

Listed company name: Nippon Steel Corporation

(URL <http://www.nsc.co.jp/>)

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(Code No.: 5401; Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Stock Exchanges)

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Forecast for Consolidated Operating Performance in First Half of Fiscal 2006 and Full-year Forecast, and Interim Dividends

The forecast of consolidated operating results of Nippon Steel Corporation for the first half of fiscal 2006 (April 1 to September 30, 2006) is outlined below. Nippon Steel intends to pay an interim-term dividend of ¥4.0 per share for the first half of fiscal 2006.

1. Forecast for Consolidated Operating Performance in First Half of Fiscal 2006 (April 1, 2006 to September 30, 2006)

(Unit: ¥billion)

	Net sales	Operating profit	Ordinary profit	Net income
Latest forecast (A)	1,970	255	250	160
Previous forecast (B)	1,900	225	220	135
Increase/Decrease (A-B)	+70	+30	+30	+25
% change	+3.7%	+13.3%	+13.6%	+18.5%
(Reference) Results of the first half of FY 2005	1,863.4	301.3	294.4	195.6

Prospective balance of interest-bearing debts At the end of September 2006	1,360
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* Forecast for Non-Consolidated Operating Performance in First Half of Fiscal 2006 (April 1, 2006 to September 30, 2006)

(Unit: ¥billion)

	Net sales	Operating profit	Ordinary profit	Net income
Latest forecast (A)	1,250	200	190	125
Previous forecast (B)	1,220	180	170	110
Increase/Decrease (A-B)	+30	+20	+20	+15
% change	+2.5%	+11.1%	+11.8%	+13.6%
(Reference) Results of the first half of FY 2005	1,245.4	236.3	220.0	142.1

2. Forecast for Consolidated Operating Performance in First Half of Fiscal 2006 and Full-year Forecast, and Decision to Pay Interim Dividend

Forecast for Consolidated Operating Performance in First Half of Fiscal 2006

In a general environment of worldwide economic expansion, the Japanese economy also remains steady. Favorable operating results posted by commercial companies, such as improvements in corporate profitability and expanded private investment in equipment, are affecting the household economy, and business continues to recover due mainly to steady demand in the domestic private sector.

In the steelmaking and steel fabrication sector, steel demand in civil engineering still shows a downward trend in contrast to the building construction field where demand is firm due to high levels of activity in housing and plant construction. Manufacturing industries, such as automobiles, shipbuilding and industrial machinery, continue to sustain strong demand due mainly to thriving exports. In steel product exports, the worldwide demand for steel remains steady, supported by favorable demand from East Asia, which serves as Nippon Steel's main market. In the export market, supply and demand for high-grade steel products remains tight. The market for commodity-grade steel, on the other hand, has shown improvement that reflects the completion of inventory adjustments in East Asia. Even so, the Chinese market seems to be weakening, thereby adding an element of uncertainty to the commodity-grade steel market.

Under these circumstances, Nippon Steel's first priority is to maintain and improve the sales prices of steel products. Consequently, in an increasingly bipolar demand environment for high-grade and commodity-grade steel products, Nippon Steel has exerted maximum effort to implement production and shipping operations that accurately capture customer needs for high-grade steel products. In the field of commodity-grade steel products, on the other hand, Nippon Steel has taken cautious measures such as reducing the production mainly of flat products for the domestic market. This has taken into account fluctuations in open market inventories while also ascertaining the level of practical demand.

In the engineering and construction sector, Nippon Steel has benefited from robust demand associated with overseas projects that have led to a record-high level of backlogged orders. At the same time, Nippon Steel is directing efforts to improve profitability through cost cutting. In the urban development sector, operations centered on condominium sales in the metropolitan Tokyo area are steady and have surpassed planned profit goals. In the chemicals sector, operations are progressing nearly as planned in spite of the effect of rising crude oil prices on business performance. In the new materials sector, demand remains steady in the IT- and digital-related fields that represent the new material sector's main markets. In the system solutions sector, operations are progressing steadily as planned, supported by steady inquiries and orders mainly from the manufacturing and logistics industries.

As a result of the foregoing, the consolidated operating results for the first half of fiscal 2006 (April 1 to September 30, 2006) are expected to be as follows (approximate results): net sales of ¥1,970 billion, operating profits of ¥255 billion, ordinary profits of 250 billion, and a net income of ¥160 billion. The non-consolidated operating results are expected to be as follows (approximate results): net sales of ¥1,250 billion, operating profits of ¥200 billion, ordinary profits of ¥190 billion, and a net income of ¥125 billion.

