Nippon Steel Corporation
Extract from 84th Term Report
April 1, 2008 to March 31, 2009

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Accompanying Documents for the 85th Annual Meeting of Shareholders

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Report of Operations
84th Term: From April 1, 2008 to March 31, 2009

1. Current Situation of the Nippon Steel Group

(1) General Review
(Progress and results of business operations and tasks ahead)

The Japanese Economy and the Steel Industry

The global economy exhibited characteristics of a simultaneous worldwide recession in fiscal 2008, as the financial crisis in the United States seemed to worsen almost daily following the insolvency of Lehman Brothers Holdings, Inc. (United States), in September last year. The repercussions appeared in the real economies around the world in the second half of the year with sharp price drops in the stock and commodities markets, fluctuating currency exchange rates, and constrained corporate capital spending and reserved private consumption.

The sense of an economic slowdown also grew in Japan as slowing export growth, ongoing sharp rises in resource prices in the first half, and other factors put pressure on corporate earnings. As the global economy slipped deeper into recession, conditions in the Japanese economy started deteriorated in the second half. Production activity quickly decelerated, capital investment receded in major industries, and companies even implemented employment adjustments.

The repercussions became increasingly evident in the steel industry in the second half with business slowing in all the key demand segments as overall steel demand evaporated more rapidly and on a wider basis than ever before.

The result was nationwide steel production volume falling an unprecedented 13.2% year on year to 105.5 million tons, marking the lowest level in seven years since reaching 102.0 million tons in Fiscal 2001 and setting a new record for the largest single-year drop and following the previous year when production was at the highest level in 34 years.

Group Management Initiatives

In the extremely severe economic conditions, the Nippon Steel Group worked to ensure a steady flow of revenue and overcome the challenges in the management environment. The Group's steelmaking and steel fabrication business and five non-steel businesses—engineering and construction, urban development, chemicals, new materials, and system solutions—all worked to respond rapidly to the changing environment and develop business operations through autonomous management initiatives in their respective fields.

・Steelmaking and Steel Fabrication

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

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

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

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

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

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

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

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

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

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

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

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

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

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

・**Engineering and Construction**

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

・**Urban Development**

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

・**Chemicals**

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

・**New Materials**

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

・**System Solutions**

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

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

Sales and Earnings

In fiscal 2008, declines in both sales and income were reported, with consolidated net sales declining ¥57.1 billion year on year, to ¥4,769.8 billion; operating profit decreasing ¥202.6 billion, to ¥342.9 billion; ordinary profit falling ¥227.9 billion, to ¥336.1 billion; and net income declining ¥199.9 billion, to ¥155.0 billion. The results were significantly affected by the steep cuts in production and shipment volumes, primarily in the fourth quarter, and the substantial increases in raw materials procurement costs.

An overview of the consolidated sales and operating profit of each business sector in fiscal 2008 follows:

(Billions of yen)

	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Elimination of intersegment transactions	Consolidated total
Net sales	4,038.6	386.6	70.1	212.1	59.9	161.5	(159.2)	4,769.8
Operating profit	307.0	24.6	3.9	0.8	(2.3)	11.4	(2.6)	342.9

On a non-consolidated basis, net sales increased ¥345.7 billion year on year, to ¥3,128.6 billion; operating profit declined ¥123.1 billion, to ¥252.9 billion; operating profit fell ¥149.4 billion, to ¥203.6 billion; and net income decreased ¥126.9 billion, to ¥108.9 billion

Assets, Liabilities, Net Assets, and Cash Flow

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

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

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

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

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

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

Dividends and Directors' Bonuses

In line with the "Surplus Distribution Policy" described below, the Company has already distributed a dividend payment for the end of the interim period of ¥5 per share at the end of the first half of fiscal 2008.

Regarding the payment of cash dividends from retained earnings, a consolidated net loss was reported in the second half of the fiscal year, but because of the serious impact of the sudden changes in the macroeconomic environment and in view of the Company's situation as regards retained earnings, with a view to paying a return to shareholders, the Company proposes payment of a year-end dividend of ¥1 per share, as a result of which the dividend for the full fiscal year will be ¥6 per share be paid (which will represent a reduction of ¥5 per share compared with the cash dividend of the previous fiscal year, and the dividend payout ratio on a consolidated basis will be 24.4% and 34.7% on a non-consolidated basis).

The Company regards that the circumstance does not permit payment of bonuses to its directors and corporate auditors to be proposed to its shareholders, and decided to cancel such bonuses for the current term.

Tasks Ahead

Although the recent economic condition has been worsening and somewhat unstable, it is expected that the world's economy will turn to growth again centering on BRICs countries, after making some structural adjustments. Global demand for iron and steel products is also expected to grow in the medium- and long-term. The Company must aim at becoming an enterprise capable of transforming the benefits of expanding demand into its own growth.

The Company has already announced its two major strategic objectives; the first is to structure the Nippon Steel Group for crude steel output of 40 million tons plus alpha through capacity expansion attained by economical and rational investments in equipment and through capital tie-ups, with the high-grade steel product field positioned as its core market. The second strategic objective is to foster self-renewal within Nippon Steel as a "global player" that actively promotes expanded local production and marketing in overseas markets while maintaining a management base rooted in competitive domestic operations. As the Company strives to achieve these strategic objectives, it may temporarily slow down its actions due to changing economic conditions, but it will continue to make every effort to actualize its plans.

Further, the Company will make thoroughgoing efforts to fulfill its legal compliance obligations and to promote environmental management through such measures as trimming energy consumption, reducing CO_2 emissions to curb global warming, and developing eco-friendly products and processes. To this end, the Nippon Steel Group aims to win the trust of its markets and society.

Fiscal 2009 Outlook

In fiscal 2009, the Company expects the worldwide economic and business conditions to continue deteriorating and the extremely severe conditions for steel demand to persist. At the same time, signs of improvement are beginning to appear, including the record high for monthly automobile unit sales in China in March this year. Some countries have also begun implementing economic stimulus measures, and governments around the world are expected to take similar steps to improve the economic conditions in their countries.

The Japanese economy is also showing some signs of revival. While the construction industry remains stagnant, indications are appearing in some areas that suggest that conditions are beginning to improve. Inventory adjustments are reaching an end in the automobile, electric machinery, and other industries, and some industries where production output levels had been reduced are starting to receive support from the continuing growth in export demand from China.

Regarding conditions in the steel industry, steel materials inventory levels started declining in January 2009, particularly inventories of the three sheet products (hot-rolled, cold-rolled, and coated sheets). However, inventory levels remain high, and the Company believes that all of the first quarter of fiscal 2009 will likely be required to return to appropriate levels. On the other hand, from the second quarter onward real demand is expected to start recovering with an accompanying rebound in production output volume supported by the progress made in inventory adjustments in the main demand segments. The economic stimulus measures undertaken in various countries are also expected to have a positive effect.

Real demand for the Company’s products is expected to continue to be sluggish in the first quarter. Production output levels are also likely to remain low as steel material inventory levels settle back to appropriate levels. Due to the progress of the renovation of the No. 1 blast furnace at the Oita Works, the blowing-in date has been rescheduled from the first half to the second half or later. These developments are expected to hold production and shipment levels to the levels recorded in the fourth quarter of fiscal 2008.

The operating conditions suggest that the very severe earnings conditions will persist in the first half of fiscal 2009. While there are some positive trends, such as declining coking coal prices, production and shipment levels are expected to remain at historically low levels while the inventory valuations and product shipment payments for raw materials bearing the high prices that contracted in the previous fiscal year continue to constrain earnings.

From the second quarter of the fiscal year onward, earnings are expected to steadily improve following the completion of the inventory adjustments in the core demand segments as well as rising production and shipment volumes in tandem with a rebound in real demand.

Management will continue to put every effort into raising product sales and minimizing costs to ensure the Company achieves a positive profit result for the fiscal year. Extensive steps will be taken to contain costs, including increasing the use of lower-priced materials and optimizing production line operations to pursue minimum-cost operations while output volume remains low, reductions in compensation of directors and postponing payment of directors’ bonuses, as well as restraining expenditures to the maximum extent possible and introducing temporary suspensions of operations.

Nippon Steel announced its performance forecast for the next term as shown below. These figures were announced together with the financial results for fiscal 2008 on April 28, 2009; since prospects of economic recovery are still uncertain, and negotiations on selling prices and raw material prices are still underway, these forecasted figures are provisional and subject to change.

Consolidated — Billions of yen

	Net sales	Operating profit	Ordinary profit	Net income
Full year	3,500.0	0	0	0
First half	1,500.0	(100.0)	(100.0)	(60.0)

Non-consolidated — Billions of yen

	Net sales	Operating profit	Ordinary profit	Net income
Full year	2,100.0	(40.0)	(50.0)	(30.0)
First half	900.0	(105.0)	(95.0)	(50.0)

Nippon Steel wishes to take this opportunity to ask its shareholders for their understanding of the aforementioned circumstances and for their continued support.

(2) Capital Procurement

Date issued	Title	Total amount issued
May 23, 2008	56th Unsecured Corporate Bonds	30 billion yen
May 23, 2008	57th Unsecured Corporate Bonds	30 billion yen
September 2, 2008	58th Unsecured Corporate Bonds	30 billion yen
September 2, 2008	59th Unsecured Corporate Bonds	10 billion yen
December 2, 2008	60th Unsecured Corporate Bonds	30 billion yen
December 2, 2008	61st Unsecured Corporate Bonds	15 billion yen

(3) Plant and Equipment Investments

Classification	Equipment
Major ongoing equipment investment during the Term	Renovation of No. 1 blast furnace at the Oita Works

(4) Transfer of Business

No matters to be reported.

(5) Change in Production, Financial Performance, Assets and Dividends

Fiscal Term	81st Term	82nd Term	83rd Term	84th Term (Term under review)
Crude steel production (million tons)	33.95	34.52	36.23	31.24
Net sales (billions of yen) (Overseas sales shown in brackets)	3,906.3 (977.3)	4,302.1 (1,166.0)	4,826.9 (1,383.7)	4,769.8 (1,377.2)
Ordinary profit (billions of yen)	547.4	597.6	564.1	336.1
Net income (billions of yen)	343.9	351.1	354.9	155.0
Total assets (billions of yen)	4,542.7	5,344.9	5,193.4	4,870.6
Net assets (billions of yen)	1,677.8	2,369.2	2,413.9	2,174.8
Net income per share	51.07 yen	54.28 yen	56.33 yen	24.60 yen
Net assets per share	252.65 yen	295.78 yen	303.33 yen	265.23 yen
Dividends per share (Interim dividends shown in brackets)	9 yen (-)	10 yen (4 yen)	11 yen (5 yen)	6 yen* (5 yen)
Ratio of cash dividends to net income: consolidated (%)	17.6	18.4	19.5	24.4*
Ratio of cash dividends to net income: non-consolidated (%)	24.5	26.0	29.4	34.7*

Notes:

(1) The figures with asterisks (*) are values on the assumption that the proposal on appropriation of surplus for the 84th Term is approved at the 85th Annual Meeting of Shareholders.

(2) Figures for crude steel production include, in addition to the Company's, production amounts of Osaka Steel Co., Ltd., Nippon Steel & Sumikin Stainless Steel Corporation, Shin-Hokkai Steel Co., Ltd., Tokai Special Steel Co., Ltd., and Oji Steel Co., Ltd., which all are subsidiaries of the Company. Production amount of Oji Steel Co., Ltd. has been included since the second half of 83rd Term.

(3) Since the 82nd Term, net assets are calculated in accordance with the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5) and the Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8).

