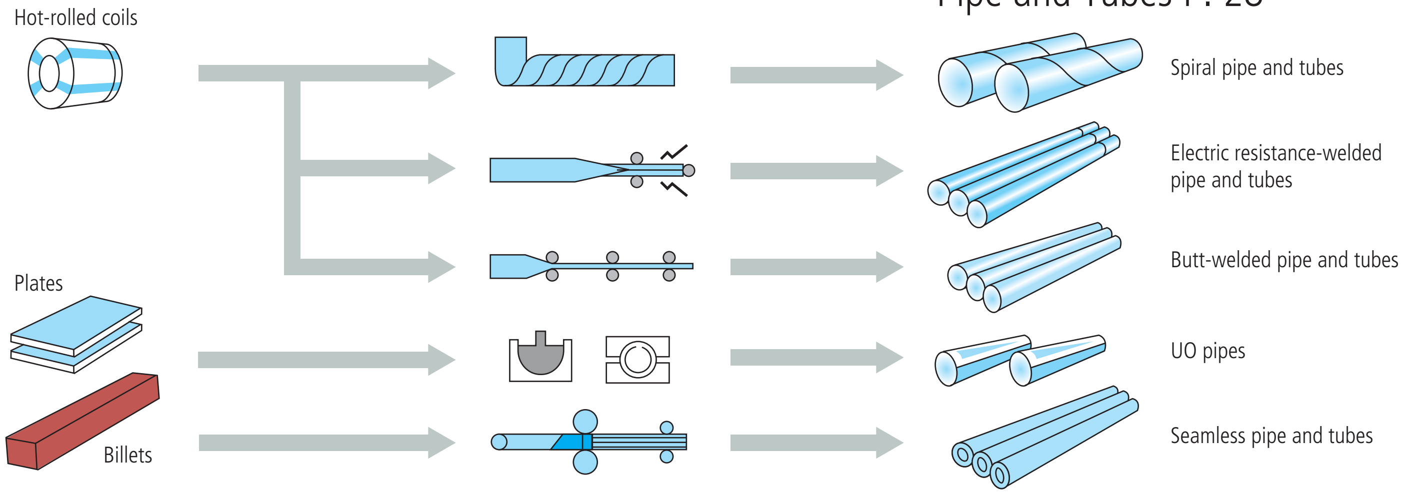
Bars and Wire Rods P. 27



Shapes P. 28



Pipe and Tubes P. 28



Sheets

Main Products

Hot-rolled sheets, cold-rolled sheets, surface-treated sheets, pre-coated sheets, electrical sheets, etc.

Uses

Automotive bodies, electric and electronic appliances, steel furniture, office equipment, construction materials, steel cans, drums, motors and transformers, etc.

Product Features and Business Strategies

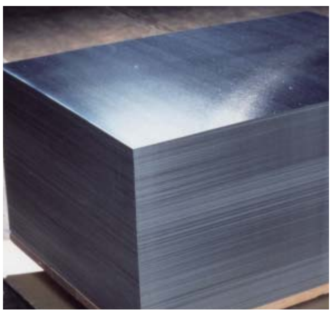
Steel sheets have found wide-ranging applications that underpin various industries and permeate the life of people everywhere. These applications include automobiles, digital home appliances, housing, beverage cans and motors. Recent demand for steel sheets temporarily declined, negatively affected by the ongoing global recession. However, the demand is expected to increase again through structural growth attributable to economic expansion in emerging nations and accelerated environmental investments in advanced nations.

Nippon Steel is a very competitive supplier of steel sheets due to its ability to combine an extensive product lineup with a quick response to customer requirements of all kinds. The Company has always stayed ahead of its competitors in offering high-performance steel materials that meet ever-advancing customer needs.

In particular, amid heightening environmental awareness in recent years, Nippon Steel's Eco-Products® are widely used in various applications. For example, higher tensile-strength sheets help cut the weight of automobiles, cutting fuel consumption and thereby contributing to the reduction of CO_2 and other greenhouse gas emissions. Ultra-thin tinplates make cans lighter, while high-efficiency electrical sheets help conserve electricity in home appliances, hybrid cars and other finished products. The corrosion-resistant SuperDyma® galvanized sheets, laminated sheets for cans and pre-coated sheets for home appliances eliminate the need for galvanization and coating processes at customers, and this helps them to reduce the environmental impact of their manufacturing operations. In addition, Nippon Steel meets customer needs by supplying products that conform to such environmental regulations as the European Union's End-of-Life Vehicle Directive, often referred to as the ELV Directive, and also the EU's Restriction on the Use of Hazardous Substances Directive, widely known as the RoHS Directive. Specifically, we offer a wide-ranging lineup of products free of lead, hexavalent chromium and other restricted substances.

Nippon Steel boasts a high percentage of customers with which it has signed long-term business contracts. Valuing such relationships, the Company has developed a network of steelworks and sales offices throughout Japan and thereby established a supply and service structure closely linked with customers' production bases. Overseas, we are similarly reinforcing a network of overseas offices while strategically adding new hot-dip processing lines and reorganizing our processing bases. All of these initiatives support our business structure, which is aimed at capturing sheet demand that is expected to grow over the long term.

In addition, targeting the housing industry, Nippon Steel has developed a proprietary Nittetsu Super Frame® Method that uses thin, light, structural steel components. Aggressively disseminating the advantages of this method, the Company is advancing full-scale efforts to spread the popularity of steel-framed houses.



Tinplates

Electrical sheets

Plates

Main Products

Heavy plates and medium plates

Uses

Shipbuilding, civil engineering and construction machines, industrial machines, bridges and iron frames, energy plants (electric generation, tanks and pressure vessels), offshore structures, pipelines, etc.

Product Features and Business Strategies

Heavy plates are widely used in applications that demand uncompromising safety standards. Primary uses include structural components of ships, bridges, offshore structures and other very large structures. Accordingly, heavy plates require superior strength and toughness to ensure long-term safety and reliability under diversified use conditions. Meanwhile, from the standpoint of environmental protection and resource saving, infrastructure of all types is becoming greater in size, while at the same time being expected to improve efficiency, reduce weight and last longer. These trends have led to increased demand for thicker, stronger and tougher steel plates.

In such an environment, Nippon Steel provides longer, wider plates that are manufactured at its large-scale facilities. The Company also provides highly functional plates that incorporate its advanced technologies, such as the accelerated cooling process. Through these products, Nippon Steel is contributing to the improved safety and reliability of various structures as well as to the enhanced business productivity and competitiveness of its customers.

Of particular note are the Company's highly functional plates in the shipbuilding field. We have earned strong market recognition for a variety of superior products, including the EH47 high-tensile-strength steel plate for super-sized containerships and the NSGP®-1 highly corrosion-resistant plate for crude oil tankers. Looking ahead, Nippon Steel will continue to accommodate the ever-diversifying needs of the energy industry, a sector which presents potential for further growth, through the manufacture and supply of such unique products as cryogenic high-toughness steel plates for liquefied natural gas (LNG) tanks and ultra-thick plates for energy plants and large machinery.

Bars and Wire Rods

Main Products

Bars, bars-in-coils, low-carbon wire rods, high-carbon wire rods, foundry pig iron, etc.

Uses

Automobile sector (shafts, gears, steel code for tires, etc.); construction sector (tensile-strength cables for suspension bridges, concrete-reinforcing rebar, wires, nails, etc.)

Product Features and Business Strategies

The automobile and construction industries account for a majority of the sales of Nippon Steel's bars and wire rods. A large percentage of these products are used to fabricate components critical to automotive safety, including the engine, drive train and suspension. As Japanese automakers have accelerated overseas production, demand has risen for high-grade bars and wire rods. In the construction industry, demand has also risen for high-grade products due to more demanding requirements in terms of strength and durability.

In the business of bars and wire rods, Nippon Steel is working diligently to meet robust demand and ever-increasing customer needs. To this end, the Company has established formidable manufacturing processes and stringent quality control programs. Based on these processes and programs, we focus on constantly rolling out high-end products—all backed by our advanced technologies—by involving secondary manufacturers. Turning to specific initiatives, Nippon Steel has established Nittetsu Tokai Steel Wire Co., Ltd. in Japan to capture demand, particularly for cold-heading steel wires. Overseas, we have established companies in China's Jiangsu Province and in Thailand to manufacture and sell secondary products using specialty steel bars and wire rods. The new bases are joint projects of Nippon Steel and its business associates Matsubishi Metal Industry Co., Ltd., Miyazaki Seiko Co., Ltd. and Sanyu Co., Ltd., all of which manufacture grinding bars and cold-heading steel wire. Through these activities, Nippon Steel is sharpening its competitive edge in the global market for bars and wire.

Construction Materials

Main Products

H beams, heavy plates for steel frames, rails for railways, steel sheet piles, pipe piles, segments and other fabricated products, etc.

Uses

Building construction (steel columns and beams, etc.); civil engineering (roads, railways, rivers and harbors, building foundations, bridges, etc.)

Product Features and Business Strategies

The construction materials market, where Nippon Steel operates, can be categorized into two major fields: civil engineering and building construction. In the civil engineering field, full-fledged recovery in demand is unlikely for the time being due to cutbacks in public works projects. Also, in the building construction field, demand is expected to stay low owing to weakening construction investments. Meanwhile, overseas construction materials markets are expected to enjoy demand growth, positively affected by an increase in construction investments in connection with public infrastructure development and other movements.

As the entire construction materials market undergoes dynamic changes, Nippon Steel is constantly launching market needs-oriented products to cultivate and capture demand. In the building construction market, the Company has developed and introduced H beams with higher dimensional accuracy than that before the revision to Japanese Industrial Standards (JIS). We also launched the NITTETSUHYPER BEAM® lineup of H beams that feature a constant outer dimension in new cross-section sizes, as well as BT-HT400C/500C thick steel plates for building structures with high yield strength, which enable reduced steel weight. In the civil engineering field, we have launched hat-shaped steel sheet piles that help reduce materials and installation costs, the TN-X® pipe piles used for building foundations, the Kakutabashi® steel deck slab bridge and HE rails that demonstrate superior resistance against wear and surface damage. All of these new products are based on Nippon Steel's unique technologies. Nippon Steel will keep fostering the reliability of its product quality while sharpening its technological edge, thereby accurately accommodating the needs of customers throughout the world.

Pipe and Tubes

Main Products

UO pipes and spirals, electric resistance-welded, butt-welded, seamless pipes and tubes, etc.

Uses

Energy-related sectors (pipelines, oil wells, etc.); automobile, construction/industrial machinery sectors (propeller shafts and other products for mechanical structures, etc.); building construction and civil engineering sectors (distribution and general construction pipes for residential/non-residential buildings, civil engineering, etc.)

Product Features and Business Strategies

In the pipe and tube category, Nippon Steel boasts a comprehensive structure that covers the entire cycle, from development to manufacture and marketing. Based on the collective strengths supported by such a structure, the Company is meeting a broad spectrum of customer needs in wide-ranging market sectors. In the energy industry, for example, conditions underlying resource exploration and transportation are growing increasingly severe, including the use of ultra-long-distance pipelines. Nippon Steel pioneered the development of a high-grade pipe, the X-120, which boasts unrivalled strength compared to conventional pipes. In March 2008, we completed the establishment of a full-scale structure for X-120 mass-production. The energy industry is expected to demand pipes and tubes that meet more sophisticated, composite requirements. In response, Nippon Steel is accelerating in the development and provision of leading-edge pipes and tubes to accommodate a myriad of market needs.

In automobiles and construction equipment, high-grade pipes and tubes are vital to the safe operation of vehicles and machines. Customers accept only those products that exhibit optimal balance between strength and workability and that meet specific requirements for their individual applications. Nippon Steel has constantly bolstered its product development capabilities by giving due consideration to engineering technologies used by customers to meet market needs for pipes and tubes that help reduce finished products' weight and achieve smart processing. At the same time, we have continuously reinforced a network of production bases in China and Southeast Asia to satisfy our customers' needs for local procurement.

Titanium

Main Products

Cold-rolled sheets and coils, welded pipe and tubes, hot-rolled sheets and coils, plates, bars and wire rods, foils, fabricated products, etc.

Uses

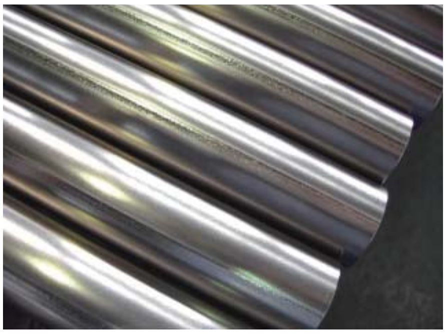
Chemical and power plants (heat exchangers, pipes, etc.); automotive components (exhaust parts, etc.); consumer products (golf clubs, IT appliances, etc.); building construction and civil engineering (roofs, walls, etc.)

Product Features and Business Strategies

Negatively affected by the current global recession, demand has declined for titanium in the two major fields of aerospace and general industrial applications. The downward trend in demand became more apparent toward the end of the fiscal year under review.

In such an environment, Nippon Steel has maintained the sales volume of its titanium at a level on par with that of the previous fiscal year. This has been made possible by the Company's initiatives to complement existing titanium applications—such as heat exchangers used in power plants and ships and other general industrial applications in chemical and other plants—with new applications. Particularly noteworthy is the project to expand the Tokyo International Airport at Haneda.

Our titanium business is underpinned by the Company's highly competitive steelmaking facilities, wide-ranging rolling technologies supported by our laboratories and a wealth of know-how and expertise in the field. For example, for our mainstay titanium sheets and plates, we make full use of our comprehensive slabbing-to-rolling mills, which have established a notable record in steelmaking, thereby providing a stable supply of a variety of high-quality products, from thin-gauge, wide-width cold-rolled sheets to heavy plates. With these products, we are working to not only expand our presence in the heat exchanger field but also to steadily penetrate such fields as automobiles, IT equipment, general construction and civil engineering. Looking ahead, Nippon Steel will strive to further strengthen its ties with suppliers of titanium raw materials and reinforce its business foundation. In this way, we aim to achieve renewed growth for our titanium business.



Stainless Steel

Main Products

Cold-rolled sheets, hot-rolled sheets, plates, bars and wire rods, etc.

Uses

Shipbuilding, food-processing and chemical plants, automotive exhaust systems, electric and electronic appliances, home/commercial-use kitchen equipment, cookware, industrial machinery (environment, energy and other fields)

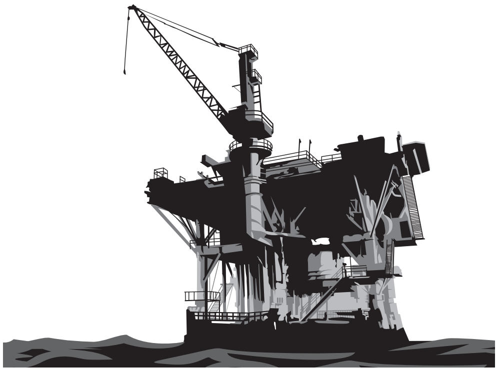
Product Features and Business Strategies

Nippon Steel & Sumikin Stainless Steel Corporation (NSSC), a member of the Nippon Steel Group, is the largest producer of stainless steel in Japan, and its annual output accounts for approximately one-third of Japan's stainless steel output. As a comprehensive manufacturer, NSSC covers the entire process, from the handling of raw materials to the rollout of final products such as coils, sheets, plates, bars and wire rods, thus satisfying the needs of the customers.

With regard to fiscal 2008, as the financial crisis triggered in the United States adversely affected the real economy, operating conditions for NSSC's stainless steel business grew severe. Under such an unfavorable environment, the Company advanced inventory adjustments at the early stage. Meanwhile, we have steadily implemented measures, such as investments in R&D activities and supply chain reinforcement to better prepare ourselves for stainless steel demand that is expected to grow again over the medium to long term.

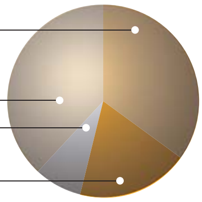
Recently, customers have been increasingly seeking sophisticated products that help further improve the functionality and cost performance of their own products. In response, NSSC is accelerating the development and marketing of its proprietary products such as high-purity ferrite, high-performance duplex and super stainless steel, while enhancing its stable supply structure. Satisfying the needs of customers with these products, NSSC is gaining the solid endorsement of domestic and overseas customers.

NSSC is dedicated to meeting the expectations of customers as a reliable supplier of stainless steel and expanding the portfolio of its innovative products based on R&D activities and solutions for a variety of issues as well as building marketing and production infrastructure that reflects the globalization of industry.



Makoto Haya
President
Nippon Steel Engineering Co., Ltd.

Composition of Sales by Business Field (Non-Consolidated)



(Billions of yen)

(FY)	2006	2007	2008
Sales	367.9	359.8	386.6
Operating Profit	13.0	21.4	24.6

Business Profile

Established in 1974, the Engineering Divisions Group had strengthened its business foundation to support the entire Nippon Steel Group until it was spun off in July 2006 to form Nippon Steel Engineering Co., Ltd. Nippon Steel Engineering undertakes many projects worldwide in extensive fields—including the construction of steelmaking, environment-related and power plants as well as skyscrapers and giant steel structures—by leveraging its comprehensive engineering technologies.

Construction of offshore resource development facilities

Business Strategies

Nippon Steel Engineering will be growth oriented, deal with market conditions on its own, and strive to raise its corporate value as a member of the Nippon Steel Group. Guided by our basic goal of using comprehensive engineering capabilities in designing total solutions, we will seek to go beyond the scope of merely providing products. Specifically, we aim to add value to the services we extend, thereby carving out new markets for our expertise.

Our strengths are on-site expertise and technologies, inherited like a genetic code from Nippon Steel. Indeed, our technologies—including those for steel production, processing and working, and fundamental technologies related to thermal and anticorrosion properties and welding—support our participation in the construction of facilities such as steel and environment-related plants, long-span bridges, skyscrapers and other giant structures. We inherited Nippon Steel's integrated engineering and construction capabilities, and we will complement years of accumulated knowledge in building facilities and steel structures with market-oriented technologies and expertise to offer one-stop engineering solutions to all of our customers' high-tech construction needs.

Our vision as a solutions provider that looks with confidence on the potential of engineering is to establish an essential presence in this field—a cornerstone of corporate existence that reinforces the foundation of society, promotes the development of industry and the creation of cities, and sustains a comfortable way of life.

Nippon Steel Engineering Co., Ltd.   http://www.nsc-eng.co.jp/

Specifically, we will emphasize the following four business areas:

● **Steel Plants**

We will satisfy diverse customer needs as a top supplier of steel plants providing a wealth of experience and high-level expertise accumulated through the construction of numerous steelworks at home and abroad.

● **Environmental Solutions**

We will actively tackle environmental issues and contribute to the realization of a resource-recycling society by offering solutions for the safe, reliable treatment and recycling of waste, methods for soil remediation and underground water purification.

● **Marine Construction and Energy Facilities (Including Pipelines)**

We will support the creation of social and industrial infrastructures, which help people realize a better quality of life, through the construction of oil and natural gas development facilities at home and overseas, as well as energy utilization facilities and harbor-based or offshore facilities.

● **Building Construction and Steel Structures**

Our construction business, which begins with design, is extensive, targeting a wide range of projects such as factories, office towers, commercial complexes and distribution facilities. We will contribute to the safety and vitality of people, communities and the nation through these projects, with two-pronged support: technological capabilities and products, hinging on steel structures; and planning and proposal skills, enhanced by the vast network of the Nippon Steel Group.

Annual Summary

The negative effects of the current global recession triggered in the United States have taken the form of a slowdown in capital investments and intensified competition in major markets worldwide. These conditions have resulted in a harsh operating environment for Nippon Steel Engineering during fiscal 2008, ended March 31, 2009. Under these circumstances, we received steady orders for steelmaking plants and energy-related projects in Japan, while winning an order for a large-scale natural resource development project in Southeast Asia. However, despite full-fledged sales activities in individual business fields, the order value for the reporting term significantly dropped year on year to ¥283.3 billion. In contrast, we posted record-high sales and operating profit totaling ¥386.6 billion and ¥24.6 billion, respectively. These strong results were attributable to our efforts in strengthening project and risk management for the backlog of orders from past fiscal years.

Large-scale logistics center

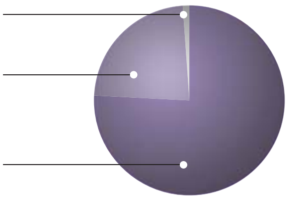
Waste-processing center

Coke dry quenching (CDQ) facilities

Nippon Steel Engineering Co., Ltd. http://www.nsc-eng.co.jp/

Akira Shoga
President
Nippon Steel City Produce, Inc.

Composition of Sales by Business Field (Non-Consolidated)



(Billions of yen)

(FY)	2006	2007	2008
Sales	94.3	93.8	70.1
Operating Profit	14.3	12.6	3.9

Business Profile

Nippon Steel City Produce, Inc. (NSCP) is advancing business in a variety of fields. In the area of redeveloping idle land owned by Group companies, NSCP has been developing the Yawata-Higashida Project in Kitakyushu City, Fukuoka Prefecture, and the Hirohata-Otsu Project in Himeji City, Hyogo Prefecture, while recently commencing the Muroran-Nakajima Project in the Town of Nakajima, Muroran City, Hokkaido. Other operations involve the redevelopment of urban districts in major cities, the development of condominium complexes for sale and buildings for leasing, the renovation of old condominium complexes and the provision of consulting services to facilitate effective land use. By contributing to communities and society at large through urban development, NSCP is functioning as an integral part of the Nippon Steel Group, which is always working to fulfill its societal mission. Recently, NSCP has launched the real estate securitization business through Top REIT, Inc., a Japanese real estate investment trust (J-REIT).

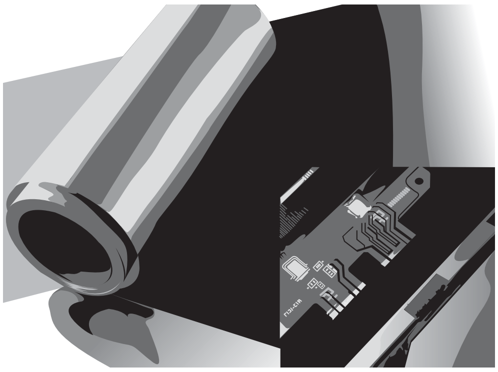
Business Strategies

NSCP undertakes urban development in a unique manner. Specifically, we link steelworks construction with urban development, redevelop large-scale idle land owned by the Group and are experienced in dealing with public authorities concerning the administrative procedures required for these activities. Such an exclusive approach is boosting our qualitative transformation toward becoming a company that creates new value in individual urban areas, enabling us to attract industry-wide attention as a highly distinctive, comprehensive real estate developer. In more specific terms, NSCP starts with defining priority regions and districts. Then, adopting risk-manageable schemes—such as multipurpose complex development to revitalize urban and regional areas—NSCP steadily carries out projects. In this way, we are striving to establish ourselves as a solid player in the urban development industry.

Annual Summary

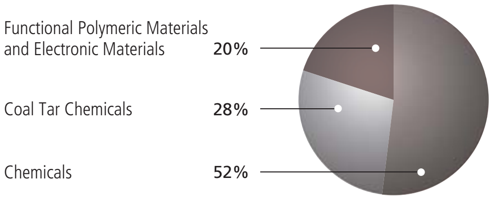
In the condominium sales market, the rate of contracts signed has trended in a lower range. This unfavorable situation was largely due to weakened consumer sentiment attributable to the worsening of economic and employment conditions, which has been fueled by ongoing global financial instability. Similarly, in the building leasing market, the current economic stagnation has resulted in a decline in demand for office space in the corporate sector, with vacancy rates rising in major cities. NSCP is accelerating its management efforts to overcome such a harsh operating environment. At the same time, we are aggressively implementing initiatives aimed at further bolstering our competitive businesses, including large-scale idle land development, urban redevelopment and condominium complex renovation. Through these initiatives, we aim to reinforce our earnings power.

Nippon Steel City Produce, Inc. http://www.nscp-net.com/



Bun'yu Futamura
President
Nippon Steel Chemical Co., Ltd.

Composition of Sales by Business Field (Non-Consolidated)



(Billions of yen)

(FY)	2006	2007	2008
Sales	318.7	289.0	212.1
Operating Profit	23.6	21.0	0.8

Business Profile

Nippon Steel Chemical Co., Ltd. initially focused on the coal chemicals business, which makes effective use of the coal tar and coke oven gas by-products of steelmaking processes. Today, the Nippon Steel Chemical Group—the cornerstone of the Nippon Steel Group's Chemicals segment—undertakes operations that enhance the coal chemicals business with petrochemicals. No other company in the world pursues this kind of specialization.

In recent years, Nippon Steel Chemical has reinforced its reputation for innovation by launching many new products that have become leaders in their respective markets. One is ESPANEX®, a flexible printed circuit board material created using our exclusive technologies. Other examples include SILPLUS®, a transparent plastic material that is highly heat resistant, and organic electroluminescence (OEL) materials. We will also continue to strengthen and expand our operations by making the greatest possible use of the aromatic chemical technologies that we have accumulated over many years.

Business Strategies

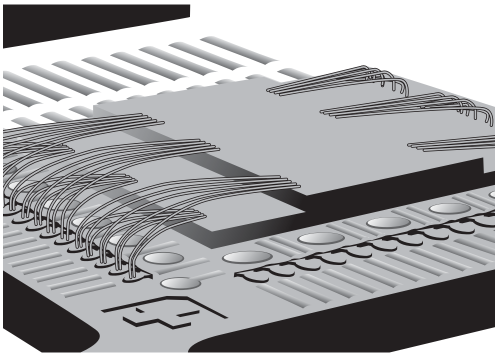
The Nippon Steel Chemical Group has formulated a new "Grand Design" plan that extends through 2020. The corporate vision under this plan clearly defines Nippon Steel Chemical's goal over that period—namely, to become a chemicals company that contributes to society in the truest sense through the realization of world-leading steel chemicals and the expansion of the functional materials business based on our proprietary materials technologies. With our steel chemicals and functional materials businesses serving as core business drivers, we will continue to develop new businesses and globalize our operations, thereby achieving sustainable growth. As quantitative goals for fiscal 2020, ending March 31, 2021, we have set performance indicator targets of net sales and ordinary profits totaling ¥500.0 billion and ¥50.0 billion, respectively, as well as of return on assets (ROA) of 15% or higher.

