

Kobe Steel's Consolidated Financial Results for First Quarter Fiscal 2012 (April 1 – June 30, 2012)

July 30, 2012

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:	August 2, 2012
Dividend payments begin:	---
Supplemental information available:	Yes
IR briefing:	Yes (in Japanese only)

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

1. First Quarter FY2012 Consolidated Financial Results (April 1 – June 30, 2012)

(1) Consolidated operating results

(In millions of yen)	FY2012 1Q	% change*	FY2011 1Q	% change*
Net sales	434,146	(7.9%)	471,410	3.1%
Operating income (loss)	(2,798)	---	29,034	(37.6%)
Ordinary income (loss)	(10,476)	---	23,967	(37.0%)
Net income (loss)	(32,228)	---	9,837	(50.9%)
Net income (loss) per share	(10.73 yen)		3.27 yen	
Diluted net income per share	---		---	

Comprehensive Income in FY2012 1Q: (19,804 million yen) FY2011 1Q: 16,374 million yen

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

(2) Consolidated financial position

(In millions of yen)	FY2012 1Q	FY2011
Total assets	2,185,704	2,159,512
Net assets	551,173	571,258
Net worth ratio	22.5%	23.9%

Shareholders' equity at June 30, 2012: 491,733 million yen FY2011: 515,679 million yen

2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2011	---	1.00	---	0.00	1.00
FY2012	---				
FY2012 Forecast		0.00	---	---	---

Revision to dividend forecast in 1Q FY2012: Yes

The dividend for the end of fiscal 2012 is undetermined.

3. Consolidated Forecast for Fiscal 2012 (April 1, 2012 - March 31, 2013)

(In millions of yen)	FY2012 1st half	% change*	FY2012 Full year	% change*
Net sales	890,000	(7.3%)	1,810,000	(2.9%)
Operating income (loss)	(10,000)	---	25,000	(58.7%)
Ordinary income (loss)	(25,000)	---	(10,000)	---
Net income (loss)	(45,000)	---	(45,000)	---
Net income (loss) per share	(14.99 yen)		(14.99 yen)	

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

Revision to consolidated forecast in 1Q FY2012: Yes

4. Other

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

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

(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: Yes
- Other changes: No
- Changes in accounting estimates: Yes
- Restatement: No

(4) Number of issued shares

	FY 2012 1Q	FY2011
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	114,139,409	114,135,266
Average number of shares in 1Q	3,000,922,420	3,000,980,773*

*In 1Q FY2011

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.

1. Qualitative Information on Consolidated Operating Results

Japan's economy in the first quarter of fiscal 2012 (April-June period) was gradually recovering on the back of rising demand for recovery and reconstruction work after the Great East Japan Earthquake in March 2011 and economic stimulus measures. In overseas markets, the pace of economic growth in China and economic recovery in the United States continued to decelerate amid the financial crisis in Europe.

In this economic environment, the Kobe Steel Group saw sales volume (in terms of tons sold) of steel products and aluminum rolled products remaining flat in comparison to the same quarter last year. Although domestic demand was firm, the export environment worsened due to the sluggish overseas steel market and the high yen. Unit sales of hydraulic excavators fell in comparison to the same period last year. Although domestic demand increased owing to recovery and reconstruction work after the massive earthquake last year and demand in Southeast Asia was firm, China, a major market, was largely affected by its monetary tightening policy.

As a result, Kobe Steel's consolidated sales in the first quarter of fiscal 2012 decreased 37.2 billion yen, in comparison to the same period last year, to 434.1 billion yen. Operating income decreased 31.8 billion yen, in comparison to the same period last year, to operating loss of 2.7 billion yen. Ordinary income fell 34.4 billion yen to ordinary loss of 10.4 billion yen. In addition to these factors, Kobe Steel posted an extraordinary loss on the write-down of investments in securities. As a result, net income went down 42.0 billion yen to net loss of 32.2 billion yen.

Conditions in the business segments for the first quarter are as follows.