On July 1, 2006, the engineering and construction sector and the new materials sector were spun-off as two newly inaugurated companies, Nippon Steel Engineering Co., Ltd. and Nippon Steel Materials Co., Ltd. With this

step, Nippon Steel intends to enable the new subsidiaries to manage themselves in a highly responsive and flexible manner adapted to the characteristics of their respective businesses and to their customers' needs. These business sectors will achieve profit growth and enhance the value of Nippon Steel as a group. Following the spin-off, Nippon Steel has become a holding company of other business sectors which also continues to operate steel business, and, with the holding company as the nucleus, has established a consolidated management promotion system composed of six business sectors—steelmaking and steel fabrication, engineering and construction, urban development, chemicals, new materials and system solutions.

Forecast for Full-year Consolidated Operating Results

In the latter half of fiscal 2006 (October 1, 2006 to March 31, 2007), while concerns persist with regard to rising crude oil prices, deceleration of the US economy and other adverse factors, the Japanese economy as a whole is forecasted to remain firm. In the steelmaking and steel fabrication sector, the manufacturing industries in Japan will maintain high levels of operation. While demand in both the domestic and export markets for high-grade steel products is expected to expand, it will be necessary to closely watch the effect that expanded production in China will have on the commodity-grade steel market. Forecasts call for further advances in the bipolar trend for high-grade and commodity-grade steel products in the overall steel market.

Given such an operating environment, in the field of high-grade steel products, Nippon Steel will meet robust demand through the start up of new production equipment such as hot-dip galvanizing lines for producing automotive steel sheets. On the other hand, in the field of commodity-grade steel products, Nippon Steel will take cautious measures by taking into account fluctuations in open market inventories while simultaneously monitoring actual demand.

In operating sectors other than steelmaking and steel fabrication, every possible effort will be made to reinforce profitability. This will be accomplished by stepping up efforts to maximize profits in every business sector and by synchronizing these efforts with the nation's increasingly apparent business recovery.

As a result of the foregoing, the consolidated operating results for fiscal 2006 are forecasted as follows (approximate results): net sales of ¥4,100 billion, operating profits of ¥510 billion, ordinary profits of ¥500 billion and a net income of ¥300 billion; on a non-consolidated basis, the projected results for fiscal 2006 (approximate results) are: net sales of ¥2,500 billion, operating profits of ¥390 billion, ordinary profits of ¥365 billion and a net income of ¥230 billion.

A recently increasing trend is the worldwide reorganization of steel enterprises. To contend with this, Nippon Steel together with its group companies is determined to promote profit growth by reinforcing the competitiveness of every business sector and maximizing synergies between business sectors through further enhancement of its technological edges and the reformation of its consolidated management system. This will be accomplished through the steady implementation of a new three-year Medium-Term Consolidated Business Plan that started in April 2006. The final objective of these efforts is to secure the solid presence of Nippon Steel and its group companies as the No. 1 supplier focusing on medium-high grade steels in the global steel industry. In addition, sustained emphasis will be placed on strengthening Nippon Steel's alliance with other domestic and foreign steelmakers, including Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd. and Sanyo Special Steel Co., Ltd. (Sanyo Special Steel has become an affiliate of Nippon Steel accounted for by the equity method.).

We at Nippon Steel greatly appreciate your understanding of the conditions that currently face us and look

forward to your continued support.

Payment of Interim-term Dividend

Based on its publicly released profit distribution policy and on forecasts of operating results for the first half of fiscal 2006 and for all of fiscal 2006, Nippon Steel intends to pay an interim-term dividend of ¥4 per share.

Nippon Steel's policy is to distribute profits consistent with the consolidated operating results of each fiscal year in principle, taking into account various factors such as capital requirements for investment and other activities aimed at raising corporate value, prospects for future operating results and other relevant factors and by endeavoring to further reinforce the company's financial structure. Declaration of dividends for a fiscal year will be determined based on this policy.

Meanwhile, the company has set the consolidated payout ratio at approximately 20% (non-consolidated payout ratio at approximately 30%) as an indicator for the distribution of profit in conformance with the consolidated operating results. However, because the company's first priority is to improve the corporate financial structure, a target of approximately 15-20% is in effect for the consolidated payout ratio (a non-consolidated payout ratio at approximately 20~30%), which is slightly lower than the above level.