Annual Summary

In the first half of the fiscal year under review, business grew steadily, supported by robust demand for coal tar and carbon materials and strong sales of electronic materials, particularly for use in mobile phones. In the second half, however, our chemicals business suffered significantly from the negative impact of dynamic fluctuations in crude oil and naphtha prices as well as the acute deterioration of conditions in commodity markets, which was caused by global demand contraction. Also, our electronic materials business experienced a sharp downturn in related markets spurred by inventory adjustments by market players. These conditions have resulted in year-on-year decreases in net sales and operating profit in Nippon Steel's Chemicals segment.

Note: ESPANEX and SILPLUS are registered trademarks of Nippon Steel Chemical Co., Ltd.

Nippon Steel Chemical Co., Ltd. http://www.nscc.co.jp/



Teruaki Ishiyama
President
Nippon Steel Materials Co., Ltd.

(Billions of yen)

(FY)	2006	2007	2008
Sales	65.6	76.1	59.9
Operating Profit	3.1	0.5	(2.3)

Business Profile

Nippon Steel Materials Co., Ltd. drives the Nippon Steel Group's new materials business. Operations are based on materials expertise gained from steelmaking, along with technologies for the design, analysis and evaluation of molecular structures. These skills allow us to supply material solutions covering a broad spectrum of issues in market sectors that rely on highly advanced technologies.

Business Strategies

Operations at Nippon Steel Materials cover three markets: electronics industry materials and components, which is a growth market; basic industrial materials and components, products other than those made of traditional steel-related materials; and energy and environmental materials and components, which are now areas of considerable social importance. In all of these markets, Nippon Steel Materials supplies highly innovative products that incorporate advanced technologies acquired through steelmaking. With these products, we have established a distinctive presence in each of the markets in which we operate. In many product categories, we rank among the world's top-three suppliers—including a dominant share of the market for stainless steel foils for hard disks. This makes Nippon Steel Materials a company composed of small but powerful businesses.

Annual Summary

Overall, fiscal 2008, ended March 31, 2009, was a year of extreme difficulties for Nippon Steel Materials. Such an unfavorable situation was caused by a substantial decline in orders received for electronics industry materials and components—a mainstay sector in Nippon Steel's new materials segment—and this decline in orders was attributable to a slowdown in the performance of all IT-related industries. The negative impact of the current global recession first hit our operations in carbon fibers and polysilicon for solar cells, both of which had performed robustly until recently. But these conditions are fueling uncertainties in Nippon Steel Materials' operating environment. Nevertheless, certain businesses seemed to have bottomed out. Accordingly, despite the lack of full momentum, Nippon Steel Materials expects to see a recovery in its performance in fiscal 2009. In addition to promoting fixed-cost reductions and other initiatives aimed at improving profitability, we will strategically implement initiatives to meet anticipated recovery in demand. In this way, we will aim to return to profitability.

Nippon Steel Materials Co., Ltd.		Affiliates	
Electronics industry materials and components	• Stainless steel foils	Nippon Micrometal Group	• Gold bonding wires
	• Microball bumping service		• Microsolder balls
	• Chemical mechanical polishing (CMP) pad conditioners	Micron Group	• Silica/Alumina spherical particles
Basic industrial materials and components	• Fine ceramics	Nippon Steel Composite Group	• Pitch-based carbon fibers
	• Hot isostatic pressing (HIP) processed materials		• Carbon-fiber-reinforced plastic (CFRP) products
Energy and environmental materials and components	• Metal substrates for catalytic converters	NS Solar Material Co., Ltd.	• Polysilicon for solar cells

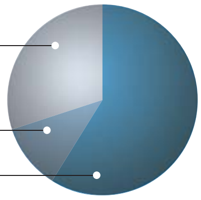
Cooperation

Nippon Steel Technical Development Bureau

Nippon Steel Materials Co., Ltd. http://www.nsc.co.jp/nsmat/

Mitsuo Kitagawa
President
NS Solutions Corporation

Composition of Sales by Business Field (Non-Consolidated)



(Billions of yen)

(FY)	2006	2007	2008
Sales	156.5	165.3	161.5
Operating Profit	13.9	14.7	11.4

Business Profile

NS Solutions Corporation is a source of integrated services, covering everything from the planning and design of systems to their subsequent development and operation. Experience and sophisticated IT capabilities acquired through the steelmaking operations of Nippon Steel underpin these activities. We offer business solutions for the manufacturing, distribution and service, finance, and government agency and public service sectors. We also supply platform solutions, using comprehensive engineering skills to create the best systems through trial operations for cutting-edge products. Customers also rely on us for business services involving system operations and maintenance as well as outsourcing.

Business Strategies

NS Solutions is strengthening its capabilities to capture steady orders and to create new and distinctive solutions services in upstream processes using system life cycle (SLC) total solutions. By strengthening internal collaboration, we will raise the scope of SLC total solutions to improve operations by reinforcing preorder activities, including the conceptual and planning stages, and consulting business activities. Moreover, NS Solutions continues to increase its earnings power by creating and supplying integrated platform solutions of higher sophistication using advanced information technologies, and through the development of integrated platform applications. We are also moving ahead to advanced SLC total solutions that go beyond maintenance and operations.

Annual Summary

In addition to the provision of integrated SLC total solutions to clients in the manufacturing, distribution and service, finance, and government agency and public service sectors, NS Solutions has begun offering services based on leading-edge cloud computing. These services allow clients to more effectively improve their investment efficiency and adjust to changes in operating environments. Meanwhile, we are expanding the internal application of system integration support systems with our Software Development Center serving as the central workforce. These systems enable us to enhance our ability to manage system quality and configuration and to streamline our process management. Through these activities, we are working to upgrade our system development capabilities—an integral part of our business foundation.

NS Solutions Corporation http://www.ns-sol.co.jp/

Research and Development

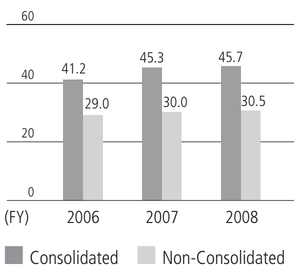
R&D Organization

In the true spirit of research and engineering, Nippon Steel promotes an integrated R&D structure, linking basic research to applied development and plant engineering. This approach reinforces the consistent coordination of activities between the Research and Engineering Center, which is the core of our R&D organization, and the R&D laboratories at steelworks across the country that provide support.

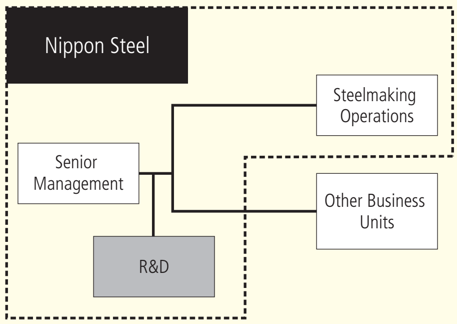
Our R&D capabilities highlight five strengths: (1) comprehensiveness and speed of development, facilitated by the integration of R&D and engineering; (2) an R&D network with bases in customer regions; (3) proposal-style solutions fine-tuned to customer needs; (4) the ability to address energy- and environment-related concerns with solutions maximizing steelmaking process technology; and (5) collaboration between industry and academic institutions, overseas alliances, and even customers.

With these strengths, Nippon Steel creates innovative, functional products, primarily in the steelmaking business, pioneers production processes and ensures their swift introduction into operations.

R&D Expenditure (Billions of yen)

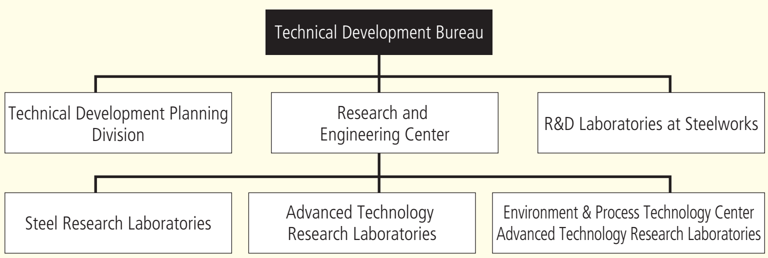


Positioning of R&D



* R&D is positioned as an activity covering all business units.

R&D Organization



DOC application at the Nagoya Works

R&D Policy

Amid diversifying societal needs, characterized by changing consumer preferences and growing concerns over energy and the environment, Nippon Steel is selectively investing management resources in R&D fields that will enhance the Company's technological edge and thereby contribute to profit growth.

R&D Priorities

1. Improving ability to develop and supply high-grade steel products matched to industry needs in today's polarized steel market, which has become increasingly divided into the medium- to high-grade and general-purpose camps
2. Bolstering technology that facilitates the use of low-grade iron ore, coking coal, and other raw materials and fuels, thereby enabling the Company to respond to a downward trend in raw material and fuel quality
3. Nurturing environment-oriented technology that underpins sustained corporate development

Major R&D Accomplishments

Ecokote-S, Eco-Friendly Automotive Steel Sheet

Free of environmentally hazardous substances, Ecokote-S is an eco-friendly steel sheet used for automotive fuel tanks. During the manufacturing processes, automotive fuel tanks require top quality in such properties as press formability, weldability and paintability, as well as durability, corrosion resistance, reliability and environmental performance when in use. Nippon Steel's Ecokote-S sufficiently satisfies all these property requirements. In particular, corrosion resistance and fuel impermeability (to prevent fuel from evaporating through the fuel tank) are the two major concerns with regard to the use of biofuels, whose applications are expected to expand in the future. This eco-friendly steel sheet demonstrates both anti-corrosion properties and fuel impermeability superior to those of plastics and other materials. Due to such superior characteristics, Ecokote-S has received high evaluation from domestic and overseas automakers, making it a de facto standard material for metal fuel tanks.

● Ecokote-S has won a Prime Minister's Award at the 3rd Monozukuri Nippon Grand Awards, Contribution Award at the 41st Ichimura Industrial Awards and Technology Prize by the Surface Finishing Society of Japan in 2009.

DOC Technology for Coke Oven Inspection and Maintenance Contributes to Improved Productivity and Extended Service Life

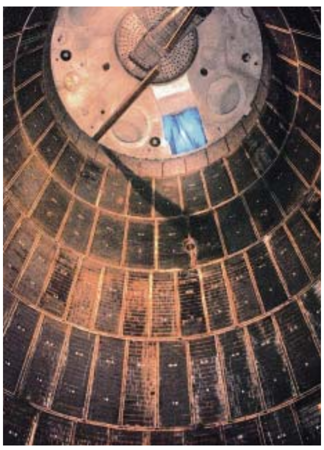
Coke ovens in general measure 0.45 meters in width, 16 meters in depth and 6 meters in height and usually operate at around 1,000°C. Nippon Steel has established a "Doctor of Coke Oven" (DOC) technology ahead of anyone else. This technology enables quick inspection and analysis of damage inside coke ovens, allows for efficient, high-precision maintenance based on inspection and analysis results and helps understand the deterioration and damage mechanism of refractories. The Company has introduced the technology for coke ovens operating at its steelworks. Strategic high-precision maintenance using the DOC technology is expected to significantly extend the service life of our coke ovens. In addition, the technology contributes to enhanced energy efficiency attributable to higher stability in coke oven operations. If we introduce this technology to all of our coke ovens, enhanced energy efficiency will, in turn, effectively cut their annual CO_2 emissions by approximately one million tons.

● DOC technology has received a Production Award at the 55th Okochi Award.

Cosmic Ray Muon Opens Up New Possibilities in Blast Furnace Internal Observation

Blast furnaces—particularly in the lower part—operate at an ultrahigh temperature. Because of this, it has been impossible to observe the deterioration of interior conditions of blast furnaces under operation. However, Nippon Steel, in cooperation with the High Energy Accelerator Research Organization (KEK) and the Institute of Physical and Chemical Research (RIKEN), has succeeded in such observation through the use of the muon—a cosmic ray that falls to the Earth. Muons penetrate even gigantic objects, but they show lower penetration with high-density objects as they are easily absorbed by such objects. Taking advantage of the characteristics of muons, we have successfully measured the wear amount for heat-resistant bricks inside a blast furnace based on the level of muon decay after penetration. The practical application of this observation technology will enable the more timely maintenance and repair of blast furnaces, which is expected to lead to the reduction of related costs.

Automotive fuel tank using Ecokote-S



Blast furnace interior

External Recognition for Accomplishments since Fiscal 2008

Award Event	Award Presented	Description
3rd Monozukuri Nippon Grand Awards	Prime Minister's Award	Development of the Ecokote-S eco-friendly steel sheet with drastically improved corrosion resistance for automotive fuel tanks (see page 37)
	Excellence Award	Development of a low-carbon, lead-free, free-cutting steel friendly to the environment
		Development of an ultrahigh-strength steel sheet with high formability for improved automotive fuel efficiency and passenger safety
		Development of ultra-strong, highly flexible steel plates (47 kg-class, high tensile steel plates) for containerships and design of new vessel structure (joint winner: Mitsubishi Heavy Industries, Ltd.)
		Practical application of Ni-based weather-resistant steel for paintless bridge structures and related anti-corrosion technology
55th Okochi Award	Production Award	Development of technology to inspect and maintain coke ovens under extreme operating conditions (cited on page 37)
41st Ichimura Industrial Awards	Contribution Award	Development of the Ecokote-S eco-friendly steel sheet with drastically improved corrosion resistance for automotive fuel tanks (see page 37)
2008 National Invention Award	Invention Award	Development of compact hydroforming equipment (joint winner: Toyota Motor Corporation)
11th Infrastructure Development Technology Awards	Excellence Award	Development of artificial stone and rock materials (Frontier Stone™ and Frontier Stone™) based on steel slag hydrated matrix (joint winners: JFE Steel Corporation and TOA CORPORATION)
39th Japan Welding Engineering Society Awards	Technology Award	Development of a touchup-less welding material for anti-corrosion, galvanized steel sheets
	Notable Welding Innovation Award	Development of welding technology to reduce residual stress in welded joints
2009 The Japan Society for Technology of Plasticity (JSTP) Awards	Technology Development Prize	Development of high-strength steel wire for bridge cable using directly rolled heat-treated wire rod (joint winner: Tokyo Rope Manufacturing Co., Ltd.)
Other Awards		During fiscal 2008, the Technical Development Bureau received more than 20 awards and prizes from domestic and overseas academic societies and associations.

Research and Engineering Center, Technical Development Bureau (Futtsu City, Chiba Prefecture)

Intellectual Property

Basic Principles

One of Nippon Steel's management principles is "To continuously challenge ourselves to develop and improve world-leading technologies." Nippon Steel works to secure these technologies as intellectual property and then to utilize the intellectual property to meet its business strategy.

It is clear that the economic climate became severe in 2008. We are certain that it is necessary in this climate to continue to accumulate intellectual property with a focus on medium- and long-term perspectives to increase corporate value and secure sustainable growth into the future.

Basic Policy on Intellectual Property

We understand that intellectual property can be very effective leverage for a corporation to use its technological capabilities to be competitive in industry. Based on this understanding, we have been adding to our world-leading patent portfolio which is currently overwhelming other corporations' patent portfolios, particularly in Japan.

As we compete in the world steel market, we are utilizing our advantages, i.e., our superior technological edge and advanced manufacturing skills, as leverage in order to retain our position and sustain our growth. We believe it is important to obtain intellectual property based on our superior technological edge and advanced manufacturing skills not only in Japan, but also overseas in places like Brazil and other Asian countries.

We will continue to improve by making our world-leading patent portfolio more solid, using an intellectual property strategy based on the characteristics of each business and implementing the strategy in a step-by-step fashion.

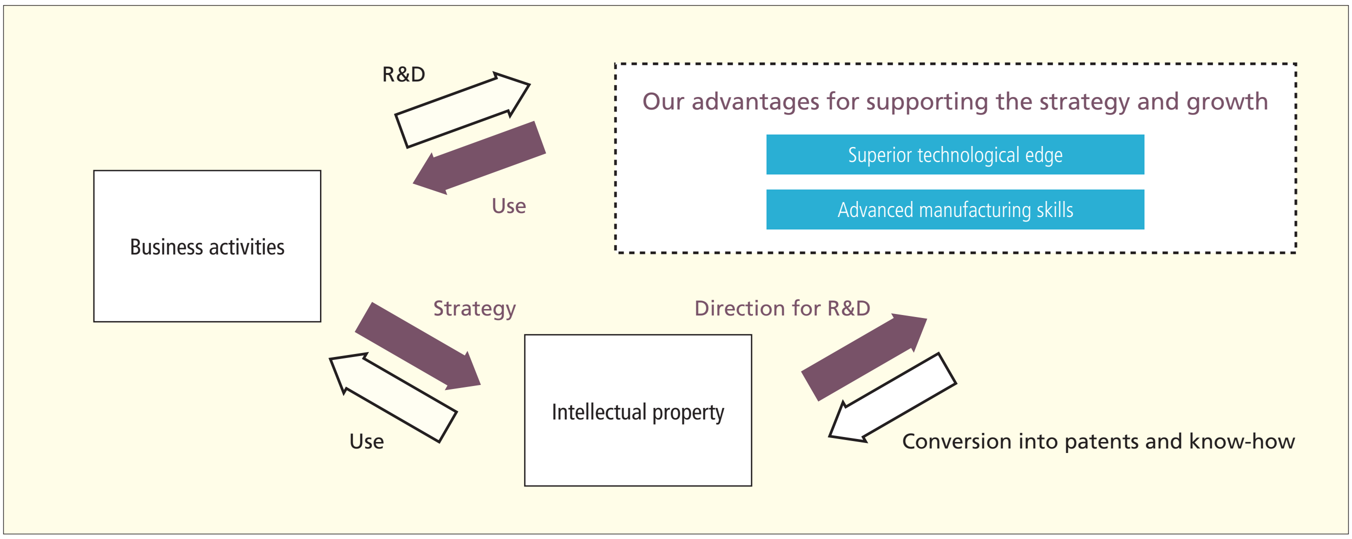
Activities

The Intellectual Property Division, in collaboration with the Sales/Marketing Division, the Manufacturing Division and the R&D Division, has selected important technological issues and has been very active in obtaining patent rights with a goal towards overseas business expansion. The Intellectual Property Division continues to collaborate with the Sales/Marketing Division to effectively utilize our intellectual property portfolio on a worldwide basis.

Also, as part of a global player strategy, Nippon Steel will partner with other companies to form strategic alliances and joint ventures, implement mutual licensing of intellectual properties (i.e., patents and/or know-how), and provide technical support to these partners to further the strategies of both parties in light of the needs of the market. This strengthens the competitive edge of the Nippon Steel Group as a whole.

In addition, Nippon Steel is keenly aware of the potential loss to our competitive edge should there be a leak of our technology. In order to avoid such a situation, we will focus our efforts on the appropriate management of important technological information.

(Recent Important Technological Issues)
- Increasing productivity and lowering costs
- Measures for environmental issues, saving energy and CO_2 reduction
- Providing customers with solutions
- Sophistication of products (improved properties, formability)



The Nippon Steel Group—with a focus on steel manufacturing—will contribute to industrial development and the enhancement of people's lives by creating and supplying valuable and attractive products and ideas. As a Group, we also seek to achieve sustainable improvement in corporate value and to stand together as a trusted member of society. In our pursuit of these objectives, the corporate governance structure receives constant performance evaluation.

Management Administration System

To facilitate faster, more flexible decision making for dealing with changes in its operating environment, Nippon Steel downsized its Board of Directors, effective after the general meeting of shareholders held on June 28, 2006. The Company also introduced an executive officer system to ensure the proper execution of business activities and to clarify responsibilities for the results in each business segment.

The Company maintains a corporate auditor system to sustain and reinforce sound management practices through comprehensive auditing capabilities, including the presence of external corporate auditors. As a result, 10 directors currently sit on the Board of Directors, and seven corporate auditors, four of whom are from outside the Company, form the Board of Corporate Auditors.

Internal Controls and Risk Management Structure

Nippon Steel maintains internal controls and a risk management structure designed to ensure that its business activities are conducted efficiently and effectively, that its financial reporting is credible, and that all efforts comply with prevailing laws and regulations.

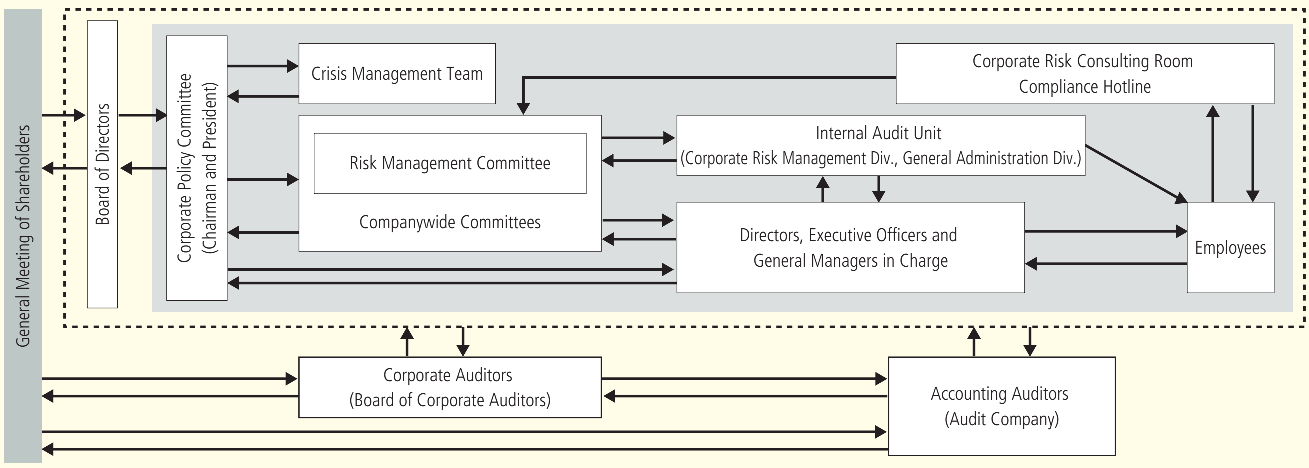
Executive decisions on key issues affecting the activities of the Company and the Group are determined by the Board of Directors, which convenes once or twice a month, after such matters have been discussed by the Corporate Policy Committee, a group that includes participation by the president and executive vice presidents and normally meets once a week. In addition, Nippon Steel has set up 18 Companywide committees, each with its own objective, where details on designated themes are hashed out before the Corporate Policy Committee and the Board of Directors embark on decision-oriented discussions.

The execution of business strategies mandated by the Board of Directors and other executive structures is promptly addressed by the directors responsible for these businesses, executive officers, and the general managers of relevant divisions, under the direction of the chairman and president. Concurrently, to reinforce the system of internal checks as it pertains to the implementation process for executive decisions on business activities, the Company takes all possible steps to prevent the violation of laws and corporate regulations. These actions are accomplished by stipulating in writing the ordering authority, oversight responsibility, and procedures required to implement strategies.

Nippon Steel pursues the following measures to reinforce the internal controls and the risk management structure of its management administration system.

- Regularly confirm the status of internal controls and the risk management structure through the Risk Management Committee, chaired by the executive vice president in charge of general administration.
- Enhance internal audits and risk responsiveness through the Corporate Risk Management Division within the General Administration Division, as a structure dedicated to internal controls.
- Create and operate the internal control system under the Basic Rules for Internal Controls, enforced by the Board of Directors meeting. The Board of Directors regularly verifies the status of system operation based on these rules.
- To enhance the Group's ability to respond to a wider range of risks, designate a person responsible for risk management at each Group company, then share information about risk management among Nippon Steel and Group companies and develop better measures to deal with risk.
- Set up internal reporting structures—namely, the Corporate Risk Consulting Room and the Compliance Hotline run by the Company's attorney—as a conduit for communication, to handle risk-related concerns from employees and their families, temporary staff, contracted

Corporate Organizations and Internal Control System



(→ indicates reports, instructions, audits, appointments and other actions between designated administrative organizations.)

staff, staff of purchase agreement companies, and Group employees regarding the execution of operations.
- Should unforeseen circumstances arise that have a significant impact on the business of Nippon Steel or Group members, immediately convene the Crisis Management Team with the president as team leader, the directors responsible for affected businesses, and corporate auditors and legal advisers providing primary support. The team will ensure that the Company is able to provide the required initial response, even at an early stage, and take steps to keep damage and other repercussions to a minimum.
- Establish internal rules that prohibit any relationships with antisocial forces and any acceptance of improper demands from these forces, and internal systems based on these rules.
- Ensure that audits by corporate auditors focus on prevention and transparency to avert untoward incidents and implement interview-style audits to pursue corporate social responsibility, enhance the internal control system, prevent risk factors, and maximize the Group's synergy. Corporate auditors will enlist the participation of external corporate auditors possessing extensive insight into corporate activities, enabling them to audit operations appropriately while maintaining neutrality vis-á-vis top management.

The Nippon Steel Group will consistently put these internal control measures into practice. Through such an effort, we will work to maximize the Group's corporate value and gain the trust of society.

Information Concerning Compliance

As of June 2009, Nippon Steel was subject to the following disciplinary actions associated with violations of Japan's Antimonopoly Act and a regulation concerning quality control. We regard these violations as indications of the urgent need for corrective action and fundamental change involving compliance activities. All members of the Nippon Steel Group are reinforcing measures for compliance with the Antimonopoly Act. In addition, we are reviewing and upgrading our entire quality control program, which includes Group companies and outsourcees. Through this and other full-fledged activities, the Nippon Steel Group is endeavoring to prevent the recurrence of such violations and thereby recover the trust of its stakeholders.

May 2008

Subsidiary Nittai Co., Ltd., lost Japanese Industrial Standards (JIS) certification following the discovery that it was not performing certain tests required by industrial standards and contracts. Nittai reacquired the JIS certification in March 2009.

