

Kobe Steel's Consolidated Financial Results Summary for First Half of Fiscal 2010 (April 1 – September 30, 2010)

October 28, 2010

Company name:	Kobe Steel, Ltd.
Code number:	5406
Stock exchanges where shares are listed:	Tokyo, Osaka and Nagoya, Japan
Website:	www.kobelco.com
President & CEO:	Hiroshi Sato
Filing of quarterly report:	November 2, 2010
Dividend payments begin:	December 1, 2010
Supplemental information available:	Yes
IR briefing:	Yes (in Japanese only)

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

1. Consolidated Financial Results for First Half of Fiscal 2010 (April 1 - September 30, 2010)

(1) Consolidated operating results

(In millions of yen)	FY2010 1H	% change*	FY2009 1H	% change*
Net sales	922,055	17.0%	788,178	(33.9%)
Operating income (loss)	69,843	---	(24,644)	---
Ordinary income (loss)	49,326	---	(44,242)	---
Net income (loss)	29,452	---	(45,314)	---
Net income (loss) per share	9.80 yen		(15.09 yen)	
Diluted net income per share	---		---	

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

(2) Consolidated financial position

(In millions of yen)	FY2010 1H	FY2009
Total assets	2,271,265	2,249,345
Net assets	573,844	557,002
Net worth ratio	23.2%	23.0%
Net assets per share	175.73 yen	172.08 yen

Shareholders' equity at September 30, 2010: 527,617 million yen FY2009: 516,671 million yen

2. Dividends

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

Revision to dividend forecast in FY2010 1H: No
The dividend for the end of fiscal 2010 is undetermined.

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

(In millions of yen)	FY2010	% change*
Net sales	1,910,000	14.3%
Operating income	115,000	149.9%
Ordinary income	80,000	679.9%
Net income	45,000	613.7%
Net income per share	14.98 yen	

* Indicates percentage of change from the corresponding period of the previous fiscal year.
Revision to consolidated forecast in FY2010 1H: Yes

4. Other

(1) Change in number of material subsidiaries in fiscal year: No
(Changes in specified subsidiaries accompanying changes in scope of consolidation)

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

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

- Changes due to revised accounting standards: Yes

- Other changes: No

(4) Number of issued shares

	FY 2010 1H	FY2009
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	112,728,385	112,684,172
Average number of shares in FY2010 1H	3,002,345,476	3,002,489,630*

*First half of FY2009

Nonconsolidated Forecast for Fiscal 2010 (April 1, 2010 - March 31, 2011)

(In millions of yen)	FY2010	% change*
Net sales	1,120,000	13.0%
Operating income	43,000	---
Ordinary income	22,000	---
Net income	25,000	792.7%
Net income per share	8.31 yen	

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

Revision to nonconsolidated forecast in FY2010 1H: Yes

Qualitative Information on Consolidated Operating Results

Japan's economy in the first half of fiscal 2010 (April-September period) continued on a gradual recovery path that began in fiscal 2009 as economic measures took effect and overseas economies improved. In overseas markets, too, the Chinese economy expanded and the United States and Europe continued to gradually recover.

In this economic environment, the Kobe Steel Group achieved higher sales volume of steel products and aluminum and copper rolled products in comparison to the same period last year due to robust demand from domestic and overseas manufacturing industries. In addition, unit sales of hydraulic excavators increased considerably compared with the same period last year, owing to expanding demand in China.

As a result, consolidated net sales in the first half of fiscal 2010 (April-September period) increased 133.8 billion yen, in comparison to the same period last year, to 922.0 billion yen. Operating income went up 94.4 billion yen, in comparison to the same period last year, to 69.8 billion yen. Ordinary income rose 93.5 billion yen, in comparison to the same period last year, to 49.3 billion. Net income went up 74.7 billion yen to 29.4 billion yen.

From the first quarter of fiscal 2010, in accordance with the Accounting Standards Board of Japan's "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (March 27, 2009), Kobe Steel has changed segment classifications from a system based on product similarities to one based on a management approach. To compare figures on a year-on-year basis, last year's first-half figures were recalculated to match the new classifications used from this fiscal year.

Conditions in the business segments under the new classifications are as follows.

Iron & Steel Business

The sales volume of steel products (in terms of tons sold) increased in the first half of fiscal 2010 in comparison to the same period last year. Spurred by economic measures, demand was strong from domestic and overseas manufacturing industries. Sales prices were similar to the same period last year.

