Nippon Steel Corporation
86th Term Report
April 1, 2010 to March 31, 2011

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Accompanying Documents for the 87th Annual Meeting of Shareholders

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Report of Operations
86th Term: From April 1, 2010 to March 31, 2011

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 2010

The global economy continued its overall gradual recovery trend in fiscal 2010 supported by self-sustaining recovery in the major advanced countries and economic expansion of emerging countries in Asia.

In Japan, construction and public works investment remained stagnant, but some movement toward economic recovery appeared in the first half of the fiscal year supported mainly by improving economic conditions overseas and government business stimulus policies. The recovery stalled briefly in the second half of the year as the effectiveness of the economic policies faded and the yen's strength persisted, but the gradual recovery trend had remained essentially intact until the Great East Japan Earthquake.

Domestic steel demand from the construction and civil engineering sectors remained stagnant but brisk demand from developing countries in Asia generated sustaining high export volume, which supported a year-on-year increase of 14.32 million tons in total crude steel production volume in Japan, to 110.77 million tons for the fiscal year.

The ongoing stagnancy in domestic demand coupled with the steady growth in global demand for steel materials is making the Japanese steel industry highly reliant on external demand. Global supply and demand competition for steel is rapidly intensifying largely due to the presence of new steel manufacturing plants, particularly factories in East Asia using iron-source processes. In addition, the brisk steel demand overseas is tightening the supply and demand balance for raw materials, which is leading to the development of supply-side monopolies for raw materials. Price revision cycles are also shorter (quarterly) for raw materials, and those prices have risen during the year.

After deliberation of the current business environment as mentioned above, we have concluded that integrating our entire business with Sumitomo Metal Industries, Ltd., with whom we have implemented various measures to strengthen the competitiveness of both companies since the commencement of our alliance in 2002, and with whom we have already established a stable relationship, is the best way to enable us to continue growing and increase our corporate value, and on February 3, 2011, we agreed with Sumitomo Metals to commence consideration of the integration of the entire business, targeted for October 1, 2012.

The Great East Japan Earthquake on March 11 caused extensive damage to the operations of the Nippon Steel Group, particularly to the Kamaishi Steelworks and the Sendai Factory of Nippon Steel & Sumikin Metal Products Co., Ltd. Nippon Steel has reported a ¥23.7 billion special loss in its consolidated accounts for fiscal 2010 to cover the cost to mainly restore the production facilities and equipment that were damaged or lost in the Great East Japan Earthquake.

Review by Business Segment

The Nippon Steel Group companies committed their maximum management effort to respond to the changing operating environment in their respective fields.

・Steelmaking and Steel Fabrication

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

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

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

・**Engineering and Construction**

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

・**Urban Development**

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

・**Chemicals**

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

・**New Materials**

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

・**System Solutions**

In the system solutions business, NS Solutions Corporation provides comprehensive solutions in planning, configuration, operation, and maintenance of IT systems for a wide range of customers. The company provides leading-edge solutions services to further enhance customer investment efficiency and responsiveness to changing business conditions. The company implemented companywide measures to strengthen its business competitiveness and operation quality. These included establishing a business structure capable of fully responding to demand from the expanding telecommunications market and meeting International Financial Reporting Standards (IFRS) to fortify its presence in fields primed for growth from anticipated increasing investment in information technology (IT). In the cloud computing* operations, the company expanded its service menu and continued progressing toward completing the next-generation, high-standard database center for the scheduled operating launch at the start of 2012. The system solutions business posted net sales of ¥159.7 billion and an ordinary profit of ¥11.3 billion.

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

Sales and Income

Nippon Steel posted consolidated increases in sales and income in fiscal 2010. The Company was not able to adjust its product sales prices quickly enough to fully cover the increases in costs from the rising prices of core materials during the term. However, capturing the high level of demand, particularly export demand and implementation of the maximum effort to cut costs, helped more than make up the difference. The result was across-the-board rises with growth in net sales of ¥622.0 billion year on year, to ¥4,109.7 billion; operating profit of ¥133.6 billion, to ¥165.6 billion; ordinary profit of ¥214.5 billion, to ¥226.3 billion; and net income of ¥104.7 billion, to ¥93.1 billion.

An overview of the consolidated sales and ordinary profit of each business sector in fiscal 2010 is as follows:

(Billions of yen)

	Steelmaking and steel fabrication	Engineering and construction	Urban develop-ment	Chemi-cals	New materials	System solutions	Adjustments	Consoli-dated total
Net sales	3,473.4	254.9	86.5	193.8	60.8	159.7	(119.7)	4,109.7
Ordinary profit	181.9	14.8	9.2	13.2	2.1	11.3	(6.4)	226.3

Non-consolidated financial result for fiscal 2010 was across-the-board rises with growth in net sales of ¥556.2 billion year on year, to ¥2,708.4 billion; operating profit of ¥120.4 billion, to ¥57.6 billion; ordinary profit of ¥175.1 billion, to ¥80.1 billion; and net income of ¥107.0 billion, to ¥49.4 billion.

Assets, Liabilities, Net Assets, and Cash Flow

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

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

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

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

¥52.6 billion in income taxes. Cash flows from investing activities amounted to an outflow of ¥325.7 billion, comprised mainly of ¥315.8 billion in capital investments. These cash flows resulted in a free cash inflow of ¥43.7 billion in the term under review.

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

As a result of the above movements in cash flows, the Company's cash and cash equivalents at the end of the fiscal year under review amounted to ¥76.2 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 2010.

As for the year-end dividends at the end of fiscal 2010, the Company proposes a dividend payment of ¥3.0 per share (which will represent a increase of ¥1.5 per share compared with the cash dividend of the previous fiscal year and a consolidated ratio of cash dividends to net income of 20.2%), in accordance with the "Surplus Distribution Policy" stated on page 15.

The Company decided not to pay bonuses to its Directors and Corporate Auditors, in consideration of the current business environment.

Tasks Ahead

The global economy is expected to continue in a general recovery trend amid lingering risk of economic downturns in Europe and the United States, ongoing strong inflationary pressure in emerging countries, and other concerns.

The Japanese economy has been deeply affected by the Great East Japan Earthquake, and domestic manufacturing operations have slowed substantially. When the current situation of limited manufacturing capability is resolved, however, the Japanese economy should begin recovering supported by the brisk economic activity overseas and spurred by domestic reconstruction demand. At the same time, the slow pace of recovery in the manufacturing industry, the deeply affected corporate and household sector psychology, prolonging anxiety over the status of the nuclear reactor situation, and other concerns have created a strong lingering sense of uncertainty.

