

Kobe Steel's Consolidated Financial Results for First Half of Fiscal 2012 (April 1 – September 30, 2012)

October 30, 2012

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 7, 2012
 Dividend payments begin: ---
 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 2012 (April 1 - September 30, 2012)

(1) Consolidated operating results

(In millions of yen)	FY2012 1H	% change*	FY2011 1H	% change*
Net sales	858,552	(10.6%)	960,071	4.1%
Operating income	5,554	(89.3%)	51,979	(25.6%)
Ordinary income (loss)	(11,009)	---	38,526	(21.9%)
Net income (loss)	(38,199)	---	17,358	(41.1%)
Net income (loss) per share	(12.72 yen)		5.78 yen	
Diluted net income per share	---		---	

Comprehensive income (loss) in FY2012 2Q: (36,433 million yen) FY2011 2Q: 10,506 million yen

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

(2) Consolidated financial position

(In millions of yen)	FY2012 1H	FY2011
Total assets	2,117,320	2,159,512
Net assets	535,571	571,258
Net worth ratio	22.5%	23.9%

Shareholders' equity at September 30, 2012: 475,612 million yen FY2011: 515,679 million yen

2. Dividends

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

Revision to dividend forecast in FY2012 1H: No

The dividend for the end of fiscal 2012 is undetermined.

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

(In millions of yen)	FY2012	% change*
Net sales	1,710,000	(8.3%)
Operating income	15,000	(75.2%)
Ordinary income (loss)	(25,000)	---
Net income (loss)	(60,000)	---
Net income (loss) per share	(19.99 yen)	

* Indicates percentage of change from the previous fiscal year.

Revision to consolidated forecast in FY2012 1H: Yes

Notes

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

(4) Number of issued shares

	FY 2012 1H	FY2011
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	114,131,752	114,135,266
Average number of shares in 1H	3,000,925,307	3,000,964,714*

*First Half of FY2011

1. Qualitative Information on Consolidated Operating Results

Japan's economy in the first half of fiscal 2012 (April-September) was slowly recovering on the back of rising demand for reconstruction work after the Great East Japan Earthquake. However, the end of eco-friendly car subsidies and other factors brought about a gradual slowdown in the pace of recovery. In overseas markets, there was a continuation of the financial turmoil in Europe, growing sluggishness in China's economy, and a slowdown in the pace of economic recovery in the United States.

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

As a result, Kobe Steel's consolidated sales in the first half of fiscal 2012 decreased 101.5 billion yen in comparison to the same period last year to 858.5 billion yen. Operating income fell 46.4 billion yen in comparison to the same period last year to 5.5 billion yen. Ordinary income decreased 49.5 billion yen in comparison to the same period last year to ordinary loss of 11.0 billion yen. In addition to these factors, Kobe Steel posted extraordinary loss on the write-down of investments in securities. As a result, net income went down 55.5 billion yen in comparison to same period last year to net loss of 38.1 billion yen.

Conditions in the business segments for the first half of the fiscal year are as follows.

Iron & Steel Business

The sales volume of steel products decreased in comparison to the same period last year. Although demand was strong in the automotive sector, demand was sluggish in the shipbuilding industry. In addition, weak demand in the overseas market and the high yen were other factors that led to a worsening in the export environment. Sales prices decreased in comparison to the same period last year due to the weak overseas market and drop in raw material prices.

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

As a result, consolidated segment sales for the first half of fiscal 2012 declined 8.7 percent to 383.6 billion yen. Ordinary income went down 27.5 billion yen to ordinary loss of 24.0 billion yen.

Welding Business

The sales volume of welding materials in the first half of fiscal 2012 was flat in comparison to the same period last year. Although demand was strong in Southeast Asia and the United States, demand from Japan's shipbuilding industry decreased and China's economic expansion slowed. Sales of welding robot systems increased slightly in comparison to the same period last year.

As a result, consolidated segment sales for the first half of fiscal 2012 were nearly flat at 42.0 billion yen, in comparison to the same period last year. Ordinary income decreased 1.0 billion yen in comparison to the same period last year to 1.0 billion yen due to lower sales volume to the domestic shipbuilding industry.

