

Kobe Steel's Consolidated Financial Results for First Quarter Fiscal 2011 (April 1 – June 30, 2011)

July 28, 2011

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
Filing of quarterly report:	August 1, 2011
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 FY2011 Consolidated Financial Results (April 1 – June 30, 2011)

(1) Consolidated operating results

(In millions of yen)	FY2011 1Q	% change*	FY2010 1Q	% change*
Net sales	471,410	3.1%	457,427	21.0%
Operating income	29,034	(37.6%)	46,512	---
Ordinary income	23,967	(37.0%)	38,052	---
Net income	9,837	(50.9%)	20,021	---
Net income per share	3.27 yen		6.66 yen	
Diluted net income per share	---		---	

Comprehensive Income in FY2011 1Q: 16,374 million yen FY2010 1Q: 15,920 million yen

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

(2) Consolidated financial position

(In millions of yen)	FY2011 1Q	FY2010
Total assets	2,232,564	2,231,532
Net assets	608,388	597,367
Net worth ratio	24.8%	24.6%

Shareholders' equity at June 30, 2011: 553,762 million yen FY2010: 548,631 million yen

2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2010	---	1.50	---	1.50	3.00
FY2011	---				
FY2011 forecast		1.00	---	---	---

Revision to dividend forecast in 1Q: Yes

The dividend for the end of fiscal 2011 is undetermined.

3. Consolidated Forecast for Fiscal 2011 (April 1, 2011 - March 31, 2012)

(In millions of yen)	FY2011 1st half	% change*	FY2011 Full year	% change*
Net sales	980,000	6.3%	1,990,000	7.1%
Operating income	35,000	(49.9%)	75,000	(39.8%)
Ordinary income	25,000	(49.3%)	50,000	(43.9%)
Net income	10,000	(66.0%)	20,000	(62.2%)
Net income per share	3.33 yen		6.66 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 specific accounting procedures for preparing the quarterly consolidated financial statements: No

(3) Changes in accounting policies, estimates and restatement on the preparation of quarterly consolidated financial statements

- Changes in accounting policies due to revised accounting standards: No
- Other changes: No
- Changes in accounting estimates: No
- Restatement: No

(4) Number of issued shares

	FY 2011 1Q	FY2010
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	114,097,147	114,026,072
Average number of shares in 1Q	3,000,980,773	3,002,355,289*

*In 1Q FY2010

Qualitative Information on consolidated Operating Results

Japan's economy generally remained weak in the first quarter of fiscal 2011 (April-June period). The economy showed signs of recovery in the latter half of the quarter, but after the Great East Japan Earthquake in March, factory output dropped significantly. In overseas markets on the other hand, the United States and Europe continued to gradually recover. Although China's economic tempo has gradually slowed, it continues to steadily grow.

In this economic environment, unit sales of hydraulic excavators in the Kobe Steel Group increased sharply in comparison to the same quarter last year owing to strong demand in China after the Chinese Lunar New Year in February. However, due to the Great East Japan Earthquake, factory output in the automotive and other consumer industries decreased, and the sales volume of steel products and aluminum rolled products fell below the same quarter last year.

As a result, consolidated sales in the first quarter of fiscal 2011 increased 13.9 billion yen compared with the same period last year to 471.4 billion yen. Operating income declined 17.4 billion yen in comparison to the same period last year to 29.0 billion yen. Ordinary income decreased 14.0 billion yen in comparison to the same period last year to 23.9 billion yen, and net income decreased 10.1 billion yen compared with the same period last year to 9.8 billion yen.

Conditions in the business segments in the first quarter are as follows:

Iron & Steel Business

Demand for steel products from the automotive industry was weak due to the Great East Japan Earthquake. Steel shipments in the first quarter of fiscal 2011 were lower than the same period last year. Steel prices in the first quarter however were higher than the same period last year, when prices raised last fiscal year had yet to penetrate the market.

Sales of steel castings and forgings decreased in comparison to the same period last year due to lower sales prices to the shipbuilding industry. On the other hand, sales of titanium products increased compared with the same period last year owing to higher demand from infrastructure construction in emerging countries.

Due to these conditions, consolidated segment sales in the first quarter of fiscal 2011 declined 3.8% compared with the same period last year to 195.6 billion yen. Ordinary income went down 10.4 billion yen compared with the same period last year to 3.3 billion yen.

