On the Leading Edge: Nippon Steel

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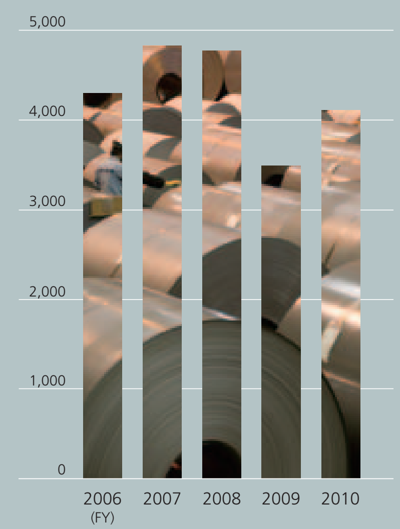
Notes:
- Nippon Steel's accounting period covers a 12-month period beginning April 1 and ending March 31 the following year. In this annual report, "fiscal 2010" refers to the 12-month period ended March 31, 2011, while "fiscal 2009" refers to the 12-month period ended March 31, 2010.
- Tonnage figures 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

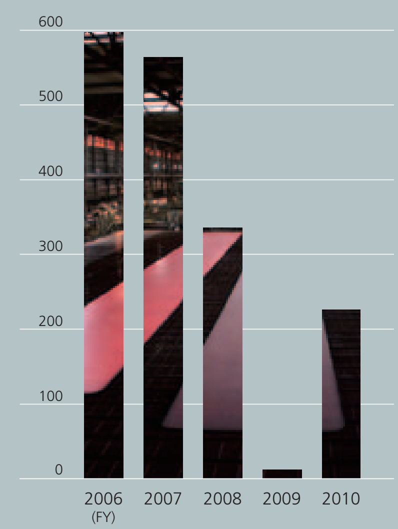
	Millions of yen			Change (%)	Millions of U.S. dollars (Note 1)
(FY)	**2010**	2009	2008	2010 / 2009	**2010**
Operating Results (for the year)					
Net sales	**¥ 4,109,774**	¥ 3,487,714	¥ 4,769,821	17.8	**$ 49,426**
Operating profit	**165,605**	32,005	342,930	417.4	**1,991**
Ordinary profit	**226,335**	11,833	336,140	—	**2,722**
Net income	**93,199**	(11,529)	155,077	—	**1,121**
Financial Position (at year-end)					
Total assets	**¥ 5,000,860**	¥ 5,002,378	¥ 4,870,680		**$ 60,143**
Total net assets	**2,380,925**	2,335,676	2,174,809		**28,634**
Interest-bearing debt	**1,337,851**	1,383,794	1,454,214		**16,090**
Per-Share Data					
Net income (yen)	**¥14.81**	¥(1.83)	¥24.60		
Cash dividends (yen)	**3.00**	1.50	6.00		
Consolidated payout ratio	**20.2%**	—	24.4%		
Financial Indicators					
Return on sales (Note 2)	**5.5%**	0.3%	7.0%		
Return on assets (Note 3)	**4.5**	0.2	6.9		
Return on equity (Note 4)	**5.0**	(0.7)	8.7		
Shareholders' equity ratio (Note 5)	**37.2**	36.9	34.3		
Debt-to-equity ratio (times) (Note 6)	**0.72**	0.75	0.87		
Reference					
Crude steel production (consolidated, thousands of tons)	**34,922**	29,919	31,240		
Price of steel (non-consolidated, thousands of yen per ton)	**81.7**	75.4	104.7		
Export ratio (non-consolidated, value basis; %)	**40.4**	38.4	32.5		

Notes: 1. U.S. dollar amounts are translated, for convenience only, at the rate of ¥83.15 = $1, the exchange rate prevailing at the balance sheet date of March 31, 2011.
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

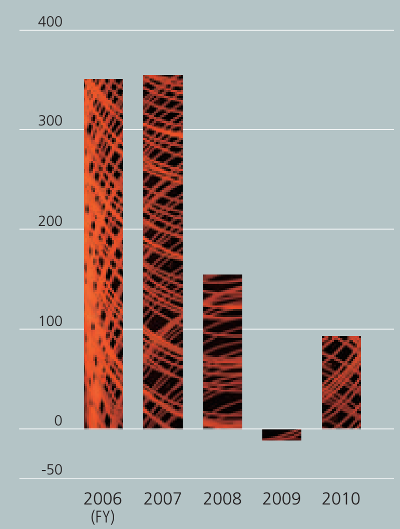
Net Sales
(Billions of yen)



Ordinary Profit
(Billions of yen)



Net Income
(Billions of yen)



The Nippon Steel Group is striding forward to prevail in an era of global mega-competition. The Group is working to **further bolster its business foundation in Japan and overseas**. At the same time, the Group is expanding and deepening its **industry-leading global production and supply network**. Through these activities, we will **accurately capture rising global steel demand**, thereby **accelerating the growth of the Nippon Steel Group**.

In February 2011, Nippon Steel reached an agreement with Sumitomo Metal Industries, Ltd. to pursue the complete integration of their businesses. Through business integration, the two companies—each being a world-class steelmaker—aim to lead this era of global mega-competition and achieve sustainable growth as a comprehensive steel manufacturer.

Fiscal 2010 Review and Fiscal 2011 Outlook

FISCAL 2010 REVIEW

During fiscal 2010 (April 1, 2010 to March 31, 2011), the global economy remained on a mild recovery course, supported by positive trends toward self-sustained recovery in major advanced nations and by sound economic expansion in emerging nations, particularly in Asia. In Japan, the first half of fiscal 2010 witnessed some signs of economic recovery, buoyed by improving overseas economies and the government's economic stimulus package, despite stagnant investment in construction and civil engineering.

The rate of recovery plateaued temporarily during the second half, impacted by the termination of the economic stimulus package and the yen's appreciation. Nevertheless, the domestic economy managed to sustain mild recovery until the Great East Japan Earthquake shook the nation.

Global steel demand continued to expand, while domestic demand remained stagnant. This caused Nippon Steel's dependence on overseas demand to increase in the steelmaking and steel fabrication business, with the ratio of export to non-consolidated net sales exceeding 40% on a value basis. In addition, the East Asian launch of new ironmaking facilities boosted global competition on the supply-side of steel products. Robust overseas steel demand also tightened demand for raw materials, and an oligopoly continues to dominate the supply of raw materials. These factors have resulted in shorter, three-month pricing cycles for principal raw materials for steel, contributing to surging raw material prices.

Despite exhaustive efforts, the Nippon Steel Group was unable to implement strategic product price revisions in line with raw material price hikes. However, the Group secured a high level of demand mainly through exports and promoted thorough improvements of its cost structure. As a result of these activities, we have achieved year-on-year increases in both revenue and earnings. Particularly noteworthy, Nippon Steel posted consolidated net income totaling ¥93.1 billion, a ¥104.7 billion turnaround from fiscal 2009. With due consideration given to these favorable results and its performance-linked profit distribution policy, Nippon Steel declared a year-end dividend of ¥3.00 per share.

FISCAL 2011 OUTLOOK

By closely monitoring market movements, Nippon Steel will continue to control production carefully to match actual demand. Simultaneously, the Company will work to realize additional improvements in its cost structure in order to effectively respond to raw material price hikes. For the portion of price hikes that cannot be absorbed through cost reductions, Nippon Steel is implementing upward price revisions for certain steel products by providing customers with full explanations on the background and obtaining their consent.

Accounting for these factors, the Nippon Steel Group estimates that it will post consolidated net sales and ordinary profit totaling ¥2,100.0 billion and ¥110.0 billion, respectively, for the first half of fiscal 2011.

Forecasts for the second half are much less predictable given 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 surpassing the Group's first half performance with ¥120.0 billion in ordinary profit. By achieving this, we seek to attain ¥230.0 billion in full-year ordinary profit for fiscal 2011.

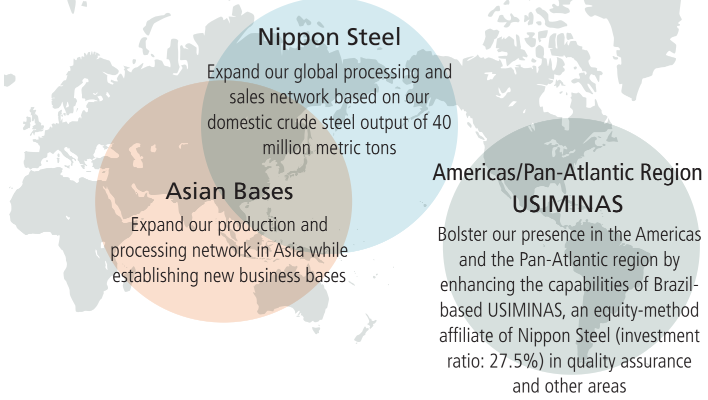
Changes in the Group's Operating Environment

- Weakened export competitiveness due to the strong yen
- Launch of new steel mills overseas, especially in East Asia
- Acceleration of production transfer to overseas locations by Japanese manufacturers and resultant stagnation of domestic demand
- Continuation of resource inflation

Faster- and Greater-Than-Expected Intensification of Global Mega-Competition

Establishing Global Tripolar Structure

(Achieving global production capacity of more than 50 million metric tons)



Management Issues to Be Addressed

OUR OPERATING ENVIRONMENT

The first quarter of fiscal 2011 presented very severe operating conditions caused by the faltering Japanese economy. Nippon Steel confronted persistent yen appreciation, the diminishing effect of the government's economic stimulus package and a very significant, if temporary, slowdown in production at major customers, especially in the automobile industry, due to the Great East Japan Earthquake in March 2011.

Over the medium term, Nippon Steel expects to see steel demand expand in line with a recovery in manufacturers' production levels and the acceleration of infrastructure redevelopment in disaster regions. But, over the short term, concerns are heightening for further deterioration of corporate and household sentiment, fiscal uncertainty in the EU and the U.S., increasing inflation risk in emerging nations and fiscal tightening by governments across the world. Factoring in these concerns, we anticipate that a full-fledged recovery in steel demand will be postponed until the second half of fiscal 2011, or even until fiscal 2012.

Also, Japan is facing many issues over the medium and long term. These issues include a shrinking population and maturing economy. In addition, many of Nippon Steel's customers are stepping up business globalization by transferring their production functions to overseas locations, a situation exacerbated by the strong yen. These conditions have curbed the Company's expectations for an increase in steel demand on the domestic front. Furthermore, as explained above, worldwide steel supply competition is intensifying at a greater-than-expected pace and scale, fueled by, for example, the establishment of cutting-edge steel mills overseas, mainly in East Asia. Further complicating matters, robust overseas steel demand has continued to push up natural resource prices. All these situations are forcing the entire steel industry to undergo structural changes of an unprecedented difficulty and scale.

Still, supported by economic expansion in emerging nations particularly in East Asia, steady growth of global steel demand is a positive sign. Such demand growth gives us hope for growing opportunities to achieve additional growth in the global market over the medium and long term.

1. Recovery and Restoration after the Great East Japan Earthquake

Without doubt, the first and foremost issue to be addressed by the Nippon Steel Group, and by Japan as a whole, is recovery and restoration from the damage caused by the Great East Japan Earthquake. The Nippon Steel Group has promoted all-out efforts to support disaster regions and victims, including the provision of monetary donations and relief supplies. To fulfill our supplier responsibility for our customers, we must restore our damaged facilities to normal as quickly as possible. Accordingly, we are now concentrating our energy on this effort.

The earthquake caused significant damage to the dock, cranes and other facilities at our Kamaishi Works. Also, certain areas within the Kamaishi Works were flooded by the tsunami. Thanks to Companywide recovery efforts, the Kamaishi Works was able to resume wire rod production on April 13, 2011—only one month after the disaster. Also, on July 1, 2011, the Kamaishi Works resumed the supply of electricity generated by its independent power production (IPP) plant to Tohoku Electric Power Co., Inc. to counter the tight electricity situation during summer. Nippon Steel expects a full year will be required to restore the damaged port facilities at the Kamaishi Works. To accomplish restoration by the spring of 2012, the Kamaishi Works is advancing necessary work with the support of the entire Company.

The entire premise of the Sendai Works of Nippon Steel & Sumikin Metal Products Co., Ltd. was flooded. However, the Sendai Works resumed operations at some facilities in August 2011 and is now working to raise production levels.

2. Strengthening Domestic and Overseas Business Foundation

The second issue that Nippon Steel must tackle is the strengthening of the Group's business foundation both in Japan and overseas. To build a more powerful business foundation, a prerequisite is steadily bolstering the foundation of our steelmaking and steel fabrication business. We must reinforce our workplaces at the frontlines of manufacturing operations. This involves the realization of strong manufacturing skills and capabilities and the establishment of a powerful backbone for our manufacturing processes. By prioritizing safety, Nippon Steel aims to develop its manufacturing frontlines into workplaces that can deliver the world's highest level of quality and cost competitiveness. To this end, the Company is accelerating initiatives, such as:

- The introduction of best-practice processes at individual works
- The implementation of innovative processes—even those that challenge existing methods—to maximize productivity.

To ensure the successful introduction and implementation of these processes, we are striving to eliminate the boundaries that exist between our steelworks. We are promoting personnel allocation, human resource development and intergenerational skill transfer (both technological and technical), as well as expertise from a Companywide perspective. These initiatives have already produced tangible outcomes.

Also important is the stable procurement of iron ore, coal and other principal raw materials as well as rare metals indispensable for the production of iron and steel. To achieve stable procurement, Nippon Steel will double its efforts to secure stakes in mines and other resource development projects while pioneering new sources of the materials and fuels it uses.

Creation of innovation remains indispensable. In step with our efforts to realize strong frontline workplaces, we will endeavor to further refine our technological edge—the essential base for any manufacturer—and thereby develop innovative products and services and create innovative iron- and steelmaking processes. To enable the development of innovative products and services, we will encourage collaboration among our development divisions and sales and marketing divisions. Such collaboration will empower us, leading to more appealing products and services that can unearth new needs in new growth fields. Meanwhile, through our efforts aimed at creating innovative iron- and steelmaking processes, we will work to establish technologies that enable the use of low-grade raw materials and fuels—an effective countermeasure against price hikes. We will also work to make radical breakthroughs to create manufacturing processes that contribute to solving global warming and other environmental problems. As such, through the further refinement of its technological edge, Nippon Steel will overcome current and potential challenges while enhancing differentiation from its competitors.

Moreover, we must further reinforce our global production and supply structure. To accurately tap growing steel demand in emerging nations, the Nippon Steel Group will

(left: Nippon Steel President Shoji Muneoka;
right: Sumitomo Metal Industries President Hiroshi Tomono)

On February 3, 2011, Nippon Steel and Sumitomo Metal Industries jointly announced their agreement to begin talks regarding business integration set for October 1, 2012.

strengthen its structure by taking into account all factors, including movements in individual markets and demand. More specifically, emerging nations are expected to experience rapid growth of the automobile industry. To capture demand in this industry worldwide, Nippon Steel has decided to penetrate markets in India, Thailand and Mexico by establishing new business bases. Including these new bases, we are currently accelerating the establishment of a global network for automotive steel sheet production and supply. Beside the automobile industry, Nippon Steel is working to expand its businesses for various sectors in many locations across the world. For example, in China and Indonesia, we are bolstering our tinplate business. In Vietnam, we have invested in our steel pipe pile business with an eye to anticipated increase in infrastructure-related demand. In Southeast Asia and Africa, we have invested in a flat-rolled product processing company. The Nippon Steel Group already boasts a world-leading global production and supply network. We intend to further bolster this network, thereby accurately securing rising global steel demand and accelerating the Group's growth.

The Nippon Steel Group will do its utmost to overcome the current, unprecedentedly harsh operation conditions. The Group will work to maximize synergy among its six operating segments—namely, mainstay steelmaking and steel fabrication, engineering and construction, urban development, chemicals, new materials and system solutions—and further enhance its corporate value.

3. Business Integration with Sumitomo Metal Industries, Ltd.

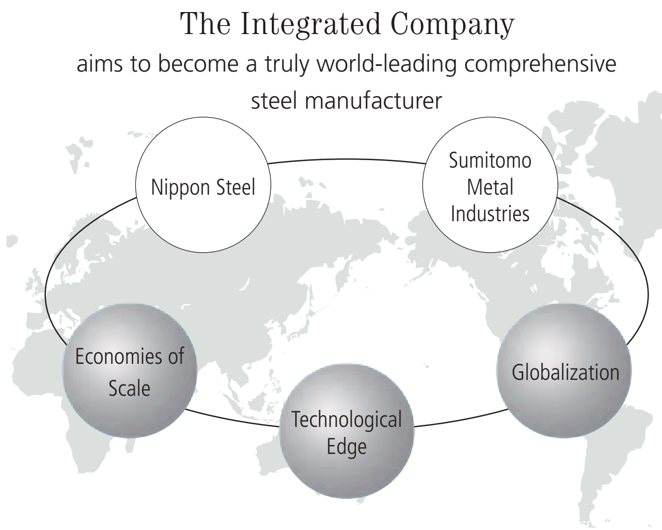
Our third issue is the planned business integration with Sumitomo Metal Industries. This was announced on February 3, 2011. There were several reasons the two companies began considering integration. Domestic steel demand was certainly one driver. Domestic demand will likely contract, in contrast with projections for steady growth in overseas demand. Global mega-competition is intensifying at both a faster pace and greater scale than previously expected. On the back of robust steel demand in overseas markets, inflation continues to buffet the prices of natural resources. These conditions tell us that the global steel industry is undergoing drastic structural change and, consequently, experiencing unprecedented difficulty.

For the two companies to remain winners in this era of global mega-competition and sustain their corporate growth, we concluded that we must join forces together. Through business integration, we aim to achieve the following goals.

- Pursue economies of scale by increasing annual crude steel production capacity to 50 million metric tons
- Sharpen our technological edge by fusing sophisticated technologies long nurtured by the two companies
- Promote business globalization by developing operations worldwide and enhancing operational efficiency

By achieving these goals, the integrated company will work to become a truly world-leading steel manufacturer. We strongly believe that this is the best decision the two companies have ever made throughout their long histories. This business integration will enable the maximum use of the combined management resources: human, physical and capital.

Nippon Steel has maintained a collaborative relationship with Sumitomo Metal Industries, Ltd. since 2002. Over the past decade, the two companies have promoted joint strategies



to strengthen their competitiveness, including the integration of businesses of their subsidiaries. More recently, we have worked together, providing each other with assistance in the aftermath of the Great East Japan Earthquake. Through these activities, bonds of trust between the two companies and among their employees have grown to be unshakable.

We are currently examining the specifics of this merger. In doing so, each party is respecting the other's history and corporate culture while working to achieve an integration that effectively combines the two companies' long-fostered technologies and knowledge. At the same time, each is striving to learn from the advantages of the other and aiming to further bolster such advantages. In this way, we are pushing forward together to establish a resilient, vibrant integrated company capable of making the most of the merger.

Through the merger, we also expect that Japan's material-related industries—the bedrock of the country's development and manufacturing capabilities—will gain additional international competitiveness. So, we are confident the merger will leave us well positioned to better serve our customers in Japan and overseas, and to better contribute to the resurgence of the Japanese economy and the realization of a more affluent society worldwide.

TOWARD BUILDING A BOLD FUTURE

Fiscal 2011 is the final year of the Nippon Steel Group's current medium-term management plan. Through the promotion of this plan, the 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. We will also work diligently to secure compliance with laws and regulations and adhere to the highest corporate ethical standards. Human resource development, management and intergenerational skill transfer hold the key to realizing sustainable growth of the Nippon Steel Group. Accordingly, the Group will work to ensure that all Nippon Steel Group members stringently uphold its corporate philosophy and code of conduct. Furthermore, we will constantly implement educational and training programs for our executives and employees.

I sincerely hope that this report will effectively convey the Nippon Steel Group's management policies and strategies to all stakeholders and investors, promoting a deeper understanding of the Group. On behalf of all Group employees, I ask for your unwavering support.

October 2011
Shoji Muneoka
Representative Director and President

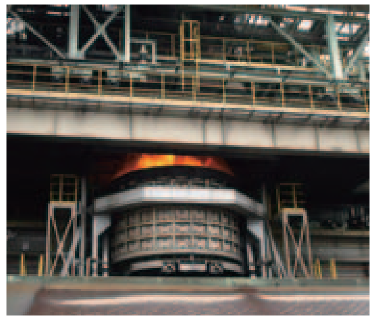
The Nippon Steel Group's Technological Edge

ALWAYS ON THE LEADING EDGE,
THE NIPPON STEEL GROUP CONTINUES TO CREATE SUPERIOR TECHNOLOGIES, PRODUCTS AND SERVICES.

Since the Great East Japan Earthquake and nuclear accidents in Japan, concerns about energy savings have rapidly grown.

Already, Nippon Steel manufactures steel products at the world's highest level of energy efficiency. Displaying its unique processing technologies, the Company is working to achieve even higher energy efficiency in its manufacturing operations. To this end, we are promoting the development of next-generation coke-production technology and the realization of processes that enable steel making with zero emissions. In addition, we are accelerating the transfer of its proprietary energy-saving technologies and tackling the reduction of CO_2 emissions on a global scale.

SCOPE21 Project: Addressing Japan's Resource and Energy Issues



In line with the expansion of global steel demand, prices of steel raw materials have risen significantly. In particular, the price of high-grade coal has soared in recent years due to limited reserves, heightening the need for technologies that enable the effective use of abundant, reasonable low-grade coal.

Anticipating this trend, Nippon Steel in 1994 proposed the launch of a national project under the jurisdiction of the Ministry of International Trade and Industry of Japan (currently, the Ministry of Economy, Trade and Industry). This project aimed to develop a next-generation coke-production technology, dubbed SCOPE21,* based on the accomplishments of Nippon Steel's R&D to improve the quality (caking property) of low-grade coal. With the approval of the ministry, the SCOPE21 project was launched and promoted jointly by several steelmakers and coke makers. In 2008, Nippon Steel started the operation of a new coke oven using the SCOPE21 technology: the world's first.

Nippon Steel has enjoyed various benefits of this innovative coke oven. Particularly noteworthy, the SCOPE21 technology has enabled an increase in the use of low-grade coal from 20% to 50%. Also, thanks to the installation of new pre-processing facilities, the new coke oven boasts productivity 1.7 times greater than that of conventional coke ovens. Furthermore, improvements made to certain processes have substantially reduced the emission of nitrogen oxide (NO_X) and carbon dioxide (CO_2). The SCOPE21-based coke oven is highly eco-friendly.

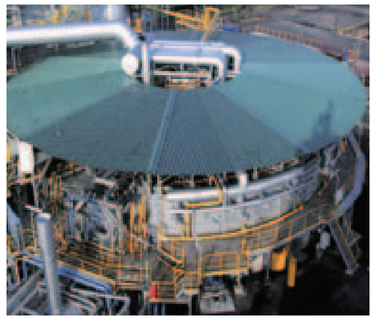
At present, Nippon Steel is maintaining the steady operation of the new coke oven at its Oita Works. We are currently evaluating these operations, with plans to launch our second SCOPE21-based coke oven at the Nagoya Works in fiscal 2012.

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

Steel Dust-Recycling Process

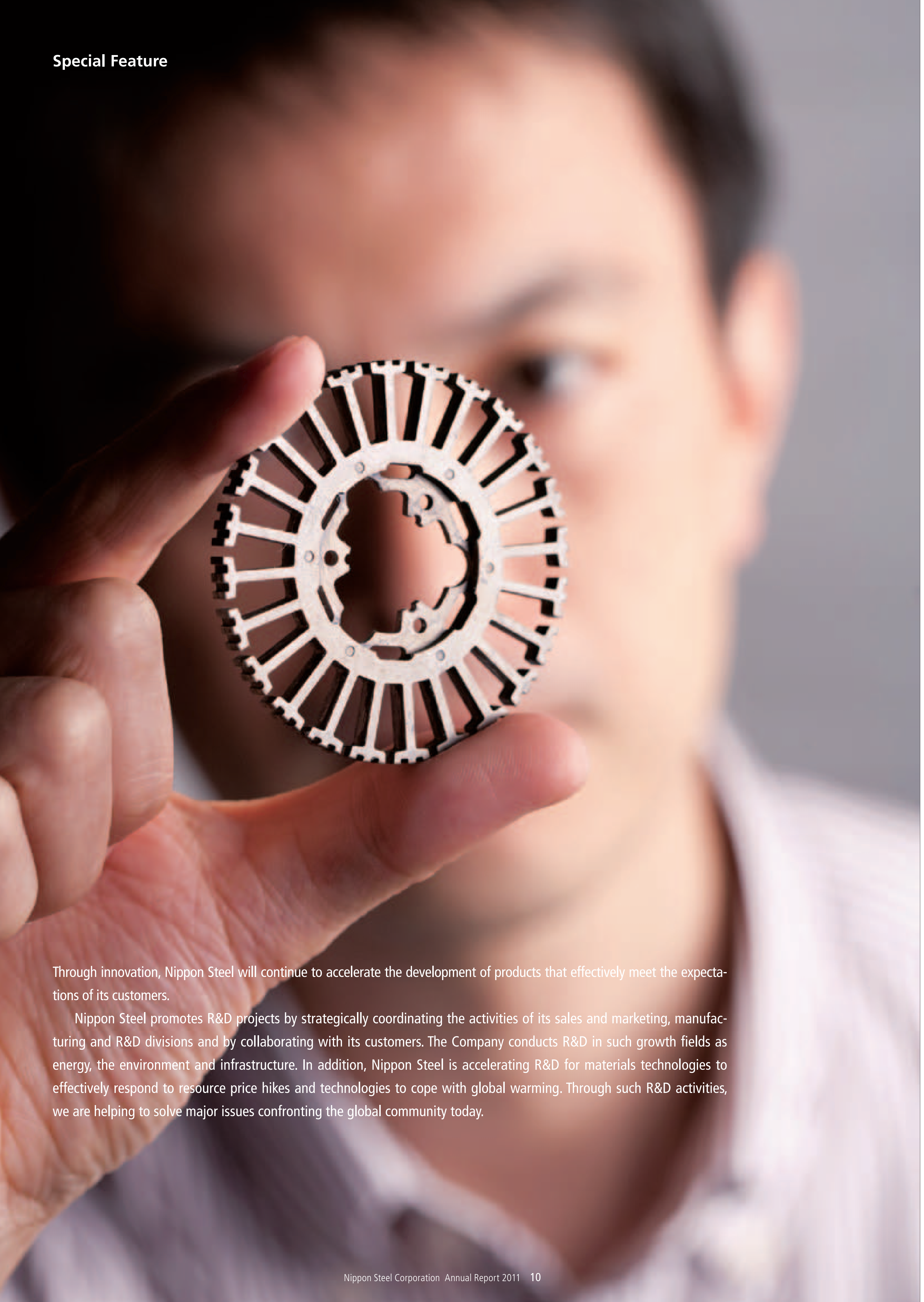
Gases in blast, basic oxygen and other furnaces used at steelworks contain steel dust and rolling scale, which mainly consist of iron oxide and carbon. In general, steelworks operating blast furnaces generate steel dust equivalent to approximately 10% of their steel output. Nippon Steel is promoting the recycling of steel dust and other byproducts.

Dust-recycling operations employ a rotary hearth furnace (RHF) to separate and recover iron and zinc from steel dust for their complete reuse. Thus, dust recycling helps realize resource and energy savings as well as zero emissions. Through the introduction of this dust-recycling process, Nippon Steel has established a structure capable of recycling all the dust generated at each of its steelworks.



In addition, Nippon Steel has provided technological expertise relating to this recycling process to South Korea-based POSCO and other steelmakers in Japan and overseas. Also, 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 inside and outside the Nippon Steel Group. Nippon Steel and Nippon Steel & Sumikin Stainless Steel Corporation (NSSC) collectively operate a total of seven RHF plants, recycling more than one million tons of steel dust annually.

