

**Announcement of the Mid-Term Management Plan for 2011**

—“*Strengthening our Competitive Edge*” to win the intensifying competition and  
“*Building a Stronger Global Production and Supply Base*” to establish a new path for growth —

Nippon Steel Corporation (“NSC”) announces today its Mid-Term Management Plan of NSC Group for the fiscal year 2011.

This Mid-Term Management Plan outlines our basic policies and business goals in order to realize opportunities and overcome challenges from the dramatic changing environment, both domestically and globally. The key points of our plans are, first to reinforce our competitive edge and build the cornerstones for further global operations by FY2011, and make a firm step forward for our long term growth, realizing the opportunities expected from the recovery and growth of the world economy. We will serve our customers’ needs with “our united solutions to customers”, mobilizing resources of our six business operations, developing innovative technologies and products, and realizing opportunities in fast growing markets, such as energy, environment and other rapidly growing areas.

**Achievements in the Previous Mid-Term Plan and Overview of Upcoming Changes**

During the term of the previous mid-term plan (FY2006 through FY2008), the NSC Group focused on high-value-added steel, and aimed for and achieved record profit growth. We achieved these through: completion of our Group’s 40 million ton (crude steel) production base, implementation of the “Global Player Strategy”, enhancement of our alliance network with domestic and overseas steel manufacturers, strengthening of our alliance with major customers, and construction of a strong group management system uniting our six business segments’ strengths together.

In the first half of FY2009, however, NSC faced a sharp drop in sales volume caused by the global recession and was forced to report a large operating loss, despite our Group-wide efforts in minimizing costs from low-volume operations, reducing fixed costs and implementing other countermeasures. As for the second half, we expect to achieve a consolidated profit of 96.9 Billion Yen (Unconsolidated 39.9 Billion Yen), as a result of these countermeasures and as a result of the expected demand recovery in overseas markets.

When we look into the future, we expect that the business environment surrounding our Group could change dramatically. We see opportunities in the shift of the growth engine of the global economy to Asia and other emerging economies from developed countries, as well as the further development and growth in new business sectors, as seen in the environment-conscious “Green” businesses. On the other hand, we face the slowdown in Japan’s growth potential driven by its diminishing and aging population, as well as many of our customers’ move abroad, shifting their production base overseas, forced by the appreciation of

the yen and changes in the demand structure. We also anticipate challenges from the “Intensifying Competition” with newly constructed steelworks in East Asia, the competition for resources driven by the growing demand from the newly developing countries, and the increasing environmental restrictions to counter global warming.

To respond to these significant changes in the business environment and realizing the sustainable growth of the company, we hereby have developed “**The Mid-Term Management Plan for 2011**”.

## **The Mid-Term Management Plan 2011 Outline**

### **1. Steel Operations Key Policies**

As our first step through FY2011, we will focus on “reinforcing our corporate strengths and establishing a secure revenue base”. At the same time, we will step forward to “building a stronger global production and supply base” as a basis for longer term sustainable growth.

#### **1) Reinforcing Our Corporate Strengths and Securing Revenue Base, Aiming to Be “The World’s No. 1 Company in Total Capabilities”**

- i) We will further strive to develop our world leading “State-of-the-Art Technology Edge”, through strengthening our R&D capabilities, including development of innovative products and new processes in addition to our conventional product areas, in order to meet and provide solutions for the changing needs of our customers and society, including in energy and environment related fields.
- ii) We will thoroughly pursue our No. 1 competitiveness, especially in costs, through enhancing our basic manufacturing capabilities as well as capabilities in facilities and on an operational basis, with a particular focus on our steel operation sites.
- iii) We will secure the stable sourcing of raw materials through investing in stakes in high-efficiency mines, as well as diversifying and enlarging our sources of materials. We will also strengthen our procurement capabilities, extending our sources globally to seek the best equipment and materials.
- iv) Under these policies, we aim to reinforce our united corporate foundation and revenue base, and secure the leading position in the world steel industry.

#### **2) Taking a Firm Step Forward for the Global Growth Strategy**

- i) We will take another step forward to capture the growing demand in emerging markets, building upon and further expanding our global alliance network in the areas of high-quality steel for automobiles and other uses, as well as enhancing our overseas sales network, including downstream production and distribution capabilities.
- ii) We will further strengthen our global operational base, through laying grounds for future production sites in fast growing emerging economies.

#### **3) Realizing the Benefits of our Alliances with Partners**

We will further enhance our alliances with domestic and overseas steel manufacturers and will seek to maximize the benefits of our joint collaboration. For instance, in Japan, we maintain alliances with Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., Nisshin Steel Co., Ltd., and Group electric furnace steel manufacturers, and overseas with POSCO.

#### **4)Balancing Growth Investments and Improving Financial Strengths**

By building a stable revenue base as described above, we will continue our investments for our future growth (capital expenditures in facilities, investments in companies, research and development, and the like) and at the same time improve our financial strength (maintaining our current “A” international rating status).

#### **5)Promoting Organization Management Change and Personnel Development**

We will further proceed to renew our organizational and management styles and develop our personnel, adapting to rapidly changing issues, through building a self-evolving corporate culture. This will involve continuous review of organization and management procedures, as well as the speeding up of the development of human resources with global business development capabilities.

