



On the Leading Edge: Nippon Steel

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Bridge to the Future

Nippon Steel Corporation

Annual Report 2012

Year ended March 31, 2012

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	To stride forward to prevail in an era of global mega-competition, the Nippon Steel 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 capture rising global steel demand, thereby promoting the growth of the Nippon Steel Group. With plans for its launch on October 1, 2012, the newly established Nippon Steel & Sumitomo Metal Corporation will endeavor to be “the Best Steelmaker with World-Leading Capabilities,” and a company with higher standards in all areas, including scale, cost, technology and customer service.	
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	By integrating with Sumitomo Metals, we aim to become “the Best Steelmaker.”	
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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 2011” refers to the 12-month period ended March 31, 2012, while “fiscal 2010” refers to the 12-month period ended March 31, 2011.

- 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)	2011	2010	2009	2011 / 2010	2011
Operating Results (for the year)						
Net sales		¥ 4,090,936	¥ 4,109,774	¥ 3,487,714	(0.5)	\$49,774
Operating profit		79,364	165,605	32,005	(52.1)	965
Ordinary profit		143,006	226,335	11,833	(36.8)	1,739
Net income		58,471	93,199	(11,529)	(37.3)	711
Financial Position (at year-end)						
Total assets		¥ 4,924,711	¥ 5,000,860	¥ 5,002,378		\$59,918
Total net assets		2,347,343	2,380,925	2,335,676		28,559
Interest-bearing debt		1,334,512	1,337,851	1,383,794		16,236
Per-Share Data						
Net income (yen)		¥9.30	¥14.81	¥(1.83)		
Cash dividends (yen)		2.50	3.00	1.50		
Consolidated payout ratio		26.9%	20.2%	—		
Financial Indicators						
Return on sales (Note 2)		3.5%	5.5%	0.3%		
Return on assets (Note 3)		2.9	4.5	0.2		
Return on equity (Note 4)		3.2	5.0	(0.7)		
Shareholders' equity ratio (Note 5)		37.1	37.2	36.9		
Debt-to-equity ratio (times) (Note 6)		0.73	0.72	0.75		
Reference						
Crude steel production (consolidated, thousands of tons)		3,244	3,492	2,992		
Price of steel (non-consolidated, thousands of yen per ton)		86.2	81.7	75.4		
Export ratio (non-consolidated, value basis; %)		39.2	40.4	38.4		

Notes: 1. U.S. dollar amounts are translated, for convenience only, at the rate of ¥82.19 = \$1, the exchange rate prevailing at the balance sheet date of March 31, 2012.

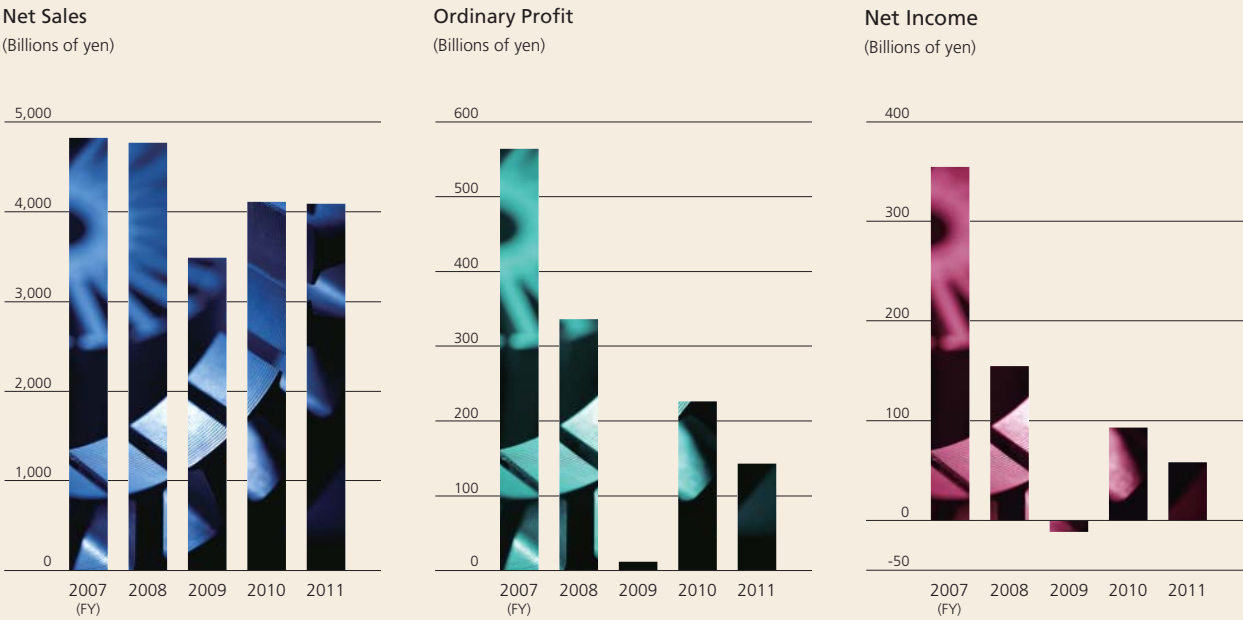
2. Return on sales = (Ordinary profit / Net sales) x 100

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





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 capture rising global steel demand, thereby promoting the growth of the Nippon Steel Group.

With plans for its launch on October 1, 2012, the newly established Nippon Steel & Sumitomo Metal Corporation will endeavor to be “the Best Steelmaker with World-Leading Capabilities,” and a company with higher standards in all areas, including scale, cost, technology and customer service.



Fiscal 2011 Review and Fiscal 2012 Outlook

FISCAL 2011 REVIEW

During fiscal 2011 (April 1, 2011 to March 31, 2012), global economic growth slowed overall due to such factors as economic stagnation in Europe owing to the Greek debt crisis, temporary disruptions of the supply chain caused by the flooding in Thailand, growing inflationary pressure in emerging economies and rising oil prices. The Japanese economy slumped early in the year amid supply chain disruptions and worsening electric power shortages after the Great East Japan Earthquake, along with the yen's unrelenting appreciation and slowing economic growth overseas. The domestic economy gradually righted itself in the second half supported by active automobile production, a supplementary budget that spurred rising public-sector demand, and other positive factors.

Under these circumstances, domestic steel demand ultimately remained at a constant level during the year. Increasing demand from the industrial machinery, automobile and construction industries as the country began rebuilding from the disaster balanced out the impact of an accelerating overseas transfer by domestic steel consumers in response to the continuing strength of the yen at historic highs. Steel exports declined, particularly to East Asia, amid increasing supply pressure from the expanding production capacity in China and South Korea, the impacts from flooding in Thailand, and the slowing growth of Asian economies as well as weakened export competitiveness due to the strong yen.

In addition, the volume of imported steel materials continued to rise during the term. Total crude steel production volume in Japan amounted to 106.46 million metric tons for the fiscal year, a decline of 4.33 million metric tons from the previous fiscal year. In this severe business environment, the Nippon

Steel Group continued to advance the various measures of the fiscal 2011 medium-term management plan. The Company also put all its efforts into restoring and reestablishing full production conditions at the Kamaishi Steelworks and other facilities that were damaged by the Great East Japan Earthquake. The business integration with Sumitomo Metal Industries, Ltd. also proceeded as planned with the exchange of shares and the conclusion of a merger contract on April 27, 2012.

Each company within the Nippon Steel Group committed its maximum management effort to respond to the changing operating environment in its respective field. However, ongoing efforts to maximize cost efficiency were unable to offset the impacts from the declining export volume and the narrowing margin between sales prices and materials costs. As a result, consolidated net income for the fiscal year declined ¥34.7 billion compared with fiscal 2010 to ¥58.4 billion. Taking into consideration the return of profits to shareholders in line with the Company's performance, Nippon Steel decided to pay a cash dividend of ¥2.5 per share.

FISCAL 2012 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. Moreover, Nippon Steel is implementing upward price revisions for certain steel products by providing customers with full explanations on the background and obtaining their consent.

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



Against this backdrop, Nippon Steel is not at present in a position to formulate reasonably accurate estimates or forecasts for earnings results in the first half of fiscal 2012, the chief reason being that the prices of mainstay raw materials and steel stock for the second quarter are yet to be determined. Performance forecasts, therefore, have not been finalized. The Company plans to announce performance forecasts for fiscal 2012 (ending March 31, 2013) after the scheduled merger with Sumitomo Metal Industries, Ltd. on October 1, 2012.

MANAGEMENT ISSUES TO BE ADDRESSED

The global economy is clouded by ongoing risk factors related to the European fiscal crisis and high oil prices, alongside signs of a gradual economic recovery in the United States. In emerging countries, receding inflationary pressure is being addressed with monetary easing and other measures to spur economic activity. The Japanese economic outlook remains uncertain due to economic conditions overseas, foreign exchange rates, tight domestic electricity supply and other factors. Nevertheless, we expect government stimulus measures and other factors to support ongoing gradual recovery.

We anticipate steel demand in Japan will be supported by reconstruction demand linked to the Great East Japan Earthquake in the construction industry and expectations of ongoing demand growth from the industrial machinery and automobile industries. We also anticipate demand for steel materials in East Asia will continue growing along with ongoing economic growth.

We believe conditions in the steel market have bottomed out and are starting to improve in all regions. Management will continue to closely monitor domestic and overseas economic trends as well as supply and demand movements for steel materials. In anticipation of persisting high costs of raw materials, we will continue to implement measures to maximize cost structure efficiency and set product prices accordingly. Through detailed and careful explanation, we plan to gain the understanding and cooperation of our customers.

Under these circumstances, we will continue to fortify our business base with a focus on cost-competitiveness, pursue advanced technologies, and develop our global growth strategies while also seeking responses to global environmental and energy issues. We are also steadily improving the business operations of the organization and promoting Companywide human resource development to enhance our ability for swift and accurate responses to issues that arise from the changing business environment. The Nippon Steel Group constantly strives to earn the trust of the market and society, and will continue to comply with all laws and regulations as well as thoroughly conduct risk management for safety, environmental, disaster and other risks.

Moving forward, the Nippon Steel Group will do its utmost to overcome the current, unprecedentedly harsh operating 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.

WORKING TOWARD BUSINESS INTEGRATION WITH SUMITOMO METAL INDUSTRIES, LTD.

Nippon Steel Corporation and Sumitomo Metal Industries, Ltd., executed a Master Integration Agreement on September 22, 2011. The two companies continued to have discussions on various occasions, including through Integration Preparation Committee meetings co-chaired by the presidents of both companies. On April 27, the two companies executed a final agreement to integrate their businesses on October 1 of this year using a two-step procedure, consisting of a share exchange followed by a merger.

Through business integration, the companies will make a thorough effort to seek the “combination of their respective advanced management resources that each has built up and the consolidation of the superior areas of their respective businesses.” In addition, the companies will accelerate the implementation of business structure reform by such means as “pursuing greater efficiency in domestic production bases and expanding overseas businesses.” Through the realization of these objectives at an early stage, the companies aim to become “the Best Steelmaker with World-Leading Capabilities,” a company with higher standards in all areas, including scale, cost, technology and customer service.

Through the maximization of the potential of steel as a fundamental industrial material by utilizing world-leading technologies and manufacturing know-how, the newly created integrated company will support the development of customers in and outside Japan as well as contribute to further growth of the Japanese and global economies and the improvement of global society.

THE NIPPON STEEL GROUP’S GUIDING PRINCIPLES

Corporate Philosophy

Nippon Steel Group, focused on steel manufacturing, will contribute to industrial development and the enhancement of peoples’ lives through creating and supplying valuable and attractive products and ideas.

Management Principles

1. To continue to be a trusted and responsible member of society
 2. To continuously challenge ourselves to develop and improve world-leading technologies
 3. To always try to change ourselves so that we can deal with future and attain further development
 4. To realize a Group full of vitality by developing and empowering people
- We are committed to fair and transparent business management based on these principles.

Presently, both companies are further examining various measures for achieving the synergies resulting from the integration, a business plan and other matters related to the integrated company. The companies will endeavor to expedite the various preparations for the integration and to achieve the management policies of the integrated company at an early stage by aggregating their resources, which encompass a global supply structure (global production capacity of 60–70 million metric tons); activating their world-leading advanced technologies; improving their cost-competitiveness, including synergies of approximately ¥150 billion annually; and reinforcing non-steel business segments.

IN CLOSING

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.

September 2012

Shoji Muneoka

Representative Director and President

By Integrating with Sumitomo Metals, We Aim to Become“the Best Steelmaker.”

Our major initiatives is to establish a global supply system (with global production capacity of 60-70 million tons), utilize world leading advanced technologies, improve cost competitiveness with synergies of 150 billion yen a year, and reinforce non-steel business segments.



Corporate Profile

Company Name	NIPPON STEEL & SUMITOMO METAL CORPORATION
Head Office	Chiyoda-ku, Tokyo, Japan
Leadership	Chairman and CEO: Shoji Muneoka President and COO: Hiroshi Tomono
Date of Integration	October 1, 2012
Share Exchange Ratio	Nippon Steel: 1, Sumitomo Metals: 0.735 (0.735 shares of common stock of Nippon Steel will be allotted for each share of common stock of Sumitomo Metals.)
Stock Listings	Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo

Integrated Company’s Organizational Operation

1. Organizational operation of consolidated management

The integrated company will be a business holding company which comprises five businesses: steel, engineering, chemicals, new materials, and system solutions.

2. Organizational operation within the steel business

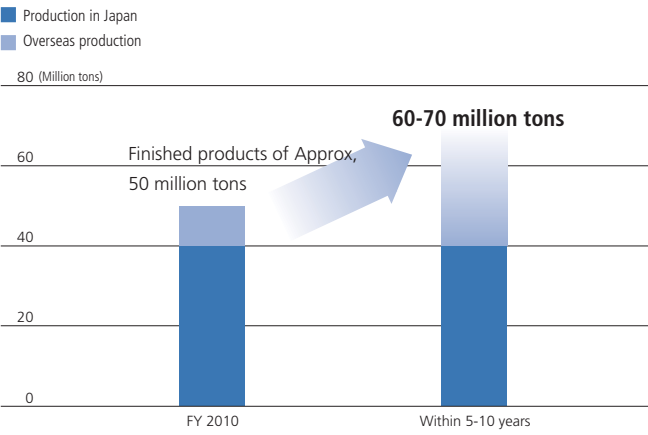
- (1) The Integrated Company will have product-based units. It will operate through these product-based units including its group companies to swiftly formulate and implement strategies for each product unit, where cooperation of manufacturing, sales and technology forces is essential.
- (2) Each steelworks will secure a supply system best suited to each area and customer, and will reinforce and improve the efficiency of coordination among steelworks.
- (3) The R&D division will accelerate and improve development operations and pursue efficient R&D by integrating the operations of both companies.
- (4) The head office will be efficient where human resources efficiency will be pursued.

Integrated Company’s Management Policy

Nippon Steel & Sumitomo Metal aims to become “the Best Steelmaker” at an early stage after the establishment by strongly advancing the following four initiatives.

1 Globalizing the Steel Business

Worldwide demand for steel will increase. Nippon Steel & Sumitomo Metal will strengthen its capability to provide solutions to customers worldwide and expand overseas manufacturing and processing bases, particularly in the growing sectors such as automotive, environment and resources/energy sectors. Nippon Steel & Sumitomo Metal aims to achieve global production of 60 to 70 million tons.




3 Improving Cost Competitiveness

The integrated company aims to realize synergies of around 150 billion yen per year within approximately three years after the establishment. Nippon Steel and Sumitomo Metals will endeavour to increase the above target synergies amount and to achieve the synergies at an early stage. In addition, Nippon Steel & Sumitomo Metal will continue to make further efforts to reduce costs to attain cost competitiveness which enables itself to compete more effectively on a global basis.


Main measures		Amount of synergies per annum (approx.)
Technology / R&D	1. Integrated R&D capabilities facilitate speedy innovation 2. Apply best practice for every steelworks (top-runner technologies/know-how)	40 billion yen
Production / Sale	1. Raising productivity by reallocating products among production lines 2. Efficient production lines through preventing redundant investments 3. Increasing high-functioning products capacity by fixing bottlenecks 4. Cooperation among works 5. Integration and cooperation of group companies/improving efficiency on integrated basis	40 billion yen
Procurement	1. Reducing costs in procurement and transportation of raw materials 2. Reducing costs on equipment, repair and materials by applying best practice 3. Integration and cooperation of group companies	40 billion yen
Improvement in Efficiency of the Head Office, Divisions, etc.	1. Integrating offices / reallocating managers to overseas projects 2. Reducing general administrative expenses 3. Reducing system development cost (no redundant investments) 4. Eliminating redundant assets (raw materials, products, and work-in-progress)	30 billion yen
Total		150 billion yen

4 Reinforcing Non-Steel Business Segments

Each business segment of the engineering, chemicals, new materials and system solutions will seek greater inter-business synergies with the steel business, thus contributing to improvement in the consolidated profits of the integrated company. By promoting the four initiatives above, Nippon Steel & Sumitomo Metal will respond to changes in the management environment and will secure “world top-level profitability” at any time, and will aim to increase its corporate value and to improve the evaluation by shareholders and capital markets. Nippon Steel & Sumitomo Metal plans to announce promptly after its establishment its medium-term management goals and major measurement policy.



新日鐵住金




NIPPON STEEL & SUMITOMO METAL

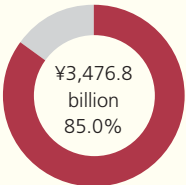
Logo of the Integrated Company

The triangle in the logo with dark blue represents a blast furnace and the people who create steel. It reflects the fact that steel, indispensable for civilization, brightens the world. The center point can be viewed as a peak, which represents the best steelmaker. It can be also viewed as the destination of a road, which represents the unlimited future of steel as a material. The blue color represents leading technology and reliability.

Steelmaking and Steel Fabrication

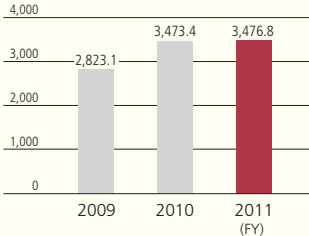


Composition of Consolidated Net Sales*



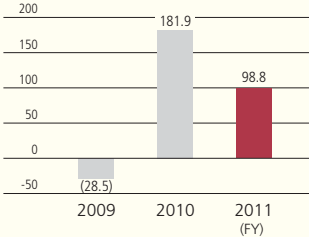
¥3,476.8 billion
85.0%

Consolidated Net Sales** (Billions of yen)



FY	2009	2010	2011
Consolidated Net Sales**	2,823.1	3,473.4	3,476.8

Consolidated Ordinary Profit** (Billions of yen)




FY	2009	2010	2011
Consolidated Ordinary Profit**	(28.5)	181.9	98.8

Performance Highlights

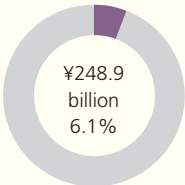
Nippon Steel worked exhaustively to strengthen the foundation of its steelmaking and steel fabrication business in Japan. At the same time, the Company aggressively sought leading-edge technologies and proposed solutions to customers. In addition, Nippon Steel worked steadily to build a global operating structure. Accounting for each of the aforementioned endeavors, net sales in the steelmaking and steel fabrication business amounted to ¥3,476.8 billion. Ordinary profit, on the other hand, came to ¥98.8 billion owing mainly to the downturn in market conditions in Japan and overseas.

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Engineering and Construction

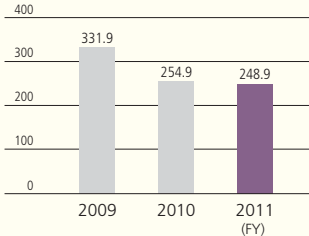


Composition of Consolidated Net Sales*



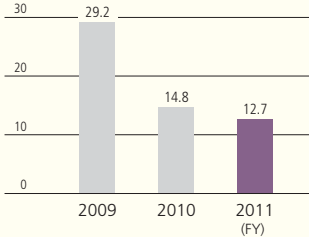
¥248.9 billion
6.1%

Consolidated Net Sales** (Billions of yen)



FY	2009	2010	2011
Consolidated Net Sales**	331.9	254.9	248.9

Consolidated Ordinary Profit** (Billions of yen)




FY	2009	2010	2011
Consolidated Ordinary Profit**	29.2	14.8	12.7

Performance Highlights

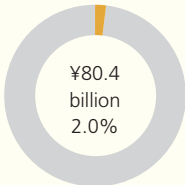
Nippon Steel Engineering Co., Ltd. focused on developing operations in areas where it can show its unique strengths: steelworks, the environment, energy, offshore, pipelines and construction. Against the backdrop of a severe order environment in Japan and overseas, efforts were made to engage in meticulous risk management of projects currently under way and to focus on improving the cost structure. As a result, net sales in the engineering and construction business totaled ¥248.9 billion while ordinary profit amounted to ¥12.7 billion.

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Urban Development

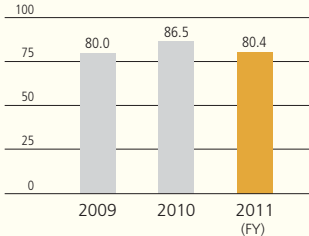


Composition of Consolidated Net Sales*



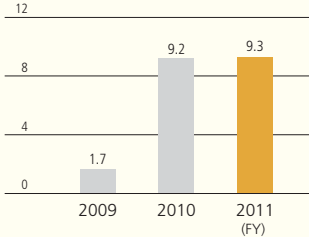
¥80.4 billion
2.0%

Consolidated Net Sales** (Billions of yen)



FY	2009	2010	2011
Consolidated Net Sales**	80.0	86.5	80.4

Consolidated Ordinary Profit** (Billions of yen)




FY	2009	2010	2011
Consolidated Ordinary Profit**	1.7	9.2	9.3

Performance Highlights

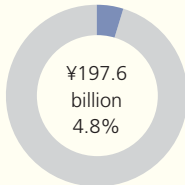
The condominium sales market showed signs of recovery following the slump after the Great East Japan Earthquake. In the building leasing market, demand remained strong for large-scale highly functional structures in urban centers, while vacancy rates continued to hover at a high level for small and medium-sized buildings. Under these circumstances, revenues declined while earnings improved in the urban development business. In specific terms, net sales were ¥80.4 billion and ordinary profit reached ¥9.3 billion.