Overseas, demand in Asia can be expected to lead ongoing brisk worldwide demand for steel. The earthquake and tsunami caused direct damage to production equipment throughout the manufacturing industry and also impaired value chains (supplier network), created an electric power shortage, and created circumstances whose impact is being felt in production activities in Japan as well as overseas. Many of our corporate customers have been forced to curtail their production operations.

We believe production activity will begin to gradually normalize after production facilities are restored and expect domestic steel demand to move toward recovery. The Nippon Steel Group is dedicated to contributing to Japan's recovery. While putting our maximum effort into restoring the facilities and operations of the Group, we are also committed to our responsibility to supply the steel materials needed for restoration and reconstruction efforts and to our customers to reestablish their production operations. In these ways, we intend to contribute fully to Japan's economic recovery.

In addition to the above, we plan to implement various measures in fiscal 2011, the final year of our Medium-Term Management Plan. The measures will focus on restructuring our manufacturing capabilities and our equipment and operational foundations with a focus on safety, advancing our technologies and other steps to fortify our competitiveness, developing our global strategies, and implementing responses to global environmental and energy issues. We are also improving the business operations of the organization and promoting companywide human resource development to enhance our ability for swift and accurate responses to issues that arise from the changing business environment.

In addition, incidents during the year, including a failure to prevent quality flaws from occurring in some galvanized pipe products, have brought to our attention the need to further strengthen and improve the organization and operation of our quality control systems.

The Nippon Steel Group constantly strives to earn the trust of the market and society and will continue to comply with all laws and regulations as well as thoroughly conduct risk management for safety, environmental, disaster, and other risks.

In considering the integration of our entire business with Sumitomo Metal Industries, Ltd., we will aim to become a truly world-leading comprehensive steel manufacturer in the highly competitive global business environment, and proceed to realize the integration. Both companies will accelerate their global strategies and realize a level of competitiveness which is globally outstanding in all aspects, including technology, quality and cost, by combining their respective resources that each has built up, and generate synergies through consolidation of the superiority area in their respective businesses. We believe that these measures would enable us to better respond to the needs of customers both in Japan and overseas and desire to contribute to further development of the Japanese and global economy and improvement of global society.

・Fiscal 2011 Outlook

We are closely monitoring the situation; however, it is still too early to anticipate the pace of the demand recovery or the scale of the reconstruction demand. For this reason, we do not at this time have a reliable base of assumptions upon which to prepare a steel demand outlook for fiscal 2011.

In addition, Nippon Steel will negotiate with suppliers to set prices for raw materials beginning in the second quarter of fiscal 2011 and is also in discussions with corporate customers to adjust steel product prices to better reflect the substantial price rises that are occurring in the first quarter for raw materials. Due to the ongoing status of these negotiations, the Company is also unable at this time to formulate reasonably accurate estimates or forecasts for raw material prices or steel material prices.

The performance forecast for fiscal 2011, therefore, has not been determined at the announcement of the financial results for fiscal 2010 on April 28, 2011. The Company plans to announce a forecast as soon as it is able to formulate reasonably accurate assumptions.

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
April 20, 2010 August 31, 2010	64th Unsecured Corporate Bonds 65th Unsecured Corporate Bonds	20 billion yen 15 billion yen

(3) Plant and Equipment Investments

Classification	Equipment
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	83rd Term	84th Term	85th Term	86th Term (Term under review)
Crude steel production (million tons)	36.23	31.24	29.92	34.92
Net sales (billions of yen) (Overseas sales shown in brackets)	4,826.9 [1,383.7]	4,769.8 [1,377.2]	3,487.7 [1,104.5]	4,109.7 [1,405.3]
Ordinary profit (billions of yen)	564.1	336.1	11.8	226.3
Net income (billions of yen)	354.9	155.0	(11.5)	93.1
Total assets (billions of yen)	5,193.4	4,870.6	5,002.3	5,000.8
Net assets (billions of yen)	2,413.9	2,174.8	2,335.6	2,380.9
Net income per share	56.33 yen	24.60 yen	(1.83 yen)	14.81 yen
Net assets per share	303.33 yen	265.23 yen	293.18 yen	295.84 yen
Dividends per share (Interim dividends shown in brackets)	11 yen [5 yen]	6 yen [5 yen]	1.50 yen [-]	3.00 yen* [-]
Ratio of cash dividends to net income: consolidated (%)	19.5	24.4	-	20.2*
Ratio of cash dividends to net income: non-consolidated (%)	29.4	34.7	-	38.3*

Notes:

(1) The figures with asterisks (*) are values on the assumption that the proposal on appropriation of surplus for the 86th Term is approved at the 87th 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 is not available (denoted "-") as the year posted a net loss.

(6) Major Business Operations (as of March 31, 2011)

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, 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, 2011)

Plants	Company	Yawata Works Muroran Works Kamaishi Works Hirohata Works Nagoya Works Sakai Works Kimitsu Works Oita Works Tokyo Works Hikari Pipe and Tube Division
	Subsidiaries	Nippon Steel & Sumikin Coated Sheet Corporation: 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 Micrometal Corporation (subsidiary of Nippon Steel Materials Co., Ltd.): Head Office Iruma Plant The Siam United Steel (1995) Co., Ltd. in Thailand: Rayong Plant
Research Laboratories	Company	Steel Research Laboratories, Advanced Technology Research Laboratories, Environment & Process Technology Center (Located within Research and Engineering Center, Futtsu) R&D laboratories located within Steelworks (Yawata, Muroran, Hirohata, Nagoya, Kimitsu, Oita)
Domestic Sales Offices	Company	Sales Offices in Sapporo, Sendai, Niigata, Nagoya, Osaka, Hiroshima, Fukuoka
	Subsidiaries	Sales Offices in Muroran, Kamaishi, Tokyo Chuo-ku, Yokohama, Kisarazu, Kimitsu, Futtsu, Tokai, Osaka, Sakai, Himeji, Hikari, Fukuoka, Kitakyushu, Oita
Overseas Offices	Company	Overseas Offices in Beijing, Shanghai, Guangzhou, New Delhi, Düsseldorf
	Subsidiaries	Overseas Offices in Seoul, Beijing, Dalian, Shanghai, Suzhou, Hangzhou, Guangzhou, Taipei, Singapore, Bangkok, Penang (Malaysia), Kuala Lumpur, Batangas (Philippines), New York, Chicago, San Mateo (USA), Mexico City, São Paulo, Belo Horizonte (Brazil), Sidney, Perth (Australia)

(8) Employment Data (as of March 31, 2011)

Nippon Steel Group

Business Segment	Number of employees
Steelmaking and Steel Fabrication	46,619 [8,111]
Engineering and Construction	3,678 [620]
Urban Development	565 [657]
Chemicals	1,583 [139]
New Materials	416 [316]
System Solutions	4,957 [46]
Group employees (assigned to general operations of the Group)	1,365 [304]
Total	59,183 [10,193]

(Notes)

(1) Temporary workers are not included. Numbers of temporary workers (average number of temporary workers employed during fiscal 2010) are shown in brackets.

