

# Kobe Steel's Consolidated Financial Results through the Third Quarter of Fiscal 2012 (April 1 – December 31, 2012)

February 1, 2013

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: February 7, 2013  
 Dividend payments begin: ---  
 Supplemental information available: Yes  
 IR Briefing: Yes (in Japanese only)

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

## 1. Financial Results for First Nine Months of Fiscal 2012 (April 1 – December 31, 2012)

### (1) Consolidated operating results

(In millions of yen)	FY2012 9 Months Ended Dec. 31, 2012	% change*	FY2011 9 Months Ended Dec. 31, 2011	% change*
Net sales	1,247,716	(11.5%)	1,409,556	4.0%
Operating income	6,449	(90.7%)	69,125	(31.3%)
Ordinary income (loss)	(16,241)	---	50,160	(36.4%)
Net income (loss)	(22,693)	---	12,598	(73.3%)
Net income (loss) per share	(7.56) yen		4.19 yen	
Diluted net income per share	---		---	

Comprehensive income in FY2012 3Q: (17,810) million yen FY2011 3Q: 6,040 million yen

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

### (2) Consolidated financial position

(In millions of yen)	FY2012 9 Months Ended Dec. 31, 2012	FY2011
Total assets	2,162,752	2,159,512
Net assets	545,201	571,258
Net worth ratio	22.9%	23.9%

Shareholders' equity at December 31, 2012: 494,392 million yen FY2011: 515,679 million yen

## 2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2011	---	1.00	---	0.00	1.00
FY2012	---	0.00	---	---	---
FY2012 Forecast	---	---	---	0.00	0.00

Revision to dividend forecast in 3Q FY2012: Yes

## 3. Consolidated Forecast for Fiscal 2012 (April 1, 2012 - March 31, 2013)

(In millions of yen)	FY2012	% change*
Net sales	1,690,000	(9.4%)
Operating income	10,000	(83.5%)
Ordinary income (loss)	(25,000)	---
Net income (loss)	(30,000)	---
Net income (loss) per share	(9.99) yen	

\* Indicates percentage of change from the previous fiscal year

Revision to consolidated forecast in 3Q FY2012: Yes

## Notes

- (1) Change in number of material subsidiaries in fiscal year: No  
(Changes in specified subsidiaries due to changes in scope of consolidation)
- (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: Yes
  - Other changes: No
  - Changes in accounting estimates: Yes
  - Restatement: No

(4) Number of issued shares

	FY 2012 3Q	FY2011
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	114,166,677	114,135,266
Average number of shares in 3Q	3000,921,663	3,000,957,404*

\*3Q FY2011

## 1. Qualitative Information on Consolidated Operating Results

Japan's economy in the first nine months of fiscal 2012 (April 1-December 31, 2012) was slowly progressing on a recovery trend on the back of rising demand for reconstruction work from the Great East Japan Earthquake. However, the end of eco-friendly car subsidies and other factors brought about a gradual slowdown in the pace of recovery. Overseas markets saw a continuation of the financial turmoil in Europe, growing sluggishness in China's economy, and a slowdown in the pace of economic recovery in the United States.

In this economic environment, the sales volume (in terms of tons sold) of steel products and aluminum rolled products in the Kobe Steel Group declined in comparison to the same period last year. Although domestic demand from the automotive industry continued to be strong until the second quarter, the sluggish overseas market for steel products and the high yen led to a worsening in the export environment. Unit sales of hydraulic excavators fell in comparison to the same period last year. Although domestic demand increased owing to reconstruction work from the Great East Japan Earthquake and demand increased in Southeast Asia, China, a major market, experienced a large decrease in demand.

