



# Steeling for Global Competition

Nippon Steel Corporation

Annual Report 2010

Year ended March 31, 2010

***On the Leading Edge: Nippon Steel***

[www.nsc.co.jp](http://www.nsc.co.jp)



# 01 Consolidated Performance Highlights

# 02 President’s Message

Nippon Steel will never stop sharpening its technological edge and refining its on-site expertise and capabilities so that it will always remain the steelmaker of choice, boasting world-leading, comprehensive strengths. Over the next two years, we will work to complete the reestablishment of the foundations of our competitiveness. At the same time, we will accelerate the additional reinforcement of our global production and supply structure, a requirement for the future success of the Nippon Steel Group.

# 08 Special Feature

Toward establishing a renewed growth path underpinned by its global tripolar production and supply structure, Nippon Steel is promoting initiatives in the Asian market, which currently commands two-thirds of global steel demand and is showing a significant potential for further expansion. Described in this section are three major projects, symbolizing the acceleration of the Nippon Steel Group’s growth strategies in Asia.

# 12 Business Overview

The Nippon Steel Group operates the mainstay steelmaking and steel fabrication business and five other closely related businesses. This section rolls out the details of each business segment, including business profile, business strategies and annual summary. The later portion of this section explains the Company’s structures and initiatives regarding research and development and intellectual property, both of which underpin our competitiveness in the six business segments.

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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 2009” refers to the 12-month period ended March 31, 2010, while “fiscal 2008” refers to the 12-month period ended March 31, 2009.

• 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.

## Consolidated Performance Highlights

		Millions of yen			Change (%)	Millions of U.S. dollars (Note 1)
	(FY)	2009	2008	2007	2009 / 2008	2009
<b>Operating Results (for the year)</b>						
Net sales	¥	3,487,714	¥ 4,769,821	¥ 4,826,974	(26.9)	\$ 37.486
Operating profit		32,005	342,930	545,580	(90.7)	344
Ordinary profit		11,833	336,140	564,119	(96.5)	127
Net income		(11,529)	155,077	354,989		(124)
<b>Financial Position (at year-end)</b>						
Total assets	¥	5,002,378	¥ 4,870,680	¥ 5,193,498		\$ 53,766
Total net assets		2,335,676	2,174,809	2,413,954		25,104
Interest-bearing debt		1,383,794	1,454,214	1,192,027		14,873
<b>Per-Share Data</b>						
Net income (yen)	¥	(1.83)	¥24.60	¥56.33		
Cash dividends (yen)		1.50	6.00	11.00		
Consolidated payout ratio		—	24.4%	19.5%		
<b>Financial Indicators</b>						
Return on sales (Note 2)		0.3%	7.0%	11.7%		
Return on assets (Note 3)		0.2	6.9	10.8		
Return on equity (Note 4)		(0.7)	8.7	18.7		
Shareholders' equity ratio (Note 5)		36.9	34.3	36.8		
Debt-to-equity ratio (times) (Note 6)		0.75	0.87	0.62		
<b>Reference</b>						
Crude steel production (consolidated, thousands of tons)		29,919	31,240	36,233		
Price of steel (non-consolidated, thousands of yen per ton)		75.4	104.7	79.8		
Export ratio (non-consolidated, value basis; %)		38.4	32.5	33.4		

Notes: 1. U.S. dollar amounts are translated, for convenience only, at the rate of ¥93.04 = \$1, the exchange rate prevailing at the balance sheet date of March 31, 2010.

2. Return on sales = (Ordinary profit / Net sales) x 100

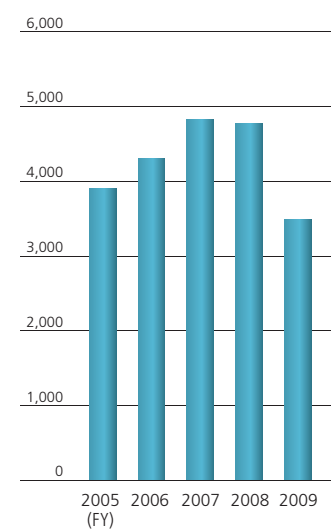
3. Return on assets = (Ordinary profit / Total assets [average for the period]) x 100

4. Return on equity = (Net income / Shareholders’ equity [average for the period]) x 100

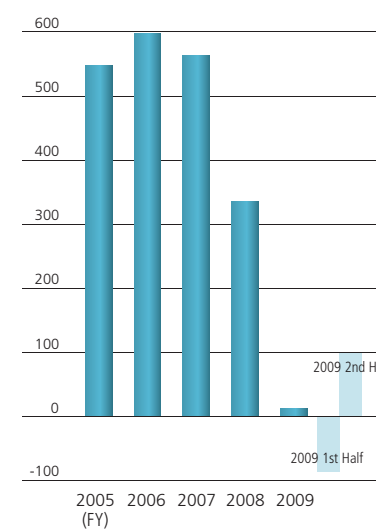
5. Shareholders’ equity ratio = Shareholders’ equity / Total assets x 100

6. Debt-to-equity ratio = Interest-bearing debt / Shareholders’ equity

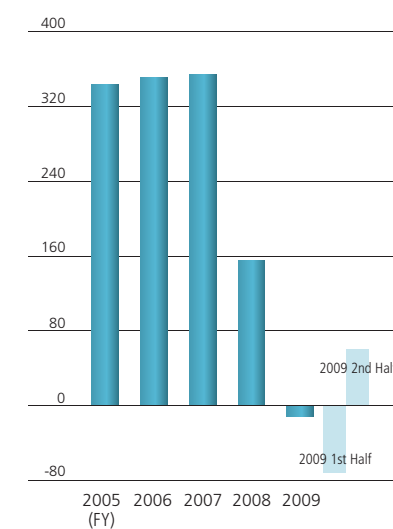
Net Sales  
(Billions of yen)



Ordinary Profit  
(Billions of yen)



Net Income  
(Billions of yen)





With the aim of remaining [a winner in an era of global mega-competition](#), the Nippon Steel Group has launched [a new medium-term management plan](#) that extends over the two-year period until March 31, 2012. Over this period, Nippon Steel will continue to sharpen [its technological edge and reinforce its on-site expertise](#) and capabilities in order to maintain its status as the steelmaker of choice, boasting [world-leading, comprehensive strengths](#). Through the implementation of our new management plan, we aim to complete the re-establishment of the foundations of our competitiveness. At the same time, we will aggressively promote [the enhancement of our global production and supply structure](#), which will underpin our future success.



## Fiscal 2009 Review and Fiscal 2010 Outlook

### Fiscal 2009 Review

During fiscal 2009 (April 1, 2009 to March 31, 2010), the global economy continued to face difficult conditions, all triggered by the Lehman shock that shattered the world financial system in 2008. However, supported by economic stimulus packages implemented worldwide and economic growth in Asian nations—particularly China and India—the global economy returned to a recovery course. Similarly, the Japanese economy achieved gradual recovery despite stagnant performance in the construction sector and persistently unfavorable employment and income situations.

In the steelmaking and steel fabrication business, Nippon Steel ramped up production and shipments with the August 2009 resumption of operations of the Oita Works' No. 1 blast furnace, reactivation of which had been postponed following renovation. In addition, the No. 2 blast furnace at the Kimitsu Works, which had been temporarily suspended for banking,\* resumed operations in October 2009. Nevertheless, due to substantially reduced output during the first quarter, steel product shipments for fiscal 2009 declined 1.11 million metric tons from fiscal 2008 to 27.09 million metric tons.

To compensate for lower output, we implemented various measures aimed at improving cost structure and thereby securing profitability. These measures included the strengthening of negotiations to lower raw material prices, the increased use of reasonably priced raw materials and across-the-board reductions in fixed costs. These efforts, however, proved insufficient to absorb the adverse impact of poor conditions in the commodities market, resulting in a significant decline in the earnings of the steelmaking and steel fabrication business. On the other hand, the total operating profit of other businesses increased thanks to stepped up sales activities and cost-reduction initiatives.

In summary, in fiscal 2009 the Nippon Steel Group strove to improve revenue and earnings, and such efforts led to performance climbing back into the black in the second half. Still, for the full year, there were significant year-on-year decreases in both revenue and earnings and a net loss totaling ¥11.5 billion—the Group's first net loss since fiscal 2002. Nevertheless, given the beginnings of performance recovery and in line with its profit distribution policy, Nippon Steel declared a year-end dividend of ¥1.50 per share.

\* Banking: Temporarily stopping blast furnace production by stopping the air blast flow.

### Fiscal 2010 Outlook

Although Nippon Steel anticipates steady expansion in the global economy in fiscal 2010, concerns remain, including spreading credit uncertainty in Europe, a further slowdown in growth in the United States and changing Chinese government policies toward economic overheating. In Japan, the economy is expected to benefit from robust demand overseas, particularly in Asia, but the polarization of the domestic demand structure is deepening. Specifically, demand is recovering in the general manufacturing sector while weakening in the construction sector. In response, Nippon Steel must carefully observe future market trends and continue to strategically reflect these trends in production to meet actual demand. Also, the Company must maximize its self-reliance to improve its cost structure and effectively counter rising raw material prices. Where we are not able to absorb rises in raw material prices, we are explaining conditions to our customers, asking them to accept upward revisions in steel product prices.

For the first half of fiscal 2010, the Nippon Steel Group estimates that it will post consolidated net sales and ordinary profit totaling ¥2,050.0 billion and ¥125.0 billion, respectively. It is extremely difficult to make reasonable forecasts for the Company's performance in the second half due to such uncertainties as domestic and overseas economic trends, movements in raw material prices and ongoing price negotiations with customers. However, we will focus management efforts on achieving ¥125.0 billion in ordinary profit—the same level as the first half—and, consequently, ¥250.0 billion in full-year ordinary profit for fiscal 2010.





## Tackling Four Pressing Issues

In addition to uncertainties in its operating conditions, the Nippon Steel Group expects to face four major issues very soon. They are: (1) a further rise in raw material prices (inflation of natural resource prices); (2) the weakening of domestic steel demand; (3) mega-competition with emerging steelmakers in Asia and other regions; and (4) the promotion of measures to cope with global warming.

### Issue 1

#### Meeting Inflation of Natural Resource Prices

In the long run, steel demand is expected to expand, particularly in China, India and Brazil. In step with this favorable outlook, the prices of raw materials will most likely continue to rise over the medium and long term. In asserting its self-reliance in efforts to minimize the impact of surging raw material prices, Nippon Steel will concentrate on the promotion of the following three initiatives.

First, Nippon Steel will increase the procurement of iron ore and coking coal from the mines in which it has an equity stake. The Company has invested in competitive mines in Brazil, Australia and Canada and now purchases 35% of its iron ore and 25% of its coking coal from these mines. In order to raise these ratios, we aim to acquire equity stakes in other competitive mines.

Second, the Company will work to further improve the efficiency of its raw material transport. We will continue to launch ultra-large iron-ore carriers boasting a 300,000-ton cargo capacity. In addition, through such activities as the merger of Nippon Steel Shipping Co., Ltd. and Shinwa Kaiun Kaisha, Ltd. to form NS United Kaiun Kaisha, Ltd., we will endeavor to establish a stable procurement structure that covers the entire transport process from mines to our works. At the same time, we will promote measures aimed at reducing costs relating to our transport of raw materials.

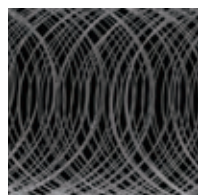
Finally, the third initiative involves the increased use of low-grade raw materials. Nippon Steel has started the operation of a new coke oven using the SCOPE21\*\* next-generation coke-production technology for the first time in the world at its Oita Works. SCOPE21 technology enables an increase in the use of low-grade coal to 50%, compared with the 20% allowable in previous coke production processes. Moreover, building on successful operations at the Oita Works, the Company has decided to introduce the second such coke oven at its Nagoya Works. Looking ahead, Nippon Steel will expand the use of reasonably priced low-grade raw materials while focusing on the development of new technologies that help further reduce the use of raw materials in general.

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

### Issue 2

#### Responding to Weakening Domestic Steel Demand

For the time being, the construction sector in Japan is expected to suffer weak performance. Accordingly, domestic steel demand seems to require more time to show a full-fledged recovery. Even in such a difficult environment, Nippon Steel will work to capture domestic steel demand and expand its market share in



Japan by taking advantage of long-nurtured, trust-based, sustainable relationships with its domestic customers. Also, by leveraging its collective strengths to the fullest, the Nippon Steel Group will strive to win contracts for projects in such areas as the extension of airport functions and beltway networks in the Tokyo Metropolitan area. These and other similar projects are considered to ultimately reinvigorate domestic demand and drive the additional growth of the Japanese economy. Therefore, we will work to create new demand by aggressively cultivating and proposing new projects of this kind.

### Issue 3

#### Prevailing in an Era of Global Mega-Competition

New large-scale steelworks have started operations in China, South Korea, Taiwan and other nations. Accordingly, intense mega-competition centered in Asia is growing even severer among steel manufacturers. For us to keep prevailing in such an environment, we must achieve a level of cost that will enable us to compete with these emerging steelworks in the category of steel products presenting the highest market demand. To this end, Nippon Steel is working constantly to maximize productivity, streamline fixed costs, improve efficiency in materials and machinery procurement and inventory control, and reduce expenses in general. Through these multifaceted cost-reduction initiatives, the Company is accelerating thorough preparations for ever-intensifying global mega-competition.

Meanwhile, to tap robust demand in emerging nations, Nippon Steel is aggressively expanding the export of its steel products. At present, the Company's export ratio on a non-consolidated value basis stands at around 40%. In addition to further improving this figure, we plan to quicken the pace of strengthening and broadening our strategic alliances with overseas steelmakers and steel processors through investments and other means.

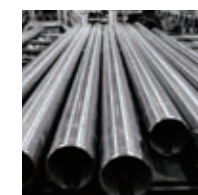
### Issue 4

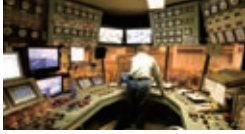
#### Addressing the Issue of Global Warming

Today, the entire human race shares the common issues of energy saving and CO<sub>2</sub> emissions reduction to prevent further advances in global warming. It is a significant responsibility for steelmakers, who must use coal as a reductant and thus consume a large amount of energy, to reduce CO<sub>2</sub> emissions from their operations. To fulfill this responsibility, Nippon Steel is actively promoting three eco-friendly initiatives.

Specifically, Nippon Steel is continuing to strengthen its "Eco-Processes," which help achieve additional improvements in its energy efficiency in the manufacturing processes, which is already at the world's highest level. The Company is stepping up the creation and provision of "Eco-Products®," which are indispensable for the development of eco-friendly finished products. Also, we are offering "Eco-Solutions" that contribute to the protection of the global environment, including the transfer of environmental technological assets to overseas counterparts.

Nippon Steel is committed to further reducing CO<sub>2</sub> emissions through cooperation with its customers and steelmakers worldwide. At the same time, the Company is steadily promoting the development of innovative technologies from a long-term perspective to realize new eco-friendly steelmaking processes, such as a hydrogen-reduction steelmaking process.





## Becoming the Industry Leader

Under its previous medium-term business plan for fiscal 2006 through fiscal 2008, the Nippon Steel Group—with an emphasis on the field of medium- to high-grade steel products—aimed to establish a structure with an annual crude steel production capacity of more than 40 million tons. In addition, we worked toward becoming a real global player in the steel industry, to build domestic and overseas steelmaker alliance networks, to reinforce collaboration with our customers and to form a framework for Groupwide management that effectively integrates our six segments' operations. In each of these initiatives, we have made steady accomplishments.

Determined to remain a winner in an era of severe global mega-competition, on January 28, 2010 the Nippon Steel Group launched a new medium-term management plan covering the period through March 31, 2012. Building on the previous business plan, this two-year management plan calls for reinforcing our competitive foundations to maintain our status as a steelmaker that boasts world-leading, comprehensive strengths. To achieve this goal, we must further enhance our manufacturing skills, capabilities and platform; sharpen our technological edge; and bolster our global sales and marketing capabilities. In addition, we must enhance our global production and supply structure to facilitate integrated, more strategic Group management.

01

### Reinforcing Our Competitive Foundations

Nippon Steel will focus on the following foundations of its international competitiveness.

#### Foundation 1: Our Manufacturing Skills, Capabilities and Platform

To realize the powerful skills, capabilities and platform needed in an era of global mega-competition, the Nippon Steel Group must achieve unparalleled on-site expertise and capabilities—in terms of both facilities and human resources—that will afford it a dominant position in the emerging Asian steelworks industry. As a regular visitor to the Company's steelworks and research laboratories, I can confirm that our on-site expertise and capabilities have been steadily improving.

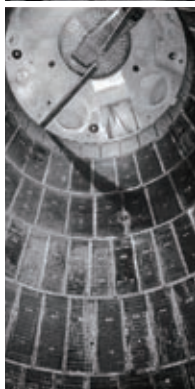
#### Foundation 2: Our Technological Edge

So that customers always choose Nippon Steel products in an extremely competitive environment, the Company must have a technological edge that differentiates it. Therefore, Nippon Steel must keep developing world-class, advanced technologies and will speed up its R&D to develop customer-oriented, highly functional and eco-friendly products as well as process-saving, highly efficient manufacturing methods. Working faster and better, we will demonstrate the unrivaled value and technological superiority of our products.

#### Foundation 3: Global Sales and Marketing Capabilities

While promoting solution proposal-oriented sales and marketing activities, Nippon Steel will build a structure capable of flexibly and agilely accommodating customer needs specific to individual growing markets overseas. For this purpose, we will strategically reinforce our global sales and marketing capabilities.

Group initiatives to thus end include: (1) the extension or new construction of automotive steel sheet production lines at Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. in China, Usinas Siderúrgicas de Minas Gerais S.A. in Brazil, Tata Steel Limited in India and Ternium S.A. in Mexico; (2) the acquisition of PT Pelat Timah Nusantara (Latinusa), a tinplate manufacturer in Indonesia; (3) the establishment of a steel-based construction material company in Vietnam; and (4) the formation of a technological alliance with Australia-based BlueScope Steel Limited for coated steel sheets for construction use.



02

### Enhancing Our Global Production and Supply Structure

Steel demand is expected to grow over the medium term, particularly in emerging nations due to accelerating infrastructure development. Also, as incomes improve, demand for high-grade steel products will surge.

The environmental and energy field is seen as a new growth sector. This field includes nuclear, photovoltaic and wind power generation as well as electric cars. Indeed, business areas that require steel products underpinned by sophisticated technologies are rapidly expanding. This global market trend will present Nippon Steel with many opportunities to leverage its comprehensive strengths backed by well-coordinated R&D, manufacturing and sales and marketing capabilities. Seeking business opportunities and renewed growth, Nippon Steel will work to establish a global tripolar production structure—based in Japan, Asia, and the Americas and the Pan-Atlantic region—with an annual crude steel production capacity of 50 to 60 million metric tons by strengthening the current 40 million metric ton structure. With such capacity enhancement, we aim to develop into a global steelmaker in the truest sense.

03

### Further Promoting Integrated Group Management

The steelmaking and steel fabrication business is the Nippon Steel Group's mainstay operation. In addition, we are developing business in five other segments: engineering and construction, urban development, chemicals, new materials and system solutions. These five segments are showing steady performance even under the current harsh operating conditions, which means that their earnings bases are stable. We will continue to bring together world-leading products and technologies developed by all six segments to provide total solutions, thereby maximizing Group synergies and expanding and stabilizing revenue and earnings.

#### Embracing the Basics in Manufacturing

Through its new medium-term management plan, the Nippon Steel Group aims to become a steelmaker that boasts world-leading, comprehensive strengths while growing into a corporate group that is trusted by stakeholders, including customers and society. To this end, we will go back to the basics in manufacturing while continuing to advance. We will never stop reinventing ourselves. On the way, we will effectively develop and manage our human resources, promote the intergenerational transfer of skills and techniques and proactively tackle such issues as environmental protection, disaster prevention and quality assurance. Of these, human resource development and management and intergenerational skills and techniques transfer hold the key to realizing sustainable growth. Accordingly, the Company will work to ensure that all Nippon Steel Group members will stringently adhere to its corporate philosophy and code of conduct. Furthermore, we will constantly implement educational and training programs for our executives and employees.

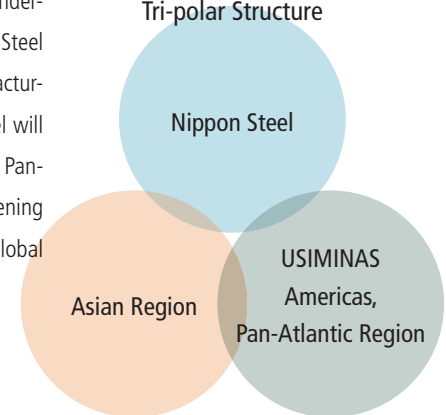
As the leader of the Nippon Steel Group, I sincerely hope that this report will effectively communicate the Group's management policies and strategies to all shareholders and investors and promote a deeper understanding of the Company. On behalf of all Group employees, I ask for your unwavering support.

October 2010

Shoji Muneoka

Representative Director and President

Production Capacity of  
50 to 60 Million Metric Tons  
(Forecast) by a Global  
Tri-polar Structure





Nippon Steel's Asian Production Bases

Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. (BNA)  
Nippon Steel Bar & CH Wire (China) Co., Ltd. (NBC China)  
Suzuki Garphyttan AB  
Wuxi NSP Automotive Parts Co., Ltd.

Guangzhou Pacific Tinplate Co., Ltd. (PATIN)  
Guangzhou You-ri Automotive Parts Co., Ltd. (GYA)  
Guangzhou Asahi-Ns-Mit Automotive Parts Co., Ltd. (GANMA)

Joint venture with TATA

The Siam United Steel (1995) Co., Ltd. (SUS)  
Siam Nippon Steel Pipe Co., Ltd. (SNP)  
Siam Tinplate Co., Ltd. (STP)  
Nippon Steel Bar & CH Wire (Thailand) Co., Ltd. (NBC Thailand)

NPV

Nippon Steel Pipe Vietnam Co., Ltd. (NPV)  
POSCO-Vietnam Co., Ltd.  
PEB Steel Buildings Co., Ltd. (PEBSB)

Nippon EGalv Steel Sdn. Bhd. (E-Galv)  
Yung Kong Galvanising Industries Bhd. (YKGI)

PT Indonesia Nippon Steel Pipe (INP)  
PT Pelat Timah Nusantara (LATINUSA)

LATI  
NUSA

The Nippon Steel Group is working to grow into a truly global player in the steel industry. The Group aims to establish a structure with an annual crude steel output capacity of 50 to 60 million metric tons, and this production structure will be tripolar, based on Japan, Asia, and the Americas and the Pan-Atlantic region. For this reason, Nippon Steel is bolstering initiatives in rapidly growing markets in Asia, which today commands two-thirds of global steel demand.

The greatest growth driver for Asian steel demand is the region's automobile market, which is expanding rapidly. In addition, many social infrastructure development projects are being planned, while demand is rising in Asia for high-grade steel used in consumer products.

The Nippon Steel Group has expanded its network of Asian local production bases through joint ventures for its steel sheets, pipes and tubes, bars and wire rods and other steel products, with particular focus on the automobile and other manufacturing sectors. To accurately tap robustly expanding steel demand in the region, the Company is stepping up capacity reinforcement for these production facilities. We are also accelerating our growth strategies to strengthen and broaden our access to steel demand through acquisitions of and investments in local iron and steel processors, while promoting initiatives targeting new growth fields.

In this special feature, we will introduce major projects for the three product categories, listed on the left, that symbolize the acceleration of our strategies to achieve growth in Asia.

- 01Automotive Steel Sheets  
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. (BNA)(China)
- 02Tinplates for Steel Cans  
PT Pelat Timah Nusantara (Latinusa) (Indonesia)
- 03Construction Steel Materials  
Nippon Steel Pipe Vietnam Co., Ltd. (NPV) (Vietnam)

01	Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. (BNA)	
	Cold-rolled steel sheets and hot-dip galvanized steel sheets for automobiles	
	Paid-in capital:3.0 billion yuan	Equity ratio:Nippon Steel: 38%; Baoshan Iron and Steel: 50%; ArcelorMittal: 12%



# China

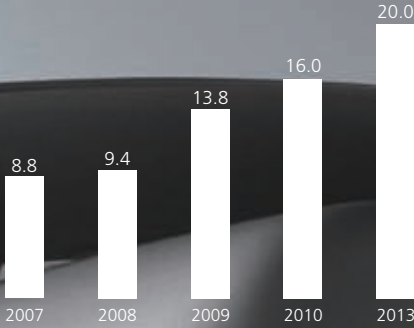
BNA

## Meeting the Rapid Expansion of Automotive Steel Sheet Demand

In July 2004, Nippon Steel, Baoshan Iron and Steel Co., Ltd. and ArcelorMittal established the joint venture Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. (BNA) in Shanghai as a supply base for high-grade automotive steel sheets. BNA has responded to increased production of automobiles in the country by steadily expanding its production and sales. Today, BNA and Baoshan Iron and Steel together command roughly a 50% share of the Chinese automotive steel sheet market.

