

Kobe Steel's Consolidated Financial Results Summary for First Half of Fiscal 2009 (April 1 – September 30, 2009)

October 29, 2009

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 4, 2009
 Start of dividend payments: ---
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(Sums of less than 1 million yen have been omitted.)

1. Consolidated Financial Results for First Half of Fiscal 2009 (April 1 - September 30, 2009)

(1) Consolidated operating results

(In millions of yen)	FY2009 1H	% change*	FY2008 1H	% change*
Net sales	788,178	(33.9%)	1,191,798	---
Operating income (loss)	(24,644)	---	106,493	---
Ordinary income (loss)	(44,242)	---	85,555	---
Net income (loss)	(45,314)	---	46,277	---
Net income (loss) per share (15.09 yen)			15.41 yen	
Diluted net income per share	---		---	

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

(2) Consolidated financial position

(In millions of yen)	FY2009 1H	FY2008
Total assets	2,272,101	2,295,489
Net assets	495,907	513,460
Net worth ratio	20.2%	20.9%
Net assets per share	152.84 yen	159.58 yen
Shareholders' equity at September 30, 2009:	458,909 million yen	FY2008: 479,141 million yen

2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2008	---	3.50	---	0.00	3.50
FY2009	---	0.00			
FY2009 forecast			---	---	---

Revision to dividend forecast in FY2009 1H: No
 The dividend for the end of fiscal 2009 is undetermined.

3. Consolidated Forecast for Fiscal 2009 (April 1, 2009 - March 31, 2010)

(In millions of yen)	FY2009	% change*
Net sales	1,635,000	(24.9%)
Operating income	20,000	(82.9%)
Ordinary income (loss)	(20,000)	---
Net income (loss)	(35,000)	---
Net income (loss) per share	(11.65 yen)	

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

Revision to consolidated forecast in FY2009 1H: Yes

4. Other

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

(2) Adoption of simplified or specific accounting procedures for preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting principles, procedures, presentation, etc. on the preparation of quarterly consolidated financial statements

- Changes due to revised accounting standards: Yes

- Other changes: No

(4) Number of issued shares

	FY 2009 1H	FY2008
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	112,615,605	112,599,413
Average number of shares in FY2009 1H	3,002,489,630	3,002,501,084*

*First half of FY2008

Nonconsolidated forecast for fiscal 2009 (April 1 - March 31, 2010)

(In millions of yen)	FY2009	% change*
Net sales	965,000	(29.0%)
Operating income (loss)	(20,000)	---
Ordinary income (loss)	(40,000)	---
Net income (loss)	(35,000)	---
Net income (loss) per share	(11.63 yen)	

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

Revision to nonconsolidated forecast in FY2009 1H: Yes

1. Qualitative Information on Consolidated Operating Results

Japan's economy in the first half of fiscal 2009 started to pick up as production began showing signs of recovery on the back of economic stimulus measures implemented both in Japan and overseas, as well as progress in inventory adjustments. In overseas markets, the Chinese economy began recovering and the United States and Europe began to rally.

However, the world economy as a whole had declined significantly, in comparison to the same half-year period last year before the financial crisis, and continued to remain weak.

In this economic environment, the Kobe Steel Group's sales volume in the first half of fiscal 2009 declined in comparison to the same period last year, although sales volume in the second quarter (July-September period) had improved in comparison to the first quarter (April-June period) mainly in the Iron & Steel segment and the Aluminum & Copper segment. As a result, consolidated half-year sales went down 403.6 billion yen to 788.1 billion yen in comparison to the same period last year. Although efforts were made by the Profit Improvement Committee, formed at the end of 2008, to reduce overall costs, operating income fell 131.1 billion yen in comparison to the same period last year to an operating loss of 24.6 billion yen. Ordinary income went down 129.7 billion yen to ordinary loss of 44.2 billion yen. Net loss fell 91.5 billion yen in comparison to the same period last year to net loss of 45.3 billion yen.