As a result, Kobe Steel's consolidated net sales in the nine months to December 31, 2012 decreased 161.8 billion yen in comparison to the same period last year to 1,247.7 billion yen. Operating income went down 62.6 billion yen in comparison to the same period last year to 6.4 billion yen. Ordinary income, also known as pretax recurring profit, decreased 66.4 billion yen in comparison to the same period last year to an ordinary loss of 16.2 billion yen. Net income went down 35.2 billion yen in comparison to the same period last year to a net loss of 22.6 billion yen.

Conditions in the business segments for the nine-month (April 1-December 31, 2012) period were as follows.

### **Iron & Steel Business**

The sales volume of steel products decreased in comparison to the same period last year. Although demand was strong in the domestic automotive industry until the second quarter, the end of eco-friendly car subsidies from the third quarter and a worsening of business conditions in China led to a slowdown. In addition, demand was sluggish in the shipbuilding industry, overseas markets were weak, and the high yen led to a worsening in the export environment. Sales prices declined in comparison to the same period last year due to the weak overseas market and decrease in raw material prices.

Sales of steel castings and forgings declined in comparison to the same period last year due to sluggish demand in the shipbuilding industry and a drop in sales prices. Sales of titanium products also declined due to a decrease in overseas demand.

As a result, consolidated segment sales in the nine months to December 31, 2012 decreased 12.4 percent in comparison to the same period last year to 562.5 billion yen. Ordinary income went down 40.7 billion yen in comparison to an ordinary loss of 37.0 billion yen.

### **Welding Business**

The sales volume of welding materials was at the same level, in comparison to the same period last year. Although demand was strong in Southeast Asia, demand from Japan's shipbuilding industry decreased. Sales of welding robot systems went down in comparison to the same period last year due to a slowing of China's economic expansion.

As a result, consolidated segment sales in the nine months to December 31, 2012 decreased 2.0 percent in comparison to the same period last year to 61.6 billion yen. Ordinary income decreased 1.4 billion yen in comparison to the same period last year to 1.0 billion yen.

### **Aluminum & Copper Business**

The sales volume of aluminum rolled products in the nine months to December 31, 2012 decreased in comparison to the same period last year. Although demand was strong in the domestic automotive industry until the second quarter, demand continued to be sluggish in IT-related sectors. Sales of aluminum castings and forgings also declined in comparison to the same period last year due to continued sluggish demand for LCD and semiconductor manufacturing equipment.

The sales volume of copper rolled products declined in comparison to the same period last year. Demand was weak for copper sheet and strip used in semiconductor applications, as well as for copper tube due to low demand for air conditioners in Europe.

In addition to these conditions, decreases in ingot prices were reflected in lower sales prices for products. As a result, consolidated segment sales in the nine months to December 31, 2012 decreased 11.4 percent in comparison to the same period last year to 199.0 billion yen. Ordinary income went down 4.7 billion yen in comparison to the same period last year to 3.2 billion yen, due to a worsening in inventory valuation and other factors.

### **Machinery Business**

Competition from overseas manufacturers heated up on the back of the high yen, leading to a worsening in the business environment. As a result, consolidated orders in the nine months to December 31, 2012 decreased 14.8 percent to 83.9 billion yen. The backlog of orders at the end of the third quarter stood at 172.3 billion yen.

Consolidated segment sales in the nine months to December 31, 2012 were at the same level in comparison to the same period last year at 114.7 billion yen. Ordinary income decreased 0.8 billion in comparison to the same period last year to 7.9 billion yen.

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

Consolidated orders in the nine months to December 31, 2012 declined 4.7 percent in comparison to the same period last year, which saw higher orders due to orders for associated equipment for a direct reduction plant in the Middle East. The backlog of orders at the end of the third quarter amounted to 67.5 billion yen.

Consolidated segment sales in the nine months to December 31, 2012 declined 37.3 percent in comparison to the same period last year to 22.5 billion yen. Ordinary income declined 4.5 billion yen in comparison to the same period last year to an ordinary loss of 1.0 billion yen.

