## Summary of Consolidated Operating Results for the Third Quarter of Fiscal 2005

Listed Company Name: Nippon Steel Corporation
(URL http://www.nsc.co.jp)
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## 1. Basis of Presenting Quarterly Financial Information

1) Adoption of concise accounting method:

Yes
A concise accounting method has been adopted partly for the standards to appropriate corporate taxes, allowances and other items.
2) Changes in accounting methods from most recent consolidated fiscal year:

No
3) Changes in the scope of consolidation and application of the equity method: Yes Consolidation (newly included): 13 (excluded): 15
Equity method (newly applied): 2 (excluded): 4
2. Outline of Financial and Operating Results up to the Third Quarter of Fiscal 2005
(April 1, 2005 to December 31, 2005)
Outline of Operating Results

| , | Sales |  | Operating profits |  | Ordinary profits |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | ¥millio | (\%) | ¥million | (\%) | ¥million | (\%) |
| Third quarter of fiscal 2005 | 2, 816, 10 | 18.9 | 424, 454 | 58.3 | 416, 777 | 72.0 |
| Third quarter of fiscal 2004 | 2, 368, 76 | - | 268, 081 | - | 242, 321 | - |
| (Reference) Fiscal 2004 | 3, 389, 35 |  | 429, 948 |  | 371, 446 |  |


|  | Net income |  | Net income per share |
| :--- | ---: | :---: | :---: |
|  | $¥$ million | $(\%)$ | $\not{ }^{*}$ |
| Third quarter of fiscal 2005 | 270,108 | 83.6 | 40.05 |
| Third quarter of fiscal 2004 | 147,114 | - | 21.85 |
| (Reference) Fiscal 2004 | 220,601 | 32.73 |  |

Notes 1) Amounts below $¥ 1$ million are rounded down.
2) Percentages for sales, operating profits, ordinary profits and net income indicate changes over the corresponding term of the previous fiscal year.

## Outline of Financial Results

|  | Total assets | Shareholders' equity | Ratio of <br> shareholders' equity <br> to total assets | Shareholders' equity <br> per share |
| :---: | ---: | ---: | ---: | ---: |
| Third quarter of fiscal 2005 | $4,450,784$ | $1,607,530$ | - | 36.1 |

Notes Due to commencement of information disclosure on the quarterly financial results as from the first quarter of fiscal 2005, we have not made reference to the results for the corresponding quarter of the previous year.

## (Reference)

The full-year forecast for consolidated operating results in fiscal 2005 (April 1, 2005 to March 31, 2006) is slated for release, as usual, at the beginning of March 2006. No revisions have been made to the forecast released in the interim-term business report (April to September 2005).

## 3. Segment Information

(Information of business segment)
Third quarter of fiscal 2005 (April 1, 2005 to December 31, 2005)

|  | Steelmaking <br> and steel <br> fabrication | Engineering and <br> Constrution | Urban <br> development | Chemicals <br> and <br> nonferrous <br> materials | System <br> solutions | Other <br> businesses | Total | Elimination <br> of <br> intersegment <br> transactions | Consolidated <br> total |
| :--- | :---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| Sales | $2,271,365$ | 199,717 | 54,228 | 277,241 | 95,265 | 50,676 | $2,948,495$ | $(132,389)$ | $2,816,106$ |
| Operating <br> costs and <br> expenses | $1,879,914$ | 199,835 | 47,822 | 257,336 | 88,556 | 50,815 | $2,524,280$ | $(132,629)$ | $2,391,651$ |
| Operating <br> profits | 391,451 | $(118)$ | 6,406 | 19,904 | 6,709 | $(138)$ | 424,215 | 239 | 424,454 |

Third quarter of fiscal 2004 (April 1, 2004 to December 31, 2004)

|  | Steelmaking <br> and stel <br> fabrication | Engineering and <br> construction | Urban <br> development | Chemicals <br> and <br> nonferros <br> materials | System <br> solutions | Other <br> businesses | Total | Elimination <br> of <br> intersenment <br> transactions | Consolidated <br> total |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| Sales | $1,900,979$ | 134,800 | 47,150 | 242,037 | 92,523 | 55,335 | $2,472,826$ | $(104,066)$ | $2,368,760$ |
| Operating <br> costs and <br> expenses | $1,657,720$ | 139,762 | 42,297 | 223,491 | 86,507 | 54,785 | $2,204,565$ | $(103,886)$ | $2,100,679$ |
| Operating <br> profits | 243,259 | $(4,962)$ | 4,852 | 18,546 | 6,015 | 550 | 268,261 | $(180)$ | 268,081 |

## General Information on Consolidated Operating Performance

The Japanese economy continues to recover thanks to increasing exports, expanding equipment investment by private enterprise and steady growth in personal consumption spurred by higher earnings and rising employment.

