

# **Financial Results for the First Half of Fiscal 2008**

**(April 1, 2008 to September 30, 2008)**

Nippon Steel Corporation

October 29, 2008

## **Qualitative Information and Financial Review**

### **1. Consolidated Operating Results**

#### **Overview of Conditions in the First Half, Fiscal 2008**

The global economy began to show signs that the effects of the financial instability that originated in the United States were beginning to have effects on the real economy, including contraction in corporate activities and consumer spending around the world. At the same time, as a result of these circumstances, the trends in economic growth in the BRICs and other economies that have thus far been a driving force in the world economy and other factors began to show signs of change. Overall, the global economy gave increasing signs of a rapid movement toward stagnation.

In the Japanese economy, amid the growing sense of stagnation in the global economy, growth in exports began to weaken and the continuing high level of raw material prices placed pressure on corporate profits. These circumstances began to have an impact on production activities and capital investment. Personal consumption also began to decelerate and give some signs of a possible downturn as the employment and income environments showed no improvement and prices of everyday goods remained at high levels.

The Nippon Steel Group faced a severe operating environment as these changes in the economic environment combined with such adverse conditions as the steepest price rises in steelmaking raw materials in history. However, the Group's steelmaking and steel fabrication business and five non-steel businesses—engineering and construction, urban development, chemicals, new materials, and system solutions—all worked to respond rapidly to the changing environment to develop their business operations through autonomous management initiatives in their respective fields.

An overview of operating performance by business segment is shown below.

### Performance Review by Business Area in First Half, Fiscal 2008

(Billions of yen)

	Net Sales		Operating Profit	
	1H FY08	1H FY07	1HFY08	1H FY07
Steelmaking and steel fabrication	2,233.7	1,962.9	229.6	234.9
Engineering and construction	168.7	150.6	5.9	6.6
Urban development	25.5	31.4	2.2	4.3
Chemicals	136.9	149.4	8.0	13.1
New materials	35.8	36.0	0.2	0.2
System solutions	76.4	75.9	4.3	6.4
<b>Total</b>	<b>2,677.3</b>	<b>2,406.4</b>	<b>250.5</b>	<b>265.7</b>
Elimination of intersegment transactions	(75.1)	(90.1)	(2.1)	(1.2)
<b>Consolidated total</b>	<b>2,602.1</b>	<b>2,316.3</b>	<b>248.4</b>	<b>264.4</b>

\* Amounts for the second quarter of the previous fiscal year are shown for reference.

### Steelmaking and Steel Fabrication

Despite unstable fluctuations in demand from the construction industry in the domestic steel market, owing to a slowdown in the pace of building activities, overall demand remained strong, particularly for high-valued-added steel products, from the automotive, shipbuilding, machinery, and other manufacturing industries, which were driven by steady demand overseas. Overseas steel markets were influenced by downtrends in demand in the U.S. automotive and housing construction industries and the deceleration in growth in the BRICs and certain other markets, which had driven expansion thus far, but demand remained strong overall.

In the raw materials area, the latest information shows that the sharp run-up in prices in the crude oil, scrap, metals, freight, and other markets appears to have paused. However, the Company is confronting unprecedented procurement costs for its main raw materials—iron ore and coal.

Despite these severe operating conditions, the Company has continued its all-out efforts to cut costs, including activities to increase productivity and production yields, while endeavoring to gain the understanding of customers for revisions in steel product prices. Moreover, although there are growing signs at present of stagnation in the global economy, the economic growth, principally of the BRICs, and the expansion of world demand for steel are forecast to continue in the medium-to-long term. Accordingly, the Company has moved ahead with joint arrangements in Japan and overseas with its alliance partners, the strengthening and expansion of global supply capabilities, expansion of its own production capacity, and other initiatives.