(6) Major Business Operations (as of March 31, 2009)

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

(7) Major Plants, Research Laboratories, Domestic Sales Offices and Overseas Offices (as of March 31, 2009)

Plants	Company	Yawata Works Muroran Works Kamaishi Works Hirohata Works Nagoya Works Sakai Works Kimitsu Works Oita Works Tokyo Works Hikari Pipe and Tube Division
	Subsidiaries	Nippon Steel & Sumikin Coated Sheet Corporation: Amagasaki Works, Funabashi Works Osaka Steel Co., Ltd.: Sakai Plant Nippon Steel & Sumikin Stainless Steel Corporation: Hikari Works, Kashima Works, Yawata Works Hokkai Iron & Coke Corporation: Muroran Plant Nippon Steel Chemical Co., Ltd.: Kyushu Works, Oita Works, Kisarazu Works Nippon Micrometal Corporation: Head Office Iruma Plant The Siam United Steel (1995) Co., Ltd. in Thailand: Rayong Plant
Research Laboratories	Company	Steel Research Laboratories, Advanced Technology Research Laboratories, Environment & Process Technology Center (Located within Research and Engineering Center, Futtsu) R&D laboratories located within Steelworks (Yawata, Muroran, Hirohata, Nagoya, Kimitsu, Oita)
Domestic Sales Offices	Company	Sales Offices in Sapporo, Sendai, Niigata, Nagoya, Osaka, Hiroshima, Fukuoka
	Subsidiaries	Sales Offices in Muroran, Tokyo Chuo-ku, Yokohama, Sagamihara, Kisarazu, Kimitsu, Tokai, Osaka, Sakai, Himeji, Hikari, Fukuoka, Kitakyushu, Oita
Overseas Offices	Company	Overseas Offices in Beijing, Shanghai, Guangzhou, Bangkok, New Delhi, Düsseldorf
	Subsidiaries	Overseas Offices in Seoul, Beijing, Dalian, Shanghai, Suzhou, Guangzhou, Hangzhou, Taipei, Hai Phòng, Singapore, Bangkok, Penang, Kuala Lumpur, Manila, Batangas, London, New York, Chicago, Mexico, São Paulo, Sidney, Perth

(8) Employment Data (as of March 31, 2009)

Nippon Steel Group

Business Segment	Number of employees
Steelmaking and Steel Fabrication	37,967 [6,019]
Engineering and Construction	3,418 [566]
Urban Development	781 [496]
Chemicals	1,498 [125]
New Materials	432 [217]
System Solutions	4,675 [204]
Group employees (assigned to general operations of the Group)	1,306 [270]
Total	50,077 [7,897]

(Notes)

(1) Temporary workers are not included. Numbers of temporary workers (average number of temporary workers employed during fiscal 2008) are shown in brackets.

(2) Total number of employees increased by 1,320 compared to the end of fiscal 2007 (48,757 employees).

(3) Total number of employees is 49,400, when those who are retiring on March 31, 2009 are excluded.

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Number of employees	Average age	Average number of years employed
15,503 [2,252]	42.0 years old	22.1 years

(Notes)

(1) Temporary workers are not included. Number of temporary workers (average number of temporary workers employed during fiscal 2008) is shown in brackets.

(2) Total number of employees increased by 420 compared to the end of fiscal 2007 (15,083 employees).

(3) Employees on loan to the Company from other companies (206 employees) are not included.

(4) The Company’s employees on loan to other companies (2,143 employees) are not included.

(9) Principal Subsidiaries and Affiliates (as of March 31, 2009)

Steelmaking and Steel Fabrication

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Subsidiaries]	Million yen	%	
Nippon Steel & Sumikin Coated Sheet Corporation (Minato-ku, Tokyo)	11,019	76.7	Makes and markets galvanized sheets, prepainted galvanized sheets, coated sheets, and construction materials
Osaka Steel Co., Ltd. (Osaka)	8,769	*60.8 (Note 1)	Makes and markets billets, shapes, deformed bars, and fabricated products
Nippon Steel & Sumikin Metal Products Co., Ltd. (Koto-ku, Tokyo)	5,912	85.0	Makes and markets structural materials for buildings and civil engineering work, prepainted galvanized sheets and steelmaking fluxes, and CC powders
Nippon Steel & Sumikin Stainless Steel Corporation (Chiyoda-ku, Tokyo)	5,000	80.0	Makes and markets stainless steel
Nittetsu Steel Pipe Co., Ltd. (Kawasaki)	4,832	100.0	Makes, coats and markets steel pipes and tubes
Nippon Steel Logistics Co., Ltd. (Chuo-ku, Tokyo)	4,000	100.0	Undertakes ocean and land transportation and warehousing
Nippon Steel Shipping Co., Ltd. (Chiyoda-ku, Tokyo)	2,227	76.0	Undertakes ocean transportation
Nippon Steel and Sumikin Welding Co., Ltd. (Chuo-ku, Tokyo)	2,100	80.0	Makes and markets welding materials and apparatuses
Nippon Steel Drum Co., Ltd. (Koto-ku, Tokyo)	1,654	100.0	Makes and markets drums
Nippon Steel Blast Furnace Slag Cement Co., Ltd. (Kitakyushu)	1,500	100.0	Makes and markets cement and steelmaking slag
Nittetsu Cement Co., Ltd. (Muroran)	1,500	85.0	Makes and markets cement
Nittetsu Elex Co., Ltd. (Chuo-ku, Tokyo)	1,032	90.3	Designs and installs electrical instrumentation appratuses
Nittetsu Finance Co., Ltd. (Chiyoda-ku, Tokyo)	1,000	100.0	Engages in financing and lending operations
Nittetsu Tokai Steel Wire Co., Ltd. (Seki, Gifu Prefecture)	897	51.0	Makes and markets secondary products using bars and wire rods
Nippon Steel Transportation Co., Ltd. (Kitakyushu)	500	*100.0	Undertakes harbor and land transportation and loading and unloading operations
NS Preferred Capital Limited (British Cayman Islands)	300,000	100.0	Issues of preferred securities
The Siam United Steel (1995) Company Limited (Bangkok, Thailand)	THB 9,000 million	44.7	Makes and markets cold-rolled sheets
Siam Nippon Steel Pipe Co., Ltd. (Rayong State, Thailand)	THB 779 million	60.8	Makes and markets electric resistance-welded pipe and tubes for mechanical configurations
Nippon Steel U.S.A., Inc. (New York, U.S.A.)	US$22 million	100.0	Invests in U.S. companies and gathers information
Nippon Steel Australia Pty. Limited (Sydney, Australia)	A$21 million	100.0	Participates in mine development in Australia and gathers information

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Affiliates]			
Godo Steel, Ltd. (Osaka)	34,896	*15.0	Makes and markets shapes, rails, bars and wires
Topy Industries Ltd. (Shinagawa-ku, Tokyo)	20,983	*20.1	Makes and markets shapes, deformed bars, industrial machine parts
Sanyo Special Steel Co., Ltd. (Himeji)	20,182	*14.6	Makes and markets special steel products
Nichia Steel Works, Ltd. (Amagasaki)	10,720	22.6	Makes and markets bolts, wire products and prepainted galvanized sheets
Nippon Steel Trading Co., Ltd. (Chiyoda-ku, Tokyo)	8,750	*34.1	Buys and sells iron and steel, nonferrous metals, machinery and raw materials
Mitsui Mining Company, Limited (Note 2) (Koto-ku, Tokyo)	7,000	21.8	Markets coal; makes and markets coke
Japan Casting & Forging Corporation (Minato-ku, Tokyo)	6,000	42.0	Makes and markets casting, forgings, ingots and billets
Krosaki Harima Corporation (Kitakyushu)	5,537	42.9	Makes, markets and constructs refractories
Taihei Kogyo Co., Ltd. (Chuo-ku, Tokyo)	5,468	*37.5	Undertakes civil engineering and building construction work; makes and mounts machinery equipment; makes steel
Geostr Corporation (Bunkyo-ku, Tokyo)	3,352	*27.5	Makes and markets concrete products for civil engineering and building construction work
Daiwa Can Company (Chuo-ku, Tokyo)	2,400	33.3	Makes and markets metal, plastic and paper containers
Sanko Metal Industrial Co., Ltd. (Minato-ku, Tokyo)	1,980	*17.3	Makes, processes, installs and sells metal roofs and building materials
Suzuki Metal Industry Co., Ltd. (Chiyoda-ku, Tokyo)	1,900	34.8	Makes and markets wire products
Sanyu Co., Ltd. (Hirakata)	1,513	*34.5	Makes and markets cold-finished bars and cold-heading wire
Usinas Siderurgicas De Minas Gerais S.A. (Estado do Minas Gerais, Brazil)	R12,150 million	*23.3	Makes and markets steel products
Baosteel-NSC/Arcelor Mittal Automotive Steel Sheets Co., Ltd. (Shanghai, China)	RMB3,000 million	38.0	Makes and markets automotive steel sheets
UNIGAL Ltda. (Estado do Minas Gerais, Brazil)	R384 million	*30.0	Makes and markets galvanized sheets
Companhia Nipo-Brasileira De Pelotizacao (Estado do Espírito Santo, Brazil)	R105 million	*25.4	Makes and markets pellets
Guangzhou Pacific Tinplate Co., Ltd. (Guangzhou, China)	US$36 million	25.0	Makes and markets tinplate

Engineering and Construction

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Subsidiaries]	Million yen	%	
Nippon Steel Engineering Co., Ltd. (Chiyoda-ku, Tokyo)	15,000	100.0	Makes and markets industrial machinery and equipment and steel structures; undertakes civil engineering and building constructions work; waste and regeneration treatment business; electricity, gas, and heat supply business

Urban Development

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Subsidiaries]	Million yen	%	
Nippon Steel City Produce, Inc. (Chuo-ku, Tokyo)	6,020	100.0	Buys, sells and rents real estates

Chemicals

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Subsidiaries]	Million yen	%	
Nippon Steel Chemical Co., Ltd. (Chiyoda-ku, Tokyo)	5,000	100.0	Makes and markets coal chemicals, petrochemicals and electronic materials

New Materials

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Subsidiaries]	Million yen	%	
Nippon Steel Materials Co., Ltd. (Chiyoda-ku, Tokyo)	3,000	100.0	Makes and markets semiconductor components and materials, electronic components and materials, metal-processed products, ceramic components and materials .

System Solutions

Company (Location of head office)	Paid-in capital	Voting rights	Business content
[Subsidiaries]	Million yen	%	
NS Solutions Corporation (Chuo-ku, Tokyo)	12,952	67.0	Provides engineering and consulting services pertaining to computer systems

(Notes)
(1) Figures with asterisks (*) include shares held by subsidiaries
(2) As of April 1, 2009, Mitsui Mining Company, Limited has changed its trade name to Nippon Coke & Engineering Company, Limited.

(10) Major Lenders (as of March 31, 2009)

Lender	Funds borrowed (Billions of yen)
Mizuho Corporate Bank, Ltd.	149.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	123.7
Sumitomo Mitsui Banking Corporation	114.2
Nippon Life Insurance Company	85.1
Meiji Yasuda Life Insurance Company	82.3
The Dai-ichi Mutual Life Insurance Company	44.0
Japan Finance Corporation Japan Bank for International Cooperation	37.0
The Yamaguchi Bank, Ltd.	31.5
Sumitomo Life Insurance Company	25.2
The Sumitomo Trust and Banking Co., Ltd.	25.2

(Note) The amount borrowed from Mitsubishi UFJ Trust and Banking Corporation, which is, along with the Bank of Tokyo-Mitsubishi UFJ, Ltd., one of the wholly-owned subsidiaries of Mitsubishi UFJ Financial Group, Inc., is 18 billion yen.