In response to the fast growth of the Chinese automobile market, BNA constructed its third continuous hot-dip galvanizing line (No. 3 CGL), which started operations on February 1, 2010 two months ahead of schedule. The new line is capable of manufacturing 450,000 metric tons of high-grade automotive galvanized sheets annually. No. 3 CGL operations complement those of No. 1 CGL and No. 2 CGL, which boast annual capacities of 450,000 and 350,000 metric tons, respectively, as well as the operations of a continuous annealing and processing line (CAPL) for cold-rolled steel sheets, with an annual capacity of 950,000 tons. BNA now has a stable supply structure with a total annual capacity of 2.20 million metric tons—the largest of all high-grade automotive steel sheet manufacturing facilities in China. Through BNA, Nippon Steel will remain the top supplier of high-grade automotive steel sheets in the ever-growing Chinese automobile market.

China's Automobile Production (Results and Forecast)  
(Million)





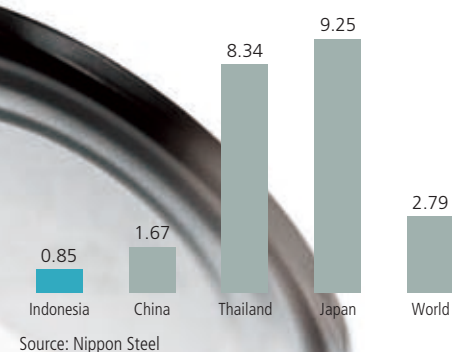
02

PT Pelat Timah Nusantara (LATINUSA)

Tinplates for steel cans

Paid-in capital: IDR 101.9 billion

Equity ratio: Nippon Steel: 35%; Mitsui &amp; Co., Ltd.: 10%; Metal One Corporation: 5%; Nippon Steel Trading Co., Ltd.: 5%; others: 45%

Per-Capita Steel Can Consumption  
(kg)

# Indonesia

LATINUSA

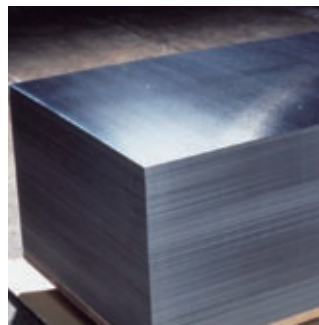
## New Growth Strategies for the Steel Can Markets of Emerging Nations

In December 2009, Nippon Steel acquired control of PT Pelat Timah Nusantara (Latinusa)—the only manufacturer of tinplates for steel cans in Indonesia. The Company thus gained a strong foothold in Indonesia's rapidly growing steel can market, complementing our steel-can operations in Thailand and China. Latinusa has consequently become a consolidated subsidiary of the Company.

The markets for canned foods and beverages in emerging nations are expected to keep growing in line with population growth and economic expansion. At present, the annual average per-capita can consumption in Indonesia is less than one kilogram, while the world average stands at around three kilograms. Since Indonesia is showing one of the highest GDP growth rates among the ASEAN nations and has the world's fourth largest population, the Indonesian steel-can market offers a high potential for stable expansion.

Tinplates for steel cans are very thin, measuring only 0.2 to 0.3 millimeters in thickness. However, when processed to make cans, these tinplates undergo extremely severe processes. Therefore, the manufacture of tinplate substrates requires sophisticated technological and technical capabilities, with only Nippon Steel and several other steelmakers able to provide a stable supply of tinplate substrates. Accordingly, the Company is able to fully leverage its technological edge in this field.

Through the integration of Latinusa's business bases in Asian markets with Nippon Steel's technological capabilities, the Company aims to reinforce the competitiveness of this new Indonesian consolidated subsidiary, thereby steadily expanding its presence in the Indonesian steel can market. The Company also intends to strengthen its production of tinplates for steel cans in Asia by coordinating the strategic operations of Latinusa, its domestic manufacturing bases and its overseas Group companies, including Siam Tinplate Co., Ltd. in Thailand and Guangzhou Pacific Tinplate Co., Ltd. in China.



03

Nippon Steel Pipe Vietnam Co., Ltd. (NPV)

Steel pipe piles and steel pipe sheet piles

Paid-in capital: \$15 million

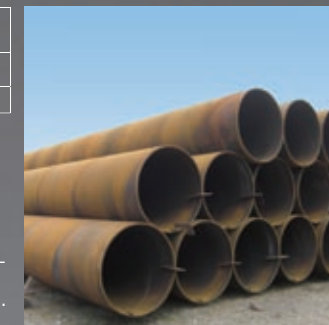
Equity ratio: Nippon Steel: 51%; Vietnam Steel Corporation: 10%; five Japanese trading companies: 39%

Nippon Steel will construct its first overseas base in Vietnam for the manufacture of construction-use steel through Nippon Steel Pipe Vietnam Co., Ltd. (NPV), a joint venture established in cooperation with Vietnam Steel Corporation and five Japanese trading houses. With start-up of operations scheduled for May 2011, NPV will manufacture steel pipe piles and steel pipe sheet piles, which are used in the foundations of various structures. NPV is expected to manufacture 60,000 metric tons of these steel products annually.

In Asia and Oceania, social infrastructure, natural resource and energy development projects are being promoted at a brisk pace, against the backdrop of economic growth. In Vietnam, a number of large-scale civil engineering projects are being planned or implemented, involving port facilities, roads, railroads and power stations.

Also, in Vietnam and other nearby nations, concrete piles have been used primarily in structural foundations. However, these nations are expected to increase the use of steel pipe piles, which are stronger and more durable than concrete piles, in order to enhance the workability and earthquake resistance of buildings and structures.

The establishment of NPV and the production base can be viewed as Nippon Steel's quick response to developing trends in the markets of these regions. Through its Vietnamese counterparts, Nippon Steel will work to create demand for steel products in these regions by applying the technological, technical and design capabilities relating to steel structures that it has long nurtured through its domestic operations. In addition, fully leveraging the advantage of production facilities located near the points of demand, Nippon Steel will aim to satisfy infrastructure-related demand in Asia and Oceania.



# Vietnam

NPV

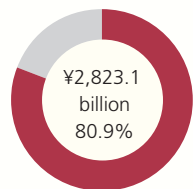
## Meeting the Surging Infrastructure Demand in Asia



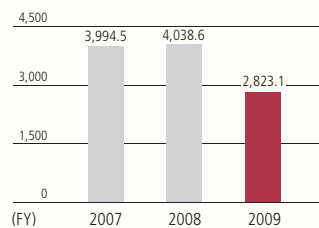
Steelmaking and Steel Fabrication



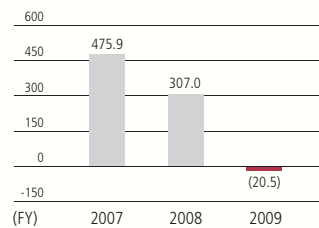
Composition of Consolidated Net Sales\*



Consolidated Net Sales (Billions of yen)



Consolidated Operating Profit (Billions of yen)



Performance Highlights

Nippon Steel was forced to reduce its output during the first half, facing a significant decline in steel demand. In the second half, steel demand showed steady growth, supported by rapid economic recovery in the Asian nations. However, the Company's full-year shipments of steel products dropped 1.11 million metric tons from fiscal 2009, negatively affected by the substantial output reduction in the first half. Also, adversely impacted by deteriorated conditions in the commodity and other markets, segment sales plunged ¥1,215.5 billion year on year to ¥2,823.1 billion, and the Company posted an operating loss totaling ¥20.5 billion.

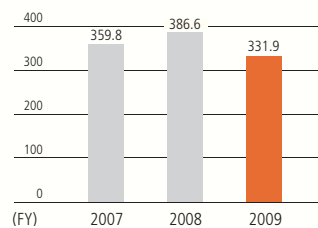
Engineering and Construction



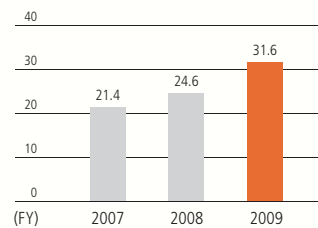
Composition of Consolidated Net Sales\*



Consolidated Net Sales (Billions of yen)



Consolidated Operating Profit (Billions of yen)



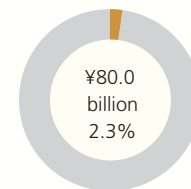
Performance Highlights

Demand remained on a persistent downward trend in principal target markets, both domestic and overseas, of Nippon Steel Engineering Co., Ltd. Although Nippon Steel Engineering promoted all-out sales activities, unfavorable market conditions, lacking momentum for recovery, resulted in a severe situation with respect to orders. Despite the support of an ample order backlog, segment sales declined year on year to ¥331.9 billion. In contrast, thanks to our stringent cost-reduction and risk-management efforts in ongoing projects, particularly those undertaken overseas, we again posted record-high operating profit in fiscal 2009, totaling ¥31.6 billion.

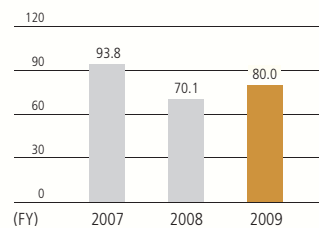
Urban Development



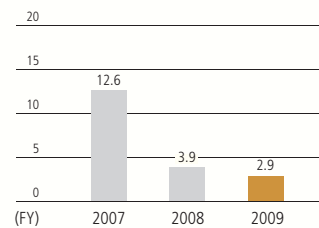
Composition of Consolidated Net Sales\*



Consolidated Net Sales (Billions of yen)



Consolidated Operating Profit (Billions of yen)



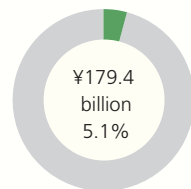
Performance Highlights

In the condominium sales market, the rate of contracts signed trended in a low range, reflecting weakened consumer sentiment attributable to the worsening of employment and income conditions in Japan. The building leasing market similarly suffered unfavorable conditions, including rising vacancy rates and declining rent levels, which were due largely to a slowdown in demand for office space in the corporate sector. In such an environment, segment sales grew 14.1% year on year to ¥80.0 billion. Despite our full-fledged efforts, operating income fell 25.6% to ¥2.9 billion.

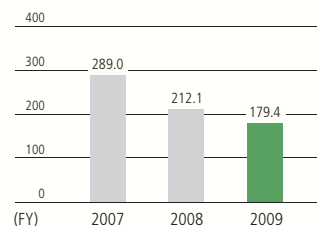
Chemicals



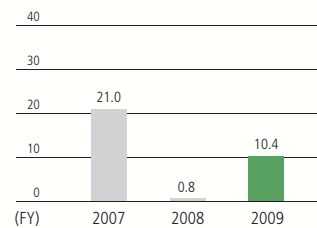
Composition of Consolidated Net Sales\*



Consolidated Net Sales (Billions of yen)



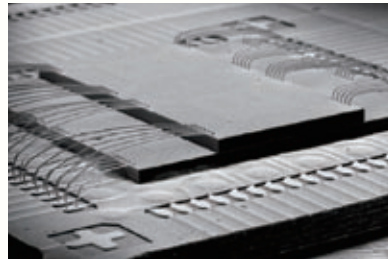
Consolidated Operating Profit (Billions of yen)



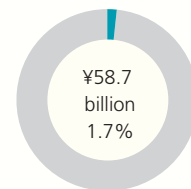
Performance Highlights

During the first half, this segment continued to suffer the negative impact of the ongoing global recession that began two years ago. However, supported by economic recovery in Asia and advances in inventory adjustments made by our customers, demand started showing signs of recovery. Supported also by our Groupwide efforts in sales activities and cost reductions, our profitability returned to a recovery path. As a result, although segment sales declined year on year to ¥179.4 billion, operating profit rose to ¥10.4 billion.

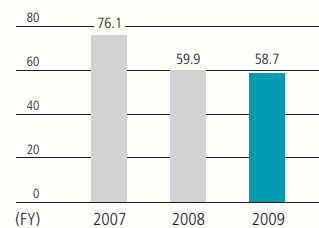
New Materials



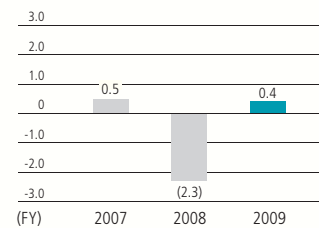
Composition of Consolidated Net Sales\*



Consolidated Net Sales (Billions of yen)



Consolidated Operating Profit (Billions of yen)



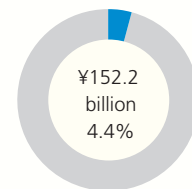
Performance Highlights

Fiscal 2009 saw gradual recovery in overall market conditions after exiting the worst period of the global recession during fiscal 2008. The segment enjoyed a positive turnaround in operating conditions, including demand recovery in its mainstay electronics industry materials and components business and growing demand for its new products. Although this segment suffered the negative impact of capital expenditure cutbacks by our major customers, it continued its efforts to reduce costs and expand sales of new products. As a result, segment sales only edged down 1.8% year on year, to ¥58.7 billion, and the segment posted an operating profit totaling ¥0.4 billion, a substantial improvement from the operating loss recorded in fiscal 2008.

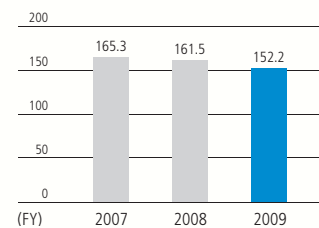
System Solutions



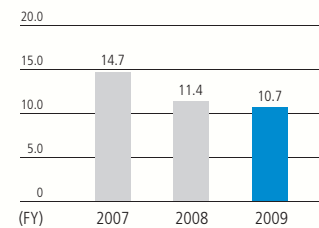
Composition of Consolidated Net Sales\*



Consolidated Net Sales (Billions of yen)



Consolidated Operating Profit (Billions of yen)



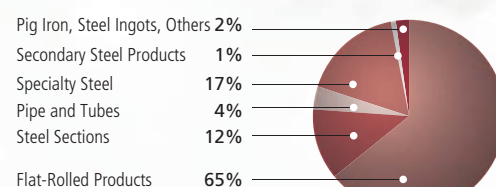
Performance Highlights

On the back of performance deterioration, our corporate clients froze or postponed their IT investments and accelerated measures to reduce IT system-related expenditures. These and other developments resulted in extremely severe operating conditions for Nippon Steel in this segment. Nevertheless, we promoted Companywide initiatives aimed at bolstering our business competitiveness, strengthening our business foundation and upgrading our service offerings based on cloud computing. Despite these efforts, segment sales dropped 5.8% year on year to ¥152.2 billion, while operating profit also dropped 6.2% to ¥10.7 billion.

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



Composition of Sales by Business Field (Non-Consolidated)



(FY)	2007	2008	2009
Net Sales	3,994.5	4,038.6	2,823.1
Operating Profit	475.9	307.0	(20.5)

### Business Profile

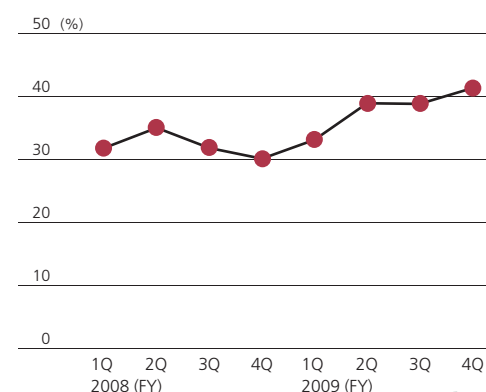
Nippon Steel's steelmaking and steel fabrication business boasts the world's leading technologies for medium- to high-grade steel, which requires high formability, corrosion resistance and weld strength. Such technologies empower the Company to offer customers a variety of steel as well as a wide range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

### Medium-Term Plan

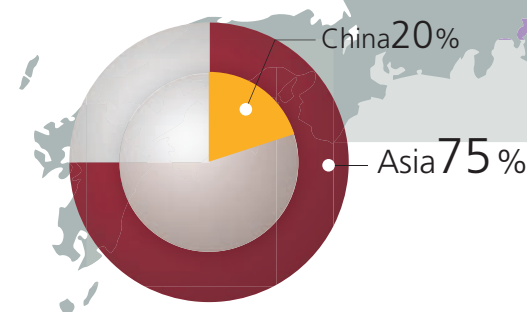
Nippon Steel will accelerate efforts to further reinforce its corporate strengths and establish a secure revenue base. At the same time, the Company will build a stronger global production and supply base that is needed to achieve sustainable growth over the long term. To this end, we will focus on the following six key initiatives.

1. Further reinforce our corporate structure and earnings base to become a world-leading steelmaker boasting comprehensive capabilities
2. Steadily implement our global growth strategies
3. Fully leverage the benefits of alliances
4. Balance financial standing enhancement with growth strategy implementation
5. Strengthen organizational and operational management and human resource development
6. Bolster the corporate structures of Group companies in this segment

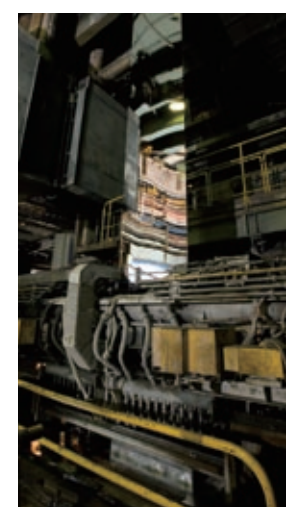
Export ratio (Non-Consolidated/By value)



Export to Asian Countries of Entire Export Volume (Non-Consolidated)



Breakdown of Exports by Destination



### Annual Summary

During the first half of fiscal 2009, the world saw a significant drop in steel demand caused by the global recession. Like other steelmakers, Nippon Steel was forced to continue substantial production cutbacks. However, the Company adhered to strategically lean operations under conservative production. At the same time, we worked diligently to reduce our fixed costs while promoting other Companywide initiatives aimed at securing profitability during the first half.

In the second half, the building construction and civil engineering sectors in Japan continued to suffer stagnant market conditions. Nevertheless, Japanese automakers and electric and electronic appliance manufacturers started increasing production on the back of recovery in overseas demand. These conditions helped steel demand to return to a mild recovery course. Overseas steel demand trended favorably throughout the second half, driven by rapid economic recovery in Asian nations.

In response to such recovery trends, and with the aim of accurately tapping relatively robust overseas demand, Nippon Steel resumed operations of the No. 1 blast furnace at its Oita Works in August 2009, for which it had suspended the commencement of operations after renovation. The Company also resumed operations of the No. 2 blast furnace at its Kimitsu Works in October 2009, for which it had carried out banking. Through the resumed operations of these blast furnaces, we boosted our production output and shipment volume to a designated level.

Still, Nippon Steel's shipment of steel products in fiscal 2009 declined 1.11 million metric tons year on

year to 27.09 million metric tons, reflecting the production cutbacks made during the first quarter in line with demand decline. Also reflecting deteriorated conditions in the commodity and other markets, net sales in the steelmaking and steel fabrication business decreased ¥1,215.5 billion compared with fiscal 2008 to ¥2,823.1 billion. This business posted an operating loss totaling ¥20.5 billion.

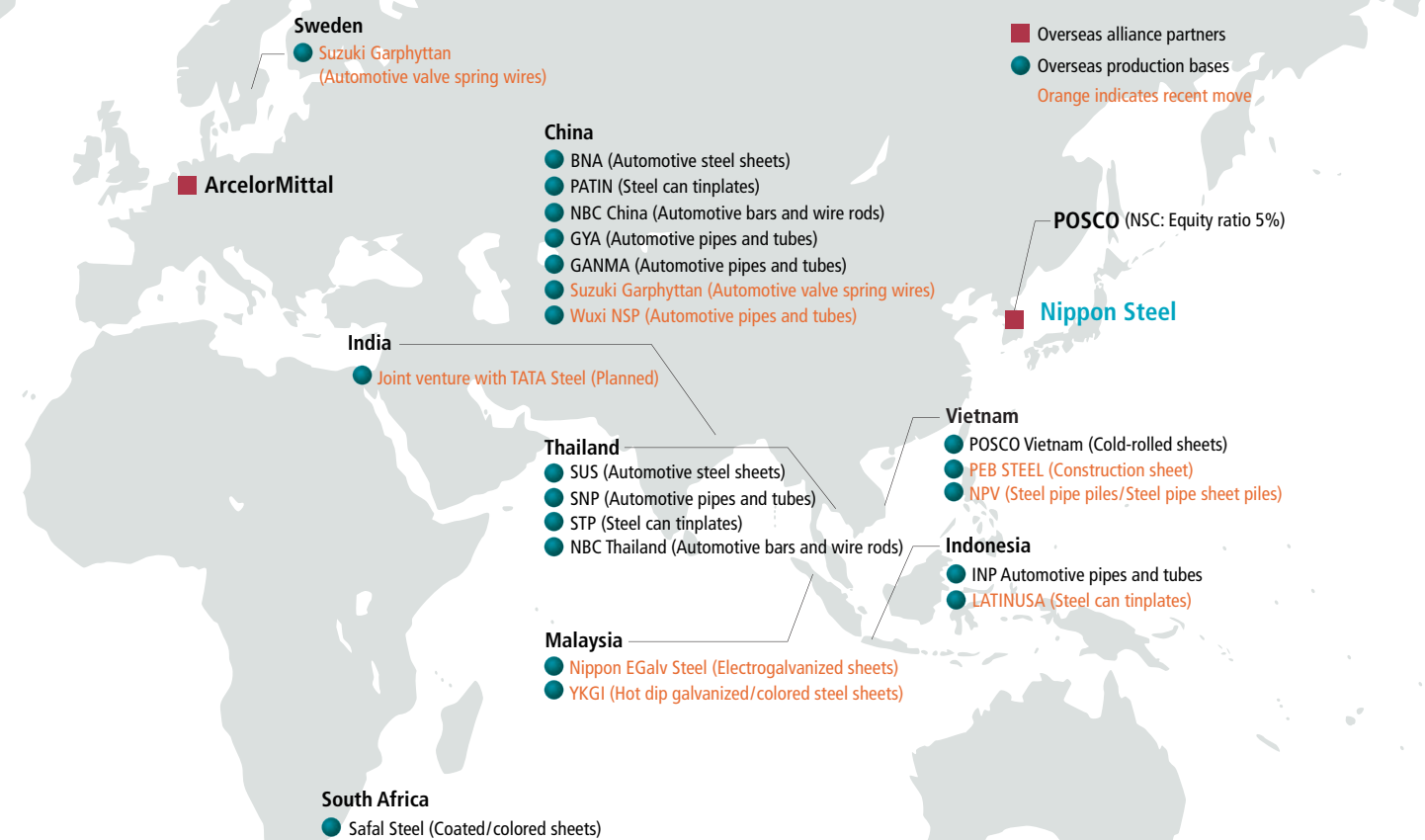
### Entering an Era of Global Mega-Competition

Customer needs continue to diversify. While strategically accommodating these needs, Nippon Steel is bolstering its global production and supply structure.

In order to effectively capture expanding demand in rapidly growing emerging nations, Nippon Steel made investments in or formed business alliances with a number of local companies during fiscal 2009. Specifically, in February 2010, the Company invested in E-Galv Steel Industries Sdn. Bhd., a Malaysian manufacturer of electrogalvanized steel sheets, to form Nippon EGalv Steel Sdn. Bhd. Having attracted many Japanese manufacturers of thin-screen TVs and audio equipment, Malaysia is now showing great demand for electrogalvanized steel sheets. By providing a stable supply of cold-rolled steel sheets—a base material of electrogalvanized steel sheets—and technological support to E-Galv Steel Industries, we aim to establish a solid structure to supply electrogalvanized sheets that satisfy the quality requirements of Japanese manufacturers and other customers operating in that country. In addition, Nippon Steel invested in Yung Kong Galvanizing Industries Bhd. (YKGI), another powerful steel sheet manufacturer in



## Global Network



Malaysia. Through YKGI, we aim to steadily increase our share in the Malaysian steel market, particularly in the building construction field.

Turning to Vietnam, where the government is striving to attract foreign investments and promote industrialization, Nippon Steel has invested in PEB Steel Buildings Co., Ltd., the country's largest provider of pre-engineered building services, which cover the entire process from plant design and construction material fabrication to on-site construction. Through the supply of steel substrates to PEB Steel Buildings, we will work to enhance our share of the Vietnamese steel market. More recently, Nippon Steel has signed a comprehensive, long-term joint technical collaboration agreement with Australia-based BlueScope Steel Limited, which has strong business bases in Australia, Asia and North America, to develop next-generation coated steel products for the global building and construction market.