Turning to developments overseas, Usiminas, which is an alliance partner in South America and an equity-method affiliate of the Company, has been considering expanding capacity of existing facilities, construction of a new steel plant, and other projects at a total cost of more than ¥1 trillion. However, in view of further expansion in demand for steel products in South America, especially in Brazil, and changes in certain conditions, including the acquisition of iron ore mines, Usiminas has decided to revise and expand these plans. In Japan, the Company has reached agreement to strengthen its mutual relationships with Topi Industries Ltd. The Company underwrote a third-party private placement of shares issued by Topi Industries in October to provide for a portion of the funds required for installing state-of-the-art facilities. Also, Topi Industries has become an affiliate accounted for under the equity method.

In ferrous raw materials procurement, the Nippon Steel Group is continuing its initiatives to forge stronger ties with suppliers and secure stable supplies for the long term. In May this year, agreement was reached between Australia's Calborough Downs coal mine, in which the Group owns mining rights, and Vale, of Brazil, a leading raw materials supplier, to expand internal mine boring production capacity through the introduction of large-scale mining equipment. In addition, in the Robe River mine project in Western Australia, which is a joint undertaking with leading resource supplier Rio Tinto Group (of the United Kingdom and Australia), the Group has decided to disburse funds for the expansion of iron ore shipment capacity. Moreover, together with other domestic steel manufacturers, general trading companies, and POSCO of Korea, the Company has decided to take an equity interest in NAMISA of Brazil, which is a producer and marketer of iron ore as well as a subsidiary of CSN of Brazil, a leading steel company.

Among capital investments, in May, the Company began full-scale operation of the No. 5 coke oven at its Oita Works in Japan. These facilities use the world's first next-generation coking coal manufacturing technology enabling the expanded use of low-grade raw material coal and realizing substantial energy-saving benefits.

In the environmental area, the Company has continued to implement environmental measures in line with its zero emissions, natural resource conservation, and energy-saving programs. The Company has been the pioneer in developing systems for recycling of iron dust by-products that incorporate rotary hearth furnaces. In addition to installing facilities at its own plants, as part of a strategic alliance with POSCO of Korea and Kobe Steel., Ltd, the Company is implementing joint activities with these partners for supply of recycled and reduced iron. In August this year, a Nippon Steel-POSCO joint venture began construction of such a facility at POSCO's Hoko Works.

Please note that we wish to express our deepest apologies first to the regional community and other parties affected for the concern caused by the accidental fire that occurred on July 29 in the coal belt conveyor and coke gas pipe facilities of the coke furnace at the Company's Yahata Works. Subsequently, as a result of implementation of repair work on these facilities and measures to prevent a recurrence, the No. 4 coke furnace resumed operations on September 22. At present, repair work is proceeding on the No. 5 coke furnace, and resumption of operations is scheduled for mid-December this year.

### **Engineering and Construction**

In the engineering and construction business, Nippon Steel Engineering Co., Ltd., is focusing in Japan on solutions-based marketing, particularly in the areas of steel production plants, large-scale distribution facility construction projects, and waste treatment facilities. Outside Japan, the company is concentrating on securing orders for energy development related projects in Southeast Asia, where demand is strong. This business segment currently has the largest order backlog in its history and is focusing its efforts on fulfilling each project order as well as strengthening its risk management systems and capabilities. As a result of these management initiatives, the company virtually met its planned income target for the first half.

### **Urban Development**

In the urban development business, Nippon Steel City Produce, Inc., the Group's real estate development company, reported strong demand in its property rental business. However, in the condominium development business, prices of condo units increased along with the rise in land prices and construction costs, but the pace of sales, especially in regional areas, slowed, as consumers experienced weak growth in incomes. As a consequence, the company reported declines in sales and income compared with the same period of the previous year.

Going forward, the company will take initiatives to increase earnings power, formulate plans for major urban redevelopment projects, and further expand its condominium redevelopment business with the objectives of strengthening its earnings structure and management base by augmenting its earnings structure.

## **Chemicals**

In the chemicals business, the performance of Nippon Steel Chemical Co., Ltd., was supported by favorable conditions in the coal tar and carbon materials fields. In the electronics materials field, although there were some positive factors, including expansion in shipments despite an uncertain environment for circuit board materials for mobile phone applications, the increase in raw material and energy prices, including the cost of naphtha, had a major impact on the chemical products business. As a consequence, the company posted a decline in income compared with the same period of the previous year.