(11) Surplus Distribution Policy

1) Dividends

The Company has implemented a policy to distribute profits consistent with the consolidated operating results of each fiscal year and reward shareholders with dividends, taking into account capital investment requirements aimed at raising corporate value, forecasts of future operating results and other relevant factors, and at the same time further strengthening the company's financial structure. Meanwhile, the Company has set the consolidated payout ratio at approximately 20% (non-consolidated payout ratio at approximately 30%) as an indicator for the distribution of profits in conformance with the consolidated operating results. However, because the company's first priority for the time being is to improve the corporate financial structure, a target of approximately 15-20% is in effect for the consolidated payout ratio (non-consolidated payout ratio at approximately 20-30%), which is slightly lower than the above-indicated level. Within the range of the payout ratio mentioned above, the Company will pay both interim-term and term-end dividends accordingly. Meanwhile, final determination by the Company regarding payment of the interim-term dividend will be based on the annual dividend payment policy, first-half operating results, and results forecasts for the year.

As in the past, the term-end dividend payment will be made according to the resolution of the Annual Meeting of Shareholders, and the distribution and appropriation of the profits (excluding the term-end dividend but including the interim-term dividend) will be made according to the resolution of the Board of Directors' Meeting as provided in Article 36 of the Articles of Incorporation and with the aim of securing flexibility in financial operations and other factors.

However, the year-end dividends for this fiscal year will be as described in page 7.

2) Acquisition of treasury stocks

The Company will acquire treasury stocks according to the resolution of the Board of Directors' Meeting, as provided by Article 36 of the Articles of Incorporation and with the aim of securing flexibility in financial operations. At the Board of Directors' Meeting, the acquisition of treasury stocks will be comprehensively determined after examining the needs of flexible financial operations management and after studying the effect of such an acquisition on the Company's financial structure.

(12) Other

In September 2005, the Company received a cease-and-desist recommendation from the Japan Fair Trade Commission for alleged violation of the Antimonopoly Act in relation to receipt of orders on steel bridge construction projects from the Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism and Japan Highway Public Corporation. However, there have been certain difference between the contents of the recommendation and the Company's recognition of facts, and a hearing is still ongoing .

In June 2008, the Company was ordered by the Japan Fair Trade Commission to pay surcharge for violation of the Antimonopoly Act in association with sales activities concerning steel sheet piles and steel pipe piles, and the Company paid such surcharge. In December 2008, Nippon Steel & Sumikin Coated Sheet Corporation, a subsidiary of the Company, was indicted by Tokyo District Public Prosecutor's Office for an alleged violation of the Antimonopoly Act with regard to some operations involving steel sheets, and is now undergoing administrative investigation by the Japan Fair Trade Commission.

The Nippon Steel Group takes abovementioned facts very seriously and will further strive to ensure compliance and carry out proper business activities which will be trusted by the society.

2. Overview of Shares (as of March 31, 2009)

Total number of shares authorized to be issued	9,917,077,000 shares
Total number of shares issued	6,806,980,977 shares (including 503,805,706 treasury shares)
Number of shareholders	449,500

Major shareholders

Name of shareholder	Shares held (Million shares)	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd.	680	10.0
Sumitomo Metal Industries, Ltd.	287	4.2
CBHK-Korea Securities Depository	238	3.5
Nippon Life Insurance Company	231	3.4
The Master Trust Bank of Japan, Ltd.	215	3.2
Mizuho Corporate Bank. Ltd.	182	2.7
Trust & Custody Services Bank, Ltd.	141	2.1
Meiji Yasuda Life Insurance Company	140	2.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	134	2.0
Tokio Marine & Nichido Fire Insurance Co., Ltd.	98	1.4

(Note) The percentage of ownership is calculated based on the total number of shares issued.

3. Subscription Right for New Shares(as of March 31,2009)

On November 9, 2006, the Company issued euro-yen denominated convertible bond with new share subscription rights (subordinated) (hereinafter the "CB with new share subscription rights") in the total amount of ¥300 billion to NS Preferred Capital Limited (hereinafter "NS"), wholly owned subsidiary of the Company established in British Cayman Islands. As of the end of this fiscal year, all of the CB with new share subscription rights in the amount of ¥300 billion is owned by NS.

Summary of the euro-yen denominated convertible bond with new share subscription rights

Name	Nippon Steel Corporation Euro-Yen Denominated Convertible Bond with New Share Subscription Rights (Subordinated) with Maturity in 2012
Total amount	¥300,000,000,000
Maturity date	January 20, 2012
Class of shares to be issued or transferred upon exercise of new share subscription rights	Common stock of the Company
Number of shares to be issued or transferred upon exercise of new share subscription rights	The number obtained by dividing the total amount of face value of bonds subject to exercise of new share subscription rights by the conversion price as set forth below
Conversion price	Original conversion price: ¥740
Asset to be contributed upon exercise of new share subscription rights	Bonds subject to exercise of new share subscription rights
Exercisable period of new share subscription rights	From November 9, 2006 to January 13, 2012
Redemption of new share subscription rights	The Company may redeem all or part of the CB with new share subscription rights in exchange for the perpetual subordinated debt as set forth in the guidline for the CB with new share subscription rights (hereinafter the "Guideline") by giving prior notice to the holder of the CB with new share subscription rights at least one month but no more than two months prior to January 13, 2012.
Subordinate provision	Upon commencement of liquidation proceedings or decision on commencement of bankruptcy proceedings, commencement of corporate reorganization proceedings or commencement of civil rehabilitation proceedings against the Company, the CB with new share subscription rights will be subordinated to other general credits and subject to payment (dividend) only if subordinated payment conditions set forth in the Guideline are met.
Miscellaneous	On November 9, 2006, NS issued euro-yen denominated exchangeable preferred securities with right to convert to the CB with new share subscription rights in the amount of ¥300 billion to Mizuho Corporate Bank, Ltd., Bank of Tokyo-Mitsubishi UFJ, Ltd., and Sumitomo Mitsui Banking Corporation.

4. Members of the Board of Directors and Corporate Auditors

(1) Executive officers during this term (starting from the day after the 84th Annual Meeting of Shareholders)

Title and name	Responsibilities/positions and representation of other companies, etc.
Representative Director and Chairman Akio Mimura	Representation of other companies, etc. Corporate Auditor, Nisshin Seifun Group Inc. Representative Director and President, Tekko Kaikan Co., Ltd. Director, Kyushu Oil Co., Ltd. Director and Chairman, Makuhari Messe, Inc. Director, Development Bank of Japan Inc. Chairman, Japan Institute of Logistics Systems Chairman, Japan Project Industry Council Chairman, The Overseas Coastal Area Development Institute of Japan Chairman, Nippon Steel Arts Foundation Chairman, Coastal Development Institute of Technology Chairman, Development Association for Youthworkers (D.A.Y.)
Representative Director and President Shoji Muneoka	Representation of other companies, etc. Chairman, Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. Chairman, The Japan Iron and Steel Federation Chairman, Clean Japan Center
Representative Directors and Executive Vice Presidents	
Hideaki Sekizawa	General Administration, Business Process Innovation, Labor Relations in Personnel & Labor Relations, Environmental Management Representation of other companies, etc. Director, Makuhari Messe, Inc.
Hiroshi Shima	Safety and Health in Personnel & Labor Relations, Intellectual Property, Technical Administration & Planning, Technical Cooperation, Raw Materials ; Cooperating with Executive Vice President Sekizawa on Environmental Management Representation of other companies, etc. Chairman, The Japan Ferrous Raw Materials Association Chairman, Steel Industry Foundation for the Advancement of Environmental Protection Technology Chairman, Nippon Slag Association
Kiichiroh Masuda	Corporate Planning, Accounting & Finance, Overseas Business Development, Overseas Offices
Bunyuu Futamura	Director, Technical Development Bureau Representation of other companies, etc. Representative Director and President, Marine Biotechnology Institute Representative Director and President, Research Center for the Industrial Utilization of Marine Organisms Co., Ltd. President, The Japan Research and Development Center for Metals

Title and name	Responsibilities/positions and representation of other companies, etc.
Tetsuo Imakubo	Sales Administration & Planning, Global Marketing, Project Development, Steel Product Divisions, Machinery & Materials, Shanghai-Baoshan Cold-Rolled & CGL Project, Domestic Sales Offices; Cooperating with Executive Vice President Masuda on Overseas Offices Representation of other companies, etc. Director, The Siam United Steel (1995) Company Limited Chairman, Japan Wire Products Association Chairman, Japan Steel Can Recycling Association
Managing Directors	
Kohzoh Uchida	Director, Flat Products Division and Director, Bar & Wire Rod Division; Sales Administration & Planning, Global Marketing Representation of other companies, etc. Director, Guangzhou Pacific Tinplate Co., Ltd. Director, Nippon Steel & Sumikin Coated Sheet Corporation Director, Nippon Steel & Sumikin Metal Products Co., Ltd Director, TECO Electric Machinery Co., Ltd. Director, Nichia Steel Works, Ltd. Director, Nippon Concrete Industries Co,. Ltd. Director, Oriental Shiraishi Corporation Vice-Chairman, Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.
Shinichi Taniguchi	Corporate Planning, Accounting & Finance; Cooperating with Managing Director Hirayama on Public Relations Representation of other companies, etc. Corporate Auditor, Nippon Steel Trading Co., Ltd. Corporate Auditor, Nippon Steel City Produce, Inc. Corporate Auditor, Nippon Steel Materials Co., Ltd. Corporate Auditor, Nippon Steel Chemical Co., Ltd. Corporate Auditor, Nippon Steel Engineering Co., Ltd. Director, Japan Casting & Forging Corporation
Yasuo Hamamoto	Intellectual Property, Technical Administration & Planning, Technical Cooperation; Cooperating with Executive Vice President Imakubo on Steel Product Divisions Representation of other companies, etc. Chairman, NS-Box Diaphragm Wall Association
Kizo Hirayama	Delegated General Manager, Personnel & Labor Relations Division; General Affairs, Promotion of Business Process Transformation Representation of other companies, etc. Chairman, Chuo Labor Standard Association Chairman, Japan Association of Working Environment Measurement President, Nippon Steel KENPO
Senior Corporate Auditor Junji Ohta	Representation of other companies, etc. Director, Japan Casting & Forging Corporation Director, Kyushu Oil Co., Ltd. Corporate Auditor, Nippon Steel Chemical Co., Ltd. Corporate Auditor, Nippon Steel City Produce, Inc. Corporate Auditor, Nippon Steel Engineering Co., Ltd. Corporate Auditor, Nippon Steel Materials Co., Ltd.
Corporate Auditors Tsutomu Haeno Toshihide Tanabe	

Title and name	Responsibilities/positions and representation of other companies, etc.
Corporate Auditors (Outside Auditors)	
Hisashi Tanikawa	Professor Emeritus, Seikei University Representation of other companies, etc. President, The Japanese Institute of International Business Law, Inc.
Yoichi Kaya	Professor Emeritus, The University of Tokyo Representation of other companies, etc. Corporate Autitor (Outside Corporate Auditor), Toyota Moter Corporation Director-General, Research Institute of Innovative Technology for the Earth
Shigemitsu Miki	Executive Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Representation of other companies, etc. Corporate Auditor (Outside Corporate Auditor), Tokio Marine Holdings, Inc. (formerly Millea Holdings, Inc.) Corporate Auditor (Outside Corporate Auditor), Mitsubishi Corporation Corporate Auditor (Outside Corporate Auditor), Mitsubishi Motors Corporation Director, UnionBanCal Corporation Director (Outside Director), Mitsubishi Electric Corporation
Shigeo Kifuji	Attorney, Ushijima & Partners, Attorneys-at-Law Representation of other companies, etc. Corporate Auditor (Outside Corporate Auditor), ISHII IRON WORKS CO., LTD. Corporate Auditor (Outside Corporate Auditor), Mori Building Co., Ltd. Corporate Auditor (Outside Corporate Auditor), Central Japan Railway Company

(Notes)

(1) Representative Director and Chairman Akio Mimura retired from his position as Director of Kyushu Oil Co., Ltd. on August 22, 2008.