Toward the realization of a recycling-oriented society, the Nippon Steel Group will continue to promote byproduct recycling in-house. Simultaneously, the Group will proactively engage in the recycling of byproducts that are generated in society at large and by other industries.



Through innovation, Nippon Steel will continue to accelerate the development of products that effectively meet the expectations of its customers.

Nippon Steel promotes R&D projects by strategically coordinating the activities of its sales and marketing, manufacturing and R&D divisions and by collaborating with its customers. The Company conducts R&D in such growth fields as energy, the environment and infrastructure. In addition, Nippon Steel is accelerating R&D for materials technologies to effectively respond to resource price hikes and technologies to cope with global warming. Through such R&D activities, we are helping to solve major issues confronting the global community today.

Electrical Sheets

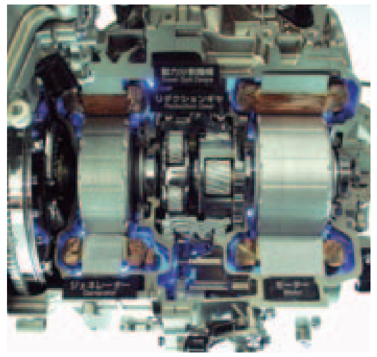
(1) Electrical Sheets Support Energy Savings

Societal needs are growing for energy savings on a worldwide scale in step with ballooning global concern about environmental and energy security issues. Used for wide-ranging applications, electrical sheets contribute to energy savings on various products.

Electrical sheets are manufactured by adding silicon to flat-rolled steel sheets, and they are used to perform the efficient conversion between electrical and magnetic energies. Electrical sheet applications can be found in many essential systems supporting modern life, including cores of generators at power stations and those of transformers for power distribution, as well as motor cores for the conversion of electrical energy into kinetic energy. When magnetic energy travels through the core of a generator, transformer or motor, the core generates heat due to resistance, which, in turn, causes iron losses (the loss of some electrical energy through hysteresis and eddy current losses). In view of this mechanism, the history of electrical sheet development can be seen as the fight against iron losses.

In 1956, Nippon Steel succeeded in the development of a non-directional electrical sheet, which was followed by ORIENTCORE HI-B®, a directional electrical sheet, in 1968. Since these successes, the Company has promoted R&D for leading-edge electrical sheets. In the course of such R&D activities, Nippon Steel has nurtured technologies relating to directional electrical sheets. These technologies include one involving skillful temperature control for thermal and other processing and the effective management of additives, and this technology improves crystal orientation on electrical sheets for greater permeability a nd lower iron losses. Underpinned by such state-of-the-art technologies, Nippon Steel's directional electrical sheets are contributing to substantial reduction in energy loss during power distribution.

(2) Electrical Sheets Support the Heart of Hybrid Cars



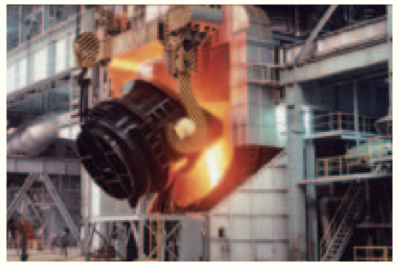
Hybrid cars hold a key to solving the global warming issue. Motors of hybrid cars—the heart of such vehicles—use electrical sheets, which efficiently convert electrical energy into kinetic energy and vice versa. These electrical sheets must be lightweight and strong, but provide high conversion efficiency and feature high output—characteristics that tend to counteract each other. Nippon Steel has developed and now offers electrical sheets that fulfill these characteristics. The Company 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 hybrid car motors and, consequently, contributed to the energy efficiency of these vehicles.

Silicon Carbide (SiC) Single-Crystal Wafers for Power Devices

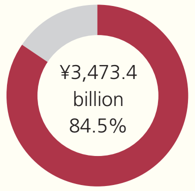
Amid growing worldwide concern over global warming prevention and energy savings, the entire world awaits the spread of products applying technologies that enable high-efficiency electrical conversion. Compared with conventional silicon (Si) single-crystal wafers, SiC single-crystal wafers boast improvements in highly sought after properties such as voltage and thermal resistance. SiC single-crystal wafers are suitable for power devices used in power electronics requiring high electrical conversion efficiency. The use of SiC wafers provides significant potential for energy savings in various fields. Industrial motors are one example. These motors are used at high voltages and high temperatures, which accounts for the very slow rate at which inverters have been adopted relative to other industrial machinery. These motors could, however, realize substantial energy savings when the performance of inverters is improved through the use of SiC wafers with superior properties. By promoting SiC wafers, Nippon Steel aims to contribute to the fight against global warming by promoting energy-savings.

Business Overview

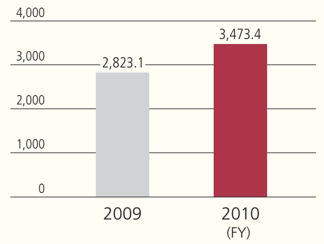
Steelmaking and Steel Fabrication



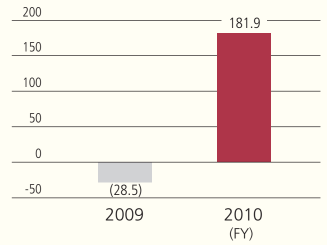
Composition of Consolidated Net Sales*



Consolidated Net Sales** (Billions of yen)



Consolidated Ordinary Profit** (Billions of yen)



Performance Highlights

Nippon Steel worked exhaustively to strengthen the foundation of this business. Simultaneously, the Company strove to capture demand in growth fields overseas, particularly in emerging nations, while steadily reinforcing its global supply structure to effectively meet customers' overseas business development. The Company enhanced its raw material procurement capabilities by acquiring or expanding its equity stakes in prime mines and other sources. Furthermore, we continued to improve our cost structure by, for example, reducing fixed costs and implementing steel product price revisions. As a result, segment sales totaled ¥3,473.4 billion, and ordinary profit amounted to ¥181.9 billion.

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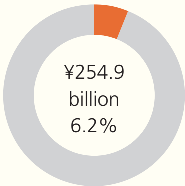
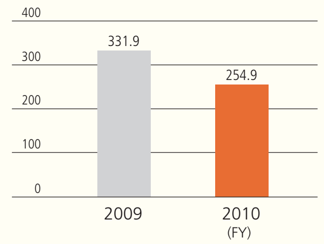
Engineering and Construction

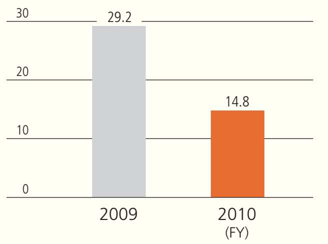
Composition of Consolidated Net Sales*



Consolidated Net Sales** (Billions of yen)



Consolidated Ordinary Profit** (Billions of yen)



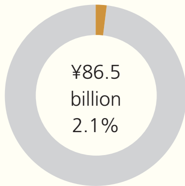
Performance Highlights

Nippon Steel Engineering Co., Ltd. focused on developing operations in the areas of steelworks, the environment, energy, offshore, bridges, pipelines and construction, where it can show its unique strengths. While orders received in connection with overseas projects increased, particularly in Asia, Nippon Steel Engineering continued to face severe conditions on the domestic front. Under such conditions, we promoted stringent cost-reduction and risk-management efforts in ongoing projects. Reflecting decreased orders in the previous fiscal year and other factors, segment sales and ordinary profit declined year on year to ¥254.9 billion and ¥14.8 billion, respectively.

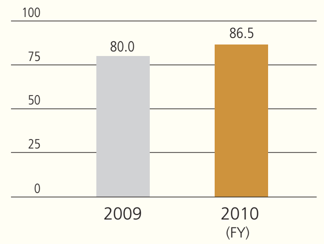
pages 24-25

Urban Development

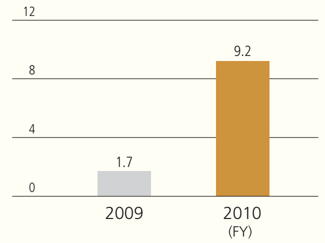
Composition of Consolidated Net Sales*



Consolidated Net Sales** (Billions of yen)



Consolidated Ordinary Profit** (Billions of yen)



Performance Highlights

Nippon Steel City Produce, Inc. drives the urban development business of the Nippon Steel Group. In the condominium sales market, the rate of contracts signed remained steady, particularly in the Tokyo metropolitan area. However, in the building leasing market, vacancy rates hovered at high levels, except for certain new, large-scale buildings. Supported by such factors as strong condominium sales through large-scale projects in the Tokyo metropolitan area, segment sales and ordinary profit both increased year on year, totaling ¥86.5 billion and ¥9.2 billion, respectively.

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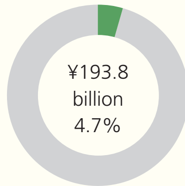
* Composition of consolidated net sales indicates the ratio of segment sales (including intersegment transactions) to consolidated net sales (eliminating intersegment transactions).

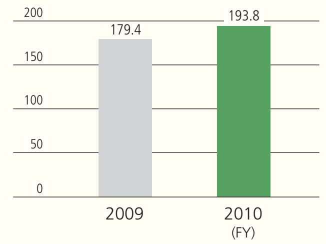
** Figures include intersegment transactions.

Chemicals

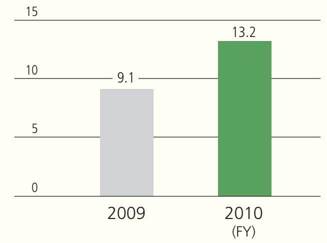
Composition of Consolidated Net Sales*



Consolidated Net Sales** (Billions of yen)



Consolidated Ordinary Profit** (Billions of yen)

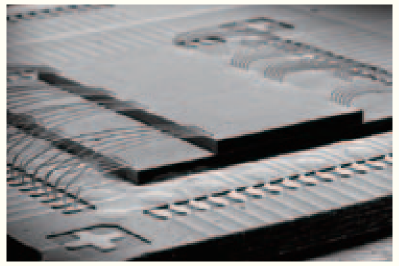


Performance Highlights

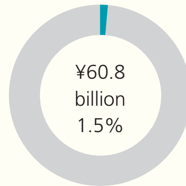
Nippon Steel Chemicals Co., Ltd. leads the chemicals business of the Nippon Steel Group. Unfavorable operating conditions persisted for this segment, including surging prices of crude oil, naphtha and other raw materials and the strong yen. However, sales of coal-based needle coke for artificial graphite electrodes for electric furnaces were robust, while market conditions for certain chemical products improved. Also, buoyed by strong sales of functional materials for use in flat-panel TVs and smartphones, both segment sales and ordinary profit expanded year on year, amounting to ¥193.8 billion and ¥13.2 billion, respectively.

page 27

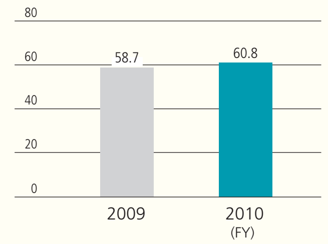
New Materials



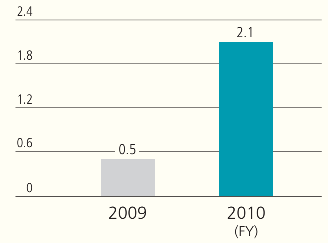
Composition of Consolidated Net Sales*



Consolidated Net Sales** (Billions of yen)



Consolidated Ordinary Profit** (Billions of yen)



Performance Highlights

Nippon Steel Materials Co., Ltd. coordinates the Group's chemicals business. In the first half of fiscal 2010, sales in the mainstay electronics industry materials and components business, especially those of products relating to PCs and mobile phones, were robust, particularly in Asia. Also, sales of industrial and environmental materials and components showed recovery trends. In the second half, demand for environmental materials remained strong, but sales varied for electronic materials. As a result, segment sales and ordinary profit both increased year on year to ¥60.8 billion and ¥2.1 billion, respectively.

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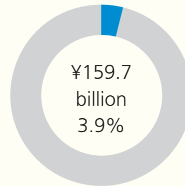
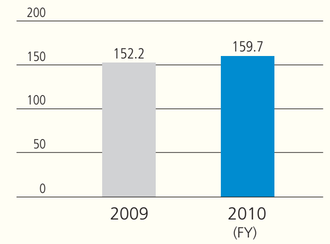
System Solutions

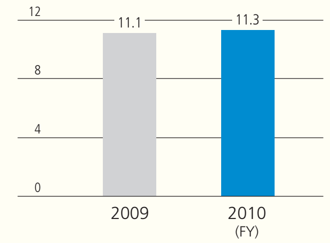
Composition of Consolidated Net Sales*



Consolidated Net Sales** (Billions of yen)



Consolidated Ordinary Profit** (Billions of yen)



Performance Highlights

Harsh operating conditions persisted throughout fiscal 2010, exacerbated by corporate clients who continued to suppress IT investment. Under such conditions, NS Solutions Corporation implemented companywide initiatives to bolster its business structure, expand the scope of business and accelerate service offerings based on cloud computing. These initiatives proved effective, enabling this segment to achieve year-on-year increases in both sales and ordinary profit to ¥159.7 billion and ¥11.3 billion, respectively.

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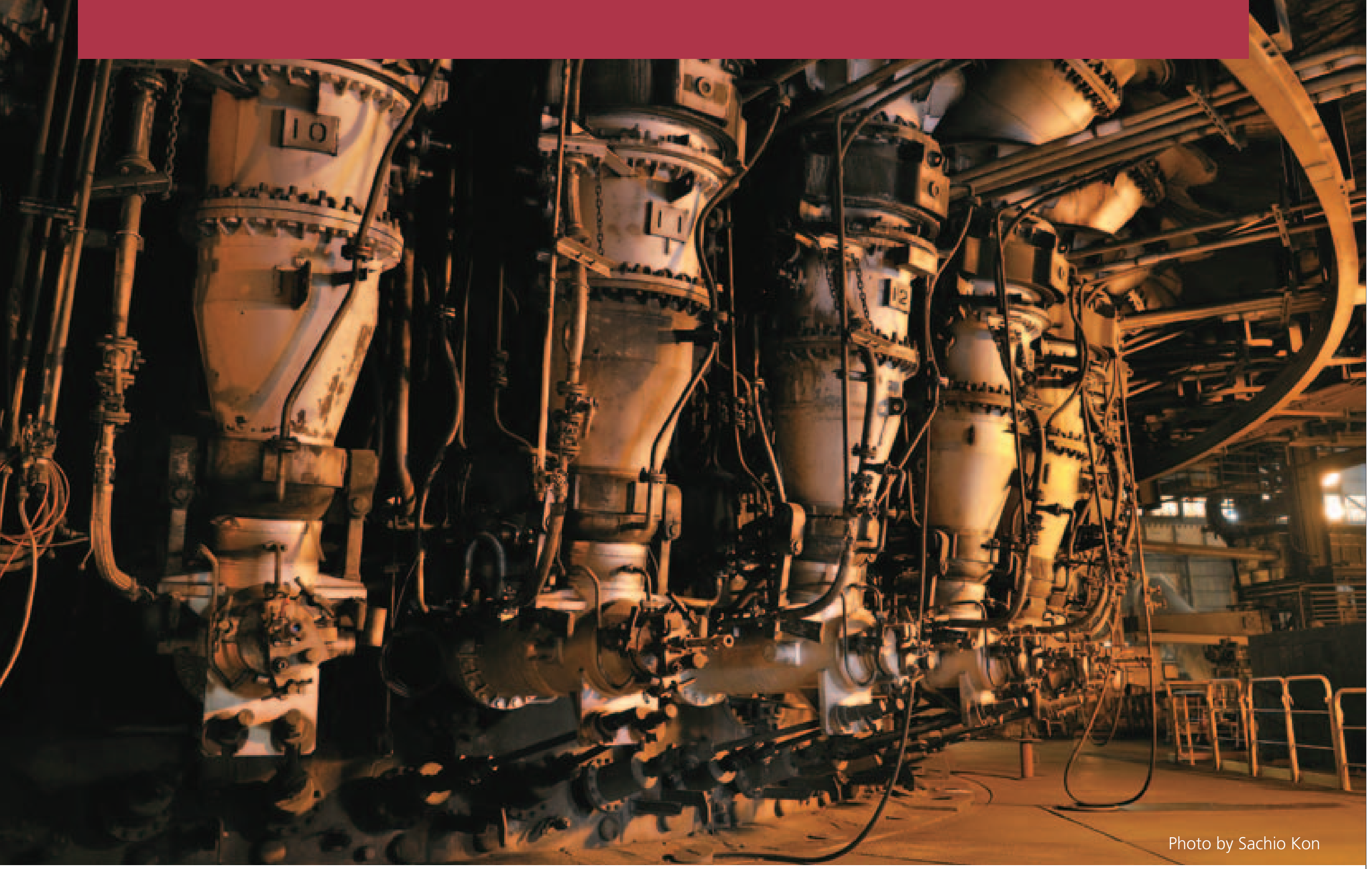
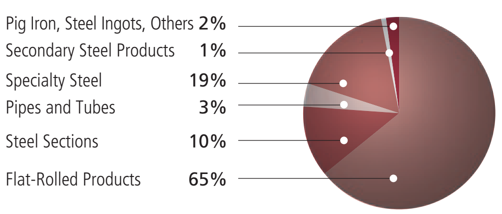


Photo by Sachio Kon

Business Overview:

Steelmaking and Steel Fabrication

Sales by Business Field (Non-Consolidated)



(Billions of yen)

(FY)	2009	2010
Net Sales	2,823.1	3,473.4
Ordinary Profit (Loss)	(28.5)	1,819

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

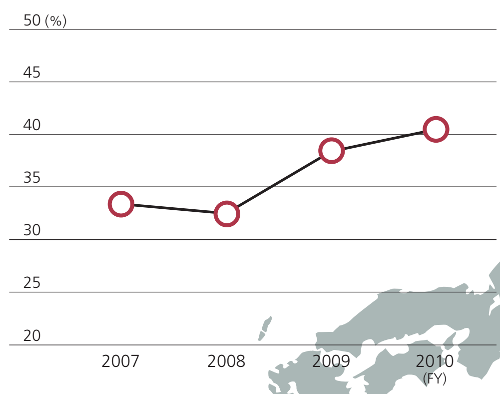
Nippon Steel will accelerate efforts to further reinforce its corporate strengths and establish a secure revenue base. At the same time, the Company will build a stronger global production and supply base that is needed to achieve sustainable growth over the long term. To this end, we will focus on thefollowing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

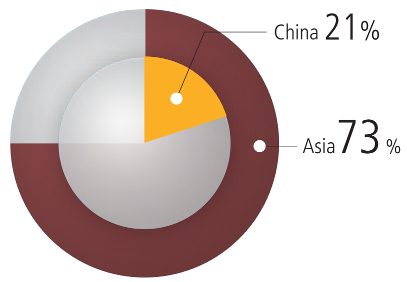
Annual Summary

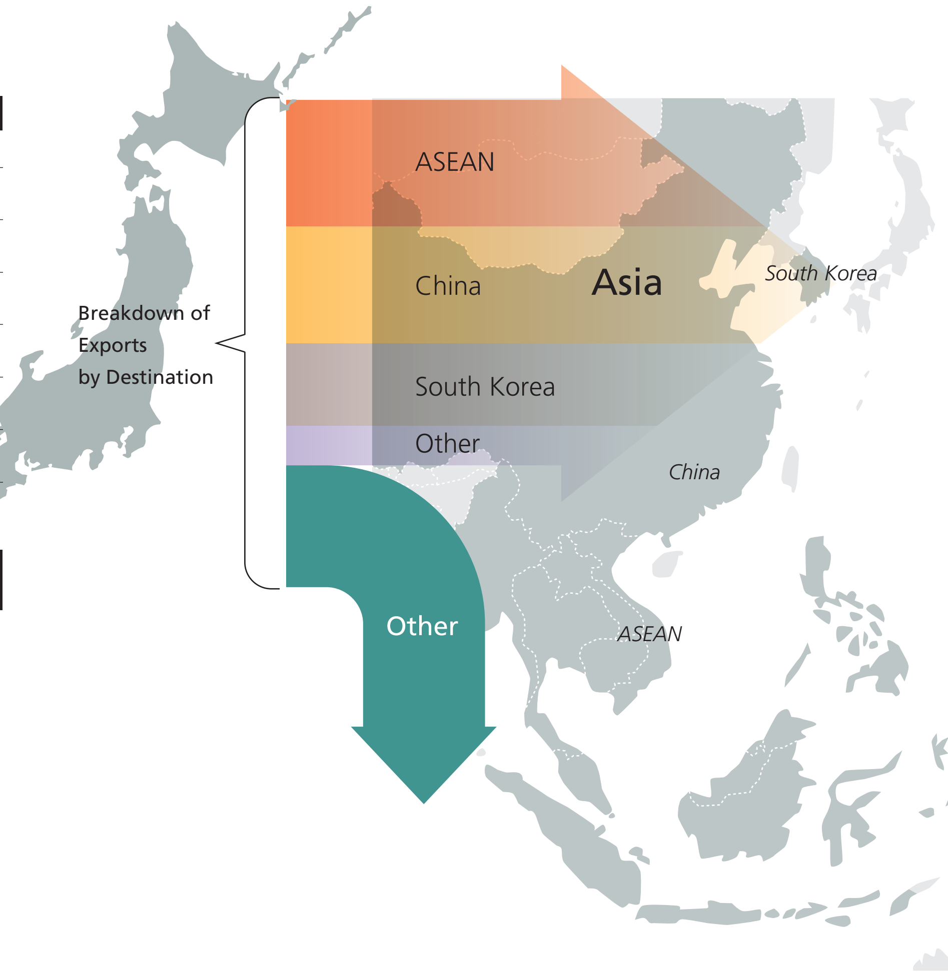
In the steelmaking and steel fabrication business, Nippon Steel took wide-ranging steps to fortify the foundation of its domestic steel production business. The Company concentrated efforts into reconstructing its manufacturing foundation, including facilities and operations as well as operational safety. Simultaneously, we aggressively sought leading-edge technologies and proposed solutions to customers through the development of new products and the maximization of the mutual benefits of collaborative activities with customers.

Export Ratio (Non-Consolidated/Value Basis)



Ratio of Export to Asian Countries (Non-Consolidated/Volume Basis)





Nippon Steel also worked to capture demand in growth markets, particularly those overseas and continued to build its global supply structure to enhance its capabilities to swiftly respond to overseas business expansion by customers. In addition, the Company implemented various measures to reinforce its raw material sourcing capabilities, including the acquisition and increase of its interest in competitive mines and other sources, the expansion of its procurement channels and the acceleration of procurement from sources in which it holds equity stakes. On the cost side, we continued to maximize cost structure efficiency, including increased use of low-cost materials and thorough reductions in fixed costs. Moreover, we continued to implement steel product price revisions by promoting the understanding of our customers.

As a result of these activities, Nippon Steel's shipment of steel products in fiscal 2010 increased 4.26 million metric tons year on year to 31.35 million metric tons. This shipment increase, among other factors, enabled Nippon Steel to post net sales in the steelmaking and steel fabrication business totaling ¥3,473.4 billion, up ¥650.2 billion from fiscal 2009. Ordinary profit in this segment amounted to ¥181.9 billion, a turnaround from an ordinary loss recorded in fiscal 2009.

Fostering Business in 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 2010. Specifically, having attracted many Japanese manufacturers of thin-screen TVs and audio equipment, Malaysia is now showing great demand for electrogalvanized steel sheets. In this country, Nippon Steel has invested in Nippon EGalv Steel Sdn. Bhd., a manufacturer of electrogalvanized steel sheets. During fiscal 2010, the Company turned this Malaysian manufacturer into a consolidated subsidiary with the aim of closely linking Nippon EGalv Steel's operations with its domestic operations and further improving its capabilities to accommodate the needs of customers in the global market.

Also, targeting steel demand in the construction field in Africa, Nippon Steel invested in Midland Rolling Mills Limited, which manufactures and sells cold-rolled steel in Nigeria under management of the Safal Group. Having a long-term relationship with Nippon Steel, the Safal Group is a powerful steel coil and sheet manufacturer operating in many of the Sub-Saharan African countries (the area roughly south of the Sahara Desert).

Global Network

Safal Group products are mainly used in construction and infrastructure projects.

In booming China, in step with rising living standards, demand for tinplates for food cans, beverage cans and other containers is rapidly growing. To tap the growing demand, Nippon Steel signed an agreement with Wuhan Iron and Steel (Group) Corporation (WISCO) to establish joint venture WISCO-NIPPON STEEL Tinplate Co., Ltd. (WINSteel) for the manufacture and sale of tinplates.

Looking at the automobile sector, in Brazil, UNIGAL Ltda.—a joint venture of Nippon Steel and Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS) for the manufacture of automotive galvanized steel sheets—completed its second continuous galvanizing line in May 2011. Commercial operations of this new line have already launched. In India, Nippon Steel executed a joint venture agreement, signed with India's Tata Steel Limited, to manufacture and sell automotive cold-rolled steel sheets. In Mexico, the Company and Ternium S.A. signed a definitive agreement to form a joint venture for the manufacture and sale of hot-dip galvanized and galvannealed steel sheets for automotive applications. In Thailand, we established Nippon Steel Galvanizing (Thailand) Co., Ltd. in June 2011 for the manufacture and sale of hot-dip galvanized and galvannealed steel sheets primarily for automotive use. All these new manufacturing bases are scheduled to commence production in fiscal 2013, ending March 31, 2014.

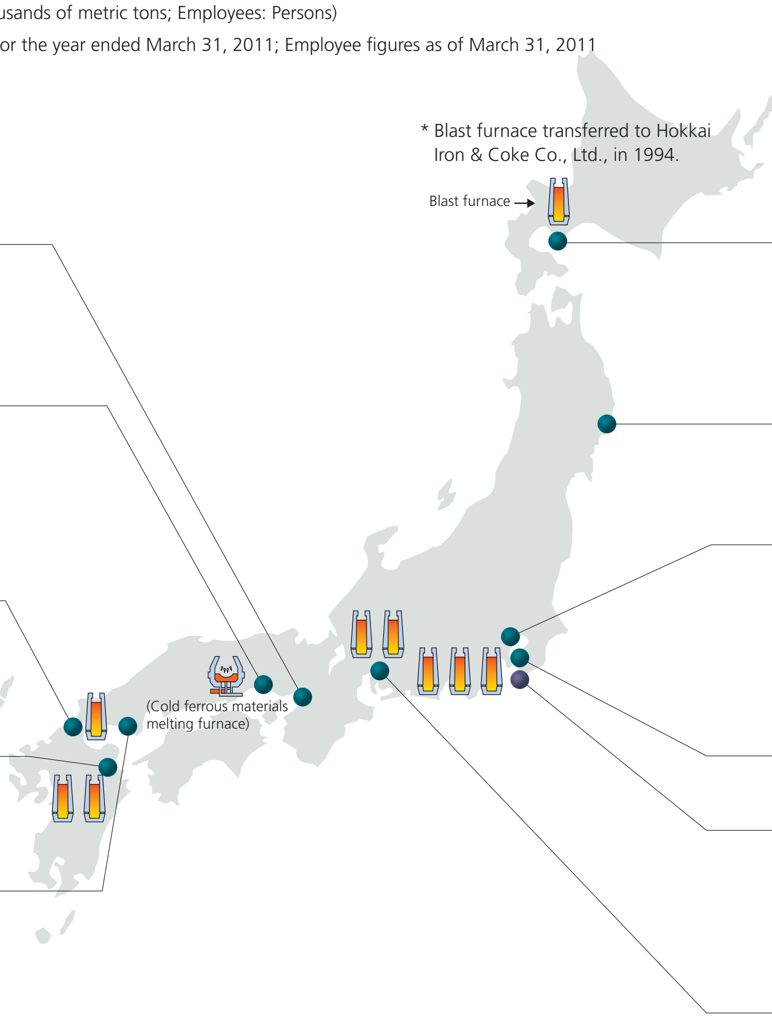
In the ASEAN region, where demand is expanding for steel pipes for motorcycles and automobiles, Nippon Steel established a company in Thailand in 1996 and another in Indonesia in 2007. These companies supply high-quality products to Japanese manufacturers operating in their respective regions. Recently, the Company decided to develop an automotive steel pipe business in India. To accurately capture automotive steel pipe demand, which is expected to rise rapidly in the country, we aim to begin production in 2012.

