

# Kobe Steel's Consolidated Financial Results Summary for First Quarter Fiscal 2010 (April 1 – June 30, 2010)

July 29, 2010

Company name:	Kobe Steel, Ltd.
Code number:	5406
Stock exchanges where shares are listed:	Tokyo, Osaka and Nagoya, Japan
Website:	www.kobelco.com
President & CEO:	Hiroshi Sato
Quarterly report to be issued:	August 2, 2010
Dividend payments begin:	---
Supplemental information available:	Yes
IR briefing:	Yes (in Japanese only)

(Sums of less than 1 million yen have been omitted.)

## 1. First Quarter FY2010 Consolidated Financial Results (April 1 – June 30, 2010)

### (1) Consolidated operating results

(In millions of yen)	FY2010 1Q	% change*	FY2009 1Q	% change*
Net sales	457,427	21.0%	377,884	(30.4%)
Operating income (loss)	46,512	---	(13,549)	---
Ordinary income (loss)	38,052	---	(22,932)	---
Net income (loss)	20,021	---	(33,272)	---
Net income (loss) per share	6.66 yen		(11.08 yen)	
Diluted net income per share	---		---	

\* Indicates percentage of change from the corresponding period of the previous fiscal year.

### (2) Consolidated financial position

(In millions of yen)	FY2010 1Q	FY2009
Total assets	2,254,319	2,249,345
Net assets	567,851	557,002
Net worth ratio	23.2%	23.0%
Net assets per share	174.15 yen	172.08 yen

Shareholders' equity at June 30, 2010: 522,868 million yen    FY2009: 516,671 million yen

## 2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2009	---	0.00	---	1.50	1.50
FY2010	---				
FY2010 forecast		1.50	---	---	---

Revision to dividend forecast in 1Q: Yes

The dividend for the end of fiscal 2010 is undetermined.

## 3. Consolidated Forecast for Fiscal 2010 (April 1, 2010 - March 31, 2011)

(In millions of yen)	FY2010 1st half	% change*	FY2010 Full year	% change*
Net sales	940,000	19.3%	1,940,000	16.1%
Operating income (loss)	55,000	---	105,000	128.2%
Ordinary income (loss)	40,000	---	75,000	631.1%
Net income (loss)	25,000	---	45,000	613.7%
Net income (loss) per share	8.32 yen		14.98 yen	

\* Indicates percentage of change from the corresponding period of the previous fiscal year.

Revision to consolidated forecast in 1Q: Yes

## 4. Other

(1) Changes in number of material subsidiaries in fiscal year

(Changes in specified subsidiaries due to changes in scope of consolidation): No

(2) Adoption of simplified or specific accounting procedures for preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting principles, procedures, presentation, etc. on the preparation of quarterly consolidated financial statements

- Changes due to revised accounting standards: Yes

- Other changes: No

(4) Number of issued shares

	FY 2010 1Q	FY2009
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	112,712,444	112,684,172
Average number of shares in 1Q	3,002,355,289	3,002,506,531

#### For Reference:

#### Non-consolidated forecast for fiscal 2010 (April 1, 2010 - March 31, 2011)

(In millions of yen)	FY2010 1st half	% change*	FY2010 Full year	% change*
Net sales	550,000	19.9%	1,150,000	16.1%
Operating income (loss)	20,000	---	40,000	---
Ordinary income (loss)	10,000	---	20,000	---
Net income (loss)	15,000	---	25,000	792.7%
Net income (loss) per share	4.98 yen		8.31 yen	

\* Indicates percentage of change from the corresponding period of the previous fiscal year.

Revision to nonconsolidated forecast in 1Q: Yes

## Qualitative Information on Consolidated Operating Results

Japan's economy in the first quarter of fiscal 2010 (April-June period) continued on a recovery trend that began in fiscal 2009 as economic measures took effect and overseas economies improved. In overseas markets, the Chinese economy expanded and the United States continued on an upswing.

In this economic environment, the Kobe Steel Group's Iron & Steel Business and Aluminum & Copper Business achieved higher sales volume in comparison to the same period last year due to strong demand from domestic manufacturing industries and emerging countries. In addition, Kobelco Construction Machinery achieved higher unit sales of hydraulic excavators, compared with the same quarter last year, owing to expanding demand in China.