Results by Business Segment

Iron & Steel

Domestic demand for steel products in the automotive and electrical machinery industries began to recover from the first quarter to the second quarter, and overseas demand, mainly from China, was firm. However, demand as a whole remained at a low level in comparison to the corresponding half-year period last year, when demand was firm.

As a result, fiscal 2009 first-half shipments of steel products were lower compared with the same period last year. Sales prices were lower than the same period last year, affected by lower raw material costs.

Sales of steel castings and forgings, continuing to be firm, were similar to the same period last year.

Demand for welding consumables and titanium products continued to be low, as it was in the first quarter, leading to lower sales in comparison to the same six-month period last year.

As a result, segment sales went down 39.9% compared with the same period last year to 333.8 billion yen. Although various measures to increase profits, including fixed cost reduction, were implemented to raise profits, operating income went down 117.9 billion yen to operating loss of 54.2 billion yen.

Wholesale Power Supply

Segment sales went up 22.9% in comparison to the same period last year to 43.4 billion yen as the higher cost of coal was passed on as higher electricity unit prices. Operating income increased 2.2 billion yen in comparison to the same period last year to 9.9 billion yen due to lower depreciation costs.

Aluminum & Copper

The sales volume of aluminum can stock for beverage containers was firm on the whole, despite being affected by the relatively cold summer. Other fields, which in the fourth quarter of fiscal 2008 (January-March 2009) suffered large drops in demand, saw sales improve in the automotive field owing to firm demand for environment friendly cars and their need for lightweight material. However, demand for LCD and semiconductor fabrication equipment remained low. As a result, the overall sales volume of aluminum rolled products went down compared to the same period last year.

The sales volume of rolled copper products went down in comparison to the same period last year. From the fourth quarter of fiscal 2008, the sales volume of copper sheet and strip for electronic applications fell sharply, but due to inventory adjustments, considerable recovery was made from the first quarter to second quarter of fiscal 2009.

Aluminum castings and forgings – particularly for LCD and semiconductor fabrication equipment – saw lower sales compared with the same period last year.

In addition to these conditions, segment sales decreased 46.8% compared with the same period last year to 120.9 billion yen due to lower ingot prices, which led to lower sales prices. Operating income fell 3.3 billion yen compared with the same period last year to 0.2 billion yen.

Machinery

Owing to low capital investments in the automotive, oil refining and petrochemical fields, orders for products related to these industries went down. Some orders for LNG-related equipment and large compressors, demand for which had been firm, were pushed back from their original schedules, and new projects for direct reduction plants also decreased, affected by the world recession.

Due to these conditions, domestic orders in the first half of fiscal 2009 decreased 10.3% compared with the same period last year, to 63.4 billion yen. Overseas orders went down 68.6% to 21.9 billion yen. As a result, overall orders decreased 39.3% compared with the same period last year to 85.3 billion yen and the backlog of orders at the end of September was 281.8 billion yen.

Segment sales decreased 16.6% to 137.1 billion yen compared with the same period last year, which saw revenue boosted from a pellet plant order. Operating income increased 0.7 billion yen compared with the same period last year to 13.9 billion yen owing to cost reductions.

Construction Machinery

Unit sales of hydraulic excavators in China increased considerably after the Lunar New Year held in January 2009, especially in the inland area, compared with the same period last year. However, unit sales in the sluggish Japanese, U.S. and European markets went down further in comparison to the same period last year. Overall unit sales of hydraulic excavators decreased in comparison to the same period last year. As for cranes, overseas unit sales declined due to inventory adjustments by customers in North America, which had been relatively firm. Japan and the Middle East also saw lower unit sales in comparison to the same period last year.

As a result, segment sales decreased 34.4% compared with the same period last year to 128.3 billion yen. Operating income went down 11.0 billion yen to 2.1 billion yen.

