Nippon Steel Corporation
85th Term Report
April 1, 2009 to March 31, 2010

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Accompanying Documents for the 86th Annual Meeting of Shareholders

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Report of Operations
85th Term: From April 1, 2009 to March 31, 2010

1. Current Situation of the Nippon Steel Group

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

Overview of Conditions in Fiscal 2009

Overall conditions continued recovering for the global economy in fiscal 2009. Conditions remained severe in the United States, Europe, and other developed countries amid persistently high unemployment rates and other lingering negative elements. Governmental economic stimulus measures helped positive elements gained traction elsewhere, and China, India, and other Asian countries regained sustaining economic growth.

Economic conditions in Japan improved moderately during the year. Industrial production and exports moved into recovery on support from economic growth in Asia and Japanese government economic stimulus measures. Domestic consumption also showed signs of reviving. Meanwhile, domestic construction investment remained sluggish, and employment and personal income conditions continued to be harsh.

The Nippon Steel Group companies implemented measures to respond to the changing environment in their respective fields and overcome the steep declines in sales and income that commenced in the fourth quarter of fiscal 2008. The Company successfully regained profitability in the third quarter of fiscal 2009. For the full year, however, consolidated net sales and operating profit remained sharply down, and the Company recorded a consolidated net loss of ¥11.5 billion, marking the Company’s first loss since fiscal 2002.

Review by Business Area Fiscal 2009

・ **Steelmaking and Steel Fabrication**

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

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

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

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

・ **Engineering and Construction**

In the engineering and construction business, Nippon Steel Engineering Co., Ltd., is focusing on developing operations in the areas of steel production plants, environmental solutions, offshore and energy-related projects (including pipelines), and construction and steel structures where it can fully apply its distinct capabilities. However, the markedly sluggish economic conditions and the accompanying low level of capital investment continued to produce a severe operating environment for attracting project orders both in Japan and overseas during the year. In these adverse conditions, despite a decrease in net sales, the company's meticulous risk management and efforts to improve earnings on the projects currently under way resulted in a year-on-year increase in operating profit of the engineering and construction business.

・ **Urban Development**

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

・ **Chemicals**

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

・ **New Materials**

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

・ **System Solutions**

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

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

Sales and Earnings

The Company posted consolidated declines in both sales and income in fiscal 2009. Consolidated net sales declined ¥1,282.1 billion year on year, to ¥3,487.7 billion; operating profit decreased ¥310.9 billion, to ¥32.0 billion; ordinary profit fell ¥324.3 billion, to ¥11.8 billion; and net income decreased ¥166.6 billion, to a net loss of ¥11.5 billion.

On a non-consolidated basis, net sales declined ¥976.5 billion year on year, to ¥2,152.1 billion; operating profit fell ¥315.7 billion, to an operating loss of ¥62.8 billion; ordinary profit decreased ¥298.6 billion, to an ordinary loss of ¥94.9 billion; and net income declined ¥166.6 billion, to a net loss of ¥57.6

billion.

An overview of the consolidated sales and operating profit of each business sector in fiscal 2009 follows:

(Billions of yen)

	Steelmaking and steel fabrication	Engineering and construction	Urban develop-ment	Chemi-cals	New materials	System solutions	Elimination of intersegment transactions	Consoli-dated total
Net sales	2,823.1	331.9	80.0	179.4	58.7	152.2	(137.9)	3,487.7
Operating profit	(20.5)	31.6	2.9	10.4	0.4	10.7	(3.6)	32.0

Assets, Liabilities, Net Assets, and Cash Flow

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

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

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

Cash flows from operating activities for the fiscal year under review amounted to an inflow of ¥437.6 billion. The principal factors influencing operating cash flows were inflows from income before income taxes and minority interests of ¥11.2 billion, depreciation and amortization of ¥284.0 billion, and a ¥178.6 billion decline in inventories. The inflows were partially offset by outflows that included payment of ¥67.1 billion in income taxes. Cash flows from investing activities amounted to an outflow of ¥412.8 billion, which was due primarily to ¥339.7 billion in capital investments. These cash flows resulted in a free cash inflow of ¥24.8 billion in the term under review.

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

As a result of the above movements in cash flows, the Company's cash and cash equivalents at the end of the fiscal year under review amounted to ¥80.4 billion.

Dividends and Directors' Bonuses

With regard to the dividends from surplus, the Company already decided to forgo a distribution of interim dividends for the first half of fiscal 2009.

As for the year-end dividends at the end of fiscal 2009, the Company proposes a dividend payment of ¥1.5 per share (which will represent a reduction of ¥4.5 per share compared with the cash dividend of the previous fiscal year), with a view to recognizing the importance of paying a return to shareholders, in light of the recent recovery of the Company's business perfomances and other factors, despite that the Company posted a consolidated net loss for the fiscal year.

The Company decided not to pay bonuses to its directors and corporate auditors, in consideration of the current business environment.

Fiscal 2010 Outlook

Nippon Steel is currently negotiating with its corporate customers to adjust steel product prices to better reflect the substantial price rises of core materials. The Company is also negotiating with suppliers of core raw materials to set prices for key materials and to establish pricing methods from fiscal 2010 onward. Due to the ongoing status of these negotiations, the Company is unable to formulate reasonably accurate estimates or forecasts at this time.

The performance forecast for fiscal 2010, therefore, has not been determined at the announcement of the financial results for fiscal 2009 on April 28, 2010. The Company plans to announce a forecast as soon as it is able to formulate reasonably accurate assumptions.

Tasks Ahead and Mid-Term Management Plan of NSC Group

The global economy is on the track to recovery, primarily driven by massive economic stimulus measures, implemented by each country's government and a speedy recovery in China and other emerging economies. The Japanese economy also demonstrates some signs of revival, with output levels of the manufacturing sector, such as automobile and electronics, gaining upward momentum, fuelled by a rise in exports on the back of buoyant economic expansion in Asia, as well as the effects of the government's economic recovery packages. In general, concerns about the economy slipping into a double-dip recession are receding. Nevertheless, we still face several risks at home and abroad, including the downside risk of overseas economies, influence of a deflation spiral, negative impact of elevating materials prices on corporate earnings, etc. and we need to keep a careful watch on these risks

On the other hand, we can expect a continuous expansion in the Asian economy and further growth in the demand for steel in the medium- to long-term. This environment facilitates the transition of the iron and steel industry toward the "period of mega-competition" centering on Asia, marked by several noticeable shifts including the full-scale operations of new facilities specifically for the iron and steelmaking process primarily in China and Korea, etc.

In consideration of other factors ranging from the progression of resource price hikes attributable to the development of the global oligopolistic supply structure to the ongoing discussion on stricter control of green house gas emissions and others, we are compelled to contend with this competition under extremely harsh conditions.

With the aim of coping adequately with this substantial change in business environment, the Company instituted the "Mid-Term Management Plan of NSC Group for the fiscal year 2011" which covers the period through fiscal 2011.

