Summary of Consolidated Operating Results for the Third Quarter of Fiscal 2006

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Stock Exchange)

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

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1. Basis of Presenting Quarterly Financial Information

1) Adoption of concise accounting method:

Listed Company Name: Nippon Steel Corporation

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:

Yes

Classification of business segment was changed. See page2 for details.

3) Changes in the scope of consolidation and application of the equity method:

Yes

Consolidation (newly included): 20 (excluded): 14 Equity method (newly applied): 5 (excluded): 3

2. Outline of Financial and Operating Results up to the Third Quarter of Fiscal 2006 (April 1, 2006 to December 31, 2006)

Outline of Operating Results

	Sales	Operating profits	Ordinary profits		
	¥million (%)	¥million (%)	¥million (%)		
Third quarter of fiscal 2006	3, 066, 221 8. 9	428, 400 0. 9	437, 933 5. 1		
Third quarter of fiscal 2005	2, 816, 106 18. 9	424, 454 58. 3	416, 777 72. 0		
(Reference) Fiscal 2005	3, 906, 301	576, 319	547, 400		

	Net income	Net income per share	Net income per share after dilution	
	¥million (%)	¥	¥	
Third quarter of fiscal 2006	263, 377 △2. 5	40. 60	40. 16	
Third quarter of fiscal 2005	270, 108 83. 6	40. 05	-	
(Reference) Fiscal 2005	343, 903	51. 08	51. 05	

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	Net Assets	Ratio of shareholders' equity to total assets	Net Assets per share
	¥million	¥million	%	¥
Third quarter of fiscal 2006	5, 085, 577	2, 226, 383	34. 6	274. 55
Third quarter of fiscal 2005	4, 450, 784	1, 607, 530	36. 1	238. 03
(Reference) Fiscal 2005	4, 542, 766	1, 677, 889	36. 9	252. 66

Notes The company adopted a new accounting standard for the presentation of net assets in the third quarter. (Reference)

The full-year forecast for consolidated operating results in fiscal 2006 (April 1, 2006 to March 31, 2007) is slated for release, as usual, at the beginning of March 2007. No revisions have been made to the forecast released.

3. Segment Information

(Information of business segment)

Third quarter of fiscal 2006 (April 1, 2006 to December 31, 2006)

(¥million)

	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions	Total	Elimination of intersegment transactions	Consolidated total
Sales	2, 522, 944	240, 809	42, 980	240, 480	48, 962	101, 154	3, 197, 331	(131, 109)	3, 066, 221
Operating costs and expenses	2, 132, 554	235, 483	37, 743	221, 752	46, 553	93, 760	2, 767, 847	(130, 026)	2, 637, 821
Operating profits	390, 389	5, 326	5, 237	18, 728	2, 408	7, 393	429, 483	(1, 082)	428, 400

Third quarter of fiscal 2005 (April 1, 2005 to December 31, 2006)

(¥million)

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

Change in Business Segments

The business segment and presentation method for the Nippon Steel corporate group have been determined based on the basic policy to present the characteristics of the respective business areas accurately and concisely.

On July 1, 2006, Nippon Steel spun off two business sectors—engineering and construction, and new materials. At the same time, the company positioned as the operating domain its six business sectors—steelmaking and steel fabrication, engineering and construction, urban development, chemicals, new materials, and system solutions—with steelmaking and steel fabrication as the key operating sector. In doing so, the company has structured its management organization so as to promote these six segments independently yet concurrently and enable them to achieve self-sustaining development.

With the restructuring of the consolidated management promotion system in the above manner, Nippon Steel

changed the affiliation of some of its business segments as follows:

- 1) "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."
- 2) "Other businesses" (electric power supply, services, and others) has been transferred to "steelmaking and steel fabrication."

4.General Information on Consolidated Operating Performance

In an environment of general worldwide economic expansion, the Japanese economy also remains steady. While public investment is trending downward, private equipment investment continues to expand, supported by good operating results posted by commercial enterprises, and production activities as a whole are steadily growing.