Looking ahead, the company will continue to work to improve profitability and take initiatives, such as increasing capacity for existing products and add new capacity for “SilPlus,” a highly heat-resistant, transparent material that is scheduled to go into production in spring 2009, with the aims of creating business structure to achieve further growth.

## **New Materials**

Nippon Steel Materials Co., Ltd., continued to confront sluggish conditions in its mainstay semiconductor and electronics materials markets and reported relatively low profitability. However, along with shifts in materials used and trends in the operating environment, demand for carbon fiber and metal materials held strong. In addition, production of multi-crystalline silicon for use in solar batteries increased following the stabilization of manufacturing processes and improvement in quality. As a result, sales and income are showing improvement.

Going forward, amid an uncertain market environment, the company will be working to secure a stable earnings base by increasing manufacturing yields and quality, while working to cut costs through accelerating the shift toward production outside Japan. The company is also endeavoring to increase the market acceptance and usage of its new products, including new copper bonding wire for semiconductor applications.

## **System Solutions**

In the system solutions business, the NS Solutions Group develops comprehensive system life-cycle (SLC) solutions, which encompass the planning, configuration, operation, and maintenance of IT systems. During the first half, the group drew on its sophisticated systems development capabilities to develop a real-time marketing system for a leading cosmetics company and offered differentiated and competitive solution services. Although the group implemented measures to expand income through strengthening its capabilities for winning orders, even though sales for the first half increased year on year, as a result of project cost overruns and increases in selling, general and administrative (SG&A) expenses, income for the first half was below the level for the same half of the previous year.

## **Sales and Earnings**

In the first half of fiscal 2008, consolidated net sales increased ¥285.8 billion year on year, to ¥2,602.1 billion. However, owing to rising materials costs and other factors, operating profit decreased ¥16.0 billion, to ¥248.4 billion; ordinary profit declined ¥21.7 billion, to ¥262.2 billion; and net income was down ¥14.7 billion, to ¥161.6 billion.

## **Fund Procurement**

On May 23, 2008, the Company conducted two issues, No. 56 and No. 57, of unsecured corporate bonds, each valued at ¥29.9 billion, and on September 2, 2008, made another two issues of unsecured corporate bonds, No. 58, valued at ¥30.0 billion, and No. 59, valued at ¥10.0 billion.

## **2. Financial Analysis (Consolidated)**

Total consolidated assets at the end of the first half of fiscal 2008 were ¥5,434.6 billion, compared with ¥5,193.4 billion at the end of fiscal 2007, an increase of ¥241.1 billion. Although investments and others declined ¥161.2 billion, which included a decrease in unrealized gains on investment securities, current assets increased as a result of a rise in inventories of ¥180.4 billion, reflecting the rise in raw material prices, and an increase in notes and accounts receivable of ¥156.9 billion.

Total liabilities at the end of the first half of fiscal 2008 amounted to ¥2,974.9 billion, compared with ¥2,779.5 billion at the end of fiscal 2007, an increase of ¥195.3 billion. This increase was due

to higher interest-bearing debt (which from the first quarter of fiscal 2008 includes lease obligations), which stood at ¥1,339.2 billion at the end of the first half, representing an increase of ¥147.1 billion compared with ¥1,192.0 billion at the end of the previous fiscal year.

Net assets were ¥2,459.7 billion at the end of the first half, representing an increase of ¥45.7 billion compared with ¥2,413.9 billion at the end of fiscal 2007. Although the Company paid a year-end cash dividends of ¥6 per share (totaling ¥37.8 billion) and unrealized gains on available-for-sale securities decreased ¥84.3 billion, these and other factors were more than offset by the reporting of consolidated net income of 161.6 billion for the half under review.