The plan first aims to complete the reconstruction of the foundation of the Company's competitiveness by fiscal 2011. As this fiscal year witnessed problems like blast furnace production glitches, we are strongly aware of the greater need to reinforce and improve the Company's manufacturing base. To the end, we will devote ourselves to the reconstruction of a reinforced base in terms of facility, operation as well as safety and the promotion of the development of new products and processes, in an effort to pursue advanced technology.

At the same time, we will enhance the "Global Player Strategy" which we have promoted in order to capture accurately the emerging demand and regional needs in growing overseas markets, while eyeing the future establishment of the global production capacity ranging between 50 and 60 million tons through the world tripolar structure (Japan, Asia and Americas/circum-Atlantic Ocean blocs).

In addition to these, we will integrate the entire capacity of the Company's six business segments with a view to maximizing synergies in the Group, along with rolling out efforts towards the development of newly growing business areas, such as energy and environment.

We will facilitate efforts toward the prevention of global warming through energy saving, CO_2 reduction, development of environmentally responsive products, etc. We are also committed to the compliance with laws, regulations and rules and comprehensive risk management in respect to safety, environment, accident prevention, etc., with the aim of winning the trust of markets and society.

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
June 9, 2009 June 9, 2009	62nd Unsecured Corporate Bonds 63rd Unsecured Corporate Bonds	20 billion yen 20 billion yen

(3) Plant and Equipment Investments

Classification	Equipment
Major facilities completed during the Term	Renovation of No. 1 blast furnace at the Oita Works
Major ongoing equipment investment during the Term	Renovation of No. 2 blast furnace at the Kimitsu Works New construction of No. 5 coke oven at the Nagoya Works

(4) Transfer of Business

No matters to be reported.

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

Fiscal Term	82nd Term	83rd Term	84th Term	85th Term (Term under review)
Crude steel production (million tons)	34.52	36.23	31.24	29.92
Net sales (billions of yen) (Overseas sales shown in brackets)	4,302.1 [1,166.0]	4,826.9 [1,383.7]	4,769.8 [1,377.2]	3,487.7 [1,104.5]
Ordinary profit (billions of yen)	597.6	564.1	336.1	11.8
Net income (billions of yen)	351.1	354.9	155.0	(11.5)
Total assets (billions of yen)	5,344.9	5,193.4	4,870.6	5,002.3
Net assets (billions of yen)	2,369.2	2,413.9	2,174.8	2,335.6
Net income per share	54.28 yen	56.33 yen	24.60 yen	(1.83 yen)
Net assets per share	295.78 yen	303.33 yen	265.23 yen	293.18 yen
Dividends per share (Interim dividends shown in brackets)	10 yen [4 yen]	11 yen [5 yen]	6 yen [5 yen]	1.50 yen* [-]
Ratio of cash dividends to net income: consolidated (%)	18.4	19.5	24.4	-
Ratio of cash dividends to net income: non-consolidated (%)	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 85th Term is approved at the 86th 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) The ratio of cash dividends to net income for the 85th Term (term under review) is not available (denoted "-") as the year posted a net loss.

(6) Major Business Operations (as of March 31, 2010)

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

(7) Major Plants, Research Laboratories, Domestic Sales Offices and Overseas Offices (as of March 31, 2010)

<table>
<tr><td rowspan="2">Plants</td><td>Company</td><td>Yawata Works Muroran Works Kamaishi Works
Hirohata Works Nagoya Works Sakai Works
Kimitsu Works Oita Works Tokyo Works
Hikari Pipe and Tube Division</td></tr>
<tr><td>Subsidiaries</td><td>Nippon Steel & Sumikin Coated Sheet Corporation: Funabashi Works, Nishinihon Works (Amagasaki)
Osaka Steel Co., Ltd.: Sakai Plant
Nippon Steel & Sumikin Stainless Steel Corporation: Kashima Works, Hikari Works, Yawata Works
Hokkai Iron & Coke Corporation: Muroran Plant
Nippon Steel Chemical Co., Ltd.: Kisarazu Works, Hirohata Works, Kyushu Works, Oita Works
Nippon Steel Materials Co., Ltd., Nippon Micrometal Corporation: Head Office Iruma Plant
The Siam United Steel (1995) Co., Ltd. in Thailand: Rayong Plant</td></tr>
<tr><td>Research Laboratories</td><td>Company</td><td>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)</td></tr>
<tr><td rowspan="2">Domestic Sales Offices</td><td>Company</td><td>Sales Offices in Sapporo, Sendai, Niigata, Nagoya, Osaka, Hiroshima, Fukuoka</td></tr>
<tr><td>Subsidiaries</td><td>Sales Offices in Muroran, Tokyo Chuo-ku, Yokohama, Sagamihara, Kisarazu, Kimitsu, Futtsu, Tokai, Osaka, Sakai, Himeji, Hikari, Fukuoka, Kitakyushu, Oita</td></tr>
<tr><td rowspan="2">Overseas Offices</td><td>Company</td><td>Overseas Offices in Beijing, Shanghai, Guangzhou, New Delhi, Düsseldorf</td></tr>
<tr><td>Subsidiaries</td><td>Overseas Offices in Seoul, Beijing, Dalian, Shanghai, Suzhou, Guangzhou, Hangzhou, Taipei, Hai Phòng (Vietnam), Singapore, Bangkok, Penang (Malaysia), Kuala Lumpur, Manila, Batangas (Philippines), London, New York, Chicago, San Mateo (USA), Mexico, São Paulo, Sidney, Perth (Australia)</td></tr>
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(8) Employment Data (as of March 31, 2010)

Nippon Steel Group

Business Segment	Number of employees
Steelmaking and Steel Fabrication	39,845 [6,502]
Engineering and Construction	3,470 [468]
Urban Development	784 [504]
Chemicals	1,492 [138]
New Materials	417 [308]
System Solutions	4,869 [45]
Group employees (assigned to general operations of the Group)	1,328 [283]
Total	52,205 [8,248]

(Notes)
(1) Temporary workers are not included. Numbers of temporary workers (average number of temporary workers employed during fiscal 2009) are shown in brackets.
(2) Total number of employees increased by 2,128 compared to the end of fiscal 2008 (50,077 employees).
(3) Total number of employees is 51,462, when those who are retiring on March 31, 2010 are excluded.

Nippon Steel Corporation

Number of employees	Average age	Average number of years employed
15,845 [2,521]	41.4 years old	21.1 years

(Notes)
(1) Temporary workers are not included. Number of temporary workers (average number of temporary workers employed during fiscal 2009) is shown in brackets.
(2) Total number of employees increased by 342 compared to the end of fiscal 2008 (15,503 employees).
(3) Employees on loan to the Company from other companies (197 employees) are not included.
(4) The Company’s employees on loan to other companies (1,945 employees) are not included.