Iron & Steel Business

The sales volume of steel products was flat in comparison to the same period last year. Although demand was firm from the automotive sector, demand was sluggish from the shipbuilding industry. Weak demand in overseas markets and the high yen were other factors that led to a worsening in the export environment. Sales prices decreased in comparison to the same period last year due to the weak overseas markets and drop in raw material prices.

Sales of steel castings and forgings declined in comparison to the same period last year, due to sluggish demand from the shipbuilding industry and drop in sales prices. Sales of titanium products, however, increased slightly in comparison to the same period last year.

As a result, consolidated segment sales in the first quarter of fiscal 2012 were 192.2 billion yen, similar to the same period last year. Ordinary income decreased 22.3 billion yen to ordinary loss of 18.9 billion yen.

Welding Business

The sales volume of welding consumables in the first quarter of fiscal 2012 was flat, compared with the same period last year. Although demand was firm in Southeast Asia and the United States, demand from Japan's shipbuilding sector was sluggish. Sales of welding robot systems were flat in comparison to the same period last year.

As a result, consolidated segment sales in the first quarter of fiscal 2012 were flat at 21.3 billion yen, compared with the same period last year. Ordinary income went down 0.8 billion yen to 0.5 billion yen, in comparison to the same period last year.

Aluminum & Copper Business

The sales volume of aluminum rolled products in the first quarter of fiscal 2012 was flat in comparison to the same period last year. Although demand was firm for aluminum can stock for beverage containers and from the automotive industry, demand continued to be sluggish for LCD and semiconductor manufacturing equipment. Sales of aluminum castings and forgings went down in comparison to the same period last year due to continued sluggish demand for LCD and semiconductor manufacturing equipment.

The sales volume of copper rolled products declined in comparison to the same period last year. Demand for copper sheet and strip was weak from the semiconductor sector, and demand for copper tube in overseas markets was also stagnant.

Due to these conditions, consolidated segment sales in the first quarter of fiscal 2012 decreased 9.3% to 71.9 billion yen in comparison to the same period last year. Ordinary income went down 3.5 billion yen to 1.7 billion yen, in comparison to the same period last year, due to a worsening in inventory valuation and other factors.

Machinery Business

Demand was firm for tire and rubber machinery for the automotive industry and compressors used in the oil refining and petrochemical sectors. Orders in the first quarter of fiscal 2012 were flat at 27.4 billion yen, in comparison to the same period last year, and the backlog of orders stood at 151.8 billion yen.

Consolidated segment sales in the first quarter of fiscal 2012 declined 3.4% to 39.7 billion yen in comparison to the same period last year, which posted sales from large orders of heavy-wall pressure vessels used in the oil refining field. Ordinary income decreased 0.8 billion yen, in comparison to the same period last year, to 2.4 billion yen.

Natural Resources & Engineering Business

Consolidated orders in the first quarter of fiscal 2012 decreased 69.4% to 4.8 billion yen, in comparison to the same period last year, which saw orders for associated equipment for a direct reduction plant in the Middle East. The backlog of orders at the end of the first quarter amounted to 67.5 billion yen.

Consolidated segment sales in the first quarter of fiscal 2012 declined 42.5%, in comparison to the same period last year, to 7.1 billion yen. Ordinary loss improved by 86 million yen, in comparison to the same period last year, to a loss of 0.5 billion yen.

Kobelco Eco-Solutions

Consolidated orders in the first quarter of fiscal 2012 decreased 4.9%, in comparison to the same period last year, to 37.7 billion yen. Although large orders were received in the waste treatment business, demand went down in the water treatment business. The backlog of orders at the end of the first quarter was 66.8 billion yen.

Consolidated segment sales in the first quarter of fiscal 2012 increased 9.7%, in comparison to the same period last year, to 13.6 billion yen. Ordinary income decreased 0.5 billion yen, in comparison to the same period last year, to ordinary loss of 0.1 billion yen.

Kobelco Construction Machinery

Unit sales of construction equipment in Japan increased in comparison to the same period last year due to rising demand from recovery and reconstruction work following the Great East Japan Earthquake, as well as strong demand in Southeast Asia. However, monetary tightening in China, a major market, caused unit sales to go down sharply in comparison to the same period last year, when demand was strong after the Chinese Lunar New Year.