### **3. Consolidated Forecast**

#### **Forecast for Fiscal 2008**

The Company is aware that, as the world economy is currently showing increasing signs of sluggishness, it will be necessary moving into the second half of fiscal 2008 to monitor trends in the real economy in Japan and overseas while giving careful attention to trends in demand for steel.

In the domestic market, even in the manufacturing sector, where activity has been sustained at a high level by external demand, certain industries, such as automobiles, have issued downward revisions in their production plans. Another factor for attention is that industries producing general merchandise are experiencing increases in their inventory levels, suggesting that the supply and demand balance is undergoing change. In overseas markets as well, growth trends in the BRICs and other economies that have acted as a driving force for expansion in demand are showing signs of change in addition to the decrease of real demand in Europe and the United States, with real demand beginning to decline.

In view of this movement toward a period of adjustment in global demand for steel, we will take all necessary measures to adjust our production and sales activities to the actual level of demand while continuing to spare no efforts to reduce costs by increasing productivity, improving yields, and other initiatives.

Although future developments are not transparent, the Company is forecasting that the level of profit performance will be at about the same level as in the previous fiscal year. This forecast takes account of such factors as continued thoroughgoing measures to reduce costs through improvement in productivity and production yields as well as certain changes that have occurred after the

previous forecast was announced on July 31, 2008, including improvements in procurement costs accompanying declines in the market prices of scrap, oil, and other materials, which had been increasing previously, as well as improvements in steel product sales prices, principally for exports.

### Consolidated

(Billions of yen)

	Net sales	Operating profit	Ordinary profit	Net income
Current fiscal year	5,400.0	540.0	560.0	330.0
Previous fiscal year (actual)	4,826.9	545.5	564.1	354.9

### Non-Consolidated

(Billions of yen)

	Net sales	Operating profit	Ordinary profit	Net income
Current fiscal year	3,500.0	390.0	360.0	240.0
Previous fiscal year (actual)	2,782.9	376.1	353.1	235.8

Note: The above includes forward-looking statements that are based on the assumptions, forecasts and plans of the Company as of the date on which this document is made public. The Company's actual results may differ substantially from such statements due to various risks and uncertainties.

### Basic Profit Distribution Policy and Dividends for the End of the First Half of Fiscal 2008

Regarding dividends from retained earnings for the end of the second quarter (first half of fiscal 2008), in accordance with the dividend policy announced previously and the results for the first half of the current fiscal year as well as the outlook for the full fiscal year ending March 31, 2009, the Company intends to pay a dividend of ¥5 per share for the first half of fiscal 2008, which will be ¥1 higher in comparison with the outlook for dividends issued on July 31, 2008. The policy for the year-end dividend will be announced at the time the Company issues its earnings results for the third quarter of the fiscal year.

# Financial Statements

## Consolidated Financial Statements :

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## Consolidated Balance Sheets

Nippon Steel Corporation and Consolidated Subsidiaries

ASSETS	Millions of yen	
	September 30, 2008	March 31, 2008
<b>Current assets :</b>		
Cash and bank deposits	164,528	159,455
Notes and accounts receivable	673,760	516,858
Inventories	1,047,611	867,157
Other	283,856	216,638
Less: Allowance for doubtful accounts	(12,559)	(7,685)
<b>Total current assets</b>	<b>2,157,197</b>	<b>1,752,424</b>
<b>Fixed assets :</b>		
Tangible fixed assets :		
Machinery and equipment	906,506	928,901
Other	911,970	895,823
	<b>1,818,476</b>	<b>1,824,724</b>
Intangible fixed assets	26,975	23,103
Investments and others :		
Investments in securities	1,244,432	1,396,521
Other	192,544	201,837
Less: Allowance for doubtful accounts	(4,979)	(5,112)
	<b>1,431,996</b>	<b>1,593,245</b>
<b>Total fixed assets</b>	<b>3,277,448</b>	<b>3,441,074</b>
<b>Total assets</b>	<b>5,434,646</b>	<b>5,193,498</b>

