

**Summary of Kobe Steel's Consolidated Financial Results for Fiscal 2009**  
(April 1, 2009 – March 31, 2010)

TOKYO, April 28, 2010 – Kobe Steel, Ltd. announced today its financial results for fiscal 2009, ended March 31, 2010.

**Consolidated financial summary** (in millions of yen)

	FY2009	% change	FY2008	% change
Net sales	1,671,021	(23.3%)	2,177,289	2.1%
Operating income	46,015	(60.6%)	116,934	(42.2%)
Ordinary income *	10,258	(83.1%)	60,876	(61.5%)
Net income (loss)	6,304	---	(31,438)	---
Net income (loss) per share	2.09 yen		(10.47 yen)	

Note: \* Also known as pretax recurring profit

**Segment sales** (in millions of yen)

	FY2009	FY2008
Iron & Steel	718,058	1,022,406
Wholesale Power Supply	81,589	80,708
Aluminum & Copper	261,762	379,310
Machinery	305,504	331,002
Construction Machinery	260,035	333,025
Real Estate	46,241	37,131
Electronic Materials & Other Businesses	43,625	55,117
Eliminations	(45,796)	(61,413)
Consolidated net sales	1,671,021	2,177,289

**Overseas sales** (in millions of yen)

	FY2009	FY2008
Overseas sales	558,844	709,520
Consolidated net sales	1,671,021	2,177,289
Percentage of overseas sales	33.4%	32.6%

**1. Consolidated Operating Results**

Japan's economy in fiscal 2009, ended March 31, 2010, picked up on the back of stimulus measures in Japan and overseas, progress in inventory adjustments, and improvement in overseas economies. Overseas, China's economy recovered, and the economies in the United States and Europe picked up since last summer.

However, the world economy as a whole remained weak compared with fiscal 2008, and continued to be sluggish.

In this economic environment, the Kobe Steel Group's sales volume of steel products in the Iron & Steel segment and sales volume in the Aluminum & Copper segment began recovering from the second quarter of fiscal 2009 (July-September period). However, sales volume in fiscal 2009 did not reach the level of fiscal 2008, in which shipments were extremely high in the first half of the fiscal year. As a result, consolidated net sales in fiscal 2009 went down 506.2 billion yen compared with fiscal 2008, to 1,671.0 billion yen. Despite efforts to reduce overall costs, operating income declined 70.9 billion yen to 46.0 billion yen. Ordinary income went down 50.6 billion yen to 10.2 billion yen. In comparison to fiscal 2008, which incurred a substantial amount of extraordinary loss and liquidation of deferred income tax assets, net income in fiscal 2009 improved 37.7 billion yen to 6.3 billion yen.

Conditions in each business segment are as follows:

### **Iron & Steel**

Demand for steel products from domestic automakers and electrical machinery manufacturers began recovering from the second quarter (July to September period) of fiscal 2009. Demand from overseas markets, mainly China, also went up. However demand remained low compared with fiscal 2008, when demand reached a high level particularly in the first half of that fiscal year. As a result, shipments of steel products in fiscal 2009 declined in comparison to fiscal 2008. Sales prices also went down compared with fiscal 2008, mainly due to lower raw material prices.

Sales of steel castings and forgings decreased in the third quarter (October to December period) compared with fiscal 2008, due to weak demand from the shipbuilding industry. Demand for welding consumables and titanium mill products also slumped, leading to lower sales for these products compared with fiscal 2008.

As a result, segment sales decreased 29.8%, compared with fiscal 2008, to 718.0 billion yen. Although Kobe Steel worked on improving its profits by reducing fixed costs, operating income decreased 102.0 billion yen to operating loss of 24.3 billion yen.

### **Wholesale Power Supply**

Segment sales of 81.5 billion yen were flat compared with fiscal 2008. Operating income rose 3.0 billion yen to 20.3 billion yen compared with fiscal 2008, owing to lower depreciation costs.

### **Aluminum & Copper**

In aluminum rolled products, the sales volume of can stock for beverage containers declined from the third quarter (October to December period) due to the cool summer. On the other hand, sales were firm for environment-friendly cars with their need for lightweight material, leading to a recovery in sales volume for this market from the second quarter (July to September period). In addition, owing to progress in inventory adjustments, demand for LCD and semiconductor fabrication equipment began picking up from the third quarter (October to December period). However, the overall sales volume of aluminum rolled products went down compared with fiscal 2008.

Aluminum castings and forgings – centered on products for automobiles and LCD and semiconductor fabrication equipment – showed signs of recovery, but sales were lower than in fiscal 2008.

As for copper rolled products, the sales volume of copper sheet and strip increased compared with fiscal 2008, due to progress in inventory adjustments from the second quarter (July to September period). However, demand for copper tube for air conditioners was sluggish, leading to lower sales volume for this product. Thus, overall shipments of copper rolled products declined compared with fiscal 2008.

In addition to these conditions, lower product sales prices brought about by lower ingot prices caused segment sales to decrease 31.0% compared with fiscal 2008, to 261.7 billion yen. However, owing to lower depreciation costs and cost reductions, operating income improved 34.4 billion yen compared with fiscal 2008, to 7.5 billion yen.

### **Machinery**

Due to sluggish capital investments in the automotive, oil refining and petrochemical fields, orders for products related to these fields went down. On the other hand, such areas as metalworking machinery and direct reduction plants began showing signs of recovery.

Under these conditions, domestic orders in fiscal 2009 increased 1.6%, compared with fiscal 2008, to 130.4 billion yen, while overseas orders went down 42.1% compared with fiscal 2008, to 63.7 billion yen. As a result, overall orders decreased 18.6% compared with fiscal 2008, to 194.2 billion yen. The backlog of orders was 240.7 billion yen at the end of fiscal 2009, ended March 2010.