(2) Total number of employees increased by 6,978 compared to the end of fiscal 2009 (52,205 employees).

(3) Total number of employees is 58,366 when those who are retiring on March 31, 2011 are excluded.

Nippon Steel Corporation

Number of employees	Average age	Average number of years employed
16,150 [2,674]	40.7 years old	20.4 years

(Notes)

(1) Temporary workers are not included. Number of temporary workers (average number of temporary workers employed during fiscal 2010) is shown in brackets.

(2) Total number of employees increased by 305 compared to the end of fiscal 2009 (15,845 employees).

(3) Employees on loan to the Company from other companies (283 employees) are not included.

(4) The Company’s employees on loan to other companies (1,711 employees) are not included.

(9) Principal Subsidiaries and Affiliates (as of March 31, 2011)

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 (Chuo-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	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
Taihei Kogyo Co., Ltd. (Chiyoda-ku, Tokyo)	5,468	*41.8	Undertakes civil engineering and building construction work; makes and mounts machinery equipment; makes steel
Nittetsu Steel Pipe Co., Ltd. (Shinagawa-ku, Tokyo)	5,116	100.0	Makes, coats and markets steel pipes and tubes
Nippon Steel & Sumikin Stainless Steel Corporation (Chiyoda-ku, Tokyo)	5,000	80.0	Makes and markets stainless steel
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 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 appratuses
Nittetsu Finance Co., Ltd. (Chiyoda-ku, Tokyo)	1,000	100.0	Engages in financing and lending operations
Nittetsu Tokai Steel Wire Co., Ltd. (Seki, Gifu Prefecture)	897	51.0	Makes and markets secondary products using bars and wire rods
Nippon Steel Transportation Co., Ltd. (Kitakyushu)	500	*100.0	Undertakes harbor and land transportation and loading and unloading operations
NS Preferred Capital Limited (British Cayman Islands)	300,000	100.0	Issues of preferred securities
The Siam United Steel (1995) Company Limited (Bangkok, Thailand)	THB 9,000 million	44.7	Makes and markets cold-rolled sheets
PT Pelat Timah Nusantara Tbk. (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]	Million yen	%	
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
Nippon Denko Co., Ltd. (Chuo-ku, Tokyo)	11,026	*15.0	Makes and markets ferroalloys, advanced materials, industrial chemical products, environmental recycling systems, etc.
Nichia Steel Works, Ltd. (Amagasaki)	10,720	22.6	Makes and markets bolts, wire products and prepainted galvanized sheets
NS United Kaiun Kaisha, Ltd. (Chiyoda-ku, Tokyo)	10,300	34.0	Undertakes ocean transportation
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
Geostr Corporation (Bunkyo-ku, Tokyo)	3,352	*28.6	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	*34.8	Makes and markets cold-finished bars and cold-heading wire
Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS (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, and metal-processed products.

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 percentage of the Company's ownership of PT PELAT TIMAH NUSANTARA TBK. (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, and 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.), The Siam United Steel (1995) Company Limited and Taihei Kogyo Co., Ltd. are less than 50%. However, in light of the standards provided in the Regulations Concerning Financial Statements, the Company regards them as its subsidiaries.

(3) The percentage of the Company's ownership of Godo Steel, Ltd., Sanyo Special Steel Co., Ltd., Nippon Denko Co., Ltd. and Sanko Metal Industrial Co., Ltd. are below 20%. However, in light of the standards provided in the Regulations Concerning Financial Statements, the Company regards them as its affiliates.

(10) Major Lenders (as of March 31, 2011)

Lender	Funds borrowed (Billions of yen)
Mizuho Corporate Bank, Ltd.	141.4
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	103.5
Nippon Life Insurance Company	93.2
Sumitomo Mitsui Banking Corporation	92.2
Meiji Yasuda Life Insurance Company	91.5

(11) Surplus Distribution Policy

1) Dividends

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.

2. Overview of Shares (as of March 31, 2011)

Total number of shares authorized to be issued	9,917,077,000 shares
Total number of shares issued	6,806,980,977 shares (including 504,040,850 treasury shares)
Number of shareholders	413,593

Top 10 shareholders

Name of shareholder	Shares held (Million shares)	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd.	702	11.1
Sumitomo Metal Industries, Ltd.	287	4.6
CBHK-Korea Securities Depository	238	3.8
The Master Trust Bank of Japan, Ltd.	236	3.8
Nippon Life Insurance Company	226	3.6
Mizuho Corporate Bank. Ltd.	182	2.9
Trust & Custody Services Bank, Ltd.	155	2.5
Meiji Yasuda Life Insurance Company	138	2.2
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	134	2.1
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	101	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.

3. Subscription Right for New Shares (as of March 31, 2011)

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 86th Annual Meeting of Shareholders)