As a result, consolidated segment sales decreased 18.0%, in comparison to the same period last year, to 80.1 billion yen. Ordinary income fell 7.2 billion yen, in comparison to the same period last year, to 3.9 billion yen.

Kobelco Cranes

Unit sales in the first quarter of fiscal 2012 increased in comparison to the same period last year. In addition to higher domestic demand from recovery and reconstruction work after the Great East Japan Earthquake, overseas demand was on a recovery trend primarily in North America and Southeast Asia.

However, due to changes in the types of cranes sold, consolidated segment sales in the first quarter of fiscal 2012 decreased 19.3%, in comparison to the same period last year, to 9.5 billion yen. Ordinary loss worsened by 23 million yen, in comparison to the same period last year, to ordinary loss of 0.4 billion yen.

Other Businesses

At Shinko Real Estate Co., Ltd., property sales decreased, but the leasing business was firm. At Kobelco Research Institute, Inc., demand in the target material business was sluggish.

Due to these conditions, consolidated segment sales declined 5.3%, in comparison to the same period last year, to 13.9 billion yen. Ordinary income decreased 0.1 billion yen, in comparison to the same period last year, to 1.0 billion yen.

2. Qualitative Information on Consolidated Earnings Forecast

Kobe Steel recognizes that the world economy in fiscal 2012 is becoming increasingly unclear, amid concerns over the growing financial crisis in Europe and the protracted slowdown of the economies in China and other developing countries. In Japan, demand is anticipated in recovery and reconstruction work following the Great East Japan Earthquake. However, with the entrenchment of the strong yen, hopes for a strong recovery are not envisaged. The Kobe Steel Group forecasts that the severe business environment will continue for the time being.

Kobe Steel has made assumptions on uncertain factors including prices for steel raw materials and sales prices for steel products. Taking these assumptions into consideration, Kobe Steel anticipates fiscal 2012 consolidated sales of 1,810.0 billion yen, ordinary loss of 10.0 billion yen, and net loss of 45.0 billion yen.

Anticipated conditions in the business segments are as follows.

Iron & Steel Business

Demand for steel products in the first half of fiscal 2012 is anticipated to be strong from the automotive industry, but in addition to stagnant demand from the shipbuilding industry, overseas markets are expected to continue being sluggish. As a result, steel shipments are anticipated to remain flat in comparison to the previous year. As for sales prices of steel products, Kobe Steel is continuing negotiations with its users to gain their understanding to increase profit margins to offset raw material prices.

Sales of steel castings and forgings are anticipated to decline in comparison to last year, due to stagnant demand from the shipbuilding industry and lower sales prices. Sales of titanium products are anticipated to decrease in comparison to the previous year, which saw strong demand for infrastructure projects from developing countries.

Due to these conditions, consolidated segment sales in fiscal 2012 are expected to decrease in comparison to the previous year.

Welding Business

Domestic demand for welding consumables from the shipbuilding industry is expected decline, and in China, too, demand is anticipated to continue decelerating. However, demand is expected to be supported by Southeast Asia, North America and Europe. The sales volume of welding consumables in fiscal 2012 is anticipated to increase over the previous fiscal year. Demand for robot welding systems is forecast to remain flat over the previous year. As a result, consolidated segment sales are anticipated to increase in comparison to the previous fiscal year.

Aluminum & Copper Business

Demand for aluminum rolled products, copper rolled products, and aluminum castings and forgings will be affected by sluggish demand for LCD and semiconductor manufacturing equipment and semiconductors. However, demand for aluminum can stock for beverage containers and automobiles are expected to be firm. Consequently, sales volume is anticipated to increase over the previous fiscal period. However as decreases in ingot prices will be reflected in product sales prices, consolidated segment sales in fiscal 2012 are anticipated to decrease in comparison to the previous fiscal year.

Machinery Business

Orders in fiscal 2012 are anticipated to remain flat, in comparison to the same period last year, as demand is expected to be firm for tire and rubber machinery for the automobile industry and compressors used in the oil refining and petrochemical industries.