As a result, consolidated net sales in the first quarter of fiscal 2010 increased 79.5 billion yen, compared with the same period last year, to 457.4 billion yen. Operating income increased 60.0 billion yen compared with the same period last year to 46.5 billion yen. Ordinary income rose 60.9 billion yen year on year to 38.0 billion yen. Net income went up 53.2 billion yen to 20.0 billion yen.

From this reporting period, in accordance with the Accounting Standards Board of Japan's "Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (March 27, 2009), Kobe Steel has changed segment classification from a system based on product similarities to one based on a management approach. To compare first-quarter figures on a year-on-year basis, last year's first quarter figures were recalculated to match the new classifications used from this year's first quarter.

Conditions in the newly classified business segments are as follows:

### Iron & Steel Business

Shipments of steel products hit bottom in the fourth quarter of fiscal 2008 (January-March 2009). Since then, domestic demand in the automotive and electronic fields began to gradually recover, and overseas demand, centered on China, improved. As a result, shipments of steel products increased in comparison to the same period last year. However, sales prices were lower than the same period last year.

Sales of steel castings and forgings declined, compared with the same period last year, due to the

decline in demand from the shipbuilding industry. On the other hand, sales of titanium products went up compared with the same period last year as customers made progress in reducing their inventories.

As a result, segment sales rose 23.0% in comparison to the same period last year to 203.3 billion yen. Ordinary income increased 40.8 billion yen year on year to 13.8 billion yen.

#### **Welding Business**

The sales volume of welding consumables increased over the same period last year as demand from the domestic automotive industry recovered and overseas demand also recovered mainly in Southeast Asia. On the other hand, due to the slump in construction, unit sales of welding robots declined. As a result, segment sales went down 6.2% compared with the same period last year to 18.4 billion yen. Ordinary income increased 1.6 billion yen year on year to 1.1 billion yen owing to higher sales volume of welding consumables.

#### **Aluminum & Copper Business**

The sales volume of aluminum rolled products as a whole increased in comparison to the same period last year. Although the sales volume of can stock for beverage containers was sluggish due to unseasonable weather, sales continued to be firm for environmentally friendly cars with their need for lightweight material. Demand for LCD and semiconductor fabrication equipment also recovered.

Demand for aluminum castings and forgings – centered on products for automobiles and LCD and semiconductor fabrication equipment – moved into recovery, leading to higher sales year on year.

As for copper rolled products, demand for sheet and strip used in electronic applications was strong, leading to an increase in sales volume in comparison to the same period last year.

In addition to the above conditions, ingot prices, which are passed on to product sales prices, went up. As a result, segment sales increased 35.8% in comparison to the same period last year to 78.2 billion yen. Ordinary income rose 9.6 billion yen year on year to 6.2 billion yen.

#### **Machinery Business**

Capital investments in the automotive, oil refining and petrochemical industries gradually recovered, and orders for products in these fields increased in comparison to the same period last year.

Due to the above conditions, orders in the first quarter of fiscal 2010 increased 63.0% in comparison to the same period last year to 32.7 billion yen, and the backlog of orders was 153.4 billion yen.

However segment sales in the first quarter of fiscal 2010 declined 29.5% to 33.9 billion yen in comparison to the same period last year, which had a concentration of sales of large heavy-wall pressure vessels used in the oil refining industry. Ordinary income in the first quarter of fiscal 2010 went down 2.8 billion yen year on year to 4.9 billion yen.

#### **Natural Resources & Engineering Business**

In the first quarter of fiscal 2010, orders were higher than the same period last year owing to an order for a direct reduction plant.

As a result, orders in the first quarter of fiscal 2010 increased 75.8%, in comparison to the same period last year, to 9.2 billion yen and the backlog of orders was 60.7 billion yen.

In the first quarter of fiscal 2010, segment sales increased 21.4%, compared with the same period last year, to 13.2 billion yen. Ordinary income increased 1.9 billion yen year on year to 2.3 billion yen.

#### **Kobelco Eco-Solutions**

Segment sales in the first quarter of fiscal 2010 declined 9.8% to 13.9 billion yen. In comparison, the same period last year posted higher sales from a large waste treatment plant. Ordinary income increased 0.6 billion yen year on year to 1.0 billion yen due to the posting of sales from high-profit projects.

#### **Kobelco Construction Machinery**

Unit sales in China increased considerably compared with the same period last year. Unit sales in Japan and the United States also increased year on year.