Welding Business

The sales volume of welding consumables increased in comparison to the same period last year. Although demand for welding consumables was sluggish in the automotive industry due to the Great East Japan Earthquake, demand was strong in China and Southeast Asia. Demand for welding robot systems was strong due to firm demand from China's construction machinery market, leading to higher sales in comparison to the same period last year. Due to these conditions, consolidated segment sales in the first quarter of fiscal 2011 increased 17.4% compared with the same period last year to 21.6 billion yen. Ordinary income increased 0.1 billion yen in comparison to the same period last year to 1.3 billion yen.

Aluminum & Copper Business

The sales volume of aluminum rolled products and sales of aluminum castings and forgings declined in comparison to the same quarter last year due to weak demand in the automotive sector following the Great East Japan Earthquake.

The sales volume of copper rolled products was flat in comparison to the same period last year. The sales volume of copper tube continued to be firm. However, demand for copper sheet and strip used mainly in electrical terminals for automobiles went down in comparison to the same period last year.

Due to these conditions, consolidated segment sales in the first quarter of fiscal 2011 were flat compared with the same period last year at 79.3 billion yen. Ordinary income went down 0.9 billion yen in comparison to the same period last year to 5.3 billion yen.

Machinery Business

Orders for products from the automotive, oil refining and petrochemical fields were lower in the first quarter of fiscal 2011 compared with the same quarter last year, due to the concentration of large orders for tire and rubber machinery and compressors placed in the first quarter of fiscal 2010.

Due to these conditions, consolidated orders in the first quarter of fiscal 2011 declined 15.6% to 27.6 billion yen, and the backlog of orders was 144.6 billion yen.

Consolidated segment sales in the first quarter of fiscal 2011 increased 21.3% in comparison to the same period last year to 41.1 billion yen. On the other hand, due to the high yen, ordinary income decreased 1.5 billion yen compared with the same period last year to 3.3 billion yen.

Natural Resources & Engineering Business

Orders including associated equipment for a direct reduction plant in the Middle East contributed to higher orders than the same period last year. Consolidated orders in the first quarter of fiscal 2011 increased 71.2% year on year to 15.7 billion yen, and the backlog of orders was 95.2 billion yen.

Consolidated segment sales in the first quarter of fiscal 2011 decreased 6.0% in comparison to the same period last year to 12.4 billion yen. Ordinary income went down 2.9 billion yen year on year to an ordinary loss of 0.6 billion yen.

Kobelco Eco-Solutions

Consolidated orders in the first quarter of fiscal 2011 increased 105.2% compared with the same period last year to 39.6 billion yen, due to orders for large-scale waste treatment facilities, and the backlog of orders in the first quarter reached 62.3 billion yen.

However, consolidated segment sales decreased 10.8% in the first quarter of fiscal 2011 compared with the same period last year to 12.4 billion yen due to the higher concentration of sales from water treatment projects in the first quarter of fiscal 2010. Ordinary income declined 0.6 billion yen in comparison to the same period last year to 0.4 billion yen.

Kobelco Construction Machinery

In China, a major market, unit sales increased significantly in the first quarter of fiscal 2011 in comparison to the same period last year owing to strong demand after the Chinese Lunar New Year in February. In Japan and Southeast Asia, unit sales remained brisk, increasing over the same period last year.

Due to these conditions, consolidated segment sales in the first quarter of fiscal 2011 increased 14.1% in comparison to the same period last year to 97.7 billion yen. Ordinary income increased 1.2 billion yen compared with the same period last year to 11.1 billion yen.

Kobelco Cranes

Owing to higher unit sales in the Middle East and other regions, consolidated segment sales in the first quarter of fiscal 2011 increased 5.1% compared with the same period last year to 11.8 billion yen. However, due to the shortage of parts in the aftermath of the Great East Japan Earthquake, some

production lines had to be shut down. This worsened ordinary loss by 0.1 billion yen compared with the same period last year to an ordinary loss of 0.4 billion yen.

Other Businesses

At Kobelco Research Institute, Inc., demand in the testing and analysis business decreased due to the Great East Japan Earthquake. However, at Shinko Real Estate Co., Ltd., both the property sales business and the leasing business performed well. As a result, consolidated segment sales in the first quarter of fiscal 2011 were flat in comparison to the same period last year at 14.7 billion yen. Ordinary income increased 0.3 billion yen compared to the same period last year to 1.2 billion yen.

