

NSC/POSCO Strategic Alliance Extended for Another Five Years

- notable results in many areas from the merging of various resources -

Nippon Steel Corporation (president: Akio Mimura, "NSC") and POSCO (chairman: Lee, Ku-Taek), after the initial 5-year term of the strategic alliance agreement, and based on the mutual recognition of notable results in R&D, technical exchange, raw materials procurement and many other areas, have now agreed to extend this agreement for at least another five years.

Since the strategic alliance agreement, which includes accord on mutual equity holding, was signed in August 2000, the companies have set up a steering committee co-chaired by their respective executive vice presidents, and many subcommittees and working groups under the steering committee, to vigorously press forward with the strategic alliance in each area.

The results produced in the past five years, including the followings, are many and varied:

- 1) In joint R&D, 11 technical tasks have thus far been set and energetically studied. Particularly notable results have been obtained in low-cost raw materials utilization technology, technology on new heat-resistant fine ceramics and biotechnology for wastewater treatment, which have led to commercial application and the filing of many joint patent applications.
- 2) In technical exchange, working groups have been formed in 14 areas covering such fields as raw materials, iron-making process, and the manufacture of varied products and environmental technology, for the purpose of pursuing cost reduction, productivity enhancement, quality improvement, environmental burden reduction, etc. During the past 5 years, more than 2000 people in total have taken part in meetings held more than 150 times, obtaining much technological knowledge from each other and actively adopting such knowledge wherever possible for technological improvements.
- 3) In raw materials procurement, with the objective of expanding capabilities of procuring good-quality and low-cost iron ores and coking coals on a stable basis, the companies have undertaken joint projects in many parts of the world. In relation to coking coals, the companies have jointly taken various measures for the development and support of coking coal supply sources, such as the integration of operations in Australian mines Warkworth and Mt. Thorley in which NSC and POSCO have equity interests respectively, joint purchases of interests in Australian mines Carborough Downs and Glennies Creek for the development and expansion of the mines respectively, and joint equity

participation in the Elkview mine, Canada, for the purpose of expanding the mine. In relation to iron ore, the companies have provided support for the expansion of the existing ore mines in Australia in which they have equity interests respectively, and for capacity expansion in the Goa region in India. Also, the companies introduced a common system which utilizes electronicized shipping documents relating to imports of raw materials.

- 4) In overseas businesses, the companies increased their equity shares through capital increase in Siam United Steel (1995) Co., Ltd. (SUS), the largest cold-rolled steel manufacturer in Thailand held by NSC, POSCO and others. Through more active participation in management by both companies, SUS has been steadily making profits in recent years. In the engineering business, NSC and POSCO have cooperated in matters relating to waste direct melting furnace. The alliance has also yielded results in many other areas, as demonstrated by mutual provision of support in production on four occasions in cases of plant stoppages due to revamping etc.
- 5) Moreover, for the purpose of training staffs of both companies, personnel exchange program has been implemented for a total of 20 young managers. At the same time, with the aim of developing new demands for steel products, the scope of technical exchange has been expanded to include steel houses and steel cans. Thus, the strategic alliance relationship between the two companies has steadily expanded and deepened during the past 5 years.

At present, NSC has more than 3% of equity in POSCO and POSCO over 2% equity in NSC. NSC and POSCO are the other's largest equity holders other than financial institutions.

As stated above, the strategic alliance between NSC and POSCO has grown steadily, achieving many notable results in the past 5 years, in which circumstances surrounding the steel industry have undergone dramatic changes. NSC and POSCO pride themselves on these achievements as amply demonstrating that two companies with different traditions and cultures can produce great results by means of merging each other's varied resources, without recourse to management integration.

Based on the above results of the alliance, and after a careful assessment of the contents of the alliance, the companies have decided to extend this alliance for another 5 years in order to continue to secure and maintain their respective solid standings in the global steel market. By deepening and expanding the strategic alliance, while being alert to changes in the market environment, the companies will continue to utilize this strategic alliance, confident that it will add much to the growth and development of the companies.

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