Sales of steel castings and forgings decreased in comparison to the same period last year, mainly due to low demand from the shipbuilding industry. On the other hand, sales of titanium products rose in comparison to the same period last year, as customers made progress in reducing their inventories.

As a result, segment sales in the first half of fiscal 2010 increased 19.4% compared with the same period last year to 413.4 billion yen. Ordinary income rose 63.5 billion yen to 9.1 billion yen due to considerable improvement in inventory valuation, in addition to higher sales.

Welding Business

The sales volume of welding consumables exceeded the same period last year owing to strong demand from China and Southeast Asia. On the other hand, due to the sluggish construction market in Japan, sales of welding robot systems went down. As a result, segment sales decreased 4.7% to 37.1 billion yen in comparison to the same period last year. Ordinary income increased 2.2 billion yen to 2.1 billion yen owing to the higher sales volume of welding consumables, in comparison to the same period last year.

Aluminum & Copper Business

The sales volume of aluminum rolled products and sales of aluminum castings and forgings increased compared with the same period last year, due to strong demand for use mainly in automobiles and in LCD and semiconductor fabrication equipment.

The sales volume of copper rolled products went up in comparison to the same period last year. Demand was firm for copper sheet and strip used in semiconductors and automotive terminals. Copper tube also rose due to increased demand for air conditioners on account of the intense heat in the summer season.

In addition to the above conditions, due to higher ingot prices, which are passed on to product prices, segment sales in the first half of fiscal 2010 increased 28.2% to 155.0 billion yen. Ordinary income increased 13.1 billion yen, in comparison to the same period last year, to 9.7 billion yen.

Machinery Business

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

Due to the above conditions, orders in the first half of fiscal 2010 increased 61.5% in comparison to the same period last year to 69.4 billion yen, and the backlog of orders was 157.2 billion yen at the end of the first half of fiscal 2010.

However, segment sales in the first half of fiscal 2010 went down 9.7% to 71.6 billion yen in comparison to the same period last year, which saw a concentration of sales of heavy-wall pressure vessels used in the oil refining industry. Ordinary income decreased 2.0 billion yen, compared with the same period last year, to 8.5 billion yen.

Natural Resources & Engineering Business

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

As a result, orders in the first half of fiscal 2010 increased 209.9% in comparison to the same period last year to 47.8 billion yen, and the backlog of orders was 92.7 billion yen at the end of the first half of fiscal 2010.

However, segment sales in the first half of fiscal 2010 decreased 15.1% in comparison to the same period last year, which posted sales from a large-scale pellet plant, to 21.1 billion yen. Ordinary income decreased 0.2 billion yen to 1.4 billion yen.

Kobelco Eco-Solutions

In the first half of fiscal 2010, orders increased in comparison to the same period last year, as orders for water treatment plants and chemical and food-related process equipment were strong.

As a result, orders in the first half of fiscal 2010 increased 6.1% in comparison to the same period last year to 35.3 billion yen, and the backlog of orders was 45.0 billion yen at the end of the first half of fiscal 2010.

However, segment sales in the first half of fiscal 2010 decreased 19.9% to 30.0 billion yen as sales from a waste treatment plant were posted last year in the same period. Ordinary income increased 0.6 billion yen, in comparison to the same period last year, to 1.1 billion yen mainly due to cost reductions.

Kobelco Construction Machinery

Unit sales of construction equipment in China, a major market, increased substantially in comparison to the same period last year. Unit sales also increased in Southeast Asia, which saw continued recovery in demand, and Japan, where demand began to recover.

As a result, segment sales increased 67.4% in comparison to the same period last year to 175.6 billion yen. Ordinary income increased 18.0 billion yen to 18.8 billion yen.

Kobelco Cranes

Except for only a few areas, demand as a whole was sluggish and unit sales were lower than the same period last year.

As a result, segment sales decreased 16.4% in comparison to the same period last year to 23.3 billion yen. Ordinary income decreased 0.5 billion yen in comparison the same period last year to 0.1 billion yen.

Other Businesses

Mainly due to the lower number of handovers of condominiums in the real estate business, segment sales decreased 25.2% to 30.2 billion yen, in comparison to the same period last year. However, ordinary income went up 0.4 billion yen in comparison to the same period last year to 2.0 billion yen mainly due to higher sales volume of sputtering targets for LCD wiring film.

Qualitative Information on Consolidated Earnings Forecast

The current world economy continues to recover, driven by emerging countries centered on China. However, in advanced countries the reduced effect of economic measures and the influence of the financial crisis in Europe are issues of concern. In Japan, the eco-car subsidy program has ended and the eco-point system, which is still encouraging consumers to buy new appliances, has been decided to be reduced. In addition to these retrenchments in economic measures, there is concern that the sharp appreciation of the yen from the second quarter of fiscal 2010 (July-September period) will adversely affect domestic industries, making the outlook increasingly unclear.

