

## Measures for Achieving KOBELCO VISION “G” and Initiatives in Fiscal 2010

### Iron and Steel Business

- **Make steady efforts to meet rising demand from growing markets centered on emerging countries including China and India**
- **Expand the global market for high-end “Only One” steel products such as high-strength steel and specialty steel**
- **Consider application of direct reduced iron in steel operations**

In fiscal 2010, Kobe Steel and United States Steel Corporation formed an agreement for their joint venture, PRO-TEC Coating Company, to install a Continuous Annealing Line to produce high-strength steel for automobiles. Automakers have been seeking stronger vehicle structures, while at the same time, cars need to be lighter to improve mileage.

To meet these needs, a new line will be set up at PRO-TEC with a targeted date of operation in early 2013.

In the titanium field, Hitachi Metals, Ltd., Kobe Steel, IHI Corporation and Kawasaki Heavy Industries, Ltd. (or KHI) have established a joint venture called Japan Aeroforge, Ltd. The joint venture will install Japan’s first 50,000-metric-ton, state-of-the-art forging press. The new press will enable the production of large forgings that had been previously impossible to produce in Japan. The joint venture is expected to help Kobe Steel meet the growing world demand for aircraft titanium forgings.

In addition, collaboration with the recently established Global Planning Department will speed up the review of an assortment of projects, including the utilization of direct reduced iron in the steel business.

### Welding Business

- **Pursue sustained growth and profits based on solution development that combines welding consumables, welding technologies and welding robot systems**
- **Strengthen overseas business by expanding operations at current overseas locations and developing businesses in emerging countries**

In fiscal 2010, Kobe Steel opened Kobe Welding of Shanghai Co., Ltd. to market welding consumables and welding systems in response to rising demand for these

products in China. Also, Kobe Welding of Tangshan Co., Ltd., a manufacturer of solid welding wires for construction equipment and other industries, and Kobe Welding of Qingdao Co., Ltd., which makes mild steel flux-cored welding wires (FCW), used mainly in the shipbuilding industry, both raised their production capacity.

Kobe Steel also established a company in India to sell welding consumables and further develop the market. The new company will primarily target the energy field. It will also seek new potential suppliers of raw materials.

### Aluminum and Copper Business

- **Expand overseas business by establishing new locations and utilizing alliances**
- **Strengthen and upgrade high-end “Only One” products for the automotive, IT and energy fields**

In fiscal 2010, Kobe Steel established a company in China to produce and sell aluminum forgings for automotive suspension systems. Demand for aluminum suspension forgings is expected to increase worldwide owing to the heightened need to reduce the weight of automobiles. Kobe Steel already produces these forgings in Japan and the United States. The plant in China, scheduled to start up in fiscal 2012, will enable Kobe Steel to form a network in three countries to meet local procurement needs.

### Machinery Business

- **Strengthen the production technology capabilities at domestic “mother factories” and increase production at overseas locations**
- **Create and expand sales of high-end “Only One” products for the environmental and energy fields (e.g., SteamStar compact screw-type steam-powered generator, next-generation heat pump)**

To meet the growing demand for standard compressors used at a wide range of production sites, Kobe Steel decided to increase production capacity at Kobelco Compressors Manufacturing (Shanghai) Corporation by 60%, from 2,200 units per year to 3,500 units per year.

Demand for tire and rubber machinery is growing owing to the rising production of automobiles, mainly in emerging

countries. To meet this demand, Kobe Steel established a joint venture in India with Larsen & Toubro Limited, which has a strong sales network in India, Europe and the Middle East.

Kobe Steel currently manufactures tire and rubber machinery in Japan, the United States and China. The new joint venture enables Kobe Steel to create a supply network in four countries for its tire and rubber machinery.

### Natural Resources and Engineering Business

- **Actively expand the direct reduced iron business, centered on the ITmk3® Process**
- **Promote the commercialization of the UBC® (Upgraded Brown Coal) Process and build a business model for the Process**

Steel demand is expanding mainly in emerging countries, and raw material prices remain high. To effectively utilize low-grade iron ore, in fiscal 2010, Kobe Steel aggressively promoted the ITmk3® Process, a new ironmaking technology that it developed. Kobe Steel is conducting a feasibility study in Vietnam to manufacture and market iron nuggets. It is also conducting a feasibility study with Steel Authority of India Limited, a state-owned steelmaker.

### Kobelco Eco-Solutions

- **Strengthen proposal-based business in Japan and create a stronger business foundation by increasing orders in the after-sales service area**
- **Advance into and expand sales in overseas markets including Vietnam, India and Europe**

Kobelco Eco-Solutions incorporated its Vietnam office, which it established the previous year, into a company. Through the new company, Kobelco aims to meet the tremendous demand for water treatment in Vietnam, where many new construction projects are planned.

In addition, Kobelco and Kobe City entered into an agreement to mutually cooperate in the overseas development of water and infrastructure businesses. In collaboration with Kobe City, Kobelco will not only develop water treatment facilities for industrial use, but also the water and sewage treatment business in Vietnam.

### Kobelco Construction Machinery

- **Expand business in emerging countries, including China, Thailand and India**
- **Develop products that meet local needs, incorporating advanced technologies that lower fuel consumption and reduce noise**

In fiscal 2010, Kobelco Construction Machinery raised the production capacity and expanded the types of models manufactured at the Chengdu plant and Hangzhou plant. Owing to these measures, Kobelco sold 90% more units of hydraulic excavators in calendar year 2010, compared with the previous year.

In addition, Kobelco completed a new plant in India, which is expected to be the next large market after China. Kobelco will increase production to meet growing demand in that country.

### Kobelco Cranes

- **Raise KOBELCO brand value through stronger *monozukuri-ryoku* and service capabilities**
- **Establish strategic overseas locations**

In fiscal 2010, Kobelco Cranes decided to establish a manufacturing base for crawler cranes in India, a market where growth is expected, and China, which has more than a 40% share of world crawler crane demand. At both locations, Kobelco intends to strengthen its competitiveness by increasing the local procurement of parts and quickly meeting the needs of local customers.