

## Introduction of New Management System

Nippon Steel and its subsidiaries and affiliates, with the aim of enhancing the consolidated worth of the entire group as a business organization commanding the confidence of shareholders, customers, society and markets, have decided to conduct a shift ( ) in organization, effective in fiscal 2006. All six business segments, namely, Steel as the core business and Engineering and Construction, Urban Development, Chemicals, New Materials and Systems Solution, will be operating as independent enterprises of equal status.

: As announced last December in the “Medium-Term Consolidated Business Plan (FY2006 through FY2008),” the Engineering and Construction and New Materials segments will be made independent enterprises at around July 2006.

Nippon Steel, therefore, as a holding company, and in accordance with its consolidated management policies and strategies, will be giving its approval to business plans and management-resources allocations of these business segments and monitoring and supervising their business management, while also continuing to conduct the planning for and implementation of matters and projects related to the steel business.

Based on this organizational transition, in order to facilitate decision-making by management with greater speed and mobility in responding to changes in business environments in the future and exercise proper supervision, Nippon Steel will reduce the number of directors on its board, while at the same time introducing the Executive Management System as of the date of the 82nd general meeting of shareholders in late June 2006 for the purpose of ensuring proper execution of the company businesses and clear-cut definition of the respective responsibilities within the company.

The Executive Management System is outlined below:

- Members under this system shall be “important employees” (under the Commercial Code of Japan) who execute their respectively assigned important business responsibilities.
- Managing Directors and Directors shall be determined according to varied levels of business responsibilities.
- The term of office shall be not more than one year (except for a reappointment).

As a result, the number of board members and the members under the Executive Management System of Nippon Steel is scheduled to be as follows:

	<u>Currently</u>	<u>At end of the general meeting of shareholders</u>
Board Members:	37	11
Members under Executive Management System:		22