As a result, consolidated segment sales in fiscal 2012 are forecast to increase in comparison to the previous fiscal year.

Natural Resources & Engineering Business

The outlook for the world economy is increasingly opaque, amid the financial crisis in Europe, slowdown of economic growth in developing countries, and other factors. Although overseas capital investments in ironmaking plants have been delayed, orders in fiscal 2012 are expected to increase over the previous fiscal period, which did not see any large orders.

Consolidated segment sales in fiscal 2012 are anticipated to go down in comparison to the previous fiscal year.

Kobelco Eco-Solutions

Domestic public works in the water treatment business and domestic private-sector capital investment are expected to continue being sluggish. However, domestic public works projects in the waste treatment business and social and industrial infrastructure projects in the Asia region are anticipated to be strong. Due to these conditions, orders in fiscal 2012 are anticipated to slightly increase in comparison to the previous year. Consolidated segment sales in fiscal 2012 are anticipated to increase in comparison to the previous fiscal year.

Kobelco Construction Machinery

China, a major market, will continue to be affected by its monetary tightening policies. However, demand in Japan and Southeast Asia is anticipated to continue being strong, which is anticipated to slightly increase unit sales of hydraulic excavators in fiscal 2012, in comparison to the previous fiscal year. As the unclear outlook for China is expected to persist, Kobelco will closely monitor market trends.

Consolidated segment sales in fiscal 2012 are anticipated to be flat in comparison to the previous fiscal year.

Kobelco Cranes

Domestic demand is forecast to increase owing to recovery and reconstruction work after the Great East Japan Earthquake last year. In overseas markets, demand on the whole is recovering. As a result, consolidated segment sales in fiscal 2012 are forecast to increase over the previous fiscal year.

Other Businesses

Shinko Real Estate Co., Ltd. anticipates that the leasing business will continue to be firm, and Kobelco Research Institute, Inc. sees demand will remain flat for the most part in its business divisions.

Owing to these conditions, consolidated segment sales in fiscal 2012 are anticipate to increase in comparison to the previous fiscal year.

Dividends

Kobe Steel's basic policy is to provide continuous and stable dividends. Dividends are decided taking into account the Company's financial condition, business performance, future capital needs and other factors from a comprehensive standpoint. On this basis, Kobe Steel reached a decision on a policy to forgo the interim dividend. With regard to the year-end dividend, as there are many uncertain factors that need to be taken into consideration, the amount of the dividend cannot be determined at this time.

3. Items regarding Summary Information (Other)

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

(Changes in accounting policies, which are difficult to distinguish from changes in accounting estimates)

Due to a revision of the Corporate Tax Law, from this first quarter of fiscal 2012, Kobe Steel and some of its domestic consolidated subsidiaries posted depreciation of tangible fixed assets acquired on or after April 1, 2012 in accordance with the depreciation method prescribed by the revised Corporate Tax Law.

This change has no significant impact on the statement of income in the first quarter of fiscal 2012.

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CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

Assets	FY2011 Ended Mar. 31, 2012	FY2012 1Q Ended Jun. 30, 2012
Current assets		
Cash and cash equivalents	95,378	99,801
Notes and accounts receivable	313,074	308,829
Merchandise and finished goods	160,972	159,293
Work in progress	127,017	131,140
Raw materials and supplies	120,555	121,003
Other	126,826	145,776
Allowance for doubtful accounts	(430)	(375)
Total current assets	<u>943,394</u>	<u>965,470</u>
Tangible fixed assets		
Buildings and structures	283,792	288,761
Machinery and equipment	376,518	378,000
Land	205,299	205,383
Other	39,227	43,026
Total tangible fixed assets	<u>904,837</u>	<u>915,171</u>
Intangible fixed assets		
	20,494	20,699
Investments and other assets		
Investments in securities	179,671	174,867
Other	113,791	112,086
Allowance for doubtful accounts	(2,677)	(2,590)
Total investments and other assets	<u>290,785</u>	<u>284,363</u>
Total fixed assets, investments and other assets	<u>1,216,117</u>	<u>1,220,234</u>
Total assets	<u>2,159,512</u>	<u>2,185,704</u>
Liabilities		
Current liabilities		
Notes and accounts payable	447,316	432,213
Short-term borrowings	204,719	248,048
Bonds due within one year	35,176	45,176
Income and enterprise taxes payable	7,204	3,330
Other reserves	38,385	28,845
Other	148,769	154,315
Total current liabilities	<u>881,571</u>	<u>911,929</u>
Long-term liabilities		
Bonds and notes	172,172	187,084
Long-term borrowings	394,579	391,647
Employees' severance and retirement benefits	52,587	54,162
Other reserves	2,216	2,215
Other	85,126	87,491
Total long-term liabilities	<u>706,682</u>	<u>722,601</u>
Total liabilities	<u>1,588,254</u>	<u>1,634,530</u>