Aluminum & Copper Business

The sales volume of aluminum rolled products in the first half of fiscal 2012 decreased in comparison to the same period last year. Although demand was strong in the automotive industry, demand continued to be sluggish for LCD and semiconductor manufacturing equipment. Sales of aluminum castings and forgings went down in comparison to the same period last year as demand continued to be sluggish for LCD and semiconductor manufacturing equipment.

The sales volume of copper rolled products declined in comparison to the same period last year. Demand for copper sheet and strip was weak from the semiconductor sector, and demand for copper tube in Europe was also stagnant.

In addition to these conditions, decreases in ingot prices were reflected in product sales prices. As a result, consolidated segment sales in the first half of fiscal 2012 decreased 11.4 percent in comparison to the same period last year to 137.6 billion yen. Ordinary income went down 5.6 billion yen to 1.3 billion yen, affected by a worsening in inventory valuation and other factors.

Machinery Business

Competition from overseas manufacturers heated up on the back of the high yen, leading to a worsening in the business environment. As a result, consolidated orders in the first half of fiscal 2012 decreased 12.4 percent in comparison to the same period last year to 60.2 billion yen. The backlog of orders at the end of the half-year period stood at 147.2 billion yen.

Consolidated segment sales in the first half of fiscal 2012 were nearly flat in comparison to the same period last year at 80.8 billion yen. Ordinary income declined 1.1 billion yen in comparison to the same period last year to 4.4 billion yen due to lower profits from orders affected by the high yen.

Natural Resources & Engineering Business

Consolidated orders in the first half of fiscal 2012 decreased 47.3 percent to 10.9 billion yen in comparison to the same period last year, which posted higher orders for associated equipment for a direct reduction plant in the Middle East. The backlog of orders at the end of the half-year period amounted to 63.5 billion yen.

Consolidated sales in the first half of fiscal 2012 decreased 40.8 percent to 17.9 billion yen in comparison to the same period last year. Ordinary income decreased 1.4 billion yen in comparison to the same period last year to ordinary loss of 0.8 billion yen.

Kobelco Eco-Solutions

Consolidated orders in the first half of fiscal 2012 declined 5.7 percent in comparison to the same period last year to 48.9 billion yen. Although large orders were received in the waste treatment business, demand went down in the water treatment business. The backlog of orders at the end of the half-year period was 62.4 billion yen.

Consolidated segment sales decreased 2.2 percent in comparison to the same period last year to 29.1 billion yen due to lower sales from the public-sector water treatment field and lower profits from a number of projects. Ordinary income decreased 1.1 billion yen in comparison to the same period last year to 0.3 billion yen.

Kobelco Construction Machinery

Unit sales of hydraulic excavators decreased in comparison to the same period last year. Domestic demand increased owing to reconstruction work following the earthquake last year and demand was strong in Southeast Asia. However, unit sales in China, a major market, decreased considerably in comparison to the same period last year.

As a result, consolidated segment sales decreased 16.5 percent in comparison to the same period last year to 150.3 billion yen. Ordinary income declined 12.9 billion yen in comparison to the same period last year to 5.6 billion yen.

Kobelco Cranes

Unit sales of cranes increased in the first half of fiscal 2012, compared with the same period last year. In addition to higher domestic demand from reconstruction work after the earthquake last year, overseas demand was on a recovery trend primarily in North America and Southeast Asia.

However, due to the changes in the types of cranes sold, consolidated segment sales in the first half of fiscal 2012 decreased 3.6 percent in comparison to the same period last year to 22.1 billion yen. Ordinary income decreased 1.0 billion yen in comparison to the same period last year to ordinary loss of 0.8 billion yen.

Other Businesses

At Shinko Real Estate Co., Ltd., property handovers decreased, but the leasing business was strong. At Kobelco Research Institute, Inc., demand on the whole was recovering, but demand from the electronics industry for experimental research was sluggish.

Consolidated segment sales decreased 8.2 percent in comparison to the same period last year to 28.5 billion yen. Ordinary income decreased 0.4 billion yen in comparison to the same period last year to 2.1 billion yen.

