

## Summary of Kobe Steel's Consolidated Financial Results for Fiscal 2010

(April 1, 2010 – March 31, 2011)

TOKYO, April 27, 2011 – Kobe Steel, Ltd. announced today its financial results for fiscal 2010, ended March 31, 2011.

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

	FY2010	% change	FY2009	% change
Net sales	1,858,574	11.2%	1,671,021	(23.3%)
Operating income	124,550	170.7%	46,015	(60.6%)
Ordinary income *	89,082	768.4%	10,258	(83.1%)
Net income	52,939	739.7%	6,304	---
Net income per share	17.63 yen		2.09 yen	

Note: \* Also known as pretax recurring profit

### Segment sales (in millions of yen)

	FY2010	FY2009
Iron & Steel	840,381	742,091
Welding	77,791	76,202
Aluminum & Copper	304,017	261,762
Machinery	154,521	173,772
Natural Resources & Engineering	64,264	65,564
Kobelco Eco-Solutions	69,605	82,887
Kobelco Construction Machinery	313,143	214,578
Kobelco Cranes	40,968	55,213
Other Businesses	65,580	77,771
Eliminations	(71,698)	(78,821)
Total	1,858,574	1,671,021

## 1. Analysis of Operating Results

### Fiscal 2010 Consolidated Operating Results

Japan's economy in fiscal 2010 on the whole continued to gradually recover as overseas economies improved, although the third quarter saw a slowdown in the pace of recovery due to a retrenchment in economic measures and the effect of the high yen. In overseas markets, too, the Chinese economy expanded and the United States and Europe continued to gradually recover.

In this economic environment, the Kobe Steel Group achieved higher sales volume of steel products and aluminum and copper rolled products, in comparison to the previous year, owing to strong demand from domestic and overseas manufacturing industries. In addition, unit sales of hydraulic excavators increased considerably, in comparison to the previous year, owing to growing demand in China.

As a result, fiscal 2010 consolidated net sales increased 187.5 billion yen, in comparison to the previous year, to 1,858.5 billion yen. Operating income rose 78.5 billion yen, in comparison to the previous year, to 124.5 billion yen. Ordinary income grew 78.8 billion yen, in comparison to the previous year, to 89.0 billion yen. Net income went up 46.6 billion yen, in comparison to the previous year, to 52.9 billion yen.

From fiscal 2010, in accordance with the Accounting Standards Board of Japan's "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009), Kobe Steel has changed segment classifications from a system based on product similarities to one based on a management approach. To compare figures on a year-on-year basis, figures for fiscal 2009 were recalculated to match the new classifications used in fiscal 2010.

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

### **Iron & Steel Business**

Steel demand in Japan and overseas continued to remain strong in fiscal 2010, in comparison to fiscal 2009 when the economy began to recover following the Lehman Shock (the bankruptcy of Lehman Brothers in 2008). As a result, at Kobe Steel the sales volume of steel products (the tonnage of sales products sold) increased in fiscal 2010, in comparison to the previous year. Sales prices increased over the previous year mainly due to higher raw material prices.

Sales of steel castings and forgings decreased, compared with the previous year, due to the decline in demand from the shipbuilding industry. On the other hand, sales of titanium products rose, in comparison to the previous year, as customers made progress in reducing their inventories.

As a result, segment sales increased 13.2%, compared with the previous year, to 840.3 billion yen. In addition to the above conditions, due to considerable improvement in inventory valuation, ordinary income increased 48.4 billion yen, compared with the previous year, to 23.7 billion yen.

### **Welding Business**

The sales volume of welding consumables increased in comparison to the previous year owing to strong demand in Asia, including China, Southeast Asia and South Korea. Demand for welding robot systems was firm in China's construction machinery market. As a result, segment sales increased 2.1% to 77.7 billion yen, in comparison to the previous year. Ordinary income increased 2.8 billion yen, compared with the previous year, to 4.6 billion yen.

### **Aluminum & Copper Business**

The sales volume of aluminum rolled products and sales of aluminum castings and forgings increased compared with the previous year, mainly due to strong demand for use in automobiles, air conditioners, and LCD and semiconductor manufacturing equipment.

The demand for copper sheet and strip fell off from the third quarter (October-December 2010) due to inventory adjustments mainly in the semiconductor industry. However, demand continued to be firm throughout fiscal 2010. In addition, demand for copper tube for use in air conditioners increased due to the intense heat in the summer season. As a result, the sales volume of copper rolled products increased compared with the previous year.

In addition to the above conditions, due to higher ingot prices, which were passed on as higher product prices, segment sales in fiscal 2010 increased 16.1%, compared with the previous year, to 304.0 billion yen. Ordinary income increased 12.5 billion yen, compared with the previous year, to 14.7 billion yen.

### **Machinery Business**

Capital investments in the automotive, oil refining and petrochemical industries gradually recovered, and orders for products in these fields increased compared with the previous year.

Due to the above conditions, orders in fiscal 2010 increased 41.4%, compared with the previous year, to 140.7 billion yen, and the backlog of orders was 152.2 billion yen at the end of the fiscal year.

However, segment sales decreased 11.1% to 154.5 billion yen, compared with the previous year, which saw a concentration of sales of heavy-wall pressure vessels used in the oil refining industry. Ordinary income decreased 6.3 billion yen, compared with the previous year, to 14.5 billion yen.

### **Natural Resources & Engineering Business**

In fiscal 2010, orders increased in comparison to the previous year, mainly due to an order for a large-scale direct reduction plant.

As a result, orders in fiscal 2010 increased 87.0%, compared with the previous year, to 75.3 billion yen, and the backlog of orders was 95.6 billion yen at the end of the fiscal year.

However, segment sales in fiscal 2010 remained flat at 64.2 billion yen. Ordinary income decreased 1.6 billion yen, compared with the previous year, to 3.0 billion yen due to differences in the type of orders, which resulted in lower profits.

#### **Kobelco Eco-Solutions**

In fiscal 2010, orders increased in comparison to the previous year, due to an order for a large-scale sewage sludge incineration facility and a large-scale solid waste treatment facility.

As a result, orders in fiscal 2010 increased 11.0%, compared with the previous year, to 64.8 billion yen and the backlog of orders was 35.0 billion yen.