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 plans to renovate the No. 2 blast furnace at its Kimitsu Works for capacity expansion. Through these initiatives, Nippon Steel is working 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 unit: Thousands of metric tons; Employees: Persons)

* Crude steel production figures for the year ended March 31, 2011; Employee figures as of March 31, 2011



Sakai Works (Osaka)	
Employees:	346
Main product:	Shapes

Hirohata Works (Hyogo)	
Crude steel production:	899
Employees:	1,293
Main product:	Sheets

Yawata Works (Fukuoka)	
Crude steel production:	3,884
Employees:	2,850
Main products:	Sheets, shapes, rails, pipe and tubes

Oita Works (Oita area) (Oita)	
Crude steel production:	9,634
Employees:	1,767
Main products:	Sheets, plates

Oita Works (Hikari area) (Yamaguchi)	
Employees:	243
Main products:	Pipe and tubes, titanium

Muroran Works (Hokkaido)	
Crude steel production:	1,484
Employees:	604
Main products:	Bars and wire rods

Kamaishi Works (Iwate)	
Employees:	224
Main product:	Wire rods

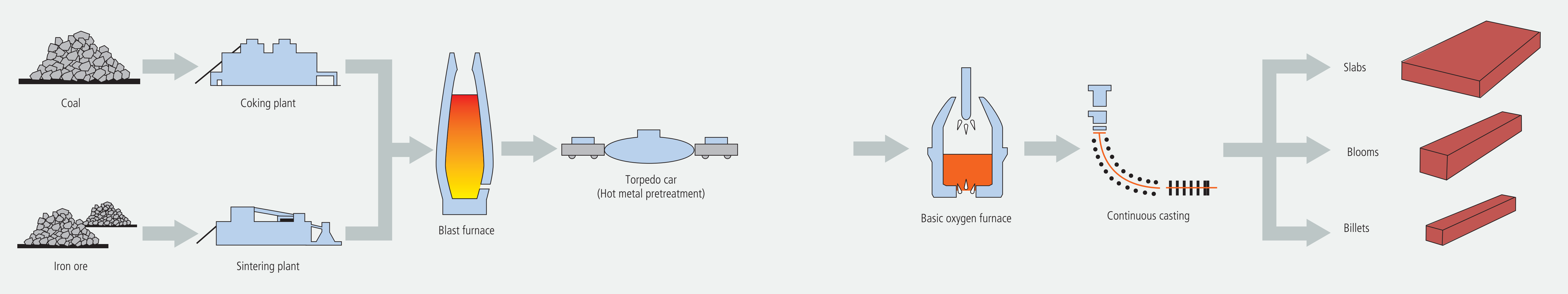
Tokyo Works (Tokyo)	
Employees:	119
Main product:	Pipe and tubes

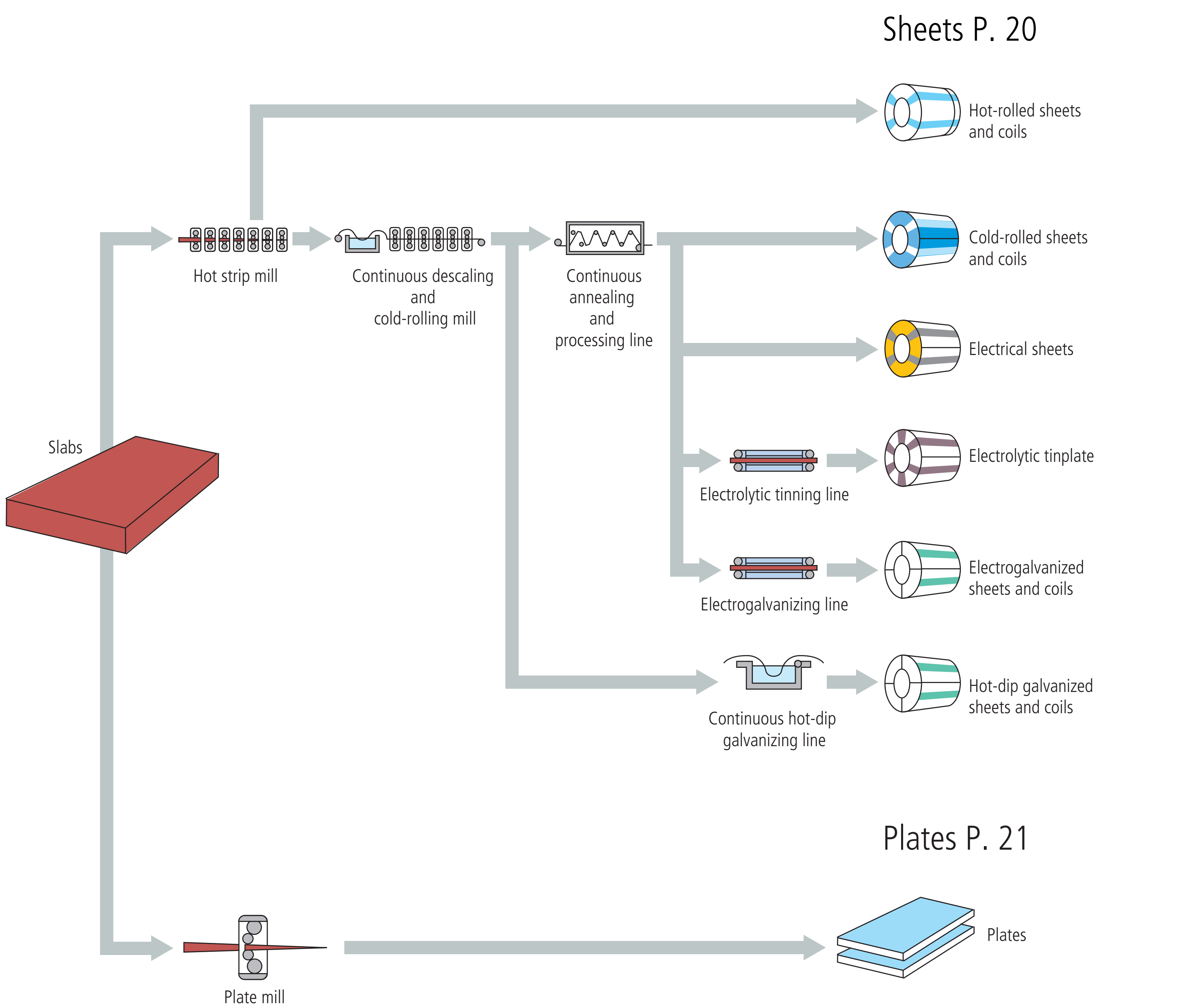
Kimitsu Works (Chiba)	
Crude steel production:	9,986
Employees:	3,474
Main products:	Sheets, plates, wire rods, shapes, pipe and tubes

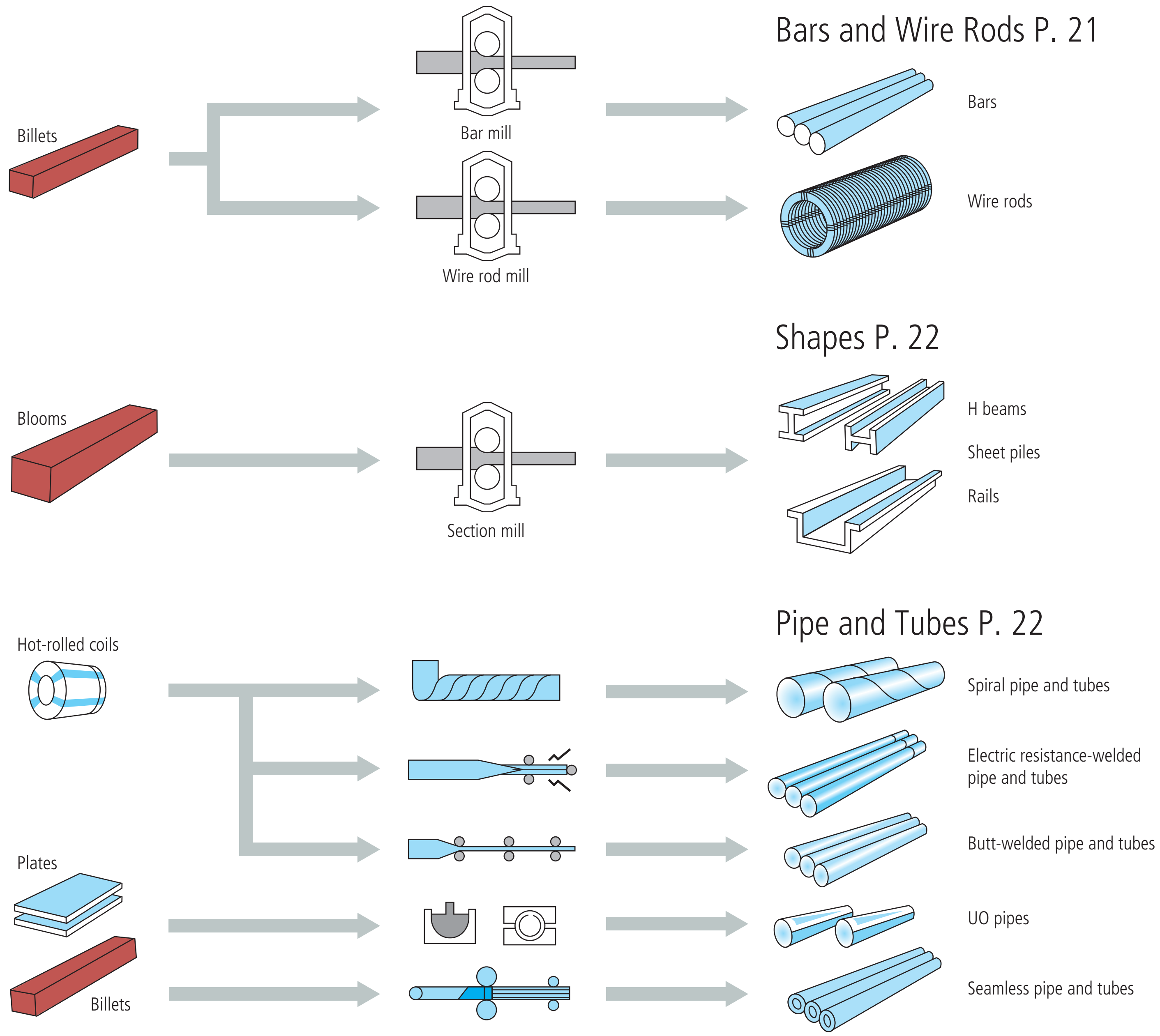
Research and Engineering Center (Chiba)

Nagoya Works (Aichi)	
Crude steel production:	6,579
Employees:	3,044
Main products:	Sheets, plates, pipe and tubes

Steelmaking Flow







Sheets

Main Products

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

Uses

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

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, home appliances, construction materials, housing materials, beverage cans, and transformers, to name but a few. In line with worldwide economic growth, particularly 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 are based on sophisticated technologies to meet ever-advancing societal needs, such as environmental protection and energy saving.

In automobiles, Nippon Steel has made significant contributions to CO_2 emission reductions of cars through the development of various products. These products include high-tensile-strength sheets, which help cut the weight of automobiles, and high-efficiency electrical sheets for use in hybrid cars.

In home appliances, the Company provides pre-coated sheets—including chromate-free electrogalvanized steel sheet ZINKOTE®-BLACK. These pre-coated sheets eliminate the need for a coating process at customers' works, which, in turn, helps them reduce the environmental impact of their manufacturing operations.

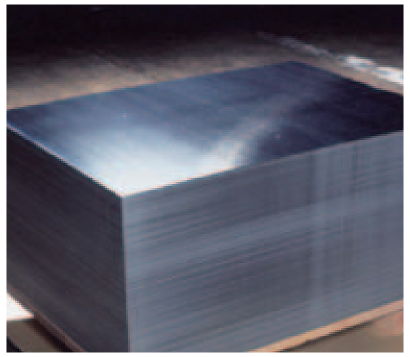
In construction materials, Nippon Steel has introduced the corrosion-resistant SuperDyma® galvanized sheets, and these sheets are used in wide-ranging applications, including housing parts and components and mounts for photovoltaic generation systems.

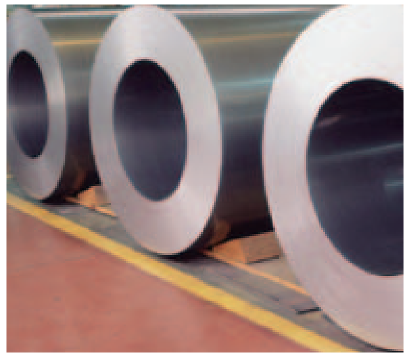
In beverage cans, we are helping our customers reduce their environmental impact by providing ultra-thin tinplates and laminated sheets. Ultra-thin tinplates enable the reduction of can weight, while laminated sheets allow customers to omit coating and other processes.

Furthermore, amid ever-growing needs for energy savings, Nippon Steel's high-efficiency electrical sheets are used across the power sector, from power generation to consumption, contributing to improved energy efficiency.

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 chain closely linked with customers' production bases. Overseas, particularly in ASEAN nations, China, India, Brazil and other emerging nations, we are similarly reinforcing a network of overseas offices while strategically launching new production lines and reorganizing our processing bases. All of these initiatives support our business structure, in order to effectively respond 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 light-gauge steel. Aggressively disseminating the advantages of this method, the Company is advancing full-scale efforts to spread the popularity of steel-framed houses.





Plates

Main Products

Heavy plates and medium plates

Uses

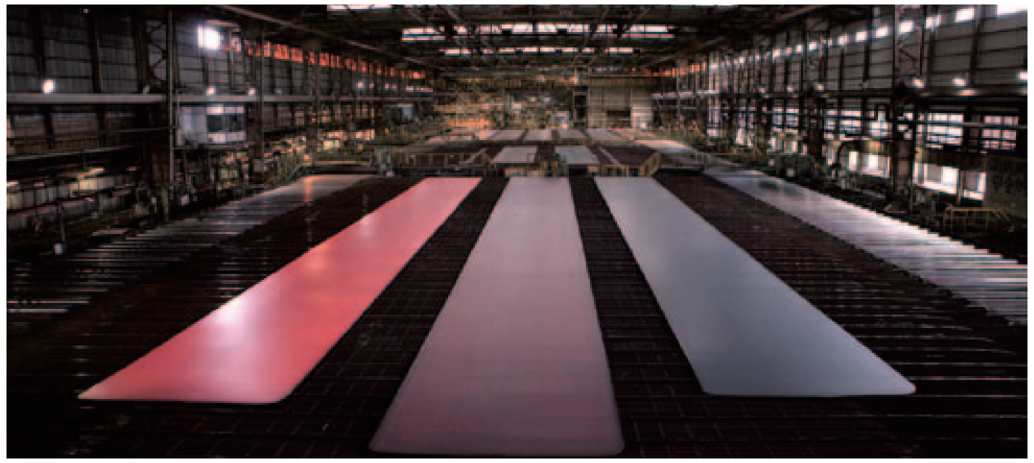
Shipbuilding, civil engineering and construction machines, industrial machines, bridges and iron frames, energy plants (electric generation, tanks and pressure vessels), offshore structures, pipelines

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. Environmental protection and resource saving present added challenge. Infrastructure of all types is becoming greater in size, while at the same time being expected to provide improved efficiency, weight reduction and durability for extended 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 high performance 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 high performance plates in the shipbuilding field. We have earned strong market recognition for a variety of superior products. These products, many of which we developed successfully ahead of our rivals, include the EH47 high-tensile-strength steel plate for super-sized containerships and the NSGP®-1 highly corrosion-resistant plate for crude oil tankers, for which we won the Contribution Award at the 43rd Ichimura Industrial Awards. 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 steel plates with high-toughness for offshore structures, ultra-thick plates for energy plants, and thick plates for wind power generation and other renewable energy fields.



Bars and Wire Rods

Main Products

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

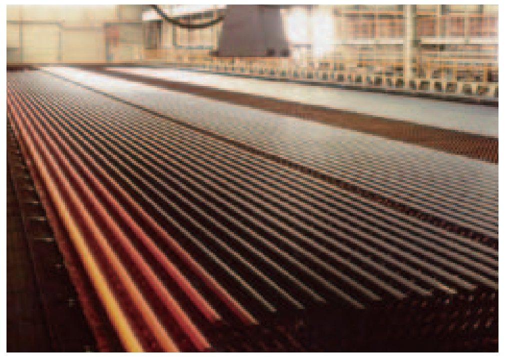
Uses

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 Materials

Main Products

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

Uses

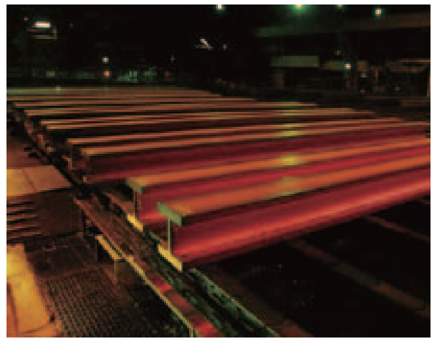
Building construction (steel columns and beams, etc.); civil engineering (roads, railways, rivers and harbors, building foundations, tunnels, bridges, etc,)

Product Features and Business Strategies

Nippon Steel has consistently developed and launched construction materials and technologies to meet market needs. In the civil engineering and rail fields, the Company has developed and launched: (1) hat-shaped steel sheet piles that help reduce material and installation costs; (2) combined steel sheet piles based on hat-shaped steel sheet piles and H beams; (3) the "TN-X Method" to build foundation piling using high-strength piles with large diameters for greater weight-bearing capacity; and (4) HE rails that demonstrate superior resistance against wear and surface damage. In the building construction field, we have developed and launched: (1) Hyper Beam™ (an H beam with fixed outside dimensions) for which the size offering of large-section products has been expanded; and (2) thick steel plates with high yield strength that have been used for the gain tower of the Tokyo Sky Tree and enable reduced steel weight. Including these, Nippon Steel offers an extensive line-up of advanced, distinctive products to accommodate customers active in these fields.

Conditions in the construction materials market are changing dynamically both in Japan and overseas. In Japan, the Nippon Steel Group is giving top priority to achieving the quickest-possible recovery and restoration in the aftermath of the Great East Japan Earthquake. Accordingly, the Group is providing full-scale support to nationwide efforts, leveraging its comprehensive capabilities and thereby making effective proposals based on its advanced products and expertise in steel processing and construction projects.

Overseas, taking advantage of its competitive edge on the global stage, the Nippon Steel Group is working to accurately capture energy- and infrastructure-related demand in growth markets, centered on Asia. In May 2011, Nippon Steel began the production of steel pipe piles and steel pipe sheet piles at its new production facilities in Vietnam. With an eye to additional expansion of its overseas production network, Nippon Steel aims to further bolster its construction materials business.



Pipe and Tubes

Main Products

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

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. Recently, Nippon Steel pioneered the development of a high-grade pipe for such pipelines, and this pipe can be used at extremely low temperatures (around minus 40 degrees Celsius). In addition, due to its excellent deformability, which increases breakage resistance against physical strain, this pipe can be used in regions where tectonic activities occur frequently. In recognition of these features, the pipe has been adopted for a natural gas pipeline project in the Russian Far East. The energy industry is expected to demand pipes and tubes that meet more sophisticated, composite requirements. In response, Nippon Steel is accelerating 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, while meeting the specific requirements of the application. 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 product weight and achieve smart processing. At the same time, we have continuously reinforced a network of production bases in China, Southeast Asia and India to satisfy our customers' needs for local procurement.

Titanium

Main Products

Cold-rolled sheets and coils, foils, welded pipe and tubes, hot-rolled sheets and coils, plates, wire rods

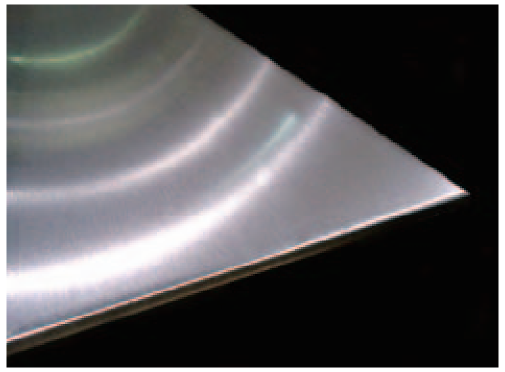
Uses

Chemical plants (reaction vessels, plate-type heat exchangers, tubular heat exchangers, etc.); power and water plants (condensers, desalination evaporators, etc.); electrolysis (soda electrolyzers, electrodes, copper foil drums, etc.); automobiles (mufflers, exhaust pipes, engine valves, etc.); consumer products (golf clubs, watches, eyeglasses, IT equipment exteriors, medical equipment); building construction and civil engineering (building exteriors, corrosion protection for offshore structures, monuments, etc.)

Product Features and Business Strategies

Most global demand for titanium springs from aerospace and general industrial applications. General industrial applications include energy-related and chemical plants. Examples of aerospace applications include the next-generation Boeing 787 Dreamliner and other aircraft. Demand for titanium has started to rise again in both fields, following a multi-year adjustment in the wake of the global financial crisis.

Nippon Steel continues to provide high-quality titanium products in a stable manner for wide-ranging applications, including heat exchangers, automobiles, construction materials, consumer products, and uses in the power and water sectors.



Supported by comprehensive strength, Nippon Steel's titanium business is underpinned by large-scale, highly competitive steelmaking facilities, wide-ranging rolling technologies and research laboratories providing superior analytic and development capabilities.

For example, we make full use of our comprehensive steelmaking track record. We use our steelmaking slabbing and rolling mills to produce our mainstay titanium sheets and plates, in order to achieve stable supply of high-quality titanium products in a variety of sizes. 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

Hot-rolled sheets, cold-rolled sheets, plates, wire rods

Uses

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

Product Features and Business Strategies

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

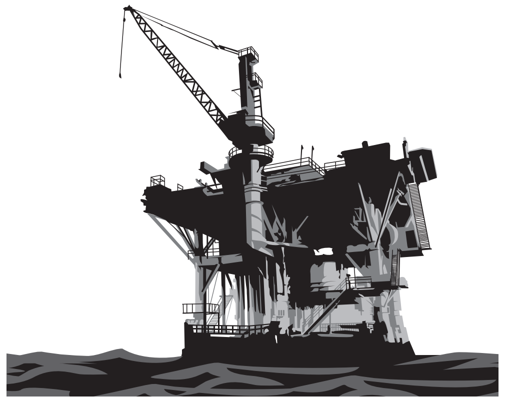
Meanwhile, NSSC has accelerated the development, upgrading and marketing of its original grades of stainless steel while enhancing a stable supply structure. Satisfying the needs of customers with these products and its supply structure, NSSC has gained a solid endorsement from both domestic and overseas customers. In recent years, however, customers have shown more interest in sophisticated products that strike a balance between functionality and cost saving.

Fiscal 2010 was a year of tangible achievements for NSSC. More specifically, the company released NSSC FW Series, the world's first tin-added extra low-interstitial ferritic stainless steel grades. In addition, NSSC completed capacity enhancement for duplex stainless steel quarto plates, for which global demand is anticipated to expand.

NSSC 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.

Business Overview:

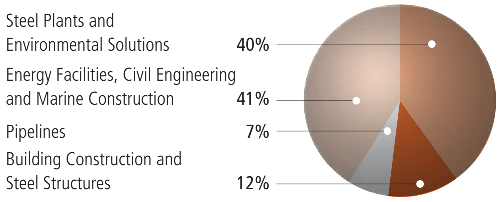
Engineering and Construction



Makoto Takahashi

President
Nippon Steel Engineering Co., Ltd.

Sales by Business Field (Non-Consolidated)



(Billions of yen)

(FY)	2009	2010
Net Sales	331.9	254.9
Ordinary Profit (Loss)	29.2	14.8

Business Profile

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

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 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 costruction 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.

Construction of offshore resource development facilities

Waste-processing center

Large-scale logistics 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 infrastructure, which helps 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.

Coke dry quenching (CDQ) facilities

Annual Summary

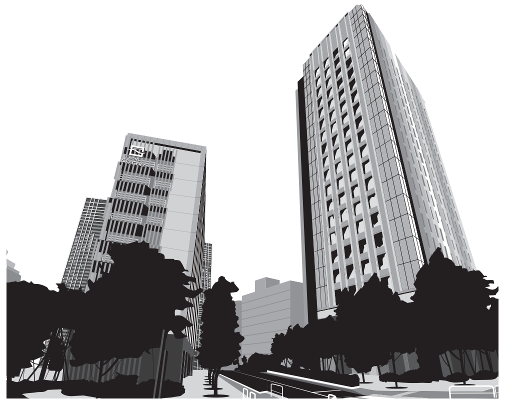
During fiscal 2010, conditions in domestic and overseas economies continued to recover slowly. In major markets targeted by Nippon Steel Engineering, orders received in connection with overseas projects, centered on Asia, increased, though harsh operating conditions continued in Japan.

Benefitting from a new order for a large-scale project overseas, consolidated order value for the reporting term reached ¥334.3 billion, exceeding the ¥300 billion level for the first time in the past three fiscal years. Compared with weak performance attributable to the global recession in fiscal 2009, order value jumped ¥130.0 billion.

Impacted negatively by the low level of orders secured during fiscal 2009, consolidated sales declined approximately ¥80.0 billion year on year to ¥254.9 billion. For the first time since fiscal 2005, consolidated sales dipped below the ¥300 billion level. Owing to this and to a severe order environment caused by intensified competition, consolidated ordinary profit dropped approximately ¥15.0 billion to ¥14.8 billion. Through thorough cost-reduction and risk-management initiatives, however, Nippon Steel Engineering was able to keep its ordinary profit above ¥10 billion—the level that the company has sustained since its spin-off in July 2006.

Business Overview:

Urban Development

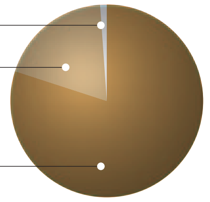


Akira Shoga

President

Nippon Steel City Produce, Inc.

Sales by Business Field (Non-Consolidated)



(Billions of yen)

(FY)	2009	2010
Sales	80.0	86.5
Ordinary Profit	1.7	9.2

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 renovation of old condominium complexes, the development of condominium complexes for sale and buildings for leasing, 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 industrywide 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.

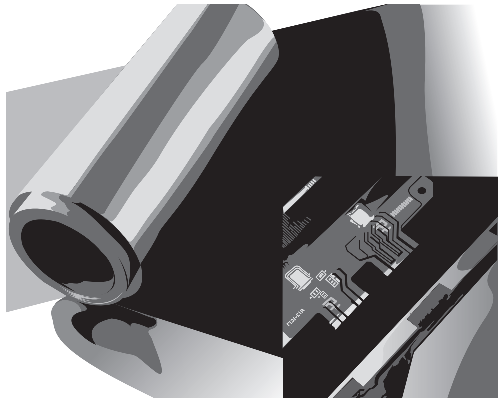
Annual Summary

During fiscal 2010, the condominium sales market enjoyed steady growth in the rate of contracts signed, particularly in the Tokyo metropolitan area, buoyed by government policies, including housing loan rate cuts and preferential tax treatment for home buyers. On the other hand, vacancy rates remained high in the building leasing market, except for certain new large-scale buildings. Under these conditions, NSCP achieved year-on-year increases in both revenue and earnings, supported by strong performance in the condominium sales business, more specifically, by robust condominium sales for large-scale properties in the Tokyo metropolitan area. NSCP has attained an industry-leading position in the urban redevelopment field. By further strengthening its advantages through the promotion of projects for urban district redevelopment and condominium complex renovation, we are working consistently to improve our earnings power.