Looking at the automobile sector, Nippon Steel has reached a basic agreement with India's Tata Steel Limited (TSL) regarding the establishment of a joint venture at a steelworks operated by TSL. This joint venture will manufacture and sell automotive cold-rolled steel sheets, and a production line at TSL's steelworks is scheduled to start operations before March 2013.

In Mexico, the Company has signed a non-binding memorandum of understanding with Ternium S.A. concerning the formation of a joint venture to manufacture and sell automotive hot-dip galvanized steel sheets to serve the Mexican automobile industry.

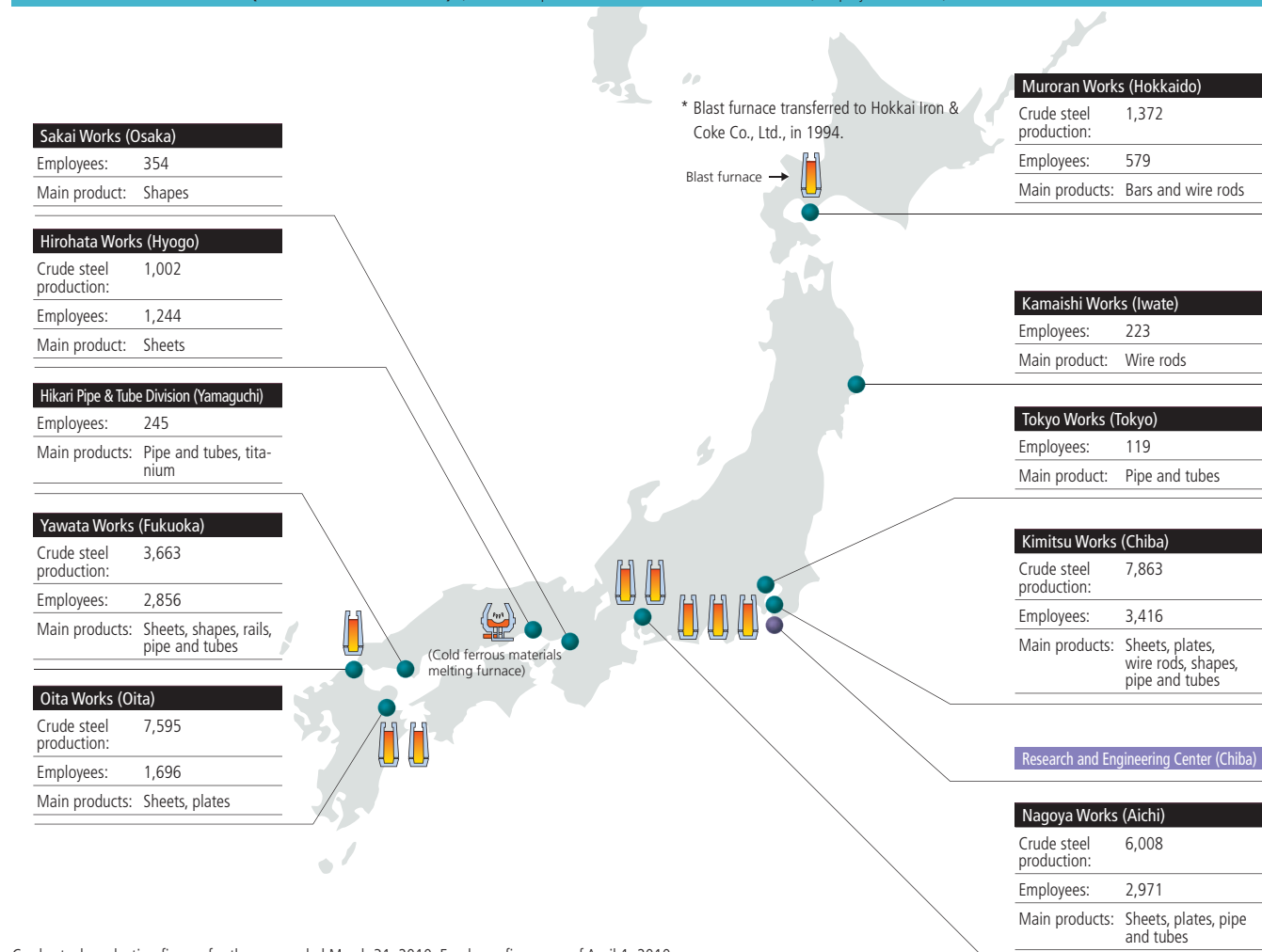
In the ASEAN region, where demand is expanding for steel pipes for motorcycles and automobiles, Nippon Steel established Siam Nippon Steel Pipe Co., Ltd. in 1996 in Thailand and PT. Indonesia Nippon Steel Pipe in 2007 in Indonesia. These companies have supplied high-quality products to Japanese manufacturers operating in their respective regions. More recently, the Company has decided to bolster the production capacity of the Indonesian arm through the construction of a second works next to the existing facilities.

In rapidly growing China, Nippon Steel and its wholly owned subsidiary Nittetsu Steel Pipe Co., Ltd. have reached an agreement to jointly invest in a local automotive steel pipe and tube manufacturer owned by a Japanese company and to turn the local manufacturer into a Nippon Steel subsidiary. This new subsidiary will be newly established as Wuxi NSP Automotive Parts Co., Ltd. through the reinforcement of its integrated production structure.

Finally, on the domestic front, Nippon Steel completed two blast furnaces—the world's largest furnaces—at its Oita Works in August 2009. Packed with leading-edge technologies, these blast furnaces are playing a significant role in strengthening the Company's domestic business foundation. Following this, the Company decided to make a ¥100 billion-scale capital expenditure for upgrading ironmaking processes at its Kimitsu Works and Nagoya Works. Through these initiatives, Nippon Steel aims to attain world-class ironmaking competitiveness consistent with being the top global steelmaker with a focus on medium- to high-grade steel.



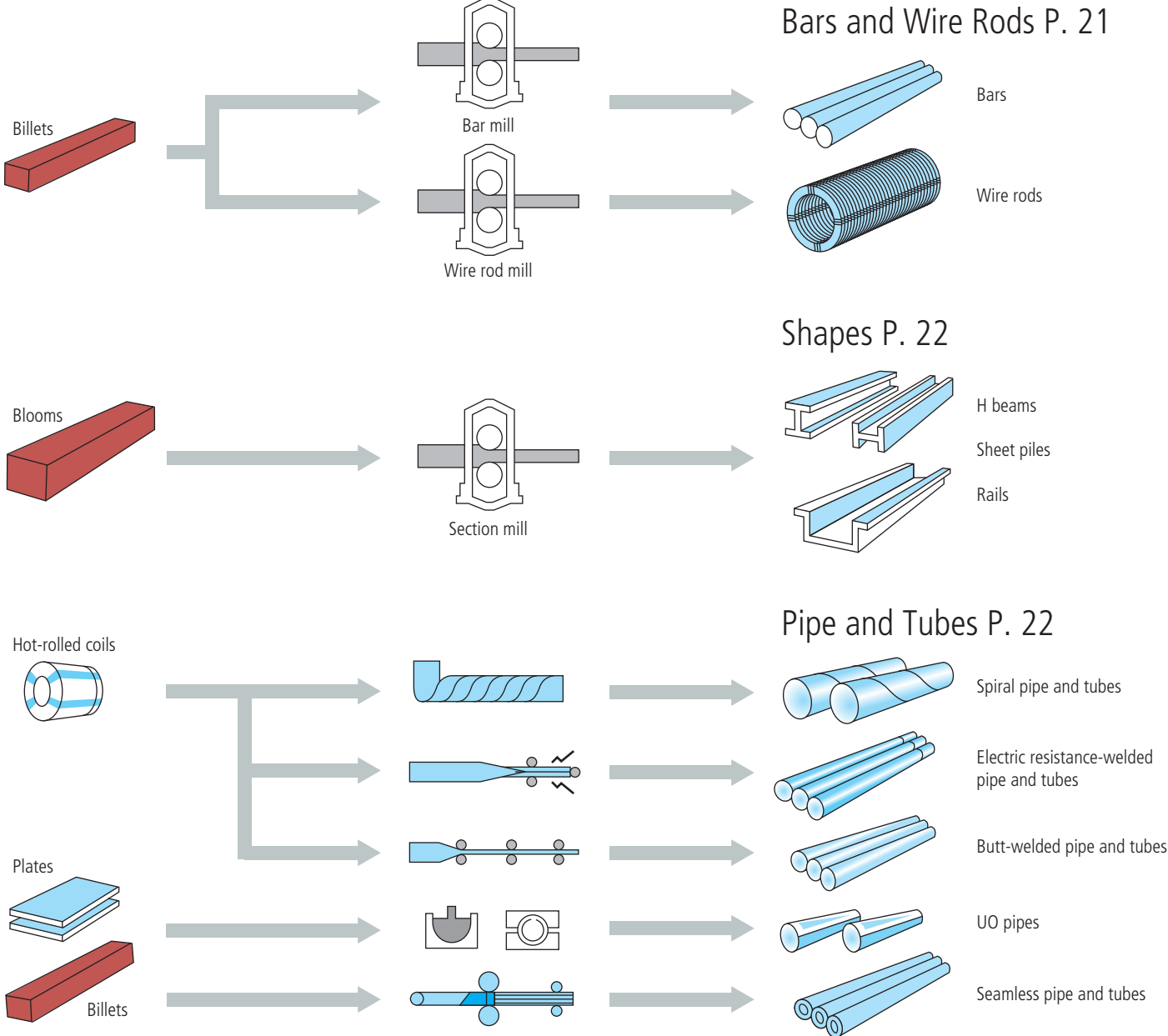
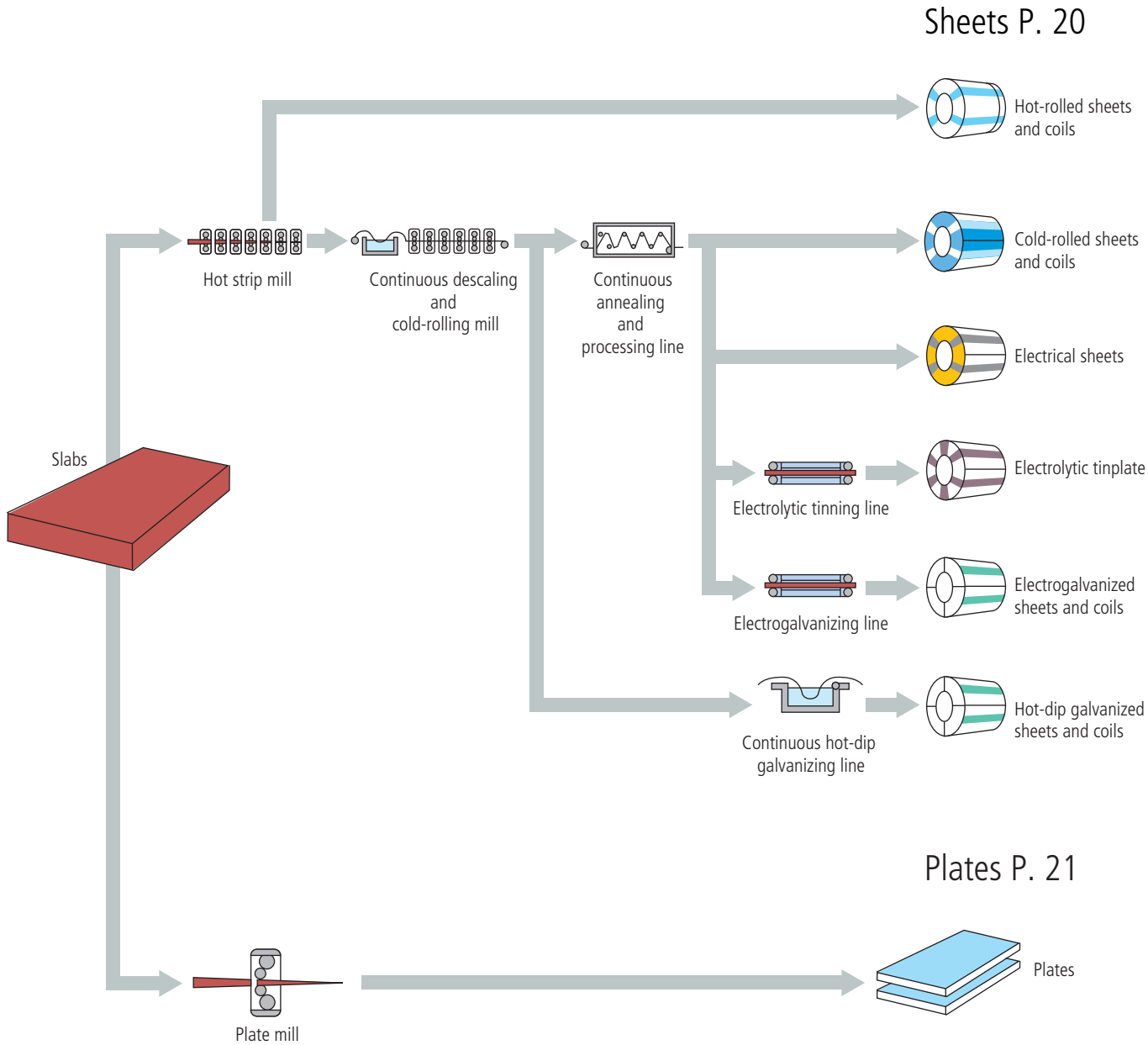
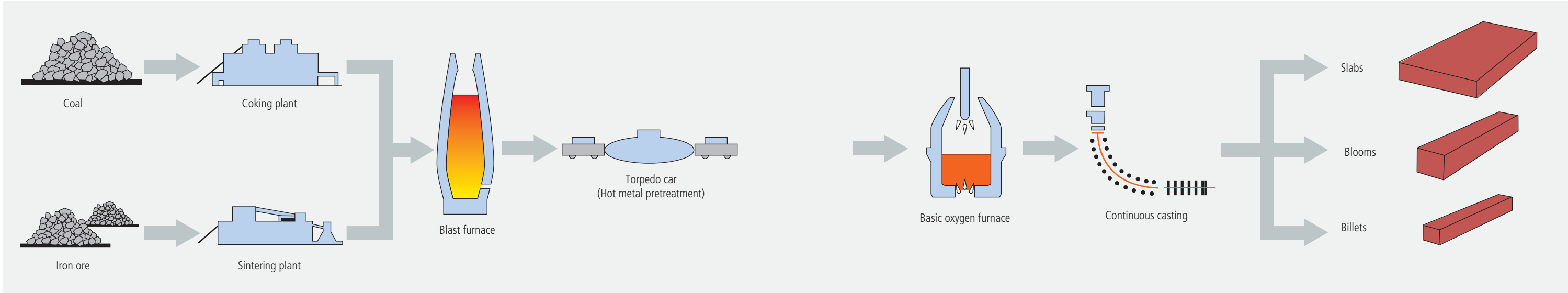
## Domestic Steelworks (Non-Consolidated) (Crude steel production units: Thousands of metric tons; Employees: Persons)



Crude steel production figures for the year ended March 31, 2010; Employee figures as of April 1, 2010.



Steelmaking Flow





## 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, construction materials, housing materials, beverage cans, and transformers, to name but a few. In line with economic recovery in advanced nations and economic growth in emerging nations, demand for steel sheets is steadily expanding.

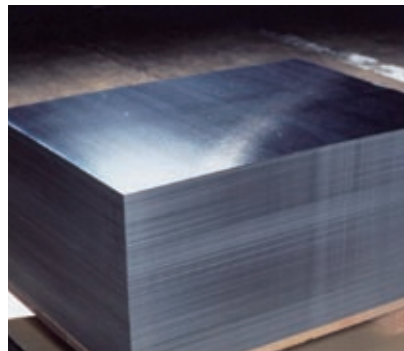
Nippon Steel is a very competitive supplier of steel sheets due to its ability to combine an extensive product lineup with a quick response to customer requirements of all kinds. The Company has always stayed ahead of its competitors in offering high-performance steel materials that meet ever-advancing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

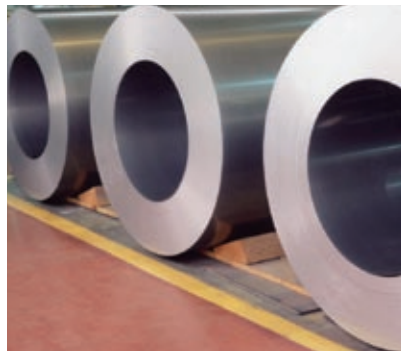
contributes to the reduction of CO<sub>2</sub> and other greenhouse gas emissions. Ultra-thin tinplates make cans lighter, while high-efficiency electrical sheets help conserve electricity in home appliances, hybrid cars and other finished products. The corrosion-resistant SuperDyma® galvanized sheets and laminated sheets for cans, as well as pre-coated sheets for home appliances—including chromate-free electrogalvanized steel sheet ZINKOTE®-BLACK—eliminate the need for galvanization and coating processes at customers' works, 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 various environmental regulations. 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, particularly in China, India, Brazil and other emerging nations, 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 effectively responding to sheet demand, which 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 the 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 for use under diverse 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 provide improved efficiency, weight reduction and long-lasting use. 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. These include the EH47 high-tensile-strength steel plate for super-sized containerships and the NSGP®-1 highly corrosion-resistant plate for crude oil tankers, both of which we have developed successfully ahead of our rivals. 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 cord 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

### 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.)

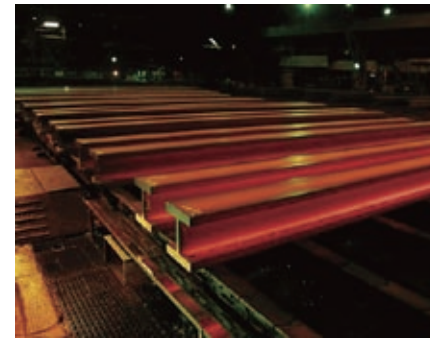
### Product Features and Business Strategies

The construction materials market, where Nippon Steel operates, can be categorized into two major fields: civil engineering and building construction. Domestic demand in the construction materials market is expected to trend in a low range, due to cutbacks in public works projects in the civil engineering field and to weakening investments in the building construction field. On the other hand, overseas construction materials markets are anticipated 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 developing and launching market needs-oriented products to cultivate and capture demand. In the civil engineering field, the Company has developed and launched hat-shaped steel sheet piles that help reduce materials and installation costs, the TN-X® pipe piles used for building foundations and HE rails that demonstrate superior resistance against wear and surface damage. In the building construction field, we have developed and launched H beams with higher dimensional accuracy than those before the revision to Japanese Industrial Standards (JIS) and 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.

More recently, Nippon Steel is currently constructing a new plant in Vietnam for the production of steel pipe piles and steel pipe sheet piles jointly with Vietnam Steel Corporation—the sole state-owned steel company in Vietnam—and five Japanese trading companies. Through this new production base, the Company aims to accurately capture demand in the growing markets of Asia and other regions, while contributing to the improvement of social infrastructure in these regions.



## 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

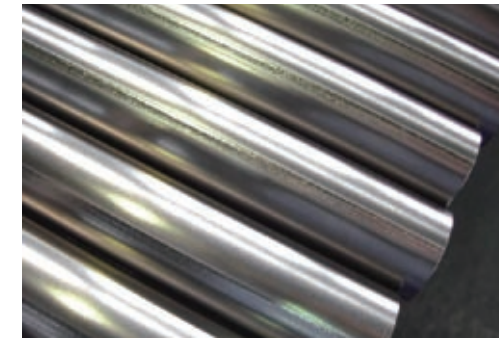
Cold-rolled sheets and coils, welded pipe and tubes, hot-rolled sheets and coils, plates, bars and wire rods, foils, fabricated products, etc.

### Uses

chemical plants (reaction vessels, tube-type heat exchangers, plate-type heat exchangers, pipes, pipe joints); power plants (condenser tubes, tube plates, others); electrolysis (electrodes, electrolyzers, copper foil drums, etc.); automobiles (mufflers, suspension springs, engine valves, connecting rods, others); consumer products (golf clubs, watches, eyeglasses, IT equipment exteriors, etc.); building construction/civil engineering (roofs, walls, monuments, corrosion protection for offshore structures, others)

### Product Features and Business Strategies

The global titanium demand is composed of the two major fields of aerospace and general industrial applications. In general industrial applications, titanium is used, for example, in energy-related and chemical plants. In aerospace applications, it is used in the next-generation Boeing 787 Dreamliner commercial plane and other aircraft. During fiscal 2009, titanium demand from the two fields continued to slowly recover after hitting bottom in line with the global financial crisis.



Under these circumstances, Nippon Steel has continued to provide high-quality titanium products in a stable manner for wide-ranging applications, including those in the power sector and for heat exchangers, automobiles, construction materials and consumer products.

Our titanium business is underpinned by Nippon Steel's highly competitive steelmaking facilities, wide-ranging rolling technologies and the superior analytic and development capabilities of our research laboratories. 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 achieving a stable supply of a variety of high-quality products, from thin-gauge, wide-width cold-rolled sheets to heavy plates. Based on these strengths, Nippon Steel will continue to expand its titanium business by pioneering new titanium applications and enhancing its business competitiveness.

## 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, and bars and wire rods, thus satisfying all the needs of customers.

Severe operating conditions persisted throughout fiscal 2009. In such an environment, NSSC has steadily implemented investments and initiatives to secure its technological competitiveness consistent with being the world's most advanced stainless steel manufacturer, and it has worked to reestablish the foundations required to promote its growth strategies.

Recently, customers have shown more interest in sophisticated products that strike a balance between functionality and cost saving. In response, NSSC is accelerating the development, upgrading and marketing of its original grades of stainless steel such as low-interstitial ferrite and high-performance duplex, while enhancing a stable supply structure. Satisfying the needs of customers with these products and its supply structure, NSSC

has gained a solid endorsement from both domestic and overseas customers.

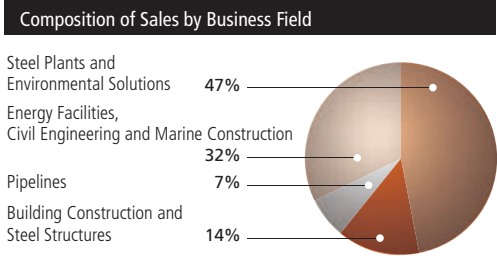
The company is dedicated to meeting the expectations of customers as a reliable supplier of stainless steel. At the same time, we will expand our portfolio of innovative products through strategic R&D activities while offering solutions for a variety of issues and building a marketing and production infrastructure reflecting the globalization of industry.







Makoto Haya  
President  
Nippon Steel Engineering Co., Ltd.



(FY)	2007	2008	2009
Sales	359.8	386.6	331.9
Operating Profit	21.4	24.6	31.6

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. In July 2007, its head office was relocated from Otemachi, Chiyoda-ku to Osaki, Shinagawa-ku, Tokyo. 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 in which we can apply 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.

Waste-processing center



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.

Large-scale logistics center



Annual Summary

During fiscal 2009, conditions in domestic and overseas economies in general continued to recover slowly. However, in major markets targeted by Nippon Steel Engineering, demand continued to drop, and operating conditions remained harsh. Under these conditions, all business divisions of Nippon Steel Engineering promoted vigorous sales activities. Nevertheless, negatively affected by a slowdown in new capital expenditures throughout the world, further postponements of order placement and ever-intensifying competition for order-winning activities by industry players, the order value for the reporting term fell substantially from fiscal 2008, amounting to ¥205.0 billion. Despite the help of our sufficient order backlog carried over from fiscal 2008, sales also fell year on year to ¥331.9 billion. On the earnings front, however, owing to thorough cost-reduction and risk-management initiatives implemented particularly in our overseas projects, operating profit climbed to ¥31.6 billion, the highest in our history.

Spotlighting our streamlining efforts, in July 2009, Nippon Steel Engineering consolidated and relocated its head office in Otemachi, Chiyoda-ku, Tokyo, and its business bases situated in Greater Tokyo—namely, the Nippon Steel Pipeline Co., Ltd. head office in Shinjuku-ku, Tokyo, and the office of Energy Facilities, the Marine Engineering & Construction Business in Sagamihara City, Kanagawa Prefecture—to Osaki, Shinagawa-ku, Tokyo. Also, in August of the same year, our Engineering R&D Institute, previously located within our Sagamihara office, was relocated to the site of the Research and Engineering Center of Nippon Steel’s Technical Development Bureau in Futsu City, Chiba Prefecture.