(2) Representative Director and President Shoji Muneoka retired from his position as Chairman of Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. on July 16, 2008.

(3) Representative Director and Executive Vice President Hideaki Sekizawa retired from his position as Director of Makuhari Messe, Inc. on June 23, 2008.

(4) Marine Biotechnology Institute and Research Center for the Industrial Utilization of Marine Organisms Co., Ltd., both of which Representative Director and Executive Vice President Bunyuu Futamura had been serving as Representative Director and President, dissolved on June 2, 2008.

(5) Managing Director Kohzoh Uchida retired from his position as Director of Oriental Shiraishi Corporation on February 28, 2009.

(6) Senior Corporate Auditor Junji Ohta retired from his positions as Corporate Auditor, Nippon Steel City Produce, Inc. on June 25, 2008, Corporate Auditor, Nippon Steel Materials Co., Ltd. on June 26, 2008, Director, Japan Casting & Forging Corporation, Corporate Auditor, Nippon Steel Chemical Co., Ltd. and Corporate Auditor, Nippon Steel Engineering Co., Ltd. on June 27, 2008, and Director, Kyushu Oil Co., Ltd. on September 30, 2008

(7) Corporate Auditor (Outside Auditor) Shigemitsu Miki retired from his positions as Corporate Auditor (Outside Corporate Auditor) of Mitsubishi Corporation on June 25, 2008, and Director of UnionBanCal Corporation on December 18, 2008.

(2) Executive officers after April 1, 2009

Title and name	Responsibilities/positions
Representative Director and Chairman	
Akio Mimura	
Representative Director and President	
Shoji Muneoka	
Representative Directors and Executive Vice Presidents	
Kohzoh Uchida	Sales Administration & Planning, Global Marketing, Project Development, Steel Product Divisions, Machinery & Materials, Shanghai-Baoshan Cold-Rolled & CGL Project, Domestic Sales Offices; Cooperating with Executive Vice President Taniguchi on Overseas Offices
Shinichi Taniguchi	Corporate Planning, Accounting & Finance, Raw Materials, Overseas Business Development, Overseas Offices
Directors	
Hideaki Sekizawa	Assistant to the President
Hiroshi Shima	Assistant to the President
Kiichiroh Masuda	Assistant to the President
Bunyuu Futamura	Assistant to the President
Tetsuo Imakubo	Assistant to the President
Yasuo Hamamoto	Assistant to the President
Kizo Hirayama	Assistant to the President
Senior Corporate Auditor	
Junji Ohta	
Corporate Auditors	
Tsutomu Haeno	
Toshihide Tanabe	
Corporate Auditors (Outside Auditors)	
Hisashi Tanikawa	Professor Emeritus, Seikei University
Yoichi Kaya	Professor Emeritus, The University of Tokyo
Shigemitsu Miki	Executive Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Shigeo Kifuji	Attorney, Ushijima & Partners, Attorneys-at-Law

(3) Remuneration paid to Directors and Corporate Auditors

(Unit: yen)

Position	Number of recipients	Classification	Amount
Directors	12	Remuneration	1,254,842,500
Corporate Auditors	9	Remuneration	259,880,000
Outside Auditors	4	Remuneration	60,480,000
Total	21	Remuneration	1,514,722,500

(Note) The above number of recipients includes one Director and two Corporate Auditors who retired at the conclusion of the 84th Annual Meeting of Shareholders held on June 25, 2008.

(4) Outside Officers

Material concurrent positions held by outside officers

Such positions are shown on page 22.

Activities of the outside officers

Position	Name	Main activities
Corporate Auditor	Hisashi Tanikawa	Mr. Tanikawa attended 15 Board Meetings (out of 16 meetings held during the term) and 14 Corporate Auditors' meetings (out of 14 meetings held during the term). He has conducted hearings on business conditions of each divisions, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as a lawyer.
Corporate Auditor	Yoichi Kaya	Mr. Kaya attended 13 Board Meetings (out of 16 meetings held during the term) and 14 Corporate Auditors' meetings (out of 14 meetings held during the term). He has conducted hearings on business conditions of each divisions, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as an expert of energy and environmental engineering.
Corporate Auditor	Shigemitsu Miki	Mr. Miki attended 11 Board Meetings (out of 16 meetings held during the term) and 13 Corporate Auditors' meetings (out of 14 meetings held during the term). He has conducted hearings on business conditions of each divisions, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as a business manager.
Corporate Auditor	Shigeo Kifuji	Mr. Kifuji attended 15 Board Meetings (out of 16 meetings held during the term) and 14 Corporate Auditors' meetings (out of 14 meetings held during the term). He has conducted hearings on business conditions of each divisions, as well as visits to our major steelworks, and presented an extensive view based on his knowledge and experience as an attorney.

Liability limitation agreement

Concerning the liability prescribed in Article 423, Paragraph 1 of the Companies Act, The Company and each of the Outside Corporate Auditors have concluded a liability limitation agreement which prescribes that, provided that the outside corporate auditor acts in good faith and without gross negligence, the maximum extent of the liability shall be the greater of either 20 million yen or the amount set forth in Article 425, Paragraph 1 of the Companies Act.

Total amount of remuneration, etc.

Total amount of remuneration paid to outside officers is as shown above.

5. Certain Matters concerning Accounting Auditor

(1) Name

KPMG AZSA & Co.

(Note) Nippon Steel U.S.A., Inc. and other foreign subsidiaries of the Company are audited by audit firms other than the abovementioned audit firm.

(2) Amount of remunerations, etc. of accounting auditor

i) Amount of remunerations paid to accounting auditor	¥104,000,000
ii) The amount of remunerations payable by the Company and its subsidiaries to accounting auditor for its audit certification services	¥522,435,000
iii) Total amount of cash and other financial benefit payable by the Company and its subsidiaries to accounting auditor	¥536,317,500

(Note) With respect to i) above, the remunerations for audit services under the Companies Act and the remunerations for audit services under the Financial Instruments and Exchange Act are not clearly distinguished and it is not practically possible to distinguish them and, therefore, their total amount is shown above.

(3) Policy regarding decision on dismissal or non-reelection of accounting auditor

The Company will dismiss the accounting auditor by unanimous consents of Corporate Auditors upon occurrence of events justifying such dismissal, pursuant to laws and regulations. In addition, the Company will submit proposal to dismiss or not to reelect the Accounting Auditor to the Annual Meeting of Shareholders if any event materially interferes with continuation of the audit services occurs.

6. System to Secure Operational Fairness

The resolutions made by the Board of Directors of the Company to ensure appropriateness of its business are as follows.

Basic policy on internal control system

The Company is aiming at continuous enhancement of corporate value and wining trust of the society based on the Management Principle of Nippon Steel Group. In addition, the Company shall establish and appropriately manage internal control system as follows to comply with relevant laws and regulations and ensure credibility of financial reporting and effectiveness and efficiency of business, and shall continue to improve such system in view of further enhancement of corporate governance.

(1) System to ensure that execution of businesses by Directors complies with laws and regulations and the Articles of Incorporations.

The Board of Directors will make decisions or receive report on important matters of management in accordance with the Rules of Board of Directors and other relevant regulations.

The Directors will execute businesses and supervise business execution of employees in their own area of responsibilities in accordance with decisions made by the Board of Directors and report its status to the Board of Directors.

(2) System for the preservation and management of information in relation with business execution by Directors

Information in relation with business execution by Directors including minutes of meetings of the Board of Directors will be assigned to their respective control manager, classified their confidentiality and appropriately preserved in accordance with the regulation regarding management of information.

The Company will strive to make timely and accurate disclosure of important information of the Company including its management plan and financial information in addition to such disclosure as required by laws and regulations

(3) Rules and other systems with respect to loss-related risk management

General Manager of each division will comprehend and assess risks associated with business execution in his/her own division and take actions in accordance with regulations, etc.

With respect to functional risks such as safety and health, environment and disaster, information management, intellectual properties, quality control, credibility of financial reporting, the division in charge of management of such risks shall establish regulations, etc. from entire corporate perspective and inform them to each division, and comprehend and assess status of risk management at each division through monitoring, etc. and provide supervision and advice to the division. In addition, it will report important matters to the Corporate Policy Committee and Board of Directors.

Upon occurrence of unexpected event which may cause critical impact on the management of the Company, the Crisis Management Team shall be convened immediately to take necessary actions to minimize its damage and impact, etc.

(4) System to ensure efficiency in business execution by Directors

The Board of Directors will make decision on execution of management plan and business strategies as well as important individual execution items such as investment in plants and equipments, other investment and financing, etc, after deliberation by Companywide committees for each area such as ordinary budget, plant and equipment investment budget, investment and financing, technology development, etc. and the Corporate Policy Committee.

Business execution based on decisions by Board of Directors shall be carried out by Representative Directors, Directors and General Managers of respective division. Regulations on organization and business will clarify authorities and responsibilities of General Managers of each division and set forth necessary business procedures.

(5) System to ensure that execution of businesses by employees complies with laws and regulations and the Articles of Incorporations

Each division will autonomously manage the internal control system of the Company under responsibility of General Manager of each division. General Administration Division will plan and advance establishment and management of company-wide internal control system.

General Manager of each division will ensure thorough compliance with laws and regulations and internal rules by his/her division and Group Companies under his/her responsibility and strive to prevent violation of laws and regulation in executing businesses, and report to General Administration Division in case he/she becomes aware of any act or fact which may be a violation of laws and regulations.

Corporate Risk Management Division established in General Administration Division will comprehend and assess status of compliance with laws and regulations and internal rules at each division in accordance with Basic Rules for Internal Controls, and take necessary action to prevent violation of laws and regulations and internal rules, etc. In addition, it will report these matters to Risk Management Committee chaired by executive vice president in charge of general administration and also report important matters to Corporate Policy Committee and Board of Directors.

Employees are obligated to comply with laws and regulations and to perform their duties properly. Employees violated laws and regulations, etc. will be submitted to disciplinary action under the Rules of Employment.

Internal reporting structures will be set up and managed to handle consultations and reports relating to risks in business execution from employees and their families, temporary staff, contracted staff, etc.

Education system for employees will be established and enhanced including holding regular training courses for compliance with laws and regulations and internal rules as well as preparing and distributing manuals, etc.

(6) System to ensure fairness of operation in our corporate group consists of the Company and its subsidiaries

The Company and the Group Companies will share business strategy and be managed as one while appreciating business characteristics of each company based on Management Principle of Nippon Steel Group and Code of Conduct of Nippon Steel Group. Directors, General Managers of each division of the Company and Presidents of Group Companies will familiarize employees with business management policies, etc.

With respect to control of the Group Companies, basic rules will be set forth in the Regulation on Control of Group Companies and their proper application will be ensured. Internal control system of each Group Company will be autonomously established and managed under the responsibilities of President of each Group Company. The responsible division in a Group Company will comprehend status of internal control and require necessary corrections. Each Group Company will have a manager in charge of risk management who will share information, etc, with the Company and other Group Companies and enhance measures relating to internal control.

Corporate Risk Management Division will cooperate with each risk management division to comprehend and assess status of risk management in the entire Group Companies and provide supervision and advice to each Group Company and each division in charge.

(7) Matters concerning audit by Corporate Auditors

Directors and employees shall make timely and appropriate report to Corporate Auditors and the Board of Corporate Auditors with respect to important matters such as status of business execution and facts that may cause critical impact on the management, etc.