### **Kobelco Eco-Solutions**

Consolidated orders in the nine months to December 31, 2012 declined 10.3 percent in comparison to the same period last year to 58.9 billion yen. Although orders for large-scale projects were received in the waste treatment business, demand went down in the water treatment business and the chemical and food equipment businesses. The backlog of orders at the end of the third quarter was 54.4 billion yen.

Consolidated segment sales in the nine months to December 31, 2012 decreased 3.0 percent in comparison to the same period last year to 47.1 billion yen due to lower sales from the public-sector water treatment business and the chemical and food equipment businesses. Ordinary income went down 2.5 billion yen in comparison to the same period last year to 0.7 billion yen due to a change in the types of projects undertaken, and lower profits from some projects until the second quarter.

### **Kobelco Construction Machinery**

Unit sales of hydraulic excavators in the nine months to December 31, 2012 decreased in comparison to the same period last year. Domestic demand was strong owing to reconstruction work from the Great East Japan Earthquake and demand increased in Southeast Asia. However, unit sales fell considerably in China, a major market. Although the Chinese government implemented economic stimulus measures, demand did not recover.

As a result, segment sales in the nine months to December 31, 2012 decreased 14.1 percent in comparison to the same period last year to 207.5 billion yen. Ordinary income decreased 12.7 billion yen in comparison to the same period last year to 7.4 billion yen.

### **Kobelco Cranes**

Unit sales of cranes in the nine months to December 31, 2012 increased in comparison to the same period last year. In addition to higher domestic demand from reconstruction work after the Great East Japan Earthquake, overseas demand was on a recovery trend centered on North America and Southeast Asia.

However, due to changes in the types of cranes sold, consolidated segment sales in the nine months to December 31, 2012 decreased 5.4 percent in comparison to the same period last year to 32.7 billion yen. Ordinary income decreased 1.3 billion yen in comparison to the same period last year to an ordinary loss of 1.2 billion yen.

### **Other Businesses**

At Shinko Real Estate Co., Ltd., the number of property handovers went down, but the leasing business remained strong. At Kobelco Research Institute, Inc., demand on the whole was on a recovery trend, but demand from the electronics industry for experimental research was sluggish.

As a result, consolidated segment sales in the nine months to December 31, 2012 decreased 5.2 percent in comparison to the same period last year to 44.4 billion yen. Ordinary income decreased 0.2 billion yen in comparison to the same period last year to 3.7 billion yen.

## 2. Qualitative Information on Consolidated Earnings Forecast

In comparison to the previous forecast on October 30, 2012, consolidated net sales for fiscal 2012 are expected to decline due to lower sales volume of hydraulic excavators in China.

Ordinary income for fiscal 2012 is projected to remain unchanged from the previous forecast. Although the sales composition of steel products is anticipated to worsen, overall costs are expected to improve, primarily in the Machinery Business.

Net loss for fiscal 2012 is anticipated to be smaller than the previous forecast owing to a reversal in the loss on some of the write-downs of investments in securities.

### Dividends

Kobe Steel's fundamental policy is to provide continuous and stable dividends. Dividends are decided taking into account the company's financial condition, business performance, future capital needs and other factors from a comprehensive standpoint. On this basis, Kobe Steel reached a decision to forgo the interim dividend. Kobe Steel also reached a decision to forgo the year-end dividend.

## 3. Items Regarding Summary Information (Notes)

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

(Changes in accounting policies, which are difficult to distinguish from changes in accounting estimates)

Due to a revision of the Corporate Tax Law, from the first quarter of fiscal 2012, Kobe Steel and some of its domestic consolidated subsidiaries posted depreciation of tangible fixed assets acquired on or after April 1, 2012 in accordance with the depreciation method prescribed by the revised Corporate Tax Law.

As a result, in comparison to the previous accounting method, depreciation decreased 949 million yen, operating income increased 723 million yen, and ordinary loss and loss before income taxes decreased 723 million yen.