As a result, segment sales increased 75.9% compared with the same period last year, to 85.6 billion yen. Ordinary income increased 11.2 billion yen year on year to 9.8 billion yen.

### **Kobelco Cranes**

Unit sales of cranes were lower than the same period last year due to sluggish demand, except for certain regions.

As a result, segment sales declined 9.9% compared with the same period last year to 11.2 billion yen. Ordinary income fell 0.4 billion yen year on year to ordinary loss of 0.3 billion yen.

### **Other**

With regard to real estate sales, the decrease of the sale of condominiums led to a decrease in segment sales of 11.2% compared with the same period last year to 14.6 billion yen. Owing to an increase in the sales volume of target material for thin-film wiring in LCDs, ordinary income increased 0.8 billion yen year on year to 0.9 billion yen.

## **Qualitative Information on Consolidated Financial Position**

Although tangible fixed assets and investments in securities decreased, cash and cash equivalents and inventories increased. Consequently, total assets at the end of the first quarter of fiscal 2010 increased 4.9 billion yen in comparison to the end of the previous fiscal year to 2,254.3 billion yen. Net assets increased 10.8 billion yen in comparison to the end of the previous fiscal year to 567.8 billion yen. While net unrealized holding gains on securities decreased, retained earnings increased. As a result, the net worth ratio at the end of the first quarter of fiscal 2010 was 23.2%, increasing 0.2 points in comparison to the end of fiscal 2009.

At the end of the first quarter of fiscal 2010, outside debt, which includes IPP project financing, increased 2.6 billion yen compared with the end of fiscal 2009 to 927.8 billion yen.

## **Qualitative Information on Consolidated Forecast**

The world economy in fiscal 2010 is seen to continue on a recovery trend driven by emerging countries centered on China. However, in advanced countries the declining effect of economic measures and the growing influence of the economic crisis in Europe are issues of concern. As a result, the economy on the whole is anticipated to continue to recover gradually.

Against this background, each business segment anticipates that brisk sales will continue, supported by fields of anticipated growth and overseas demand mainly from emerging countries. Based on certain assumptions – including the prices of major steel raw materials, steel sales prices, and other uncertain factors – Kobe Steel forecasts that fiscal 2010 consolidated sales will reach 1,940.0 billion yen. Ordinary income is anticipated to be 75.0 billion yen, and net income will be 45.0 billion yen.

Anticipated conditions in the business segments follow below.

### **Iron & Steel Business**

Although the supply and demand situation will continue to be increasingly uncertain, steel products will be supported by recovery in the domestic manufacturing industry and brisk demand mainly from emerging countries. Demand for steel products in the first half of fiscal 2010 is forecast to be on par to the second half of fiscal 2009. Shipments of steel products in fiscal 2010 are anticipated to be higher than in fiscal 2009.

With regard to steel castings and forgings, demand from the shipbuilding industry is expected to decline, leading to lower sales than in fiscal 2009. Demand for titanium products is anticipated to recover gradually, resulting in higher sales than in fiscal 2009.

Due to these conditions, overall segment sales are anticipated to increase year on year.

### **Welding Business**

The sales volume of welding consumables in each half of fiscal 2010 is forecast to be on par to the second half of fiscal 2009. Segment sales for the fiscal year are anticipated to be similar to fiscal 2009. Demand from the shipbuilding industry is anticipated to be slightly lower and the construction field will continue to be sluggish. However, the Asian market, particularly Southeast Asia, is expected to support demand.

### **Aluminum & Copper Business**

With the exception of can stock for beverage containers, demand for aluminum rolled products, copper rolled products, and aluminum castings and forgings mainly in the automotive, LCD and semiconductor fabrication equipment fields is anticipated to be higher than in fiscal 2009.

As a result, segment sales are anticipated to be higher than in fiscal 2009.

### **Machinery Business**

Orders for tire and rubber machinery for the automotive field, heavy-wall pressure vessels for the oil industry, equipment for the LNG field, and large compressors are anticipated to recover and increase over fiscal 2009.

As a result, segment sales are anticipated to be higher than in fiscal 2009.

### **Natural Resources & Engineering Business**

Orders in this segment are forecast to increase over fiscal 2009 as the recovery of steel demand overseas is anticipated to lead to orders for large direct reduction plants in the Middle East.

