
Nippon Steel release on 3 FY 2011 results

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The global economy continued its overall gradual recovery in the third quarter of the fiscal year driven by the economic expansion of emerging countries. However, expansion slowed due to factors that included the surfacing debt issues in Europe and growing inflationary pressure in the emerging economies.

The Japanese economy rebounded from the temporary setback caused by the Great East Japan Earthquake, but business conditions continued to be unstable due to the slowdown in economic growth overseas and other factors, including the persisting historic high levels of the yen and its temporary movement to the highest level in history at the end of October of last year.

In these conditions, the Nippon Steel Group companies implemented measures to respond to the changing environment in their respective fields and to improve their earnings performances.

Item	Q3 '11	Q3 '10	Change
Net sales	3,069,804	3,025,235	1.5
Operating profit	82,152	152,086	-46.0
Ordinary profit	124,159	188,395	-34.1
Net income	-1,254	104,482	-101.2

In JPY millions

Steelmaking and steel fabrication

The Company recorded a decline in steel shipments in the third quarter of fiscal 2011 as total crude steel production volume in Japan amounted to 26.57 million tons, a decline of 0.38 million tons from the second quarter of the fiscal year. Domestic demand increased during the quarter as construction activity picked up after the setback caused by the Great East Japan Earthquake as well as the automotive and other manufacturing industries moved to get back their steel inventories. Export demand declined, however, particularly to East Asia, as a consequence of the flooding in Thailand, slowing economic activity in Asia, and deteriorating competitiveness of exports from Japan due to the strong yen. In addition, the volume of imported steel materials was high during the term.

The Company used a brief respite from the tight supply and demand of raw materials to establish contracts lowering the coal price by roughly 10% from the second quarter of fiscal 2011, but the lingering influence of the relatively high contractual prices of raw materials acquired through the first half resulted in only a moderate decline in the price of raw materials used during the term. The sluggish domestic and overseas market conditions ultimately contributed to a further tightening of the profit margin between product sales prices and raw material costs.

The Company is responding to these circumstances by continuing to implement measures to lower costs to the bare minimum. In the third quarter of fiscal 2011, the steelmaking and steel fabrication business recorded net sales of JPY 2,641.4 billion and an ordinary profit of JPY 94.3 billion.

Engineering and construction

In the engineering and construction business, Nippon Steel Engineering Co Ltd continues to face a severe order environment in Japan and overseas. The company is conducting meticulous risk management of projects currently under way and is focused on improving its cost structure. Noting that the majority of project sales for this fiscal year are concentrated in the fourth quarter, the engineering and construction business recorded net sales of JPY 161.4 billion and an ordinary profit of JPY 2.8 billion.

Urban development

Nippon Steel City Produce Inc is seeing signs of recovery following the slump in condominium market sales after the Great East Japan Earthquake. In the rental building market, demand continues to be strong for large scale highly functional structures in urban centers, while vacancy rates remain high for small and medium sized buildings. The urban development business ultimately recorded net sales of JPY 52.6 billion and an ordinary profit of JPY 7.6 billion.

Chemicals

Nippon Steel Chemical Co Limited, strived to boost revenue and leverage the improving conditions in some segments, notably for acid phthalic anhydride, of the chemical products market to make up for the impact on sales from declining sales volumes for epoxy resins for electronic materials and the impact on circuit board materials sales from the flooding in Thailand. Demand for electronic materials is plummeting amid the current slowing economic conditions overseas. In these conditions, the chemicals business recorded net sales of JPY 149.8 billion and an ordinary profit of JPY 10.7 billion.

New materials

Nippon Steel Materials Co Limited recorded strong demand for surface treated copper wire in its core electronic materials business segment, but sluggish demand in the semiconductor market and the impact from the flooding in Thailand negatively affected the overall result in the segment. In the environmental and energy related materials and components business, demand in the Asia region remained strong for metal substrates for catalytic converters, but the basic industrial materials and components business sales were sluggish for carbon fiber products for public works projects. The new materials business recorded net sales of JPY 42.0 billion and an ordinary profit of JPY 0.2 billion.

Systems solutions

NS Solutions Corporation continued to optimize its business structure to enhance its abilities to expand orders and sales and improve profitability. The company continued to develop the cloud computing services business by expanding its service menu and progressing with the construction of its next generation, high specification data center. The company also established a corporate entity in Singapore to provide local support for clients expanding their activities in the Southeast Asia region. The systems solutions business recorded net sales of JPY 110.6 billion and an ordinary profit of JPY 7.2 billion.

Net Sales

Segment	Q3 '11	Q3 '10	Change
Steelmaking and steel fabrication	2,641.4	2,578.0	2.5%
Engineering and construction	161.4	178.9	-9.8%
Urban development	52.6	54.7	-3.8%
Chemicals	149.8	144.6	3.6%
New materials	42	46	-8.7%
System solutions	110.6	109.1	1.4%
Total	3,158.2	3,111.6	1.5%
Adjustment	-88.4	-86.4	2.3%
Consolidated total	3,069.8	3,025.2	1.5%

In JPY billions

Ordinary Profit

Segment	Q3 '11	Q3 '10	Change
Steelmaking and steel fabrication	94.3	161.1	-41.5%
Engineering and construction	2.8	9.1	-69.2%
Urban development	7.6	6.7	13.4%
Chemicals	10.7	9.3	15.1%
New materials	0.2	1.5	-86.7%

System solutions	7.2	7.1	1.4%
Total	123	195.1	-37.0%
Adjustment	1	-6.7	-114.9%
Consolidated total	124.1	188.3	-34.1%

In JPY billions

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