

# **Financial Results for Fiscal 2006**

**(April 1, 2006 to March 31, 2007)**

Nippon Steel Corporation

April 27, 2007

# **1. Nippon Steel Consolidated Operating Results**

## **(1) Operating Results Analysis**

### **Fiscal 2006 Operating Highlights**

#### **Japan's Economy and the Steel Sector**

The Japanese economy continued to recover in fiscal 2006, ended March 2007, supported by generally favorable global economic conditions and growing private-sector demand as improved corporate earnings promoted higher capital investment.

In the steel market, supplies of medium-high grade steels for the automotive, shipbuilding, and other manufacturing industries remained tight domestically and abroad. The market for commodity steels stabilized as rising demand in global steel markets absorbed production increases in China.

Japan's crude steel production in 2006 rose 5.03 million metric tons, to 117.75 million metric tons, the second-highest total on record after 1973. This was the fourth straight year output has exceeded 110 million metric tons.

In the global steel industry, the wave of consolidation triggered by Mittal Steel's acquisition of Arcelor continued to gain momentum.

#### **Group Management Initiatives**

Underscoring Nippon Steel's drive for profit growth, the Company is pursuing a new three-year consolidated business plan through to the end of fiscal 2008. Under this initiative, Nippon Steel will reinforce technological and manufacturing strengths through the continued enhancement of its superior technological edge with the aim of being the global No.1 supplier focusing on medium-high grade steels. Nippon Steel also realigned and reinforced its group management structure to boost the competitiveness and synergies of its six consolidated business divisions—steelmaking and steel fabrication, engineering and construction, urban development, chemicals, new materials, and system solutions.

Against this backdrop in the global steel industry, the Company exceeded the earnings targets of its medium-term management plan, and at the same time management took steps to pursue growth and stability while enhancing Nippon Steel's financial position to bolster corporate value.

## Performance Review by Business Area

Overview of consolidated operating performance by business segment in fiscal 2006

	Billions of yen			
	Net sales		Operating profit	
	<b>Fiscal 2006</b>	Fiscal 2005 (※)	<b>Fiscal 2006</b>	Fiscal 2005(※)
Steelmaking and steel fabrication	<b>3,482.3</b>	3,143.8	<b>514.5</b>	517.6
Engineering and construction	<b>367.9</b>	336.1	<b>13.0</b>	9.5
Urban development	<b>94.3</b>	104.0	<b>14.3</b>	13.0
Chemicals	<b>318.7</b>	298.4	<b>23.6</b>	19.3
New material	<b>65.6</b>	54.9	<b>3.1</b>	2.9
System solutions	<b>156.5</b>	148.3	<b>13.9</b>	11.8
<b>Total</b>	<b>4,485.5</b>	4,085.8	<b>582.6</b>	574.4
Elimination of inter-segment transactions	<b>(183.4)</b>	(179.5)	<b>(2.5)</b>	1.8
<b>Consolidated Total</b>	<b>4,302.1</b>	3,906.3	<b>580.0</b>	576.3

(※)Fiscal 2005 results recalculated to reflect changes in composition of business segments

- 1) “Chemicals” and “new materials,” which were included in the chemicals and nonferrous materials segment, are now positioned as independent businesses, and “titanium and aluminum operations,” which were part of the chemicals and nonferrous materials sector, have been transferred to “steelmaking and steel fabrication.”
- 2) “Other businesses” (electric power supply, services, and others) has been transferred to “steelmaking and steel fabrication.”

### Steelmaking and Steel Fabrication

In fiscal 2006, Nippon Steel responded to the steel market’s polarization between medium-high grade and commodity-grade steel. In medium-high grade steel products, the Company launched production at hot-dip galvanizing lines at the Kimitsu, Nagoya, and Hirohata Works while drawing on capacity from Group companies and strategic partners in Japan and abroad. These efforts enabled Nippon Steel to meet robust demand from the automotive, shipbuilding, and energy sectors in terms of the quality and volume. Investment highlights in production operations included the launch of the No. 6 continuous casting line at the Kimitsu Works, the completion of relining at the No. 1 blast furnace and steady progress on the installation of a basic oxygen furnace at the Nagoya Works. Construction of the No. 5 coke oven at the Oita Works is also smoothly underway. The company also gave the go-ahead for an upgrade to No. 1 blast furnace at the Oita Works, scheduled to go online in 2009.

In product development, management stepped up efforts aimed at more closely coordinate manufacturing, sales, technologies, and research operations to better serve customer needs. R&D achievements during the term included the co-development of high-strength container ship plates working together with a customer. Nippon Steel also kicked-off investment in the launch of large-scale production of high-strength steel pipes for natural gas pipelines, a product first developed and commercialized by the Company.

In commodity steel products, the Company operated productions lines to closely reflect with market inventory fluctuations and demand trends.

To maintain high productivity, Nippon Steel launched a series of companywide initiatives including drives to maintain and improve the quality of equipment, upgrade recruitment and staff training programs, ensure employee morale remains high and promote a corporate culture that encourages the preservation and development of sophisticated skills.

Strategic alliances with domestic and overseas steelmakers remained a top priority. Nippon Steel signed a wide-ranging agreement with POSCO of Korea in which both sides supply each other with steel slabs during scheduled blast furnace repairs, deepening this key strategic alliance. The Company increased its stake in Usinas Siderúrgicas de Minas Gerais S.A. of Brazil and made it an affiliate under the equity method. Sanyo Special Steel Co., Ltd., became an affiliate under the equity method. In addition, Nippon Steel subsidiaries were merged with ones of Sumitomo Metal Industries, Ltd. group.

Nippon Steel continued to pursue a strategy of selection and concentration to more effectively deploy Group resources. In line with this strategy the Company made Thailand-based Siam United Steel Co., Ltd., a consolidated subsidiary during the term. Underscoring the success of this strategy, Baosteel-NSC/Arcelor Automobile Steel Sheets Co., Ltd., turned profitable in its second year of operations, a full year ahead of schedule.

Nippon Steel also signed a new strategic alliance agreement with Companhia Vale do Rio Doce, a Brazilian raw materials supplier, while stepping up efforts to strengthen and expand ties with steel users.

The Company continued to reduce energy consumption at manufacturing sites as part of its commitment to take voluntary measures to reduce carbon dioxide emissions. It also created and acquired emission rights under the Clean Development Mechanism. At the same time, the Company invested more in equipment aimed at preserving environments where it operates.

### **Engineering and Construction**

The Company's engineering business was spun-off to form Nippon Steel Engineering Co. Ltd. This business segment won a high level of new orders during the fiscal 2006. Nippon Steel Engineering Co., Ltd., did well domestically in marketing steelmaking plants and large logistics facilities, as well as waste treatment equipment for private finance initiatives. Overseas, this subsidiary continued to win orders in Southeast Asia for natural gas development platforms and undersea pipeline construction.

### **Urban Development**

Nippon Steel City Produce, Inc., continued to redevelop unused Nippon Steel properties in Japan supporting the revitalization of Japan's regional economies such as the Yawata-Higashida development project in Kitakyushu. This subsidiary also redeveloped sites in urban areas in Japan such as the Shibaura Island area development in Tokyo and created asset value through the redevelopment and sales of condominium

complexes.

## **Chemicals**

Nippon Steel Chemical Co., Ltd., actively grew its core businesses in the chemical, coal chemicals, and electronic materials segments. During fiscal 2006, competition intensified in electronic materials area. In contrast, the chemical product and coal chemicals businesses both performed strongly with solid demand enabling them to more than offset higher raw materials costs. As a consequence, this business segment generated record-high earnings.