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

Business Overview:

Chemicals

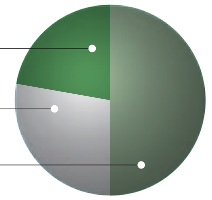


Bun'yu Futamura

President

Nippon Steel Chemical Co., Ltd.

Sales by Business Field



(Billions of yen)

(FY)	2009	2010
Sales	179.4	193.8
Ordinary Profit	9.1	13.2

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 aggressively promoted its display materials business, epoxy resin business and PWB & package materials business. At the same time, we are working to cultivate and capture demand for such new functional products as heat-resistant transparent plastic film SILPLUS® with excellent surface hardness, UV/thermosetting resin material ESDRIMER® and organic electro luminescence (OEL) materials. Also, we are stepping up preparations for the launch of businesses involving new materials for lithium-ion battery (LiB) electrodes, dye-sensitized solar cells and inkjet printing. Through these activities, Nippon Steel Chemical is aiming for an optimal balance between business stability and growth.

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

During fiscal 2010, sales of coal-based needle coke for artificial graphite electrodes of electric furnaces, carbon black and specialty carbon products were robust. Sales of bisphenol A were also robust. However, market conditions for styrene monomers were severe, reflecting intensified competition from the launch of new plants in Asia, among other factors.

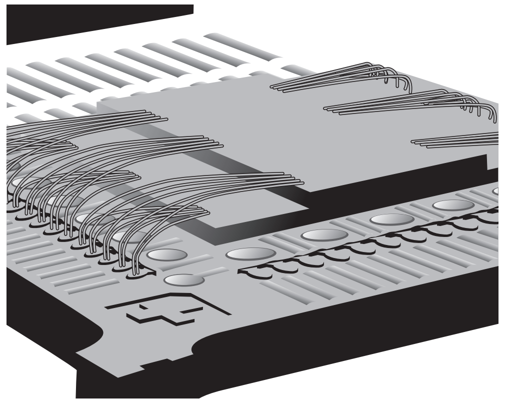
Meanwhile, supported by increased shipments of LCD TVs and other electronic products and the expansion of the smartphone market, sales of functional materials—such as LCD color filter black resist materials, non-halogen epoxy resin and ESPANEX® flexible printed circuit board material—were strong. As a result, Nippon Steel Chemical enjoyed year-on-year increases in both sales and ordinary profit.

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

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

Business Overview:

New Materials



Kenji Yamada

President

Nippon Steel Materials Co., Ltd.

(Billions of yen)

(FY)	2009	2010
Sales	58.7	60.8
Ordinary Profit	0.5	2.1

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 environmental and energy-related 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 the first half of fiscal 2010, sales in our mainstay electronics materials and components business, particularly those of products relating to PCs and mobile phones, were robust. Also, in line with the rise in the price of gold, sales increased substantially of existing products and such new products as coated copper wires. Our performance in basic industrial materials and components, as well as environmental materials and components, returned to a recovery path, supported by expanded demand for carbon fibers and strong sales in China of metal substrates for catalytic converters for use in motorcycles. In the second half, although sales varied for individual products in the electronics materials category, sales of environmental materials and components were steady. As a result, we achieved year-on-year increases in both revenue and earnings, posting net sales totaling ¥60.8 billion and ordinary profit of ¥2.1 billion, respectively.

Business Areas and Products

Area	Products	Area	Products
Electronics materials and components	• Stainless steel foils • Microball bumping service • Chemical mechanical polishing (CMP) pad conditioners • SiC wafer • Silica/Alumina spherical particles • Bonding wires • Microsolder balls	Basic industrial materials and components	• Hot isostatic pressing (HIP) processed materials • Pitch-based carbon fibers • Carbon-fiber-reinforced plastic (CFRP) products
		Environmental and energy-related materials and components	• Metal substrates for catalytic converters • Polysilicon for solar cells

Cooperation

Nippon Steel Technical Development Bureau

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

Business Overview:

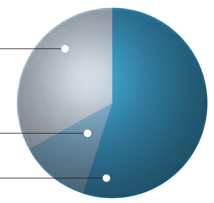
System Solutions

Mitsuo Kitagawa

President

NS Solutions Corporation

Sales by Business Field



(Billions of yen)

(FY)	2009	2010
Sales	152.2	159.7
Ordinary Profit	11.1	11.3

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, design and development services relating to business applications tailored specifically to the needs of customers. Based on our extensive knowledge of and experience in specific industries and businesses, our services cover wide-ranging sectors, such as manufacturing, distribution and service, finance, social and public, and telecommunication.

Through its platform solutions operation, NS Solutions takes advantage of its industry-leading software products and platform development technologies that can support multivendor system architectures. Based on these products and technologies, we extend services to plan, design 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.

Business Strategies

• Accelerate Cloud Computing Services

NS Solutions will accelerate the provision of services relating to the development of private cloud computing platforms and the enhancement of public (membership-based) cloud computing services while promoting the expansion of "Cloud Plus" services, which combine cloud computing services with leading edge technologies such as augmented reality (AR) technology and ubiquitous terminals. In addition, we will strengthen our comprehensive cloud computing services through various initiatives, including the reinforcement of a cloud platform management structure and the construction of next-generation, high-spec, high-density data centers capable of meeting energy-saving and other eco-friendly requirements.

• Expand Operations in Asia

In China, through NS Solutions Software (Shanghai) Co., Ltd., we will expand offshore development services and system support services targeting Japanese companies operating there. At the same time, we will utilize this Chinese arm as an R&D base to further bolster our Chinese operations. In Southeast Asia, we will work to strengthen our business capabilities in the market. To this end, we have started considering the establishment of a business base in the region.

• Establish Stable Development Structure

Leveraging its groupwide resources and offshore business network, NS Solutions will promote a decentralized development structure underpinned by its core "NSSDC Cloud" system development platform. In this way, we will establish an agile, stable system development framework.

Annual Summary

During fiscal 2010, our corporate clients continued to suppress IT investment throughout the year, despite improvements in their business performance. In such a severe environment, NS Solutions accurately captured business opportunities by securing orders from its existing clients and acquiring new clients. At the same time, we promoted companywide efforts to strengthen corporate structure, expand business areas, advance business globalization, accelerate cloud services and reinforce capabilities in leading-edge technologies. As a result of these activities, sales increased year on year to ¥159.7 billion. Gross profit declined year on year due to weaker margins. Nevertheless, ordinary profit expanded to ¥11.3 billion, reflecting our efforts to reduce SG&A expenses.

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

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 steelmaking business, pioneers production processes and ensures their swift introduction into operations.

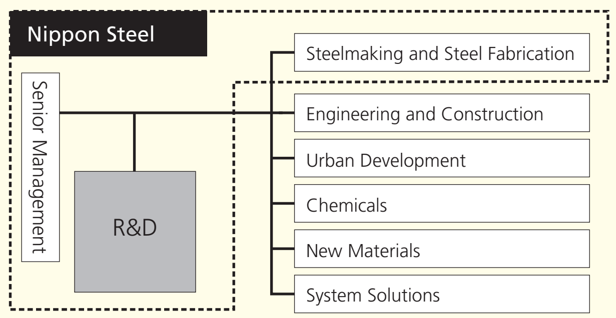
R&D Policy

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

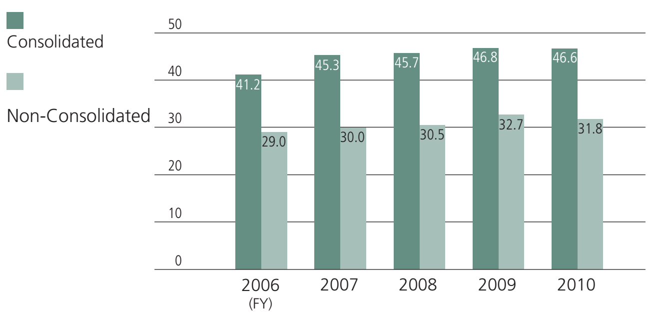
1). Improving ability to develop and supply high-grade steel products matched to industry needs in today's polarized steel market, which has become increasingly divided into the medium- to high-grade and the general-purpose camps
2). Bolstering technology that facilitates the use of low-grade iron ore, 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

Positioning of R&D

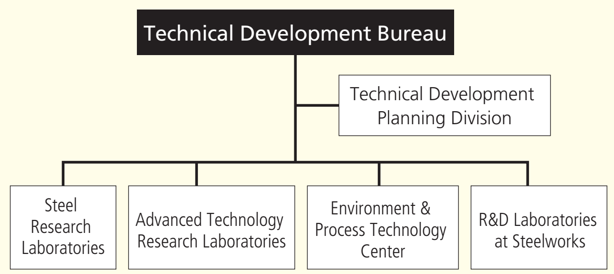


* R&D is positioned as an activity covering all business units.

R&D Expenditure (Billions of yen)



R&D Organization



Major R&D Accomplishments

SuperDyma® Hot-Dip Galvanized Sheet for Photovoltaic Generation Systems

A large amount of our SuperDyma® high-performance hot-dip galvanized sheet has been adopted for use with photovoltaic generation systems. Since 2010, Nippon Steel has received five orders, which collectively totaled more than 2,000 tons of SuperDyma®, from such projects as Mega Solar Taketoyo and Ogishima Solar Power Plant.

SuperDyma® is a highly corrosion-resistant galvanized sheet, and the coating layer consists mainly of zinc, with 11% aluminum, 3% magnesium and a trace amount of silicon. It has been used as a steel material for solar panel mounts and has highly evaluated for its superior corrosion resistance and total cost-reduction benefits.

Previously, electric power companies have required the steel sheets they use for solar panel mounts to be post-coated sheets. However, as pre-coated SuperDyma® offers many advantages over post-coated sheets, the adoption of this product has increased gradually. In fact, SuperDyma® provides higher corrosion resistance than post-coated sheets and eliminates concerns about thermal deformation, which often occurs in post-coating processes. Also, it enables cost reductions through total weight reduction.

Rendering of Mega Solar Taketoyo (courtesy of Toshiba Corporation)

NSGP®-1 Steel Plate for Crude Oil Tankers

Developed jointly with Nippon Yusen K.K., NSGP®-1 is setting new standards as a highly corrosion-resistant steel plate for crude-oil tankers. More specifically, this steel plate is used for the bottom of the tanks in tankers. As the steel provides corrosion resistance itself without any coating, this steel plate not only improves vessel safety and reliability but also has an eco-friendly feature.

In general, a significant amount of alloys are added to make corrosion-resistant steel, which reduces the weldability of the steel. In contrast, NSGP®-1 optimally blends a small amount of alloys to achieve five times greater corrosion resistance compared with conventional steel plates while maintaining the same weldability and workability as conventional steel materials.

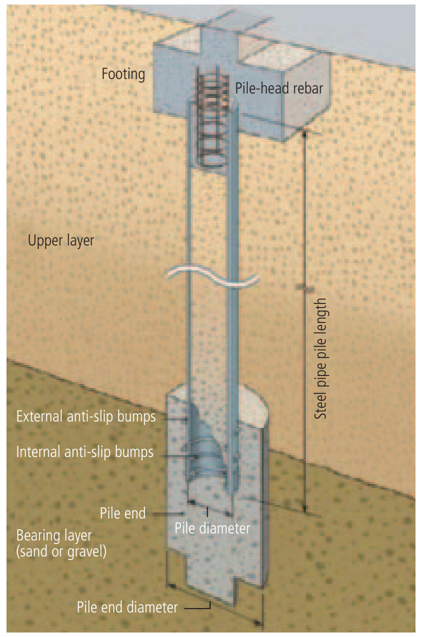
Ultra-large crude-oil tanker using NSGP®-1 (courtesy of Nippon Yusen K.K.)

In recognition of Nippon Steel's track record in providing steel materials for ship applications, under the International Convention for the Safety of Life at Sea (SOLAS) treaty in relation to corrosion-preventive measures for the tanks of crude-oil tankers, which was revised in 2010, corrosion-resistant steel originated in Japan, in addition to anti-corrosion coating, was specified as an effective corrosion-resistant technology. As corrosion prevention becomes mandatory for tankers constructed after January 2013, NSGP®-1 is expected to enjoy a rapid increase in demand.

- NSGP®-1 received a Contribution Award at the 43rd Ichimura Industrial Awards.

High-Strength Pipe Pile and TN-X® Method for Economical Building Design

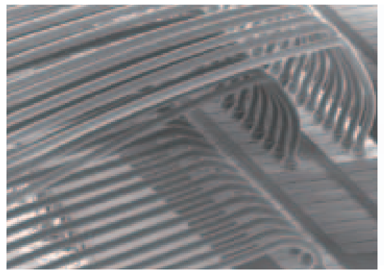
Nippon Steel' high-strength pipe piles for building foundations provide the highest strength of 400 N/mm² among all equivalent pipe piles made in Japan. In fiscal 2010, a significant number of these innovative pipe piles were, for the first time, adopted for use in a development project in Japan. These pipe piles are used together with the Company's proprietary TN-X® Method for piling with enlarged and consolidated pile ends. These high-strength pipe piles provide



Example of TN-X Method

23% highest strength compared with conventional pipe piles. Simultaneously, the use of this pile reduces the thickness of the steel sheet used for a pipe pile by up to 21% and the total weight of a steel pipe pile by up to 20%. Reduced thickness helps shorten the time required for on-site welding, while reduced weight helps improve efficiency in pipe pile handling and other on-site processes. As such, the use of these pipe piles and the TN-X® Method enables overall cost reductions for construction projects.

With the aim of expanding the application of this highly reliable pile method, Nippon Steel improved this method by pioneering Japan's first development of a steel pipe pile measuring 1,400 mm in diameter, an increase of 200 mm over existing pile diameter. The new pile method using the 1,400-mm pipe piles has acquired technical approval from the Center for Better Living. With the acquisition of the approval, Nippon Steel is now able to provide steel pipe piles boasting Japan's greatest bearing capacity to the market. They will help realize more economical building design by reducing the number of pipe piles used in building foundations. By targeting construction projects located in Tokyo Bay and other areas with weak ground, Nippon Steel aims to spread the use of the new pile method that offers superior bearing capacity, earthquake resistance, environmental performance and economic efficiency.



EX1 use example
(Diameter: 18 microns;
pitch: 50 microns; 3-level connection)

EX1 multilayer copper
bonding wire

EX1 Copper Bonding Wire for LSI Packaging

The Nippon Steel Group has succeeded in the development of EX1—a new copper boding wire for LSI packaging—and has established a production system required to meet growing demand in the global market. Having a multilayer composition, the EX1 copper bonding wire enables significant reduction in precious metal use and manufacturing costs.

Gold has conventionally been used for bonding wires, which connect an integrated circuit with peripheral electrodes. Past attempts to substitute copper for the expensive precious metal failed in LSI applications due to difficulties in ensuring sufficient practical performance.

The most noteworthy technical feature of EX1 is its multilayer composition based on the Group's proprietary multilayer wire technology. More specifically, the Nippon Steel Group utilized nano-level layering control to create a palladium-coated layer on a copper wire. Such a multilayer composition compensates for copper's shortcomings by: (1) improving oxidization resistance and, consequently, service life; (2) enhancing connecting strength; (3) eliminating the use of hydrogen in bonding; and (4) realizing long-term reliability due to superior thermal resistance sufficient to withstand automotive applications. As EX1 offers the same level of performance as gold-based wires at approximately one-fifth the cost, the use of EX1 will significantly contribute to cost reduction in LSI production. In addition, EX1 provides 20% greater electrical conductivity than gold-based wires.

EX1 has been officially adopted by more than 40 plants of Nippon Steel's major customers: leading, world-class businesses in Europe, the United States, Taiwan and elsewhere. Also, the application of EX1 has spread to include leading-edge, ultrahigh-density LSI packaging. Accordingly, the expansion of EX1 demand is highly anticipated in the short term.

External Recognition for Accomplishments since Fiscal 2010

Award Event	Award Presented	Description
43rd Ichimura Industrial Awards	Contribution Award	Development of NSGP®-1 eco-friendly corrosion-resistant steel plate for crude-oil tankers
The Minister of Education, Culture, Sports, Science and Technology Awards 2011	Science and Technology Award	Development of heavy-haul rails that are highly resistant to wear and internal
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
2010 Otani Art Museum Awards	Otani Art Museum Award	Practical application of large-scale titanium tile roofing on the main hall of the Sensoji Temple
2010 Nikkei Superior Products and Services Awards	Award for Excellence Nikkei Sangyo Shimbun Award	Development of FW1, the world's first tin-added ferritic stainless steel grade by Nippon Steel & Sumikin Stainless Steel Corporation
2010 Good Design Awards	Good Design Award	Development of Gp-N safety barrier by Nippon Steel & Sumikin Metal Products Co., Ltd.

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 management/business strategies. We implement our IP strategy based on medium- and long-term strategic perspectives, and we keep steadily developing our IP activity regardless of any short-term changes in the economic situation.

Priorities

We have been enriching our IP as "an effective leverage to compete in the world, and with the world" both in quality and quantity in order to support our management/business strategies, in particular, Japan-based global growth strategies through properly implementing technology/IP strategies. As a result, we have increased the number of our domestic patents steadily and the number of foreign patent applications considerably as shown in the graphs below.

In order to maintain our position as the "World's No. 1 Company in total capabilities," in the global steel market, we will continue to obtain and utilize IP on technologies which will sustain our superior production capabilities, production foundations and technological edge. In particular, in order to create a new growth track of upgrading and expanding production and supply in the three main regions of the world through our "Global Tri-polar Production and Supply Structure," we will continue implementing IP activities in our base region of Japan, while becoming ever more active in IP activities in the other two regions, more specifically Asia and the Americas/Pan-Atlantic region.

Nippon Steel will maintain its unshaken position of solid world-leading IP through the above activities, and will improve its corporate value through utilization of the IP.

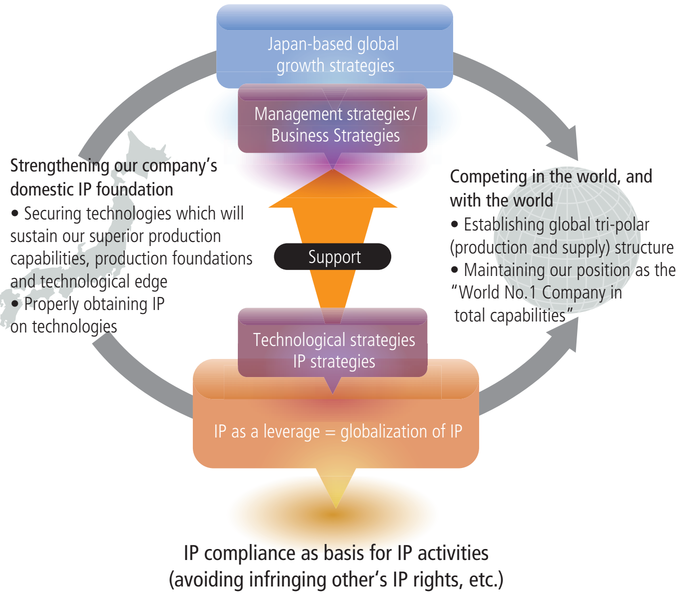
Specific Activities

The IP Division collaborates with the Sales/Marketing Division, the Manufacturing Division and the R&D Division to acquire IP, both domestically and internationally, on technologies for coping with price increases in resources and for reducing environmental burden. The IP Division also works to acquire IP for world-leading advanced technologies and product/manufacturing technologies which properly meet each customer's needs.

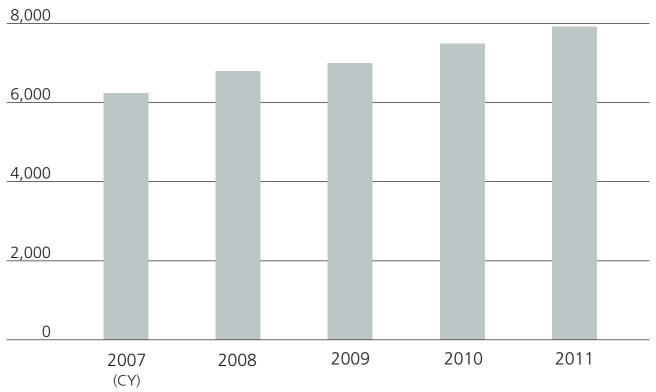
With respect to strategic alliance partners and joint venture companies, who are very important partners in enhancing our production and supply in the "Global Tri-polar Production and Supply Structure", Nippon Steel will, in collaboration with the Sales/Marketing Division and others, implement mutual licensing of IP, such as patents and 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 rights, e.g., strictly dealing with the illegal use of our corporate /trade name, trade mark and copyright, while we are also maintaining full compliance with IP laws such as by respecting other's IP rights.

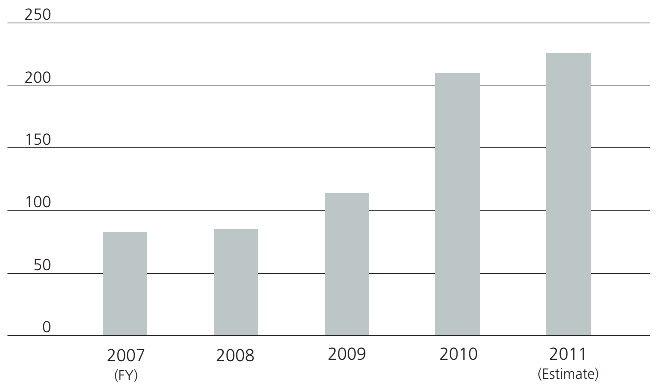
IP Strategies and Activities for Supporting Global Growth Strategies



Japanese Patents Owned by Nippon Steel



International Patent Applications Published by Nippon Steel



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, to clarify responsibilities for the results of each business segment, the Company has introduced an executive management system under which directors strive to ensure the proper execution of business activities.

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 academic research and education. 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 by auditing the execution of duties by directors.

To sum up, as of August 2011, Nippon Steel's Board of Directors has 11 members, while the Board of Corporate Auditors has 7 members, four of whom have been externally appointed. 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 that may affect the activities of the Nippon Steel 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 19 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, other directors, 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.

Under such a management administration system, Nippon Steel pursues the following measures to reinforce the internal controls and the risk management structure.

• 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.

• 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.

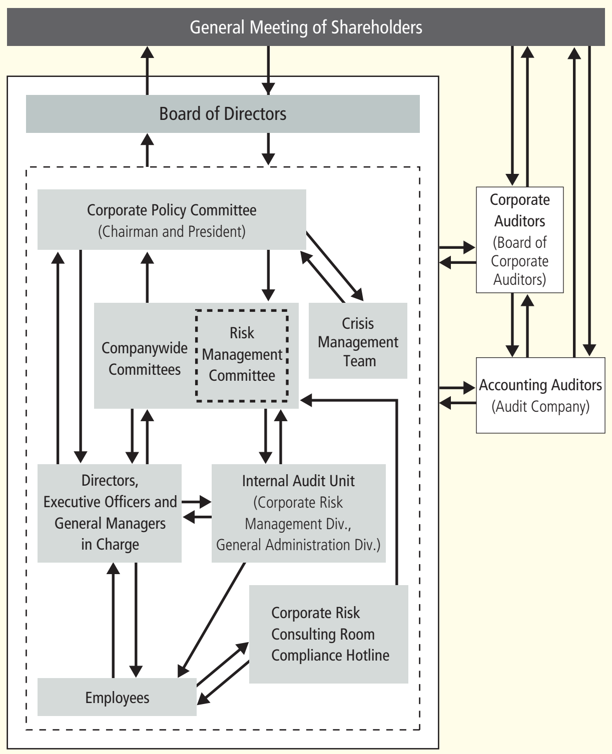
• Should unforeseen circumstances arise that have a significant impact on the business of Nippon Steel or Group members, immediately convene the Crisis Management Team with the president as team leader, the directors responsible for affected businesses, and corporate auditors and legal advisers providing 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-á-vis top management. In addition, corporate auditors exchange opinions with representative directors and directors in charge of individual business divisions on an as-required basis and provide these divisions with advice from a corporate auditor perspective. Also, Nippon Steel has appointed four staff members who exclusively support the operation of corporate auditors.

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.

Corporate Organization and Internal Control System



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

Compliance Status

As of June 2011, 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.

Since the completion of all legal processes in connection with its violations of the Antimonopoly Act, Nippon Steel has conducted 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 restrictions. 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 the Nippon Steel Group.

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, Nippon Steel 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 Nippon Steel's website:
www.nsc.co.jp/en/ir/management/acquisition.html

Corporate Governance: Executive Team

(As of August 2011)

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
General Manager, Wuhan Tinplate Project; Corporate Planning; Accounting & Finance; Overseas Business Development; Raw Materials; Overseas Offices; Cooperating with Executive Vice President M. Iwaki on USIMINAS Project

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

Masakazu Iwaki
Representative Director and Executive Vice President
General Manager, USIMINAS Project; Intellectual Property; Safety Enhancement; Technical Administration & Planning; Ironmaking Technology; Steelmaking Technology; Slag & Cement; Cooperating with Executive Vice President K. Shindo on Environmental Management

Norio Katsuyama
Representative Director and Executive Vice President
Director, Technical Development Bureau

Managing Directors, Members of the Board

Junji Uchida
General Manager, Shanghai-Baoshan Cold-Rolled & Coated Sheet Products Project; Overseas Business Development; Overseas Offices; Rendering Assistance to Executive Vice President M. Iwaki on USIMINAS Project

Shinya Higuchi
Director, Flat Products Division; Director, Pipe & Tube Division; General Manager, India Continuous Annealing & Processing Line Project; Sales Administration & Planning; Global Marketing

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

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

Executive Vice President

Yasuo Takeda
Deputy General Manager, USIMINAS Project

Managing Directors

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

Kenji Hiwatari
Director, Plate Division; Director, Construction Materials & Products Division; Project Development; Titanium

Akihiro Miyasaka
General Superintendent, Nagoya Works

Directors

Hirotomo Suetsugu
General Manager, Business Process Innovation Division

Atsuhiko Yoshie
Director, Steel Research Laboratories, Technical Development Bureau

Masato Yamada
Deputy General Manager, Shanghai-Baoshan Cold-Rolled & Coated Sheet Products Project; Deputy General Manager, India Continuous Annealing & 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 & Processing Line Project

Shinji Fujino
General Superintendent, Kimitsu Works

Eiji Hashimoto
Rendering Assistance to Managing Director J. Uchida on Overseas Business Development

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

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, Yawata Works

Shinichi Fujiwara
Raw Materials; Machinery & Materials Procurement

Nobuhiko Takamatsu
General Manager, Ironmaking Technical Division; Rendering Assistance to Managing Director T. Meiga on Slag & Cement

Tsuneo Miyamoto
General Manager, Sales Administration & Planning Division

Toshiharu Sakae
General Manager, Raw Materials Division-II

Koji Tanabe
General Superintendent, Muroran Works, Bar & Wire Rod Division

Yutaka Takeuchi
General Manager, Corporate Planning Division

Kazuya Kage
Director, Environment & Process Technology Center, Technical Development Bureau

Akihiko Inoue
Deputy General Manager, Wuhan Tinplate Project; Rendering Assistance to Director, Flat Products Division on Flat Products

Yasuto Agou
General Superintendent, Oita Works

Hirotsune Satoh
General Manager, Human Resources Division

Senior Corporate Auditor

Junji Ota

Corporate Auditors

Toshihide Tanabe

Katsunari Yoshida

Shigemitsu Miki*

Shigeo Kifuji*

Takao Kusakari*

Yuichiro Anzai*

* External corporate auditors

Corporate Governance: 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, 2011 amounted to ¥1,337.8 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, 2011 amounted to ¥1,223.8 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 ¥318.8 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_2 into the atmosphere. These regulations could include quantitative restrictions, environmental taxes or other restrictions. The resulting limitations on the business activities of the Nippon Steel Group, primarily its steelmaking operations, could have an impact on operating results.