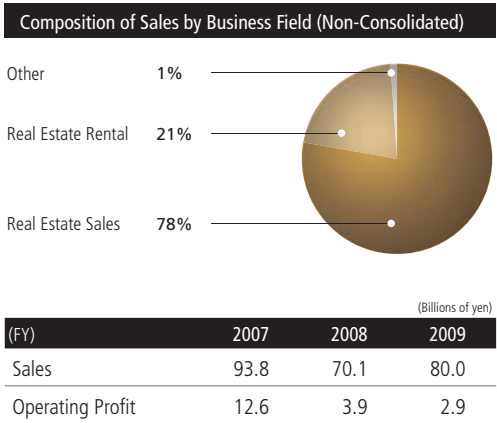


Coke dry quenching (CDQ) facilities





**Akira Shoga**  
President  
Nippon Steel City Produce, Inc.



#### Business Profile

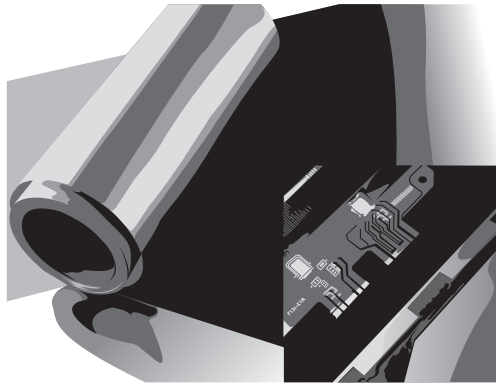
Nippon Steel City Produce, Inc. (NSCP) is advancing business in a variety of fields as the sole general real estate developer within the Nippon Steel Group. In the area of redeveloping idle land owned by Nippon Steel Group companies, NSCP has been promoting many projects, including the Yawata-Higashida Project in Kitakyushu City, Fukuoka Prefecture, the Hirohata-Otsu Project in Himeji City, Hyogo Prefecture and 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 sales 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 the creation of cities that provide people with a convenient and comfortable lifestyle, NSCP is functioning as an integral part of the Nippon Steel Group, which is always working to fulfill its societal mission.

#### Business Strategies

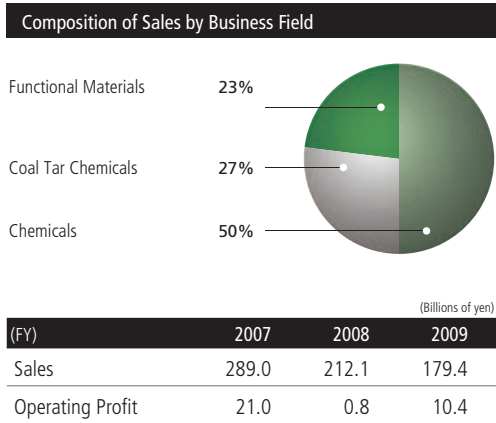
NSCP undertakes urban development in a unique manner. Specifically, we link steelworks construction with urban development, redevelop large-scale idle land owned by the Group and are experienced in dealing with public authorities concerning the administrative procedures required for these activities. 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, especially in the field of 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

During fiscal 2009, the condominium sales market witnessed some signs of recovery, including certain condominium complexes located in the Tokyo Metropolitan area that attracted visits from many potential customers. Overall, however, the rate of contracts signed remained low, owing mainly to weakened consumer sentiment caused by the deterioration of the employment and income conditions. In the building leasing market, stagnant demand for office space in the corporate sector resulted in climbing vacancy rates and a lowering of rent levels. NSCP is continuing full-scale management efforts aimed at overcoming such difficult operating conditions. At the same time, we are bolstering operations in our areas of expertise, such as the redevelopment of idle land owned by Nippon Steel Group companies, urban redevelopment and condominium complex renovation. Through these and other initiatives, NSCP is working to reinforce its earnings power.



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



#### 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 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 launched many distinctive products. 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, ESDRIMER®, a UV- and thermo-setting plastic material, and organic electroluminescence (OEL) materials. Furthermore, Nippon Steel Chemical is striving to pioneer new markets by, for example, consolidating the development and sales and marketing divisions of Tohto Kasei Co., Ltd. into its business structure and thereby accelerating its epoxy resin business.

#### Business Strategies

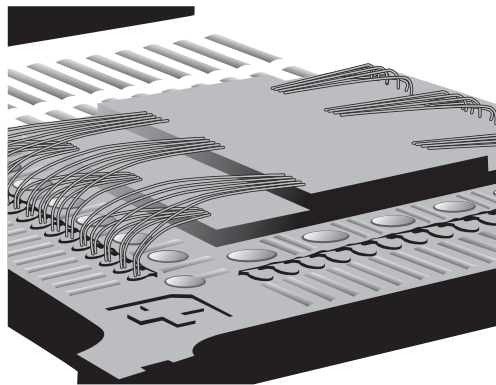
The Nippon Steel Chemical Group has formulated a new “Grand Design” plan that extends through 2020. The corporate vision under this plan clearly defines Nippon Steel Chemical’s goal over that period—namely, to become a chemicals company that contributes to society in the truest sense through the realization 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

Our coal tar chemicals business, which handles pitch coke for electrodes and other products, suffered a decline in demand during the first half of fiscal 2009. In the second half, however, demand picked up particularly in overseas markets. In the chemicals business, despite a rise in raw material prices, overall conditions in commodity markets were stable, and our shipments steadily grew. Our printed circuit board materials business enjoyed demand recovery in line with the completion of inventory adjustments in the mobile phone markets. Also, our display materials business performed robustly, buoyed by strong demand for thin-screen TVs. As a result, despite a year-on-year decline in sales, the Chemicals segment achieved a year-on-year increase in operating profit.

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





Teruaki Ishiyama  
President  
Nippon Steel Materials Co., Ltd.

(Billions of yen)			
(FY)	2007	2008	2009
Sales	76.1	59.9	58.7
Operating Profit	0.5	(2.3)	0.4

#### 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, which are 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.

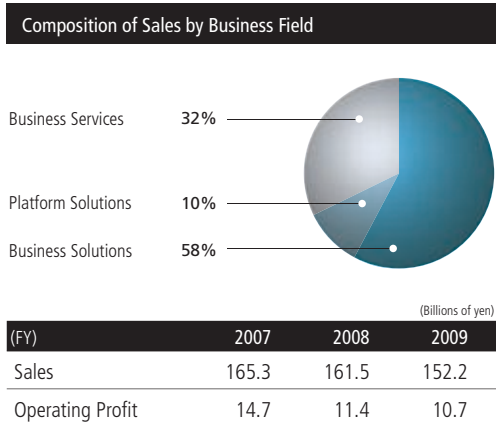
#### Annual Summary

In fiscal 2009, demand recovered at a faster-than-expected pace after rapidly plummeting due to the financial crisis in fiscal 2008. In particular, during the second half, demand showed recovery for existing products such as stainless steel foils in our mainstay electronics industry materials and components business. At the same time, demand expanded for new products, including coated copper wires and Strand Sheets. Supported by these trends in demand, operating conditions for Nippon Steel Materials steadily improved. Meanwhile, performance of products used in line with customers’ capital expenditures and used by European industries has yet to show full-fledged recovery. Reflecting these factors, Nippon Steel’s sales in the new materials business remained almost unchanged from fiscal 2008. However, through the improvement of its cost structure and the expansion of new product sales, we secured profitability in the reporting term, compared with the posting of an operating loss in fiscal 2008.

Business Areas and Products			
Electronics materials and components	<ul style="list-style-type: none"> <li>Stainless steel foils</li> <li>Microball bumping service</li> <li>Chemical mechanical polishing (CMP) pad conditioners</li> <li>SiC wafer</li> <li>Silica/Alumina spherical particles</li> <li>Bonding wires</li> <li>Microsolder balls</li> </ul>	Basic industrial materials and components	<ul style="list-style-type: none"> <li>Hot isostatic pressing (HIP) processed materials</li> <li>Pitch-based carbon fibers</li> <li>Carbon-fiber-reinforced plastic (CFRP) products</li> </ul>
		Energy and environmental materials and components	<ul style="list-style-type: none"> <li>Metal substrates for catalytic converters</li> <li>Polysilicon for solar cells</li> </ul>
<div>Cooperation</div> <div>Nippon Steel Technical Development Bureau</div>			



Mitsuo Kitagawa  
President  
NS Solutions Corporation



#### Business Profile

NS Solutions Corporation is promoting business in the three principal fields of business solutions, platform solutions and business services.

In the business solutions operation, NS Solutions provides consulting, planning, proposal, design, procurement and development services relating to IT systems. In offering these services, we leverage our extensive knowledge of and experience in specific industries and businesses.

Through its platform solutions operation, NS Solutions takes advantage of its platform development technologies and industry-leading software products. Based on these technologies and products, we extend services to plan, propose, design, procure and develop backbone IT systems capable of meeting mission-critical requirements.

Our business services operation primarily involves the provision of consulting and outsourcing services relating to IT system operations, management and maintenance. At the same time, we are offering various other services via the Internet.

#### Business Strategies

##### • Accelerate Cloud Services Business and Refine Advanced Technologies

We aim to bolster our client base through the enhancement of our cloud service menu while acquiring leading-edge technologies in this area.

##### • Expand Data Center Business

We will build a next-generation high-spec data center to serve as the core facilities for our cloud services and thereby accelerate our operation service business. In this way, we will strengthen our client base and business foundation.

##### • Promote the In-House Use of Cloud Services to Standardize System Development Processes

Through the launch of “NSSDC Cloud,” a Companywide system development platform, we aim to enhance our technological capabilities in system implementation, thereby promoting the productive development of high-quality systems.

##### • Expand Business Fields and Accelerate Globalization

We will selectively allocate our management resources to promising markets demonstrating potential for growth in IT investments, while reinforcing our business structure to accommodate changes in market needs. As for business globalization, we will actively implement initiatives to enhance our presence in the Chinese market.

#### Annual Summary

During fiscal 2009, NS Solutions faced unprecedentedly harsh operating conditions attributable to the fact that our corporate clients froze or postponed their planned IT investments and suppressed their IT system-related expenditures. In such an environment, we worked to capture business opportunities accurately by securing orders from existing clients and finding new clients. Also, with the aim of sustaining the sales level, we endeavored to sharpen our competitive edge, further solidify our business foundation and reinforce our service offerings through the application of cloud computing technologies. However, NS Solutions sales and operating profit both declined year on year.



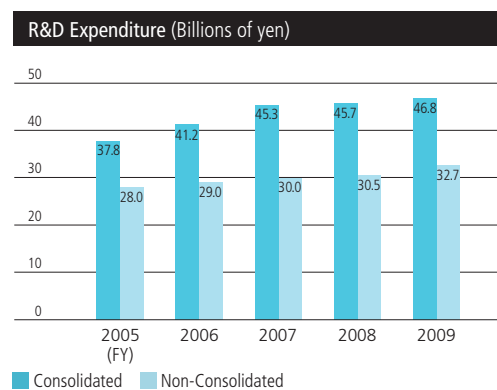
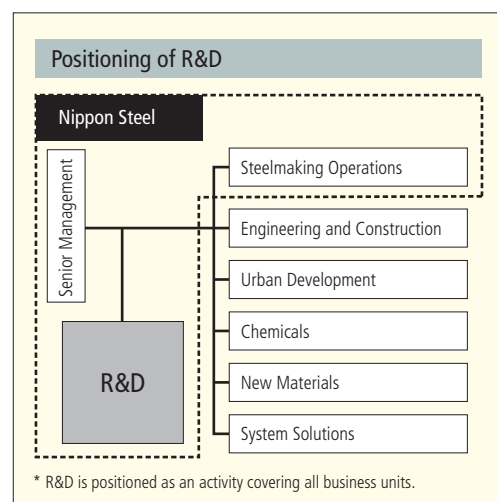
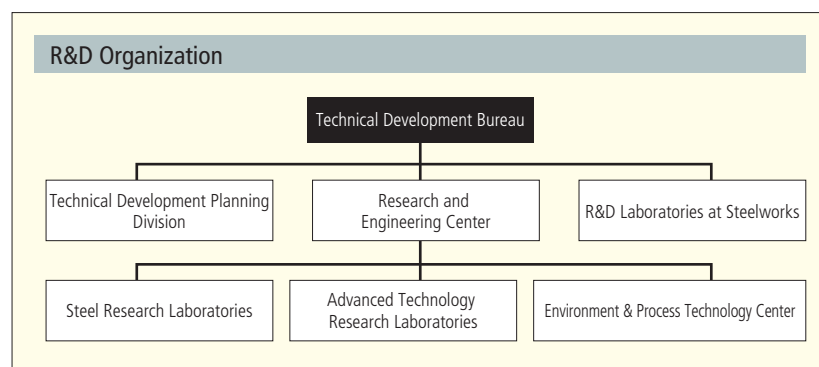


## R&D Organization

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 (Futtsu City, Chiba Prefecture), 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 six 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) integrated solutions enhanced by Group companies' products and technologies; (4) the ability to address energy- and environment-related concerns with solutions maximizing steelmaking process technology; (5) collaboration between industry and academic institutions, overseas alliances, and even customers; and (6) an extensive portfolio of fundamental and platform technologies.

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



## 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 the 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

### ZINKOTE®-BLACK

Nippon Steel has developed ZINKOTE®-BLACK, a new, chromate-free electro-galvanized steel sheet which features superior functionality and a beautiful surface finish. The Company released this product in 2009.

Based on another chromate-free electrogalvanized steel sheet, ZINKOTE®21, ZINKOTE®-BLACK is a highly design-oriented steel sheet treated with thin black special coating. The Company newly developed a black coating material, enabling the drying of the coating at a lower temperature than conventional coating materials. Compared with existing coatings used on steel sheets in general, the black coating is 70% to 80% thinner, and the amount of CO<sub>2</sub> emitted from the coating materials in the drying processes has been reduced by approximately 99%. Also, the base resin used in the special coating is a unique product developed by the Company, and this original resin has enabled the thin black special coating as a whole to boast excellent corrosion resistance and formability.

Highly evaluated for such sophisticated functionality and performance, ZINKOTE®-BLACK is widely used in many finished products—for example, as the rear cover of thin-screen TVs, whose market is rapidly expanding on a global scale.

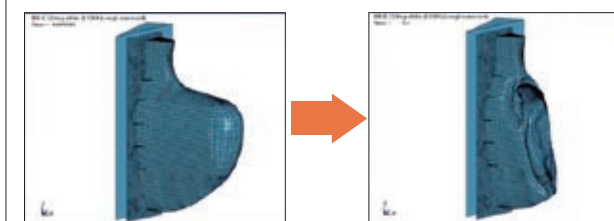


Bulbous Bow

### Bulbous Bow Deformability Simulation

(by National Maritime Research Institute)

High deformability of NS-Ship-Safety235 reduces damage of collision



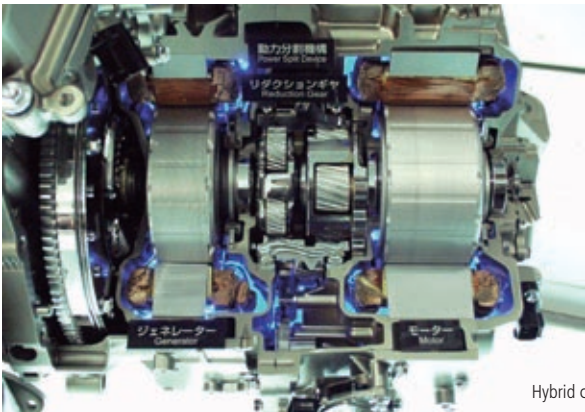
### NS-Ship-Safety235

Nippon Steel has developed NS-Ship-Safety235, the world's first steel exclusively for ship applications. Boasting superior collision safety performance, NS-Ship-Safety235 has been used as a material of the bulbous bow of a product tanker built by Imabari Shipbuilding Co., Ltd.

NS-Ship-Safety235 is manufactured using steel-content ultra-decarbonization and refining technologies as well as leading-edge rolling technology. This innovative steel demonstrates strength on par with that of conventional steel products. Furthermore, it has resistance to hardening even when deformed, while exhibiting high deformability—a characteristic resulting in high energy-absorption performance. In a ship-to-ship collision simulation, compared with a collision of two conventional ships, the collision impact of a ship equipped with the bulbous bow using NS-Ship-Safety235 on another ship has been nearly halved. Moreover, the resultant holes of the colliding ships were smaller.

Therefore, the use of NS-Ship-Safety235 in bulbous bows helps reduce the damage on colliding ships and, ultimately, lowers the possibility of sinking and other serious accidents as well as the scale of these accidents.





Hybrid car motor

Electrical Sheets for Hybrid Cars

Motors of hybrid cars—the heart of such vehicles—use electrical sheets, which efficiently convert electric energy into kinetic energy or vice versa. These electrical sheets are required not only to provide high conversion efficiency, but also to feature high output, strength, and light weight—characteristics that tend to counteract each other. Nippon Steel has developed and now offers electrical sheets that sufficiently achieve these compound characteristics. It has accomplished this feat by participating in motor design processes undertaken by its customers. Since their adoption in the first generation of mass-produced hybrid cars, the Company’s electrical sheets have supported the solid performance of many hybrid car motors and, consequently, contributed to the energy efficiency of these vehicles.

Steel Dust-Recycling Process

In the iron- and steelmaking processes, steel dust is an inevitable byproduct. Nippon Steel is promoting the recycling of steel dust. Dust-recycling operations employ a rotary hearth furnace (RHF) to separate iron from highly volatile zinc and other impurities and recover the iron content and the zinc content separately. These separation and recovery processes contribute to resource and energy saving as well as to the realization of zero emissions. Through the introduction of this dust-recycling process, Nippon Steel has established a structure capable of recycling all the dust generated at all of its steelworks.

We have provided technological expertise relating to this recycling process to South Korea-based The Pohang Iron and Steel Company (POSCO) and other steelmakers in Japan and overseas. In addition, the Company has teamed up with Kobe Steel, Ltd. to launch a joint business for recycling steel mill dust. As such, we are helping the proliferation of steel dust recycling outside the Nippon Steel Group.

In recognition of the significant environmental and resource-saving benefits and wide-spread domestic and overseas adoption of the dust-recycling process, Nippon Steel has won the Production Award at the 56th Okochi Award event.



Rotary hearth furnace (RHF) for steel dust recycling

External Recognition for Accomplishments since Fiscal 2009

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
	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 (47kg-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
2009 Resource Recycling Technology and System Award	Director-General of Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry Award	Development of refractory recycling technology in iron and steel processing
56th Okochi Award	Production Award	Development of an steel dust-recycling process using rotary hearth furnace (RHF)
2010 National Commendation for Invention	The Prize of Minister of Education, Culture, Sports, Science and Technology	Invention of measurement and evaluation technology for hot repair of coke-oven chamber walls
1st Corporate Biodiversity Conservation Activities Contest	Chairman of Keidanren Committee on Nature Conservation Award	Project to create kelp forests through the supply of iron and other nutrients

Business Overview

Intellectual Property

Basic Principles

One of Nippon Steel’s management principles is, “to continuously challenge ourselves to develop and improve world-leading technologies.” The basis of Nippon Steel’s intellectual property activity is to secure these technologies as intellectual property (IP) and then to utilize the IP to meet its business strategy. We implement our strategy using IP based on medium- and long-term perspectives, and we do not curtail the implementation of our strategy even in the midst of a harsh business environment.

We have accumulated our IP in accordance with our existing IP strategy for each of our products based on their technologies and in accordance with the characteristics of each of their businesses. During the harsh economic climate of last year, many other companies curtailed their patent application filings. In contrast, we have maintained our number of filings both domestically and abroad so as to secure our technologies as IP, and in keeping with our motto, which states: “IP can be very effective leverage to compete in the world, and with the world.”

Basic Policy on IP

We understand that we can use our technological capabilities to obtain IP, which can be a very effective leverage to maintain our competitiveness in industry. Based on this understanding, we have been expanding our world-leading patent portfolio, which is currently overwhelming other corporations’ patent portfolios, particularly in Japan.

In order to maintain our position as the “World’s No. 1 Company in Total Capabilities,” we will continue to obtain and utilize the IP on technologies which will sustain our superior production capabilities, production foundations and technological edge. In particular, we will use our IP to create a new growth track for upgrading and expanding production and supply in the three main areas of the world, our “Global Tri-polar Production and Processing Bases,” which include Japan, the American and Pan-Atlantic region and the Asian countries. Nippon Steel will maintain the unshaken position of having world-leading solid IP through the above activities, and will improve its corporate value through utilization of the IP.

Specific Activities

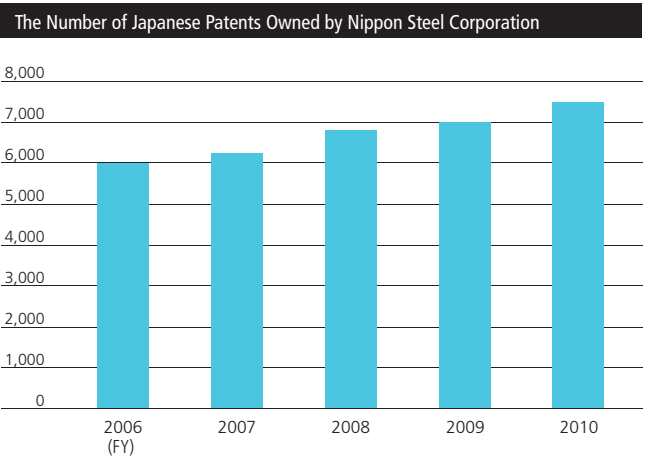
The IP Division, in collaboration with the Sales/Marketing Division, the Manufacturing Division and the R&D Division, proceeds with acquiring IP, domestically and internationally, of technologies for coping with price increases of resources and for reducing the environmental burden in addition to acquiring IP for world-leading advanced technologies and product/manufacturing technologies which properly meet our customer’s needs.

Also, we will form strategic alliances and joint ventures with companies who are very important partners in order to upgrade and expand our production and supply in the “Global Tri-polar Production and Processing Bases.” Nippon Steel will, in collaboration with the Sales/Marketing Division and others, implement mutual licensing of IP (i.e., patents and/or know-how) and provide technical support to these partners. 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. We also will implement measures against illegal use of our IP other than patent right, e.g., strictly dealing with such illegal use of our corporate/trade name, trade mark and/or copyright.



“A basis for growth of the global business is to turn our ideas into intellectual property”



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.

Corporate Governance Structure

Nippon Steel has in place the Board of Directors, which consists of directors well-versed in the Company’s business. Being comprised of such knowledgeable members, the Board of Directors can swiftly make decisions regarding the Company’s business execution, contributing to the improved efficiency of corporate management. Meanwhile, the Company has in place the Board of Corporate Auditors, which is comprised of corporate auditors holding strong auditing authority who monitor and oversee the Company’s management. Nippon Steel believes that its structure, underpinned by these two organizations, is appropriate for ensuring sound corporate governance. In addition, the Company has introduced an executive officer system to ensure the proper execution of business activities and to clarify responsibilities for the results of each business segment.

Particularly noteworthy is the fact that Nippon Steel’s Board of Corporate Auditors has four external corporate auditors who are specialists from various fields, such as corporate management, legal affairs and energy and environmental protection. It also has one senior corporate auditor and two corporate auditors who are experienced in various operations of the Company’s business. These corporate auditors proactively provide their opinions at Board of Directors and other important meetings, while striving to constantly improve the Company’s corporate governance. To sum up, as of July 1, 2010, Nippon Steel’s Board of Directors has 10 members, while the Board of Corporate Auditors has 7 members, four of whom have been externally appointed.

Nippon Steel has selected these external corporate auditors with due consideration given to their extensive knowledge and experience in their respective fields, to their deep insight into auditing operations, and based on its judgment that they are capable of working as trustees of all shareholders. Each of these external corporate auditors has been appointed through the approval of the Company’s General Meeting of Shareholders, and all of them have appropriately performed their duties consistent with their posts. Therefore, the Company has concluded that none of them are in a position to cause any conflicts of interest involving its shareholders. Accordingly, Nippon Steel has notified Japanese bourses on which its stock is listed of the designation of the four external corporate auditors as independent corporate auditors, pursuant to the Securities Listing Regulations of these bourses. All these bourses have accepted the Company’s notifications. Through such a corporate governance structure, Nippon Steel is working to constantly improve its management efficiency and enhance the soundness of corporate management.