Title and name	Responsibilities/positions and material concurrent positions
Representative Director and Chairman Akio Mimura	<u>Material concurrent positions</u> Director, Nisshin Seifun Group Inc. Director, Development Bank of Japan Inc. Director, Innovation Network Corporation of Japan Director, Tokio Marine Holdings, Inc.
Representative Director and President Shoji Muneoka	<u>Material concurrent positions</u> Vice Chairmen, Nippon Keidanren (Japan Business 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; India Continuous Annealing and Processing Line Project; Domestic Sales Offices; Cooperating with Executive Vice President S. Taniguchi on Overseas Offices <u>Material concurrent positions</u> Vice-Chairman, Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.
Shinichi Taniguchi	Corporate Planning; Accounting & Finance; Overseas Business Development; Raw Materials; Overseas Offices; Cooperating with Executive Vice President K. Kuroki on Usiminas Project <u>Material concurrent positions</u> Chairman, The Japan Ferrous Raw Materials Association
Keisuke Kuroki	General Manager, Usiminas Project Intellectual Property; Safety Enhancement; Technical Administration & Planning; Ironmaking Technology; Steelmaking Technology; Slag & Cement; Cooperating with Executive Vice President K. Shindo on Environmental Management
Kosei Shindo	General Administration; Business Process Innovation; Personnel & Labor Relations; Environmental Management; Cooperating with Executive Vice President K. Kuroki on Safety Enhancement <u>Material concurrent positions</u> Chairman, Nippon Steel Arts Foundation
Masakazu Iwaki	Director, Technical Development Bureau <u>Material concurrent positions</u> Director, Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. President, The Japan Research and Development Center for Metals
Managing Directors Junji Uchida	Director, Flat Products Division; General Manager, India Continuous Annealing and Processing Line Project; Sales Administration & Planning <u>Material concurrent positions</u> 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; Rendering Assistance to Executive Vice President K. Uchida on Each Steel Products Divisions
Tooru Obata	General Manager, Shanghai-Baoshan Cold-Rolled & Coated Sheet Products Projects; Overseas Business Development; Raw Materials; Machinery & Materials; Overseas Offices; Cooperating with Executive Vice President K. Kuroki on Usiminas Project Material concurrent positions Director, NS United Kaiun Kaisha, Ltd. Conselhoiro (Director), Usinas Siderúrgicas 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 Material concurrent positions Corporate Auditor (Outside Corporate Auditor), Toyota Motor Corporation Senior Vice President, Research Institute of Innovative Technology for the Earth
Shigemitsu Miki	Executive Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Material concurrent positions 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 Material concurrent positions 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	Board Counselor, Nippon Yusen Kabushiki Kaisha

(Notes)

(1) Representative Director and Chairman Akio Mimura served as Chairman of Nippon Steel Arts Foundation until September 30, 2010.

(2) Representative Director and President Shoji Muneoka served as Chairman, The Japan Iron and Steel Federation until May 28, 2010.

(3) Representative Director and Executive Vice President Keisuke Kuroki served as Chairman of Steel Industry Foundation for the Advancement of Environmental Protection Technology until June 16, 2010.

(4) Representative Director and Executive Vice President Masakazu Iwaki served as Director of The

Siam United Steel (1995) Company Limited until December 8, 2010.

(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, 2011

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, India Continuous Annealing and Processing Line Project; 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; Cooperating with Executive Vice President M. Iwaki on Usiminas Project
Kosei Shindo	General Administration; Business Process Innovation; Personnel & Labor Relations; Environmental Management; Cooperating with Executive Vice President M. Iwaki on Safety Enhancement
Masakazu Iwaki	General Manager, Usiminas Project; Intellectual Property; Safety Enhancement; Technical Administration & Planning; Ironmaking Technology; Steelmaking Technology; Slag & Cement; Cooperating with Executive Vice President K. Shindo on Environmental Management
Managing Director	
Junji Uchida	General Manager, Shanghai-Baoshan Cold-Rolled & Coated Sheet Products Projects; Overseas Business Development; Overseas Offices; Rendering Assistance to Executive Vice President M. Iwaki on Usiminas Project
Directors	
Keisuke Kuroki	Assistant to the President
Shigeru Oshita	Assistant to the President
Tooru Obata	Assistant to the President
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	Board Counselor, Nippon Yusen Kabushiki Kaisha

(3) Remuneration paid to Directors and Corporate Auditors

(Unit: yen)

Position	Number of recipients	Classification	Amount
Directors	11	Remuneration	698,686,000
Corporate Auditors	7	Remuneration	163,560,000
Outside Auditors	4	Remuneration	38,160,000
Total	18	Remuneration	862,246,000

(Note) The above number of recipients includes one Director who retired at the conclusion of the 86th Annual Meeting of Shareholders held on June 24, 2010.

(4) Policies regarding decision on the amount of remunerations for Directors and Corporate Auditors

1) Description of policies

(i) Monthly remuneration

The Company sets the amount of base remunerations for individual ranks that are deemed to measure up to their required skills and responsibilities. These base remunerations vary within a certain range based on the Company's consolidated and non-consolidated performances. The Company allocates monthly remunerations to Directors and Corporate Auditors (i.e. decision of actual amount of remuneration) within the limits set by the Meeting of Shareholders.

(ii) Bonuses

On condition that the Company expects to pay an adequate amount of dividends for a given fiscal year and both its consolidated and non-consolidated earnings for the year have satisfied certain levels, the Company will submit an item concerning the payment of an amount (obtained by multiplying the dividends by a fixed rate) as bonuses for Directors and Corporate Auditors at the Meeting of Shareholders.

Allocation rates of bonus for individual Director and Corporate Auditors are in line with that of monthly remunerations.

2) Methods for decision on policies

Policies for monthly remunerations and bonus allocations to individual Directors and the submission of a resolution concerning bonus payments to Directors and Corporate Auditors are determined by resolution at the Board of Directors' Meeting. Policies for monthly remunerations and bonus allocation to individual Corporate Auditors are decided by consultation with Corporate Auditors.

For reference, the Company abolished the retirement lump-sum plan for Directors and Corporate Auditors in June 2006.

(5) Outside Officers

Material concurrent positions held by outside officers

Such positions are shown on pages 19.

Activities of the outside officers

Position	Name	Main activities
Corporate Auditor	Yoichi Kaya	Mr. Kaya attended 11Board Meetings (out of 15 meetings held during the term) and 14 Corporate Auditors' meetings (out of 17 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 15 meetings held during the term) and 14 Corporate Auditors' meetings (out of 17 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.

Position	Name	Main activities
Corporate Auditor	Shigeo Kifuji	Mr. Kifuji attended 14 Board Meetings (out of 15 meetings held during the term) and 16 Corporate Auditors' meetings (out of 17 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 15 Board Meetings (out of 15 meetings held during the term) and 17 Corporate Auditors' meetings (out of 17 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.

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 on page 22.

5. Certain Matters concerning Accounting Auditor

(1) Name

KPMG AZSA LLC

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

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

i) Amount of remunerations paid to accounting auditor	¥103,000,000
ii) The amount of remunerations payable by the Company and its subsidiaries to accounting auditor for its audit certification services	¥596,987,500
iii) Total amount of cash and other financial benefit payable by the Company and its subsidiaries to accounting auditor	¥612,892,500

(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 consisting 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 Corporate Auditors through exchange of opinion with respect to important matters of management regularly or upon necessity. It will also report to Corporate Auditors regarding status of operation of internal reporting structures.

