

October 20, 2006  
Nippon Steel Corporation  
POSCO

**Enhancement of Strategic Alliance and Additional Cross-Purchase of Shares  
between Nippon Steel and POSCO**

Nippon Steel Corporation (principal place of business: Chiyoda-ku, Tokyo, President: MIMURA Akio, “Nippon Steel”) and POSCO (principal place of business: Pohang, Korea, Chairman: LEE, Ku-Taek), since the signing of the strategic alliance agreement in August 2000, have pressed ahead various cooperative measures under the agreement, establishing the steering committee co-chaired by executive-vice-presidents and various subcommittees and working groups.

In August 2005, the companies agreed to extend the strategic alliance agreement, ascertaining that adequate results had been obtained in many fields, such as R&D, technical exchange, and raw materials procurement. Both companies have since studied various additional measures to enhance the mutual cooperation. Now, having agreed on the following specific measures to carry out, both companies have decided to enter into an agreement and, for pushing them forward vigorously and resolutely, to make an additional share purchase mutually.

The following are the two specific measures agreed upon this time:

**1. Mutual supply of steel slabs**

During the five years from 2007FY to 2011FY, the companies have agreed to supply steel slabs each other in response to the relining of 6 blast furnaces by the two companies scheduled in the 5 years. For the first step, 200,000 tons of steel slabs each, 400,000 tons in total, will be supplied in 2007FY.

**2. Collaboration on the dry-dust recycling**

The companies have also agreed on a basic framework regarding collaboration on the Nippon Steel -type of Rotary Hearth Furnace to be installed at Pohang Steelworks and Gwangyang Steelworks of POSCO. The companies will promptly conduct studies on concrete steps and details for the collaboration.

Through these measures, the two companies aim to achieve further stable operations by effectively utilizing both companies' facilities, while addressing environmental problems. In

**addition to the above two, both companies also continue studies on other cooperative measures, such as further cooperation in raw materials procurement.**

**In order to carry out these cooperative measures with greater smoothness and efficiency, the companies have agreed to make additional cross-purchase of shares. Specifically, Nippon Steel will additionally purchase about 2% of the total issued shares of POSCO, and POSCO will likewise make an additional purchase of Nippon Steel shares in substantially the same value.**

**At present, Nippon Steel's shareholding in POSCO is 3.32%, and POSCO holds 2.17% of Nippon Steel shares.**

**Since its commencement, the strategic alliance between Nippon Steel and POSCO has developed steadily and successfully, producing fruitful results through various alliance activities. In the midst of sudden changes, such as the emergence of Arcelor Mittal, and rapid expansion and consolidation ongoing in the Chinese steel industry, both companies intend to further enhance and positively utilize this strategic alliance, holding sights firmly on changes in the market environment, in order to secure and maintain their respective solid standing in the global steel market. Both companies are confident that this strategic alliance will contribute much to the further growth and development of the two companies.**

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