Real Estate

Segment sales increased 70.5% from the same period last year to 27.0 billion yen owing to the steady closing of sales of large properties. Operating income increased 1.3 billion yen to 2.8 billion yen.

Electronic Materials & Other Businesses

The testing and analysis business, centered on the transport aircraft and electronic industries, continued to be sluggish. As a result, segment sales declined 31.9% compared to the same period last year to 19.1 billion yen. Operating income decreased 3.5 billion yen to operating loss of 1.1 million yen.

2. Qualitative Information on Consolidated Financial Position

While cash and cash equivalents increased, accounts receivable and inventories went down. As a result, total assets at the end of the first half of fiscal 2009 fell 23.3 billion yen to 2,272.1 billion yen. Net assets decreased 17.5 billion yen from the end of fiscal 2008 to 495.9 billion yen as retained earnings went down, although net unrealized holding gains on securities increased. As a result, the net worth ratio at the end of the first half of fiscal 2009 was 20.2%, a decrease of 0.7 percentage points compared with the end of end of fiscal 2008.

At the end of the first half of fiscal 2009, outside debt, which includes IPP project financing, increased 83.5 billion yen, compared with the end of fiscal 2008, to 1,038.2 billion yen.

3. Qualitative Information on Consolidated Forecast

The world economy seems to be supported mainly by the economic stimulus measures implemented by various governments. However, if in the future the effect of these measures is lost, economic conditions may once again worsen. The future continues to be unclear.

Under these circumstances, the outlook for Kobe Steel's main business segments is as follows:

Iron & Steel

Demand for steel products in the second half of fiscal 2009 (October-March period) is anticipated to continue recovering mainly in the automotive and electrical machinery fields. On the other hand, as overseas demand, particularly in China, is unpredictable, Kobe Steel is paying particular attention to market trends in Japan and overseas. Decelerating demand from the shipbuilding industry is anticipated to adversely affect steel plate, steel castings and forgings, and welding consumables.

Aluminum & Copper

Sales of environment friendly cars, which need to be light in weight, are anticipated to continue being firm. Thus, demand for aluminum sheet for automotive panels and copper sheet for electrical terminals is anticipated to be firm.

Machinery

A severe outlook for the Machinery segment is anticipated to continue for the rest of the fiscal year. However, aiming to secure profits from fiscal 2010 onward, Kobe Steel anticipates that it will complete orders that customers deferred, as well as gain new orders from other areas, including the nuclear industry.

Construction Machinery

Demand for hydraulic excavators is not anticipated to recover in Japan, the United States and Europe. However, the Chinese market is forecast to continue being firm. U.S. demand for cranes is not anticipated to recover and is forecast to remain low.

Based on this outlook, Kobe Steel forecasts consolidated sales in fiscal 2009 to be 1,635.0 billion yen with operating income of approximately 20.0 billion yen. Ordinary loss is projected at around 20.0 billion yen with net loss of 35.0 billion yen.

In comparison to the previous forecast made on September 30, 2009, fiscal 2009 first-half consolidated operating results saw an increase in profits owing to greater overall cost reductions than initially estimated. This led to higher consolidated and nonconsolidated forecasts for the full fiscal year.