(9) Principal Subsidiaries and Affiliates (as of March 31, 2010)

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. (Shinagawa-ku, Tokyo)	5,116	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
Suzuki Metal Industry Co., Ltd. (Chiyoda-ku, Tokyo)	3,634	65.5	Makes and markets wire products
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	100.0	Designs and installs electrical instrumentation apparatuses
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
PT Pelat Timah Nusantara Tbk. (Note 2) (Jakarta, Indonesia)	IDR 252.3 billion	35.0	Makes and markets tinplate
Siam Nippon Steel Pipe Co., Ltd. (Rayong State, Thailand)	THB 783 million	60.5	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	*34.2	Buys and sells iron and steel, nonferrous metals, machinery and raw materials
Nippon Coke & Engineering Company, Limited (Koto-ku, Tokyo)	7,000	21.7	Markets coal; makes and markets coke
Japan Casting & Forging Corporation (Kitakyushu)	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. (Chiyoda-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	*16.0	Makes, processes, installs and sells metal roofs and building materials
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	*27.5	Makes and markets steel products
Baosteel-NSC/Arcelor Mittal Automotive Steel Sheets Co., Ltd. (Shanghai, China)	RMB 3,000 million	38.0	Makes and markets automotive steel sheets
UNIGAL Ltda. (Estado do Minas Gerais, Brazil)	R584 million	*30.0	Makes galvanized sheets
Companhia Nipo-Brasileira De Pelotizacao (Estado do Espírito Santo, Brazil)	R432 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. (Shinagawa-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) The Company is under a consortium agreement with MITSUI & CO., LTD., Metal One Corporation and Nippon Steel Trading Co., Ltd., all of which are shareholders of PT Pelat Timah Nusantara Tbk. These four companies collectively hold a 55% stake in the company. The Company's stake in PT Pelat Timah

Nusantara Tbk.is 35%, which means it holds the majority of the consortium's stake. In light of the standards provided for in the Regulations Concerning Financial Statements, the Company regards PT Pelat Timah Nusantara Tbk.as its subsidiary, although the percentage of the Company's ownership of the company is less than fifty.

(10) Major Lenders (as of March 31, 2010)

Lender	Funds borrowed (Billions of yen)
Mizuho Corporate Bank, Ltd.	151.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	117.0
Nippon Life Insurance Company	92.8
Sumitomo Mitsui Banking Corporation	92.5
Meiji Yasuda Life Insurance Company	87.8

(11) Surplus Distribution Policy

1) Dividends

Nippon Steel has partially revised the basic profit distribution policy and will apply the revised policy beginning in fiscal 2010. The revised policy is as follows.

Nippon Steel's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (interim) and second half (year-end) of the fiscal year in consideration of the consolidated operating results and such factors as capital requirements for investment and other activities aimed at raising corporate value and performance prospects while also considering the financial structure of the Company on a consolidated and non-consolidated bases.

The Company has set a consolidated payout ratio target of approximately 20% for use as an indicator for the distribution of profits based on due consideration of consolidated operating results.

The level of the first half (interim) dividend is set based on consideration of the interim performance figures and the forecast for the full fiscal year performance.

As in the past, the year-end dividend payment will be made according to the resolution of the Annual Meeting of Shareholders, and any other form of distribution and appropriation of surplus (including the interim 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.

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

The Company paid a surcharge, following the receipt of an order to cease-and-desist in September 2009 and to pay a surcharge in December 2009 for the violation of the Antimonopoly Act by the Japan Fair Trade Commission. These penalties relate to the order intake placed by the Kanto, Tohoku and Hokuriku Regional Development Bureaus of the Ministry of Land, Infrastructure, Transport and Tourism and Japan Highway Public Corporation for the steel bridge construction projects in the past fiscal years.

Separately, Nippon Steel & Sumikin Coated Sheet Corporation, a subsidiary of the Company, was sentenced to pay a fine by the Tokyo District Court in September 2009 and ordered to cease-and-desist and pay a surcharge by the Japan Fair Trade Commission in August 2009, in connection with the violation of the Antimonopoly Act with regard to some operations involving steel sheets in the past fiscal years. The subsidiary acted accordingly.

The Nippon Steel Group takes abovementioned penalties very seriously and is striving to ensure compliance. Specific steps include enhanced education and auditing activities by designating every December as the month to “raise the awareness of the compliance and Antimonopoly Law” with the object of preventing the recurrence of the violation of the Law.

2. Overview of Shares (as of March 31, 2010)

Total number of shares authorized to be issued	9,917,077,000 shares
Total number of shares issued	6,806,980,977 shares (including 503,927,407 treasury shares)
Number of shareholders	420,470

Top 10 shareholders

Name of shareholder	Shares held (Million shares)	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd.	684	10.9
Sumitomo Metal Industries, Ltd.	287	4.6
CBHK-Korea Securities Depository	238	3.8
Nippon Life Insurance Company	227	3.6
The Master Trust Bank of Japan, Ltd.	202	3.2
Mizuho Corporate Bank. Ltd.	182	2.9
Trust & Custody Services Bank, Ltd.	145	2.3
Meiji Yasuda Life Insurance Company	140	2.2
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	134	2.1
State Street Bank and Trust Company	100	1.6

(Notes)

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

(2) Shares in Japan Trustee Services Bank, Ltd., The Master Trust Bank of Japan, Ltd. and Trust & Custody Services Bank, Ltd. are all related to the trust services.

(3) Mizuho Corporate Bank, Ltd. holds a further 22 million shares of the Company (0.4% ownership) other than those above, as a retirement benefit trust. The Company received from the bank a change report (copy) pertaining to a substantial shareholding report as provided for in the Financial Instruments and Exchange Act in July 2007, stating that Mizuho Financial Group Inc. held 421 million shares of the Company (6.7% ownership).

3. Subscription Right for New Shares(as of March 31, 2010)

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 85th Annual Meeting of Shareholders)

Title and name	Responsibilities/positions and material concurrent positions
Representative Director and Chairman Akio Mimura	 Material concurrent positions Director, Nisshin Seifun Group Inc. Director, Development Bank of Japan Inc. Director, Innovation Network Corporation of Japan Chairman, Nippon Steel Arts Foundation
Representative Director and President Shoji Muneoka	 Material concurrent positions Vice Chairman, Nippon Keidanren (Japan Business Federation) Chairman, The Japan Iron and Steel Federation
Representative Directors and Executive Vice Presidents	
Kohzoh Uchida	Sales Administration & Planning; Global Marketing; Project Development; Each Steel Products Division; Machinery & Materials; Shanghai-Baoshan Cold-Rolled & Coated Sheet Products Projects; Domestic Sales Offices; Cooperating with Executive Vice President S. Taniguchi on Overseas Offices Material concurrent positions Vice-Chairman, Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.
Shinichi Taniguchi	Corporate Planning; Accounting & Finance; Overseas Business Development; Raw Materials; Overseas Offices Material concurrent positions Chairman, The Japan Ferrous Raw Materials Association
Keisuke Kuroki	Intellectual Property; Safety Enhancement; Technical Administration & Planning; Ironmaking Technology; Steelmaking Technology; Slag & Cement; Technical Cooperation; Cooperating with Executive Vice President K. Shindo on Environmental Management Material concurrent positions Chairman, Steel Industry Foundation for the Advancement of Environmental Protection Technology
Yasuo Takeda	Technical Development Bureau Material concurrent positions President, The Japan Research and Development Center for Metals
Kosei Shindo	General Administration; Business Process Innovation; Personnel & Labor Relations; Environmental Management; Cooperating with Executive Vice President K. Kuroki on Safety Enhancement
Managing Directors	
Junji Uchida	Flat Products Division; Sales Administration & Planning Material concurrent positions Director, Guangzhou Pacific Tinplate Co., Ltd. Director, Nippon Steel & Sumikin Metal Products Co., Ltd Director, Nippon Steel & Sumikin Coated Sheet Corporation