Net Assets	FY2011	FY2012 1Q
	Ended Mar. 31, 2012	Ended Jun. 30, 2012
Stockholders' equity		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	280,582	248,332
Treasury stock, at cost	(51,627)	(51,624)
Total stockholders' equity	<u>545,393</u>	<u>513,146</u>
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	13,020	14,264
Unrealized gains or losses on hedging derivatives, net of taxes	(1,013)	(767)
Land revaluation differences, net of taxes	(4,140)	(4,140)
Foreign currency translation adjustments	(37,579)	(30,767)
Total accumulated other comprehensive income	<u>(29,713)</u>	<u>(21,412)</u>
Minority interests	55,578	59,439
Total net assets	<u>571,258</u>	<u>551,173</u>
Total liabilities and net assets	<u>2,159,512</u>	<u>2,185,704</u>

(2) Consolidated Statements of Income

(In millions of yen)

	FY2011 1Q Ended Jun. 30, 2011	FY2012 1Q Ended Jun. 30, 2012
Net sales	471,410	434,146
Cost of sales	402,545	395,079
Gross profit	68,865	39,067
Selling, general and administrative expenses	39,830	41,865
Operating income (loss)	29,034	(2,798)
Non-operating income		
Interest income	823	1,047
Dividend income	1,541	1,376
Secoded employees' salaries, net of reimbursement	1,506	1,383
Equity in income of unconsolidated subsidiaries and affiliates	1,884	1,684
Other	5,641	2,956
Total non-operating income	11,396	8,448
Non-operating expenses		
Interest expense	5,049	5,171
Secoded employees' salaries	3,937	3,567
Other	7,476	7,388
Total non-operating expenses	16,464	16,127
Ordinary income (loss)	23,967	(10,476)
Extraordinary loss		
Loss on write-down of investments in securities	---	14,141
Total extraordinary loss	---	14,141
Income (Loss) before income taxes	23,967	(24,618)
Income taxes		
Current	5,790	3,891
Deferred	2,507	2,046
Total income taxes	8,298	5,937
Income (Loss) before minority interests	15,669	(30,556)
Minority interests in income of subsidiaries	5,831	1,671
Net income (loss)	9,837	(32,228)

(3) Consolidated Statements of Comprehensive Income

(in millions of yen)

	<u>FY2011 1Q</u> Ended Jun. 30, 2011	<u>FY2012 1Q</u> Ended Jun. 30, 2012
Income (Loss) before minority interests	15,669	(30,556)
Other comprehensive income		
Unrealized gains or losses on securities, net of taxes	(3,203)	1,369
Unrealized gains or losses on hedging derivatives, net of taxes	(54)	46
Foreign currency translation adjustments	3,875	9,360
Share of other comprehensive income related to affiliates	87	(25)
Total other comprehensive income	<u>704</u>	<u>10,751</u>
Comprehensive Income	<u>16,374</u>	<u>(19,804)</u>
Breakdown of total comprehensive income attributed to:		
Equity holders of the parent	9,654	(23,927)
Minority interests	6,720	4,122

(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 Quarter of Fiscal 2012
(April 1 – June 30, 2012)