Directors will share information and enhance communication with Corporate Auditors at the meetings of Board of Directors, Corporate Policy Committees and Risk Management Committees, etc, with respect to important matters of management such as status of operation of internal control system.

General Administration Division will cooperate with Auditors through exchange of opinion with respect to important matters of management regularly or upon necessity. It will also report to Auditors regarding status of operation of internal reporting structures.

Secretariat for Auditors shall be set up and staff members shall be assigned to support Auditors' duties, In order to ensure independence of the staff members, such staff members will be assigned on full time bases and perform duties related to audit activities under supervision of Corporate Auditors. For changes or evaluations of the staff members, the Personnel Division is required to discuss them with Corporate Auditors.

7. Basic Policy regarding the Control of the Company

Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company

The Nippon Steel Group, with steel business as its core business, is aiming at improving corporate value and common interest of shareholders by improving competitiveness and profitability of the Group through planning and implementation of concrete management strategies based on its management principle to contribute to development of industry and well-being of people thorough creation and provision of rich value.

The Company has decided to take necessary action to prevent disturbance of such management principle and management strategies by large-scale acquisition of the Company's shares, etc, which may result in damage to the common interests of the shareholders. In the event a proposal for such large-scale acquisition of the Company's shares, etc. (Takeover Proposal) is made, we believe that final decision as to whether or not to accept the proposal should be made by the shareholders at the time the Takeover Proposal is made, and therefore we have decided to establish necessary rules and procedures to ensure all shareholders shall be able to make appropriate decision based on necessary information and appropriate period of time to consider such proposal.

Efforts to Keep the Control over Decision-Making on Financial and Business Polycies out of the Hands of Inapporopriate of the Plan

[Adoption of the Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measure)]

The Company resolved at the meeting of its Board of Directors held in March, 2006 to adopt the Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measure), the "Fair Rules," describing clear and concrete procedures to be followed by a person or an entity who attempts the takeover before commencing actual action of the takeover, and filed a shelf registration statement in connection with the new share subscription rights based on the Fair Rules. Purposes of the Fair Rules are to enable the shareholders to make an informed judgment (a judgment based on necessary information and appropriate period for consideration) as to whether to accept a Takeover Proposal, as well as to prevent large-scale acquisition of the Company's shares, etc., with vicious intent which would be detrimental to corporate value and the common interests of shareholders, by requiring the acquirer to provide the Board of Directors of the Company with sufficient information and a reasonable time period to permit the Board to consider the Takeover Proposal including consideration on alternatives.

The Fair Rules are designed to enable the shareholders at that time to make judgment directly as to whether or not issue the new share subscription rights by way of gratis allotment as the countermeasure to takeover in the event there is a person or an entity who intends to acquire 15% or more of the Company's share, etc (the Bidder) and if the Bidder's Takeover Proposal satisfies requirements (necessary information and appropriate consideration period) set forth in the Fair Rules. New share subscription rights by the way of gratis allotment may be issued only if (i) the Bidder ignores the procedure set forth in the Fair Rules, (ii) the Bidder falls under one of four categories which have been designated to cause irreparable damage or loss to a company in the ruling of the Japanese courts and it is determined that the Takeover Proposal is likely to cause apparent damage to the common interests of the shareholders (based on advices of law firms and investment banks of international reputation), or (iii) the shareholders approve the issuance of new share subscription rights by the way of gratis allotment.

After the adoption of the Fair Rules in March 2006, the Company at the meeting of its Board of Directors in March 2008 and March 2009, resolved revisions to the Fair Rules for the purposes of compliance to the amendment in relevant laws and regulations, clarification of purpose and wording of provisions, and enhancement of shareholders' rights, etc, and announced detail of each revision.

The past announcements regarding the Fair Rules are posted on the Company's website.

Judgment of Board of Directors on the measures above and ground for such judgment

The Fair Rules set forth the rules and procedures that enable the shareholders to make judgment as to whether or not the countermeasure (issuance of new share subscription rights by the way of gratis allotment) to the Takeover Proposal should be taken based on necessary information and appropriate period of consideration. The Fair Rules are designed to improve value of the Company as well as the common interests of the shareholders by leaving ultimate judgment as to whether or not to accept the Takeover Proposal to the shareholders of the Company and, therefore, it should not impair the common interests of shareholders of the Company or it is not intended to pursue protecting current management of the Company. In view of the above, the Board of Directors of the Company judges that the Fair Rules are in accordance with the abovementioned Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company.

(Note) With respect to figures expressing amount of money in this Business Report, the amount less than unit are truncated.

Consolidated Balance Sheets (attached below)
Consolidated Statements of Income (attached below)
Consolidated Statements of Changes in Net Assets(attached below)
Consolidated Statements of Cash Flows (attached below)
Consolidated Segment Information (attached below)
Non-Consolidated Balance Sheets (attached below)
Non-Consolidated Statements of Income (attached below)
Non-Consolidated Statements of Changes in Net Assets (attached below)
Notes to Consolidated Financial Statements (attached below)
Notes to Non-Consolidated Financial Statements (attached below)

Report of Accounting Auditor on Consolidated Financial Statements (attached below)
Report of Accounting Auditor on Non-Consolidated Financial Statements (attached below)
Report of Board of Corporate Auditors on Business Report and other issues, Consolidated Financial Statements and Non-Consolidated Financial Statements (attached below)

Shareholder Reference Information (omitted)
Nippon Steel Group's Guiding Principles (attached below)

Consolidated Finacial Statements

(1) Consolidated Balance Sheets

		Millions of yen
ASSETS	**March 31, 2009**	March 31, 2008
Current assets :		
Cash and bank deposits	**124,007**	159,455
Notes and accounts receivable	**471,745**	516,858
Marketable securities	**13,038**	9,015
Inventories	**1,021,543**	867,157
Deferred tax assets	**91,532**	65,592
Other	**164,131**	142,031
Less: Allowance for doubtful accounts	**(5,442)**	(7,685)
Total current assets	**1,880,556**	1,752,424
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	**463,986**	468,315
Machinery and equipment	**922,357**	959,955
Land	**330,784**	319,651
Lease assets	**9,436**	-
Construction in progress	**93,265**	76,801
	1,819,830	1,824,724
Intangible fixed assets		
Patents and utility rights	**12,133**	17,979
Software	**1,504**	1,580
Goodwill	**5,946**	3,543
Lease assets	**464**	-
	20,050	23,103
Investments and others :		
Investments in securities	**957,392**	1,396,521
Deferred tax assets	**52,731**	31,832
Other	**145,668**	170,004
Less: Allowance for doubtful accounts	**(5,549)**	(5,112)
	1,150,243	1,593,245
Total fixed assets	**2,990,124**	3,441,074
Total assets	**4,870,680**	5,193,498

LIABILITIES	March 31, 2009	March 31, 2008
		Millions of yen
Current liabilities :		
Notes and accounts payable	**476,571**	619,974
Short-term loans and portion of long-term loans due within one year	**342,545**	272,009
Commercial paper	**148,000**	135,000
Bonds due within one year	**43,250**	95,300
Current portion of lease liability	**3,019**	-
Accrued expenses	**236,604**	226,872
Allowance for losses on construction contracts	**4,666**	3,384
Provision for environmental remediaton	**-**	5,402
Other	**271,698**	364,003
Total current liabilities	**1,526,354**	1,721,947
Long-term liabilities :		
Bonds and notes	**324,967**	223,274
Long-term loans	**585,446**	466,433
Lease liability(excluding current portion)	**6,966**	-
Deferred tax liabilities	**35,450**	160,099
Accrued pension and severance costs	**136,380**	125,536
Allowance for retirement benefits of directors and corporate auditors	**4,400**	4,191
Reserve for repairs to blast furnaces	**37,013**	39,230
Other	**38,891**	38,830
Total long-term liabilities	**1,169,517**	1,057,596
Total liabilities	**2,695,871**	2,779,543
NET ASSETS		
Shareholders' equity :		
Common stock	**419,524**	419,524
Capital surplus	**114,333**	114,364
Retained earnings	**1,458,622**	1,377,823
Less: Treasury stock, at cost	**(262,152)**	(261,272)
	1,730,328	1,650,440
Valuation and transaction adjustments:		
Unrealized gains on available-for-sale securities	**22,665**	234,673
Deferred hedge income (loss)	**(1,149)**	(1,508)
Unrealized gains on revaluation of land	**11,187**	11,247
Foreign currency translation adjustments	**(94,348)**	13,923
	(61,645)	258,336
Minority interest in consolidated subsidiaries	**506,126**	505,176
Total net assets	**2,174,809**	2,413,954
Total liabilities and net assets	**4,870,680**	5,193,498

(2) Consolidated Statements of Income

Millions of yen

	Fiscal 2008	Fiscal 2007
Operating revenues :		
Net sales	**4,769,821**	4,826,974
Cost of sales	**4,105,778**	3,952,976
Gross margin	**664,042**	873,997
Selling, general and administrative expenses	**321,112**	328,417
Operating profit	**342,930**	545,580
Non-operating profit and loss :		
Non-operating profit :		
Interest and dividend income	**25,085**	24,555
Equity in net income of unconsolidated subsidiaries and affiliates	**58,876**	52,507
Other	**24,090**	27,456
	108,051	104,519
Non-operating loss :		
Interest expenses	**19,813**	17,773
Other	**95,029**	68,207
	114,842	85,980
Ordinary profit	**336,140**	564,119
Special profit :		
Gain on sales of tangible fixed assets	**13,342**	41,366
	13,342	41,366
Special loss :		
Loss on valuation of investments in securities	**68,402**	-
	68,402	-
Income before income taxes and minority interest	**281,079**	605,485
Income taxes - current	**145,113**	201,330
Income taxes - deferred	**(31,753)**	22,164
Minority interest in net income of consolidated subsidiaries	**12,641**	27,001
Net income	**155,077**	354,989

(3) Consolidated Statements of Changes in Net Assets

Millions of yen

	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
Balance at March 31, 2008	**419,524**	**114,364**	**1,377,823**	**(261,272)**	**234,673**	**(1,508)**	**11,247**	**13,923**	**505,176**
Cash dividends			(69,335)						
Net income for fiscal year 2008			155,077						
Acquisition of treasury stock				(1,269)					
Disposal of treasury stock		(30)		211					
Decrease due to the change in the number of consolidated companies			(5,003)	177					
Reversal of unrealized gains on revaluation of land			59						
Other change for fiscal year 2008(net)					(212,008)	358	(59)	(108,272)	949
Total change for this fiscal year 2008	-	(30)	80,798	(880)	(212,008)	358	(59)	(108,272)	949
Balance at March 31, 2009	**419,524**	**114,333**	**1,458,622**	**(262,152)**	**22,665**	**(1,149)**	**11,187**	**(94,348)**	**506,126**

Millions of yen

	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
Balance at March 31, 2007	**419,524**	**111,693**	**1,087,908**	**(170,563)**	**438,056**	**300**	**9,922**	**(3,958)**	**476,344**
Cash dividends			(69,966)						
Net income for fiscal year 2007			354,989						
Acquisition of treasury stock				(94,516)					
Disposal of treasury stock		2,671		4,369					
Increase due to the change in the number of consolidated companies			5,533	(561)					
Reversal of unrealized gains on revaluation of land			(640)						
Other change for fiscal year 2007(net)					(203,382)	(1,809)	1,325	17,882	28,832
Total change for this fiscal year 2007	-	2,671	289,915	(90,709)	(203,382)	(1,809)	1,325	17,882	28,832
Balance at March 31, 2008	**419,524**	**114,364**	**1,377,823**	**(261,272)**	**234,673**	**(1,508)**	**11,247**	**13,923**	**505,176**