Segment sales are forecast to be similar to the previous fiscal year.

### **Kobelco Eco-Solutions**

Segment sales in fiscal 2010 are expected to decrease slightly compared with the previous fiscal year, which posted sales from a large waste treatment plant.

### **Kobelco Construction Machinery**

Demand in emerging countries, mainly China, are forecast to increase over the previous fiscal year. As a result, segment sales are expected to increase in comparison to the previous fiscal year.

### **Kobelco Cranes**

Except for some areas, demand is anticipated to be sluggish. As a result, segment sales are expected to be lower than in the previous fiscal year.

### **Other**

With regard to real estate sales, condominium sales are forecast to decrease. As a result, sales in the "Other" segment as a whole are anticipated to be lower than in the previous fiscal year.

Kobe Steel's basic policy for dividend payments is continuous and stable distribution. Dividends are decided upon taking into account the Company's financial condition, trends in its business performance, future capital needs, and other issues. On this basis, Kobe Steel has decided on a policy to pay a dividend of 1.5 yen per share for the first half of fiscal 2010. However, as for the dividend at the end of fiscal 2010, there are many uncertainties in factors that need to be taken into consideration and the amount of the dividend cannot be determined at this time.

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## Summary of Quarterly Consolidated Financial Statements

### (1) Summary of Quarterly Consolidated Balance Sheets

(In millions of yen)

<b>Assets</b>	<b>FY2010 1Q</b> Ended Jun. 30, 2010	<b>FY2009</b> Ended Mar. 31, 2010
<b>Current assets</b>		
Cash and cash equivalents	166,148	131,939
Notes and accounts receivable	277,893	283,619
Merchandise and finished goods	121,353	126,811
Work in progress	146,497	138,070
Raw materials and supplies	115,388	102,179
Other	184,422	190,808
Allowance for doubtful debts	(750)	(818)
Total current assets	<u>1,010,951</u>	<u>972,611</u>
<b>Tangible fixed assets</b>		
Buildings and structures	285,725	288,284
Machinery and equipment	387,699	395,641
Land	204,117	204,298
Other	74,847	79,845
Total tangible fixed assets	<u>952,390</u>	<u>968,070</u>
<b>Intangible fixed assets</b>	23,410	21,385
<b>Investments and other assets</b>		
Investments in securities	177,055	196,565
Other	94,235	94,599
Allowance for doubtful debts	(3,723)	(3,886)
Total investments and other assets	<u>267,566</u>	<u>287,278</u>
Total fixed assets, investments and other assets	<u>1,243,368</u>	<u>1,276,734</u>
<b>Total assets</b>	<u>2,254,319</u>	<u>2,249,345</u>
<b>Current liabilities</b>		
Notes and accounts payable	457,881	434,819
Short-term borrowings	159,064	167,876
Bonds due within one year	235	235
Income and enterprise taxes payable	5,100	6,518
Other reserves	27,579	34,748
Other	160,922	163,974
Total current liabilities	<u>810,784</u>	<u>808,173</u>
<b>Long-term liabilities</b>		
Bonds and notes	213,068	213,186
Long-term borrowings	522,742	525,170
Employees' severance and retirement benefits	33,843	33,247
Other reserves	2,797	2,780
Other	103,230	109,786
Total long-term liabilities	<u>875,683</u>	<u>884,170</u>
<b>Total liabilities</b>	<u>1,686,468</u>	<u>1,692,343</u>

**Net Assets**

	<b>FY2010 1Q</b> <b>Ended Jun. 30, 2010</b>	<b>FY2009</b> <b>Ended Mar. 31, 2010</b>
<b>Stockholders' equity</b>		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	274,297	258,853
Treasury stock, at cost	(51,381)	(51,378)
Total stockholders' equity	<u>539,354</u>	<u>523,913</u>
<b>Valuation and translation adjustments</b>		
Net unrealized holding gains on securities	12,025	22,529
Deferred gains on hedges	337	882
Land revaluation	(4,753)	(4,866)
Foreign currency translation adjustments	(24,095)	(25,787)
Total valuation and translation adjustments	<u>(16,486)</u>	<u>(7,242)</u>
<b>Minority interests</b>	44,983	40,330
<b>Total net assets</b>	<u>567,851</u>	<u>557,002</u>
<b>Total liabilities and net assets</b>	<u>2,254,319</u>	<u>2,249,345</u>