In the steelmaking and steel fabrication sector, whereas domestic demand for steel in civil engineering area still shows a decreasing trend, demand in the building construction area is firm due to high levels of activity in housing and plant construction. Manufacturing industries, such as automobiles, shipbuilding and industrial machinery, continue to generate strong demand due to thriving demand in both of domestic and overseas markets.

In steel product exports, demand remains steady in the manufacturing industries of East Asia which serve as Nippon Steel's main market. Supply and demand in the export market remains tight for high-grade steel products but is loosening for commodity-grade steel products due to increased production caused by expanding production capacity in China. As a result, a bipolar trend in demand is becoming apparent.

Given these circumstances, Nippon Steel views the maintenance and improvement of steel product sales prices as its first priority. In addition, in an increasingly bipolar demand environment for high-grade and commodity-grade steel products, Nippon Steel is exerting maximum effort to implement production and shipping operations that will steadily respond to firm demand for high-grade steel products. At the same time, the company is working to establish a sound supply and demand situation in the field of commodity-grade products by reducing production-mainly of those for export and steel sheets for domestic market.

In the engineering and construction sector, while a severe operating environment persists in some fields due to reduced public works projects and other factors, Nippon Steel has secured a steady stream of orders supported mainly by robust overseas demand. Further, the company is doing its utmost to improve profitability through cost cutting. In the urban development sector, operations centered on condominium sales in the metropolitan Tokyo area are steady, with achievements running nearly as planned. In the chemicals and nonferrous materials sector, in spite of chemicals market softening that has adversely affected operating results in the chemicals sector, operations in the sector are progressing nearly as planned, and demand remains steady in IT- and digital-related fields, the main markets in the new materials sector. As a result, operating results in the chemicals and nonferrous materials sector as a whole are firm. In the system solutions sector, operations are progressing steadily as planned, supported by steady receipts of inquiries and orders mainly from manufacturing and logistics industries.

Pursuant to the foregoing, settlement of accounts for the period up to the third quarter of fiscal 2005 (April 1, 2005 to December 31,2005 ) shows the following consolidated operating results: sales of $¥ 2,816.1$ billion, operating profits of $¥ 424.4$ billion, ordinary profits of $¥ 416.7$ billion, and a net income of $¥ 270.1$ billion.

Fiscal 2005 (April 1,2005 to March 31,2006 )


|  (data rel eased on Ot ober 31, 2005 | $\begin{array}{\|c\|c\|} \hline \text { For ecast for } \\ \text { fiscal 2005 } \\ \text { (dat a rel eased on } \\ \text { Oct ober 31, 2005) } \end{array}$ |
| :---: | :---: |
| Ot. 2005 Ner. 2006 | Apr. 2005 Nar. 2006 |
| million | mililion |
| 2,001,596 | 3,855,000 |
| 1,555,895 | 3,065,000 |
| 172, 201 | 300,000 |
| 64, 884 | 103,000 |
| 189,919 | 370,000 |
| 85, 214 | 150,000 |
| 34,931 | 68,000 |
| (101, 047) | $(191,000)$ |
| 223,684 [11.24] | $525,000$ $[13 . \text {. } 1$ |
| 188,520 | 488, 000 |
| [11.98] | [15.38] |
| 11, 483 | 9,000 |
| 16.78 .4 | [3.08] |
| 5,475 | 10,000 |
| [8.59] | 19.7 |
| 14,314 | 26,000 |
| [7.54] | ${ }^{17}$ \% O4, |
| 7,317 | 12,000 |
| [8.64] | 18.081 |
| - 208 | 0 |
| [ $40.6 \times 1$ | [0.084 |
| (214) | (-) |
| 200,518 | 495,000 |
| ${ }^{110.089}$ | [12.89] |
| 124,315 | 320, 000 |
| [6.28] | 18.381 |
| $\begin{array}{r} 7 \\ 18.44 \end{array}$ | 47.45 |