Under these conditions, Kobe Steel's forecast for the third quarter (October-December period) onwards is as follows.

Iron & Steel Business

Demand for steel products will be affected by the retrenchment in economic measures; the supply and demand environment in overseas markets, mainly in China; and changes in exchange rates. Facing these unpredictable conditions, Kobe Steel will closely monitor market trends in Japan and overseas.

Demand for steel castings and forgings from the shipbuilding industry is forecast to be sluggish. However, demand for titanium products is anticipated to gradually recover.

Welding Business

Demand from Asian markets, mainly China and Southeast Asia, is anticipated to be strong. However, the effect of exchange rate movement is cause for concern.

Aluminum & Copper Business

Due to the curtailing of economic measures in Japan, demand is forecast to be weak. On the other hand, overseas demand, mainly from China, is forecast to be strong. However, the effect of exchange rate movement is cause for concern.

Machinery Business

Demand is anticipated to be strong for tire curing presses and rubber machinery for the automotive industry and compressors for the oil industry.

Natural Resources & Engineering Business

Following the start-up of the first commercial ITmk3 ironmaking plant, Kobe Steel is studying other commercial plant projects.

Kobelco Eco-Solutions

New orders are unclear for water treatment plants for local governments and process equipment in the food and chemical fields for private-sector companies. However the after-service market is anticipated to be strong.

Kobelco Construction Machinery

Demand in China is forecast to be strong, while demand in Japan is expected to gradually recover.

Kobelco Cranes

Except for only a few areas, demand is anticipated to be sluggish. In addition, the effect of exchange rate movement is cause for concern.

Other Businesses

Handovers of condominiums in the real estate business are anticipated to decrease. On the other hand, the testing and analysis business for the automotive and electronics industries is anticipated to gradually recover.

Due to these conditions, fiscal 2010 consolidated sales for the full year are anticipated to be approximately 1,910.0 billion yen, operating income is forecast to be around 115.0 billion yen and ordinary income is forecast to be around 80.0 billion yen. Net income is estimated to be around 45.0 billion yen.

In comparison to the previous forecast announced on July 29, 2010, the first half of fiscal 2010 achieved higher profits mainly due to further cost reductions in the Machinery Business and higher than anticipated sales volume in the Aluminum & Copper Business to air conditioner manufacturers on account of the intense heat in the summer season. As a result, Kobe Steel has revised its forecast on both a consolidated and nonconsolidated basis.

Dividend for Fiscal 2010

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

Investor Information

Investor Relations Group
Kobe Steel, Ltd
9-12 Kita-Shinagawa 5-chome
Shinagawa-ku, Tokyo 141-8688
JAPAN
Tel +81 (0)3 5739-6045
Fax +81 (0)3 5739-5973

Email aapress@kobelco.com
Website: www.kobelco.com

Media Contact:

Gary Tsuchida, Publicity Group
Kobe Steel, Ltd.
Tel +81 (0)3 5739-6010
Fax +81 (0)3 5739-5971

CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Consolidated Balance Sheets

(In millions of yen)

Assets	FY2010 1st Half Ended Sep. 30, 2010	FY2009 Ended Mar. 31, 2010
Current assets		
Cash and cash equivalents	169,595	131,939
Notes and accounts receivable	281,927	283,619
Merchandise and finished goods	115,740	126,811
Work in progress	143,641	138,070
Raw materials and supplies	118,339	102,179
Other	215,806	190,808
Allowance for doubtful debts	(770)	(818)
Total current assets	<u>1,044,281</u>	<u>972,611</u>
Tangible fixed assets		
Buildings and structures	282,562	288,284
Machinery and equipment	381,096	395,641
Land	203,762	204,298
Other	71,252	79,845
Total tangible fixed assets	<u>938,674</u>	<u>968,070</u>
Intangible fixed assets	22,655	21,385
Investments and other assets		
Investments in securities	175,954	196,565
Other	93,071	94,599
Allowance for doubtful debts	(3,371)	(3,886)
Total investments and other assets	<u>265,654</u>	<u>287,278</u>
Total fixed assets, investments and other assets	<u>1,226,984</u>	<u>1,276,734</u>
Total assets	<u>2,271,265</u>	<u>2,249,345</u>
Current liabilities		
Notes and accounts payable	508,116	434,819
Short-term borrowings	141,003	167,876
Bonds due within one year	236	235
Income and enterprise taxes payable	7,944	6,518
Other reserves	32,882	34,748
Other	150,971	163,974
Total current liabilities	<u>841,155</u>	<u>808,173</u>
Long-term liabilities		
Bonds and notes	213,067	213,186
Long-term borrowings	508,518	525,170
Employees' severance and retirement benefits	31,548	33,247
Other reserves	2,677	2,780
Other	100,454	109,786
Total long-term liabilities	<u>856,266</u>	<u>884,170</u>
Total liabilities	<u>1,697,421</u>	<u>1,692,343</u>