CONSOLIDATED FINANCIAL STATEMENTS

(1) Quarterly Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2009 1st Half Ended Sep. 30, 2009	FY2008 Ended Mar. 31, 2009
Current assets		
Cash and cash equivalents	186,101	188,322
Notes and accounts receivable	242,209	283,784
Merchandise and finished goods	127,824	161,998
Work in progress	171,152	163,150
Raw materials and supplies	105,337	137,195
Other	163,194	106,853
Allowance for doubtful accounts	(898)	(671)
Total current assets	<u>994,922</u>	<u>1,040,632</u>
Tangible fixed assets		
Buildings and structures	289,545	282,594
Machinery and equipment	414,633	421,853
Land	205,642	198,385
Other	68,382	67,704
Total tangible fixed assets	<u>978,203</u>	<u>970,537</u>
Intangible fixed assets	21,067	20,472
Investments and other assets		
Investments in securities	182,913	165,858
Other	98,435	101,684
Allowance for doubtful accounts	(3,440)	(3,696)
Total investments and other assets	<u>277,908</u>	<u>263,846</u>
Total fixed assets, investments and other assets	<u>1,277,179</u>	<u>1,254,856</u>
Total assets	<u>2,272,101</u>	<u>2,295,489</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	370,209	479,644
Short-term borrowings	177,004	157,249
Commercial paper	50,000	55,000
Bonds due within one year	39,318	49,958
Income and enterprise taxes payable	5,845	5,158
Other reserves	34,066	38,349
Other	179,560	189,274
Total current liabilities	<u>856,004</u>	<u>974,634</u>
Long-term liabilities		
Bonds and notes	213,304	199,822
Long-term borrowings	557,972	491,557
Employees' severance and retirement benefits	36,349	38,144
Other reserves	3,990	4,201
Other	108,573	73,669
Total long-term liabilities	<u>920,190</u>	<u>807,394</u>
Total liabilities	<u>1,776,194</u>	<u>1,782,028</u>

Net Assets (In millions of yen)	FY2009 1st Half Ended Sep. 30, 2009	FY2008 Ended Mar. 31, 2009
Stockholders' equity		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	207,196	252,504
Treasury stock, at cost	(51,378)	(51,426)
Total stockholders' equity	<u>472,256</u>	<u>517,516</u>
Valuation and translation adjustments		
Net unrealized holding gains on securities	15,164	448
Deferred gains on hedges	(473)	(6,266)
Land revaluation	(4,866)	(4,836)
Foreign currency translation adjustments	(23,171)	(27,719)
Total valuation and translation adjustments	<u>(13,347)</u>	<u>(38,374)</u>
Minority interests	36,998	34,318
Total net assets	<u>495,907</u>	<u>513,460</u>
Total liabilities and net assets	<u>2,272,101</u>	<u>2,295,489</u>

(2) Consolidated Statements of Income for First Half of Fiscal 2009

(In millions of yen)

	FY2009 1st Half Ended Sep. 30, 2009	FY2008 1st Half Ended Sep. 30, 2008
Net sales	788,178	1,191,798
Cost of sales	740,246	995,100
Gross profit	47,931	196,698
Selling, general and administrative expenses	72,576	90,205
Operating income (loss)	(24,644)	106,493
Non-operating income		
Interest income	1,149	1,098
Dividend income	1,494	2,026
Reimbursement of seconded employees' salaries	3,477	4,420
Equity method investment gain	574	6,067
Other	8,029	10,435
Total non-operating income	14,724	24,048
Non-operating expenses		
Interest expense	10,742	9,784
Salaries for seconded employees	9,394	11,589
Other	14,185	23,613
Total non-operating expenses	34,322	44,986
Ordinary income (loss)	(44,242)	85,555
Extraordinary loss		
Loss from write-down of investments in securities	---	3,470
Total extraordinary loss	---	3,470
Income (loss) before income taxes	(44,242)	82,084
Income taxes		
Current	4,349	35,550
Deferred	(3,792)	(3,685)
Total income taxes	557	31,865
Minority interests in income of subsidiaries	515	3,941
Net income (loss)	(45,314)	46,277

(3) Notes on premise of a going concern: None

(4) Segment Information (April 1 – September 30, 2009)

(In millions of yen)