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Chemicals

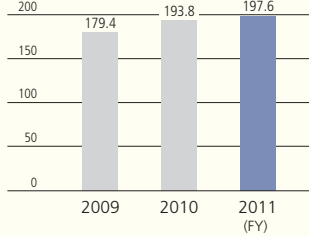


Composition of Consolidated Net Sales*



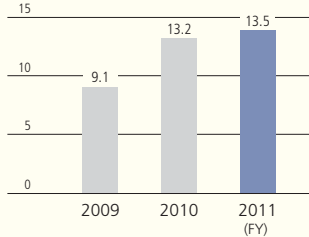
¥197.6 billion
4.8%

Consolidated Net Sales** (Billions of yen)



FY	2009	2010	2011
Consolidated Net Sales**	179.4	193.8	197.6

Consolidated Ordinary Profit** (Billions of yen)



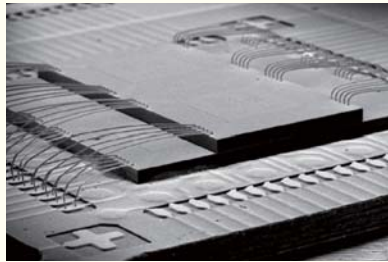
FY	2009	2010	2011
Consolidated Ordinary Profit**	9.1	13.2	13.5

Performance Highlights

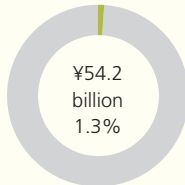
In the chemicals business, Nippon Steel Chemical Co., Ltd. reported an increase in both revenue and earnings. During the fiscal year under review, sales volumes of epoxy resin for electronic materials as well as display materials for flat-screen TVs declined under the cumulative weight of such factors as the sovereign debt crisis in Europe, slowing economic growth in China, sharp hikes in raw material prices and the strong yen. This was more than offset, however, by solid sales of needle coke used in graphite electrodes for electric furnace steel and brisk markets for phthalic anhydride and certain other chemical products. As a result, net sales amounted to ¥197.6 billion and ordinary profit came to ¥13.5 billion.

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New Materials

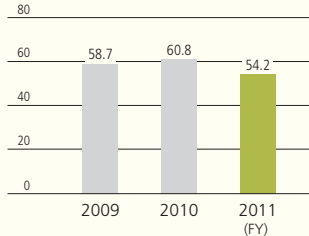


Composition of Consolidated Net Sales*



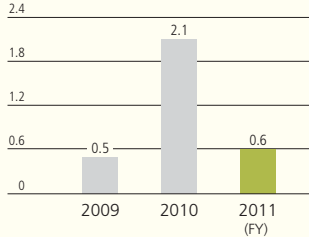
¥54.2 billion
1.3%

Consolidated Net Sales** (Billions of yen)



FY	2009	2010	2011
Consolidated Net Sales**	58.7	60.8	54.2

Consolidated Ordinary Profit** (Billions of yen)




FY	2009	2010	2011
Consolidated Ordinary Profit**	0.5	2.1	0.6

Performance Highlights

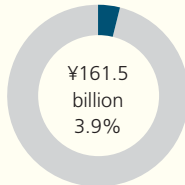
Nippon Steel Materials Co., Ltd. recorded strong demand for surface-treated copper wire in its core electronic materials business segment. Sluggish demand in the second half in the semiconductor market and the impact of flooding in Thailand, on the other hand, negatively affected overall results. In the environmental and energy-related materials and components business, demand in the Asia region remained strong for metal substrates for catalytic converters. In contrast, sales in the basic industrial materials and components business were weak for carbon fiber products for public works projects. Accounting for each of the aforementioned, the new materials business reported net sales of ¥54.2 billion and ordinary profit of ¥0.6 billion.

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System Solutions

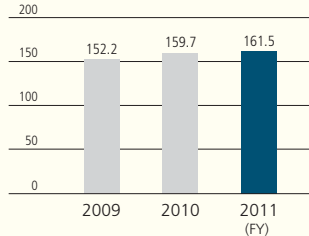


Composition of Consolidated Net Sales*



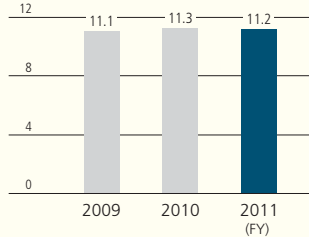
¥161.5 billion
3.9%

Consolidated Net Sales** (Billions of yen)



FY	2009	2010	2011
Consolidated Net Sales**	152.2	159.7	161.5

Consolidated Ordinary Profit** (Billions of yen)



FY	2009	2010	2011
Consolidated Ordinary Profit**	11.1	11.3	11.2

Performance Highlights

Against the backdrop of severe operating conditions and a business environment in which customers continue to curtail their corporate systems investment, NS Solutions worked diligently to secure orders from existing clients and to cultivate new clients. At the same time, the company took steps to strengthen its corporate structure, expand the scope of its business and advance business globalization. As a result of these activities, net sales amounted to ¥161.5 billion and ordinary profit came to ¥11.2 billion.

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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

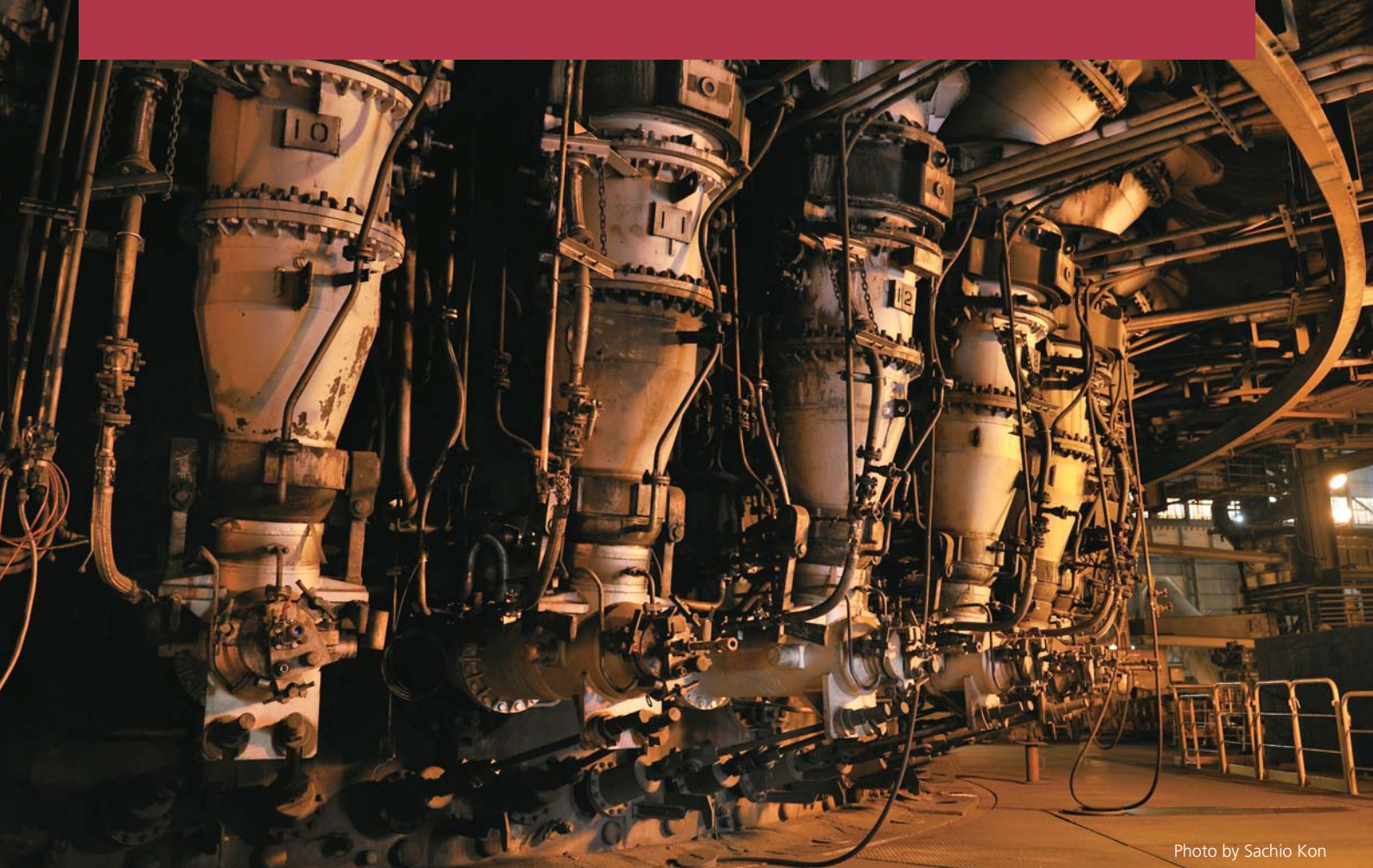
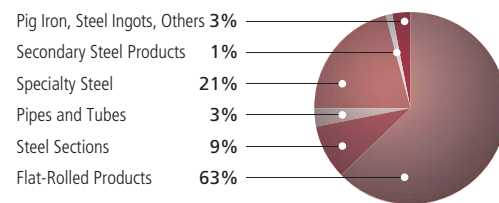


Photo by Sachio Kon

Business Overview: Steelmaking and Steel Fabrication

Sales by Business Field (Non-Consolidated)



(Billions of yen)			
(FY)	2009	2010	2011
Net Sales	2,823.1	3,473.4	3,476.8
Ordinary Profit (Loss)	(28.5)	181.9	98.8

Business Profile

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

Business Strategies

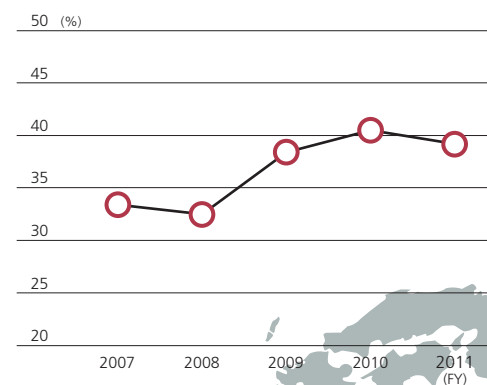
Nippon Steel will accelerate efforts to further reinforce its corporate strengths and establish a secure revenue base. At the same time, the Company will build a stronger global production and supply base that is needed to achieve sustainable growth over the long term. To this end, we will focus on the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

- 1.) Further reinforce our corporate structure and earnings base to become a world-leading steel-maker 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

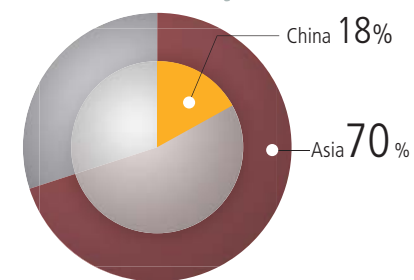
Annual Summary

In the steelmaking and steel fabrication business, Nippon Steel took wide-ranging steps to fortify the foundation of its domestic business. Ensuring that the manufacturing, sales, engineering and research divisions all worked as a single cohesive unit, the Company 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. Nippon Steel also worked to capture demand in growth

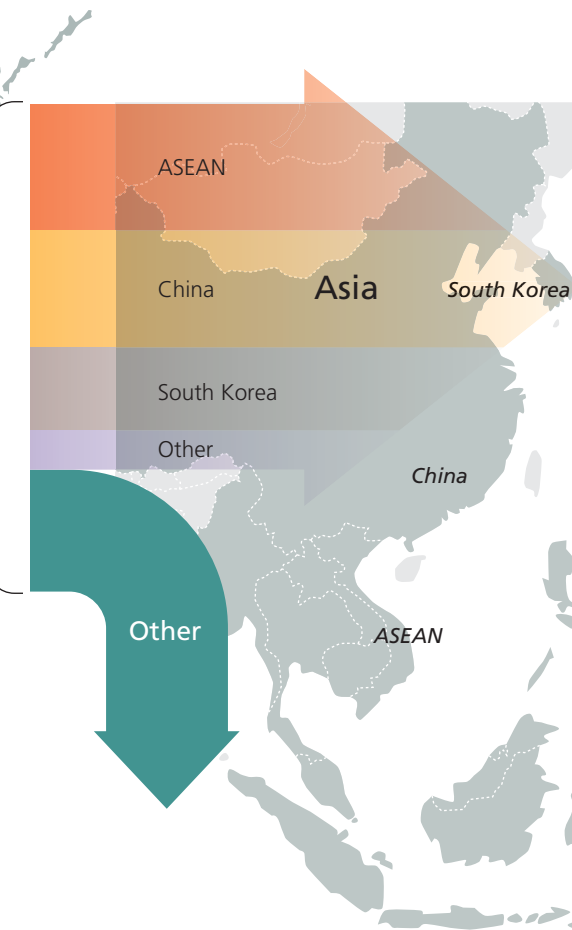
Export Ratio (Non-Consolidated/Value Basis)



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



Breakdown of Exports by Destination



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 expand its raw material sourcing capabilities, including the acquisition of interests in competitive mines. 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.

Despite these efforts, the margin between sales prices and materials costs inevitably narrowed due to the stagnant market conditions in Japan and overseas. As a result, the steelmaking and steel fabrication business recorded net sales of ¥3,476.8 billion and ordinary profit of ¥98.8 billion.

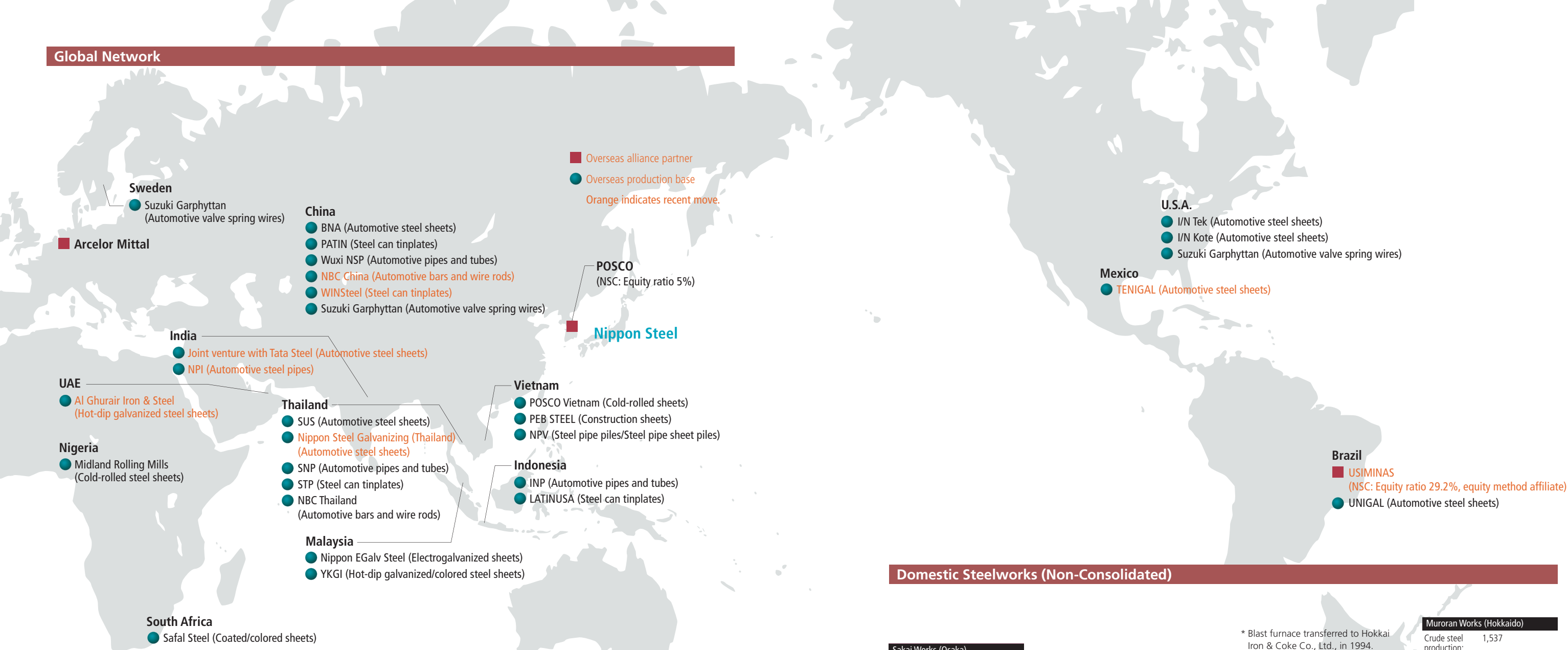
Fostering Business in an Era of Global Mega-Competition

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, the Company is investing in a large number of local companies. Targeting steel demand in the construction field in the Middle East, North Africa and West Asia, Nippon Steel took an equity interest in

Al Ghurair Iron & Steel L.L.C., a company that is located in the UAE, an international logistics hub, and engages in the manufacture and sale of hot-dip galvanized sheets and coils. In booming China, demand for tinplates for food cans, beverage cans and other containers is rapidly growing in step with rising living standards. To tap into this growing demand, Nippon Steel established the joint-venture company WISCO-NIPPON STEEL Tinplate Co., Ltd. (WINSteel) to engage in the manufacture and sale of tinplates with Wuhan Iron and Steel (Group) Corporation (WISCO). Every effort will be made to bring WINSteel's production facilities online during fiscal 2013.

Turning to the automobile sector, Nippon Steel is also looking to bring production facilities online at its automotive cold-rolled steel sheets manufacturing and sales company in India, a joint-venture business with Tata Steel Limited (Tata Steel), its automobile hot-dip galvanized sheets and coils manufacturing and sales company TENIGAL in Mexico, a joint-venture business with Ternium S.A. (Ternium) and at Nippon Steel Galvanizing Co., Ltd. (Thailand) for the manufacture and sale of hot-dip galvanized sheets and coils, during fiscal 2013. 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. Whiles these companies supply high-quality products to Japanese manufacturers operating in

Global Network



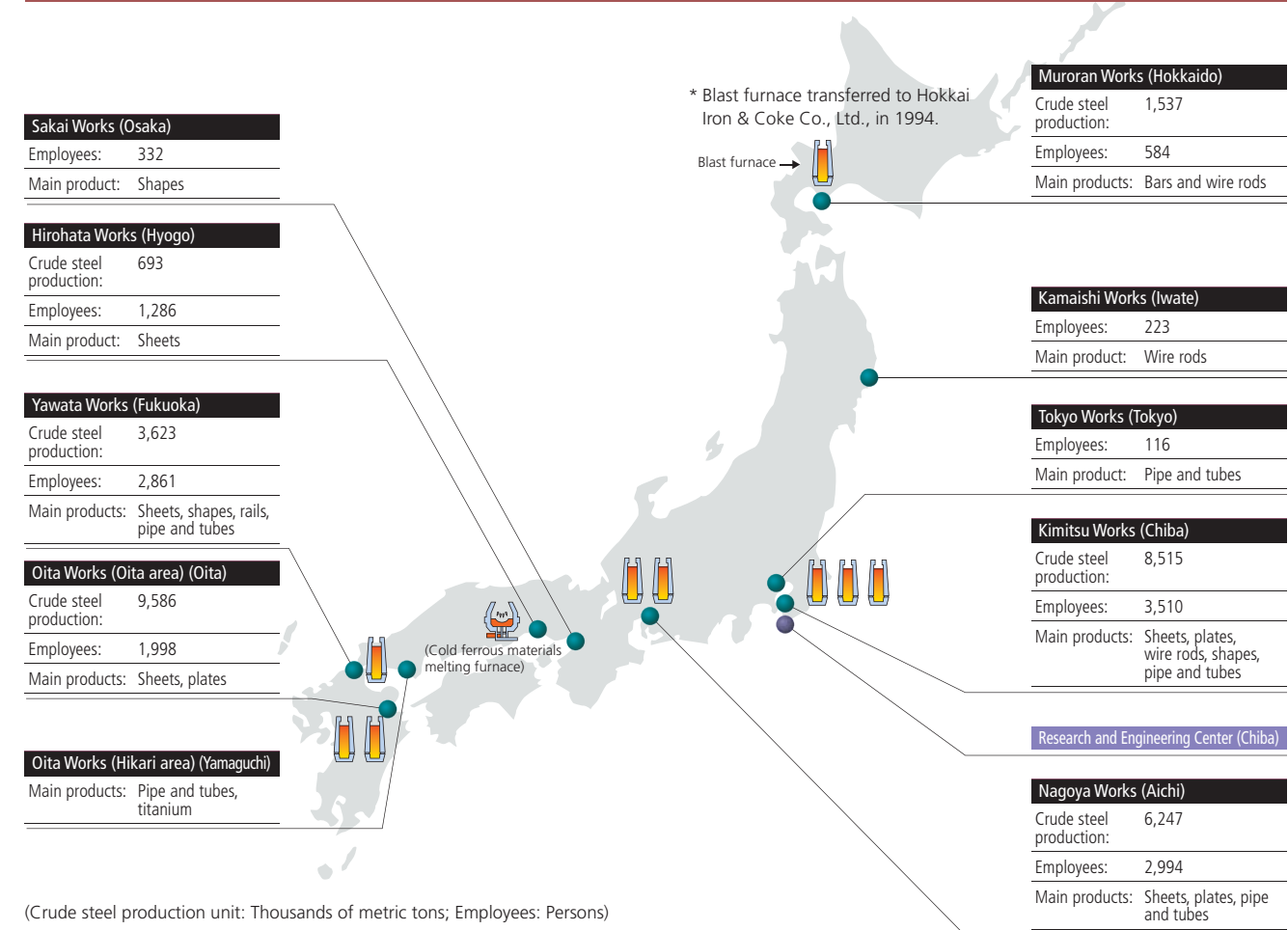
their respective regions, their efforts have been augmented by the establishment of Nippon Steel Pipe India Private Limited (NPI) which commenced the manufacture and supply of automotive steel pipes from January 2012. This company is also looking to bring forward efforts aimed at building a comprehensive structure that is capable of manufacturing pipes, accommodating pipe extensions and engaging in thermal as well as component processing one year in advance to 2013.