June 2008

Nippon Steel was ordered to pay a surcharge in association with sales activities for steel sheet pile and pipe piles.

December 2008

Subsidiary Nippon Steel & Sumikin Coated Sheet Corporation was prosecuted for violations of the Antimonopoly Act in its sales activities for certain flat-rolled products. The Japan Fair Trade Commission is conducting administrative investigations of the company.

Education Concerning Compliance

Nippon Steel believes that compliance with laws and regulations is vital to the survival of any company. Accordingly, through messages from senior management, periodic legal training programs and other activities, we make certain that all employees fully understand Nippon Steel's basic policy of securing fair management.

Through seminars held by lawyers and e-learning programs, all employees of Nippon Steel and Group companies are made aware of the Antimonopoly Law Compliance Manual, which features concrete examples of actions that could be seen as violations of the Antimonopoly Law.

In addition, we have prepared 30 Don'ts of Business Behavior, a set of compliance guidelines that include simple examples of violations of the Antimonopoly Law and other laws governing business activities. By conducting seminars and other education programs, we cultivate a strong awareness of these guidelines and the importance of complying with laws and regulations among everyone at Nippon Steel and its Group companies.

Fair Rules for Acquisition of Substantial Shareholdings

At the Board of Directors meeting held on March 29, 2006, a resolution was passed to adopt Fair Rules for Acquisition of Substantial Shareholdings, which clearly and concisely describes the procedures that a bidder must follow before a takeover action can actually commence.

Fair Rules serves two purposes: first, it secures pertinent information and sufficient time for the Board of Directors to examine the takeover proposal, including alternatives, so that the Company can allow shareholders to make an informed judgment (appropriate decision based on the right information and a reasonable amount of time to study the facts) regarding a takeover proposal; and second, it prevents mass acquisition of stock that would be detrimental to corporate value and the common interests of shareholders.

More specifically, if a bidder seeks to acquire more than 15% equity in the Company, shareholders of record at the time the bid is presented will vote on the issuance of new share subscription rights (including gratis allotment, the same applies hereinafter)—the defense mechanism—as long as the takeover proposal has satisfied the conditions (the required information and examination period) stipulated in Fair Rules.

The issuance of new share subscription rights will be executed only when the following conditions are met: (1) the bidder has ignored procedures set forth in Fair Rules; (2) the bidder falls under any one of four categories that are designated harmful to corporate value based on judicial precedents, and the takeover bid is thought to carry the threat of clearly eroding the common interests of shareholders (based on the advice of an investment bank and an attorney of international stature); and (3) the shareholders approve the issuance of new share subscription rights.

Executive Team (As of July 2009)

Akio Mimura
Representative Director and Chairman

Shoji Muneoka
Representative Director and President

Kohzoh Uchida
Representative Director and Executive Vice President
Sales Administration & Planning; Global Marketing; Project Development; Each Steel Products Division; Machinery & Materials; Shanghai-Baoshan Cold-Rolled & Coated Sheet Products Project; Domestic Sales Offices; Cooperating with Executive Vice President S. Taniguchi on Overseas Offices

Shinichi Taniguchi
Representative Director and Executive Vice President
Corporate Planning; Accounting & Finance; Overseas Business Development; Raw Materials; Overseas Offices

Keisuke Kuroki
Representative Director and Executive Vice President
Intellectual Property; Safety Enhancement; Technical Administration & Planning; Ironmaking Technology; Steelmaking Technology; Slag & Cement; Technical Cooperation; Cooperating with Executive Vice President K. Shindo on Environmental Management

Yasuo Takeda
Representative Director and Executive Vice President
Director, Technical Development Bureau

Kosei Shindo
Representative Director and Executive Vice President
General Administration; Business Process Innovation; Personnel & Labor Relations; Environmental Management; Cooperating with Executive Vice President K. Kuroki on Safety Enhancement

Managing Directors, Members of the Board

Junji Uchida
Director, Flat Products Division; Sales Administration & Planning

Shigeru Oshita
Intellectual Property; Technical Administration & Planning; Ironmaking Technology; Steelmaking Technology; Slag & Cement; Technical Cooperation; Rendering Assistance to Executive Vice President K. Uchida on Steel Products

Tooru Obata
General Manager, Shanghai-Baoshan Cold-Rolled & Coated Sheet Products Projects; Overseas Business Development; Raw Materials; Machinery & Materials; Overseas Offices

10 Members of the Board

Managing Directors

Masakazu Iwaki
Deputy General Manager, Shanghai-Baoshan Cold-Rolled & Coated Sheet Products Project; Rendering Assistance to Director, Flat Products Division on Flat Products

Norio Katsuyama
General Superintendent, Nagoya Works

Yasuo Fujii
General Superintendent, Kimitsu Works

Hiromichi Aoki
Environmental Management; Cooperating with Managing Director S. Oshita on Energy, Recycling and Slag; Rendering Assistance to Executive Vice President K. Shindo on General Affairs

Directors

Kenji Hiwatari
General Manager, Osaka Sales Office

Shinya Higuchi
Director, Pipe & Tube Division; Global Marketing; Titanium

Hiroshi Kimura
Director, Environment & Process Technology Center, Technical Development Bureau

Noriyuki Masumitsu
General Superintendent, Muroran Works, Bar & Wire Rod Division

Katsuhiko Ota
Corporate Planning; Accounting & Finance; Overseas Business Development; Cooperating with General Manager, General Administration Division on Public Relations

Ikuya Yamamoto
Director, Steel Research Laboratories, Technical Development Bureau

Takayoshi Meiga
General Superintendent, Yawata Works

Takashi Miwa
General Manager, Ironmaking Technical Division; Rendering Assistance to Managing Director S. Oshita on Slag & Cement

Hirotomo Suetsugu
General Manager, Business Process Innovation Division

Atsuhiko Yoshie
General Manager, Technical Development Planning Division, Technical Development Bureau

Masato Yamada
Rendering Assistance to Managing Director M. Iwaki on Flat Products

Soichiro Sakuma
Rendering Assistance to Executive Vice President K. Shindo on Legal & Corporate Risk Management

Masayuki Shibata
Rendering Assistance to Director, Bar & Wire Rod Division on Bar & Wire Rod Products

Yasumitsu Saeki
Deputy Director, Flat Products Division; Director, Bar & Wire Rod Division

Shinji Fujino
General Superintendent, Oita Works

Eiji Hashimoto
Director, Plate Division; Director, Structurals Division; Project Development

Yoshitsugu Sakamoto
General Manager, Technical Administration & Planning Division; Rendering Assistance to Executive Vice President K. Shindo on Business Process Innovation

Tatsuro Shirasu
General Manager, General Administration Division; Rendering Assistance to Executive Vice President K. Shindo on Business Process Innovation

Shinji Shibao
General Superintendent, Hirohata Works

Shinji Tanimoto
General Superintendent, Sakai Works, Structurals Division

Senior Corporate Auditor

Junji Ota

Corporate Auditors

Toshihide Tanabe
Katsunari Yoshida
Yoichi Kaya*
Shigemitsu Miki*
Shigeo Kifuji*
Takao Kusakari*

*External corporate auditors

Risks Associated with Business and Other Operations

This section lists major risk factors concerning the Nippon Steel Group's operations, financial condition, and other items that may have a significant impact on decisions to be made by investors.

Changes in Steel Supply and Demand

The steelmaking and steel fabrication segment accounts for about 80% of the Nippon Steel Group's consolidated net sales. Changes in supply or demand in the global steel market could affect the Company's performance. In addition, the Nippon Steel Group faces intense competition from other steelmakers in Japan and other countries. As a result, any decline in the competitive edge of the Group's technologies, cost structure, product quality or other aspects of performance relative to competitors could have a serious impact on our operating results.

Most of Nippon Steel's customers in the steelmaking and steel fabrication segment regularly purchase large quantities of steel based on the premise that they can sell the products they make from this steel. Consequently, shifts in the purchasing policies of major customers could have an impact on the Company's operating results.

In addition, problems involving credit risk at trading and other companies, which are the primary buyers of our steel and other products, could have a serious impact on our operating results.

Fluctuations in the Price of Raw Materials and Fuels

Prices of raw materials and fuels, including iron ore, coal, ferroalloys and scrap, which are used in the steelmaking and steel fabrication segment, as well as ocean freight rates for these materials and fuels, are linked to the global supply-demand balance for these resources. Prices of these materials and fuels may experience wide fluctuations in line with changes in the supply-demand balance of steel raw materials, attributable to underlying economic conditions and steel output. Nippon Steel's performance and financial conditions may be negatively impacted by such external factors.

Fluctuations in the Interest Rates of Loans and Bonds and Changes in Financial Markets

Consolidated interest-bearing debt as of March 31, 2009 amounted to ¥1,454.2 billion. As a result, changes in interest rates and other factors linked to financial markets could have an impact on Nippon Steel's operating results.

Fluctuations in the Value of Securities and Other Assets (Including Pension Plan Assets)

Consolidated investments in securities as of March 31, 2009 amounted to ¥957.3 billion. Nippon Steel may need to recognize valuation losses on certain securities resulting from poor operating results at a portfolio company, a downturn in stock markets, or other factors.

In addition to investments in securities, Nippon Steel has ¥306.1 billion of pension plan assets (including employee retirement benefit trust assets) on a non-consolidated basis. Fluctuations in the prices or interest rates for Japanese and overseas stocks, bonds, and other investments comprising the plan assets could have an impact on the Company's operating results.

Exchange Rate Fluctuations

The Nippon Steel Group uses foreign currency denominated transactions in the course of exporting products, importing raw materials, and other business activities. In addition, the Group holds assets and liabilities denominated in foreign currencies. As a result, changes in exchange rates could have an impact on its operating results.

Environmental Regulations and Taxes Imposed on Business Operations

In the future, Japan may establish environmental regulations affecting companies that consume fossil fuels and/or release CO_2 into the atmosphere. These regulations could include quantitative restrictions, environmental taxes, or other restrictions. The resulting limitations on the business activities of the Nippon Steel Group, primarily its steelmaking operations, could have an impact on operating results.

Increase in Duties and Other Import Restrictions in Major Overseas Markets

The U.S. and other countries have levied antidumping duties on the exports of certain steel products of the Nippon Steel Group. If import restrictions such as duty hikes and quotas were to be imposed in major overseas markets, the resulting restrictions on exports could have an impact on Nippon Steel's operating results.

Suspension of or Limitations on Operations Due to Disasters, Accidents, or Other Events

In cases where steelworks or other business sites of the Nippon Steel Group are damaged by a major typhoon, earthquake, or other natural disaster, or where the new influenza or other infectious diseases rapidly spread nationwide, the Company's operations could be interrupted, with a resulting adverse impact on our operating results.

In addition, a suspension of operations or limitations on operations resulting from a serious accident, equipment malfunction, product quality problem or other emergency could have an impact on the Company's operating results.

Administrative Actions by the Fair Trade Commission of Japan or Other Government Authorities

Nippon Steel was indicted and received a cease-and-desist order under the provisions of the Japanese Antimonopoly Act in relation to steel bridge projects. A final verdict has not been reached yet. In addition, Nippon Steel subsidiary Nippon Steel & Sumikin Coated Sheet Corporation has been investigated by the Fair Trade Commission concerning some of its steel product operations. Administrative actions, such as the imposition of surcharges, could have an impact on Nippon Steel's operating results.

Basic Policy

The Nippon Steel Group's corporate philosophy clearly states that the Company—with a focus on steel manufacturing—shall contribute to industrial development and the enhancement of people's lives by creating and supplying valuable and attractive products and ideas. Pursuant to this philosophy, Nippon Steel goes beyond merely ensuring legal compliance in the environmental field. We are aggressively tackling environmental issues that the entire world is currently facing, such as those relating to resources and energy, global warming, recycling, and environmental protection. In such an endeavor, we take advantage of our top-class environmental and energy-saving technologies and business infrastructures, including steelworks, while reinforcing cooperation with other businesses and local communities.

Defining environmental initiatives as a management cornerstone, Nippon Steel is implementing related initiatives in a proactive, efficient and effective manner. At the same time, the Company is working to contribute to the sustainable development of society through collaborative activities with other businesses and local communities, thereby growing into a role-model as a leading steel manufacturer.

Super-Long-Term Environmental Protection and Energy-Saving Initiatives

For over 30 years, Nippon Steel has vigorously undertaken environmental protection and energy-saving initiatives and accordingly achieved one of the highest levels of energy saving in the world. As a short-term target, the Company is continuing efforts to accomplish a voluntary action plan of reducing its energy consumption by 10% from the fiscal 1990 level by the end of fiscal 2010, ending March 31, 2011. Such efforts, coupled with a decrease in output, have borne fruit, allowing the Nippon Steel Group to cut its CO_2 emissions by approximately 15% compared with those recorded in fiscal 1990.

Looking toward the future, Nippon Steel is committed to contributing to solving issues in the areas of resource- and energy-saving and environmental protection by leveraging its top-tier technological capabilities. To this end, we are steadily formulating super-long-term environment- and energy-related initiatives that extend through to 2050. Implementing these initiatives from the three perspectives of "Eco-Products®" (eco-friendly steel products), "Eco-Processes" (eco-friendly manufacturing processes) and "Eco-Solutions" (solutions for energy-saving and environmental protection issues), we are accelerating activities to help realize a truly sustainable society.

Three Eco-Friendly Initiatives

● Eco-Processes

Nippon Steel is constantly working to enhance the world's top-level energy-saving technologies that it applies in steelmaking processes. At the same time, through the Global Sectoral Approach, the Company is proactively making contributions to the proliferation of advanced energy-saving technologies throughout the global steel industry. In addition, we are advancing the development of technologies to drastically reduce CO_2 emissions. Specific projects in this regard include a national project called COURSE50, which is led by the Japan Iron and Steel Federation. As a medium- to long-term initiative, the COURSE50 project is aimed at establishing a hydrogen-reduction steelmaking process, a technology to separate and retain CO_2 and other technologies.

Next-generation coke oven introduced to enhance energy efficiency by approximately 20% (Oita Works)

● Eco-Products®

Through the creation and provision of Eco-Products® based on its world-leading technologies, Nippon Steel is helping people reduce CO_2 emissions and environmental impact of their activities. These Eco-Products® include: high-tensile-strength steel sheets and specialty-steel bars and wire rods indispensable for lightweight automobiles; high-performance electrical sheets essential for hybrid car motors; and the Ecokote-S steel sheet for biofuel-compatible automotive fuel tanks, which is free of lead and chromate, helps reduce automobile weight, and boasts improved corrosion resistance.

Electrical sheets that contribute to improved performance of hybrid cars

● Eco-Solutions

Nippon Steel integrates Eco-Products® and Eco-Processes to offer various Eco-Solutions. These solutions help lower the environmental impact of social and industrial activities and thereby protect the environment. Specifically, leveraging the collective strengths of the Nippon Steel Group, the Company supplies resource/energy recovery systems to the steel industry, while providing materials for use in eco-friendly houses and energy-saving finished products and IT solutions. Also, we use our steelworks to recycle approximately 30% of all plastic containers and packaging materials collected nationwide as well as approximately 10% of all waste tires generated in Japan. Through these and other activities, we are assisting in the establishment of a sustainable society.

Preliminary processing facilities for plastic containers and packaging materials. Nippon Steel recycles the world's largest volume of such containers and materials.

Topics

● Creation of Forests and Kelp Forests

Since 1971, immediately after its inception, all Nippon Steel steelworks have engaged in forest creation in accordance with the vegetation pattern in each region. Each of these forests has now grown to be well over 30 meters high, blending in with regional landscapes. These forests help maintain biodiversity while serving as CO_2 absorbers.

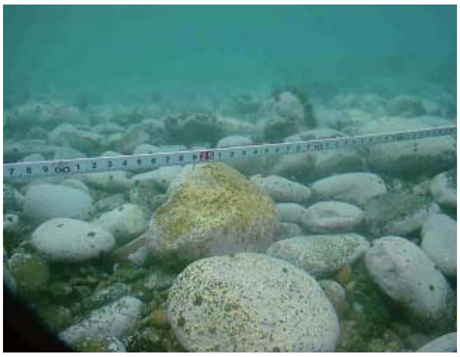
Meanwhile, Nippon Steel is supporting the creation of kelp forests. In seas where marine vegetation is dying off, the Company uses steel slag—a by-product of the steelmaking process—and recycled resources from the agriculture, forestry and fishery industries to supply iron and other nutrients and thereby promote the growth of kelp and other marine vegetation. Commenced first in 2004 in Hokkaido, this project has spread to nine other locations in Japan and has begun to show tangible results. Our kelp forest creation activities have been increasingly recognized as a way unique to Nippon Steel to channel its steelmaking expertise into regional nature restoration. Moreover, these activities are expected to develop into a solution for biodiversity preservation, food resource problems and energy conservation issues.

Creation of Forests

Tree-planting activities by Nippon Steel employees

A forest created near a steelworks of Nippon Steel

Creation of Kelp Forests



Barren, rocky seafloor after kelp denudation

Steelmaking by-products promoting growth of kelp and other marine vegetation

Shareholders and Investors

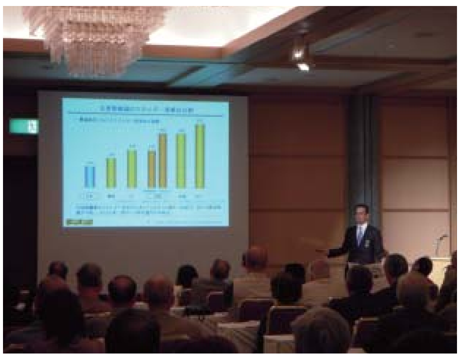
Nippon steel places priority on investor relations (IR) activities. We have an extensive IR program. We hold information meetings for institutional investors and analysts; publish a reporting booklet and an annual report for shareholders; maintain an Investor Relations section on our web site; conduct investor surveys; and offer information meetings and tours of our steelworks for individual shareholders. We will continue to work on ways to provide timely and useful information and improve our IR activities by increasing interactive communication with shareholders and other investors. Through these activities, we hope to give investors many reasons to continue owning our shares.

For more financial information about Nippon Steel, please visit the Investor Relations section of our web site at http://www.nsc.co.jp/en/index.html.

● **Information Meetings and Tours of Steelworks for Individual Shareholders**

Nippon Steel has held a total of 42 information meetings and steelworks tours for individual investors since starting this program in the spring of 2005. More than 9,300 individual shareholders have participated in these events and expressed positive feedback. Fiscal 2009, ending March 31, 2010, will be a commemorative year with the Company holding the 50th event and welcoming the 10,000th shareholder. In response to various requests of our shareholders, we will continue to improve our IR activities while holding these events in each region of Japan to give more shareholders a better understanding of our management policy, activities and steelmaking operations.

Steelworks tour for individual shareholders (Nagoya Works)



Information meeting for individual shareholders (Nagoya City)

Customers and Suppliers

Our manufacturing and marketing divisions work together closely to provide reliable products and services that satisfy the requirements of our customers. One aspect of this cooperation is quality assurance, which involves standardizing and then improving business, manufacturing, and management activities. The other is quality control, which involves upgrading product-specific manufacturing, management, development, and improvement processes.

The Head Office and each steelworks establish policies for ensuring the fairness of purchasing activities with regard to legal compliance and economic rationale. Our objective is to foster mutual understanding and stronger bonds of trust with our suppliers in order to establish long-term partnerships.

Employees

According to a management principle of helping employees develop their skills and then fully utilizing those talents, Nippon Steel aspires to provide a workplace where people can take pride in their jobs and constantly aim for attaining higher goals. The basis for creating this type of environment is a human resources policy that prioritizes fairness and respect for each individual. We believe that manufacturing high-quality products must begin with the training of high-quality workers. From this perspective, we have developed many programs to enhance the comprehensive skills of our workforce. The primary means is on-the-job training based on concrete plans. Employees also have access to a variety of other training programs. In addition, we offer support for training the next generation of skilled workers and have a system for rehiring workers who have reached the mandatory retirement age. Collectively, these human resources programs help to create a rewarding workplace that provides many opportunities for everyone who works at Nippon Steel.

The health and safety of workers takes precedence over all aspects of our production activities. We use risk assessments to identify and eliminate potential sources of danger and harm to workers. Furthermore, we have a workers' health and safety management system that incorporates a mechanism for the internal evaluation of health and safety activities. By methodically and continuously augmenting these activities, we are dedicated to achieving more improvements in workplace health and safety.

Corporate Citizenship

Nippon Steel has a long history of managing steelworks all over Japan in harmony with communities. As a trusted and responsible member of the community, we continue to expand social contribution programs in a unique manner. These programs include musical activities based in Kioi Hall, and the operation of regional sports clubs that increase community spirit.

Supporting Musical Activities

Since its establishment, Nippon Steel has supported artistic and cultural activities. Specifically, Nippon Steel has expanded continuous support in the field of music through the inauguration of sponsorships of Nippon Steel Concerts and the Nippon Steel Music Awards. The Nippon Steel Arts Foundation, which was established in 1994, is the primary source of assistance for cultural activities. The foundation uses Kioi Hall, which is used solely for musical performances, to present classical concerts performed mainly by Kioi Sinfonietta Tokyo. There are also performances featuring traditional Japanese music.

● Nippon Steel Music Awards

Nippon Steel started this award program as one way to celebrate its 20th anniversary in 1990. Every year, these awards recognize young classical music artists with outstanding potential as well as individuals who make significant contributions to the promotion of classical music.

● Kioi Hall

Nippon Steel constructed Kioi Hall in 1995—one of its most visible donations to the community. The central Tokyo concert hall quickly earned an excellent reputation among music fans as well as musicians due to its outstanding acoustic properties. In May 2008, the cumulative number of visitors had reached two million.

● Japan-South Korea Musical Exchange

Nippon Steel and South Korea-based POSCO have jointly promoted musical exchange activities since April 2008 as part of efforts to use their strategic business partnership to expand cultural exchange between Japan and South Korea. The two companies jointly hosted musical performances at Kioi Hall in April 2008 and in South Korea in January and June 2009.

Supporting Sporting Activities

Nippon Steel is taking on the new challenge of transforming company sports teams into community-based sports clubs. We hope to contribute to making Japan's teams in many sports stronger by fostering the development of athletes who can participate at the global level, and even participate in the Olympics. We are supporting the development of athletes primarily for volleyball, rugby, baseball and judo, while providing guidance to junior teams and making our athletic facilities available for games and training.

Demonstration of *tatara* ironmaking

Providing Education on Manufacturing and the Environment

As a supplier of basic materials, Nippon Steel has a number of programs to inform young children and students—on whose shoulders the future rests—about the importance of manufacturing and the wonders of steel and technology. Activities include a hands-on steelmaking program using the *tatara* method (a traditional Japanese ironmaking technique), an energy conservation and environmental protection class for elementary and junior high school students and special classroom lectures.

Kioi Hall (Chiyoda-ku, Tokyo)

Community-based volleyball club
(Sakai Blazers)

Principal Subsidiaries and Affiliates
(As of March 31, 2009)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Steelmaking and Steel Fabrication (247 companies)			
Consolidated Subsidiaries (189 companies)			
Nippon Steel & Sumikin Coated Sheet Corporation	11,019	76.7%	Makes and markets galvanized sheets, prepainted galvanized sheets, coated sheets, and construction materials
Osaka Steel Co., Ltd.	8,769	62.4%	Makes and markets billets, shapes, deformed bars, and fabricated products
Nippon Steel & Sumikin Metal Products Co., Ltd.	5,912	85.0%	Makes and markets structural materials for buildings and civil engineering work, prepainted galvanized sheets and steelmaking fluxes, and CC powders
Nippon Steel & Sumikin Stainless Steel Corporation	5,000	80.0%	Makes and markets stainless steel
Nittetsu Steel Pipe Co., Ltd.	4,832	100.0%	Makes, coats, and markets steel pipe and tubes
Nippon Steel Logistics Co., Ltd.	4,000	100.0%	Undertakes ocean and land transportation and warehousing
Nippon Steel Shipping Co., Ltd.	2,227	78.6%	Undertakes ocean transportation
Nippon Steel & Sumikin Welding Co., Ltd.	2,100	80.0%	Makes and markets welding materials and apparatus
Nippon Steel Drum Co., Ltd.	1,654	100.0%	Makes and markets drums
Nippon Steel Blast Furnace Slag Cement Co., Ltd.	1,500	100.0%	Makes and markets cement and steelmaking slag
Nittetsu Cement Co., Ltd.	1,500	85.0%	Makes and markets cement
Nittetsu Elex Co., Ltd.	1,032	90.3%	Designs and installs electrical instrumentation apparatus
Nittetsu Finance Co., Ltd.	1,000	100.0%	Engages in financing and lending operations
Nittetsu Tokai Steel Wire Co., Ltd.	897	51.0%	Makes and markets secondary products using bars and wire rods
Nippon Steel Transportation Co., Ltd.	500	100.0%	Undertakes harbor and land transportation and loading and unloading operations
NS Preferred Capital Limited	300,000	100.0%	Issues preferred securities
The Siam United Steel (1995) Co., Ltd.	THB9,000 million	44.7%	Makes and markets cold-rolled sheets
Siam Nippon Steel Pipe Co., Ltd.	THB779 million	60.8%	Makes and markets electric resistance-welded pipe and tubes for mechanical configurations
Nippon Steel U.S.A., Inc.	US$22 million	100.0%	Invests in U.S. companies and gathers information
Nippon Steel Australia Pty. Limited	A$21 million	100.0%	Participates in mine development in Australia and gathers information
169 other companies			
Affiliates Accounted for by the Equity Method (58 companies)			
Godo Steel, Ltd.	34,896	15.1%	Makes and markets shapes, rails, bars, and wires
Topy Industries, Ltd.	20,983	20.2%	Makes and markets shapes, deformed steel bars, automotive and industrial components
Sanyo Special Steel Co., Ltd.	20,182	15.3%	Makes and markets special steel products
Nichia Steel Works, Ltd.	10,720	23.6%	Makes and markets bolts, wire products, and prepainted galvanized sheets
Nippon Steel Trading Co., Ltd.	8,750	34.3%	Buys and sells iron and steel, nonferrous metals, machinery, and raw materials
Mitsui Mining Co., Ltd. (Note 1)	7,000	21.8%	Markets coal and manufactures and markets coke
Japan Casting & Forging Corporation	6,000	42.0%	Makes and markets castings, forgings, ingots, and billets
Krosaki Harima Corporation	5,537	47.2%	Makes, markets, and constructs refractories
Taihei Kogyo Co., Ltd.	5,468	37.5%	Undertakes civil engineering and building construction work; makes and mounts machinery and equipment; makes steel
Geostr Corporation	3,352	27.9%	Makes and markets concrete products for civil engineering and building construction work
Daiwa Can Company	2,400	33.4%	Makes and markets metal, plastic, and paper containers
Sanko Metal Industrial Co., Ltd.	1,980	17.3%	Makes, processes, installs, and sells metal roofs and building materials
Suzuki Metal Industry Co., Ltd. (Note 2)	1,900	35.9%	Makes and markets wire products
Sanyu Co., Ltd.	1,513	34.8%	Makes and markets cold-finished bars and cold-heading wire

Notes: 1. Mitsui Mining Co., Ltd. was renamed NIPPON COKE & ENGINEERING CO., LTD. as of April 1, 2009.
2. Suzuki Metal Industry Co., Ltd. became a consolidated subsidiary of Nippon Steel as of June 15, 2009.

