

Kobe Steel's Consolidated Financial Results for First Half of Fiscal 2011 (April 1 – September 30, 2011)

October 31, 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
 Filing of quarterly report: November 2, 2011
 Dividend payments begin: December 1, 2011
 Supplemental information available: Yes
 Briefing for analysts: Yes (in Japanese only)

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

1. Consolidated Financial Results for First Half of Fiscal 2011 (April 1 - September 30, 2011)

(1) Consolidated operating results

(In millions of yen)	FY2011 1H	% change*	FY2010 1H	% change*
Net sales	960,071	4.1%	922,055	17.0%
Operating income	51,979	(25.6%)	69,843	---
Ordinary income	38,526	(21.9%)	49,326	---
Net income	17,358	(41.1%)	29,452	---
Net income per share	5.78 yen		9.80 yen	
Diluted net income per share	---		---	

Comprehensive Income in FY2011 2Q: 10,506 million yen FY2010 2Q: 24,369 million yen

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

(2) Consolidated financial position

(In millions of yen)	FY2011 1H	FY2010
Total assets	2,199,551	2,231,532
Net assets	600,053	597,367
Net worth ratio	24.8%	24.6%

Shareholders' equity at September 30, 2011: 546,231 million yen FY2010: 548,631 million yen

2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2010	---	1.50	---	1.50	3.00
FY2011	---	1.00	---	---	---
FY2011 Forecast	---	---	---	---	---

Revision to dividend forecast in FY2011 1H: No

The dividend for the end of fiscal 2011 is undetermined.

3. Consolidated Forecast for Fiscal 2011 (April 1, 2011 - March 31, 2012)

(In millions of yen)	FY2011	% change*
Net sales	1,950,000	4.9%
Operating income	75,000	(39.8%)
Ordinary income	50,000	(43.9%)
Net income	20,000	(62.2%)
Net income per share	6.66 yen	

* Indicates percentage of change from the previous fiscal year.

Revision to consolidated forecast in FY2010 1H: Yes

4. Other

(1) Change in number of material subsidiaries in fiscal year: No
 (Changes in specified subsidiaries due to changes in scope of consolidation)

(2) Adoption of specific accounting procedures for preparing the quarterly consolidated financial statements: No

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

- Changes in accounting policies due to revised accounting standards: No
- Other changes: No
- Changes in accounting estimates: No
- Restatement: No

(4) Number of issued shares

	FY 2011 1H	FY2010
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	114,115,992	114,026,072
Average number of shares in 2Q	3,000,964,714	3,002,345,476*

*First Half of FY2010

Qualitative Information on Consolidated Operating Results

Japan's economy in the first half of fiscal 2011 (April-September period) saw a significant drop in production levels in the first quarter (April-June period) due to the Great East Japan Earthquake in March, but the impact of the quake had lessened in the second quarter (July-September period). While the economy began improving, recovery was gradual due to the rapid increase in the value of the yen. In overseas markets, despite signs of financial instability in Europe and tight monetary policies in China, the economy gradually continued to grow mainly in emerging countries.

Amid this economic environment, the first-half sales volume of steel and aluminum rolled products in the Kobe Steel Group, centered on the automotive industry, were lower than the same period last year due to the impact of the March earthquake. Demand for hydraulic excavators in China declined sharply due to China's tight monetary policies implemented in April. However, in the first half of 2011 (January-June period), unit sales increased, compared with the same period last year, owing to strong demand following the Chinese Lunar New Year in February.

As a result, consolidated sales in the first half of fiscal 2011 increased 38.0 billion yen to 960.0 billion yen due to the concentration of sales from large orders in the Machinery Business and Natural Resources & Engineering Business. Another factor contributing to higher sales was the increase in steel product prices. Operating income decreased 17.8 billion yen in comparison to the same period last year to 51.9 billion yen due to lower sales volume of steel products and aluminum rolled products and the increase in steel raw material prices. Ordinary income went down 10.8 billion yen in comparison to the same period last year to 38.5 billion yen, and net income decreased 12.0 billion yen compared with the same period last year to 17.3 billion yen.