In addition, Nippon Steel executed a new shareholders agreement with respect to its equity-method affiliate Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS) with members of the Ternium Group. In positioning the company under a new management structure, the aim is to further strengthen competitiveness and to ensure continuous development and growth. Working together with the Ternium Group, a global leader in the iron and steel industry, every effort will be made to harness the strengths and specialist expertise of both companies to consistently support and bolster

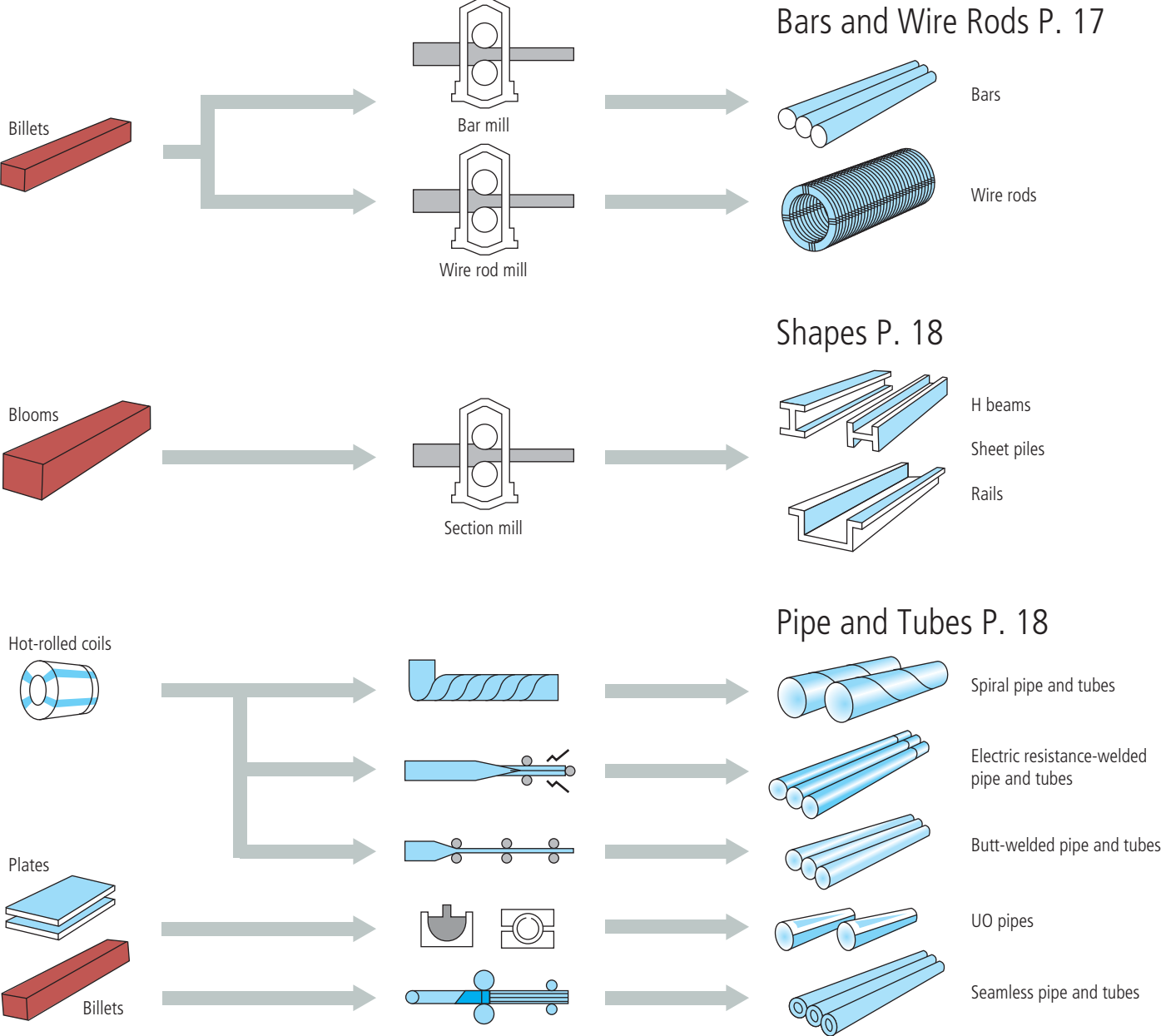
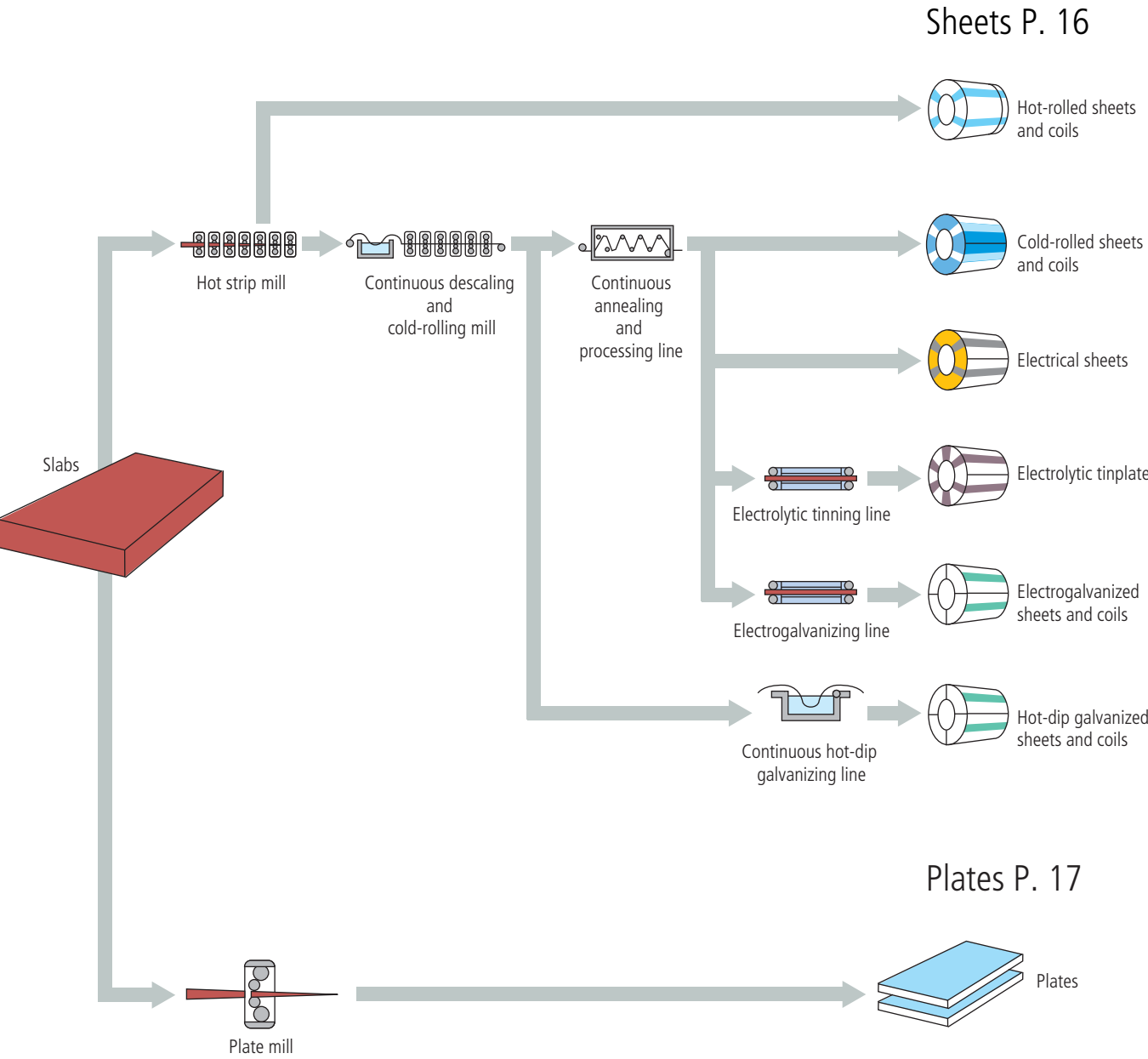
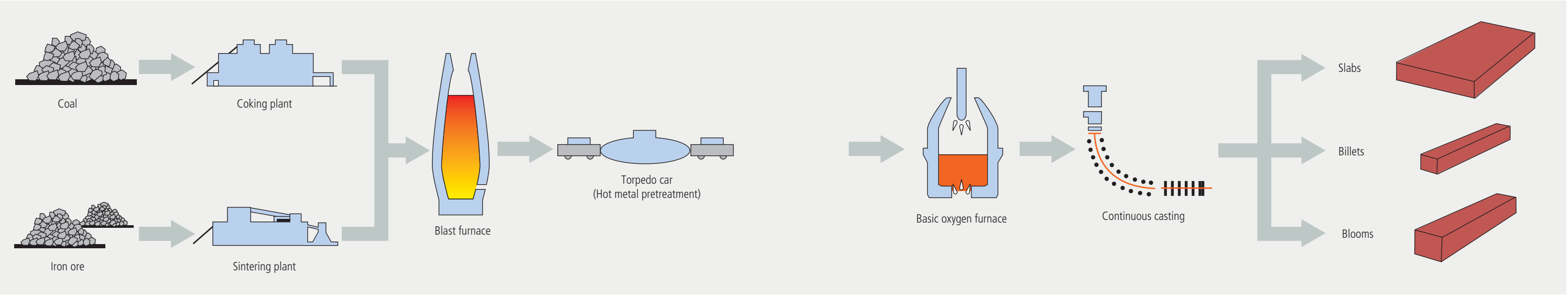
USIMINAS. Moreover, and in concert with USIMINAS employees, Nippon Steel will endeavor to further enhance USIMINAS' competitiveness and corporate value, as a key component of its global strategy.

In Japan, 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 initiative, Nippon Steel completed work to upgrade capacity at the No. 2 blast furnace at its Kimitsu Works in May 2012. Furthermore, the Company is planning to bring its new coke oven online at the Nagoya Works in spring 2013. This oven will feature next-generation coke-production technology SCOPE21, first introduced at its Oita Works in 2008. Through these endeavors, Nippon Steel is working to attain world-class ironmaking competitiveness consistent with being a top global steel-maker with a focus on medium- to high-grade steel.

Domestic Steelworks (Non-Consolidated)



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 CO₂ 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.

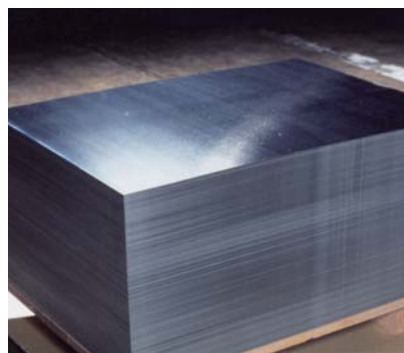
In construction materials, Nippon Steel has introduced the corrosion-resistant SuperDyma® galvanized sheets, and these sheets are used in wide-ranging applications, including housing parts and components and mounts for photovoltaic generation systems.

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.



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

In the shipbuilding field, Nippon Steel continues to earn strong market recognition for its high-performance steel materials and products. These materials and products, many of which we developed successfully ahead of our rivals, include the EH47 high-tensile-strength steel plate for super-sized container ships and the NSGP®-1 highly corrosion-resistant plate for crude oil tankers, for which we won a special award at the 4th Monodzukuri Nippon Grand Awards. In addition, we continue to commercialize products across a wide range of fields. Our building products were, for example, used in the construction of the Tokyo Sky Tree and our steels for bridge high performance structure (SBHS) products were used in building the Tokyo Gate Bridge shown on the cover.

Moreover, Nippon Steel will continue to accommodate the ever-diversifying needs of the energy industry, 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.



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 lineup of advanced, distinctive products to accommodate customers active in these fields.

The construction materials market is changing dynamically. In Japan, the Nippon Steel Group is prioritizing full-fledged recovery in the aftermath of the Great East Japan Earthquake. The Group is providing full-scale support to nationwide efforts, leveraging its comprehensive capabilities to make effective proposals

based on its advanced products and expertise in steel processing and construction projects. Overseas, the Company proposed an ecological construction method in the Hong Kong Boundary Crossing Facilities Project by using an artificial island to connect Hong Kong, Zhuhai and Macao. Based on this proposal, Nippon Steel successfully secured orders for its straight web-type sheet piles in December 2011. The Company's steel pipe pile and steel pipe sheet pile production facilities in Vietnam (NPV), Nippon Steel's first overseas production network operating as a fully-fledged business, are also running at full capacity on the back of multiple, large-scale project orders. Through these initiatives, the Nippon Steel Group is capturing energy- and infrastructure-related demand in growth markets, centered on Asia. With an eye to expanding 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, where conditions underlying resource exploration and transportation are growing increasingly severe, including the use of ultra-long-distance pipelines, Nippon Steel is working to cultivate markets for pipelines and in particular high-grade pipes and tubes that boast increased strength as well



as sour resistance that can be used at extremely low temperatures and along the seafloor. The Company is also expanding sales of UO pipes that offer compound characteristics including an extremely thick wall and sour resistance for use in offshore pipelines in such areas as the northwest region of Australia. In electric resistance-welded pipes and tubes, we increased sales for use in robust, sour resistant offshore pipelines under long-term contracts with the oil majors. Looking ahead, the energy industry is expected to demand pipes and tubes that meet more sophisticated, composite requirements. In response, Nippon Steel will continue to develop and provide leading-edge pipes and tubes to accommodate a myriad of 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

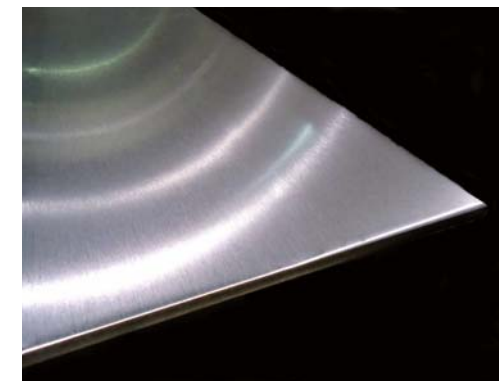
Uses

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 steadily increased in both fields.

In addition to the power and chemical sectors, Nippon Steel is ensuring the stable supply of high-quality titanium products across a wide variety of fields. In recent years, the Company has witnessed a succession of large-scale projects including the construction of desalination plants, which use a



considerable amount of titanium. Products are also supplied for the heat exchangers used in LNG plants as well as to the automobile, construction civil engineering and consumer product fields. Moreover, Nippon Steel has acquired National Aerospace and Defense Contractors Accreditation Program (Nadcap) certification. Looking ahead, the Company will ramp up its activities in the aircraft field, which is projected to experience long-term demand growth.

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, and 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.

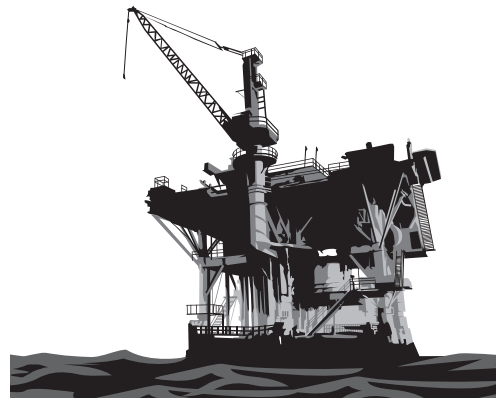
Against this backdrop, the NSSC FW Series, the world's first tin-added extra low-interstitial ferritic stainless steel grades, released by the company in 2010 received Japan's Prime Minister Award at the 4th

Monodzukuri Nippon Grand Awards and is earning strong market recognition from a broad range of customers.

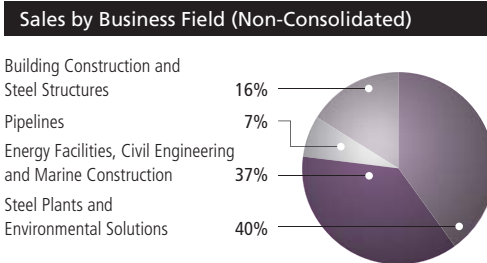
NSSC is dedicated to meeting the expectations of customers as a reliable supplier of stainless steel. At the same time, we will expand our portfolio of innovative products through strategic R&D activities while offering solutions for a variety of issues and building a marketing and production infrastructure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



Business Overview:
Engineering and
Construction



Makoto Takahashi
President
Nippon Steel Engineering Co., Ltd.



(FY)	2009	2010	2011
Net Sales	331.9	254.9	248.9
Ordinary Profit	29.2	14.8	12.7

Business Profile

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



Construction of offshore resource development facilities

Business Strategies

Nippon Steel Engineering will be growth oriented, deal with market conditions on its own, and strive to raise its corporate value as a member of the Nippon Steel Group. Guided by our basic goal of using comprehensive engineering capabilities in designing total solutions, we 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 anticorrosion properties and welding—support our participation in the construction of facilities such as steel and environment-related plants, skyscrapers and other giant structures. We inherited Nippon Steel's integrated engineering and construction capabilities, and we will complement years of accumulated knowledge in building facilities and steel structures with market-oriented technologies and expertise to offer one-stop engineering solutions to all of our customers' high-tech construction needs.

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

Waste-processing center



Specifically, we will emphasize the following four business areas:

• **Steel Plants**

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

• **Environmental Solutions**

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

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

We will support the creation of social and industrial 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.

Large-scale logistics center



Annual Summary

With faint signs of a recovery from the financial turmoil caused by the collapse of Lehman Brothers beginning to emerge, the global economy was again plunged into uncertainty due to such factors as the Great East Japan Earthquake in Japan and the sovereign debt crisis in Europe.

Consolidated order value for the fiscal year under review fell below the ¥300 billion level for the first time in two fiscal years owing mainly to the drop in new orders for large-scale overseas projects and the slump in economic conditions.

Consolidated sales in fiscal 2011 were essentially unchanged from the previous fiscal year and again below the ¥300 billion level. Despite a substantial order backlog reflecting the increase in orders in fiscal 2010, stagnant consolidated sales were attributable to the significant impact of a weak order performance in fiscal 2009.

Taking into consideration these factors and the severe order environment caused by increasingly intense competition, consolidated ordinary profit fell approximately ¥2.0 billion year on year to ¥12.7 billion. Through thorough ongoing cost-reduction and risk-management initiatives, Nippon Steel Engineering Co., Ltd. continues to generate ordinary profit in excess of ¥10 billion since its spin-off.



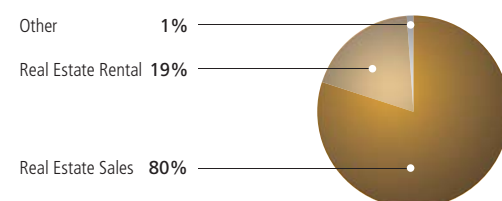
Coke dry quenching (CDQ) facilities

Business Overview:
Urban Development



Akira Shoga
President
Nippon Steel City Produce, Inc.

Sales by Business Field (Non-Consolidated)



(Billions of yen)			
(FY)	2009	2010	2011
Net Sales	80.0	86.5	80.4
Ordinary Profit	1.7	9.2	9.3

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.

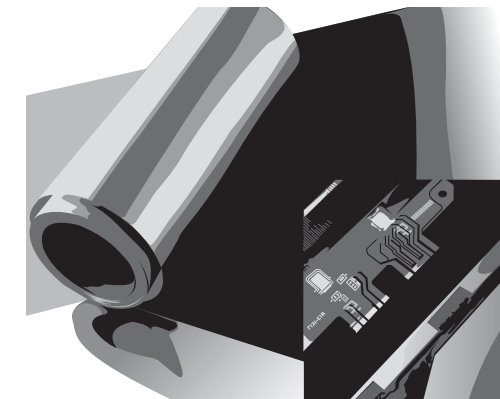
Business Strategies

NSCP possesses unique qualities not found in other companies. Specifically, we are engaged in such wide-ranging activities urban development through the construction of steelworks, the development of large-scale idle land owned by the Group and the handling of all public authority administrative procedures required for these activities. Harnessing these unique properties, we are attracting the industry's attention as a distinctive real estate developer that is working diligently toward becoming a company that creates new value in individual urban areas through a process of qualitative transformation. Moreover, and as a part of efforts to evolve into a comprehensive real estate developer that maintains a well-balanced business portfolio focusing mainly on development and leasing, NSCP executed a basic agreement with Kowa Real Estate Co., Ltd. on March 26, 2012 with a view toward business integration. Scheduled to take effect on October 1, 2012, the surviving company's name will be changed to Nippon Steel Kowa Real Estate Co., Ltd.

Annual Summary

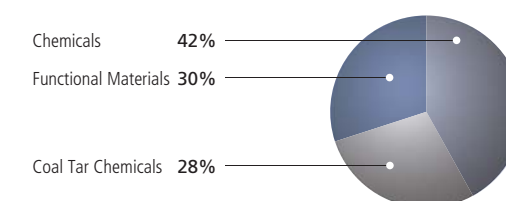
In the condominium sales market, consumer sentiment, which had fallen dramatically in the immediate wake of the earthquake, showed signs of settling. Together with a natural upswing in interest toward the seismic adequacy of buildings, there were indications that people were growing steadily more willing to undertake purchases. In the building leasing market, the period after the earthquake saw companies focus increasingly on seismic adequacy and disaster prevention. While vacancy rates for highly functional buildings located in prime urban locations are improving, vacancy rates for other buildings located in other areas continue to hover at high levels. Under these circumstances, NSCP recorded a downturn in revenue and an upswing in earnings. Net sales came to ¥80.4 billion while ordinary profit was ¥9.3 billion.

Business Overview:
Chemicals



Bunyu Futamura
President
Nippon Steel Chemical Co., Ltd.

Sales by Business Field (Non-Consolidated)



(Billions of yen)			
(FY)	2009	2010	2011
Net Sales	179.4	193.8	197.6
Ordinary Profit	9.1	13.2	13.5

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, PWB & package materials business, and epoxy resin business. At the same time, we are working to cultivate and capture demand for such new functional products as high surface hardness transparent plastic substrates SILPLUS®, UV/thermosetting resin material ESDRIMER® and organic electroluminescence (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

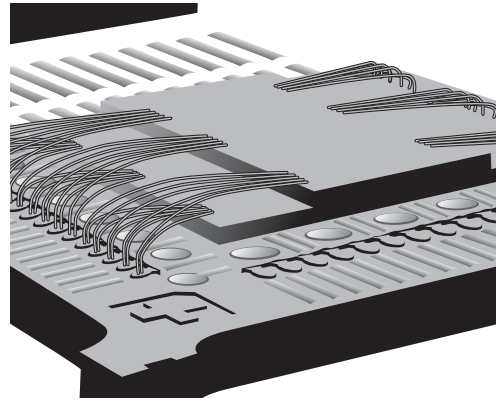
The Nippon Steel Chemical Group has formulated a new "Grand Design" plan that extends through 2020. The corporate vision under this plan clearly defines Nippon Steel Chemical's goal over that period—namely, to become a chemicals company that contributes to society in the truest sense through the realization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

In the chemicals business, Nippon Steel Chemical Co., Ltd. reported an increase in both revenue and earnings. During the fiscal year under review, sales volumes of epoxy resin for electronic materials as well as display materials for flat-screen TVs declined under the cumulative weight of such factors as the sovereign debt crisis in Europe, slowing economic growth in China, sharp hikes in raw material prices and the strong yen. This was more than offset, however, by solid sales of needle coke used in graphite electrodes for electric furnace steel and brisk markets for phthalic anhydride and certain other chemical products.