## **New Materials**

The Company's new materials business was spun-off to form Nippon Steel Materials Co. Ltd. During the year, this subsidiary was affected by some short-term inventory adjustments by electronics companies, a core customer base. However, the company was able to increase sales of semiconductor mounting materials, for which demand remained firm. In 2006, Nippon Steel established NS Solar Material to manufacture and sell polycrystalline silicon for solar batteries. That subsidiary's construction of a new plant proceeded smoothly during the term and is scheduled to commence operation in the second half for 2007.

## **System Solutions**

NS Solutions Corporation continued to perform well in fiscal 2006. Demand was particularly favorable from financial institutions. This consolidated subsidiary continued to expand its data center business.

During the term, Nippon Steel strengthened Group risk management oversight over the business areas reviewed above by establishing a basic corporate compliance policy. The company also put in place structures to increase the sharing of risk management information between Group companies.

## **Sales and Earnings**

Consolidated net sales for fiscal 2006 rose ¥395.8 billion, to ¥4,302.1 billion. Operating profit expanded ¥3.7 billion, to ¥580.0 billion. Ordinary profit was up ¥50.2 billion, to ¥597.6 billion. Net income advanced ¥7.2 billion, to ¥351.1 billion, a record high for a third consecutive year.

On a non-consolidated basis, net sales decreased ¥28.4 billion, to ¥2,562.8 billion reflecting the spin-off of the Company's engineering and materials businesses. Operating profit was down ¥31.6 billion, to ¥402.2 billion. Ordinary profit gained ¥1.0 billion, to ¥389.7 billion. Net income rose ¥4.8 billion, to ¥248.8 billion.

## **Funding**

In November 2006, Nippon Steel raised ¥300 billion of new capital, a move that received positive appraisals from credit rating agencies. We are using the proceeds to maintain and enhance our financial position while investing for earnings growth.

### **Treasury Stock Purchases**

The board of directors approved treasury stock purchases in line with Article 36 of the Company's Articles of Incorporation. In making stock purchase decisions, the board comprehensively assesses Group capital requirements and the potential impact on the Company's overall financial position. Following a board resolution on July 4, 2006, Nippon Steel spent about ¥100 billion to repurchase 226,513,000 of its own shares between July 5 and 26. On March 1, 2007, the board approved the additional purchase of up to 150 million shares or as much as ¥100 billion from March 2 through September 28. As of March 31, 2007, the Company had bought 8 million shares for ¥ 7 billion.

### **Fiscal 2007 Outlook**

Nippon Steel expects the global economy to remain generally solid in the year ahead. In Japan, the Company expects robust corporate earnings and solid domestic demand to drive a continued economic recovery. Nonetheless, the impact of high oil prices and the prospect of a slowdown in the U.S. economy are areas of concern that Management will monitor closely.

In the steel industry, the Company forecasts demand for medium-high grade steels will likely remain buoyant in the domestic market and overseas. Nippon Steel will endeavor to tap this demand by fully harnessing its superior technologies, deploying state-of-the-art facilities, and upgrading and expanding production capabilities. In commodity steels, the Company will keep close tabs on the impact of higher Chinese production on global demand and will respond flexibly to changes in supply and demand. Management will continue to pursue companywide initiatives to bolster manufacturing capabilities.

In non-steel business segments, the Company will endeavor to optimize earnings by focusing management resources on areas of where it has a competitive advantage and seek to maximize synergies within the Group.

The table below presents key projections for fiscal 2007

Consolidated	Billions of yen			
	Net sales	Operating profit	Ordinary profit	Net income
Full year	4,760.0	580.0	600.0	350.0
First half	2,290.0	265.0	270.0	160.0

Non-consolidated	Billions of yen			
	Net sales	Operating profit	Ordinary profit	Net income
Full year	2,660.0	420.0	400.0	250.0
First half	1,310.0	190.0	180.0	115.0

Consolidation in the global steelmaking industry is likely to continue in fiscal 2007. Within this backdrop, Nippon Steel Group will strive to maintain and enhance its financial position, invest to win demand for medium-high grade steel products, and deepen ties with other steelmakers in Japan and overseas. The Group will also endeavor to exceed the earnings targets of its medium-term consolidated business plan and bolster corporate value to reinforce its position in the global steel industry. Other key priorities will be to maintain marketplace and community trust by contributing to recycling through zero-emissions initiatives, reducing energy consumption, cutting emissions of carbon dioxide and other greenhouse gases as well as reinforcing corporate compliance.

## (2) Financial Analysis

### Assets, Liabilities, Shareholders' Equity, and Cash Flows

In fiscal 2006, Nippon Steel harnessed ¥478.4 billion in net cash provided by operating activities and a ¥300 billion issue of preferred securities to meet buoyant demand for medium-high grade steels and other products.

The Company made ¥227.2 billion in capital investments to drive earnings growth by expanding production capability. Nippon Steel also invested ¥191.6 billion as part of an effort to reinforce ties with domestic and overseas partners, enhance Group management, and promote business alliances with users. One key achievement was an alliance with POSCO. Others included making Usinas Siderúrgicas de Minas Gerais S.A. and Sanyo Special Steel Co., Ltd., equity-method affiliates and Siam United Steel Co., Ltd., a consolidated subsidiary.

Outstanding interest-bearing debt was ¥1,213.0 billion at the close of the term, down ¥10.8 billion from a year earlier, reflecting dividend payments and purchases of treasury stock.

Net worth stood at ¥1,892.8 billion, up ¥214.9 billion. As a result, the ratio of interest-bearing debt to shareholders' equity (Debt-to-equity ratio) improved 0.09 percentage point to 0.64.

Total assets were ¥5,344.9 billion at fiscal year-end, compared with ¥4,542.7 a year earlier, an increase of ¥802.1 billion. One contributor to this rise was an increase ¥124.6 billion in tangible fixed assets. There was also a ¥320.2 billion rise in investments and others because of ¥81.8 increase in unrealized gains on investment securities. Another factor was a ¥144.6 billion increase in inventories because of higher raw materials prices.

Total liabilities amounted to ¥2,975.6 billion, versus ¥2,760.7 billion a year earlier, up ¥214.9 billion, despite a reduction in interest-bearing debt. This reflects a ¥29.1 billion increase in deferred tax liabilities stemming from a rise in unrealized gains on investment securities as well as a ¥215.1 billion increase in liabilities owing to higher raw materials prices and the expansion of Company's overall business activities.

Net assets stood at ¥2,369.2 billion at fiscal year-end compared with ¥1,782.0 billion, a gain of ¥587.2 billion. Items contributing to this increase include a gain of ¥351.1 billion in net income, an ¥48.8 billion increase in unrealized gains on marketable securities, and a ¥372.2 billion rise in minority interest in consolidated subsidiaries. These factors offset ¥85.5 billion in cash dividend payments (through the appropriation of distributable earnings for the previous fiscal year, of ¥9 per share, and interim dividends of ¥4 per share) and ¥110.2 billion in purchases of treasury stock.