Conditions in the business segments in the first half of the fiscal year were as follows:

Iron & Steel Business

The sales volume of steel products in the first half of fiscal 2011 decreased compared with the same period last year. Domestic demand for steel products dropped due to the March earthquake. Although demand in the second quarter (July-September period) recovered to the same period last year, the decline in the first quarter (April-June period) was large. Sales prices, however, went up in the first half of fiscal 2011, compared with the same period last year, owing to negotiations with users on higher raw material prices.

Sales of steel castings and forgings decreased in comparison to the same period last year due to lower sales prices to the shipbuilding industry. On the other hand, sales of titanium products increased in comparison to the same period last year owing to higher demand from infrastructure construction in emerging countries.

Due to these conditions, consolidated segment sales in the first half of fiscal 2011 were flat in comparison to the same period last year at 420.1 billion yen. Ordinary income decreased 5.6 billion yen to 3.5 billion yen due to lower sales volume and higher raw material prices.

Welding Business

The sales volume of welding consumables increased in comparison to the same period last year due to strong demand from Southeast Asia, Europe, North America and Russia. Demand for welding robot systems was also strong, due to strong demand from China's construction machinery market, contributing to higher sales.

Due to these conditions, consolidated segment sales in the first half of fiscal 2011 increased 13.8% in comparison to the same period last year to 42.2 billion yen. Ordinary income was flat at 2.1 billion yen.

Aluminum & Copper Business

The sales volume of aluminum rolled products and sales of aluminum castings and forgings declined in comparison to the same period last year due to weak demand in the automotive sector following the Great East Japan Earthquake in March.

The sales volume of copper rolled products was flat in comparison to the same period last year. Demand for copper sheet and strip for semiconductors declined, but demand for copper tube for air conditioners was strong.

Due to these conditions, consolidated segment sales in the first half of fiscal 2011 were flat compared with the same period last year at 155.3 billion yen. Ordinary income declined 2.7 billion yen in comparison to the same period last year to 7.0 billion yen.

Machinery Business

Orders in the first half of fiscal 2011 were similar to the same period last year at 68.7 billion yen, due to strong demand mainly for compressors used in the oil refining and petrochemical industries. The backlog of orders was 149.9 billion yen.

Consolidated segment sales in the first half of fiscal 2011 increased 11.8% to 80.1 billion yen in comparison to the same period last year. Ordinary income decreased 2.9 billion yen in comparison to the same period last year to 5.6 billion yen.

Natural Resources & Engineering Business

Orders in the first half of fiscal 2011 declined 56.4% in comparison to the same period last year to 20.8 billion yen in comparison to the same period last year, which saw an order for a large direct reduction plant. The backlog of orders was 84.0 billion yen.

Consolidated segment sales in the first half of fiscal 2011 increased 43.3% in comparison to the same period last year to 30.2 billion yen due to the posting of sales from the order for the large direct reduction plant. Ordinary income decreased 0.8 billion yen in comparison to the same period last year to 0.6 billion yen.

Kobelco Eco-Solutions

Orders in the first half of fiscal 2011 increased 47.1% in comparison to the same period last year to 51.9 billion yen owing to large orders in the waste treatment business. The backlog of orders was 57.1 billion yen.

Consolidated segment sales in the first half of fiscal 2011 were flat in comparison to the same period last year at 29.8 billion yen. Ordinary income increased 0.2 billion yen in comparison to the same period last year to 1.4 billion yen due to strong demand in the after-sales service field and cost reductions.

Kobelco Construction Machinery

Demand in China, a major market, fell sharply due to tight monetary policies that went into effect in April. However, demand was strong after the Chinese Lunar New Year in February. In the first half of 2011 (January-June period), unit sales were higher in comparison to the same period last year. Unit sales were also higher due to strong demand in Southeast Asia and higher domestic demand from recovery following the Great East Japan Earthquake in March.

However, due to the higher yen, consolidated segment sales in the first half of fiscal 2011 were flat in comparison to the same period last year at 180.1 billion yen. Ordinary income was flat in comparison to the same period last year at 18.5 billion yen.

Kobelco Cranes

Supported by the increase in overseas demand centered on North America, Southeast Asia and the Middle East, unit sales increased in comparison to the same period last year.