<b>LIABILITIES</b>	Millions of yen	
	<b>September 30, 2008</b>	March 31, 2008
<b>Current liabilities :</b>		
Notes and accounts payable	677,265	619,974
Short-term loans and long-term loans due within one year	275,330	272,009
Commercial paper	202,800	135,000
Bonds due within one year	60,300	95,300
Accrued income taxes and enterprise taxes	106,054	102,404
Reserve	6,728	8,787
Other	531,788	488,471
<b>Total current liabilities</b>	<b>1,860,267</b>	1,721,947
<b>Long-term liabilities :</b>		
Bonds and notes	303,226	223,274
Long-term loans	485,815	466,433
Accrued pension and severance costs	128,681	125,536
Reserve	44,110	43,421
Other	152,803	198,930
<b>Total long-term liabilities</b>	<b>1,114,636</b>	1,057,596
<b>Total liabilities</b>	<b>2,974,904</b>	2,779,543
<b>NET ASSETS</b>		
<b>Shareholders' equity :</b>		
Common stock	419,524	419,524
Capital surplus	114,377	114,364
Retained earnings	1,501,807	1,377,823
Less: Treasury stock, at cost	(261,356)	(261,272)
	<b>1,774,352</b>	1,650,440
<b>Valuation and transaction adjustments:</b>		
Unrealized gains on available-for-sale securities	150,284	234,673
Deferred hedge income (loss)	(2,825)	(1,508)
Unrealized gains on revaluation of land	11,237	11,247
Foreign currency translation adjustments	12,845	13,923
	<b>171,541</b>	258,336
<b>Minority interest in consolidated subsidiaries</b>	<b>513,846</b>	505,176
<b>Total net assets</b>	<b>2,459,741</b>	2,413,954
<b>Total liabilities and net assets</b>	<b>5,434,646</b>	5,193,498

## Consolidated Statements of Income

Nippon Steel Corporation and Consolidated Subsidiaries

Millions of yen

	First half of fiscal 2008	First half of fiscal 2007
<b>Operating revenues :</b>		
Net sales	2,602,181	2,316,350
Cost of sales	2,182,261	1,891,272
<b>Gross margin</b>	<b>419,919</b>	425,077
Selling, general and administrative expenses	171,506	160,620
<b>Operating profit</b>	<b>248,413</b>	264,457
<b>Non-operating profit and loss :</b>		
Non-operating profit :		
Interest and dividend income	13,279	11,668
Equity in net income of unconsolidated subsidiaries and affiliates	34,626	27,677
Other	24,567	12,921
	<b>72,473</b>	52,267
Non-operating loss :		
Interest expenses	9,297	8,502
Other	49,349	24,210
	<b>58,647</b>	32,712
<b>Ordinary profit</b>	<b>262,239</b>	284,012
<b>Special profit :</b>		
Gain on sales of tangible fixed assets	10,337	17,812
	<b>10,337</b>	17,812
<b>Income before income taxes and minority interest</b>	<b>272,577</b>	301,824
Income taxes - current and deferred	99,742	111,038
Minority interest in net income of consolidated subsidiaries	11,156	14,377
<b>Net income</b>	<b>161,677</b>	176,409

## Consolidated Segment Information

Nippon Steel Corporation and Consolidated Subsidiaries

(Information of business segments)

### First half of fiscal 2008 (April 1, 2008 to September 30, 2008)

Millions of yen

							Total	Elimination of intersegment transactions	Consolidated total
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions			
<b>Sales</b>	2,233,762	168,738	25,515	136,969	35,888	76,444	2,677,318	(75,136)	2,602,181
<b>Operating profit</b>	229,637	5,991	2,255	8,040	279	4,374	250,580	(2,166)	248,413

### First half of fiscal 2007 (April 1, 2007 to September 30, 2007)

Millions of yen

							Total	Elimination of intersegment transactions	Consolidated total
	Steelmaking and steel fabrication	Engineering and construction	Urban development	Chemicals	New materials	System solutions			
<b>Sales</b>	1,962,920	150,642	31,458	149,479	36,031	75,966	2,406,499	(90,149)	2,316,350
<b>Operating profit</b>	234,990	6,624	4,370	13,102	214	6,430	265,733	(1,276)	264,457