Title and name	Responsibilities/positions and material concurrent positions
Shigeru Oshita	Intellectual Property; Technical Administration & Planning; Iron Making Technology; Steelmaking Technology; Slag & Cement; Technical Cooperation; Rendering Assistance to Executive Vice President K. Uchida on Steel Products
Tooru Obata	General Manager, Shanghai-Baoshan Cold-Rolled & Coated Sheet Products Projects; Overseas Business Development; Raw Materials; Machinery & Materials; Overseas Offices <u>Material concurrent positions</u> Director, Nippon Steel Shipping Co., Ltd. Conselhoiro (Director), Usinas Siderurgicas De Minas Gerais S.A.-USIMINAS Director, Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.
Senior Corporate Auditor	
Junji Ohta	
Corporate Auditors	
Toshihide Tanabe	
Katsunari Yoshida	
Corporate Auditors (Outside Auditors)	
Yoichi Kaya	Professor Emeritus, The University of Tokyo <u>Material concurrent positions</u> Corporate Auditor (Outside Corporate Auditor), Toyota Motor Corporation Director-General, Research Institute of Innovative Technology for the Earth
Shigemitsu Miki	Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. <u>Material concurrent positions</u> Corporate Auditor (Outside Corporate Auditor), Tokio Marine Holdings, Inc. Corporate Auditor (Outside Corporate Auditor), Mitsubishi Motors Corporation Director (Outside Director), Mitsubishi Electric Corporation Director (Outside Director), Mitsubishi Logistics Corporation Director (Outside Director), Kirin Holdings Company, Limited
Shigeo Kifuji	Attorney, Ushijima & Partners, Attorneys-at-Law <u>Material concurrent positions</u> 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
Takao Kusakari	Director and Board Counselor, Nippon Yusen Kabushiki Kaisha

(Notes)

(1) Representative Director and Chairman Akio Mimura served as Vice Chairman of Nippon Keidanren (Japan Business Federation) until May 28, 2009 and Corporate Auditor of Nisshin Seifun Group Inc. until June 25, 2009.

(2) Representative Director and Executive Vice President Kohzoh Uchida served as Director of Guangzhou Pacific Tinplate Co., Ltd. until April 1, 2009; Director of Nippon Steel & Sumikin Metal Products Co., Ltd. until April 23, 2009; Director of Nippon Steel & Sumikin Coated Sheet

Corporation until April 28, 2009; Director of Nichia Steel Works, Ltd and Director of Nippon Concrete Industries Co.,Ltd. until June 26, 2009.

(3) Representative Director and Executive Vice President Shinichi Taniguchi served as Corporate Auditor of Nippon Steel Trading Co., Ltd. until June 24, 2009; Corporate Auditor of Nippon Steel Materials Co., Ltd. until June 25, 2009; Corporate Auditor of Nippon Steel Chemical Co., Ltd. and Nippon Steel Engineering Co., Ltd. until June 26, 2009; Corporate Auditor of Nippon Steel City Produce, Inc. and Director of Japan Casting & Forging Corporation until June 29, 2009.

(4) Managing Director Junji Uchida served as Director of Sasebo Heavy Industries Company, Limited until June 24, 2009.

(5) Corporate Auditor Yoichi Kaya also holds a post at TOYOTA MOTOR CORPORATION, with which the Company has business relations concerning steel products trading, etc.

(6) Corporate Auditor Shigemitsu Miki also holds a post at MITSUBISHI MOTORS CORPORATION and Mitsubishi Electric Corporation, with which the Company has business relations concerning steel products trading, etc.

(2) Executive officers after April 1, 2010

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; Each Steel Products Division; Machinery & Materials; Shanghai-Baoshan Cold-Rolled & Coated Sheet Products Projects; Domestic Sales Offices; Cooperating with Executive Vice President S. Taniguchi on Overseas Offices
Shinichi Taniguchi	Corporate Planning; Accounting & Finance; Overseas Business Development; Raw Materials; Overseas Offices
Keisuke Kuroki	Intellectual Property; Safety Enhancement; Technical Administration & Planning; Ironmaking Technology; Steelmaking Technology; Slag & Cement; Technical Cooperation; Cooperating with Executive Vice President K. Shindo on Environmental Management
Yasuo Takeda	Technical Development Bureau
Kosei Shindo	General Administration; Business Process Innovation; Personnel & Labor Relations; Environmental Management; Cooperating with Executive Vice President K. Kuroki on Safety Enhancement
Managing Directors	
Junji Uchida	Flat Products Division; Sales Administration & Planning
Shigeru Oshita	Intellectual Property; Technical Administration & Planning; Iron Making Technology; Steelmaking Technology; Slag & Cement; Technical Cooperation; Rendering Assistance to Executive Vice President K. Uchida on Steel Products
Tooru Obata	General Manager, Shanghai-Baoshan Cold-Rolled & Coated Sheet Products Projects; Overseas Business Development; Raw Materials; Machinery & Materials; Overseas Offices
Senior Corporate Auditor	
Junji Ohta	
Corporate Auditors	
Toshihide Tanabe	
Katsunari Yoshida	
Corporate Auditors (Outside Auditors)	
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
Takao Kusakari	Director and Board Counselor, Nippon Yusen Kabushiki Kaisha

(3) Remuneration paid to Directors and Corporate Auditors

(Unit: yen)

Position	Number of recipients	Classification	Amount
Directors	17	Remuneration	941,345,000
Corporate Auditors	9	Remuneration	210,518,500
Outside Auditors	5	Remuneration	49,050,000
Total	26	Remuneration	1,151,863,500

(Note) The above number of recipients includes seven Directors and two Corporate Auditors who retired at the conclusion of the 85th Annual Meeting of Shareholders held on June 24, 2009.

(4) Outside Officers

Material concurrent positions held by outside officers

Such positions are shown on page 18 and 19.