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

Business Overview: New Materials



Kenji Yamada
President
Nippon Steel Materials Co., Ltd.

(Billions of yen)			
(FY)	2009	2010	2011
Net Sales	58.7	60.8	54.2
Ordinary Profit	0.5	2.1	0.6

Business Profile

Nippon Steel Materials Co., Ltd. drives the Nippon Steel Group's new materials business. Operations are based on materials expertise gained from steel-making, 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

Nippon Steel Materials Co., Ltd. recorded strong demand for surface-treated copper wire in its core electronic materials business segment. Sluggish demand in the second half in the semiconductor market and the impact of flooding in Thailand, on the other hand, negatively affected overall results. In the environmental and energy-related materials and components business, demand in the Asia region remained strong for metal substrates for catalytic converters. In contrast, sales in the basic industrial materials and components business were weak for carbon fiber products for public works projects. Accounting for each of the aforementioned, the new materials business reported net sales of ¥54.2 billion and ordinary profit of ¥0.6 billion.

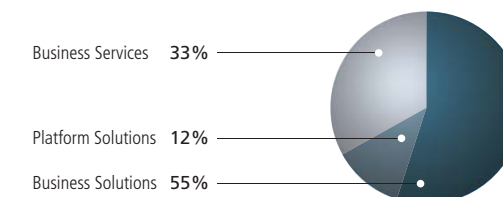
Business Areas and Products			
Electronics materials and components	<ul style="list-style-type: none"> Stainless steel foils Microball bumping service Chemical mechanical polishing (CMP) pad conditioners SiC wafer Silica/Alumina spherical particles Bonding wires Microsolder balls 	Basic industrial materials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

Business Overview: System Solutions



Munetaka Shashiki
President
NS Solutions Corporation

Sales by Business Field (Non-Consolidated)



(Billions of yen)			
(FY)	2009	2010	2011
Net Sales	152.2	159.7	161.5
Ordinary Profit	11.1	11.3	11.2

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

• Promote business structural reform

In this business, NS Solutions Corporation is promoting a strategy that prioritizes customers using an account solutions matrix. At the same time, considerable weight is placed on pushing forward solution services that transverse a variety of businesses. In addition to proactively investing in growth fields, the company will continue to focus on increasing revenue.

• Promote comprehensive cloud computing services

In May 2012, NS Solutions commenced operations at a 5th Data Center. This Center is being used as a base to further enhance the functionality of its "absonne" cloud computing IT infrastructure services. Moving forward, the company will also work to develop hybrid-type, large-scale outsourcing services that optimally combine cloud services with the customer's environment.

• Expanding into growth fields

In July 2011, NS Solutions established the Data Science & Technology Center. Through this Center, the company is providing strategic information-based solutions that utilize knowledge on data mining techniques for large volume data and statistical modeling.

Annual Summary

Against the backdrop of severe operating conditions and a business environment in which customers continue to curtail their corporate systems investment, NS Solutions worked diligently to secure orders from existing clients and to cultivate new clients. At the same time, the company took steps to strengthen its corporate structure, expand the scope of its business and advance business globalization. As a result of these activities, net sales amounted to ¥161.5 billion and ordinary profit came to ¥11.2 billion.

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.

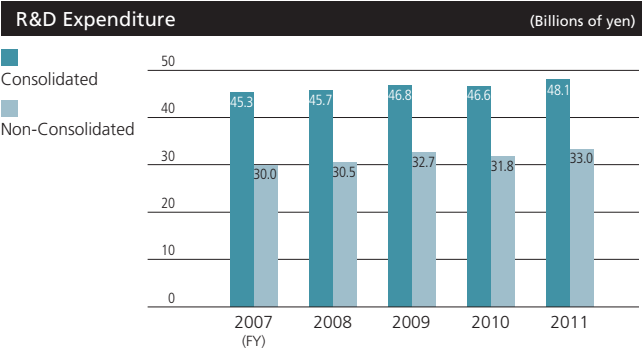
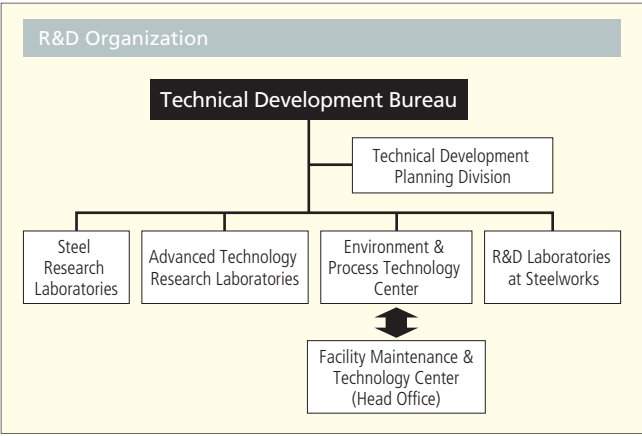
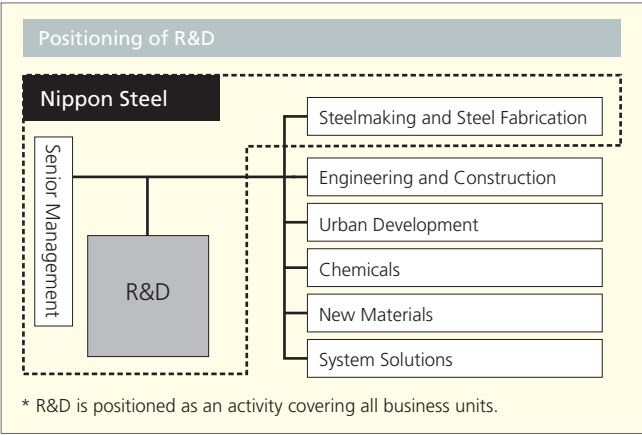
With these strengths, Nippon Steel creates innovative, functional products, primarily in the steelmaking business, pioneers production processes and ensures their swift introduction into operations.

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

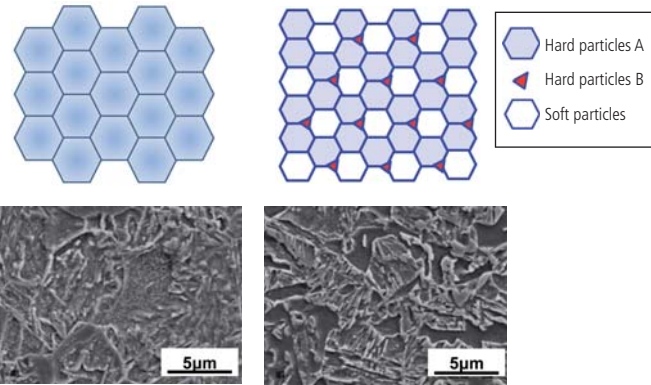


Major R&D Accomplishment

High-tensile-strength steel sheets for automobile use that offer a two-fold increase in formability

Nippon Steel and Nissan Motor Co., Ltd. jointly developed cold-rolled steel sheets with unprecedented strength that combine outstanding formability for use in the structural frames of automobiles at the 1.2 gigapascal (GPa) level of tensile strength. Materials that are distinguished by their formability, shock absorbing and weldability properties are absolutely vital in supporting automobile safety and delivering a lighter weight vehicle chassis. In this regard, the Company’s 1.2 GPa level high-tensile-strength steel sheets are ideal for use in the cold-pressing of intricately shaped automobile frames.

The Company undertook a detailed analysis of the changes in metallographic structures across each manufacturing process, then reviewed the process as a whole. At the sub-micron level, efforts were then made to balance the diverse properties of multiple metallographic structures. Through these means, Nippon Steel achieved a two-fold increase in extension properties, an indicator of press formability, compared with existing materials of equivalent strength. As a result, the Company developed a steel sheet that offers a level of formability with the same strength level as existing products, but at a level two ranks lower namely 780 megapascals (MPa). Plans are in place for Nissan Motor to use this steel sheet in its new model to be released in 2013.



Conventional steel Development steel

The SBHS500, a high yield point steel plate that supports Tokyo Gate Bridge

Nippon Steel’s Steels for Bridge High-Performance Structure (SBHS) 500 high yield point steel plates were used in the construction of the Tokyo Gate Bridge. Approximately 16,500 tons, or around 95% of the total volume of SBHS500 used to construct the bridge were supplied by Nippon Steel to support the world’s largest-scale fully welded continuous truss bridge. Highly strong and tough, SBHS steel boasts excellent weldability and cold formability properties when compared with conventional rolled steel for welded structures (JIS G 3106 SM570, etc.). This new steel reduces overall weight by 3% and total costs by 12% by allowing economic design and construction (estimate by the Kanto Regional Development Bureau of Japan’s Ministry of Land, Infrastructure, Transport and Tourism). In addition to its outstanding workability and weldability properties, this product also allows for the omission of preheating as well as the reduction of heating temperatures. While welding for the large-scale, all-welded trusses for the Tokyo Gate Bridge was performed on-site at a local



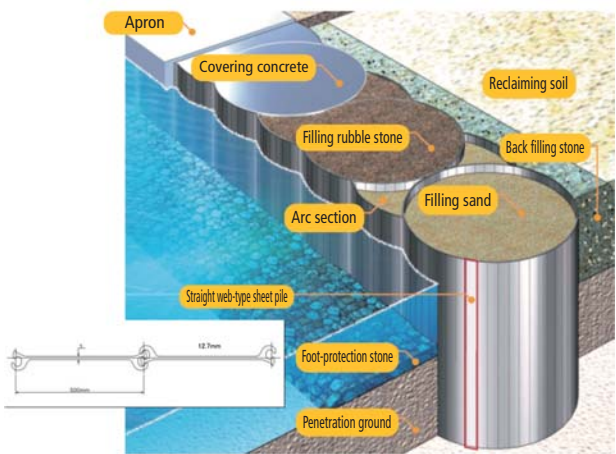
Tokyo Gate Bridge

yard, the use of SBHS steel greatly enhanced work efficiency and quality while substantially improving the working environment.

The straight web-type sheet piling cell construction method, an environmentally friendly landfill bank protection revetment method

Developed by Nippon Steel, the sheet piling cell construction method, using the Company’s straight web-type sheet piles, has been adopted for the revetment structure of the artificial island project in Hong Kong connecting Hong Kong, Zhuhai and Macao. Using a massive 100,000 tons of Nippon Steel’s straight web-type sheet piles, this is the largest ever order for a single project. The method adopted is distinguished by its ecological attributes and is ideal for use in an area inhabited by white dolphins, a rare species of marine life. Also, with a construction site in close proximity to Hong Kong International Airport, this method is widely acclaimed for its ability to clear severe height restrictions. In this instance and under the sheet piling cell construction method, individual straight sheet piles are molded into a cylindrical cell shape with a diameter of approximately 30 meters. These cylindrical cells are then transported to the actual site and driven to the required depth. The dirt and sediment then fills the cylindrical shape.

Nippon Steel’s straight sheet piles offer a host of advantages including world firsts in longest manufacturable length at 38 meters, highest interlock strength of 5,880kN/m and maximum angle deviation for an interlocking swing of 10 degrees. Taking into consideration its ideal use for deep-water construction and its aforementioned large diameter, the Company’s straight sheet piles help shorten the period required for construction while delivering enhanced cell structure reliability. Moving forward, Nippon Steel holds significant expectations for growth in emerging nations engaging in large-scale infrastructure development activities as well as resource-rich countries seeking to pursue social capital development.



Straight web-type sheet piling cell method

Regenerating Tsunami Deposits with Soil Technology based on Calcia Reforming Materials from Iron and Steel Slag

The Nippon Steel Group developed a regeneration (high-speed rotating calcia reforming) method to help transform the soil mixed with sediments and rubble washed ashore by the tsunami following the Great East Japan Earthquake into high-quality soil for use as a construction material. This improvement process entails using a twister method under which a calcia reforming material drawn from iron and steel slag is added to the tsunami deposit soil, which is a mix of rubble and soft mud, and agitated in a rotary-type pulverizing and mixing unit. This method enables the efficient and low-cost extraction of rubble from tsunami deposit soil while purifying the soil to a quality that is appropriate for use in construction. In September 2011, verification tests were undertaken in Miyagino Ward, Sendai City. Moreover, trial use of 140 tons of the Company's modified soil was used as a subgrade material in restoration work at Sendai Port conducted by Japan's Ministry of Land, Infrastructure, Transport and Tourism.

Potential exists for tsunami deposit soil modified using this method to be used across a wide range of areas. Applications include as a backfilling material for port facilities as well as a banking material for sea embankments and roadways.



Tsunami deposit soil



Reformed soil for construction material

Nippon Steel Successfully Develops First Six-Inch Diameter Silicon Carbide Single-Crystal Wafers in JAPAN

A remarkable reduction of power-conversion loss is possible when silicon carbide (SiC) single-crystal wafers are used in various electronic power devices, and the amount of the loss is almost less than half compared to that of conventional devices produced on silicon wafers. SiC single-wafers also embrace splendid properties, suitable for high-voltage and high-temperature applications, such as photovoltaic power electronic generation, automobiles (EVs, HEVs, etc) and other power electronic devices. Nippon Steel has successfully developed six-inch diameter SiC single-crystal wafers, which are undoubtedly keys for slashing the production costs and expanding the application areas.

SiC single-crystal wafers are fabricated at ultra-high temperatures exceeding around 2400°C. The Crystal growth at such high temperatures is actually a significant technological challenge in viewpoints of the process control. In particular, larger diameter crystal growth usually generates an increasing number of crystal defects induced in the crystal. By means of numerical simulation technology, Nippon Steel has developed the-state-of-the-art technologies in which various process operating conditions are best-optimized for six-inch diameter crystals by utilizing suitable ultra-high temperature equipment, leading to elimination of both crystal defects and cracks during manufacturing process of the large-diameter crystals.

By spreading the SiC power devices of outstanding properties described above into the current device market, Nippon Steel surely expects the substantial reduction of energy loss in electronic devices used in a wide variety of application fields, eventually contributing to realization of both significant energy saving and the reduction of CO₂ emissions.



Six-inch diameter silicon carbide single-crystal wafer

External Recognition for Accomplishments since Fiscal 2011

Award Event	Award Presented	Description
58th Okochi Prize	Okochi Memorial Production Prize	Municipal waste plastics recycling technology for producing chemical raw materials using coke ovens
44th Ichimura Industrial Awards	Grand Award	Multi-coated Cu bonding wire for LSI packaging (EX1)
2011 National Commendation for Invention	Prize for Invention	Excellent corrosion-resistant hot-dip alloy coated sheet (SuperDyma®)
The 4th Monodzukuri Nippon Grand Award	Prime Minister Prize	Process for recycling dust emitted in steel mills
	Prime Minister Prize	Next-generation FW series stainless steel with greatly reduced rare metal content (Nippon Steel & Sumikin Stainless Steel)
	Special Prize	Construction Technology with long-term corrosion protection for jacket type piers (Nippon Steel Engineering) Corrosion resistant steel for cargo oil tank (NSGP®-1)
The Minister of Education, Culture, Sports, Science and Technology Awards 2011	Science and Technology Award	Superior corrosion resistant and environment friendly steel sheet for automotive fuel tanks (ECOKOTE®-S)
2011 Otani Art Museum Awards	Otani Art Museum Award	All welding construction IRONHOUSE featuring COR-TEN® weathering steel

Business Overview: Intellectual Property

Basic Principles

One of Nippon Steel's management principles is, "to continuously challenge ourselves to develop and improve world-leading technologies." The basis of Nippon Steel's intellectual property activity is to secure these technologies as intellectual property (IP) and then to utilize the IP to meet its management/business strategies. We implement our IP strategy based on medium- and long-term strategic perspectives, and we keep steadily expanding our IP activity regardless of any short-term changes in the economic situation.

Priorities

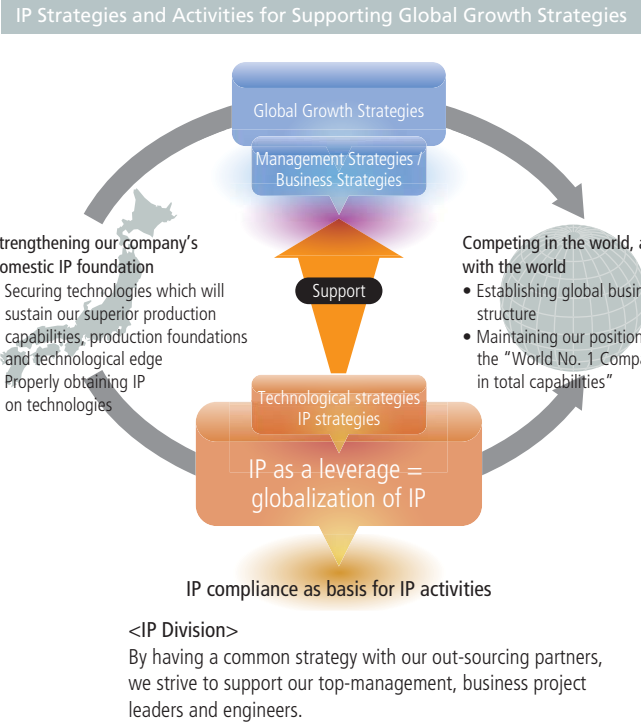
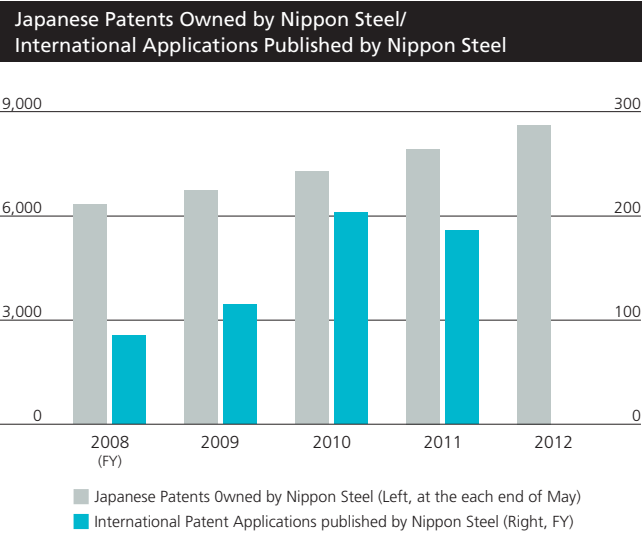
We have been enriching our IP as "an effective leverage to compete in the world, and with the world" both in quality and quantity in order to support our global growth strategies by properly implementing technology/IP strategies. As a result, we have increased steadily the number of domestic patents and the number of foreign patent applications as shown in the graph 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 IP on technologies which will sustain our superior production capabilities, production foundations and technological edge. By utilizing our IP in a strategic way, we will continue to reinforce Nippon Steel's competitive edge and to pursue its global growth strategy more effectively.

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

Specific Activities

At Nippon Steel, the IP Division collaborates with the Sales/Marketing Division, the Manufacturing Division and the R&D Division to acquire IP, both domestically and internationally, relating to world-leading advanced technologies and product/manufacturing technologies which properly meet each customer's needs. We also endeavor to acquire IP on technologies



for coping with price increases in resources and for reducing environmental burden.

Our strategic alliance partners and joint venture companies are very important partners for identifying and meeting demand in growth markets, particularly those overseas. They are also a key to our establishment of a global business structure to swiftly respond to overseas business expansion by customers. Nippon Steel has been implementing mutual licensing of IP, such as patents and know-how, and providing technical support to these partners. This strengthens the competitive edge of the Nippon Steel Group as a whole.

We have been conducting wide-ranging activities from "utilization" to "information management" with respect to Nippon Steel's technology. At Nippon Steel where "technological capability is the basis for its competitive edge" is the management principle, we consider "respect for other's IP rights" as the starting point of all IP activities, and have been maintaining full compliance with IP laws. We will continue to strengthen measures to protect our technological information and trade secrets from illicit acquisition, and to take robust action against infringement of our IP, e.g., strictly dealing with any illegal use of our patent, corporate /trade name, trade mark, copyright, etc.

Business Integration with Sumitomo Metal Industries, Ltd.

After the Business Integration with Sumitomo Metal Industries, Ltd., we will continue to expand our domestic and international patent portfolio and focus our efforts on enriching our IP, as a ready-to-deploy "business tool," for strategic use. Further, we will pursue blending the strengths of each of the two companies ranging from products to process, and we will contribute to the global growth strategy through properly obtaining IP rights of valuable technologies by assessing each of the technologies from a new point of view.

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 three external corporate auditors who are specialists from various fields, such as corporate management, legal affairs and academic research and education. It also has 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 2012, Nippon Steel’s Board of Directors has 11 members, while the Board of Corporate Auditors has five members, three of whom have been externally appointed. Nippon Steel has notified Japanese bourses on which its stock is listed of the designation of the three 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.

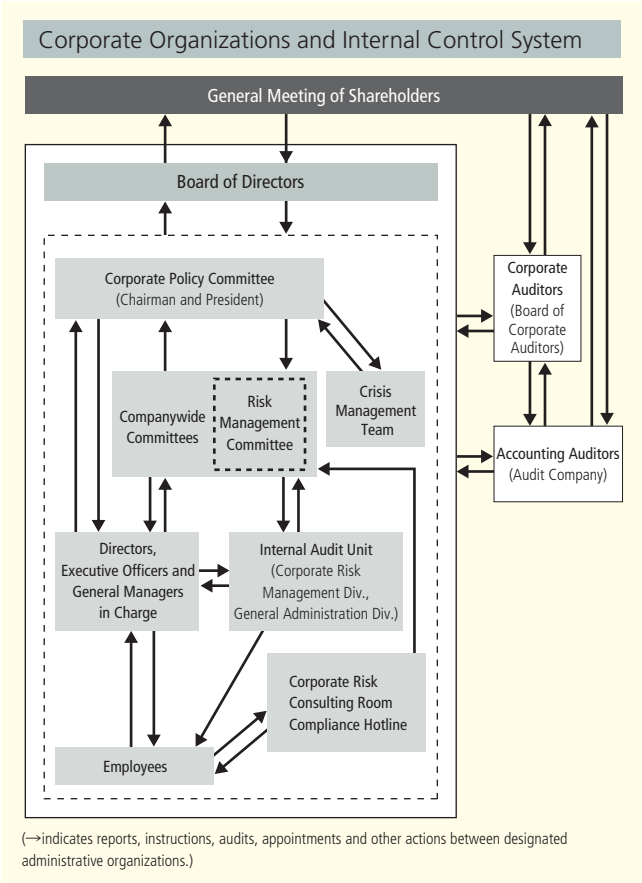
Executive decisions on key issues that may affect the activities of the Nippon Steel Group are determined by the Board of Directors, which convenes once or twice a month, after such matters have been discussed by the Corporate Policy Committee,

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-à-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.