<Outline of Interim-term Dividend Payment>

Dividend per share: ¥4/share

Record date: September 30, 2006

Date of the start of payment (effective date): Early part of December 2006 (planned)

3.Forecast for Consolidated Operating Performance in Fiscal 2006 (April 1, 2006 to March 31, 2007)

(Unit: ¥billion)

	Net sales	Operating profit	Ordinary profit	Net income
Latest forecast (A)	4,100	510	500	300
Previous forecast (B)	4,000	475	460	280
Increase/Decrease (A–B)	+100	+35	+40	+20
% change	+2.5%	+7.4%	+8.7%	+7.1%
(Reference) Results of previous year	3,906.3	576.3	547.4	343.9

Prospective balance of interest-bearing debts At the end of March 2007	1,220
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*** Forecast for Non-Consolidated Operating Performance in Fiscal 2006 (April 1, 2006 to March 31, 2007)**

(Unit: ¥billion)

	Net sales	Operating profit	Ordinary profit	Net income
Latest forecast (A)	2,500	390	365	230
Previous forecast (B)	2,450	370	340	215
Increase/Decrease (A–B)	+50	+20	+25	+15
% change	+2.0%	+5.4%	+7.4%	+7.0%
(Reference) Results of previous year	2,591.3	433.9	388.7	244.0

(Note)

The information contained herein does not constitute information for disclosure purposes as stipulated in the Securities and Exchange Law of Japan, and as such, no representation or warranty is made regarding the accuracy or completeness of such information. Furthermore, the forecast and other statements concerning future outlook contained herein are based on the information available to Nippon Steel at the date of publication and thus are subject to known and unknown risks, uncertainties and other factors. Investors are advised to refrain from making an investment decision based solely on the information presented herein. Nippon Steel expressly disclaims all liability to any party for any damage incurred in connection with any use of the information contained herein.

Recent Quarterly Operating Results

Fiscal 2006 (April 1, 2006 to March 31, 2007)

	Fiscal 2006					Forecast for 1st half of fiscal 2006		Forecast for fiscal 2006	
	1st quarter	Forecast for 2nd quarter	Forecast for 1st half	Forecast for 2nd half	Forecast for fiscal 2006 (data released on September 7, 2006)	Forecast for 1st half of fiscal 2006 (data released on April 28, 2006)	Forecast for fiscal 2006 (data released on April 28, 2006)		
	Apr.-June 2006	July-Sept. 2006	Apr.-Sept. 2006	Oct. 2006-Mar. 2007	Apr. 2006-Mar. 2007	Apr. 2006-Sep. 2006	Apr. 2006-Mar. 2007		
	Million	Million	Million	Million	Million	Million	Million		
Sales	942,788	1,027,212	1,970,000	2,130,000	4,100,000	1,900,000	4,000,000		
Steelmaking and steel fabrication	776,579	853,421	1,630,000	1,690,000	3,320,000	1,560,000	3,220,000		
Engineering and construction	71,800	83,200	155,000	195,000	350,000	155,000	340,000		
Urban development	14,032	15,968	30,000	60,000	90,000	30,000	90,000		
Chemicals	75,059	79,941	155,000	165,000	320,000	150,000	310,000		
New materials	15,704	9,296	25,000	35,000	60,000	25,000	55,000		
System solutions	30,832	34,168	65,000	85,000	150,000	65,000	150,000		
Elimination of intersegment transactions	(41,220)	(48,780)	(90,000)	(100,000)	(190,000)	(85,000)	(165,000)		
Operating profits	119,590 [12.7%]	135,410 [13.2%]	255,000 [12.9%]	255,000 [12.0%]	510,000 [12.4%]	225,000 [11.8%]	475,000 [11.9%]		
Steelmaking and steel fabrication	109,582 [14.1%]	125,418 [14.7%]	235,000 [14.4%]	225,000 [13.3%]	460,000 [13.9%]	210,000 [13.5%]	430,000 [13.4%]		
Engineering and construction	55 [0.1%]	1,945 [2.3%]	2,000 [1.3%]	8,000 [4.1%]	10,000 [2.9%]	2,000 [1.3%]	10,000 [2.9%]		
Urban development	1,571 [11.2%]	2,429 [15.2%]	4,000 [13.3%]	6,000 [10.0%]	10,000 [11.1%]	2,000 [6.7%]	7,000 [7.8%]		
Chemicals	4,190 [5.6%]	4,810 [6.0%]	9,000 [5.8%]	10,000 [6.1%]	19,000 [5.9%]	7,000 [4.7%]	19,000 [6.1%]		
New materials	935 [6.0%]	565 [6.1%]	1,500 [6.0%]	1,500 [4.3%]	3,000 [5.0%]	1,000 [4.0%]	2,500 [4.5%]		
System solutions	2,532 [8.2%]	1,468 [4.3%]	4,000 [6.2%]	8,500 [10.0%]	12,500 [8.3%]	4,000 [6.2%]	12,500 [8.3%]		
Elimination of intersegment transactions	721	(1,221)	(500)	(4,000)	(4,500)	(1,000)	(6,000)		
Ordinary profits	123,079 [13.1%]	126,921 [12.4%]	250,000 [12.7%]	250,000 [11.7%]	500,000 [12.2%]	220,000 [11.6%]	460,000 [11.5%]		
Net income	74,748 [7.9%]	85,252 [8.3%]	160,000 [8.1%]	140,000 [6.6%]	300,000 [7.3%]	135,000 [7.1%]	280,000 [7.0%]		
Net income per share	11.26	13.26	24.52	21.85	46.37	20.33	42.16		