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Affiliates Accounted for by the Equity Method (Continued)			
Usinas Siderúrgicas de Minas Gerais S.A.	R12,150 million	23.4%	Makes and markets steel products
Baosteel-NSC/Arcelor Mittal Automotive Steel Sheets Co., Ltd.	RMB3,000 million	40.0%	Makes and markets automotive steel sheets
UNIGAL Ltda.	R384 million	30.0%	Makes and markets galvanized sheets
Companhia Nipo-Brasileira de Pelotização	R105 million	25.4%	Maintains and leases pellet production facilities
Guangzhou Pacific Tinplate Co., Ltd.	US$36 million	27.3%	Makes and markets tinplate
39 other companies			

Engineering and Construction (23 companies)

Consolidated Subsidiaries (22 companies) Affiliates Accounted for by the Equity Method (1 company)			
Nippon Steel Engineering Co., Ltd.	15,000	100.0%	Makes and markets industrial machinery and equipment and steel structures; undertakes civil engineering and building construction work; waste and regeneration treatment business; electricity, gas, and heat supply business
22 other companies			

Urban Development (11 companies)

Consolidated Subsidiaries (7 companies) Affiliates Accounted for by the Equity Method (4 companies)			
Nippon Steel City Produce, Inc.	6,020	100.0%	Buys, sells, and rents real estate
10 other companies			

Chemicals (17 companies)

Consolidated Subsidiaries (8 companies) Affiliates Accounted for by the Equity Method (9 companies)			
Nippon Steel Chemical Co., Ltd.	5,000	100.0%	Makes and markets coal chemicals, petrochemicals, and electronic materials
16 other companies			

New Materials (10 companies)

Consolidated Subsidiaries (10 companies)			
Nippon Steel Materials Co., Ltd.	3,000	100.0%	Makes and markets semiconductor components and materials, electronic components and materials, metal-processed products, and ceramic components and materials
9 other companies			

System Solutions (16 companies)

Consolidated Subsidiaries (15 companies) Affiliates Accounted for by the Equity Method (1 company)			
NS Solutions Corporation	12,952	67.0%	Provides engineering and consulting services pertaining to computer systems
15 other companies			

Total Consolidated Subsidiaries: 251 companies Total Affiliates Accounted for by the Equity Method: 73 companies

Directory

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Nagano Sales Office
Phone: 81-26-228-2190 Fax: 81-26-228-6317

Osaka Sales Office
Phone: 81-6-6202-2201 Fax: 81-6-6223-6200
Shikoku Sales Office
Phone: 81-87-862-2201 Fax: 81-87-862-2206

Nagoya Sales Office
(Nagoya Office)
Phone: 81-52-581-2111 Fax: 81-52-581-4713
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Phone: 81-52-689-3103 Fax: 81-52-689-3159
Shizuoka Sales Office
Phone: 81-54-255-2511 Fax: 81-54-255-2518

Kyushu Sales Office
Phone: 81-92-273-7001 Fax: 81-92-273-7083
Nagasaki Sales Office
Phone: 81-95-822-2281 Fax: 81-95-822-8598
Kumamoto Sales Office
Phone: 81-96-319-0371 Fax: 81-96-319-0373
Oita Sales Office
Phone: 81-97-558-4110 Fax: 81-97-558-4114
Minamikyushu Sales Office
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Phone: 81-98-867-4145 Fax: 81-98-867-6926

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Phone: 81-11-222-8260 Fax: 81-11-251-2791
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Phone: 81-143-47-2168 Fax: 81-143-47-2676

Tohoku Sales Office
Phone: 81-22-227-2661 Fax: 81-22-264-1031
Morioka Sales Office
Phone: 81-19-623-6341 Fax: 81-19-651-7445
Akita Sales Office
Phone: 81-18-862-3054 Fax: 81-18-862-3113
Aomori Sales Office
Phone: 81-17-775-3980 Fax: 81-17-723-1589

Niigata Sales Office
Phone: 81-25-246-3111 Fax: 81-25-246-1062
Hokuriku Sales Office
Phone: 81-76-431-8347 Fax: 81-76-433-1047

Steelworks

Yawata Works
Phone: 81-93-872-6111 Fax: 81-93-872-6849
Bar & Wire Rod Division: Muroran Works
Phone: 81-143-47-2111 Fax: 81-143-47-2701
Bar & Wire Rod Division: Kamaishi Works
Phone: 81-193-24-2332 Fax: 81-193-22-0158
Hirohata Works
Phone: 81-79-236-1001 Fax: 81-79-237-2600
Pipe & Tube Division: Hikari Pipe & Tube Div.
Phone: 81-833-71-5251 Fax: 81-833-71-5161
Nagoya Works
Phone: 81-52-603-7024 Fax: 81-52-603-7025
Structurals Division: Sakai Works
Phone: 81-72-233-1108 Fax: 81-72-233-1106
Kimitsu Works
Phone: 81-439-50-2013 Fax: 81-439-54-1660
Oita Works
Phone: 81-97-553-2305 Fax: 81-97-553-2353
Pipe & Tube Division: Tokyo Works
Phone: 81-3-3968-6801 F ax: 81-3-3968-6810

Research Laboratory

Technical Development Bureau
Phone: 81-439-80-2111 Fax: 81-439-80-2740

Major Consolidated Subsidiaries in Each Segment

Nippon Steel Engineering Co., Ltd.
Phone: 81-3-6665-2000
Nippon Steel City Produce, Inc.
Phone: 81-3-3276-8800
Nippon Steel Chemical Co., Ltd.
Phone: 81-3-5207-7600
Nippon Steel Materials Co., Ltd.
Phone: 81-3-6859-6111
NS Solutions Corporation
Phone: 81-3-5117-4111

Overseas

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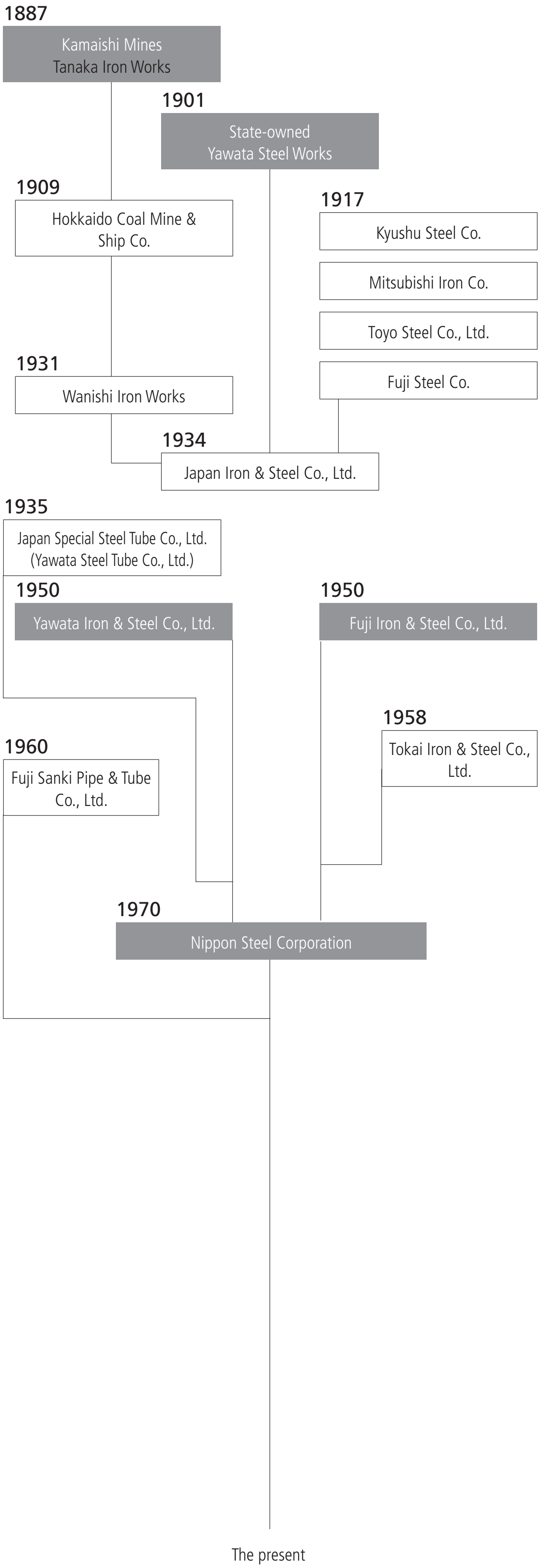
History
(As of July, 2009)



1857 Japan's first blast furnace went into operation at Kamaishi.

1875 The Ministry of Industry started construction of steelworks at Kamaishi.

1886 Iron was tapped at Kamaishi Mines Tanaka Iron Works (present Kamaishi Works).

1897 The Ministry of Agriculture and Commerce started construction of a steelworks at Yawata.

1901 The state-owned Yawata Steel Works began operation (present Yawata Works).

1909 Wanishi Iron Works of Hokkaido Coal Mine & Ship Co. started operation (present Muroran Works).

1934 Japan Iron & Steel Co., Ltd., was founded through merger of Yawata Steel Works with Wanishi Iron Works, Kamaishi Mines, Mitsubishi Iron, Fuji Steel, Kyushu Steel, and Toyo Steel.

1939 Hirohata Works of Japan Iron & Steel began operation.

1950 Japan Iron & Steel was dissolved to form Yawata Iron & Steel Co., Ltd., and Fuji Iron & Steel Co., Ltd.

1955 Hikari Works of Yawata Iron & Steel began operation.

1958 Tokai Iron & Steel Co., Ltd., was established.

Yawata Iron & Steel inaugurated the Tobata Area of Yawata Works.

1961 Sakai Works of Yawata Iron & Steel began operation.

1965 Kimitsu Works of Yawata Iron & Steel began operation.

1967 Tokai Iron & Steel became Nagoya Works of Fuji Iron & Steel.

1968 Yawata Iron & Steel absorbed Yawata Steel Tube Co., Ltd.

1970 Yawata Iron & Steel and Fuji Iron & Steel merged to form Nippon Steel Corporation.

1971 Oita Works began operation.

Nippon Steel absorbed Fuji Sanki Pipe & Tube Co., Ltd.

1974 Engineering Divisions Group was organized.

1984 New Materials Projects Bureau was organized.

1986 Electronics Division was organized.

1987 Electronics & Information Systems Division, New Materials Division and Service Business Division (integrated into Urban Development Division in June 1992) were organized.

1991 Technical Development Bureau was organized by integrating Central R&D Bureau and Plant Engineering & Technology Bureau, and Research and Engineering Center began operation.

1993 Semiconductor Division was organized (abolished in April 1999).

1997 Silicon Wafer Division was organized (abolished in April 2004).

2000 A divisionally integrated operational system within the Group based on product item or business area was introduced in the steelmaking and steel fabrication business.

2001 Operations of Nippon Steel's Electronics & Information Systems Division and its subsidiary Nippon Steel Information & Communication Systems Inc. were integrated to organize NS Solutions Corporation.

2002 All operations of Nippon Steel's Urban Development Division were integrated into Nippon Steel City Produce, Inc.

2003 Stainless business was spun off to Nippon Steel & Sumikin Stainless Steel Corporation.

2006 Engineering and Construction business was spun off to Nippon Steel Engineering Co., Ltd.

New Materials business was spun off to Nippon Steel Materials Co., Ltd.

Consolidated 11-Year Summary (Reference-Unaudited)

Nippon Steel Corporation

As of or for the years ended March 31	Millions of yen 2009	Thousands of U.S. dollars 2009	Millions of yen 2008	2007
Net sales	**4,769,821**	**48,557,688**	4,826,974	4,302,145
Operating profit (loss)	**342,930**	**3,491,099**	545,580	580,097
Ordinary profit (loss)	**336,140**	**3,421,970**	564,119	597,640
Income (loss) before income taxes and minority interests	**281,079**	**2,861,441**	605,485	621,419
Net income (loss)	**155,077**	**1,578,720**	354,989	351,182
Net income (loss) per share (yen/U.S. dollars)	**¥24.60**	**$0.25**	¥56.33	¥54.28
Net assets	**2,174,809**	**22,139,968**	2,413,954	2,369,228
Shareholders' equity	**—**	**—**	—	—
Total assets	**4,870,680**	**49,584,451**	5,193,498	5,344,924
Capital expenditure	**305,738**	**3,112,476**	308,993	273,440
Depreciation	**273,744**	**2,786,772**	244,038	192,454
Research and development costs	**46,166**	**469,987**	45,328	41,229
Interest-bearing debt	**1,454,214**	**14,804,179**	1,192,027	1,213,057

Sales and operating profit (loss) by industry segment*1,*2

Sales

For the years ended March 31	Millions of yen 2009	Thousands of U.S. dollars 2009	Millions of yen 2008	2007
Steelmaking and steel fabrication	**4,038,685**	**41,114,585**	3,994,526	3,482,377
Engineering and construction	**386,643**	**3,936,107**	359,884	367,968
Urban development	**70,152**	**714,170**	93,839	94,347
Chemicals and non-ferrous materials	**—**	**—**	—	—
Chemicals	**212,172**	**2,159,953**	289,029	318,755
New materials	**59,907**	**609,866**	76,157	65,601
System solutions	**161,541**	**1,644,523**	165,360	156,505
Other businesses	**—**	**—**	—	—
Elimination of intersegment transactions	**(159,281)**	**(1,621,517)**	(151,823)	(183,410)
Consolidated total	**4,769,821**	**48,557,688**	4,826,974	4,302,145

Operating profit (loss)

For the years ended March 31	Millions of yen 2009	Thousands of U.S. dollars 2009	Millions of yen 2008	2007
Steelmaking and steel fabrication	**307,047**	**3,125,799**	475,951	514,562
Engineering and construction	**24,674**	**251,194**	21,496	13,031
Urban development	**3,929**	**40,001**	12,602	14,301
Chemicals and non-ferrous materials	**—**	**—**	—	—
Chemicals	**894**	**9,105**	21,050	23,645
New materials	**(2,397)**	**(24,409)**	559	3,129
System solutions	**11,479**	**116,859**	14,756	13,992
Other businesses	**—**	**—**	—	—
Elimination of intersegment transactions	**(2,696)**	**(27,451)**	(835)	(2,564)
Consolidated total	**342,930**	**3,491,099**	545,580	580,097

Shares (non-consolidated)

	2009	2008	2007
Shares outstanding at year-end (in thousands)	**6,806,980**	6,806,980	6,806,980
Common stock price range (high/low: yen)	**703/236**	964/427	900/370

Production and shipments

For the years ended March 31	Thousands of tons 2009	Thousands of tons 2008	2007
Crude steel output	**31,240**	36,233	34,523
Crude steel output (non-consolidated)	**28,611**	33,110	31,596
Steel products shipments*3	**28,200**	32,900	31,514

Employees

As of March 31	Employees 2009	Employees 2008	2007
Number of employees	**50,077**	48,757	47,257
Number of employees (non-consolidated)*4	**15,503**	15,083	14,346

*1 Industry segment was changed at the beginning of 2001 as follows:
- Transfer of some companies engaged in "Chemicals, non-ferrous metals, and ceramics" to "Steelmaking and steel fabrication", Transfer of some companies engaged in "Chemicals, non-ferrous metals, and ceramics" to "Steelmaking and steel fabrication", and an accompanying change in business designation from that of "Chemicals, non-ferrous metals, and ceramics" to "Chemicals and non-ferrous materials".
- Transfer of all companies engaged in "Transportation" to "Steelmaking and steel fabrication" and the accompanying abolition of "Transportation".
- Transfer of some companies engaged in " Engineering and construction" to "Steelmaking and steel fabrication", and "Services and others".
- Transfer of some companies engaged in "Services and others" to "Steelmaking and steel fabrication".

As a result of these changes, sales and operating profit (loss) for 2000 and 2001 are presented under the new segments. Additionally, at the beginning of 2002 the name of "Electronics and information systems" changed to "System solutions."

Millions of yen							
2006	2005	2004	2003	2002	2001	2000	1999
3,906,301	3,389,356	2,925,878	2,749,306	2,581,399	2,750,418	2,680,611	2,759,409
576,319	429,948	224,475	142,961	73,044	162,644	120,296	92,396
547,400	371,446	172,851	68,879	16,746	111,374	64,687	15,282
565,607	369,485	73,642	(37,386)	(25,079)	49,403	2,171	14,096
343,903	220,601	41,515	(51,686)	(28,402)	26,494	11,173	11,478
¥51.07	¥32.73	¥6.15	¥(7.69)	¥(4.17)	¥3.89	¥1.64	¥1.68
—	—	—	—	—	—	—	—
1,677,889	1,188,409	938,581	789,443	907,150	979,695	889,220	878,849
4,542,766	3,872,110	3,705,917	3,757,175	4,030,596	4,232,011	4,172,459	4,489,753
203,973	195,228	149,593	163,318	195,801	157,348	226,954	234,833
183,365	180,571	183,510	196,653	197,336	206,987	214,186	221,359
37,881	36,352	35,349	35,866	35,183	39,364	40,575	—
1,223,837	1,282,266	1,561,228	1,871,875	2,016,175	2,101,686	2,277,938	2,549,064

Millions of yen							
2006	2005	2004	2003	2002	2001	2000	1999
3,057,510	2,620,732	2,156,946	1,980,809	1,828,206	1,962,019	1,877,582	1,743,018
336,179	279,866	293,137	274,903	294,323	280,929	300,054	419,841
104,045	89,275	120,811	105,188	130,808	141,979	164,428	146,406
373,072	331,168	275,797	346,232	326,164	359,123	338,631	415,285
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
148,339	146,531	150,850	153,143	149,398	143,670	136,198	160,954
69,057	76,244	73,615	79,059	61,251	59,440	56,491	222,908
(181,903)	(154,463)	(145,280)	(190,031)	(208,754)	(196,745)	(192,776)	(349,005)
3,906,301	3,389,356	2,925,878	2,749,306	2,581,399	2,750,418	2,680,611	2,759,409

Millions of yen							
2006	2005	2004	2003	2002	2001	2000	1999
513,977	376,926	189,717	112,816	23,482	115,536	73,257	65,397
9,517	6,696	4,359	2,460	9,913	7,287	12,209	11,972
14,155	8,503	13,526	4,469	15,576	16,320	20,787	16,975
27,037	26,374	12,667	13,458	10,379	11,574	8,378	5,263
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
11,806	11,384	9,182	9,776	10,504	9,770	5,311	(19,333)
(1,185)	384	(4,310)	(2,155)	1,457	772	(911)	11,000
1,010	(321)	(668)	2,135	1,731	1,384	1,262	1,120
576,319	429,948	224,475	142,961	73,044	162,644	120,296	92,396

2006	2005	2004	2003	2002	2001	2000	1999
6,806,980	6,806,980	6,806,980	6,806,980	6,806,980	6,806,980	6,806,980	6,806,980
479/242	294/203	253/127	217/119	230/145	270 /165	314/215	272/177

Thousands of tons							
2006	2005	2004	2003	2002	2001	2000	1999
33,955	32,792	32,733	32,344	—	—	—	—
31,200	29,879	30,146	29,902	26,140	27,837	25,620	23,201
29,595	29,514	29,388	29,171	26,312	26,789	25,633	24,026

Employees							
2006	2005	2004	2003	2002	2001	2000	1999
46,143	46,451	46,233	49,400	50,463	52,247	54,865	—
15,212	15,081	15,138	16,481	17,370	18,918	19,816	21,414

*2 On July 1, 2006, Nippon Steel spun off two business sectors, engineering and construction, and new materials.
At the same time, the company positioned as the operating domain its six business sectors, steelmaking and steel fabrication, engineering and construction, urban development, chemicals, new materials, and system solutions. "Chemicals" and "new materials," which were included in the chemicals and non-ferrous materials segment, are now positioned as independent businesses, and "titanium and aluminum operations," which were part of the chemicals and non-ferrous materials sector, have been transferred to" steelmaking and steel fabrication." "Other businesses" (electric power supply, services, and others) have been transferred to "steelmaking and steel fabrication."

*3 Including sub-products

*4 Excluding employees seconded to subsidiaries and other organizations. The number of such employees at March 31, 2009 and 2008 was 2,143 and 2,626, respectively.

Note: Tonnage figures are in metric tons; all dollar ($) figures are in US currency and translated from the Japanese yen at the rate of $1=¥98.23 at the latest balance sheet date.

Financial Summary

Consolidated net sales for fiscal year 2008 (Year ended March 31, 2009) declined ¥57.1 billion, to ¥4,769.8 billion. Operating profit decreased by ¥202.6 billion, to ¥342.9 billion. Ordinary profit was down ¥227.9 billion, to ¥336.1 billion. Net income decreased by ¥199.9 billion, to ¥155.0 billion.

Segment Information

Steelmaking and Steel Fabrication

Steel demand in the steelmaking and steel fabrication business remained strong overall through the first half of the fiscal year both in Japan and overseas despite a slowing construction industry in Japan and declining real demand in the United States as well as decelerating economic growth in the BRICs (Brazil, Russia, India, and China).

At the same time, prices continued rising for steelmaking raw materials. The tight supply and demand conditions worldwide made to major increases in iron ore and coking coal prices unavoidable and brought higher price levels in the markets for scrap, crude oil, and other materials.

In these conditions, the Company aimed to improve its revenue structure by continuing to rigorously cut costs and enforcing other measures aimed at alleviating the underlying pressure to raise prices while seeking the understanding of customers for revisions to its steel product prices.

When the business conditions in major demand areas deteriorated further in the second half, decelerating corporate production activity and inventory adjustments in all the main demand segments led to sharp and wide-ranging drops in demand in the general merchandise segments as well as in the Company's core segment of high-grade steel.

In these conditions, to cope with the decline in demand, the Company took measures in the third quarter by reducing output by one million tons from the previous year's level and in the fourth quarter by reducing the operating rates of its blast furnaces to unprecedentedly low levels. In addition, also in the fourth quarter, the Company extended the periods of suspended blowing operations and implemented intermittent schedules for steel-rolling operations. In the fourth quarter, the Company moved up the scheduled blowoff (suspension of operations) to renovate the No. 1 blast furnace at the Oita Works, carried out the banking* of the No. 2 blast furnace at the Kimitsu Works, and implemented various additional measures that results in a major reduction in steel production by nearly four million tons from the previous year. The result was the lowest quarter steel production and shipment volumes in the Company's history.

*Banking means stopping the air blast flow to temporarily halt production while maintaining furnace conditions to restart production in the future.

In alliances and joint ventures, the Company and partner ArcelorMittal, of Luxembourg, are partially revising plans, including postponements, for a continuous galvanized line that is being expanded at I/N Kote in the United States to take into account the current sizeable contraction of the North American automotive market.

While carefully monitoring the changes in the economic environment and reviewing its business strategies, the Company continued to deepen and expand its global supply network while taking steps to ensure the long-term stable procurement of materials in anticipation of global economic growth and recovery in steel demand in the medium and long terms. Specific initiatives included partially financing the acquisition by Suzuki Metal Industry Co., Ltd. (a key Nippon Steel Group manufacturer conducting secondary processing of the Company's special wire rod products) of Haldex Garphyttan AB, (Sweden), a leading producer of valve spring wires, and also committing to participation with POSCO (South Korea), in a cold-rolling mill in Vietnam.

In addition, with the aims of strengthening relations with USIMINAS (Brazil), an alliance partner and equity-method affiliate in South America, and of better responding to the needs of customers in Brazil and throughout South America, Nippon Steel and major resource provider Vale reached an agreement for the Company to acquire Vale's voting stock in USIMINAS.

To ensure a stable supply of resources, together with other domestic steel manufacturers, general trading companies, and POSCO, the Company has committed to acquiring an equity interest in NAMISA (Brazil), which is a producer and marketer of iron ore and a subsidiary of the leading steel company CSN (Brazil).

As part of its ongoing environmental activities and the Company's strategic alliance with POSCO, a Nippon Steel-POSCO joint venture commenced the construction of rotary hearth furnace-type reduction furnaces at POSCO's Pohang and Gwangyang works to support the companies' allied operations supplying recycled steel dust and reduced iron. This plant construction is proceeding with a schedule for going into operation this year.

We regret the concerns which may have been caused in the local community and among other parties by the accidental fire that occurred on July 29 last year in the coal belt conveyor and coke gas pipe facilities of the coke furnace at the Company's Yahata Works. After repair work and extensive measures to prevent recurrence, the No. 4 coke furnace resumed operation on September 22 last year and the No. 5 coke furnace resumed operation on December 12 last year.