Net Assets

	FY2010 1st Half Ended Sep. 30, 2010	FY2009 Ended Mar. 31, 2010
Stockholders' equity		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	283,724	258,853
Treasury stock, at cost	(51,377)	(51,378)
Total stockholders' equity	<u>548,784</u>	<u>523,913</u>
Valuation and translation adjustments		
Net unrealized holding gains on securities	11,936	22,529
Deferred gains on hedges	1,036	882
Land revaluation	(4,756)	(4,866)
Foreign currency translation adjustments	(29,383)	(25,787)
Total valuation and translation adjustments	<u>(21,167)</u>	<u>(7,242)</u>
Minority interests	46,226	40,330
Total net assets	<u>573,844</u>	<u>557,002</u>
Total liabilities and net assets	<u>2,271,265</u>	<u>2,249,345</u>

(2) Consolidated Statements of Income for First Half of Fiscal 2010

(In millions of yen)

	<u>FY2010 1st Half</u> <u>Ended Sep. 30, 2010</u>	<u>FY2009 1st Half</u> <u>Ended Sep. 30, 2009</u>
Net sales	922,055	788,178
Cost of sales	<u>773,512</u>	<u>740,246</u>
Gross profit	<u>148,543</u>	<u>47,931</u>
Selling, general and administrative expenses	<u>78,699</u>	<u>72,576</u>
Operating income (loss)	<u>69,843</u>	<u>(24,644)</u>
Non-operating income		
Interest income	1,200	1,149
Dividend income	1,335	1,494
Reimbursement of seconded employees' salaries	3,384	3,477
Equity method investment gain	1,284	574
Other	<u>6,723</u>	<u>8,029</u>
Total non-operating income	<u>13,928</u>	<u>14,724</u>
Non-operating expenses		
Interest expense	10,331	10,742
Salaries for seconded employees	8,560	9,394
Other	<u>15,553</u>	<u>14,185</u>
Total non-operating expenses	<u>34,445</u>	<u>34,322</u>
Ordinary income (loss)	<u>49,326</u>	<u>(44,242)</u>
Extraordinary Income		
Gain on sales of investment securities	2,203	---
Total extraordinary Income	<u>2,203</u>	<u>---</u>
Extraordinary loss		
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,380	---
Total extraordinary loss	<u>2,380</u>	<u>---</u>
Income (loss) before income taxes	<u>49,149</u>	<u>(44,242)</u>
Income taxes		
Current	8,444	4,349
Deferred	<u>1,156</u>	<u>(3,792)</u>
Total income taxes	9,600	557
Income before minority interests	<u>39,548</u>	<u>---</u>
Minority interests in income of subsidiaries	<u>10,096</u>	<u>515</u>
Net income (loss)	<u>29,452</u>	<u>(45,314)</u>

(3) Notes on premise of a going concern: None

(4) Segment Information

(In millions of yen)