2. Qualitative Information on Consolidated Earnings Forecast

Kobe Steel views the world economy becoming increasingly unclear amid the financial turmoil in Europe and the protracted slowdown of the economies in China and other emerging countries. In Japan, demand is anticipated for reconstruction work in the aftermath of the Great East Japan Earthquake. However, with the end of subsidies for eco-friendly cars and the entrenchment of the high yen, the Kobe Steel Group forecasts that the severe business environment will continue for the time being.

Anticipated conditions in the business segments are as follows.

Iron & Steel Business

Demand for steel products in Japan was strong from the automotive industry in the first half of fiscal 2012, but a slowdown is a concern. In addition, a deceleration in the economies of China and other emerging countries and the entrenchment of the high yen are creating an unpredictable situation. Kobe Steel is paying close attention to market trends in Japan and overseas. Steel castings and forgings are anticipated to continue facing stagnant demand in the shipbuilding industry. For titanium products, sluggish demand amid a slowdown in the world economy is a concern.

Welding Business

Demand for welding materials in Southeast Asia is anticipated to be strong. However, domestic demand from the shipbuilding industry is expected to further decline. A prolonged slowdown in China's economy and further competition from imported welding materials are concerns.

Aluminum & Copper Business

Demand from the IT and semiconductor industries is anticipated to continue being weak. A decrease in automotive demand, which was generally strong in the first half of the fiscal year, is a concern. An additional concern is the entrenchment of the high yen.

Machinery Business

Demand for compressors is anticipated to be strong, mainly in overseas markets. However the entrenchment of the high yen is a concern.

Natural Resources & Engineering Business

Amid concern over the financial turmoil in Europe and prolonged slowdown in the economic growth of emerging countries, capital investments for ironmaking plants in overseas markets are expected to continue being postponed.

Kobelco Eco-Solutions

Domestic public-works investment in the water treatment business, domestic private-sector capital investment, and demand from the chemical and food-processing industries are expected to continue being sluggish. However, public-works investment in the waste treatment business is expected to continue on a recovery path and the after-sales service field is also forecast to be strong.

Kobelco Construction Machinery

Demand in Japan and Southeast Asia is generally expected to be strong. However in China, a major market, demand is envisaged to recover from fiscal 2013.

Kobelco Cranes

In Japan, demand from reconstruction work after the earthquake last year is anticipated to continue. In overseas markets, demand is expected to continue on a recovery trend, excluding some areas. The entrenchment of the high yen and a sales mix of smaller machines are of concern.

Other Businesses

Shinko Real Estate Co., Ltd. anticipates that the leasing business will continue to be strong. Kobelco Research Institute, Inc. sees demand generally being the same in comparison to the same period last year.

Fiscal 2012 Forecast

Owing to these conditions, the Kobe Steel Group's consolidated sales for fiscal 2012 are forecast to be 1.71 trillion yen, with ordinary loss of approximately 25.0 billion yen. Net loss is forecast to be roughly 60.0 billion yen.

In comparison to the previous forecast, consolidated sales in the first half of fiscal 2012 decreased more than anticipated due to lower sales volume of steel and aluminum rolled products. Profits increased as overall cost reductions were greater than anticipated and agreement could not be reached on some of the sales prices of steel products, which were anticipated to decrease.

Looking at the earnings forecast for the entire fiscal year, sales were revised downward due to lower first-half sales. As for profits, although efforts are being made to continue reducing overall costs, steel sales prices which had not been decided by the end of the first half of fiscal 2012 are anticipated to be settled in the third quarter (October-December) onward. In addition, the demand environment in China is becoming increasingly unclear. As a result, profits are anticipated to remain unchanged from the previous forecast in September.

Dividends

Kobe Steel's fundamental policy is to provide continuous and stable dividends. Dividends are decided taking into account the company's financial condition, business performance, future capital needs and other factors from a comprehensive standpoint. On this basis, Kobe Steel reached a decision to forgo the interim dividend. With regard to the dividend at the end of the fiscal year, as there are many unclear factors that need to be taken into consideration, the amount of the dividend cannot be determined at this time.

3. Items regarding Summary Information (Notes)

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

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

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

As a result, in comparison to the previous accounting method, depreciation decreased 465 million yen, operating income increased 369 million yen, and ordinary loss and loss before income taxes decreased 369 million yen.