### Trends in Cash Flow Indicators

	FY2002	FY2003	FY2004	FY2005	FY2006
Ratio of net worth (%)	21.0	25.3	30.7	36.9	35.4
Ratio of net worth at market price (%)	25.1	44.3	47.2	66.7	99.1
Debt redemption term (years)	5.6	5.4	2.4	3.1	2.5
Interest coverage ratio (times)	11.5	12.0	24.9	23.7	31.1

Notes:

Ratio of net worth: Net worth (net assets – minority interests)/Total assets

Ratio of net worth at market price: Current aggregate value of shares/Total assets

Debt redemption term: Interest-bearing debt/Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest expenses

\* Each indicator is calculated from the figures in the consolidated financial statements.

\* Current aggregate value of shares is calculated by multiplying the common stock price at term end by the number of shares outstanding at term end.

\* Interest-bearing debts cover all debts bearing interests (short-term loans, commercial papers, corporate bonds due within one year, convertible bonds due within one year, corporate bonds, convertible bonds and long-term loans).

\* Cash flows from operating activities in the consolidated statements of cash flows are used for the cash flows from operating activities, and the interest expenses in the consolidated statements of cash flows are used for the interest expenses.

### (3) Shareholder Dividend

Nippon Steel has implemented a policy to distribute profits consistent with the consolidated operating results of each fiscal year, taking into account capital investment requirements aimed at raising corporate value, forecasts of future operating results and other relevant factors, and at the same time further strengthening the company's financial structure. Meanwhile, the company has set the consolidated payout ratio at approximately 20% (non-consolidated payout ratio at approximately 30%) as an indicator for the distribution of profits in conformance with the consolidated operating results. However, because the company's first priority for the time being is to improve the corporate financial structure, a target of approximately 15-20% is in effect for the consolidated payout ratio (non-consolidated payout ratio at approximately 20-30%), which is slightly lower



than the above-indicated level. The Company will pay interim and term-end dividends accordingly. The size of interim dividends reflects annual dividend plans, first-half operating results, and results forecasts for the year.

For fiscal 2006, the Company intends to pay a term-end dividend of ¥6 per share. After factoring in the interim dividend of ¥4 per share, aggregate payment for the year will amount to ¥10 per share, up ¥1 per share from a year earlier. This amount translates into payout ratios of 18.4% on a consolidated basis and 26.0% in non-consolidated terms.

For the dividend outlook for fiscal 2007, the Management aims to keep payments in line with the payout ratio outlined above. The Management has not yet decided specific dividend payment plans.

#### **(4) Risks Involved in Business and Other Operations**

Of matters relating to business, financial and other circumstances of Nippon Steel and its group companies, the following matters may, among others, have a significant impact on investors' decisions.

##### **1) Changes in Steel Supply and Demand**

Sales by the steelmaking and steel fabrication sector account for about 80% of Nippon Steel's consolidated net sales and any change in supply or demand in the global steel market could affect their operating performances. In a highly competitive operating environment involving both domestic and overseas steel manufacturers, the operating performance of Nippon Steel and its group companies could be adversely affected if their competitiveness in terms of technology, cost, quality or other aspects grows weak relative to the competitiveness of other steel manufacturers.

Most of Nippon Steel's customers in the steelmaking and steel fabrication sector regularly purchase large quantities of steel products on the premise that they will sell the products by processing such steel. Consequently, changes in the purchasing policies of major customers could affect the operating performance of Nippon Steel.

In addition, operating performance can be affected by credit risks of trading companies and users, the major buyers of steel products.

##### **2) Fluctuations in the Price of Raw Materials and Fuels**

Ocean freight costs and the price of raw materials and fuels—such as iron ore, coal, ferroalloys, scrap and other materials—used mainly in the manufacturing operations of the steelmaking and steel fabrication sector are linked to the international supply and demand of resources. In recent years, the price of raw materials and freight costs have spiraled upward due to rapidly increasing production of steel products in East Asia,

especially China; These prices and costs could fluctuate significantly, depending on the supply and demand situation.

### 3) Fluctuations in the Interest Rates of Loans, Bonds and Notes and in Financial Markets

The consolidated balance of interest-bearing debt held by Nippon Steel at the end of the fiscal 2006 amounted to ¥1,213.0 billion. Fluctuations in interest rates and other variables in the financial markets could affect operating performance.

### 4) Fluctuations in the Value of Assets (including Pension Plan Assets) such as Securities

The consolidated balance of investments in securities held by Nippon Steel at the end of the fiscal 2006 amounted to ¥1,507.3 billion. Losses on evaluation of investments in securities can arise due to stagnation in the operations of companies in which Nippon Steel and its group companies have invested and because of a worsening tone in securities markets.

In addition to investments in securities, Nippon Steel holds ¥511.3 billion on an unconsolidated basis in pension plan assets (including employee retirement benefit trust assets). Fluctuations in the price or interest rates of domestic and overseas shares, bonds and other items comprising the plan assets could have an impact on operating performance.

### 5) Fluctuations in Exchange Rates

Because Nippon Steel and its group companies conduct foreign currency transactions in the course of exporting products and importing raw materials etc. and because they hold assets and liabilities in foreign currencies, fluctuations in exchange rates could influence operating performance.

### 6) Environmental Regulations and Taxes Imposed on Business Operations

If, in the future, quantitative controls, environmental taxes or other environmental regulations are imposed on CO<sub>2</sub> emitters and fossil fuel consumers in Japan, the operating performance of Nippon Steel and its group companies may be affected due to constraints imposed by these regulations on the operations of the steelmaking and other business sectors.

### 7) Increase of Duties and Other Import Restrictions in Major Overseas Markets

The U.S. and other countries have levied anti-dumping duties on the export of certain steel products of Nippon Steel and its group companies. If import restriction measures including duty increases and import quotas are imposed in major overseas markets, this will restrict export transactions and could affect operating performance.

#### 8) Suspension of or Restraints on Business Operations Due to Disasters, Accidents or Other Reasons

Should a major typhoon, earthquake or other natural disasters strike the steelworks or other business facilities operated by Nippon Steel or its group companies, it could hinder the operations of these businesses and could affect operating performance. In addition, should serious accidents, injuries, equipment failures or other emergencies occur, the resulting suspension of or restraints on business operations could affect operating performance.

#### 9) Administrative Actions by the Fair Trade Commission of Japan or Other Government Authorities

Nippon Steel was indicted and also received cease-and desist recommendation in accordance with the Japanese Antimonopoly Act in relation to steel bridge projects. Administrative acts such as imposition of surcharges could affect operating performance.

## **2. Management Policies**

### **(1) Medium-Term Consolidated Business Plan**

Nippon Steel and its group companies launched a new Medium-Term Consolidated Business Plan to be implemented during fiscal 2006-2008 (April 1, 2006 to March 31, 2009). Its outline is as follows:

#### **1) Profit Growth by Enhancing Technological Edges**

##### **—Operating policies in the steelmaking sector**

With enhancement of its technological edges as a key theme, the sector will strive to strengthen its manufacturing capabilities in order to become a leading, all-encompassing steel supplier whose core is high-grade steel products.

- Steady capture of the demand for steel products mainly in the high-grade steel field through enhanced capabilities to respond customer needs
- Reinforcement and improvement of the technological and manufacturing capabilities that support steady capture of steel demand
- Reinforcement of operating bases for further development
- Integrated promotion of the measures to raise profitability and strengthen financial structures jointly with group companies working in iron- and steelmaking
- Enhancement of alliance with other steelmakers

##### **—Operating policies in other sectors**

In business sectors other than steelmaking, emphasis will be placed on realizing higher profitability and a stronger financial structure and securing a firmer presence in the market through the development of new products and services by enhancing technological edges and the promotion of solutions-oriented business operations.