|  |  | 1 Interimterm |  |  |  | Fi scal 2004 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1st quarter | 2nd quarter |  | 3rd quarter | 4th quater | 2nd hal f |  |
| Apr. . Jne 2004 | July - Sept. 2004 | Apr. Sept. 2004 | at. - Dec. 2004 | Jan.- Ner. 2005 | Ot. 2004 Nar. 2005 | Apr. 2004 ner. 2005 |
| $\begin{array}{r} \hline \text { *ailion } \\ 702,156 \end{array}$ | $\begin{array}{r} \hline \text { *ailion } \\ \text { 807, } 110 \end{array}$ | $\begin{array}{r} \text { *anilion } \\ \text { 1,509, } 266 \end{array}$ | $\begin{array}{r} \hline \text { *nilion } \\ \text { 859, } 494 \end{array}$ | $\begin{array}{r} \text { Fnilion } \\ 1,020,595 \end{array}$ | $\begin{array}{r} \hline \text { ¥nillion } \\ 1,880,089 \end{array}$ | $\begin{array}{r} \text { Fanilion } \\ 3,389,356 \end{array}$ |
| 560,305 | 648,639 | 1,208,944 | 692,034 | 719,753 | 1,411, 787 | 2,620,732 |
| 41,953 | 45,079 | 87,032 | 47, 767 | 145,066 | 192,833 | 279, 866 |
| 11,042 | 14,004 | 25,046 | 22, 103 | 42, 125 | 64, 229 | 89, 275 |
| 69,517 | 89,053 | 158, 570 | 83,467 | 89, 130 | 172,597 | 331, 168 |
| 29,691 | 36,044 | 65,736 | 26,786 | 54,008 | 80, 794 | 146,531 |
| 17, 273 | 19, 256 | 36,529 | 18,806 | 20,909 | 39, 715 | 76, 244 |
| $(27,626)$ | (44, 967) | (72,594) | (31, 472) | (50, 397) | (81, 869) | (154, 463) |
| $\begin{aligned} & 55,989 \\ & 18 \text { o8d } \end{aligned}$ | $\begin{aligned} & 86,227 \\ & 10.7 \mathrm{Td} \end{aligned}$ | $\begin{gathered} 142,216 \\ {[9.448} \\ \hline \end{gathered}$ | $\begin{aligned} & 125,864 \\ & {[14,68]} \\ & \hline \end{aligned}$ | $\begin{aligned} & 161,866 \\ & {[15.996} \\ & \hline \end{aligned}$ | $\begin{aligned} & 287,731 \\ & {[15.349} \\ & \hline \end{aligned}$ | $\begin{aligned} & 429,948 \\ & 12778 \\ & \hline \end{aligned}$ |
| $52,583$ | $78,008$ | $130,591$ $[10.88]$ | $112,667$ | $\text { 133, } 666$ | $246,334$ | 376,926 114.481 |
| $\Delta 2,036$ | $\Delta 3,725$ | $\Delta 5,762$ | 799 | 11, 659 | $12,458$ | ${ }^{6,696}$ |
| [ 4 4.99] | [18.36] | [46.04] | [1.764 | [8.09] | [6.54] | [248] |
| $\begin{gathered} 1,328 \\ 120018 \end{gathered}$ | $\begin{array}{r} \hline 435 \\ {[3.18]} \end{array}$ | $\begin{aligned} & 1,764 \\ & {[7.064} \end{aligned}$ | $\begin{gathered} \hline 3,088 \\ 144,081 \\ \hline \end{gathered}$ | $\begin{aligned} & \hline 3,651 \\ & 18.74 \mathrm{c} \end{aligned}$ | $\begin{gathered} 6,739 \\ {[10.5 \%]} \end{gathered}$ | $\begin{aligned} & \hline 8,503 \\ & 10.57 \mathrm{~d} \end{aligned}$ |
| 3,842 | 7,751 | 11,593 | 6,952 | 7,828 | 14,781 | 26,374 |
| [5.54] | 18.781 | [7.34] | 18.331 | 18.889 | 18.60418 | 18.081 |
| $\begin{aligned} & 1,610 \\ & 5.481 \end{aligned}$ | $\begin{gathered} \text { 2,551 } \\ {[7,1981} \end{gathered}$ | $\begin{aligned} & 4,161 \\ & {[6.34]} \end{aligned}$ | $\begin{aligned} & 1,854 \\ & {[6.951} \end{aligned}$ | $\begin{aligned} & 5,368 \\ & 19.9671 \end{aligned}$ | $\begin{aligned} & \hline 7,222 \\ & 18.971 \end{aligned}$ | $\begin{aligned} & 11,384 \\ & {[7.884} \end{aligned}$ |
| (438 | 594 | 156 | 393 | - 165 | 227 | 384 |
| [42.5\%] | [3.18] | 10.484 | [2.18] | [40.88] | [0.6\%] | ${ }^{10.56]}$ |
| (900) | ( $\mathbf{4} 611)$ | (288) | ( 4 108) | (141) | (32) | (321) |
| $\begin{gathered} 47,479 \\ 16.884 \end{gathered}$ | $\begin{aligned} & 88,439 \\ & {[111.097} \\ & \hline \end{aligned}$ | $\begin{gathered} 135,919 \\ {[9.0 \text { osd }} \end{gathered}$ | $106,402$ [12. 48] | $\begin{aligned} & 120,124 \\ & 127274 \end{aligned}$ | $\begin{aligned} & 235,527 \\ & 12,567 \end{aligned}$ | 371,446 [110 01 |
| 23, 3 | 57,736 | 81,039 | 66,074 | 73, 487 | 139 | 220,601 |
| ${ }^{13} 3.3{ }^{3 / 4}$ | ${ }_{\text {[7.28] }}$ | 15.488 | [7.784 | [7.28] | [7.44] | [6.54] |
| \% ${ }^{*} 47$ | \% 8.56 | \% 12.05 | $\stackrel{7}{7}$ | ${ }_{10.90}$ | 20.69 ${ }^{\text {\% }}$ | \% ${ }_{32}{ }^{7}$ |