Internal Controls and Risk Management Structure

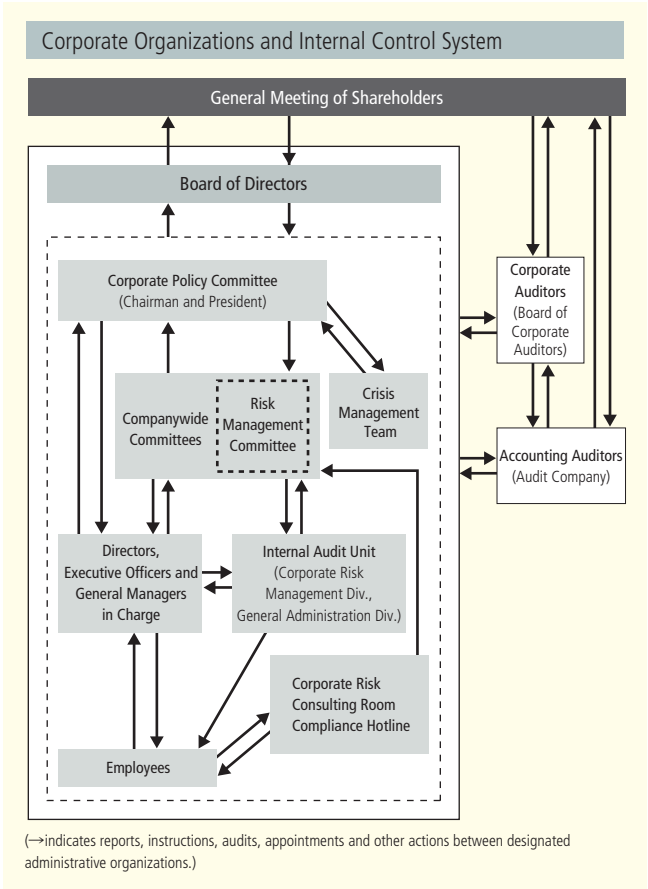
Nippon Steel maintains internal controls and a risk management structure designed to ensure that its business activities are conducted efficiently and effectively, that its financial reporting is credible, and that all efforts comply with prevailing laws and regulations.

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 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-à-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.

Compliance Status

As of June 2010, the Nippon Steel Group was subject to the following disciplinary actions associated with violations of Japan’s Antimonopoly Act and a regulation concerning quality control.

August/September 2009

Subsidiary Nippon Steel & Sumikin Coated Sheet Corporation ordered to pay a surcharge and sentenced to pay a fine in connection with its violation of the Antimonopoly Act in its sales activities for certain flat-rolled products.

November 2009

Subsidiary Hokkai Koki Co., Ltd. was temporarily disqualified from using the Japanese Industrial Standards (JIS) certification mark following the discovery that it shipped out defective galvanized sheets and other products.

December 2009

Nippon Steel Corporation was ordered to pay a surcharge in connection with the orders received from three Regional Development Bureaus of the Ministry of Land, Infrastructure, Transport and Tourism for projects to renovate the superstructures of certain steel bridges.

Upon the completion of all legal processes in connection with its violations of the Antimonopoly Act, Nippon Steel has designated every December as the “Antimonopoly Act Compliance Campaign Month.” Accordingly, in December each year, the Company conducts such priority activities as educational programs and internal audits centered on the area of preventing the recurrence of cartels and bid rigging. Also, with the aim of preventing serious product quality problems, Nippon Steel is reviewing and strengthening its quality control programs.

Compliance Education

We believe 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.

In particular, in order to ensure full compliance with the Antimonopoly Act, the Company has designated every December as the “Antimonopoly Act Compliance Campaign Month.” Specific activities conducted in December every year include: (1) the president’s direct instruction to all sales and marketing personnel to prevent the recurrence of violations; (2) the holding of seminars and meetings to explain the Company’s voluntary restrictions on making contact with competitors; and (3) the implementation of audits on the status of the administration of the said guidelines. Through these activities, Nippon Steel is continuing to bolster its compliance with the Antimonopoly Act.

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, e-learning programs and other educational 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

Nippon Steel adopted the Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measure) (the “Plan”) by the resolution of its Board of Directors on March 29, 2006, and has filed a shelf registration statement in connection with the stock acquisition rights contemplated by the Plan. (On March 29, 2010, NSC has renewed the Shelf Registration of Stock Acquisition Rights before the expiration of its effective period.) 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.

For detailed information, please refer to the company’s IR website: <http://www.nsc.co.jp/en/ir/management/acquisition.html>



Executive Team (As of July 2010)



**Akio Mimura**  
Representative Director  
and Chairman



**Shoji Muneoka**  
Representative Director  
and President



**Kozo 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; India Continuous Annealing and Processing Line 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



**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



**Masakazu Iwaki**  
Representative Director  
and Executive Vice President

Director, Technical Development Bureau

Managing Directors,  
Members of the Board

**Junji Uchida**

Director, Flat Products Division; General Manager, India Continuous Annealing and Processing Line Project; Sales Administration & Planning Divisions

**Shigeru Oshita**

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

**Toru 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

Executive Vice President

**Yasuo Takeda**

Special Mission to the President on Overseas Projects

Managing Directors

**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

**Shinya Higuchi**

Director, Pipe & Tube Division; Global Marketing; Titanium

Directors

**Kenji Hiwatari**

General Manager, Osaka Sales Office

**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

**Hirotoomo Suetsugu**

General Manager, Business Process Innovation Division

**Atsuhiko Yoshie**

General Manager, Technical Development Planning Division, Technical Development Bureau

**Masato Yamada**

Deputy General Manager, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project; Deputy General Manager, India Continuous Annealing and Processing Line Project; Rendering Assistance to Director, Flat Products Division 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; Deputy General Manager, India Continuous Annealing and Processing Line Project

**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, 2010 amounted to ¥1,383.7 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, 2010 amounted to ¥1,272.0 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 ¥325.5 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 or tighten environmental regulations affecting companies that consume fossil fuels and/or release CO<sub>2</sub> 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.



### 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 kept vigorously undertaking environmental protection and energy-saving initiatives and has, accordingly, achieved one of the highest levels of accomplishment in these areas in the global steel industry. As a short-term target, the Company is continuing efforts to fulfill a voluntary action plan of reducing its energy consumption by 10% from the fiscal 1990 level by the end of fiscal 2010.

Looking toward the future, Nippon Steel is committed to contributing to solving issues in the areas of resource- and energy-saving 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. More specifically, Nippon Steel is taking on the challenge of realizing a sustainable society through the implementation of three eco-friendly initiatives—namely, “Eco-Processes” (eco-friendly manufacturing processes), “Eco-Products®” (eco-friendly steel products) and “Eco-Solutions” (solutions for energy-saving and environmental protection issues).



Nippon Steel's booth at Eco-Products 2009

## 1

### Three Eco-Friendly Initiatives

#### • ECO-PROCESSES

Nippon Steel continues to strengthen energy-saving technologies applied in its world-leading steelmaking processes. Moreover, the Company is promoting the development of innovative steelmaking process technologies with the aim of drastically reducing CO<sub>2</sub> emissions.

#### COURSE50—an Eco-Friendly Steelmaking Process Technology

In the current steelmaking processes, coal is used to reduce iron ore in blast furnaces, and this inevitably results in CO<sub>2</sub> emissions. With the aim of developing a groundbreaking, eco-friendly steelmaking process technology that enables the significant reduction of CO<sub>2</sub> emissions over the long term, five Japanese blast furnace operators, including Nippon Steel, as well as Nippon Steel Engineering Co., Ltd. are jointly undertaking the COURSE50 project.

The COURSE50 project involves the development of a hydrogen-reduction steelmaking process technology—which allows for the reduction of iron ore by using the hydrogen contained in coke-oven gas in place of coal—and a technology that separates and recovers CO<sub>2</sub> contained in gasses generated in blast furnaces. Through the development of these technologies, the COURSE50 project team aims to reduce CO<sub>2</sub> emissions from steelmaking by approximately 30% compared with the current steelmaking processes. In line with this numerical target, the team is working to complete related technological development by 2030 and to start the practical application of these technologies by 2050.



CO<sub>2</sub> separation and recovery testing plant in Kimitsu Works

## 2

### Three Eco-Friendly Initiatives

#### • ECO-PRODUCTS®

To reduce the CO<sub>2</sub> emissions and the environmental impact of human activities, Nippon Steel develops and markets various Eco-Products®. These products include: (1) high-tensile-strength steel sheets, which are indispensable for lightweight automobiles; (2) highly corrosion-resistant steel free of lead and chromate; (3) materials for power semiconductors, which contribute to the efficient use of electricity; and (4) highly functional materials for photovoltaic (PV) and wind power generation applications.

#### Eco-Products® Empowering Eco-Friendly Automobiles

##### — High-Tensile-Strength Steel Sheets

Used in bodies and other automotive components, high-tensile-strength steel sheets help reduce automobile weight while ensuring collision safety performance.

##### — Electrical Sheets for Hybrid Cars

Electrical sheets are an indispensable material of the core of a motor that enables the conversion between magnetic force and electric force. They support high-efficiency hybrid car motors while contributing to improved energy-saving performance of hybrid cars.

##### — Ecokote-S

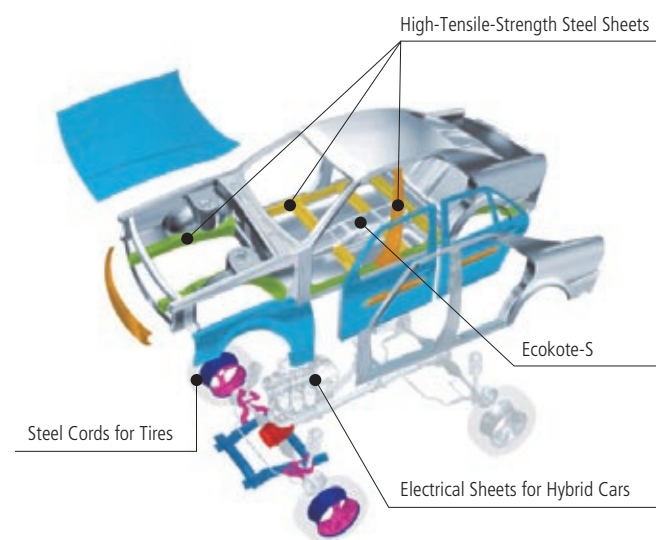
This steel sheet boasts dramatically enhanced corrosion resistance without the use of lead. Nippon Steel developed and now provides Ecokote-S as a steel material for biofuel-compatible automotive fuel tanks.

##### — Bioethanol-Blended Gasoline (Nippon Steel Engineering)

Nippon Steel Engineering has started the test use of E3-gasoline (gasoline with 3% bioethanol content) manufactured from waste foods.

##### — Steel Cords for Tires

Steel cords are used in tires, which are increasingly required to contribute to the improved fuel-efficiency and safety of automobiles. Today, one out of every five cars in the world uses tires that feature steel cords manufactured from steel products developed by Nippon Steel.



\* ECO-PRODUCTS® is a registered trademark of Nippon Steel Corporation.

## 3

### Three Eco-Friendly Initiatives

#### • ECO-SOLUTIONS

To aid global efforts in energy and resource saving, Nippon Steel has taken the lead in the Global Sectoral Approach, a program aimed at facilitating the proliferation of Japan's advanced energy-saving technologies throughout the global steel industry. Also, the Company is promoting wide-ranging projects such as: (1) the development of waste recycling systems, which help establish a recycling-oriented society; (2) eco-friendly IT solutions business; (3) the promotion of energy-saving houses and buildings; and (4) environmentally viable urban development. Meanwhile, as an initiative to help preserve biodiversity and prevent global warming, we are actively promoting the creation of forests and kelp forests.

#### Creation of Forests and Kelp Forests

Since 1971, shortly after Nippon Steel was formed, all 10 of its steelworks in Japan have engaged in forest creation. In doing so, they started out with examining the vegetation pattern in each region and, accordingly, selected trees and plants appropriate for afforestation. Each of these forests has now grown to be well over 30 meters high, having become home to various wild animals.

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 in 2004 in Hokkaido, this project has spread to approximately 20 other locations nationwide and has already begun to show tangible results. In the strong belief that these activities will contribute to biodiversity conservation and global warming prevention, Nippon Steel will continue to proactively disseminate this project.

\* Nippon Steel has received a Chairman of Keidanren Committee on Nature Conservation Award for its kelp forest creation project at the 1st Corporate Biodiversity Conservation Activities Contest. This contest is a new award system established to commemorate the holding of the tenth meeting of the Conference of the Parties (COP10) in October 2010 in Japan.



Creation of forests (Oita Works)



Creation of kelp forests (Mashike-cho, Hokkaido)



## 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.

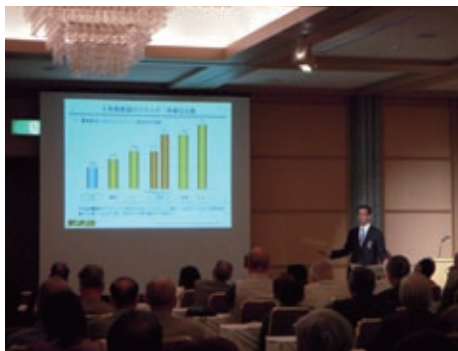
For more financial information about Nippon Steel, please visit the Investor Relations section of our web site at <http://www.nsc.co.jp/en/index.html>.

### • Information Meetings and Tours of Steelworks for Individual Shareholders

Nippon Steel has held a total of 56 information meetings and steelworks tours for individual investors since starting this program in the spring of 2005. More than 12,000 individual shareholders have participated in these events and expressed positive feedback. In fiscal 2010, ending March 31, 2011, the Company plans to hold a total of 12 information meetings and steelworks tours. 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 opened Kioi Hall in 1995—one of its most visible donations to the community—to commemorate the 20th anniversary of its founding. The central Tokyo concert hall has captivated ears and eyes of music fans over the past 15 years, and the cumulative number of visitors had reached two million in May 2008. The hall's reputation is continuously growing, as it boasts outstanding acoustic properties and stages attractive events, effectively mixing classical and Japanese music programs.

#### • 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—the fifth event in the history of their collaboration—in South Korea in July 2010.

### 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.



Also, in the hope of promoting a deeper understanding of iron and steel, Nippon Steel participated as a corporate sponsor in the “Fe, the Core of Existence through the History of 13.7 Billion Years” exhibition, held from July 2009 to October 2009 at the University Museum, The University of Tokyo.



Kioi Hall (Chiyoda-ku, Tokyo)

### 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.



Nippon Steel's judo team won the championship in Japan's corporate judo tournament for the first time in the past 10 years and for a total of 30 times.



The Sakai Blazers captured second place in the 2009 season of the V. Premier League, Japan's top-level professional volleyball league.

Nippon Steel Group Facts	Principal Subsidiaries and Affiliates
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(As of March 31, 2010)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
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Steelmaking and Steel Fabrication (254 companies)

Consolidated Subsidiaries (194 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.	5,116	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
Suzuki Metal Industry Co., Ltd.	3,634	66.6%	Makes and markets wire products
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	100.0%	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
PT Pelat Timah Nusantara TBK.	IDR252,335	35.0%	Makes and markets tinplates
Siam Nippon Steel Pipe Co., Ltd.	THB779 million	60.5%	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
172 other companies			

Affiliates Accounted for by the Equity Method (60 companies)			
Godo Steel, Ltd.	34,896	15.7%	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	23.9%	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
NIPPON COKE & ENGINEERING CO., LTD.	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	16.0%	Makes, processes, installs, and sells metal roofs and building materials
Sanyu Co., Ltd.	1,513	35.0%	Makes and markets cold-finished bars and cold-heading wire

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
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Affiliates Accounted for by the Equity Method (Continued)			
Usinas Siderúrgicas de Minas Gerais S.A.	R12,150 million	27.5%	Makes and markets steel products
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.	RMB3,000 million	40.0%	Makes and markets automotive steel sheets
UNIGAL Ltda.	R584 million	30.0%	Makes and markets galvanized sheets
Companhia Nipo-Brasileira de Pelotização	R432 million	25.4%	Maintains and leases pellet production facilities
Guangzhou Pacific Tinplate Co., Ltd.	US\$36 million	27.3%	Makes and markets tinplate
42 other companies			

Engineering and Construction (22 companies)

Consolidated Subsidiaries (21 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
21 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 (16 companies)

Consolidated Subsidiaries (8 companies)		Affiliates Accounted for by the Equity Method (8 companies)	
Nippon Steel Chemical Co., Ltd.	5,000	100.0%	Makes and markets coal chemicals, petrochemicals, and electronic materials
15 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 (15 companies)

Consolidated Subsidiaries (15 companies)			
NS Solutions Corporation	12,952	67.0%	Provides engineering and consulting services pertaining to computer systems
14 other companies			

Total Consolidated Subsidiaries: 255 companies    Total Affiliates Accounted for by the Equity Method: 73 companies





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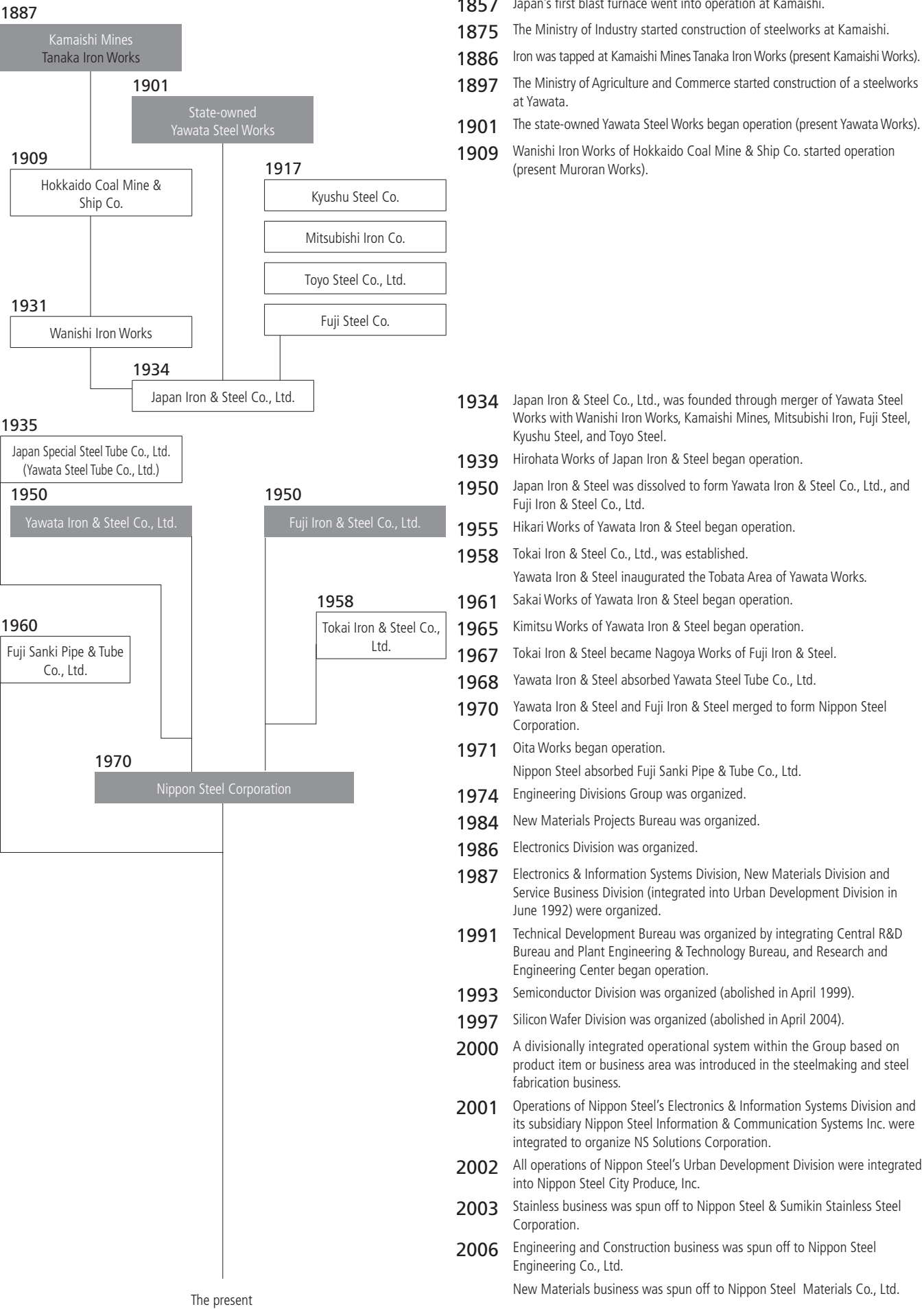
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(As of July, 2010)



The present

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	Thousands of U.S. dollars		Millions of yen									
As of or for the years ended March 31	Millions of yen		Millions of yen		Millions of yen							
	2010		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Net sales	3,487,714	37,486,181	4,769,821	4,826,974	4,302,145	3,906,301	3,389,356	2,925,878	2,749,306	2,581,399	2,750,418	2,680,611
Operating profit (loss)	32,005	344,001	342,930	545,580	580,097	576,319	429,948	224,475	142,961	73,044	162,644	120,296
Ordinary profit (loss)	11,833	127,192	336,140	564,119	597,640	547,400	371,446	172,851	68,879	16,746	111,374	64,687
Income (loss) before income taxes and minority interests	11,242	120,840	281,079	605,485	621,419	565,607	369,485	73,642	(37,386)	(25,079)	49,403	2,171
Net income (loss)	(11,529)	(123,919)	155,077	354,989	351,182	343,903	220,601	41,515	(51,686)	(28,402)	26,494	11,173
Net income (loss) per share (yen/U.S. dollars)	¥(1.83)	\$ (0.01)	¥24.60	¥56.33	¥54.28	¥51.07	¥32.73	¥6.15	¥(7.69)	¥(4.17)	¥3.89	¥1.64
Net assets	2,335,676	25,104,005	2,174,809	2,413,954	2,369,228	—	—	—	—	—	—	—
Shareholders' equity	—	—	—	—	—	1,677,889	1,188,409	938,581	789,443	907,150	979,695	889,220
Total assets	5,002,378	53,765,889	4,870,680	5,193,498	5,344,924	4,542,766	3,872,110	3,705,917	3,757,175	4,030,596	4,232,011	4,172,459
Capital expenditure	329,356	3,539,945	305,738	308,993	273,440	203,973	195,228	149,593	163,318	195,801	157,348	226,954
Depreciation	284,092	3,053,447	273,744	244,038	192,454	183,365	180,571	183,510	196,653	197,336	206,987	214,186
Research and development costs	46,824	503,273	46,166	45,328	41,229	37,881	36,352	35,349	35,866	35,183	39,364	40,575
Interest-bearing debt	1,383,794	14,873,109	1,454,214	1,192,027	1,213,057	1,223,837	1,282,266	1,561,228	1,871,875	2,016,175	2,101,686	2,277,938

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

Sales			Thousands of U.S. dollars									
	Millions of yen		Millions of yen		Millions of yen							
For the years ended March 31	2010		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Steelmaking and steel fabrication	2,823,193	30,343,866	4,038,685	3,994,526	3,482,377	3,057,510	2,620,732	2,156,946	1,980,809	1,828,206	1,962,019	1,877,582
Engineering and construction	331,905	3,567,341	386,643	359,884	367,968	336,179	279,866	293,137	274,903	294,323	280,929	300,054
Urban development	80,073	860,635	70,152	93,839	94,347	104,045	89,275	120,811	105,188	130,808	141,979	164,428
Chemicals and non-ferrous materials	—	—	—	—	—	373,072	331,168	275,797	346,232	326,164	359,123	338,631
Chemicals	179,412	1,928,341	212,172	289,029	318,755	—	—	—	—	—	—	—
New materials	58,799	631,976	59,907	76,157	65,601	—	—	—	—	—	—	—
System solutions	152,234	1,636,231	161,541	165,360	156,505	148,339	146,531	150,850	153,143	149,398	143,670	136,198
Other businesses	—	—	—	—	—	69,057	76,244	73,615	79,059	61,251	59,440	56,491
Elimination of intersegment transactions	(137,904)	(1,482,211)	(159,281)	(151,823)	(183,410)	(181,903)	(154,463)	(145,280)	(190,031)	(208,754)	(196,745)	(192,776)
Consolidated total	3,487,714	37,486,181	4,769,821	4,826,974	4,302,145	3,906,301	3,389,356	2,925,878	2,749,306	2,581,399	2,750,418	2,680,611

Operating profit (loss)	Millions of yen	Thousands of U.S. dollars	Millions of yen		Millions of yen							
For the years ended March 31	2010		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Steelmaking and steel fabrication	(20,589)	(221,296)	307,047	475,951	514,562	513,977	376,926	189,717	112,816	23,482	115,536	73,257
Engineering and construction	31,655	340,239	24,674	21,496	13,031	9,517	6,696	4,359	2,460	9,913	7,287	12,209
Urban development	2,937	31,569	3,929	12,602	14,301	14,155	8,503	13,526	4,469	15,576	16,320	20,787
Chemicals and non-ferrous materials	—	—	—	—	—	27,037	26,374	12,667	13,458	10,379	11,574	8,378
Chemicals	10,431	112,121	894	21,050	23,645	—	—	—	—	—	—	—
New materials	444	4,780	(2,397)	559	3,129	—	—	—	—	—	—	—
System solutions	10,732	115,358	11,479	14,756	13,992	11,806	11,384	9,182	9,776	10,504	9,770	5,311
Other businesses	—	—	—	—	—	(1,185)	384	(4,310)	(2,155)	1,457	772	(911)
Elimination of intersegment transactions	(3,607)	(38,771)	(2,696)	(835)	(2,564)	1,010	(321)	(668)	2,135	1,731	1,384	1,262
Consolidated total	32,005	344,001	342,930	545,580	580,097	576,319	429,948	224,475	142,961	73,044	162,644	120,296

Shares (non-consolidated)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Shares outstanding at year-end (in thousands)	6,806,980	6,806,980	6,806,980	6,806,980	6,806,980	6,806,980	6,806,980	6,806,980	6,806,980	6,806,980	6,806,980
Common stock price range (high/low: yen)	407/ 264	703/236	964/427	900/370	479/242	294/203	253/127	217/119	230/145	270 /165	314/215

Production and shipments	Thousands of tons	Thousands of tons				Thousands of tons					
For the years ended March 31	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Crude steel output	29,919	31,240	36,233	34,523	33,955	32,792	32,733	32,344	—	—	—
Crude steel output (non-consolidated)	27,503	28,611	33,110	31,596	31,200	29,879	30,146	29,902	26,140	27,837	25,620
Steel products shipments*3	27,088	28,200	32,900	31,514	29,595	29,514	29,388	29,171	26,312	26,789	25,633

Employees	Employees	Employees		Employees							
As of March 31	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Number of employees	52,205	50,077	48,757	47,257	46,143	46,451	46,233	49,400	50,463	52,247	54,865
Number of employees (non-consolidated)*4	15,845	15,503	15,083	14,346	15,212	15,081	15,138	16,481	17,370	18,918	19,816

\*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”, 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.”