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), henceforth the “Fair Rules,” in accordance with a resolution of its Board at a meeting held in March 2006. The Company decided to update the Fair Rules pursuant to the appropriate terms and conditions based on a resolution of its Board of Directors at a meeting held in March 2012 and undertook to register the issuance of stock acquisition rights. At the same time, and in conjunction with this recent update, the schedule for review of the Fair Rules was amended from a three-year to a two-year cycle. The Fair Rules serve two purposes: first, they secure pertinent information and sufficient time for the Board of Directors to examine the takeover proposal 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, they prevent mass acquisition of stock that would be detrimental to Nippon Steel’s 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

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, climate change, 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 climate change 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 CO₂ 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 CO₂ 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 CO₂ emissions. With the aim of developing a groundbreaking, eco-friendly steelmaking process technology that enables the significant reduction of CO₂ 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 CO₂ contained in gasses generated in blast furnaces. Through the development of these technologies, the COURSE50 project team aims to reduce CO₂ 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.



CO₂ separation and recovery testing plant at the Kimitsu Works



Nippon Steel's booth at Eco-Products 2011

Three Eco-Friendly Initiatives
ECO-PRODUCTS

To reduce the CO₂ 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

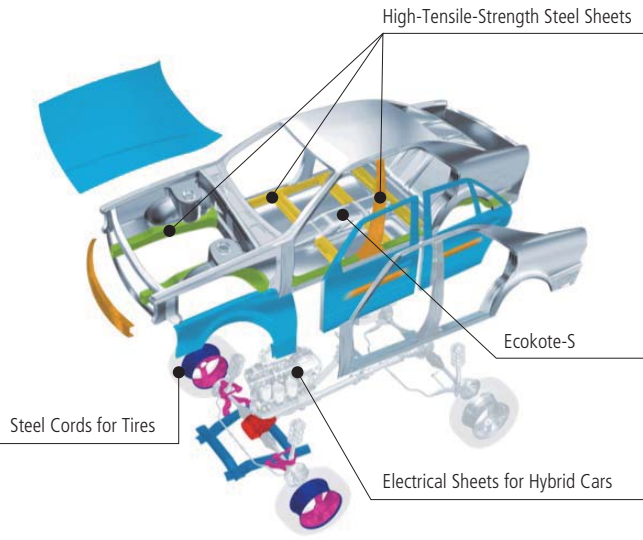
This steel sheet boasts dramatically enhanced corrosion resistance without the use of lead. Nippon Steel developed and now provides Ecokote®-S as a steel material for biofuel-compatible automotive fuel tanks.

— 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 climate change, we are actively promoting the creation of “Hometown Forests” and “Marine Forests.”

Creation of “Hometown Forests” and “Marine Forests”

Since 1971, shortly after Nippon Steel was formed, all 10 of its steelworks in Japan have engaged in “Hometown Forests” 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 “Marine 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 climate change 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 “Marine Forests” creation project. This new award contest commemorates the tenth meeting of the Conference of the Parties on Biological Diversity (COP10) in October 2010 in Japan.



Creation of “Hometown Forests” (Oita Works)



Creation of “Marine Forests” (Mashike-cho, Hokkaido)

Shareholders and Investors

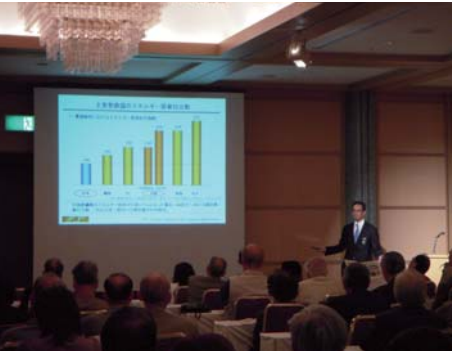
Nippon steel places priority on investor relations (IR) activities. We have an extensive IR program. We hold information meetings for institutional investors and analysts; publish a reporting booklet and an annual report for shareholders; maintain an Investor Relations section on our web site; conduct 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 78 information meetings and steelworks tours for individual investors since starting 2005. More than 17,000 individual shareholders have participated in these events and expressed positive feedback. In response to various requests of our shareholders, we will strive to improve our IR activities while continually holding these events 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 (KST). There are also performances featuring traditional Japanese music. To mark the 100th anniversary of Japan's gift of cherry trees to Washington D.C., KST toured four cities on the East Coast, from April 27 to May 2, expressing gratitude for the support of U.S. citizens after the Tsunami disaster.

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

Kioi Hall opened in 1995 as a gift to the community. Concertgoers surpassed two million in 2008. The hall marked its 15th anniversary of opening in 2010, and its reputation continues to grow for outstanding acoustics, appealing events and 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.



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



Demonstration of tatara ironmaking

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.



Masashi Nishiyama from Nippon Steel's judo team won the bronze medal at the London Olympic games.



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, 2012)

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
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Steelmaking and Steel Fabrication (278 companies)

Consolidated Subsidiaries (216 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	64.6%	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	46.7%	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
Geostr Corporation	3,352	42.5%	Makes and markets concrete products for civil engineering and building construction work
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
NS Preferred Capital Limited	300,000	100.0%	Issues preferred securities
The Siam United Steel (1995) Co., Ltd.	THB9,000 million	55.3%	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

Affiliates Accounted for by the Equity Method (62 companies)			
Godo Steel, Ltd.	34,896	16.0%	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	15.3%	Makes and markets special steel products
NIPPON DENKO CO., LTD	11,026	15.4%	Makes and markets ferro-alloys, advanced materials, chemicals, and environmental recycling systems
Nichia Steel Works, Ltd.	10,720	24.1%	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
Daiwa Can Company	2,400	33.4%	Makes and markets metal, plastic, and paper containers
Sanko Metal Industrial Co., Ltd.	1,980	16.0%	Makes, processes, installs, and sells metal roofs and building materials
Sanyu Co., Ltd.	1,513	35.3%	Makes and markets cold-finished bars and cold-heading wire

Company	Paid-in Capital (Millions of yen)	Voting Rights (%)	Business Content
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Affiliates Accounted for by the Equity Method (Continued)			
Usinas Siderúrgicas de Minas Gerais S.A.	R12,150 million	29.2%	Makes and markets steel products
Baosteel-NSC Automotive Steel Sheets Co., Ltd.	RMB3 billion	50.0%	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

44 other companies

Engineering and Construction (28 companies)

Consolidated Subsidiaries (27 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

27 other companies

Urban Development (11 companies)

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

10 other companies

Chemicals (19 companies)

Consolidated Subsidiaries (12 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

18 other companies

New Materials (8 companies)

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 (18 companies)

Consolidated Subsidiaries (16 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

17 other companies

Total Consolidated Subsidiaries: 286 companies Total Affiliates Accounted for by the Equity Method: 76 companies

Nippon Steel Group Facts: Directory

● Düsseldorf

Beijing ●

● Tokyo

Shanghai ●

Guangzhou ●

New Delhi ●

Bangkok ●

Singapore ●

Jakarta ●

Perth ●

Sydney ●

Chicago ●

● New York

Mexico City ●

Belo Horizonte ●

● São Paulo

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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
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Nagoya Works
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Kimitsu Works
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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

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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

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Phone: 81-3-5117-4111

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Akio Mimura
Representative Director and
Chairman



Shoji Muneoka
Representative Director and
President



Shinichi Taniguchi
Representative Director and
Executive Vice President
General Manager, Wuhan Tin Mill Project
Group; 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; Human Resources;
Environmental Management;
Cooperating with Executive Vice President
M. Iwaki on Safety Enhancement



Masakazu Iwaki
Representative Director and
Executive Vice President
General Manager, USIMINAS Project Group;
Intellectual Property; Safety Enhancement;
Technical Administration & Planning; Plant
Engineering and Facility Management; 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



Shinya Higuchi
Representative Director and
Executive Vice President
Sales Administration & Planning; Global Marketing;
Project Development; Each Steel Products Division;
Machinery & Materials Procurement; 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

Managing Directors, Members of the Board

Katsuhiko Ota
General Manager, Shanghai-Baoshan Cold-Rolled & Coated
Sheet Products Project Group; Corporate Planning; Accounting &
Finance; Overseas Business Development; Overseas Offices;
Rendering Assistance to Executive Vice President M. Iwaki on
USIMINAS Project; Cooperating with General Manager,
General Administration Division on Public Relations

Takayoshi Meiga
Intellectual Property; Technical Administration & Planning; Plant
Engineering and Facility Management; Ironmaking Technology;
Steelmaking Technology; Slag & Cement; Rendering Assistance to
Executive Vice President S. Higuchi on Each Steel Products Divisions

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

Yasumitsu Saeki
Director, Flat Products Division; Director, Bar & Wire Rod Division;
Director, Pipe & Tube Division; General Manager,
India Continuous Annealing & Processing Line Project Group;
Sales Administration & Planning;Global Marketing

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 Matters
relating to External Affairs

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

Akihiro Miyasaka
General Superintendent, Nagoya Works

Atsuhiko Yoshie
Director, Steel Research Laboratories, Technical Development Bureau

Masato Yamada
Deputy General Manager, Shanghai-Baoshan Cold-Rolled &
Coated Sheet Products Project Group; Deputy General Manager,
India Continuous Annealing & Processing Line Project Group;
Cooperating with Director, Flat Products Division on Flat
Products Technology

Directors

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

Shinji Fujino
General Superintendent, Kimitsu Works

Eiji Hashimoto
Rendering Assistance to Managing Director
K. Ota on Overseas Business Development

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

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

Shinji Shibao
General Superintendent, Hirohata Works

Shinji Tanimoto
General Superintendent, Yawata Works

Shinichi Fujiwara
Raw Materials; Machinery & Materials Procurement

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

Akihiko Inoue
Deputy General Manager, Wuhan Tin Mill Project Group;
Rendering Assistance to Director, Flat Products
Division on Flat Products Technology

Yasuto Agou
General Superintendent, Oita Works

Hirotsune Sato
General Manager, Human Resources Division

Katsuhiro Miyamoto
General Manager, Accounting & Finance Division

Hiroyuki Uchida
Deputy General Manager, USIMINAS Project
Group;

Yoichi Furuta
General Manager, Overseas Business
Development Division

Hiroyuki Nitta
General Manager, Business Process Innovation
Division

Kazuyuki Orita
Director, Plant Engineering and Facility
Management Center

Senior Corporate Auditor

Toshihide Tanabe

Corporate Auditors

Hirotoomo Suetsugu

Shigemitsu Miki*

Shigeo Kifuji*

Takao Kusakari*

*External corporate auditors

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Consolidated 11-Year Summary (Reference—Unaudited)

Nippon Steel Corporation

	Millions of yen	Thousands of U.S. dollars	Millions of yen		Millions of yen							
As of or for the years ended March 31	2012		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net sales	4,090,936	49,774,144	4,109,774	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
Operating profit (loss)	79,364	965,624	165,605	32,005	342,930	545,580	580,097	576,319	429,948	224,475	142,961	73,044
Ordinary profit (loss)	143,006	1,739,945	226,335	11,833	336,140	564,119	597,640	547,400	371,446	172,851	68,879	16,746
Income (loss) before income taxes and minority interests	120,053	1,460,685	185,377	11,242	281,079	605,485	621,419	565,607	369,485	73,642	(37,386)	(25,079)
Income before minority interests	67,750	824,313	109,171	—	—	—	—	—	—	—	—	—
Net income (loss)	58,471	711,415	93,199	(11,529)	155,077	354,989	351,182	343,903	220,601	41,515	(51,686)	(28,402)
Net income (loss) per share (yen/U.S. dollars)	¥9.29	\$0.11	¥14.81	¥(1.83)	¥24.60	¥56.33	¥54.28	¥51.07	¥32.73	¥6.15	¥(7.69)	¥(4.17)
Net assets	2,347,343	28,559,966	2,380,925	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
Total assets	4,924,711	59,918,615	5,000,860	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
Capital expenditure	281,748	3,428,013	287,236	329,356	305,738	308,993	273,440	203,973	195,228	149,593	163,318	195,801
Depreciation	280,940	3,418,182	291,587	284,092	273,744	244,038	192,454	183,365	180,571	183,510	196,653	197,336
Research and development costs	48,175	586,146	46,663	46,824	45,797	45,329	41,229	37,881	36,352	35,349	35,866	35,183
Interest-bearing debt	1,334,512	16,236,922	1,337,851	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

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

Net sales			Thousands of U.S. dollars									
	Millions of yen		Millions of yen		Millions of yen							
For the years ended March 31	2012		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Steelmaking and steel fabrication	3,476,855	42,302,663	3,473,495	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
Engineering and construction	248,934	3,028,764	254,941	331,905	386,643	359,884	367,968	336,179	279,866	293,137	274,903	294,323
Urban development	80,419	978,454	86,556	80,073	70,152	93,839	94,347	104,045	89,275	120,811	105,188	130,808
Chemicals and non-ferrous materials	—	—	—	—	—	—	—	373,072	331,168	275,797	346,232	326,164
Chemicals	197,669	2,405,033	193,896	179,412	212,172	289,029	318,755	—	—	—	—	—
New materials	54,245	659,996	60,888	58,799	59,907	76,157	65,601	—	—	—	—	—
System solutions	161,582	1,965,967	159,708	152,234	161,541	165,360	156,505	148,339	146,531	150,850	153,143	149,398
Other businesses	—	—	—	—	—	—	—	69,057	76,244	73,615	79,059	61,251
Elimination of intersegment transactions	(128,769)	(1,566,735)	(119,711)	(137,904)	(159,281)	(151,823)	(183,410)	(181,903)	(154,463)	(145,280)	(190,031)	(208,754)
Consolidated total	4,090,936	49,774,144	4,109,774	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

Segment profit (loss)		Thousands of										
Operating profit (loss)	Millions of yen	U.S. dollars	Millions of yen		Millions of yen							
For the years ended March 31	2012		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Steelmaking and steel fabrication	—	—	—	(20,589)	307,047	475,951	514,562	513,977	376,926	189,717	112,816	23,482
Engineering and construction	—	—	—	31,655	24,674	21,496	13,031	9,517	6,696	4,359	2,460	9,913
Urban development	—	—	—	2,937	3,929	12,602	14,301	14,155	8,503	13,526	4,469	15,576
Chemicals and non-ferrous materials	—	—	—	—	—	—	—	27,037	26,374	12,667	13,458	10,379
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
Other businesses	—	—	—	—	—	—	—	(1,185)	384	(4,310)	(2,155)	1,457
Elimination of intersegment transactions	—	—	—	(3,607)	(2,696)	(835)	(2,564)	1,010	(321)	(668)	2,135	1,731
Consolidated total	—	—	—	32,005	342,930	545,580	580,097	576,319	429,948	224,475	142,961	73,044

Ordinary profit (loss)	Millions of yen	Thousands of U.S. dollars	Millions of yen		Millions of yen							
For the years ended March 31	2012		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Steelmaking and steel fabrication	98,846	1,202,662	181,968	(28,563)	—	—	—	—	—	—	—	—
Engineering and construction	12,775	155,438	14,883	29,252	—	—	—	—	—	—	—	—
Urban development	9,371	114,018	9,273	1,716	—	—	—	—	—	—	—	—
Chemicals	13,598	165,447	13,244	9,183	—	—	—	—	—	—	—	—
New materials	607	7,392	2,111	591	—	—	—	—	—	—	—	—
System solutions	11,215	136,462	11,332	11,159	—	—	—	—	—	—	—	—
Adjustments	(3,408)	(41,476)	(6,478)	(11,506)	—	—	—	—	—	—	—	—
Consolidated total	143,006	1,739,945	226,335	11,833	—	—	—	—	—	—	—	—

Shares (non-consolidated)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
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)	270/165	375/192	407/264	705/233	964/427	900/370	479/242	294/203	253/127	217/119	230/145

Production and shipments	Thousands of tons	Thousands of tons		Thousands of tons							
For the years ended March 31	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Crude steel output	32,437	34,922	29,919	31,240	36,233	34,523	33,955	32,792	32,733	32,344	—
Crude steel output (non-consolidated)	30,200	32,465	27,503	28,611	33,110	31,596	31,200	29,879	30,146	29,902	26,140
Steel products shipments*2	29,089	31,351	27,088	28,200	32,900	31,514	29,595	29,514	29,388	29,171	26,312

Employees	Employees	Employees		Employees							
As of March 31	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Number of employees	60,508	59,183	52,205	50,077	48,757	47,257	46,143	46,451	46,233	49,400	50,463
Number of employees (non-consolidated)*3	16,158	16,150	15,845	15,503	15,083	14,346	15,212	15,081	15,138	16,481	17,370

*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, 2012 and 2011 was 1,168 and 1,711, 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=¥82.19 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 the “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 from fiscal year ended March 31, 2011 and operating profit (loss) are presented on and before fiscal year ended March 31, 2010.”

Financial Review

Financial Summary

Consolidated net sales for fiscal year 2011 (Year ended March 31, 2012) decreased by 18.8 billion yen, to 4,090.9 billion yen. Operating profit decreased by 86.2 billion yen, to 79.3 billion yen. Ordinary profit decreased by 83.3 billion yen, to 143.0 billion yen. Net income increased by 34.7 billion yen, to 58.4 billion yen.

Segment Information

Steelmaking and Steel Fabrication

In the extremely severe business environment, the steelmaking and steel fabrication segment took steps to thoroughly fortify its domestic business base, while combining the steelmaking and steel fabrication, sales, technology and research capabilities to aggressively seek to develop leading technologies and to proactively propose solutions to customers. Such measures included developing new products and pursuing the mutual benefits from collaborative activities with customers. The segment also worked to capture demand in growth markets, particularly overseas markets, and steadily proceeded with the establishment of its global operating structure to enhance the ability to swiftly respond to clients’ overseas business developments. The segment continued to seek to acquire interests in high-quality raw materials and to expand its supply sources. While the segment continued to maximize cost improvement, such as the increase in the use of lower-cost raw materials and exacting serious cuts in fixed expenses, it sought to gain understanding from its customers in terms of steel price. Despite these efforts, the margin between sales prices and raw materials costs inevitably narrowed due to the stagnant market conditions in Japan and overseas. The steelmaking and steel fabrication business segment recorded net sales of 3,476.8 billion yen and an ordinary profit of 98.8 billion yen.

Engineering and Construction

Nippon Steel Engineering Co., Ltd. is focusing on developing operations in the areas of iron and steelmaking plants, environment, energy, offshore projects, pipelines and construction where it can fully apply its distinct capabilities. In the severe competition for orders in Japan and overseas, the company conducted and focused on meticulous risk management in projects currently underway and cost improvement. The engineering and construction business segment recorded net sales of 248.9 billion yen and an ordinary profit of 12.7 billion yen.

Urban Development

Nippon Steel City Produce, Inc. conducts a wide range of business activities such as conducting urban redevelopment, developing

condominium and rental office buildings by reconstructing aging apartment buildings, etc., in addition to the development of the Nippon Steel Group’s idle properties. The condominium market showed signs of recovery following the slump in sales after the Great East Japan Earthquake. In the rental building market, demand continues to be strong for large-scale highly functional structures in urban centers, but vacancy rates remain high for small and medium-sized buildings. The urban development business segment recorded net sales of 80.4 billion yen and an ordinary profit of 9.3 billion yen. Nippon Steel City Produce, Inc. executed a basic agreement with KOWA REAL ESTATE CO., LTD. on business integration scheduled for October 1, 2012. The purpose of the business integration is to develop as an integrated real estate company which has a better balance in business portfolio between development business and leasing business.

Chemicals

Nippon Steel Chemical Co., Ltd. recorded a decline in sales volumes of epoxy resin for electronic materials and display materials for flat-screen TVs under the cumulative impact of factors such as financial instability in Europe, slower economic growth in China, rise in the price of petroleum and naphtha prices and the strong yen. This was countered by solid sales of needle coke used for graphite electrodes for electric furnace steel and brisk markets for acid phthalic anhydride and certain other chemical products. The chemical business segment recorded net sales of 197.6 billion yen and an ordinary profit of 13.5 billion yen.

New Materials

Nippon Steel Materials Co., Ltd. recorded strong demand for surface-treated copper wire in its core electronic materials business segment, but sluggish demand in the second half in the semiconductor market and the flood in Thailand affected negatively its overall result. In the environmental and energy-related materials and components business, demand in the Asia region remained strong for metal substrates for catalytic converters, but sales in the basic industrial materials and components business were sluggish for carbon fiber products for public works projects. The new materials business recorded net sales of 54.2 billion yen and an ordinary profit of 0.6 billion yen.

System Solutions

NS Solutions Corporation provides comprehensive solutions in planning, configuration, operation and maintenance of IT systems for a wide range of customers and develops leading-edge solutions services to enhance customer capabilities in changing business conditions. NS Solutions Corporation continued to optimize its

business structure to enhance its abilities to expand orders and sales and improve profitability. In the cloud computing services business*, the company continued expanding its service menu and progressed with the construction of its next-generation, high-specification data center. The company also established a corporate entity in Singapore to fortify its support capabilities in the Southeast Asia region. The system solutions business recorded net sales of 161.5 billion yen and an ordinary profit of 11.2 billion yen.

*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 in fiscal 2011, Issue No. 66 was valued at ¥10.0 billion on May 24, 2011, issue No. 67 was valued at ¥30.0 billion on May 24, 2011 and issue No. 68 was valued at ¥15.0 billion on October 20, 2011.

Assets, Liabilities, Net Assets and Cash Flows

Total consolidated assets at the end of fiscal year 2011 were 4,924.7 billion yen, representing a decrease of 76.1 billion yen from 5,000.8 billion yen at the end of fiscal year 2010. Inventories increased by 18.2 billion yen due to higher raw materials prices, while investment securities declined 111.7 billion yen due primarily to declining share values in the stagnating equities markets.