Secretariat for Auditors shall be set up and staff members shall be assigned to support Corporate

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)

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

●Consolidated Finacial Statements

(1) Consolidated Balance Sheets

ASSETS	March 31, 2010	**March 31, 2011**
		Millions of yen
Current assets :		
Cash and bank deposits	78,197	**72,760**
Notes and accounts receivable	457,804	**459,906**
Marketable securities	12,723	**10,186**
Inventories	854,763	**929,284**
Deferred tax assets	108,971	**76,261**
Other	133,867	**163,629**
Less: Allowance for doubtful accounts	(4,161)	**(1,453)**
Total current assets	1,642,168	**1,710,575**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	489,884	**499,951**
Machinery and equipment	957,530	**906,273**
Land	321,670	**326,602**
Lease assets	9,842	**9,409**
Construction in progress	99,423	**76,146**
	1,878,351	**1,818,384**
Intangible fixed assets		
Patents and utility rights	14,257	**21,137**
Software	6,631	**19,986**
Goodwill	25,161	**20,779**
Lease assets	819	**707**
	46,870	**62,611**
Investments and others :		
Investments in securities	1,272,033	**1,223,810**
Deferred tax assets	30,210	**47,265**
Other	137,098	**143,209**
Less: Allowance for doubtful accounts	(4,353)	**(4,994)**
	1,434,988	**1,409,289**
Total fixed assets	3,360,210	**3,290,285**
Total assets	5,002,378	**5,000,860**

LIABILITIES	March 31, 2010	March 31, 2011
	Millions of yen	
Current liabilities :		
Notes and accounts payable	449,877	**476,592**
Short-term loans and portion of long-term loans due within one year	304,743	**310,150**
Commercial paper	78,000	**32,000**
Current portion of lease liability	3,019	**2,969**
Accrued expenses	239,583	**237,247**
Allowance for losses on construction contracts	3,522	**4,504**
Provision for loss on disaster	-	**19,131**
Other	291,341	**275,743**
Total current liabilities	1,370,087	**1,358,338**
Long-term liabilities :		
Bonds and notes	364,958	**385,065**
Long-term loans	626,910	**602,480**
Lease liability(excluding current portion)	6,132	**5,185**
Deferred tax liabilities	83,904	**49,190**
Accrued pension and severance costs	141,995	**155,760**
Allowance for retirement benefits of directors and corporate auditors	4,603	**4,705**
Reserve for repairs to blast furnaces	28,772	**21,983**
Other	39,336	**37,224**
Total long-term liabilities	1,296,614	**1,261,596**
Total liabilities	2,666,701	**2,619,935**
NET ASSETS		
Shareholders' equity :		
Common stock	419,524	**419,524**
Capital surplus	114,345	**114,553**
Retained earnings	1,441,248	**1,522,786**
Less: Treasury stock, at cost	(262,004)	**(262,524)**
	1,713,114	**1,794,340**
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities	158,364	**104,783**
Deferred hedge income (loss)	(1,846)	**(3,099)**
Unrealized gains on revaluation of land	10,759	**11,523**
Foreign currency translation adjustments	(36,010)	**(46,748)**
	131,267	**66,459**
Minority interest in consolidated subsidiaries	491,294	**520,126**
Total net assets	2,335,676	**2,380,925**
Total liabilities and net assets	5,002,378	**5,000,860**

(2) Consolidated Statements of Income

Millions of yen

	Fiscal 2009	Fiscal 2010
Operating revenues :		
Net sales	3,487,714	**4,109,774**
Cost of sales	3,156,497	**3,624,987**
Gross margin	331,216	**484,787**
Selling, general and administrative expenses	299,211	**319,181**
Operating profit	32,005	**165,605**
Non-operating profit and loss :		
Non-operating profit :		
Interest and dividend income	16,656	**16,116**
Equity in net income of unconsolidated subsidiaries and affiliates	34,756	**77,918**
Other	26,170	**42,257**
	77,583	**136,292**
Non-operating loss :		
Interest expenses	19,803	**18,355**
Other	77,952	**57,205**
	97,755	**75,561**
Ordinary profit	11,833	**226,335**
Special profit :		
Gain on sales of tangible fixed assets	5,809	**-**
	5,809	**-**
Special loss :		
Loss on impairment of fixed assets	-	**11,416**
Loss on valuation of investments in securities	-	**5,820**
Loss on disaster	-	**23,720**
Penalty	6,400	**-**
	6,400	**40,958**
Income before income taxes and minority interest	11,242	**185,377**
Income taxes - current	52,440	**48,740**
Income taxes - deferred	(36,396)	**27,466**
Income before minority interest	-	**109,171**
Minority interest in net income of consolidated subsidiaries	6,728	**15,972**
Net income (loss)	(11,529)	**93,199**

(3) Consolidated Statements of Changes in Net Assets

Millions of yen

	Fiscal 2009	Fiscal 2010
Owners' equity:		
Common stock:		
Balance at the beginning of the period	419,524	**419,524**
Changes during current period:		
Total current changes	-	-
Balance at the end of the period	419,524	**419,524**
Capital surplus:		
Balance at the beginning of the period	114,333	**114,345**
Changes during current period:		
Disposal of treasury stock	12	**207**
Total current changes	12	**207**
Balance at the end of the period	114,345	**114,553**
Retained earnings (Deficit):		
Balance at the beginning of the period	1,458,622	**1,441,248**
Changes during current period:		
Dividends	(6,303)	**(9,454)**
Net income	(11,529)	**93,199**
Increase(decrease) by newly consolidated or deconsolidated subsidiaries	116	**(949)**
Transfer from land revaluation account	341	**(1,257)**
Total current changes	(17,373)	**81,537**
Balance at the end of the period	1,441,248	**1,522,786**
Treasury stock, at cost:		
Balance at the beginning of the period	(262,152)	**(262,004)**
Changes during current period:		
Acquisition of treasury stock	(56)	**(42)**
Disposal of treasury stock	51	**141**
Increase(decrease) by newly consolidated or deconsolidated subsidiaries	153	**(619)**
Total current changes	147	**(519)**
Balance at the end of the period	(262,004)	**(262,524)**
Total shareholders' equity:		
Balance at the beginning of the period	1,730,328	**1,713,114**
Changes during current period:		
Dividends	(6,303)	**(9,454)**
Net income	(11,529)	**93,199**
Acquisition of treasury stock	(56)	**(42)**
Disposal of treasury stock	63	**348**
Increase(decrease) by newly consolidated or deconsolidated subsidiaries	270	**(1,568)**
Transfer from land revaluation account	341	**(1,257)**
Total current changes	(17,213)	**81,225**
Balance at the end of the period	1,713,114	**1,794,340**
Accumulated other comprehensive income:		
Net unrealized gains on securities:		
Balance at the beginning of the period	22,665	**158,364**
Changes during current period:		
Net changes of items other than shareholders' equity	135,699	**(53,581)**
Total current changes	135,699	**(53,581)**
Balance at the end of the period	158,364	**104,783**