However, due to the higher yen, consolidated segment sales in the first half of fiscal 2011 were flat in comparison to the same period last year at 22.9 billion yen. Ordinary income was flat in comparison the same period last year at 0.1 billion yen.

Other Businesses

At Kobelco Research Institute, Inc., demand for sputtering targets was sluggish. At Shinko Real Estate Co., Ltd., both property sales and the leasing business performed well, similar to the same period last year. As a result, consolidated segment sales in the first half of fiscal 2011 were flat in comparison to the same period last year at 31.1 billion yen. Ordinary income increased 0.5 billion yen in comparison to the same period last year to 2.6 billion yen.

Qualitative Information on Consolidated Earnings Forecast

The outlook for the world economy is becoming increasingly unclear due to the financial uncertainty in Europe, monetary tightening in China, and flood damage in Thailand. In Japan, while the impact of the Great East Japan Earthquake is going down, the country is facing a sharp rise in the value of the yen. On this background, the decrease in international competitiveness in the manufacturing sector and the accelerated shifting of production overseas are areas of concern.

In view of these conditions, Kobe Steel makes the following forecast for its business segments for the third quarter (October-December period) and onward.

Iron & Steel Business

Demand for steel products is forecast to be firm in the domestic manufacturing sector. However, as the overseas supply and demand environment centered on emerging countries and the high yen make conditions unpredictable, Kobe Steel will carefully watch market trends in Japan and overseas. Sales prices of steel castings and forgings are anticipated to remain low. However, demand for titanium products is anticipated to be firm.

Welding Business

Demand for welding consumables is projected to be firm in the Asian region, including Southeast Asia and South Korea. Areas of concern are the high yen, monetary tightening in China, and rising imports of welding consumables.

Aluminum & Copper Business

With recovery from the Great East Japan Earthquake in March, demand in the automotive sector is anticipated to increase. However, demand in the IT field is forecast to decrease. Areas of concern are the rising cost of energy including electricity and the high yen.

Machinery Business

In addition to firm demand for compressors, demand for plastics processing machinery and heavy-wall pressure vessels for the oil refining industry is expected to recover. However, the high yen is an issue of concern.

Natural Resources & Engineering Business

The political instability in the Middle East and the high yen are issues of concern. Strengthening its efforts in growth markets, Kobe Steel will seek to gain orders for ITmk3 plants and other strategic large-scale projects.

Kobelco Eco-Solutions

Kobe Steel anticipates that public investment in the water treatment business and private-sector capital investment in Japan will continue to be low. However, public investment in the waste treatment business is projected to be on a recovery trend and the after-sales service field is anticipated to be firm.

Kobelco Construction Machinery

Low demand in China due to China's monetary tightening is expected to continue for the time being. However, demand is expected to continue being strong in Southeast Asia. Demand in Japan is anticipated to increase due to restoration work in the aftermath of the Great East Japan Earthquake in March.

Kobelco Cranes

Except for certain regions, demand is anticipated to gradually improve, but the high yen is an issue of concern.

Other Businesses

At Shinko Real Estate Co., Ltd., property sales are anticipated to be firm. At Kobelco Research Institute, Inc., demand is forecast to recover in the testing and research business.

Full-year forecast

Due to these conditions, Kobe Steel anticipates that consolidated net sales for fiscal 2011, ending March 2012, will be approximately 1,950.0 billion yen. Operating income is forecast at approximately 75.0 billion yen and ordinary income at approximately 50.0 billion yen. Net income is expected to be approximately 20.0 billion yen.

Dividends for fiscal 2011

Kobe Steel's basic policy is to distribute dividends on a continuous and stable basis. Dividends are decided taking into account the Company's financial condition, trends in its business performance, future capital needs and other factors from a comprehensive standpoint. On this basis, Kobe Steel has decided to pay a dividend of 1 yen per share for the first half of fiscal 2011. With regard to the dividend at the end of fiscal 2011, as there are many uncertain factors that need to be taken into consideration, the year-end dividend cannot be determined at this time.