Total liabilities at the end of fiscal year 2011 amounted to 2,577.3 billion yen, decrease of 42.5 billion yen from the 2,619.9 billion yen at the end of fiscal year 2010. The decline was primarily due to 3.3 billion yen decrease in interest-bearing debt, from 1,337.8 billion yen at the end of the previous fiscal year to 1,334.5 billion yen at the end of fiscal year 2011, along with 15.8 billion yen decline in the provision for loss on disaster and 13.6 billion yen decline in deferred tax liabilities.

Net assets were 2,347.3 billion yen at the end of fiscal year 2011, representing a decrease of 33.5 billion yen from 2,380.9 billion yen at the end of fiscal year 2010. The decline resulted from dividend payments of both 3.0 yen per share at the previous year-end for 18.9 billion yen and 1.5 yen per share interim payment of the current fiscal year for 9.4 billion yen and declines of 33.9 billion yen in unrealized gains on available-for-sale securities and 30.5 billion yen in foreign currency translation adjustments due to the strong yen. These factors more than offset the 58.4 billion yen in net income for the fiscal year. Shareholders’ equity at the end of the fiscal year under review amounted to 1,828.9 billion yen, and the ratio of interest-bearing debt to the total amount of shareholders’ equity and accumulated other comprehensive income (the

debt/equity ratio) was 0.73.

Cash flows from operating activities for the fiscal year under review amounted to an inflow of 237.4 billion yen. The principal factors influencing operating cash flows were inflows from income before income taxes and minority interests of 120.0 billion yen, depreciation and amortization of 280.9 billion yen, and 66.4 billion yen in equity in net income of unconsolidated subsidiaries and affiliates. Offsetting this were outflows from an increase of 48.6 billion yen in inventories and payment of 46.2 billion yen in income taxes. Cash flows from investing activities amounted to an outflow of 226.0 billion yen, comprised mainly of 257.9 billion yen in capital investments despite gain on sales of investments in securities of 51.6 billion yen. These cash flows resulted in a free cash inflow of 11.3 billion yen in the term under review. Cash flows from financing activities amounted to payments of 31.7 billion yen, due largely to a 3.3 billion yen payoff of interest-bearing debt. As a result of the above movements in cash flows, the consolidated cash and cash equivalents at the end of the fiscal year under review amounted to 55.7 billion yen.

Consolidated Balance Sheets

Nippon Steel Corporation and Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
ASSETS			
Current assets:			
Cash and bank deposits (Notes 4, 15 and 21)	¥ 53,878	¥ 72,760	\$ 655,533
Marketable securities (Notes 15, 18 and 21)	11,912	10,186	144,935
Receivables:			
Notes and accounts receivable (Notes 4, 21 and 24)	532,743	526,917	6,481,858
Less: Allowance for doubtful accounts	(594)	(1,453)	(7,235)
	532,149	525,463	6,474,622
Inventories (Notes 4 and 5)	947,534	929,284	11,528,582
Deferred tax assets (Note 8)	57,715	76,261	702,217
Other (Note 4)	100,326	96,619	1,220,667
Total current assets	1,703,515	1,710,575	20,726,558
Fixed assets:			
Tangible fixed assets:			
Buildings and structures (Note 4)	1,715,754	1,687,890	20,875,470
Machinery and equipment (Note 4)	5,572,262	5,528,980	67,797,329
Lease assets	17,799	19,514	216,568
	7,305,817	7,236,385	88,889,368
Less: Accumulated depreciation	(5,966,002)	(5,820,750)	(72,587,930)
	1,339,815	1,415,635	16,301,438
Land (Notes 4 and 7)	326,626	326,602	3,974,045
Construction in progress	149,424	76,146	1,818,043
	1,815,866	1,818,384	22,093,526
Intangible fixed assets:			
Patents and utility rights	23,932	21,137	291,190
Software	29,913	19,986	363,951
Goodwill	15,713	20,779	191,183
Lease assets	461	707	5,613
	70,020	62,611	851,939
Investments and others:			
Investments in securities (Notes 4, 6, 7, 18 and 21)	1,112,084	1,223,810	13,530,650
Deferred tax assets (Note 8)	81,053	47,265	986,178
Other (Notes 4 and 6)	146,278	143,209	1,779,762
Less: Allowance for doubtful accounts	(4,109)	(4,994)	(50,000)
	1,335,307	1,409,289	16,246,590
Total fixed assets	3,221,195	3,290,285	39,192,056
Total assets	¥4,924,711	¥5,000,860	\$59,918,615

The accompanying notes are integral parts of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
LIABILITIES			
Current liabilities:			
Short-term loans and portion of long-term loans due within one year (Notes 4 and 21)	¥ 277,424	¥ 310,150	\$ 3,375,409
Commercial paper (Notes 4 and 21)	—	32,000	—
Bonds due within one year (Notes 4 and 21)	55,000	—	669,181
Notes and accounts payable (Notes 21 and 24)	593,349	586,856	7,219,241
Accrued expenses (Note 21)	235,224	237,247	2,861,959
Advances received	15,837	19,130	192,698
Current portion of lease obligations (Note 4)	2,947	2,969	35,859
Accrued income taxes and enterprise taxes	22,514	24,783	273,931
Allowance for losses on construction contracts	3,522	4,504	42,859
Provision for loss on disaster	3,290	19,131	40,029
Other (Note 4)	127,100	121,565	1,546,425
Total current liabilities	1,336,211	1,358,338	16,257,594
Long-term liabilities:			
Bonds and notes (Notes 4 and 21)	380,073	385,065	4,624,322
Long-term loans (Notes 4 and 21)	615,255	602,480	7,485,771
Lease obligations (excluding current portion) (Note 4)	3,811	5,185	46,378
Deferred tax liabilities (Note 8)	23,113	36,719	281,225
Deferred tax liabilities on revaluation of land (Note 7)	10,826	12,471	131,725
Accrued pension and severance costs (Note 19)	153,293	155,760	1,865,111
Allowance for retirement benefits of directors and corporate auditors	4,931	21,983	59,999
Reserve for repairs to blast furnaces	18,003	4,705	219,045
Other	31,846	37,224	387,474
Total long-term liabilities	1,241,155	1,261,596	15,101,054
Total liabilities	2,577,367	2,619,935	31,358,649
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, 2012 and 2011	419,524	419,524	5,104,331
Capital surplus	114,546	114,553	1,393,675
Retained earnings	1,552,826	1,522,786	18,893,134
Less: Treasury stock, at cost*	(262,573)	(262,524)	(3,194,715)
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 13)			
Unrealized gains on available-for-sale securities (Note 18)	70,834	104,783	861,832
Deferred hedge income (loss)	(1,698)	(3,099)	(20,662)
Unrealized gains on revaluation of land (Note 7)	12,770	11,523	155,376
Foreign currency translation adjustments	(77,327)	(46,748)	(940,837)
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES (Note 7)	518,440	520,126	6,307,832
Total net assets	2,347,343	2,380,925	28,559,966
Total liabilities and net assets	¥4,924,711	¥5,000,860	\$59,918,615

*517,325,579 shares at March 31, 2012.
517,192,896 shares at March 31, 2011.

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Nippon Steel Corporation and Consolidated Subsidiaries
Years ended March 31, 2012, 2011 and 2010
Consolidated Statements of Operations

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2012	2011	2010	2012
Net sales	¥4,090,936	¥4,109,774	¥3,487,714	\$49,774,144
Cost of sales (Notes 9 and 11)	3,678,639	3,624,987	3,156,497	44,757,747
Gross margin	412,297	484,787	331,216	5,016,397
Selling, general and administrative expenses (Notes 9, 10 and 11)	332,932	319,181	299,211	4,050,772
Operating profit	79,364	165,605	32,005	965,624
Non-operating profit:				
Interest	3,300	2,746	1,804	40,161
Dividend income	12,786	13,370	14,852	155,576
Equity in net income of unconsolidated subsidiaries and affiliates	66,470	77,918	34,756	808,739
Other	38,834	42,257	26,170	472,495
	121,392	136,292	77,583	1,476,973
Non-operating loss:				
Interest expense	17,834	18,355	19,803	216,987
Loss on disposal of fixed assets	18,312	18,547	24,039	222,805
Other	21,604	38,658	53,912	262,859
	57,750	75,561	97,755	702,652
Ordinary profit	143,006	226,335	11,833	1,739,945
Special profit:				
Gain on sales of tangible fixed assets (Note 12)	—	—	5,809	—
Gain on sales of investments in securities	15,921	—	—	193,717
	15,921	—	5,809	193,717
Special loss:				
Loss on impairment of fixed assets (Note 12)	—	11,416	—	—
Loss on inactive facilities (Note 12)	7,407	—	—	90,124
Loss on sales of investments in securities	7,575	—	—	92,169
Loss on valuation of investments in securities	11,710	5,820	—	142,483
Loss on disaster (Note 12)	—	23,720	—	—
Loss on liquidation of business (Note 12)	12,180	—	—	148,199
Penalty	—	—	6,400	—
	38,874	40,958	6,400	472,977
Income before income taxes and minority interests	120,053	185,377	11,242	1,460,685
Income taxes—current (Note 8)	50,923	48,740	52,440	619,579
Income taxes—deferred (Note 8)	1,380	27,466	(36,396)	16,792
Income before minority interests	67,750	109,171	—	824,313
Minority interests in net income of consolidated subsidiaries	9,279	15,972	6,728	112,898
Net income (loss)	¥ 58,471	¥ 93,199	¥ (11,529)	\$ 711,415

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

Net income (loss) (Note 23)	¥ 9.29	¥ 14.81	¥ (1.83)	\$ 0.11
Cash dividends applicable to the year (Note 14)	¥ 2.50	¥ 3.00	¥ 1.50	\$ 0.03

Weighted average number of shares outstanding (in thousands)	¥6,289,697	6,290,266	6,290,728	
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The accompanying notes are integral parts of these statements.

Consolidated Statements of Comprehensive Income

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2012	2011	2010	2012
Income before minority interests	¥ 67,750	¥ 109,171	—	\$ 824,313
Other comprehensive income				
Unrealized gains (losses) on available-for-sale securities	(33,277)	(53,740)	—	(404,890)
Deferred hedge income (loss)	1,503	199	—	18,296
Unrealized gains (losses) on revaluation of land	1,100	874	—	13,387
Foreign currency translation adjustments	(12,003)	(4,603)	—	(146,046)
Share of other comprehensive income of associates accounted for using equity method	(21,498)	(10,517)	—	(261,567)
Total other comprehensive income (loss) (Note 13)	(64,175)	(67,787)	—	(780,821)
Comprehensive income (Note 13)	¥ 3,574	¥ 41,383	—	\$ 43,492
attribute to				
Comprehensive income attribute to owners of the parent	¥ (3,254)	¥ 27,133	—	\$ (39,593)
Comprehensive income attribute to minority interests	¥ 6,828	¥ 14,250	—	\$ 83,085

Consolidated Statements of Changes in Net Assets (Note 14)

Nippon Steel Corporation and Consolidated Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	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, 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
Cash dividends	—	—	—	(28,363)	—	—	—	—	—	—	(28,363)
Net income	—	—	—	58,471	—	—	—	—	—	—	58,471
Acquisition of treasury stock	—	—	—	—	(30)	—	—	—	—	—	(30)
Disposal of treasury stock	—	—	(7)	—	51	—	—	—	—	—	44
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	(47)	(70)	—	—	—	—	—	(118)
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	(20)	—	—	—	—	—	—	(20)
Other change	—	—	—	—	—	(33,949)	1,401	1,247	(30,579)	(1,685)	(63,565)
Total change for fiscal year 2011	—	—	(7)	30,040	(49)	(33,949)	1,401	1,247	(30,579)	(1,685)	(33,581)
Balance at March 31, 2012	6,806,980	¥419,524	¥114,546	¥1,552,826	¥262,573	¥70,834	¥(1,698)	¥12,770	¥ (77,327)	¥518,440	¥2,347,343

	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, 2011	6,806,980	\$ 5,104,331	\$ 1,393,761	\$ 18,527,636	\$ (3,194,116)	\$1,274,890	\$ (37,708)	\$ 140,200	\$ (568,780)	\$ 6,328,340	\$ 28,968,556
Cash dividends	—	—	—	(345,093)	—	—	—	—	—	—	(345,093)
Net income	—	—	—	711,415	—	—	—	—	—	—	711,415
Acquisition of treasury stock	—	—	—	—	(369)	—	—	—	—	—	(369)
Disposal of treasury stock	—	—	(85)	—	627	—	—	—	—	—	541
Increase (decrease) due to the change in the number of consolidated companies	—	—	—	(579)	(857)	—	—	—	—	—	(1,436)
Increase (decrease) due to reversal of unrealized gains on revaluation of land	—	—	—	(244)	—	—	—	—	—	—	(244)
Other change	—	—	—	—	—	(413,057)	17,045	15,175	(372,057)	(20,507)	(773,402)
Total change for fiscal year 2011	—	—	(85)	365,497	(599)	(413,057)	17,045	15,175	(372,057)	(20,507)	(408,589)
Balance at March 31, 2012	6,806,980	\$5,104,331	\$1,393,675	\$18,893,134	\$ (3,194,715)	\$861,832	\$ (20,662)	\$155,376	\$ (940,837)	\$6,307,832	\$28,559,966

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash Flows

Nippon Steel Corporation and Consolidated Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2012	2011	2010	2012
Cash flows from operating activities:				
Income before income taxes and minority interests	¥120,053	¥ 185,377	¥ 11,242	\$1,460,685
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	280,940	291,587	284,092	3,418,182
Interest and dividend income (accrual basis)	(16,087)	(16,116)	(16,656)	(195,738)
Interest expense (accrual basis)	17,834	18,355	19,803	216,987
Exchange loss (gain) on foreign currency transactions	2,413	6,131	8,348	29,365
Amortization of goodwill	3,491	1,623	3,631	42,484
Equity in net (income) loss of unconsolidated subsidiaries and affiliates	(66,470)	(77,918)	(34,756)	(808,739)
Loss (gain) on sales of investments in securities	(8,346)	(782)	(1,046)	(101,547)
Loss on impairment of fixed assets	—	11,416	—	—
Loss on valuation of investments in securities	11,710	5,820	—	142,483
Loss on disposal of tangible and intangible fixed assets	9,328	6,834	9,013	113,504
Gain on sales of tangible and intangible fixed assets	(7,429)	(8,770)	(5,809)	(90,397)
Changes in allowance for doubtful accounts	(1,745)	(4,266)	(2,275)	(21,231)
Changes in operating assets and liabilities:				
Changes in notes and accounts receivable	21,222	14,735	27,319	258,213
Changes in inventories	(48,663)	(64,782)	178,618	(592,088)
Changes in notes and accounts payable	(6,713)	8,337	(10,414)	(81,685)
Other	(32,187)	35,111	35,541	(391,618)
Interest and dividend income (cash basis)	20,660	27,886	18,101	251,371
Interest expense (cash basis)	(16,321)	(18,453)	(19,911)	(198,578)
Income taxes (cash basis)	(46,276)	(52,626)	(67,176)	(563,045)
Net cash provided by operating activities	237,414	369,500	437,668	2,888,607
Cash flows from investing activities:				
Acquisition of investments in securities	(33,421)	(31,850)	(88,048)	(406,641)
Proceeds from sales of investments in securities	51,646	3,230	17,662	628,382
Acquisition of cash owned by new subsidiaries, net of payment for purchase of subsidiaries' shares	(70)	2,671	(2,366)	(852)
Proceeds from sale of subsidiaries' shares, net of cash owned by those subsidiaries	304	—	—	3,709
Acquisition of tangible and intangible fixed assets	(257,999)	(315,843)	(339,773)	(3,139,065)
Proceeds from sales of tangible and intangible fixed assets	15,853	14,598	11,877	192,891
Payment for loans	(1,945)	(6,485)	(16,817)	(23,675)
Proceeds from collections of loans	4,282	4,876	5,155	52,100
Other	(4,746)	3,019	(516)	(57,752)
Net cash used in investing activities	(226,096)	(325,781)	(412,827)	(2,750,903)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans	(31,267)	(33,118)	(67,063)	(380,433)
Net increase (decrease) in commercial paper	(32,000)	(46,000)	(70,000)	(389,341)
Proceeds from long-term loans	155,233	101,778	125,087	1,888,720
Payments of long-term loans	(143,162)	(84,490)	(67,367)	(1,741,849)
Proceeds from issuance of bonds and notes	55,000	35,000	39,861	669,181
Redemption of bonds and notes	(5,000)	(15,000)	(43,266)	(60,834)
Payments for purchase of treasury stock	(15)	(40)	(179)	(190)
Cash dividends	(28,363)	(9,454)	(6,303)	(345,093)
Cash dividends to minority shareholders	(9,903)	(8,703)	(9,756)	(120,492)
Proceeds from issuance of common stock to minority shareholders	824	1,089	84	10,036
Other	6,868	11,696	18,917	83,570
Net cash provided by (used in) financing activities	(31,785)	(47,244)	(79,985)	(386,726)
Effect of exchange rate changes on cash and cash equivalents	(2,444)	(2,811)	7,246	(29,736)
Net increase (decrease) in cash and cash equivalents	(22,911)	(6,336)	(47,897)	(278,759)
Cash and cash equivalents at beginning of year	76,256	80,470	128,390	927,811
Increase (decrease) from the change in the number of companies consolidated	2,402	2,123	(22)	29,227
Cash and cash equivalents at end of year (Note 15)	¥ 55,747	¥ 76,256	¥ 80,470	\$ 678,279

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 295, 283 and 263 subsidiaries as of March 31, 2012, 2011 and 2010, respectively based on the criterion of exercise of control. The consolidated financial statements include the accounts of Nippon Steel Corporation and 286 of its subsidiaries (March 31, 2011: 270 subsidiaries, March 31, 2010: 255 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 36-39 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 9 unconsolidated subsidiaries (March 31, 2011: 13 unconsolidated subsidiaries, March 31, 2010: 8 unconsolidated subsidiaries) and 137 affiliates (March 31, 2011: 135 affiliates, March 31, 2010: 136 affiliates), the equity method has been applied to the investments in 76 significant affiliates (March 31, 2011: 74 affiliates, March 31, 2010: 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.

(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.)

(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 2-30 years for “machinery and equipment”.

(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.

(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 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 quarterly 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).

Changes to presentation (Year ended March 31, 2012)

(Consolidated statements of operations)

The exchange loss on foreign currency transactions (amounting to ¥13,739 million on a consolidated basis in the previous fiscal year), which was presented under non-operating loss in the consolidated financial statements for the previous fiscal year, declined to less than 10% of the total non-operating loss for the fiscal year under review and has, therefore, been included within the “Other” item under the non-operating loss.

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, 2012)

(Accounting Standard for Accounting Changes and Error Corrections)

The “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24) have been applied to accounting changes and error corrections made after the beginning of the year ended March 31, 2012.

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 ¥82.19=U.S.\$1, the effective exchange rate prevailing at the latest balance sheet date of March 31, 2012. 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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Bonds and Notes:			
<i>Nippon Steel Corporation</i>			
3.3% SB due March 2017	¥ 10,000	¥ 10,000	\$ 121,669
3.175% SB due September 2017	10,000	10,000	121,669
1.36% SB due November 2012	10,000	10,000	121,669
1.18% SB due February 2013	15,000	15,000	182,503
0.80% SB due June 2013	20,000	20,000	243,338
1.67% SB due March 2014	15,000	15,000	182,503
1.77% SB due September 2017	29,994	29,994	364,946
1.18% SB due December 2013	19,998	19,998	243,324
1.66% SB due December 2017	29,998	29,997	364,986
1.55% SB due March 2014	29,993	29,990	364,932
1.92% SB due March 2018	29,987	29,985	364,852
1.714% SB due June 2018	30,000	30,000	365,007
2.491% SB due June 2028	10,000	10,000	121,669
1.214% SB due December 2012	30,000	30,000	365,007
1.891% SB due September 2018	15,000	15,000	182,503
1.163% SB due June 2014	20,000	20,000	243,338
1.942% SB due June 2019	20,000	20,000	243,338
1.53% SB due March 2020	20,000	20,000	243,338
1.076% SB due June 2020	15,000	15,000	182,503
0.58%SB due March 2016	10,000	—	121,669
1.293% SB March 2021	30,000	—	365,007
1.109% SB September 2021	15,000	—	182,503
Floating rate PN with call option due April 2023* ^{1,2}	—	5,000	—
Euroyen (deeply subordinated) bonds * ³	300,000	300,000	3,650,079
<i>HIROKOU GIKEN Co., Ltd.</i>			
0.7% SB due June 2013	100	100	1,216
Subtotal	735,073	685,065	8,943,582
Elimination of intra-group transaction	(300,000)	(300,000)	(3,650,079)
Total	¥ 435,073	¥ 385,065	\$ 5,293,503
(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%

(Call option)

*² Call options are available on the day of interest payment after April 14, 2008.

(Euroyen (deeply subordinated) bonds)

*³ The “Euroyen Mandatory Acquirable Interest-Bearing Deeply Subordinated Convertible Bonds with rights to purchase new shares maturing in 2012” (with an amortization date of January 20, 2012, and an interest rate of 2.228%) have been changed to euroyen Deeply Subordinated bonds that have the same characteristics as perpetual bonds.

(Other)

* “SB”=straight bond “PN”=private note

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans:			
Short-term loans	¥162,413 * ³	¥194,451	\$ 1,976,071
Loans principally from banks and insurance companies due 2013-2025 for 2012 (2012-2025 for 2011)* ¹	730,267 * ⁴	718,178	8,885,109
Lease obligations due 2013-2027 for 2012 (2012-2029 for 2011)* ²	6,759	8,154	82,237
Commercial paper	—	32,000	—
	¥899,439	¥952,785	\$10,943,418

*¹ Including a portion due within one year of ¥115,011 million (\$1,399,337 thousand) for 2012 and ¥115,698 million for 2011.

*² Including a portion due within one year of ¥2,947 million (\$35,859 thousand) for 2012 and ¥2,969 million for 2011.

*³ Average interest-rate at March 31, 2012 is 0.9%.

*⁴ Average interest-rate at March 31, 2012 is 1.4%.