In addition, in the Company's subsidiary, facts were made clear last May that part of work was not conducted according to standards and contract specifications and this caused serious concern among clients and related parties. Thereafter, a thorough review was conducted of the Group's quality control systems, especially as regards Group companies and OEM outsourcing companies, with the aims of putting measures in place to prevent recurrences of such issues and recover confidence.

Despite the active implementation of a wide range of improvements and changes during the year, the operating profit of the steelmaking and steel fabrication business recorded declines from the previous year, however, its net sales increased year on year.

Engineering and Construction

In the engineering and construction business, Nippon Steel Engineering Co., Ltd., is focusing on developing its solutions-based operations in Japan in the areas of steel production plants, large-scale distribution facility construction projects, and waste treatment facilities. Outside Japan, the company is concentrating on securing orders for energy development related projects in Southeast Asia. The company's meticulous risk management and efforts to improve earnings on the project orders it undertakes resulted in year-on-year increases for both net sales and operating profit. At the same time, the worsening economic conditions resulted in a decline in orders received during the year due primarily to project cancellations and postponements.

Urban Development

In the urban development business, Nippon Steel City Produce, Inc., the Group's real estate development company, recorded a low contract rate level in the condominium market, reflecting the weak desire customers have to purchase during the current period of deteriorating economic and employment conditions. Demand is also down in the rental building market for corporate office space, and vacancy rates are rising. In this severe environment, the company made every effort to enhance its selectivity when acquiring new properties and to accelerate the completion of the sale of its inventory of properties. Nevertheless, urban development business net sales and operating profit both declined year on year.

Chemicals

In the chemicals business, Nippon Steel Chemical Co., Ltd., had a solid first half of the year supported by buoyant demand in the coal tar and carbon materials fields and growing sales for circuit board materials for mobile phone applications. In the second half, the sharp price fluctuations for crude oil and naphtha and the extreme deterioration in product markets as demand disappeared worldwide strongly impacted the performance of the chemicals business. Companies implemented inventory adjustments in all product markets, including in the electronics materials business segment, and the markets all but came to a standstill. The company ultimately posted declines in both net sales and operating profit for year.

New Materials

Net sales plummeted for Nippon Steel Materials Co., Ltd., as results were strongly impacted by a sharp drop in demand in the second half in the core markets of semiconductors and electronic materials and a virtual freezing of capital investment by major manufacturers. The company is enhancing its production capabilities for carbon fiber and polysilicon for solar cells, which are giving indications of developing a medium-term growth trend although some weakness in demand appeared in the second half as economic conditions worsened. Amid these difficult conditions, the segment is working on thoroughgoing cost reductions and improving profitability through optimization of production scale. The segment is also undertaking new initiatives, such as deciding to begin manufacturing and sales of silicon carbide wafer for use in power devices. Despite these efforts, net sales declined substantially from the previous year, and the company was ultimately forced to record an operating loss.

System Solutions

In the system solutions business, NS Solutions Corporation develops comprehensive system life-cycle (SLC) solutions encompassing the planning, configuration, operation, and maintenance of IT systems for a wide range of customers in the manufacturing, distribution, financial, public-sector, and other industries. The company has also begun providing services incorporating cloud computing* to improve customer investment efficiency and accelerate responsiveness to changes in the business climate. Net sales and operating profit declined year on year, primarily owing to the deteriorating business environments for its corporate clients and the accompanying decline in systems investment.

*Cloud computing is a new Internet-based computer usage configuration enabling services that allow users to access dynamically scalable resources via the Internet.

Funding

Nippon Steel Corporation issued unsecured straight bonds of ¥29.9 billion and ¥29.9 billion on May 23, 2008, ¥30.0 billion and ¥10.0 billion on September 2, 2008, ¥30.0 billion and ¥15.0 billion on December 2, 2008.

Assets, Liabilities, Net Assets and Cash Flows

Total consolidated assets at the end of fiscal 2008 were ¥4,870.6 billion, representing a decrease of ¥322.8 billion from ¥5,193.4 billion at the end of fiscal 2007. Although inventories increased by ¥154.3 billion due to high raw material price, investments and others declined ¥443.0 billion, which includes a drop in the value of investments and others.

Total liabilities at the end of fiscal 2008 amounted to ¥2,695.8 billion, compared with ¥2,779.5 billion at the end of fiscal 2007, a decrease of ¥83.6 billion. Interest-bearing debt (which from the fiscal year under review includes lease obligations) stood at ¥1,454.2 billion at the end of the fiscal year, representing an increase of ¥262.1 billion compared with ¥1,192.0 billion at the end of the previous fiscal year. The decrease in total liabilities was primarily due to declines in notes and accounts payable (¥143.4 billion), accrued income taxes and enterprise taxes (¥58.9 billion), and deferred tax liabilities (¥124.6 billion), which includes a drop in the value of investment securities.

Net assets were ¥2,174.8 billion at the end of fiscal 2008, representing a decrease of ¥239.1 billion from the ¥2,413.9 billion at the end of fiscal 2007. Although the Company reported net income of ¥155.0 billion for the period under review, net assets decreased primary as a result of payments of a year-end cash dividend of ¥6 per share (totaling ¥37.8 billion) and a midterm cash dividend of ¥5 per share (totaling ¥31.5 billion) and declines of ¥212.0 billion in unrealized gains on available-for-sale securities and of ¥108.2 billion in foreign currency translation adjustments. Please note that shareholders' equity at the end of the fiscal year under review amounted to ¥1,668.6 billion, and the ratio of interest-bearing debt to shareholders' equity (the debt/equity ratio) was 0.87.

Cash flows from operating activities for the fiscal year under review amounted to ¥127.5 billion. The principal factors influencing operating cash flows were inflows from income before income taxes and minority interest of ¥281.0 billion and depreciation and amortization amounting to ¥273.7 billion. These inflows were partially offset by outflows owing to the payment of income taxes of ¥205.6 billion and an increase in inventories of ¥171.5 billion and other factors.

Cash flows from investing activities amounted to ¥306.6 billion, owing largely to securities investments of ¥73.5 billion to secure rights to raw materials and investments in production capacity of ¥295.5 billion to prepare for growth in the world economy over the medium-to-long term and a recovery in steel demand. As a result of these trends in operating and investing cash flows, free cash flows amounted to a new outflow of ¥179.0 billion.

Cash flows from financing activities totaled ¥170.2 billion, as cash dividend payments of ¥69.3 billion were more than offset by net increases in borrowings. As a result of the previously mentioned movements in cash flows, the Company's cash and cash equivalents at the end of the fiscal year under review amounted to ¥128.3 billion.

Consolidated Balance Sheets

Nippon Steel Corporation and Consolidated Subsidiaries
As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	**2009**
ASSETS			
Current assets:			
Cash and bank deposits (Notes 4 and 14)	**¥ 124,007**	¥ 159,455	**$ 1,262,421**
Marketable securities (Notes 14 and 17)	**13,038**	9,015	**132,731**
Receivables:			
Notes and accounts receivable (Notes 4)	**567,897**	600,080	**5,781,308**
Less: Allowance for doubtful accounts	**(5,442)**	(7,685)	**(55,402)**
	562,455	592,394	**5,725,905**
Inventories (Note 5)	**1,021,543**	867,157	**10,399,506**
Deferred tax assets (Note 8)	**91,532**	65,592	**931,819**
Other	**67,978**	58,809	**692,032**
Total current assets	**1,880,556**	1,752,424	**19,144,417**
Fixed assets:			
Tangible fixed assets:			
Buildings and structures (Note 4)	**1,566,226**	1,559,635	**15,944,484**
Machinery and equipment (Note 4)	**5,203,212**	5,151,838	**52,969,687**
Lease assets	**19,097**	—	**194,414**
	6,788,536	6,711,473	**69,108,585**
Less: Accumulated depreciation	**(5,392,755)**	(5,283,202)	**(54,899,271)**
	1,395,780	1,428,271	**14,209,314**
Land (Notes 4 and 7)	**330,784**	319,651	**3,367,448**
Construction in progress	**93,265**	76,801	**949,460**
	1,819,830	1,824,724	**18,526,223**
Intangible fixed assets:			
Patents and utility rights	**12,133**	17,979	**123,526**
Software	**1,504**	1,580	**15,318**
Goodwill	**5,946**	3,543	**60,539**
Lease assets	**464**	—	**4,731**
	20,050	23,103	**204,115**
Investments and others:			
Investments in securities (Notes 4, 6 and 17)	**957,392**	1,396,521	**9,746,439**
Deferred tax assets (Note 8)	**52,731**	31,832	**536,819**
Other (Notes 4 and 6)	**145,668**	170,004	**1,482,932**
Less: Allowance for doubtful accounts	**(5,549)**	(5,112)	**(56,495)**
	1,150,243	1,593,245	**11,709,694**
Total fixed assets	**2,990,124**	3,441,074	**30,440,034**
Total assets	**¥ 4,870,680**	¥ 5,193,498	**$ 49,584,451**

The accompanying notes are integral parts of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	**2009**
LIABILITIES			
Current liabilities:			
Short-term loans and portion of long-term loans due within one year (Note 4)	**¥ 342,545**	¥ 272,009	**$ 3,487,175**
Commercial paper (Note 4)	**148,000**	135,000	**1,506,668**
Bonds due within one year (Note 4)	**43,250**	95,300	**440,293**
Notes and accounts payable	**604,442**	751,989	**6,153,337**
Accrued expenses	**236,604**	242,749	**2,408,676**
Advances received	**33,101**	49,878	**336,980**
Current portion of lease obligations	**3,019**	—	**30,734**
Accrued income taxes and enterprise taxes	**43,473**	102,404	**442,565**
Allowance for losses on construction contracts	**4,666**	3,384	**47,501**
Provision for environmental remediation	**—**	5,402	**—**
Other	**67,252**	63,827	**684,644**
Total current liabilities	**1,526,354**	1,721,947	**15,538,577**
Long-term liabilities:			
Bonds and notes (Note 4)	**324,967**	223,274	**3,308,232**
Long-term loans (Note 4)	**585,446**	466,433	**5,959,956**
Lease obligations (excluding current portion)	**6,966**	—	**70,916**
Deferred tax liabilities (Note 8)	**26,295**	150,920	**267,696**
Deferred tax liabilities on revaluation of land (Notes 7 and 8)	**9,154**	9,179	**93,197**
Accrued pension and severance costs (Note 18)	**136,380**	125,536	**1,388,379**
Reserve for repairs to blast furnaces	**37,013**	39,230	**376,800**
Allowance for retirement benefits of directors and corporate auditors	**4,400**	4,191	**44,800**
Other	**38,891**	38,830	**395,926**
Total long-term liabilities	**1,169,517**	1,057,596	**11,905,905**
Total liabilities	**2,695,871**	2,779,543	**27,444,482**
Commitments and contingent liabilities (Note 15)			
NET ASSETS (Note 13)			
SHAREHOLDERS' EQUITY			
Common stock:			
Authorized—9,917,077,000 shares			
Issued—6,806,980,977 shares as of March 31, 2009 and 2008	**419,524**	419,524	**4,270,843**
Capital surplus	**114,333**	114,364	**1,163,938**
Retained earnings	**1,458,622**	1,377,823	**14,849,053**
Less: Treasury stock, at cost*	**(262,152)**	(261,272)	**(2,668,765)**
VALUATION AND TRANSLATION ADJUSTMENTS			
Unrealized gains on available-for-sale securities (Note 17)	**22,665**	234,673	**230,738**
Deferred hedge income (loss)	**(1,149)**	(1,508)	**(11,706)**
Unrealized gains on revaluation of land (Note 7)	**11,187**	11,247	**113,890**
Foreign currency translation adjustments	**(94,348)**	13,923	**(960,488)**
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	**506,126**	505,176	**5,152,464**
Total net assets	**2,174,809**	2,413,954	**22,139,968**
Total liabilities and net assets	**¥4,870,680**	¥5,193,498	**$49,584,451**

*516,602,427 shares at March 31, 2009.
514,477,120 shares at March 31, 2008.

Consolidated Statements of Income

Nippon Steel Corporation and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	**2009**
Net sales	**¥4,769,821**	¥4,826,974	¥4,302,145	**$48,557,668**
Cost of sales (Notes 9 and 11)	**4,105,778**	3,952,976	3,408,197	**41,797,606**
Gross margin	**664,042**	873,997	893,947	**6,760,062**
Selling, general and administrative expenses (Notes 9, 10 and 11)	**321,112**	328,417	313,849	**3,268,982**
Operating profit	**342,930**	545,580	580,097	**3,491,099**
Non-operating profit:				
Interest and dividend income	**25,085**	24,555	23,427	**255,370**
Equity in net income of unconsolidated subsidiaries and affiliates	**58,876**	52,507	43,480	**599,372**
Other	**24,090**	27,456	22,591	**245,245**
	108,051	104,519	89,498	**1,099,987**
Non-operating loss:				
Interest expense	**19,813**	17,773	15,218	**201,701**
Exchange loss on foreign currency transactions	**17,109**	17,503	—	**174,180**
Loss on disposal of fixed assets	**20,737**	15,550	12,859	**211,115**
Other	**57,181**	35,153	43,877	**582,118**
	114,842	85,980	71,955	**1,169,116**
Ordinary profit	**336,140**	564,119	597,640	**3,421,970**
Special profit:				
Gain on sales of tangible fixed assets (Note 12)	**13,342**	41,366	17,765	**135,825**
Gain on sales of investments in securities and investments in subsidiaries and affiliates	**—**	—	6,013	**—**
	13,342	41,366	23,778	**135,825**
Special loss:				
Loss on valuation of investments in securities	**68,402**	—	—	**696,355**
	68,402	—	—	**696,355**
Income before income taxes and minority interest	**281,079**	605,485	621,419	**2,861,441**
Income taxes—current (Note 8)	**145,113**	201,330	225,566	**1,477,281**
Income taxes—deferred (Note 8)	**(31,753)**	22,164	23,038	**(323,256)**
Minority interest in net income of consolidated subsidiaries	**12,641**	27,001	21,632	**128,696**
Net income	**¥ 155,077**	¥ 354,989	¥ 351,182	**$ 1,578,720**
Per share (stated in yen and in U.S. dollars):				
Net income (Note 21)	**¥ 24.60**	¥ 56.33	¥ 54.28	**$ 0.25**
Cash dividends applicable to the year (Note 13)	**6.00**	11.00	10.00	**0.06**
Weighted average number of shares outstanding (in thousands)	**6,291,897**	6,301,252	6,466,591	

The accompanying notes are integral parts of these statements.

Consolidated Statements of Changes in Net Assets (Note 13)

Nippon Steel Corporation and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Thousands	Millions of yen									
	Number of issued shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Unrealized gains on revaluation of land	Foreign currency translation adjustments	Minority interest in consolidated subsidiaries	Total
Balance at March 31, 2006	6,806,980	¥419,524	¥111,671	¥ 818,572	¥ (60,200)	¥ 389,209	¥ —	¥ 9,980	¥ (10,868)	¥104,117	¥1,782,006
Cash dividends for the previous fiscal year	—	—	—	(59,834)	—	—	—	—	—	—	(59,834)
Cash interim dividends for fiscal year 2006	—	—	—	(25,686)	—	—	—	—	—	—	(25,686)
Net income for fiscal year 2006	—	—	—	351,182	—	—	—	—	—	—	351,182
Acquisition of treasury stock	—	—	—	—	(110,268)	—	—	—	—	—	(110,268)
Disposal of treasury stock	—	—	21	—	67	—	—	—	—	—	89
Increase due to the change in the number of consolidated companies	—	—	—	3,651	(161)	—	—	—	—	—	3,490
Increase due to reversal of unrealized gains on revaluation of land	—	—	—	22	—	—	—	—	—	—	22
Other change for fiscal year 2006 (net)	—	—	—	—	—	48,846	300	(57)	6,909	372,227	428,226
Total change for this fiscal year 2006	—	—	21	269,335	(110,362)	48,846	300	(57)	6,909	372,227	587,221
Balance at March 31, 2007	6,806,980	419,524	111,693	1,087,908	(170,563)	438,056	300	9,922	(3,958)	476,344	2,369,228
Cash dividends	—	—	—	(69,966)	—	—	—	—	—	—	(69,966)
Net income for fiscal year 2007	—	—	—	354,989	—	—	—	—	—	—	354,989
Acquisition of treasury stock	—	—	—	—	(94,516)	—	—	—	—	—	(94,516)
Disposal of treasury stock	—	—	2,671	—	4,369	—	—	—	—	—	7,040
Increase due to the change in the number of consolidated companies	—	—	—	5,533	(561)	—	—	—	—	—	4,971
Decrease due to reversal of unrealized gains on revaluation of land	—	—	—	(640)	—	—	—	—	—	—	(640)
Other change for fiscal year 2007 (net)	—	—	—	—	—	(203,382)	(1,809)	1,325	17,882	28,832	(157,151)
Total change for this fiscal year 2007	—	—	2,671	289,915	(90,709)	(203,382)	(1,809)	1,325	17,882	28,832	44,725
Balance at March 31, 2008	6,806,980	419,524	114,364	1,377,823	(261,272)	234,673	(1,508)	11,247	13,923	505,176	2,413,954
Cash dividends	—	—	—	(69,335)	—	—	—	—	—	—	(69,335)
Net income for fiscal year 2008	—	—	—	155,077	—	—	—	—	—	—	155,077
Acquisition of treasury stock	—	—	—	—	(1,269)	—	—	—	—	—	(1,269)
Disposal of treasury stock	—	—	(30)	—	211	—	—	—	—	—	180
Decrease due to the change in the number of consolidated companies	—	—	—	(5,003)	177	—	—	—	—	—	(4,825)
Increase due to reversal of unrealized gains on revaluation of land	—	—	—	59	—	—	—	—	—	—	59
Other change for fiscal year 2008 (net)	—	—	—	—	—	(212,008)	358	(59)	(108,272)	949	(319,032)
Total change for this fiscal year 2008	—	—	(30)	80,798	(880)	(212,008)	358	(59)	(108,272)	949	(239,145)
Balance at March 31, 2009	**6,806,980**	**¥419,524**	**¥114,333**	**¥1,458,622**	**¥(262,152)**	**¥ 22,665**	**¥(1,149)**	**¥11,187**	**¥ (94,348)**	**¥506,126**	**¥2,174,809**

	Thousands	Thousands of U.S.dollars (Note 3)									
	Number of issued shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Unrealized gains on revaluation of land	Foreign currency translation adjustments	Minority interest in consolidated subsidiaries	Total
Balance at March 31, 2008	6,806,980	$4,270,843	$1,164,249	$14,026,508	$(2,659,801)	$ 2,389,025	$(15,356)	$114,500	$ 141,746	$5,142,795	$24,574,512
Cash dividends	—	—	—	(705,850)	—	—	—	—	—	—	(705,850)
Net income for fiscal year 2008	—	—	—	1,578,720	—	—	—	—	—	—	1,578,720
Acquisition of treasury stock	—	—	—	—	(12,920)	—	—	—	—	—	(12,920)
Disposal of treasury stock	—	—	(311)	—	2,149	—	—	—	—	—	1,838
Decrease due to the change in the number of consolidated companies	—	—	—	(50,935)	1,805	—	—	—	—	—	(49,129)
Increase due to reversal of unrealized gains on revaluation of land	—	—	—	610	—	—	—	—	—	—	610
Other change for fiscal year 2008 (net)	—	—	—	—	—	(2,158,287)	3,650	(610)	(1,102,234)	9,669	(3,247,812)
Total change for this fiscal year 2008	—	—	(311)	822,545	(8,964)	(2,158,287)	3,650	(610)	(1,102,234)	9,669	(2,434,543)
Balance at March 31, 2009	**6,806,980**	**$4,270,843**	**$1,163,938**	**$14,849,053**	**$(2,668,765)**	**$ 230,738**	**$(11,706)**	**$113,890**	**$ (960,488)**	**$5,152,464**	**$22,139,968**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash Flows

Nippon Steel Corporation and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	**2009**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 281,079**	¥ 605,485	¥ 621,419	**$ 2,861,441**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**273,744**	244,038	192,454	**2,786,772**
Interest and dividend income (accrual basis)	**(25,085)**	(24,555)	(23,427)	**(255,370)**
Interest expense (accrual basis)	**19,813**	17,773	15,218	**201,701**
Exchange loss (gain) on foreign currency transactions	**3,487**	10,111	(1,206)	**35,507**
Amortization of goodwill	**1,103**	3,007	(1,069)	**11,234**
Equity in net (income) loss of unconsolidated subsidiaries and affiliates	**(58,876)**	(52,507)	(43,480)	**(599,372)**
Loss on valuation of investments in securities	**68,402**	—	—	**696,355**
Loss (gain) on sales of investments in securities	**(3,368)**	114	(6,013)	**(34,292)**
Loss on disposal of tangible and intangible fixed assets	**11,781**	8,070	9,662	**119,938**
Gain on sales of tangible and intangible fixed assets	**(13,342)**	(41,366)	(17,765)	**(135,825)**
Changes in allowance for doubtful accounts	**(1,850)**	(5,283)	(3,323)	**(18,834)**
Changes in operating assets and liabilities:				
Changes in notes and accounts receivable	**37,598**	63,953	(42,094)	**382,757**
Changes in inventories	**(171,535)**	(80,119)	(134,603)	**(1,746,268)**
Changes in notes and accounts payable	**(127,389)**	43,008	122,062	**(1,296,850)**
Other	**17,818**	(53,836)	23,669	**181,399**
Interest and dividend income (cash basis)	**39,330**	34,520	27,476	**400,389**
Interest expense (cash basis)	**(19,511)**	(17,435)	(15,368)	**(198,630)**
Income taxes (cash basis)	**(205,660)**	(229,203)	(245,151)	**(2,093,663)**
Net cash provided by operating activities	**127,540**	525,777	478,460	**1,298,389**
Cash flows from investing activities:				
Acquisition of investments in securities	**(70,853)**	(182,835)	(178,130)	**(721,304)**
Proceeds from sales of investments in securities	**39,664**	8,295	12,202	**403,795**
Acquisition of cash owned by new subsidiaries, net of payment for purchase of subsidiaries' shares	**(2,666)**	(12,718)	(13,547)	**(27,147)**
Proceeds from sale of subsidiaries' shares, net of cash owned by those subsidiaries	**—**	(1,336)	(55)	**—**
Acquisition of tangible and intangible fixed assets	**(295,584)**	(297,890)	(227,288)	**(3,009,107)**
Proceeds from sales of tangible and intangible fixed assets	**16,761**	58,444	31,650	**170,638**
Payment for loans	**(1,355)**	(9,008)	(693)	**(13,798)**
Proceeds from collections of loans	**6,136**	5,412	2,398	**62,472**
Other	**1,293**	(6,483)	(1,205)	**13,164**
Net cash used in investing activities	**(306,603)**	(438,121)	(374,669)	**(3,121,286)**
Cash flows from financing activities:				
Net increase (decrease) in short-term loans	**95,229**	(28,492)	(21,124)	**969,452**
Net increase (decrease) in commercial paper	**13,000**	(28,000)	13,000	**132,342**
Proceeds from long-term loans	**185,119**	181,550	124,159	**1,884,546**
Proceeds from issuance of preferred securities	**—**	—	300,000	**—**
Payments of long-term loans	**(85,159)**	(183,509)	(192,565)	**(866,936)**
Proceeds from issuance of bonds and notes	**144,448**	79,707	—	**1,470,514**
Redemption of bonds and notes	**(95,324)**	(43,074)	(74)	**(970,416)**
Payments for purchase of treasury stock	**(178)**	(93,430)	(109,706)	**(1,816)**
Cash dividends	**(69,335)**	(69,966)	(85,521)	**(705,850)**
Cash dividends to minority shareholders	**(10,305)**	(9,872)	(2,855)	**(104,908)**
Proceeds from issuance of common stock to minority shareholders	**290**	441	514	**2,957**
Other	**(7,575)**	(5,957)	(6,439)	**(77,120)**
Net cash provided by (used in) financing activities	**170,209**	(200,604)	19,387	**1,732,764**
Effect of exchange rate changes on cash and cash equivalents	**(23,069)**	(8,868)	3,007	**(234,851)**
Net increase (decrease) in cash and cash equivalents	**(31,923)**	(121,817)	126,186	**(324,984)**
Cash and cash equivalents at beginning of year	**160,313**	282,766	156,713	**1,632,025**
Increase (decrease) from the change in the number of companies consolidated	**—**	(635)	(134)	**—**
Cash and cash equivalents at end of year (Note 14)	**¥ 128,390**	¥ 160,313	¥ 282,766	**$ 1,307,040**

The accompanying notes are integral parts of these statements.

Notes to Consolidated Financial Statements

Nippon Steel Corporation and Consolidated Subsidiaries

1.

Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Nippon Steel Corporation and its subsidiaries (collectively "NIPPON STEEL") are prepared on the basis of accounting principles generally accepted in Japan, and are compiled from the consolidated financial statements prepared by Nippon Steel Corporation as required by the Financial Instruments and Exchange Act of Japan.

2.

Summary of Significant Accounting Policies

(1) Principles of consolidation

Nippon Steel Corporation had 261, 264 and 270 subsidiaries as of March 31, 2009, 2008 and 2007, respectively based on the criterion of exercise of control. The consolidated financial statements include the accounts of Nippon Steel Corporation and 251 of its subsidiaries (March 31 2008: 254 subsidiaries, March 31 2007: 258 subsidiaries). Non-adoption of the consolidation accounting treatment for the unconsolidated subsidiaries does not have a material effect on total assets, net sales, net income or retained earnings in the consolidated financial statements.

For details of the subsidiaries and affiliates included in the consolidation, reference should be made to the list of major subsidiaries and affiliates of Nippon Steel Corporation on page 48 and 49 of this document.

All consolidated subsidiaries, with certain exceptions, use a fiscal year ending on March 31, which is the same as that of Nippon Steel Corporation. For consolidated subsidiaries using a fiscal year-end other than March 31, certain adjustments have been made, if appropriate, in preparing the consolidated financial statements to reflect material transactions that might have taken place between their fiscal year-end and March 31.

For the purposes of preparing the consolidated financial statements, all inter-company transactions and balances, as well as unrealized profits within NIPPON STEEL have been eliminated, together with the portion thereof attributable to minority interests.