(4) Consolidated Statements of Cash-Flows

Millions of yen

	Fiscal 2008	Fiscal 2007
Cash flows from operating activities :		
Income before income taxes and minority interests	**281,079**	605,485
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation and amortization	**273,744**	244,038
Interest and dividend income (accrual basis)	**(25,085)**	(24,555)
Interest expense (accrual basis)	**19,813**	17,773
Exchange loss(gain) on foreign currency transactions	**3,487**	10,111
Amortization of goodwill	**1,103**	3,007
Equity in net (income) loss of unconsolidated subsidiaries and affiliates	**(58,876)**	(52,507)
Loss (gain) on sales of investments in securities	**(3,368)**	114
Loss on valuation of investments in securities	**68,402**	-
Loss on disposal of tangible and intangible fixed assets	**11,781**	8,070
Gain on sales of tangible and intangible fixed assets	**(13,342)**	(41,366)
Changes in allowance for doubtful accounts	**(1,850)**	(5,283)
Changes in notes and accounts receivable	**37,598**	63,953
Changes in inventories	**(171,535)**	(80,119)
Changes in notes and accounts payable	**(127,389)**	43,008
Other	**17,818**	(53,836)
Interest and dividend income (cash basis)	**39,330**	34,520
Interest expense (cash basis)	**(19,511)**	(17,435)
Income taxes (cash basis)	**(205,660)**	(229,203)
Net cash provided by operating activities	**127,540**	525,777
Cash flows from investing activities :		
Acquisition of investments in securities	**(73,520)**	(195,554)
Proceeds from sales of investments in securities	**39,664**	6,959
Acquisition of tangible and intangible fixed assets	**(295,584)**	(297,890)
Proceeds from sales of tangible and intangible fixed assets	**16,761**	58,444
Other	**6,074**	(10,080)
Net cash used in investing activities	**(306,603)**	(438,121)
Cash flows from financing activities :		
Net increase (decrease) in short-term loans	**95,229**	(28,492)
Net increase (decrease) in commercial paper	**13,000**	(28,000)
Proceeds from long-term loans	**185,119**	181,550
Payments of long-term loans	**(85,159)**	(183,509)
Proceeds from bonds and notes	**144,448**	79,707
Redemption of bonds and notes	**(95,324)**	(43,074)
Payments for purchase of treasury stock	**(178)**	(93,430)
Cash dividends	**(69,335)**	(69,966)
Other	**(17,590)**	(15,388)
Net cash provided by (used in) financing activities	**170,209**	(200,604)
Effect of exchange rate changes on cash and cash equivalents	**(23,069)**	(8,868)
Net increase in cash and cash equivalents	**(31,923)**	(121,817)
Cash and cash equivalents at beginning of the year	**160,313**	282,766
Increase (decrease) from the change in the number of companies consolidated	**-**	(635)
Cash and cash equivalents at end of year	**128,390**	160,313

(5) Consolidated Segment Information

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

Millions of yen

	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Total	Elimination of intersegment transactions	Consolidated total
Sales	4,038,685	386,643	70,152	212,172	59,907	161,541	4,929,103	(159,281)	4,769,821
Operating profit	307,047	24,674	3,929	894	△ 2,397	11,479	345,627	(2,696)	342,930
Total assets	4,183,826	298,053	224,247	136,185	30,441	128,082	5,000,836	(130,155)	4,870,680
Depreciation	256,085	3,235	2,279	9,192	2,848	1,833	275,475	(1,730)	273,744
Capital expenditure	283,653	6,011	8,512	8,470	1,649	1,645	309,942	(4,204)	305,738

Fiscal 2007 (April 1, 2007 to March 31, 2008)

Millions of yen

	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Total	Elimination of intersegment transactions	Consolidated total
Sales	3,994,526	359,884	93,839	289,029	76,157	165,360	4,978,797	(151,823)	4,826,974
Operating profit	475,951	21,496	12,602	21,050	559	14,756	546,416	(835)	545,580
Total assets	4,504,623	296,913	189,718	187,863	41,530	121,289	5,341,938	(148,440)	5,193,498
Depreciation	225,799	3,405	2,337	9,729	2,090	1,855	245,218	(1,179)	244,038
Capital expenditure	296,384	5,582	296	5,535	6,126	1,839	315,764	(6,770)	308,993

Non-Consolidated Finacial Statements

(1) Non-Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2009	March 31, 2008
Current assets :		
Cash and bank deposits	**31,356**	49,262
Notes and accounts receivable	**122,807**	129,428
Inventories	**669,220**	483,527
Deferred tax assets	**42,000**	31,500
Other	**91,100**	87,550
Less: Allowance for doubtful accounts	**(7,269)**	(8,802)
Total current assets	**949,215**	772,467
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	**299,829**	293,512
Machinery and equipment	**700,007**	703,636
Land	**183,785**	189,226
Lease assets	**1,915**	-
Construction in progress	**76,388**	62,210
	1,261,927	1,248,585
Intangible fixed assets :		
Patents and utility rights	**558**	572
Software	**178**	181
Lease assets	**46**	-
	783	754
Investments and others :		
Investments in securities	**508,282**	914,592
Investments in subsidiaries and affiliates	**552,387**	493,270
Other	**104,153**	120,988
Less: Allowance for doubtful accounts	**(2,740)**	(2,159)
	1,162,083	1,526,691
Total fixed assets	**2,424,794**	2,776,031
Total assets	**3,374,010**	3,548,498

LIABILITIES	March 31, 2009	March 31, 2008
		Millions of yen
Current liabilities :		
Notes and accounts payable	**162,402**	224,037
Short-term loans and portion of long-term loans due within one year	**249,593**	194,301
Commercial paper	**146,000**	133,000
Bonds due within one year	**40,000**	85,000
Current portion of lease liability	**761**	-
Accrued expenses	**217,714**	214,843
Allowance for bonus of directors and corporate auditors	**-**	210
Provision for environmental remediation	**-**	5,315
Other	**124,283**	188,146
Total current liabilities	**940,754**	1,044,853
Long-term liabilities :		
Bonds and notes	**324,951**	219,984
Convertible bonds	**300,000**	300,000
Long-term loans	**481,246**	362,679
Lease liability(excluding current portion)	**1,301**	-
Deferred tax liabilities	**-**	142,900
Accrued pension and severance costs	**66,297**	56,032
Reserve for repairs to blast furnaces	**36,572**	38,521
Other	**14,051**	14,319
Total long-term liabilities	**1,224,420**	1,134,438
Total liabilities	**2,165,175**	2,179,291
NET ASSETS		
Shareholders'equity :		
Common stock	**419,524**	419,524
Capital surplus	**114,104**	114,145
Retained earnings :		
Special tax purpose reserve	**91,569**	90,435
Accumlated earnings carried forward	**826,096**	794,060
	917,665	884,495
Treasury stock, at cost	**(257,934)**	(257,888)
	1,193,360	1,160,277
Valuation and translation adjustments :		
Unrealized gains on available-for-sale securities	**15,053**	210,275
Deferred hedge income (loss)	**420**	(1,345)
	15,474	208,929
Total net assets	**1,208,835**	1,369,206
Total liabilities and net assets	**3,374,010**	3,548,498

(2) Non-Consolidated Statements of Income

Millions of yen

	Fiscal 2008	Fiscal 2007
Operating revenues :		
Net sales	**3,128,694**	2,782,944
Cost of sales	**2,713,934**	2,243,326
Gross margin	**414,759**	539,617
Selling, general and administrative expenses	**161,794**	163,488
Operating profit	**252,965**	376,128
Non-operating profit and loss :		
Non-operating profit :		
Interest and dividend income	**31,826**	27,758
Other	**11,212**	18,066
	43,039	45,825
Non-operating loss :		
Interest expenses	**21,738**	19,185
Other	**70,603**	49,623
	92,342	68,808
Ordinary profit	**203,661**	353,144
Special profit and loss :		
Special profit :		
Gain on sales of tangible fixed assets	**11,877**	29,174
Gain on sales of investments in securities and investments in subsidiaries and affiliates	**17,709**	-
	29,586	29,174
Special loss :		
Loss on valuation of investments in securities	**66,462**	-
	66,462	-
Income before income taxes	**166,786**	382,319
Income taxes - current	**80,400**	128,100
Income taxes - deferred	**(22,600)**	18,321
Net income	**108,986**	235,897

(3) Non-Consolidated Statements of Changes in Net Assets

Millions of yen

	Common stock	Capital surplus	Special tax purpose resereve	Accumlated earnings carried forward	Treasury stock, at cost	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)
Balance at March 31, 2008	**419,524**	**114,145**	**90,435**	**794,060**	**(257,888)**	**210,275**	**(1,345)**
Withdrawal of special tax purpose reserve			(9,986)	9,986			
Reserve of special tax purpose reserve			11,120	(11,120)			
Cash dividends				(69,335)			
Net income for fiscal year 2008				108,986			
Acquisition of treasury stock					(178)		
Disposal of treasury stock		(40)			133		
Net change due to demerger				(6,480)			
Other change for fiscal year 2008(net)						(195,221)	1,766
Total change for fiscal year 2008	-	(40)	1,134	32,035	(45)	(195,221)	1,766
Balance at March 31, 2009	**419,524**	**114,104**	**91,569**	**826,096**	**(257,934)**	**15,053**	**420**

Millions of yen

	Common stock	Capital surplus	Special tax purpose resereve	Accumlated earnings carried forward	Treasury stock, at cost	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)
Balance at March 31, 2007	**419,524**	**111,564**	**81,591**	**636,973**	**(168,261)**	**393,813**	**(309)**
Withdrawal of special tax purpose reserve			(8,233)	8,233			
Reserve of special tax purpose reserve			17,076	(17,076)			
Cash dividends				(69,966)			
Net income for fiscal year 2007				235,897			
Acquisition of treasury stock					(93,430)		
Disposal of treasury stock		2,580			3,802		
Other change for fiscal year 2007(net)						(183,538)	(1,036)
Total change for fiscal year 2007		2,580	8,843	157,087	(89,627)	(183,538)	(1,036)
Balance at March 31, 2008	**419,524**	**114,145**	**90,435**	**794,060**	**(257,888)**	**210,275**	**(1,345)**

Notes to the Consolidated Financial Statements

I. Significant Accounting Policies for Consolidated Financial Statements

1. Scope of Consolidation

(1) Consolidated subsidiaries

Number of consolidated subsidiaries 251 companies

Principal consolidated subsidiaries are presented in "1. Group status (9) Status of principal subsidiaries"

11 companies were newly consolidated during the fiscal year under review. 14 companies were removed from the scope of consolidation; 7 were merged and 7 were liquidated or otherwise dissolved.

(2) Fiscal Year of Consolidated Subsidiaries

The balance sheet dates for the fiscal year-ends at Nippon Steel U.S.A., Inc., and other consolidated subsidiaries are variably December 31, January 31, and February 28. Significant business events that occur between those dates and the March 31 consolidated fiscal year-end are accordingly presented as occurring within the applicable consolidated fiscal year.

2. Application of Equity Method

Affiliates accounted for by the equity method: 73 companies

Principal companies are presented in "1. Group status (9) Status of principal affiliates"

During the fiscal year under review, 4 companies were added as equity-method affiliates and 3 companies were removed as equity-method affiliates.

3. Accounting Standards

(1) Basis and Method of Evaluation of Significant Assets

① Marketable securities

? Held-to-maturity debt securities: Amortized cost method (straight-line method)

? Other securities:

Securities with market quotations: Stated at market value as of the balance sheet date.

(Net unrealized gains or losses are comprehensively included in net assets, and the cost of securities sold is determined by the moving-average method.)

Securities without market quotations: Stated at cost determined by the moving-average method.

② 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.)