In the steelmaking and steel fabrication sector, the worldwide supply and demand situation remains tight for high-grade steel products destined mainly for manufacturing industries such as automobiles and shipbuilding. Meanwhile, the market for commodity-grade steel products remains relatively firm, insofar as increased production by China is being absorbed by steady demand in the US, Europe, and other nations. However, due to growing inventory in the US market, there are ongoing moves by overseas steel mills to reduce production. This, in turn, has made it necessary to carefully watch future trends in worldwide supply and demand for commodity-grade steel products.

In order to meet the robust demand for high-grade steel products under these circumstances, Nippon Steel has strived to reinforce production capacity and improve product quality by taking full advantage of new hot-dip galvanizing lines and other newly installed production facilities and by fully utilizing the collective production capacity of Nippon Steel, its group companies, and other allied companies. In parallel with this, the company has promoted concerted efforts by the production, marketing, technology and research departments to accurately assess and meet customer needs, which has yielded substantial results.

In the field of commodity-grade steel products, production mainly of flat products for the domestic market has been curtailed, thereby reducing to less than 4 million tons the inventory of rolled sheets (Hot-rolled, Cold-rolled, and coated sheets). Nippon Steel will take cautious measures as regards future production and shipments, while also monitoring the level of practical demand.

Sustained efforts are being made to further strengthen tie-ups between Nippon Steel and other domestic and overseas steelmakers. Specifically, in October 2006, Nippon Steel and POSCO agreed to enhance their strategic alliance through a variety of measures, including the mutual supply of steel slabs in compliance with the relining of blast furnaces by both companies and collaboration in dry-dust recycling. Also, in order to promote cooperative measures with greater smoothness and efficiency, the two companies agreed to make additional cross-purchases of each other's shares. In addition, to further strengthen the tie-up between Nippon Steel and Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS), a leading steelmaker in South America, USIMINAS became a Nippon Steel affiliate accounted for by the equity method from the current term.

In the engineering and construction sector, which is benefiting from a record-high backlog of orders, stepped-up efforts are being made to improve earnings by expanding sales and improving profits from individual projects. In the urban development sector, operations centered on condominium sales in the Tokyo metropolitan area are steady and proceeding as planned. In the chemicals sector, while competition among

companies are becoming fierce in the field of electronic materials, both the chemicals and coal chemicals areas are progressing favorably with firm demand; as a result, chemicals operations as a whole show steady results that surpass planned profit goals. In the new materials sector, operations are generally proceeding with steady results supported by continuous expansion of IT-related industries, the main market for the sector. In the systems solution sector, steady results are being attained by operations centered on business solutions for use in the financial field.

Pursuant to the foregoing, settlement of accounts for the period through the third quarter of fiscal 2006 (April 1, 2006 to December 31, 2006) shows the following consolidated operating results: sales of \$3,066.2 billion, operating profits of \$428.4 billion, ordinary profits of \$437.9 billion, and a net income of \$263.3 billion.