[Reference]

**Recent Quarterly Operating Results**

**Fiscal 2008 (April 1, 2008 to March 31, 2009)**

					Forecast for fiscal 2008 (data released on Oct. 29, 2008)
	1st quarter	2nd quarter	1st half	Forecast for 2nd half	
	Apr. 2008-June 2008	July 2008-Sept. 2008	Apr. 2008-Sept. 2008	Oct. 2008-Mar. 2009	
	Million	Million	Million	Million	Million
Sales	1,198,582	1,403,599	2,602,181	2,797,818	5,400,000
Steelmaking and steel fabrication	1,030,296	1,203,466	2,233,762	2,326,237	4,560,000
Engineering and construction	72,456	96,281	168,738	211,261	380,000
Urban development	11,089	14,425	25,515	59,484	85,000
Chemicals	64,715	72,253	136,969	133,030	270,000
New materials	19,242	16,645	35,888	49,111	85,000
System solutions	34,849	41,594	76,444	88,555	165,000
Elimination of intersegment transactions	(34,069)	(41,067)	(75,136)	(69,863)	(145,000)
Operating profit	119,704	128,709	248,413	291,586	540,000
	[10.0%]	[9.2%]	[9.5%]	[10.4%]	[10.0%]
Steelmaking and steel fabrication	111,661	117,976	229,637	260,362	490,000
	[10.8%]	[9.8%]	[10.3%]	[11.2%]	[10.7%]
Engineering and construction	2,210	3,780	5,991	15,008	21,000
	[3.1%]	[3.9%]	[3.6%]	[7.1%]	[5.5%]
Urban development	1,082	1,173	2,255	3,744	6,000
	[9.8%]	[8.1%]	[8.8%]	[6.3%]	[7.1%]
Chemicals	3,467	4,573	8,040	8,959	17,000
	[5.4%]	[6.3%]	[5.9%]	[6.7%]	[6.3%]
New materials	3	282	279	1,720	2,000
	[0.0%]	[1.7%]	[0.8%]	[3.5%]	[2.4%]
System solutions	1,560	2,814	4,374	8,625	13,000
	[4.5%]	[6.8%]	[5.7%]	[9.7%]	[7.9%]
Elimination of intersegment transactions	(274)	(1,892)	(2,166)	(6,833)	(9,000)
Ordinary profit	144,087	118,151	262,239	297,760	560,000
	[12.0%]	[8.4%]	[10.1%]	[10.6%]	[10.4%]
Net income	82,761	78,915	161,677	168,322	330,000
	[6.9%]	[5.6%]	[6.2%]	[6.0%]	[6.1%]
Net income per share	13.15	12.54	25.69	26.75	52.44

**Fiscal 2007 (April 1, 2007 to March 31, 2008)**

	Forecast for 1st half of fiscal 2008 (data released on July 31, 2008)	Forecast for fiscal 2008 (data released on July 31, 2008)
	Apr. 2008-Sept. 2008	Apr. 2008-Mar. 2009
	Million	Million
Sales	2,640,000	5,500,000
Steelmaking and steel fabrication	2,250,000	4,600,000
Engineering and construction	160,000	380,000
Urban development	30,000	80,000
Chemicals	140,000	300,000
New materials	40,000	90,000
System solutions	75,000	170,000
Elimination of intersegment transactions	(55,000)	(120,000)
Operating profit	180,000	400,000
	[6.8%]	[7.3%]
Steelmaking and steel fabrication	160,000	350,000
	[7.1%]	[7.6%]
Engineering and construction	7,000	21,000
	[4.4%]	[5.5%]
Urban development	3,000	7,000
	[10.0%]	[8.8%]
Chemicals	8,000	17,000
	[5.7%]	[5.7%]
New materials	200	2,000
	[0.5%]	[2.2%]
System solutions	5,000	16,000
	[6.7%]	[9.4%]
Elimination of intersegment transactions	(3,000)	(13,000)
Ordinary profit	210,000	450,000
	[8.0%]	[8.2%]
Net income	130,000	255,000
	[4.9%]	[4.6%]
Net income per share	20.66	40.53