#### **2) Improvement and Reinforcement of Consolidated Management System**

Nippon Steel will spin-off two business sectors, engineering and construction, and new materials. At the same time, the company will build a management organization in order to promote six business sectors—steelmaking, engineering and construction, urban development, chemicals, new materials, system solutions—with steelmaking as a key operating sector independently yet concurrently and enable them to achieve self-sustaining development.

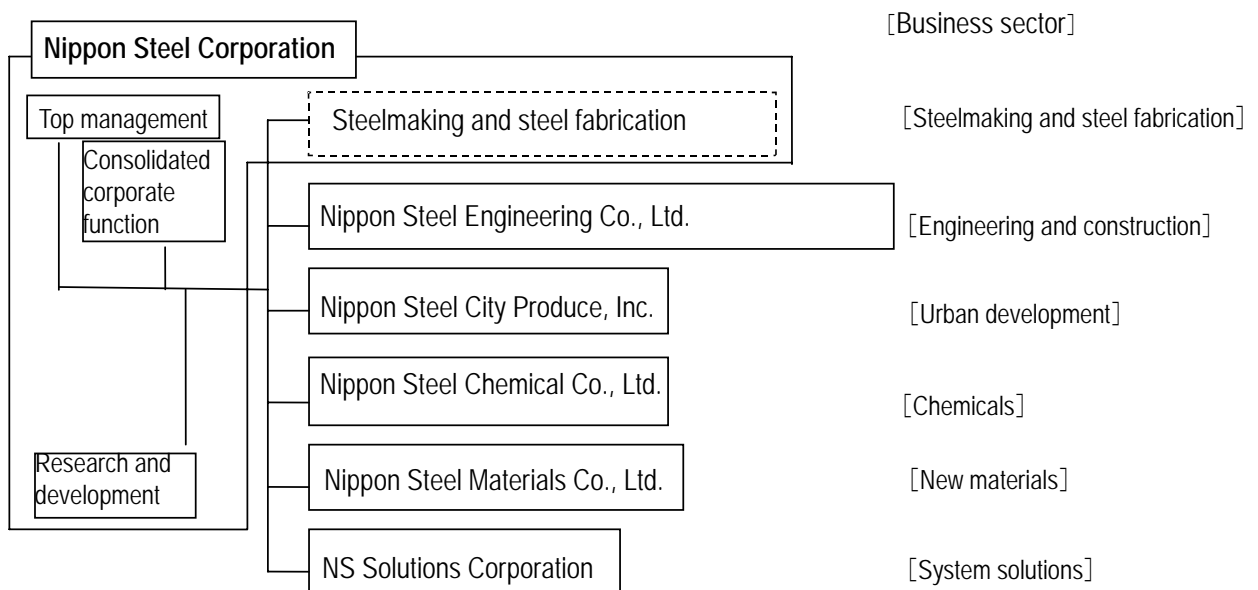
By so doing, the company intends to enable the respective subsidiaries to implement highly responsive and flexible management adapted to the characteristics of their respective business to

meet their customer needs.

Through all above, the respective segments shall achieve profit growth and enhance the value of Nippon Steel as a group.

The consolidated corporate functions, including the top management, will be within “Nippon Steel Corporation” in order to secure the efficiency and effectiveness of those functions. “Nippon Steel Corporation” will serve as the holding company of other five business segments which will also continue to operate steel business.

The individual business segments are to share the business strategies of Nippon Steel and are designed to maximize the group’s synergy through joint utilization of the R&D functions, etc. vested in the holding company.



By implementing the above measures, Nippon Steel shall rebuild the competitiveness of its individual business segments. At the same time, the company shall contribute to the development of a resource recycling-oriented society through promotion of zero emissions, development of new environment-friendly products, etc., help to curb global warming by saving of energy and reduction of CO<sub>2</sub> emissions, and strictly enforce compliance with laws. All these activities are intended to demonstrate the company’s emergence as a business enterprise trusted absolutely by both society and the markets.

In addition, in accordance with its corporate philosophy, the company shall strive to further enhance the value of the Nippon Steel brand by having the individual business segments make concerted efforts to attain the group's objectives while adapting themselves to their own business circumstances.

By implementing the above measures, Nippon Steel aims to achieve the following financial targets in fiscal 2008.

### Consolidated Financial Targets

(In billions of yen)

	Target for FY 2008	Results for FY 2005*
Sales	Approx. 4,200	4,000
Operating profits	500 or more	460
Ratio of ordinary profit to sales	12%	12%
Net income	300 or more	270
Earning per share	¥44 or more	¥40
Balance of interest-bearing debts	1,000 or less	1,223.8
Debt/equity ratio	0.5 or less	0.73

\*Results for fiscal 2005, disregarding the effects of extraordinary factors

### Capital Expenditure and Investing/Financing

(In billions of yen)

	FY2006~2008
Cumulative total	Approx. 850 (Approx. 630)*

\*( ): Depreciation

In the new Medium-Term Consolidated Business Plan (FY2006~2008), Nippon Steel aims to achieve both adequate investment for profit growth and further improvement of the overall financial structure. Stock dividends will be distributed in accordance with the company's distribution policy consistent with the consolidated operating results as set out in Section 1 (3) Shareholder Dividend.

---

# Financial Statements

## Consolidated Financial Statements :

---

Balance Sheets	1-2
Statements of Income	3
Statements of Shareholders' Equity and others	4
Statements of Cash-Flows	5
Segment Information	6

---

## Non-Consolidated Financial Statements :

---

Balance Sheets	7-8
Statements of Income	9
Statements of Shareholders' Equity and others	10

---

## Consolidated Balance Sheets

NIPPON STEEL

As of March 31, 2007 and 2006

ASSETS	Millions of yen	
	2007	2006
<b>Current assets :</b>		
Cash and bank deposits	280,117	159,923
Notes and accounts receivable-trade	597,155	537,014
Marketable securities	8,714	252
Inventories	789,486	644,859
Deferred tax assets	69,533	78,604
Other	117,227	98,070
Less: Allowance for doubtful accounts	(12,045)	(14,116)
<b>Total current assets</b>	<b>1,850,188</b>	<b>1,504,608</b>
<b>Fixed assets :</b>		
Tangible fixed assets :		
Buildings and structures	456,587	434,437
Machinery and equipment	894,202	827,081
Land	324,160	320,269
Construction in progress	104,138	72,601
	<b>1,779,089</b>	<b>1,654,390</b>
Intangible fixed assets :		
Patents and utility rights	17,963	18,006
Software	1,793	955
Excess of cost over the underlying net equity of investments in subsidiaries	10,829	-
	<b>30,586</b>	<b>18,961</b>
Investments and others :		
Investments in securities, unconsolidated subsidiaries and affiliates	1,507,335	1,196,837
Deferred tax assets	28,953	43,714
Other	154,911	131,607
Less: Allowance for doubtful accounts	(6,140)	(7,353)
	<b>1,685,060</b>	<b>1,364,806</b>
<b>Total fixed assets</b>	<b>3,494,736</b>	<b>3,038,158</b>
<b>Total assets</b>	<b>5,344,924</b>	<b>4,542,766</b>