Recent Quarterly Operating Results

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

1							
	1st quarter	2nd quarter	1st half	3rd quarter	Cumulative total of 9 months	Forecast for 2nd half of fiscal 2006 (data released on October 26, 2006)	Forecast for fiscal 2006 (data released on October 26, 2006)
	AprJune 2006	July-Sept. 2006	AprSept. 2006	OctDec. 2006	Apr. 2006-Dec. 2006	Oct. 2006-Mar. 2007	Apr. 2006-Mar. 2007
	¥million	¥million	¥million	¥million	¥million	¥million	¥nillion
Sales	942, 788	1, 040, 642	1, 983, 431	1, 082, 790	3, 066, 221	2, 166, 569	4, 150, 000
Steelmaking and steel fabrication	776, 579	841, 844	1, 618, 423	904, 520	2, 522, 944	1, 736, 577	3, 355, 000
Engineering and construction	71, 800	87, 576	159, 376	81, 432	240, 809	190, 624	350, 000
Urban development	14, 032	18, 843	32, 875	10, 105	42, 980	62, 125	95, 000
Chemicals	75, 059	82, 988	158, 047	82, 433	240, 480	161, 953	320, 000
New materials	15, 704	16, 149	31, 853	17, 108	48, 962	33, 147	65, 000
System solutions	30, 832	39, 273	70, 105	31, 048	101, 154	84, 895	155, 000
Elimination of intersegment transactions	(41, 220)	(46, 031)	(87, 251)	(43, 857)	(131, 109)	(102, 749)	(190, 000)
	119, 590	146, 777	266, 368	162, 032	428, 400	263, 632	530, 000
perating profits	[12.7%]	[14. 1%]	[13.4%]	[15.0%]	[14.0%]	[12. 2%]	[12.8%]
Steelmaking and	109, 582	132, 321	241, 903	148, 486	390, 389	233, 097	475, 000
steel fabrication	[14.1%]	[15.7%]	[14.9%]	[16.4%]	[15.5%]	[13.4%]	[14. 2%]
Engineering and	55	1, 194	1, 250	4, 075	5, 326	8, 750	10, 000
construction	[0.1%]	[1.4%]	[0.8%]	[5.0%]	[2. 2%]	[4.6%]	[2.9%]
Urban development	1, 571	2, 742	4, 314	922	5, 237	5, 686	10, 000
urban development	[11.2%]	[14.6%]	[13. 1%]	[9.1%]	[12.2%]	[9.2%]	[10.5%]
Chemicals	4, 190	6, 928	11, 119	7, 609	18, 728	8, 881	20, 000
orienii ca i s	[5.6%]	[8.3%]	[7.0%]	[9.2%]	[7.8%]	[5.5%]	[6.3%]
New metanials	935	905	1, 841	566	2, 408	1, 659	3, 500
New materials	[6.0%]	[5.6%]	[5.8%]	[3.3%]	[4.9%]	[5.0%]	[5.4%]
Custom as lutilities	2, 532	2, 604	5, 137	2, 256	7, 393	7, 863	13, 000
System solutions	[8.2%]	[6.6%]	[7.3%]	[7.3%]	[7.3%]	[9.3%]	[8.4%]
Elimination of intersegment transactions	721	80	802	(1, 885)	(1, 082)	(2, 302)	(1, 500)
	123, 079	145, 828	268, 907	169, 025	437, 933	256, 093	525, 000
Ordinary profits	[13. 1%]	[14.0%]	[13.6%]	[15. 6%]	[14.3%]	[11.8%]	[12.7%]
Net income	74, 748	89, 356	164, 105	99, 272	263, 377	145, 895	310, 000
Net income	[7.9%]	[8.6%]	[8.3%]	[9.2%]	[8.6%]	[6.7%]	[7.5%]
	¥	¥	¥	¥	¥	¥	¥
t income per share	11. 26	13. 93	25. 15	15. 49	40. 60	23. 19	48.34

^{[]:} Return on sales

Forecast for 2nd half of fiscal 2006 (data released onOctober 26, 2006) × 1/2 Fisical 2006 3rd Quarter 169.0¥billion 128.0¥billion +41.0¥billion

1.Improvement of prices and products mix +10.0¥ billion

2.Seasonal differences in costs and others +15.0 ¥ billion (concentrated dividend income in the 3rd quarter and concentrated cost expense for relining of No.1 blast furnace at Nagoya Works in the 4th quarter, etc.)

3.Group companies, etc. +16.0 ¥ billion

(Inventory evaluation due to the rise in nickel cost $\pm 10.0 \%$ billion, etc.)

