

September 30, 2008  
Nippon Steel Corporation  
Topy Industries, Ltd.

## **Alliance between Nippon Steel and Topy Industries**

Today, Nippon Steel Corporation (Principal place of business: Chiyoda-ku, Tokyo; President: Shoji Muneoka; hereinafter “Nippon Steel”) and Topy Industries, Ltd. (Principal place of business: Shinagawa-ku, Tokyo; President: Yoshiro Shimizu; hereinafter “Topy Industries”) have reached agreement to substantially strengthen their mutual alliance (hereinafter the “Alliance”) with the objectives of enhancing the competitiveness and increasing the corporate value of both companies.

Thus far, Nippon Steel and Topy Industries have received and commissioned orders to one another for steel rolling operations, and Nippon Steel has supplied steel products and semi-finished products to Topy Industries. Looking ahead, however, to respond to fluctuations in demand for steel and tougher international competition, the two companies have decided to implement further alliance measures.

In addition, Nippon Steel has decided to purchase the voting shares of Topy Industries up to 20% (a level at which to come under the equity method), to clarify the position of Topy Industries as a Nippon Steel Group company and increase the smooth and secure operation of the Alliance.

In specific terms, Topy Industries has decided to implement a third-party private placement of new shares to raise a portion of the funds it needs for installing state-of-the-art equipment and meeting other objectives and has requested that Nippon Steel subscribe to these new shares. As a result of subscribing to this issue, Nippon Steel will raise its ownership percentage of voting shares of Topy Industries from the current 7.5% to more than 15%, which is required for accounting for Topy Industries under the equity method. In addition, Nippon Steel will purchase additional shares of Topy Industries in the stock market, bringing its total ownership share to 20%.

Topy Industries will also purchase a certain amount of Nippon Steel shares.

One of the principal features of Topy Industries' operations is its "integrated manufacture extending from raw materials to finished products." Topy Industries is a comprehensive metal processing manufacturer with top-level international market shares for transportation-related machinery products, including automotive wheels and undercarriage components for construction machinery. The Alliance with Nippon Steel is believed likely to contribute to increasing the corporate value of both companies.

At present, the following matters related to the Alliance have been discussed and agreed upon:

1. To strengthen the competitiveness of Topy Industries through bringing its steel-making facilities to state-of-the-art levels (through renewal and expansion in the scale of its electric furnace and continuous casting equipment) and the efficient joint use of steel-making facilities
  - (a) Transition to in-house production of billets for small steel bars at Topy Industries, which are currently supplied by Nippon Steel to Topy Industries
  - (b) Use at Nippon Steel of blooms produced by the state-of-the-art electric furnace and continuous rolling facilities of Topy Industries (as a measure for enhancing Nippon Steel's steel-making capabilities)
2. To implement measures to strengthen competitiveness about integrating manufacture from steel-making to rolling of section steel in cooperation with Topy Industries, which has internationally top-class processing technology for deformed section steel.
  - (a) Expansion of integrated subcontracted work, from Nippon Steel to Topy Industries, from steel-making to rolling of section steel
3. To implement individual alliance measures related to the steel business
  - (a) Substantially strengthening joint development initiatives related to Topy Industries' automotive wheels and Nippon Steel's high-tensile strength steel sheets and continued stable supply from Nippon Steel of steel sheets for automotive wheel manufacturing
  - (b) Continuing the stable supply of specialty steel bars from Nippon Steel to Topy Industries for manufacturing undercarriage components for construction machinery

- (c) Continuing the stable supply of heavy and medium steel plates and H-beams from Nippon Steel to Topy Industries for use in bridge construction
- (d) Considering and implementing joint responses to capture demand for section steel in China, the ASEAN region, and elsewhere

4. To jointly consider electric furnace dust recycling in the central Japan region

In addition, at the meeting of Topy Industries' board of directors held on May 25, 2007, the directors voted to approve that company's "Plan for Responding to Large Purchases of Company Shares (Takeover Prevention Plan)" (hereinafter, "the Plan"). However, if synergies emerge as a result of this Alliance and it is believed likely that Topy Industries' corporate value will increase, after consideration of the conditions and content for share acquisitions by Nippon Steel and the possibility that conditions of the Plan may apply, Topy Industries' board of directors has today determined that this Alliance will not be subject to the procedures specified in the Plan and will not constitute a large purchase of its shares as specified in the Plan.

For further information, please contact:

Nippon Steel

Public Relations Center, General Administration Division

Tel.: 81-3-3275-5021, -5022, or -5023

Topy Industries

General Affairs Department

Tel.: 81-3-3493-0777

## Additional Information

### 1. Outline of the Two Companies

Company name	Nippon Steel	Topy Industries
Representative	Shoji Muneoka, Representative Director and President	Yoshiro Shimizu, Representative Director and President
Head office address	6-3, Otemachi 2-chome, Chiyoda-ku, Tokyo	2-2, Osaki 1-shome, Shinagawa-ku, Tokyo
Date of establishment	April 1950	October 1921
Paid-in capital*	¥419,524 million	¥18,093 million
Number of shares issued*	6,806,980,977	220,775,103
Number of share held in the other company* (% ownership)	1,200,000 (0.018%)	16,593,641 (7.51%)
Number of employees*	48,757	4,133
Principal indicators:*		
Net sales	¥4,826,974 million	¥296,629 million
Operating income	¥545,580 million	¥12,888 million
Recurring income	¥564,119 million	¥11,784 million
Net income	¥354,989 million	¥6,366 million
Total assets	¥5,193,498 million	¥231,887 million
Net assets	¥2,413,954 million	¥83,217 million

\* As of March 31, 2008, consolidated basis

## 2. Principal Shareholders of Topy Industries (As of March 31, 2000)

Ranking	Shareholder	Shares owned	Ownership (%)
1	Nippon Steel (After the previously mentioned share acquisitions)	16,593,641	7.51 (20)
2	Japan Trustee Service Bank, Ltd. (Trust Account)	12,634,000	5.72
3	Mizuho Corporate Bank, Ltd.	10,878,024	4.92
4	Meiji Yasuda Life Insurance Company	10,651,345	4.82
5	The Master Trust Bank of Japan, Ltd. (Trust Account)	8,666,000	3.92
6	Topy Fund	6,954,807	3.15
7	Mizuho Trust and Banking Co., Ltd.	6,893,000	3.12
8	Resona Bank, Ltd.	5,909,055	2.67
9	Sonpo Japan Insurance Inc.	5,746,000	2.60
10	Topy Industrie shareholders association	4,552,439	2.06