Consolidated Operating Results for First Quarter of Fiscal 2012 (In billions of yen)

	FY2012 1Q	FY2011 1Q	% change
Net Sales	434.1	471.4	(7.9%)
Operating income (loss)	(2.7)	29.0	---
Ordinary income (loss)	(10.4)	23.9	---
Extraordinary income (loss)	(14.1)*	---	---
Net income (loss)	(32.2)	9.8	---

* Loss on write-down of investments in securities 14.1 billions of yen

FY2012 Consolidated Forecast (In billions of yen)

Consolidated	FY2012 Forecast			FY2011
	1st Half	2nd Half	Full year	
Net sales	890.0	920.0	1,810.0	1,864.6
Operating income (loss)	(10.0)	35.0	25.0	60.5
Ordinary income (loss)	(25.0)	15.0	(10.0)	33.7
Extraordinary income (loss)	(16.0)	(10.0)	(26.0)*	(6.0)
Net income (loss)	(45.0)	0.0	(45.0)	(14.2)

* Loss on write-down of investments in securities 26.0 billions of yen

Interim Dividend None

FY2012 First Quarter

(1) Consolidated Sales & Ordinary Income by Segment (in billions of yen)

		FY2012 1Q	FY2011 1Q	% change
Iron & Steel	Sales	192.2	195.6	(1.7%)
	Ordinary income (loss)	(18.9)	3.3	---
Welding	Sales	21.3	21.6	(1.1%)
	Ordinary income	0.5	1.3	(61.8%)
Aluminum & Copper	Sales	71.9	79.3	(9.3%)
	Ordinary income	1.7	5.3	(66.6%)
Machinery	Sales	39.7	41.1	(3.4%)
	Ordinary income	2.4	3.3	(26.3%)
Natural Resources & Engineering	Sales	7.1	12.4	(42.5%)
	Ordinary income (loss)	(0.5)	(0.6)	---
Kobelco Eco-Solutions	Sales	13.6	12.4	9.7%
	Ordinary income (loss)	(0.1)	0.4	---
Kobelco Construction Machinery	Sales	80.1	97.7	(18.0%)
	Ordinary income	3.9	11.1	(64.9%)
Kobelco Cranes	Sales	9.5	11.8	(19.3%)
	Ordinary income (loss)	(0.4)	(0.4)	---
Other Businesses	Sales	13.9	14.7	(5.3%)
	Ordinary income	1.0	1.2	(15.5%)
Adjustment	Sales	(15.6)	(15.5)	---
	Ordinary income (loss)	(0.0)	(1.1)	---
Total	Sales	434.1	471.4	(7.9%)
	Ordinary income (loss)	(10.4)	23.9	---

(2) Production and Sales of Steel Products (Nonconsolidated)

Production and Sales Volume (In millions of metric tons)

	FY2012	FY2011		
	1Q	1Q	1st Half	Full year
Crude steel	1.66	1.75	3.63	7.16
Sales volume	1.43	1.44	2.98	6.01
Export ratio (value basis)	26.6%	31.9%	29.2%	26.2%

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

	FY2012	FY2011		
	1Q	1Q	1st Half	Full year
Domestic & Export average	83,400	85,200	88,600	88,600

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

Comparison of FY2012 1Q and FY2011 1Q

	FY2012 1Q	FY2011 1Q	Amount of Decrease
Ordinary income (loss)	(10.4)	23.9	(34.4)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	5.5	Production and shipments	(11.0)
Overall cost reductions	4.5	Effect of steel inventory valuation*	(19.5)
		Effect of aluminum & copper inventory valuation*	(2.5)
		Consolidated subsidiaries & equity-valued affiliates	(8.0)
		Other	(3.4)
Total	10.0	Total	(44.4)

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

FY2012 Forecast

(1) Consolidated Sales & Ordinary Income Forecast for FY2012 by Segment (in billions of yen)