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

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	Fiscal 2005
	AprJune 2005	July-Sept. 2005	AprSept. 2005	OctDec. 2005	JanMar. 2006	Oct. 2005-Mar. 2006	Apr. 2005-Mar. 20
Sales	*million 904, 771	*million 958, 633	*million 1, 863, 404	¥million 952, 701	*million 1, 090, 195	*million 2, 042, 896	%million 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)
perating profits	146, 091	155, 225	301, 316	123, 138	151, 864	275, 002	576, 319
peracing profits	[16.1%]	[16. 2%]	[16.2%]	[12.9%]	[13.9%]	[13.5%]	[14.8%]
Steelmaking and	137, 347	145, 133	282, 480	108, 970	122, 526	231, 496	513, 977
steel fabrication	[18.6%]	[18.8%]	[18.7%]	[14.3%]	[15.6%]	[15.0%]	[16.8%]
Engineering and	▲ 1, 481	▲ 1,001	▲ 2, 483	2, 365	9, 635	12,000	9, 517
construction	[▲2.6%]	[▲1.4%]	[▲1.9%]	[3.3%]	[7.1%]	[5.8%]	[2.8%]
	3, 538	987	4, 525	1, 881	7, 748	9, 629	14, 155
Urban development	[16.7%]	[5.7%]	[11.7%]	[12.0%]	[15.6%]	[14.7%]	[13.6%]
Chemicals and	6, 165	5, 520	11, 686	8, 218	7, 132	15, 350	27, 037
nonferrous materials	[7.1%]	[5.9%]	[6.5%]	[8.5%]	[7.4%]	[8.0%]	[7.2%]
	1, 686	2, 998	4, 683	2, 025	5, 096	7, 122	11, 806
System solutions	[6.2%]	[8.0%]	[7.2%]	[6.6%]	[9.6%]	[8.5%]	[8.0%]
011	▲ 104	313	208	▲ 347	▲ 1,046	▲ 1,394	▲ 1, 185
Other businesses	[▲0.6%]	[2.0%]	[0.6%]	[▲2.0%]	[▲5.7%]	[▲3.9%]	[▲1.7%]
Elimination of intersegment transactions	(1, 060)	1, 275	214	25	771	796	1, 010
	153, 139	141, 343	294, 482	122, 294	130, 622	252, 917	547, 400
Ordinary profits	[16.9%]	[14. 7%]	[15.8%]	[12.8%]	[12.0%]	[12.4%]	[14.0%]
Net income	91, 612	104, 073	195, 685	74, 422	73, 795	148, 217	343, 903
Net income	[10.1%]	[10.9%]	[10.5%]	[7.8%]	[6.8%]	[7.3%]	[8.8%]
	¥	¥	¥	¥	¥	*	¥

^() in "Elimination of intersegment transactions" row indicate negative numbers

[[]Change in business segments]

1) "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."

^{2) &}quot;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 Financial Result for the Third Quarter of Fiscal 2006

Japanese Steel Industry

1.Crude Steel Production

(millions of tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	28.96	27.83	56.80	27.91	28.00	55.91	112.71
2006FY	28.97	29.08	58.05	30.16	-	-	-

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
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	5.33	104.7	4.05	0.278
Aug. 2006	5.41	112.3	4.17	0.273
Sep. 2006	5.36	101.5	4.06	0.269
Oct. 2006	5.35	97.6	3.98	0.260
Nov. 2006	5.21	97.5	3.81	0.257

^{*1} Hot-rolled, cold-rolled and coated sheets

^{*2} Inventories of distributors dealing with H-flange beams manufactured by Nippon Steel Corporation

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
2005FY	7.88	7.93	15.81	7.90	7.61	15.52	31.32
2006FY	7.54	7.87	15.41	7.97	-	-	-

4. Crude Steel Production

(Consolidated basis)

(millions of tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	8.56	8.52	17.08	8.34	8.54	16.88	33.95
2006FY	8.45	8.71	17.16	8.94	-	-	-

(Non-consolidated basis)

(millions of tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	7.85	7.88	15.73	7.62	7.85	15.47	31.20
2006FY	7.70	8.01	15.71	8.16	-	-	-

5. Steel Products Shipment

(millions of tons)

							_
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	7.43	7.33	14.76	7.17	7.67	14.84	29.59
2006FY	7.59	7.83	15.42	7.96	-	-	-

6. Average Price of Steel Products

(thousands of yen / ton)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	70.8	76.0	73.4	75.6	74.7	75.2	74.3
2006FY	71.6	75.2	73.4	76.3	-	-	-

7. Export Ratio of Steel Products (Value basis)

(%)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	32.2	31.1	31.6	29.8	30.5	30.1	30.9
2006FY	32.2	32.4	32.3	31.4	-	-	-

8. Foreign Exchange Rate

(\(\frac{\frac{1}{2}}{US}\)\)

							1
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	107	112	109	116	117	117	113
2006FY	115	116	115	117	_	-	-