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## CONSOLIDATED FINANCIAL STATEMENTS

### (1) Consolidated Balance Sheets

(In millions of yen)

<b>Assets</b>	<b>FY2011</b> Ended Mar. 31, 2012	<b>FY2012 9 Months</b> Ended Dec. 31, 2012
<b>Current assets</b>		
Cash and time deposits	95,378	105,645
Notes and accounts receivable	313,074	281,490
Merchandise and finished goods	160,972	158,727
Work in progress	127,017	136,234
Raw materials and supplies	120,555	130,560
Other	126,826	141,627
Allowance for doubtful accounts	(430)	(1,864)
Total current assets	<u>943,394</u>	<u>952,420</u>
<b>Tangible fixed assets</b>		
Buildings and structures	283,792	285,672
Machinery and equipment	376,518	373,437
Land	205,299	203,290
Other	39,227	34,485
Total tangible fixed assets	<u>904,837</u>	<u>896,886</u>
<b>Intangible fixed assets</b>	20,494	19,599
<b>Investments and other assets</b>		
Investments in securities	179,671	184,538
Other	113,791	111,892
Allowance for doubtful accounts	(2,677)	(2,585)
Total investments and other assets	<u>290,785</u>	<u>293,846</u>
Total fixed assets, investments and other assets	<u>1,216,117</u>	<u>1,210,332</u>
<b>Total assets</b>	<u>2,159,512</u>	<u>2,162,752</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	447,316	381,705
Short-term borrowings	204,719	306,090
Commercial paper	---	10,000
Bonds due within one year	35,176	55,000
Income and enterprise taxes payable	7,204	3,107
Other reserves	38,385	23,628
Other	148,769	132,971
Total current liabilities	<u>881,571</u>	<u>912,503</u>
<b>Long-term liabilities</b>		
Bonds and notes	172,172	177,000
Long-term borrowings	394,579	384,697
Employees' severance and retirement benefits	52,587	53,242
Other reserves	2,216	2,050
Other	85,126	88,057
Total long-term liabilities	<u>706,682</u>	<u>705,048</u>
<b>Total liabilities</b>	<u>1,588,254</u>	<u>1,617,551</u>

<b>Net Assets</b>	<b>FY2011</b>	<b>FY2012 9 Months</b>
	<b>Ended Mar. 31, 2012</b>	<b>Ended Dec. 31, 2012</b>
<b>Stockholders' equity</b>		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	280,582	257,770
Treasury stock, at cost	(51,627)	(51,614)
Total stockholders' equity	<u>545,393</u>	<u>522,595</u>
<b>Accumulated other comprehensive income (loss)</b>		
Unrealized gains or losses on securities, net of taxes	13,020	13,988
Unrealized gains or losses on hedging derivatives, net of taxes	(1,013)	(985)
Land revaluation differences, net of taxes	(4,140)	(4,140)
Foreign currency translation adjustments	(37,579)	(37,065)
Total accumulated other comprehensive income (loss)	<u>(29,713)</u>	<u>(28,202)</u>
<b>Minority interests</b>	55,578	50,808
<b>Total net assets</b>	<u>571,258</u>	<u>545,201</u>
<b>Total liabilities and net assets</b>	<u>2,159,512</u>	<u>2,162,752</u>

## (2) Consolidated Statements of Income

(In millions of yen)