Qualitative Information on Consolidated Earnings Forecast

The world economy in fiscal 2011, ending March 2012, is anticipated to gradually improve. Although the economy on the whole is improving, further monetary tightening in China and the eroding purchasing power of developed countries caused by rising crude oil prices are issues of concern. In Japan, the economy is anticipated to turn toward recovery from the second quarter (July-September period) onward. Although there is continued concern on the stability of the electric power supply, the effect of the Great East Japan Earthquake is generally anticipated to lessen.

Except for sales of hydraulic excavators in China having dipped since April, overseas demand in each of the Kobe Steel Group's business segments is seen on the whole to remain strong. In Japan, automobile sales, which dropped sharply after the earthquake, are anticipated to return to normal from the second quarter. Kobe Steel has made assumptions on uncertain factors including prices for steel raw materials and sales prices for steel products. Consequently, for fiscal year 2011, Kobe Steel anticipates achieving consolidated sales of approximately 1,990 billion yen, ordinary income of approximately 50.0 billion yen, and net income of approximately 20.0 billion yen.

Anticipated conditions in the business segments are as follows:

Iron & Steel Business

From the second quarter, demand for steel products is anticipated to recover in the automotive and other domestic manufacturing industries. In overseas markets, demand is anticipated to be brisk mainly in emerging countries. However, the volume of steel shipments is anticipated to remain flat in comparison to the previous fiscal year, due to the slump in the first quarter following the Great East Japan Earthquake. Kobe Steel is continuing negotiations with its users to gain their understanding regarding the increase of steel prices to reflect the rise in major raw materials prices.

Sales of steel castings and forgings are anticipated to decrease in comparison to fiscal 2010 due to lower sales prices to the shipbuilding industry. Sales of titanium products are forecast to increase over the previous fiscal year owing to strong demand from the aircraft industry and infrastructure construction in emerging countries.

Due to these conditions, segment sales for fiscal 2011 are anticipated to increase over the previous fiscal year.

Welding Business

Supported by strong demand in the Asian region including China, Southeast Asia and South Korea, the sales volume of welding consumables is forecast to increase over the previous fiscal year. Demand for welding robot systems is expected to remain strong mainly from the construction machinery industry in China. As a result, segment sales for fiscal 2011 are expected to increase over the previous fiscal year.

Aluminum & Copper Business

Demand for aluminum rolled products, copper rolled products, and aluminum castings and forgings was weak in the first quarter due to the Great East Japan Earthquake. However from the second quarter, the automotive industry is expected to recover, and demand for air conditioners and LCD and semiconductor manufacturing equipment is anticipated to be strong. As a result, segment sales for fiscal 2011 are anticipated to increase over the previous fiscal year.

Machinery Business

Demand is expected to recover for plastics processing machinery for the energy and chemical sectors and heavy-wall pressure vessels for the oil refining industry. Demand for ordinary compressors is anticipated to be strong mainly in China and Southeast Asia. Orders on the whole in fiscal 2011 are anticipated to be higher than the previous fiscal year.

Segment sales for fiscal 2011 are forecast to increase over the previous fiscal year.

Natural Resources & Engineering Business

On the back of strong demand for steel in overseas markets, Kobe Steel anticipates orders in the ironmaking-related field. Orders in fiscal 2011 are anticipated to be higher than the previous fiscal year.

Consolidated segment sales for fiscal 2011 are expected to be flat in comparison to the previous fiscal year.

Kobelco Eco-Solutions

The water treatment business will continue to face low investment in public works and low capital investment from the private sector. However, the waste treatment business and the chemical and food machinery businesses are anticipated to perform well. As a result, segment sales in fiscal 2011 are anticipated to be flat in comparison to the previous fiscal year.

Kobelco Construction Machinery

Demand for construction equipment in China has dipped for the time being, but demand remains strong in Southeast Asia. In Japan, recovery efforts from the Great East Japan Earthquake are expected to increase demand for construction machinery.

As a result, segment sales in fiscal 2011 are anticipated to rise over the previous fiscal year.

Kobelco Cranes

Demand is expected to remain strong in emerging countries in the Middle East and Southeast Asia. As a result, segment sales in fiscal 2011 are anticipated to increase over the previous year.

Other Businesses

In Kobelco Research Institute, Inc.'s testing and analysis business, demand is expected to decrease due to the Great East Japan Earthquake. However, Shinko Real Estate Co., Ltd.'s property sales are expected to perform well. As a result, segment sales in fiscal 2011 are anticipated to increase over the previous fiscal year.