Increase in Duties and Other Import Restrictions in Major Overseas Markets

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

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

In cases where steelworks or other business sites of the Nippon Steel Group or facilities of the Group's customers and business partners 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, environmental accident, product quality problem or other emergency could have an impact on the Company's operating results.

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 endeavors, we take advantage of our top-class environmental and energy-saving technologies and business infrastructure, 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

Since its founding, Nippon Steel has continued to vigorously undertake 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 promoting efforts to fulfill a voluntary action plan of reducing its energy consumption by 10% from the fiscal 1990 level in terms of the average over the period from fiscal 2008 to fiscal 2012.

Looking toward the future, Nippon Steel is committed to contributing to solving environmental and energy-saving issues 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).

The entire Japanese steel industry is working to disseminate global warming prevention initiatives worldwide—particularly in such rapidly growing emerging nations as China and India, where steel demand is steadily expanding—through transfer of technologies. According to data published by the International Energy Agency (IEA), it is estimated that the world will be able to reduce its total annual CO_2 emissions by approximately 340 million tons if the energy-saving technologies that have been developed and put to practical use by the Japanese steel industry are spread throughout the world.

Three Eco-Friendly Initiatives

ECO-PROCESS

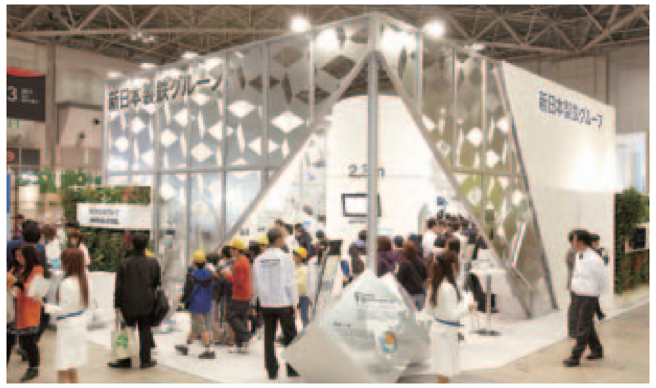
Nippon Steel continues to strengthen energy-saving technologies applied in its world-leading steelmaking processes. Moreover, the Company is promoting the development of innovative steelmaking process technologies with the aim of drastically reducing CO_2 emissions.

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_2 emissions. With the aim of developing a groundbreaking, eco-friendly steelmaking process technology that enables the significant reduction of CO_2 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_2 contained in gasses generated in blast furnaces. Through the development of these technologies, the COURSE50 project team aims to reduce CO_2 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_2 separation and recovery testing plant at the Kimitsu Works



Nippon Steel's booth at Eco-Products 2010

Three Eco-Friendly Initiatives

ECO-PRODUCTS

To reduce the CO_2 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 Steel Sheets for Hybrid Cars

Electrical steel 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

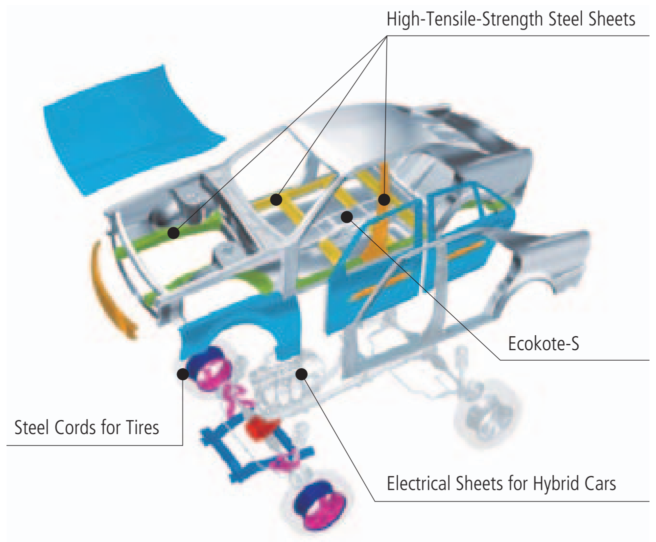
This steel sheet boasts dramatically enhanced corrosion resistance without the use of lead. Nippon Steel developed and now provides Ecokote®-S as a steel material for biofuel-compatible automotive fuel tanks.

— Steel Cords for Tires

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

— Bioethanol-Blended Gasoline (Nippon Steel Engineering)

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



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.

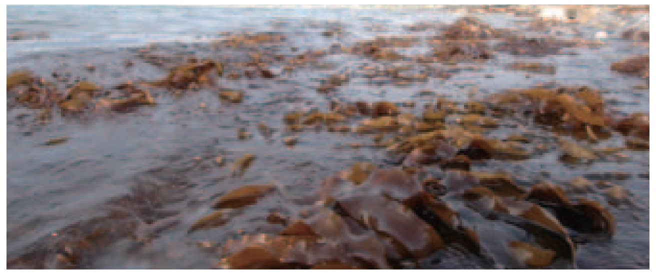
Creation of Forests and Kelp Forests

Since 1971, shortly after Nippon Steel was formed, all 10 of its steelworks in Japan have engaged in forest creation. Preparations began by examining the indigenous flora of each region. Appropriate trees and plants for the afforestation projects were selected accordingly. Each of these forests has now grown to be nearly 30 meters high and become home to diverse wildlife.

Offshore, Nippon Steel is supporting the creation of kelp forests. In coastal regions where marine vegetation is dying off, the Company uses steel slag—a byproduct 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.

* At the 1st Corporate Biodiversity Conservation Activities Contest, Nippon Steel received the Chairman's Award from the Keidanren Committee on Nature Conservation for its kelp forest creation project. This new award contest commemorates the tenth meeting of the Conference of the Parties (COP10) on Biological Diversity in October 2010 in Japan.

Creation of forests (Oita Works)



Creation of kelp forests (Mashike-cho, Hokkaido)

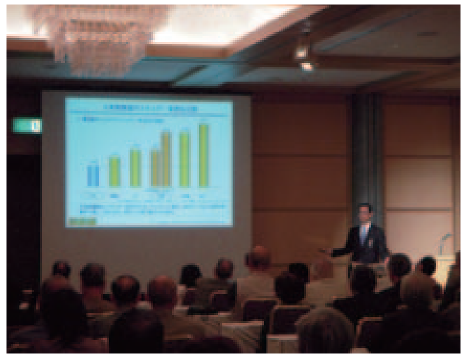
Shareholders and Investors

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 **www.nsc.co.jp/en/index.html**.

- Information Meetings and Tours of Steelworks for Individual Shareholders

Nippon Steel has held a total of 66 information meetings and steelworks tours for individual investors since starting 2005. More than 15,000 individual shareholders have participated in these events and expressed positive feedback. In fiscal 2011, ending March 31, 2012, 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 to attain 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. Nippon Steel's long-standing support for the field of music was expanded with sponsorship of Nippon Steel Concerts and the Nippon Steel Music Awards. The Nippon Steel Arts Foundation is the primary source of assistance for cultural activities. The foundation uses Kioi Hall, which is used exclusively for musical performances, to present classical concerts, especially those featuring the resident Kioi Sinfonietta Tokyo. There are also performances featuring traditional Japanese music.

- Nippon Steel Music Awards

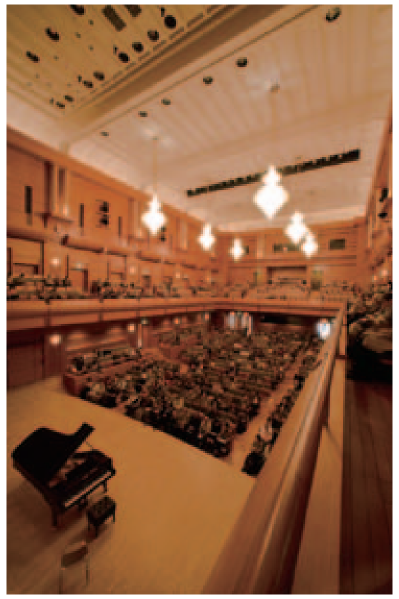
Nippon Steel started this award program as one way to celebrate its 20th anniversary in 1990. Every year, these awards recognize young classical artists with outstanding potential as well as individuals who make significant contributions to the promotion of classical music.

- Kioi Hall

Constructed to commemorate the 20th anniversary of Nippon Steel's founding, Kioi Hall opened in 1995. This gift to the community remains a highly visible symbol of Nippon Steel's commitment to music. Located in central Tokyo, the concert hall has captivated music fans over the past 16 years. Concert goers surpassed two million in May 2008 and the hall's reputation continues to grow. Boasting outstanding acoustics, Kioi Hall stages appealing events, with music programs spanning both classical and Japanese repertoires.

- 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 will jointly host musical performances—the sixth event in the history of their collaboration—in Japan in September 2011.



Kioi Hall (Chiyoda-ku, Tokyo)

Providing Education on Manufacturing and the Environment

As a materials manufacturer, 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

Demonstration of tatara ironmaking

method (a traditional Japanese ironmaking technique), an energy conservation and environmental protection class for elementary and junior high school students, and special classroom lectures.

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 strengthening Japan's sports teams by fostering the development of athletes who can excel 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 second consecutive year.

Kamaishi Seawaves R.F.C.—the rugby team supported by Nippon Steel—excites local fans waving fishing boat flags.

Nippon Steel Group Facts: Principal Subsidiaries and Affiliates

(As of March 31, 2011)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content

Steelmaking and Steel Fabrication (266 companies)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Consolidated Subsidiaries (206 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	62.5%	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
Taihei Kogyo Co., Ltd.	5,468	41.9%	Undertakes civil engineering and building construction work; makes and mounts machinery and equipment; makes steel
Nittetsu Steel Pipe Co., Ltd.	5,116	100.0%	Makes, coats, and markets steel pipe and tubes
Nippon Steel & Sumikin Stainless Steel Corporation	5,000	80.0%	Makes and markets stainless steel
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 & 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.	IDR252.3 billion	35.0%	Makes and markets tinplates
Siam Nippon Steel Pipe Co., Ltd.	THB783 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
184 other companies			

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
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	20.5%	Makes and markets shapes, deformed steel bars, automotive and industrial components
Sanyo Special Steel Co., Ltd.	20,182	15.2%	Makes and markets special steel products
NIPPON DENKO CO., LTD	11,026	15.0%	Makes and markets ferro-alloys, advanced materials, chemicals, and environmental recycling systems
Nichia Steel Works, Ltd.	10,720	23.9%	Makes and markets bolts, wire products, and prepainted galvanized sheets
NS United Kaiun Kaisha, Ltd.	10,300	34.1%	Land and sea transportation
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
Geostr Corporation	3,352	29.0%	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	34.9%	Makes and markets cold-finished bars and cold-heading wire

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Affiliates Accounted for by the Equity Method (Continued)			
Usinas Siderúrgicas de Minas Gerais S.A.	R12,150 million	27.5%	Makes and markets steel products
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.	RMB3 billion	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
41 other companies			

Engineering and Construction (25 companies)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Consolidated Subsidiaries (24 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
24 other companies			

Urban Development (11 companies)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Consolidated Subsidiaries (7 companies) Affiliates Accounted for by the Equity Method (4 companies)			
Nippon Steel City Produce, Inc.	6,020	100.0%	Buys, sells, and rents real estate
10 other companies			

Chemicals (17 companies)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Consolidated Subsidiaries (10 companies) Affiliates Accounted for by the Equity Method (7 companies)			
Nippon Steel Chemical Co., Ltd.	5,000	100.0%	Makes and markets coal chemicals, petrochemicals, and electronic materials
16 other companies			

New Materials (8 companies)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Consolidated Subsidiaries (8 companies)			
Nippon Steel Materials Co., Ltd.	3,000	100.0%	Makes and markets semiconductor components and materials, electronic components and materials, metal-processed products
7 other companies			

System Solutions (17 companies)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
Consolidated Subsidiaries (15 companies) Affiliates Accounted for by the Equity Method (2 companies)			
NS Solutions Corporation	12,952	67.0%	Provides engineering and consulting services pertaining to computer systems
16 other companies			

Total Consolidated Subsidiaries: 270 companies Total Affiliates Accounted for by the Equity Method: 74 companies

Nippon Steel Group Facts: Principal Subsidiaries and Affiliates

Head Office

6-1, Marunouchi 2-chome, Chiyoda-ku,
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Phone: +81-3-6867-4111 Fax: 81-3-6867-5607

Sales Offices

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Phone: 81-43-227-2281 Fax: 81-43-221-2646

Yokohama Sales Office
Phone: 81-45-212-4069 Fax: 81-45-201-0845

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

Osaka Sales Office
Phone: 81-6-6202-2201 Fax: 81-6-6223-6200

Shikoku Sales Office
Phone: 81-87-862-2201 Fax: 81-87-862-2206

Nagoya Sales Office
(Nagoya Office)
Phone: 81-52-581-2111 Fax: 81-52-581-4713
(Tokai Office)
Phone: 81-52-689-3103 Fax: 81-52-689-3159

Shizuoka Sales Office
Phone: 81-54-255-2511 Fax: 81-54-255-2518

Kyushu Sales Office
Phone: 81-92-273-7001 Fax: 81-92-273-7083

Nagasaki Sales Office
Phone: 81-95-822-2281 Fax: 81-95-822-8598

Oita Sales Office
Phone: 81-97-558-4110 Fax: 81-97-558-4114

Minamikyushu Sales Office
Phone: 81-99-250-9501 Fax: 81-99-250-9503

Okinawa Sales Office
Phone: 81-98-867-4145 Fax: 81-98-867-6926

Chugoku Sales Office
Phone: 81-82-225-5212 Fax: 81-82-225-5297

Hokkaido Sales Office
Phone: 81-11-222-8260 Fax: 81-11-251-2791

Muroran Sales Office
Phone: 81-143-47-2168 Fax: 81-143-47-2676

Tohoku Sales Office
Phone: 81-22-227-2661 Fax: 81-22-264-1031

Morioka Sales Office
Phone: 81-22-227-2771

Akita Sales Office
Phone: 81-22-227-2771

Aomori Sales Office
Phone: 81-17-775-3980 Fax: 81-17-723-1589

Kitakami Sales Office
Phone: 81-22-227-2771

Niigata Sales Office
Phone: 81-25-246-3111 Fax: 81-25-246-1062

Hokuriku Sales Office
Phone: 81-76-431-8347 Fax: 81-76-433-1047

Steelworks

Yawata Works
Phone: 81-93-872-6111 Fax: 81-93-872-6849

Bar & Wire Rod Division: Muroran Works
Phone: 81-143-47-2111 Fax: 81-143-47-2701

Bar & Wire Rod Division: Kamaishi Works
Phone: 81-193-24-2332 Fax: 81-193-22-0158

Hirohata Works
Phone: 81-79-236-1001 Fax: 81-79-237-2600

Nagoya Works
Phone: 81-52-603-7024 Fax: 81-52-603-7025

Structurals Division: Sakai Works
Phone: 81-72-233-1108 Fax: 81-72-233-1106

Kimitsu Works
Phone: 81-439-50-2013 Fax: 81-439-54-1660

Oita Works: Oita area
Phone: 81-97-553-2305 Fax: 81-97-553-2353

Oita Works: Hikari area
Phone: 81-833-71-5251 Fax: 81-833-71-5161

Pipe & Tube Division: Tokyo Works
Phone: 81-3-3968-6801 Fax: 81-3-3968-6810

Research Laboratory

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

Major Consolidated Subsidiaries in Each Segment

Nippon Steel Engineering Co., Ltd.
Phone: 81-3-6665-2000

Nippon Steel City Produce, Inc.
Phone: 81-3-3276-8800

Nippon Steel Chemical Co., Ltd.
Phone: 81-3-5207-7600

Nippon Steel Materials Co., Ltd.
Phone: 81-3-6859-6111

NS Solutions Corporation
Phone: 81-3-5117-4111

Overseas

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Perth Office
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Perth, WA 6000, Australia
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Email: nssea@nscsin.com.sg

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Gelora Bung Karno Senayan,
Jakarta Pusat 10270, Indonesia
Tel 62-21-290-39210 Fax 62-21- 290-39211

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(Bangkok)
1MD Tower, 4th Fl., Room C3 E F, Soi
Bangna-Trad 25, Khwang Bangna Knet Bangna
Bangkok 10260, Thailand
Phone: 66-2-744-1480 Fax: 66-2-744-1485

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São Paulo Office
Av. Paulista, 283-5º andar Conj. 51/52
Bela Vista, São Paulo-SP, CEP 01311-000, Brasil
Phone: 55-11-3736-4666 Fax: 55-11-3736-4667
Email: nses@nsc.com.br

Belo Horizonte Office
Av. Do Contorno, 6594-16º andar-Sala27
Belo Horizonte-MG, CEP 30110-044 Brasil
Tel 55-31-3555-3400 Fax 55-31-3555 3399
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Room No. 808, UNITED PLAZA,
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368 Huanshi Dong Lu,
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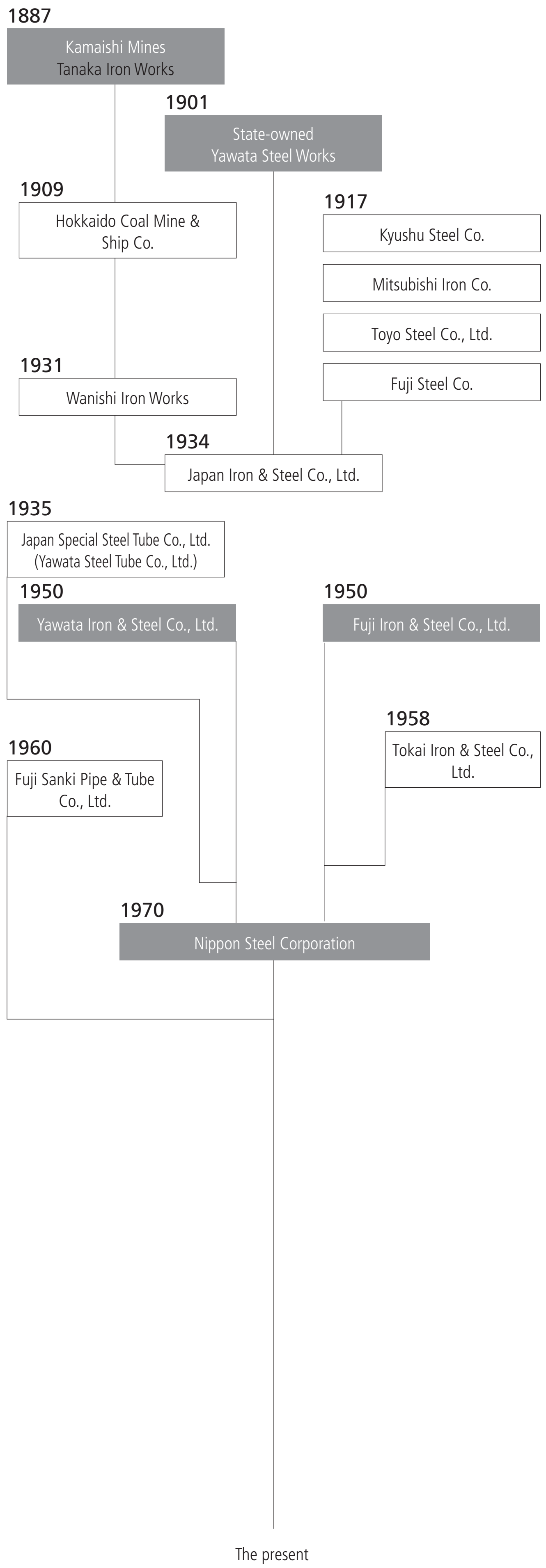
New Delhi 110019 India
Tel 91-11-4610-6880 Fax 91-11-4610-6882

Nippon Steel Group Facts: History



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

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

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

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

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

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

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

1939 Hirohata Works of Japan Iron & Steel began operation.

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

1955 Hikari Works of Yawata Iron & Steel began operation.

1958 Tokai Iron & Steel Co., Ltd., was established.
Yawata Iron & Steel inaugurated the Tobata Area of Yawata Works.

1961 Sakai Works of Yawata Iron & Steel began operation.

1965 Kimitsu Works of Yawata Iron & Steel began operation.

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

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

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

1971 Oita Works began operation.
Nippon Steel absorbed Fuji Sanki Pipe & Tube Co., Ltd.

1974 Engineering Divisions Group was organized.

1984 New Materials Projects Bureau was organized.

1986 Electronics Division was organized.

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

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

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

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

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

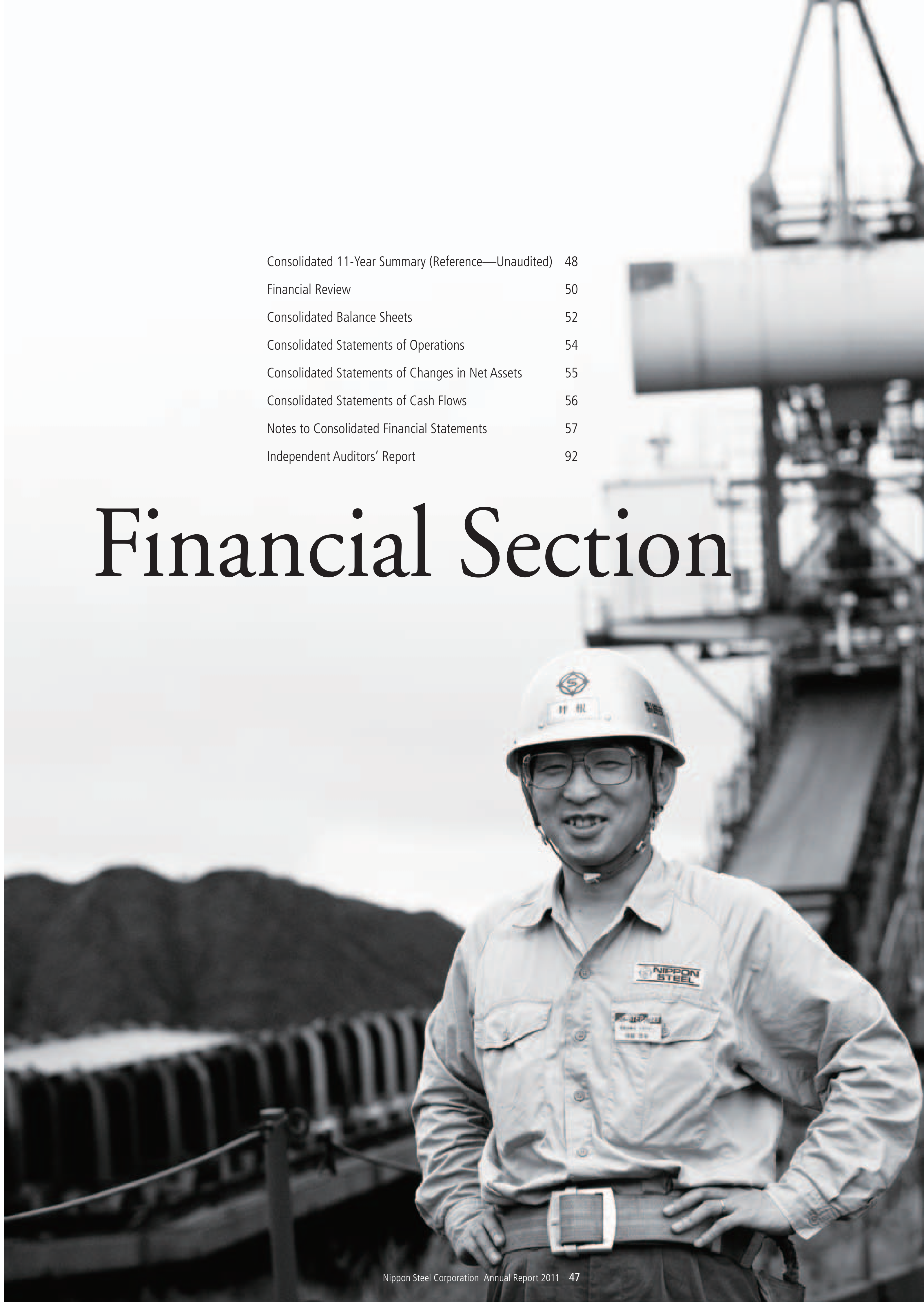
2001 Operations of Nippon Steel's Electronics & Information Systems Division and its subsidiary Nippon Steel Information & Communication Systems Inc. were integrated to organize NS Solutions Corporation.

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

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

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

2011 Nippon Steel and Sumitomo Metal Industries, Ltd. jointly announced their agreement to begin talks regarding business integration set for October 1, 2012.