	<b>FY2011 9 Months</b> <b>Ended Dec. 31, 2011</b>	<b>FY2012 9 Months</b> <b>Ended Dec. 31, 2012</b>
<b>Net sales</b>	1,409,556	1,247,716
<b>Cost of sales</b>	1,216,278	1,118,902
<b>Gross profit</b>	193,277	128,814
<b>Selling, general and administrative expenses</b>	124,151	122,365
<b>Operating income</b>	69,125	6,449
<b>Non-operating income</b>		
Interest income	2,924	3,215
Dividend income	3,025	2,196
Seconded employees' salaries, net of reimbursement	4,435	4,381
Equity in income of unconsolidated subsidiaries and affiliates	4,555	2,149
Other	13,186	7,205
Total non-operating income	28,128	19,148
<b>Non-operating expenses</b>		
Interest expense	14,651	15,276
Seconded employees' salaries	11,508	10,520
Other	20,932	16,043
Total non-operating expenses	47,093	41,839
<b>Ordinary income (loss)</b>	50,160	(16,241)
<b>Extraordinary income</b>		
Gain on negative goodwill	---	1,922
Total extraordinary income	---	1,922
<b>Extraordinary loss</b>		
Loss on write-down of investments in securities	13,873	3,672
Impairment loss	---	1,000
Total extraordinary loss	13,873	4,673
<b>Income (Loss) before income taxes</b>	36,287	(18,992)
<b>Income taxes</b>		
Current	11,485	6,873
Deferred	1,088	(6,013)
Total income taxes	12,574	859
<b>Income (Loss) before minority interests</b>	23,712	(19,852)
<b>Minority interests in income of subsidiaries</b>	11,114	2,841
<b>Net income (loss)</b>	12,598	(22,693)



### (3) Consolidated Statements of Comprehensive Income

(In millions of yen)

	<u>FY2011 9 Months</u> <u>Ended Dec. 31, 2011</u>	<u>FY2012 9 Months</u> <u>Ended Dec. 31, 2012</u>
<b>Income (Loss) before minority interests</b>	23,712	(19,851)
<b>Other comprehensive income (loss)</b>		
Unrealized gains or losses on securities, net of taxes	(8,910)	981
Unrealized gains or losses on hedging derivatives, net of taxes	(2,544)	108
Land revaluation differences, net of taxes	651	---
Foreign currency translation adjustments	(7,017)	1,428
Share of other comprehensive income (loss) related to affiliates	148	(476)
Total other comprehensive income (loss)	<u>(17,672)</u>	<u>2,041</u>
<b>Comprehensive income (loss)</b>	<u>6,040</u>	<u>(17,810)</u>
Breakdown of total comprehensive income (loss) attributed to:		
Equity holders of the parent	(2,865)	(21,182)
Minority interests	8,905	3,372

#### (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 First Nine Months of Fiscal 2012

(April 1 – December 31, 2012)

### Consolidated Operating Results for First Nine Months of Fiscal 2012 (In billions of yen)

	FY2011 9 Months Ended Dec. 31, 2011	FY2012 9 Months Ended Dec. 31, 2012	% change
Net sales	1,409.5	1,247.7	(11.5%)
Operating income	69.1	6.4	(90.7%)
Ordinary income (loss)	50.1	(16.2)	---
Extraordinary Income (loss)	(13.8)	*(2.7)	---
Net income (loss)	12.5	(22.6)	---

\* Gain on negative goodwill 1.9 billions of yen  
 Loss on write-down of investments in securities 3.6 billions of yen  
 Impairment loss 1.0 billions of yen

### FY2012 Consolidated Forecast (In billions of yen)

	FY2011	FY2012 Forecast	FY2012 Previous Forecast (Oct. 30, 2012)
Net sales	1,864.6	1,690.0	1,710.0
Operating income	60.5	10.0	15.0
Ordinary income (loss)	33.7	(25.0)	(25.0)
Extraordinary income (loss)	(6.0)	*(3.0)	(28.0)
Net income (loss)	(14.2)	(30.0)	(60.0)

\* Gain on negative goodwill 1.9 billions of yen  
 Loss on write-down of investments in securities 3.9 billions of yen  
 Impairment loss 1.0 billions of yen