Segment sales were 305.5 billion yen, a decrease of 7.7% compared with fiscal 2008, which saw revenue boosted from a pellet plant order. Operating income decreased 0.5 billion yen compared with fiscal 2008, to 29.0 billion yen.

### **Construction Machinery**

Unit sales of hydraulic excavators in China increased considerably, especially in the inland area compared with fiscal 2008. However, unit sales in the sluggish domestic, U.S. and Europe markets decreased further.

Unit sales of cranes in North America decreased compared with fiscal 2008, due to inventory adjustments by customers. Japan and the Middle East also saw considerably lower unit sales compared with fiscal 2008.

As a result, segment sales decreased 21.9% compared with fiscal 2008, to 260.0 billion yen. Operating income decreased 3.3 billion yen compared with fiscal 2008, to 7.9 billion yen.

### **Real Estate**

Segment sales increased 24.5% compared with fiscal 2008, to 46.2 billion yen owing to the steady closing of condominium sales. Operating income increased 1.2 billion yen compared with fiscal 2008, to 3.1 billion yen.

### **Electronic Materials & Other Businesses**

Demand in the testing and analysis business continued to be sluggish mainly in the transport aircraft industry. In addition, prices declined for target material for LCD panels and sales volume went down. As a result, segment sales decreased 20.9% compared with fiscal 2008, to 43.6 billion yen. Operating income decreased 3.3 billion yen to an operating loss of 0.2 billion yen.

## **Outlook for Fiscal 2010**

The world economy in fiscal 2010 is anticipated to gradually improve on the whole, as developing countries, centered on China, are on a recovery path. In advanced countries, however, there is concern that the effectiveness of economic stimulus measures will decline.

On this background, each business segment anticipates that demand will be strong in overseas markets, centered on fields of anticipated growth and developing countries. In the Iron & Steel segment, iron ore and coking coal prices continue to be under negotiation. In addition, mining companies have called for raw material prices to be revised quarterly. This makes it extremely difficult to predict raw material prices for the entire year. Furthermore, negotiations with customers for steel product prices are still at an early stage, making it impossible to forecast sales prices at this time.

As Kobe Steel is unable to forecast both raw material prices and product prices in its Iron & Steel segment, which exerts a large influence on Kobe Steel's business results, Kobe Steel is unable to formulate a reasonable earnings forecast for fiscal 2010.

Kobe Steel intends to announce its earnings forecast if it becomes possible to disclose such information. Kobe Steel will provide an update about this matter when it announces its first-quarter results.

## **Analysis of Financial Position**

While investment in securities increased, inventories went down. As a result, total assets at the end of fiscal 2009 decreased 46.1 billion yen compared with fiscal 2008, to 2,249.3 billion yen. Net assets increased 43.5 billion yen compared with fiscal 2008, to 557.0 billion yen, as retained earnings and net unrealized holding gains on securities increased. As a result, the net worth ratio at the end of fiscal 2009 was 23.0%, increasing 2.1 points in comparison to the end of fiscal 2008.

As for cash flows, net cash provided by operating activities came to 172.8 billion yen after depreciation of 118.8 billion yen and decrease in inventories of 98.5 billion yen. Net cash used in investing activities was 120.3 billion yen due to the purchase of fixed assets and other items. Net cash used in financing activities was 29.6 billion yen mainly due to the repayment of bonds.

At the end of fiscal 2009, outside debt, which includes IPP project financing, decreased 29.6 billion yen compared with the end of fiscal 2008, to 925.1 billion yen.

## Consolidated cash flow Indicators

	FY2005	FY2006	FY2007	FY2008	FY2009
Net worth ratio	25.6%	26.4%	25.8%	20.9%	23.0%
Stockholders' equity ratio at market price	67.1%	66.0%	38.0%	17.1%	27.8%
Ratio of cash flow to interest-bearing debt (years)	3.6	4.3	6.6	7.9	5.4
Interest coverage ratio (times)	9.0	8.5	5.9	6.3	8.1

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

## Basic Policy on Profit Sharing and Dividends

Kobe Steel considers the return of profits to its shareholders as an important management issue. Taking a medium- to long-term view on promoting business development, Kobe Steel is striving to increase the corporate value of the entire Kobe Steel Group.

In distributing its profits, Kobe Steel takes into overall consideration the financial condition of the company, trends in its business performance, future capital needs and other issues. The basis for dividend payments is continuous and stable distribution. Dividends are decided upon taking into account the company's performance for each business term, the payout ratio and other factors.

As for internal reserves, by providing necessary financing for future growth, Kobe Steel strives to improve its profitability as well as improve and strengthen its financial standing.

Taking into consideration profit sharing based on its business performance, Kobe Steel aims for a dividend payout ratio of approximately 15% to 25% of consolidated net income.

Kobe Steel shall determine the matters concerning distribution of retained earnings, etc. stipulated in Article 459.1 and Article 460.1 of the Company Law, by resolution of the Board of Directors.

The basic policy on dividend distribution is payment twice a year in principle, with the end of the first half of the fiscal year and the end of the fiscal year stipulated as the record dates under the Articles of Incorporation. Other record dates for dividends may be arranged upon approval at the Board of Directors meeting.

As for the dividend at the end of fiscal 2009, Kobe Steel intends to pay 1.50 yen per share, taking into account recovery in its business performance and other factors.

The dividend for fiscal 2010 has not been decided at this time.

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## 2. Position of the Corporate Group

A description has been omitted as no significant changes have occurred in the sections “Business Contents” and “Affiliated Companies” of the Annual Securities Report (“yukashoken hokokusho”) submitted on June 24, 2009.

## 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 shareholders, investors, customers, business partners, employees, local communities and other stakeholders, 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 Strategy and Related Issues

On the back of a shift from domestic to offshore manufacturing in addition to an aging population and declining birthrate, the medium- to long-term business environment surrounding the Kobe Steel Group is anticipated to exhibit a general decline in domestic demand, while overseas demand, centered on developing countries, is anticipated to expand. Furthermore, with global warming issues becoming more serious, Kobe Steel anticipates that the demand structure will rapidly change toward a low-carbon society with domestic operations restrained, nuclear power generation expanding, and more hybrid cars and electric vehicles on the road.