Elimination of investments in consolidated subsidiaries has been done to include equity in the net income of the subsidiaries for the period subsequent to the date of acquisition in the consolidated statements of income.

For consolidated subsidiaries and affiliates where NIPPON STEEL exercises control or influence, the assets and liabilities of those companies, including the portion attributable to minority shareholders, are fully marked to their respective fair values at the date of acquisition of control or influence.

Goodwill accounted for on an equity basis is amortized over the period for which the excess cost is expected to contribute to consolidated net income, where it is possible to estimate such a period, using the straight-line method. Otherwise, the excess is amortized over five years.

(2) Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and material affiliates are accounted for on an equity basis.

Although Nippon Steel Corporation had 10 unconsolidated subsidiaries (March 31 2008: 10 unconsolidated subsidiaries, March 31 2007: 12 unconsolidated subsidiaries) and 135 affiliates (March 31 2008: 138 affiliates, March 31 2007: 141 affiliates), the equity method has been applied to the investments in 73 significant affiliates (March 31 2008: 72 affiliates, March 31 2007: 67 affiliates) based on the criterion of exercise of influence, since non-adoption of the equity method for the others has no material effect on net income or retained earnings in the consolidated financial statements.

(3) Important assets and liabilities in foreign currencies and foreign currency translation

Monetary assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated into yen at the rate prevailing on the balance sheet date, and the resulting foreign exchange gains or losses are recognized as income or expenses. For foreign consolidated subsidiaries, assets and liabilities are translated into yen at the rate prevailing at each balance sheet date, revenue and expense accounts are translated at the average rate of exchange in effect during the fiscal year, and foreign currency translation adjustments are included in the translation adjustments and minority interests item under net assets.

Change to Summary of Significant Accounting Policies

(Year ended March 31, 2009)

Foreign currency translation for revenue and expense accounts of foreign consolidated subsidiaries was previously made at the rate prevailing at each balance sheet date, but, beginning with the fiscal year ended March 31, 2009, the translation is made at the average rate of exchange in effect during the year. In light of the growing importance of overseas subsidiaries and affiliates, this change was made to provide a more-accurate presentation of the income and expense items.

As a result of this change, net sales were ¥36,524 million ($371,822 thousand) higher, the gross margin was ¥10,010 million ($101,905 thousand) higher, operating profit was ¥8,666 million ($88,222 thousand) higher, and ordinary profit and income before income taxes and minority interests were both ¥26,292 million ($267,659 thousand) higher than they would have been prior to the change.

The effects on Segment Information are described in Note 15.

(4) Securities

Securities held by NIPPON STEEL are classified into three categories:

Held-to-maturity debt securities, which NIPPON STEEL intends to hold to maturity, are valued at cost after accounting for premiums or discounts on acquisition, which are amortized over the period to maturity.

Investments of NIPPON STEEL in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are valued at cost as the potential effect of application of the equity method would be immaterial.

Available-for-sale securities with available market quotations are valued at fair value. Net unrealized gains or losses on these securities are reported as a separate component in net assets at a net of tax amount. Cost is determined by the weighted average method. Available-for-sale securities without any available market quotations are valued at cost.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates not on the equity method, or available-for-sale securities has declined significantly and such impairment of value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(5) Inventories

Inventories are stated principally using the cost accounting method based on the periodic average method. (Regarding balance sheet values, this method is designed to reduce book value when the contribution of inventories to profitability declines.)

Change to Summary of Significant Accounting Policies

(Year ended March 31, 2009)

Inventories held for ordinary sales purposes were previously stated principally using the cost accounting method based on the periodic average method. Beginning with the fiscal year ended March 31, 2009, accompanying the application of "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9), the principal method of inventory valuation was changed from the former cost accounting method to a cost accounting method based on the periodic average method that involves reducing book value to account for declines in the profitability of inventory.

As a result of this change, in the fiscal year ended March 31, 2009, the gross margin and operating profit were both ¥55,432 million ($564,317 thousand) lower and ordinary profit and income before income taxes and minority interests were both ¥57,500 million ($585,361 thousand) lower than they would have been prior to the change.

The effects on Segment Information are described in Note 15.

(Year ended March 31, 2007)

Products, semi-finished products and raw materials of one of the subsidiaries, Nippon Steel Chemical Co., Ltd., excluding those in its coke business, which previously had been valued at lower-of-cost-or-market and using last-in-first-out method, are valued at lower-of-cost-or-market and using periodic average method from the year ended March 31, 2007.

This change was made in order to reflect fluctuations of raw material market prices into the valuation of inventories more accurately and to calculate profit more appropriately.

Compared to the results that would have been obtained applying the same procedure as that for the previous period, gross margin and operating profit increased by ¥1,243 million, and ordinary profit and income before income taxes and minority interests increased by ¥1,246 million for the year ended March 31, 2007.

The effects on Segment Information are described in Note 15.

(6) Tangible fixed assets

Tangible fixed assets are stated at cost. Significant renewals and additions are capitalized, while maintenance, repairs, minor renewals and improvements are charged to income as incurred.

Depreciation is generally computed using the declining-balance method (excluding buildings acquired on April 1, 1998 or later, to which the straight-line method is applied) over the useful life of the asset, ranging from 3-60 years for "buildings and structures" and 3-20 years for "machinery and equipment".

Additional information (Year ended March 31, 2009)

Beginning with the fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have reviewed the useful lives of their tangible fixed assets accompanying revisions in the Japanese Corporate Tax Law.

In the consolidated fiscal year ended March 31, 2009, compared to the previously used computation method, these changes resulted in an increase in depreciation and amortization of ¥12,044 million ($122,612 thousand) and decreases in the gross margin of ¥11,163 million ($113,648 thousand), operating profit of ¥11,192 million ($113,937 thousand), and ordinary profit and income before income taxes and minority interest of ¥11,802 million ($120,151 thousand).

The effects on Segment Information are described in note 15.

Change to Summary of Significant Accounting Policies

(Year ended March 31, 2008)

Amendment to the Japanese Corporate Tax Law

Due to the amendment to the Japanese Corporate Tax Law, from the year ended March 31, 2008, method of depreciation based on such law after amendment has been applied to the tangible fixed assets acquired on or after April 1,2007. Due to this change, compared to the results that would have been obtained applying the same procedure as that for the previous period, depreciation increased by ¥6,986 million, gross margin decreased by ¥6,027 million, operating profit decreased by ¥6,311 million and ordinary profit and income before income taxes and minority interests decreased by ¥6,574 million for the year ended March 31, 2008.

The effects on Segment Information are described in note 15.

(Additional information)

Due to the amendment to the Japanese Corporate Tax Law, with respect to the assets acquired on or before March 31, 2007, differences between 5% of the acquisition cost and memorandum value are amortized for five years on a straight-line basis from the next business year following the year when the carrying amount reached 5% of the acquisition cost by application of the method of depreciation before the amendment to the Japanese Corporate Tax Law, and are included in the depreciation amount.

As a result, compared to the results that would have been obtained applying the same procedure as that for the previous period, depreciation increased by ¥28,838 million, gross margin decreased by ¥24,719 million, operating profit decreased by ¥25,543 million and ordinary profit and income before income taxes and minority interests decreased by ¥26,821 million for the year ended March 31, 2008.

The effects on Segment Information are described in note 15.

Change to Summary of Significant Accounting Policies

(Year ended March 31, 2007)

Depreciation of a part of property, plant and equipment of one of the subsidiaries, Nippon Steel Chemical Co., Ltd., which previously had been computed using straight line method, is computed using declining balance method from the year ended March 31, 2007.

This change was made in order to ensure early recovery of invested capital and improvement of financial structure, considering the relatively short life-cycle of products in the high-performance material sector, particularly in the electronic material sector, where Nippon Steel Chemical Co., Ltd. is developing its business.

Compared to the results that would have been obtained applying the same procedure as that for the previous period, gross margin decreased by ¥1,111 million, operating profit decreased by ¥1,139 million and ordinary profit and income before income taxes and minority interests decreased by ¥1,125 million for the year ended March 31, 2007.

The effects on Segment Information are described in Note 15.

(7) Intangible fixed assets

Amortization is generally computed using the straight-line method.

Software which is purchased for internal use and leased to customers under usage contracts is amortized on a straight-line basis over 5 years.

(8) Lease assets

Assets concerning finance leases in which ownership is not transferred to the lessee are depreciated to a residual value of zero based on the straight-line method over a useful life period corresponding to the lease contract period.

Change to Summary of Significant Accounting Policies

(Year ended March 31, 2009)

Finance lease contracts for finance leases in which ownership is not transferred to the lessee were previously accounted for in accordance with methods used for operating leases and rental contracts. Beginning with the fiscal year ended March 31, 2009, the methods of accounting for these contracts have been revised in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16).

The effect of these changes on the consolidated financial statements for the year ended March 31, 2009, was not material.

(9) Allowance for doubtful accounts

The allowance for doubtful accounts is computed based on the historical experienced default ratio for non-specific receivables, as well as the estimated irrecoverable portion of specific doubtful receivables calculated on an individual basis.

(10) Allowance for losses on construction contracts

The allowance for losses on construction contracts is provided based on the excess of estimated costs over contract revenue.

(11) Provision for environmental remediation

The Provision for environmental remediation is estimated and recorded to provide for future potential costs, such as costs related to the removal and disposal of asbestos used in buildings or machinery and equipment and others.

(12) Reserve for repairs to blast furnaces

NIPPON STEEL's blast furnaces and hot blast stoves, including related machines, are periodically required to undergo overhauls and repairs on their main components. The estimated future cost of such work is charged to income on a straight-line basis over the periods from the last work to the anticipated dates of the next one.

(13) Accounting for revenues on construction contracts

NIPPON STEEL adopts the percentage-of-completion method for recognition of revenues and costs relating to certain construction contracts which are large scale (Mainly contract amounts of ¥1 billion or more) and long-term (Mainly construction periods of 12 months or more). The completion-of-contract method is applied to all small or short-term contracts.

Revenues on construction contracts accounted for using the percentage-of-completion method totaled ¥187,248 million ($1,906,223 thousand) ¥183,614 million and ¥165,823 million for the years ended March 31, 2009, 2008 and 2007, respectively.

(14) Retirement benefits

NIPPON STEEL's employees are generally entitled to receive a pension and/or a lump-sum retirement payment when they leave NIPPON STEEL. The amount of this retirement allowance is determined by reference to their length of service and basic salary at the time of retirement.

NIPPON STEEL records "accrued pension and severance costs" at the estimated present value of the projected benefit obligations in excess of the fair value of the plan assets, less/plus the unrecognized balance of the transition obligation arising from adopting the new standard for retirement benefits at April 1, 2000, the unrecognized balance of prior service costs, and the unrecognized actuarial differences.

Prior service costs for Nippon Steel Corporation and certain consolidated subsidiaries are amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service (Nippon Steel Corporation; 10 years, certain consolidated subsidiaries; 1-15 years), starting from the year in which they occur. Unrecognized actuarial differences are mainly amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service (Nippon Steel Corporation; 10 years, consolidated subsidiaries; 1-15 years), starting from the year following that in which they occur.

(15) Allowance for retirement benefits of directors and corporate auditors

The allowance for retirement benefits of directors and corporate auditors is computed based on internal rules.

(16) Hedge accounting

Gains or losses arising from changes in the fair values of derivatives designated as "hedging instruments" are deferred as a deferred hedge income (loss) in net assets and included in net profit or loss in the same period in which the gains or losses on the underlying hedged items or transactions are recognized.

In principal, NIPPON STEEL adopts the deferred hedging accounting method. In addition, for interest swaps whose amounts, index and period meet the conditions for hedged items, the "exceptional" method is adopted. Using this method, NIPPON STEEL does not account for gains and losses on those interest swaps on a fair value basis, but recognizes swap interest on an accrual basis. For forward exchange contracts whose amounts, currency and period meet the conditions of hedged items, the "assigning" method is adopted. Using this method, NIPPON STEEL does not account for gains and losses on those forward exchange contracts on a fair value basis, but converts hedged items using the rates of those forward exchange contracts at the end of the year.

Derivatives designated as hedging instruments by NIPPON STEEL are principally forward exchange contracts and interest swaps. The related hedged items are trade accounts receivable and payable, foreign currency future transaction, long-term bank loans, and debt securities issued by NIPPON STEEL.

NIPPON STEEL has a policy which aims to utilize these hedging instruments in order to reduce its exposure to the risk of fluctuations in interest rates or foreign exchange rates. Therefore, NIPPON STEEL's purchase of hedging instruments is limited to the amount of the hedged items.

NIPPON STEEL continues to evaluate the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(17) Consumption tax

Consumption tax generally withheld upon sale, as well as that paid for purchases of goods or services, are recorded as a liability or an asset, and are excluded from the relevant revenue, costs or expenses.

(18) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows include cash in hand, bank deposits able to be withdrawn on demand and short-term investments due within three months of the date of purchase, and which represent an insignificant risk of change in value.

(19) Income taxes

The income taxes of Nippon Steel Corporation and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. Deferred income taxes are provided on the basis of the expected future tax consequences of temporary differences between the carrying amounts and the tax base of assets and liabilities.

(20) Impairment of fixed assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price or value in use.

(21) Procedure for deferred assets

Bond issue costs are not deferred and are recognized as costs when they are paid.

Change to Summary of Significant Accounting Policies

(Year ended March 31, 2009)

Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

The "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18) has been applied beginning with the fiscal year ended March 31, 2009.

As a result, this change had no effect on the consolidated financial statements for the fiscal year ended March 31, 2009.

Change to Summary of Significant Accounting Policies
(Year ended March 31, 2007)
(1) Accounting standard for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, NIPPON STEEL has applied "Accounting standards for presentation of net assets in the balance sheet (Accounting Standards Board of Japan Statement No. 5)", and "Implementation guidance for accounting standards for presentation of net assets in the balance sheet (Accounting Standards Board of Japan Guidance No. 8)" both issued by the Accounting Standards Board of Japan on December 9, 2005.

The amount corresponding to the conventional "Shareholders' equity" in the balance sheet is ¥1,892,583 million.

"Net assets" in the balance sheets for this year are presented according to the revision of "Regulations concerning the Terminology, Form and Presentation Methods of Consolidated Financial Statements" dated April 25, 2006.

(2) Accounting standard for business combinations and accounting standard for business divestitures and the related implementation guidance

Effective from the year ended March 31, 2007, NIPPON STEEL applied "Accounting standard for business combinations" (Accounting Standards issued on October 31, 2003 by the Business Accounting Council in Japan), "Accounting standard for business divestitures" (Accounting Standards Board of Japan Statement No. 7 issued on December 27, 2005) and "Implementation guidance on accounting standard for business combinations and accounting standard for business divestitures" (Accounting Standards Board of Japan Guidance No. 10 issued on December 22, 2006).

(3) Change to accounting procedure

NIPPON STEEL reorganized subsidiaries which operate in the transportation sector.

With a view to providing a more accurate report of the company's cost of sales and selling, general and administrative expenses, the transportation costs (transportation and storage) of the subsidiaries which operate in the transportation sector, previously included within cost of sales, are now included within selling, general and administrative expenses.

Compared to the results that would have been obtained applying the same procedure as that for the previous period, cost of sales decreased by ¥42,200 million , and gross margin and selling, general and administrative expenses increased by the same amount for the year ended March 31, 2007. And this had no effect on the segment information.

Changes to presentation (Year ended March 31, 2008)

(Consolidated statements of income)

As the "Exchange loss on foreign currency transactions" represented more than 10% of the non-operating loss, it has been presented separately with effect from the year ended March 31 ,2008. The exchange gain of ¥2,010 million on foreign currency transactions was included in "Other" in non-operating profit for the year ended March 31, 2007.

Changes to presentation (Year ended March 31, 2007)

(Consolidated statements of income)

As the "Exchange gain on foreign currency transactions" represented less than 10% of the non-operating profit, (¥2,010 million), it has been included in "Other" in non-operating profit for the year ended March 31, 2007.

(Consolidated statements of cash flows)

The amounts which had been presented as "Amortization of excess of cost over the underlying net equity (the underlying net equity over cost) of investments in subsidiaries and affiliates" and the amounts of amortization of goodwill which had been presented included in "Depreciation and amortization" until the year ended March 31, 2006, are presented as "Amortization of goodwill" from the year ended March 31, 2007.

3.
Japanese Yen and U.S. Dollar Amounts

Nippon Steel Corporation and its domestic subsidiaries maintain their accounting records in yen. Yen amounts included in the financial statements are stated in millions of yen, and fractions of less than ¥1 million are omitted. Therefore, total or subtotal amounts presented in the financial statements may not equal the exact sum of the individual balances. The U.S. dollar amounts presented in the financial statements, which are included solely for the convenience of the reader, have been calculated at ¥98.23 = U.S.$1, the effective exchange rate prevailing at the latest balance sheet date of March 31, 2009. These translations should not be construed as representations that the yen amounts actually have been or could have been converted into U.S. dollars.

4.

Bonds and Notes, Convertible Bonds and Loans

Bonds and notes, convertible bonds, and loans of NIPPON STEEL at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Bonds and Notes:			
Nippon Steel Corporation			
3.3% SB due March 2017	**¥ 10,000**	¥ 10,000	**$ 101,801**
3.175% SB due September 2017	**10,000**	10,000	**101,801**
2.55% SB due December 2009	**10,000**	10,000	**101,801**
2.60% SB due April 2008	—	15,000	—
2.27% SB due May 2008	—	10,000	—
2.50% SB due July 2008	—	30,000	—
0.80% SB due November 2009	**10,000**	10,000	**101,801**
1.36% SB due November 2012	**10,000**	10,000	**101,801**
0.62% SB due February 2009	—	30,000	—
1.18% SB due February 2013	**15,000**	15,000	**152,702**
0.80% SB due June 2013	**20,000**	20,000	**203,603**
0.78% SB due June 2009	**20,000**	20,000	**203,603**
1.67% SB due March 2014	**15,000**	15,000	**152,702**
1.77% SB due September 2017	**29,992**	29,991	**305,324**
1.18% SB due December 2013	**19,996**	19,996	**203,563**
1.66% SB due December 2017	**29,997**	29,997	**305,375**
1.55% SB due March 2014	**29,984**	—	**305,242**
1.92% SB due March 2018	**29,980**	—	**305,202**
1.714% SB due June 2018	**30,000**	—	**305,405**
2.491% SB due June 2028	**10,000**	—	**101,801**
1.214% SB due December 2012	**30,000**	—	**305,405**
1.891% SB due September 2018	**15,000**	—	**152,702**
Floating rate PN with call option due April 2023*[1,4]	**5,000**	5,000	**50,900**
Floating rate SB with call option due June 2015*[2,5]	**15,000**	15,000	**152,702**
Mandatorily acquirable interest-bearing deeply subordinated CB due January 2012*[6]	**300,000**	300,000	**3,054,056**
Nippon Steel City Produce, Inc.			
Floating rate SB without call option due March 2009*[3]	—	3,000	—
Floating rate SB without call option due March 2010*[3]	**3,250**	3,250	**33,085**
Floating rate SB without call option due March 2009*[3]	—	2,300	—
Floating rate SB without call option due March 2009*[3]	—	1,900	—
Floating rate SB without call option due March 2009*[3]	—	1,700	—
Floating rate SB without call option due March 2009*[3]	—	1,300	—
Subsidiaries' ordinary bonds	**16**	140	**162**
Subtotal	**668,217**	618,574	**6,802,575**
Elimination of intra-group transaction	**(300,000)**	(300,000)	**(3,054,056)**
Total	**¥ 368,217**	¥ 318,574	**$ 3,748,518**
(Less: portion due within one year)	**(43,250)**	(95,300)	**(440,293)**

(Interest rate)

*[1] The floating rate is as follows:
April 15, 2003 – April 14, 2008 1.40%
April 15, 2008 – April 14, 2013 1.80%
April 15, 2013 – April 14, 2018 2.00%
April 15, 2018 – April 14, 2023 2.30%

*[2] The floating rate is as follows:
June 5, 2003 – June 4, 2010 0.70%
June 5, 2010 – June 4, 2015 1.25%

*[3] The floating rate is generally determined by reference to the interest rate in Tokyo applicable to 6-month yen term TIBOR (Tokyo InterBank Offered Rate).

(Call option)

*[4] Call options are available on the day of interest payment after April 14, 2008.

*[5] Call options are available on June 4, 2010.

*[6] Mandatorily acquirable interest-bearing deeply subordinated convertible bonds

Bonds and notes	Mandatorily acquirable interest-bearing deeply subordinated CB due 2012
Kind of stock	Common stock
Issue price of acquisition rights	No cost
Issue price of stock	¥740
Total amount of issue	¥300,000,000,000
Total amount of stock acquisition rights exercised	—
Percentage of stock acquisition right granted	100
Exercisable during	November 9, 2006 – January 13, 2012

Exercise of a stock acquisition right causes the corresponding bond to be cancelled in lieu of a cash payment of purchase of shares.
The amount of the convertible yen-bond type bonds with stock acquisition rights is the same as the amount of issuance.

(Other)

*[7] Those issued by two domestic subsidiaries, Tokai Steel Industries Co., Ltd. and Tokyo Econ Kentetsu Co., Ltd., are selectively combined.

* "SB" = straight bond "PN" = private note "CB" = convertible bond

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loans:			
Short-term loans	**¥ 281,321***[2]	¥191,252	**$ 2,863,902**
Loans principally from banks and insurance companies due 2010-2029 for 2009 (2009-2031 for 2008)*[1]	**646,670***[3]	547,190	**6,583,229**
Lease obligations	**9,985**	—	**101,650**
Commercial paper	**148,000***[4]	135,000	**1,506,668**
	¥1,085,976	¥873,442	**$11,055,450**

*[1] Including a portion due within one year of ¥61,224 million ($623,273 thousand) for 2009 and ¥80,757 million for 2008.
*[2] Average interest-rate at March 31, 2009 is 1.3 %.
*[3] Average interest-rate at March 31, 2009 is 1.5 %.
*[4] Average interest-rate at March 31, 2009 is 0.3 %.

The aggregate annual maturities of long-term debt as of March 31, 2009 were as follows:

	Millions of yen				
Years ending March 31	2010	2011	2012	2013	2014
Bonds and notes and convertible bonds	¥ 43,266	¥ —	¥300,000*[1]	¥ 55,000	¥ 85,000
Loans	61,224	69,469	93,517	87,474	123,841
Lease obligations	3,019	2,354	1,284	849	468
Total	¥107,509	¥71,823	¥394,801	¥143,323	¥209,309

	Thousands of U.S. dollars				
	2010	2011	2012	2013	2014
Bonds and notes and convertible bonds	$ 440,456	$ —	$3,054,056*[1]	$ 559,910	$ 865,316
Loans	623,273	707,213	952,025	890,510	1,260,733
Lease obligations	30,734	23,972	13,078	8,645	4,773
Total	$1,094,463	$731,185	$4,019,161	$1,459,066	$2,130,822

*[1] Eliminated for intra-group transaction

NIPPON STEEL's assets pledged as collateral primarily to secure long-term loans, short-term loans and others totaled ¥24,178 million ($246,139 thousand) at March 31, 2009 and ¥33,385 million at March 31, 2008. These are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
(Factory foundation)			
Buildings and structures	**¥ 993**	¥ 1,936	**$ 10,118**
Machinery and equipment	**5,868**	9,118	**59,746**
Land	**3,676**	9,619	**37,430**
	¥10,539	¥20,674	**$107,295**
(Pledged assets)			
Cash and bank deposits	**¥ 265**	¥ 327	**$ 2,704**
Notes and accounts receivable	**28**	30	**294**
Current assets other	**4,125**	4,386	**42,000**
Buildings and structures	**8,892**	9,523	**90,529**
Machinery and equipment	**2,695**	3,130	**27,443**
Land	**4,159**	5,525	**42,345**
Other	**9,075**	15,522	**92,391**
	¥29,244	¥38,446	**$297,710**

In addition, out of the above secured liabilities, ¥240 million ($2,452 thousand) of long-term advances (credit), etc. are pledged as collateral against ¥962 million ($9,798 thousand) of loans of consolidated subsidiaries and ¥1,286 million ($13,092 thousand) of shares of affiliates are pledged as collateral against the loans of those affiliates.

5.
Inventories

Items relevant to inventories are as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Finished and half-finished products	**¥454,841**	**$4,630,374**
Work in process	**65,576**	**667,579**
Raw materials and supplies	**501,125**	**5,101,553**

6.
Unconsolidated Subsidiaries and Affiliates

Items relevant to unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Investments in securities	**¥403,395**	¥408,959	**$4,106,638**
Other investments	**628**	518	**6,402**

7.
Revaluation of Land

(Year ended March 31, 2009)

Revaluation of land used for business purposes was carried out in accordance with the "Law concerning Revaluation of Land" and related amendments for certain of Nippon Steel Corporation's consolidated subsidiaries and affiliates to which the equity method is applied.

Revaluation differences computed by consolidated subsidiaries, net of tax and minority interest, which were charged to "deferred tax assets and liabilities on revaluation of land" and "minority interest in consolidated subsidiaries", respectively, were recorded as a separate component of net assets as "unrealized gains on revaluation of land".

Additionally, revaluation differences accounted for by affiliates were recorded as a separate component of net assets as "unrealized gains on revaluation of land" in proportion to the equity rate.

•Method of revaluation
Calculations were made in accordance with the Law concerning Revaluation of Land.

(Revaluation done on March 31, 2002)
•The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2009 was ¥1,944 million ($19,797 thousand).

(Revaluation done on March 31, 2001)
•The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2009 was ¥15,695 million ($159,779 thousand).

(Revaluation done on March 31, 2000)
•The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2009 was ¥6,215 million ($63,270 thousand).

(Year ended March 31, 2008)

Revaluation of land used for business purposes was carried out in accordance with the "Law concerning Revaluation of Land" and related amendments for certain of Nippon Steel Corporation's consolidated subsidiaries and affiliates to which the equity method is applied.

