



Machinery Business

- Meeting vigorous demand in emerging countries and accelerating global expansion
- Maintaining steady earnings through cost reduction efforts

Fiscal 2011 Overview

Strong demand primarily for compressors from the oil refining and petrochemical industries pushed machinery orders up 3.0% year on year to ¥145.1 billion, while the backlog of orders was ¥160.5 billion at the end of the fiscal year.

In addition, although segment sales were largely unchanged compared with fiscal 2010 at ¥152.8 billion, ordinary income declined ¥4.6 billion year on year, to ¥9.9 billion.

TOPICS

■ Production Capacity at U.S. Compressor Plant Expanded

Kobelco EDTI Compressors, Inc., a U.S. manufacturer of non-standard compressor systems, increased its production capacity with the completion of a new plant. The head office was subsequently moved to the new US\$20 million plant in April 2011 and full operations have commenced.

With the relocation, the company name was changed to Kobelco Compressors America, Inc. The company will play a key role in the development of the North and South American non-standard compressor business. Nonstandard compressors are a mainstay product of the Kobe Steel Group's Machinery Business.

■ Invested in Chinese Compressor Manufacturer

To meet the growing demand for process gas compressors (nonstandard compressors) in China, Kobe Steel concluded an agreement to acquire a 44.3% equity share in Wuxi Compressor Co., Ltd., a Chinese compressor manufacturer, and acquired the relevant shares.

Wuxi Compressor is a well-established integrated compressor manufacturer in China founded in 1955. Its reciprocating compressors for oil refining and petrochemical use and air compressors (screw-type) are especially well-received in the market. Our equity stake in this business will enable our Chinese production base to engage in the nonstandard compressor field and for the Kobe Steel Group's compressor business to aggressively expand globally and increase sales.



■ Expansion of Shanghai Compressor Facility Completed

The expansion of production capacity at Kobelco Compressors Manufacturing (Shanghai) Corporation, our base in China for standard compressors, was completed in July 2011 and full-scale operations has commenced. The total investment for the expansion came to 47 million yuan.

As a supply base for China and Southeast Asia, Kobelco Compressors Manufacturing (Shanghai) expanded its production capacity in 2008 and has continued full production thanks to vigorous demand. With the new expansion, annual production capacity has increased from 2,200 units to 3,500 units. For the Chinese and Southeast Asian markets, it plays a key role in Kobe Steel's standard compressor business.

■ Tire and Rubber Machinery Base Opens in India

L&T Kobelco Machinery Private Limited, established as a joint venture with Larsen & Toubro Limited, completed construction of its tire and rubber machinery plant in January 2012 and has commenced operations.

Taking full advantage of its manufacturing base and Larsen & Toubro's strong sales network, the company will expand sales in India and markets to the west and solidify its position as one of the world's leading manufacturers.