## Medium- to Long-Term Business Vision

Recognizing these conditions, the Kobe Steel Group formulated in April this year a Medium- to Long-Term Business Vision. The new Vision provides the framework for the Kobe Steel Group for the next five to ten years. By further integrating the knowledge and technologies of its diverse businesses in materials and machinery, Kobe Steel aims to become a corporate group that:

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

To achieve this framework for the Kobe Steel Group, Kobe Steel will strive to thoroughly carry out safety and compliance undertakings and based on the following basic policies, strive to create new value and aim for global growth.

### (i) Thorough pursuit of High-End “Only One” Products, Technologies & Services

Focus on improving the market position of current high-end “Only One” products, technologies and services in the market and improving their profitability, as well as create new Only One products.

Improve customer satisfaction by supplying customers with services that only Kobe Steel can provide, as well as after-sales services, and provide better products and technologies by determining and meeting customers’ changing needs. Actively pursue upstream (such as new ironmaking technology) as well as downstream aspects of the current businesses to dramatically improve added value to our businesses by keeping in step with customer and societal needs.

**(ii) Further improve manufacturing strengths**

“Monozukuri-ryoku,” namely our manufacturing strengths, is a total activity that covers sales and marketing, development and design, procurement, and manufacturing. Monozukuri enables us to implement one of our corporate philosophies: supplying “reliable and advanced technologies, products and services that satisfy customers.” Monozukuri-ryoku is the strength that provides reliable and advanced technologies, products and services eternally. Undertaken by the entire Kobe Steel Group, monozukuri-ryoku is an engine for growth, as well as the source of the competitiveness of the Kobe Steel Group.

**(iii) Focus on Growth Markets**

Expand overseas business appropriate to each area, pursuing regions and fields where demand is growing, particularly developing countries. Accelerate business undertakings in growth areas – the environment, natural resources and energy – in Japan and overseas.

**(iv) Demonstrating the Comprehensive capabilities of the Kobe Steel Group**

Create new value by further amassing and integrating expertise, ideas and know-how in the Kobe Steel Group.

Kobe Steel aims to strengthen its total capabilities through company-wide activities like creating new Only One products by improving the comprehensive technical capabilities and proposal-making capabilities in Group-wide projects, popularizing the KOBELCO brand.

In a rapidly changing business environment, Kobe Steel aims to educate employees capable of taking the role of strengthening the business foundation of the Group, implementing change, and promoting global business development.

**(v) Contributions to Society**

Actively fulfill our social responsibility centered on contributing to local communities and environmental conservation. Contribute to global warming solutions through business activities. Build a corporate culture for the entire Kobe Steel Group that is highly sensitive to compliance.

## Carrying out the Medium- to Long-Term Business Vision

Until fiscal 2009, Kobe Steel had adopted the internal company system to strengthen the profitability of each of its businesses by clarifying profit-and-loss responsibility and speeding up decision-making. Under the recognition that it is indispensable to maximize the total capabilities of the Kobe Steel Group to realize the Medium- to Long-term Business Vision by sharing and linking information among each of its business units, Kobe Steel adopted a business unit system from April 2010. Along with the shift to a business unit system, Kobe Steel restructured the organization and framework of the machinery business, establishing the Natural Resources & Engineering Business.

**Iron & Steel Business:** Steadily meet growing demand centered on developing countries, including China and India. Expand the global market for high-end Only One steel products including high strength steel and specialty steel. Consider application of direct reduced iron in steel operations.

**Welding Business:** Pursue business that combines welding consumables, welding technologies and welding robot systems. Expand business at current overseas locations and strengthen overseas business in developing countries.

**Aluminum & Copper Business:** Expand overseas business by setting up new locations and utilizing alliances. Strengthen and upgrade high-end Only One products for the automotive, IT and energy fields.

**Machinery Business:** Strengthen the production technology capabilities at domestic “mother factories” and expand production at overseas locations. Create and expand sales of environmentally-conscious high-end Only One products.

**Natural Resources & Engineering Business:** Actively promote direct reduced iron, centered on the ITmk3 Process. Promote the commercialization of the Upgraded Brown Coal (UBC) Process and build a business model for the Process.

**Kobelco Eco-Solutions:** Strengthen profitability by expanding proposal-based business. Advance into and expand sales in overseas markets, including Vietnam and India.

**Kobelco Construction Machinery:** Expand business in developing countries such as China, Thailand and India. Develop products that meet local needs, incorporating advanced technologies such as low fuel consumption and low noise.

**Kobelco Cranes:** Establish strategic overseas locations to meet demand mainly in developing countries.

From fiscal 2009, Kobe Steel began undertaking new risk management activities to build a corporate culture that is highly sensitive to compliance. In concrete terms, Kobe Steel drew up risk management plans taking into account the risks involved in each of its business units, in addition to compliance risks based on changes in laws, regulations and society. Based on this plan, Kobe Steel intends to implement the PDCA (plan, do, check and action) cycle year by year, to promote risk management activities. Kobe Steel is also going to expand such risk management activities throughout its Group companies.

As a settlement was reached in the shareholders' representative lawsuit on the bid-rigging of steel bridges, a special committee for verification and recommendation on compliance was established.

Kobe Steel regards safety and compliance as the major premise for corporate viability and will continue to build a corporate culture that is rooted in compliance.

Kobe Steel will change segment classification in fiscal 2010 in accordance with the Accounting Standards Board of Japan's Statement No. 17. Thus, the related issues above are described under the new segment classification.