	FY2010 1st Half Ended Sep. 30, 2010	FY2009 1st Half Ended Sep. 30, 2009
Sales to outside customers:		
Iron & Steel	395,210	330,606
Welding	36,481	38,883
Aluminum & Copper	153,522	120,360
Machinery	68,395	76,763
Natural Resources & Engineering	20,044	20,199
Kobelco Eco-Solutions	28,447	35,464
Kobelco Construction Machinery	175,036	104,303
Kobelco Cranes	20,318	23,982
Other	23,240	33,491
Eliminations	1,358	4,122
Total	<u>922,055</u>	<u>788,178</u>
Intersegment sales:		
Iron & Steel	18,255	15,659
Welding	618	62
Aluminum & Copper	1,481	546
Machinery	3,292	2,645
Natural Resources & Engineering	1,097	4,690
Kobelco Eco-Solutions	1,590	2,054
Kobelco Construction Machinery	578	626
Kobelco Cranes	3,046	3,978
Other	6,978	6,925
Eliminations	(36,938)	(37,189)
Total	<u>---</u>	<u>---</u>
Total sales:		
Iron & Steel	413,466	346,265
Welding	37,100	38,946
Aluminum & Copper	155,003	120,907
Machinery	71,687	79,408
Natural Resources & Engineering	21,142	24,890
Kobelco Eco-Solutions	30,037	37,518
Kobelco Construction Machinery	175,614	104,929
Kobelco Cranes	23,364	27,961
Other	30,218	40,417
Eliminations	(35,580)	(33,066)
Total	<u>922,055</u>	<u>788,178</u>
Ordinary income (loss):		
Iron & Steel	9,197	(54,395)
Welding	2,181	(75)
Aluminum & Copper	9,774	(3,416)
Machinery	8,584	10,648
Natural Resources & Engineering	1,481	1,730
Kobelco Eco-Solutions	1,165	485
Kobelco Construction Machinery	18,837	745
Kobelco Cranes	190	759
Other	2,053	1,628
Eliminations	(4,139)	(2,352)
Total	<u>49,326</u>	<u>(44,242)</u>

(5) Notes in the case of a significant change in shareholders' equity: None

SUPPLEMENTAL INFORMATION

1. Operating Results for First Half of Fiscal 2010

(In billions of yen)

Consolidated Results

	FY2010 1st Half	FY2009 1st Half	% change
Net sales	922.0	788.1	17.0%
Operating income (loss)	69.8	(24.6)	---
Ordinary income (loss)	49.3	(44.2)	---
Extraordinary Income (loss)	* (0.1)	---	---
Net income (loss)	29.4	(45.3)	---

* Gain on sales of investment securities 2.2

Loss on adjustment for changes of accounting standard for asset retirement obligations (2.3)

Nonconsolidated Results

	FY2010 1st Half	FY2009 1st Half	% change
Net sales	537.0	458.9	17.0%
Operating income (loss)	29.0	(40.4)	---
Ordinary income (loss)	15.4	(47.9)	---
Extraordinary income (loss)	* 0.8	---	---
Net income (loss)	17.4	(36.1)	---

* Gain on sales of investment securities 3.1

Loss on adjustment for changes of accounting standard for asset retirement obligations (2.3)

Interim dividend: 1.5 yen

2. Fiscal 2010 Forecast

FY2010 Consolidated Forecast

	FY2010			Previous Forecast (July 29) FY2010	FY2009 Full Year
	1st Half	2nd Half	Full Year		
Net sales	922.0	988.0	1,910.0	1,940.0	1,671.0
Operating income (loss)	69.8	45.2	115.0	105.0	46.0
Ordinary income (loss)	49.3	30.7	80.0	75.0	10.2
Extraordinary income (loss)	(0.1)	---	(0.1)	(0.2)	3.8
Net income (loss)	29.4	15.6	45.0	45.0	6.3

FY2010 Nonconsolidated Forecast

	FY2010			Previous Forecast (July 29) FY2010	FY2009 Full Year
	1st Half	2nd Half	Full Year		
Net sales	537.0	583.0	1,120.0	1,150.0	990.9
Operating income (loss)	29.0	14.0	43.0	40.0	1.1
Ordinary income (loss)	15.4	6.6	22.0	20.0	(12.8)
Extraordinary income (loss)	0.8	---	0.8	0.8	(2.9)
Net income (loss)	17.4	7.6	25.0	25.0	2.8

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

Segment		FY2010 1st Half	FY2009		
			1st Half	2nd Half	Full Year
Iron & Steel	Sales	413.4	346.2	395.8	742.0
	Ordinary Income (loss)	9.1	(54.3)	29.7	(24.6)
Welding	Sales	37.1	38.9	37.2	76.2
	Ordinary Income (loss)	2.1	(0.0)	1.8	1.7
Aluminum & Copper	Sales	155.0	120.9	140.8	261.7
	Ordinary Income (loss)	9.7	(3.4)	5.6	2.2
Machinery	Sales	71.6	79.4	94.3	173.7
	Ordinary Income	8.5	10.6	10.2	20.8
Natural Resources & Engineering	Sales	21.1	24.8	40.6	65.5
	Ordinary Income	1.4	1.7	3.0	4.7
Kobelco Eco-Solutions	Sales	30.0	37.5	45.3	82.8
	Ordinary Income	1.1	0.4	1.1	1.6
Kobelco Construction Machinery	Sales	175.6	104.9	109.6	214.5
	Ordinary Income	18.8	0.7	4.7	5.5
Kobelco Cranes	Sales	23.3	27.9	27.2	55.2
	Ordinary Income	0.1	0.7	0.4	1.2
Other	Sales	30.2	40.4	37.3	77.7
	Ordinary Income	2.0	1.6	1.4	3.0
Eliminations	Sales	(35.5)	(33.0)	(45.7)	(78.8)
	Ordinary Income (loss)	(4.1)	(2.3)	(3.7)	(6.1)
Total	Sales	922.0	788.1	882.8	1,671.0
	Ordinary Income (loss)	49.3	(44.2)	54.4	10.2