Financial Section

Consolidated 11-Year Summary (Reference—Unaudited)

Nippon Steel Corporation

As of or for the years ended March 31	2011 Millions of yen	2011 Thousands of U.S. dollars	2010 Millions of yen	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net sales	**4,109,774**	**49,426,029**	3,487,714	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
Operating profit (loss)	**165,605**	**1,991,645**	32,005	342,930	545,580	580,097	576,319	429,948	224,475	142,961	73,044	162,644
Ordinary profit (loss)	**226,335**	**2,722,017**	11,833	336,140	564,119	597,640	547,400	371,446	172,851	68,879	16,746	111,374
Income (loss) before income taxes and minority interests	**185,377**	**2,229,437**	11,242	281,079	605,485	621,419	565,607	369,485	73,642	(37,386)	(25,079)	49,403
Income before minority interests	**109,171**	**1,312,943**	—	—	—	—	—	—	—	—	—	—
Net income (loss)	**93,199**	**1,120,855**	(11,529)	155,077	354,989	351,182	343,903	220,601	41,515	(51,686)	(28,402)	26,494
Net income (loss) per share (yen/U.S. dollars)	**¥14.81**	**$0.18**	¥(1.83)	¥24.60	¥56.33	¥54.28	¥51.07	¥32.73	¥6.15	¥(7.69)	¥(4.17)	¥3.89
Net assets	**2,380,925**	**28,634,102**	2,335,676	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
Total assets	**5,000,860**	**60,142,645**	5,002,378	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
Capital expenditure	**287,236**	**3,454,435**	329,356	305,738	308,993	273,440	203,973	195,228	149,593	163,318	195,801	157,348
Depreciation	**291,587**	**3,506,770**	284,092	273,744	244,038	192,454	183,365	180,571	183,510	196,653	197,336	206,987
Research and development costs	**46,663**	**561,197**	46,824	45,797	45,329	41,229	37,881	36,352	35,349	35,866	35,183	39,364
Interest-bearing debt	**1,337,851**	**16,089,613**	1,383,794	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

Net sales and segment profit (loss) by industry segment*[1]

Net sales

For the years ended March 31	2011 Millions of yen	2011 Thousands of U.S. dollars	2010 Millions of yen	2009	2008	2007	2006	2005	2004	2003	2002	2001
Steelmaking and steel fabrication	**3,473,495**	**41,773,847**	2,823,193	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
Engineering and construction	**254,941**	**3,066,038**	331,905	386,643	359,884	367,968	336,179	279,866	293,137	274,903	294,323	280,929
Urban development	**86,556**	**1,040,964**	80,073	70,152	93,839	94,347	104,045	89,275	120,811	105,188	130,808	141,979
Chemicals and non-ferrous materials	**—**	**—**	—	—	—	—	373,072	331,168	275,797	346,232	326,164	359,123
Chemicals	**193,896**	**2,331,882**	179,412	212,172	289,029	318,755	—	—	—	—	—	—
New materials	**60,888**	**732,277**	58,799	59,907	76,157	65,601	—	—	—	—	—	—
System solutions	**159,708**	**1,920,724**	152,234	161,541	165,360	156,505	148,339	146,531	150,850	153,143	149,398	143,670
Other businesses	**—**	**—**	—	—	—	—	69,057	76,244	73,615	79,059	61,251	59,440
Elimination of intersegment transactions	**(119,711)**	**(1,439,704)**	(137,904)	(159,281)	(151,823)	(183,410)	(181,903)	(154,463)	(145,280)	(190,031)	(208,754)	(196,745)
Consolidated total	**4,109,774**	**49,426,029**	3,487,714	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

Segment profit (loss)
Operating profit (loss)

For the years ended March 31	2011 Millions of yen	2011 Thousands of U.S. dollars	2010 Millions of yen	2009	2008	2007	2006	2005	2004	2003	2002	2001
Steelmaking and steel fabrication	—	—	(20,589)	307,047	475,951	514,562	513,977	376,926	189,717	112,816	23,482	115,536
Engineering and construction	—	—	31,655	24,674	21,496	13,031	9,517	6,696	4,359	2,460	9,913	7,287
Urban development	—	—	2,937	3,929	12,602	14,301	14,155	8,503	13,526	4,469	15,576	16,320
Chemicals and non-ferrous materials	—	—	—	—	—	—	27,037	26,374	12,667	13,458	10,379	11,574
Chemicals	—	—	10,431	894	21,050	23,645	—	—	—	—	—	—
New materials	—	—	444	(2,397)	559	3,129	—	—	—	—	—	—
System solutions	—	—	10,732	11,479	14,756	13,992	11,806	11,384	9,182	9,776	10,504	9,770
Other businesses	—	—	—	—	—	—	(1,185)	384	(4,310)	(2,155)	1,457	772
Elimination of intersegment transactions	—	—	(3,607)	(2,696)	(835)	(2,564)	1,010	(321)	(668)	2,135	1,731	1,384
Consolidated total	—	—	32,005	342,930	545,580	580,097	576,319	429,948	224,475	142,961	73,044	162,644

Ordinary profit (loss)

For the years ended March 31	2011 Millions of yen	2011 Thousands of U.S. dollars	2010 Millions of yen	2009	2008	2007	2006	2005	2004	2003	2002	2001
Steelmaking and steel fabrication	**181,968**	**2,188,438**	—	—	—	—	—	—	—	—	—	—
Engineering and construction	**14,883**	**178,997**	—	—	—	—	—	—	—	—	—	—
Urban development	**9,273**	**111,532**	—	—	—	—	—	—	—	—	—	—
Chemicals	**13,244**	**159,281**	—	—	—	—	—	—	—	—	—	—
New materials	**2,111**	**25,388**	—	—	—	—	—	—	—	—	—	—
System solutions	**11,332**	**136,291**	—	—	—	—	—	—	—	—	—	—
Adjustments	**(6,478)**	**(77,910)**	—	—	—	—	—	—	—	—	—	—
Consolidated total	**226,335**	**2,722,017**	—	—	—	—	—	—	—	—	—	—

Shares (non-consolidated)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Shares issued 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)	**375/192**	407/264	705/233	964/427	900/370	479/242	294/203	253/127	217/119	230/145	270/165

Production and shipments

For the years ended March 31	2011 Thousands of tons	2010 Thousands of tons	2009	2008	2007	2006	2005	2004	2003	2002	2001
Crude steel output	**34,922**	29,919	31,240	36,233	34,523	33,955	32,792	32,733	32,344	—	—
Crude steel output (non-consolidated)	**32,465**	27,503	28,611	33,110	31,596	31,200	29,879	30,146	29,902	26,140	27,837
Steel products shipments*[2]	**31,351**	27,088	28,200	32,900	31,514	29,595	29,514	29,388	29,171	26,312	26,789

Employees

As of March 31	2011 Employees	2010 Employees	2009	2008	2007	2006	2005	2004	2003	2002	2001
Number of employees	**59,183**	52,205	50,077	48,757	47,257	46,143	46,451	46,233	49,400	50,463	52,247
Number of employees (non-consolidated)*[3]	**16,150**	15,845	15,503	15,083	14,346	15,212	15,081	15,138	16,481	17,370	18,918

*[1] 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."

*[2] Including sub-products

*[3] Excluding employees seconded to subsidiaries and other organizations. The number of such employees at March 31, 2011 and 2010 was 1,711 and 1,945, respectively.

Notes:1. Tonnage figures are in metric tons; all dollar ($) figures are in US currency and translated from the Japanese yen at the rate of $1=¥83.15 at the latest balance sheet date.
2. Beginning with the fiscal year ended March 31, 2011, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20) have been applied.
As the result of this, ordinary profit (loss) are presented as segment profit (loss) from the fiscal year ended March 31, 2011 and operating profit (loss) are presented as segment profit (loss) till the fiscal year ended March 31, 2010.

Financial Summary

Consolidated net sales for fiscal year 2010 (Year ended March 31, 2011) increased by ¥622.0 billion, to ¥4,109.7 billion. Operating profit increased by ¥133.6 billion, to ¥165.6 billion. Ordinary profit increased by ¥214.5 billion, to ¥226.3 billion. Net income increased by ¥104.7 billion, to ¥93.1 billion.

Segment Information

Steelmaking and Steel Fabrication

The steelmaking and steel fabrication segment took wide-ranging steps to fortify the foundation of its domestic steel production business. Management put every effort into reconstructing the manufacturing base, including facilities and operations as well as operational safety, while aggressively seeking leading technologies and proposing solutions to customers through the development of new products and the maximization of the mutual benefits of collaborative activities with customers.

The segment also worked to capture the demand in growth markets, particularly overseas markets, and continued steadily constructing its global supply structure to enhance the ability to swiftly respond to client business developments overseas. In addition, management implemented various measures to fortify Nippon Steel Corporation's sourcing abilities for raw materials, including establishing procurement rights for highquality raw materials, expanding its usage sources, and increasing the procurement ratios from clients in which Nippon Steel Corporation's holds investment interests. On the cost side, management continued to maximize cost structure efficiency, including increasing the use of low-cost materials and exacting widespread cuts in fixed expenses. Efforts also continued to revise product prices with the understanding of its clients.

The steelmaking and steel fabrication business recorded net sales of ¥3,473.4 billion and an ordinary profit of ¥181.9 billion.

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, the environment, energy, offshore, bridges, pipelines, and construction where it can fully apply its distinct capabilities. The current environment for orders is characterized by severe conditions within Japan and a growing volume of projects overseas, particularly in Asia. The company conducted meticulous risk management of projects currently under way and focused on improving its cost structure. However, the low level of orders received in the previous term was the primary factor in the engineering and construction business results of net sales of ¥254.9 billion and an ordinary profit of ¥14.8 billion.

Urban Development

In the urban development business, the Group's real estate development company, Nippon Steel City Produce Inc., conducts a wide range of business activities, including developing the Group's idle properties, urban redevelopment, reconstructing aging apartment buildings, and developing condominium and rental office buildings. Business trends in the condominium market during the year included improving contract rates led by properties in the Tokyo metropolitan area. Vacancy rates rose in all segments for corporate office space in rental buildings with the exception of certain new large-scale structures. The ongoing steady sales flow for large condominium units in the Tokyo metropolitan area helped the urban development business post net sales of ¥86.5 billion and an ordinary profit of ¥9.2 billion.

Chemicals

Nippon Steel Chemical Co., Ltd., faced strong profit pressure from the sharp increases in the prices of crude oil and naphtha, the added cost of the scheduled maintenance at the Oita Works, and the strong yen. This was countered by solid sales of needle coke used in graphite electrodes for the electric furnace steel and expanding sales of functional materials products for flat-screen TVs and smartphones as well as market rally of some chemical products. The result was the chemical business recording net sales of ¥193.8 billion and an ordinary profit of ¥13.2 billion.

New Materials

Nippon Steel Materials Co., Ltd., posted recovering results in the industrial and environmental materials segments in the first half of the fiscal year fueled by strong sales of computer- and mobile phone-related products in the company's core semiconductors and electronic materials business segments. In the second half, demand continued to be strong for environmental materials but sales varied for electronic materials. The new materials business ultimately posted net sales of ¥60.8 billion and an ordinary profit of ¥2.1 billion.

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 to further enhance customer investment efficiency and responsiveness to changing business conditions. The company implemented companywide measures to strengthen its business competitiveness and operation quality. These included establishing a business structure capable of fully responding to demand from the expanding telecommunications market and meeting International Financial

Reporting Standards (IFRS) to fortify its presence in fields primed for growth from anticipated increasing investment in information technology (IT). In the cloud computing* operations, the company expanded its service menu and continued progressing toward completing the next-generation, high-standard database center for the scheduled operating launch at the start of 2012. The system solutions business posted net sales of ¥159.7 billion and an ordinary profit of ¥11.3 billion.

*Cloud computing is a new type of Internet-based scalable data access service allowing users access to computer-based resources via the Internet.

Funding

Nippon Steel Corporation issued unsecured straight bonds of ¥20.0 billion on April 20, 2010 and ¥15.0 billion on August 31, 2010.

Assets, Liabilities, Net Assets and Cash Flows

Total consolidated assets at the end of fiscal 2010 were ¥5,000.8 billion, representing a decrease of ¥1.5 billion, from ¥5,002.3 billion at the end of fiscal 2009. Inventories increased by ¥74.5 billion due to higher raw materials prices, while the unrealized gain in investment securities declined ¥48.2 billion and tangible and intangible fixed assets declined ¥44.2 billion.

Total liabilities at the end of fiscal 2010 amounted to ¥2,619.9 billion, a decrease of ¥46.7 billion from the ¥2,666.7 billion at the end of fiscal 2009. The decline was primarily due to a ¥45.9 billion decrease in interest-bearing debt, from ¥1,383.7 billion at the end of the previous fiscal year to ¥1,337.8 billion at the end of fiscal 2010.

Net assets were ¥2,380.9 billion at the end of fiscal 2010, representing an increase of ¥45.2 billion from ¥2,335.6 billion at the end of fiscal 2009. The increase was realized by net income of ¥93.1 billion, a year-end dividend payment of ¥1.5 per share for a total ¥9.4 billion dividend payout and a decline of ¥53.5 billion in unrealized gains on available-for-sale securities. The total amount of shareholders' equity and accumulated other comprehensive income at the end of the fiscal year under review amounted to ¥1,860.7 billion, and the ratio of interest-bearing debt to the total amount of shareholders' equity and accumulated other comprehensive income (the debt/equity ratio) was 0.72.

Cash flows from operating activities for the fiscal year under review amounted to an inflow of ¥369.5 billion. The principal factors influencing operating cash flows were inflows from income before income taxes and minority interests of ¥185.3 billion, depreciation and amortization of ¥291.5 billion, equity in net income of unconsolidated subsidiaries and affiliates of ¥77.9 billion and an outflow from payment of ¥52.6 billion in income taxes.

Cash flows from investing activities amounted to an outflow of ¥325.7 billion, comprised mainly of ¥315.8 billion in capital investments. These cash flows resulted in a free cash inflow of ¥43.7 billion in the term under review.

Cash flows from financing activities amounted to payments of ¥47.2 billion, due largely to a ¥45.9 billion payoff of interest-bearing debt.

As a result of the above movements in cash flows, consolidated cash and cash equivalents at the end of the fiscal year under review amounted to ¥76.2 billion.

Consolidated Balance Sheets

Nippon Steel Corporation and Consolidated Subsidiaries
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
ASSETS			
Current assets:			
Cash and bank deposits (Notes 4, 15 and 21)	**¥ 72,760**	¥ 78,197	**$ 875,045**
Marketable securities (Notes 15, 18 and 21)	**10,186**	12,723	**122,505**
Receivables:			
Notes and accounts receivable (Notes 4 and 21)	**526,917**	509,642	**6,336,949**
Less: Allowance for doubtful accounts	**(1,453)**	(4,161)	**(17,484)**
	525,463	505,481	**6,319,465**
Inventories (Note 4 and 5)	**929,284**	854,763	**11,176,003**
Deferred tax assets (Note 8)	**76,261**	108,971	**917,155**
Other (Note 4)	**96,619**	82,029	**1,161,988**
Total current assets	**1,710,575**	1,642,168	**20,572,163**
Fixed assets:			
Tangible fixed assets:			
Buildings and structures (Note 4)	**1,687,890**	1,636,557	**20,299,346**
Machinery and equipment (Note 4)	**5,528,980**	5,408,233	**66,494,057**
Lease assets	**19,514**	19,674	**234,686**
	7,236,385	7,064,464	**87,028,090**
Less: Accumulated depreciation	**(5,820,750)**	(5,607,207)	**(70,003,015)**
	1,415,635	1,457,257	**17,025,075**
Land (Notes 4 and 7)	**326,602**	321,670	**3,927,872**
Construction in progress	**76,146**	99,423	**915,777**
	1,818,384	1,878,351	**21,868,725**
Intangible fixed assets:			
Patents and utility rights	**21,137**	14,257	**254,203**
Software	**19,986**	6,631	**240,368**
Goodwill	**20,779**	25,161	**249,908**
Lease assets	**707**	819	**8,512**
	62,611	46,870	**752,993**
Investments and others:			
Investments in securities (Notes 4, 6, 7, 18 and 21)	**1,223,810**	1,272,033	**14,718,103**
Deferred tax assets (Note 8)	**47,265**	30,210	**568,430**
Other (Notes 4 and 6)	**143,209**	137,098	**1,722,300**
Less: Allowance for doubtful accounts	**(4,994)**	(4,353)	**(60,071)**
	1,409,289	1,434,988	**16,948,764**
Total fixed assets	**3,290,285**	3,360,210	**39,570,482**
Total assets	**¥5,000,860**	¥5,002,378	**$60,142,645**

The accompanying notes are integral parts of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
LIABILITIES			
Current liabilities:			
Short-term loans and portion of long-term loans due within one year (Notes 4 and 21)	**¥ 310,150**	¥ 304,743	**$ 3,730,010**
Commercial paper (Notes 4 and 21)	**32,000**	78,000	**384,846**
Notes and accounts payable (Note 21)	**586,856**	601,776	**7,057,806**
Accrued expenses (Note 21)	**237,247**	239,583	**2,853,243**
Advances received	**19,130**	20,384	**230,067**
Current portion of lease obligations (Note 4)	**2,969**	3,019	**35,709**
Accrued income taxes and enterprise taxes	**24,783**	23,308	**298,058**
Allowance for losses on construction contracts	**4,504**	3,522	**54,173**
Provision for loss on disaster	**19,131**	—	**230,084**
Other (Note 4)	**121,565**	95,749	**1,462,002**
Total current liabilities	**1,358,338**	1,370,087	**16,336,003**
Long-term liabilities:			
Bonds and notes (Notes 4 and 21)	**385,065**	364,958	**4,630,979**
Long-term loans (Notes 4 and 21)	**602,480**	626,910	**7,245,705**
Lease obligations (excluding current portion) (Note 4)	**5,185**	6,132	**62,361**
Deferred tax liabilities (Note 8)	**36,719**	74,861	**441,603**
Deferred tax liabilities on revaluation of land (Note 7)	**12,471**	9,043	**149,982**
Accrued pension and severance costs (Note 19)	**155,760**	141,995	**1,873,253**
Reserve for repairs to blast furnaces	**21,983**	28,772	**264,388**
Allowance for retirement benefits of directors and corporate auditors	**4,705**	4,603	**56,590**
Other	**37,224**	39,336	**447,675**
Total long-term liabilities	**1,261,596**	1,296,614	**15,172,539**
Total liabilities	**2,619,935**	2,666,701	**31,508,542**
Commitments and contingent liabilities (Note 16)			
NET ASSETS (Note 14)			
SHAREHOLDERS' EQUITY			
Common stock:			
Authorized—9,917,077,000 shares			
Issued—6,806,980,977 shares as of March 31, 2011 and 2010	**419,524**	419,524	**5,045,399**
Capital surplus	**114,553**	114,345	**1,377,670**
Retained earnings	**1,522,786**	1,441,248	**18,313,727**
Less: Treasury stock, at cost*	**(262,524)**	(262,004)	**(3,157,238)**
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 13)			
Unrealized gains on available-for-sale securities (Note 18)	**104,783**	158,364	**1,260,171**
Deferred hedge income (loss)	**(3,099)**	(1,846)	**(37,273)**
Unrealized gains on revaluation of land (Note 7)	**11,523**	10,759	**138,582**
Foreign currency translation adjustments	**(46,748)**	(36,010)	**(562,213)**
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES (Note 7)	**520,126**	491,294	**6,255,277**
Total net assets	**2,380,925**	2,335,676	**28,634,102**
Total liabilities and net assets	**¥5,000,860**	¥5,002,378	**$60,142,645**

*517,192,896 shares at March 31, 2011.
516,191,637 shares at March 31, 2010.

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Nippon Steel Corporation and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009
Consolidated Statements of Operations

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2011	2010	2009	**2011**
Net sales	**¥4,109,774**	¥3,487,714	¥4,769,821	**$49,426,029**
Cost of sales (Notes 9 and 11)	**3,624,987**	3,156,497	4,105,778	**43,595,756**
Gross margin	**484,787**	331,216	664,042	**5,830,272**
Selling, general and administrative expenses (Notes 9, 10 and 11)	**319,181**	299,211	321,112	**3,838,627**
Operating profit	**165,605**	32,005	342,930	**1,991,645**
Non-operating profit:				
Interest and dividend income	**16,116**	16,656	25,085	**193,827**
Equity in net income of unconsolidated subsidiaries and affiliates	**77,918**	34,756	58,876	**937,079**
Other	**42,257**	26,170	24,090	**508,207**
	136,292	77,583	108,051	**1,639,114**
Non-operating loss:				
Interest expense	**18,355**	19,803	19,813	**220,756**
Loss on disposal of fixed assets	**18,547**	24,039	20,737	**223,065**
Exchange loss on foreign currency transactions	**13,739**	—	17,109	**165,233**
Other	**24,918**	53,912	57,181	**299,686**
	75,561	97,755	114,842	**908,741**
Ordinary profit	**226,335**	11,833	336,140	**2,722,017**
Special profit:				
Gain on sales of tangible fixed assets (Note 12)	**—**	5,809	13,342	**—**
	—	5,809	13,342	**—**
Special loss:				
Loss on impairment of fixed assets (Note 12)	**11,416**	—	—	**137,305**
Loss on valuation of investments in securities	**5,820**	—	68,402	**70,004**
Loss on disaster (Note 12)	**23,720**	—	—	**285,270**
Penalty	**—**	6,400	—	**—**
	40,958	6,400	68,402	**492,580**
Income before income taxes and minority interests	**185,377**	11,242	281,079	**2,229,437**
Income taxes—current (Note 8)	**48,740**	52,440	145,113	**586,172**
Income taxes—deferred (Note 8)	**27,466**	(36,396)	(31,753)	**330,322**
Income before minority interests	**109,171**	—	—	**1,312,943**
Minority interests in net income of consolidated subsidiaries	**15,972**	6,728	12,641	**192,087**
Net income (loss)	**¥ 93,199**	¥ (11,529)	¥ 155,077	**$ 1,120,855**
Per share (stated in yen and in U.S. dollars):				
Net income (loss) (Note 23)	**¥ 14.81**	¥ (1.83)	¥ 24.60	**$ 0.18**
Cash dividends applicable to the year (Note 14)	**¥ 3.00**	¥ 1.50	¥ 6.00	**$ 0.04**
Weighted average number of shares outstanding (in thousands)	**6,290,266**	6,290,728	6,291,897	

The accompanying notes are integral parts of these statements.

Consolidated Statements of Comprehensive Income

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2011	2010	2009	**2011**
Income before minority interests	**¥109,171**	—	—	**$1,312,943**
Other comprehensive income		—	—	
Unrealized gains (losses) on available-for-sale securities	**(53,740)**	—	—	**(646,310)**
Deferred hedge income (loss)	**199**	—	—	**2,395**
Unrealized gains (losses) on revaluation of land	**874**	—	—	**10,522**
Foreign currency translation adjustments	**(4,603)**	—	—	**(55,358)**
Share of other comprehensive income of associates accounted for using equity method	**(10,517)**	—	—	**(126,491)**
Total other comprehensive income (loss) (Note 13)	**(67,787)**	—	—	**(815,242)**
Comprehensive income (Note 13)	**¥ 41,383**	—	—	**$ 497,700**
attribute to				
Comprehensive income attribute to owners of the parent	**¥ 27,133**	—	—	**$ 326,317**
Comprehensive income attribute to minority interests	**¥ 14,250**	—	—	**$ 171,382**

Consolidated Statements of Changes in Net Assets (Note 14)

Nippon Steel Corporation and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	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, 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	—	—	—	155,077	—	—	—	—	—	—	155,077
Acquisition of treasury stock	—	—	—	—	(1,269)	—	—	—	—	—	(1,269)
Disposal of treasury stock	—	—	(30)	—	211	—	—	—	—	—	180
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	(5,003)	177	—	—	—	—	—	(4,825)
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	59	—	—	—	—	—	—	59
Other change	—	—	—	—	—	(212,008)	358	(59)	(108,272)	949	(319,032)
Total change for 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
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	116	153	—	—	—	—	—	270
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	341	—	—	—	—	—	—	341
Other change	—	—	—	—	—	135,699	(696)	(428)	58,338	(14,832)	178,081
Total change for 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
Cash dividends	—	—	—	(9,454)	—	—	—	—	—	—	(9,454)
Net income	—	—	—	93,199	—	—	—	—	—	—	93,199
Acquisition of treasury stock	—	—	—	—	(42)	—	—	—	—	—	(42)
Disposal of treasury stock	—	—	207	—	141	—	—	—	—	—	348
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	(949)	(619)	—	—	—	—	—	(1,568)
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	(1,257)	—	—	—	—	—	—	(1,257)
Other change	—	—	—	—	—	(53,581)	(1,252)	763	(10,737)	28,831	(35,976)
Total change for fiscal year 2010	—	—	207	81,537	(519)	(53,581)	(1,252)	763	(10,737)	28,831	45,248
Balance at March 31, 2011	**6,806,980**	**¥419,524**	**¥114,553**	**¥1,522,786**	**¥(262,524)**	**¥ 104,783**	**¥(3,099)**	**¥11,523**	**¥ (46,748)**	**¥520,126**	**¥2,380,925**

	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, 2010	6,806,980	$5,045,399	$1,375,176	$17,333,117	$(3,150,990)	$1,904,566	$(22,204)	$129,395	$(433,075)	$5,908,533	$28,089,917
Cash dividends	—	—	—	(113,705)	—	—	—	—	—	—	(113,705)
Net income	—	—	—	1,120,855	—	—	—	—	—	—	1,120,855
Acquisition of treasury stock	—	—	—	—	(505)	—	—	—	—	—	(505)
Disposal of treasury stock	—	—	2,493	—	1,703	—	—	—	—	—	4,196
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	(11,416)	(7,446)	—	—	—	—	—	(18,862)
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	(15,123)	—	—	—	—	—	—	(15,123)
Other change	—	—	—	—	—	(644,395)	(15,068)	9,186	(129,137)	346,743	(432,670)
Total change for fiscal year 2010	—	—	2,493	980,610	(6,247)	(644,395)	(15,068)	9,186	(129,137)	346,743	544,185
Balance at March 31, 2011	6,806,980	$5,045,399	$1,377,670	$18,313,727	$(3,157,238)	$1,260,171	$(37,273)	$138,582	$(562,213)	$6,255,277	$28,634,102

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash Flows

Nippon Steel Corporation and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2011	2010	2009	**2011**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥185,377**	¥ 11,242	¥281,079	**$2,229,437**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**291,587**	284,092	273,744	**3,506,770**
Interest and dividend income (accrual basis)	**(16,116)**	(16,656)	(25,085)	**(193,827)**
Interest expense (accrual basis)	**18,355**	19,803	19,813	**220,756**
Exchange loss (gain) on foreign currency transactions	**6,131**	8,348	3,487	**73,736**
Amortization of goodwill	**1,623**	3,631	1,103	**19,527**
Equity in net (income) loss of unconsolidated subsidiaries and affiliates	**(77,918)**	(34,756)	(58,876)	**(937,079)**
Loss (gain) on sales of investments in securities	**(782)**	(1,046)	(3,368)	**(9,413)**
Loss on impairment of fixed assets	**11,416**	—	—	**137,305**
Loss on valuation of investments in securities	**5,820**	—	68,402	**70,004**
Loss on disposal of tangible and intangible fixed assets	**6,834**	9,013	11,781	**82,189**
Gain on sales of tangible and intangible fixed assets	**(8,770)**	(5,809)	(13,342)	**(105,475)**
Changes in allowance for doubtful accounts	**(4,266)**	(2,275)	(1,850)	**(51,315)**
Changes in operating assets and liabilities:				
Changes in notes and accounts receivable	**14,735**	27,319	37,598	**177,215**
Changes in inventories	**(64,782)**	178,618	(171,535)	**(779,110)**
Changes in notes and accounts payable	**8,337**	(10,414)	(127,389)	**100,264**
Other	**35,111**	35,541	17,818	**422,269**
Interest and dividend income (cash basis)	**27,886**	18,101	39,330	**335,372**
Interest expense (cash basis)	**(18,453)**	(19,911)	(19,511)	**(221,932)**
Income taxes (cash basis)	**(52,626)**	(67,176)	(205,660)	**(632,909)**
Net cash provided by operating activities	**369,500**	437,668	127,540	**4,443,786**
Cash flows from investing activities:				
Acquisition of investments in securities	**(31,850)**	(88,048)	(70,853)	**(383,047)**
Proceeds from sales of investments in securities	**3,230**	17,662	39,664	**38,857**
Acquisition of cash owned by new subsidiaries, net of payment for purchase of subsidiaries' shares	**2,671**	(2,366)	(2,666)	**32,133**
Acquisition of tangible and intangible fixed assets	**(315,843)**	(339,773)	(295,584)	**(3,798,478)**
Proceeds from sales of tangible and intangible fixed assets	**14,598**	11,877	16,761	**175,572**
Payment for loans	**(6,485)**	(16,817)	(1,355)	**(77,994)**
Proceeds from collections of loans	**4,876**	5,155	6,136	**58,643**
Other	**3,019**	(516)	1,293	**36,315**
Net cash used in investing activities	**(325,781)**	(412,827)	(306,603)	**(3,917,998)**
Cash flows from financing activities:				
Net increase (decrease) in short-term loans	**(33,118)**	(67,063)	95,229	**(398,298)**
Net increase (decrease) in commercial paper	**(46,000)**	(70,000)	13,000	**(553,217)**
Proceeds from long-term loans	**101,778**	125,087	185,119	**1,224,031**
Payments of long-term loans	**(84,490)**	(67,367)	(85,159)	**(1,016,127)**
Proceeds from issuance of bonds and notes	**35,000**	39,861	144,448	**420,926**
Redemption of bonds and notes	**(15,000)**	(43,266)	(95,324)	**(180,396)**
Payments for purchase of treasury stock	**(40)**	(179)	(178)	**(487)**
Cash dividends	**(9,454)**	(6,303)	(69,335)	**(113,705)**
Cash dividends to minority shareholders	**(8,703)**	(9,756)	(10,305)	**(104,672)**
Proceeds from issuance of common stock to minority shareholders	**1,089**	84	290	**13,102**
Other	**11,696**	18,917	(7,575)	**140,665**
Net cash provided by (used in) financing activities	**(47,244)**	(79,985)	170,209	**(568,179)**
Effect of exchange rate changes on cash and cash equivalents	**(2,811)**	7,246	(23,069)	**(33,818)**
Net increase (decrease) in cash and cash equivalents	**(6,336)**	(47,897)	(31,923)	**(76,210)**
Cash and cash equivalents at beginning of year	**80,470**	128,390	160,313	**967,771**
Increase (decrease) from the change in the number of companies consolidated	**2,123**	(22)	—	**25,537**
Cash and cash equivalents at end of year (Note 15)	**¥ 76,256**	¥ 80,470	¥128,390	**$ 917,099**

The accompanying notes are integral parts of these statements.

