

22 October 2007  
Nippon Steel Corporation  
POSCO

**Establishment of Joint Venture Company on  
Supply of Direct Reduced Iron and Dry-Dust Recycling**

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

In October 2006, the companies agreed to enhance the strategic alliance, including the additional share purchase mutually in the value of ¥55 billion for each, and have since studied specific additional measures. Now, the companies have reached agreement to enter into definitive contracts to establish a joint venture company regarding DRI (direct reduced iron) supply for both companies and the dry-dust recycling .

**Outline of Collaboration on DRI Supply and Dry -Dust Recycling**

- 1) POSCO and NSC will establish a joint venture company in Korea for the supply of DRI and the recycling of dry dust with the main objective of effectively utilizing dry dust generated in the steelworks of POSCO.
- 2) The joint venture company will construct and operate 2 units of Nippon Steel type DRI making and dry-dust recycling equipment (Rotary Hearth Furnace: "RHF"), each having a processing capacity of 200,000 tons of dry dust per year, one at Pohang Works and the other at Gwangyang Works of POSCO, which will produce DRI supplied to both companies.
- 3) This project constitutes a business model for creating a new source of steel-making raw material through collaboration of the companies, utilizing the technology established at NSC.
- 4) POSCO and NSC will seek registration of this project with the CDM Executive Board of the United Nations Framework Convention on Climate Change as a CDM project.

**Outline of the Joint Venture Company**

**Name:** POSCO-NIPPON STEEL RHF Joint Venture, Co., Ltd. (PNR)

**Capital:** approx. ¥5 billion

**Shareholding:** POSCO 70%, NSC 30%

**Total Investment:** approx. ¥16 billion

**Establishment:** January 2008

**Scheduled Commissioning of RHF:** September 2009 at Pohang, and December 2009 at Gwangyang

**In the midst of drastic changes, such as the emergence of ArcelorMittal and the rapid expansion and consolidation ongoing in the Chinese steel industry, both companies intend to further enhance the strategic alliance, holding sights firmly on global developments in the market environment. 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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