	Fiscal 2009	Fiscal 2010
		Millions of yen
Deferred earnings on hedges:		
Balance at the beginning of the period	(1,149)	**(1,846)**
Changes during current period:		
Net changes of items other than shareholders' equity	(696)	**(1,252)**
Total current changes	(696)	**(1,252)**
Balance at the end of the period	(1,846)	**(3,099)**
Revaluation reserve for land, net of tax:		
Balance at the beginning of the period	11,187	**10,759**
Changes during current period:		
Net changes of items other than shareholders' equity	(428)	**763**
Total current changes	(428)	**763**
Balance at the end of the period	10,759	**11,523**
Translation adjustments:		
Balance at the beginning of the period	(94,348)	**(36,010)**
Changes during current period:		
Net changes of items other than shareholders' equity	58,338	**(10,737)**
Total current changes	58,338	**(10,737)**
Balance at the end of the period	(36,010)	**(46,748)**
Total accumulated other comprehensive income:		
Balance at the beginning of the period	(61,645)	**131,267**
Changes during current period:		
Net changes of items other than shareholders' equity	192,913	**(64,808)**
Total current changes	192,913	**(64,808)**
Balance at the end of the period	131,267	**66,459**
Minority interests:		
Balance at the beginning of the period	506,126	**491,294**
Changes during current period:		
Net changes of items other than shareholders' equity	(14,832)	**28,831**
Total current changes	(14,832)	**28,831**
Balance at the end of the period	491,294	**520,126**
Total net assets:		
Common stock:		
Balance at the beginning of the period	2,174,809	**2,335,676**
Changes during current period:		
Dividends	(6,303)	**(9,454)**
Net income	(11,529)	**93,199**
Acquisition of treasury stock	(56)	**(42)**
Disposal of treasury stock	63	**348**
Increase(decrease) by newly consolidated or deconsolidated subsidiaries	270	**(1,568)**
Transfer from land revaluation account	341	**(1,257)**
Net changes of items other than shareholders' equity	178,081	**(35,976)**
Total current changes	160,867	**45,248**
Balance at the end of the period	2,335,676	**2,380,925**

(4) Consolidated Statements of Cash-Flows

Millions of yen

	Fiscal 2009	**Fiscal 2010**
Cash flows from operating activities :		
Income before income taxes and minority interests	11,242	**185,377**
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation and amortization	284,092	**291,587**
Interest and dividend income (accrual basis)	(16,656)	**(16,116)**
Interest expense (accrual basis)	19,803	**18,355**
Exchange loss(gain) on foreign currency transactions	8,348	**6,131**
Amortization of goodwill	3,631	**1,623**
Equity in net (income) loss of unconsolidated subsidiaries and affiliates	(34,756)	(77,918)
Loss (gain) on sales of investments in securities	(1,046)	**(782)**
Loss on impairment of fixed assets	-	**11,416**
Loss on valuation of investments in securities	-	**5,820**
Loss on disposal of tangible and intangible fixed assets	9,013	**6,834**
Gain on sales of tangible and intangible fixed assets	(5,809)	**(8,770)**
Changes in allowance for doubtful accounts	(2,275)	**(4,266)**
Changes in notes and accounts receivable	27,319	**14,735**
Changes in inventories	178,618	**(64,782)**
Changes in notes and accounts payable	(10,414)	**8,337**
Other	35,541	**35,111**
Interest and dividend income (cash basis)	18,101	**27,886**
Interest expense (cash basis)	(19,911)	**(18,453)**
Income taxes (cash basis)	(67,176)	**(52,626)**
Net cash provided by operating activities	437,668	**369,500**
Cash flows from investing activities :		
Acquisition of investments in securities	(88,634)	**(31,850)**
Proceeds from sales of investments in securities	17,662	**3,230**
Acquisition of tangible and intangible fixed assets	(339,773)	**(315,843)**
Proceeds from sales of tangible and intangible fixed assets	11,877	**14,598**
Other	(13,958)	**4,082**
Net cash used in investing activities	(412,827)	**(325,781)**
Cash flows from financing activities :		
Net increase (decrease) in short-term loans	(67,063)	**(33,118)**
Net increase (decrease) in commercial paper	(70,000)	**(46,000)**
Proceeds from long-term loans	125,087	**101,778**
Payments of long-term loans	(67,367)	**(84,490)**
Proceeds from issuance of bonds and notes	39,861	**35,000**
Redemption of bonds and notes	(43,266)	**(15,000)**
Payments for purchase of treasury stock	(179)	**(40)**
Cash dividends	(6,303)	**(9,454)**
Other	9,245	**4,082**
Net cash provided by (used in) financing activities	(79,985)	**(47,244)**
Effect of exchange rate changes on cash and cash equivalents	7,246	**(2,811)**
Net increase (decrease) in cash and cash equivalents	(47,897)	**(6,336)**
Cash and cash equivalents at beginning of the year	128,390	**80,470**
Increase (decrease) from the change in the number of companies consolidated	(22)	**2,123**
Cash and cash equivalents at end of year	80,470	**76,256**

(5) Consolidated Segment Information

(Millions of yen)

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

● Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

Millions of yen

ASSETS	March 31, 2010	March 31, 2011
Current assets :		
Cash and bank deposits	23,996	**17,468**
Notes and accounts receivable	113,606	**139,121**
Inventories	551,907	**617,222**
Deferred tax assets	71,500	**35,800**
Other	92,213	**106,226**
Less: Allowance for doubtful accounts	(4,637)	**(968)**
Total current assets	848,587	**914,871**
Fixed assets :		
Tangible fixed assets :		
Buildings and structures	327,683	**336,204**
Machinery and equipment	743,927	**712,759**
Land	181,813	**181,613**
Lease assets	2,519	**2,983**
Construction in progress	59,339	**39,910**
	1,315,283	**1,273,470**
Intangible fixed assets :		
Patents and utility rights	514	**487**
Software	4,823	**16,212**
Lease assets	48	**86**
	5,387	**16,786**
Investments and others :		
Investments in securities	720,611	**632,413**
Investments in subsidiaries and affiliates	615,293	639,591
Other	85,039	88,262
Less: Allowance for doubtful accounts	(3,910)	(3,671)
	1,417,033	**1,356,596**
Total fixed assets	2,737,704	**2,646,854**
Total assets	3,586,291	**3,561,725**