However, segment sales decreased 16.0%, compared with the previous year, to 69.6 billion yen as sales from a large-scale solid waste treatment plant were posted in the previous year. Ordinary income increased 1.4 billion yen, compared with the previous year, to 3.1 billion yen owing to cost reductions.

#### **Kobelco Construction Machinery**

In fiscal 2010, unit sales of hydraulic excavators in China, a major market, increased substantially, compared with the previous year. Unit sales also increased in Southeast Asia, which saw continued recovery in demand, and Japan, where demand began to recover.

As a result, segment sales increased 45.9%, in comparison to the previous year, to 313.1 billion yen. Ordinary income increased 20.7 billion yen, compared with the previous year, to 26.3 billion yen.

#### **Kobelco Cranes**

Except for a few areas in Asia, demand was sluggish and unit sales were lower than the previous year.

As a result, segment sales decreased 25.8%, compared with last year, to 40.9 billion yen. Ordinary income decreased 2.5 billion yen, compared with the previous year, to a loss of 1.3 billion yen.

#### **Other Businesses**

At Shinko Real Estate Co., Ltd., due to the decrease in handovers of condominiums in the real estate business, segment sales decreased 15.7%, compared with the previous year, to 65.5 billion yen. However, ordinary income went up 3.4 billion yen to 6.4 billion yen, mainly due to a recovery in demand in the testing and analysis business for the transport and electronics industries at Kobelco Research Institute, Inc.

#### **Forecast for Fiscal 2011**

The world economy in fiscal 2011 is anticipated to continue recovering, driven mainly by China and other emerging countries. In each business segment, demand is anticipated to remain strong in fields of expected growth and overseas markets centered mainly on emerging countries. On the other hand, sluggish demand within Europe resulting from belt-tightening policies and a general decrease in manufacturing activity due to the Great East Japan Earthquake are issues of concern.

In the Iron & Steel Business, the prices of the main raw materials, iron ore and coking coal, have been revised quarterly in fiscal 2010, in comparison to annual contracts in previous years. In addition, one supplier has been requesting that the price of coking coal be revised on a monthly basis, which is increasing uncertainty of the future and making it extremely difficult to envisage that prices can be set for the full year. Furthermore, negotiations with customers for steel product prices have still not been settled, making it impossible to make a forecast for fiscal 2011.

With regard to the effect of the Great East Japan Earthquake on production and marketing, as Kobe Steel is unable at this time to determine the scope and the impact of the disaster and time frame for recovery, Kobe Steel is unable to make a reasonable forecast of its earnings for fiscal 2011.

Kobe Steel will promptly disclose its earnings forecast for fiscal 2011 when it is able to do so.

Kobe Steel hopes to explain the situation again when it announces its first quarter (April - June) results.

## 2. Analysis of Financial Condition

While cash and cash equivalents and inventories increased, tangible fixed assets and investment in securities went down. As a result, total assets at the end of fiscal 2010 decreased 17.8 billion yen compared with the end of fiscal 2009, to 2,231.5 billion yen. Net assets increased 40.3 billion yen compared with the end of fiscal 2009, to 597.3 billion yen, as retained earnings increased. As a result, the net worth ratio at the end of fiscal 2010 was 24.6%, increasing 1.6 points in comparison to the end of fiscal 2009.

As for cash flows, net cash provided by operating activities came to 177.7 billion yen after posting income before income taxes of 88.8 billion yen and depreciation of 114.8 billion yen. Net cash used in investing activities was 96.6 billion yen due to the purchase of fixed assets and other items. Net cash used in financing activities was 98.1 billion yen mainly due to the repayment of borrowings.

At the end of fiscal 2010, outside debt, which includes IPP project financing, decreased 79.6 billion yen compared with the end of fiscal 2009, to 845.4 billion yen.

### Consolidated cash flow indicators

	FY2006	FY2007	FY2008	FY2009	FY2010
Net worth ratio	26.4%	25.8%	20.9%	23.0%	24.6%
Stockholders' equity ratio at market price	66.0%	38.0%	17.1%	27.8%	30.2%
Ratio of cash flow to interest-bearing debt (years)	4.3	6.6	7.9	5.4	4.8
Interest coverage ratio (times)	8.5	5.9	6.3	8.1	8.6

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

### Media Contact:

Publicity Group  
Kobe Steel, Ltd.  
9-12 Kita-Shinagawa 5-chome  
Shinagawa-ku, Tokyo 141-8688  
JAPAN

Tel +81 (0)3 5739-6010  
Fax +81 (0)3 5739-5971  
Email [aapress@kobelco.com](mailto:aapress@kobelco.com)  
Website [www.kobelco.com](http://www.kobelco.com)

### 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 Vision and Issues Facing the Company

##### **Issues Facing the Company**

In the Great East Japan Earthquake that occurred on March 11, 2011, the Kobe Steel Group had no fatalities among its employees and sustained no serious damage to its production facilities. However, various quarters including its customers are being affected significantly by the Earthquake. Although it is difficult to determine the scope and impact of the disaster and the time frame for recovery at the present time, the Kobe Steel Group predicts that it will be affected by the disaster. The Kobe Steel Group will determine the effects of the disaster on the Group and take appropriate action.

Over the medium- to long-term future, Japan is facing an aging population, a declining birthrate, and a shift from domestic to overseas manufacturing. Domestic demand is anticipated to decline, while overseas markets, primarily in emerging countries, are projected to grow. Furthermore, global warming will become a more serious issue worldwide, domestic production will face more constraints, and more hybrid and electric vehicles will be found on the road. Remaining unchanged is Kobe Steel's basic viewpoint that the demand structure will rapidly evolve toward a low-carbon society. Although the future is unclear, the Kobe Steel Group intends to continue doing business without losing sight of the major changes in the business environment over the medium to long term.

##### **Medium- to Long-Term Business Vision**

Based on these conditions, the Kobe Steel Group formulated the Medium- to Long-Term Business Vision, KOBELCO VISION "G," in April 2010 and is currently carrying out this plan. 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.
- Maintains a stable profit structure and a strong financial foundation.
- Prospers together with its shareholders, business partners, employees and society.