## (2) Summary of Quarterly Consolidated Statements of Income

(In millions of yen)

	<b>FY2010 Q1</b> Ended Jun. 30, 2010	<b>FY2009 Q1</b> Ended Jun. 30, 2009
<b>Net sales</b>	457,427	377,884
<b>Cost of sales</b>	370,272	357,649
<b>Gross profit</b>	87,154	20,234
<b>Selling, general and administrative expenses</b>	40,642	33,784
<b>Operating income (loss)</b>	46,512	(13,549)
<b>Non-operating income</b>		
Interest income	466	369
Dividend income	1,278	1,460
Reimbursement of seconded employees' salaries	1,673	1,808
Equity method investment gain	689	---
Other	3,051	2,374
Total non-operating income	7,159	6,013
<b>Non-operating expenses</b>		
Interest expense	5,084	5,176
Salaries for seconded employees	4,229	4,394
Investment loss from the equity method	---	27
Other	6,305	5,798
Total non-operating expenses	15,619	15,397
<b>Ordinary income (loss)</b>	38,052	(22,932)
<b>Extraordinary income</b>		
Gain on sales of investment securities	2,165	---
<b>Extraordinary loss</b>		
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,380	---
<b>Income (loss) before income taxes</b>	37,837	(22,932)
<b>Income taxes</b>		
Current	3,289	413
Deferred	9,141	9,551
Total income taxes	12,431	9,964
<b>Income before minority interests</b>	25,405	---
<b>Minority interests in income of subsidiaries</b>	5,384	375
<b>Net income (loss)</b>	20,021	(33,272)



### (3) Notes on premise of a going concern:

None

### (4) Segment Information

#### Quarterly information by business segment

(In millions of yen)

		FY2010 1Q Ended Jun. 30, 2010	FY2009 1Q Ended Jun. 30, 2009
Sales to outside customers:	Iron & Steel	194,986	156,968
	Welding	18,371	19,625
	Aluminum & Copper	77,951	57,303
	Machinery	32,853	46,318
	Natural resource & Engineering	12,896	9,895
	Kobelco Eco-Solutions	12,719	14,978
	Kobelco Construction Machinery	85,427	48,390
	Kobelco Cranes	10,236	10,985
	Other	11,428	13,112
	Eliminations	556	306
	Total	<u>457,427</u>	<u>377,884</u>
Intersegment sales:	Iron & Steel	8,404	8,377
	Welding	53	21
	Aluminum & Copper	255	301
	Machinery	1,060	1,807
	Natural resource & Engineering	351	1,013
	Kobelco Eco-Solutions	1,187	446
	Kobelco Construction Machinery	233	304
	Kobelco Cranes	1,040	1,525
	Other	3,215	3,383
	Eliminations	(15,802)	(17,181)
	Total	<u>---</u>	<u>---</u>
Total sales:	Iron & Steel	203,391	165,345
	Welding	18,425	19,646
	Aluminum & Copper	78,206	57,604
	Machinery	33,914	48,126
	Natural resource & Engineering	13,248	10,909
	Kobelco Eco-Solutions	13,907	15,425
	Kobelco Construction Machinery	85,661	48,694
	Kobelco Cranes	11,276	12,510
	Other	14,643	16,495
	Eliminations	(15,245)	(16,875)
	Total	<u>457,427</u>	<u>377,884</u>
Ordinary income (loss):	Iron & Steel	13,857	(26,963)
	Welding	1,175	(455)
	Aluminum & Copper	6,295	(3,346)
	Machinery	4,917	7,785
	Natural resource & Engineering	2,323	377
	Kobelco Eco-Solutions	1,098	444
	Kobelco Construction Machinery	9,855	(1,393)
	Kobelco Cranes	(306)	104
	Other	934	118
	Eliminations	(2,098)	396
	Total	<u>38,052</u>	<u>(22,932)</u>

**(5) Notes in the case of a significant change in shareholders' equity:**

None

**Supplemental Information for the First Quarter of Fiscal 2010  
(April 1 – June 30, 2010)****Consolidated First Quarter Results**

(In billions of yen)

	FY2010 1Q	FY2009 1Q	% change
Net Sales	457.4	377.8	21.0%
Operating income (loss)	46.5	(13.5)	---
Ordinary income (loss)	38.0	(22.9)	---
Extraordinary Income (loss)	(0.2)*	---	---
Net income (loss)	20.0	(33.2)	---