Investor Relations:

Tel +81 (0)3 5739-6045

Fax +81 (0)3 5739-5973

Kobe Steel, Ltd.

9-12 Kita-Shinagawa 5-chome
Shinagawa-ku, Tokyo 141-8688

JAPAN

Website www.kobelco.com

Media Contact:

Gary Tsuchida

Publicity Group

Tel +81 (0)3 5739-6010

Fax +81 (0)3 5739-5971

CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

Assets	FY2011 Ended Mar. 31, 2012	FY2012 1st Half Ended Sep. 30, 2012
Current assets		
Cash and time deposits	95,378	93,715
Notes and accounts receivable	313,074	292,034
Merchandise and finished goods	160,972	158,503
Work in progress	127,017	127,208
Raw materials and supplies	120,555	127,138
Other	126,826	117,161
Allowance for doubtful accounts	(430)	(1,838)
Total current assets	<u>943,394</u>	<u>913,922</u>
Tangible fixed assets		
Buildings and structures	283,792	287,131
Machinery and equipment	376,518	374,147
Land	205,299	205,235
Other	39,227	43,980
Total tangible fixed assets	<u>904,837</u>	<u>910,495</u>
Intangible fixed assets	20,494	20,124
Investments and other assets		
Investments in securities	179,671	162,722
Other	113,791	112,564
Allowance for doubtful accounts	(2,677)	(2,509)
Total investments and other assets	<u>290,785</u>	<u>272,777</u>
Total fixed assets, investments and other assets	<u>1,216,117</u>	<u>1,203,397</u>
Total assets	<u>2,159,512</u>	<u>2,117,320</u>
Liabilities		
Current liabilities		
Notes and accounts payable	447,316	409,099
Short-term borrowings	204,719	252,096
Bonds due within one year	35,176	45,176
Income and enterprise taxes payable	7,204	4,975
Other reserves	38,385	34,407
Other	148,769	133,682
Total current liabilities	<u>881,571</u>	<u>879,437</u>
Long-term liabilities		
Bonds and notes	172,172	187,084
Long-term borrowings	394,579	374,884
Employees' severance and retirement benefits	52,587	52,336
Other reserves	2,216	2,175
Other	85,126	85,831
Total long-term liabilities	<u>706,682</u>	<u>702,311</u>
Total liabilities	<u>1,588,254</u>	<u>1,581,749</u>

Net Assets	FY2011	FY2012 1st Half
	Ended Mar. 31, 2012	Ended Sep. 30, 2012
Stockholders' equity		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	280,582	242,269
Treasury stock, at cost	(51,627)	(51,614)
Total stockholders' equity	<u>545,393</u>	<u>507,092</u>
Accumulated other comprehensive income (loss)		
Unrealized gains or losses on securities, net of taxes	13,020	8,880
Unrealized gains or losses on hedging derivatives, net of taxes	(1,013)	(155)
Land revaluation differences, net of taxes	(4,140)	(4,140)
Foreign currency translation adjustments	(37,579)	(36,065)
Total accumulated other comprehensive income (loss)	<u>(29,713)</u>	<u>(31,480)</u>
Minority interests	55,578	59,958
Total net assets	<u>571,258</u>	<u>535,571</u>
Total liabilities and net assets	<u>2,159,512</u>	<u>2,117,320</u>

(2) Consolidated Statements of Income

(In millions of yen)

	FY2011 1st Half Ended Sep. 30, 2011	FY2012 1st Half Ended Sep. 30, 2012
Net sales	960,071	858,552
Cost of sales	825,856	770,072
Gross profit	134,214	88,480
Selling, general and administrative expenses	82,235	82,925
Operating income	51,979	5,554
Non-operating income		
Interest income	1,788	2,313
Dividend income	2,190	1,462
Seconded employees' salaries, net of reimbursement	3,134	2,884
Equity in income of unconsolidated subsidiaries and affiliates	3,482	1,952
Other	10,707	4,992
Total non-operating income	21,302	13,606
Non-operating expenses		
Interest expense	9,912	10,392
Seconded employees' salaries	7,919	7,069
Other	16,923	12,709
Total non-operating expenses	34,755	30,170
Ordinary income (loss)	38,526	(11,009)
Extraordinary loss		
Loss on write-down of investments in securities	---	18,020
Total extraordinary loss	---	18,020
Income (Loss) before income taxes	38,526	(29,030)
Income taxes		
Current	12,611	6,299
Deferred	(1,160)	180
Total income taxes	11,451	6,480
Income (Loss) before minority interests	27,075	(35,510)
Minority interests in income of subsidiaries	9,717	2,688
Net income (loss)	17,358	(38,199)