\*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 2009 (Year ended March 31, 2010) declined ¥1,282.1 billion, to ¥3,487.7 billion. Operating profit decreased by ¥310.9 billion, to ¥32.0 billion. Ordinary profit was down ¥324.3 billion, to ¥11.8 billion. Net income decreased by ¥166.6 billion, to net loss ¥11.5 billion.

Segment Information

Steelmaking and Steel Fabrication

Steel demand in Japan remained sluggish in the construction and civil engineering fields but began gradually recovering in the automotive, electric machinery, and other manufacturing industries where production activity is picking up largely in response to recovering demand overseas. Steel demand overseas gained momentum in the second quarter led by the rapidly improving business conditions in Asia.

The Company had sharply reduced steel production output in the first quarter for the period of sluggish demand. As steel demand in Japan and overseas began recovering in the second quarter, the Company correspondingly ramped up output and shipment volumes through the reactivation in August last year of the renovated No. 1 blast furnace at the Oita Works and in October of the No. 2 blast furnace at the Kimitsu Works, which had been shut down for banking\*. Nevertheless, the impact from the low production level in the first quarter resulted in overall steel shipments declining by 1.11 million tons from the previous year, to 27.09 million tons in fiscal 2009.

Net sales and operating profit declined sharply in fiscal 2009. The previously soaring iron ore and coking coal prices edged downward during the year, and the Company implemented extensive measures to minimize costs, including increasing usage of lower-priced materials and sharply cutting fixed costs. However, these efforts were unable to overcome the strong impact from the severe conditions in the steel market, particularly for market-driven products, that took hold in the second half of fiscal 2008 through the first half of fiscal 2009.

\* Banking is the process of stopping the air blast flow to temporarily halt production while maintaining furnace conditions to restart production in the future.

Engineering and Construction

In the engineering and construction business, Nippon Steel Engineering Co., Ltd., is focusing on developing operations in the areas of steel production plants, environmental solutions, offshore and energy-related projects (including pipelines), and construction and steel structures where it can fully apply its distinct capabilities. However, the markedly sluggish economic conditions and the accompanying low level of capital investment continued to produce a severe operating environment for attracting project orders both in Japan and overseas during the year. In these adverse conditions,

despite a decrease in net sales, the company's meticulous risk management and efforts to improve earnings on the projects currently under way resulted in a year-on-year increase in operating profit of the engineering and construction business.

Urban Development

Business conditions continued to be severe in the urban development business. The Group's real estate development company, Nippon Steel City Produce Inc., continued to record a low contract rate level in the condominium market, except for a few properties in city centers, reflecting consumer unwillingness to purchase during deteriorating economic and employment conditions. Demand remained sluggish in the rental building market for corporate office space, and vacancy rates continued rising while rental rates trended downward. The steady sales flow from large condominium units in urban centers helped the urban development business post a year-on-year increase in net sales, but the overall severe business conditions resulted in a decline in operating profit for the year.

Chemicals

The coal-based chemical business of Nippon Steel Chemical Co., Ltd., which includes pitch coke used for the production of electrode carbon, struggled amid stagnant demand in the first half but posted improving results in the second half, particularly overseas. The chemical business recorded improving results in specific product markets and shipment volumes amid rising raw material prices. Demand recovered for electronic circuit board materials following the completion of inventory adjustments in the mobile phone industry and for display materials supported by ongoing brisk demand for flat-screen TVs. The chemicals business ultimately recorded a year-on-year increase in operating profit, despite a decline in net sales.

New Materials

Demand recovered faster than anticipated for Nippon Steel Materials Co., Ltd., and business conditions began improving in the second half of fiscal 2009. Demand recovered in the company's core semiconductors and electronic materials business segments for its existing metallic foil products and increased for the new coated copper wire and strand sheet products. While many of its core customers continued to restrain capital investment, the new materials business carried out aggressive cost-cutting, expanded sales of new products, and implemented other initiatives. Through these efforts, the business held sales roughly flat year on year and attained an operating profit for the year.

System Solutions

In the system solutions business, NS Solutions Corporation provides comprehensive solutions in planning, configuration, operation, and

maintenance of IT systems for a wide range of customers. The company provides leading-edge solutions services incorporating cloud computing\* to further enhance customer investment efficiency and responsiveness to changing business conditions. During the year, the system solutions business fortified its sales capabilities, improved its sales and administrative cost efficiency, and implemented other measures to enhance business competitiveness. Despite these efforts, net sales and operating profit declined year on year, which was primarily due to the constrained systems investment of its corporate clients reflecting the deteriorating business environments.

\* 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 ¥20.0 billion and ¥20.0 billion on June 9, 2009.

Assets, Liabilities, Net Assets and Cash Flows

Total consolidated assets at the end of fiscal 2009 were ¥5,002.3 billion, representing an increase of ¥131.6 billion, from ¥4,870.6 billion at the end of fiscal 2008. Inventories decreased ¥166.7 billion due to declining raw material prices, while investments and others increased ¥284.7 billion, which includes a rise in the unrealized gain on investment securities.

Total liabilities at the end of fiscal 2009 amounted to ¥2,666.7 billion, a decrease of ¥29.1 billion, from ¥2,695.8 billion at the end of fiscal 2008. While the increased unrealized gain on investment securities raised deferred tax liabilities by ¥48.5 billion, interest-bearing debt declined by ¥70.4 billion, from ¥1,454.2 billion at the end of the previous fiscal year to ¥1,383.7 billion at the end of fiscal 2009.

Net assets were ¥2,335.6 billion at the end of fiscal 2009, representing an increase of ¥160.8 billion from ¥2,174.8 billion at the end of fiscal 2008. Although the Company reported a net loss of ¥11.5 billion for the period under review and distributed a cash dividend of ¥1 per share (totaling ¥6.3 billion), net assets increased on rises of ¥135.6 billion in unrealized gains on available-for-sale securities and ¥58.3 billion in foreign currency translation adjustments. Shareholders' equity at the end of the fiscal year under review amounted to ¥1,844.3 billion, and the ratio of interest-bearing debt to shareholders' equity (the debt/equity ratio) was 0.75.

Cash flows from operating activities for the fiscal year under review amounted to an inflow of ¥437.6 billion. The principal factors influencing operating cash flows were inflows from income before income taxes and minority interests of ¥11.2 billion, depreciation and amortization of ¥284.0 billion, and a ¥178.6 billion

decline in inventories. The inflows were partially offset by outflows that included payment of ¥67.1 billion in income taxes.

Cash flows from investing activities amounted to an outflow of ¥412.8 billion, which was due primarily to ¥339.7 billion in capital investments. These cash flows resulted in a free cash inflow of ¥24.8 billion for the year ended March 31, 2010.

Cash flows from financing activities amounted to payments of ¥79.9 billion, largely due to a ¥70.0 billion outlay for redemption of commercial paper.

As a result of the above movements in cash flows, consolidated cash and cash equivalents at the end of the fiscal year 2009 amounted to ¥80.4 billion.



<b>Consolidated Balance Sheets</b>	
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Nippon Steel Corporation and Consolidated Subsidiaries  
As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and bank deposits (Notes 4, 14 and 20)	¥ 78,197	¥ 124,007	\$ 840,475
Marketable securities (Notes 14, 17 and 20)	12,723	13,038	136,754
Receivables:			
Notes and accounts receivable (Notes 4 and 20)	509,642	567,897	5,477,675
Less: Allowance for doubtful accounts	(4,161)	(5,442)	(44,724)
	505,481	562,455	5,432,950
Inventories (Note 5)	854,763	1,021,543	9,187,057
Deferred tax assets (Note 8)	108,971	91,532	1,171,235
Other (Note 4)	82,029	67,978	881,655
<b>Total current assets</b>	<b>1,642,168</b>	<b>1,880,556</b>	<b>17,650,129</b>
<b>Fixed assets:</b>			
<b>Tangible fixed assets:</b>			
Buildings and structures (Note 4)	1,636,557	1,566,226	17,589,826
Machinery and equipment (Note 4)	5,408,233	5,203,212	58,128,042
Lease assets	19,674	19,097	211,461
	7,064,464	6,788,536	75,929,329
Less: Accumulated depreciation	(5,607,207)	(5,392,755)	(60,266,627)
	1,457,257	1,395,780	15,662,701
Land (Notes 4 and 7)	321,670	330,784	3,457,336
Construction in progress	99,423	93,265	1,068,608
	1,878,351	1,819,830	20,188,647
<b>Intangible fixed assets:</b>			
Patents and utility rights	14,257	12,133	153,240
Software	6,631	1,504	71,276
Goodwill	25,161	5,946	270,434
Lease assets	819	464	8,810
	46,870	20,050	503,762
<b>Investments and others:</b>			
Investments in securities (Notes 4, 6, 17 and 20)	1,272,033	957,392	13,671,897
Deferred tax assets (Note 8)	30,210	52,731	324,702
Other (Notes 4 and 6)	137,098	145,668	1,473,542
Less: Allowance for doubtful accounts	(4,353)	(5,549)	(46,793)
	1,434,988	1,150,243	15,423,349
<b>Total fixed assets</b>	<b>3,360,210</b>	<b>2,990,124</b>	<b>36,115,759</b>
<b>Total assets</b>	<b>¥5,002,378</b>	<b>¥4,870,680</b>	<b>\$53,765,889</b>

The accompanying notes are integral parts of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Short-term loans and portion of long-term loans due within one year (Notes 4 and 20)	¥ 304,743	¥ 342,545	\$ 3,275,399
Commercial paper (Notes 4 and 20)	78,000	148,000	838,349
Bonds due within one year (Notes 4 and 20)	—	43,250	—
Notes and accounts payable (Note 20)	601,776	604,442	6,467,930
Accrued expenses (Note 20)	239,583	236,604	2,575,056
Advances received	20,384	33,101	219,093
Current portion of lease obligations (Note 4)	3,019	3,019	32,448
Accrued income taxes and enterprise taxes	23,308	43,473	250,526
Allowance for losses on construction contracts	3,522	4,666	37,857
Other	95,749	67,252	1,029,127
<b>Total current liabilities</b>	<b>1,370,087</b>	<b>1,526,354</b>	<b>14,725,788</b>
<b>Long-term liabilities:</b>			
Bonds and notes (Notes 4 and 20)	364,958	324,967	3,922,601
Long-term loans (Notes 4 and 20)	626,910	585,446	6,738,075
Lease obligations (excluding current portion) (Note 4)	6,132	6,966	65,914
Deferred tax liabilities (Note 8)	74,861	26,295	804,618
Deferred tax liabilities on revaluation of land (Notes 7 and 8)	9,043	9,154	97,196
Accrued pension and severance costs (Note 18)	141,995	136,380	1,526,171
Reserve for repairs to blast furnaces	28,772	37,013	309,244
Allowance for retirement benefits of directors and corporate auditors	4,603	4,400	49,479
Other	39,336	38,891	422,792
<b>Total long-term liabilities</b>	<b>1,296,614</b>	<b>1,169,517</b>	<b>13,936,095</b>
<b>Total liabilities</b>	<b>2,666,701</b>	<b>2,695,871</b>	<b>28,661,884</b>
Commitments and contingent liabilities (Note 15)			
<b>NET ASSETS</b> (Note 13)			
<b>SHAREHOLDERS' EQUITY</b>			
<b>Common stock:</b>			
Authorized—9,917,077,000 shares			
Issued—6,806,980,977 shares as of March 31, 2010 and 2009	419,524	419,524	4,509,081
<b>Capital surplus</b>	<b>114,345</b>	<b>114,333</b>	<b>1,228,997</b>
<b>Retained earnings</b>	<b>1,441,248</b>	<b>1,458,622</b>	<b>15,490,635</b>
<b>Less: Treasury stock, at cost*</b>	<b>(262,004)</b>	<b>(262,152)</b>	<b>(2,816,045)</b>
<b>VALUATION AND TRANSLATION ADJUSTMENTS</b>			
<b>Unrealized gains on available-for-sale securities</b> (Note 17)	<b>158,364</b>	<b>22,665</b>	<b>1,702,113</b>
<b>Deferred hedge income (loss)</b>	<b>(1,846)</b>	<b>(1,149)</b>	<b>(19,844)</b>
<b>Unrealized gains on revaluation of land</b> (Note 7)	<b>10,759</b>	<b>11,187</b>	<b>115,641</b>
<b>Foreign currency translation adjustments</b>	<b>(36,010)</b>	<b>(94,348)</b>	<b>(387,040)</b>
<b>MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES</b>	<b>491,294</b>	<b>506,126</b>	<b>5,280,465</b>
<b>Total net assets</b>	<b>2,335,676</b>	<b>2,174,809</b>	<b>25,104,005</b>
<b>Total liabilities and net assets</b>	<b>¥5,002,378</b>	<b>¥4,870,680</b>	<b>\$53,765,889</b>

\*516,191,637 shares at March 31, 2010.  
516,602,427 shares at March 31, 2009.

Consolidated Statements of Operations	
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Nippon Steel Corporation and Consolidated Subsidiaries  
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2010	2009	2008	2010
Net sales	¥3,487,714	¥4,769,821	¥4,826,974	\$37,486,181
Cost of sales (Notes 9 and 11)	3,156,497	4,105,778	3,952,976	33,926,240
Gross margin	331,216	664,042	873,997	3,559,941
Selling, general and administrative expenses (Notes 9, 10 and 11)	299,211	321,112	328,417	3,215,939
Operating profit	32,005	342,930	545,580	344,001
Non-operating profit:				
Interest and dividend income	16,656	25,085	24,555	179,028
Equity in net income of unconsolidated subsidiaries and affiliates	34,756	58,876	52,507	373,562
Other	26,170	24,090	27,456	281,287
	77,583	108,051	104,519	833,877
Non-operating loss:				
Interest expense	19,803	19,813	17,773	212,852
Exchange loss on foreign currency transactions	—	17,109	17,503	—
Loss on disposal of fixed assets	24,039	20,737	15,550	258,382
Other	53,912	57,181	35,153	579,452
	97,755	114,842	85,980	1,050,687
Ordinary profit	11,833	336,140	564,119	127,192
Special profit:				
Gain on sales of tangible fixed assets (Note 12)	5,809	13,342	41,366	62,435
Gain on sales of investments in securities and investments in subsidiaries and affiliates	—	13,342	41,366	—
	5,809	—	—	62,435
Special loss:				
Loss on valuation of investments in securities	—	68,402	—	—
Penalty	6,400	—	—	68,787
Income before income taxes and minority interest	11,242	281,079	605,485	120,840
Income taxes—current (Note 8)	52,440	145,113	201,330	563,629
Income taxes—deferred (Note 8)	(36,396)	(31,753)	22,164	(391,189)
Minority interest in net income of consolidated subsidiaries	6,728	12,641	27,001	72,320
Net income (loss)	¥ (11,529)	¥ 155,077	¥ 354,989	\$ (123,919)

Per share (stated in yen and in U.S. dollars):

Net income (loss) (Note 22)	¥ (1.83)	¥ 24.60	¥ 56.33	\$ (0.01)
Cash dividends applicable to the year (Note 13)	¥ 1.50	¥ 6.00	¥ 11.00	\$ 0.01

Weighted average number of shares outstanding (in thousands)	6,290,728	6,291,897	6,301,252
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The accompanying notes are integral parts of these statements.

Consolidated Statements of Changes in Net Assets (Note 13)	
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Nippon Steel Corporation and Consolidated Subsidiaries  
Years ended March 31, 2010, 2009 and 2008

	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, 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
Cash dividends	—	—	—	(6,303)	—	—	—	—	—	—	(6,303)
Net loss	—	—	—	(11,529)	—	—	—	—	—	—	(11,529)
Acquisition of treasury stock	—	—	—	—	(56)	—	—	—	—	—	(56)
Disposal of treasury stock	—	—	12	—	51	—	—	—	—	—	63
Decrease due to the change in the number of consolidated companies	—	—	—	116	153	—	—	—	—	—	270
Increase due to reversal of unrealized gains on revaluation of land	—	—	—	341	—	—	—	—	—	—	341
Other change for fiscal year 2009 (net)	—	—	—	—	—	135,699	(696)	(428)	58,338	(14,832)	178,081
Total change for this fiscal year 2009	—	—	12	(17,373)	147	135,699	(696)	(428)	58,338	(14,832)	160,867
Balance at March 31, 2010	6,806,980	¥419,524	¥114,345	¥1,441,248	¥(262,004)	¥ 158,364	¥(1,846)	¥10,759	¥ (36,010)	¥491,294	¥2,335,676

	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, 2009	6,806,980	\$4,509,081	\$1,228,865	\$15,677,370	\$(2,817,636)	\$ 243,609	\$(12,359)	\$120,243	\$(1,014,066)	\$5,439,882	\$23,374,990
Cash dividends	—	—	—	(67,746)	—	—	—	—	—	—	(67,746)
Net loss	—	—	—	(123,919)	—	—	—	—	—	—	(123,919)
Acquisition of treasury stock	—	—	—	—	(609)	—	—	—	—	—	(609)
Disposal of treasury stock	—	—	132	—	551	—	—	—	—	—	683
Decrease due to the change in the number of consolidated companies	—	—	—	1,257	1,649	—	—	—	—	—	2,906
Increase due to reversal of unrealized gains on revaluation of land	—	—	—	3,674	—	—	—	—	—	—	3,674
Other change for fiscal year 2009 (net)	—	—	—	—	—	1,458,504	(7,485)	(4,601)	627,026	(159,416)	1,914,027
Total change for this fiscal year 2009	—	—	132	(186,735)	1,590	1,458,504	(7,485)	(4,601)	627,026	(159,416)	1,729,014
Balance at March 31, 2010	6,806,980	\$4,509,081	\$1,228,997	\$15,490,635	\$(2,816,045)	\$1,702,113	\$(19,844)	\$115,641	\$ (387,040)	\$5,280,465	\$25,104,005

The accompanying notes are integral parts of these statements.



Consolidated Statements of Cash Flows	
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Nippon Steel Corporation and Consolidated Subsidiaries  
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2010	2009	2008	2010
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests	¥ 11,242	¥281,079	¥605,485	\$ 120,840
Adjustmnts to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	284,092	273,744	244,038	3,053,447
Interest and dividend income (accrual basis)	(16,656)	(25,085)	(24,555)	(179,028)
Interest expense (accrual basis)	19,803	19,813	17,773	212,852
Exchange loss (gain) on foreign currency transactions	8,348	3,487	10,111	89,732
Amortization of goodwill	3,631	1,103	3,007	39,036
Equity in net (income) loss of unconsolidated subsidiaries and affiliates	(34,756)	(58,876)	(52,507)	(373,562)
Loss on valuation of investments in securities	—	68,402	—	—
Loss (gain) on sales of investments in securities	(1,046)	(3,368)	114	(11,251)
Loss on disposal of tangible and intangible fixed assets	9,013	11,781	8,070	96,878
Gain on sales of tangible and intangible fixed assets	(5,809)	(13,342)	(41,366)	(62,435)
Changes in allowance for doubtful accounts	(2,275)	(1,850)	(5,283)	(24,457)
Changes in operating assets and liabilities:				
Changes in notes and accounts receivable	27,319	37,598	63,953	293,627
Changes in inventories	178,618	(171,535)	(80,119)	1,919,808
Changes in notes and accounts payable	(10,414)	(127,389)	43,008	(111,937)
Other	35,541	17,818	(53,836)	382,001
Interest and dividend income (cash basis)	18,101	39,330	34,520	194,560
Interest expense (cash basis)	(19,911)	(19,511)	(17,435)	(214,007)
Income taxes (cash basis)	(67,176)	(205,660)	(229,203)	(722,013)
<b>Net cash provided by operating activities</b>	<b>437,668</b>	<b>127,540</b>	<b>525,777</b>	<b>4,704,089</b>
<b>Cash flows from investing activities:</b>				
Acquisition of investments in securities	(88,048)	(70,853)	(182,835)	(946,352)
Proceeds from sales of investments in securities	17,662	39,664	8,295	189,832
Acquisition of cash owned by new subsidiaries, net of payment for purchase of subsidiaries' shares	(2,366)	(2,666)	(12,718)	(25,434)
Proceeds from sale of subsidiaries' shares, net of cash owned by those subsidiaries	—	—	(1,336)	—
Acquisition of tangible and intangible fixed assets	(339,773)	(295,584)	(297,890)	(3,651,910)
Proceeds from sales of tangible and intangible fixed assets	11,877	16,761	58,444	127,661
Payment for loans	(16,817)	(1,355)	(9,008)	(180,752)
Proceeds from collections of loans	5,155	6,136	5,412	55,407
Other	(516)	1,293	(6,483)	(5,547)
<b>Net cash used in investing activities</b>	<b>(412,827)</b>	<b>(306,603)</b>	<b>(438,121)</b>	<b>(4,437,095)</b>
<b>Cash flows from financing activities:</b>				
Net increase (decrease) in short-term loans	(67,063)	95,229	(28,492)	(720,799)
Net increase (decrease) in commercial paper	(70,000)	13,000	(28,000)	(752,364)
Proceeds from long-term loans	125,087	185,119	181,550	1,344,448
Payments of long-term loans	(67,367)	(85,159)	(183,509)	(724,068)
Proceeds from issuance of bonds and notes	39,861	144,448	79,707	428,430
Redemption of bonds and notes	(43,266)	(95,324)	(43,074)	(465,025)
Payments for purchase of treasury stock	(179)	(178)	(93,430)	(1,925)
Cash dividends	(6,303)	(69,335)	(69,966)	(67,746)
Cash dividends to minority shareholders	(9,756)	(10,305)	(9,872)	(104,862)
Proceeds from issuance of common stock to minority shareholders	84	290	441	905
Other	18,917	(7,575)	(5,957)	203,323
<b>Net cash provided by (used in) financing activities</b>	<b>(79,985)</b>	<b>170,209</b>	<b>(200,604)</b>	<b>(859,686)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>7,246</b>	<b>(23,069)</b>	<b>(8,868)</b>	<b>77,884</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(47,897)</b>	<b>(31,923)</b>	<b>(121,817)</b>	<b>(514,808)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>128,390</b>	<b>160,313</b>	<b>282,766</b>	<b>1,379,950</b>
<b>Increase (decrease) from the change in the number of companies consolidated</b>	<b>(22)</b>	<b>—</b>	<b>(635)</b>	<b>(242)</b>
<b>Cash and cash equivalents at end of year (Note 14)</b>	<b>¥ 80,470</b>	<b>¥128,390</b>	<b>¥160,313</b>	<b>\$ 864,899</b>

The accompanying notes are integral parts of these statements.

Notes to Consolidated Financial Statements	
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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 263, 261 and 264 subsidiaries as of March 31, 2010, 2009 and 2008, respectively based on the criterion of exercise of control. The consolidated financial statements include the accounts of Nippon Steel Corporation and 255 of its subsidiaries (March 31 2009: 251 subsidiaries, March 31 2008: 254 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 principal subsidiaries and affiliates of Nippon Steel Corporation on pages 42-43 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 where NIPPON STEEL exercises control, 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.