This plan provides the image of the Kobe Steel Group for the next five to ten years. To achieve this image of the Group, Kobe Steel will first of all strive to thoroughly carry out safety and compliance measures. At the same time, Kobe Steel intends to create new value and aim for global growth under the basic policy outlined below.

## **Basic Policy of the Medium- to Long-Term Business Vision**

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

We will 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.

We aim to improve customer satisfaction. In addition to offering better after-sales services, we will identify and meet customers’ changing needs to provide better products and technologies.

Keeping in step with our customers and society, we will actively pursue business development, not only in existing businesses, but also going to further upstream – such as new ironmaking technology – and downstream domains, with the aim of dramatically increasing the added value of the Group.

### **(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 continue implementing 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) Expanding into Growth Markets**

We will focus on fields and regions centered on emerging markets where demand is growing. We will undertake business development tailored to regional characteristics. We will accelerate our efforts in the environment, natural resources, energy and other growth fields in Japan and overseas by tapping our Only One technologies and services.

### **(iv) Harnessing the Comprehensive capabilities of the Kobe Steel Group**

We will create new value by further cultivating and integrating expertise, ideas and know-how in the Kobe Steel Group.

We aim to strengthen our total capabilities by improving the comprehensive technical capabilities and proposal-making capabilities through projects that cross the Kobe Steel Group and by creating new Only One products through combining our technologies. We will also promote the KOBELCO brand.

In a rapidly changing business environment, we will systematically build a workforce comprised of people capable of implementing change, strengthening the business fundamentals of the Group, and helping us expand our business globally.

### **(v) Contributing to Society**

We will actively fulfill our social responsibilities principally by contributing to local communities and protecting the environment. We aim to contribute to global warming solutions through our business activities. We will also build a corporate culture for the entire Kobe Steel Group that is highly sensitive to compliance.

## **Carrying Out KOBELCO VISION “G”**

In fiscal 2010, Kobe Steel Group undertook cost reductions, the stable operation of facilities, quality improvements and other measures to strengthen its manufacturing capabilities. In addition, within its head office, the company established the MONODZUKURI (Production System Innovation) Planning & Promotion Department in order to actively promote activities across the Group that include sharing the most advanced cases for manufacturing within the Group and, facilitating exchanges among manufacturing locations.

In January 2011, Kobe Steel established Kobelco (China) Holding Co., Ltd., its China headquarters, which opened in April. With its China headquarters, Kobe Steel plans to centralize investment and cash management, and promote lateral communication within the Kobe Steel Group, giving full play to the comprehensive capabilities of the Kobe Steel Group.

To smoothly facilitate overseas development that spans both the Iron & Steel Business and the Natural Resources & Engineering Business, the company established the Global Business Planning Department within its head office in April.

Measures and achievements of KOBELCO VISION “G” by business segment follow below.

**Measures for the Iron & 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 equal partnership joint venture, PRO-TEC Coating Company, to newly install a continuous annealing line to produce high-strength steel for automobiles.

Automakers have been requiring stronger vehicle structures to meet tougher crash safety regulations. At the same time, cars need to be lighter to improve mileage. To meet these needs, demand for cold-rolled high strength steel also in North America has been growing, but suppliers are limited.

PRO-TEC has been producing hot-dipped galvanized steel sheet since 1993. Kobe Steel’s Kakogawa Works is contributing its expertise in cold-rolled high strength steel to the joint venture. The new line at PRO-TEC is anticipated to start up in early 2013.

In the titanium field, Hitachi Metals, Ltd., Kobe Steel, IHI Corporation, and Kawasaki Heavy Industries, Ltd. (or KHI) have jointly established a joint venture called Japan Aeroforge, Ltd. The joint venture will install Japan's first 50,000 metric ton forging press. The press will be able to produce large forgings, which have not been possible to make before in Japan. The joint venture will help Kobe Steel meet the growing world demand for aircraft titanium forgings.

In addition, collaboration with the recently established Global Planning Department will accelerate the consideration of various projects, such as the utilization of direct reduced iron in the steel business.

**Measures for the Welding Business**

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

Kobe Steel in fiscal 2010 opened Kobe Welding of Shanghai Co., Ltd. to market welding consumables and welding robot systems in response to rising demand for these products in China. Kobe Welding of Tangshan Co., Ltd., a manufacturer of solid welding wires for the construction equipment and other industries, and Kobe Welding of Qingdao Co., Ltd., which makes flux-cored welding wires for mild steel used mainly in the shipbuilding industry, both made capital investments to raise production capacity.

In India, too, Kobe Steel decided to establish a company to market welding consumables. The new company is aimed at the power generation and other growing energy fields. It will also search for new sources of raw materials for welding consumables. The new company will further strengthen the marketing capabilities of Kobe Steel in the growing Indian market.

**Measures for the Aluminum & 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 anticipated 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 the local procurement needs of automobile manufacturers.

**Measures for the 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 in a wide variety 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. With India's Larsen & Toubro Limited, which has a strong sales network in India, Europe and the Middle East, Kobe Steel established a joint venture to manufacture and sell rubber processing machinery in that country. 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, one of the major product lines in its Machinery Business.

**Measures for the Natural Resources & Engineering Business:**

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

Steel demand is expanding mainly in emerging countries, and raw material prices continue to remain high. To effectively utilize low-grade iron ore, Kobe Steel in fiscal 2010 actively carried out business development of the ITmk3 Process, a new ironmaking technology that it developed. Kobe Steel has been carrying out a feasibility study in Vietnam to manufacture and market iron nuggets. Kobe Steel is also conducting a feasibility study for Steel Authority of India Limited.

**Measures for Kobelco Eco-Solutions**

- Strengthen profitability by expanding the proposal-based business (services and maintenance).
- Advance into and expand sales in overseas markets including Vietnam and India.

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 large demand for water treatment in Vietnam, which is planning many new construction projects such as steel mills, power plants and food processing facilities. 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 plans to develop the water and sewage treatment business in Vietnam.



**Measures for Kobelco Construction Machinery**

- Expand business in emerging countries, including China, Thailand and India.
- Develop products that meet local needs, incorporating advanced technologies (such as low fuel consumption and low noise).