LIABILITIES	March 31, 2010	**March 31, 2011**
		Millions of yen
Current liabilities :		
Notes and accounts payable	179,823	**193,476**
Short-term loans and portion of long-term loans due within one year	356,098	**424,821**
Commercial paper	78,000	**32,000**
Convertible bonds due within one year	-	**300,000**
Current portion of lease liability	738	**708**
Accrued expenses	220,840	**244,603**
Provision for loss on disaster	-	**13,000**
Other	127,171	**98,265**
Total current liabilities	962,671	**1,306,875**
Long-term liabilities :		
Bonds and notes	364,958	**384,965**
Convertible bonds	300,000	**-**
Long-term loans	493,701	**480,051**
Lease liability(excluding current portion)	1,963	**2,486**
Deferred tax liabilities	80,100	**18,900**
Accrued pension and severance costs	69,479	**71,318**
Reserve for repairs to blast furnaces	28,080	**21,783**
Other	14,187	**15,111**
Total long-term liabilities	1,352,471	**994,616**
Total liabilities	2,315,143	**2,301,492**
NET ASSETS		
Shareholders'equity :		
Common stock	419,524	**419,524**
Capital surplus	114,099	**114,094**
Retained earnings :		
Special tax purpose reserve	89,050	**87,005**
Accumlated earnings carried forward	764,674	**806,684**
	853,724	**893,689**
Treasury stock, at cost	(257,971)	**(258,000)**
	1,129,377	**1,169,308**
Valuation and translation adjustments :		
Unrealized gains on available-for-sale securities	140,250	**90,470**
Deferred hedge income (loss)	1,520	**454**
	141,770	**90,924**
Total net assets	1,271,147	**1,260,233**
Total liabilities and net assets	3,586,291	**3,561,725**

(2) Non-Consolidated Statements of Income

	Fiscal 2009	**Fiscal 2010**
		Millions of yen
Operating revenues :		
Net sales	2,152,171	**2,708,406**
Cost of sales	2,072,511	**2,496,731**
Gross margin	79,660	**211,674**
Selling, general and administrative expenses	142,470	**154,017**
Operating profit(loss)	(62,810)	**57,657**
Non-operating profit and loss :		
Non-operating profit :		
Interest and dividend income	21,901	**61,590**
Other	15,874	**23,384**
	37,776	**84,974**
Non-operating loss :		
Interest expenses	22,082	**21,883**
Other	47,882	**40,558**
	69,964	**62,441**
Ordinary profit(loss)	(94,998)	**80,191**
Special profit and loss :		
Special profit :		
Gain on sales of tangible fixed assets	5,560	**-**
	5,560	**-**
Special loss :		
Loss on valuation of investments in securities	-	**5,820**
Loss on disaster		**14,650**
	-	**20,471**
Income(loss) before income taxes	(89,438)	**59,719**
Income taxes - current	3,100	**1,100**
Income taxes - deferred	(34,900)	**9,200**
Net income(loss)	(57,638)	**49,419**

(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, 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**

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, 2010	**419,524**	**114,099**	**89,050**	**764,674**	**(257,971)**	**140,250**	**1,520**
Withdrawal of special tax purpose reserve			(6,416)	6,416			
Reserve of special tax purpose reserve			4,371	(4,371)			
Cash dividends				(9,454)			
Net income for fiscal year 2010				49,419			
Acquisition of treasury stock					(40)		
Disposal of treasury stock		(4)			11		
Net change due to demerger				-			
Other change for fiscal year 2010(net)						(49,780)	(1,066)
Total change for fiscal year 2010	-	(4)	(2,045)	42,010	(28)	(49,780)	(1,066)
Balance at March 31, 2011	**419,524**	**114,094**	**87,005**	**806,684**	**(258,000)**	**90,470**	**454**

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: 270 companies

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

During the fiscal year under review, 30 companies were newly consolidated and 15 companies were removed from the scope of consolidation: 10 were merged and 5 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 and January 31. 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: 74 companies

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

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

3. Accounting Standards

(1) Basis and Method of Evaluation of Significant Assets

① Marketable securities

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

• Available-for-sale 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 over the projected usage periods that are mainly of 5 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 Provision for loss on disaster

To provide for potential expenses and losses associated with the restoration, etc., of assets damaged owing to the Great East Japan Earthquake, this allowance is computed based on estimated expense and loss figures at the end of the consolidated fiscal year under review.

④ 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 under review. 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.

⑤ 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.

⑥ 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 Significant Accounting Policies for 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.

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 on the 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 interest item under net assets.

③ Significant 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 Amortization method and Amortization period of goodwill

Goodwill is 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 5 years.

⑤ Accounting for consumption Taxes

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

4. Changes in Significant Accounting Policies for Consolidated Financial Statements

(1) Application of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

Beginning with the fiscal year under review, “Accounting Standard for Equity Method of Accounting for Investments (Accounting Standards Board of Japan (ASBJ) Statement No. 16) (Accounting Standard issued in March 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No. 24) have been applied, and necessary adjustments to the consolidated financial statements have been undertaken.

This change did not have a material effect on the consolidated financial statements.

(2) Application of “Accounting Standards for Asset Retirement Obligations, ” etc.

Beginning with the fiscal year under review, “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No. 18) and “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21) have been applied.

This change did not have a material effect on the consolidated financial statements.

(3) Application of “Accounting Standards for Measurement of Inventories” (Standards revised in 2008)

Beginning with the fiscal year under review, accompanying the application of “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9), the Company and certain of its consolidated subsidiaries and affiliates to which the equity method is applied in Japan have changed the method of measurement of inventories from the cost method using the last-in, first-out method to the periodic average method.

This change did not have a material effect on the consolidated financial statements.