1. By industry segment (in millions of yen)

	FY2009 1st Half Ended Sep. 30, 2009	FY2008 1st Half Ended Sep. 30, 2008
Sales to outside customers:		
Iron & Steel	326,058	541,966
Wholesale Power Supply	43,463	35,365
Aluminum & Copper	120,360	226,774
Machinery	135,174	162,164
Construction Machinery	128,285	195,410
Real Estate	23,370	11,943
Electronic Materials & Other Businesses	11,464	18,174
Consolidated net sales	<u>788,178</u>	<u>1,191,798</u>
Intersegment sales:		
Iron & Steel	7,805	13,539
Wholesale Power Supply	---	---
Aluminum & Copper	546	687
Machinery	1,978	2,266
Construction Machinery	42	157
Real Estate	3,644	3,904
Electronic Materials & Other Businesses	7,705	9,967
Total	<u>21,723</u>	<u>30,521</u>
Total sales:		
Iron & Steel	333,863	555,505
Wholesale Power Supply	43,463	35,365
Aluminum & Copper	120,907	227,461
Machinery	137,153	164,430
Construction Machinery	128,328	195,567
Real Estate	27,015	15,848
Electronic Materials & Other Businesses	19,170	28,141
Eliminations	(21,723)	(30,521)
Consolidated net sales	<u>788,178</u>	<u>1,191,798</u>
Operating income (loss):		
Iron & Steel	(54,253)	63,722
Wholesale Power Supply	9,985	7,755
Aluminum & Copper	289	3,677
Machinery	13,974	13,216
Construction Machinery	2,162	13,190
Real Estate	2,822	1,453
Electronic Materials & Other Businesses	(1,101)	2,399
Eliminations	1,476	1,078
Consolidated operating income (loss)	<u>(24,644)</u>	<u>106,493</u>

(5) Notes in the case of a significant change in shareholders' equity: None

SUPPLEMENTAL INFORMATION

1. Operating Results for First Half of FY2009

(In billions of yen)

Consolidated Results

	FY2009 1st Half	FY2008 1st Half	% change
Net sales	788.1	1,191.7	(33.9%)
Operating income (loss)	(24.6)	106.4	---
Ordinary income (loss)	(44.2)	85.5	---
Extraordinary gain (loss)	---	(3.4)	---
Net income (loss)	(45.3)	46.2	---

Nonconsolidated Results

	FY2009 1st Half	FY2008 1st Half	% change
Net sales	458.9	761.0	(39.7%)
Operating income (loss)	(40.4)	65.6	---
Ordinary income (loss)	(47.9)	63.1	---
Extraordinary gain (loss)	---	(3.7)	---
Net income (loss)	(36.1)	40.7	---

Half-year dividend: Deferred

2. FY2009 Forecast

FY2009 Consolidated Forecast

	FY2009			FY2008
	1st Half	2nd Half	Full Year	
Net sales	788.1	846.9	1,635.0	2,177.2
Operating income (loss)	(24.6)	44.6	20.0	116.9
Ordinary income (loss)	(44.2)	24.2	(20.0)	60.8
Extraordinary gain (loss)	---	---	---	(33.0)
Net income (loss)	(45.3)	10.3	(35.0)	(31.4)

FY2009 Nonconsolidated Forecast

	FY2009			FY2008
	1st Half	2nd Half	Full Year	
Net sales	458.9	506.1	965.0	1,359.3
Operating income (loss)	(40.4)	20.4	(20.0)	60.3
Ordinary income (loss)	(47.9)	7.9	(40.0)	34.4
Extraordinary gain (loss)	---	---	---	(36.3)
Net income (loss)	(36.1)	1.1	(35.0)	(29.3)