\* Gain on sales of investment securities 2.1  
Asset retirement obligations (2.3)

**Forecast for Fiscal 2010 (ending March 2011)**

(In billions of yen)

Consolidated	FY2010			FY2009
	1st half	2nd half	Year	
Net sales	940.0	1,000.0	1,940.0	1,671.0
Operating income (loss)	55.0	50.0	105.0	46.0
Ordinary income (loss)	40.0	35.0	75.0	10.2
Extraordinary gains (losses)	(0.2)*	---	(0.2)	3.8
Net income (loss)	25.0	20.0	45.0	6.3

\* Gain on sales of investment securities 2.1  
Asset retirement obligations (2.3)

Non-Consolidated	FY2010			FY2009
	1st half	2nd half	Year	
Net sales	550.0	600.0	1,150.0	990.9
Operating income (loss)	20.0	20.0	40.0	1.1
Ordinary income (loss)	10.0	10.0	20.0	(12.8)
Extraordinary gains (losses)	0.8*	---	0.8	(2.9)
Net income (loss)	15.0	10.0	25.0	2.8

\* Gain on sales of investment securities 3.1  
Asset retirement obligations (2.3)

**Interim Dividend** 1.5 yen

### (1) FY2010 1Q vs FY2009 1Q by Segment

(In billions of yen)

		FY2010 1Q	FY2009 1Q	% change
Iron & Steel	Sales	203.3	165.3	23.0%
	Ordinary Income (loss)	13.8	(26.9)	---
Welding	Sales	18.4	19.6	(6.2%)
	Ordinary Income (loss)	1.1	(0.4)	---
Aluminum & Copper	Sales	78.2	57.6	35.8%
	Ordinary Income (loss)	6.2	(3.3)	---
Machinery	Sales	33.9	48.1	(29.5%)
	Ordinary Income (loss)	4.9	7.7	(36.8%)
Natural Resources & Engineering	Sales	13.2	10.9	21.4%
	Ordinary Income (loss)	2.3	0.3	6.2 times
Kobelco Eco-Solutions	Sales	13.9	15.4	(9.8%)
	Ordinary Income (loss)	1.0	0.4	2.5 times
Kobelco Construction Machinery	Sales	85.6	48.6	75.9%
	Ordinary Income (loss)	9.8	(1.3)	---
Kobelco Cranes	Sales	11.2	12.5	(9.9%)
	Ordinary Income (loss)	(0.3)	0.1	---
Other	Sales	14.6	16.4	(11.2%)
	Ordinary Income (loss)	0.9	0.1	7.9 times
Eliminations	Sales	(15.2)	(16.8)	---
	Ordinary Income (loss)	(2.0)	0.3	---
Total	Sales	457.4	377.8	21.0%
	Ordinary Income (loss)	38.0	(22.9)	---

### (2) Production and Sales of Steel Products (Non-consolidated)

#### Production and Sales Volume

(In millions of metric tons)

	FY2010	FY2009	
	1Q	1Q	Full year
Crude steel production	1.98	1.25	2.88
Sales volume	1.65	1.05	2.43
Export ratio (value basis)	28.5%	19.9%	22.2%

#### Average Steel Price

(In yen per metric ton)

	FY2010	FY2009	
	1Q	1Q	Full year
Domestic & export average	76,800	90,500	80,100

### (3) Analysis of Factors Affecting Ordinary Income: FY2010 1Q vs. FY2009 1Q

(Consolidated, in billions of yen)

	FY2010 1Q	FY2009 1Q	Amount of increase
Ordinary income	38.0	(22.9)	60.9

Factors Increasing Profits		Factors Decreasing Profits	
Production and shipments	4.0		
Raw material prices	3.0		
Cost reductions	8.0		
Effect of steel inventory valuation*	28.0		
Consolidated subsidiaries & equity valued affiliates	17.0		
Others	0.9		
Total	60.9	Total	---

\* Includes effect from the average method and the lower-of-cost-or-market method.