Revaluation differences computed by consolidated subsidiaries, net of tax and minority interest, which were charged to "deferred tax assets and liabilities on revaluation of land" and "minority interest in consolidated subsidiaries", respectively, were recorded as a separate component of net assets as "unrealized gains on revaluation of land".

Additionally, revaluation differences accounted for by affiliates were recorded as a separate component of net assets as "unrealized gains on revaluation of land" in proportion to the equity rate.

•Method of revaluation
Calculations were made in accordance with the Law concerning Revaluation of Land.

(Revaluation done on March 31, 2002)
•The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2008 was ¥2,170 million.

(Revaluation done on March 31, 2001)
•The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2008 was ¥16,917 million.

(Revaluation done on March 31, 2000)
•The excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2008 was ¥9,241 million.

8.

Deferred Tax Accounting

(1) The components of deferred tax assets and liabilities at March 31, 2009, 2008 and 2007, are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Deferred tax assets				
Reserve for accrued bonuses	**¥ 22,295**	¥ 24,356	¥ 26,339	**$ 226,969**
Accrued pension and severance costs	**32,764**	16,700	21,739	**333,551**
Reserve for repairs to blast furnaces	**14,838**	15,674	19,862	**151,060**
Loss on revaluation of inventories	**24,453**	—	—	**248,938**
Loss on impairment of fixed assets	**6,031**	10,970	12,262	**61,400**
Business tax payable	**3,480**	7,729	9,986	**35,431**
Depreciation in excess of limit	**40,417**	35,655	29,161	**411,458**
Tax losses carried forward	**15,027**	9,298	10,602	**152,982**
Unrealized gain on tangible fixed assets	**49,619**	45,897	47,895	**505,140**
Other	**49,496**	44,954	46,883	**503,884**
Subtotal	**258,425**	211,237	224,733	**2,630,819**
Valuation allowance	**(33,538)**	(16,024)	(14,364)	**(341,432)**
Total	**224,886**	195,212	210,368	**2,289,386**
Deferred tax liabilities				
Special tax purpose reserve	**(85,623)**	(88,091)	(79,939)	**(871,663)**
Revaluation of available-for-sale securities	**(16,586)**	(156,031)	(293,271)	**(168,858)**
Net unrealized gain on assets and liabilities of consolidated subsidiaries	**(4,710)**	(4,592)	(4,591)	**(47,954)**
Total	**(106,921)**	(248,716)	(377,802)	**(1,088,476)**
Net deferred tax assets	**¥ 117,965**	¥ (53,503)	¥(167,433)	**$ 1,200,910**

(2) Reconciliation of the differences between the effective tax rate and the actual tax rate is as follows:

Year ended March 31	**2009**	2008	2007
Effective tax rate	—	40.4%	—
Equity in net income of unconsolidated subsidiaries and affiliates	—	(3.5)	—
Permanent non-deductible expenses	—	0.5	—
Permanent non-taxable income	—	(1.0)	—
Other	—	0.5	—
Actual tax rate	—	36.9%	—

*[1] Since the difference between the effective tax rate and the actual tax rate is not significant (less than 5% of the actual tax rate), no reconciliation of these two rates is presented.

9.

The Distribution of Provision for Allowance Reserve

The main distribution of provision for allowance reserve for the years ended March 31, 2009, 2008 and 2007 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Provision for accrued pension and severance costs		
Cost of sales	**¥29,089**	**$296,137**
Selling, general and administrative expenses	**8,281**	**84,307**
Provision for allowance for retirement benefits of directors		
Selling, general and administrative expenses	**1,468**	**14,954**
Provision for allowance for doubtful accounts		
Selling, general and administrative expenses	**1,187**	**12,084**
Provision for allowance for losses on construction contracts		
Cost of sales	**4,007**	**40,795**
Provision for reserve for repairs to blast furnaces		
Cost of sales	**2,405**	**24,488**

	Millions of yen
	2008
Provision for accrued pension and severance costs	
Cost of sales	¥18,939
Selling, general and administrative expenses	6,235
Provision for allowance for retirement benefits of directors	
Selling, general and administrative expenses	1,419
Provision for allowance for doubtful accounts	
Selling, general and administrative expenses	197
Provision for allowance for losses on construction contracts	
Cost of sales	3,412

	Millions of yen
	2007
Provision for accrued pension and severance costs	
Cost of sales	¥20,523
Selling, general and administrative expenses	6,855
Provision for allowance for doubtful accounts	
Selling, general and administrative expenses	360
Provision for allowance for losses on construction contracts	
Cost of sales	5,393
Provision for reserve for repairs to blast furnaces	
Cost of sales	1,233

10.
Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2009, 2008 and 2007 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Transportation and storage	**¥ 86,746**	¥ 95,164	¥ 87,563	**$ 883,093**
Salaries	**73,556**	78,464	79,738	**748,817**
Depreciation and amortization	**4,100**	3,624	3,153	**41,739**
Research and development expenses	**34,678**	33,415	31,397	**353,035**
Amortization of goodwill	**3,409**	5,582	5,098	**34,710**
Other	**118,621**	112,165	106,898	**1,207,585**
	¥321,112	¥328,417	¥313,849	**$3,268,982**

11.
Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2009, 2008 and 2007 are ¥45,797 million ($466,226 thousand) ,¥45,329 million, and ¥41,229 million respectively.

12.
Explanatory Notes on Special Profit and Loss

(Year ended March 31, 2009)

Special profit

(1) Gain on sales of tangible fixed assets

"Gain on sales of tangible fixed assets" represents a gain on sales of industrial sites and staff quarters and facilities, etc.

(Year ended March 31, 2008)

Special profit

(1) Gain on sales of tangible fixed assets

"Gain on sales of tangible fixed assets" represents a gain on sales of industrial sites and staff quarters and facilities, etc.

(Year ended March 31, 2007)

Special profit

(1) Gain on sales of tangible fixed assets

"Gain on sales of tangible fixed assets" represents a gain on sales of industrial sites and staff quarters and facilities, etc.

13.

Changes in Net Assets and Shareholders' Equity

Notes on consolidated statements of changes in net assets for the years ended March 31, 2009, 2008 and 2007 are as follows:

(Year ended March 31, 2009)

(1) Information on issued shares

Kind of stock	Year ended March 31, 2008	Increase	Decrease	Year ended March 31, 2009
Common stock (Thousands)	6,806,980	—	—	6,806,980

(2) Information on treasury stock

Kind of stock	Year ended March 31, 2008	Increase	Decrease	Year ended March 31, 2009
Common stock (Thousands)	514,477	2,539	414	516,602

(Reason for increase or decrease treasury stock)

•Increase (Thousands)	
1. Odd lot stock purchases	402
2. Purchased by equity method affiliates	2,137
•Decrease (Thousands)	
1. Odd lot stock sold	260
2. Sold by subsidiaries and affiliates	154

(3) Information on acquisition rights

Bonds and notes	Kind of stock	Number of stocks issued when acquisition rights are exercised. Year ended March 31, 2008	Increase	Decrease	Year ended March 31, 2009	Balance for year ended March 31, 2009 (millions of yen)
Mandatorily Acquirable Interest-Bearing Deeply Subordinated CB due 2012 (Nippon steel corporation)	Common stock	405,405,405 [405,405,405]	—	—	405,405,405 [405,405,405]	—
Total		405,405,405 [405,405,405]	—	—	405,405,405 [405,405,405]	—

*[ ]: Possession by subsidiaries

(4) Information on dividends

Amount of dividend payments

Decision	Kind of stock	Total payments (Millions of yen)	Cash dividends per share (yen)	Record date	Operative date
At the ordinary general meeting of shareholders held on June 25, 2008	Common stock	37,819	6	March 31, 2008	June 26, 2008
At the board of Directors' meeting held on October 29, 2008	Common stock	31,515	5	September 30, 2008	November 28, 2008

Dividends which record date belong to the years ended March 31, 2009, the operative date is the years ended March 31, 2010 are as follows:

Decision	Kind of stock	Source of dividends	Total payments (Millions of yen)	Cash dividends per share (yen)	Record date	Operative date
At the ordinary general meeting of shareholders held on June 24, 2009	Common stock	Retained earnings	6,303	1	March 31, 2009	June 25, 2009

(Year ended March 31, 2008)

(1) Information on issued shares

Kind of stock	Year ended March 31, 2007	Increase	Decrease	Year ended March 31, 2008
Common stock (Thousands)	6,806,980	—	—	6,806,980

(2) Information on treasury stock

Kind of stock	Year ended March 31, 2007	Increase	Decrease	Year ended March 31, 2008
Common stock (Thousands)	407,902	115,498	8,923	514,477

(Reason for increase or decrease of treasury stock)

•Increase (Thousands)

1. Treasury stock purchases	111,934
2. Odd lot stock purchases	481
3. Purchased by equity method affiliates	3,082

•Decrease (Thousands)

1. Disposal of treasury stock for stock exchange	7,342
2. Odd lot stock sold	88
3. Sold by subsidiaries and affiliates	1,493

(3) Information on acquisition rights

Bonds and notes	Kind of stock	Number of stocks issued when acquisition rights are exercised: Year ended March 31, 2007	Increase	Decrease	Year ended March 31, 2008	Balance for year ended March 31, 2008 (millions of yen)
Mandatorily Acquirable Interest-Bearing Deeply Subordinated CB due 2012 (Nippon steel corporation)	Common stock	405,405,405 [405,405,405]	—	—	405,405,405 [405,405,405]	—
Total		405,405,405 [405,405,405]	—	—	405,405,405 [405,405,405]	—

*[ ]: Possession by subsidiaries

(4) Information on dividends

Amount of dividend payments

Decision	Kind of stock	Total payments (Millions of yen)	Cash dividends per share (yen)	Record date	Operative date
At the ordinary general meeting of shareholders held on June 25, 2007	Common stock	38,449	6	March 31, 2007	June 26, 2007
At the board of Directors' meeting held on October 30, 2007	Common stock	31,517	5	September 30, 2007	November 30, 2007

Dividends which record date belong to the years ended March 31, 2008, the operative date is the years ended March 31, 2009 are as follows:

Decision	Kind of stock	Source of dividends	Total payments (Millions of yen)	Cash dividends per share (yen)	Record date	Operative date
At the ordinary general meeting of shareholders held on June 25, 2008	Common stock	Retained earnings	37,819	6	March 31, 2008	June 26, 2008

(Year ended March 31, 2007)

(1) Information on issued shares

Kind of stock	Year ended March 31, 2006	Increase	Decrease	Year ended March 31, 2007
Common stock (Thousands)	6,806,980	—	—	6,806,980

(2) Information on treasury stock

Kind of stock	Year ended March 31, 2006	Increase	Decrease	Year ended March 31, 2007
Common stock (Thousands)	166,357	241,688	142	407,902

(Reason for increase or decrease treasury stock)

•Increase (Thousands)

1. Treasury stock purchases	234,513
2. Purchases of stock from unidentified shareholders	4,986
3. Odd lot stock purchases	595
4. Purchased by equity method affiliates	1,593

•Decrease (Thousands)

1. Odd lot stock sales	89
2. Sold by subsidiaries	53

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(3) Information on acquisition rights

Bonds and notes	Kind of stock	Number of stocks issued when acquisition rights are exercised. Year ended March 31, 2006	Increase	Decrease	Year ended March 31, 2007	Balance for year ended March 31, 2007 (millions of yen)
Mandatorily Acquirable Interest-Bearing Deeply Subordinated CB due 2012 (Nippon steel corporation)	Common stock	405,405,405 [405,405,405]	—	—	405,405,405 [405,405,405]	—
Total		405,405,405 [405,405,405]	—	—	405,405,405 [405,405,405]	—

1. [ ]: Possession by subsidiaries
2. Reason for increase and decrease "Number of stocks issued when acquisition rights are exercised"
   Issuance of mandatorily acquirable interest- bearing deeply subordinated CB due 2012 (Nippon Steel Corporation)

(4) Information on dividends

Amount of dividend payments

Decision	Kind of stock	Total payments (Millions of yen)	Cash dividends per share (yen)	Record date	Operative date
At the ordinary general meeting of shareholders held on June 28, 2006	Common stock	59,834	9	March 31, 2006	June 29, 2006
At the board of Directors' meeting held on October 26, 2006	Common stock	25,686	4	September 30, 2006	December 1, 2006

Dividends which record date belong to the years ended March 31, 2007, the operative date is the years ended March 31, 2008 are as follows:

Decision	Kind of stock	Source of dividends	Total payments (Millions of yen)	Cash dividends per share (yen)	Record date	Operative date
At the ordinary general meeting of shareholders held on June 25, 2007	Common stock	Retained earnings	38,449	6	March 31, 2007	June 26, 2007

14.

Notes on Consolidated Statements of Cash Flows

Cash and cash equivalents consists of:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Cash and bank deposits	**¥124,007**	¥159,455	¥280,117	**$1,262,421**
Less—Time deposits with original maturity over 3 months	**(4,609)**	(2,950)	(5,617)	**(46,927)**
Securities due within 3 months	**8,992**	3,808	8,266	**91,547**
Cash and cash equivalents	**¥128,390**	¥160,313	¥282,766	**$1,307,040**

Details of assets and liabilities of The Siam United Steel (1995) Co., Ltd. and Nippon Usiminas Co., Ltd., which were newly included in the consolidation in the year ended March 31, 2007 as a result of the additional acquisition of shares by NIPPON STEEL as at the date of consolidation, are as follows:

	Millions of yen 2007
Current assets	¥ 26,690
Fixed assets	91,910
	¥118,601

	Millions of yen 2007
Current liabilities	¥30,162
Long-term liabilities	27,769
	¥57,931

15.

Lease Commitments, Contingent Liabilities and Notes and Bills Discounted and Endorsed

(1) Finance leases

(Year ended March 31, 2009)

Finance lease contracts other than those under which the ownership of the leased assets are to be transferred to lessees.

Outline of lease assets:

Tangible fixed assets: it is mainly a host computer and a part of computer terminal (machinery and equipment) in the steel business.

Intangible fixed assets: software

Accounting for the depreciation and amortization of lease assets: It is followed Summary of Significant Accounting Policies.

(Year ended March 31, 2008)

Finance lease contracts other than those under which the ownership of the leased assets are to be transferred to lessees, are accounted for using a method similar to that used for operating leases.

Lease rental expenses on finance lease contracts without ownership-transfer for the years ended March 31, 2008 are summarized as follows:

	Millions of yen
	2008
Lease rental expenses	¥3,985

The amount of outstanding future lease payments due at March 31, 2008, which included the portion of interest thereon, is summarized as follows:

	Millions of yen
	2008
Future lease payments	
Within one year	¥ 3,058
Over one year	7,891
	¥10,949

Had they been capitalized, the following items would have been recognized on the consolidated balance sheets and the consolidated statements of income as at and for the years ended March 31, 2008:

	Millions of yen
	2008
Acquisition cost	¥ 26,067
Accumulated depreciation	(15,117)
Net book value	¥ 10,949
Depreciation	¥ 3,985

(2) Operating leases (non-cancelable)

The amount of outstanding future lease payments due at March 31, 2009 and 2008, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Future lease payments			
Within one year	**¥ 2,768**	¥2,752	**$ 28,181**
Over one year	**9,433**	5,619	**96,035**
	¥12,201	¥8,371	**$124,217**

The amount of outstanding future lease income due at March 31, 2009 and 2008, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Future lease income			
Within one year	**¥ 2,397**	¥ 1,369	**$ 24,404**
Over one year	**27,233**	15,573	**277,246**
	¥29,631	¥16,942	**$301,650**

(3) Contingent liabilities

1) Guarantee liabilities

	Outstanding amounts for the year ended		Substantial amounts	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2009	**2009**	**2009**	**2009**
Contingent liabilities for:				
Guarantee of loans				
Frontier Energy Niigata Co., Ltd	**¥2,235**	**$22,762**	**¥2,235**	**$22,762**
Other	**1,279**	**13,027**	**743**	**7,567***1
	¥3,515	**$35,790**	**¥2,979**	**$30,329**

	Outstanding amounts for the year ended		Substantial amounts	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2009	**2009**	**2009**	**2009**
Contingent liabilities for:				
Reserved guarantee of loans	**¥1,969**	**$20,052**	**¥1,969**	**$20,052**

*1 These represent substantial amounts excluding that portion which is re-guaranteed by other parties.

NIPPON STEEL is not a party to or involved in any material litigation.

	Outstanding amounts for the year ended	Substantial amounts
	Millions of yen	Millions of yen
	2008	2008
Contingent liabilities for:		
Guarantee of loans		
Frontier Energy Niigata Co., Ltd	¥2,460	¥2,460
Other	833	260 *1
	¥3,293	¥2,720

	Outstanding amounts for the year ended	Substantial amounts
	Millions of yen	Millions of yen
	2008	2008
Contingent liabilities for:		
Reserved guarantee of loans	¥2,326	¥2,326

*1 These represent substantial amounts excluding that portion which is re-guaranteed by other parties.

2) Contingent liabilities related to the agreements concerning the assumption of liabilities for bonds

Nippon Steel Corporation signed agreements for assumption of liabilities with the bank listed in the chart below and paid the amounts of money needed for redemption of those bonds listed below to transfer the relevant liabilities to the bank. Nippon Steel Corporation's obligations to the bond holders, however, remain until the completion of redemption of those bonds.

	Outstanding amounts for the year ended		
	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Accepting parties: SUMITOMO MITSUI BANKING CORPORATION			
Nippon Steel Corporation			
2.23% SB due June 2008	**¥—**	¥30,000	**$—**
	¥—	¥30,000	**$—**

*"SB" = straight bond

3) Notes and bills discounted and endorsed

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Notes and bills discounted	**¥ 20**	¥ 10	**$ 203**
Notes and bills endorsed	**133**	207	**1,363**
	¥153	¥217	**$1,566**

*These bills have a recourse clause which is in fact the contingent liability.

16.
Segment Information

The segment information of NIPPON STEEL for 2009, 2008 and 2007, is as follows:

(1) Information on business segments

NIPPON STEEL operates in the following six business segments.

Business Segment			Main Products
Steelmaking and Steel Fabrication	Steel Materials	Steel sections	Rails, sheet piles, H beams, other shapes; Bars, bars-in-coils, wire rods, special wire rods
		Flat-rolled products	Heavy plates, medium plates, hot-rolled sheets, cold-rolled sheets; Tinplate, tin-free steel, hot-dipped galvanized sheets, other metallic coated sheets, precoated sheets; Cold-rolled electrical steel sheet
		Pipe and tubes	Tubulars: seamless, butt-welded, electric-resistance welded, electric-arc welded, cold-drawn, and coated pipes and tubes
		Specialty steel	Stainless steel, machine structural carbon steel, structural alloy steel, spring steel, bearing steel, heat-resistant steel, free-cutting steel, piano wire rods, high-strength steel
		Secondary steel products	H-beam bridges, steel segments, gratings, PANZERMAST, vibration-damping sheets and plates, NS Louver, structural steel sheet members, columns, welding materials, drums, bolts/nuts/washers, wire products, OCTG accessories, building and civil engineering materials
	Pig iron, steel ingots, others		Steelmaking pig iron, foundry pig iron, steel ingots; Iron and steel slag products, cement, foundry coke
	Businesses incidental to Steelmaking and Steel Fabrication		Design/maintenance/installation of machines/electrical equipment/measurement apparatuses; Marine transport, port/harbor transport, land transport, loading/unloading, warehousing, packaging; Material testing/analysis, measurement of working environments, surveys on technical information, operation and management of various facilities, security services, services related to documentation of raw materials import, iron- and steelmaking plant construction engineering, operating assistance, steelmaking know-how provision, rolls
	Other		Rolled titanium products, aluminum products, power supply, services and others
Engineering and Construction	Iron- and steelmaking plants, industrial machinery and equipment, industrial furnaces Resources recycling and environment restoration solutions, environmental plants, waterworks Energy facilities and plants, chemical plants, storage tanks, on-land and offshore pipelines laying works Various energy-related solutions Offshore structure fabrication/construction, civil engineering work, bridge fabrication/erection, pipe piling work Building construction, steel-structure construction, trusses, standardized buildings products, base-isolation and vibration-control devices		
Urban Development	Urban development, condominiums/other real estate		
Chemicals	Pitch coke, pitch, naphthalene, phthalic anhydride, carbon black, styrene monomer, bisphenol A, styrene resin, epoxy resin, chemical products; Adhesive-free copper-clad laminated sheet for flexible printed circuit boards, liquid crystal display (LCD) materials, organic EL materials		
New Materials	Rolled metallic foils, semiconductor bonding wire and microballs, carbon-fiber composite products, polysilicon for solar cells, fine ceramics products, metal catalyst carriers for cleaning automotive emissions		
System Solutions	Computer systems engineering and consulting services		

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Sales				
Steelmaking and steel fabrication				
Customers	**¥3,969,685**	¥3,940,232	¥3,449,304	**$40,412,146**
Intersegment	**69,000**	54,294	33,073	**702,438**
Total sales	**4,038,685**	3,994,526	3,482,377	**41,114,585**
Engineering and construction				
Customers	**340,230**	316,994	310,367	**3,463,614**
Intersegment	**46,412**	42,889	57,600	**472,492**
Total sales	**386,643**	359,884	367,968	**3,936,107**
Urban development				
Customers	**65,781**	88,482	88,696	**669,666**
Intersegment	**4,371**	5,357	5,651	**44,503**
Total sales	**70,152**	93,839	94,347	**714,170**
Chemicals				
Customers	**205,420**	267,695	257,678	**2,091,222**
Intersegment	**6,751**	21,333	61,076	**68,731**
Total sales	**212,172**	289,029	318,755	**2,159,953**
New materials				
Customers	**59,627**	75,635	64,578	**607,021**
Intersegment	**279**	521	1,022	**2,844**
Total sales	**59,907**	76,157	65,601	**609,866**
System solutions				
Customers	**129,075**	137,932	131,519	**1,314,016**
Intersegment	**32,465**	27,427	24,986	**330,506**
Total sales	**161,541**	165,360	156,505	**1,644,523**
Elimination of intersegment transactions	**(159,281)**	(151,823)	(183,410)	**(1,621,517)**
Consolidated total	**¥4,769,821**	¥4,826,974	¥4,302,145	**$48,557,688**
Operating profit (loss)				
Steelmaking and steel fabrication	**¥ 307,047**	¥ 475,951	¥ 514,562	**$ 3,125,799**
Engineering and construction	**24,674**	21,496	13,031	**251,194**
Urban development	**3,929**	12,602	14,301	**40,001**
Chemicals	**894**	21,050	23,645	**9,105**
New materials	**(2,397)**	559	3,129	**(24,409)**
System solutions	**11,479**	14,756	13,992	**116,859**
Elimination of intersegment transactions	**(2,696)**	(835)	(2,564)	**(27,451)**
Consolidated total	**¥ 342,930**	¥ 545,580	¥ 580,097	**$ 3,491,099**
Identifiable assets				
Steelmaking and steel fabrication	**¥4,183,826**	¥4,504,623	¥4,639,856	**$42,592,142**
Engineering and construction	**298,053**	296,913	282,413	**3,034,245**
Urban development	**224,247**	189,718	189,547	**2,282,878**
Chemicals	**136,185**	187,863	229,606	**1,386,392**
New materials	**30,441**	41,530	35,875	**309,899**
System solutions	**128,082**	121,289	114,961	**1,303,904**
Elimination of intersegment transactions	**(130,155)**	(148,440)	(147,336)	**(1,325,012)**
Consolidated total	**¥4,870,680**	¥5,193,498	¥5,344,924	**$49,584,451**
Depreciation of identifiable assets				
Steelmaking and steel fabrication	**¥ 256,085**	¥ 225,799	¥ 175,278	**$ 2,607,002**
Engineering and construction	**3,235**	3,405	1,811	**32,937**
Urban development	**2,279**	2,337	1,981	**23,207**
Chemicals	**9,192**	9,729	10,972	**93,576**
New materials	**2,848**	2,090	1,246	**28,994**
System solutions	**1,833**	1,855	1,857	**18,669**
Elimination of intersegment transactions	**(1,730)**	(1,179)	(693)	**(17,615)**
Consolidated total	**¥ 273,744**	¥ 244,038	¥ 192,454	**$ 2,786,772**

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Capital expenditure on identifiable assets				
Steelmaking and steel fabrication	**¥ 283,653**	¥ 296,384	¥ 249,725	**$ 2,887,650**
Engineering and construction	**6,011**	5,582	4,169	**61,197**
Urban development	**8,512**	296	6,751	**86,657**
Chemicals	**8,470**	5,535	5,355	**86,234**
New materials	**1,649**	6,126	3,063	**16,789**
System solutions	**1,645**	1,839	6,641	**16,748**
Elimination of intersegment transactions	**(4,204)**	(6,770)	(2,265)	**(42,801)**
Consolidated total	**¥ 305,738**	¥ 308,993	¥ 273,440	**$ 3,112,476**

(Year ended March 31, 2009)

(1) Accounting for valuation method of inventories

Inventories held for ordinary sales purposes were previously accounted for mainly by the purchase-cost method based on the gross-average method. However, beginning with the current fiscal year, accompanying the application of "Accounting Standards for Measurement of Inventories (ASBJ Statement No. 9), the method of measurement of inventories was changed to mainly the cost method based on the gross-average method (the method of reducing the book value of inventories when their contribution to profitability declines). As a result of this change, operating profit in the Steelmaking and Steel Fabrication segment was ¥54,963 million ($559,541 thousand) lower than it would have been prior to the change. The change had minimal effect on the results in the other segments.

(2) Change in important assets and liabilities in foreign currencies and foreign currency translation

Income and expenses of overseas subsidiaries and affiliates are converted to yen. Previously, this conversion was made at the rate prevailing on the closing date of the financial statements, but beginning with the consolidated statements for the current fiscal year, the conversion was made at the average rate during the accounting period. This change was made to present the income and expense items more accurately, accompanying the growing importance of overseas subsidiaries and affiliates. As a result of this change, net sales in the Steelmaking and Steel Fabrication segment were ¥31,334 million ($318,991 thousand) higher, and operating profit was ¥8,495 million ($86,481 thousand) higher than they would have been prior to the change. As a result of this change, the effect on the consolidated financial statements for the fiscal year under review was not material.