In fiscal 2010, Kobelco Construction Machinery raised the production capacity and expanded the type of models manufactured at the Chengdu plant and Hangzhou plant to meet demand in rapidly expanding China. 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 anticipated to be the next large market after China. Kobelco will steadily increase production to meet growing demand in that country.

**Measures for Kobelco Cranes**

- Increase the value of the KOBELCO brand by strengthening monozukuri-ryoku and services.
- Establish strategic overseas locations.

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

## Kobe Steel's Consolidated Financial Results Summary for Fiscal 2010 (April 1, 2010 – March 31, 2011)

April 27, 2011

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, 2011  
 "Yukashoken hokokusho"  
 (Annual Securities Report) issued: June 23, 2011  
 Start of dividend payments: June 3, 2011  
 Supplemental information available: Yes  
 IR briefing: Yes (in Japanese only)  
 Media contact: Publicity Group tel. +81-(0)3-5739-6010

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

### 1. FY2010 Consolidated financial results (April 1, 2010 – March 31, 2011)

(in millions of yen)

#### (1) Consolidated financial results

	FY2010	% change	FY2009	% change
Net sales	1,858,574	11.2%	1,671,021	(23.3%)
Operating income	124,550	170.7%	46,015	(60.6%)
Ordinary income	89,082	768.4%	10,258	(83.1%)
Net income	52,939	739.7%	6,304	---
Net income per share	17.63 yen		2.09 yen	
Diluted net income per share	---		---	
Return on equity	9.9%		1.3%	
Ratio of ordinary income to total assets	4.0%		0.5%	
Ratio of operating income to net sales	6.7%		2.8%	

Comprehensive Income in FY2010: 55,574 million yen      FY2009: 47,907 million yen  
 Equity in income of affiliates in FY2010: 3,077 million yen      FY2009: 1,808 million yen

#### (2) Consolidated financial condition

	FY2010	FY2009
Total assets	2,231,532	2,249,345
Net assets	597,367	557,002
Net worth ratio	24.6%	23.0%
Net assets per share	182.81 yen	172.08 yen

Shareholders' equity at the end of FY2010: 548,631 million yen      FY2009: 516,671 million yen

#### (3) Consolidated cash flows

	FY2010	FY2009
Net cash provided by operating activities	177,795	172,893
Net cash used in investing activities	(96,686)	(120,324)
Net cash used in financing activities	(98,196)	(29,641)
Cash & cash equivalents at the end of year	189,707	211,699

### 2. Dividends

Date of Record	Dividend per share (yen)					Total dividend amount*	Dividend payout ratio	Net income per share
	1Q	2Q	3Q	End	Year			
FY2009	---	0.00	---	1.50	1.50	4,511	71.4%	0.9%
FY2010	---	1.50	---	1.50	3.00	9,020	17.0%	1.7%
FY2011 forecast	Undetermined						Undetermined	

\* in millions of yen

### 3. Consolidated Forecast for fiscal 2011 (ending March 31, 2012)

Kobe Steel, Ltd. has decided not to state a consolidated earnings forecast for the fiscal year ending March 31, 2012 because forecasting with any reasonable degree of accuracy is not possible at this stage. For more information about this decision, please refer to "Forecast for Fiscal 2011" 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

	FY2010	FY2009
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	114,026,072	112,684,172
Average number of shares	3,002,112,978	3,002,450,942

### (For Reference)

#### 1. FY2010 Nonconsolidated financial results (April 1, 2010 – March 31, 2011)

(in millions of yen)

##### (1) Nonconsolidated financial results

	FY2010	% change	FY2009	% change
Net sales	1,090,108	10.0%	990,917	(27.1%)
Operating income	50,510	---	1,124	(98.1%)
Ordinary income (loss)	28,127	---	(12,809)	---
Net income	30,345	983.5%	2,800	---
Net income per share	10.09 yen		0.93 yen	
Diluted net income per share	---		---	

##### (2) Nonconsolidated financial condition

	FY2010	FY2009
Total assets	1,535,201	1,598,206
Net assets	426,489	408,532
Net worth ratio	27.8%	25.6%
Net assets per share	141.87 yen	135.84 yen

Shareholders' equity at the end of FY2010: 426,489 million yen FY2009: 408,532 million yen

#### **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. When it is able to make a forecast, Kobe Steel will promptly do so.

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Balance Sheets

(in millions of yen)

<b>ASSETS</b>	<b>FY2010</b> Ended Mar. 31, 2011	<b>FY2009</b> Ended Mar. 31, 2010
<b>Current Assets</b>		
Cash and cash equivalents	145,875	131,939
Notes and accounts receivable	302,846	283,619
Lease receivables and investment assets	26,005	---
Merchandise and finished goods	131,138	126,811
Work in progress	127,512	138,070
Raw materials and supplies	122,694	102,179
Deferred tax assets	21,584	32,193
Other	119,672	158,615
Allowance for doubtful accounts	(571)	(818)
Total current assets	<u>996,757</u>	<u>972,611</u>
<b>Tangible fixed assets</b>		
Buildings and structures	279,519	288,284
Machinery and equipment	363,284	395,641
Tools, furniture and fixtures	10,484	11,383
Land	204,948	204,298
Construction in progress	75,102	68,462
Total tangible fixed assets	<u>933,339</u>	<u>968,070</u>
<b>Intangible fixed assets</b>		
Software	17,093	15,906
Other	5,138	5,478
Total intangible fixed assets	<u>22,231</u>	<u>21,385</u>
<b>Investments and other assets</b>		
Investments in securities	190,255	196,565
Long-term loans receivable	6,537	9,014
Deferred tax assets	17,491	16,463
Other	68,048	69,121
Allowance for doubtful accounts	(3,129)	(3,886)
Total investment and other assets	<u>279,203</u>	<u>287,278</u>
Total fixed assets, investments and other assets	<u>1,234,775</u>	<u>1,276,734</u>
<b>Total assets</b>	<u>2,231,532</u>	<u>2,249,345</u>