## Kobe Steel's Consolidated Financial Results Summary for Fiscal 2009 (April 1, 2009 – March 31, 2010)

April 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  
 General shareholders' meeting: June 23, 2010  
 "Yukashoken hokokusho"  
 (Annual Securities Report) issued: June 23, 2010  
 Start of dividend payments: June 2, 2010  
 Media contact: Publicity Group tel. +81-(0)3-5739-6010

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

### 1. FY2009 consolidated financial results (April 1, 2009 – March 31, 2010)

(in millions of yen)

#### (1) Consolidated financial results

	FY2009	% change	FY2008	% change
Net sales	1,671,021	(23.3%)	2,177,289	2.1%
Operating income	46,015	(60.6%)	116,934	(42.2%)
Ordinary income	10,258	(83.1%)	60,876	(61.5%)
Net income (loss)	6,304	---	(31,438)	---
Net income (loss) per share	2.09 yen		(10.47 yen)	
Diluted net income (loss) per share	---		---	
Return on equity	1.3%		(5.8%)	
Ratio of ordinary income to total assets	0.5%		2.6%	
Ratio of operating income to net sales	2.8%		5.4%	

Equity in income of affiliates in FY2009: 1,808 million yen    FY2008: 7,935 million yen

#### (2) Consolidated financial position

	FY2009	FY2008
Total assets	2,249,345	2,295,489
Net assets	557,002	513,460
Net worth ratio	23.0%	20.9%
Net assets per share	172.08 yen	159.58 yen

Shareholders' equity at the end of FY2009: 516,671 million yen    FY2008: 479,141 million yen

#### (3) Consolidated cash flows

	FY2009	FY2008
Net cash provided by operating activities	172,893	118,199
Net cash used in investing activities	(120,324)	(127,405)
Net cash used in financing activities	(29,641)	138,700
Cash & cash equivalents at the end of year	211,699	187,745

### 2. Dividends

Date of Record	Dividend per share (yen)					Total dividend amount*	Dividend pay ratio	Net income per share
	1Q	2Q	3Q	End	Year			
FY2008	---	3.50	---	0.00	3.50	10,525	---	1.9%
FY2009	---	0.00	---	1.50	1.50	4,511	71.4%	0.9%
FY2010 forecast	Undetermined						Undetermined	

\* in millions of yen

### 3. Consolidated Forecast for fiscal 2010 (ending March 31, 2011)

Kobe Steel, Ltd. has decided not to state a consolidated earnings forecast for the fiscal year ending March 31, 2011 because forecasting with any reasonable degree of accuracy is not possible at this stage. For more information about this decision, please refer to "Outlook for Fiscal 2010" on page 3.

### 4. Other

(1) Changes in number of material subsidiaries in fiscal year

(Changes in specified subsidiaries due to changes in scope of consolidation): No

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

- Changes due to revised accounting standards: Yes

- Other changes: No

(3) Number of issued shares

	FY2009	FY2008
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	112,684,172	112,599,413

### (For Reference)

#### 1. FY2009 Non-consolidated financial results (April 1, 2009 – March 31, 2010)

(in millions of yen)

##### (1) Non-consolidated financial results

	FY2009	% change	FY2008	% change
Net sales	990,917	(27.1%)	1,359,369	5.9%
Operating income	1,124	(98.1%)	60,377	(45.1%)
Ordinary income (loss)	(12,809)	---	34,418	(60.1%)
Net income (loss)	2,800	---	(29,347)	---
Net income (loss) per share	0.93 yen		(9.75 yen)	
Diluted net income per share	---		---	

##### (2) Non-consolidated financial position

	FY2009	FY2008
Total assets	1,598,206	1,618,045
Net assets	408,532	381,507
Net worth ratio	25.6%	23.6%
Net assets per share	135.84 yen	126.85 yen

Shareholders' equity at the end of FY2009: 408,532 million yen FY2008: 381,507 million yen

#### 2. Non-consolidated Forecast for fiscal 2010 (April 1, 2010 – March 31, 2011)

Kobe Steel, Ltd. has decided not to state a non-consolidated earnings forecast for the fiscal year ending March 31, 2011 because forecasting with any reasonable degree of accuracy is not possible at this stage. For more information about this decision, please refer to "Outlook for Fiscal 2010" on page 3.

#### **Explanation on the Appropriate Use of the Earnings 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.

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. If it is able to make a forecast, Kobe Steel will promptly do so.

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Balance Sheets

(in millions of yen)

ASSETS	FY2009	FY2008
	Ended Mar. 31, 2010	Ended Mar. 31, 2009
<b>Current Assets</b>		
Cash and cash equivalents	131,939	188,322
Notes and accounts receivable	283,619	283,784
Merchandise and finished goods	126,811	161,998
Work in progress	138,070	163,150
Raw materials and supplies	102,179	137,195
Deferred tax assets	32,193	10,012
Other	158,615	96,840
Allowance for doubtful accounts	(818)	(671)
Total current assets	<u>972,611</u>	<u>1,040,632</u>
<b>Tangible fixed assets</b>		
Buildings and structures	288,284	282,594
Machinery and equipment	395,641	421,853
Tools, furniture and fixtures	11,383	14,066
Land	204,298	198,385
Construction in progress	68,462	53,638
Total tangible fixed assets	<u>968,070</u>	<u>970,537</u>
<b>Intangible fixed assets</b>		
Software	15,906	16,339
Other	5,478	4,133
Total intangible fixed assets	<u>21,385</u>	<u>20,472</u>
<b>Investments and other assets</b>		
Investments in securities	196,565	165,858
Long-term loans receivable	9,014	6,734
Deferred tax assets	16,463	21,405
Other	69,121	73,544
Allowance for doubtful accounts	(3,886)	(3,696)
Total investment and other assets	<u>287,278</u>	<u>263,846</u>
Total fixed assets, investments and other assets	<u>1,276,734</u>	<u>1,254,856</u>
<b>Total assets</b>	<u>2,249,345</u>	<u>2,295,489</u>