LIABILITIES	Millions of yen	
	2007	2006
<b>Current liabilities :</b>		
Notes and accounts payable - trade	612,952	394,105
Short-term loans and long-term loans due within one year	338,825	398,996
Commercial paper	163,000	150,000
Bonds due within one year	43,050	50
Accrued expenses	238,557	290,556
Reserve for losses on engineering work in progress	5,250	721
Provision for environmental spending	8,466	11,941
Other	398,951	375,000
<b>Total current liabilities</b>	<b>1,809,053</b>	<b>1,621,372</b>
<b>Long-term liabilities :</b>		
Bonds and notes	238,614	281,688
Long-term loans	429,473	392,998
Deferred tax liabilities	275,416	246,578
Accrued pension and severance costs	123,695	122,265
Allowance for retirement benefits directors and corporate auditors	3,744	6,597
Reserve for repairs to blast furnaces	51,211	50,921
Excess of the underlying net equity over cost of investments in subsidiaries	-	526
Other	44,486	37,813
<b>Total long-term liabilities</b>	<b>1,166,642</b>	<b>1,139,388</b>
<b>Total liabilities</b>	<b>2,975,695</b>	<b>2,760,760</b>
Minority interest in consolidated subsidiaries	-	104,117
<b>SHAREHOLDERS' EQUITY</b>		
Common stock	-	419,524
Additional paid-in capital	-	111,671
Retained earnings	-	818,572
Unrealized gains on revaluation of land	-	9,980
Unrealized gains on available-for-sale securities	-	389,209
Foreign currency translation adjustments	-	(10,868)
Less: Treasury stock, at cost	-	(60,200)
<b>Total shareholders' equity</b>	<b>-</b>	<b>1,677,889</b>
<b>Total liabilities and shareholders' equity</b>	<b>-</b>	<b>4,542,766</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity :</b>		
Common stock	419,524	-
Additional paid-in capital	111,693	-
Retained earnings	1,087,908	-
Treasury stock, at cost	(170,563)	-
	<b>1,448,563</b>	<b>-</b>
<b>Adjustments for valuation, foreign currency translation and others :</b>		
Unrealized gains on available-for-sale securities	438,056	-
Deferred hedge income (loss)	300	-
Unrealized gains on revaluation of land	9,922	-
Foreign currency translation adjustments	(3,958)	-
	<b>444,320</b>	<b>-</b>
Minority interest in consolidated subsidiaries	476,344	-
<b>Total net assets</b>	<b>2,369,228</b>	<b>-</b>
<b>Total liabilities and net assets</b>	<b>5,344,924</b>	<b>-</b>

## Consolidated Statements of Income

NIPPON STEEL

Years ended March 31, 2007 and 2006

	2007	Millions of yen 2006
<b>Operating revenues :</b>		
Net sales	4,302,145	3,906,301
Cost of sales	3,408,197	3,063,154
<b>Gross margin</b>	<b>893,947</b>	843,147
Selling, general and administrative expenses	313,849	266,828
<b>Operating profit</b>	<b>580,097</b>	576,319
<b>Non-operating profit and loss :</b>		
Non-operating profit :		
Interest and dividend income	23,427	14,512
Equity in net income of unconsolidated subsidiaries and affiliates	43,480	28,227
Miscellaneous	22,591	25,945
	<b>89,498</b>	68,685
Non-operating loss :		
Interest expenses	15,218	15,787
Miscellaneous	56,737	81,817
	<b>71,955</b>	97,604
<b>Ordinary profit</b>	<b>597,640</b>	547,400
<b>Special profit :</b>		
Gain on sales of tangible fixed assets	17,765	14,881
Gain on sales of investments in securities and investments in subsidiaries and affiliates	6,013	3,325
	<b>23,778</b>	18,207
<b>Income before income taxes and minority interest</b>	<b>621,419</b>	565,607
Income taxes - current	225,566	223,254
Income taxes - deferred	23,038	(17,061)
Minority interest in net income (loss) of consolidated subsidiaries	21,632	15,510
<b>Net income</b>	<b>351,182</b>	343,903

## Consolidated Statements of Shareholders' Equity and Others

NIPPON STEEL

	Millions of yen									
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Unrealized gains on revaluation of land	Foreign currency translation adjustments	Minority interest in consolidated subsidiaries	
<b>Balance at March 31, 2006</b>	<b>419,524</b>	<b>111,671</b>	<b>818,572</b>	<b>(60,200)</b>	<b>389,209</b>	<b>-</b>	<b>9,980</b>	<b>(10,868)</b>	<b>104,117</b>	
Cash dividends for the previous fiscal year			(59,834)							
Cash interim dividends for fiscal 2006			(25,686)							
Net income for fiscal 2006			351,182							
Acquisition of treasury stock				(110,268)						
Disposal of treasury stock		21		67						
Increase due to the change in the number of consolidated companies			3,651	(161)						
Increase due to reversal of unrealized gains on revaluation of land			22							
Other change for fiscal 2006(net)					48,846	300	(57)	6,909	372,227	
Total change for this fiscal 2006	-	21	269,335	(110,362)	48,846	300	(57)	6,909	372,227	
<b>Balance at March 31, 2007</b>	<b>419,524</b>	<b>111,693</b>	<b>1,087,908</b>	<b>(170,563)</b>	<b>438,056</b>	<b>300</b>	<b>9,922</b>	<b>(3,958)</b>	<b>476,344</b>	

## Consolidated Statements of Shareholders' Equity

NIPPON STEEL

	Millions of yen		
	Common stock	Additional paid-in capital	Retained earnings
<b>Balance at March 31, 2005</b>	<b>419,524</b>	<b>109,848</b>	<b>508,393</b>
Net income for the year ended March 31, 2005			343,903
Increase due to the change in the number of consolidated companies			301
Cash dividends			(33,752)
Directors' and corporate auditors' bonuses			(45)
Decrease due to reversal of unrealized gains on revaluation of land			(227)
Increase due to disposal of treasury stock		1,823	
<b>Balance at March 31, 2006</b>	<b>419,524</b>	<b>111,671</b>	<b>818,572</b>

## Consolidated Statements of Cash-Flows

NIPPON STEEL

Years ended March 31, 2007 and 2006

	2007	2006
Millions of yen		
<b>Cash flows from operating activities :</b>		
Income before income taxes and minority interest	621,419	565,607
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation and amortization	192,454	183,365
Interest and dividend income (accrual basis)	(23,427)	(14,512)
Interest expense (accrual basis)	15,218	15,787
Exchange losses (gains) on foreign currency transactions	(1,206)	(4,504)
Amortization of excess of cost over the underlying net equity of investments in subsidiaries and affiliates	(1,069)	913
Equity in net (income) loss of unconsolidated subsidiaries and affiliates	(43,480)	(28,227)
Loss (gain) on sales of investments in securities	(6,013)	(3,335)
Loss on disposal of tangible and intangible fixed assets	9,662	9,866
Gain on sales of tangible and intangible fixed assets	(17,765)	(13,998)
Changes in allowance for doubtful accounts	(3,323)	5,302
Changes in notes and accounts receivable-trade	(42,094)	(131,251)
Changes in inventories	(134,603)	(79,617)
Changes in notes and accounts payable-trade	122,062	15,650
Other	23,669	82,505
Interest and dividend income (cash basis)	27,476	17,804
Interest expense (cash basis)	(15,368)	(16,596)
Income taxes (cash basis)	(245,151)	(211,760)
<b>Net cash provided by operating activities</b>	<b>478,460</b>	<b>392,996</b>
<b>Cash flows from investing activities :</b>		
Acquisition of investments in securities	(191,677)	(47,106)
Proceeds from sales of investments in securities	12,147	9,709
Acquisition of tangible and intangible fixed assets	(227,288)	(201,462)
Proceeds from sales of tangible and intangible fixed assets	31,650	12,875
Other	499	(909)
<b>Net cash used in investing activities</b>	<b>(374,669)</b>	<b>(226,894)</b>
<b>Cash flows from financing activities :</b>		
Net increase (decrease) in short-term loans	(21,124)	10,241
Net increase (decrease) in commercial paper	13,000	80,000
Proceeds from long-term loans	124,159	60,612
Proceeds from issuance of preferred securities	300,000	-
Payments of long-term loans	(192,565)	(190,088)
Redemption of bonds and notes	(74)	(10,000)
Payments for purchase of treasury stock	(109,706)	(50,166)
Cash dividends	(85,521)	(33,752)
Other	(8,780)	(2,956)
<b>Net cash used in financing activities</b>	<b>19,387</b>	<b>(136,110)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>3,007</b>	<b>3,845</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>126,186</b>	<b>33,837</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>156,713</b>	<b>124,511</b>
<b>Increase (decrease) from the change in the number of companies consolidated</b>	<b>(134)</b>	<b>(1,634)</b>
<b>Cash and cash equivalents at the end of period (year)</b>	<b>282,766</b>	<b>156,713</b>