Activities of the outside officers

Position	Name	Main activities
Corporate Auditor	Yoichi Kaya	Mr. Kaya attended 13 Board Meetings (out of 14 meetings held during the term) and 15 Corporate Auditors' meetings (out of 15 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 12 Board Meetings (out of 14 meetings held during the term) and 13 Corporate Auditors' meetings (out of 15 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 13 Board Meetings (out of 14 meetings held during the term) and 15 Corporate Auditors' meetings (out of 15 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.
Corporate Auditor	Takao Kusakari	Mr. Kusakari attended 10 Board Meetings (out of 11 meetings held after taking office) and 11 Corporate Auditors' meetings (out of 11 meetings held after taking office). 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.

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) Suzuki Metal Industry Co., Ltd., 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	¥532,597,500
iii) Total amount of cash and other financial benefit payable by the Company and its subsidiaries to accounting auditor	¥543,587,500

(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.

Outline of Efforts to Keep the Control over Decision-Making on Financial and Business Policies out of the Hands of Inappropriate 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, 2010**
Current assets :		
Cash and bank deposits	124,007	**78,197**
Notes and accounts receivable	471,745	**457,804**
Marketable securities	13,038	**12,723**
Inventories	1,021,543	**854,763**
Deferred tax assets	91,532	**108,971**
Other	164,131	**133,867**
Less: Allowance for doubtful accounts	(5,442)	**(4,161)**
Total current assets	1,880,556	**1,642,168**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	463,986	**489,884**
Machinery and equipment	922,357	**957,530**
Land	330,784	**321,670**
Lease assets	9,436	**9,842**
Construction in progress	93,265	**99,423**
	1,819,830	**1,878,351**
Intangible fixed assets		
Patents and utility rights	12,133	**14,257**
Software	1,504	**6,631**
Goodwill	5,946	**25,161**
Lease assets	464	**819**
	20,050	**46,870**
Investments and others :		
Investments in securities	957,392	**1,272,033**
Deferred tax assets	52,731	**30,210**
Other	145,668	**137,098**
Less: Allowance for doubtful accounts	(5,549)	**(4,353)**
	1,150,243	**1,434,988**
Total fixed assets	2,990,124	**3,360,210**
Total assets	4,870,680	**5,002,378**

LIABILITIES	March 31, 2009	**March 31, 2010**
		Millions of yen
Current liabilities :		
Notes and accounts payable	476,571	**449,877**
Short-term loans and portion of long-term loans due within one year	342,545	**304,743**
Commercial paper	148,000	**78,000**
Bonds due within one year	43,250	**-**
Current portion of lease liability	3,019	**3,019**
Accrued expenses	236,604	**239,583**
Allowance for losses on construction contracts	4,666	**3,522**
Other	271,698	**291,341**
Total current liabilities	1,526,354	**1,370,087**
Long-term liabilities :		
Bonds and notes	324,967	**364,958**
Long-term loans	585,446	**626,910**
Lease liability(excluding current portion)	6,966	**6,132**
Deferred tax liabilities	35,450	**83,904**
Accrued pension and severance costs	136,380	**141,995**
Allowance for retirement benefits of directors and corporate auditors	4,400	**4,603**
Reserve for repairs to blast furnaces	37,013	**28,772**
Other	38,891	**39,336**
Total long-term liabilities	1,169,517	**1,296,614**
Total liabilities	2,695,871	**2,666,701**
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	**419,524**
Capital surplus	114,333	**114,345**
Retained earnings	1,458,622	**1,441,248**
Less: Treasury stock, at cost	(262,152)	**(262,004)**
	1,730,328	**1,713,114**
Valuation and transaction adjustments:		
Unrealized gains on available-for-sale securities	22,665	**158,364**
Deferred hedge income (loss)	(1,149)	**(1,846)**
Unrealized gains on revaluation of land	11,187	**10,759**
Foreign currency translation adjustments	(94,348)	**(36,010)**
	(61,645)	**131,267**
Minority interest in consolidated subsidiaries	506,126	**491,294**
Total net assets	2,174,809	**2,335,676**
Total liabilities and net assets	4,870,680	**5,002,378**

(2) Consolidated Statements of Income

Millions of yen

	Fiscal 2008	Fiscal 2009
Operating revenues :		
Net sales	4,769,821	**3,487,714**
Cost of sales	4,105,778	**3,156,497**
Gross margin	664,042	**331,216**
Selling, general and administrative expenses	321,112	**299,211**
Operating profit	342,930	**32,005**
Non-operating profit and loss :		
Non-operating profit :		
Interest and dividend income	25,085	**16,656**
Equity in net income of unconsolidated subsidiaries and affiliates	58,876	**34,756**
Other	24,090	**26,170**
	108,051	**77,583**
Non-operating loss :		
Interest expenses	19,813	**19,803**
Other	95,029	**77,952**
	114,842	**97,755**
Ordinary profit	336,140	**11,833**
Special profit :		
Gain on sales of tangible fixed assets	13,342	**5,809**
	13,342	**5,809**
Special loss :		
Loss on valuation of investments in securities	68,402	**-**
Penalty		**6,400**
	68,402	**6,400**
Income before income taxes and minority interest	281,079	**11,242**
Income taxes - current	145,113	**52,440**
Income taxes - deferred	(31,753)	**(36,396)**
Minority interest in net income of consolidated subsidiaries	12,641	**6,728**
Net income (loss)	155,077	**(11,529)**

(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, 2009	**419,524**	**114,333**	**1,458,622**	**(262,152)**	**22,665**	**(1,149)**	**11,187**	**(94,348)**	**506,126**
Cash dividends			(6,303)						
Net income (loss) for fiscal year 2009			(11,529)						
Acquisition of treasury stock				(56)					
Disposal of treasury stock		12		51					
Increase due to the change in the number of consolidated companies			116	153					
Reversal of unrealized gains on revaluation of land			341						
Other change for fiscal year 2009(net)					135,699	(696)	(428)	58,338	(14,832)
Total change for this fiscal year 2009	-	12	(17,373)	147	135,699	(696)	(428)	58,338	(14,832)
Balance at March 31, 2010	**419,524**	**114,345**	**1,441,248**	**(262,004)**	**158,364**	**(1,846)**	**10,759**	**(36,010)**	**491,294**