The aggregate annual maturities of long-term debt as of March 31, 2012 were as follows:

Years ending March 31	Millions of yen				
	2013	2014	2015	2016	2017
Bonds and notes and convertible bonds	¥ 55,000	¥ 85,100	¥ 20,000	¥10,000	¥ 10,000
Loans	115,011	136,974	94,319	54,403	114,333
Lease obligations	2,947	1,879	842	392	188
Total	¥172,958	¥223,953	¥115,161	¥64,795	¥124,522

Years ending March 31	Thousands of U.S. dollars				
	2013	2014	2015	2016	2017
Bonds and notes and convertible bonds	\$ 669,181	\$1,035,405	\$ 243,338	\$121,669	\$ 121,669
Loans	1,399,337	1,666,563	1,147,576	661,918	1,391,085
Lease obligations	35,859	22,862	10,245	4,777	2,295
Total	\$2,104,377	\$2,724,832	\$1,401,160	\$788,365	\$1,515,050

Followings are NIPPON STEEL's assets pledged as collateral primarily to secure long-term loans, short-term loans and others totaled ¥31,003 million (\$377,216 thousand) at March 31, 2012 and ¥36,219 million at March 31, 2011.

Years ending March 31	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
(Factory foundation)			
Buildings and structures	¥ 1,561	¥ 1,316	\$ 18,993
Machinery and equipment	4,639	5,173	56,450
Land	6,104	4,175	74,271
	¥12,305	¥10,664	\$149,715
(Pledged assets)			
Cash and bank deposits	¥ 450	¥ 515	\$ 5,479
Notes and accounts receivable	221	314	2,691
Inventories	338	346	4,117
Current assets other	3,738	3,918	45,484
Buildings and structures	1,476	1,721	17,966
Machinery and equipment	61	62	744
Land	4,214	4,917	51,273
Investments in securities	199	—	2,427
Long-term loans receivable	15,748	20,426	191,609
	¥26,448	¥32,224	\$321,795

In addition, out of the above secured liabilities, ¥347 million (\$4,228 thousand) of long-term loans receivable, etc. are pledged as collateral against ¥583 million (\$7,096 thousand) of loans of consolidated subsidiaries and ¥1,265 million (\$15,396 thousand) of shares of affiliates are pledged as collateral against the loans of those affiliates.

5. Inventories

Items relevant to inventories are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished and half-finished products	¥437,551	¥409,295	\$5,323,663
Work in process	62,446	79,881	759,784
Raw materials and supplies	447,535	440,107	5,445,134

6. Unconsolidated Subsidiaries and Affiliates

Items relevant to unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Investments in securities	¥492,139	¥529,619	\$5,987,826
Other investments	7,301	2,495	88,834

7. Revaluation of Land

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 interests, which were charged to “deferred tax assets and liabilities on revaluation of land” and “minority interests 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.

(Year ended March 31, 2012)

(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, 2012 was ¥2,480 million (\$30,181 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, 2012 was ¥18,341 million (\$223,159 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, 2012 was ¥2,614 million (\$31,813 thousand).

(Year ended March 31, 2011)

(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.

(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.

(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.

8. Deferred Tax Accounting

(1) The components of deferred tax assets and liabilities at March 31, 2012, 2011 and 2010, are as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Deferred tax assets				
Reserve for accrued bonuses	¥ 17,893	¥ 20,073	¥ 18,950	\$ 217,706
Accrued pension and severance costs	38,044	45,503	41,117	462,882
Reserve for repairs to blast furnaces	6,204	8,803	11,406	75,493
Loss on revaluation of inventories	11,978	13,700	—	145,739
Loss on impairment of fixed assets	10,161	11,066	8,760	123,635
Depreciation in excess of limit	33,014	39,451	40,778	401,682
Tax losses carried forward	88,660	63,057	80,215	1,078,727
Unrealized gain on tangible fixed assets	54,261	54,925	48,841	660,190
Provision for loss on disaster	1,573	7,941	—	19,144
Other	40,737	46,510	55,503	495,647
Subtotal	302,529	311,033	305,574	3,680,851
Valuation allowance	(74,794)	(68,462)	(49,291)	(910,020)
Total	227,734	242,571	256,283	2,770,830

Deferred tax liabilities

Special tax purpose reserve	(70,576)	(82,339)	(82,617)	(858,700)
Revaluation of available-for-sale securities	(38,481)	(70,310)	(106,135)	(468,200)
Net unrealized gain on assets and liabilities of consolidated subsidiaries	(3,021)	(3,114)	(3,210)	(36,760)
Total	(112,079)	(155,763)	(191,963)	(1,363,662)
Net deferred tax assets	¥ 115,655	¥ 86,807	¥ 64,320	\$ 1,407,168

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

Year ended March 31	2012* ¹	2011	2010* ¹
Statutory tax rate	40.4%	—	40.4%
Equity in net income of unconsolidated subsidiaries and affiliates	(22.4)	—	(124.9)
Permanent non-deductible expenses	2.3	—	23.3
Permanent non-taxable income	(2.1)	—	(8.4)
Valuation allowance	15.6	—	140.3
Reduction in deferred tax assets at the end of period due to changes in the corporate income tax rate	8.2		—
Amortization of goodwill	—	—	13.1
Effect of foreign tax rate differences	—	—	38.4
Penalty	—	—	23.0
Other	1.5	—	(2.5)
Actual tax rate	43.6%	—	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.

(3) Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On December 2, 2011, the Japanese government issued “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011). Under these newly promulgated laws, the corporate income tax rates applicable for consolidated accounting years beginning on or after April 1, 2012, will be changed.

Accompanying these changes, the effective statutory tax rate applicable to the calculation of deferred tax assets and deferred tax liabilities will be changed as follows according to the time of full amortization of temporary differences:

From the fiscal year beginning April 1, 2012 through the year ending March 31, 2015: 37.7%

From the fiscal year beginning April 1, 2015 and in subsequent years: 35.3%

As a result of these changes, the net deferred tax assets decreased by ¥2,172 million (\$26,426 thousand) and corporate income taxes-deferred in the consolidated statements of operations increased by ¥9,838 million (\$119,698 thousand).

9.

The Distribution of Provision for Allowance Reserve

The main distribution of provision for allowance reserve for the years ended March 31, 2012, 2011 and 2010 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Provision for accrued pension and severance costs		
Cost of sales	¥30,624	\$372,601
Selling, general and administrative expenses	8,748	106,444
Provision for allowance for retirement benefits of directors		
Selling, general and administrative expenses	1,246	15,166

	Millions of yen
	2011
Provision for accrued pension and severance costs	
Cost of sales	¥35,841
Selling, general and administrative expenses	9,178
Provision for allowance for retirement benefits of directors	
Selling, general and administrative expenses	1,209
Provision for allowance for doubtful accounts	
Selling, general and administrative expenses	1,082
Provision for allowance for losses on construction contracts	
Cost of sales	2,666

	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

10.

Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2012, 2011 and 2010 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Transportation and storage	¥ 80,482	¥ 76,021	¥ 69,934	\$ 979,225
Salaries	84,812	74,496	68,331	1,031,913
Depreciation and amortization	4,959	4,426	4,338	60,343
Research and development expenses	36,250	35,063	33,932	441,059
Amortization of goodwill	8,195	7,432	6,489	99,718
Other	118,231	121,741	116,183	1,438,512
Total	¥332,932	¥319,181	¥299,211	\$4,050,772

11.

Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2012, 2011 and 2010 are ¥48,175 million (\$586,146 thousand), ¥46,663 million, and ¥46,824 million respectively.

12.

Explanatory Notes on Special Profit and Loss

(Year ended March 31, 2012)

Special loss

(1) Loss on inactive facilities

Expenses that were incurred mainly due to retirement or disassembly based on decision to phase out major production equipment.

(2) Loss on liquidation of business

These losses were incurred as a result of the withdrawal of Nippon Steel Topy Bridge Co., Ltd., a subsidiary in the engineering and construction segment, from the bridge business, and the withdrawal of NS Solar Material Co., Ltd., a subsidiary in the new materials segment, from the solar battery polycrystal silicon business.

(Year ended March 31, 2011)

Special profit

(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 of buildings, ¥2,365 million of machinery and equipment, ¥5,469 million of land, and ¥249 million 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.

13.

Notes on Consolidated Statements of Comprehensive Income

(Year ended March 31, 2012)

Reclassification adjustments and deferred tax accounting related other comprehensive income.

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Unrealized gains on available-for-sale securities		
Amount for the current term	¥(67,919)	\$(826,366)
Amount due to reclassification adjustments	3,830	46,603
Amount before adjustments in deferred tax accounting	(64,088)	(779,763)
Amount due to deferred tax accounting	30,810	374,872
Unrealized gains on available-for-sale securities	(33,277)	(404,890)
Deferred hedge income (loss)		
Amount for the current term	¥ 3,001	\$ 36,517
Amount due to reclassification adjustments	(328)	(3,992)
Amount before adjustments in deferred tax accounting	2,673	32,525
Amount due to deferred tax accounting	(1,169)	(14,228)
Deferred hedge income (loss)	1,503	18,296
Unrealized gains on revaluation of land		
Amount for the current term	¥ —	\$ —
Amount before adjustments in deferred tax accounting	—	—
Amount due to deferred tax accounting	1,100	13,387
Unrealized gains on revaluation of land	1,100	13,387
Foreign currency translation adjustments		
Amount for the current term	¥(12,135)	\$(147,648)
Amount due to reclassification adjustments	131	1,601
Amount before adjustments in deferred tax accounting	(12,003)	(146,046)
Amount due to deferred tax accounting	—	—
Foreign currency translation adjustments	(12,003)	(146,046)
Share of other comprehensive income of associates accounted for using equity method		
Amount for the current term	¥(24,508)	\$(298,193)
Amount due to reclassification adjustments	3,010	36,626
Share of other comprehensive income of associates accounted for using equity method	(21,498)	(261,567)
Total other comprehensive income	(64,175)	(780,821)

(Year ended March 31, 2011)

	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, 2012, 2011 and 2010 are as follows:

(Year ended March 31, 2012)

(1) Information on issued shares

Kind of stock	March 31, 2011	Increase	Decrease	March 31, 2012
Common stock (Thousands)	6,806,980	—	—	6,806,980

(2) Information on treasury stock

Kind of stock	March 31, 2011	Increase	Decrease	March 31, 2012
Common stock (Thousands)	517,192	345	212	517,325

(Reason for increase or decrease treasury stock)

•Increase (Thousands)	
1. Odd lot stock purchases	68
2. Purchased by equity method affiliates	276
•Decrease (Thousands)	
1. Odd lot stock sold	24
2. Sold by subsidiaries and affiliates	187

(3) Information on acquisition rights

Bonds and notes	Kind of stock	Number of stocks issued when acquisition rights are exercised				March 31, 2012 (Millions of yen)
		March 31, 2011	Increase	Decrease	March 31, 2012	
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

(Reason for increase or decrease treasury stock)

“Number of stocks issued when acquisition rights are exercised”

This decrease was due to the expiration of the new share portion of the Euroyen Mandatorily Acquirable Interest-Bearing Deeply Subordinated Convertible Bonds that were to be exchanged for euroyen preferred securities with exchange rights. 405,405,405

(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, 2011	Common stock	18,908	3.0	March 31, 2011	June 27, 2011
At the ordinary director’s meeting held on October 26, 2011	Common stock	9,454	1.5	September 30, 2011	November 29, 2011

Dividends of which record date belong to the year ended March 31, 2012, the operative date is the year ended March 31, 2013 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 26, 2012	Common stock	Retained earnings	6,302	1.0	March 31, 2012	June 27, 2012

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

*[]: Possession by subsidiaries

(4) Information on dividends

Amount of dividend payments

Decision	Kind of stock	Total payments (Millions of yen)	Cash dividends per share (yen)	Record date	Operative date
At the ordinary general meeting of shareholders held on June 24, 2009	Common stock	6,303	1.0	March 31, 2009	June 25, 2009

Dividends of which record date belong to the year ended March 31, 2010, the operative date is the year ended March 31, 2011 are as follows

Decision	Kind of stock	Source of dividends	Total payments (Millions of yen)	Cash dividends per share (yen)	Record date	Operative date
At the ordinary general meeting of shareholders held on June 24, 2010	Common stock	Retained earnings	9,454	1.5	March 31, 2010	June 25, 2010

15.

Notes on Consolidated Statements of Cash Flows

Cash and cash equivalents consists of:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Cash and bank deposits	¥53,878	¥72,760	¥78,197	\$655,533
Less—Time deposits with original maturity over 3 months	(2,030)	(1,553)	(2,247)	(24,704)
Securities due within 3 months	3,899	5,049	4,520	47,450
Cash and cash equivalents	¥55,747	¥76,256	¥80,470	\$678,279

16.

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

(1) Finance leases

(Year ended March 31, 2012)

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
- Mainly buildings in the steel business.

Intangible fixed assets

- Software

Accounting for the depreciation and amortization of lease assets

Included in Summary of Significant Accounting Policies.

(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
- Mainly host computers and a part of computer terminals (machinery and equipment) in the steel business.

Intangible fixed assets

- Software

Accounting for the depreciation and amortization of lease assets

Included in Summary of Significant Accounting Policies.

(2) Operating leases (non-cancelable)

The amount of outstanding future lease payments due at March 31, 2012 and 2011, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Future lease payments			
Within one year	¥ 4,146	¥ 4,525	\$ 50,444
Over one year	13,483	17,505	164,053
	¥17,629	¥22,031	\$214,498

The amount of outstanding future lease income due at March 31, 2012 and 2011, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Future lease income			
Within one year	¥ 3,084	¥ 3,675	\$ 37,529
Over one year	17,908	28,480	217,892
	¥20,993	¥32,155	\$255,421

(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
	2012	2012	2012	2012
Contingent liabilities for:				
Guarantee of loans				
Japan-Brazil Niobium Corporation * ¹	¥11,205	\$136,330	¥11,205	\$136,330
UNIGAL Ltda.	3,205	39,000	3,205	39,000
Frontier Energy Niigata Co., Ltd	1,271	15,474	1,271	15,474
Other	2,379	28,945	1,920	23,368* ²
	¥18,061	\$219,751	¥17,602	\$214,173

	Outstanding amounts		
	Millions of yen	Thousands of U.S. dollars	
	2012	2012	
Contingent liabilities for:			
Reserved guarantee of loans	¥195	\$2,382	

*¹ Metal Research Co., Ltd changed its company name to Japan-Brazil Niobium Corporation.

*² These represent substantial amounts excluding that portion which is re-guaranteed by other parties.

	Outstanding amounts		Substantial amounts	
	Millions of yen		Millions of yen	
	2011		2011	
Contingent liabilities for:				
Guarantee of loans				
Metal Research Co., Ltd	¥11,205		¥11,205	
UNIGAL Ltda.	3,492		3,492	
Frontier Energy Niigata Co., Ltd	1,543		1,543	
Other	2,132		1,670 * ¹	
	¥18,372		¥17,910	

	Outstanding amounts	Substantial amounts is equal to outstanding amounts for the year ended.
	Millions of yen	
	2011	
Contingent liabilities for:		
Reserved guarantee of loans	858	

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

2) Notes and bills endorsed

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Notes and bills endorsed	¥85	¥38	\$1,038
	¥85	¥38	\$1,038

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

17.

Segment Information

(1) Segment Information

(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 about other items

(Year ended March 31, 2012)

(Millions of yen)									
	Reportable segment						Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions			
Net sales									
Sales to external customers	¥3,431,456	¥210,259	¥ 75,914	¥190,929	¥54,245	¥128,132	¥4,090,936	¥ —	¥4,090,936
Inter-segment sales or transfers	45,399	38,674	4,504	6,740	—	33,450	128,769	(128,769)	—
Total	3,476,855	248,934	80,419	197,669	54,245	161,582	4,219,706	(128,769)	4,090,936
Segment profit (loss)									
<Ordinary Profit>	¥ 98,846	¥ 12,775	¥ 9,371	¥ 13,598	¥ 607	¥ 11,215	¥ 146,415	¥ (3,408)	¥ 143,006
Segment assets	¥4,383,511	¥212,958	¥164,346	¥146,129	¥34,434	¥140,293	¥5,081,673	¥(156,962)	¥4,924,711
Segment liabilities									
<Interest-bearing debt>	¥1,258,758	¥ 1,020	¥ 66,012	¥ 9,217	¥15,094	¥ 1,137	¥1,351,240	¥ (16,728)	¥1,334,512
Other items									
Depreciation and amortization	¥ 246,083	¥ 3,840	¥ 1,248	¥ 7,366	¥ 3,382	¥ 2,459	¥ 282,380	¥ (1,439)	¥ 280,940
Amortization of goodwill	3,143	128	53	—	—	166	3,491	—	3,491
Interest income	3,190	117	8	15	5	226	3,564	(263)	3,300
Interest expense	16,638	15	1,214	96	104	51	18,120	(286)	17,834
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	63,992	252	195	1,680	—	(4)	66,116	353	66,470
Balance of investments in equity method companies	474,919	721	2,442	13,026	—	18	491,128	(1,467)	489,660
Increase in tangible/intangible fixed assets	262,318	6,644	1,178	5,693	3,703	6,316	285,854	(4,106)	281,748

Notes:

- The segment profit (loss) adjustment amount of ¥(3,408) million (\$ (41,476) thousand) comprises an elimination of intersegment sales of ¥(7,552) (\$ (91,894) thousand) million, a transfer to ordinary profit (loss) from special profit (loss) of ¥4,203 million (\$51,148 thousand), and a transfer of ¥(59) million (\$ (730) thousand) from ordinary profit (loss) to special profit (loss). Although the amount of the transfer from special profit (loss) to ordinary profit (loss) is treated as a special profit (loss) in the reporting segments, since the amount is not material on the Consolidated Statements of Operations, it has been transferred to ordinary profit (loss), and the breakdown was as follows: ¥4,203 million (\$51,148 thousand) in the Urban Development segment. Although the amount of the transfer from ordinary profit (loss) to special profit (loss) is treated as ordinary profit (loss) in the reporting segments, it was transferred to special profit (loss) on the Consolidated Statements of Operations.
- Segment profit (loss) is adjusted with respect to ordinary profit in the Consolidated Statements of Operations.
- 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						Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions			
Net sales									
Sales to external customers	\$41,750,288	\$2,558,210	\$ 923,645	\$2,323,027	\$659,996	\$1,558,976	\$49,774,144	\$ —	\$49,774,144
Inter-segment sales or transfers	552,374	470,554	54,808	82,006	—	406,991	1,566,735	(1,566,735)	—
Total	42,302,663	3,028,764	978,454	2,405,033	659,996	1,965,967	51,340,880	(1,566,735)	49,774,144
Segment profit (loss) <Ordinary Profit>	\$ 1,202,662	\$ 155,438	\$ 114,018	\$ 165,447	\$ 7,392	\$ 136,462	\$ 1,781,422	\$ (41,476)	\$ 1,739,945
Segment assets	\$53,333,876	\$2,591,049	\$1,999,594	\$1,777,950	\$418,959	\$1,706,935	\$61,828,365	\$(1,909,749)	\$59,918,615
Segment liabilities <Interest-bearing debt>	\$15,315,231	\$ 12,414	\$ 803,165	\$ 112,150	\$183,647	\$ 13,842	\$16,440,451	\$ (203,529)	\$16,236,922
Other items									
Depreciation and amortization	\$ 3,213,081	\$ 46,721	\$ 15,196	\$ 89,628	\$ 41,149	\$ 29,925	\$ 3,434,702	\$ (17,519)	\$ 3,418,182
Amortization of goodwill	38,249	1,561	650	—	—	2,023	42,484	—	42,484
Interest income	38,824	1,425	106	188	71	2,751	43,367	(3,206)	40,161
Interest expense	202,434	186	14,780	1,179	1,269	623	220,474	(3,487)	216,987
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	778,594	3,070	2,379	20,449	—	(54)	804,438	4,300	808,739
Balance of investments in equity method companies	5,778,316	8,775	29,722	158,493	—	221	5,975,529	(17,860)	5,957,669
Increase in tangible/ intangible fixed assets	3,191,613	80,840	14,334	69,267	45,062	76,857	3,477,976	(49,962)	3,428,013

(Year ended March 31, 2011)

(Millions of yen)									
	Reportable segment						Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions			
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 includes ¥(7,625) million of elimination of inter-segment sales or transfers, ¥940 million of transfer from special profit (loss) to Non-operating profit (loss), and ¥205 million 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 for the Urban Development segment and ¥1,392 million 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 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.

(Year ended March 31, 2010)

(Millions of yen)									
	Reportable segment						Total	Adjustments	Consolidated
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions			
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, 2012)

(a) Information about geographical area

1) Net sales

(Millions of yen)				
Japan	Overseas	Asia	Other	Total
		¥944,552	¥397,155	¥4,090,936

(Thousands of U.S. dollars)				
Japan	Overseas	Asia	Other	Total
		\$11,492,306	\$4,832,163	\$49,774,145

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	¥584,069	Steelmaking and steel fabrication
Nippon Steel Trading Co., Ltd.	569,443	Steelmaking and steel fabrication
Mitsui & Co., Ltd.	408,108	Steelmaking and steel fabrication

(Thousands of U.S. dollars)		
Counterparty	Sales	Name of related segment
Metal One Corporation	\$7,106,339	Steelmaking and steel fabrication
Nippon Steel Trading Co., Ltd.	6,928,382	Steelmaking and steel fabrication
Mitsui & Co., Ltd.	4,965,429	Steelmaking and steel fabrication

(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

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

(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, 2012)

There were no material impairment losses on fixed assets.

(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

The steelmaking and steel fabrication segment reported impairment losses of ¥4,191 million 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 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, 2012)

(Millions of yen)								
	Reportable segment						Adjustments	Total
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions		
Balance at fiscal year-end	¥ 12,853	¥ 131	¥ 45	¥ —	¥ —	¥ 2,682	¥ —	¥ 15,713

(Thousands of U.S. dollars)								
	Reportable segment						Adjustments	Total
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions		
Balance at fiscal year-end	\$156,390	\$1,604	\$554	\$ —	\$ —	\$32,635	\$ —	\$191,183

* There is no mention of the amortization of goodwill, because the same information is disclosed at “(1) Segment Information (c) Information about segment sales, profit (loss), assets, liabilities about other items.”

(Year ended March 31, 2011)

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

* There is no mention of the amortization of goodwill, because the same information is disclosed at “(1) Segment Information (c) Information about segment sales, profit (loss), assets, liabilities about other items.”

(Year ended March 31, 2010)

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

* There is no mention of the amortization of goodwill, because the same information is disclosed at “(1) Segment Information (c) Information about segment sales, profit (loss), assets, liabilities about other items.”