(3) Consolidated Statements of Comprehensive Income

(in millions of yen)

	FY2011 1st Half Ended Sep. 30, 2011	FY2012 1st Half Ended Sep. 30, 2012
Income (Loss) before minority interests	27,075	(35,510)
Other comprehensive income (loss)		
Unrealized gains or losses on securities, net of taxes	(13,615)	(3,890)
Unrealized gains or losses on hedging derivatives, net of taxes	(3,835)	866
Foreign currency translation adjustments	395	2,961
Share of other comprehensive (loss) income related to affiliates	487	(860)
Total other comprehensive income (loss)	(16,568)	(923)
Comprehensive income (loss)	10,506	(36,433)
Breakdown of total comprehensive income (loss) attributed to:		
Equity holders of the parent	2,155	(39,966)
Minority interests	8,351	3,532

(4) Notes on premise of a going concern:

None

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

None

Supplemental Information for the First Half of Fiscal 2012

(April 1 – September 30, 2012)

Consolidated Operating Results for First Half of Fiscal 2012 (In billions of yen)

	FY2011 1st Half	FY2012 1st Half	% change
Net sales	960.0	858.5	(10.6%)
Operating income	51.9	5.5	(89.3%)
Ordinary income (loss)	38.5	(11.0)	---
Extraordinary Income (loss)	---	* (18.0)	---
Net income (loss)	17.3	(38.1)	---

* Loss on write-down of investments in securities 18.0 billions of yen

Interim dividend: None

FY2012 Consolidated Forecast (In billions of yen)

	FY2011	FY2012			FY2012 Previous Forecast (Sep 28)
		1st Half	2nd Half Forecast	Full Year Forecast	
Net sales	1,864.6	858.5	851.5	1,710.0	1,750.0
Operating income	60.5	5.5	9.5	15.0	15.0
Ordinary income (loss)	33.7	(11.0)	(14.0)	(25.0)	(25.0)
Extraordinary income (loss)	(6.0)	(18.0)	(10.0)	* (28.0)	(28.0)
Net income (loss)	(14.2)	(38.1)	(21.9)	(60.0)	(60.0)

* Loss on write-down of investments in securities 28.0 billions of yen

FY2012 First Half

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

		FY2011			FY2012 1st Half
		1st Half	2nd Half	Full Year	
Iron & Steel	Sales	420.1	434.1	854.2	383.6
	Ordinary income (loss)	3.5	(18.1)	(14.6)	(24.0)
Welding	Sales	42.2	42.1	84.4	42.0
	Ordinary income	2.1	0.9	3.1	1.0
Aluminum & Copper	Sales	155.3	134.5	289.9	137.6
	Ordinary income (loss)	7.0	(0.9)	6.0	1.3
Machinery	Sales	80.1	72.6	152.8	80.8
	Ordinary income	5.6	4.2	9.8	4.4
Natural Resources & Engineering	Sales	30.2	25.5	55.8	17.9
	Ordinary income (loss)	0.6	(0.2)	0.3	(0.8)
Kobelco Eco-Solutions	Sales	29.8	41.3	71.1	29.1
	Ordinary income	1.4	2.7	4.2	0.3
Kobelco Construction Machinery	Sales	180.1	126.9	307.1	150.3
	Ordinary income	18.5	4.3	22.8	5.6
Kobelco Cranes	Sales	22.9	25.0	48.0	22.1
	Ordinary income (loss)	0.1	0.0	0.1	(0.8)
Other Businesses	Sales	31.1	38.0	69.1	28.5
	Ordinary income	2.6	4.5	7.2	2.1
Adjustment	Sales	(32.2)	(35.8)	(68.1)	(33.8)
	Ordinary income (loss)	(3.1)	(2.2)	(5.4)	(0.2)
Total	Sales	960.0	904.6	1,864.6	858.5
	Ordinary income (loss)	38.5	(4.7)	33.7	(11.0)