(4) Consolidated Statements of Cash-Flows

	Fiscal 2008	Fiscal 2009
		Millions of yen
Cash flows from operating activities :		
Income before income taxes and minority interests	281,079	**11,242**
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation and amortization	273,744	**284,092**
Interest and dividend income (accrual basis)	(25,085)	**(16,656)**
Interest expense (accrual basis)	19,813	**19,803**
Exchange loss(gain) on foreign currency transactions	3,487	**8,348**
Amortization of goodwill	1,103	**3,631**
Equity in net (income) loss of unconsolidated subsidiaries and affiliates	(58,876)	**(34,756)**
Loss (gain) on sales of investments in securities	(3,368)	**(1,046)**
Loss on valuation of investments in securities	68,402	**-**
Loss on disposal of tangible and intangible fixed assets	11,781	**9,013**
Gain on sales of tangible and intangible fixed assets	(13,342)	**(5,809)**
Changes in allowance for doubtful accounts	(1,850)	**(2,275)**
Changes in notes and accounts receivable	37,598	**27,319**
Changes in inventories	(171,535)	**178,618**
Changes in notes and accounts payable	(127,389)	**(10,414)**
Other	17,818	**35,541**
Interest and dividend income (cash basis)	39,330	**18,101**
Interest expense (cash basis)	(19,511)	**(19,911)**
Income taxes (cash basis)	(205,660)	**(67,176)**
Net cash provided by operating activities	127,540	**437,668**
Cash flows from investing activities :		
Acquisition of investments in securities	(73,520)	**(88,634)**
Proceeds from sales of investments in securities	39,664	**17,662**
Acquisition of tangible and intangible fixed assets	(295,584)	**(339,773)**
Proceeds from sales of tangible and intangible fixed assets	16,761	**11,877**
Other	6,074	**(13,958)**
Net cash used in investing activities	(306,603)	**(412,827)**
Cash flows from financing activities :		
Net increase (decrease) in short-term loans	95,229	**(67,063)**
Net increase (decrease) in commercial paper	13,000	**(70,000)**
Proceeds from long-term loans	185,119	**125,087**
Payments of long-term loans	(85,159)	**(67,367)**
Proceeds from issuance of bonds and notes	144,448	**39,861**
Redemption of bonds and notes	(95,324)	**(43,266)**
Payments for purchase of treasury stock	(178)	**(179)**
Cash dividends	(69,335)	**(6,303)**
Other	(17,590)	**9,245**
Net cash provided by (used in) financing activities	170,209	**(79,985)**
Effect of exchange rate changes on cash and cash equivalents	(23,069)	**7,246**
Net increase (decrease) in cash and cash equivalents	(31,923)	**(47,897)**
Cash and cash equivalents at beginning of the year	160,313	**128,390**
Increase (decrease) from the change in the number of companies consolidated	-	**(22)**
Cash and cash equivalents at end of year	128,390	**80,470**

(5)Consolidated Segment Information

1) Information of business segments

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 2009 (April 1, 2009 to March 31, 2010)

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	2,823,193 △	331,905	80,073	179,412	58,799	152,234	3,625,619	(137,904)	3,487,714
Operating profit	20,589	31,655	2,937	10,431	444	10,732	35,613	(3,607)	32,005
Total assets	4,379,862	256,916	191,985	147,021	36,668	133,218	5,145,673	(143,294)	5,002,378
Depreciation	270,394	2,964	1,779	7,948	2,480	2,166	287,733	(3,640)	284,092
Capital expenditure	319,470	7,690	1,048	5,508	3,886	3,797	341,401	(12,044)	329,356

Note: 1. Method for business segment classification

The Company's business segments are steelmaking and steel fabrication, engineering and construction, urban development, chemicals, new materials, and system solutions. When determining the business segment classification and method of presentation, the Company applies the basic policy that the classification and method of presentation should express accurately and succinctly the distinctive features of each business domain.

●Non-Consolidated Finacial Statements

(1) Non-Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2009	**March 31, 2010**
Current assets :		
Cash and bank deposits	31,356	**23,996**
Notes and accounts receivable	122,807	**113,606**
Inventories	669,220	**551,907**
Deferred tax assets	42,000	**71,500**
Other	91,100	**92,213**
Less: Allowance for doubtful accounts	(7,269)	**(4,637)**
Total current assets	949,215	**848,587**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	299,829	**327,683**
Machinery and equipment	700,007	**743,927**
Land	183,785	**181,813**
Lease assets	1,915	**2,519**
Construction in progress	76,388	**59,339**
	1,261,927	**1,315,283**
Intangible fixed assets :		
Patents and utility rights	558	**514**
Software	178	**4,823**
Lease assets	46	**48**
	783	**5,387**
Investments and others :		
Investments in securities	508,282	**720,611**
Investments in subsidiaries and affiliates	552,387	**615,293**
Other	104,153	**85,039**
Less: Allowance for doubtful accounts	(2,740)	**(3,910)**
	1,162,083	**1,417,033**
Total fixed assets	2,424,794	**2,737,704**
Total assets	3,374,010	**3,586,291**

LIABILITIES	March 31, 2009	**March 31, 2010**
		Millions of yen
Current liabilities :		
Notes and accounts payable	162,402	**179,823**
Short-term loans and portion of long-term loans due within one year	249,593	**356,098**
Commercial paper	146,000	**78,000**
Bonds due within one year	40,000	**-**
Current portion of lease liability	761	**738**
Accrued expenses	217,714	**220,840**
Other	124,283	**127,171**
Total current liabilities	940,754	**962,671**
Long-term liabilities :		
Bonds and notes	324,951	**364,958**
Convertible bonds	300,000	**300,000**
Long-term loans	481,246	**493,701**
Lease liability(excluding current portion)	1,301	**1,963**
Deferred tax liabilities	-	**80,100**
Accrued pension and severance costs	66,297	**69,479**
Reserve for repairs to blast furnaces	36,572	**28,080**
Other	14,051	**14,187**
Total long-term liabilities	1,224,420	**1,352,471**
Total liabilities	2,165,175	**2,315,143**
NET ASSETS		
Shareholders'equity :		
Common stock	419,524	**419,524**
Capital surplus	114,104	**114,099**
Retained earnings :		
Special tax purpose reserve	91,569	**89,050**
Accumlated earnings carried forward	826,096	**764,674**
	917,665	**853,724**
Treasury stock, at cost	(257,934)	**(257,971)**
	1,193,360	**1,129,377**
Valuation and translation adjustments :		
Unrealized gains on available-for-sale securities	15,053	**140,250**
Deferred hedge income (loss)	420	**1,520**
	15,474	**141,770**
Total net assets	1,208,835	**1,271,147**
Total liabilities and net assets	3,374,010	**3,586,291**

(2) Non-Consolidated Statements of Income

Millions of yen

	Fiscal 2008	**Fiscal 2009**
Operating revenues :		
Net sales	3,128,694	**2,152,171**
Cost of sales	2,713,934	**2,072,511**
Gross margin	414,759	**79,660**
Selling, general and administrative expenses	161,794	**142,470**
Operating profit	252,965	**(62,810)**
Non-operating profit and loss :		
Non-operating profit :		
Interest and dividend income	31,826	**21,901**
Other	11,212	**15,874**
	43,039	**37,776**
Non-operating loss :		
Interest expenses	21,738	**22,082**
Other	70,603	**47,882**
	92,342	**69,964**
Ordinary profit	203,661	**(94,998)**
Special profit and loss :		
Special profit :		
Gain on sales of tangible fixed assets	11,877	**5,560**
Gain on sales of investments in securities and investments in subsidiaries and affiliates	17,709	**-**
	29,586	**5,560**
Special loss :		
Loss on valuation of investments in securities	66,462	**-**
	66,462	**-**
Income before income taxes	166,786	**(89,438)**
Income taxes - current	80,400	**3,100**
Income taxes - deferred	(22,600)	**(34,900)**
Net income	108,986	**(57,638)**