							Fiscal 2007
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	
	Apr. 2007-June 2007	July 2007-Sept. 2007	Apr. 2007-Sept. 2007	Oct. 2007-Dec. 2007	Jan. 2008-Mar. 2008	Oct. 2007-Mar. 2008	
	Million	Million	Million	Million	Million	Million	Million
Sales	1,115,751	1,200,599	2,316,350	1,189,842	1,320,781	2,510,624	4,826,974
Steelmaking and steel fabrication	935,664	1,027,256	1,962,920	988,389	1,043,217	2,031,606	3,994,526
Engineering and construction	71,519	79,123	150,642	82,547	126,694	209,241	359,884
Urban development	16,355	15,103	31,458	25,103	37,277	62,380	93,839
Chemicals	80,227	69,252	149,479	71,840	67,708	139,549	289,029
New materials	16,929	19,102	36,031	20,960	19,165	40,126	76,157
System solutions	32,953	43,013	75,966	36,396	52,997	89,393	165,360
Elimination of intersegment transactions	(37,899)	(52,250)	(90,149)	(35,394)	(26,279)	(61,674)	(151,823)
Operating profit	129,464	134,993	264,457	143,648	137,474	281,123	545,580
	[11.6%]	[11.2%]	[11.4%]	[12.1%]	[10.4%]	[11.2%]	[11.3%]
Steelmaking and steel fabrication	113,969	121,021	234,990	124,978	115,982	240,960	475,951
	[12.2%]	[11.8%]	[12.0%]	[12.6%]	[11.1%]	[11.9%]	[11.9%]
Engineering and construction	3,715	2,909	6,624	5,619	9,252	14,871	21,496
	[5.2%]	[3.7%]	[4.4%]	[6.8%]	[7.3%]	[7.1%]	[6.0%]
Urban development	3,298	1,072	4,370	3,390	4,841	8,231	12,602
	[20.2%]	[7.1%]	[13.9%]	[13.5%]	[13.0%]	[13.2%]	[13.4%]
Chemicals	7,434	5,668	13,102	5,490	2,456	7,947	21,050
	[9.3%]	[8.2%]	[8.8%]	[7.6%]	[3.6%]	[5.7%]	[7.3%]
New materials	20	194	214	499	155	344	559
	[0.1%]	[1.0%]	[0.6%]	[2.4%]	[0.8%]	[0.9%]	[0.7%]
System solutions	2,890	3,540	6,430	3,174	5,152	8,326	14,756
	[8.8%]	[8.2%]	[8.5%]	[8.7%]	[9.7%]	[9.3%]	[8.9%]
Elimination of intersegment transactions	(1,865)	589	(1,276)	496	(55)	440	(835)
Ordinary profit	148,691	135,321	284,012	150,656	129,449	280,106	564,119
	[13.3%]	[11.3%]	[12.3%]	[12.7%]	[9.8%]	[11.2%]	[11.7%]
Net income	86,701	89,708	176,409	86,647	91,932	178,580	354,989
	[7.8%]	[7.5%]	[7.6%]	[7.3%]	[7.0%]	[7.1%]	[7.4%]
Net income per share	13.70	14.25	27.96	13.77	14.61	28.38	56.33

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

Nippon Steel Corporation

Code Number: 5401

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

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## Supplementary Information on the Financial Result for the First Half of Fiscal 2008

### Japanese Steel Industry

#### 1. Crude Steel Production

							(million tons)
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2007FY	29.89	29.91	59.80	30.88	30.84	61.72	121.52
2008FY	31.06	30.44	61.50				