Notes to Consolidated Financial Statements

Nippon Steel Corporation and Consolidated Subsidiaries

1.
Basis of Presenting Consolidated Financial Statements

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

2.
Summary of Significant Accounting Policies

(1) Principles of consolidation

Nippon Steel Corporation had 283, 263 and 261 subsidiaries as of March 31, 2011, 2010 and 2009, respectively based on the criterion of exercise of control. The consolidated financial statements include the accounts of Nippon Steel Corporation and 270 of its subsidiaries (March 31, 2010: 255 subsidiaries, March 31, 2009: 251 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.

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 13 unconsolidated subsidiaries (March 31, 2010: 8 unconsolidated subsidiaries, March 31, 2009: 10 unconsolidated subsidiaries) and 135 affiliates (March 31, 2010: 136 affiliates, March 31, 2009: 135 affiliates), the equity method has been applied to the investments in 74 significant affiliates (March 31, 2010: 73 affiliates, March 31, 2009: 73 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 17.

(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 17.

(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, Nippon Steel Corporation 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 17.

(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 loss on disaster

To provide for expenditures and losses incurred by restoration of assets, etc., that were damaged by the Great East Japan Earthquake, NIPPON STEEL has made a provision for the estimated amount of expenditures and losses.

(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 for the year ended March 31, 2009.

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 higher, the gross margin and operating profit were both ¥1,740 million higher, and ordinary profit and income before income taxes and minority interests were both ¥1,818 million higher than they would have been prior to the change.

The effects on Segment Information are described in Note 17.

(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.

Change to Summary of Significant Accounting Policies
(Year ended March 31, 2011)
Application of "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method"

Beginning with the fiscal year ended March 31, 2011, NIPPON STEEL has applied "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 (2008)) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24), and has made the adjustments necessary for consolidation.

The effect of this change on the consolidated financial statements was not material.

Application of Accounting Standard for Asset Retirement Obligations

Beginning with the fiscal year ended March 31, 2011, NIPPON STEEL has applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21).

The effect of this change on the consolidated financial statements was not material.

Application of Accounting Standard for Measurement of Inventories (revised 2008)

Beginning with the fiscal year ended March 31, 2011, accompanying the application of "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9), a certain of its consolidated subsidiaries and affiliates have changed the method of measurement of inventories from the cost method using the last-in, first-out method to the periodic average method.

The effect of this change on the consolidated financial statements was not material.

Application of Accounting Standard for Business Combinations and Related Matters (revised 2008)

Beginning with the fiscal year ended March 31, 2011, NIPPON STEEL has applied the following accounting standards: "Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 (revised 2008)), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10).

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, 2011)
(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, 2011. The exchange loss of ¥4,459 million on foreign currency transactions was included in "Other" in non-operating loss for the year ended March 31, 2010.

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.

Additional information (Year ended March 31, 2011)
Application of Accounting Standard for Presentation of Comprehensive Income

Beginning with the fiscal year ended March 31, 2011, NIPPON STEEL has applied the "Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25). However, "Valuation and translation adjustments" for the previous fiscal year has been presented as "Accumulated other comprehensive income."

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 ¥83.15=U.S.$1, the effective exchange rate prevailing at the latest balance sheet date of March 31, 2011. 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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Bonds and Notes:			
Nippon Steel Corporation			
3.3% SB due March 2017	**¥ 10,000**	¥ 10,000	**$ 120,264**
3.175% SB due September 2017	**10,000**	10,000	**120,264**
1.36% SB due November 2012	**10,000**	10,000	**120,264**
1.18% SB due February 2013	**15,000**	15,000	**180,396**
0.80% SB due June 2013	**20,000**	20,000	**240,529**
1.67% SB due March 2014	**15,000**	15,000	**180,396**
1.77% SB due September 2017	**29,994**	29,993	**360,722**
1.18% SB due December 2013	**19,998**	19,997	**240,506**
1.66% SB due December 2017	**29,997**	29,997	**360,769**
1.55% SB due March 2014	**29,990**	29,987	**360,682**
1.92% SB due March 2018	**29,985**	29,982	**360,613**
1.714% SB due June 2018	**30,000**	30,000	**360,793**
2.491% SB due June 2028	**10,000**	10,000	**120,264**
1.214% SB due December 2012	**30,000**	30,000	**360,793**
1.891% SB due September 2018	**15,000**	15,000	**180,396**
1.163% SB due June 2014	**20,000**	20,000	**240,529**
1.942% SB due June 2019	**20,000**	20,000	**240,529**
1.53% SB due March 2020	**20,000**	—	**240,529**
1.076% SB due June 2020	**15,000**	—	**180,396**
Floating rate PN with call option due April 2023*[1,3]	**5,000**	5,000	**60,132**
Floating rate SB with call option due June 2015*[2,4]	**—**	15,000	**—**
Mandatorily acquirable interest-bearing deeply subordinated CB due January 2012*[5]	**300,000**	300,000	**3,607,937**
HIROKOU GIKEN Co., Ltd.			
0.7% SB due June 2013	**100**	—	**1,202**
Subtotal	**685,065**	664,958	**8,238,916**
Elimination of intra-group transaction	**(300,000)**	(300,000)	**(3,607,937)**
Total	**¥385,065**	¥364,958	**$ 4,630,979**
(Less: portion due within one year)	**—**	—	**—**

(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%

(Call option)
*3 Call options are available on the day of interest payment after April 14, 2008.
*4 Call options are available on June 4, 2010.

*5 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.

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

	Millions of yen 2011		Millions of yen 2010	Thousands of U.S. dollars 2011
Loans:				
Short-term loans	**¥194,451**	*3	¥ 225,690	**$ 2,338,567**
Loans principally from banks and insurance companies due 2012–2025 for 2011 (2011–2029 for 2010)*1	**718,178**	*4	705,963	**8,637,147**
Lease obligations due 2012–2029 for 2011 (2011–2027 for 2010)*2	**8,154**		9,151	**98,071**
Commercial paper	**32,000**	*5	78,000	**384,846**
	¥952,785		¥1,018,805	**$11,458,633**

*1 Including a portion due within one year of ¥115,698 million ($1,391,442 thousand) for 2011 and ¥79,052 million for 2010
*2 Including a portion due within one year of ¥2,969 million ($35,709 thousand) for 2011 and ¥3,019 million for 2010
*3 Average interest-rate at March 31, 2011 is 0.7%.
*4 Average interest-rate at March 31, 2011 is 1.4%.
*5 Average interest-rate at March 31, 2011 is 0.2%.

The aggregate annual maturities of long-term debt as of March 31, 2011 were as follows:

Years ending March 31 (Millions of yen)	2012		2013	2014	2015	2016
Bonds and notes and convertible bonds	¥300,000	*1	¥ 55,000	¥ 85,100	¥ 20,000	¥ —
Loans	115,698		113,515	134,201	92,253	62,766
Lease obligations	2,969		2,384	1,251	647	312
Total	¥418,667		¥170,900	¥220,553	¥112,901	¥63,079

Thousands of U.S. dollars	2012		2013	2014	2015	2016
Bonds and notes and convertible bonds	$3,607,937	*1	$ 661,455	$1,023,451	$ 240,529	$ —
Loans	1,391,442		1,365,194	1,613,972	1,109,482	754,863
Lease obligations	35,709		28,679	15,052	7,791	3,755
Total	$5,035,089		$2,055,329	$2,652,476	$1,357,802	$758,619

*1 Eliminated for intra-group transaction

Followings are NIPPON STEEL's assets pledged as collateral primarily to secure long-term loans, short-term loans and others totaled ¥35,254 million ($423,983 thousand) at March 31, 2011 and ¥36,219 million at March 31, 2010.

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
(Factory foundation)			
Buildings and structures	**¥ 1,316**	¥ 1,362	**$ 15,830**
Machinery and equipment	**5,173**	5,906	**62,214**
Land	**4,175**	4,984	**50,217**
	¥10,664	¥12,254	**$128,262**
(Pledged assets)			
Cash and bank deposits	**¥ 515**	¥ 844	**$ 6,200**
Notes and accounts receivable	**314**	1,867	**3,783**
Inventories	**346**	2,021	**4,170**
Current assets other	**3,918**	3,771	**47,127**
Buildings and structures	**1,721**	1,655	**20,702**
Machinery and equipment	**62**	282	**755**
Land	**4,917**	3,714	**59,142**
Long-term loans receivable	**20,426**	21,310	**245,661**
	¥32,224	¥35,468	**$387,544**

In addition, out of the above secured liabilities, ¥355 million ($4,272 thousand) of long-term loans receivable, etc. are pledged as collateral against ¥706 million ($8,496 thousand) of loans of consolidated subsidiaries and ¥1,269 million ($15,265 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 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Finished and half-finished products	**¥409,295**	¥398,269	**$4,922,379**
Work in process	**79,881**	42,438	**960,692**
Raw materials and supplies	**440,107**	414,056	**5,292,932**

6.
Unconsolidated Subsidiaries and Affiliates

Items relevant to unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Investments in securities	**¥529,619**	¥486,816	**$6,369,442**
Other investments	**2,495**	652	**30,006**

7.
Revaluation of Land

(Year ended March 31, 2011)

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, 2011 was ¥3,057 million ($36,768 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, 2011 was ¥17,859 million ($214,791 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, 2011 was ¥1,944 million ($23,387 thousand).

(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.

(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.

(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.

8.
Deferred Tax Accounting

(1) The components of deferred tax assets and liabilities at March 31, 2011, 2010 and 2009, are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Deferred tax assets				
Reserve for accrued bonuses	**¥ 20,073**	¥ 18,950	¥ 22,295	**$ 241,411**
Accrued pension and severance costs	**45,503**	41,117	32,764	**547,246**
Reserve for repairs to blast furnaces	**8,803**	11,406	14,838	**105,873**
Loss on revaluation of inventories	**13,700**	—	24,453	**164,773**
Loss on impairment of fixed assets	**11,066**	8,760	6,031	**133,094**
Depreciation in excess of limit	**39,451**	40,778	40,417	**474,459**
Business tax payable	**—**	—	3,480	**—**
Tax losses carried forward	**63,057**	80,215	15,027	**758,354**
Unrealized gain on tangible fixed assets	**54,925**	48,841	49,619	**660,563**
Provision for loss on disaster	**7,941**	—	—	**95,503**
Other	**46,510**	55,503	49,496	**559,353**
Subtotal	**311,033**	305,574	258,425	**3,740,632**
Valuation allowance	**(68,462)**	(49,291)	(33,538)	**(823,360)**
Total	**242,571**	256,283	224,886	**2,917,271**
Deferred tax liabilities				
Special tax purpose reserve	**(82,339)**	(82,617)	(85,623)	**(990,250)**
Revaluation of available-for-sale securities	**(70,310)**	(106,135)	(16,586)	**(845,587)**
Net unrealized gain on assets and liabilities of consolidated subsidiaries	**(3,114)**	(3,210)	(4,710)	**(37,451)**
Total	**(155,763)**	(191,963)	(106,921)	**(1,873,288)**
Net deferred tax assets	**¥ 86,807**	¥ 64,320	¥ 117,965	**$ 1,043,982**

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

Year ended March 31	**2011*[1]**	2010	2009*[1]
Statutory tax rate	**—**	40.4%	—
Equity in net income of unconsolidated subsidiaries and affiliates	**—**	(124.9)	—
Permanent non-deductible expenses	**—**	23.3	—
Permanent non-taxable income	**—**	(8.4)	—
Amortization of goodwill	**—**	13.1	—
Effect of foreign tax rate differences	**—**	38.4	—
Penalty	**—**	23.0	—
Valuation allowance	**—**	140.3	—
Other	**—**	(2.5)	—
Actual tax rate	**—**	142.7%	—

*[1] 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, 2011, 2010 and 2009 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Provision for accrued pension and severance costs		
Cost of sales	**¥35,841**	**$431,042**
Selling, general and administrative expenses	**9,178**	**110,388**
Provision for allowance for retirement benefits of directors		
Selling, general and administrative expenses	**1,209**	**14,547**
Provision for allowance for doubtful accounts		
Selling, general and administrative expenses	**1,082**	**13,016**
Provision for allowance for losses on construction contracts		
Cost of sales	**2,666**	**32,068**

	Millions of yen
	2010
Provision for accrued pension and severance costs	
Cost of sales	¥34,969
Selling, general and administrative expenses	9,076
Provision for allowance for retirement benefits of directors	
Selling, general and administrative expenses	1,429
Provision for allowance for doubtful accounts	
Selling, general and administrative expenses	843
Provision for allowance for losses on construction contracts	
Cost of sales	2,014

	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

10.
Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2011, 2010 and 2009 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Transportation and storage	**¥ 76,021**	¥ 69,934	¥ 86,746	**$ 914,271**
Salaries	**74,496**	68,331	73,556	**895,933**
Depreciation and amortization	**4,426**	4,338	4,100	**53,231**
Research and development expenses	**35,063**	33,932	34,678	**421,684**
Amortization of goodwill	**7,432**	6,489	3,409	**89,386**
Other	**121,741**	116,183	118,621	**1,464,120**
Total	**¥319,181**	¥299,211	¥321,112	**$3,838,627**

11.
Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2011, 2010 and 2009 are ¥46,663 million ($561,197 thousand), ¥46,824 million, and ¥45,797 million respectively.

12.
Explanatory Notes on Special Profit and Loss

(Year ended March 31, 2011)

Special loss

(1) Loss on impairment of fixed assets

In the steelmaking and steel fabrication business, impairment losses have been recognized with respect to business assets, etc. of several consolidated subsidiaries engaged in the manufacture and sale of steel bars and other companies in view of declines in profitability associated with the continuous shrinking of domestic demand for steel materials. Also, in the urban development business, impairment losses have been recognized in view of a drop in the profitability of rental real estate owned by Nippon Steel City Produce Inc. Regarding the method of grouping of assets, in principle, grouping is performed for each business establishment. In addition, grouping is performed for business units that generate independent cash flow together. The recoverable value of assets is calculated for rental real estate, etc. based on the net selling price and is calculated for business assets based on estimates of the value of the assets in use, and future cash flows from these assets are discounted to the present. (The discount rate used for the above-mentioned steel manufacturing subsidiaries is 5.4%.) These assets included ¥3,332 million ($40,072 thousand) of buildings, ¥2,365 million ($28,452 thousand) of machinery and equipment, ¥5,469 million ($65,776 thousand) of land, and ¥249 million ($3,004 thousand) of other assets.

(2) Loss on disaster

Loss on disaster was recorded owing to situations accompanying the Great East Japan Earthquake, including expenses for the restoration of manufacturing facilities, etc. and for inventory losses and deterioration, etc.

(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.

13.
Notes on Consolidated Statements of Comprehensive Income

	Millions of yen
Comprehensive income for the fiscal year ended March 31, 2010	
Comprehensive income attribute to owners of the parent	¥181,725
Comprehensive income attribute to minority interests	8,323
Total	¥190,049
Other comprehensive income for the fiscal year ended March 31, 2010	
Unrealized gains (losses) on available-for-sale securities	¥133,119
Deferred hedge income (loss)	(2)
Unrealized gains (losses) on revaluation of land	(89)
Foreign currency translation adjustments	30,196
Share of other comprehensive income of associates accounted for using equity method	31,626
Total	¥194,850

14.
Changes in Net Assets and Shareholders' Equity

Notes on consolidated statements of changes in net assets for the years ended March 31, 2011, 2010 and 2009 are as follows:

(Year ended March 31, 2011)

(1) Information on issued shares

Kind of stock	March 31, 2010	Increase	Decrease	March 31, 2011
Common stock (Thousands)	6,806,980	—	—	6,806,980

(2) Information on treasury stock

Kind of stock	March 31, 2010	Increase	Decrease	March 31, 2011
Common stock (Thousands)	516,191	1,930	929	517,192

(Reason for increase or decrease treasury stock)

•Increase (Thousands)	
1. Odd lot stock purchases	136
2. Purchased by equity method affiliates	1,794
•Decrease (Thousands)	
1. Odd lot stock sold	23
2. Sold by subsidiaries and affiliates	906

(3) Information on acquisition rights

Bonds and notes	Kind of stock	Number of stocks issued when acquisition rights are exercised				March 31, 2011 (Millions of yen)
		March 31, 2010	Increase	Decrease	March 31, 2011	
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, 2010	Common stock	9,454	1.5	March 31, 2010	June 25, 2010

Dividends of which record date belong to the year ended March 31, 2011, the operative date is the year ended March 31, 2012 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, 2011	Common stock	Retained earnings	18,908	3	March 31, 2011	June 27, 2011

(Year ended March 31, 2010)

(1) Information on issued shares

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

(2) Information on treasury stock

Kind of stock	March 31, 2009	Increase	Decrease	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 March 31, 2009	Increase	Decrease	March 31, 2010	March 31, 2010 (Millions of yen)
Mandatorily Acquirable Interest-Bearing Deeply Subordinated CB due 2012 (Nippon Steel Corporation)	Common stock	405,405,405 [405,405,405]	—	—	405,405,405 [405,405,405]	—
Total		405,405,405 [405,405,405]	—	—	405,405,405 [405,405,405]	—

*[ ]: Possession by subsidiaries

(4) Information on dividends
Amount of dividend payments

Decision	Kind of stock	Total payments (Millions of yen)	Cash dividends per share (yen)	Record date	Operative date
At the ordinary general meeting of shareholders held on June 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, 2011, the operative date is the year ended March 31, 2012 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	9,454	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)	514,477	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 March 31, 2008	Increase	Decrease	March 31, 2009	March 31, 2009 (Millions of yen)
Mandatorily Acquirable Interest-Bearing Deeply Subordinated CB due 2012 (Nippon Steel Corporation)	Common stock	405,405,405 [405,405,405]	—	—	405,405,405 [405,405,405]	—
Total		405,405,405 [405,405,405]	—	—	405,405,405 [405,405,405]	—

*[ ]: Possession by subsidiaries

(4) Information on dividends
Amount of dividend payments

Decision	Kind of stock	Total payments (Millions of yen)	Cash dividends per share (yen)	Record date	Operative date
At the ordinary general meeting of shareholders held on June 25, 2008	Common stock	37,819	6	March 31, 2008	June 26, 2008
At the board of director's 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	Source of dividends	Total payments (Millions of yen)	Cash dividends per share (yen)	Record date	Operative date
At the ordinary general meeting of shareholders held on June 24, 2009	Common stock	Retained earnings	6,303	1	March 31, 2009	June 25, 2009

15.
Notes on Consolidated Statements of Cash Flows

Cash and cash equivalents consists of:

	Millions of yen 2011	2010	2009	Thousands of U.S. dollars 2011
Cash and bank deposits	**¥72,760**	¥78,197	¥124,007	**$875,045**
Less–Time deposits with original maturity over 3 months	**(1,553)**	(2,247)	(4,609)	**(18,677)**
Securities due within 3 months	**5,049**	4,520	8,992	**60,731**
Cash and cash equivalents	**¥76,256**	¥80,470	¥128,390	**$917,099**

Details of assets and liabilities of Taihei Kogyo Co., Ltd., which were newly included in the consolidation in the year ended March 31, 2011 as a result of the additional acquisition of shares by NIPPON STEEL, at the date of consolidation, are as follows:

	Millions of yen 2011	Thousands of U.S. dollars 2011
Current assets	**¥61,326**	**$ 737,541**
Fixed assets	**36,889**	**443,654**
	¥98,216	**$1,181,195**

	Millions of yen 2011	Thousands of U.S. dollars 2011
Current liabilities	**¥38,476**	**$462,734**
Long-term liabilities	**20,622**	**248,017**
	¥59,099	**$710,751**

16.
Lease Commitments, Contingent Liabilities and Notes and Bills Discounted and Endorsed

(1) Finance leases

(Year ended March 31, 2011)

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, 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.

(2) Operating leases (non-cancelable)

The amount of outstanding future lease payments due at March 31, 2011 and 2010, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Future lease payments			
Within one year	**¥ 4,525**	¥ 2,151	**$ 54,424**
Over one year	**17,505**	10,973	**210,531**
	¥22,031	¥13,124	**$264,956**

The amount of outstanding future lease income due at March 31, 2011 and 2010, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Future lease income			
Within one year	**¥ 3,675**	¥ 4,659	**$ 44,201**
Over one year	**28,480**	50,592	**342,518**
	¥32,155	¥55,252	**$386,719**

(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
	2011	**2011**	**2011**	**2011**
Contingent liabilities for:				
Guarantee of loans				
Metal Research Co., Ltd	**¥11,205**	**$134,756**	**¥11,205**	**$134,756**
UNIGAL Ltda.	**3,492**	**42,000**	**3,492**	**42,000**
Frontier Energy Niigata Co., Ltd	**1,543**	**18,557**	**1,543**	**18,557**
Other	**2,132**	**25,646**	**1,670**	**20,087***[1]
	¥18,372	**$220,961**	**¥17,910**	**$215,402**

	Outstanding amounts		
	Millions of yen	Thousands of U.S. dollars	
	2011	**2011**	Substantial amounts is equal to outstanding amounts for the year ended.
Contingent liabilities for:			
Reserved guarantee of loans	**¥858**	**$10,324**	

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

	Outstanding amounts	Substantial amounts
	Millions of yen	Millions of yen
	2010	2010
Contingent liabilities for:		
Guarantee of loans		
UNIGAL Ltda.	¥2,060	¥2,060
Frontier Energy Niigata Co., Ltd	1,928	1,928
Other	2,334	1,834*[1]
	¥6,323	¥5,823

	Outstanding amounts	
	Millions of yen	
	2010	Substantial amounts is equal to outstanding amounts for the year ended.
Contingent liabilities for:		
Reserved guarantee of loans	¥1,022	

*[1] 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
	2011	2010	**2011**
Notes and bills discounted	**¥—**	¥30	**$ —**
Notes and bills endorsed	**38**	59	**467**
	¥38	¥89	**$467**

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

17.
Segment Information

(1) Segment Information

(Year ended March 31, 2011)

(a) General information about reportable segments

Nippon Steel Corporation is a company engaged in the steelmaking and steel fabrication businesses, and acts as the holding company for its business segment companies, which are engaged in the engineering and construction, urban development, chemicals, new materials, and system solutions businesses. Each business segment company shares the management strategy of the Nippon Steel Group, while conducting its business activities independently from and in parallel with other Group members. These six business segments are reportable segments.

Reportable segments	Principal businesses
Steelmaking and steel fabrication	Manufacturing and marketing of steel products
Engineering and construction	Manufacturing and marketing of industrial machinery and equipment as well as steel structures, performance of construction work under contract, waste processing and recycling, and supplying electricity, gas, and heat
Urban development	Buying, selling, and renting real estate
Chemicals	Manufacturing and marketing of coal-based chemical products, petrochemicals, and electronic materials
New materials	Manufacturing and marketing of materials for semiconductors and electronic parts, carbon fiber and composite products, and products that apply technologies for metal processing and joining
System solutions	Computer systems engineering and consulting services

(b) Basis of measurement about segment sales, profit (loss), assets, liabilities and other items

The accounting methods for the reportable segments are generally the same as those which are set forth in "Summary of Significant Accounting Policies." Figures for profit of reportable segments are on an Ordinary Profit basis, and liabilities are the balance of interest-bearing debt. Please note that inter-segment sales are based on prices employed in transactions with third parties.

(c) Information about segment sales, profit (loss), assets, liabilities and other items

(Millions of yen)

	Reportable segment								
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Total	Adjustments	Consolidated
Net sales									
Sales to external customers	¥3,432,700	¥223,763	¥ 81,553	¥187,242	¥60,795	¥123,719	¥4,109,774	¥ —	¥4,109,774
Inter-segment sales or transfers	40,795	31,177	5,003	6,653	93	35,988	119,711	(119,711)	—
Total	3,473,495	254,941	86,556	193,896	60,888	159,708	4,229,485	(119,711)	4,109,774
Segment profit (loss) <Ordinary Profit>	¥ 181,968	¥ 14,883	¥ 9,273	¥ 13,244	¥ 2,111	¥ 11,332	¥ 232,814	¥ (6,478)	¥ 226,335
Segment assets	¥4,429,784	¥220,512	¥182,735	¥144,957	¥39,611	¥132,704	¥5,150,305	¥(149,444)	¥5,000,860
Segment liabilities <Interest-bearing debt>	¥1,228,362	¥ 1,391	¥ 92,011	¥ 17,693	¥14,146	¥ 1,552	¥1,355,157	¥ (17,306)	¥1,337,851
Other items									
Depreciation and amortization	¥ 280,695	¥ 3,417	¥ 1,530	¥ 8,135	¥ 2,819	¥ 2,338	¥ 298,936	¥ (7,348)	¥ 291,587
Amortization of goodwill	1,148	52	66	1	188	166	1,623	—	1,623
Interest income	2,660	94	4	5	4	235	3,005	(258)	2,746
Interest expense	16,829	19	1,452	139	120	74	18,637	(282)	18,355
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	76,159	285	217	1,188	—	(20)	77,831	86	77,918
Balance of investments in equity method companies	496,735	517	2,339	12,884	—	22	512,500	(1,934)	510,565
Increase in tangible/ intangible fixed assets	268,833	5,366	1,130	5,661	5,134	7,082	293,208	(5,972)	287,236

Notes:
1. The segment profit (loss) adjustments figure of ¥(6,478) million ($(77,910) thousand) includes ¥(7,625) million ($(91,704) thousand) of elimination of inter-segment sales or transfers, ¥940 million ($11,316 thousand) of transfer from special profit (loss) to Non-operating profit (loss), and ¥205 million ($2,477 thousand) of transfer from Non-operating profit (loss) to special profit (loss). The transfer from special profit (loss) to Non-operating profit (loss) reflects segment special profit (loss) figures that are not material with respect to the Consolidated Statements of Operations and are, therefore, transferred to Non-operating profit (loss). These include ¥(451) million ($(5,433) thousand) for the Urban Development segment and ¥1,392 million ($16,749 thousand) for the Chemicals segment. The transfer from Non-operating profit (loss) to special profit (loss) represents amounts accounted for as Non-operating profit (loss) by segments and transferred to special profit (loss) in the Consolidated Statements of Operations. This includes ¥205 million ($2,477 thousand) for the Engineering and construction segment.
2. Segment profit (loss) is adjusted with respect to ordinary profit in the Consolidated Statements of Operations.
3. The adjustments of segment liabilities include the elimination of the Steelmaking and steel fabrication segment's borrowings from the System solutions segment, etc.