(2) Production , Sales & Orders

1. Steel Products (Nonconsolidated)

Production & Sales Volume (in millions of metric tons)

	FY2011			FY2012
	1st Half	2nd Half	Full Year	1st Half
Crude steel	3.63	3.53	7.16	3.52
Sales volume	2.98	3.03	6.01	2.89
Export ratio (value basis)	29.2%	23.3%	26.2%	26.1%

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

	FY2011			FY2012
	1st Half	2nd Half	Full Year	1st Half
Domestic & Export average	88,600	88,600	88,600	81,100

2. Aluminum & Copper Rolled Products (Nonconsolidated, in thousands of metric tons)

Sales Volume

	FY2011			FY2012
	1st Half	2nd Half	Full Year	1st Half
Aluminum rolled products	140	126	266	134
Copper rolled products	25	22	47	23
Copper tube*	44	35	79	42

*consolidated

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

Orders

	FY2011			FY2012
	1st Half	2nd Half	Full Year	1st Half
Domestic	26.4	34.3	60.7	29.5
Exports	42.2	42.0	84.2	30.6
Total orders	68.7	76.3	145.0	60.2

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

	FY2011		FY2012
	1st Half	2nd Half	1st Half
Domestic	57.1	60.4	56.9
Exports	92.8	100.0	90.3
Total orders	149.9	160.5	147.2

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

Orders

	FY2011			FY2012
	1st Half	2nd Half	Full Year	1st Half
Domestic	7.1	3.0	10.1	6.2
Exports	13.7	5.4	19.1	4.7
Total orders	20.8	8.4	29.2	10.9

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

	FY2011		FY2012
	1st Half	2nd Half	1st Half
Domestic	36.8	33.8	36.7
Exports	47.2	36.1	26.7
Total orders	84.0	70.0	63.5

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

Orders

	FY2011			FY2012
	1st Half	2nd Half	Full Year	1st Half
Total orders	51.9	26.8	78.8	48.9

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

	FY2011		FY2012
	1st Half	2nd Half	1st Half
Total orders	57.1	42.6	62.4

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

Comparison of FY2012 1st Half and FY2011 1st Half

	FY2011 1st Half	FY2012 1st Half	Amount of Decrease
Ordinary income (loss)	38.5	(11.0)	(49.5)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	21.0	Production & shipments	(36.0)
Overall cost reductions	14.0	Effect of steel inventory valuation*	(24.5)
		Effect of aluminum & copper inventory valuation*	(3.0)
		Consolidated subsidiaries & equity-valued affiliates	(16.5)
		Other	(4.5)
Total	35.0	Total	(84.5)

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

FY2012 Forecast

(1) Consolidated Sales & Ordinary Income Forecast for FY2012 by Segment (in billions of yen)

		FY2011	FY2012			FY2012 Previous Forecast (Sep 28)
			1st Half	2nd Half Forecast	Full Year Forecast	
Iron & Steel	Sales	854.2	383.6	366.4	750.0	770.0
	Ordinary income (loss)	(14.6)	(24.0)	(19.0)	(43.0)	(43.0)
Welding	Sales	84.4	42.0	42.0	84.0	84.0
	Ordinary income	3.1	1.0	0.0	1.0	1.0
Aluminum & Copper	Sales	289.9	137.6	127.4	265.0	270.0
	Ordinary income	6.0	1.3	2.7	4.0	4.0
Machinery	Sales	152.8	80.8	85.2	166.0	169.0
	Ordinary income	9.8	4.4	2.6	7.0	7.0
Natural Resources & Engineering	Sales	55.8	17.9	27.1	45.0	47.0
	Ordinary income (loss)	0.3	(0.8)	(1.2)	(2.0)	(2.0)
Kobelco Eco-Solutions	Sales	71.1	29.1	44.4	73.5	73.5
	Ordinary income	4.2	0.3	3.7	4.0	4.0
Kobelco Construction Machinery	Sales	307.1	150.3	134.7	285.0	285.0
	Ordinary income	22.8	5.6	0.4	6.0	6.0
Kobelco Cranes	Sales	48.0	22.1	24.9	47.0	49.0
	Ordinary income (loss)	0.1	(0.8)	(2.2)	(3.0)	(3.0)
Other Businesses	Sales	69.1	28.5	44.5	73.0	73.0
	Ordinary income	7.2	2.1	4.9	7.0	7.0
Adjustment	Sales	(68.1)	(33.8)	(44.7)	(78.5)	(70.5)
	Ordinary income (loss)	(5.4)	(0.2)	(5.8)	(6.0)	(6.0)
Total	Sales	1,864.6	858.5	851.5	1,710.0	1,750.0
	Ordinary income (loss)	33.7	(11.0)	(14.0)	(25.0)	(25.0)