<b>LIABILITIES</b>	<b>FY2009</b> Ended Mar. 31, 2010	<b>FY2008</b> Ended Mar. 31, 2009
<b>Current liabilities</b>		
Notes and accounts payable	434,819	479,644
Short-term borrowings	167,876	157,249
Lease obligations	6,128	3,021
Commercial paper	---	55,000
Bonds due within one year	235	49,958
Accounts payable - other	49,727	49,789
Income and enterprise taxes payable	6,518	5,158
Deferred tax liabilities	2,058	1,539
Provision for bonuses	16,506	21,301
Provision for product warranties	12,426	11,133
Provision for loss on construction contracts	2,778	1,988
Provision for loss on business liquidation	3,037	3,927
Other	106,060	134,924
Total current liabilities	<u>808,173</u>	<u>974,634</u>
<b>Long-term liabilities</b>		
Bonds and notes	213,186	199,822
Long-term borrowings	525,170	491,557
Lease obligations	41,969	25,374
Deferred tax liabilities	24,190	6,454
Deferred tax liabilities on land revaluation	5,234	5,305
Employees' severance and retirement benefits	33,247	38,144
Provision for environmental measures	2,780	4,201
Other	38,391	36,535
Total long-term liabilities	<u>884,170</u>	<u>807,394</u>
<b>Total liabilities</b>	<u>1,692,343</u>	<u>1,782,028</u>
<b>NET ASSETS</b>		
<b>Stockholders' equity</b>		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	258,853	252,504
Treasury stock, at cost	(51,378)	(51,426)
Total stockholders' equity	<u>523,913</u>	<u>517,516</u>
<b>Valuation and translation adjustments</b>		
Unrealized holding gains on securities	22,529	448
Deferred gains on hedges	882	(6,266)
Land revaluation	(4,866)	(4,836)
Foreign currency translation adjustments	(25,787)	(27,719)
Total valuation and translation adjustments	<u>(7,242)</u>	<u>(38,374)</u>
<b>Minority interests</b>	40,330	34,318
<b>Total net assets</b>	<u>557,002</u>	<u>513,460</u>
<b>Total liabilities and net assets</b>	<u>2,249,345</u>	<u>2,295,489</u>

## Consolidated Statements of Income

(in millions of yen)

	<b>FY2009</b> Ended Mar. 31, 2010	<b>FY2008</b> Ended Mar. 31, 2009
<b>Net sales</b>	1,671,021	2,177,289
<b>Cost of sales</b>	1,475,461	1,890,317
Gross profit	195,560	286,972
Selling, general and administrative expenses	149,545	170,038
<b>Operating income</b>	<b>46,015</b>	<b>116,934</b>
Non-operating income		
Interest income	2,320	2,232
Dividend income	1,997	3,624
Reimbursement of seconded employees' salaries	6,987	8,415
Equity method investment gain	1,808	7,935
Other	18,333	14,343
Total non-operating income	31,447	36,551
Non-operating expenses		
Interest expense	21,322	20,002
Secoded employees' salaries	18,616	22,561
Other	27,265	50,046
Total non-operating expenses	67,204	92,609
<b>Ordinary income</b>	<b>10,258</b>	<b>60,876</b>
<b>Extraordinary income</b>		
Compensation for transfer of operations	7,418	---
Total extraordinary income	7,418	---
<b>Extraordinary loss</b>		
Impairment loss	3,576	15,849
Loss from write-down of investments in securities	---	17,224
Total extraordinary loss	3,576	33,073
<b>Income (loss) before income taxes</b>	<b>14,100</b>	<b>27,802</b>
<b>Income taxes</b>		
Current	9,271	32,920
Deferred	(8,265)	26,932
Total income taxes	1,005	59,853
<b>Minority interests in income of subsidiaries</b>	6,789	(612)
<b>Net income (loss)</b>	<b>6,304</b>	<b>(31,438)</b>

## Consolidated Statements of Changes in Net Assets

(in millions of yen)

	<b>FY2009</b>	<b>FY2008</b>
	<u>Ended Mar. 31, 2010</u>	<u>Ended Mar. 31, 2009</u>
<b>Stockholders' Equity</b>		
<b>Common Stock</b>		
Balance at end of previous fiscal year	233,313	233,313
Amount of change		
Total changes	<u>---</u>	<u>---</u>
Balance at end of fiscal year	<u>233,313</u>	<u>233,313</u>
<b>Capital surplus</b>		
Balance at end of previous fiscal year	83,125	83,264
Amount of change		
Disposal of treasury stock	<u>---</u>	<u>(138)</u>
Total changes	<u>---</u>	<u>(138)</u>
Balance at end of fiscal year	<u>83,125</u>	<u>83,125</u>
<b>Retained earnings</b>		
Balance at end of previous fiscal year	252,504	305,334
Effect of changes in accounting policies applied to foreign subsidiaries	---	(330)
Amount of change		
Cash dividends	---	(21,052)
Net income (loss)	6,304	(31,438)
Disposal of treasury stock	(60)	---
Decrease due to changes in scope of consolidation	48	(3)
Increase due to reversal of land revaluation	55	(5)
Total changes	<u>6,348</u>	<u>(52,499)</u>
Balance at end of fiscal year	<u>258,853</u>	<u>252,504</u>
<b>Treasury stock, at cost</b>		
Balance at end of previous fiscal year	(51,426)	(51,514)
Amount of change		
Purchase of treasury stock	(42)	(136)
Disposal of treasury stock	91	223
Total changes	<u>48</u>	<u>87</u>
Balance at end of fiscal year	<u>(51,378)</u>	<u>(51,426)</u>
<b>Total stockholders' equity</b>		
Balance at end of previous fiscal year	517,516	570,398
Effect of changes in accounting policies applied to foreign subsidiaries	---	(330)
Amount of change		
Cash dividends	---	(21,052)
Net income (loss)	6,304	(31,438)
Purchase of treasury stock	(42)	(136)
Disposal of treasury stock	30	84
Decrease due to changes in scope of consolidation	48	(3)
Increase due to reversal of land revaluation	55	(5)
Total changes	<u>6,397</u>	<u>(52,550)</u>
Balance at end of fiscal year	<u>523,913</u>	<u>517,516</u>