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CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

Assets	FY2010 Ended Mar. 31, 2011	FY2011 1st Half Ended Sep. 30, 2011
Current assets		
Cash and time deposits	145,875	128,873
Notes and accounts receivable	302,846	318,207
Merchandise and finished goods	131,138	148,720
Work in progress	127,512	127,142
Raw materials and supplies	122,694	133,067
Other	167,261	142,632
Allowance for doubtful accounts	(571)	(444)
Total current assets	<u>996,757</u>	<u>998,201</u>
Tangible fixed assets		
Buildings and structures	279,519	286,231
Machinery and equipment	363,284	395,837
Land	204,948	205,266
Other	85,586	31,051
Total tangible fixed assets	<u>933,339</u>	<u>918,386</u>
Intangible fixed assets	22,231	20,966
Investments and other assets		
Investments in securities	190,255	172,209
Other	92,077	92,249
Allowance for doubtful accounts	(3,129)	(2,461)
Total investments and other assets	<u>279,203</u>	<u>261,997</u>
Total fixed assets, investments and other assets	<u>1,234,775</u>	<u>1,201,350</u>
Total assets	<u>2,231,532</u>	<u>2,199,551</u>
Current liabilities		
Notes and accounts payable	478,675	455,543
Short-term borrowings	170,657	194,894
Bonds due within one year	35,836	35,806
Income and enterprise taxes payable	9,059	8,348
Other reserves	39,377	41,077
Other	154,773	146,457
Total current liabilities	<u>888,379</u>	<u>882,128</u>
Long-term liabilities		
Bonds and notes	177,349	177,261
Long-term borrowings	441,099	427,122
Employees' severance and retirement benefits	29,345	27,755
Other reserves	2,497	2,420
Other	95,494	82,811
Total long-term liabilities	<u>745,785</u>	<u>717,369</u>
Total liabilities	<u>1,634,165</u>	<u>1,599,498</u>

Net Assets

	FY2010 Ended Mar. 31, 2011	FY2011 1st Half Ended Sep. 30, 2011
Stockholders' equity		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	302,376	315,184
Treasury stock, at cost	(51,627)	(51,633)
Total stockholders' equity	<u>567,186</u>	<u>579,990</u>
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	19,742	5,926
Deferred gains or losses on hedging derivatives, net of taxes	584	(1,673)
Land revaluation differences, net of taxes	(4,756)	(4,756)
Foreign currency translation adjustments	(34,127)	(33,255)
Total other comprehensive income	<u>(18,555)</u>	<u>(33,758)</u>
Minority interests	48,736	53,821
Total net assets	<u>597,367</u>	<u>600,053</u>
Total liabilities and net assets	<u>2,231,532</u>	<u>2,199,551</u>

(2) Consolidated Statements of Income for First Half of Fiscal 2011

(In millions of yen)

	<u>FY2010 1st Half</u> <u>Ended Sep. 30, 2010</u>	<u>FY2011 1st Half</u> <u>Ended Sep. 30, 2011</u>
Net sales	922,055	960,071
Cost of sales	<u>773,512</u>	<u>825,856</u>
Gross profit	<u>148,543</u>	<u>134,214</u>
Selling, general and administrative expenses	<u>78,699</u>	<u>82,235</u>
Operating income	<u>69,843</u>	<u>51,979</u>
Non-operating income		
Interest income	1,200	1,788
Dividend income	1,335	2,190
Seconded employees' salaries, net of reimbursement	3,384	3,134
Equity in income of unconsolidated subsidiaries and affiliates	1,284	3,482
Other	<u>6,723</u>	<u>10,707</u>
Total non-operating income	<u>13,928</u>	<u>21,302</u>
Non-operating expenses		
Interest expense	10,331	9,912
Salaries for seconded employees	8,560	7,919
Other	<u>15,553</u>	<u>16,923</u>
Total non-operating expenses	<u>34,445</u>	<u>34,755</u>
Ordinary income	<u>49,326</u>	<u>38,526</u>
Extraordinary Income		
Gain on sale of securities	<u>2,203</u>	<u>---</u>
Total extraordinary Income	<u>2,203</u>	<u>---</u>
Extraordinary loss		
Loss on adjustment for changes of accounting standard for asset retirement obligations	<u>2,380</u>	<u>---</u>
Total extraordinary loss	<u>2,380</u>	<u>---</u>
Income before income taxes	<u>49,149</u>	<u>38,526</u>
Income taxes		
Current	8,444	12,611
Deferred	<u>1,156</u>	<u>(1,160)</u>
Total income taxes	9,600	11,451
Income before minority interests	<u>39,548</u>	<u>27,075</u>
Minority interests in income of subsidiaries	<u>10,096</u>	<u>9,717</u>
Net income	<u>29,452</u>	<u>17,358</u>