#### **6) Strengthening Steel Operation Group Companies**

Sharing the same business policies, the steel operation Group companies plan to strengthen their respective management bases, including improvements in cost, product, and quality competitiveness, and also overseas development capacities as part of our offshore downstream operation enhancement strategy.

We will manage to maximize the Group’s overall steel operational efficiency and effectiveness, through focusing on and reviewing investments in accordance with our strategy.

## **2. Policies for Other Operations and Uniting the Strengths Together**

### **Policies for Other Operations**

In addition to enhancing our competitiveness in existing businesses, we will strengthen our business in new growth areas, including energy and environment related fields, to achieve a leading and profitable position in each of the respective industries.

### **Maximizing the Synergy of NSC Group**

Efforts will be made to maximize the synergy of the NSC Group by further enhancing the world’s leading products and know-how of our six business operations, including the steel making business, and offering our customers solutions achieved through the combination of the total resources of the entire Group.

#### **1) Engineering Operations**

- i) We will proceed to maintain and increase our customer orders through enhanced responses to overseas projects including the development of off-shore energy resources, and the expansion of customer bases through improved solution-proposing capabilities.

- ii) We will strengthen our operational base through promotion of our “Top 3 Strategy”, further enhancement of technology and cost competitiveness, as well as promotion of new businesses and products, including the development of carbon dioxide capture processes, based on a long-range view.

## **2) Urban Development Operations**

- i) We will strengthen our scrap-and-build urban revitalization and infrastructure business, focusing on redevelopment and area-value-creation of urban areas. This includes urban redevelopment, rebuilding of old apartment buildings, and real estate exchanges.
- ii) We will also move forward to recover business size, profitability and improvement of our financial strength.

## **3) Chemical Operations**

- i) We will strive to be the world’s leading steel chemical producer, through the development of high-end products (for example, coke for graphite electrodes and material for special carbon), based on steel related chemical materials and the development of overseas businesses.
- ii) In the three fields we focus on, we will strive to capture customer needs and enhance our market competitiveness and brand recognition by improving our design capabilities and manufacturing technologies. Our three focus fields are circuit implementation material (Espanex), optical display materials (such as epoxy resin and Silplus), and organic device materials (organic EL).

## **4) New Materials Operation**

- i) In the area of electronic materials, we plan growth through improved cost competitiveness in new overseas business bases, expansion of new products in surface-covered wire (EX wire) business, and development of silicon carbide wafers.
- ii) In industrial and environment/energy areas, we will focus on long-range growth potential businesses, including carbon fiber, metal carriers used in emission gas purification, and polycrystalline silicon for solar power generation.

## **5) System Solution Operations**

- i) We aim to form a sustainable business base capable of overcoming a severe market environment by enhancing development and implementation capabilities and expanding our customer base.
- ii) We will promote the development of leading-edge technologies, including cloud-computing, enhance our responses to the growing fields of telecommunications and to Chinese markets, and form and reinforce our alliances with major vendors.

## **3. Policies relating to Global Warming**

- 1) We will diligently implement the voluntary action plan during the Kyoto Protocol period.
- 2) For the post-Kyoto period, we will continue our utmost efforts to implement our “three ecological policies” (eco-processes, eco-products, and eco-solutions):
  - i) Energy conservation and CO<sub>2</sub> reduction through further enhancement of eco-processes (further improvement of our leading energy efficiency);

- ii) Development and supply of environmentally friendly products or eco-products; and
  - iii) Development of eco-solutions, including overseas technology transfer.
- 3) We will also continue our development of long-range policies, including the development of environmentally friendly steel production processes and technology (COURSE 50) collaborating with other Japanese steel makers.

#### **4. Policies to Be a Trusted and Reliable Company**

- 1) We will act according to our corporate philosophies to further contribute to society.
- 2) We will continually strive to be a trusted company for society, by fully complying with laws, regulations and rules, including those related to safety, environment and disaster prevention.

\* NSC Group's Corporate Philosophies:

“The NSC Group, focused on steel manufacturing, will contribute to industrial development and the enhancement of people's lives through creating and supplying valuable and attractive products and ideas”.

#### **5. Laying Grounds for a New Growth Path**

- 1) As we have outlined, we plan to turn the current severe environment into opportunities, and we will strive to further strengthen our competitive edge.
- 2) We will further enhance our “Global Player Strategy” and seek to establish a foothold in the three main areas of the world, as our “Global Tri-polar Production and Processing Bases”, in order to capture growing overseas market demands and address the needs of such overseas markets. This will involve:
  - i) Further expansion of our global processing and distribution system, fully utilizing the Group's domestic 40 million ton (crude steel) production base.
  - ii) Expansion of the company's presence in the American and Pan-Atlantic emerging market, through making the most of the enhanced production and quality management capabilities of USIMINAS.
  - iii) Expansion of processing sites and development of new production bases in the Asian markets.
- 3) By making a firm step forward towards these directions, we seek to become the “World's Genuine Leading Corporation Group”, with strong corporate foundation, growth potential, and revenue capabilities necessary to be the “World's No. 1 Company in Total Capabilities”.

Note: This document includes forecasts and projections that are based on the assumptions and beliefs of Nippon Steel's management in light of the information available to it as of the date on which the information is first distributed, and actual results may differ from such forecasts and projections.