<b>LIABILITIES</b>	<b>FY2010</b> Ended Mar. 31, 2011	<b>FY2009</b> Ended Mar. 31, 2010
<b>Current liabilities</b>		
Notes and accounts payable	478,675	434,819
Short-term borrowings	170,657	167,876
Lease obligations	6,397	6,128
Bonds due within one year	35,836	235
Accounts payable - other	44,976	49,727
Income and enterprise taxes payable	9,059	6,518
Deferred tax liabilities	2,281	2,058
Provision for bonuses	20,072	16,506
Provision for product warranties	10,402	12,426
Provision for loss on construction contracts	8,884	2,778
Provision for loss on business liquidation	18	3,037
Other	101,118	106,060
Total current liabilities	<u>888,379</u>	<u>808,173</u>
<b>Long-term liabilities</b>		
Bonds and notes	177,349	213,186
Long-term borrowings	441,099	525,170
Lease obligations	36,453	41,969
Deferred tax liabilities	15,726	24,190
Deferred tax liabilities on land revaluation	5,233	5,234
Employees' severance and retirement benefits	29,345	33,247
Provision for environmental measures	2,497	2,780
Other	38,081	38,391
Total long-term liabilities	<u>745,785</u>	<u>884,170</u>
<b>Total liabilities</b>	<u>1,634,165</u>	<u>1,692,343</u>
<b>NET ASSETS</b>		
<b>Stockholders' equity</b>		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	302,376	258,853
Treasury stock, at cost	(51,627)	(51,378)
Total stockholders' equity	<u>567,186</u>	<u>523,913</u>
<b>Other comprehensive income</b>		
Unrealized holding gains on securities	19,742	22,529
Deferred gains on hedges	584	882
Land revaluation	(4,756)	(4,866)
Foreign currency translation adjustments	(34,127)	(25,787)
Total other comprehensive income	<u>(18,555)</u>	<u>(7,242)</u>
<b>Minority interests</b>	<u>48,736</u>	<u>40,330</u>
<b>Total net assets</b>	<u>597,367</u>	<u>557,002</u>
<b>Total liabilities and net assets</b>	<u>2,231,532</u>	<u>2,249,345</u>

## Consolidated Statements of Income

(in millions of yen)

	<b>FY2010</b>	<b>FY2009</b>
	<u>Ended Mar. 31, 2011</u>	<u>Ended Mar. 31, 2010</u>
<b>Net sales</b>	1,858,574	1,671,021
<b>Cost of sales</b>	1,570,779	1,475,461
Gross profit	287,795	195,560
Selling, general and administrative expenses	163,244	149,545
<b>Operating income</b>	<u>124,550</u>	<u>46,015</u>
Non-operating income		
Interest income	3,130	2,320
Dividend income	2,374	1,997
Reimbursement of seconded employees' salaries	6,613	6,987
Equity method investment gain	3,077	1,808
Other	18,614	18,333
Total non-operating income	<u>33,810</u>	<u>31,447</u>
Non-operating expenses		
Interest expense	20,685	21,322
Seconded employees' salaries	17,087	18,616
Other	31,505	27,265
Total non-operating expenses	<u>69,278</u>	<u>67,204</u>
<b>Ordinary income</b>	<u>89,082</u>	<u>10,258</u>
<b>Extraordinary income</b>		
Gain on sales of investment securities	2,165	---
Compensation for transfer of operations	---	7,418
Total extraordinary income	<u>2,165</u>	<u>7,418</u>
<b>Extraordinary loss</b>		
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,380	---
Impairment loss	---	3,576
Total extraordinary loss	<u>2,380</u>	<u>3,576</u>
<b>Income before income taxes</b>	<u>88,867</u>	<u>14,100</u>
<b>Income taxes</b>		
Current	16,310	9,271
Deferred	3,068	(8,265)
Total income taxes	<u>19,379</u>	<u>1,005</u>
<b>Income before minority interests</b>	<u>69,488</u>	<u>---</u>
<b>Minority interests in income of subsidiaries</b>	16,548	6,789
<b>Net income</b>	<u>52,939</u>	<u>6,304</u>

## Consolidated Statements of Comprehensive Income

(in millions of yen)

	<b>FY2010</b>	<b>FY2009</b>
	<b>Ended Mar. 31, 2011</b>	<b>Ended Mar. 31, 2010</b>
<b>Income before minority interests</b>	69,488	---
<b>Other comprehensive income</b>		
Unrealized holding gains on securities	(2,577)	---
Deferred gains on hedges	(520)	---
Land revaluation	49	---
Foreign currency translation adjustments	(10,910)	---
Share of other comprehensive income of associates accounted for using equity method	44	---
Total other comprehensive income	(13,913)	---
<b>Comprehensive Income</b>	<b>55,574</b>	<b>---</b>
(Break down)		
Comprehensive income attributable to owners of the parent	41,636	---
Comprehensive income attributable to minority interests	13,938	---

## Consolidated Statements of Changes in Net Assets

(in millions of yen)

	<b>FY2010</b>	<b>FY2009</b>
	<u>Ended Mar. 31, 2011</u>	<u>Ended Mar. 31, 2010</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	83,125
Amount of change		
Total changes	<u>---</u>	<u>---</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	258,853	252,504
Amount of change		
Cash dividends	(9,022)	---
Net income	52,939	6,304
Disposal of treasury stock	(34)	(60)
Changes due to changes in scope of consolidation	(299)	48
Changes due to reversal of land revaluation	(61)	55
Total changes	<u>43,522</u>	<u>6,348</u>
Balance at end of fiscal year	<u>302,376</u>	<u>258,853</u>
<b>Treasury stock, at cost</b>		
Balance at end of previous fiscal year	(51,378)	(51,426)
Amount of change		
Purchase of treasury stock	(320)	(42)
Disposal of treasury stock	71	91
Total changes	<u>(249)</u>	<u>48</u>
Balance at end of fiscal year	<u>(51,627)</u>	<u>(51,378)</u>
<b>Total stockholders' equity</b>		
Balance at end of previous fiscal year	523,913	517,516
Amount of change		
Cash dividends	(9,022)	---
Net income	52,939	6,304
Purchase of treasury stock	(320)	(42)
Disposal of treasury stock	36	30
Changes due to changes in scope of consolidation	(299)	48
Changes due to reversal of land revaluation	(61)	55
Total changes	<u>43,273</u>	<u>6,397</u>
Balance at end of fiscal year	<u>567,186</u>	<u>523,913</u>