(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
Balance at March 31, 2009	**419,524**	**114,104**	**91,569**	**826,096**	**(257,934)**	**15,053**	**420**
Withdrawal of special tax purpose reserve			(12,055)	12,055			
Reserve of special tax purpose reserve			9,536	(9,536)			
Cash dividends				(6,303)			
Net income for fiscal year 2009				(57,638)			
Acquisition of treasury stock					(53)		
Disposal of treasury stock		(5)			16		
Net change due to demerger				-			
Other change for fiscal year 2009(net)						125,196	1,099
Total change for fiscal year 2009	-	(5)	(2,519)	(61,422)	(37)	125,196	1,099
Balance at March 31, 2010	**419,524**	**114,099**	**89,050**	**764,674**	**(257,971)**	**140,250**	**1,520**

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 255 companies

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

18 companies were newly consolidated during the fiscal year under review. 14 companies were removed from the scope of consolidation; 8 were merged and 6 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, 3 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.)

(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

② Intangible Fixed Assets (excluding lease assets)
Amortization of intangible fixed assets is calculated using the straight-line method.
Software products used by the Company are amortized using the straight-line method, mainly over the internally applied usage period of 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.

(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 a specified number of years (mainly 10 years), which are shorter than the average remaining years of service of the employees. Actuarial differences arising from utilizing a specified number of years within average estimated remaining periods of employment (mainly 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.

Beginning with the fiscal year under review, Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19) has been applied.
Actuarial differences (gain and loss) are amortized in the year following the year in which the gain or loss is recognized, and this change did not have a material effect on net sales, operating profit, ordinary profit, or income before income taxes and minority interests. In addition, the outstanding balance of the difference in retirement liabilities arising due to the application of this accounting standard is not material.

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

Through the end of the fiscal year under review, regarding projects for which the outcome of the portion completed is deemed certain, the Company has applied the percentage-of-completion standard (estimating the project progress percentage based on the percentage of the cost incurred to the estimated total cost.) The completed contract standard is applied to other projects.

Regarding profit recognition standards for contractor projects, previously, the Company applied the percentage-of-completion standard for projects involving contracting amounts of ¥1 billion or more and scheduled completion periods of more than 12 months, while the completed contract method was applied to other projects. Beginning with the fiscal year under review, the Accounting Standard for Construction Contracts (ASBJ Statement No. 15) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18) have been applied and the percentage-of-completion standard (estimating the project progress percentage based on the percentage of the cost incurred to the estimated total cost) has been applied for construction contracts begun during the year for which the outcome of the portion completed before the end of the year is deemed certain, while the completed contract standard was applied to other projects.

As a result of this change, in the fiscal year under review, net sales was ¥12,592 million higher, the gross margin and operating profit were both ¥1,740 million higher, and ordinary profit and income before income taxes and minority interests were both ¥1,818 million higher than they would have been prior to the change.

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.

③ Hedge Accounting

Method of Hedge Accounting

The Company uses deferred hedge accounting. With respect to items meeting in-house requirements, assigning method accounting (period-by-period allocation) 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.

④ Accounting for Consumption Taxes

The accounting treatment used with respect to consumption tax and local consumption taxes is 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.

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	844	Short-term loans	3,644
Notes and accounts receivable	1,867	Long-term loans	32,239
Inventories	2,021	(Including the portion of loans due within one year)	
Other (Current assets)	3,771	Other	335
Buildings and structures (net)	3,018		
Machinery and equipment (net)	6,163		
Tools, fixtures and consumables (net)	25		
Land	8,699		
Long-term loans receivable	21,310		
Total	47,722	Total	36,219

In addition, the above liabilities include ¥837 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 ¥1,289 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)	¥398,269 million
Work in process	¥42,438 million
Raw materials and supplies	¥414,056 million

3. Accumulated Depreciation of Tangible Fixed Assets ¥5,607,207 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)
UNIGAL Ltda.	¥2,060 million	¥2,060 million
Frontier Energy Niigata Co., Ltd.	¥1,928 million	¥1,928 million
Other	¥2,334 million	¥1,834 million
Total	¥6,323 million	¥5,823 million

(2) Reserved guarantees of loans ¥1,022 million (Substantial amount guaranteed: ¥1,022 million)

(3) Notes and bills discounted ¥30 million
Notes and bills endorsed ¥59 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 ¥2,050 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 ¥16,856 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 ¥6,268 million.

III. 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 516,191,673 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 24, 2009)	Common stock	¥6,303	¥1	March 31, 2009	June 25, 2009

(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, 2010)	Common stock	Retained earnings	¥9,454	¥1.5	March 31, 2010	June 25, 2010

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

IV. Financial Instruments

1. Current Status of Financial Instruments

(1) Policy regarding financial instruments

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

(2) Types of financial instruments and related risk

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

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

Regarding derivatives transactions associated with negotiable securities, interest rates, or currency exchange rates, the Company limits it execution of such transactions to ① interest rate swaps with the objective of hedging market risks accompanying movements in interest rates associated with assets/liabilities or with the objective of maintaining the proportion of assets/liabilities associated with fixed or variable interest rates and ② forward exchange contracts with the objective of avoiding currency exchange risks accompanying trading, funding, investment, etc., transactions undertaken as a part of business activities. Currently, however, the Company is not engaged in derivatives transactions associated with negotiable securities. The derivatives transactions executed by the Company are exposed to market price fluctuation risks accompanying future changes in interest rates, currency exchange rates, and market conditions, but because those transactions are limited to those with the objectives described in ① and ② above, the Company judges that the risk to management from those transactions is limited.

(3) Systems for management of financial instrument risk

① Management of credit risks (the risk that transactions partners may default on their obligations, etc.)

In accordance with the Company's credit management regulations, information related to the credit management situation of transactions partners is shared, and asset preservation measures are considered and implemented when necessary.

② Management of market risks (the risks arising from fluctuations in exchange rates, interest rates, and other indicators)

1) Currency exchange risks

Regarding foreign currency-denominated trade assets and liabilities, to avoid currency exchange risks accompanying trade, funds, investment, etc., transactions undertaken as a part of business activities, forward exchange contracts are used to hedge such risks.

2) Interest-rate risks

To control risks from interest-rate changes associated with interest payments on borrowings and bonds, the interest swap transactions are used.

3) Market price risks

Regarding negotiable and investment securities, the Company maintains a grasp of fair value situations when necessary and undertakes deliberations regarding whether such securities are required for business purposes.