4. Production, Sales & Orders

4.1. Steel Products

Production & Sales Volume at Kobe Steel (Nonconsolidated, in millions of metric tons)

	FY2010 1st Half	FY2009		
		1st Half	2nd Half	Full Year
Crude steel	3.72	2.88	3.69	6.57
Sales volume	3.21	2.43	3.14	5.57
Export ratio (value basis)	28.2%	22.2%	26.1%	24.3%

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

	FY2010 1st Half	FY2009		
		1st Half	2nd Half	Full Year
Domestic & export average	81,300	80,100	73,600	76,400

4.2. Aluminum & Copper Rolled Products at Kobe Steel

Sales Volume (Nonconsolidated, in thousands of metric tons)

	FY2010 1st Half	FY2009		
		1st Half	2nd Half	Full Year
Aluminum rolled products	147	134	137	271
Copper rolled products	30	19	31	50
Copper tube*	39	31	31	62

*consolidated

4.3. Machinery Segment

Orders (Consolidated, in billions of yen)

	FY2010 1st Half	FY2009		
		1st Half	2nd Half	Full Year
Domestic	28.2	19.7	26.1	45.9
Exports	41.2	23.2	30.4	53.6
Total orders	69.4	43.0	56.5	99.5

Backlog of Orders (Consolidated, as of the end of each period, in billions of yen)

	FY2010 1st Half	FY2009	
		1st Half	2nd Half
Domestic	51.8	42.1	43.4
Exports	105.4	137.7	107.5
Total orders	157.2	179.8	151.0

4.4. Natural Resources & Engineering Segment

Orders (Consolidated, in billions of yen)

	FY2010 1st Half	FY2009		
		1st Half	2nd Half	Full Year
Domestic	11.7	14.2	17.3	31.6
Exports	36.1	1.1	7.4	8.6
Total orders	47.8	15.4	24.8	40.2

Backlog of Orders (Consolidated, as of the end of each period, in billions of yen)

	FY2010 1st Half	FY2009	
		1st Half	2nd Half
Domestic	44.4	32.7	38.5
Exports	48.2	35.2	24.3
Total orders	92.7	67.9	62.9

4.5. Kobelco Eco-Solutions

Orders (Consolidated, in billions of yen)

	FY2010 1st Half	FY2009		
		1st Half	2nd Half	Full Year
Total orders	35.3	33.2	25.1	58.4

Backlog of Orders (Consolidated, as of the end of each period, in billions of yen)

	FY2010 1st Half	FY2009	
		1st Half	2nd Half
Total orders	45.0	59.9	39.7

5. Factors Affecting 1st Half Ordinary Income (Consolidated, in billions of yen)

	FY2010 1st Half	FY2009 1st Half	Amount of Increase
Ordinary Income (loss)	49.3	(44.2)	93.5

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	36.5	Raw material prices	(23.0)
Overall cost reductions	8.0	Other	(6.6)
Steel inventory valuation*	52.0		
Consolidated subsidiaries & affiliates	26.6		
Total	123.1	Total	(29.6)