		FY2012 forecast			FY2011
		1st Half	2nd Half	Full year	Full year
Iron & Steel	Sales	390.0	400.0	790.0	854.2
	Ordinary income (loss)	(33.0)	(7.0)	(40.0)	(14.6)
Welding	Sales	43.0	43.0	86.0	84.4
	Ordinary income	1.0	1.5	2.5	3.1
Aluminum & Copper	Sales	140.0	130.0	270.0	289.9
	Ordinary income	1.0	4.0	5.0	6.0
Machinery	Sales	86.0	88.0	174.0	152.8
	Ordinary income	2.0	4.0	6.0	9.8
Natural Resources & Engineering	Sales	21.0	27.0	48.0	55.8
	Ordinary income (loss)	(2.0)	0.0	(2.0)	0.3
Kobelco Eco-Solutions	Sales	30.0	43.5	73.5	71.1
	Ordinary income	0.5	3.5	4.0	4.2
Kobelco Construction Machinery	Sales	150.0	155.0	305.0	307.1
	Ordinary income	5.0	6.0	11.0	22.8
Kobelco Cranes	Sales	24.0	25.0	49.0	48.0
	Ordinary income (loss)	(0.5)	(1.0)	(1.5)	0.1
Other Businesses	Sales	29.0	44.0	73.0	69.1
	Ordinary income	1.5	5.5	7.0	7.2
Adjustment	Sales	(23.0)	(35.5)	(58.5)	(68.1)
	Ordinary income (loss)	(0.5)	(1.5)	(2.0)	(5.4)
Total	Sales	890.0	920.0	1,810.0	1,864.6
	Ordinary income (loss)	(25.0)	15.0	(10.0)	33.7

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

Comparison of FY2012 Forecast and FY2011 Result

	FY2012 Forecast	FY2011	Amount of Decrease
Ordinary income (loss)	(10.0)	33.7	(43.7)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	47.5	Production and shipments	(74.0)
Overall cost reduction	25.5	Effect of steel inventory valuation*	(11.0)
		Effect of aluminum & copper inventory valuation*	(3.5)
		Consolidated subsidiaries & equity-valued affiliates	(15.0)
		Other	(13.2)
Total	73.0	Total	(116.7)

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

Comparison of FY2012 1st Half and 2nd Half Forecast

	FY2012 2nd Half Forecast	FY2012 1st Half Forecast	Amount of Increase
Ordinary income (loss)	15.0	(25.0)	40.0

Factors Increasing Profits		Factors Decreasing Profits	
Production and shipments	1.0		
Raw material prices	7.5		
Overall cost reduction	4.0		
Effect of steel inventory valuation*	10.0		
Effect of aluminum & copper inventory valuation*	2.0		
Consolidated subsidiaries & equity-valued affiliates	8.0		
Other	7.5		
Total	40.0	Total	---

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

(3) Cash Flows and Outside Debt (Consolidated, in billions of yen)

Cash Flows

	FY2012 Forecast	FY2011
Free cash flow	(120.0)	(59.0)

(Excludes cash flows from IPP project financing)

Outside Debt

	FY2012 Forecast (Mar. 31 2013)	FY2011 (Mar. 31 2012)
Consolidated debt*	860.0	746.4
Consolidated D/E ratio (times) **	1.7	1.4

* Excludes debt from IPP project financing.

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

(4) Capital Investment (Consolidated, in billions of yen)

	FY2012 Forecast	FY2011
Capital investment (accrual basis)	130.0	96.0
Depreciation	110.0	118.0

FOR REFERENCE

Fiscal 2012 Quarterly Information by Segment (Consolidated, in billions of yen)