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 8 unconsolidated subsidiaries (March 31 2009: 10 unconsolidated subsidiaries, March 31 2008: 10 unconsolidated subsidiaries) and 136 affiliates (March 31 2009: 135 affiliates, March 31 2008: 138 affiliates), the equity method has been applied to the investments in 73 significant affiliates (March 31 2009: 73 affiliates, March 31 2008: 72 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 Nippon Steel Corporation 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 higher, the gross margin was ¥10,010 million higher, operating profit was ¥8,666 million higher, and ordinary profit and income before income taxes and minority interests were both ¥26,292 million higher than they would have been prior to the change.

The effects on Segment Information are described in Note 16.

**(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 lower and ordinary profit and income before income taxes and minority interests were both ¥57,500 million lower than they would have been prior to the change.

The effects on Segment Information are described in Note 16.

**(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 and decreases in the gross margin of ¥11,163 million, operating profit of ¥11,192 million, and ordinary profit and income before income taxes and minority interests of ¥11,802 million.

The effects on Segment Information are described in Note 16.

**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 16.

**(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 16.

**(7) Intangible fixed assets**

Amortization of intangible fixed assets is calculated using the straight-line method.

Software products for internal use are amortized mainly over the estimated useful lives of five 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 for the year ended March 31,2008.

**(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**

Regarding projects for which the outcome of the portion completed is deemed certain, NIPPON STEEL has applied the percentage-of-completion method (estimating the project progress percentage based on the percentage of the cost incurred to the estimated total cost). The completion-of-contract method is applied to other projects.

**Change to Summary of Significant Accounting Policies**

**(Year ended March 31, 2010)**

NIPPON STEEL previously adopted 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 was applied to all small or short-term contracts.

Revenues on construction contracts accounted for using the percentage-of-completion method totaled ¥187,248 million and ¥183,614 million for the years ended March 31, 2009 and 2008, respectively.

Effective from the year ended March 31, 2010, the Accounting Standard for Construction Contracts (ASBJ Statement No. 15) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18) have been applied and the percentage-of-completion method (estimating the project progress percentage based on the percentage of the cost incurred to the estimated total cost) has been applied for construction contracts begun during the year for which the outcome of the portion completed is deemed certain, while the completion-of-contract method has been applied to other projects.

As a result of this change, in the year ended March 31, 2010, net sales was ¥12,592 million (\$135,339 thousand) higher, the gross margin and operating profit were both ¥1,740 million (\$18,706 thousand) higher, and ordinary profit and income before income taxes and minority interests were both ¥1,818 million (\$19,542 thousand) higher than they would have been prior to the change.

The effects on Segment Information are described in Note 16.

**(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 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 (mainly 10 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 (mainly 10 years), starting from the year following that in which they occur.



Change to Summary of Significant Accounting Policies

(Year ended March 31, 2010)

Effective from the year ended March 31, 2010, Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19) has been applied.

Actuarial differences are amortized starting from the year following that in which they occur, and therefore, this change did not have an effect on gross margin, operating profit, ordinary profit, or income before income taxes and minority interests. In addition, the outstanding balance of the difference in projected benefit obligations arising due to the application of this accounting standard is not material.

(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 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.

Changes to presentation (Year ended March 31, 2010)

(Consolidated statements of operations)

As the “Exchange loss on foreign currency transactions” represented less than 10% of the non-operating loss (¥4,459 million), it has been included in “Other” in non-operating loss for the year ended March 31, 2010.

Changes to presentation (Year ended March 31, 2008)

(Consolidated statements of operations)

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.

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 ¥93.04=U.S.\$1, the effective exchange rate prevailing at the latest balance sheet date of March 31, 2010. 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, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
<b>Bonds and Notes:</b>			
<i>Nippon Steel Corporation</i>			
3.3% SB due March 2017	¥ 10,000	¥ 10,000	\$ 107,480
3.175% SB due September 2017	10,000	10,000	107,480
2.55% SB due December 2009	—	10,000	—
0.80% SB due November 2009	—	10,000	—
1.36% SB due November 2012	10,000	10,000	107,480
1.18% SB due February 2013	15,000	15,000	161,220
0.80% SB due June 2013	20,000	20,000	214,961
0.78% SB due June 2009	—	20,000	—
1.67% SB due March 2014	15,000	15,000	161,220
1.77% SB due September 2017	29,993	29,992	322,366
1.18% SB due December 2013	19,997	19,996	214,929
1.66% SB due December 2017	29,997	29,997	322,409
1.55% SB due March 2014	29,987	29,984	322,302
1.92% SB due March 2018	29,982	29,980	322,248
1.714% SB due June 2018	30,000	30,000	322,441
2.491% SB due June 2028	10,000	10,000	107,480
1.214% SB due December 2012	30,000	30,000	322,441
1.891% SB due September 2018	15,000	15,000	161,220
1.163% SB due June 2014	20,000	—	214,961
1.942% SB due June 2019	20,000	—	214,961
Floating rate PN with call option due April 2023*1,4	5,000	5,000	53,740
Floating rate SB with call option due June 2015*2,5	15,000	15,000	161,220
Mandatorily acquirable interest-bearing deeply subordinated CB due January 2012*6	300,000	300,000	3,224,419
<i>Nippon Steel City Produce, Inc.</i>			
Floating rate SB without call option due March 2010*3	—	3,250	—
<i>Subsidiaries’ ordinary bonds</i>	—	16	—
Subtotal	664,958	668,217	7,147,012
Elimination of intra-group transaction	(300,000)	(300,000)	(3,224,419)
Total	¥364,958	¥368,217	\$3,922,601
(Less: portion due within one year)	—	(43,250)	—

(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
	2010	2009	2010
Loans:			
Short-term loans	¥ 225,690	*3 ¥ 281,321	\$ 2,425,737
Loans principally from banks and insurance companies due 2011-2029 for 2010 (2010-2029 for 2009)*1	705,963	*4 646,670	7,587,737
Lease obligations due 2011-2027 for 2010 (2010-2040 for 2009)*2	9,151	9,985	98,362
Commercial paper	78,000	*5 148,000	838,349
	¥1,018,805	¥1,085,976	\$10,950,186

\*1 Including a portion due within one year of ¥79,052 million (\$849,661 thousand) for 2010 and ¥61,224 million for 2009.

\*2 Including a portion due within one year of ¥3,019 million (\$32,448 thousand) for 2010 and ¥3,019 million for 2009.

\*3 Average interest-rate at March 31, 2010 is 0.9 %.

\*4 Average interest-rate at March 31, 2010 is 1.5 %.

\*5 Average interest-rate at March 31, 2010 is 0.1 %.

The aggregate annual maturities of long-term debt as of March 31, 2010 were as follows:

	Millions of yen				
Years ending March 31	2011	2012	2013	2014	2015
Bonds and notes and convertible bonds	¥ —	¥300,000	¥ 55,000	¥ 85,000	¥20,000
Loans	79,052	115,976	110,447	127,999	72,660
Lease obligations	3,019	2,344	1,694	804	349
Total	¥82,071	¥418,320	¥167,141	¥213,803	¥93,009

	Thousands of U.S. dollars				
	2011	2012	2013	2014	2015
Bonds and notes and convertible bonds	\$ —	\$3,224,419	\$ 591,143	\$ 913,585	\$214,961
Loans	849,661	1,246,523	1,187,101	1,375,745	780,960
Lease obligations	32,448	25,200	18,212	8,642	3,756
Total	\$882,110	\$4,496,143	\$1,796,456	\$2,297,974	\$999,678

\*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 ¥36,219 million (\$389,292 thousand ) at March 31, 2010 and ¥24,178 million at March 31, 2009. These are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
(Factory foundation)			
Buildings and structures	¥ 1,362	¥ 993	\$ 14,645
Machinery and equipment	5,906	5,868	63,486
Land	4,984	3,676	53,578
	¥12,254	¥10,539	\$131,709
(Pledged assets)			
Cash and bank deposits	¥ 844	¥ 265	\$ 9,075
Notes and accounts receivable	1,867	28	20,075
Inventories	2,021	—	21,732
Current assets other	3,771	4,125	40,531
Buildings and structures	1,655	8,892	17,798
Machinery and equipment	282	2,695	3,035
Land	3,714	4,159	39,924
Other	21,310	9,075	229,042
	¥35,468	¥29,244	\$381,215

In addition, out of the above secured liabilities, ¥240 million (\$2,589 thousand) of long-term advances (credit), etc. are pledged as collateral against ¥837 million (\$9,000 thousand) of loans of consolidated subsidiaries and ¥1,289 million (\$13,857 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
	2010	2009	2010
Finished and half-finished products	¥398,269	¥454,841	\$4,280,626
Work in process	42,438	65,576	456,129
Raw materials and supplies	414,056	501,125	4,450,301

6. Unconsolidated Subsidiaries and Affiliates

Items relevant to unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Investments in securities	¥486,816	¥403,395	\$5,232,337
Other investments	652	628	7,013

7. Revaluation of Land

(Year ended March 31, 2010)

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, 2010 was ¥2,050 million (\$22,039 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, 2010 was ¥16,856 million (\$181,176 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, 2010 was ¥6,268 million (\$67,371 thousand).

**(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.

(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.

(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.

**8.  
Deferred Tax Accounting**

(1) The components of deferred tax assets and liabilities at March 31, 2010, 2009 and 2008, are as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
<b>Deferred tax assets</b>				
Reserve for accrued bonuses	<b>¥ 18,950</b>	¥ 22,295	¥ 24,356	<b>\$ 203,686</b>
Accrued pension and severance costs	<b>41,117</b>	32,764	16,700	<b>441,933</b>
Reserve for repairs to blast furnaces	<b>11,406</b>	14,838	15,674	<b>122,596</b>
Loss on revaluation of inventories	—	24,453	—	—
Loss on impairment of fixed assets	<b>8,760</b>	6,031	10,970	<b>94,163</b>
Business tax payable	—	3,480	7,729	—
Depreciation in excess of limit	<b>40,778</b>	40,417	35,655	<b>438,285</b>
Tax losses carried forward	<b>80,215</b>	15,027	9,298	<b>862,159</b>
Unrealized gain on tangible fixed assets	<b>48,841</b>	49,619	45,897	<b>524,953</b>
Other	<b>55,503</b>	49,496	44,954	<b>596,560</b>
Subtotal	<b>305,574</b>	258,425	211,237	<b>3,284,338</b>
Valuation allowance	<b>(49,291)</b>	(33,538)	(16,024)	<b>(529,786)</b>
Total	<b>256,283</b>	224,886	195,212	<b>2,754,551</b>
<b>Deferred tax liabilities</b>				
Special tax purpose reserve	<b>(82,617)</b>	(85,623)	(88,091)	<b>(887,976)</b>
Revaluation of available-for-sale securities	<b>(106,135)</b>	(16,586)	(156,031)	<b>(1,140,746)</b>
Net unrealized gain on assets and liabilities of consolidated subsidiaries	<b>(3,210)</b>	(4,710)	(4,592)	<b>(34,508)</b>
Total	<b>(191,963)</b>	(106,921)	(248,716)	<b>(2,063,231)</b>
Net deferred tax assets	<b>¥ 64,320</b>	¥117,965	¥ (53,503)	<b>\$ 691,319</b>

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

Year ended March 31	2010	2009* <sup>1</sup>	2008
Statutory tax rate	<b>40.4%</b>	—	<b>40.4%</b>
Equity in net income of unconsolidated subsidiaries and affiliates	<b>(124.9)</b>	—	<b>(3.5)</b>
Permanent non-deductible expenses	<b>23.3</b>	—	<b>0.5</b>
Permanent non-taxable income	<b>(8.4)</b>	—	<b>(1.0)</b>
Amortization of goodwill	<b>13.1</b>	—	-
Effect of foreign tax rate differences	<b>38.4</b>	—	-
Penalty	<b>23.0</b>	—	-
Valuation allowance	<b>140.3</b>	—	-
Other	<b>(2.5)</b>	—	<b>0.5</b>
Actual tax rate	<b>142.7%</b>	—	<b>36.9%</b>

\*<sup>1</sup> Since the difference between the statutory tax rate and the actual tax rate is not significant (less than 5% of the statutory 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, 2010, 2009 and 2008 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Provision for accrued pension and severance costs		
Cost of sales	<b>¥34,969</b>	<b>\$375,855</b>
Selling, general and administrative expenses	<b>9,076</b>	<b>97,552</b>
Provision for allowance for retirement benefits of directors		
Selling, general and administrative expenses	<b>1,429</b>	<b>15,368</b>
Provision for allowance for doubtful accounts		
Selling, general and administrative expenses	<b>843</b>	<b>9,067</b>
Provision for allowance for losses on construction contracts		
Cost of sales	<b>2,014</b>	<b>21,648</b>

	Millions of yen
	2009
Provision for accrued pension and severance costs	
Cost of sales	¥29,089
Selling, general and administrative expenses	8,281
Provision for allowance for retirement benefits of directors	
Selling, general and administrative expenses	1,468
Provision for allowance for doubtful accounts	
Selling, general and administrative expenses	1,187
Provision for allowance for losses on construction contracts	
Cost of sales	4,007
Provision for reserve for repairs to blast furnaces	
Cost of sales	2,405

	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 doubtful accounts	
Selling, general and administrative expenses	1,419
Provision for allowance for losses on construction contracts	
Selling, general and administrative expenses	197
Provision for reserve for repairs to blast furnaces	
Cost of sales	3,412

10.

Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Transportation and storage	¥ 69,934	¥ 86,746	¥ 95,164	\$ 751,665
Salaries	68,331	73,556	78,464	734,430
Depreciation and amortization	4,338	4,100	3,624	46,634
Research and development expenses	33,932	34,678	33,415	364,709
Amortization of goodwill	6,489	3,409	5,582	69,752
Other	116,183	118,621	112,165	1,248,747
	¥299,211	¥321,112	¥328,417	\$3,215,939

11.

Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2010, 2009 and 2008 are ¥46,824 million (\$503,273 thousand ) ,¥45,797 million, and ¥45,329 million respectively.

12.

Explanatory Notes on Special Profit and Loss

(Year ended March 31, 2010)

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, 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.

13.

Changes in Net Assets and Shareholders’ Equity

Notes on consolidated statements of changes in net assets for the years ended March 31, 2010, 2009 and 2008 are as follows:

(Year ended March 31, 2010)

(1) Information on issued shares

Kind of stock	Year ended March 31, 2009	Increase	Decrease	Year ended March 31, 2010
Common stock (Thousands)	6,806,980	—	—	6,806,980

(2) Information on treasury stock

Kind of stock	Year ended March 31, 2009	Increase	Decrease	Year ended March 31, 2010
Common stock (Thousands)	516,602	169	580	516,191

(Reason for increase or decrease treasury stock)

•Increase (Thousands)	
1. Odd lot stock purchases	153
2. Purchased by equity method affiliates	15
•Decrease (Thousands)	
1. Odd lot stock sold	32
2. Sold by subsidiaries and affiliates	548

(3) Information on acquisition rights

Bonds and notes	Kind of stock	Number of stocks issued when acquisition rights are exercised.			Balance for year ended March 31, 2010 (millions of yen)
		Year ended March 31, 2009	Increase	Decrease	Year ended March 31, 2010
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 24, 2009	Common stock	6,303	1	March 31, 2009	June 25, 2009

Dividends of which record date belong to the year ended March 31, 2010, the operative date is the year ended March 31, 2011 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, 2010	Common stock	Retained earnings	9,464	1.5	March 31, 2010	June 25, 2010

(Year ended March 31, 2009)

(1) Information on issued shares

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

(2) Information on treasury stock

Kind of stock	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock (Thousands)	514,447	2,539	414	516,602

(Reason for increase or decrease of 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			Balance for year ended March 31, 2009 (millions of yen)
		Year ended March 31, 2008	Increase	Decrease	Year ended March 31, 2009
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 of which record date belong to the year ended March 31, 2009, the operative date is the year ended March 31, 2010 are as follows:

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 24, 2009	Common stock	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			Balance for year ended March 31, 2008 (millions of yen)
		Year ended March 31, 2007	Increase	Decrease	
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 of which record date belong to the year ended March 31, 2008, the operative date is the year 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

14.

Notes on Consolidated Statements of Cash Flows

Cash and cash equivalents consists of:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Cash and bank deposits	¥78,197	¥124,007	¥159,455	\$840,475
Less: Time deposits with original maturity over 3 months	(2,247)	(4,609)	(2,950)	(24,157)
Securities due within 3 months	4,520	8,992	3,808	48,581
Cash and cash equivalents	¥80,470	¥128,390	¥160,313	\$864,899

15.

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

(1) Finance leases

(Year ended March 31, 2010)

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, 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.

(2) Operating leases (non-cancelable)

The amount of outstanding future lease payments due at March 31, 2010 and 2009, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Future lease payments			
Within one year	¥ 2,151	¥ 2,768	\$ 23,122
Over one year	10,973	9,433	117,940
	¥13,124	¥12,201	\$141,063

The amount of outstanding future lease income due at March 31, 2010 and 2009, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Future lease income			
Within one year	¥ 4,659	¥ 2,397	\$ 50,081
Over one year	50,592	27,233	543,771
	¥55,252	¥29,631	\$593,852

(3) Contingent liabilities

1) Guarantee liabilities

	Outstanding amounts		Substantial amounts	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2010	2010	2010	2010
Contingent liabilities for:				
Guarantee of loans				
UNIGAL Ltda.	¥2,060	\$22,144	¥2,060	\$22,144
Frontier Energy Niigata Co., Ltd	1,928	20,732	1,928	20,732
Other	2,334	25,086	1,834	19,719* <sup>1</sup>
	¥6,323	\$67,962	¥5,823	\$62,596

	Outstanding amounts		Substantial amounts is equal to outstanding amounts for the year ended.
	Millions of yen	Thousands of U.S. dollars	
	2010	2010	
Contingent liabilities for:			
Reserved guarantee of loans	¥1,022	\$10,986	

\*<sup>1</sup> These represent substantial amounts excluding that portion which is re-guaranteed by other parties.

	Outstanding amounts		Substantial amounts
	Millions of yen	Millions of yen	
	2009	2009	
Contingent liabilities for:			
Guarantee of loans			
Frontier Energy Niigata Co., Ltd	¥2,235	¥2,235	
Other	1,279	743	
	¥3,515	¥2,979	* <sup>1</sup>

	Outstanding amounts		Substantial amounts is equal to outstanding amounts for the year ended.
	Millions of yen		
	2009		
Contingent liabilities for:			
Reserved guarantee of loans	¥1,969		

\*<sup>1</sup> These represent substantial amounts excluding that portion which is re-guaranteed by other parties.

2) Notes and bills discounted and endorsed

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Notes and bills discounted	¥30	¥ 20	\$322
Notes and bills endorsed	59	133	644
	¥89	¥153	\$967

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

16.

Segment Information

The segment information of NIPPON STEEL for 2010, 2009 and 2008, 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 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	Steel segments, Steel Diaphragm Wall Method, METRODECK, H-beam bridges, gratings, Steel Deck Slab Bridge Using Square Tube, 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
Engineering and Construction	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
Urban Development	Iron- and steelmaking plants, industrial machinery and equipment, industrial furnaces	
	Resources recycling and environment restoration solutions, environmental plants, waterworks	
Chemicals	Energy facilities and plants, chemical plants, storage tanks, on-land and offshore pipelines laying works	
	Various energy-related solutions	
New Materials	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	
System Solutions	Urban development, condominiums/other real estate	
	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, SILPLUS	
	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	
	Computer systems engineering and consulting services	



	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
<b>Sales</b>				
Steelmaking and steel fabrication				
Customers	<b>¥2,783,807</b>	¥3,969,685	¥3,940,232	<b>\$29,920,540</b>
Intersegment	<b>39,386</b>	69,000	54,294	<b>423,326</b>
Total	<b>2,823,193</b>	4,038,685	3,994,526	<b>30,343,866</b>
Engineering and construction				
Customers	<b>278,210</b>	340,230	316,994	<b>2,990,229</b>
Intersegment	<b>53,694</b>	46,412	42,889	<b>577,112</b>
Total	<b>331,905</b>	386,643	359,884	<b>3,567,341</b>
Urban development				
Customers	<b>75,260</b>	65,781	88,482	<b>808,900</b>
Intersegment	<b>4,813</b>	4,371	5,357	<b>51,734</b>
Total	<b>80,073</b>	70,152	93,839	<b>860,635</b>
Chemicals				
Customers	<b>172,442</b>	205,420	267,695	<b>1,853,423</b>
Intersegment	<b>6,970</b>	6,751	21,333	<b>74,917</b>
Total	<b>179,412</b>	212,172	289,029	<b>1,928,341</b>
New materials				
Customers	<b>58,757</b>	59,627	75,635	<b>631,529</b>
Intersegment	<b>41</b>	279	521	<b>447</b>
Total	<b>58,799</b>	59,907	76,157	<b>631,976</b>
System solutions				
Customers	<b>119,236</b>	129,075	137,932	<b>1,281,558</b>
Intersegment	<b>32,998</b>	32,465	27,427	<b>354,673</b>
Total	<b>152,234</b>	161,541	165,360	<b>1,636,231</b>
Elimination of intersegment transactions	<b>(137,904)</b>	(159,281)	(151,823)	<b>(1,482,211)</b>
Consolidated total	<b>¥3,487,714</b>	¥4,769,821	¥4,826,974	<b>\$37,486,181</b>

#### Operating profit (loss)

Steelmaking and steel fabrication	<b>¥ (20,589)</b>	¥ 307,047	¥ 475,951	<b>\$ (221,296)</b>
Engineering and construction	<b>31,655</b>	24,674	21,496	<b>340,239</b>
Urban development	<b>2,937</b>	3,929	12,602	<b>31,569</b>
Chemicals	<b>10,431</b>	894	21,050	<b>112,121</b>
New materials	<b>444</b>	(2,397)	559	<b>4,780</b>
System solutions	<b>10,732</b>	11,479	14,756	<b>115,358</b>
Elimination of intersegment transactions	<b>(3,607)</b>	(2,696)	(835)	<b>(38,771)</b>
Consolidated total	<b>¥ 32,005</b>	¥ 342,930	¥ 545,580	<b>\$ 344,001</b>

#### Identifiable assets

Steelmaking and steel fabrication	<b>¥4,379,862</b>	¥4,183,826	¥4,504,623	<b>\$47,075,050</b>
Engineering and construction	<b>256,916</b>	298,053	296,913	<b>2,761,359</b>
Urban development	<b>191,985</b>	224,247	189,718	<b>2,063,470</b>
Chemicals	<b>147,021</b>	136,185	187,863	<b>1,580,199</b>
New materials	<b>36,668</b>	30,441	41,530	<b>394,115</b>
System solutions	<b>133,218</b>	128,082	121,289	<b>1,431,836</b>
Elimination of intersegment transactions	<b>(143,294)</b>	(130,155)	(148,440)	<b>(1,540,143)</b>
Consolidated total	<b>¥5,002,378</b>	¥4,870,680	¥5,193,498	<b>\$53,765,889</b>

#### Depreciation of identifiable assets

Steelmaking and steel fabrication	<b>¥ 270,394</b>	¥ 256,085	¥ 225,799	<b>\$ 2,906,214</b>
Engineering and construction	<b>2,964</b>	3,235	3,405	<b>31,860</b>
Urban development	<b>1,779</b>	2,279	2,337	<b>19,120</b>
Chemicals	<b>7,948</b>	9,192	9,729	<b>85,430</b>
New materials	<b>2,480</b>	2,848	2,090	<b>26,662</b>
System solutions	<b>2,166</b>	1,833	1,855	<b>23,287</b>
Elimination of intersegment transactions	<b>(3,640)</b>	(1,730)	(1,179)	<b>(39,128)</b>
Consolidated total	<b>¥ 284,092</b>	¥ 273,744	¥ 244,038	<b>\$ 3,053,447</b>

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
<b>Capital expenditure on identifiable assets</b>				
Steelmaking and steel fabrication	<b>¥ 319,470</b>	¥ 283,653	¥ 296,384	<b>\$ 3,433,686</b>
Engineering and construction	<b>7,690</b>	6,011	5,582	<b>82,659</b>
Urban development	<b>1,048</b>	8,512	296	<b>11,268</b>
Chemicals	<b>5,508</b>	8,470	5,535	<b>59,201</b>
New materials	<b>3,886</b>	1,649	6,126	<b>41,773</b>
System solutions	<b>3,797</b>	1,645	1,839	<b>40,812</b>
Elimination of intersegment transactions	<b>(12,044)</b>	(4,204)	(6,770)	<b>(129,456)</b>
Consolidated total	<b>¥ 329,356</b>	¥ 305,738	¥ 308,993	<b>\$ 3,539,945</b>

#### (Year ended March 31, 2010)

Effective from the year ended March 31, 2010, the Accounting Standard for Construction Contracts (ASBJ Statement No. 15) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18) have been applied and the percentage-of-completion method (estimating the project progress percentage based on the percentage of the cost incurred to the estimated total cost) has been applied for construction contracts begun during the year for which the outcome of the portion completed is deemed certain, while the completion-of-contract method has been applied to other projects. As a result of this change, net sales in the Engineering and Construction segment were ¥6,824 million (\$73,352 thousand) higher, and in the System Solutions segment were ¥864 million (\$9,290 thousand) higher. In addition, operating profit in the Engineering and Construction segment were ¥864 million (\$9,294 thousand) higher, and in the System Solutions segment were ¥120 million (\$1,291 thousand) higher than they would have been prior to the change. The change had minimal effect on the results in the other segments.