## Consolidated Segment Information

NIPPON STEEL

Years ended March 31, 2007 and 2006

	2007	Millions of yen 2006
<b>Sales</b>		
Steelmaking and steel fabrication		
Customers	3,449,304	3,111,638
Intersegment	33,073	32,231
Total Sales	3,482,377	3,143,870
Engineering and construction		
Customers	310,367	297,791
Intersegment	57,600	38,387
Total Sales	367,968	336,179
Urban development		
Customers	88,696	98,149
Intersegment	5,651	5,895
Total Sales	94,347	104,045
Chemicals		
Customers	257,678	223,005
Intersegment	61,076	75,494
Total Sales	318,755	298,499
New materials		
Customers	64,578	53,666
Intersegment	1,022	1,281
Total Sales	65,601	54,948
System solutions		
Customers	131,519	122,049
Intersegment	24,986	26,290
Total Sales	156,505	148,339
Elimination of intersegment transactions	(183,410)	(179,580)
<b>Consolidated total</b>	<b>4,302,145</b>	<b>3,906,301</b>
<b>Operating profit (loss)</b>		
Steelmaking and steel fabrication	514,562	517,687
Engineering and construction	13,031	9,517
Urban development	14,301	13,039
Chemicals	23,645	19,381
New materials	3,129	2,990
System solutions	13,992	11,806
Elimination of intersegment transactions	(2,564)	1,896
<b>Consolidated total</b>	<b>580,097</b>	<b>576,319</b>

## Non-Consolidated Balance Sheets

Nippon Steel Corporation

As of March 31, 2007 and 2006

ASSETS	Millions of yen	
	2007	2006
<b>Current assets :</b>		
Cash and bank deposits	174,513	90,655
Notes and accounts receivable-trade	175,693	295,340
Inventories	430,809	404,922
Deferred tax assets	36,300	50,500
Other	95,903	114,551
Less: Allowance for doubtful accounts	(13,488)	(16,626)
<b>Total current assets</b>	<b>899,732</b>	<b>939,344</b>
<b>Fixed assets :</b>		
Tangible fixed assets :		
Buildings and structures	282,407	267,968
Machinery and equipment	638,683	616,596
Land	191,636	195,486
Construction in progress	74,416	64,839
	<b>1,187,143</b>	<b>1,144,891</b>
Intangible fixed assets :		
Patents and utility rights	653	998
Software	249	304
	<b>903</b>	<b>1,303</b>
Investments and others :		
Investments in securities	1,519,126	1,264,763
Other	109,420	100,377
Less: Allowance for doubtful accounts	(2,415)	(4,121)
	<b>1,626,131</b>	<b>1,361,019</b>
<b>Total fixed assets</b>	<b>2,814,177</b>	<b>2,507,214</b>
<b>Total assets</b>	<b>3,713,909</b>	<b>3,446,558</b>

LIABILITIES	Millions of yen	
	2007	2006
<b>Current liabilities :</b>		
Notes and accounts payable - trade	217,316	198,870
Short-term loans and long-term loans due within one year	202,299	263,264
Commercial paper	163,000	150,000
Bonds due within one year	40,000	-
Accrued expenses	210,852	286,404
Reserve for losses on engineering work in progress	-	286
Provision for environmental spending	8,190	11,638
Other	191,335	232,781
<b>Total current liabilities</b>	<b>1,032,994</b>	<b>1,143,245</b>
<b>Long-term liabilities :</b>		
Bonds and notes	225,000	265,000
Convertible bonds	300,000	-
Long-term loans	304,669	281,851
Deferred tax liabilities	255,300	237,300
Accrued pension and severance costs	53,865	65,197
Allowance for retirement benefits directors and corporate auditors	-	2,780
Reserve for repairs to blast furnaces	48,916	49,011
Other	18,265	10,185
<b>Total long-term liabilities</b>	<b>1,206,017</b>	<b>911,326</b>
<b>Total liabilities</b>	<b>2,239,011</b>	<b>2,054,572</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock	-	419,524
Capital surplus	-	111,556
<b>Retained earnings :</b>		
Special tax-purpose reserve	-	86,953
Voluntary reserves	-	160,000
Unappropriated retained earnings	-	308,288
	-	555,241
<b>Unrealized gains on available-for-sale securities</b>	-	364,252
Less: Treasury stock, at cost	-	(58,589)
<b>Total shareholders' equity</b>	-	<b>1,391,985</b>
<b>Total liabilities and shareholders' equity</b>	-	<b>3,446,558</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity :</b>		
Common stock	419,524	-
Capital surplus	111,564	-
<b>Retained earnings :</b>		
Special tax purpose reserve	81,591	-
Accumulated earnings carried forward	636,973	-
	718,564	-
<b>Treasury stock, at cost</b>	<b>(168,261)</b>	-
	1,081,393	-
<b>Unrealized gains on available-for-sale securities</b>	<b>393,813</b>	-
<b>Deferred hedge income (loss)</b>	<b>(309)</b>	-
	393,504	-
<b>Total net assets</b>	<b>1,474,897</b>	-
<b>Total liabilities and net assets</b>	<b>3,713,909</b>	-

## Non-Consolidated Statements of Income

Nippon Steel Corporation

Years ended March 31, 2007 and 2006

	2007	2006
Millions of yen		
<b>Operating revenues :</b>		
Net sales	2,562,899	2,591,388
Cost of sales	1,994,216	1,971,069
<b>Gross margin</b>	<b>568,682</b>	620,319
Selling, general and administrative expenses	166,405	186,386
<b>Operating profit</b>	<b>402,277</b>	433,933
<b>Non-operating profit and loss :</b>		
Non-operating profit :		
Interest and dividend income	28,831	17,722
Miscellaneous	11,914	16,756
	<b>40,745</b>	34,479
Non-operating loss :		
Interest expenses	13,207	11,497
Miscellaneous	40,038	68,174
	<b>53,246</b>	79,671
<b>Ordinary profit</b>	<b>389,776</b>	388,740
<b>Special profit and loss :</b>		
Special profit :		
Gain on sales of tangible fixed assets	11,254	10,295
Gain on sales of investments in securities and investments in subsidiaries and affiliates	8,013	2,997
	<b>19,267</b>	13,293
<b>Income before income taxes</b>	<b>409,044</b>	402,034
Income taxes - current	145,900	166,600
Income taxes - deferred	14,300	(8,600)
<b>Net income</b>	<b>248,844</b>	244,034