1) i: Retur on sales

| 3rd duarter of |
| :---: |
| fiscal 2005 | | Forecast for |
| :---: |
| 2nd hal of |
| fiscal 2005 |
| $\times 1 / 2$ |

+21. billion yen
Breakdown of +219 billion yen>
(1) Seasonal differences between the third and fourth quarters: +17.0 billion yen Increase of inventory, exchange gain and loss on foreign currency transections,
(2)Others: +5.0 billion ye

Nippon Steel Corporation
Code Number: 5401
Listings: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Stock Exchanges
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## Supplementary Information on the Financial Result for the Third Quarter of Fiscal 2005

## Japanese Steel Industry

1. Crude Steel Production
(millions of tons)

|  | 1st quarter | 2nd quarter | 1st half | er | er | 2nd half | total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 2004FY | 28.22 | 28.16 | 56.38 | 28.75 | 27.76 | 56.51 | 112.89 |
| 2005 FY | 28.96 | 27.83 | 56.80 | 27.92 |  |  |  |


| 2. Inventory Volume |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| At the end of: | Inventory at manufacturers and distributors (millions of tons) | Inventory /shipment ratio (\%) | Rolled sheets *1 (millions of tons) | H-flange beams *2 (millions of tons) |
| Aug. 2001 | 6.19 | 136.3 (Peak) | 4.70 (Peak) | 0.320 |
| Sep. 2001 | 6.15 | 125.4 | 4.63 | 0.307 |
| Mar. 2002 | 5.42 | 107.6 | 3.93 | 0.314 |
| Sep. 2002 | 5.12 | 102.2 | 3.71 | 0.264 |
| Mar. 2003 | 5.33 | 104.0 | 3.76 | 0.256 |
| Sep. 2003 | 5.67 | 114.1 | 4.13 | 0.274 |
| Mar. 2004 | 5.03 | 94.7 | 3.77 | 0.240 |
| Sep. 2004 | 5.37 | 101.3 | 3.86 | 0.312 |
| Oct. 2004 | 5.46 | 109.2 | 3.81 | 0.300 |
| Nov. 2004 | 5.30 | 101.4 | 3.76 | 0.294 |
| Dec. 2004 | 5.36 | 111.1 | 3.84 | 0.296 |
| Jan. 2005 | 5.50 | 114.2 | 4.02 | 0.301 |
| Feb. 2005 | 5.42 | 116.2 | 3.98 | 0.296 |
| Mar. 2005 | 5.26 | 98.2 | 3.93 | 0.294 |
| Apr. 2005 | 5.30 | 109.6 | 4.03 | 0.279 |
| May 2005 | 5.51 | 112.2 | 4.19 | 0.276 |
| June. 2005 | 5.48 | 108.3 | 4.21 | 0.274 |
| July. 2005 | 5.60 | 114.1 | 4.30 | 0.271 |
| Aug. 2005 | 5.81 | 125.0 | 4.66 | 0.253 |
| Sep. 2005 | 5.73 | 111.8 | 4.58 | 0.231 |
| Oct. 2005 | 5.79 | 111.7 | 4.56 | 0.231 |
| Nov. 2005 | 5.59 | 108.4 | 4.43 | 0.231 |
| Dec. 2005*3 | 5.55 | 117.1 | 4.28 | 0.246 |