#### (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 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 higher, and operating profit was ¥8,495 million 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 higher and operating profit was ¥10,552 million 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.

(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
	2010	2009	2008	2010
Overseas sales	<b>¥1,104,510</b>	¥1,377,260	¥1,383,777	<b>\$11,871,346</b>
Consolidated net sales	<b>3,487,714</b>	4,769,821	4,826,974	<b>37,486,181</b>
Overseas sales as a proportion of consolidated net sales	<b>31.7%</b>	28.9%	28.7%	<b>31.7%</b>

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, 2010)

Information regarding marketable securities and investments in securities at March 31, 2010 is as follows:

(1) Held-to-maturity debt securities

	Millions of yen		
	2010		
	Carrying amount	Fair value	Differences
Held-to-maturity debt securities whose fair value is less than the carrying amount on the balance sheet:			
Corporate bonds	<b>¥ 7,294</b>	<b>¥ 7,294</b>	<b>¥—</b>
Negotiable certificates of deposit	<b>5,521</b>	<b>5,521</b>	<b>—</b>
Total	<b>¥12,815</b>	<b>¥12,815</b>	<b>¥—</b>

	Thousands of U.S. dollars		
	2010		
	Carrying amount	Fair value	Differences
Held-to-maturity debt securities whose fair value is less than the carrying amount on the balance sheet:			
Corporate bonds	<b>\$ 78,402</b>	<b>\$ 78,402</b>	<b>\$—</b>
Negotiable certificates of deposit	<b>59,343</b>	<b>59,343</b>	<b>—</b>
Total	<b>\$137,746</b>	<b>\$137,746</b>	<b>\$—</b>

(2) Available-for-sale securities

	Millions of yen		
	2010		
	Carrying amount	Cost	Differences
Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost:			
Corporate shares	<b>¥347,530</b>	<b>¥161,868</b>	<b>¥185,662</b>
Other	<b>191,457</b>	<b>80,107</b>	<b>111,350</b>
Subtotal	<b>¥538,988</b>	<b>¥241,975</b>	<b>¥297,012</b>

Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost:			
Corporate shares	<b>¥196,741</b>	<b>¥228,821</b>	<b>¥(32,079)</b>
Bonds	<b>394</b>	<b>396</b>	<b>(1)</b>
Other	<b>259</b>	<b>422</b>	<b>(162)</b>
Subtotal	<b>¥197,395</b>	<b>¥229,639</b>	<b>¥(32,243)</b>
Total	<b>¥736,384</b>	<b>¥471,615</b>	<b>¥264,769</b>

	Thousands of U.S. dollars		
	2010		
	Carrying amount	Cost	Differences
Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost:			
Corporate shares	<b>\$3,735,282</b>	<b>\$1,739,770</b>	<b>\$1,995,512</b>
Other	<b>2,057,801</b>	<b>860,999</b>	<b>1,196,802</b>
Subtotal	<b>\$5,793,084</b>	<b>\$2,600,769</b>	<b>\$3,192,315</b>

Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost:			
Corporate shares	<b>\$2,114,594</b>	<b>\$2,459,385</b>	<b>\$(344,791)</b>
Bonds	<b>4,239</b>	<b>4,257</b>	<b>(17)</b>
Other	<b>2,790</b>	<b>4,542</b>	<b>(1,751)</b>
Subtotal	<b>2,121,624</b>	<b>2,468,185</b>	<b>(346,560)</b>
Total	<b>\$7,914,709</b>	<b>\$5,068,954</b>	<b>\$2,845,754</b>

(3) Available-for-sale securities sold in the year ended March 31, 2010

	Millions of yen		
	2010		
	Amount of sales	Gain on sales	Loss on sales
Corporate shares	<b>¥10,995</b>	<b>¥307</b>	<b>¥(53)</b>
Other	<b>208</b>	<b>11</b>	<b>(95)</b>
Total	<b>¥11,204</b>	<b>¥318</b>	<b>¥(148)</b>

	Thousands of U.S. dollars		
	2010		
	Amount of sales	Gain on sales	Loss on sales
Corporate shares	<b>\$118,183</b>	<b>\$3,300</b>	<b>\$(574)</b>
Other	<b>2,243</b>	<b>124</b>	<b>(1,026)</b>
Total	<b>\$120,426</b>	<b>\$3,424</b>	<b>\$(1,600)</b>

(4) 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 ¥2,330 million (\$25,045 thousand) at March 31, 2010.

(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	Differences
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

**(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)

**(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

**(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

**(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 at March 31, 2009.

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, 2010, 2009 and 2008 are analyzed as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Projected benefit obligations	¥(523,556)	¥(545,858)	¥(554,578)	<b>\$ (5,627,224)</b>
Plan assets	<b>382,397</b>	361,145	481,174	<b>4,110,029</b>
Accrued pension and severance costs	<b>141,995</b>	136,380	125,536	<b>1,526,171</b>
Prepaid pension cost	<b>(74,262)</b>	(94,218)	(103,770)	<b>(798,175)</b>
Balance	<b>(73,426)</b>	(142,550)	(51,637)	<b>(789,188)</b>
Consisting of:				
Unrecognized actuarial differences	<b>(74,864)</b>	(146,153)	(66,920)	<b>(804,653)</b>
Unrecognized balance of prior service costs* <sup>1</sup>	<b>1,438</b>	3,603	15,283	<b>15,464</b>
	<b>¥ (73,426)</b>	¥(142,550)	¥ (51,637)	<b>\$ (789,188)</b>

\*<sup>1</sup> 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.

\*<sup>2</sup> 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, 2010, 2009 and 2008 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Service costs* <sup>2,4</sup>	<b>¥17,767</b>	¥17,683	¥17,678	<b>\$190,971</b>
Interest costs	<b>11,103</b>	11,484	11,718	<b>119,337</b>
Expected return on plan assets	<b>(5,937)</b>	(7,789)	(9,293)	<b>(63,820)</b>
Amortization of actuarial differences	<b>23,380</b>	18,258	8,299	<b>251,297</b>
Amortization of prior service costs* <sup>3</sup>	<b>(2,109)</b>	(2,107)	(3,003)	<b>(22,671)</b>
Net pension expense	<b>44,204</b>	37,529	25,398	<b>475,113</b>
Other* <sup>5</sup>	<b>516</b>	578	525	<b>5,554</b>
	<b>¥44,721</b>	¥38,107	¥25,924	<b>\$480,667</b>

\*<sup>1</sup> In addition to the net pension expense above, special benefits for early retirement of ¥2,057 million (\$ 22,108 thousand), ¥4,255 million and ¥9,141 million were paid for the year ended March 31, 2010, 2009 and 2008, respectively.

\*<sup>2</sup> This amount excludes contributions to welfare pension plans made by employees.

\*<sup>3</sup> This amount represents amortization of prior service costs.

\*<sup>4</sup> All pension expenses of consolidated subsidiaries, for which the simplified method is applied, are included in "service costs".

\*<sup>5</sup> This amount represents payments for defined contribution pension plans.

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

	2010	2009	2008
Method of attributing the projected benefits to periods of service	<b>Mainly straight-line basis</b>	Mainly straight-line basis	Mainly straight-line basis
Discount rate	<b>Mainly 2.1%</b>	Mainly 2.1 %	Mainly 2.1 %
Expected rate of return on plan assets	<b>Mainly 2.1%</b>	Mainly 2.1 %	Mainly 2.1 %
Amortization of unrecognized prior service costs* <sup>1</sup>	<b>Mainly 10 years</b>	Mainly 10 years	Mainly 10 years
Amortization of unrecognized actuarial differences* <sup>2</sup>	<b>Mainly 10 years</b>	Mainly 10 years	Mainly 10 years

\*<sup>1</sup> Amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service.

\*<sup>2</sup> 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.

19.

**Information on Derivatives**

(Year ended March 31, 2010)

**1. Derivatives not subject to hedge accounting**

None applicable

2. Derivatives subject to hedge accounting

The contract amounts or the notional amounts as of the balance sheet date are shown below by type of hedge accounting method.

(Millions of yen)						
Hedge accounting method	Type of derivative	Principal hedged items	Contract amounts	Over one year	Fair value	Method for computing fair value
Deferred hedging accounting method	Interest rate swaps Interest rate pay floating receive fixed	Bonds and future transactions	15,655	14,383	(113)	Based on prices provided by financial institutions
Deferred hedging accounting method	Foreign exchange forward contracts Buying U.S. dollars	Accounts payable	139,414	29,687	687	Based on foreign exchange forward quotes
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay fixed receive floating	Long-term loans	188,003	178,433	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive fixed	Bonds and long-term loans	62,970	61,320	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive floating	Long-term loans	8,000	3,000	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Selling U.S. dollars Other	Accounts receivable	3,749 1,513	41 —	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable	3,732 2,591	212 261	*	
Total			425,632	287,340	573	

(Thousands of U.S. dollars)						
Hedge accounting method	Type of derivative	Principal hedged items	Contract amounts	Over one year	Fair value	Method for computing fair value
Deferred hedging accounting method	Interest rate swaps Interest rate pay floating receive fixed	Bonds and future transactions	168,268	154,591	(1,218)	Based on prices provided by financial institutions
Deferred hedging accounting method	Foreign exchange forward contracts Buying U.S. dollars	Accounts payable	1,498,440	319,087	7,387	Based on foreign exchange forward quotes
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay fixed receive floating	Long-term loans	2,020,678	1,917,811	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive fixed	Bonds and long-term loans	676,814	659,077	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive floating	Long-term loans	85,984	32,244	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Selling U.S. dollars Other	Accounts receivable	40,301 16,262	448 —	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable	40,117 27,856	2,285 2,810	*	
Total			4,574,724	3,088,356	6,169	

\* Since interest rate swaps subject to the exceptional method are handled together with bonds and long-term loans that are subject to hedging, their fair value is presented within the fair value of such bonds and long-term loans. In addition, foreign exchange forward contracts are treated by the assigning method and handled together with accounts receivable and accounts payable. Therefore, their fair value is included within the fair value of accounts receivable and accounts payable.

(Year ended March 31, 2009)

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.

Financial Instruments

(Additional information)

Effective from the year ended March 31, 2010, “Accounting Standard for Financial Instruments”(ASBJ Statement No.10) and the “Guidance on Disclosures about Fair Value of Financial Instruments”(ASBJ Guidance No.19) have been applied.

1. Current Status of Financial Instruments

(1) Policy regarding financial instruments

Nippon Steel Corporation considers its business plan as it undertakes the procurement of necessary funds (mainly through the arrangement of short-term borrowings and the issuance of commercial paper and bonds), and its fund procurement methods are chosen based on consideration of the short- or long-term nature of funding requirements and other special characteristics of funding requirements. Surplus fund management is restricted to management methods that emphasize safety and capabilities for conversion into cash when necessary. In addition, in cases when Nippon Steel Corporation undertakes transactions in derivatives, such transactions are limited to transactions (including future transactions) undertaken as a part of business activities (for the purpose of hedging risks associated with hedged items actually executed in the course of Nippon Steel Corporation’s business activities), and Nippon Steel Corporation has a policy of not engaging in derivatives transactions for trading purposes (transactions with the purpose of obtaining profit through the trading of derivatives themselves.)

(2) Types of financial instruments and related risk

Nippon Steel Corporation is exposed to credit risk arising from trade receivables such as notes and accounts receivable, but Nippon Steel Corporation limits its transactions to principal borrowers and principal suppliers with respect to which it can offset receivables against borrowings and trade payables and to companies with high credit ratings, and Nippon Steel Corporation, therefore, judges that it is exposed to almost no contractual default credit risk. In addition, accompanying Nippon Steel Corporation’s exports of products, Nippon Steel Corporation is exposed to foreign currency exchange risk associated with receivables denominated in foreign currencies. Nippon Steel Corporation holds marketable and investment securities, mainly stocks of customers and other business collaborators, and Nippon Steel Corporation is exposed to market price risk owing to these stockholdings. In addition, Nippon Steel Corporation extends long-term loans to its affiliates.

Nippon Steel Corporation incurs trade payables such as notes and accounts payable that are, in principle, payable within one year. In addition, Nippon Steel Corporation is exposed to foreign currency exchange risk arising from a portion of trade payables associated with imports of raw materials that is denominated in foreign currencies. Nippon Steel Corporation’s fund procurement is as described in (1) above. In addition, a portion of funds procured by means of long-term borrowings, bonds, and convertible bonds is associated with variable interest rates, and the related payment burden changes due to trends in market interest rates.

Regarding derivative transactions associated with marketable securities, interest rates, or currency exchange rates, Nippon Steel Corporation limits it execution of such transactions to (a) interest rate swaps with the objective of hedging market risks accompanying movements in interest rates associated with assets/liabilities or with the objective of maintaining the proportion of assets/liabilities associated with fixed or variable interest rates and (b) currency exchange contracts with the objective of avoiding currency exchange risks accompanying transactions undertaken as a part of business activities such as trading, funding, and investment. Currently, however, Nippon Steel Corporation is not engaged in derivative transactions associated with marketable securities. The derivative transactions executed by Nippon Steel Corporation are exposed to market price fluctuation risks accompanying future changes in interest rates, currency exchange rates, and market conditions, but because those transactions are limited to those with the objectives described in (a) and (b) above, Nippon Steel Corporation judges that the risks from those transactions are limited.

(3) Systems for management of financial instrument risk

(a) Management of credit risks (the risks that customers may default on their obligations)

In accordance with Nippon Steel Corporation’s credit management regulations, information related to the credit management situation of customers is shared, and asset preservation measures are considered and implemented when necessary.



- (b) Management of market risks (the risks arising from fluctuations in exchange rates, interest rates, and other indicators)
- 1) Currency exchange risks  
Regarding foreign currency-denominated trade assets and liabilities, to avoid currency exchange risks accompanying transactions undertaken as a part of business activities such as trading, funding, and investment, exchange contracts are used to hedge such risks.
  - 2) Interest rate risks  
To control risks from interest rate changes associated with interest payments on loans and bonds, the interest rate swaps are used.
  - 3) Market price risks  
Regarding marketable and investment securities, Nippon Steel Corporation maintains a grasp of fair value situations when necessary and undertakes deliberations regarding whether such securities are necessary for business purposes.
- In addition, derivative transactions are executed in accordance with internal derivative transaction management regulations. These regulations require that prospective transactions in interest rate- or currency exchange rate-related derivatives be discussed by the Funding Management Committee with respect to the transaction policy, then discussed or reported to the Management Conference/Board of Directors, and finally approved individually by the General Manager of the Finance Department within the pre-authorized scope of transactions before being executed. In conjunction with this, reports on the balance and profitability situation of such transactions must be regularly submitted to the Funding Management Committee, Management Conference, and Board of Directors.
- In addition, each six-month semiannual fiscal period, an evaluation is undertaken of the effectiveness of hedging activities.

- (c) Management of fund procurement liquidity-related risks (the risks that Nippon Steel Corporation may not be able to meet its payment obligations on the scheduled date)
- Based on reports from each of Nippon Steel Corporation’s departments, the Finance Department prepares and updates cash flow plans when necessary to manage liquidity-related risks. To prepare for unexpected events, Nippon Steel Corporation arranges commitment line contracts.
- The systems of consolidated subsidiaries are generally the same as those of Nippon Steel Corporation that are described in items (1) through (3) above.

**(4) Supplementary explanation of the fair value of financial instruments and related matters**

The contract (notional) amount of derivative transactions in the section “2. Fair Value and Other Matters Related to Financial Instruments” is not an indicator of the actual risk involved in derivative transactions.

**2. Fair Value and Other Matters Related to Financial Instruments**

Book value and fair value as of March 31, 2010 (the balance sheet date) and differences are shown in the following table.

	Millions of yen		
	Book value (*)	Fair value(*)	Differences
(1) Cash and bank deposits	¥ 78,197	¥ 78,197	¥ —
(2) Notes and accounts receivable—trade	457,804	457,804	—
(3) Marketable and investment securities			
Held-to-maturity debt securities	12,815	12,815	—
Available-for-sale securities	736,384	736,384	—
(4) Notes and accounts payable—trade	(449,877)	(449,877)	—
(5) Short-term loans	(304,743)	(304,743)	—
(6) Commercial paper	(78,000)	(78,000)	—
(7) Accrued expenses	(239,583)	(239,583)	—
(8) Bonds	(364,958)	(373,631)	(8,672)
(9) Long-term loans	(626,910)	(642,838)	(15,927)
(10) Derivative transactions	573	573	—

	Thousands of U.S. dollars		
	Book value (*)	Fair value (*)	Differences
(1) Cash and bank deposits	\$ 840,475	\$ 840,475	\$ —
(2) Notes and accounts receivable—trade	4,920,512	4,920,512	—
(3) Marketable and investment securities			
Held-to-maturity debt securities	137,746	137,746	—
Available-for-sale securities	7,914,709	7,914,709	—
(4) Notes and accounts payable—trade	(4,835,317)	(4,835,317)	—
(5) Short-term loans	(3,275,399)	(3,275,399)	—
(6) Commercial paper	(838,349)	(838,349)	—
(7) Accrued expenses	(2,575,056)	(2,575,056)	—
(8) Bonds	(3,922,601)	(4,015,815)	(93,214)
(9) Long-term loans	(6,738,075)	(6,909,268)	(171,192)
(10) Derivative transactions	6,169	6,169	—

\* Figures shown in parentheses are liability items.

**Notice 1: Methods for computing the fair value of financial instruments and information on securities and derivative transactions**

**Assets**

**(1) Cash and bank deposits and (2) Notes and accounts receivable-trade**

Since these items are settled in a short period of time and have fair values that are virtually the same as the book values, the latter has been used.

**(3) Marketable and investment securities**

The fair values of these items are valued at the exchange trading price. Information on securities classified by purpose of holding are shown in “Note 17 securities”.

**Liabilities**

**(4) Notes and accounts payable-trade, (5) Short-term loans, (6) Commercial paper, and (7) Accrued expenses**

Since these items are settled in a short period of time and have fair values that are virtually the same as the book values, the latter has been used.

**(8) Bonds and (9) Long-term loans**

The fair value of bonds is valued at the market price. In addition, the fair value of long-term loans is calculated by discounting total principal and interest payments to present value using a discount rate equal to the rate that would be charged if the loan was newly borrowed. Floating rate bonds and loans are subject to exceptional method for interest rate swaps. Such interest rate swaps are handled together with total principal and interest payments and are calculated as the present value using a reasonable estimate of the discount rate that would be applied for the same kind of bonds or loans.

**Derivative Transactions**

These transactions are handled as described in “Note 19 Information on Derivatives”.

**Notice 2: Items for which obtaining fair value is deemed to be extremely difficult**

Items	Millions of yen
	Book value
Unlisted stocks	¥48,739

Items	Thousands of U.S. dollars
	Book value
Unlisted stocks	\$523,860

The items in the preceding table do not have market values, and estimating their future cash flow is deemed to be practically impossible. Therefore, determining the fair value of these items is deemed to be extremely difficult, and fair value is not disclosed or included in “(3) Marketable and investment securities.”

**Notice 3: Scheduled redemption amounts, subsequent to the balance sheet date, for monetary assets and securities with maturity dates**

	Millions of yen			
	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Cash and bank deposits	¥ 78,197	¥ —	¥—	¥—
Notes and accounts receivable-trade	457,804	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
Corporate bonds	7,199	95	—	—
Negotiable certificates of deposit	5,518	3	—	—
Available-for-sale securities with maturity dates	23	367	268	—
Total	548,743	465	268	—

	Thousands of U.S. dollars			
	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Cash and bank deposits	\$840,475	\$ —	\$ —	\$—
Notes and accounts receivable-trade	4,920,512	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
Corporate bonds	77,378	1,023	—	—
Negotiable certificates of deposit	59,311	32	—	—
Available-for-sale securities with maturity dates	254	3,951	2,887	—
Total	5,897,933	5,007	2,887	—

**Notice 4: Scheduled repayment amounts, subsequent to the balance sheet date, for bonds, long-term loans, and other interest-bearing debt are shown in “Note 4 Bonds and Notes, Convertible Bonds and Loans”.**

21.

Related Party Information

1. Related Party Transaction

(Year ended March 31, 2010)

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, 2010		Resulting account balances		Transactions during the year ended March 31, 2010	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 million						
(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	Sells steel products	¥376,774	Notes and accounts receivable	¥34,073	\$4,049,597	\$336,227
(g) Relation with related party: Sells our products and holds the additional post of director						

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, 2010		Resulting account balances		Transactions during the year ended March 31, 2010	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 million						
(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	Sells steel products	¥70,193	Notes and accounts receivable	¥11,407	\$754,441	\$122,600
(g) Relation with related party: Sells our products and holds the additional post of director						

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, 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					
	Transactions during the year ended March 31, 2009		Resulting account balances			
	Description of transaction	Amount	Account	Amount		
(a) Category: Affiliate						
(b) Name: Nippon Steel Trading Corporation, Ltd						
(c) Head office address: Chiyoda-ku, Tokyo						
(d) Paid-in capital: ¥8,750 million						
(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	Sells steel products	¥533,771	Notes and accounts receivable	¥19,557		
(g) Relation with related party: Sells our products and holds the additional post of director						

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			
	Transactions during the year ended March 31, 2009		Resulting account balances	
	Description of transaction	Amount	Account	Amount
(a) Category: Affiliate				
(b) Name: Nippon Steel Trading Corporation, Ltd				
(c) Head office address: Chiyoda-ku, Tokyo				
(d) Paid-in capital: ¥8,750 million				
(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	Sells steel products	¥106,447	Notes and accounts receivable	¥16,937
(g) Relation with related party: Sells our products and holds the additional post of director				

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)

	Millions of yen				
	Transactions during the year ended March 31, 2008		Resulting account balances		
	Description of transaction	Amount	Account	Amount	Notes
(a) Name of director					
(b) Title of related parties					
(c) Equity ownership percentage of Nippon Steel Corporation					
(a) Bunyuu Futamura [Representative Director and Vice President of Nippon Steel Corporation]	Contribution to clinic expenses	¥7	Accrued expenses	¥4	(1)
(b) Chairman of the Board of Directors of Tokai Industrial Medical Cure Corps (At the time of conclusion of the contract)					
(c) 0.0%					
(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.



2. Related party disclosures about parent company and significant affiliates

(Year ended March 31, 2010)

There are no parent company and significant affiliates.

(Year ended March 31, 2009)

There are no parent company and significant affiliates.

22.

Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010, 2009 and 2008 is as follows:

(Year ended March 31, 2010)

	Millions of yen	Thousands of shares	Yen	U.S. dollars
		Weighted average number of shares		EPS
Basic EPS				
Net income available to common shareholders	¥(11,529)	6,290,728	¥(1.83)	\$(0.01)

Regarding diluted net income per share for the year ended March 31, 2010 , although there are some latent shares, since NIPPON STEEL reported a net loss per share, no figures for diluted net income per share have been disclosed.

(Year ended March 31, 2009)

	Millions of yen	Thousands of shares	Yen
		Weighted average number of shares	EPS
Basic EPS			
Net income available to common shareholders	¥154,832	6,291,897	¥24.60
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

(Year ended March 31, 2008)

	Millions of yen	Thousands of shares	Yen
		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

Independent Auditor's Report



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, 2010 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended March 31, 2010, 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, 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, 2010 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, 2010

(As of March 31, 2010)

Nippon Steel Corporation

Head Office

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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

420,470

Ten Major Shareholders

	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd.	10.1
Sumitomo Metal Industries, Ltd.	4.2
CBHK-Korea Securities Depository	3.5
Nippon Life Insurance Company	3.3
The Master Trust Bank of Japan, Ltd.	3.0
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
State Street Bank and Trust Company	1.5

Listings

Tokyo Stock Exchange

Osaka Securities Exchange

Nagoya Stock Exchange

Fukuoka Stock Exchange

Sapporo Securities Exchange

Transfer Agent

The Chuo Mitsui Trust & Banking Co., Ltd.

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