## Non-Consolidated Statements of Shareholders' Equity and Others

NIPPON STEEL

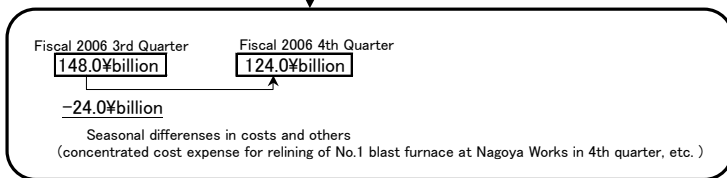
	Millions of yen							
	Common stock	Capital surplus	Special tax purpose reserve	Voluntary reserves	Accumulated earnings carried forward	Treasury stock, at cost	Unrealized gains on available-for- sale securities	Deferred hedge income (loss)
<b>Balance at March 31, 2006</b>	<b>419,524</b>	<b>111,556</b>	<b>86,953</b>	<b>160,000</b>	<b>308,288</b>	<b>(58,589)</b>	<b>364,252</b>	<b>-</b>
Withdraw voluntary reserve			15,886		(15,886)			
Reserve of voluntary reserve			(21,249)	(160,000)	181,249			
Cash dividends for the previous fiscal year					(59,834)			
Cash interim dividends for fiscal 2006					(25,686)			
Net income for fiscal 2006					248,844			
Acquisition of treasury stock						(109,706)		
Disposal of treasury stock		8				34		
Other change for fiscal 2006(net)							29,560	(309)
Total change for fiscal 2006	-	8	(5,363)	(160,000)	328,684	(109,671)	29,560	(309)
<b>Balance at March 31, 2007</b>	<b>419,524</b>	<b>111,564</b>	<b>81,591</b>	<b>-</b>	<b>636,973</b>	<b>(168,259)</b>	<b>393,813</b>	<b>(309)</b>

**Recent Quarterly Operating Results**

**Fiscal 2006 (April 1, 2006 to March 31, 2007)**

	1st quarter		2nd quarter		1st half		2nd half		Fiscal 2006
	Apr.-June 2006	July-Sept. 2006	Apr.-Sept. 2006	Oct.-Dec. 2006	Jan.-Mar. 2007	Oct.-Mar. 2007	Apr. 2006-Mar. 2007		
	Million	Million	Million	Million	Million	Million	Million		
Sales	942,788	1,040,642	1,983,431	1,082,790	1,235,923	2,318,713	4,302,145		
Steelmaking and steel fabrication	776,579	841,844	1,618,423	904,520	959,433	1,863,954	3,482,377		
Engineering and construction	71,800	87,576	159,376	81,432	127,159	208,591	367,968		
Urban development	14,032	18,843	32,875	10,105	51,366	61,471	94,347		
Chemicals	75,059	82,988	158,047	82,433	78,274	160,708	318,755		
New materials	15,704	16,149	31,853	17,108	16,638	33,747	65,601		
System solutions	30,832	39,273	70,105	31,048	55,351	86,400	156,505		
Elimination of intersegment transactions	(41,220)	(46,031)	(87,251)	(43,857)	(52,301)	(96,159)	(183,410)		
Operating profits	119,590 [12.7%]	146,777 [14.1%]	266,368 [13.4%]	162,032 [15.0%]	151,697 [12.3%]	313,729 [13.5%]	580,097 [13.5%]		
Steelmaking and steel fabrication	109,582 [14.1%]	132,321 [15.7%]	241,903 [14.9%]	148,486 [16.4%]	124,172 [12.9%]	272,659 [14.6%]	514,562 [14.8%]		
Engineering and construction	55 [0.1%]	1,194 [1.4%]	1,250 [0.8%]	4,075 [5.0%]	7,705 [6.1%]	11,780 [5.6%]	13,031 [3.6%]		
Urban development	1,571 [11.2%]	2,742 [14.6%]	4,314 [13.1%]	922 [9.1%]	9,064 [17.6%]	9,987 [16.2%]	14,301 [15.2%]		
Chemicals	4,190 [5.6%]	6,928 [8.3%]	11,119 [7.0%]	7,609 [9.2%]	4,917 [6.3%]	12,526 [7.8%]	23,645 [7.4%]		
New materials	935 [6.0%]	905 [5.6%]	1,841 [5.8%]	566 [3.3%]	721 [4.3%]	1,287 [3.8%]	3,129 [4.8%]		
System solutions	2,532 [8.2%]	2,604 [6.6%]	5,137 [7.3%]	2,256 [7.3%]	6,598 [11.9%]	8,855 [10.2%]	13,992 [8.9%]		
Elimination of intersegment transactions	721	80	802	(1,885)	(1,481)	(3,366)	(2,564)		
Ordinary profits	123,079 [13.1%]	145,828 [14.0%]	268,907 [13.6%]	169,025 [15.6%]	159,707 [12.9%]	328,733 [14.2%]	597,640 [13.9%]		
Net income	74,748 [7.9%]	89,356 [8.6%]	164,105 [8.3%]	99,272 [9.2%]	87,804 [7.1%]	187,077 [8.1%]	351,182 [8.2%]		
Net income per share	¥ 11.26	¥ 13.93	¥ 25.15	¥ 15.49	¥ 13.69	¥ 29.17	¥ 54.29		

[ ]: Return on sales  
( ) in "Elimination of intersegment transactions" row indicate negative numbers



**Fiscal 2005 (April 1, 2005 to March 31, 2006)**

Before change in business segments(\*)

	1st quarter		2nd quarter		1st half		2nd half		Fiscal 2005
	Apr.-June 2005	July-Sept. 2005	Apr.-Sept. 2005	Oct.-Dec. 2005	Jan.-Mar. 2006	Oct. 2005-Mar. 2006	Apr. 2005-Mar. 2006		
	Million	Million	Million	Million	Million	Million	Million		
Sales	904,771	958,633	1,863,404	952,701	1,090,195	2,042,896	3,906,301		
Steelmaking and steel fabrication	738,231	770,874	1,509,105	762,259	786,145	1,548,405	3,057,510		
Engineering and construction	57,283	70,515	127,799	71,918	136,461	208,379	336,179		
Urban development	21,134	17,383	38,516	15,711	49,816	65,528	104,045		
Chemicals and nonferrous materials	86,500	93,581	180,081	97,160	95,831	192,991	373,072		
System solutions	27,202	37,583	64,786	30,479	53,074	83,553	148,339		
Other businesses	17,194	15,875	33,069	17,606	18,381	35,988	69,057		
Elimination of intersegment transactions	(42,776)	(47,177)	(89,953)	(42,435)	(49,514)	(91,950)	(181,903)		
Operating profits	146,091 [16.1%]	155,225 [16.2%]	301,316 [16.2%]	123,138 [12.9%]	151,864 [13.9%]	275,002 [13.5%]	576,319 [14.8%]		
Steelmaking and steel fabrication	137,347 [18.6%]	145,133 [18.8%]	282,480 [18.7%]	108,970 [14.3%]	122,526 [15.6%]	231,496 [15.0%]	513,977 [16.8%]		
Engineering and construction	▲ 1,481 [▲2.6%]	▲ 1,001 [▲1.4%]	▲ 2,483 [▲1.9%]	2,365 [3.3%]	9,635 [7.1%]	12,000 [5.8%]	9,517 [2.8%]		
Urban development	3,538 [16.7%]	987 [5.7%]	4,525 [11.7%]	1,881 [12.0%]	7,748 [15.6%]	9,629 [14.7%]	14,155 [13.8%]		
Chemicals and nonferrous materials	6,165 [7.1%]	5,520 [5.9%]	11,686 [6.5%]	8,218 [8.5%]	7,132 [7.4%]	15,350 [8.0%]	27,037 [7.2%]		
System solutions	1,686 [6.2%]	2,998 [8.0%]	4,683 [7.2%]	2,025 [6.6%]	5,096 [9.6%]	7,122 [8.5%]	11,806 [8.0%]		
Other businesses	▲ 104 [▲0.6%]	313 [2.0%]	208 [0.6%]	▲ 347 [▲2.0%]	▲ 1,046 [▲5.7%]	▲ 1,394 [▲3.9%]	▲ 1,185 [▲1.7%]		
Elimination of intersegment transactions	(1,060)	1,275	214	25	771	796	1,010		
Ordinary profits	153,139 [16.9%]	141,343 [14.7%]	294,482 [15.8%]	122,294 [12.8%]	130,622 [12.0%]	252,917 [12.4%]	547,400 [14.0%]		
Net income	91,612 [10.1%]	104,073 [10.9%]	195,685 [10.5%]	74,422 [7.8%]	73,795 [6.8%]	148,217 [7.3%]	343,903 [8.8%]		
Net income per share	¥ 13.59	¥ 15.43	¥ 29.02	¥ 11.03	¥ 11.03	¥ 22.06	¥ 51.08		

