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Nippon Steel Corporation

## **Development of New Mining Area at Bulga Coal Mine in Australia**

Nippon Steel Corporation (Representative Director and President: Akio MIMURA, “Nippon Steel”), Xstrata Plc. (Head Office: Zurich, President: Mick DAVIS, “Xstrata”) and other partners of the Bulga Joint Venture<sup>\*1</sup> (“Bulga JV”) have agreed that the Bulga JV will develop new mining area of underground operation at Bulga coal mine in Australia.

The total capital investment is estimated to be about A\$350 million (about 30 billion yen<sup>\*2</sup>) and construction of new mining area is scheduled to commence in early 2007, with first coal production from new mining area in 2009 by the large-scale and newest mining equipment (Longwall).

*\*1: The Bulga JV is an un-incorporated joint venture formed by Nippon Steel Australia Pty Ltd, an Australian subsidiary of Nippon Steel and Oakbridge Pty Ltd, an Australian subsidiary of Xstrata. The Bulga JV is currently engaged in mining of Bulga coal mine located about 150km northwest from Sydney.*

*\*2: Each party in the Bulga JV shall bear in proportion to its interest percentage respectively.*

Bulga coal mine, where Nippon Steel holds 12.5% interest through the Bulga JV, is one of the distinguished coal mines in Australia. Under open cut and underground operation, about 10 million tons of coking coal and thermal coal are produced and supplied for world major steel companies and electric power companies. Nippon Steel has consistently supported the mine for 14 years since commencement of the operation in 1992, with increasing interest share from original 10% to current 12.5% in the meantime.

While underground operation in current mining area (named “Beltana” area), where almost 50% of production is covered, would be anticipated to cease at the end of 2009, the development of new mining area (named “Blakefield” area) has been studied and decided by the Bulga JV so as to substitute for current underground operation.

This development shall ensure 10 million tons of the annual production for the mine after 2010.

Under current medium-term consolidated business plan (FY2006 through FY2008), Nippon Steel is striving to enhance overall efficiency in the iron and steelmaking process, through further improvement of its operational technology to utilize low-grade raw materials, together with reinforcement of key facilities such as expansion and relining of blast furnaces and installation of new coke oven.

Further, in terms of raw material procurement, Nippon Steel is seeking to secure stable raw material supply under long-term arrangements, which include investment in mines, to meet mid-term strategy above.

Nippon Steel has decided to implement this development of Blakefield area in the firm belief that it would no doubt contribute to mid-term strategy above for further stability in procurement of raw materials.

Nippon Steel, cementing relationship with major suppliers, will continue to ensure stable procurement of raw material on a medium- and long-term basis.

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For further information: Public Relations Center +81-3-3275-5021