(Thousands of U.S. dollars)

	Reportable segment								
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Total	Adjustments	Consolidated
Net sales									
Sales to external customers	$41,283,227	$2,691,079	$ 980,794	$2,251,859	$731,155	$1,487,912	$49,426,029	$ —	$49,426,029
Inter-segment sales or transfers	490,619	374,959	60,169	80,023	1,122	432,811	1,439,704	(1,439,704)	—
Total	41,773,847	3,066,038	1,040,964	2,331,882	732,277	1,920,724	50,865,734	(1,439,704)	49,426,029
Segment profit (loss) <Ordinary Profit>	$ 2,188,438	$ 178,997	$ 111,532	$ 159,281	$ 25,388	$ 136,291	$ 2,799,928	$ (77,910)	$ 2,722,017
Segment assets	$53,274,619	$2,651,989	$2,197,656	$1,743,320	$476,388	$1,595,962	$61,939,936	$(1,797,290)	$60,142,645
Segment liabilities <Interest-bearing debt>	$14,772,848	$ 16,734	$1,106,569	$ 212,795	$170,130	$ 18,667	$16,297,747	$ (208,133)	$16,089,613
Other items									
Depreciation and amortization	$ 3,375,771	$ 41,100	$ 18,409	$ 97,842	$ 33,905	$ 28,123	$ 3,595,152	$ (88,382)	$ 3,506,770
Amortization of goodwill	13,813	631	798	12	2,270	2,001	19,527	—	19,527
Interest income	31,994	1,136	57	70	49	2,833	36,141	(3,108)	33,033
Interest expense	202,404	237	17,474	1,680	1,448	901	224,145	(3,394)	220,756
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	915,934	3,437	2,611	14,297	—	(245)	936,034	1,044	937,079
Balance of investments in equity method companies	5,973,963	6,228	28,140	154,953	—	273	6,163,559	(23,260)	6,140,299
Increase in tangible/ intangible fixed assets	3,233,118	64,537	13,594	68,084	61,752	85,173	3,526,262	(71,827)	3,454,435

(Year ended March 31, 2010)

(a) General information about reportable segments

Nippon Steel Corporation is a company engaged in the steelmaking and steel fabrication businesses, and acts as the holding company for its business segment companies, which are engaged in the engineering and construction, urban development, chemicals, new materials, and system solutions businesses. Each business segment company shares the management strategy of the Nippon Steel Group, while conducting its business activities independently from and in parallel with other Group members. These six business segments are reportable segments.

Reportable segments	Principal businesses
Steelmaking and steel fabrication	Manufacturing and marketing of steel products
Engineering and construction	Manufacturing and marketing of industrial machinery and equipment as well as steel structures, performance of construction work under contract, waste processing and recycling, and supplying electricity, gas, and heat
Urban development	Buying, selling, and renting real estate
Chemicals	Manufacturing and marketing of coal-based chemical products, petrochemicals, and electronic materials
New materials	Manufacturing and marketing of materials for semiconductors and electronic parts, carbon fiber and composite products, and products that apply technologies for metal processing and joining
System solutions	Computer systems engineering and consulting services

(b) Basis of measurement about segment sales, profit (loss), assets, liabilities and other items

The accounting methods for the reportable segments are generally the same as those which are set forth in "Summary of Significant Accounting Policies." Figures for profit of reportable segments are on an Ordinary Profit basis, and liabilities are the balance of interest-bearing debt. Please note that inter-segment sales are based on prices employed in transactions with third parties.

(c) Information about segment sales, profit (loss), assets, liabilities and other items

(Millions of yen)

	Reportable segment								
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Total	Adjustments	Consolidated
Net sales									
Sales to external customers	¥2,783,807	¥278,210	¥75,260	¥172,442	¥58,757	¥119,236	¥3,487,714	¥ —	¥3,487,714
Inter-segment sales or transfers	39,386	53,694	4,813	6,970	41	32,998	137,904	(137,904)	—
Total	2,823,193	331,905	80,073	179,412	58,799	152,234	3,625,619	(137,904)	3,487,714
Segment profit (loss) <Ordinary Profit>	¥ (28,563)	¥ 29,252	¥ 1,716	¥ 9,183	¥ 591	¥ 11,159	¥ 23,340	¥ (11,506)	¥ 11,833
Segment assets	¥4,379,862	¥256,916	¥191,985	¥147,021	¥36,668	¥133,218	¥5,145,673	¥(143,294)	¥5,002,378
Segment liabilities <Interest-bearing debt>	¥1,248,867	¥ 1,368	¥105,365	¥ 25,561	¥14,615	¥ 2,018	¥1,397,798	¥ (14,004)	¥1,383,794
Other items									
Depreciation and amortization	¥ 270,394	¥ 2,964	¥ 1,779	¥ 7,948	¥ 2,480	¥ 2,166	¥ 287,733	¥ (3,640)	¥ 284,092
Amortization of goodwill	3,186	6	91	—	181	166	3,631	—	3,631
Interest income	1,601	151	46	24	7	317	2,148	(344)	1,804
Interest expense	17,795	49	1,766	356	117	75	20,161	(357)	19,803
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	35,451	235	227	584	—	0	36,499	(1,743)	34,756
Balance of investments in equity method companies	471,366	281	2,217	13,110	—	22	486,998	(2,199)	484,798
Increase in tangible/ intangible fixed assets	319,470	7,690	1,048	5,508	3,886	3,797	341,401	(12,044)	329,356

Notes:
1. The segment profit (loss) adjustments figure of ¥(11,506) million includes ¥(9,613) million of elimination of inter-segment sales or transfers and ¥1,892 million of transfer from special profit (loss) to Non-operating profit (loss). The transfer from special profit (loss) to Non-operating profit (loss) reflects segment special profit (loss) figures that are not material with respect to the Consolidated Statements of Operations and are, therefore, transferred to Non-operating profit (loss). These include ¥(2,012) million for the Urban Development segment, ¥449 million for the Chemicals segment and ¥(330) million for the New materials segment.
2. Segment profit (loss) is adjusted with respect to ordinary profit in the Consolidated Statements of Operations.
3. The adjustments of segment liabilities include the elimination of the Steelmaking and steel fabrication segment's borrowings from the System solutions segment, etc.

(2) Associated information

(Year ended March 31, 2011)

(a) Information about geographical area

1) Net sales

(Millions of yen)

Japan	Overseas	Asia	Other	Total
¥2,704,409	¥1,405,365	¥1,024,664	¥380,700	¥4,109,774

(Thousands of U.S. dollars)

Japan	Overseas	Asia	Other	Total
$32,524,458	$16,901,572	$12,323,091	$4,578,481	$49,426,029

Note: Sales information is based on the geographical location of customers, and it is classified by region.

2) Tangible fixed assets

The amount of tangible fixed assets located in Japan is in excess of 90% of the amount of tangible fixed assets on the balance sheet, therefore disclosure has been omitted.

(b) Information about principal customer

(Millions of yen)

Counterparty	Sales	Name of related segment
Metal One Corporation	¥590,023	Steelmaking and steel fabrication
Nippon Steel Trading Co., Ltd.	561,160	Steelmaking and steel fabrication
Mitsui & Co., Ltd.	451,911	Steelmaking and steel fabrication

(Thousands of U.S. dollars)

Counterparty	Sales	Name of related segment
Metal One Corporation	$7,095,888	Steelmaking and steel fabrication
Nippon Steel Trading Co., Ltd.	6,748,771	Steelmaking and steel fabrication
Mitsui & Co., Ltd.	5,434,899	Steelmaking and steel fabrication

(Year ended March 31, 2010)

(a) Information about geographical area

1) Net sales

(Millions of yen)

Japan	Overseas	Asia	Other	Total
¥2,383,204	¥1,104,510	¥813,606	¥290,904	¥3,487,714

Note: Sales information is based on the geographical location of customers, and it is classified by region.

2) Tangible fixed assets

The amount of tangible fixed assets located in Japan is in excess of 90% of the amount of tangible fixed assets on the balance sheet, therefore disclosure has been omitted.

(b) Information about principal customer

(Millions of yen)

Counterparty	Sales	Name of related segment
Metal One Corporation	¥458,926	Steelmaking and steel fabrication
Mitsui & Co., Ltd.	447,788	Steelmaking and steel fabrication
Nippon Steel Trading Co., Ltd.	446,967	Steelmaking and steel fabrication

(3) Information about losses on impairment of fixed assets by reportable segments

(Year ended March 31, 2011)

(Millions of yen)

Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Adjustments	Total
¥4,191	¥ —	¥7,225	¥ —	¥ —	¥ —	¥ —	¥11,416

(Thousands of U.S. dollars)

Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Adjustments	Total
$50,405	$ —	$86,899	$ —	$ —	$ —	$ —	$137,305

The steelmaking and steel fabrication segment reported impairment losses of ¥4,191 million ($50,405 thousand) on the assets for business use of consolidated subsidiaries because of declines in recoverable values of these assets.

The urban development segment reported impairment losses of ¥7,225 million ($86,899 thousand) on rental real estate because of declines in recoverable values of these assets.

(Year ended March 31, 2010)

There were no material impairment losses on fixed assets.

(4) Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reportable segment

(Year ended March 31, 2011)

(Millions of yen)

	Reportable segment							
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Adjustments	Total
Balance at fiscal year-end	¥ 17,654	¥ 182	¥ 95	¥ —	¥ —	¥ 2,848	¥ —	¥ 20,779

(Thousands of U.S. dollars)

	Reportable segment							
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Adjustments	Total
Balance at fiscal year-end	$212,315	$2,192	$1,142	$ —	$ —	$34,257	$ —	$249,908

(Year ended March 31, 2010)

(Millions of yen)

	Reportable segment							
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Adjustments	Total
Balance at fiscal year-end	¥ 21,807	¥ 1	¥ 156	¥ —	¥ 181	¥ 3,014	¥ —	¥ 25,161

(5) Information about Profit Arising from Negative Goodwill by reportable Segment

(Year ended March 31, 2011)

NIPPON STEEL did not record a material amount of profit arising from negative goodwill.

(Year ended March 31, 2010)

None

(Additional information)

Beginning with the fiscal year ended March 31, 2011, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20) have been applied.

The segment information of NIPPON STEEL for the year ended March 31, 2010 and 2009 which is in conformity with the former standards applicable to the prior fiscal years is as follows:

(1) Information on business segments

NIPPON STEEL operates in the following six business segments.

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

	Millions of yen 2010	2009
Sales		
Steelmaking and steel fabrication		
Customers	**¥2,783,807**	¥3,969,685
Intersegment	**39,386**	69,000
Total	**2,823,193**	4,038,685
Engineering and construction		
Customers	**278,210**	340,230
Intersegment	**53,694**	46,412
Total	**331,905**	386,643
Urban development		
Customers	**75,260**	65,781
Intersegment	**4,813**	4,371
Total	**80,073**	70,152
Chemicals		
Customers	**172,442**	205,420
Intersegment	**6,970**	6,751
Total	**179,412**	212,172
New materials		
Customers	**58,757**	59,627
Intersegment	**41**	279
Total	**58,799**	59,907
System solutions		
Customers	**119,236**	129,075
Intersegment	**32,998**	32,465
Total	**152,234**	161,541
Elimination of intersegment transactions	**(137,904)**	(159,281)
Consolidated total	**¥3,487,714**	¥4,769,821
Operating profit (loss)		
Steelmaking and steel fabrication	**¥ (20,589)**	¥ 307,047
Engineering and construction	**31,655**	24,674
Urban development	**2,937**	3,929
Chemicals	**10,431**	894
New materials	**444**	(2,397)
System solutions	**10,732**	11,479
Elimination of intersegment transactions	**(3,607)**	(2,696)
Consolidated total	**¥ 32,005**	¥ 342,930
Identifiable assets		
Steelmaking and steel fabrication	**¥4,379,862**	¥4,183,826
Engineering and construction	**256,916**	298,053
Urban development	**191,985**	224,247
Chemicals	**147,021**	136,185
New materials	**36,668**	30,441
System solutions	**133,218**	128,082
Elimination of intersegment transactions	**(143,294)**	(130,155)
Consolidated total	**¥5,002,378**	¥4,870,680
Depreciation of identifiable assets		
Steelmaking and steel fabrication	**¥ 270,394**	¥ 256,085
Engineering and construction	**2,964**	3,235
Urban development	**1,779**	2,279
Chemicals	**7,948**	9,192
New materials	**2,480**	2,848
System solutions	**2,166**	1,833
Elimination of intersegment transactions	**(3,640)**	(1,730)
Consolidated total	**¥ 284,092**	¥ 273,744

	Millions of yen 2010	2009
Capital expenditure on identifiable assets		
Steelmaking and steel fabrication	**¥ 319,470**	¥ 283,653
Engineering and construction	**7,690**	6,011
Urban development	**1,048**	8,512
Chemicals	**5,508**	8,470
New materials	**3,886**	1,649
System solutions	**3,797**	1,645
Elimination of intersegment transactions	**(12,044)**	(4,204)
Consolidated total	**¥ 329,356**	¥ 305,738

(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 higher, and in the System Solutions segment were ¥864 million higher. In addition, operating profit in the Engineering and Construction segment were ¥864 million higher, and in the System Solutions segment were ¥120 million 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 fiscal year ended March 31, 2009, 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 fiscal year ended March 31, 2009, 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 ended March 31, 2009 was not material.

(Additional Information)

Change in the useful lives of tangible fixed assets

Beginning with the fiscal year ended March 31, 2009, accompanying revisions in Japan's income tax law, Nippon Steel Corporation 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 ended March 31, 2009, 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.

(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 2010	2009
Overseas sales	**¥1,104,510**	¥1,377,260
Consolidated net sales	**3,487,714**	4,769,821
Overseas sales as a proportion of consolidated net sales	**31.7%**	28.9%

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

18. Securities

(Year ended March 31, 2011)

Information regarding marketable securities and investments in securities at March 31, 2011 is as follows:

(1) Held-to-maturity debt securities

	Millions of yen		
	2011		
	Carrying amount	Fair value	Differences
Held-to-maturity debt securities whose fair value is less than the carrying amount on the balance sheet:			
Government bonds and municipal bonds	¥ 1,552	¥ 1,552	¥ —
Corporate bonds	6,133	6,101	(31)
Negotiable certificates of deposit	4,497	4,497	—
Total	¥12,183	¥12,151	¥(31)

	Thousands of U.S. dollars		
	2011		
	Carrying amount	Fair value	Differences
Held-to-maturity debt securities whose fair value is less than the carrying amount on the balance sheet:			
Government bonds and municipal bonds	$ 18,675	$ 18,675	$ —
Corporate bonds	73,762	73,383	(378)
Negotiable certificates of deposit	54,084	54,084	—
Total	$146,522	$146,143	$(378)

(2) Available-for-sale securities

	Millions of yen		
	2011		
	Carrying amount	Cost	Differences
Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost:			
Corporate shares	¥314,913	¥145,164	¥169,749
Other	167,055	80,047	87,007
Subtotal	¥481,969	¥225,212	¥256,756
Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost:			
Corporate shares	¥159,455	¥240,879	¥ (81,423)
Bonds	351	352	(1)
Other	290	482	(191)
Subtotal	¥160,097	¥241,714	¥ (81,616)
Total	¥642,066	¥466,926	¥175,140

	Thousands of U.S. dollars		
	2011		
	Carrying amount	Cost	Differences
Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost:			
Corporate shares	$3,787,295	$1,745,814	$2,041,481
Other	2,009,086	962,691	1,046,395
Subtotal	$5,796,382	$2,708,505	$3,087,876
Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost:			
Corporate shares	$1,917,687	$2,896,924	$ (979,236)
Bonds	4,224	4,244	(19)
Other	3,497	5,799	(2,301)
Subtotal	$1,925,409	$2,906,967	$ (981,558)
Total	$7,721,791	$5,615,473	$2,106,318

(3) Available-for-sale securities sold in the year ended March 31, 2011

	Millions of yen		
	2011		
	Amount of sales	Gain on sales	Loss on sales
Corporate shares	¥1,536	¥627	¥110
Other	1,980	—	—
Total	¥3,516	¥627	¥110

	Thousands of U.S. dollars		
	2011		
	Amount of sales	Gain on sales	Loss on sales
Corporate shares	$18,479	$7,551	$1,328
Other	23,812	—	—
Total	$42,292	$7,551	$1,328

(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 ¥1,931 million ($23,227 thousand) at March 31, 2011.

(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	¥ 7,294	¥ 7,294	¥—
Negotiable certificates of deposit	5,521	5,521	—
Total	¥12,815	¥12,815	¥—

(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	¥347,530	¥161,868	¥185,662
Other	191,457	80,107	111,350
Subtotal	¥538,988	¥241,975	¥297,012
Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost:			
Corporate shares	¥196,741	¥228,821	¥ (32,079)
Bonds	394	396	(1)
Other	259	422	(162)
Subtotal	¥197,395	¥229,639	¥ (32,243)
Total	¥736,384	¥471,615	¥264,769

(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	¥10,995	¥307	¥ (53)
Other	208	11	(95)
Total	¥11,204	¥318	¥(148)

(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 at March 31, 2010.

19.
Retirement Benefits

NIPPON STEEL operates three defined benefit retirement plans which consist of 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, 2011, 2010 and 2009 are analyzed as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Projected benefit obligations	**¥(518,126)**	¥(523,556)	¥(545,858)	**$(6,231,228)**
Plan assets	**377,369**	382,397	361,145	**4,538,413**
Accrued pension and severance costs	**155,760**	141,995	136,380	**1,873,253**
Prepaid pension cost	**(78,833)**	(74,262)	(94,218)	**(948,092)**
Balance	**(63,830)**	(73,426)	(142,550)	**(767,655)**
Consisting of:				
Unrecognized actuarial differences	**(63,141)**	(74,864)	(146,153)	**(759,363)**
Unrecognized balance of prior service costs*[1]	**(689)**	1,438	3,603	**(8,291)**
	¥ (63,830)	¥ (73,426)	¥(142,550)	**$ (767,655)**

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

The net pension expense relating to retirement benefits for the years ended March 31, 2011, 2010 and 2009 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Service costs*[2,4]	**¥19,147**	¥17,767	¥17,683	**$230,273**
Interest costs	**10,658**	11,103	11,484	**128,184**
Expected return on plan assets	**(6,158)**	(5,937)	(7,789)	**(74,059)**
Amortization of actuarial differences	**23,438**	23,380	18,258	**281,876**
Amortization of prior service costs*[3]	**(2,033)**	(2,109)	(2,107)	**(24,454)**
Net pension expense	**45,052**	44,204	37,529	**541,820**
Other*[5]	**880**	516	578	**10,589**
	¥45,932	¥44,721	¥38,107	**$552,410**

*[1] In addition to the net pension expense above, special benefits for early retirement of ¥3,341 million ($40,188 thousand), ¥2,057 million and ¥4,255 million were paid for the year ended March 31, 2011, 2010 and 2009, respectively.
*[2] This amount excludes contributions to welfare pension plans made by employees.
*[3] This amount represents amortization of prior service costs.
*[4] All pension expenses of consolidated subsidiaries, for which the simplified method is applied, are included in "service costs".
*[5] This amount represents payments for defined contribution pension plans.

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

	2011	2010	2009
Method of attributing the projected benefits to periods of service	**Mainly straight-line basis**	Mainly straight-line basis	Mainly straight-line basis
Discount rate	**Mainly 2.1%**	Mainly 2.1%	Mainly 2.1%
Expected rate of return on plan assets	**Mainly 2.1%**	Mainly 2.1%	Mainly 2.1%
Amortization of unrecognized prior service costs*[1]	**Mainly 10 years**	Mainly 10 years	Mainly 10 years
Amortization of unrecognized actuarial differences*[2]	**Mainly 10 years**	Mainly 10 years	Mainly 10 years

*[1] Amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service.
*[2] Amortized on a straight-line basis over a period of time within the average remaining service period for the employees in service starting from the next year.

20.
Information on Derivatives

(Year ended March 31, 2011)

1. Derivatives not subject to hedge accounting

(Millions of yen)

	Type of derivative	Contract amounts	Over one year	Fair value	Appraisal profit or loss	Method for computing fair value
Non-market transactions	Foreign exchange forward contracts Buying Australian dollars	¥42,322	¥ —	¥2,403	¥2,403	Based on foreign exchange forward quotes

(Thousands of U.S. dollars)

	Type of derivative	Contract amounts	Over one year	Fair value	Appraisal profit or loss	Method for computing fair value
Non-market transactions	Foreign exchange forward contracts Buying Australian dollars	$508,987	$ —	$28,905	$28,905	Based on foreign exchange forward quotes

* The derivatives listed above are foreign exchange forward contracts arranged to hedge foreign currency-denominated liabilities to consolidated companies that are offset on the consolidated balance sheets.

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	¥ 25,000	¥ 25,000	¥283	Based on prices provided by financial institutions
Deferred hedging accounting method	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable	114,485 480	10 8	377 11	Based on foreign exchange forward quotes
Deferred hedging accounting method	Foreign exchange forward contracts Selling U.S. dollars Other	Accounts receivable	11,166 340	8,976 —	(101) 81	Based on foreign exchange forward quotes
Deferred hedging accounting method	Commodity swaps Commodity receive floating pay fixed	Electricity	402	200	112	Based on prices provided by third parties
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay fixed receive floating	Long-term loans	132,000	132,000	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive fixed	Bonds and long-term loans	40,054	25,000	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive floating	Short-term loans	3,000	—	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable	56 67	— —	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	245	—	*	
Total			¥327,299	¥191,195	¥766	

(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	$ 300,661	$ 300,661	$ 3,407	Based on prices provided by financial institutions
Deferred hedging accounting method	Foreign exchange forward contracts Buying U.S. dollars	Accounts payable	1,376,857	124	4,543	Based on foreign exchange forward quotes
	Other		5,784	100	143	
Deferred hedging accounting method	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	134,287	107,952	(1,216)	Based on foreign exchange forward quotes
	Other		4,089	—	980	
Deferred hedging accounting method	Commodity swaps Commodity receive floating pay fixed	Electricity	4,838	2,413	1,356	Based on prices provided by third parties
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay fixed receive floating	Long-term loans	1,587,492	1,587,492	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive fixed	Bonds and long-term loans	481,717	300,661	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive floating	Short-term loans	36,079	—	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Buying U.S. dollars	Accounts payable	685	—		
	Other		807	—	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	2,950	—	*	
Total			$3,936,253	$2,299,406	$ 9,214	

* Since interest rate swaps subject to the exceptional method are handled together with short-term loans, bonds and long-term loans that are subject to hedging, their fair value is presented within the fair value of such short-term loans, 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, 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 foreign exchange forward quotes
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	Accounts receivable	3,749	41		
	Other		1,513	—	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Buying U.S. dollars	Accounts payable	3,732	212		
	Other		2,591	261	*	
Total			¥425,632	¥287,340	¥ 573	

* 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.

21. Financial Instruments

(Year ended March 31, 2011)

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. 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 "Information on Derivatives" 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, 2011 (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	¥ 72,760	¥ 72,760	¥ —
(2) Notes and accounts receivable—trade	459,906	459,906	—
(3) Marketable and investment securities			
Held-to-maturity debt securities	12,183	12,151	(31)
Available-for-sale securities	642,066	642,066	—
(4) Notes and accounts payable—trade	(476,592)	(476,592)	—
(5) Short-term loans	(310,150)	(310,150)	—
(6) Commercial paper	(32,000)	(32,000)	—
(7) Accrued expenses	(237,247)	(237,247)	—
(8) Bonds	(385,065)	(396,443)	(11,377)
(9) Long-term loans	(602,480)	(616,165)	(13,684)
(10) Derivative transactions	3,169	3,169	—

	Thousands of U.S. dollars		
	Book value (*)	Fair value (*)	Differences
(1) Cash and bank deposits	$ 875,045	$ 875,045	$ —
(2) Notes and accounts receivable—trade	5,531,051	5,531,051	—
(3) Marketable and investment securities			
Held-to-maturity debt securities	146,522	146,143	(378)
Available-for-sale securities	7,721,791	7,721,791	—
(4) Notes and accounts payable—trade	5,731,722	5,731,722	—
(5) Short-term loans	(3,730,010)	(3,730,010)	—
(6) Commercial paper	(384,846)	(384,846)	—
(7) Accrued expenses	(2,853,243)	(2,853,243)	—
(8) Bonds	(4,630,979)	(4,767,811)	(136,831)
(9) Long-term loans	(7,245,705)	(7,410,286)	(164,580)
(10) Derivative transactions	38,119	38,119	—

* 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 18 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 20 Information on Derivatives".

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

	Millions of yen
Items	Book value
Unlisted stocks	¥50,127

	Thousands of U.S. dollars
Items	Book value
Unlisted stocks	$602,853

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	¥ 72,760	¥ —	¥ —	¥—
Notes and accounts receivable—trade	459,906	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
Government bonds/municipal bonds	1,549	3	—	—
Corporate bonds	4,133	2,000	—	—
Negotiable certificates of deposit	4,497	—	—	—
Available-for-sale securities with maturity dates	23	270	401	—
Total	¥542,870	¥2,273	¥401	¥—

	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	$ 875,045	$ —	$ —	$—
Notes and accounts receivable—trade	5,531,051	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
Government bonds/municipal bonds	18,639	36	—	—
Corporate bonds	49,709	24,052	—	—
Negotiable certificates of deposit	54,084	—	—	—
Available-for-sale securities with maturity dates	282	3,255	4,831	—
Total	$6,528,812	$27,344	$4,831	$—

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".

(Year ended March 31, 2010)
(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	—

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 18 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 20 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

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	¥—

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".

22.
Related Party Information

1. Related Party Transaction

(Year ended March 31, 2011)

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, 2011		Resulting account balances		Transactions during the year ended March 31, 2011	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 (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥479,878	Notes and accounts receivable	¥43,039	$5,771,236	$517,609

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, 2011		Resulting account balances		Transactions during the year ended March 31, 2011	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 (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥81,282	Notes and accounts receivable	¥12,925	$977,534	$155,453

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, 2010)

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, 2010		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 (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥376,774	Notes and accounts receivable	¥34,073

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, 2010		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 (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥70,193	Notes and accounts receivable	¥11,407

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 (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥533,771	Notes and accounts receivable	¥19,557

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 (g) Relation with related party: Sells our products and holds the additional post of director	Sells steel products	¥106,447	Notes and accounts receivable	¥16,937

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.

2. Related party disclosures about parent company and significant affiliates

(Year ended March 31, 2011)

There are no 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.

23.
Net Income (Loss) per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011, 2010 and 2009 is as follows:

(Year ended March 31, 2011)

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average number of shares	EPS	
Basic EPS				
Net income available to common shareholders	¥93,199	6,290,266	¥14.81	$0.18
Effect of dilutive securities				
Minority interest in net income of consolidated subsidiaries	3,983	405,405		
Equity in net income of unconsolidated subsidiaries and affiliates	—	—		
Diluted EPS				
Net income for computation	¥97,182	6,697,303	¥14.51	$0.17

(Year ended March 31, 2010)

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average number of shares	EPS
Basic EPS			
Net income (loss) available to common shareholders	¥(11,529)	6,290,728	¥(1.83)

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
	Net income (loss)	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 (loss) of unconsolidated subsidiaries and affiliates	(2)	—	
Diluted EPS			
Net income for computation	¥158,818	6,697,303	¥23.71

KPMG

Independent Auditors' Report

To the Shareholders and Board of Directors of
Nippon Steel Corporation

We have audited the accompanying consolidated balance sheets of Nippon Steel Corporation and its consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of operations and comprehensive income for the year ended March 31, 2011, statements of operations for each of the two years in the period ended March 31, 2010, and statements of changes in net assets and cash flows for each of the three years in the period ended March 31, 2011, 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 its consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, 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, 2011 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 LLC

KPMG AZSA LLC
Tokyo, Japan

June 24, 2011

Investor Information

(As of March 31, 2011)

Nippon Steel Corporation

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

Date of Establishment
March 31, 1970

Common Stock
¥419,524 million

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

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

Number of Shareholders
413,593

Ten Major Shareholders

	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd.	10.3
Sumitomo Metal Industries, Ltd.	4.2
CBHK-Korea Securities Depository	3.5
The Master Trust Bank of Japan, Ltd.	3.5
Nippon Life Insurance Company	3.3
Mizuho Corporate Bank, Ltd.	2.7
Trust & Custody Services Bank, Ltd.	2.3
Meiji Yasuda Life Insurance Company	2.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.0
SSBT OD05 OMNIBUS ACCOUNT—TREATY CLIENTS	1.5

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

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