(3) Consolidated Statements of Comprehensive Income

(in millions of yen)

	<u>FY2010 1st Half</u> <u>Ended Sep. 30, 2010</u>	<u>FY2011 1st Half</u> <u>Ended Sep. 30, 2011</u>
Income before minority interests	39,548	27,075
Other comprehensive income		
Unrealized gains or losses on securities, net of taxes	(10,282)	(13,615)
Unrealized gains or losses on hedging derivatives, net of taxes	(16)	(3,835)
Land revaluation differences, net of taxes	49	---
Foreign currency translation adjustments	(4,366)	395
Share of other comprehensive income related to affiliates	(563)	487
Total other comprehensive income	(15,178)	(16,568)
Comprehensive Income	<u>24,369</u>	<u>10,506</u>
Breakdown of total comprehensive income attributed to:		
Equity holders of the parent	15,466	2,155
Minority interests	8,903	8,351

(4) Notes on premise of a going concern:

None

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

None

Supplemental Information for the First Half of Fiscal 2011

(April 1 – September 30, 2011)

Operating Results for First Half of Fiscal 2011

(In billions of yen)

Consolidated Results

	FY2011 1st Half	FY2010 1st Half	% change
Net sales	960.0	922.0	4.1%
Operating income	51.9	69.8	(25.6%)
Ordinary income	38.5	49.3	(21.9%)
Extraordinary Income (loss)	---	* (0.1)	---
Net income	17.3	29.4	(41.1%)

Interim dividend: 1.0 yen

Forecast for Fiscal 2011

FY2011 Consolidated Forecast

	FY2011			Previous Forecast (July 28) FY2011	FY2010 Full Year
	1st Half	2nd Half Forecast	Full Year Forecast		
Net sales	960.0	990.0	1,950.0	1,990.0	1,858.5
Operating income	51.9	23.1	75.0	75.0	124.5
Ordinary income	38.5	11.5	50.0	50.0	89.0
Extraordinary income (loss)	---	---	---	---	(0.2)
Net income	17.3	2.7	20.0	20.0	52.9

FY2011 First Half

(1) Sales & Ordinary Income by Segment

(Consolidated, in billions of yen)

Segment		FY2011 1st Half	FY2010		
			1st Half	2nd Half	Full Year
Iron & Steel	Sales	420.1	413.4	426.9	840.3
	Ordinary Income	3.5	9.1	14.5	23.7
Welding	Sales	42.2	37.1	40.6	77.7
	Ordinary Income	2.1	2.1	2.4	4.6
Aluminum & Copper	Sales	155.3	155.0	149.0	304.0
	Ordinary Income	7.0	9.7	5.0	14.7
Machinery	Sales	80.1	71.6	82.8	154.5
	Ordinary Income	5.6	8.5	5.9	14.5
Natural Resources & Engineering	Sales	30.2	21.1	43.1	64.2
	Ordinary Income	0.6	1.4	1.5	3.0
Kobelco Eco-Solutions	Sales	29.8	30.0	39.5	69.6
	Ordinary Income	1.4	1.1	1.9	3.1
Kobelco Construction Machinery	Sales	180.1	175.6	137.5	313.1
	Ordinary Income	18.5	18.8	7.4	26.3
Kobelco Cranes	Sales	22.9	23.3	17.6	40.9
	Ordinary Income (loss)	0.1	0.1	(1.5)	(1.3)
Other Businesses	Sales	31.1	30.2	35.3	65.5
	Ordinary Income	2.6	2.0	4.4	6.4
Eliminations	Sales	(32.2)	(35.5)	(36.1)	(71.6)
	Ordinary Income (loss)	(3.1)	(4.1)	(2.0)	(6.1)
Total	Sales	960.0	922.0	936.5	1,858.5
	Ordinary Income	38.5	49.3	39.7	89.0