	<b>FY2010</b>	<b>FY2009</b>
	<b>Ended Mar. 31, 2011</b>	<b>Ended Mar. 31, 2010</b>
<b>Other comprehensive income</b>		
<b>Unrealized holding gains on securities</b>		
Balance at end of previous fiscal year	22,529	448
Amount of change		
Net changes other than stockholders' equity	(2,786)	22,080
Total changes	(2,786)	22,080
Balance at end of fiscal year	19,742	22,529
<b>Deferred gains on hedges</b>		
Balance at end of previous fiscal year	882	(6,266)
Amount of change		
Net changes other than stockholders' equity	(297)	7,149
Total changes	(297)	7,149
Balance at end of fiscal year	584	882
<b>Land revaluation</b>		
Balance at end of previous fiscal year	(4,866)	(4,836)
Amount of change		
Net changes other than stockholders' equity	109	(29)
Total changes	109	(29)
Balance at end of fiscal year	(4,756)	(4,866)
<b>Foreign currency translation adjustments</b>		
Balance at end of previous fiscal year	(25,787)	(27,719)
Amount of change		
Net changes other than stockholders' equity	(8,339)	1,932
Total changes	(8,339)	1,932
Balance at end of fiscal year	(34,127)	(25,787)
<b>Total other comprehensive income</b>		
Balance at end of previous fiscal year	(7,242)	(38,374)
Amount of change		
Net changes other than stockholders' equity	(11,313)	31,132
Total changes	(11,313)	31,132
Balance at end of fiscal year	(18,555)	(7,242)
<b>Minority interests</b>		
Balance at end of previous fiscal year	40,330	34,318
Amount of change		
Net changes other than stockholders' equity	8,406	6,011
Total changes	8,406	6,011
Balance at end of fiscal year	48,736	40,330

	<b>FY2010</b>	<b>FY2009</b>
	<u>Ended Mar. 31, 2011</u>	<u>Ended Mar. 31, 2010</u>
<b>Total net assets</b>		
Balance at end of previous fiscal year	557,002	513,460
Amount of change		
Cash dividends	(9,022)	---
Net income	52,939	6,304
Purchase of treasury stock	(320)	(42)
Disposal of treasury stock	36	30
Changes due to changes in scope of consolidation	(299)	48
Changes due to reversal of land revaluation	(61)	55
Net changes other than stockholders' equity	(2,907)	37,144
Total changes	<u>40,365</u>	<u>43,541</u>
Balance at end of fiscal year	<u>597,367</u>	<u>557,002</u>

## Consolidated Statements of Cash Flows

(in millions of yen)

	<b>FY2010</b>	<b>FY2009</b>
	<b>Ended Mar. 31, 2011</b>	<b>Ended Mar. 31, 2010</b>
<b>Cash flows from operating activities</b>		
Income before income taxes	88,867	14,100
Depreciation	114,819	118,835
Interest and dividend income	(5,505)	(4,318)
Interest expense	20,685	21,322
Loss (gain) on sale of securities	(2,825)	(960)
Loss from write-down of investment in securities	1,977	864
Equity in income of unconsolidated subsidiaries and affiliates	(3,077)	(1,808)
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,380	---
Impairment loss	---	3,576
Loss (gain) on sale of fixed assets	(75)	(50)
Loss on disposal of plant and equipment	2,599	3,046
Decrease (increase) in trade receivables from customers	(39,295)	(9,083)
Net decrease (increase) in lease receivables and investment assets	(15,491)	---
Decrease (increase) in inventories	(17,665)	98,566
Increase (decrease) in trade payables to customers	54,559	(40,878)
Other	(2,983)	45
Subtotal	<u>198,969</u>	<u>203,258</u>
Cash received for interest and dividends	6,532	6,080
Cash paid for interest	(20,693)	(21,359)
Cash paid for income taxes	(7,012)	(15,086)
Net cash provided by operating activities	<u>177,795</u>	<u>172,893</u>
<b>Cash flows from investing activities</b>		
Purchase of plant, equipment and other assets	(96,608)	(128,226)
Proceeds from sale of plant, equipment and other assets	1,762	5,138
Purchase of investments in securities	(3,633)	(1,500)
Proceeds from sale of investments in securities	3,827	1,499
Payment for investments in capital	(3,342)	(173)
Decrease (increase) in short-term loans receivable	(51)	77
Payments for long-term loans receivable	(976)	(2,866)
Proceeds from collection of long-term loans receivable	3,267	437
Proceeds from compensation for removal	---	5,640
Purchase of shares of subsidiaries accompanying changes in scope of consolidation	1,480	(95)
Proceeds from sales of investment in subsidiaries resulting in change in scope of consolidation	(14)	---
Other	(2,397)	(254)
Net cash used in investing activities	<u>(96,686)</u>	<u>(120,324)</u>
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	(25,616)	(9,669)
Increase (decrease) from commercial paper	---	(55,000)
Proceeds from issuance of long-term debt	9,804	93,015
Repayment of long-term debt	(61,664)	(37,077)
Proceeds from issuance of bonds	---	33,000
Repayment of bonds	(236)	(69,358)
Proceeds from sale and leaseback transactions	---	23,846
Repayment of finance lease obligations	(6,320)	(4,750)
Payment of dividends	(8,965)	(75)
Other	(5,197)	(3,571)
Net cash used in financing activities	<u>(98,196)</u>	<u>(29,641)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(4,903)</u>	<u>632</u>
Increase (decrease) in cash and cash equivalents	<u>(21,991)</u>	<u>23,559</u>
Cash and cash equivalents at beginning of year	211,699	187,745
Increase (decrease) in cash and cash equivalents resulting in change in scope of consolidation	---	393
Cash and cash equivalents at end of year	<u>189,707</u>	<u>211,699</u>

## Segment Information

(In millions of yen)