Kobe Steel's basic policy is for the continuous and stable distribution of dividends. Dividends are decided taking into account the Company's financial condition, trends in its business performance, future capital needs and other factors from a comprehensive standpoint. On this basis, Kobe Steel has passed a resolution to pay a dividend of 1 yen per share for the first half of fiscal 2011. As for the dividend at the end of fiscal 2011, there are many uncertain factors that need to be taken into consideration, and therefore the amount of the dividend cannot be determined at this time.

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Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(In millions of yen)

Assets	FY2010 Ended Mar. 31, 2011	FY2011 1Q Ended Jun. 30, 2011
Current assets		
Cash and cash equivalents	145,875	150,433
Notes and accounts receivable	302,846	309,257
Merchandise and finished goods	131,138	137,389
Work in progress	127,512	133,165
Raw materials and supplies	122,694	134,594
Other	167,261	148,076
Allowance for doubtful debts	(571)	(504)
Total current assets	<u>996,757</u>	<u>1,012,411</u>
Tangible fixed assets		
Buildings and structures	279,519	281,132
Machinery and equipment	363,284	394,612
Land	204,948	205,413
Other	85,586	46,479
Total tangible fixed assets	<u>933,339</u>	<u>927,638</u>
Intangible fixed assets		
	22,231	21,358
Investments and other assets		
Investments in securities	190,255	182,855
Other	92,077	91,079
Allowance for doubtful debts	(3,129)	(2,779)
Total investments and other assets	<u>279,203</u>	<u>271,155</u>
Total fixed assets, investments and other assets	<u>1,234,775</u>	<u>1,220,152</u>
Total assets	<u>2,231,532</u>	<u>2,232,564</u>
Current liabilities		
Notes and accounts payable	478,675	470,291
Short-term borrowings	170,657	190,798
Bonds due within one year	35,836	35,806
Income and enterprise taxes payable	9,059	6,191
Other reserves	39,377	30,456
Other	154,773	154,471
Total current liabilities	<u>888,379</u>	<u>888,014</u>
Long-term liabilities		
Bonds and notes	177,349	177,261
Long-term borrowings	441,099	437,639
Employees' severance and retirement benefits	29,345	29,559
Other reserves	2,497	2,475
Other	95,494	89,225
Total long-term liabilities	<u>745,785</u>	<u>736,161</u>
Total liabilities	<u>1,634,165</u>	<u>1,624,175</u>

Net Assets

	FY2010	FY2011 1Q
	Ended Mar. 31, 2011	Ended Jun. 30, 2011
Stockholders' equity		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	302,376	307,699
Treasury stock, at cost	(51,627)	(51,636)
Total stockholders' equity	<u>567,186</u>	<u>572,501</u>
Other comprehensive income		
Unrealized holding gains on securities	19,742	16,142
Deferred gains on hedges	584	611
Land revaluation	(4,756)	(4,756)
Foreign currency translation adjustments	(34,127)	(30,737)
Total other comprehensive income	<u>(18,555)</u>	<u>(18,739)</u>
Minority interests	48,736	54,626
Total net assets	<u>597,367</u>	<u>608,388</u>
Total liabilities and net assets	<u>2,231,532</u>	<u>2,232,564</u>

(2) Quarterly Consolidated Statements of Income

(In millions of yen)

	FY2010 1Q Ended Jun. 30, 2010	FY2011 1Q Ended Jun. 30, 2011
Net sales	457,427	471,410
Cost of sales	370,272	402,545
Gross profit	87,154	68,865
Selling, general and administrative expenses	40,642	39,830
Operating income	46,512	29,034
Non-operating income		
Interest income	466	823
Dividend income	1,278	1,541
Reimbursement of seconded employees' salaries	1,673	1,506
Equity method investment gain	689	1,884
Other	3,051	5,641
Total non-operating income	7,159	11,396
Non-operating expenses		
Interest expense	5,084	5,049
Salaries for seconded employees	4,229	3,937
Other	6,305	7,476
Total non-operating expenses	15,619	16,464
Ordinary income	38,052	23,967
Extraordinary income		
Gain on sales of investment securities	2,165	---
Extraordinary loss		
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,380	---
Income before income taxes	37,837	23,967
Income taxes		
Current	3,289	5,790
Deferred	9,141	2,507
Total income taxes	12,431	8,298
Income before minority interests	25,405	15,669
Minority interests in income of subsidiaries	5,384	5,831
Net income	20,021	9,837