In addition, derivatives transactions are executed in accordance with internal derivative transaction management regulations. These regulations require that prospective transactions in interest rate- or currency exchange rate-related derivatives be discussed by the Funding Management Committee with respect to the transaction policy, etc., then discussed or reported to the Management Conference/Board of Directors, and finally approved individually by the General Manager of the Finance Department within the pre-authorized scope of transactions before being executed. In conjunction with this, reports on the balance and profitability situation of such transactions must be regularly submitted to the Funding Management Committee, Management Conference, and Board of Directors.

In addition, each six-month semiannual fiscal period, an evaluation is undertaken of the effectiveness of hedging activities.

③ Management of fund procurement liquidity-related risk (the risk that the Group may not be able to meet its payment obligations on the scheduled date)
Based on reports from each of the Company's departments, the Finance Department prepares and updates cash flow plans when necessary and employs other methods to manage liquidity risk. To prepare for unexpected events, the Company arranges commitment line contracts.

The systems of consolidated subsidiaries are generally the same as those of the Company that are described in items (1) through (3) above.

2. Estimated Fair Value and Other Matters Related to Financial Instruments
Carrying value on the consolidated balance sheets as of March 31, 2010 (the closing date of the consolidated accounts) and unrealized gains (losses) are shown in the following table.

(millions of yen)

	Accounting items (*)	Estimated fair value (*)	Unrealized gain (loss)
(1) Cash and deposits	78,197	78,197	-
(2) Notes and accounts receivable—trade	457,804	457,804	-
(3) Marketable and investment securities			
Securities to be held to maturity	12,815	12,815	-
Available-for-sale securities	736,384	736,384	-
(4) Notes and accounts payable—trade	(449,877)	(449,877)	-
(5) Short-term loans payable	(304,743)	(304,743)	-
(6) Commercial paper	(78,000)	(78,000)	-
(7) Accrued expenses	(239,583)	(239,583)	-
(8) Bonds	(364,958)	(373,631)	(8,672)
(9) Long-term loans payable	(626,910)	(642,838)	(15,927)
(10) Derivative transactions	573	573	-

*Figures shown in parentheses are liability items. The fair value of assets and liabilities stemming from derivatives transactions are shown in net figures, and figures for items with total net fair values that are liabilities are shown in parentheses.

Notes:

*1. Methods for computing the estimated fair value of financial instruments and securities and derivative transactions

- (1) Cash and deposits and notes and (2) accounts receivable—trade

  Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's ledger, the ledger value has been used.

- (3) Marketable and investment securities

  The estimated fair values of these items are mainly valued at the exchange trading price.

- (4) Notes and accounts payable—trade, (5) Accounts payable-other and accrued expenses, (6) Commercial paper, and (7) Accrued expenses

  Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's ledger, the ledger value has been used.

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

  Bonds are valued at the market trading price. To estimate the fair value of long-term loans payable, the current value of these items is evaluated by discounting the total value of associated principal and interest using a notional interest rate that would be employed if that total value of funds were to be newly procured through the same kind of procurement method. Bonds and long-term loans payable with variable interest rates are subject to special case interest swap treatment (see (10) below), and their fair values are estimated by calculating the total value of associated principal, interest, and interest swap, then discounting that value using a rationally estimated notional interest rate that might be employed if that total value of funds were to be newly procured through the same kind of procurement method.

- (10) Derivatives Transactions

  The estimated fair values of forward exchange contracts are valued at the forward exchange market rate. Because items subject to assigning method accounting (period-by-period allocation) are accounted for together with notes and accounts receivable—trade and notes and accounts payable—trade, their fair values are shown including the fair value of the said notes and accounts receivable—trade and notes and accounts payable—trade (see (2) and (4) above). The estimated fair values of interest swaps are mainly valued at the price provided by the financial institutions making markets in these securities. Regarding special case treatment items, because these are treated together with the bonds or long-term loans being hedged, the fair value of these items are listed inclusive of the value of the hedged bonds or long-term loans (see (8) and (9) above).

*2: Unlisted stocks, etc. (balance sheet value: ¥48,793 million) do not have market values, and it is not possible to estimate their future cash flows. As determining the estimated fair value of these items was recognized to be extremely difficult, their fair value has not been included in "(3) Marketable and investment securities."

V. Per Share Information

Net assets per share	¥293.18
Net income per share	-¥1.83

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).

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

(2) Intangible Fixed Assets (excluding lease assets)

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

Software products used by the company are amortized using the straight-line method, mainly over the internally applied usage period of 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.

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.

Beginning with the fiscal year under review, Partial Amendments to Accounting Standard for Retirement Benefits (Part3) (ASBJ Statement No. 19) has been applied.
This change did not have a material effect on the Non-Consolidated Financial Statements.

(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

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.

(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 ¥4,439,021 million

2. Contingent Liabilities

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

(1) Loan Guarantee Liabilities

	Outstanding amounts
The Siam United Steel (1995) Co., Ltd.	¥6,469 million
UNIGAL Ltda.	¥2,060 million
Other	1,785 million
Total	¥10,315 million

Substantial amounts are equivalent to outstanding amounts.

(2) Reserved Guarantees of Loans

	Outstanding amounts
Kitakyushu Ecoenergy Co., Ltd.	¥4,368 million
Other	475 million
Total	¥4,843 million

Substantial amounts are equivalent to outstanding amounts.

3. Accounts Payable and Receivable to Subsidiaries and Affiliates

Short-term loans receivable	¥92,696 million
Long-term loans receivable	¥871 million
Short-term loans payable	¥358,423 million
Long-term loans payable	¥312,923 million

III. Notes to the Non-Consolidated Statements of Income

1. Transactions with subsidiaries and affiliates

Operating transactions	
Net sales	¥543,948 million
Purchases	¥685,453 million
Non-operating transactions	
Proceeds from the transfer of assets, etc.	¥122,357 million
Expenditures from the transfer of assets, etc.	¥108,092 million

IV. Statements of Changes in Shareholders' Equity

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

Common stocks	503,927,407 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	¥201.67
Net income per share	- ¥9.14

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 11, 2010

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 for the year from April 1, 2009 to March 31, 2010 in accordance with Article 444, Paragraph 4 of the Companies Act. 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 11, 2010

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 for the 85th business year from April 1, 2009 to March 31, 2010 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act. 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 85th fiscal year from April 1, 2009 to March 31, 2010, 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 revenue improving measures, 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 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 13, 2010

The Board of Corporate Auditors of Nippon Steel Corporation

Senior Corporate Auditor	Junji Ohta (Seal)
Corporate Auditor	Toshihide Tanabe (Seal)
Corporate Auditor	Katsunari Yoshida (Seal)
Corporate Auditor (Outside Auditor)	Yoichi Kaya (Seal)
Corporate Auditor (Outside Auditor)	Shigemitsu Miki (Seal)
Corporate Auditor (Outside Auditor)	Shigeo Kifuji (Seal)
Corporate Auditor (Outside Auditor)	Takao Kusakari (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.