**(1) Current Forecast for FY2010 by Segment**

(In billions of yen)

		FY2009	FY2010		
			1st half	2nd half	Total
Iron & Steel	Sales	742.0	420.0	460.0	880.0
	Ordinary Income (loss)	(24.6)	11.0	15.0	26.0
Welding	Sales	76.2	37.0	39.0	76.0
	Ordinary Income	1.7	2.0	1.0	3.0
Aluminum & Copper	Sales	261.7	155.0	145.0	300.0
	Ordinary Income	2.2	7.0	4.0	11.0
Machinery	Sales	173.7	77.0	97.0	174.0
	Ordinary Income	20.8	5.0	4.0	9.0
Natural Resources & Engineering	Sales	65.5	20.0	44.0	64.0
	Ordinary Income	4.7	1.0	1.0	2.0
Kobelco Eco-Solutions	Sales	82.8	30.0	38.0	68.0
	Ordinary income	1.6	0.5	1.1	1.6
Kobelco Construction Machinery	Sales	214.5	175.0	145.0	320.0
	Ordinary Income	5.5	16.0	9.0	25.0
Kobelco Cranes	Sales	55.2	26.0	26.0	52.0
	Ordinary Income	1.2	0	0	0
Other	Sales	77.7	31.0	35.0	66.0
	Ordinary Income	3.0	1.5	4.0	5.5
Eliminations	Sales	(78.8)	(31.0)	(29.0)	(60.0)
	Ordinary Income (loss)	(6.1)	(4.0)	(4.1)	(8.1)
Total	Sales	1,671.0	940.0	1,000.0	1,940.0
	Ordinary Income	10.2	40.0	35.0	75.0

**(2) Analysis of Factors Affecting Ordinary Income: FY2010 Forecast vs. FY2009**

(Consolidated, in billions of yen)

	FY2010 forecast	FY2009	Amount of increase
Ordinary income (loss)	75.0	10.2	64.8

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	113.0	Raw material prices	(95.0)
Cost reductions	15.5	Other	(42.2)
Effect of steel inventory valuation*	46.5		
Consolidated subsidiaries & equity valued affiliates	27.0		
<b>Total</b>	<b>202.0</b>	<b>Total</b>	<b>(137.2)</b>

\* Includes effect from the average method and the lower-of-cost-or-market method.

**Analysis of Factors Affecting Ordinary Income: FY2010 1st-half vs 2nd-half forecast**

(Consolidated, in billions of yen)

	FY2010 1st half	FY2010 2nd half	Amount of decrease
Ordinary income (loss)	40.0	35.0	(5.0)

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	30.0	Raw material prices	(18.0)
Cost reductions	2.0	Effect of steel inventory valuation*	(11.0)
		Consolidated subsidiaries & equity valued affiliates	(1.5)
		Other	(6.5)
<b>Total</b>	<b>32.0</b>	<b>Total</b>	<b>(37.0)</b>

\* Includes effect from the average method and the lower-of-cost-or-market method.

**(3) Interest-bearing Debt**

(in billions of yen)	FY2010 Forecast	FY2009
Consolidated debt*	800.0	837.7
Consolidated D/E ratio** (times)	1.4	1.6
Non-consolidated debt	650.0	696.6

\* Debt excludes IPP project financing.

\*\* Debt/equity ratio = Interest-bearing debt (excluding IPP project financing)/stockholders' equity

**(4) Investment in Plant and Equipment**

(in billions of yen)		FY2010 Forecast	FY2009
Consolidated	Investment cost	95.0	128.7
	Depreciation	118.0	118.8
Non-consolidated	Investment cost	73.0	95.7
	Depreciation	86.0	86.1