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

6. Fiscal 2010 Forecast by Segment (Consolidated, in billions of yen)

Segment		FY2010			Previous Forecast (July 29)	FY2009 Full Year
		1st Half	2nd Half	Full Year		
Iron & Steel	Sales	413.4	456.6	870.0	880.0	742.0
	Ordinary Income (loss)	9.1	11.9	21.0	26.0	(24.6)
Welding	Sales	37.1	38.9	76.0	76.0	76.2
	Ordinary Income	2.1	1.4	3.5	3.0	1.7
Aluminum & Copper	Sales	155.0	145.0	300.0	300.0	261.7
	Ordinary Income	9.7	3.3	13.0	11.0	2.2
Machinery	Sales	71.6	88.4	160.0	174.0	173.7
	Ordinary Income	8.5	3.5	12.0	9.0	20.8
Natural Resources & Engineering	Sales	21.1	45.9	67.0	64.0	65.5
	Ordinary Income	1.4	1.6	3.0	2.0	4.7
Kobelco Eco-Solutions	Sales	30.0	41.0	71.0	68.0	82.8
	Ordinary Income	1.1	1.6	2.7	1.6	1.6
Kobelco Construction Machinery	Sales	175.6	144.4	320.0	320.0	214.5
	Ordinary Income	18.8	7.2	26.0	25.0	5.5
Kobelco Cranes	Sales	23.3	24.7	48.0	52.0	55.2
	Ordinary Income (loss)	0.1	(0.1)	0.0	0.0	1.2
Other	Sales	30.2	35.8	66.0	66.0	77.7
	Ordinary Income	2.0	4.0	6.0	5.5	3.0
Eliminations	Sales	(35.5)	(32.5)	(68.0)	(60.0)	(78.8)
	Ordinary Income (loss)	(4.1)	(3.1)	(7.2)	(8.1)	(6.1)
Total	Sales	922.0	988.0	1,910.0	1,940.0	1,671.0
	Ordinary Income	49.3	30.7	80.0	75.0	10.2

7. Factors Affecting Fiscal 2010 2nd Half Ordinary Income (Consolidated, in billions of yen)

	FY2010 2nd Half Forecast	FY2010 1st Half	Amount of Decrease
Ordinary Income (loss)	30.7	49.3	(18.6)

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	34.5	Raw material prices	(18.0)
Overall cost reductions	1.5	Steel inventory valuation*	(11.5)
		Consolidated subsidiaries & affiliates	(9.5)
		Other	(15.6)
Total	36.0	Total	(54.6)

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

8. Factors Affecting Fiscal 2010 Ordinary Income (Consolidated, in billions of yen)

	FY2010 Forecast	FY2009	Amount of Increase
Ordinary Income (loss)	80.0	10.2	69.8

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	104.5	Raw material prices	(95.0)
Overall cost reductions	15.0	Other	(35.7)
Steel inventory valuation*	50.0		
Consolidated subsidiaries & affiliates	31.0		
Total	200.5	Total	(130.7)

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

9. Factors Affecting Fiscal 2010 Ordinary Income: July 29 Forecast vs. Current Forecast (Consolidated, in billions of yen)

	Current Forecast	July 29 Forecast	Amount of Increase
Ordinary Income (loss)	80.0	75.0	5.0

Factors Increasing Profits		Factors Decreasing Profits	
Steel inventory valuation*	3.5	Production & shipments	(8.5)
Consolidated subsidiaries & affiliates	4.0		
Other	6.0		
Total	13.5	Total	(8.5)

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

10. Cash Flow, Debt Outside Debt & D/E Ratio (Consolidated, in billions of yen)

	FY2010	FY2009		
	1st Half	1st Half	2nd Half	Full Year
Free cash flow	109.4	(54.3)	93.3	39.0

Consolidated free cash flow excludes cash flow from IPP project financing.

(In billions of yen, as of the end of each period, unless otherwise indicated)

	FY2010		FY2009	
	1st Half	2nd Half Forecast	1st Half	2nd Half
Outside debt ¹	800.8	770.0	945.1	837.7
D/E ratio (times) ²	1.5	1.4	2.0	1.6
Nonconsolidated debt	651.0	635.0	798.3	696.6

1. Excludes debt from IPP project financing.

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

11. Exchange Rates (Nonconsolidated)

	FY2010		FY2009
	1st Half	2nd Half Forecast	Full Year
Exchange rate (1 U.S. dollar to yen)	89 yen	85 yen	93 yen
Effect of Exchange rate movement *	0.9	1.1	0.9

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

12. Capital Investment (In billions of yen)

	FY2010			FY2009
	1st Half	2nd Half Forecast	Full Year Forecast	Full Year
Consolidated				
Capital investment	31.6	73.4	105.0	128.7
Depreciation	56.1	58.9	115.0	118.8
Nonconsolidated				
Capital investment	21.8	52.2	74.0	95.7
Depreciation	40.4	44.6	85.0	86.1

FOR REFERENCE

Fiscal 2010 Quarterly Information by Segment (Consolidated, in billions of yen)