<b>Valuation and Translation Adjustments</b>	<b>FY2009</b>	<b>FY2008</b>
	<b>Ended Mar. 31, 2010</b>	<b>Ended Mar. 31, 2009</b>
<b>Unrealized holding gains on securities</b>		
Balance at end of previous fiscal year	448	35,628
Amount of change		
Net changes other than stockholders' equity	22,080	(35,179)
Total changes	22,080	(35,179)
Balance at end of fiscal year	22,529	448
<b>Deferred gains on hedges</b>		
Balance at end of previous fiscal year	(6,266)	4,029
Amount of change		
Net changes other than stockholders' equity	7,149	(10,295)
Total changes	7,149	(10,295)
Balance at end of fiscal year	882	(6,266)
<b>Land revaluation</b>		
Balance at end of previous fiscal year	(4,836)	(4,899)
Amount of change		
Net changes other than stockholders' equity	(29)	62
Total changes	(29)	62
Balance at end of fiscal year	(4,866)	(4,836)
<b>Foreign currency translation adjustments</b>		
Balance at end of previous fiscal year	(27,719)	(5,207)
Amount of change		
Net changes other than stockholders' equity	1,932	(22,511)
Total changes	1,932	(22,511)
Balance at end of fiscal year	(25,787)	(27,719)
<b>Total valuation and translation adjustments</b>		
Balance at end of previous fiscal year	(38,374)	29,549
Amount of change		
Net changes other than stockholders' equity	31,132	(67,924)
Total changes	31,132	(67,924)
Balance at end of fiscal year	(7,242)	(38,374)
<b>Minority interests</b>		
Balance at end of previous fiscal year	34,318	47,849
Effect of changes in accounting policies applied to foreign subsidiaries	---	302
Amount of change		
Net changes other than stockholders' equity	6,011	(13,833)
Total changes	6,011	(13,833)
Balance at end of fiscal year	40,330	34,318

	<b>FY2009</b>	<b>FY2008</b>
	<b>Ended Mar. 31, 2010</b>	<b>Ended Mar. 31, 2009</b>
<b>Total net assets</b>		
Balance at end of previous fiscal year	513,460	647,797
Effect of changes in accounting policies applied to foreign subsidiaries	---	(28)
Amount of change		
Cash dividends	---	(21,052)
Net income (loss)	6,304	(31,438)
Purchase of treasury stock	(42)	(136)
Disposal of treasury stock	30	84
Decrease due to changes in scope of consolidation	48	(3)
Increase due to reversal of land revaluation	55	(5)
Net changes other than stockholders' equity	37,144	(81,758)
Total changes	43,541	(134,309)
Balance at end of fiscal year	557,002	513,460

## Consolidated Statements of Cash Flows

(in millions of yen)

	<b>FY2009</b> Ended Mar. 31, 2010	<b>FY2008</b> Ended Mar. 31, 2009
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	14,100	27,802
Depreciation	118,835	128,700
Interest and dividend income	(4,318)	(5,857)
Interest expense	21,322	20,002
Loss (gain) on sale of securities	(960)	(1,293)
Loss from write-down of investment in securities	864	17,224
Equity in income of unconsolidated subsidiaries and affiliates	(1,808)	(7,935)
Impairment loss	3,576	15,849
Loss (gain) on sale of fixed assets	(50)	(158)
Loss on disposal of plant and equipment	3,046	3,039
Decrease (increase) in trade receivables from customers	(9,083)	74,333
Decrease (increase) in inventories	98,566	(67,521)
Increase (decrease) in trade payables to customers	(40,878)	16,352
Other	45	(34,684)
Subtotal	<u>203,258</u>	<u>185,855</u>
Cash received for interest and dividends	6,080	9,188
Cash paid for interest	(21,359)	(19,323)
Cash paid for income taxes	(15,086)	(57,520)
Net cash provided by operating activities	<u>172,893</u>	<u>118,199</u>
<b>Cash flows from investing activities</b>		
Purchase of plant, equipment and other assets	(128,226)	(123,638)
Proceeds from sale of plant, equipment and other assets	5,138	2,358
Purchase of investments in securities	(1,500)	(11,488)
Proceeds from sale of investments in securities	1,499	4,622
Payment for investments in capital	(173)	(2,160)
Decrease (increase) in short-term loans receivable	77	89
Payments for long-term loans receivable	(2,866)	(307)
Proceeds from collection of long-term loans receivable	437	697
Proceeds from compensation for removal	5,640	5,312
Purchase of shares of subsidiaries accompanying changes in scope of consolidation	(95)	---
Proceeds from sales of investment in subsidiaries resulting in change in scope of consolidation	---	627
Other	(254)	(3,518)
Net cash used in investing activities	<u>(120,324)</u>	<u>(127,405)</u>
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	(9,669)	33,863
Increase (decrease) from commercial paper	(55,000)	(55,000)
Proceeds from issuance of long-term debt	93,015	250,912
Repayment of long-term debt	(37,077)	(69,021)
Proceeds from issuance of bonds	33,000	34,830
Repayment of bonds	(69,358)	(58,236)
Proceeds from sale and leaseback transactions	23,846	25,287
Repayment of finance lease obligations	(4,750)	---
Payment of dividends	(75)	(20,960)
Other	(3,571)	(2,975)
Net cash used in financing activities	<u>(29,641)</u>	<u>138,700</u>
Effect of exchange rate changes on cash and cash equivalents	632	(8,434)
Increase (decrease) in cash and cash equivalents	<u>23,559</u>	<u>121,060</u>
Cash and cash equivalents at beginning of year	187,745	66,685
Increase (decrease) in cash and cash equivalents resulting in change in scope of consolidation	393	---
Cash and cash equivalents at end of year	<u>211,699</u>	<u>187,745</u>