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

	FY2011	FY2012		
		1st Half	2nd Half Forecast	Full Year Forecast
Crude steel	7.16	3.52	Approx. 3.50	Approx. 7.00
Sales volume	6.01	2.89	Approx. 2.90	Approx. 5.80
Export ratio (value basis)	26.2%	26.1%	24%	25%

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

Comparison of FY2012 2nd Half Forecast and FY2012 1st Half

	FY2012 1st Half	FY2012 2nd Half Forecast	Amount of Decrease
Ordinary income (loss)	(11.0)	(14.0)	(3.0)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	18.0	Production & shipments	(22.0)
Overall cost reductions	0.5	Consolidated subsidiaries & equity-valued affiliates	(2.5)
Effect of steel inventory valuation*	8.0	Other	(6.0)
Effect of aluminum & copper inventory valuation*	1.0		
Total	27.5	Total	(30.5)

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

Comparison of FY2012 Forecast and FY2011 Result

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

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	61.0	Production & shipments	(87.5)
Overall cost reductions	28.0	Effect of steel inventory valuation*	(18.0)
		Effect of aluminum & copper inventory valuation*	(4.5)
		Consolidated subsidiaries & equity-valued affiliates	(22.0)
		Other	(15.7)
Total	89.0	Total	(147.7)

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

Comparison of Current Forecast and Previous Forecast for FY2012

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

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	1.0	Production & shipments	(4.5)
Overall cost reductions	2.5		
Effect of steel inventory valuation*	0.5		
Other	0.5		
Total	4.5	Total	(4.5)

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

Other

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

Cash Flow

	FY2011			FY2012
	1st Half	2nd Half	Full Year	1st Half
Free cash flow	(45.8)	(13.2)	(59.0)	(47.2)

(Excludes cash flow from IPP project financing)

Outside Debt (as of the end of each period)

	FY2011		FY2012	
	1st Half	2nd Half	1st Half	2nd Half Forecast
Outside debt*	783.7	746.4	802.8	840.0
D/E ratio (times) **	1.4	1.4	1.6	Approx. 1.7

* Excludes debt from IPP project financing.

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

(2) Exchange Rates (Nonconsolidated)

	FY2011	FY2012	
		1st Half	2nd Half Forecast
Exchange rate (1 U.S. dollar to yen)	79 yen	79 yen	78 yen
Effect of exchange rate movement *	2.5	1.1	0.8

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

(3) Capital Investment (consolidated, In billions of yen)

	FY2011	FY2012		
		1st Half	2nd Half Forecast	Full Year Forecast
Capital investment (accrual basis)	96.0	58.7	61.3	120.0
Depreciation	118.0	51.7	58.3	110.0