		<b>FY2010</b>	<b>FY2009</b>
		Ended Mar. 31, 2011	Ended Mar. 31, 2010
Sales to outside customers:	Iron & Steel	802,923	705,993
	Welding	76,353	76,081
	Aluminum & Copper	301,144	260,728
	Machinery	149,197	166,218
	Natural Resources & Engineering	62,545	57,343
	Kobelco Eco-Solutions	67,376	78,964
	Kobelco Construction Machinery	311,946	213,132
	Kobelco Cranes	35,294	46,829
	Other Businesses	50,239	62,699
	Eliminations	1,552	3,031
	Total	1,858,574	1,671,021
Intersegment sales:	Iron & Steel	37,457	36,098
	Welding	1,438	120
	Aluminum & Copper	2,872	1,034
	Machinery	5,323	7,554
	Natural Resources & Engineering	1,718	8,221
	Kobelco Eco-Solutions	2,228	3,923
	Kobelco Construction Machinery	1,197	1,445
	Kobelco Cranes	5,673	8,383
	Other Businesses	15,340	15,071
	Eliminations	(73,250)	(81,853)
	Total	---	---
Total sales:	Iron & Steel	840,381	742,091
	Welding	77,791	76,202
	Aluminum & Copper	304,017	261,762
	Machinery	154,521	173,772
	Natural Resources & Engineering	64,264	65,564
	Kobelco Eco-Solutions	69,605	82,887
	Kobelco Construction Machinery	313,143	214,578
	Kobelco Cranes	40,968	55,213
	Other Businesses	65,580	77,771
	Eliminations	(71,698)	(78,821)
	Total	1,858,574	1,671,021
Ordinary income (loss):	Iron & Steel	23,734	(24,690)
	Welding	4,620	1,739
	Aluminum & Copper	14,790	2,228
	Machinery	14,513	20,859
	Natural Resources & Engineering	3,051	4,741
	Kobelco Eco-Solutions	3,135	1,650
	Kobelco Construction Machinery	26,303	5,535
	Kobelco Cranes	(1,363)	1,225
	Other Businesses	6,493	3,090
	Eliminations	(6,196)	(6,122)
	Total	89,082	10,258

**Investor Information:**

Investor Relations  
Corporate Planning Department  
Kobe Steel, Ltd.  
9-12 Kita-Shinagawa 5-chome,  
Shinagawa-ku, Tokyo 141-8688  
JAPAN.

Tel +81 (0)3 5739-6045  
Fax +81 (0)3 5739-5973

Email [aapress@kobelco.com](mailto:aapress@kobelco.com)  
Website: [www.kobelco.com](http://www.kobelco.com)

**Media Contact:**

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

## SUPPLEMENTAL INFORMATION

### 1. Operating Results for Fiscal 2010

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

	FY2010	FY2009	% change
Net sales	1,858.5	1,671.0	11.2%
Operating income	124.5	46.0	2.7times
Ordinary income	89.0	10.2	8.7times
Extraordinary income (loss)	(0.2)*	3.8	---
Net income	52.9	6.3	8.4times

\* Gain on sales of investment securities 2.1

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

(2) Nonconsolidated Operating Results (in billions of yen)

	FY2010	FY2009	% change
Net sales	1,090.1	990.9	10.0%
Operating income	50.5	1.1	44.9times
Ordinary income (loss)	28.1	(12.8)	---
Extraordinary income (loss)	0.8*	(2.9)	---
Net income	30.3	2.8	10.8times

\* Gain on sales of subsidiaries and affiliates' stocks 3.1

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

### 2. Results for FY2010 by Segment (Consolidated, in billions of yen)

		FY2010	FY2009
Iron & Steel	Sales	840.3	742.0
	Ordinary Income (Loss)	23.7	(24.6)
Welding	Sales	77.7	76.2
	Ordinary Income	4.6	1.7
Aluminum & Copper	Sales	304.0	261.7
	Ordinary Income	14.7	2.2
Machinery	Sales	154.5	173.7
	Ordinary Income	14.5	20.8
Natural Resources & Engineering	Sales	64.2	65.5
	Ordinary Income	3.0	4.7
Kobelco Eco-Solutions	Sales	69.6	82.8
	Ordinary Income	3.1	1.6
Kobelco Construction Machinery	Sales	313.1	214.5
	Ordinary Income	26.3	5.5
Kobelco Cranes	Sales	40.9	55.2
	Ordinary Income (Loss)	(1.3)	1.2
Other Businesses	Sales	65.5	77.7
	Ordinary Income	6.4	3.0
Eliminations	Sales	(71.6)	(78.8)
	Ordinary Income (Loss)	(6.1)	(6.1)
Total	Sales	1,858.5	1,671.0
	Ordinary Income	89.0	10.2

### 3. Kobe Steel's Production & Sales in Fiscal 2010

#### (1) Steel Products (Nonconsolidated)

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

	FY2010	FY2009
Crude steel production	7.60	6.57
Sales volume	6.38	5.57
Export ratio (value base)	27.1%	24.3%

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

	FY2010	FY2009
Domestic & Export average	83,200	76,400

#### (2) Aluminum & Copper Rolled Products (Nonconsolidated)

**Sales Volume** (in thousands of metric tons)

	FY2010	FY2009
Aluminum rolled products	281	271
Copper rolled products	59	50

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

	FY2010	FY2009
Copper tube	78	62

#### (3) Machinery Business Orders (Consolidated, in billions of yen)

##### Orders

	FY2010	FY2009
Domestic	54.1	45.9
Export	86.6	53.6
Total orders	140.7	99.5

##### Backlog of Orders

	FY2010	FY2009
Domestic	51.6	43.4
Export	100.5	107.5
Total backlog	152.2	151.0

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

##### Orders

	FY2010	FY2009
Domestic	24.0	31.6
Export	51.3	8.6
Total orders	75.3	40.2

##### Backlog of Orders

	FY2010	FY2009
Domestic	41.2	38.5
Export	54.4	24.3
Total backlog	95.6	62.9

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

	FY2010	FY2009
Domestic & Export total orders	64.8	58.4

**Backlog of Orders**

	FY2010	FY2009
Domestic & Export total backlog	35.0	39.7

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

	FY2010	FY2009	Amount of increase
Ordinary income	89.0	10.2	78.8

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	90.0	Raw material prices	(94.0)
Overall cost reduction	17.5	Other	(12.2)
Effect of steel inventory valuation*	46.0		
Consolidated subsidiaries & affiliates	31.5		
Total	185.0	Total	(106.2)

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

**5. Other****(1) Cash Flows and Outside Debt** (Consolidated, in billions of yen)**Cash Flows**

	FY2010	FY2009
Free cash flow	72.5	39.0

(Excludes cash flows from project financing)

**Outside Debt**

	FY2010	FY2009
Consolidated debt *	769.8	837.7
Consolidated D/E ratio (times) **	1.4	1.6
Nonconsolidated outside debt	629.6	696.6

\* Excludes debt from IPP project financing.