(2) Production, Sales & Orders

1. Steel Products

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

	FY2011	FY2010		
	1st Half	1st Half	2nd Half	Full Year
Crude steel	3.63	3.72	3.88	7.60
Sales volume	2.98	3.21	3.17	6.38
Export ratio (value basis)	29.2%	28.2%	26.2%	27.1%

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

	FY2011	FY2010		
	1st Half	1st Half	2nd Half	Full Year
Domestic & Export average	88,600	81,300	85,100	83,200

2. Aluminum & Copper Rolled Products

Sales Volume (Nonconsolidated, in thousands of metric tons)

	FY2011	FY2010		
	1st Half	1st Half	2nd Half	Full Year
Aluminum rolled products	140	147	134	281
Copper rolled products	25	30	29	59
Copper tube*	44	39	39	78

*consolidated

3. Machinery Business

Orders (Consolidated, in billions of yen)

	FY2011	FY2010		
	1st Half	1st Half	2nd Half	Full Year
Domestic	26.4	28.2	25.9	54.1
Exports	42.2	41.2	45.4	86.6
Total orders	68.7	69.4	71.3	140.7

Backlog of Orders (Consolidated, as of the end of each period, in billions of yen)

	FY2011	FY2010	
	1st Half	1st Half	2nd Half
Domestic	57.1	51.8	51.6
Exports	92.8	105.4	100.5
Total orders	149.9	157.2	152.2

4. Natural Resources & Engineering Business

Orders (Consolidated, in billions of yen)

	FY2011	FY2010		
	1st Half	1st Half	2nd Half	Full Year
Domestic	7.1	11.7	12.2	24.0
Exports	13.7	36.1	15.1	51.3
Total orders	20.8	47.8	27.4	75.3

Backlog of Orders (Consolidated, as of the end of each period, in billions of yen)

	FY2011	FY2010	
	1st Half	1st Half	2nd Half
Domestic	36.8	44.4	41.2
Exports	47.2	48.2	54.4
Total orders	84.0	92.7	95.6

5. Kobelco Eco-Solutions

Orders (Consolidated, in billions of yen)

	FY2011	FY2010		
	1st Half	1st Half	2nd Half	Full Year
Total orders	51.9	35.3	29.5	64.8

Backlog of Orders (Consolidated, as of the end of each period, in billions of yen)

	FY2011	FY2010	
	1st Half	1st Half	2nd Half
Total orders	57.1	45.0	35.0

(3) Factors Affecting 1st Half Ordinary Income (Consolidated, in billions of yen)

	FY2011 1st Half	FY2010 1st Half	Amount of Decrease
Ordinary Income	38.5	49.3	(10.8)

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	32.5	Raw material prices	(44.0)
Overall cost reductions	2.5	Effect of steel inventory valuation*	(7.0)
Consolidated subsidiaries & affiliates	1.0		
Other	4.2		
Total	40.2	Total	(51.0)

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

FY2011 Forecast

(1) Fiscal 2011 Forecast by Segment (Consolidated, in billions of yen)

Segment		FY2011			Previous Forecast (July 28)	FY2010 Full Year
		1st Half	2nd Half Forecast	Full Year Forecast		
Iron & Steel	Sales	420.1	459.9	880.0	900.0	840.3
	Ordinary Income (loss)	3.5	(3.5)	0.0	0.0	23.7
Welding	Sales	42.2	44.8	87.0	90.0	77.7
	Ordinary Income	2.1	1.9	4.0	4.0	4.6
Aluminum & Copper	Sales	155.3	159.7	315.0	310.0	304.0
	Ordinary Income	7.0	3.0	10.0	9.0	14.7
Machinery	Sales	80.1	81.9	162.0	172.0	154.5
	Ordinary Income	5.6	2.4	8.0	7.0	14.5
Natural Resources & Engineering	Sales	30.2	32.8	63.0	64.0	64.2
	Ordinary Income (loss)	0.6	(0.6)	0.0	0.0	3.0
Kobelco Eco-Solutions	Sales	29.8	41.7	71.5	70.0	69.6
	Ordinary Income	1.4	2.2	3.6	3.2	3.1
Kobelco Construction Machinery	Sales	180.1	134.9	315.0	325.0	313.1
	Ordinary Income	18.5	4.5	23.0	28.0	26.3
Kobelco Cranes	Sales	22.9	29.1	52.0	50.0	40.9
	Ordinary Income (loss)	0.1	0.4	0.5	0.5	(1.3)
Other Businesses	Sales	31.1	38.9	70.0	69.0	65.5
	Ordinary Income	2.6	4.4	7.0	6.0	6.4
Eliminations	Sales	(32.2)	(33.3)	(65.5)	(60.0)	(71.6)
	Ordinary Income (loss)	(3.1)	(3.0)	(6.1)	(7.7)	(6.1)
Total	Sales	960.0	990.0	1,950.0	1,990.0	1,858.5
	Ordinary Income	38.5	11.5	50.0	50.0	89.0