Year-end Dividend for fiscal 2012 : None

### (1) Consolidated Sales & Ordinary Income by Segment (In billions of yen)

		FY2011		FY2012	
		9 Months Ended Dec. 31, 2011	Full Year	9 Months Ended Dec. 31, 2012	Full Year Forecast
Iron & Steel	Sales	642.3	854.2	562.5	740.0
	Ordinary income (loss)	3.6	(14.6)	(37.0)	(49.0)
Welding	Sales	62.9	84.4	61.6	81.0
	Ordinary income	2.5	3.1	1.0	1.5
Aluminum & Copper	Sales	224.7	289.9	199.0	260.0
	Ordinary income	7.9	6.0	3.2	2.0
Machinery	Sales	112.9	152.8	114.7	166.0
	Ordinary income	8.8	9.8	7.9	10.0
Natural Resources & Engineering	Sales	43.2	55.8	27.1	47.0
	Ordinary income (loss)	3.4	0.3	(1.0)	(1.5)
Kobelco Eco-Solutions	Sales	48.6	71.1	47.1	73.5
	Ordinary income	3.3	4.2	0.7	4.0
Kobelco Construction Machinery	Sales	241.7	307.1	207.5	265.0
	Ordinary income	20.2	22.8	7.4	5.0
Kobelco Cranes	Sales	34.6	48.0	32.7	46.0
	Ordinary income (loss)	0.0	0.1	(1.2)	(3.0)
Other Businesses	Sales	46.8	69.1	44.4	73.0
	Ordinary income	4.0	7.2	3.7	7.0
Adjustment	Sales	(48.6)	(68.1)	(49.3)	(61.5)
	Ordinary income (loss)	(3.9)	(5.4)	(0.9)	(1.0)
Total	Sales	1,409.5	1,864.6	1,247.7	1,690.0
	Ordinary income (loss)	50.1	33.7	(16.2)	(25.0)

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

### Production and Sales Volume (in millions of metric tons)

	FY2011		FY2012	
	9 Months Ended Dec. 31, 2011	Full Year	9 Months Ended Dec. 31, 2012	Full Year Forecast
Crude steel	5.40	7.16	5.26	Approx. 7.00
Sales volume	4.54	6.01	4.36	Approx. 5.80
Export ratio (value basis)	27.1%	26.2%	26.6%	27%

### Sales Prices of Steel Products (In yen per metric ton)

	FY2011		FY2012	
	9 Months Ended Dec. 31, 2011	Full Year	9 Months Ended Dec. 31, 2012	Full Year Forecast
Domestic & Export average	90,100	88,600	78,900	Approx. 77,000

## (3) Factors Affecting Ordinary Income (Consolidated, in billions of yen)

### Comparison of FY2012 9 Months and FY2011 9 Months

	FY2011 9 Months Ended Dec. 31, 2011	FY2012 9 Months Ended Dec. 31, 2012	Amount of Decrease
Ordinary income (loss)	50.1	(16.2)	(66.4)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	42.0	Production & shipments	(69.0)
Overall cost reductions	22.0	Effect of steel inventory valuation*	(30.5)
		Effect of aluminum & copper inventory valuation*	(4.0)
		Consolidated subsidiaries & equity-valued affiliates	(20.5)
		Other	(6.4)
Total	64.0	Total	(130.4)

\* Effect of inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

### Comparison of FY2012 Forecast and FY2011 Result

	FY2011	FY2012 Forecast	Amount of Decrease
Ordinary income (loss)	33.7	(25.0)	(58.7)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	62.0	Production & shipments	(93.5)
Overall cost reductions	30.5	Effect of steel inventory valuation*	(15.5)
		Effect of aluminum & copper inventory valuation*	(4.0)
		Consolidated subsidiaries & equity-valued affiliates	(25.5)
		Other	(12.7)
Total	92.5	Total	(151.2)

\* Effect of inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

### Comparison of Current Forecast and Previous Forecast for FY2012

	Previous Forecast	Current Forecast	Amount of Increase
Ordinary income (loss)	(25.0)	(25.0)	---

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	1.0	Production & shipments	(6.0)
Overall cost reductions	1.0	Consolidated subsidiaries & equity-valued affiliates	(3.5)
Effect of steel inventory valuation*	2.5	Effects of changes in foreign exchange rates	(3.0)
Effect of aluminum & copper inventory valuation*	0.5		
Other	7.5		
<b>Total</b>	<b>12.5</b>	<b>Total</b>	<b>(12.5)</b>

\* Effect of inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

### (4) Extraordinary Income & Loss (Consolidated, in billions of yen)

	FY2012	
	9 Months Ended Dec. 31, 2012	Full Year Forecast
Gain on negative goodwill (Extraordinary income)	1.9	1.9
Loss on write-down of investments in securities (Extraordinary loss)	(3.6)	(3.9)
Impairment loss (Extraordinary loss)	(1.0)	(1.0)
<b>Total</b>	<b>(2.7)</b>	<b>(3.0)</b>

### (5) Cash Flow & Outside Debt (Consolidated, in billions of yen)

#### Cash Flow

	FY2011	FY2012 Forecast
Free cash flow	(59.0)	(110.0)

(Excludes cash flow from IPP project financing)

#### Outside Debt (as of the end of each period)

	FY2011	FY2012 Forecast
Outside debt*	746.4	840.0
D/E ratio (times) **	1.4	1.7

\* Excludes debt from IPP project financing.

\*\* D/E ratio: Debt (excluding IPP project financing)/stockholders' equity

### (6) Capital Investment (Consolidated, in billions of yen)

	FY2011	FY2012 Forecast
Capital investment (accrual basis)	96.0	120.0
Depreciation	118.0	110.0