## Segment Information

### 1. By industry segment

(in millions of yen)

	<b>FY2009</b>	<b>FY2008</b>
	<b>Ended Mar. 31, 2010</b>	<b>Ended Mar. 31, 2009</b>
<b>Sales to outside customers:</b>		
Iron & Steel	700,982	996,285
Wholesale Power Supply	81,589	80,708
Aluminum & Copper	260,728	378,048
Machinery	302,190	325,593
Construction Machinery	259,961	332,818
Real Estate	38,802	28,807
Electronic Materials & Other Businesses	26,766	35,027
Consolidated net sales	<u>1,671,021</u>	<u>2,177,289</u>
<b>Inter-segment sales:</b>		
Iron & Steel	17,076	26,121
Wholesale Power Supply	---	---
Aluminum & Copper	1,034	1,261
Machinery	3,314	5,409
Construction Machinery	73	207
Real Estate	7,439	8,323
Electronic Materials & Other Businesses	16,858	20,090
Total	<u>45,796</u>	<u>61,413</u>
<b>Total sales:</b>		
Iron & Steel	718,058	1,022,406
Wholesale Power Supply	81,589	80,708
Aluminum & Copper	261,762	379,310
Machinery	305,504	331,002
Construction Machinery	260,035	333,025
Real Estate	46,241	37,131
Electronic Materials & Other Businesses	43,625	55,117
Eliminations	(45,796)	(61,413)
Consolidated net sales	<u>1,671,021</u>	<u>2,177,289</u>
<b>Operating costs &amp; expenses:</b>		
Iron & Steel	742,391	944,670
Wholesale Power Supply	61,273	63,414
Aluminum & Copper	254,189	406,169
Machinery	276,476	301,429
Construction Machinery	252,091	321,756
Real Estate	43,129	35,277
Electronic Materials & Other Businesses	43,849	51,974
Eliminations	(48,394)	(64,336)
Total operating costs & expenses	<u>1,625,006</u>	<u>2,060,355</u>
<b>Operating income:</b>		
Iron & Steel	(24,332)	77,735
Wholesale Power Supply	20,316	17,294
Aluminum & Copper	7,573	(26,858)
Machinery	29,027	29,573
Construction Machinery	7,944	11,268
Real Estate	3,112	1,853
Electronic Materials & Other Businesses	(223)	3,143
Eliminations	2,597	2,923
Consolidated operating income	<u>46,015</u>	<u>116,934</u>

## 2. Overseas Sales

(in millions of yen)

	FY2009	% of net sales	FY2008	% of net sales
Asia	402,955	24.1%	441,532	20.3%
Other areas	155,889	9.3%	267,987	12.3%
Total overseas sales	558,844	33.4%	709,520	32.6%
Consolidated net sales	1,671,021		2,177,289	

Notes:

1. Countries and regions have been grouped by geographical proximity.
2. Asia principally includes China, Taiwan, South Korea, Thailand and Malaysia.  
Other areas principally consist of North America and the Middle East.
3. Overseas sales consist of sales of Kobe Steel and its consolidated subsidiaries derived from countries and regions other than Japan.

## Investor Information

Kobe Steel intends to publish its 2010 annual report, covering fiscal 2009, in August 2010. This report will be posted on the Kobe Steel Web site. It will also be available from:

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## SUPPLEMENTAL INFORMATION

### 1. Operating Results for Fiscal 2009

(1) Consolidated Operating Results (in billions of yen)

	FY2009	FY2008	% change
Net sales	1,671.0	2,177.2	(23.3%)
Operating income	46.0	116.9	(60.6%)
Ordinary income	10.2	60.8	(83.1%)
Extraordinary income (loss)	3.8*	(33.0)	---
Net income (loss)	6.3	(31.4)	---

\* Compensation for transfer of operations (7.4 billion yen) and impairment loss (3.5 billion yen)

(2) Non-consolidated Operating Results (in billions of yen)

	FY2009	FY2008	% change
Net sales	990.9	1,359.3	(27.1%)
Operating income	1.1	60.3	(98.2%)
Ordinary income (loss)	(12.8)	34.4	---
Extraordinary income (loss)	(2.9)*	(36.3)	---
Net income (loss)	2.8	(29.3)	---

\* Impairment loss (2.9 billion yen)

### 2. Results for FY2009 by Segment (consolidated, in billions of yen)

		FY2009	FY2008
Iron & Steel	Sales	718.0	1,022.4
	Operating income (loss)	(24.3)	77.7
Wholesale Power Supply	Sales	81.5	80.7
	Operating income	20.3	17.2
Aluminum & Copper	Sales	261.7	379.3
	Operating income (loss)	7.5	(26.8)
Machinery	Sales	305.5	331.0
	Operating income	29.0	29.5
Construction Machinery	Sales	260.0	333.0
	Operating income	7.9	11.2
Real Estate	Sales	46.2	37.1
	Operating income	3.1	1.8
Electronic Materials & Other Businesses	Sales	43.6	55.1
	Operating income (loss)	(0.2)	3.1
Eliminations	Sales	(45.7)	(61.4)
	Operating income	2.5	2.9
Total	Sales	1,671.0	2,177.2
	Operating income	46.0	116.9

### 3. Kobe Steel's Production & Sales in Fiscal 2009

(1) Steel Products (non-consolidated)

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

	FY2009	FY2008
Crude steel production	6.57	7.23
Sales volume	5.57	6.17
Export ratio (value base)	24.3%	21.4%