(3) Consolidated Statements of Comprehensive Income

(in millions of yen)

	<u>FY2010 1Q</u> <u>Ended Jun. 30, 2010</u>	<u>FY2011 1Q</u> <u>Ended Jun. 30, 2011</u>
Income before minority interests	25,405	15,669
Other comprehensive income		
Unrealized holding gains on securities	(10,267)	(3,203)
Deferred gains on hedges	(1,159)	(54)
Land revaluation	50	---
Foreign currency translation adjustments	2,121	3,875
Share of other comprehensive income of associates accounted for using equity method	(229)	87
Total other comprehensive income	<u>(9,485)</u>	<u>704</u>
Comprehensive Income	<u>15,920</u>	<u>16,374</u>
(Break down)		
Comprehensive income attributable to owners of the parent	10,713	9,654
Comprehensive income attributable to minority interests	5,206	6,720

(4) Notes on premise of a going concern:

None

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

None

Supplemental Information for the First Quarter of Fiscal 2011
(April 1 – June 30, 2011)

Consolidated First Quarter Results

(In billions of yen)

	FY2011 1Q	FY2010 1Q	% change
Net Sales	471.4	457.4	3.1%
Operating income	29.0	46.5	(37.6%)
Ordinary income	23.9	38.0	(37.0%)
Extraordinary Income (loss)	---	(0.2)	---
Net income	9.8	20.0	(50.9%)

Forecast for Fiscal 2011 (ending March 2012)

(In billions of yen)

Consolidated	FY2011			FY2010
	1st Half	2nd Half	Full year	
Net sales	980.0	1,010.0	1,990.0	1,858.5
Operating income	35.0	40.0	75.0	124.5
Ordinary income	25.0	25.0	50.0	89.0
Extraordinary Income (loss)	---	---	---	(0.2)
Net income	10.0	10.0	20.0	52.9

Interim Dividend 1.0 yen

FY2011 1st Quarter

(1) FY2011 1Q vs FY2010 1Q by Segment

(consolidated, in billions of yen)

		FY2011 1Q	FY2010 1Q	% change
Iron & Steel	Sales	195.6	203.3	(3.8%)
	Ordinary Income	3.3	13.8	(75.7%)
Welding	Sales	21.6	18.4	17.4%
	Ordinary Income	1.3	1.1	12.7%
Aluminum & Copper	Sales	79.3	78.2	1.5%
	Ordinary Income	5.3	6.2	(14.6%)
Machinery	Sales	41.1	33.9	21.3%
	Ordinary Income	3.3	4.9	(32.5%)
Natural Resources & Engineering	Sales	12.4	13.2	(6.0%)
	Ordinary Income (loss)	(0.6)	2.3	---
Kobelco Eco-Solutions	Sales	12.4	13.9	(10.8%)
	Ordinary Income	0.4	1.0	(61.8%)
Kobelco Construction Machinery	Sales	97.7	85.6	14.1%
	Ordinary Income	11.1	9.8	13.0%
Kobelco Cranes	Sales	11.8	11.2	5.1%
	Ordinary Income (loss)	(0.4)	(0.3)	---
Other Businesses	Sales	14.7	14.6	0.5%
	Ordinary Income	1.2	0.9	32.9%
Eliminations	Sales	(15.5)	(15.2)	---
	Ordinary Income (loss)	(1.1)	(2.0)	---
Total	Sales	471.4	457.4	3.1%
	Ordinary Income	23.9	38.0	(37.0%)

(2) Production and Sales of Steel Products (Nonconsolidated)

Production and Sales Volume

(In millions of metric tons)

	FY2011	FY2010		
	1Q	1Q	1st Half	Full year
Crude steel production	1.75	1.98	3.72	7.60
Sales volume	1.44	1.65	3.21	6.38
Export ratio (value basis)	31.9%	28.5%	28.2%	27.1%

Sales Price of Steel Products

(In yen per metric ton)

	FY2011	FY2010		
	1Q	1Q	1st Half	Full year
Domestic & Export average	85,200	76,800	81,300	83,200

(3) Factors Affecting Ordinary Income: FY2011 1Q vs. FY2010 1Q

(Consolidated, in billions of yen)