(\*)Change in business segments(Fiscal 2006~)

- "Chemicals" and "new materials", which were included in the chemicals and nonferrous materials sector, are now positioned as independent businesses, and "titanium and aluminum operations", which were part of the chemicals and nonferrous materials sector, have been transferred to "steelmaking and steel fabrication."
- "Other businesses" (electric power supply, services, and others) has been transferred to "steelmaking and steel fabrication."

Nippon Steel Corporation

Code Number: 5401

Listings: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Stock Exchanges

Contact: Tatsuro Shirasu, General Manager, Public Relations Center-Tel: 81-3-3275-5014

## Supplementary Information on the Financial Result for Fiscal 2006

### Japanese Steel Industry

#### 1. Crude Steel Production

(millions of tons)

	1st half		2nd half			total	
	1st quarter	2nd quarter	3rd quarter	4th quarter	2nd half		
2005FY	28.96	27.83	56.80	27.91	28.00	55.91	112.72
2006FY	28.97	29.08	58.05	30.16	29.53	59.69	117.75

#### 2. Inventory Volume

At the end of:	Inventory at manufacturers and distributors (millions of tons)	Inventory /shipment ratio (%)	Rolled sheets *1 (millions of tons )	H-flange beams *2 (millions of tons )
Aug. 2001	6.19	136.3 (Peak)	4.70 (Peak)	0.320
Mar. 2002	5.42	107.6	3.93	0.314
Sep. 2002	5.12	102.2	3.71	0.264
Mar. 2003	5.33	104.0	3.76	0.256
Sep. 2003	5.67	114.1	4.13	0.274
Mar. 2004	5.03	94.7	3.77	0.240
Sep. 2004	5.37	101.3	3.86	0.312
Mar. 2005	5.24	98.0	3.93	0.294
Sep. 2005	5.73	111.8	4.58	0.231
Oct. 2005	5.78	111.6	4.56	0.230
Nov. 2005	5.59	108.3	4.43	0.231
Dec. 2005	5.54	116.8	4.26	0.245
Jan. 2006	5.70	117.9	4.45	0.268
Feb. 2006	5.55	117.5	4.36	0.280
Mar. 2006	5.28	98.0	4.14	0.295
Apr. 2006	5.29	111.8	4.09	0.285
May. 2006	5.43	115.4	4.15	0.280
June. 2006	5.26	101.3	4.04	0.280
July. 2006	5.33	104.7	4.05	0.278
Aug. 2006	5.41	112.3	4.17	0.273
Sep. 2006	5.36	101.5	4.06	0.269
Oct. 2006	5.35	97.6	3.98	0.260
Nov. 2006	5.21	97.5	3.81	0.257
Dec. 2006	5.36	106.0	3.89	0.257
Jan. 2007	5.54	109.5	4.06	0.267
Feb. 2007	5.37	100.7	3.98	0.270

\*1 Hot-rolled, cold-rolled and coated sheets

\*2 Inventories of distributors dealing with H-flange beams manufactured by Nippon Steel Corporation

**Nippon Steel (Non-consolidated basis)****3. Pig Iron Production (Nippon Steel Corporation and Hokkai Iron & Coke Co., Ltd)**

(millions of tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	7.88	7.93	15.81	7.90	7.61	15.52	31.32
2006FY	7.54	7.87	15.41	7.97	7.25	15.22	30.64

**4. Crude Steel Production**

(Consolidated basis)

(millions of tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	8.56	8.52	17.08	8.34	8.54	16.88	33.95
2006FY	8.45	8.71	17.16	8.94	8.43	17.37	34.52

(Non-consolidated basis)

(millions of tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	7.85	7.88	15.73	7.62	7.85	15.47	31.20
2006FY	7.70	8.01	15.71	8.16	7.73	15.89	31.60

**5. Steel Products Shipment**

(millions of tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	7.43	7.33	14.76	7.17	7.67	14.84	29.59
2006FY	7.59	7.83	15.42	7.96	8.13	16.09	31.51

**6. Average Price of Steel Products**

(thousands of yen / ton)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	70.8	76.0	73.4	75.6	74.7	75.2	74.3
2006FY	71.6	75.2	73.4	76.3	77.9	77.1	75.3

**7. Export Ratio of Steel Products (Value basis)**

(%)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	total
2005FY	32.2	31.1	31.6	29.8	30.5	30.1	30.9
2006FY	32.2	32.4	32.3	31.4	33.3	32.4	32.3

## 8. Foreign Exchange Rate

(¥/US\$)

	2006 FY		2005 FY		2004 FY		total
	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	
2005FY	107	112	109	116	117	117	113
2006FY	115	116	115	117	120	119	117

## 9. Unrealized Gains on Available-for-Sale Securities

(billion yen)

	2006 FY	1st half of 2006 FY	2005 FY
Consolidated	734.8 (438.0)	556.9 (331.9)	653.0 (389.2)
Non-consolidated	660.7 (393.8)	502.7 (299.6)	611.2 (364.2)
	【Nikkei 225】	【17,288 yen】	【16,127 yen】
			【17,059 yen】

\* Figures in parentheses were after adopting deferred tax accounting.

## 10. Amount of Capital Expenditure and Depreciation

## •Capital Expenditure (billion yen)

	2007FY (estimated)	2006 FY
Consolidated	Approx. 310.0	270.0
Non-consolidated	Approx. 230.0	200.0

## •Depreciation (billion yen)

	2007FY (estimated)	2006 FY
Consolidated	Approx. * 250.0	192.5
Non-consolidated	Approx. 190.0	134.2

\* Included influence of tax system revisions 35.0¥billion.

## 11. Special Profit and Losses (Consolidated basis)

(billion yen)

	2006 FY	2005 FY
Gain on sales of fixed assets	17.7	14.8
Gain on sales of investments in securities	6.0	3.3
Special Profit and loss	23.7	18.2