**Steel Price of Steel Products** (in yen per metric ton)

	FY2009	FY2008
Domestic & export average	76,400	99,500

**(2) Aluminum & Copper Rolled Products** (non-consolidated)**Sales Volume** (in thousands of metric tons)

	FY2009	FY2008
Aluminum rolled products	271	295
Copper rolled products	50	48

**Sales Volume of Copper Tube** (consolidated, in thousands of metric tons)

	FY2009	FY2008
Copper tube	62	72

**(3) Machinery Segment Orders** (consolidated, in billions of yen)**Orders**

	FY2009	FY2008
Domestic	130.4	128.4
Export	63.7	110.1
Total orders	194.2	238.5

**Backlog of Orders**

	FY2009	FY2008
Domestic	114.8	129.4
Export	125.9	189.4
Total backlog	240.7	318.8

**4. Factors Affecting Ordinary Income in Fiscal 2009** (consolidated, in billions of yen)

	FY2009	FY2008	Amount of decrease
Ordinary Income	10.2	60.8	(50.6)

<b>Factors Increasing Profits</b>		<b>Factors Decreasing Profits</b>	
Raw material prices	73.0	Production & shipments	(145.5)
Overall cost reduction	52.0	Effect of steel inventory valuation*	(43.0)
Effect of aluminum & copper inventory valuation*	18.0	Consolidated subsidiaries & affiliates	(15.5)
Other	10.4		
<b>Total</b>	<b>153.4</b>	<b>Total</b>	<b>(204.0)</b>

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

**5. Extraordinary Income and Loss in Fiscal 2009** (consolidated, in billions of yen)

	FY2009
Compensation for transfer of operations	7.4
Impairment loss	(3.5)
Total extraordinary income and loss	3.8

## 6. Other

### (1) Cash Flow and External Debt (consolidated, in billions of yen)

#### Cash Flow

	FY2009	FY2008
Free cash flow	39.0	(21.3)

(Excludes cash flow from project financing)

#### External Debt

	FY2009	FY2008
Consolidated debt	837.7	855.9
Consolidated D/E ratio (times)	1.6	1.7
Non-consolidated external debt	696.6	727.4

\* Excludes debt from IPP project financing.

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

### (2) Exchange Rate & Effect of 1 Yen Increase on Profits (non-consolidated)

	FY2009	FY2008
Exchange rate (1 U.S. dollar to yen)	93 yen	101 yen
Effect of 1 yen increase on profits (millions of yen)	900	2,000

### (3) Capital Investment (in billions of yen)

	FY2009	FY2008
Consolidated capital investment (accrual basis)	128.7	118.0
Consolidated depreciation	118.8	128.7
Non-consolidated capital investment (accrual basis)	95.7	85.3
Non-consolidated depreciation	86.1	91.1

(For Reference)

**7. Quarterly Results for FY2009 by Segment** (consolidated, in billions of yen)

		FY2009						
		1st half			2nd half			Total
		1Q	2Q	Total	3Q	4Q	Total	
Iron & Steel	Sales	161.0	172.7	333.8	187.5	196.6	384.1	718.0
	Operating income (loss)	(27.2)	(26.9)	(54.2)	8.8	21.0	29.9	(24.3)
Wholesale Power Supply	Sales	19.7	23.7	43.4	18.0	20.0	38.1	81.5
	Operating income	5.0	4.9	9.9	4.8	5.4	10.3	20.3
Aluminum & Copper	Sales	57.6	63.3	120.9	67.2	73.5	140.8	261.7
	Operating income (loss)	(1.0)	1.3	0.2	3.5	3.7	7.2	7.5
Machinery	Sales	71.8	65.2	137.1	71.6	96.6	168.3	305.5
	Operating income	9.0	4.8	13.9	7.8	7.2	15.0	29.0
Construction Machinery	Sales	59.3	68.9	128.3	63.5	68.1	131.7	260.0
	Operating income (loss)	(0.1)	2.3	2.1	2.5	3.2	5.7	7.9
Real Estate	Sales	10.4	16.5	27.0	10.0	9.2	19.2	46.2
	Operating income	1.1	1.6	2.8	0.2	0.0	0.2	3.1
Electronic Materials & Other Businesses	Sales	8.7	10.4	19.1	10.2	14.2	24.4	43.6
	Operating income (loss)	(1.0)	(0.0)	(1.1)	(0.3)	1.2	0.8	(0.2)
Eliminations	Sales	(11.0)	(10.7)	(21.7)	(10.2)	(13.8)	(24.0)	(45.7)
	Operating income	0.7	0.7	1.4	0.5	0.5	1.1	2.5
Total	Sales	377.8	410.2	788.1	418.1	464.6	882.8	1,671.0
	Operating income (loss)	(13.5)	(11.0)	(24.6)	28.0	42.5	70.6	46.0

Ordinary income (loss)	(22.9)	(21.3)	(44.2)	20.2	34.2	54.5	10.2
Net income (loss)	(33.2)	(12.0)	(45.3)	7.4	44.2	51.6	6.3

## 8. Quarterly Steel Production and Sales Volume (non-consolidated)

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

	FY2009						FY2009 Total
	1st half			2nd half			
	1Q	2Q	Total	3Q	4Q	Total	
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%

	FY2008						FY2008 Total
	1st half			2nd half			
	1Q	2Q	Total	3Q	4Q	Total	
Crude steel	2.07	2.11	4.18	1.83	1.22	3.05	7.23
Sales volume	1.75	1.73	3.48	1.67	1.02	2.69	6.17
Export ratio (value basis)	21.0%	22.3%	21.7%	21.6%	20.1%	21.0%	21.4%

### Sales Prices (in thousands of yen per metric ton)

	FY2009						FY2009 Total
	1st half			2nd half			
	1Q	2Q	Total	3Q	4Q	Total	
Domestic & overseas average	90.5	72.1	80.1	73.5	73.7	73.6	76.4

	FY2008						FY2008 Total
	1st half			2nd half			
	1Q	2Q	Total	3Q	4Q	Total	
Domestic & overseas average	86.5	106.3	96.4	106.4	99.1	103.6	99.5

-End-

The forecast in this document is based on currently available information as of today.