[^0]
## Nippon Steel (Non-consolidated basis)

3. Pig Iron Production (Nippon Steel Corporation and Hokkai Iron \& Coke Co., Ltd)
(millions of tons)

|  | 1st quarter | 2nd quarter | 1st half | 3rd quarter | 4th quarter | 2nd half | total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 2004FY | 7.00 | 7.66 | 14.65 | 7.66 | 7.75 | 15.41 | 30.07 |
| 2005FY | 7.88 | 7.93 | 15.81 | 7.90 |  |  |  |

4. Crude Steel Production
(Consolidated basis)
(millions of tons)

|  | 1st quarter | 2nd quarter | 1st half | 3rd quarter | 4th quarter | 2nd half | total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 2004FY | 7.78 | 8.30 | 16.08 | 8.34 | 8.37 | 16.71 | 32.79 |
| 2005FY | 8.56 | 8.52 | 17.08 | 8.34 |  | - |  |

(Non-consolidated basis)
(millions of tons)

|  | 1st quarter | 2nd quarter | 1st half | 3rd quarter | 4th quarter | 2nd half | total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 2004FY | 7.04 | 7.57 | 14.61 | 7.61 | 7.66 | 15.27 | 29.88 |
| 2005FY | 7.85 | 7.88 | 15.73 | 7.62 |  |  |  |

5. Steel Products Shipment
(millions of tons)

|  | 1st quarter | 2nd quarter | 1st half | 3rd quarter | 4th quarter | 2nd half | total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 2004FY | 6.94 | 7.36 | 14.29 | 7.41 | 7.81 | 15.22 | 29.51 |
| 2005FY | 7.43 | 7.33 | 14.76 | 7.17 |  |  |  |

## 6. Average Price of Steel Products

(thousands of yen / ton)

|  | 1st quarter | 2nd | arter | 1st half | 3rd quarter | 4th quarter | 2nd half | total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 2004FY | 55.9 |  | 60.1 | 58.1 | 63.0 | 66.6 | 64.9 | 61.6 |
| 2005FY | 70.8 | (*) | 76.0 | 73.4 | 75.6 | - | - |  |

${ }^{(*)}$ The increase of the average price for the 2nd quarter (compared to that for the 1st quarter) includes positive price adjustments to the 1st quarter sales.
7. Export Ratio of Steel Products (Value basis)
(\%)

|  | 1st quarter | 2nd quarter | 1st half | 3rd quarter | 4th quarter | 2nd half | total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 2004FY | 29.8 | 32.3 | 31.1 | 31.0 | 33.0 | 32.1 | 31.6 |
| 2005FY | 32.2 | 31.1 | 31.6 | 29.8 |  |  |  |

( $~ 7 / \mathrm{US} \$$ )

|  | 1st quarter | 2nd quarter | 1st half | 3rd quarter | 4th quarter | 2nd half | total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 2004FY | 109 | 110 | 109 | 107 | 104 | 106 | 107 |
| 2005FY | 107 | 112 | 109 | 116 |  |  |  |

9. Breakdown of Special Profit and Losses(Consolidated)

|  | (billions of yen) |  |  |
| :---: | :---: | :---: | :---: |
|  |  |  | Cumulative |
|  | 1st half | 3rd quarter | total of 9 months |
| Gain on sales of tangible fixed assets | 76 | 17 | 94 |
| Gain on sales of investments in securities | 3 | 24 | 27 |
| total | 80 | 42 | 122 |


[^0]:    *1 Hot-rolled, cold-rolled and coated sheets
    *2 Inventories of distributors dealing with H-flange beams manufactured by Nippon Steel Corporation
    *3 Preliminary report