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

**(2) Exchange Rate** (Nonconsolidated)

	FY2010	FY2009
Exchange rate (1 U.S. dollar to yen)	86 yen	93 yen
Effect of exchange rate movement *	1.3	0.9

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

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

	FY2010	FY2009
Consolidated Capital investment (accrual basis)	91.3	128.7
Consolidated Depreciation	114.8	118.8
Nonconsolidated Capital investment (accrual basis)	62.2	95.7
Nonconsolidated Depreciation	83.6	86.1



(For Reference)

**7. Quarterly Results for FY2010 by Segment** (Consolidated, in billions of yen)

		FY2010							FY2009							Total
		1st Half			2nd Half			Total	1st Half			2nd Half			Total	
		1Q	2Q	Subtotal	3Q	4Q	Subtotal		1Q	2Q	Subtotal	3Q	4Q	Subtotal		
Iron & Steel	Sales	203.3	210.0	413.4	209.2	217.6	426.9	840.3	165.3	180.9	346.2	189.2	206.5	395.8	742.0	
	Ordinary Income (Loss)	13.8	(4.6)	9.1	12.8	1.7	14.5	23.7	(26.9)	(27.4)	(54.3)	8.1	21.5	29.7	(24.6)	
Welding	Sales	18.4	18.6	37.1	20.9	19.7	40.6	77.7	19.6	19.2	38.9	19.4	17.7	37.2	76.2	
	Ordinary Income (Loss)	1.1	1.0	2.1	1.2	1.1	2.4	4.6	(0.4)	0.3	(0.0)	0.9	0.8	1.8	1.7	
Aluminum & Copper	Sales	78.2	76.7	155.0	74.4	74.5	149.0	304.0	57.6	63.3	120.9	67.2	73.5	140.8	261.7	
	Ordinary Income (Loss)	6.2	3.4	9.7	3.6	1.3	5.0	14.7	(3.3)	(0.0)	(3.4)	3.2	2.3	5.6	2.2	
Machinery	Sales	33.9	37.7	71.6	32.7	50.1	82.8	154.5	48.1	31.2	79.4	46.6	47.7	94.3	173.7	
	Ordinary Income	4.9	3.6	8.5	2.8	3.0	5.9	14.5	7.7	2.8	10.6	5.3	4.8	10.2	20.8	
Natural Resources & Engineering	Sales	13.2	7.8	21.1	9.0	34.0	43.1	64.2	10.9	13.9	24.8	14.5	26.1	40.6	65.5	
	Ordinary Income (Loss)	2.3	(0.8)	1.4	1.3	0.2	1.5	3.0	0.3	1.3	1.7	2.1	0.9	3.0	4.7	
Kobelco Eco-Solutions	Sales	13.9	16.1	30.0	15.5	23.9	39.5	69.6	15.4	22.0	37.5	15.8	29.4	45.3	82.8	
	Ordinary Income	1.0	0.0	1.1	0.9	0.9	1.9	3.1	0.4	0.0	0.4	0.1	0.9	1.1	1.6	
Kobelco Construction Machinery	Sales	85.6	89.9	175.6	65.7	71.7	137.5	313.1	48.6	56.2	104.9	52.2	57.4	109.6	214.5	
	Ordinary Income (Loss)	9.8	8.9	18.8	3.5	3.9	7.4	26.3	(1.3)	2.1	0.7	1.1	3.5	4.7	5.5	
Kobelco Cranes	Sales	11.2	12.0	23.3	7.1	10.4	17.6	40.9	12.5	15.4	27.9	13.3	13.9	27.2	55.2	
	Ordinary Income (Loss)	(0.3)	0.4	0.1	(0.9)	(0.5)	(1.5)	(1.3)	0.1	0.6	0.7	0.2	0.2	0.4	1.2	
Other Businesses	Sales	14.6	15.5	30.2	15.6	19.7	35.3	65.5	16.4	23.9	40.4	17.3	19.9	37.3	77.7	
	Ordinary Income	0.9	1.1	2.0	1.6	2.7	4.4	6.4	0.1	1.5	1.6	0.0	1.4	1.4	3.0	
Eliminations	Sales	(15.2)	(20.3)	(35.5)	(16.8)	(19.2)	(36.1)	(71.6)	(16.8)	(16.1)	(33.0)	(17.8)	(27.9)	(45.7)	(78.8)	
	Ordinary Income (Loss)	(2.0)	(2.0)	(4.1)	2.3	(4.4)	(2.0)	(6.1)	0.3	(2.7)	(2.3)	(1.2)	(2.5)	(3.7)	(6.1)	
Total	Sales	457.4	464.6	922.0	433.7	502.7	936.5	1,858.5	377.8	410.2	788.1	418.1	464.6	882.8	1,671.0	
	Ordinary Income (Loss)	38.0	11.2	49.3	29.5	10.1	39.7	89.0	(22.9)	(21.3)	(44.2)	20.2	34.2	54.4	10.2	
Net Income		20.0	9.4	29.4	17.7	5.7	23.4	52.9	(33.2)	(12.0)	(45.3)	7.4	44.2	51.6	6.3	

## 8. Quarterly Steel Production and Sales Volume (Nonconsolidated)

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

	FY2010						FY2010 Total
	1st Half			2nd Half			
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	1.98	1.74	3.72	1.98	1.90	3.88	7.60
Sales volume	1.65	1.56	3.21	1.55	1.62	3.17	6.38
Export ratio (value basis)	28.5%	27.8%	28.2%	24.5%	27.9%	26.2%	27.1%

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

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

	FY2010						FY2010 Total
	1st Half			2nd Half			
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & Export average	76.8	86.1	81.3	88.1	82.2	85.1	83.2

	FY2009						FY2009 Total
	1st Half			2nd Half			
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & Export average	90.5	72.1	80.1	73.5	73.7	73.6	76.4

-End-

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