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

(Year ended March 31, 2012)

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

(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 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, SILPLUS	
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
Sales	
Steelmaking and steel fabrication	
Customers	¥2,783,807
Intersegment	39,386
Total	2,823,193
Engineering and construction	
Customers	278,210
Intersegment	53,694
Total	331,905
Urban development	
Customers	75,260
Intersegment	4,813
Total	80,073
Chemicals	
Customers	172,442
Intersegment	6,970
Total	179,412
New materials	
Customers	58,757
Intersegment	41
Total	58,799
System solutions	
Customers	119,236
Intersegment	32,998
Total	152,234
Elimination of intersegment transactions	(137,904)
Consolidated total	¥3,487,714

Operating profit (loss)

Steelmaking and steel fabrication	¥	(20,589)
Engineering and construction		31,655
Urban development		2,937
Chemicals		10,431
New materials		444
System solutions		10,732
Elimination of intersegment transactions		(3,607)
Consolidated total	¥	32,005

Identifiable assets

Steelmaking and steel fabrication	¥4,379,862
Engineering and construction	256,916
Urban development	191,985
Chemicals	147,021
New materials	36,668
System solutions	133,218
Elimination of intersegment transactions	(143,294)
Consolidated total	¥5,002,378

Depreciation of identifiable assets

Steelmaking and steel fabrication	¥	270,394
Engineering and construction		2,964
Urban development		1,779
Chemicals		7,948
New materials		2,480
System solutions		2,166
Elimination of intersegment transactions		(3,640)
Consolidated total	¥	284,092

	Millions of yen
	2010
Capital expenditure on identifiable assets	
Steelmaking and steel fabrication	¥319,470
Engineering and construction	7,690
Urban development	1,048
Chemicals	5,508
New materials	3,886
System solutions	3,797
Elimination of intersegment transactions	(12,044)
Consolidated total	¥329,356

(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.

(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
Overseas sales	¥1,104,510
Consolidated net sales	3,487,714
Overseas sales as a proportion of consolidated net sales	31.7%

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, 2012)

Information regarding marketable securities and investments in securities at March 31, 2012 is as follows:

(1) Held-to-maturity debt securities

	Millions of yen		
	2012		
	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	¥ 599	¥ 599	¥ —
Corporate bonds	7,006	6,941	(64)
Negotiable certificates of deposit	6,300	6,300	—
Total	¥13,906	¥13,841	¥(64)

	Thousands of U.S. dollars		
	2012		
	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	\$ 7,299	\$ 7,299	\$ —
Corporate bonds	85,244	84,456	(788)
Negotiable certificates of deposit	76,651	76,651	—
Total	\$169,195	\$168,407	\$(788)

(2) Available-for-sale securities

	Millions of yen		
	2012		
	Carrying amount	Cost	Differences
Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost:			
Corporate shares	¥289,250	¥125,241	¥164,009
Bonds	158	152	5
Other	120,280	80,047	40,232
Subtotal	¥409,688	¥205,441	¥204,246

Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost:

Corporate shares	¥162,221	¥258,139	¥ (95,917)
Bonds	199	200	(0)
Other	288	482	(193)
Subtotal	¥162,709	¥258,821	¥ (96,111)
Total	¥572,398	¥464,263	¥108,134

	Thousands of U.S. dollars		
	2012		
	Carrying amount	Cost	Differences
Available-for-sale securities whose carrying amounts on the balance sheet are in excess of the related cost:			
Corporate shares	\$3,519,288	\$1,523,801	\$ 1,995,486
Bonds	1,927	1,860	67
Other	1,463,439	973,935	489,504
Subtotal	\$4,984,655	\$2,499,597	\$ 2,485,058

Available-for-sale securities whose carrying amounts on the balance sheet are less than the related cost:

Corporate shares	\$1,973,739	\$3,140,762	\$(1,167,022)
Bonds	2,426	2,433	(7)
Other	3,508	5,866	(2,357)
Subtotal	\$1,979,674	\$3,149,062	\$(1,169,387)
Total	\$6,964,330	\$5,648,660	\$ 1,315,670

(3) Available-for-sale securities sold in the year ended March 31, 2012

	Millions of yen		
	2012		
	Amount of sales	Gain on sales	Loss on sales
Corporate shares	¥62,317	¥15,921	¥7,575
Other	1,001	—	—
Total	¥63,318	¥15,921	¥7,575

	Thousands of U.S. dollars		
	2012		
	Amount of sales	Gain on sales	Loss on sales
Corporate shares	\$758,206	\$193,717	\$92,169
Other	12,186	—	—
Total	\$770,393	\$193,717	\$92,169

(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 ¥2,052 million (\$24,977 thousand) at March 31, 2012.

(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	¥ 1,522	¥ 1,522	¥ —
Corporate bonds	6,133	6,101	(31)
Negotiable certificates of deposit	4,497	4,497	—
Total	¥12,183	¥12,151	¥(31)

(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

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

	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

(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 at March 31, 2011.

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, 2012, 2011 and 2010 are analyzed as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Projected benefit obligations	¥(483,840)	¥(518,126)	¥(523,556)	\$(5,886,851)
Plan assets	375,846	377,369	382,397	4,572,901
Accrued pension and severance costs	153,293	155,760	141,995	1,865,111
Prepaid pension cost	(84,546)	(78,833)	(74,262)	(1,028,666)
Balance	(39,246)	(63,830)	(73,426)	(477,504)
Consisting of:				
Unrecognized actuarial differences	(40,598)	(63,141)	(74,864)	(493,959)
Unrecognized balance of prior service costs* ¹	1,352	(689)	1,438	16,454
	¥ (39,246)	¥ (63,830)	¥ (73,426)	\$ (477,504)

*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, 2012, 2011 and 2010 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Service costs* ³	¥19,712	¥19,147	¥17,767	\$239,836
Interest costs	10,165	10,658	11,103	123,678
Expected return on plan assets	(6,140)	(6,158)	(5,937)	(74,705)
Amortization of actuarial differences	17,517	23,438	23,380	213,136
Amortization of prior service costs* ²	(1,751)	(2,033)	(2,109)	(21,309)
Net pension expense	39,503	45,052	44,204	480,637
Other* ⁴	711	880	516	8,662
	¥40,215	¥45,932	¥44,721	\$489,300

*¹ In addition to the net pension expense above, special benefits for early retirement of ¥3,049 million (\$37,097 thousand), ¥3,341 million and ¥2,057 million were paid for the year ended March 31, 2012, 2011 and 2010, respectively.

*² This amount represents amortization of prior service costs.

*³ All pension expenses of consolidated subsidiaries, for which the simplified method is applied, are included in "Service costs".

*⁴ This amount represents payments for defined contribution pension plans.

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

	2012	2011	2010
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, 2012)

1. Derivatives not subject to hedge accounting

(Millions of yen)

	Type of derivative	Contract amounts		Fair value	Appraisal profit or loss	Method for computing fair value
			Over one year			
Non-market transactions	Foreign exchange forward contracts Buying Australian dollars	¥58,057	¥ —	¥(840)	¥(840)	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Buying U.S. dollars	2,171	—	42	42	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Selling U.S. dollars Other	277 165	— —	(10) 2	(10) 2	Based on foreign exchange forward quotes
Non-market transactions	Interest rate swaps Interest rate pay fixed receive floating	7,867	5,723	(43)	(43)	Based on prices provided by financial institutions

(Thousands of U.S. dollars)

	Type of derivative	Contract amounts		Fair value	Appraisal profit or loss	Method for computing fair value
			Over one year			
Non-market transactions	Foreign exchange forward contracts Buying Australian dollars	\$706,381	\$ —	\$(10,228)	\$(10,228)	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Buying U.S. dollars	26,422	—	514	514	Based on foreign exchange forward quotes
Non-market transactions	Foreign exchange forward contracts Selling U.S. dollars Other	3,372 2,012	— —	(124) 30	(124) 30	Based on foreign exchange forward quotes
Non-market transactions	Interest rate swaps Interest rate pay fixed receive floating	95,723	69,631	(529)	(529)	Based on prices provided by financial institutions

* 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		Fair value	Method for computing fair value
				Over one year		
Deferred hedging accounting method	Interest rate swaps Interest rate pay fixed receive floating	Long-term loans	¥ 8,008	¥ 7,308	¥ (35)	Based on prices provided by financial institutions
Deferred hedging accounting method	Interest rate swaps Interest rate pay floating receive fixed	Bonds and future transactions	25,000	15,000	481	Based on prices provided by financial institutions
Deferred hedging accounting method	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable	89,141 814	305 29	2,775 12	Based on foreign exchange forward quotes
Deferred hedging accounting method	Foreign exchange forward contracts Selling U.S. dollars Other	Accounts receivable	8,910 1,094	1,168 —	(116) 36	Based on foreign exchange forward quotes
Deferred hedging accounting method	Commodity swaps Commodity receive floating pay fixed	Electricity	319	92	(51)	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	231,396	224,782	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive fixed	Bonds and Short-term loans	20,000	20,000	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable and Long-term loans	204 76	— 2	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	363	—	*	
Total			¥385,329	¥268,688	¥3,103	

(Thousands of U.S. dollars)

Hedge accounting method	Type of derivative	Principal hedged items	Contract amounts		Fair value	Method for computing fair value
				Over one year		
Deferred hedging accounting method	Interest rate swaps Interest rate pay fixed receive floating	Long-term loans	\$ 97,432	\$ 88,915	\$ (428)	Based on prices provided by financial institutions
Deferred hedging accounting method	Interest rate swaps Interest rate pay floating receive fixed	Bonds and future transactions	304,173	182,503	5,859	Based on prices provided by financial institutions
Deferred hedging accounting method	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable	1,084,578 9,912	3,722 361	33,773 152	Based on foreign exchange forward quotes
Deferred hedging accounting method	Foreign exchange forward contracts Selling U.S. dollars Other	Accounts receivable	108,412 13,312	14,213 —	(1,412) 439	Based on foreign exchange forward quotes
Deferred hedging accounting method	Commodity swaps Commodity receive floating pay fixed	Electricity	3,882	1,121	(630)	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	2,815,384	2,734,913	*	
Exceptional method of interest rate swaps	Interest rate swaps Interest rate pay floating receive fixed	Bonds and Short-term loans	243,338	243,338	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Buying U.S. dollars Other	Accounts payable and Long-term loans	2,491 934	— 27	*	
Assigning method of foreign exchange forward contracts	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	4,424	—	*	
Total			\$4,688,278	\$3,269,118	\$37,754	

* 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, 2011)

1. Derivatives not subject to hedge accounting

(Millions of yen)

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

* 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.

Financial Instruments

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 the balance sheet date and differences are shown in the following table.

(Year ended March 31, 2012)

	Millions of yen		
	Book value ^(*)	Fair value ^(*)	Differences
(1) Cash and bank deposits	¥ 53,878	¥ 53,878	¥ —
(2) Notes and accounts receivable—trade	442,621	442,621	—
(3) Marketable and investment securities			
Held-to-maturity debt securities	13,906	13,841	(64)
Available-for-sale securities	572,398	572,398	—
(4) Notes and accounts payable—trade	(471,663)	(471,663)	—
(5) Short-term loans	(277,424)	(277,424)	—
(6) Commercial paper	—	—	—
(7) Bonds due within one year	(55,000)	(55,000)	—
(8) Accrued expenses	(235,224)	(235,224)	—
(9) Bonds	(380,073)	(396,174)	(16,074)
(10) Long-term loans	(615,255)	(631,462)	(16,206)
(11) Derivative transactions	2,253	2,253	—

	Thousands of U.S. dollars		
	Book value ^(*)	Fair value ^(*)	Differences
(1) Cash and bank deposits	\$ 655,533	\$ 655,533	\$ —
(2) Notes and accounts receivable—trade	5,385,348	5,385,348	—
(3) Marketable and investment securities			
Held-to-maturity debt securities	169,195	168,407	(788)
Available-for-sale securities	6,964,330	6,964,330	—
(4) Notes and accounts payable—trade	(5,738,694)	(5,738,694)	—
(5) Short-term loans	(3,375,409)	(3,375,409)	—
(6) Commercial paper	—	—	—
(7) Accrued expenses	(669,181)	(669,181)	—
(8) Bonds	(2,861,959)	(2,861,959)	—
(9) Long-term loans	(4,624,322)	(4,819,901)	(195,578)
(10) Derivative transactions	(7,485,771)	(7,682,959)	(197,187)
(11) Derivative transactions	27,418	27,418	—

* Figures shown in parentheses are liability items.

(Year ended March 31, 2011)

	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	—

* 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
(Year ended March 31, 2012)

	Millions of yen
Items	Book value
Unlisted stocks	¥44,563

	Thousands of U.S. dollars
Items	Book value
Unlisted stocks	\$542,203

(Year ended March 31, 2011)

	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

(Year ended March 31, 2012)

	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	¥ 53,878	¥ —	¥ —	¥—
Notes and accounts receivable—trade	442,621	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
Government bonds/municipal bonds	599	—	—	—
Corporate bonds	5,006	2,000	—	—
Negotiable certificates of deposit	6,300	—	—	—
Available-for-sale securities with maturity dates	267	1	408	—
Total	¥508,674	¥2,001	¥408	¥—

	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	\$ 655,533	\$ —	\$ —	\$—
Notes and accounts receivable—trade	5,385,348	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
Government bonds/municipal bonds	7,299	—	—	—
Corporate bonds	60,910	24,333	—	—
Negotiable certificates of deposit	76,651	—	—	—
Available-for-sale securities with maturity dates	3,258	16	4,967	—
Total	\$6,189,003	\$24,350	\$4,967	\$—

(Year ended March 31, 2011)

	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	¥—

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”.

Related Party Information

1. Related Party Transaction

(Year ended March 31, 2012)

Transaction with related party

Transaction of Nippon Steel Corporation with related party

Unconsolidated subsidiaries and affiliates

(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	Millions of yen				Thousands of U.S. dollars	
	Transactions during the year ended March 31, 2012		Resulting account balances		Transactions during the year ended March 31, 2012	Resulting account balances
	Description of transaction	Amount	Account	Amount	Amount	Amount
	Sells steel products	¥482,074	Notes and accounts receivable	¥16,362	\$5,865,363	\$199,081

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

(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	Millions of yen				Thousands of U.S. dollars	
	Transactions during the year ended March 31, 2012		Resulting account balances		Transactions during the year ended March 31, 2012	Resulting account balances
	Description of transaction	Amount	Account	Amount	Amount	Amount
	Sells steel products	¥87,369	Notes and accounts receivable	¥15,522	\$1,063,018	\$188,857

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, 2011)

Transaction with related party

Transaction of Nippon Steel Corporation with related party

Unconsolidated subsidiaries and affiliates:

(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	Millions of yen			
	Transactions during the year ended March 31, 2011		Resulting account balances	
	Description of transaction	Amount	Account	Amount
	Sells steel products	¥479,878	Notes and accounts receivable	¥43,039

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:

(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	Millions of yen			
	Transactions during the year ended March 31, 2011		Resulting account balances	
	Description of transaction	Amount	Account	Amount
	Sells steel products	¥81,282	Notes and accounts receivable	¥12,925

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:

(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	Millions of yen			
	Transactions during the year ended March 31, 2010		Resulting account balances	
	Description of transaction	Amount	Account	Amount
	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:

(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	Millions of yen			
	Transactions during the year ended March 31, 2010		Resulting account balances	
	Description of transaction	Amount	Account	Amount
	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.

2. Related party disclosures about parent company and significant affiliates

(Year ended March 31, 2012)

There are no 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.

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, 2012, 2011 and 2010 is as follows:

(Year ended March 31, 2012)

	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	¥58,471	6,289,697	¥9.29	\$0.11

(Year ended March 31, 2011)

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average number of shares	EPS
Basic EPS			
Net income available to common shareholders	¥93,199	6,290,266	¥14.81
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

(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.

24.

Notes Receivable and Payable due on the Balance Sheet Date

In accordance with customary business practices in Japan, while notes receivable and payable are often issued with a month-end due date, actual settlement of the notes is postponed to the first business day of the next month in the event that the month-end date is a bank holiday. In such cases, settlement of notes is recorded on the date that actual settlement is made for NIPPON STEEL.

Since March 31, 2012 was a bank holiday, the following balances are included in the respective balances on the consolidated balance sheet at that date.

Notes receivable with a March 31, 2012 due date: ¥2,562 million (\$31,178 thousand)

Notes payable with a March 31, 2012 due date: ¥5,705 million (\$69,416 thousand)

25.

Subsequent Events

(Year ended March 31, 2012)

Business Integration between Nippon Steel Corporation and Sumitomo Metal Industries, Ltd.

Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. (collectively, the “Companies”) obtained approval at their respective annual shareholders’ meetings held on June 26, 2012 regarding the share exchange agreement and the merger agreement that the Companies executed on April 27, 2012. On this issue is described in pages 6-7, “Business Integration with Sumitomo Metal Industries,Ltd.”

Summary of the merging partner company

Company name	Sumitomo Metal Industries, Ltd.
Address of the head office	(Osaka Head Office) 5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan (Tokyo Head Office) 8-11, Harumi 1-chome, Chuo-ku, Tokyo 104-6111, Japan
Representatives	Hiroshi Tomono, CEO
Capital	262 billion yen

Business Integration between Nippon Steel City Produce, Inc., and Kowa Real Estate Co., Ltd.

Nippon Steel City Produce, Inc., obtained approval at their respective annual shareholders’ meetings held on June 26, 2012 regarding the merger agreement that Nippon Steel City Produce, Inc., and Kowa Real Estate Co., Ltd. executed on June 11, 2012. The summaries are as follows.

Summary of the new company

New company name	Nippon Steel Kowa Real Estate Co., Ltd.
Address of the head office	15-5, Minami-Aoyama 1-Chome, Minato-ku, Tokyo
Representatives	President and CEO Tetsuo Narukawa (to be appointed)
Business description	Developing, leasing and managing of office and commercial buildings Development, sales and leasing of condominium lots, condominiums and houses Real estate brokering and consulting
Date of the integration	October 1, 2012 (planned)

Summary of the merging partner company

Company name	Kowa Real Estate Co., Ltd.
Address of the head office	15-5, Minami-Aoyama 1-Chome, Minato-ku, Tokyo
Representatives	President and CEO Tetsuo Narukawa
Capital	19,824 million yen (as of the end of April 2011)



Independent Auditor’s Report

To the Shareholders and Board of Directors of Nippon Steel Corporation

We have audited the accompanying consolidated financial statements of Nippon Steel Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of operations and comprehensive income for each of the two years in the period ended March 31, 2012, the consolidated statements of operations for the year ended March 31, 2010, and the consolidated statements of changes in net assets and statements of cash flows for each of the three years in the period ended March 31, 2012, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nippon Steel Corporation and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for each of the three years in the period ended March 31, 2012 in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 25 to the consolidated financial statements, Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. (collectively, the “Companies”) obtained approval at their respective annual shareholders’ meetings held on June 26, 2012 regarding the share exchange agreement and the merger agreement that the Companies executed on April 27, 2012.

Convenience Translation

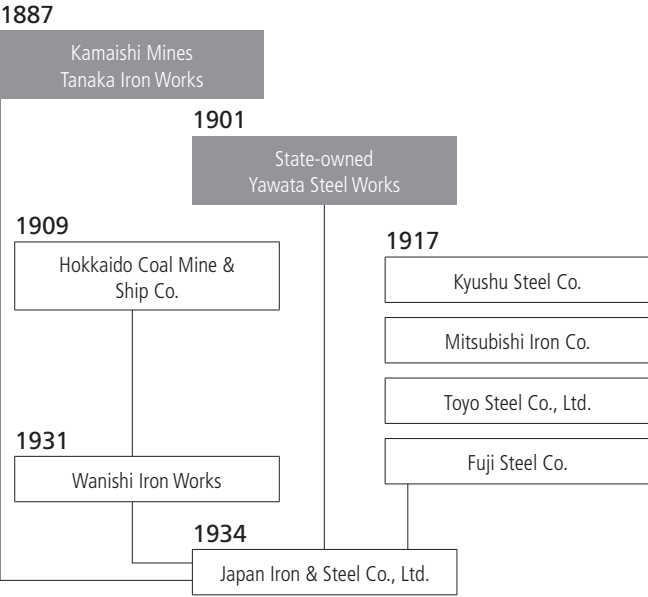
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

June 26, 2012
Tokyo, Japan

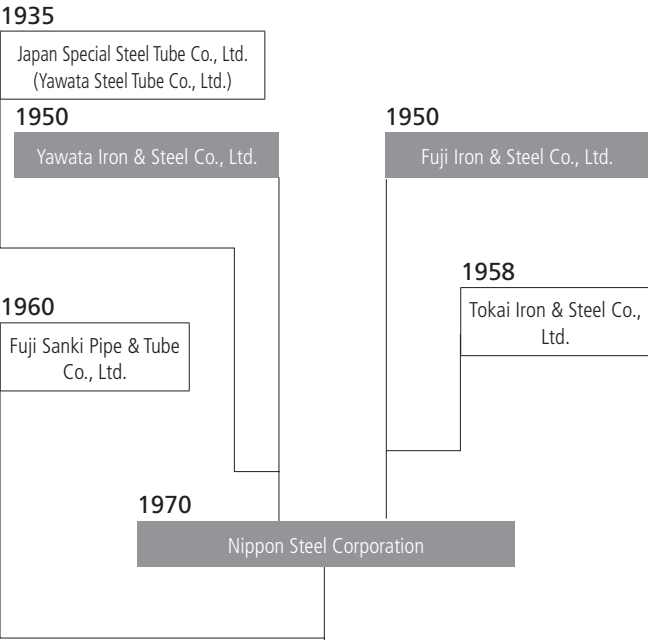
KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

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 Agreed to commence consideration of business integration with Sumitomo Metal Industries, Ltd.

The present

Investor Information

(As of March 31, 2012)

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

407,504

Ten Major Shareholders

	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd.	10.4
Sumitomo Metal Industries, Ltd.	4.2
CBHK-Korea Securities Depository	3.5
Nippon Life Insurance Company	3.3
The Master Trust Bank of Japan, Ltd.	3.2
Mizuho Corporate Bank, Ltd.	2.7
Trust & Custody Services Bank, Ltd.	2.2
Meiji Yasuda Life Insurance Company	2.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.0
SSBT ODO5 OMNIBUS ACCOUNT—TREATY CLIENTS	1.7

Listings

Tokyo Stock Exchange

Osaka Securities Exchange

Nagoya Stock Exchange

Fukuoka Stock Exchange

Sapporo Securities Exchange

Transfer Agent

Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan