

Kobe Steel's Consolidated Financial Results for Fiscal 2012

(April 1, 2012 – March 31, 2013)

TOKYO, April 26, 2013 – Kobe Steel, Ltd. announced today its financial results for fiscal 2012, ended March 31, 2013.

Consolidated financial summary (In millions of yen)

	FY2012	% change	FY2011	% change
Net sales	1,685,529	(9.6%)	1,864,691	0.3%
Operating income	11,234	(81.4%)	60,555	(51.4%)
Ordinary income (loss) *	(18,146)	---	33,780	(62.1%)
Net loss	(26,976)	---	(14,248)	---
Net loss per share	(8.98 yen)		(4.74 yen)	

Note: * Also known as pretax recurring profit

Segment sales (In millions of yen)

	FY2012	FY2011
Iron & Steel	742,841	854,236
Welding	82,216	84,416
Aluminum & Copper	262,201	289,927
Machinery	167,117	152,813
Natural Resources & Engineering	46,493	55,872
Kobelco Eco-Solutions	72,656	71,196
Kobelco Construction Machinery	267,821	307,159
Kobelco Cranes	45,501	48,005
Other Businesses	73,236	69,185
Adjustment	(74,556)	(68,121)
Total	1,685,529	1,864,691

1. Analysis of Operating Results

Fiscal 2012 Consolidated Operating Results

Japan's economy in the first half of fiscal 2012 (April 1, 2012-September 30, 2012) was slowly following a recovery trend on the back of rising demand for reconstruction work from the Great East Japan Earthquake. However, in the second half of the fiscal year, although the yen became weaker, the economy remained sluggish due to the ending of eco-friendly car subsidies and other factors. Overseas markets saw a gradually recovering economy in the United States, but continuation of the financial turmoil in Europe and growing sluggishness in China's economic growth.

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

As a result, Kobe Steel's consolidated net sales in fiscal 2012 decreased 179.1 billion yen in comparison to the previous year to 1,685.5 billion yen, largely affected by the low sales volume of steel products, the

decrease in sales prices, and low unit sales of hydraulic excavators. Operating income went down 49.3 billion yen in comparison to the previous year to 11.2 billion yen due to a loss on inventory valuation for steel, aluminum and copper rolled products. Ordinary income, also known as pretax recurring profit, decreased 51.9 billion yen in comparison to the previous year to an ordinary loss of 18.1 billion yen. Net income went down 12.7 billion yen in comparison to the previous year to a net loss of 26.9 billion yen despite an increase in deferred tax assets.

Conditions in the business segments for fiscal 2012 were as follows.

Iron & Steel Business

The sales volume of steel products in fiscal 2012 decreased in comparison to the previous year. Although demand was strong in the domestic automotive industry until the second quarter, demand from the shipbuilding industry was sluggish throughout the year. The export environment worsened due to the weak overseas market and high yen. Sales prices declined in comparison to the previous year as demand for steel products did not improve in the significantly relaxed Asian region and raw material prices declined.

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

As a result, consolidated segment sales in fiscal 2012 decreased 13.0 percent in comparison to the previous year to 742.8 billion yen. Ordinary income went down 35.5 billion yen in comparison to the previous year to an ordinary loss of 50.2 billion yen.

Welding Business

The sales volume of welding materials in fiscal 2012 was at the same level as last year. Although demand was strong in Southeast Asia and North America, demand from Japan's shipbuilding industry decreased. Sales of welding robot systems went down in comparison to the previous year due to lower demand from Japan and China's construction machinery sector.

As a result, consolidated segment sales in fiscal 2012 decreased 2.6 percent in comparison to the previous year to 82.2 billion yen. Ordinary income decreased 0.9 billion yen in comparison to the previous year to 2.1 billion yen.

Aluminum & Copper Business

The sales volume of aluminum rolled products in fiscal 2012 decreased in comparison to the previous year. Demand was strong in the domestic automotive industry until the second quarter, but decelerated from the third quarter. Demand continued to be sluggish in IT-related sectors. Sales of aluminum castings and forgings also declined in comparison to the previous year due to low demand for LCD and semiconductor manufacturing equipment.

The sales volume of copper rolled products declined in comparison to the previous year. Although copper tube showed recovery from the flooding in Thailand, demand was weak for copper sheet and strip used in semiconductor applications.

In addition to these conditions, decreases in ingot prices were reflected in lower sales prices for products. As a result, consolidated segment sales in fiscal 2012 decreased 9.6 percent in comparison to the previous year to 262.2 billion yen. Ordinary income went down 2.1 billion yen in comparison to the previous year to 3.9 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 fiscal 2012 decreased 24.5 percent to 109.5 billion yen. The backlog of orders at the end of fiscal 2012 stood at 116.6 billion yen.

However, consolidated segment sales in fiscal 2012 increased 9.4 percent in comparison to the previous year to 167.1 billion yen owing to the posting of sales from large domestic and overseas orders for plastic processing machinery and other products. Ordinary income increased 2.1 billion in comparison to the previous year to 12.0 billion yen.

Natural Resources & Engineering Business

Consolidated orders in fiscal 2012 increased 14.7 percent in comparison to previous year to 33.5 billion yen,

due to the rise in recovery demand for waste treatment from the Fukushima Daiichi Nuclear Power Station. The backlog of orders at the end of fiscal 2012 amounted to 63.7 billion yen.

However, consolidated segment sales in fiscal 2012 declined 16.8% percent in comparison to previous year to 46.4 billion yen, due to the posting of sales in the previous year for a direct reduction plant. Ordinary income declined 1.6 billion yen in comparison to the previous year to an ordinary loss of 1.3 billion yen.

Kobelco Eco-Solutions

Consolidated orders in fiscal 2012 declined 6.7 percent in comparison to the previous year to 73.5 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 fiscal 2012 was 43.5 billion yen.

Consolidated segment sales in fiscal 2012 increased 2.1 percent in comparison to previous year to 72.6 billion yen owing to progress in construction work of previous orders. However, ordinary income went down 0.3 billion yen in comparison to previous year to 3.9 billion yen due to a change in the types of projects undertaken.

Kobelco Construction Machinery

Unit sales of hydraulic excavators in fiscal 2012 decreased in comparison to the previous 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. Although the Chinese government implemented economic stimulus measures, amid slow economic growth, demand did not recover.

As a result, segment sales in fiscal 2012 decreased 12.8 percent in comparison to the previous year to 267.8 billion yen. Ordinary income decreased 16.0 billion yen in comparison to the previous year to 6.8 billion yen.

Kobelco Cranes

Unit sales of crawler cranes in fiscal 2012 increased in comparison to the previous year. In addition to higher domestic demand from reconstruction work after the Great East Japan Earthquake, overseas demand was on a recovery trend centered in North America and Southeast Asia.

However, due to changes in the types of cranes sold, consolidated segment sales in fiscal 2012 decreased 5.2 percent in comparison to the previous year to 45.5 billion yen. Ordinary income decreased 2.4 billion yen in comparison to previous year to an ordinary loss of 2.2 billion yen.

Other Businesses

At Kobelco Research Institute, Inc., demand on the whole was on a recovery trend for the testing and research businesses, target material for LCDs, and other segments. However, demand was sluggish in the testing and research business for the electronics sector. At Shinko Real Estate Co., Ltd., the number of property handovers increased and the leasing business remained strong.

As a result, consolidated segment sales in fiscal 2012 increased 5.9 percent in comparison to the previous year to 73.2 billion yen. Ordinary income increased 0.3 billion yen in comparison to the previous year to 7.5 billion yen.

Forecast for Fiscal 2013

The world economy in fiscal 2013, ending March 31, 2014, is unclear. Although the domestic and overseas economies are anticipated to continue to gradually recover, Europe will continue to be plagued by financial problems. The external environment surrounding the Kobe Steel Group is not anticipated to quickly improve despite the lower yen and other signs of progress.

Amid this background, although it is difficult to see a sharp recovery in demand for steel, aluminum and copper rolled products, some increase is anticipated. A certain degree of undetermined factors including steel raw material prices and some steel products prices can be projected. As a result, consolidated net sales for the Kobe Steel Group are anticipated to reach 1,790.0 billion yen. Ordinary income is forecast to be approximately 45.0 billion yen and net income is forecast to be 35.0 billion yen, owing to an improvement in inventory valuation and a change in the method of depreciation.

Anticipated conditions in the business segments are as follows:

Iron & Steel Business

Demand for steel products in the shipbuilding industry is anticipated to remain sluggish. However, steel demand from the automotive industry in North America is projected to be strong, and demand in China is expected to recovery. As a result, steel demand is anticipated to remain steady. Although the oversupply of steel in the Asia region is not anticipated to be resolved, the export environment is expected to show some improvement due to the weaker yen. Owing to expanded overseas sales, shipments of steel products are anticipated to increase in fiscal 2013. Gaining the understanding of its customers, Kobe Steel will continue to negotiate for higher prices of its steel products to improve the margin between sales prices and raw material costs.

Sales of steel forgings and castings are anticipated to decrease in fiscal 2013 due to sluggish demand from the shipbuilding industry, accompanied by lower sales prices. Sales of titanium products are anticipated to decrease slightly due to continued weak demand.

Due to these factors, segment sales in fiscal 2013 are expected to be similar to fiscal 2012.

Welding Business

Demand for welding products is anticipated to be strong in Southeast Asia. However, demand from the shipbuilding industry in Japan and South Korea will decrease further. It is also difficult to see demand in China drastically improving. As a result, the sales volume of welding products in fiscal 2013 is anticipated to remain similar to fiscal 2012. Demand for welding robot systems is anticipated to continue being weak in Japan and in China's construction machinery sector. As a result, segment sales in fiscal 2013 are anticipated to be lower than in fiscal 2012 sales.

Aluminum & Copper Business

Demand for aluminum rolled products is anticipated to see a recovery in competitiveness among domestic customers and an increase in exports owing to the lower yen. As a result, sales volume in fiscal 2013 is anticipated to increase. Demand for copper rolled products is also anticipated to benefit from the same economic conditions as aluminum rolled products, leading to higher sales volume in fiscal 2013.

Owing to these factors, segment sales in fiscal 2013 are anticipated to increase in comparison to fiscal 2012 sales.

Machinery Business

Demand for compressors used mainly overseas in the oil refining and petrochemical sectors is anticipated to continue being strong. Demand for tire and rubber machinery is expected to recover. As a result, Machinery segment orders in fiscal 2013 are expected to be higher than in fiscal 2012.

Segment sales in fiscal 2013 are anticipated to be higher than in fiscal 2012.

Natural Resources & Engineering Business (Currently the Engineering Business)

In the ironmaking plant field, capital investments are anticipated to recovery owing to high demand for steel products in developing countries. Shale gas development is growing in the United States. As such, demand for direct reduction plants that use natural gas and noncoking coal as reductants, which are on the menu of the Kobe Steel Group, is anticipated to be high. In the nuclear power field, recovery demand for waste treatment from the Fukushima Daiichi Nuclear Power Station is expected to continue. As a result, segment orders are anticipated to be higher in fiscal 2013 than in fiscal 2012.

Segment sales in fiscal 2013 are anticipated to be higher than in fiscal 2012.

Kobelco Eco-Solutions

Domestic private-sector capital investments in the water treatment business and the chemical and food equipment business face continued uncertainty, although there is hope for economic recovery. Domestic public works projects are anticipated to continue being weak, although there are signs of an upswing in some areas. As a result, segment sales in fiscal 2013 are anticipated to be lower than in fiscal 2012.

Kobelco Construction Machinery

Demand in China is anticipated to gradually recover in the second half of fiscal 2013, but domestic demand is forecast to be strong on the back of recovery efforts after the Great East Japan Earthquake and stricter exhaust gas regulations. Following the dissolution of its global alliance with CNH Global N.V., Kobelco has

reentered the U.S. market and anticipates demand for construction equipment increasing from shale gas development. Unit sales of excavators are anticipated to increase in fiscal 2013 in comparison to fiscal 2012. Segment sales in fiscal 2013 are anticipated to increase in comparison to fiscal 2012.

Kobelco Cranes

Unit sales of cranes are anticipated to increase in fiscal 2013, compared with fiscal 2012. Higher recovery demand in Japan is anticipated following the Great East Japan Earthquake. In overseas markets, demand on the whole is anticipated to continue recovering. Segment sales in fiscal 2013 are anticipated to increase in comparison to fiscal 2012.

Other Businesses

At Kobelco Research Institute, Inc., demand is anticipated to be flat in the testing and research businesses and for target materials for LCDs. At Shinko Real Estate Co., Ltd., the leasing business is expected to be strong, but the number of property handovers in the real estate business is anticipated to decrease.

Due to these factors, segment sales in fiscal 2013 are anticipated to decrease in comparison to fiscal 2012.

2. Analysis of Financial Condition

While inventories decreased, cash and time deposits and investments in securities increased. As a result, total assets at the end of fiscal 2012 increased 67.4 billion yen compared with end of fiscal 2011 to 2,226.9 billion yen. Net assets at the end of fiscal 2012 decreased 1.3 billion yen compared with the end of fiscal 2011 to 569.9 billion yen. Although foreign currency translation adjustments increased, retained earnings decreased. As a result, the net worth ratio at the end of fiscal 2012 was 23.0%, a decrease of 0.9 points compared with the end of fiscal 2011.

As for cash flows, net cash provided by operating activities came to 45.4 billion yen after posting loss before income taxes of 25.2 billion yen and depreciation of 106.7 billion yen. Net cash used in investing activities amounted to 123.5 billion yen due to the purchase of fixed assets and other items. Net cash used in financing activities was 127.6 billion yen mainly due to proceeds from borrowings.

At the end of fiscal 2012, outside debt, which includes IPP project financing, increased 149.0 billion yen, compared with the end of fiscal 2011, to 959.1 billion yen.

Consolidated cash flow Indicators

	FY2008	FY2009	FY2010	FY2011	FY2012
Net worth ratio	20.9%	23.0%	24.6%	23.9%	23.0%
Stockholders' equity ratio at market price	17.1%	27.8%	30.2%	19.3%	15.2%
Ratio of cash flow to interest-bearing debt (years)	7.9	5.4	4.8	20.5	21.1
Interest coverage ratio (times)	6.3	8.1	8.6	2.0	2.3

Notes:

* Net worth ratio = Stockholders' equity/total assets

* Stockholders' equity ratio at market price = Market capitalization/total assets

(Market capitalization is calculated by multiplying the share price at term-end by the number of outstanding shares at term-end.)

* Ratio of cash flow to interest-bearing debt = outside debt/operating cash flows

* Interest coverage ratio = Operating cash flows/interest payments

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3. Management Policy

(1) Basic Management Policy

The Kobe Steel Group aims to continuously improve its corporate value by striving to fulfill its social responsibilities to its various stakeholders, including shareholders, investors, customers, business partners, employees and local communities, based on the following corporate philosophy:

Kobe Steel Group Corporate Philosophy

1. We provide reliable and advanced technologies, products and services that satisfy customers.
2. We support each employee in developing his or her abilities, while respecting mutual cooperation within the Kobe Steel Group.
3. Through continuous efforts for innovative change, we aim to enhance our corporate values.

(2) Medium- to Long-Term Business Vision and Issues Facing the Company

Issues Facing the Kobe Steel Group

In April 2010, the Kobe Steel Group launched its medium- to long-term business vision KOBELCO VISION “G” to create new value and further grow in the global market. The Group has been working to achieve this vision.

Since that time, various changes in the external environment surrounding the Kobe Steel Group have been taking place including large-scale natural disasters in Japan; changes in overseas economies; drastic fluctuations in exchange rates; and other factors. Although some conditions in the external environment have become favorable, such as a weaker yen, the outlook continues to be unclear. At the Kobe Steel Group, profitability has seriously declined, especially for steel products, due to the sluggish overseas market caused by oversupply as steelmakers in China and Korea increase steel production capacity, and also due to lower cost competitiveness in the market.

For Kobe Steel to achieve its medium- to long-term business vision under these conditions, it is necessary to improve profits and financial performance. Kobe Steel must also go on the offense and defense in conducting its business, so that it can further grow in the future.

An urgent issue of priority is improving profits and financial performance. In October 2012, Kobe Steel established the Structural Improvement Committee, which is carrying out various measures. As a short-term measure to improve profits, Kobe Steel reduced the monthly salaries of its directors, officers and managers. Other operating expenses were reduced. As for medium-term measures, fixed costs and procurement costs were reduced. Through these measures, Kobe Steel intends to quickly and steadily build a stable profit base. Reducing inventories, reviewing investment projects, and making careful choices are anticipated to improve cash flows and improve the financial performance of the company.

While proceeding to strengthen its business base, Kobe Steel realizes that the Group will not grow unless it aggressively bolsters its business operations. The issues Kobe Steel faces are meeting demand in developing countries and other growth markets and meeting demand in the energy sector and other growth fields. Taking into account the conditions to improve profits and financial performance, the Kobe Steel Group will continue to make use of its diverseness as a tool to undertake various approaches to achieve future growth.

From this perspective, in fiscal 2012 Kobe Steel has begun considering plans to construct a gas-fired power plant in Moka, Tochigi Prefecture and supply electricity on a wholesale basis. Kobe Steel intends to implement various measures that will contribute to a stable profit base and future growth.

Major activities by business segment are as follows:

Iron & Steel Business

Kobe Steel anticipates that the harsh business environment will not change greatly in the future as domestic demand will decrease due to manufacturing industries moving overseas and as overcapacity continues in the Asian region. Rebuilding its steel business is of primary importance. Kobe Steel believes it is essential to meet demand by implementing drastic improvements in the cost structure and meeting customer demand for local

production overseas, centered on the automotive industry.

With regard to drastic improvements in the cost structure, Kobe Steel is proceeding with increasing the capacity of hot metal treatment at the Kakogawa Works and Kobe Works; increasing the heat treatment capacity for steel plate at the Kakogawa Works; and installing high-efficiency power generation equipment for in-house use. Profitability is expected to improve as the company benefits early on from these projects.

In overseas markets, Kobe Steel is working to meet the growing demand from the automotive sector. Some examples are:

- Supplying special steel wire rod in China (establishment of Kobelco Spring Wire (Foshan) Co., Ltd. to make high-quality spring wire)
- Technical alliance with voestalpine Krems to supply automotive cold-rolled high strength steel sheet
- Construction of a continuous annealing line at PRO-TEC Coating Company, a joint venture with United States Steel Corporation

Welding Business

The Welding Business anticipates that the domestic market will decline due to sluggish demand mainly from the shipbuilding industry and rising imports of welding materials. This severe business environment is anticipated to continue. In overseas markets, it is difficult to expect high demand growth in China. However, in Southeast Asia, marine structures and the energy sector are anticipated to generate strong demand.

Under these conditions, the Welding Business is undertaking a shift to an optimum production system that meets the size of demand to strengthen the competitiveness of its domestic operations. An important issue is to maintain stable profits from overseas markets. The Welding Business has three locations in China and four in Southeast Asia, with one company in China and another in Southeast Asia responsible for overseeing business activities in each respective region. In China, the Welding Business is building a new marketing network and strengthening its marketing activities. Through these measures, the Welding Business aims to become the world's most reliable welding solution enterprise.

Aluminum & Copper Business

Although domestic demand is expected to decline, world demand centered on Asia is expected to grow as the demand for aluminum rolled products increases to meet the growing need for lighter vehicles. However, the aluminum and copper sectors are anticipated to face tough competition as the industry restructures, both in Japan and overseas, and due to aggressive investments by other companies.

Under these conditions, the Aluminum & Copper Business must improve the competitiveness of its products by reducing costs and implementing other measures. In addition, it must expand its supply network in growing markets overseas. For aluminum forgings for automotive suspensions, the Aluminum & Copper Business has established supply networks in Japan, the United States and China. In the United States, it is increasing production capacity for aluminum forgings. For aluminum extrusions, it has formed a technical transfer agreement with Sweden's Sapa AB, the world's largest manufacturer of aluminum extruded products. The Aluminum & Copper Business is also looking into the possibility of establishing a manufacturing and sales company in China to supply aluminum sheet to Japanese, U.S. and European automobile manufacturers with production bases in that country.

Machinery Business

Demand for compressors, a major product of the Machinery Business, is anticipated to continue being strong in the oil refining and petrochemical sectors. Demand for tire and rubber machinery is forecast to gradually recover as automobile production increases.

Under these conditions, the issues facing the Machinery Business include aggressively building overseas manufacturing and supply networks for its products and business development in the energy sector, which is expected to further grow in the future. In the compressor business, the Machinery Business has increased the production capacity at U.S. location and has taken an equity share in a Chinese compressor manufacturer. For tire and rubber machinery, Kobe Steel's joint venture with Larsen & Toubro Limited is currently in operation. Kobe Steel is also promoting products that utilize the company's compressor technology to recycle surplus energy and products that make use of power-generation technology, such as SteamStar and the Microbinary power generation system. Looking at the future, the Machinery Business is actively expanding into growth markets and growth fields.

Natural Resources & Engineering Business (Currently the Engineering Business)

High demand for steel products in developing countries is anticipated to increase capital investments, and

shale gas development in the United States is expanding. In the ironmaking plant field, demand for ironmaking processes that use natural gas and noncoking coal as reductants is anticipated to increase. In the nuclear power field, demand for waste treatment from the Fukushima Daiichi Nuclear Power Station is expected to continue.

Under these conditions, the major issue is obtaining the largest volume of orders to meet rising demand. In the ironmaking plant field, to meet the needs of regions around the world, Kobe Steel is marketing the MIDREX Direct Reduction Process, which uses natural gas as the reductant. Other types of ironmaking technologies are the ITmk3 Process and FASTMET Process. The Engineering Business also offers iron ore pelletizing technology. In the nuclear power field, the Engineering Business is focusing on meeting the demand for nuclear spent fuel storage casks, transport casks and other related equipment and facilities. In collaboration with Group company Kobelco Eco-Solutions Co., Ltd., which is knowledgeable on waste treatment, Kobe Steel is developing its radioactive decontamination and waste treatment-related businesses.

Kobelco Eco-Solutions

Domestic public works investments for water treatment and waste treatment are recovering to some extent. However, demand is sluggish at the present time. There are also expectations that economic recovery will increase domestic private-sector capital investments, but the future outlook is unclear. In overseas markets, investments in social and industrial infrastructure are anticipated to have bottomed out.

Under these conditions, Kobelco Eco-Solutions believes it is necessary to enter and expand sales in overseas markets and strengthen its domestic business base. Overseas, the company is focusing on increasing orders for and sales of water treatment facilities in Vietnam. It has also begun construction of a plant to make glass-lined equipment. In Japan, Kobelco Eco-Solutions is expanding orders for after-sales services such as long-term commissioned work for water treatment plants and municipal waste treatment facilities. It is also strengthening its design-build-operate (DBO) offering.

Kobelco Construction Machinery

Although it is difficult to expect demand in China to quickly improve, domestic demand is anticipated to be firm owing to reconstruction after the Great East Japan Earthquake and stricter exhaust gas emission standards. Demand is also forecast to gradually recover in developing countries, mainly Indonesia. After Kobelco Construction Machinery and CNH Global N.V. dissolved their global alliance, the KOBELCO brand is once again reentering the U.S. market, where demand for construction equipment is anticipated to rise owing to shale gas development.

Under these conditions, the issues for Kobelco Construction Machinery are expanding sales in Japan and establishing business bases in North America and Europe. Centered on its Global Engineering Center and a new plant in Itsukaichi, Hiroshima Prefecture, Kobelco Construction Machinery is promoting its technical capabilities and “monozukuri-ryoku” (or manufacturing capabilities). On its own, Kobelco Construction Machinery is setting up sales and service networks in North America, Europe, South America and other regions. The company aims to build a strong KOBELCO brand around the world.

Kobelco Cranes

Domestic demand is anticipated to be firm due to reconstruction from the Great East Japan Earthquake. Overseas demand, too, is expected to continue being strong in North America and Southeast Asia. Demand in China and India is forecast to be on a gradual recovery trend.

Under these conditions, Kobelco Cranes intends to expand sales in Japan, North America, Southeast Asia and other regions of strong demand. At the same time, it intends to improve its performance by undertaking thorough cost reductions. Kobelco Cranes will strengthen the manufacturing capabilities of its Okubo Plant which serves as the “mother plant.” Kobelco Cranes also intends to make the plants it constructed in India and China profitable.

The Kobe Steel Group is currently drawing up the second phase of the medium- to long-term business vision KOBELCO VISION “G,” which will begin in fiscal 2013. Kobe Steel will make an announcement once the drafting of the plan is completed.

Medium- to Long-Term Business Vision

The Kobe Steel Group’s medium- to long-term business vision KOBELCO VISION “G” combines the knowledge and technologies cultivated from its various materials and machinery businesses. Kobe Steel’s

vision of the Group is to attain the following three aims in the coming five to ten years:

- Maintains a presence in the global market
- Has a stable profit structure and a strong financial foundation
- Prospers together with its shareholders, business partners, employees and society

Thoroughly implementing safety measures and compliance programs, the Kobe Steel Group is carrying out the five policies below as it develops its various businesses.

Basic Policies of KOBELCO VISION “G”

1. Thorough pursuit of high-end “Only One” products
2. Further improvement of manufacturing strengths
3. Expansion into growth markets
4. Harnessing the comprehensive capabilities of the Kobe Steel Group
5. Contributions to society

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April 26, 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: Hiroya Kawasaki
 General shareholders' meeting: June 26, 2013
 "Yukashoken hokokusho"
 (Annual Securities Report) issued: June 26, 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. FY2012 Consolidated financial results (April 1, 2012 – March 31, 2013)

(1) Consolidated operating results

(In millions of yen)	FY2011	% change	FY2012	% change
Net sales	1,864,691	0.3%	1,685,529	(9.6%)
Operating income	60,555	(51.4%)	11,234	(81.4%)
Ordinary income (loss)	33,780	(62.1%)	(18,146)	---
Net loss	(14,248)	---	(26,976)	---
Net loss per share	(4.74) yen		(8.98) yen	
Diluted net income per share	---		---	
Return on equity	(2.7%)		(5.2%)	
Ratio of ordinary income to total assets	1.5%		(0.8%)	
Ratio of operating income to net sales	3.2%		0.7%	

Comprehensive income in FY2012: 4,645 million yen FY2011: (12,208 million yen)

Equity in income of affiliates in FY2012: 1,437 million yen FY2011: 7,877 million yen

(2) Consolidated financial position

(In millions of yen)	FY2011	FY2012
Total assets	2,159,512	2,226,996
Net assets	571,258	569,922
Net worth ratio	23.9%	23.0%
Net assets per share	171.84 yen	170.63 yen

Shareholders' equity at the end of FY2012: 512,051 million yen FY2011: 515,679 million yen

(3) Consolidated cash flows

(In millions of yen)	FY2011	FY2012
Net cash provided by operating activities	39,486	45,401
Net cash used in investing activities	(85,267)	(123,513)
Net cash used in financing activities	(40,233)	127,644
Cash & cash equivalents at the end of year	101,900	162,037

2. Dividends

Date of Record	Dividend per share (yen)					Total dividend amount*	Dividend payout ratio	Dividend per net assets
	1Q	2Q	3Q	End	Year			
FY2011	---	1.00	---	0.00	1.00	3,005	---	0.6%
FY2012	---	0.00	---	0.00	0.00	---	---	---
FY2013 forecast	Undetermined						Undetermined	

* in millions of yen

3. Consolidated Forecast for fiscal 2013 (ending March 31, 2014)

(In millions of yen)	First half	Full year
Net sales	870,000	1,790,000
Operating income	30,000	75,000
Ordinary income	15,000	45,000
Net income	10,000	35,000
Net income per share	3.33 yen	11.66 yen

Notes

- (1) Changes in number of material subsidiaries in fiscal year
(Changes in specified subsidiaries due to changes in scope of consolidation): No
- (2) Changes in accounting policies, estimates and restatement on the preparation of consolidated financial statements
- Changes in accounting policies due to revised accounting standards: Yes
 - Other changes: No
 - Changes in accounting estimates: Yes
 - Restatement: No

(3) Number of issued shares

	FY2011	FY2012
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	114,135,266	114,187,811
Average number of shares	3,000,951,378	3,000,911,358

Explanation on the Appropriate Use of the Forecast and Other Special Items

The above forecast is based on currently available information as of today.
Actual results may differ considerably due to various changeable conditions in the future.
For preconditions on the forecast and other related factors, please refer to page 3 to 5.

The basis for dividend payments is continuous and stable distribution. Factors taken into overall consideration are the company's financial condition, business performance, future and other issues. As the outlook for many of these factors is unclear at this time, Kobe Steel is unable to make a dividend forecast. When it is able to make a forecast, Kobe Steel will promptly do so.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(In millions of yen)

ASSETS

	FY2011	FY2012
	Ended Mar. 31, 2012	Ended Mar. 31, 2013
Current Assets		
Cash and time deposits	95,378	114,103
Notes and accounts receivable	313,074	318,445
Lease receivables and investment assets	40,642	26,361
Merchandise and finished goods	160,972	161,431
Work in progress	127,017	109,902
Raw materials and supplies	120,555	129,184
Deferred tax assets	12,234	26,097
Other	73,950	108,667
Allowance for doubtful accounts	(430)	(2,276)
Total current assets	943,394	991,916
Tangible fixed assets		
Buildings and structures	283,792	290,571
Machinery and equipment	376,518	373,504
Tools, furniture and fixtures	10,046	10,959
Land	205,299	201,292
Construction in progress	29,181	31,506
Total tangible fixed assets	904,837	907,835
Intangible fixed assets		
Software	15,557	15,089
Other	4,936	5,095
Total intangible fixed assets	20,494	20,184
Investments and other assets		
Investments in securities	179,671	195,292
Long-term loans receivable	7,664	8,360
Deferred tax assets	16,258	17,403
Other	89,868	88,904
Allowance for doubtful accounts	(2,677)	(2,901)
Total investment and other assets	290,785	307,060
Total fixed assets, investments and other assets	1,216,117	1,235,080
Total assets	2,159,512	2,226,996

LIABILITIES

	FY2011	FY2012
	Ended Mar. 31, 2012	Ended Mar. 31, 2013
Current liabilities		
Notes and accounts payable	447,316	376,713
Short-term borrowings	204,719	377,087
Lease obligations	9,615	18,310
Bonds due within one year	35,176	20,000
Accounts payable - other	42,591	40,623
Income and enterprise taxes payable	7,204	4,704
Deferred tax liabilities	1,401	846
Provision for bonuses	17,696	15,362
Provision for product warranties	8,598	7,933
Provision for loss on construction contracts	12,089	8,507
Other	95,161	92,792
Total current liabilities	881,571	962,881
Long-term liabilities		
Bonds and notes	172,172	177,000
Long-term borrowings	394,579	385,039
Lease obligations	32,523	23,650
Deferred tax liabilities	11,979	19,682
Deferred tax liabilities on land revaluation	4,586	4,227
Employees' severance and retirement benefits	52,587	51,557
Provision for environmental measures	2,216	1,808
Other	36,038	31,226
Total long-term liabilities	706,682	694,192
Total liabilities	1,588,254	1,657,073
NET ASSETS		
Stockholders' equity		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	280,582	253,199
Treasury stock, at cost	(51,627)	(51,615)
Total stockholders' equity	545,393	518,022
Accumulated other comprehensive income (loss)		
Unrealized gains on securities, net of taxes	13,020	21,147
Unrealized gains or losses on hedging derivatives, net of taxes	(1,013)	(1,685)
Land revaluation differences, net of taxes	(4,140)	(3,346)
Foreign currency translation adjustments	(37,579)	(22,086)
Total other comprehensive income (loss)	(29,713)	(5,971)
Minority interests	55,578	57,871
Total net assets	571,258	569,922
Total liabilities and net assets	2,159,512	2,226,996

Consolidated Statements of Income

(In millions of yen)

	FY2011	FY2012
	Ended Mar. 31, 2012	Ended Mar. 31, 2013
Net sales	1,864,691	1,685,529
Cost of sales	1,635,862	1,510,511
Gross profit	228,828	175,017
Selling, general and administrative expenses	168,273	163,782
Operating income	60,555	11,234
Non-operating income		
Interest income	4,087	4,271
Dividend income	3,258	2,637
Secoded employees' salaries, net of reimbursement	5,633	5,656
Equity in income of unconsolidated subsidiaries and affiliates	7,877	1,437
Currency exchange gain	---	4,093
Other	19,153	13,655
Total non-operating income	40,010	31,752
Non-operating expenses		
Interest expense	19,776	20,119
Secoded employees' salaries	15,701	13,838
Other	31,306	27,175
Total non-operating expenses	66,785	61,133
Ordinary income (loss)	33,780	(18,146)
Extraordinary income		
Gain on negative goodwill	---	1,922
Total extraordinary income	---	1,922
Extraordinary loss		
Loss on write-down of investments in securities	6,022	6,650
Impairment loss	---	2,357
Total extraordinary loss	6,022	9,007
Income (Loss) before income taxes	27,758	(25,231)
Income taxes		
Current	16,671	9,898
Deferred	11,371	(11,949)
Total income taxes	28,042	(2,050)
Loss before minority interests	(284)	(23,180)
Minority interests in income of subsidiaries	13,963	3,795
Net loss	(14,248)	(26,976)

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2011 Ended Mar. 31, 2012	FY2012 Ended Mar. 31, 2013
Loss before minority interests	(284)	(23,180)
Other comprehensive income		
Unrealized gains or losses on securities, net of taxes	(6,866)	7,774
Unrealized gains or losses on hedging derivatives, net of taxes	(1,706)	(719)
Land revaluation differences, net of taxes	660	517
Foreign currency translation adjustments	(4,791)	18,864
Share of other comprehensive income (loss) related to affiliates	780	1,389
Total other comprehensive income (loss)	(11,923)	27,826
Comprehensive Income (loss)	(12,208)	4,645
Breakdown of total comprehensive income (loss) attributed to:		
Equity holders of the parent	(25,405)	(3,521)
Minority interests	13,197	8,167

Consolidated Statements of Changes in Net Assets

(In millions of yen)

	FY2011	FY2012
	Ended Mar. 31, 2012	Ended Mar. 31, 2013
Stockholders' equity		
Common stock		
Balance at the beginning of fiscal year	233,313	233,313
Amount of change		
Total changes	--	--
Balance at the end of fiscal year	233,313	233,313
Capital surplus		
Balance at the beginning of fiscal year	83,125	83,125
Amount of change		
Total changes	---	---
Balance at the end of fiscal year	83,125	83,125
Retained earnings		
Balance at the beginning of fiscal year	302,376	280,582
Amount of change		
Cash dividends	(7,514)	---
Net loss	(14,248)	(26,976)
Disposal of treasury stock	(19)	(16)
Changes due to changes in scope of consolidation	(31)	(102)
Changes due to reversal of land revaluation	20	(287)
Total changes	(21,793)	(27,383)
Balance at the end of fiscal year	280,582	253,199
Treasury stock, at cost		
Balance at the beginning of fiscal year	(51,627)	(51,627)
Amount of change		
Purchase of treasury stock	(29)	(8)
Disposal of treasury stock	30	20
Total changes	0	12
Balance at the end of fiscal year	(51,627)	(51,615)
Total stockholders' equity		
Balance at the beginning of the fiscal year	567,186	545,393
Amount of change		
Cash dividends	(7,514)	---
Net loss	(14,248)	(26,976)
Purchase of treasury stock	(29)	(8)
Disposal of treasury stock	10	3
Changes due to changes in scope of consolidation	(31)	(102)
Changes due to reversal of land revaluation	20	(287)
Total changes	(21,793)	(27,370)
Balance at the end of fiscal year	545,393	(518,022)

Accumulated other comprehensive income	FY2011	FY2012
	Ended Mar. 31, 2012	Ended Mar. 31, 2013
Unrealized gains or losses on securities, net of taxes		
Balance at the beginning of fiscal year	19,742	13,020
Amount of change		
Net changes other than stockholders' equity	(6,722)	8,127
Total changes	(6,722)	8,127
Balance at the end of fiscal year	13,020	21,147
Unrealized gains or losses on hedging derivatives, net of taxes		
Balance at the beginning of fiscal year	584	(1,013)
Amount of change		
Net changes other than stockholders' equity	(1,598)	(672)
Total changes	(1,598)	(672)
Balance at the end of fiscal year	(1,013)	(1,685)
Land revaluation differences, net of taxes		
Balance at the beginning of fiscal year	(4,756)	(4,140)
Amount of change		
Net changes other than stockholders' equity	616	793
Total changes	616	793
Balance at the end of fiscal year	(4,140)	(3,346)
Foreign currency translation adjustments		
Balance at the beginning of fiscal year	(34,127)	(37,579)
Amount of change		
Net changes other than stockholders' equity	(3,452)	15,493
Total changes	(3,452)	15,493
Balance at the end of fiscal year	(37,579)	(22,086)
Total other comprehensive income (loss)		
Balance at the beginning of fiscal year	(18,555)	(29,713)
Amount of change		
Net changes other than stockholders' equity	(11,157)	23,742
Total changes	(11,157)	23,742
Balance at the end of fiscal year	(29,713)	(5,971)
Minority interests		
Balance at the beginning of fiscal year	48,736	55,578
Amount of change		
Net changes other than stockholders' equity	6,841	2,293
Total changes	6,841	2,293
Balance at the end of fiscal year	55,578	57,871

	FY2011	FY2012
	Ended Mar. 31, 2012	Ended Mar. 31, 2013
Total net assets		
Balance at the beginning of fiscal year	597,367	571,258
Amount of change		
Cash dividends	(7,514)	---
Net loss	(14,248)	(26,976)
Purchase of treasury stock	(29)	(8)
Disposal of treasury stock	10	3
Changes due to changes in scope of consolidation	(31)	(102)
Changes due to reversal of land revaluation	20	(287)
Net changes other than stockholders' equity	(4,315)	26,035
Total changes	(26,109)	(1,335)
Balance at the end of fiscal year	571,258	569,922

Consolidated Statements of Cash Flows

(In millions of yen)

	FY2011 Ended Mar. 31, 2012	FY2012 Ended Mar. 31, 2013
Cash flows from operating activities		
Income (loss) before income taxes	27,758	(25,231)
Depreciation	118,037	106,725
Interest and dividend income	(7,346)	(6,909)
Interest expense	19,776	20,119
Loss (gain) on sale of securities	(389)	(453)
Loss on write-down of investments in securities	6,022	6,650
Equity in income of unconsolidated subsidiaries and affiliates	(7,877)	(1,437)
Impairment loss	---	2,357
Gain on negative goodwill	---	(1,922)
Loss (gain) on sale of fixed assets	(281)	(161)
Loss on disposal of plant and equipment	3,208	3,279
Decrease (increase) in trade receivables from customers	(18,733)	10,495
Net decrease (increase) in lease receivables and investment assets	(14,645)	17,325
Decrease (increase) in inventories	(29,381)	18,848
Increase (decrease) in trade payables to customers	(24,761)	(88,324)
Other	(1,628)	11,549
Subtotal	69,758	72,819
Cash received for interest and dividends	8,691	8,306
Cash paid for interest	(19,951)	(20,060)
Cash paid for income taxes	(19,011)	(15,664)
Net cash provided by operating activities	39,486	45,401
Cash flows from investing activities		
Purchase of plant, equipment and other assets	(83,284)	(109,505)
Proceeds from sale of plant, equipment and other assets	1,025	1,975
Purchase of investments in securities	(5,790)	(14,516)
Proceeds from sale of investments in securities	3,333	2,089
Payment for investments in capital	(1,382)	(2,347)
Decrease (increase) in short-term loans receivable	209	1,033
Payments for long-term loans receivable	(1,347)	(2,792)
Proceeds from collection of long-term loans receivable	162	2,495
Proceeds from sales of investment in subsidiaries resulting in change in scope of consolidation	157	(113)
Other	1,649	(1,832)
Net cash used in investing activities	(85,267)	(123,513)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	57,633	55,215
Proceeds from issuance of long-term borrowings	22,522	167,059
Repayment of long-term borrowings	(91,611)	(73,935)
Proceeds from issuance of bonds	30,000	25,000
Repayment of bonds	(35,836)	(35,088)
Repayment of finance lease obligations	(6,580)	(7,959)
Payment of dividends	(7,484)	(14)
Other	(8,876)	(2,633)
Net cash used in financing activities	(40,233)	127,644
Effect of exchange rate changes on cash and cash equivalents	(1,912)	8,850
Increase (decrease) in cash and cash equivalents	(87,926)	58,383
Cash and cash equivalents at the beginning of fiscal year	189,707	101,900
Increase (decrease) in cash and cash equivalents resulting in change in scope of consolidation	119	1,748
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	---	4
Cash and cash equivalents at the end of fiscal year	101,900	162,037

Notes

(Notes on premise of a going concern)

None

(Changes in accounting policies)

(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 1,629 million yen, operating income increased 1,359 million yen, and ordinary loss and loss before income taxes decreased 1,359 million yen.

Segment Information

(In millions of yen)

		FY2011	FY2012
		Ended Mar. 31, 2012	Ended Mar. 31, 2013
Sales to outside customers:	Iron & Steel	816,784	710,420
	Welding	83,155	81,509
	Aluminum & Copper	288,641	260,809
	Machinery	145,854	149,940
	Natural Resources & Engineering	55,441	45,658
	Kobelco Eco-Solutions	70,350	70,312
	Kobelco Construction Machinery	306,107	267,183
	Kobelco Cranes	42,503	39,777
	Other Businesses	53,150	57,549
	Adjustment	2,700	2,368
	Total	1,864,691	1,685,529
Intersegment sales:	Iron & Steel	37,451	32,420
	Welding	1,261	707
	Aluminum & Copper	1,286	1,391
	Machinery	6,958	17,177
	Natural Resources & Engineering	431	834
	Kobelco Eco-Solutions	845	2,343
	Kobelco Construction Machinery	1,051	638
	Kobelco Cranes	5,501	5,723
	Other Businesses	16,034	15,687
	Adjustment	(70,822)	(76,924)
	Total	---	---
Total sales:	Iron & Steel	854,236	742,841
	Welding	84,416	82,216
	Aluminum & Copper	289,927	262,201
	Machinery	152,813	167,117
	Natural Resources & Engineering	55,872	46,493
	Kobelco Eco-Solutions	71,196	72,656
	Kobelco Construction Machinery	307,159	267,821
	Kobelco Cranes	48,005	45,501
	Other Businesses	69,185	73,236
	Adjustment	(68,121)	(74,556)
	Total	1,864,691	1,685,529
Ordinary income (loss):	Iron & Steel	(14,686)	(50,212)
	Welding	3,119	2,154
	Aluminum & Copper	6,081	3,912
	Machinery	9,899	12,039
	Natural Resources & Engineering	341	(1,335)
	Kobelco Eco-Solutions	4,235	3,918
	Kobelco Construction Machinery	22,865	6,852
	Kobelco Cranes	161	(2,250)
	Other Businesses	7,200	7,554
	Adjustment	(5,438)	(780)
	Total	33,780	(18,146)

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SUPPLEMENTAL INFORMATION

(April 1, 2012 – March 31, 2013)

1. Consolidated Operating Results (In billions of yen)

	FY2011	FY2012	% change
Net sales	1,864.6	1,685.5	(9.6%)
Operating income	60.5	11.2	(81.4%)
Ordinary income (loss)	33.7	(18.1)	---
Extraordinary income (loss)	(6.0)	(7.0)*	---
Net loss	(14.2)	(26.9)	---

* Gain on negative goodwill 1.9 billion yen

Loss on write-down of investments in securities 6.6 billion yen

Impairment loss 2.3 billions yen

Year-end Dividend for fiscal 2012: None

2. Forecast for Fiscal 2013 (in billions of yen)

	FY2012	FY2013 Forecast			% change
		First half	Second half	Full year	
Net sales	1,685.5	870.0	920.0	1,790.0	6.2%
Operating income	11.2	30.0	45.0	75.0	6.7times
Ordinary income (loss)	(18.1)	15.0	30.0	45.0	---
Extraordinary income (loss)	(7.0)	---	---	---	---
Net income (loss)	(26.9)	10.0	25.0	35.0	---

3. Consolidated Sales & Ordinary Income by Segment (In billions of yen)

		FY2011	FY2012
Iron & Steel	Sales	854.2	742.8
	Ordinary loss	(14.6)	(50.2)
Welding	Sales	84.4	82.2
	Ordinary income	3.1	2.1
Aluminum & Copper	Sales	289.9	262.2
	Ordinary income	6.0	3.9
Machinery	Sales	152.8	167.1
	Ordinary income	9.8	12.0
Natural Resources & Engineering	Sales	55.8	46.4
	Ordinary income (loss)	0.3	(1.3)
Kobelco Eco-Solutions	Sales	71.1	72.6
	Ordinary income	4.2	3.9
Kobelco Construction Machinery	Sales	307.1	267.8
	Ordinary income	22.8	6.8
Kobelco Cranes	Sales	48.0	45.5
	Ordinary income (loss)	0.1	(2.2)
Other Businesses	Sales	69.1	73.2
	Ordinary income	7.2	7.5
Adjustment	Sales	(68.1)	(74.5)
	Ordinary loss	(5.4)	(0.7)
Total	Sales	1,864.6	1,685.5
	Ordinary income (loss)	33.7	(18.1)

4. Production, Sales & Orders

(1) Steel Products (Nonconsolidated)

Production & Sales Volume (In millions of metric tons unless otherwise indicated)

	FY2011	FY2012
Crude steel	7.16	7.01
Sales volume	6.01	5.79
Export ratio (value base)	26.2%	27.6%

Sales Price of Steel Products (In yen per metric ton)

	FY2011	FY2012
Domestic & Export average	88,600	77,200

(2) Aluminum & Copper Rolled Products

Sales Volume (Nonconsolidated, in thousands of metric tons)

	FY2011	FY2012
Aluminum rolled products	266	259
Copper sheet and strip	47	42
Copper tube*	79	79

*consolidated

(3) Machinery Business Orders (Consolidated, in billions of yen)

Orders

	FY2011	FY2012
Domestic	60.7	54.2
Export	84.2	55.2
Total orders	145.0	109.5

Backlog of Orders (as of the end of each period)

	FY2011	FY2012
Domestic	60.4	43.2
Export	100.0	73.4
Total backlog	160.5	116.6

(4) Natural Resources & Engineering Business Orders (Consolidated, in billions of yen)

Orders

	FY2011	FY2012
Domestic	10.1	28.1
Export	19.1	5.4
Total orders	29.2	33.5

Backlog of Orders (as of the end of each period)

	FY2011	FY2012
Domestic	33.8	46.8
Export	36.1	16.9
Total backlog	70.0	63.7

(5) Kobelco Eco-Solutions Orders (Consolidated, in billions of yen)**Orders**

	FY2011	FY2012
Domestic & Export total orders	78.8	73.5

Backlog of Orders (as of the end of each period)

	FY2011	FY2012
Domestic & Export total backlog	42.6	43.5

5. Factors Affecting Ordinary Income (Consolidated, in billions of yen)

	FY2011	FY2012	Amount of Decrease
Ordinary income (loss)	33.7	(18.1)	(51.9)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	62.0	Production & shipments	(93.5)
Overall cost reduction	32.0	Effect of Steel inventory valuation*	(18.5)
		Effect of Aluminum & Copper inventory valuation	(4.0)
		Consolidated subsidiaries & affiliates	(21.0)
		Other	(8.9)
Total	94.0	Total	(145.9)

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

6. Forecast for FY2013 by Segment (Consolidated, in billions of yen)

		FY2012	FY2013 Forecast		
			First half	Second half	Full year
Iron & Steel	Sales	742.8	365.0	385.0	750.0
	Ordinary income (loss)	(50.2)	8.0	10.0	18.0
Welding	Sales	82.2	39.0	40.0	79.0
	Ordinary income	2.1	1.0	1.5	2.5
Aluminum & Copper	Sales	262.2	135.0	140.0	275.0
	Ordinary income	3.9	4.0	5.0	9.0
Machinery	Sales	167.1	77.0	89.0	166.0
	Ordinary income	12.0	1.5	3.5	5.0
Natural Resources & Engineering	Sales	46.4	25.0	35.0	60.0
	Ordinary income (loss)	(1.3)	0	0	0
Kobelco Eco-Solutions	Sales	72.6	30.0	36.0	66.0
	Ordinary income	3.9	0.7	1.3	2.0
Kobelco Construction Machinery	Sales	267.8	157.0	150.0	307.0
	Ordinary income	6.8	4.0	8.0	12.0
Kobelco Cranes	Sales	45.5	26.0	29.0	55.0
	Ordinary income (loss)	(2.2)	0	0	0
Other Businesses	Sales	73.2	32.0	38.0	70.0
	Ordinary income	7.5	2.0	4.0	6.0
Adjustment	Sales	(74.5)	(16.0)	(22.0)	(38.0)
	Ordinary loss	(0.7)	(6.2)	(3.3)	(9.5)
Total	Sales	1,685.5	870.0	920.0	1,790.0
	Ordinary income (loss)	(18.1)	15.0	30.0	45.0

7. Factors Affecting Ordinary Income (Consolidated, in billions of yen)

	FY2012	FY2013	Amount of increase
Ordinary income (loss)	(18.1)	45.0	63.1

Factors Increasing Profits		Factors Decreasing Profits	
Overall cost reduction	31.5	Effect of the exchange rate	(8.0)
Effect of Steel inventory valuation*	30.0	Other	(15.9)
Effect of Aluminum & Copper inventory valuation*	3.5		
Effect of the change in depreciation method	22.0		
Total	87.0	Total	(23.9)

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

8. Other

(1) Cash Flow and Outside Debt (Consolidated, in billions of yen)

Cash Flow

	FY2011	FY2012
Free cash flow	(59.0)	(92.1)

(Excludes cash flow from IPP project financing)

Outside Debt (as of the end of each period)

	FY2011	FY2012
Outside debt *	746.4	907.6
D/E ratio (times) **	1.37	1.75

* Excludes debt from IPP project financing

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

(2) Exchange Rate (Nonconsolidated)

	FY2011	FY2012
Exchange rate (1 U.S. dollar to yen)	79 yen	83 yen
Effect of exchange rate movement *	2.5	1.9

* Appreciation of 1 yen per U.S. dollar, in billions of yen

(3) Capital Investment (Consolidated, in billions of yen)

	FY2011	FY2012
Capital investment (accrual basis)	96.0	114.9
Depreciation	118.0	106.7

FOR REFERENCE

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

		FY2011							FY2012						
		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	180.2	359.2	742.8
	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)	(13.1)	(26.1)	(50.2)
Welding	Sales	21.6	20.5	42.2	20.6	21.5	42.1	84.4	21.3	20.6	42.0	19.5	20.5	40.1	82.2
	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)	1.1	1.0	2.1
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	63.1	124.5	262.2
	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	0.6	2.5	3.9
Machinery	Sales	41.1	38.9	80.1	32.7	39.9	72.6	152.8	39.7	41.1	80.8	33.8	52.4	86.2	167.1
	Ordinary income	3.3	2.3	5.6	3.2	1.0	4.2	9.8	2.4	1.9	4.4	3.5	4.0	7.5	12.0
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	19.3	28.5	46.4
	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)	(0.2)	(0.5)	(1.3)
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	25.4	43.4	72.6
	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	3.1	3.6	3.9
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	60.2	117.4	267.8
	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	(0.6)	1.2	6.8
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	12.7	23.3	45.5
	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)	(0.9)	(1.3)	(2.2)
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	28.7	44.6	73.2
	Ordinary income	1.2	1.4	2.6	1.3	3.1	4.5	7.2	1.0	1.1	2.1	1.5	3.8	5.3	7.5
Adjustment	Sales	(15.5)	(16.6)	(32.2)	(16.3)	(19.4)	(35.8)	(68.1)	(15.6)	(18.1)	(33.8)	(15.5)	(25.1)	(40.7)	(74.5)
	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)	0.2	(0.5)	(0.7)
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	437.8	826.9	1,685.5
	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)	(1.9)	(7.1)	(18.1)
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	(4.2)	11.2	(26.9)

Quarterly Production and Sales of Steel Products (Nonconsolidated)

Production and Sales Volume (in millions of metric tons)

	FY2011						
	1st Half			2nd Half			Total
	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			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	1.66	1.86	3.52	1.73	1.76	3.49	7.01
Sales volume	1.43	1.46	2.89	1.47	1.43	2.90	5.79
Export ratio (value basis)	26.6%	25.5%	26.1%	27.8%	30.9%	29.3%	27.6%

Sales Prices (in yen per metric ton)

	FY2011						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & Export average	85,200	91,800	88,600	92,900	84,000	88,600	88,600

	FY2012						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & Export average	83,400	78,900	81,100	74,500	72,100	73,400	77,200

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