#### 2. Inventory Volume

At the end of:		Inventory at manufacturers and distributors (million tons)	Inventory /shipment ratio (%)	Rolled sheets *1 (million tons)	H-flange beams *2 (million tons)
Dec.	2006	5.37	(106.3)	3.89	0.257
Jan.	2007	5.54	(109.2)	4.06	0.267
Feb.	2007	5.34	(104.6)	3.98	0.270
Mar.	2007	5.35	(95.5)	4.02	0.277
Apr.	2007	5.41	(106.7)	4.07	0.271
May	2007	5.62	(107.5)	4.20	0.274
June	2007	5.43	(101.8)	4.08	0.270
July	2007	5.49	(106.0)	4.11	0.256
Aug.	2007	5.63	(113.6)	4.25	0.253
Sep.	2007	5.61	(107.1)	4.19	0.267
Oct.	2007	5.63	(103.6)	4.16	0.278
Nov.	2007	5.52	(105.4)	4.10	0.281
Dec.	2007	5.66	(114.1)	4.09	0.279
Jan.	2008	5.62	(112.1)	4.18	0.264
Feb.	2008	5.38	(104.3)	4.08	0.229
Mar.	2008	5.18	(90.1)	4.02	0.214
Apr.	2008	5.23	(102.9)	4.04	0.210
May	2008	5.35	(104.7)	4.11	0.219
June	2008	5.36	(101.3)	4.09	0.236
July	2008	5.12	(94.0)	4.07	0.243
Aug.	2008	5.46	(119.8)	4.29	0.248

\*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)**

(million tons)

	1st half		1st half	2nd half		total
	1st quarter	2nd quarter		3rd quarter	4th quarter	
2007FY	7.67	7.96	15.63	8.09	8.20	16.29
2008FY	8.04	8.04	16.07			

**4. Crude Steel Production**

(Consolidated basis)

(million tons)

	1st half		1st half	2nd half		total
	1st quarter	2nd quarter		3rd quarter	4th quarter	
2007FY	8.72	8.92	17.64	9.24	9.36	18.59
2008FY	9.16	9.06	18.23			

(Non-consolidated basis)

(million tons)

	1st half		1st half	2nd half		total
	1st quarter	2nd quarter		3rd quarter	4th quarter	
2007FY	7.99	8.22	16.21	8.37	8.53	16.90
2008FY	8.30	8.26	16.57			

**5. Steel Products Shipment**

(million tons)

	1st half		1st half	2nd half		total
	1st quarter	2nd quarter		3rd quarter	4th quarter	
2007FY	7.89	8.15	16.04	8.23	8.63	16.86
2008FY	8.08	8.29	16.37			

**6. Average Price of Steel Products**

(thousands of yen / ton)

	1st half		1st half	2nd half		total
	1st quarter	2nd quarter		3rd quarter	4th quarter	
2007FY	78.3	80.3	79.3	80.2	80.2	80.2
2008FY	92.0	108.2	100.2			

**7. Export Ratio of Steel Products (Value basis)**

(%)

	1st half		1st half	2nd half		total
	1st quarter	2nd quarter		3rd quarter	4th quarter	
2007FY	33.3	34.9	34.1	32.3	33.0	32.6
2008FY	31.8	35.0	33.5			

8. Foreign Exchange Rate

(¥/US\$)

	1st half		2nd half		total
	1st quarter	2nd quarter	3rd quarter	4th quarter	
2007FY	120	119	113	108	115
2008FY	104	108			

9. Unrealized Gains on Available-for-Sale Securities

(billion yen)

	1st half of 2008FY	2007FY	difference
Consolidated	252.1(150.2)	393.6(234.6)	-141.5(-84.4)
[Nikkei 225]	[11,260yen]	[12,526yen]	[-1,266yen]

\* Figures in parentheses were after adopting deferred tax accounting.

10. Amount of Capital Expenditure and Depreciation

## • Capital Expenditure (billion yen)

	2008FY (estimated)	2007FY
Consolidated	340.0	310.0
Non-consolidated	260.0	230.0

## • Depreciation (billion yen)

	2008FY (estimated)	2007FY
Consolidated	280.0	244.0
Non-consolidated	200.0	174.9