3. Sales & Operating Income by Segment (Consolidated, in billions of yen)

Segment		FY2009 1st Half	FY2008		
			1st Half	2nd Half	Full Year
Iron & Steel	Sales	333.8	555.5	466.9	1,022.4
	Operating Income (loss)	(54.2)	63.7	14.0	77.7
Wholesale Power Supply	Sales	43.4	35.3	45.3	80.7
	Operating Income	9.9	7.7	9.5	17.2
Aluminum & Copper	Sales	120.9	227.4	151.8	379.3
	Operating Income (loss)	0.2	3.6	(30.5)	(26.8)
Machinery	Sales	137.1	164.4	166.5	331.0
	Operating Income	13.9	13.2	16.3	29.5
Construction Machinery	Sales	128.3	195.5	137.4	333.0
	Operating Income (loss)	2.1	13.1	(1.9)	11.2
Real Estate	Sales	27.0	15.8	21.2	37.1
	Operating Income	2.8	1.4	0.3	1.8
Electronic Materials & Other Businesses	Sales	19.1	28.1	26.9	55.1
	Operating Income (loss)	(1.1)	2.3	0.7	3.1
Eliminations	Sales	(21.7)	(30.5)	(30.8)	(61.4)
	Operating Income	1.4	1.0	1.8	2.9
Total	Sales	788.1	1,191.7	985.4	2,177.2
	Operating Income (loss)	(24.6)	106.4	10.4	116.9

4. Production, Sales & Orders

4.1. Steel Products

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

	FY2009 1st Half	FY2008		
		1st Half	2nd Half	Full Year
Crude steel	2.88	4.18	3.05	7.23
Sales volume	2.43	3.48	2.69	6.17
Export ratio (value basis)	22.2%	21.7%	21.0%	21.4%

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

	FY2009 1st Half	FY2008		
		1st Half	2nd Half	Full Year
Domestic & export average	80,100	96,400	103,600	99,500

4.2. Aluminum & Copper Rolled Products at Kobe Steel

Sales Volume (Nonconsolidated, in thousands of metric tons)

	FY2009 1st Half	FY2008		
		1st Half	2nd Half	Full Year
Aluminum rolled products	134	170	125	295
Copper rolled products	19	33	15	48

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

	FY2009 1st Half	FY2008		
		1st Half	2nd Half	Full Year
Copper tube	31	41	31	72

4.3. Machinery Segment

Orders (Consolidated, in billions of yen)

	FY2009	FY2008		
	1st Half	1st Half	2nd Half	Full Year
Domestic	63.4	70.7	57.7	128.4
Exports	21.9	69.9	40.2	110.1
Total orders	85.3	140.6	97.9	238.5

Backlog of Orders (Consolidated, in billions of yen)

	FY2009	FY2008	
	1st Half	1st Half	2nd Half
Domestic	125.8	155.4	129.4
Exports	155.9	216.0	189.4
Total orders	281.8	371.4	318.8

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

	FY2009 1st Half	FY2008 1st Half	Amount of Decrease
Ordinary Income (loss)	(44.2)	85.5	(129.7)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	8.0	Production & shipments	(72.0)
Overall cost reductions	19.0	Steel inventory valuation*	(58.0)
Other	1.3	Aluminum & copper inventory valuation*	(0.5)
		Consolidated subsidiaries & affiliates	(27.5)
Total	28.3	Total	(158.0)

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

6. FY2009 Forecast by Segment (Consolidated, in billions of yen)

Segment		FY2009			FY2008
		1st Half	2nd Half	Full Year	Full Year
Iron & Steel	Sales	333.8	376.2	710.0	1,022.4
	Operating Income (loss)	(54.2)	17.2	(37.0)	77.7
Wholesale Power Supply	Sales	43.4	38.6	82.0	80.7
	Operating Income	9.9	10.1	20.0	17.2
Aluminum & Copper	Sales	120.9	129.1	250.0	379.3
	Operating Income (loss)	0.2	(1.2)	(1.0)	(26.8)
Machinery	Sales	137.1	167.9	305.0	331.0
	Operating Income	13.9	11.1	25.0	29.5
Construction Machinery	Sales	128.3	116.7	245.0	333.0
	Operating Income	2.1	5.9	8.0	11.2
Real Estate	Sales	27.0	20.0	47.0	37.1
	Operating Income (loss)	2.8	(0.8)	2.0	1.8
Electronic Materials & Other Businesses	Sales	19.1	26.9	46.0	55.1
	Operating Income (loss)	(1.1)	3.1	2.0	3.1
Eliminations	Sales	(21.7)	(28.3)	(50.0)	(61.4)
	Operating Income	1.4	(0.4)	1.0	2.9
Total	Sales	788.1	846.9	1,635.0	2,177.2
	Operating Income (loss)	(24.6)	44.6	20.0	116.9