(Additional Information)

Change in the useful lives of tangible fixed assets

Beginning with the fiscal year under review, accompanying revisions in Japan's income tax law, the Company and its domestic consolidated subsidiaries have reviewed the useful lives of their property, plant and equipment. Accompanying this review and the changes in useful lives, for the fiscal year under review, depreciation expense in the Steelmaking and Steel Fabrication segment was ¥11,398 million ($116,039 thousand) higher and operating profit was ¥10,552 million ($107,422 thousand) lower than they would have been prior to the changes. The change had minimal effect on the results in the other segments.

(Year ended March 31, 2008)

Accounting for depreciation of tangible fixed assets

Beginning with this fiscal year, accompanying changes in the Japanese Corporate Tax Law, tangible fixed assets acquired on or after April 1, 2007, are computed and presented according to the methods for depreciation specified in the revised Corporate Tax Law. Accompanying this change, if the accounting standards applied in the previous fiscal year had been applied in this fiscal year, depreciation in the steel business would have been ¥6,618 million higher, operating expenses would have been ¥5,944 million higher, and operating income would have been lower by an equivalent amount. The effect on other business segments, however, would not have been material.

(Additional Information)

(1) Accounting for the depreciation of tangible fixed assets

Beginning with this fiscal year, accompanying changes in the Japanese Corporate Tax Law, NIPPON STEEL and its consolidated subsidiaries have applied methods specified under the revised Corporate Tax Law that are applicable to tangible fixed assets acquired on or before March 31, 2007, that have already been depreciated to the limit under the provisions of the tax law prior to revisions. The residual value of such assets will now be depreciated in equal amounts over a period of five years. Accompanying this change, compared to results under the previous methods of depreciation, depreciation in the steel business would have been ¥27,298 million higher, operating expenses would have been ¥24,028 million higher, and operating income would have been lower by an equivalent amount. The effect on other business segments, however, would have not been material.

(2) Nippon Steel Corporation to continue the Kimitsu coke business of the Nippon Steel Chemical Co., Ltd.

Nippon Steel Chemical Co., Ltd., a consolidated subsidiary, split off its Kimitsu coke business on July 1, 2007, and that business was absorbed into Nippon Steel Corporation. Please note that intersegment sales in the chemical business include sales of this coke business amounting to ¥16,309 million for this fiscal year and ¥60,123 million for the previous fiscal year.

(Year ended March 31, 2007)

(1) Change in valuation method of inventories

As stated in Note 2, products, semi-finished products and raw materials of one of the subsidiaries, Nippon Steel Chemical Co., Ltd., excluding those in its coke business, which previously had been valued at lower-of-cost-or-market and using last-in-first-out method, are valued at lower-of-cost-or-market and using periodic average method from the year ended March 31, 2007. This change was made in order to reflect fluctuations of raw material market prices into the valuation of inventories more accurately and to calculate profit more appropriately. Compared to the results that would have been obtained applying the same procedure as that for the previous period, operating costs decreased by ¥1,243 million, and operating profit increased by the same amount in the chemicals business for the year ended March 31, 2007.

(2) Change in valuation method of tangible fixed assets

As stated in Note 2, depreciation of a part of property, plant and equipment of one of the subsidiaries, Nippon Steel Chemical Co., Ltd., which previously had been computed using straight line method, is computed using declining balance method from the year ended March 31, 2007. This change was made in order to ensure early recovery of invested capital and improvement of financial structure, considering the relatively short life-cycle of products in the high-performance material sector, particularly in the electronic material sector, where Nippon Steel Chemical Co., Ltd. is developing its business. Compared to the results that would have been obtained applying the same procedure as that for the previous period, operating costs increased by ¥1,189 million, and operating profit decreased by the same amount in the chemicals business, operating costs decreased by ¥50 million, and operating profit increased by the same amount in the elimination of intersegment transactions business.

(2) Overseas Sales

Overseas sales, which include export sales of Nippon Steel Corporation and its domestic subsidiaries and sales (other than exports to Japan) recorded by foreign subsidiaries, are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Overseas sales	**¥1,377,260**	¥1,383,777	¥1,166,090	**$14,020,777**
Consolidated net sales	**4,769,821**	4,826,974	4,302,145	**48,557,688**
Overseas sales as a proportion of consolidated net sales	**28.9%**	28.7%	27.1%	**28.9%**

Note: Neither sales nor identifiable assets of overseas consolidated subsidiaries are of significant materiality (domestic sales and identifiable assets make up more than 90% of consolidated sales and consolidated total assets) and therefore, geographical segment information is not presented.

17.
Securities

(Year ended March 31, 2009)

Information regarding marketable securities and investments in securities at March 31, 2009 is as follows:

(1) Available-for-sale securities with available market quotations are summarized as follows:

	Millions of yen		
	2009		
	Cost	Carrying amount	Unrealized gain (loss)
Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost:			
Corporate shares	**¥ 85,865**	**¥181,231**	**¥ 95,366**
Other	**80,110**	**115,494**	**35,384**
Subtotal	**¥165,975**	**¥296,726**	**¥130,750**
Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost:			
Corporate shares	**¥302,610**	**¥213,163**	**¥ (89,446)**
Bonds	**240**	**229**	**(10)**
Other	**762**	**517**	**(244)**
Subtotal	**¥303,613**	**¥213,911**	**¥ (89,701)**
Total	**¥469,588**	**¥510,638**	**¥ 41,049**

	Thousands of U.S. dollars		
	2009		
	Cost	Carrying amount	Unrealized gain (loss)
Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost:			
Corporate shares	**$ 874,125**	**$1,844,973**	**$ 970,848**
Other	**815,540**	**1,175,760**	**360,219**
Subtotal	**$1,689,666**	**$3,020,734**	**$1,331,068**
Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost:			
Corporate shares	**$3,080,634**	**$2,170,049**	**$ (910,585)**
Bonds	**2,446**	**2,341**	**(104)**
Other	**7,757**	**5,268**	**(2,489)**
Subtotal	**$3,090,838**	**$2,177,659**	**$ (913,179)**
Total	**$4,780,504**	**$5,198,393**	**$ 417,889**

(2) Available-for-sale securities sold in the year ended March 31, 2009

	Millions of yen		
	2009		
	Amount of sales	Gain on sales	Loss on sales
	¥8,085	**¥2,963**	**¥(387)**

	Thousands of U.S. dollars		
	2009		
	Amount of sales	Gain on sales	Loss on sales
	$82,315	**$30,173**	**$(3,943)**

(3) Securities without available market quotations are summarized as follows:

	Millions of yen
	2009
Held-to-maturity debt securities	
Government bonds, etc.	**¥ 2,099**
Commercial paper	**6,992**
Corporate bonds	**4,389**
Available-for-sale securities	
Shares of private companies	**¥36,968**
Corporate bonds	**3,009**
Other	**2,938**

	Thousands of U.S. dollars
	2009
Held-to-maturity debt securities	
Government bonds	**$ 21,375**
Commercial paper	**71,189**
Corporate bonds	**44,683**
Available-for-sale securities	
Shares of private companies	**$376,348**
Corporate bonds	**30,632**
Other	**29,909**

(4) Details of the maturity dates of available-for-sale debt securities and held-to-maturity debt securities are summarized as follows:

	Millions of yen			
	2009			
	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Bonds and debentures:				
Government bonds and municipal bonds, etc.	**¥ 1,353**	**¥ 160**	**¥ —**	**¥ —**
Commercial paper	**6,992**	**—**	**—**	**—**
Corporate bonds	**7,118**	**385**	**—**	**9**
Other	**790**	**125**	**359**	**—**
Total	**¥16,255**	**¥ 671**	**¥ 359**	**¥ 9**

	Thousands of U.S. dollars			
	2009			
	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Bonds and debentures:				
Government bonds and municipal bonds, etc.	**$ 13,778**	**$1,636**	**$ —**	**$ —**
Commercial paper	**71,189**	**—**	**—**	**—**
Corporate bonds	**72,468**	**3,920**	**—**	**91**
Other	**8,042**	**1,278**	**3,655**	**—**
Total	**$165,479**	**$6,836**	**$3,655**	**$91**

(5) Financial assets with the right of free disposal

Nippon Steel holds pledged financial assets (mainly securities) with the right of free disposal whose current market value is ¥ 2,083 million ($21,211 thousand) at March 31, 2009.

(Year ended March 31, 2008)

Information regarding marketable securities and investments in securities at March 31, 2008 is as follows:

(1) Available-for-sale securities with available market quotations are summarized as follows:

	Millions of yen		
	2008		
	Cost	Carrying amount	Unrealized gain (loss)
Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost:			
Corporate shares	¥314,262	¥603,473	¥289,210
Other	83,056	212,675	129,618
Subtotal	¥397,319	¥816,148	¥418,829
Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost:			
Corporate shares	¥142,070	¥115,414	¥ (26,656)
Other	1,062	928	(133)
Subtotal	¥143,133	¥116,343	¥ (26,789)
Total	¥540,452	¥932,492	¥392,039

(2) Available-for-sale securities sold in the year ended March 31, 2008

Millions of yen		
2008		
Amount of sales	Gain on sales	Loss on sales
¥8,891	¥1,008	¥(984)

(3) Securities without available market quotations are summarized as follows:

	Millions of yen
	2008
Held-to-maturity debt securities:	
Government bonds	¥ 809
Commercial paper	998
Corporate bonds	5,001
Money trust	2,000
Available-for-sale securities:	
Shares of private companies, etc.	¥ 55,274

(4) Details of the maturity dates of available-for-sale debt securities and held-to-maturity debt securities are summarized as follows:

	Millions of yen			
	2008			
	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Bonds and debentures:				
Government bonds and municipal bonds, etc.	¥ 914	¥129	¥ 1	¥494
Commercial paper	998	—	—	—
Corporate bonds	5,031	118	—	—
Money trust	2,000	—	—	—
Other	199	127	728	100
Total	¥9,144	¥374	¥730	¥594

(5) Financial assets with the right of free disposal

Nippon Steel holds pledged financial assets (mainly securities) with the right of free disposal whose current market value is ¥ 3,509 million at March 31, 2008.

18.
Retirement Benefits

NIPPON STEEL operates four defined benefit retirement plans which consist of a welfare employee pension fund plan, a tax-qualified pension scheme, a defined benefits enterprise pension plan and a lump-sum retirement payment plan.

NIPPON STEEL may pay special retirement allowances on voluntary retirement which are not included in the projected benefit obligations. In addition to the above, certain domestic consolidated subsidiaries operate a defined contribution pension plan.

Projected benefit obligations as of March 31, 2009, 2008 and 2007 are analyzed as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Projected benefit obligations	**¥(545,858)**	¥(554,578)	¥(580,307)	**$(5,556,942)**
Plan assets	**361,145**	481,174	583,510	**3,676,533**
Accrued pension and severance costs	**136,380**	125,536	123,695	**1,388,379**
Prepaid pension cost	**(94,218)**	(103,770)	(89,911)	**(959,160)**
Balance	**(142,550)**	(51,637)	36,987	**(1,451,189)**
Consisting of:				
Unrecognized actuarial differences	**(146,153)**	(66,920)	18,664	**(1,487,872)**
Unrecognized balance of prior service costs*[1]	**3,603**	15,283	18,322	**36,682**
	¥(142,550)	¥ (51,637)	¥ 36,987	**$(1,451,189)**

*[1] Due to the decrease in the expected rate and annuity benefit ratio used in the tax-qualified pension scheme and welfare pension plan for Nippon Steel Corporation and certain consolidated subsidiaries, an unrecognized balance of prior service costs arose.
*[2] The projected benefit obligations for certain consolidated subsidiaries are determined by the simplified method.

The net pension expense relating to retirement benefits for the years ended March 31, 2009, 2008 and 2007 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Service costs*[2,4]	**¥17,683**	¥17,678	¥17,071	**$180,023**
Interest costs	**11,484**	11,718	12,209	**116,909**
Expected return on plan assets	**(7,789)**	(9,293)	(9,211)	**(79,295)**
Amortization of transition obligation	**—**	—	1,064	**—**
Amortization of actuarial differences	**18,258**	8,299	9,500	**185,870**
Amortization of prior service costs*[3]	**(2,107)**	(3,003)	(3,165)	**(21,451)**
Net pension expense	**37,529**	25,398	27,469	**382,058**
Other*[5]	**578**	525	446	**5,885**
	¥38,107	¥25,924	¥27,916	**$387,943**

*[1] In addition to the net pension expense above, special benefits for early retirement of ¥4,255 million ($43,320 thousand) , ¥9,141 million and ¥9,558 million were paid for the year ended March 31, 2009, 2008 and 2007, respectively.
*[2] This amount excludes contributions to welfare pension plans made by employees.
*[3] This amount represents amortization of prior service costs.
*[4] All pension expenses except amortization of the transition obligation of consolidated subsidiaries, for which the simplified method is applied, are included in "service costs".
*[5] This amount represents payments for defined contribution pension plans.

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

	As of March 31, 2009	As of March 31, 2008	As of March 31, 2007
Method of attributing the projected benefits to periods of service	**Mainly straight-line basis**	Mainly straight-line basis	Mainly straight-line basis
Discount rate	**1.3%-2.5% (mainly 2.1%)**	1.3%-2.5% (mainly 2.1%)	1.5%-2.5% (mainly 2.1%)
Expected rate of return on plan assets	**1.0%-3.5% (mainly 2.1%)**	0.0%-3.5% (mainly 2.1%)	0.0%-3.5% (mainly 2.1%)
Amortization of unrecognized prior service costs*[1]	**1-15 years (mainly 10 years)**	1-15 years (mainly 10 years)	1-15 years (mainly 10 years)
Amortization of unrecognized actuarial differences*[2]	**1-15 years (mainly 10 years)**	1-15 years (mainly 10 years)	1-15 years (mainly 10 years)
Amortization of transition obligation*[3]	**—**	—	1-15 years

*[1] Amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service.
*[2] Amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service starting from the next year.
*[3] Amortized in one amount at the year ended March 31, 2001 for Nippon Steel Corporation and certain consolidated subsidiaries, and over 5 years for the remaining entities as of March 31, 2005.

19.
Information on Derivatives

NIPPON STEEL utilizes derivative financial instruments, which are comprised principally of foreign exchange forward contracts, interest rate and currency swap agreements, to reduce its exposure to market risks from fluctuations in foreign currency exchange or interest rates. NIPPON STEEL does not hold or issue derivative financial instruments for trading purposes.

Although NIPPON STEEL may be exposed to losses in the event of non-performance by counterparties or fluctuations of interest rates or currency prices, it does not anticipate significant losses because all of the counter parties are trading companies or financial institutions with high credit ratings and the use of derivatives is limited to hedging purposes as described above.

All derivative financial instruments held by NIPPON STEEL are for hedging purposes and are recognized at fair value on the consolidated balance sheets, except for interest swaps applying the "exceptional" method and forward exchange contracts applying the "assigning" method, and therefore disclosure of detailed information for derivatives is not required.

20.

Related Party Information

1.Related Party Transaction

(Year ended March 31, 2009)

(Additional information)

Beginning with the fiscal year ended March 31, 2009, the methods of accounting for Related Party Transaction have been revised in accordance with the "Accounting Standard for Related Party Disclosures" (ASBJ Statement No.11) and the "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No.13). Pursuant to the new accounting standards, information on transaction of consolidated subsidiaries of the Company with related party is disclosed for the year ended March 31, 2009.

Transaction with related party

Transaction of Nippon Steel Corporation with related party

Unconsolidated subsidiaries and affiliates:

	Millions of yen				Thousands of U.S. dollars	
	Transactions during the year ended March 31, 2009		Resulting account balances		Transactions during the year ended March 31, 2009	Resulting account balances
	Description of transaction	Amount	Account	Amount	Amount	Amount
(a) Category: Affiliate (b) Name: Nippon Steel Trading Corporation, Ltd (c) Head office address: Chiyoda-ku, Tokyo (d) Paid-in capital: ¥8,750 (e) Business content: Buys and sells iron and steel, nonferrous metals, machinery, and raw material (f) Equity ownership percentage: Holding 32.5% directly and 1.8% indirectly (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥533,771	Notes and accounts receivable	¥19,557	$5,433,894	$199,098

Note:

(1) Consumption taxes are not included in the amount of transaction and included in the Amount of resulting account balances.

(2) The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

Transaction of consolidated subsidiaries of Nippon Steel Corporation with related party

Unconsolidated subsidiaries and affiliates:

	Millions of yen				Thousands of U.S. dollars	
	Transactions during the year ended March 31, 2009		Resulting account balances		Transactions during the year ended March 31, 2009	Resulting account balances
	Description of transaction	Amount	Account	Amount	Amount	Amount
(a) Category: Affiliate (b) Name: Nippon Steel Trading Corporation, Ltd (c) Head office address: Chiyoda-ku, Tokyo (d) Paid-in capital: ¥8,750 (e) Business content: Buys and sells iron and steel, nonferrous metals, machinery, and raw material (f) Equity ownership percentage: Holding 32.5% directly and 1.8% indirectly (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥106,447	Notes and accounts receivable	¥16,937	$1,083,653	$172,418

Note:

(1) Consumption taxes are not included in the amount of transaction and included in the Amount of resulting account balances.

(2) The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

(Year ended March 31, 2008)

(a) Name of director (b) Title of related parties (c) Equity ownership percentage of Nippon Steel Corporation	Millions of yen Transactions during the year ended March 31, 2008		Resulting account balances		
	Description of transaction	Amount	Account	Amount	Notes
(a) Bunyuu Futamura [Representative Director and Vice President of Nippon Steel Corporation] (b) Chairman of the Board of Directors of Tokai Industrial Medical Cure Corps (At the time of conclusion of the contract) (c) 0.0%	Contribution to clinic expenses	¥7	Accrued expenses	¥4	(1)
(a) Shigemitsu Miki [Corporate Auditor of Nippon Steel Corporation]	Long-term loans	¥7,000	Long-term loans	¥17,000	(2)
(b) Representative Director and Chairman of the Board of Directors of The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Interest payment on long-term loans	¥327	Accrued expenses	¥94	(2)
(c) 0.0%	Short-term loans	¥15,057	Short-term loans	¥22,037	(2) (3)
	Interest payment on short-term loans	¥142	Accrued expenses	¥22	(2)
	Commercial paper	¥75,000	Commercial paper	¥39,000	(3) (4)
	Interest payment on commercial paper	¥558	—	—	(4)
	Commission on the issue of the bonds	¥10	—	—	(4)
	Guarantee of obligation for loans borrowed by the joint venture	¥42	—	—	(5)

Notes:

(1) Nippon Steel Corporation bears the expenses of the related party to the extent considered reasonable for the health care of its personnel. Bunyuu Futamura (Representative Director and Vice President of Nippon Steel Corporation) resigned Chairman of the Board of Directors of Tokai Industrial Medical Cure Corps on July 24, 2007. Therefore, Tokai Industrial Medical Cure Corps was no longer related parties, and the amount at the time of his resignation is shown in the column titled "Resulting account balances".

(2) The interest rate was determined with reference to market interest rates. No guarantee was set by Nippon Steel Corporation.

(3) The average balance of loans is shown in the column titled "Transactions during the year ended March 31, 2008".

(4) The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

(5) This is a guarantee of obligation for loans that the joint venture borrowed for equipment funds and working-capital from The Bank of Tokyo-Mitsubishi UFJ, Ltd.

(Year ended March 31, 2007)

(a) Name of director (b) Title of related parties (c) Equity ownership percentage of Nippon Steel Corporation	Millions of yen — Transactions during the year ended March 31, 2008: Description of transaction	Amount	Resulting account balances: Account	Amount	Notes
(a) Akira Chihaya [Representative Director and Chairman of Nippon Steel Corporation] (b) Chairman of The Nippon Steel Arts Foundation (At the time of conclusion of the contract) (c) 0.0%	Contribution	¥210	—	—	(1)
(a) Akio Mimura [Representative Director and President] (b) Chairman of The Nippon Steel Arts Foundation (c) 0.0%	Contribution	¥2,500	—	—	(1)
(a) Akira Chihaya [Representative Director and Chairman of Nippon Steel Corporation] (b) Chairman of The Japan-China Economic Association (At the time of conclusion of the contract) (c) 0.0%	Special membership fees	¥2	—	—	(2)
(a) Bunyuu Futamura [Director of Nippon Steel Corporation] (b) Chairman of the Board of Directors of Tokai Industrial Medical Cure Corps (At the time of conclusion of the contract) (c) 0.0%	Contribution to clinic expenses	¥13	Accrued expenses	¥9	(3)
(a) Shigemitsu Miki [Corporate Auditor of Nippon Steel Corporation]	Long-term loans	¥10,000	Long-term loans	¥10,000	(4)
(b) Representative Director and Chairman of the Board of Directors of The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Interest payment on long-term loans	¥321	Accrued expenses	¥81	(4)
(c) 0.0%	Short-term loans	¥23,575	Short-term loans	¥21,097	(4) (5)
	Interest payment on short-term loans	¥129	Accrued expenses	¥16	(4)
	Commercial paper	¥82,780	Commercial paper	¥27,000	(5) (6)
	Interest payment on commercial paper	¥222	Accrued expenses	¥1	(6)
	Guarantee of obligation for loans borrowed by the joint venture	¥77	—	—	(7)

Notes:
(1) The amount of the contribution was determined considering the planned activities of the foundation, the need for social contributions and the results of operation of Nippon Steel Corporation.
(2) The amount of the contribution was determined considering the description of the business and fees of the association.
(3) Nippon Steel Corporation bears the expenses of the related party to the extent considered reasonable for the health care of its personnel. Bunyuu Futamura (Director of Nippon Steel Corporation) resigned Director and appointed Managing Director at the ordinary general meeting of shareholders held on June 28, 2006. Therefore, Bunyuu Futamura and Tokai Industrial Medical Cure Corps were no longer related parties, and the amount at the time of his resignation is shown in the column titled "Resulting account balances".
(4) The interest rate was determined with reference to market interest rates. No guarantee was set by Nippon Steel Corporation.
(5) The average balance of loans is shown in the column titled "Transactions during the year ended March 31, 2007".
(6) The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.
(7) This is a guarantee of obligation for loans that the joint venture borrowed for equipment funds and working-capital from The Bank of Tokyo-Mitsubishi UFJ, Ltd.

2. Related party disclosures about the parent company, significant subsidiaries and affiliates

(Year ended March 31, 2009)

All the parent company, significant subsidiaries and affiliates are not defined as the related party.

21.
Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009, 2008 and 2007 is as follows:

(Year ended March 31, 2009)

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average number of shares	EPS	
Basic EPS				
Net income available to common shareholders	¥154,832	6,291,897	¥24.60	$0.25
Effect of dilutive securities				
Minority interest in net income of consolidated subsidiaries	3,987	405,405		
Equity in net income of unconsolidated subsidiaries and affiliates	(2)	—		
Diluted EPS				
Net income for computation	158,818	6,697,303	23.71	0.24

(Year ended March 31, 2008)

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average number of shares	EPS
Basic EPS			
Net income available to common shareholders	¥354,962	6,301,252	¥56.33
Effect of dilutive securities			
Minority interest in net income of consolidated subsidiaries	3,970	405,405	
Equity in net income of unconsolidated subsidiaries and affiliates	(15)	—	
Diluted EPS			
Net income for computation	358,917	6,706,658	53.51

(Year ended March 31, 2007)

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average number of shares	EPS
Basic EPS			
Net income available to common shareholders	¥351,050	6,466,591	¥54.28
Effect of dilutive securities			
Minority interest in net income of consolidated subsidiaries	1,571	157,719	
Equity in net income of unconsolidated subsidiaries and affiliates	(281)	—	
Diluted EPS			
Net income for computation	352,340	6,624,311	53.18

22.
Business Combinations and Business Divestitures

(Year ended March 31, 2007)

In July 1, 2007, the Company's engineering business and new materials business were spun-off to two of the 100% owned subsidiaries.

The aim of this spin-off is to enable the companies in each segment to be able to work independently to strengthen profitability and business foundation while maintaining and developing Group synergy with the steel segment and to enhance consolidated corporate value.

(1) The company which succeeded the engineering business:
Name: Nippon Steel Engineering Co., Ltd.
Scope of business: Engineering and construction

(2) The company which succeeded the new materials business:
Name: Nippon steel materials Co., Ltd.
Scope of business: New materials

Outline of accounting procedures:

The assets and liabilities, which Nippon Steel Corporation transferred to these two subsidiaries, were accounted for appropriately based on the book value of Nippon Steel Corporation on the day before the spin-off date.

KPMG

Independent Auditors' Report

To the Shareholders and Board of Directors of
Nippon Steel Corporation

We have audited the accompanying consolidated balance sheets of Nippon Steel Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted 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 audits provide 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 Nippon Steel Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.
Tokyo, Japan

June 24, 2009

(As of March 31, 2009)

Nippon Steel Corporation

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2-6-1, Marunouchi, Chiyoda-ku, Tokyo 100-8071, Japan
Phone: 81-3-6867-4111
URL: http://www.nsc.co.jp/

Date of Establishment
March 31, 1970

Common Stock
¥419,524 million

Common Stock: Issued
6,806,980,977 shares

Common Stock: Authorized
9,917,077,000 shares

Number of Shareholders
449,500

Ten Major Shareholders

Japan Trustee Services Bank, Ltd.	10.0%
Sumitomo Metal Industries, Ltd.	4.2%
CBHK-Korea Securities Depository	3.5%
Nippon Life Insurance Company	3.4%
The Master Trust Bank of Japan, Ltd.	3.2%
Mizuho Corporate Bank, Ltd.	2.7%
Trust & Custody Services Bank, Ltd.	2.1%
Meiji Yasuda Life Insurance Company	2.1%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.0%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.4%

Listings
Tokyo Stock Exchange
Osaka Securities Exchange
Nagoya Stock Exchange
Fukuoka Stock Exchange
Sapporo Securities Exchange

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