**FY2010 Quarterly Forecast by Segment** (Consolidated, in billions of yen)

		FY2009							FY2010				
		1st half			2nd half			Total	1st half			2nd half	Total
		1Q	2Q	Total	3Q	4Q	Total		1Q	2Q	Total	2nd half	
Iron & Steel	Sales	165.3	180.9	346.2	189.2	206.5	395.8	742.0	203.3	216.7	420.0	460.0	880.0
	Ordinary income (loss)	(26.9)	(27.4)	(54.3)	8.1	21.5	29.7	(24.6)	13.8	(2.8)	11.0	15.0	26.0
Welding	Sales	19.6	19.2	38.9	19.4	17.7	37.2	76.2	18.4	18.6	37.0	39.0	76.0
	Ordinary income (loss)	(0.4)	0.3	(0.0)	0.9	0.8	1.8	1.7	1.1	0.9	2.0	1.0	3.0
Aluminum & Copper	Sales	57.6	63.3	120.9	67.2	73.5	140.8	261.7	78.2	76.8	155.0	145.0	300.0
	Ordinary income (loss)	(3.3)	(0.0)	(3.4)	3.2	2.3	5.6	2.2	6.2	0.8	7.0	4.0	11.0
Machinery	Sales	48.1	31.2	79.4	46.6	47.7	94.3	173.7	33.9	43.1	77.0	97.0	174.0
	Ordinary income	7.7	2.8	10.6	5.3	4.8	10.2	20.8	4.9	0.1	5.0	4.0	9.0
Natural Resources & Engineering	Sales	10.9	13.9	24.8	14.5	26.1	40.6	65.5	13.2	6.8	20.0	44.0	64.0
	Ordinary income (loss)	0.3	1.3	1.7	2.1	0.9	3.0	4.7	2.3	(1.3)	1.0	1.0	2.0
Kobelco Eco-Solutions	Sales	15.4	22.0	37.5	15.8	29.4	45.3	82.8	13.9	16.1	30.0	38.0	68.0
	Ordinary income (loss)	0.4	0.0	0.4	0.1	0.9	1.1	1.6	1.0	(0.5)	0.5	1.1	1.6
Kobelco Construction Machinery	Sales	48.6	56.2	104.9	52.2	57.4	109.6	214.5	85.6	89.4	175.0	145.0	320.0
	Ordinary income (loss)	(1.3)	2.1	0.7	1.1	3.5	4.7	5.5	9.8	6.2	16.0	9.0	25.0
Kobelco Cranes	Sales	12.5	15.4	27.9	13.3	13.9	27.2	55.2	11.2	14.8	26.0	26.0	52.0
	Ordinary income (loss)	0.1	0.6	0.7	0.2	0.2	0.4	1.2	(0.3)	0.3	0.0	0.0	0.0
Other	Sales	16.4	23.9	40.4	17.3	19.9	37.3	77.7	14.6	16.4	31.0	35.0	66.0
	Ordinary income	0.1	1.5	1.6	0.0	1.4	1.4	3.0	0.9	0.6	1.5	4.0	5.5
Eliminations	Sales	(16.8)	(16.1)	(33.0)	(17.8)	(27.9)	(45.7)	(78.8)	(15.2)	(15.8)	(31.0)	(29.0)	(60.0)
	Ordinary income (loss)	0.3	(2.7)	(2.3)	(1.2)	(2.5)	(3.7)	(6.1)	(2.0)	(2.0)	(4.0)	(4.1)	(8.1)
<b>Total</b>	<b>Sales</b>	<b>377.8</b>	<b>410.2</b>	<b>788.1</b>	<b>418.1</b>	<b>464.6</b>	<b>882.8</b>	<b>1,671.0</b>	<b>457.4</b>	<b>482.6</b>	<b>940.0</b>	<b>1,000.0</b>	<b>1,940.0</b>
	<b>Ordinary income (loss)</b>	<b>(22.9)</b>	<b>(21.3)</b>	<b>(44.2)</b>	<b>20.2</b>	<b>34.2</b>	<b>54.4</b>	<b>10.2</b>	<b>38.0</b>	<b>2.0</b>	<b>40.0</b>	<b>35.0</b>	<b>75.0</b>

**For Reference:****Historical Quarterly Production and Sales of Steel Products** (Non-consolidated)**Production & Sales Volume** (In millions of metric tons)

	FY2009							FY2010 1Q
	1st half			2nd half			Total	
	1Q	2Q	Subtotal	3Q	4Q	Subtotal		
Crude steel	1.25	1.63	2.88	1.81	1.88	3.69	6.57	1.98
Sales volume	1.05	1.38	2.43	1.55	1.59	3.14	5.57	1.65
Export ratio (value basis)	19.9%	24.3%	22.2%	25.1%	27.1%	26.1%	24.3%	28.5%

**Sales Prices** (In yen per metric ton)

	FY2009							FY2010 1Q
	1st half			2nd half			Total	
	1Q	2Q	Subtotal	3Q	4Q	Subtotal		
Domestic & overseas ave.	90,500	72,100	80,100	73,500	73,700	73,600	76,400	76.8

**Note:**

Portions of this material referring to forecasts are based on currently available information as of today. Actual business results may differ considerably due to various changeable conditions in the future.

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