	FY2011 1Q	FY2010 1Q	Amount of decrease
Ordinary income	23.9	38.0	(14.0)

Factors Increasing Profits		Factors Decreasing Profits	
Production and shipments	12.0	Raw material prices	(24.5)
Consolidated subsidiaries & affiliates	1.5	Effect of steel inventory valuation*	(4.5)
Others	1.5		
Total	15.0	Total	(29.0)

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

FY2011 Forecast

(1) Current Forecast for FY2011 by Segment

(Consolidated, in billions of yen)

		FY2010	FY2011		
			1st Half	2nd Half	Full year
Iron & Steel	Sales	840.3	425.0	475.0	900.0
	Ordinary Income	23.7	0.0	0.0	0.0
Welding	Sales	77.7	43.0	47.0	90.0
	Ordinary Income	4.6	2.0	2.0	4.0
Aluminum & Copper	Sales	304.0	155.0	155.0	310.0
	Ordinary Income	14.7	5.0	4.0	9.0
Machinery	Sales	154.5	86.0	86.0	172.0
	Ordinary Income	14.5	3.0	4.0	7.0
Natural Resources & Engineering	Sales	64.2	26.0	38.0	64.0
	Ordinary Income (loss)	3.0	(1.0)	1.0	0.0
Kobelco Eco-Solutions	Sales	69.6	30.0	40.0	70.0
	Ordinary income	3.1	0.7	2.5	3.2
Kobelco Construction Machinery	Sales	313.1	180.0	145.0	325.0
	Ordinary Income	26.3	18.0	10.0	28.0
Kobelco Cranes	Sales	40.9	24.0	26.0	50.0
	Ordinary Income (loss)	(1.3)	0.0	0.5	0.5
Other Businesses	Sales	65.5	31.0	38.0	69.0
	Ordinary Income	6.4	2.0	4.0	6.0
Eliminations	Sales	(71.6)	(20.0)	(40.0)	(60.0)
	Ordinary Income (loss)	(6.1)	(4.7)	(3.0)	(7.7)
Total	Sales	1,858.5	980.0	1,010.0	1,990.0
	Ordinary Income	89.0	25.0	25.0	50.0

(2) Factors Affecting Ordinary Income: FY2011 Forecast vs. FY2010

(Consolidated, in billions of yen)

	FY2011 forecast	FY2010	Amount of decrease
Ordinary income	50.0	89.0	(39.0)

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	70.5	Raw material prices	(81.5)
Cost reductions	5.5	Effect of steel inventory valuation*	(9.0)
Consolidated subsidiaries & affiliates	3.0	Other	(27.5)
Total	79.0	Total	(118.0)

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

Factors Affecting Ordinary Income: FY2011 1st-half vs 2nd-half forecast

(Consolidated, in billions of yen)

	FY2011 1st Half	FY2011 2nd Half	Amount of increase
Ordinary income	25.0	25.0	0.0

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	23.5	Raw material prices	(8.5)
Cost reductions	1.5	Effect of steel inventory valuation*	(14.5)
Consolidated subsidiaries & affiliates	1.5	Other	(3.5)
Total	26.5	Total	(26.5)

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

(3) Outside Debt & D/E Ratio (Consolidated, as of the end of each period, unless otherwise indicated)

(in billions of yen)	FY2011 Forecast	FY2010
Consolidated debt*	780.0	769.8
Consolidated D/E ratio** (times)	1.4	1.4
Nonconsolidated debt	610.0	629.6

* Debt excludes IPP project financing.

** Debt/equity ratio = Debt (excluding IPP project financing)/stockholders' equity

(4) Capital Investment

(in billions of yen)		FY2011 Forecast	FY2010
Consolidated	Capital Investment	115.0	91.3
	Depreciation	120.0	114.8
Nonconsolidated	Capital investment	60.0	62.2
	Depreciation	90.0	83.6

FY2011 Quarterly Forecast by Segment (Consolidated, in billions of yen)