FOR REFERENCE

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

		FY2011							FY2012 Forecast				
		1st Half			2nd Half			Total	1st Half			2nd Half	Total
		1Q	2Q	Subtotal	3Q	4Q	Subtotal		1Q	2Q	Subtotal		
Iron & Steel	Sales	195.6	224.4	420.1	222.2	211.8	434.1	854.2	192.2	191.3	383.6	366.4	750.0
	Ordinary income (loss)	3.3	0.1	3.5	0.1	(18.3)	(18.1)	(14.6)	(18.9)	(5.0)	(24.0)	(19.0)	(43.0)
Welding	Sales	21.6	20.5	42.2	20.6	21.5	42.1	84.4	21.3	20.6	42.0	42.0	84.0
	Ordinary income	1.3	0.8	2.1	0.3	0.5	0.9	3.1	0.5	0.5	1.0	0.0	1.0
Aluminum & Copper	Sales	79.3	76.0	155.3	69.3	65.1	134.5	289.9	71.9	65.7	137.6	127.4	265.0
	Ordinary income (loss)	5.3	1.6	7.0	0.9	(1.8)	(0.9)	6.0	1.7	(0.4)	1.3	2.7	4.0
Machinery	Sales	41.1	38.9	80.1	32.7	39.9	72.6	152.8	39.7	41.1	80.8	85.2	166.0
	Ordinary income	3.3	2.3	5.6	3.2	1.0	4.2	9.8	2.4	1.9	4.4	2.6	7.0
Natural Resources & Engineering	Sales	12.4	17.8	30.2	12.9	12.6	25.5	55.8	7.1	10.7	17.9	27.1	45.0
	Ordinary income (loss)	(0.6)	1.2	0.6	2.8	(3.1)	(0.2)	0.3	(0.5)	(0.2)	(0.8)	(1.2)	(2.0)
Kobelco Eco-Solutions	Sales	12.4	17.4	29.8	18.8	22.5	41.3	71.1	13.6	15.5	29.1	44.4	73.5
	Ordinary income (loss)	0.4	1.0	1.4	1.8	0.8	2.7	4.2	(0.1)	0.4	0.3	3.7	4.0
Kobelco Construction Machinery	Sales	97.7	82.4	180.1	61.6	65.3	126.9	307.1	80.1	70.2	150.3	134.7	285.0
	Ordinary income	11.1	7.4	18.5	1.6	2.6	4.3	22.8	3.9	1.7	5.6	0.4	6.0
Kobelco Cranes	Sales	11.8	11.1	22.9	11.6	13.4	25.0	48.0	9.5	12.5	22.1	24.9	47.0
	Ordinary income (loss)	(0.4)	0.5	0.1	(0.0)	0.1	0.0	0.1	(0.4)	(0.4)	(0.8)	(2.2)	(3.0)
Other Businesses	Sales	14.7	16.4	31.1	15.7	22.2	38.0	69.1	13.9	14.6	28.5	44.5	73.0
	Ordinary income	1.2	1.4	2.6	1.3	3.1	4.5	7.2	1.0	1.1	2.1	4.9	7.0
Adjustment	Sales	(15.5)	(16.6)	(32.2)	(16.3)	(19.4)	(35.8)	(68.1)	(15.6)	(18.1)	(33.8)	(44.7)	(78.5)
	Ordinary income (loss)	(1.1)	(2.0)	(3.1)	(0.7)	(1.5)	(2.2)	(5.4)	(0.0)	(0.2)	(0.2)	(5.8)	(6.0)
Total	Sales	471.4	488.6	960.0	449.4	455.1	904.6	1,864.6	434.1	424.4	858.5	851.5	1,710.0
	Ordinary income (loss)	23.9	14.5	38.5	11.6	(16.3)	(4.7)	33.7	(10.4)	(0.5)	(11.0)	(14.0)	(25.0)
Net income (loss)		9.8	7.5	17.3	(4.7)	(26.8)	(31.6)	(14.2)	(32.2)	(5.9)	(38.1)	(21.9)	(60.0)

Quarterly Production and Sales of Steel Products (Nonconsolidated)

Production & Sales Volume (In millions of metric tons)

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

FY2012	1st Half			2nd Half Forecast	Full Year Forecast
	1Q	2Q	Subtotal		
Crude steel	1.66	1.86	3.52	Approx. 3.50	Approx. 7.00
Sales volume	1.43	1.46	2.89	Approx. 2.90	Approx. 5.80
Export ratio (value basis)	26.6%	25.5%	26.1%	24%	25%

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

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

FY2012	1st Half		
	1Q	2Q	Subtotal
Domestic & Export ave.	83,400	78,900	81,100

Note:

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

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