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

	FY2011			FY2010 Full Year
	1st Half	2nd Half Forecast	Full Year Forecast	
Crude steel	3.63	Approx. 3.80	Approx. 7.40	7.60
Sales volume	2.98	Approx. 3.20	Approx. 6.20	6.38

(3) Factors Affecting Fiscal 2011 2nd Half Ordinary Income (Consolidated, in billions of yen)

	FY2011 2nd Half Forecast	FY2011 1st Half	Amount of Decrease
Ordinary Income	11.5	38.5	(27.0)

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	14.0	Raw material prices	(9.0)
Overall cost reductions	1.0	Effect of steel inventory valuation*	(10.0)
		Consolidated subsidiaries & affiliates	(10.5)
		Other	(12.5)
Total	15.0	Total	(42.0)

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

Factors Affecting Fiscal 2011 Ordinary Income
(Consolidated, in billions of yen)

	FY2011 Forecast	FY2010	Amount of Decrease
Ordinary Income	50.0	89.0	(39.0)

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	59.0	Raw material prices	(80.0)
Overall cost reductions	2.0	Effect of steel inventory valuation*	(8.5)
		Other	(11.5)
Total	61.0	Total	(100.0)

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

Factors Affecting Fiscal 2011 Ordinary Income: July 28 Forecast vs. Current Forecast
(Consolidated, in billions of yen)

	Current Forecast	July 28 Forecast	Amount of Increase
Ordinary Income (loss)	50.0	50.0	0.0

Factors Increasing Profits		Factors Decreasing Profits	
Effect of steel inventory valuation*	0.5	Production & shipments	(11.5)
Raw material prices	1.5	Overall cost reductions	(3.5)
Other	16.0	Consolidated subsidiaries & affiliates	(3.0)
Total	18.0	Total	(18.0)

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

(4) Cash Flow, Outside Debt & D/E Ratio (Consolidated, in billions of yen)

	FY2011	FY2010		Full Year
	1st Half	1st Half	2nd Half	
Free cash flow	(45.8)	109.4	(36.9)	72.5

Consolidated free cash flow excludes cash flow from IPP project financing.

(In billions of yen, as of the end of each period, unless otherwise indicated)

	FY2011		FY2010	
	1st Half	2nd Half Forecast	1st Half	2nd Half
Outside debt ¹	783.7	770.0	800.8	769.8
D/E ratio (times) ²	1.4	1.3	1.5	1.4

1. Excludes debt from IPP project financing.

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

(5) Exchange Rates (Nonconsolidated)

	FY2011		FY2010 Full Year
	1st Half	2nd Half Forecast	
Exchange rate (1 U.S. dollar to yen)	80 yen	80 yen	86 yen
Effect of Exchange rate movement *	1.1	1.1	1.3

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

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

	FY2011			FY2010 Full Year
	1st Half	2nd Half Forecast	Full Year Forecast	
Capital investment (accrual basis)	42.3	52.7	95.0	91.3
Depreciation	56.4	63.6	120.0	114.8

FOR REFERENCE

Fiscal 2011 Quarterly Information by Segment (Consolidated, in billions of yen)