[]: Return on sales
() in "Elimination of intersegment transactions" row indicate negative numbers

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

	Fiscal 2005							Fiscal 2006	
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	Fiscal 2005		
	Apr.-June 2005	July-Sept. 2005	Apr.-Sept. 2005	Oct.-Dec. 2005	Jan.-Mar. 2006	Oct. 2005-Mar. 2006	Apr. 2005-Mar. 2006		
	Million	Million	Million	Million	Million	Million	Million		
Sales	904,771	958,633	1,863,404	952,701	1,090,195	2,042,896	3,906,301		
Steelmaking and steel fabrication	738,231	770,874	1,509,105	762,259	786,145	1,548,405	3,057,510		
Engineering and construction	57,283	70,515	127,799	71,918	136,461	208,379	336,179		
Urban development	21,134	17,383	38,516	15,711	49,816	65,528	104,045		
Chemicals and nonferrous materials	86,500	93,581	180,081	97,160	95,831	192,991	373,072		
System solutions	27,202	37,583	64,786	30,479	53,074	83,553	148,339		
Other businesses	17,194	15,875	33,069	17,606	18,381	35,988	69,057		
Elimination of intersegment transactions	(42,776)	(47,177)	(89,953)	(42,435)	(49,514)	(91,950)	(181,903)		
Operating profits	146,091 [16.1%]	155,225 [16.2%]	301,316 [16.2%]	123,138 [12.9%]	151,864 [13.9%]	275,002 [13.5%]	576,319 [14.8%]		
Steelmaking and steel fabrication	137,347 [18.6%]	145,133 [18.8%]	282,480 [18.7%]	108,970 [14.3%]	122,526 [15.6%]	231,496 [15.0%]	513,977 [16.8%]		
Engineering and construction	▲ 1,481 [▲2.6%]	▲ 1,001 [▲1.4%]	▲ 2,483 [▲1.9%]	2,365 [3.3%]	9,635 [7.1%]	12,000 [5.8%]	9,517 [2.8%]		
Urban development	3,538 [16.7%]	987 [5.7%]	4,525 [11.7%]	1,881 [12.0%]	7,748 [15.6%]	9,629 [14.7%]	14,155 [13.6%]		
Chemicals and nonferrous materials	6,165 [7.1%]	5,520 [5.9%]	11,686 [6.5%]	8,218 [8.5%]	7,132 [7.4%]	15,350 [8.0%]	27,037 [7.2%]		
System solutions	1,686 [6.2%]	2,998 [8.0%]	4,683 [7.2%]	2,025 [6.6%]	5,096 [9.6%]	7,122 [8.5%]	11,806 [8.0%]		
Other businesses	▲ 104 [▲0.6%]	313 [2.0%]	208 [0.6%]	▲ 347 [▲2.0%]	▲ 1,046 [▲5.7%]	▲ 1,394 [▲3.9%]	▲ 1,185 [▲1.7%]		
Elimination of intersegment transactions	(1,060)	1,275	214	25	771	796	1,010		
Ordinary profits	153,139 [16.9%]	141,343 [14.7%]	294,482 [15.8%]	122,294 [12.8%]	130,622 [12.0%]	252,917 [12.4%]	547,400 [14.0%]		
Net income	91,612 [10.1%]	104,073 [10.9%]	195,685 [10.5%]	74,422 [7.8%]	73,795 [6.8%]	148,217 [7.3%]	343,903 [8.8%]		
Net income per share	13.59	15.43	29.02	11.03	11.03	22.06	51.08		

[Change in business segments]

- "Chemicals" and "new materials", which were included in the chemicals and nonferrous materials sector, are now positioned as independent businesses, and "titanium and aluminum operations", which were part of the chemicals and nonferrous materials sector, have been transferred to "steelmaking and steel fabrication."
- "Other businesses" (electric power supply, services, and others) has been transferred to "steelmaking and steel fabrication."