## FOR REFERENCE

### Quarterly Information by Segment (Consolidated, in billions of yen)

		FY2011							FY2012 Forecast						
		1st Half			2nd Half			Total	1st Half			2nd Half			Total
		1Q	2Q	subtotal	3Q	4Q	subtotal		1Q	2Q	subtotal	3Q	4Q	subtotal	
Iron & Steel	Sales	195.6	224.4	420.1	222.2	211.8	434.1	854.2	192.2	191.3	383.6	178.9	177.5	356.4	740.0
	Ordinary income (loss)	3.3	0.1	3.5	0.1	(18.3)	(18.1)	(14.6)	(18.9)	(5.0)	(24.0)	(13.0)	(12.0)	(25.0)	(49.0)
Welding	Sales	21.6	20.5	42.2	20.6	21.5	42.1	84.4	21.3	20.6	42.0	19.5	19.5	39.0	81.0
	Ordinary income (loss)	1.3	0.8	2.1	0.3	0.5	0.9	3.1	0.5	0.5	1.0	(0.0)	0.5	0.5	1.5
Aluminum & Copper	Sales	79.3	76.0	155.3	69.3	65.1	134.5	289.9	71.9	65.7	137.6	61.3	61.1	122.4	260.0
	Ordinary income (loss)	5.3	1.6	7.0	0.9	(1.8)	(0.9)	6.0	1.7	(0.4)	1.3	1.8	(1.1)	0.7	2.0
Machinery	Sales	41.1	38.9	80.1	32.7	39.9	72.6	152.8	39.7	41.1	80.8	33.8	51.4	85.2	166.0
	Ordinary income	3.3	2.3	5.6	3.2	1.0	4.2	9.8	2.4	1.9	4.4	3.5	2.1	5.6	10.0
Natural Resources & Engineering	Sales	12.4	17.8	30.2	12.9	12.6	25.5	55.8	7.1	10.7	17.9	9.2	19.9	29.1	47.0
	Ordinary income (loss)	(0.6)	1.2	0.6	2.8	(3.1)	(0.2)	0.3	(0.5)	(0.2)	(0.8)	(0.2)	(0.5)	(0.7)	(1.5)
Kobelco Eco-Solutions	Sales	12.4	17.4	29.8	18.8	22.5	41.3	71.1	13.6	15.5	29.1	17.9	26.5	44.4	73.5
	Ordinary income (loss)	0.4	1.0	1.4	1.8	0.8	2.7	4.2	(0.1)	0.4	0.3	0.4	3.3	3.7	4.0
Kobelco Construction Machinery	Sales	97.7	82.4	180.1	61.6	65.3	126.9	307.1	80.1	70.2	150.3	57.2	57.5	114.7	265.0
	Ordinary income (loss)	11.1	7.4	18.5	1.6	2.6	4.3	22.8	3.9	1.7	5.6	1.8	(2.4)	(0.6)	5.0
Kobelco Cranes	Sales	11.8	11.1	22.9	11.6	13.4	25.0	48.0	9.5	12.5	22.1	10.5	13.4	23.9	46.0
	Ordinary income (loss)	(0.4)	0.5	0.1	(0.0)	0.1	0.0	0.1	(0.4)	(0.4)	(0.8)	(0.3)	(1.9)	(2.2)	(3.0)
Other Businesses	Sales	14.7	16.4	31.1	15.7	22.2	38.0	69.1	13.9	14.6	28.5	15.9	28.6	44.5	73.0
	Ordinary Income	1.2	1.4	2.6	1.3	3.1	4.5	7.2	1.0	1.1	2.1	1.5	3.4	4.9	7.0
Adjustment	Sales	(15.5)	(16.6)	(32.2)	(16.3)	(19.4)	(35.8)	(68.1)	(15.6)	(18.1)	(33.8)	(15.5)	(12.2)	(27.7)	(61.5)
	Ordinary income (loss)	(1.1)	(2.0)	(3.1)	(0.7)	(1.5)	(2.2)	(5.4)	(0.0)	(0.2)	(0.2)	(0.7)	(0.1)	(0.8)	(1.0)
Total	Sales	471.4	488.6	960.0	449.4	455.1	904.6	1,864.6	434.1	424.4	858.5	389.1	442.4	831.5	1,690.0
	Ordinary income (loss)	23.9	14.5	38.5	11.6	(16.3)	(4.7)	33.7	(10.4)	(0.5)	(11.0)	(5.2)	(8.8)	(14.0)	(25.0)
Net income (loss)		9.8	7.5	17.3	(4.7)	(26.8)	(31.6)	(14.2)	(32.2)	(5.9)	(38.1)	15.5	(7.4)	8.1	(30.0)

## Quarterly Production and Sales of Steel Products (Nonconsolidated)

### Production & Sales Volume (In millions of metric tons)

FY2011	1st Half			2nd Half			Full Year
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	1.75	1.88	3.63	1.77	1.76	3.53	7.16
Sales volume	1.44	1.54	2.98	1.56	1.47	3.03	6.01
Export ratio (value basis)	31.9%	26.9%	29.2%	23.3%	23.4%	23.3%	26.2%

FY2012	1st Half			2nd Half			Full Year Forecast
	1Q	2Q	Subtotal	3Q	4Q Forecast	Subtotal	
Crude steel	1.66	1.86	3.52	1.73	Approx. 1.70	Approx. 3.50	Approx. 7.00
Sales volume	1.43	1.46	2.89	1.47	Approx. 1.45	Approx. 2.90	Approx. 5.80
Export ratio (value basis)	26.6%	25.5%	26.1%	27.8%	27%	28%	27%

### Sales Prices of Steel Products (In yen per metric ton)

FY2011	1st Half			2nd Half			Full Year
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & export ave.	85,200	91,800	88,600	92,900	84,000	88,600	88,600

FY2012	1st Half			2nd Half			Full Year Forecast
	1Q	2Q	Subtotal	3Q	4Q Forecast	Subtotal	
Domestic & export ave.	83,400	78,900	81,100	74,500	Approx. 70,000	Approx. 73,000	Approx. 77,000

**Note:**

The 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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