		FY2010							FY2011 Forecast				
		1st Half			2nd Half			Total	1st Half			2nd Half	Total
		1Q	2Q	Subtotal	3Q	4Q	Subtotal		1Q	2Q	Subtotal		
Iron & Steel	Sales	203.3	210.0	413.4	209.2	217.6	426.9	840.3	195.6	224.4	420.1	459.9	880.0
	Ordinary Income (Loss)	13.8	(4.6)	9.1	12.8	1.7	14.5	23.7	3.3	0.1	3.5	(3.5)	0.0
Welding	Sales	18.4	18.6	37.1	20.9	19.7	40.6	77.7	21.6	20.5	42.2	44.8	87.0
	Ordinary Income	1.1	1.0	2.1	1.2	1.1	2.4	4.6	1.3	0.8	2.1	1.9	4.0
Aluminum & Copper	Sales	78.2	76.7	155.0	74.4	74.5	149.0	304.0	79.3	76.0	155.3	159.7	315.0
	Ordinary Income	6.2	3.4	9.7	3.6	1.3	5.0	14.7	5.3	1.6	7.0	3.0	10.0
Machinery	Sales	33.9	37.7	71.6	32.7	50.1	82.8	154.5	41.1	38.9	80.1	81.9	162.0
	Ordinary Income	4.9	3.6	8.5	2.8	3.0	5.9	14.5	3.3	2.3	5.6	2.4	8.0
Natural Resources & Engineering	Sales	13.2	7.8	21.1	9.0	34.0	43.1	64.2	12.4	17.8	30.2	32.8	63.0
	Ordinary Income (Loss)	2.3	(0.8)	1.4	1.3	0.2	1.5	3.0	(0.6)	1.2	0.6	(0.6)	0.0
Kobelco Eco-Solutions	Sales	13.9	16.1	30.0	15.5	23.9	39.5	69.6	12.4	17.4	29.8	41.7	71.5
	Ordinary Income	1.0	0.0	1.1	0.9	0.9	1.9	3.1	0.4	1.0	1.4	2.2	3.6
Kobelco Construction Machinery	Sales	85.6	89.9	175.6	65.7	71.7	137.5	313.1	97.7	82.4	180.1	134.9	315.0
	Ordinary Income	9.8	8.9	18.8	3.5	3.9	7.4	26.3	11.1	7.4	18.5	4.5	23.0
Kobelco Cranes	Sales	11.2	12.0	23.3	7.1	10.4	17.6	40.9	11.8	11.1	22.9	29.1	52.0
	Ordinary Income (Loss)	(0.3)	0.4	0.1	(0.9)	(0.5)	(1.5)	(1.3)	(0.4)	0.5	0.1	0.4	0.5
Other Businesses	Sales	14.6	15.5	30.2	15.6	19.7	35.3	65.5	14.7	16.4	31.1	38.9	70.0
	Ordinary Income	0.9	1.1	2.0	1.6	2.7	4.4	6.4	1.2	1.4	2.6	4.4	7.0
Eliminations	Sales	(15.2)	(20.3)	(35.5)	(16.8)	(19.2)	(36.1)	(71.6)	(15.5)	(16.6)	(32.2)	(33.3)	(65.5)
	Ordinary Income (Loss)	(2.0)	(2.0)	(4.1)	2.3	(4.4)	(2.0)	(6.1)	(1.1)	(2.0)	(3.1)	(3.0)	(6.1)
Total	Sales	457.4	464.6	922.0	433.7	502.7	936.5	1,858.5	471.4	488.6	960.0	990.0	1,950.0
	Ordinary Income	38.0	11.2	49.3	29.5	10.1	39.7	89.0	23.9	14.5	38.5	11.5	50.0
Net Income		20.0	9.4	29.4	17.7	5.7	23.4	52.9	9.8	7.5	17.3	2.7	20.0

Quarterly Production and Sales of Steel Products (Nonconsolidated)

Production & Sales Volume (In millions of metric tons)

FY2010	1st Half			2nd Half			Full Year
	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%

FY2011	1st Half			2nd Half Forecast	Full Year Forecast
	1Q	2Q	Subtotal		
Crude steel	1.75	1.88	3.63	3.80	7.40
Sales volume	1.44	1.54	2.98	3.20	6.20
Export ratio (value basis)	31.9%	26.9%	29.2%	---	---

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

FY2010	1st Half			2nd Half			Full Year
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & Export ave.	76,800	86,100	81,300	88,100	82,200	85,100	83,200

FY2011	1st Half		
	1Q	2Q	Subtotal
Domestic & Export ave.	85,200	91,800	88,600

Note:

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

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