		FY2009							FY2010				
		1st half			2nd half			Full Year	1st half			2nd Half*	Full Year*
		1Q	2Q	Subtotal	3Q	4Q	Subtotal		1Q	2Q	Subtotal		
Iron & Steel	Sales Ordinary income (loss)	165.3 (26.9)	180.9 (27.4)	346.2 (54.3)	189.2 8.1	206.5 21.5	395.8 29.7	742.0 (24.6)	203.3 13.8	210.0 (4.6)	413.4 9.1	456.6 11.9	870.0 21.0
Welding	Sales Ordinary income (loss)	19.6 (0.4)	19.2 0.3	38.9 (0.0)	19.4 0.9	17.7 0.8	37.2 1.8	76.2 1.7	18.4 1.1	18.6 1.0	37.1 2.1	38.9 1.4	76.0 3.5
Aluminum & Copper	Sales Ordinary income (loss)	57.6 (3.3)	63.3 (0.0)	120.9 (3.4)	67.2 3.2	73.5 2.3	140.8 5.6	261.7 2.2	78.2 6.2	76.7 3.4	155.0 9.7	145.0 3.3	300.0 13.0
Machinery	Sales Ordinary income	48.1 7.7	31.2 2.8	79.4 10.6	46.6 5.3	47.7 4.8	94.3 10.2	173.7 20.8	33.9 4.9	37.7 3.6	71.6 8.5	88.4 3.5	160.0 12.0
Natural Resources & Engineering	Sales Ordinary income (loss)	10.9 0.3	13.9 1.3	24.8 1.7	14.5 2.1	26.1 0.9	40.6 3.0	65.5 4.7	13.2 2.3	7.8 (0.8)	21.1 1.4	45.9 1.6	67.0 3.0
Kobelco Eco-Solutions	Sales Ordinary income	15.4 0.4	22.0 0.0	37.5 0.4	15.8 0.1	29.4 0.9	45.3 1.1	82.8 1.6	13.9 1.0	16.1 0.0	30.0 1.1	41.0 1.6	71.0 2.7
Kobelco Construction Machinery	Sales Ordinary income (loss)	48.6 (1.3)	56.2 2.1	104.9 0.7	52.2 1.1	57.4 3.5	109.6 4.7	214.5 5.5	85.6 9.8	89.9 8.9	175.6 18.8	144.4 7.2	320.0 26.0
Kobelco Cranes	Sales Ordinary income (loss)	12.5 0.1	15.4 0.6	27.9 0.7	13.3 0.2	13.9 0.2	27.2 0.4	55.2 1.2	11.2 (0.3)	12.0 0.4	23.3 0.1	24.7 (0.1)	48.0 0.0
Other	Sales Ordinary income	16.4 0.1	23.9 1.5	40.4 1.6	17.3 0.0	19.9 1.4	37.3 1.4	77.7 3.0	14.6 0.9	15.5 1.1	30.2 2.0	35.8 4.0	66.0 6.0
Eliminations	Sales Ordinary income (loss)	(16.8) 0.3	(16.1) (2.7)	(33.0) (2.3)	(17.8) (1.2)	(27.9) (2.5)	(45.7) (3.7)	(78.8) (6.1)	(15.2) (2.0)	(20.3) (2.0)	(35.5) (4.1)	(32.5) (3.1)	(68.0) (7.2)
Total	Sales Ordinary income (loss)	377.8 (22.9)	410.2 (21.3)	788.1 (44.2)	418.1 20.2	464.6 34.2	882.8 54.4	1,671.0 10.2	457.4 38.0	464.6 11.2	922.0 49.3	988.0 30.7	1,910.0 80.0
Net Income (loss)		(33.2)	(12.0)	(45.3)	7.4	44.2	51.6	6.3	20.0	9.4	29.4	15.6	45.0

* Forecast

Quarterly Production and Sales of Steel Products (Nonconsolidated)

Production & Sales Volume (In millions of metric tons)

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

FY2010	1st Half		
	1Q	2Q	Subtotal
Crude steel	1.98	1.74	3.72
Sales volume	1.65	1.56	3.21
Export ratio (value basis)	28.5%	27.8%	28.2%

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

FY2009	1st Half			2nd Half			Full Year
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & overseas ave.	90,500	72,100	80,100	73,500	73,700	73,600	76,400

FY2010	1st Half		
	1Q	2Q	Subtotal
Domestic & overseas ave.	76,800	86,100	81,300

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.

-end-

Investor Information

Investor Relations Group
Kobe Steel, Ltd
9-12 Kita-Shinagawa 5-chome
Shinagawa-ku, Tokyo 141-8688
JAPAN
Tel +81 (0)3 5739-6045
Fax +81 (0)3 5739-5973

Email aapress@kobelco.com
Website: www.kobelco.com

Media Contact:

Gary Tsuchida, Publicity Group
Kobe Steel, Ltd.
Tel +81 (0)3 5739-6010
Fax +81 (0)3 5739-5971