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

As a result of this change, in the fiscal year under review, the gross margin and operating profit were both ¥55,432 million lower and ordinary profit and income before income taxes and minority interests were both ¥57,500 million lower than they would have been prior to the change.

(2) Depreciation Methods for Material Depreciable Assets

① Tangible fixed assets (excluding lease assets)
Depreciation of tangible fixed assets is mainly calculated using the declining-balance method.

However, the straight-line method is used for buildings acquired on or after April 1, 1998 (excluding structures attached to pre-existing buildings).

Useful lives of tangible fixed assets are generally as follows:
• Buildings and structures: 3-60 years
• Machinery and equipment: 3-20 years

(Additional information)
Beginning with the fiscal year under review, the Company and its domestic consolidated subsidiaries have reviewed the useful lives of their tangible fixed assets accompanying revisions in the Japanese Corporate Tax Law.

In the consolidated fiscal year under review, compared to the previously used computation method, these changes resulted in an increase in depreciation and amortization of ¥12,044 million and decreases in the gross margin of ¥11,163 million, operating profit of ¥11,192 million, and ordinary profit and income before income taxes and minority interest of ¥11,802 million.

② Intangible Fixed Assets (excluding lease assets)
Amortization of intangible fixed assets is calculated using the straight-line method.
Regarding finished software products purchased from the market and software leased to external entities based on contracts involving usage fees, etc., this software is amortized using the straight-line method over the internally applied usage period (five years).

③ Lease Assets
Assets concerning finance leases in which ownership is not transferred to the lessee

These assets 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.

Finance lease contracts for finance leases in which ownership is not transferred to the lessee have been accounted for in accordance with methods used for standard lease and rental contracts. Beginning with the fiscal year under review, the methods of accounting for these contracts have been revised in accordance with the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16).

The effect of these changes on the consolidated financial statements for the year under review was not material.

(3) Accounting Basis for Significant Reserves and Allowances
① Allowance for Doubtful Accounts
To provide for potential losses on doubtful accounts, the allowance for doubtful accounts is computed based on the historical experienced default ratio for non-specific receivables as well as based on the estimated irrecoverable portion of specific doubtful receivables calculated individually.

② Allowance for Losses on Construction Contracts

To provide for potential losses associated with construction contracts in the future, an allowance is computed for potential losses related to construction contracts not completed at the end of the consolidated fiscal year under review.

③ Accrued pension and severance costs

To provide for employee retirement benefits, an allowance is computed based on projections of retirement benefit obligations and the pension fund assets made at the end of the fiscal year. Prior service cost is being amortized by the straight-line method over periods (up to 10 years for the parent company and 1-15 years for consolidated subsidiaries), which are shorter than the average remaining years of service of the employees. Actuarial differences arising from utilizing average estimated remaining periods of employment (up to 10 years for the parent company and 1-15 years for consolidated subsidiaries) that are shorter than the average remaining years of service of the employees are principally amortized using the straight-line method beginning from the consolidated fiscal year following the time of occurrence.

④ Allowance for retirement benefits of directors and corporate auditors

The allowance for retirement benefits of directors and corporate auditors is calculated based on internal rules for the projected amount to be paid at term-end.

⑤ Reserve for Repairs to Blast Furnaces

Reserves are maintained in anticipation of significant periodic overhauls and repairs to blast furnaces, hot blast stoves, and ships and vessels. Reserve amounts are determined based on historical costs for similar activities.

(4) Other Material Items for Preparing the Consolidated Financial Statements

① Basis for the Accounting of Income

Long-term, large-scale projects (with scheduled completion periods of 12 months or longer or with contract amounts of ¥1.0 billion or higher) are calculated using the percentage-of-completion method. The completed contract method is applied to other projects.

In the fiscal year under review, ¥187,248 million of completed contracts was accounted for using the percentage-of-completion method.

② Important Assets and Liabilities in Foreign Currencies and Foreign Currency Translation

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

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

As a result of this change, net sales were ¥36,524 million higher, the gross margin was ¥10,010 million higher, operating profit was ¥8,666 million higher, and ordinary profit and income before income taxes and minority interests were both ¥26,292 million higher than they would have been prior to the change.

③ Hedge Accounting

1) Method of Hedge Accounting

The Company uses deferred hedge accounting. With respect to items meeting in-house requirements, deferred hedge accounting is applied to forward exchange contracts associated with foreign currency-denominated transactions and foreign currency monetary assets and liabilities. Exceptional accounting is applied to interest swaps that meet the requirements for exceptional treatment.

2) Hedge Instruments and Hedge Items

• Forward exchange contracts: Foreign currency-denominated transactions, foreign currency monetary assets and liabilities, and planned transactions

• Interest swaps: Loans and bonds

3) Hedging Policy

The Company utilizes derivative financial instruments to hedge interest rate and currency rate fluctuation risks based on internal derivative management rules. These rules limit derivative transactions (including planned transactions) to those conducted as a part of actual business activities (to hedge risks associated with actual business transactions), and the Company has a policy of completely refraining from undertaking derivative transactions for trading purposes (to seek profits from the buying and selling of derivative instruments). In general, consolidated subsidiaries also follow this policy.

4) Method of Assessing Hedging Effectiveness

The Company evaluates the effectiveness of hedging activities on a half-yearly basis by comparing cumulative cash flow changes or market fluctuations related to hedging targets with the cumulative cash flow changes or market fluctuations related to hedging methods. The Company does not evaluate the effectiveness of forward exchange contracts to which deferred hedge accounting is applied and interest swaps to which exceptional accounting is applied.

④ Accounting for Consumption Taxes

The accounting treatment used with respect to consumption tax and local consumption taxes is mainly the tax-excluded method.

4. Valuation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries are valued using the full market value method.

5. Amortization of goodwill

Goodwill assets and liabilities are amortized using the straight-line method over the period, where it is possible to estimate such a period, for which the excess cost is expected to have an effect on the consolidated balance sheets. Otherwise, the excess cost is amortized over five years.

6. Changes to important items regarding preparation of the consolidated financial statements

The “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18) has been applied beginning with the fiscal year under review.

As a result, this change had no effect on the consolidated financial statements for the fiscal year under review.

II. Notes to the Consolidated Balance Sheets

1. Mortgaged Assets and Liabilities

Category of assets	Amount (Millions of yen)	Category of liabilities	Amount (Millions of yen)
Cash and bank deposits	265	Short-term loans	2,070
Notes and accounts receivable	28	Long-term loans	21,862
Other(Current assets)	4,125	(Including the portion of loans due within one year)	
Buildings and structures	9,886	Other	245
Machinery and equipment	8,563		
Land	7,836		
Long-term loans receivable	9,075		
Total	39,783	Total	24,178

In addition, the above liabilities include ¥962 million in loans of consolidated subsidiaries for which the Company has provided ¥240 million in long-term loans (assets) as collateral. Further, the Company has provided ¥1,286 million of shares of stock of affiliated companies, etc., to serve as collateral for the loans of affiliates.

2. Inventories

Goods and finished products (including semi-finished products)	¥454,841 million
Work in process	¥65,576 million
Raw materials and supplies	¥501,125 million

3. Accumulated depreciation of tangible fixed assets ¥5,392,755 million

4. Contingent Liabilities

The Company guarantees loans from financial institutions and other sources held by other companies.

(1) Loan guarantee liabilities

	(Outstanding amounts for the year ended)	(Substantial amounts)
Frontier Energy Niigata Co., Ltd.	¥2,235 million	¥2,235 million
Other	¥1,279 million	¥743 million
Total	¥3,515 million	¥2,979 million

(2) Reserved guarantees of loans ¥1,969 million (Substantial amount guaranteed: ¥1,969 million)

(3) Notes and bills discounted ¥20 million
Notes and bills endorsed ¥133 million

5. Revaluation of Land

The certain consolidated subsidiaries and affiliates to which the equity method is applied have carried out the revaluation of land used for business purposes in accordance with the "Law Regarding the Partial Revision to the Land Revaluation Law" (Law No. 34, published on March 31, 1998).

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

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

- Revaluation Method
- Land values were primarily determined as provided for in Articles 2-1 and 2-3~5 of the "Enforcement Order for the Land Revaluation Law" (Cabinet Order No. 119, issued on March 31, 1998).

- Revaluation conducted on March 31, 2002
- The excess of the carrying amounts of the revalued land over its market value at the end of March 31, 2009 was ¥1,944 million.

- Revaluation conducted on March 31, 2001
- The excess of the carrying amounts of the revalued land over its market value at the end of March 31, 2009 was ¥15,695 million.

- Revaluation conducted on March 31, 2000
- The excess of the carrying amounts of the revalued land over its market value at the end of March 31, 2009 was ¥6,215 million.

III. Notes to the Consolidated Statements of Income

Reduction of book value of inventory

Inventory values at the balance sheet date reflect the reduction of inventory items’ book value to account for declines in the profitability of those items , and the following figure for loss on the revaluation of inventory is included within cost of sales.

¥65,727 million.

IV. Consolidated Statements of Changes in Shareholders' Equity

1. Number and type of stocks outstanding at the end of the consolidated fiscal year

Number of stock at the end of the period (including treasury stock)
Common stocks 6,806,980,977 shares

Number of treasury stock at the end of the period
Common stocks 516,602,427 shares

2. Dividends

(1) Amount of dividend payments

Decision	Type of stock	Total dividends (Millions of yen)	Cash dividends per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders (June 25, 2008)	Common stock	¥37,819	¥6	March 31, 2008	June 26, 2008
Board of Directors' meeting (October 29, 2008)	Common stock	¥31,515	¥5	September 30, 2008	November 28, 2008

(2) Dividends for which the record date belongs to the fiscal year, but the operative date is in the following fiscal year

Decision	Type of stock	Source of dividends	Total dividends (Millions of yen)	Cash dividends per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders (June 24, 2009)	Common stock	Retained earnings	¥6,303	¥1	March 31, 2009	June 26, 2009

3. Number and type of stocks the Company intends to have issued at the end of the consolidated fiscal year after the issuance of new stock acquisition rights (excluding shares for which rights have not been exercised as of the first day of the period)

Common stock 405,405,405 shares

V. Per Share Information

Net assets per share ¥265.23

Net income per share ¥24.60

Notes to the Non-Consolidated Financial Statements

Ⅰ. Significant Accounting Policies

1. Basis and Method of Evaluation of Assets

(1) Marketable Securities

- Shares of subsidiaries and affiliates: Stated at cost determined by the moving-average method
- Other securities:

Securities with market quotations: Stated at market value as of the balance sheet date.
(Net unrealized gains or losses are comprehensively included in net assets, and the cost of securities sold is determined by the moving-average method.)

Securities without market quotations: Stated at cost determined by the moving-average method.

(2) Inventories

Products, semi-finished products, raw materials, and supplies (molds and rolls): Cost accounting method based on the periodic average method (the method of reducing book value when the contribution of inventories to profitability declines)

Supplies (excluding molds and rolls): Cost accounting method based on the first-in, first-out method (the method of reducing book value when the contribution of inventories to profitability declines).

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

As a result of this change, in the fiscal year under review, the gross margin, operating profit, ordinary profit, and income before income taxes were each ¥21,095 million lower than they would have been prior to the change.

2. Depreciation Methods for Fixed Assets

(1) Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is calculated using the declining-balance method.

However, the straight-line method is used for buildings acquired on or after April 1, 1998 (excluding structures attached to pre-existing buildings).

Useful lives of tangible fixed assets are generally as follows:

- Buildings and structures: 7–60 years
- Machinery and equipment: 5–15 years

(Additional information)
Beginning with the fiscal year under review, the Company has reviewed the useful lives of its tangible fixed assets accompanying revisions in the Japanese Corporate Tax Law.