Nippon Steel Corporation

Code Number: 5401

Listings: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Stock Exchanges

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Supplementary Information on the Forecast for the First Half of Fiscal 2006

Japanese Steel Industry

1. Crude Steel Production

(millions of tons)

	1st quarter	1st half	3rd quarter	4th quarter	2nd half	total
	2005FY	28.96	56.80	27.91	28.00	55.91
2006FY	28.97	58.14	-	-	-	-

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	0.304
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
Mar. 2005	5.24	98.0	3.93	0.294
Apr. 2005	5.30	110.1	4.03	0.279
May 2005	5.53	112.9	4.21	0.275
June 2005	5.48	108.1	4.21	0.274
July 2005	5.60	114.1	4.30	0.271
Aug. 2005	5.80	124.9	4.66	0.253
Sep. 2005	5.73	111.6	4.58	0.231
Oct. 2005	5.78	111.6	4.56	0.230
Nov. 2005	5.59	108.3	4.43	0.231
Dec. 2005	5.54	116.8	4.26	0.245
Jan. 2006	5.70	117.9	4.45	0.268
Feb. 2006	5.55	117.5	4.36	0.280
Mar. 2006	5.28	98.0	4.14	0.295
Apr. 2006	5.29	111.8	4.09	0.285
May 2006	5.43	115.4	4.15	0.280
June 2006	5.26	101.3	4.04	0.280
July 2006*3	5.33	104.5	4.05	0.278

*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

Nippon Steel (Non-consolidated basis)**3. Pig Iron Production (Nippon Steel Corporation and Hokkai Iron & Coke Co., Ltd)**

(millions of tons)

	1st quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	7.88	15.81	7.90	7.61	15.52	31.32
2006FY	7.54	Approx.15.40	-	-	-	-

4. Crude Steel Production

(Consolidated basis)

(millions of tons)

	1st quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	8.56	17.08	8.34	8.54	16.88	33.95
2006FY	8.45	Approx. 17.10	-	-	-	-

(Non-consolidated basis)

(millions of tons)

	1st quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	7.85	15.73	7.62	7.85	15.47	31.20
2006FY	7.70	Approx.15.70	-	-	-	-

5. Steel Products Shipment

(millions of tons)

	1st quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	7.43	14.76	7.17	7.67	14.84	29.59
2006FY	7.59	Approx.15.40	-	-	-	-

6. Average Price of Steel Products

(thousands of yen / ton)

	1st quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	70.8	73.4	75.6	74.7	75.2	74.3
2006FY	(*)71.6	Approx. 73.0	-	-	-	-

(*) A decrease of ¥3,100/ton from ¥74,700/ton in the 4th quarter of fiscal 2005 is attributable to fluctuations in the foreign exchange rates and to changes in the product

7. Export Ratio of Steel Products (Value basis)

(%)

	1st quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	32.2	31.6	29.8	30.5	30.1	30.9
2006FY	32.2	Approx. 33.0	-	-	-	-

8. Foreign Exchange Rate

(¥/US\$)

	1st quarter	1st half	3rd quarter	4th quarter	2nd half	total
	2005FY	107	109	116	117	117
2006FY	115	115	-	-	-	-

9. Unrealized Gains on Available-for-Sale Securities

(billion yen)

	2006 FY (estimated)	2005 FY
Consolidated	559.2 (333.2)	653.0 (389.2)
Non-consolidated	513.9 (306.2)	611.2 (364.2)

【Nikkei 225】 【16,140 yen】 (August 31, 2006) 【17,059 yen】

* Figures in parentheses were after adopting deferred tax accounting.

10. Amount of Capital Expenditure and Depreciation

•Capital Expenditure (billion yen)

	2006 FY (estimated)	2005 FY
Consolidated	Approx. 280.0	205.0
Non-consolidated	Approx. 210.0	165.0

•Depreciation (billion yen)

	2006 FY (estimated)	2005 FY
Consolidated	Approx. 195.0	183.3
Non-consolidated	Approx. 140.0	130.6

11. Special Profit and Losses (Consolidated basis)

(billion yen)

	2006 FY 1st half (estimated)	2005 FY 1st half
Gain on sales of fixed assets	12.0	7.6
Gain on sales of investments in securities	5.0	0.3
Special Profit and loss	17.0	8.0