(4) Application of "Accounting Standards for Business Combinations and Related Matters," etc. (Standards revised in 2008)

Beginning with the fiscal year under review, the Company has applied the following accounting standards: "Accounting Standard for Business Combinations" (ASBJ Statement No. 21); "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22); "Partial Amendments to the 'Accounting Standard for Research and Development Costs'" (ASBJ Statement No. 23); "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7); "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16), (Revised in December 2008); and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10)

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	¥ 515	Short-term loans	¥ 2,060
Notes and accounts receivable	314	Long-term loans	32,747
Inventories	346	(Including the portion of loans due within one year)	
Other (Current assets)	3,918	Other	446
Buildings and structures (net)	3,037		
Machinery, equipment and vehicles (net)	5,233		
Tools, furniture and fixtures (net)	2		
Land	9,093		
Long-term loans receivable	20,426		
Total	¥42,889	Total	¥35,254

In addition, the above liabilities include ¥706 million in loans of consolidated subsidiaries for which the Company has provided ¥355 million in long-term loans (assets) as collateral. Further, the Company has provided ¥1,269 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)	¥409,295 million
Work in process	79,881 million
Raw materials and supplies	440,107 million

3. Accumulated Depreciation of Tangible Fixed Assets ¥5,820,750 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)
Metal Research Co., Ltd.	¥11,205 million	¥11,205 million
UNIGAL Ltda.	3,492 million	3,492 million
Frontier Energy Niigata Co., Ltd.	1,543 million	1,543 million
Other	2,132 million	1,670 million
Total	¥18,372 million	¥17,910 million

(2) Reserved guarantees of loans ¥858 million (The substantial amount guaranteed is the same.)

(3) Notes and bills endorsed ¥38 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, 2011 was ¥3,057 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, 2011 was ¥17,859 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, 2011 was ¥1,944 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 stock 6,806,980,977 shares

Number of treasury stock at the end of the period
Common stock 517,192,896 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, 2010)	Common stock	¥9,454	¥1.5	March 31, 2010	June 25, 2010

(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, 2011)	Common stock	Retained earnings	¥18,908	¥3.0	March 31, 2011	June 27, 2011

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 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. Also, 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. Please note that 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. 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, 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 derivatives 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 and 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, 2011 (the closing date of the consolidated accounts), estimated fair value, and unrealized gains (losses) are shown in the following table.

(Millions of yen)

	Carrying value (*)	Estimated fair value (*)	Unrealized gain (loss)
(1) Cash and deposits	¥ 72,760	¥ 72,760	¥ –
(2) Notes and accounts receivable—trade	459,906	459,906	–
(3) Marketable and investment securities			–
Held-to-maturity securities	12,183	12,151	(31)
Available-for-sale securities	642,066	642,066	–
(4) Notes and accounts payable—trade	(476,592)	(476,592)	–
(5) Short-term loans payable	(310,150)	(310,150)	–
(6) Commercial paper	(32,000)	(32,000)	–
(7) Accrued expenses	(237,247)	(237,247)	–
(8) Bonds	(385,065)	(396,443)	(11,377)
(9) Long-term loans payable	(602,480)	(616,165)	(13,684)
(10) Derivative transactions	3,169	3,169	–

*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 (2) notes and 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) Short-term loans payable, (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, and 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: ¥50,127 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."

<u>V. Per Share Information</u>

Net assets per share	¥295.84
Net income per share	14.81

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
      • Available-for-sale 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 over the projected usage periods that are of 5 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) Provision for Loss on Disaster
      To provide for potential expenses and losses associated with the restoration, etc., of assets damaged owing to the Great East Japan Earthquake, this allowance is computed based on estimated expense and loss figures at the end of the 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 under review.

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 fiscal year following the time of occurrence.

(4) Reserve for Repairs to Blast Furnaces

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

4. Other Significant Accounting Policies for 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) 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.

(3) Accounting for Consumption Taxes

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

5. Changes in Significant Accounting Policies for Financial Statements

Beginning with the fiscal year under review, “Accounting Standards for Asset Retirement Obligations” (Accounting Standards Board of Japan (ASBJ) Statement No. 18) and “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21) have been applied.

This change did not have a material effect on the financial statements.

II. Notes to the Non-Consolidated Balance Sheets

1. Accumulated Depreciation of Tangible Fixed Assets ¥4,595,128 million

2. Contingent Liabilities

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

(1) Loan Guarantee Liabilities

	(Outstanding amounts)
Metal Research Co., Ltd.	¥11,205 million
UNIGAL Ltda.	3,492 million
Other	1,622 million
Total	¥16,320 million

Substantial amounts are equivalent to outstanding amounts.

(2) Reserved Guarantees of Loans

	(Outstanding amounts)
Kitakyushu Ecoenergy Co., Ltd.	¥4,320 million
Other	314 million
Total	¥4,634 million

Substantial amounts are equivalent to outstanding amounts.

3. Accounts Payable and Receivable to Subsidiaries and Affiliates

Short-term loans receivable	¥109,747 million
Long-term loans receivable	— million
Short-term loans payable	709,868 million
Long-term loans payable	13,581 million

III. Notes to the Non-Consolidated Statements of Income

Transactions with Subsidiaries and Affiliates

Operating transactions	
Net sales	¥681,185 million
Purchases	817,860 million
Non-operating transactions	
Proceeds from the transfer of assets, etc.	¥195,210 million
Expenditures from the transfer of assets, etc.	82,543 million

IV. Statements of Changes in Shareholders' Equity

Number and Type of Treasury Stocks Outstanding at the End of the Fiscal Year

Common stocks	504,040,850 shares

V. Tax-Effect Accounting

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

VI. Per Share Information

Net assets per share	¥199.94
Net income per share	7.84

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 10, 2011

Mr. Shoji Muneoka
Representative Director and President
Nippon Steel Corporation

KPMG AZSA LLC

Toshiharu Kawai (Seal)
Designated Limited Liability Partner
Certified Public Accountant

Hideki Yanagisawa (Seal)
Designated Limited Liability Partner
Certified Public Accountant

Hiroshi Tawara (Seal)
Designated Limited Liability 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, 2010 to March 31, 2011 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 10, 2011

Mr. Shoji Muneoka
Representative Director and President
Nippon Steel Corporation

KPMG AZSA LLC

Toshiharu Kawai (Seal)
Designated Limited Liability Partner
Certified Public Accountant

Hideki Yanagisawa (Seal)
Designated Limited Liability Partner
Certified Public Accountant

Hiroshi Tawara (Seal)
Designated Limited Liability 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 86th business year from April 1, 2010 to March 31, 2011 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 86th fiscal year from April 1, 2010 to March 31, 2011, 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 measures for Medium-Term Management Plan and on status of business infrastructure establishment, 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 LLC, 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 LLC 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 LLC, 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 LLC, the Accounting Auditor, are appropriate.

May 12, 2011

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.