In the fiscal year under review, compared to the previously used computation method, these changes resulted in an increase in depreciation and amortization of ¥8,482 million and decreases in the gross margin of ¥7,626 million, operating profit of ¥7,641 million, and ordinary profit and income before income taxes of ¥7,635 million.

(2) Intangible Fixed Assets (excluding lease assets)

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

Regarding finished software products purchased from the market and software leased to external entities based on contracts involving usage fees, etc., this software is amortized using the straight-line method over the internally applied usage period (five years).

(3) Lease Assets

Assets concerning finance leases in which ownership is not transferred to the lessee

These assets 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.

Finance lease contracts for finance leases in which ownership is not transferred to the lessee have been accounted for in accordance with methods used for standard lease and rental contracts. Beginning with the fiscal year under review, the methods of accounting for these contracts have been revised in accordance with the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16).

The effect of these changes on the consolidated financial statements for the year under review was not material.

3. Accounting Basis for Reserves and Allowances

(1) Allowance for Doubtful Accounts

To provide for potential losses on doubtful accounts, the allowance for doubtful accounts is computed based on the historical experienced default ratio for non-specific receivables as well as based on the estimated irrecoverable portion of specific doubtful receivables calculated individually.

(2) Accrued pension and severance costs

To provide for employee retirement benefits, an allowance is computed based on projections of retirement benefit obligations and the pension fund assets made at the end of the fiscal year.

Prior service cost is being amortized by the straight-line method over periods (up to 10 years), which are shorter than the average remaining years of service of the employees.

Actuarial differences arising from utilizing average estimated remaining periods of employment (up to 10 years) that are shorter than the average remaining years of service of the employees are principally amortized using the straight-line method beginning from the consolidated fiscal year following the time of occurrence.

(3) Reserve for Repairs to Blast Furnaces

Reserves are maintained in anticipation of significant periodic overhauls and repairs to blast furnaces, hot blast stoves, and ships and vessels. Reserve amounts are determined based on historical costs for similar activities.

4. Other Material Items for Preparing the Non-Consolidated Financial Statements

(1) Important Assets and Liabilities in Foreign Currencies and Foreign Currency Translation

Monetary assets and liabilities of the Company 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.

(2) Hedge Accounting

①Method of Hedge Accounting

The Company uses deferred hedge accounting. With respect to items meeting in-house requirements, deferred hedge accounting is applied to forward exchange contracts associated with foreign currency-denominated transactions and foreign currency monetary assets and liabilities. Exceptional accounting is applied to interest swaps that meet the requirements for exceptional treatment.

② Hedge Instruments and Hedge Items

• Forward exchange contracts: Foreign currency-denominated transactions, foreign currency monetary assets and liabilities, and planned transactions

• Interest swaps: Loans and bonds

③ Hedging Policy

The Company utilizes derivative financial instruments to hedge interest rate and currency rate fluctuation risks based on internal derivative management rules. These rules limit derivative transactions (including planned transactions) to those conducted as a part of actual business activities (to hedge risks associated with actual business transactions), and the Company has a policy of completely refraining from undertaking derivative transactions for trading purposes (to seek profits from the buying and selling of derivative instruments).

④ Assessment of Effectiveness for Hedging Activities

The Company evaluates the effectiveness of hedging activities on a half-yearly basis by comparing cumulative cash flow changes or market fluctuations related to hedging targets with the cumulative cash flow changes or market fluctuations related to hedging methods. The Company does not evaluate the effectiveness of forward exchange contracts to which deferred hedge accounting is applied and interest swaps to which exceptional accounting is applied.

(3) Accounting for Consumption Taxes

The accounting treatment used with respect to consumption tax and local consumption taxes is the tax-excluded method.

II. Notes to the Non-Consolidated Balance Sheets

1. Accumulated depreciation of tangible fixed assets ¥4,289,771 million

2. Contingent Liabilities

The Company guarantees loans from financial institutions and other sources held by other companies.

(1) Loan Guarantee Liabilities

	(Outstanding amounts for the year ended)	(Substantial amounts)
The Siam United Steel (1995) Co., Ltd.	¥8,901 million	¥8,901 million
Other	1,083 million	902 million
Total	¥9,984 million	¥9,803 million

(2) Reserved Guarantees of Loans

	(Outstanding amounts for the year ended)	(Substantial amounts)
Kitakyushu Ecoenergy Co., Ltd.	¥4,920 million	¥4,920 million
Other	928 million	928 million
Total	¥5,848 million	¥5,848 million

3. Accounts Payable and Receivable to Subsidiaries and Affiliates

Short-term loans receivable	¥91,087 million
Long-term loans receivable	¥1,675 million
Short-term loans payable	¥284,814 million

Long-term loans payable	¥300,494 million

III. Notes to the Non-Consolidated Statements of Income

1. Transactions with subsidiaries and affiliates

Operating transactions	
Net sales	¥801,454 million
Purchases	¥901,313 million
Non-operating transactions	
Proceeds from the transfer of assets, etc.	¥180,018 million
Expenditures from the transfer of assets, etc.	¥91,169 million

2. Reduction of book value of inventory

Inventory values at the balance sheet date reflect the reduction of inventory items' book value to account for declines in the profitability of those items, and the following figure for loss on the revaluation of inventory is included within cost of sales. ¥24,932 million

IV. Statements of Changes in Shareholders' Equity

1. Number and type of stocks outstanding at the end of the fiscal year

Common stocks	503,805,706 shares

V. Tax-Effect Accounting

Deferred tax assets primarily arise from the exclusion from expenses of accrued bonus, pension, and severance costs, while deferred tax liabilities primarily arise from unrealized gains on available-for-sale securities.

VI. Per Share Information

Net assets per share	¥191.78
Net income per share	¥17.29

Report of Accounting Auditor on Consolidated Financial Statements (Copy)

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

May 12, 2009

Mr. Shoji Muneoka
Representative Director and President
Nippon Steel Corporation

KPMG AZSA & Co.

Toshiharu Kawai (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hideki Yanagisawa (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hiroshi Tawara (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Nippon Steel Corporation as of March 31, 2009 and for the year from April 1, 2008 to March 31, 2009 in accordance with Article 444(4) of the Corporate Law. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of Nippon Steel Corporation and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Report of Accounting Auditor on Non-Consolidated Financial Statements (Copy)

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

May 12, 2009

Mr. Shoji Muneoka
Representative Director and President
Nippon Steel Corporation

KPMG AZSA & Co.

Toshiharu Kawai (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hideki Yanagisawa (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hiroshi Tawara (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and its supporting schedules of Nippon Steel Corporation as of March 31,2009 and for the 84th business year from April 1, 2008 to March 31, 2009 in accordance with Article 436(2)①of the Corporate Law. The statutory report and supporting schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Nippon Steel Corporation for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Report of Board of Corporate Auditors on Business Report and other issues, Consolidated Financial Statements and Non-Consolidated Financial Statements (Copy)

[English Translation of the Board of Corporate Auditors' Report Originally Issued in the Japanese Language]

Audit Report

The Board of Corporate Auditors, following deliberations on the reports made by each Corporate Auditor concerning the audit of performance of duties by Directors of the Company for the 84th fiscal year from April 1, 2008 to March 31, 2009, has prepared this audit report, and hereby reports as follows:

1. Auditing Method Used by Each Corporate Auditor and the Board of Corporate Auditors and Details Thereof

The Board of Corporate Auditors established auditing policies and auditing methods, focused as key audit points on establishment and management of systems to ensure that the Company's business will be conducted properly, including systems to ensure that the performance of duties by the Directors will be in compliance with the laws and regulations and with the Company's Articles of Incorporation (hereinafter referred to as the "Internal Control System") and on promotion of the Mid-term Consolidated Management Plan, and received reports from each Corporate Auditor regarding the progress and results of audits, as well as received reports from the Directors, other relevant personnel and the Accounting Auditor regarding the performance of their duties, and sought explanations as necessary.

In accordance with the auditing policies and auditing methods established by the Board of Corporate Auditors, each Corporate Auditor endeavored to gather information and to create an improved environment for auditing through close communication with the Directors, employees including those working in the Internal Audit Department and other relevant personnel. Each Corporate Auditor also attended meetings of the Board of Directors, management meetings and other meetings, received reports from the Directors, employees and other relevant personnel regarding the performance of their duties, sought explanations as necessary, inspected important documents, and examined the operations and financial position of the Company at the Head Office and Works of the Company. With respect to the resolution of the Board of Directors on the Internal Control System and establishment and management thereof based on such resolution, each Corporate Auditor received explanation from the Directors and other relevant personnel, scrutinized it and expressed opinion thereon. With respect to the internal control on financial reporting, each Corporate Auditor received report on assessment of such internal control and auditing thereof not only from the Directors and other relevant personnel of the Company, but also from KPMG AZSA & Co, and sought explanations as necessary. As for the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company as described in the Business Report, each Corporate Auditor examined its contents based on discussions at the meetings of Board of Directors and other relevant meetings. As for the subsidiaries of the Company, each Corporate Auditor endeavored to keep communication and shared information with the Directors and Corporate Auditors and other related personnel of the subsidiaries, and received reports from the subsidiaries regarding their businesses and sought explanations as necessary.

Based on the foregoing method, we examined the business report and the supplementary schedules for this fiscal year.

Furthermore, the Corporate Auditors confirmed whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. The Corporate Auditors also received notification from the Accounting Auditor that system for ensuring appropriate execution of the duties of the Accounting Auditor has been prepared and sought explanations as necessary.

Based on the foregoing method, the Corporate Auditors reviewed the non-consolidated financial statements for this fiscal year (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and the related notes) and supplementary schedules thereto as well as the consolidated financial statements for this fiscal year (consolidated balance sheet, consolidated statements of income, consolidated statement of changes in net assets and the related notes).

2. Audit Results
   (1) Audit Results on the Business Report, etc.
      A. In our opinion, the business report and the supplementary schedules fairly represent the Company's condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.
      B. We have found no evidence of misconduct or material facts in violation of the applicable laws and regulations, nor of any violation with respect to the Articles of Incorporation of the Company, related to performance of duties by the Directors.
      C. In our opinion, the content of the resolutions of the Board of Directors regarding the Internal Control System is appropriate, and continuous improvement has been made to establishment and management of the Internal Control System. In addition, we received reports from the Directors and other relevant personnel of the Company as well as KPMG AZSA & Co stating that the internal control on financial reporting is effective.
      D. We have found no matters on which to remark in regard to the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company as described in the Business Report. In our opinion, the Measures to Prevent Decisions on the Financial and Business Policies of the Company from Being Controlled by Those Deemed Inappropriate in Light of the Basic Policy as described in the Business Report are in accordance with such Basic Policy, not to impair common interest of the shareholders of the Company or intended to protect position of current management of the Company.

   (2) Results of Audit of the Non-Consolidated Financial Statements and Supplementary Schedules
   In our opinion, the method and the results of the audit used and conducted by KPMG AZSA & Co., the Accounting Auditor, are appropriate.

   (3) Results of Audit of the Consolidated Financial Statements
   In our opinion, the method and the results of the audit used and conducted by KPMG AZSA & Co., the Accounting Auditor, are appropriate.

May 14, 2009

The Board of Corporate Auditors of Nippon Steel Corporation

Senior Corporate Auditor	Junji Ohta (Seal)
Corporate Auditor	Tsutomu Haeno (Seal)
Corporate Auditor	Toshihide Tanabe (Seal)
Corporate Auditor (Outside Auditor)	Hisashi Tanikawa (Seal)
Corporate Auditor (Outside Auditor)	Yoichi Kaya (Seal)
Corporate Auditor (Outside Auditor)	Shigemitsu Miki (Seal)
Corporate Auditor (Outside Auditor)	Shigeo Kifuji (Seal)

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.