		FY2012 Forecast					FY2011						
		1st Half			2nd Half	Total	1st Half			2nd Half			Total
		1Q	2Q	Subtotal			1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Iron & Steel	Sales	192.2	197.8	390.0	400.0	790.0	195.6	224.4	420.1	222.2	211.8	434.1	854.2
	Ordinary income (loss)	(18.9)	(14.1)	(33.0)	(7.0)	(40.0)	3.3	0.1	3.5	0.1	(18.3)	(18.1)	(14.6)
Welding	Sales	21.3	21.7	43.0	43.0	86.0	21.6	20.5	42.2	20.6	21.5	42.1	84.4
	Ordinary income	0.5	0.5	1.0	1.5	2.5	1.3	0.8	2.1	0.3	0.5	0.9	3.1
Aluminum & Copper	Sales	71.9	68.1	140.0	130.0	270.0	79.3	76.0	155.3	69.3	65.1	134.5	289.9
	Ordinary income (loss)	1.7	(0.7)	1.0	4.0	5.0	5.3	1.6	7.0	0.9	(1.8)	(0.9)	6.0
Machinery	Sales	39.7	46.3	86.0	88.0	174.0	41.1	38.9	80.1	32.7	39.9	72.6	152.8
	Ordinary income (loss)	2.4	(0.4)	2.0	4.0	6.0	3.3	2.3	5.6	3.2	1.0	4.2	9.8
Natural Resources & Engineering	Sales	7.1	13.9	21.0	27.0	48.0	12.4	17.8	30.2	12.9	12.6	25.5	55.8
	Ordinary income (loss)	(0.5)	(1.5)	(2.0)	0.0	(2.0)	(0.6)	1.2	0.6	2.8	(3.1)	(0.2)	0.3
Kobelco Eco-Solutions	Sales	13.6	16.4	30.0	43.5	73.5	12.4	17.4	29.8	18.8	22.5	41.3	71.1
	Ordinary income (loss)	(0.1)	0.6	0.5	3.5	4.0	0.4	1.0	1.4	1.8	0.8	2.7	4.2
Kobelco Construction Machinery	Sales	80.1	69.9	150.0	155.0	305.0	97.7	82.4	180.1	61.6	65.3	126.9	307.1
	Ordinary income	3.9	1.1	5.0	6.0	11.0	11.1	7.4	18.5	1.6	2.6	4.3	22.8
Kobelco Cranes	Sales	9.5	14.5	24.0	25.0	49.0	11.8	11.1	22.9	11.6	13.4	25.0	48.0
	Ordinary income (loss)	(0.4)	(0.1)	(0.5)	(1.0)	(1.5)	(0.4)	0.5	0.1	(0.0)	0.1	0.0	0.1
Other Businesses	Sales	13.9	15.1	29.0	44.0	73.0	14.7	16.4	31.1	15.7	22.2	38.0	69.1
	Ordinary income	1.0	0.5	1.5	5.5	7.0	1.2	1.4	2.6	1.3	3.1	4.5	7.2
Adjustment	Sales	(15.6)	(7.4)	(23.0)	(35.5)	(58.5)	(15.5)	(16.6)	(32.2)	(16.3)	(19.4)	(35.8)	(68.1)
	Ordinary income (loss)	(0.0)	(0.5)	(0.5)	(1.5)	(2.0)	(1.1)	(2.0)	(3.1)	(0.7)	(1.5)	(2.2)	(5.4)
Total	Sales	434.1	455.9	890.0	920.0	1,810.0	471.4	488.6	960.0	449.4	455.1	904.6	1,864.6
	Ordinary income (loss)	(10.4)	(14.6)	(25.0)	15.0	(10.0)	23.9	14.5	38.5	11.6	(16.3)	(4.7)	33.7

Net income (loss)	(32.2)	(12.8)	(45.0)	0.0	(45.0)	9.8	7.5	17.3	(4.7)	(26.8)	(31.6)	(14.2)
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Quarterly Production and Sales of Steel Products (Nonconsolidated)

Production & Sales Volume (In millions of metric tons)

	FY2012 1Q	FY2011						Total
		1st Half			2nd Half			
		1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	1.66	1.75	1.88	3.63	1.77	1.76	3.53	7.16
Sales volume	1.43	1.44	1.54	2.98	1.56	1.47	3.03	6.01
Export ratio (value basis)	26.6%	31.9%	26.9%	29.2%	23.3%	23.4%	23.3%	26.2%

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

	FY2012 1Q	FY2011						Total
		1st Half			2nd Half			
		1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & Export ave.	83,400	85,200	91,800	88,600	92,900	84,000	88,600	88,600

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