		FY2010							FY2011 Forecast				
		1st Half			2nd Half			Total	1st Half			2nd Half	Total
		1Q	2Q	Subtotal	3Q	4Q	Subtotal		1Q	2Q	Subtotal		
Iron & Steel	Sales	203.3	210.0	413.4	209.2	217.6	426.9	840.3	195.6	229.4	425.0	475.0	900.0
	Ordinary income (loss)	13.8	(4.6)	9.1	12.8	1.7	14.5	23.7	3.3	(3.3)	0.0	0.0	0.0
Welding	Sales	18.4	18.6	37.1	20.9	19.7	40.6	77.7	21.6	21.4	43.0	47.0	90.0
	Ordinary income	1.1	1.0	2.1	1.2	1.1	2.4	4.6	1.3	0.7	2.0	2.0	4.0
Aluminum & Copper	Sales	78.2	76.7	155.0	74.4	74.5	149.0	304.0	79.3	75.7	155.0	155.0	310.0
	Ordinary income (loss)	6.2	3.4	9.7	3.6	1.3	5.0	14.7	5.3	(0.3)	5.0	4.0	9.0
Machinery	Sales	33.9	37.7	71.6	32.7	50.1	82.8	154.5	41.1	44.9	86.0	86.0	172.0
	Ordinary income (loss)	4.9	3.6	8.5	2.8	3.0	5.9	14.5	3.3	(0.3)	3.0	4.0	7.0
Natural Resources & Engineering	Sales	13.2	7.8	21.1	9.0	34.0	43.1	64.2	12.4	13.6	26.0	38.0	64.0
	Ordinary income (loss)	2.3	(0.8)	1.4	1.3	0.2	1.5	3.0	(0.6)	(0.4)	(1.0)	1.0	0.0
Kobelco Eco-Solutions	Sales	13.9	16.1	30.0	15.5	23.9	39.5	69.6	12.4	17.6	30.0	40.0	70.0
	Ordinary income	1.0	0.0	1.1	0.9	0.9	1.9	3.1	0.4	0.3	0.7	2.5	3.2
Kobelco Construction Machinery	Sales	85.6	89.9	175.6	65.7	71.7	137.5	313.1	97.7	82.3	180.0	145.0	325.0
	Ordinary income	9.8	8.9	18.8	3.5	3.9	7.4	26.3	11.1	6.9	18.0	10.0	28.0
Kobelco Cranes	Sales	11.2	12.0	23.3	7.1	10.4	17.6	40.9	11.8	12.2	24.0	26.0	50.0
	Ordinary income (loss)	(0.3)	0.4	0.1	(0.9)	(0.5)	(1.5)	(1.3)	(0.4)	0.4	0.0	0.5	0.5
Other	Sales	14.6	15.5	30.2	15.6	19.7	35.3	65.5	14.7	16.3	31.0	38.0	69.0
	Ordinary income	0.9	1.1	2.0	1.6	2.7	4.4	6.4	1.2	0.8	2.0	4.0	6.0
Eliminations	Sales	(15.2)	(20.3)	(35.5)	(16.8)	(19.2)	(36.1)	(71.6)	(15.5)	(4.5)	(20.0)	(40.0)	(60.0)
	Ordinary income (loss)	(2.0)	(2.0)	(4.1)	2.3	(4.4)	(2.0)	(6.1)	(1.1)	(3.6)	(4.7)	(3.0)	(7.7)
Total	Sales	457.4	464.6	922.0	433.7	502.7	936.5	1,858.5	471.4	508.6	980.0	1,010.0	1,990.0
	Ordinary income	38.0	11.2	49.3	29.5	10.1	39.7	89.0	23.9	1.1	25.0	25.0	50.0
Net Income		20.0	9.4	29.4	17.7	5.7	23.4	52.9	9.8	0.2	10.0	10.0	20.0

For Reference:**Quarterly Production and Sales of Steel Products** (Nonconsolidated)**Production & Sales Volume** (In millions of metric tons)

	FY2010						FY2010 Full year	FY2011 1Q
	1st half			2nd half				
	1Q	2Q	Subtotal	3Q	4Q	Subtotal		
Crude steel	1.98	1.74	3.72	1.98	1.90	3.88	7.60	1.75
Sales volume	1.65	1.56	3.21	1.55	1.62	3.17	6.38	1.44
Export ratio (value basis)	28.5%	27.8%	28.2%	24.5%	27.9%	26.2%	27.1%	31.9%

Sales Prices (In yen per metric ton)

	FY2010						FY2010 Full year	FY2011 1Q
	1st half			2nd half				
	1Q	2Q	Subtotal	3Q	4Q	Subtotal		
Domestic & overseas ave.	76,800	86,100	81,300	88,100	82,200	85,100	83,200	85,200

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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