7. Factors Affecting FY2009 2nd Half Ordinary Income (Consolidated, in billions of yen)

	FY2009 2nd Half	FY2009 1st Half	Amount of Increase
Ordinary Income (loss)	24.2	(44.2)	68.4

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	31.0	Production & shipments	(5.0)
Steel inventory valuation*	45.0	Aluminum & copper inventory valuation*	(2.5)
Consolidated subsidiaries & affiliates	7.5	Other	(7.6)
Total	83.5	Total	(15.1)

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

8. Factors Affecting FY2009 Ordinary Income (Consolidated, in billions of yen)

	FY2009	FY2008	Amount of Decrease
Ordinary Income (loss)	(20.0)	60.8	(80.8)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	73.0	Production & shipments	(153.5)
Overall cost reductions	47.0	Steel inventory valuation*	(41.0)
Aluminum & copper inventory valuation*	15.5	Consolidated subsidiaries & affiliates	(23.0)
Other	1.2		
Total	136.7	Total	(217.5)

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

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

	FY2009 1st Half	FY2008		
		1st Half	2nd Half	Full Year
Free cash flow	(54.3)	132.8	(154.1)	(21.3)

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

(In billions of yen, unless otherwise indicated)

	FY2009		FY2008	
	1st Half	2nd Half Forecast	1st Half	2nd Half
Consolidated debt ¹	945.1	830.0	605.2	855.9
D/E ratio (times) ²	2.0	1.7	1.0	1.7
Nonconsolidated debt	798.3	720.0	502.5	727.4

1. Excludes debt from IPP project financing.

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

10. Exchange Rates (Nonconsolidated)

	FY2009		FY2008
	1st Half	2nd Half Forecast	Full Year
Exchange rate (1 U.S. dollar to yen)	95 yen	95 yen	101 yen
Excess of imports over exports (In billions of U.S. dollars)	0.6	0.3	2.0

11. Capital Investment (In billions of yen)

	FY2009			FY2008
	1st Half	2nd-Half Forecast	Full-Year Forecast	
Consolidated				
Capital investment	69.6	78.4	148.0	118.0
Depreciation	58.1	63.9	122.0	128.7
Nonconsolidated				
Capital investment	52.2	65.8	118.0	85.3
Depreciation	41.6	51.4	93.0	91.1

FOR REFERENCE

Quarterly Production and Sales of Steel Products (Non-consolidated)

Production and Sales Volume

Production & Sales Volume (In millions of metric tons)

FY2008	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	2.07	2.11	4.18	1.83	1.22	3.05	7.23
Sales volume	1.75	1.73	3.48	1.67	1.02	2.69	6.17
Export ratio (value basis)	21.0%	22.3%	21.7%	21.6%	20.1%	21.0%	21.4%

FY2009	1st Half		
	1Q	2Q	Subtotal
Crude steel	1.25	1.63	2.88
Sales volume	1.05	1.38	2.43
Export ratio (value basis)	19.9%	24.3%	22.2%

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

FY2008	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & overseas ave.	86,500	106,300	96,400	106,400	99,100	103,600	99,500

FY2009	1st Half		
	1Q	2Q	Subtotal
Domestic & overseas ave.	90,500	72,100	80,100

Comparison with Previous Forecasts (Consolidated, in billions of yen)

Segment	July 30 Forecast		Sept 30 Forecast		Current Forecast	
	1st Half	Full year	1st Half	Full year	1st Half	Full year
Iron & Steel						
Sales	330.0	710.0	---	---	333.8	710.0
Operating Income (loss)	(66.0)	(42.0)			(54.2)	(37.0)
Wholesale Power Supply						
Sales	44.0	86.0	---	---	43.4	82.0
Operating Income	9.0	20.0			9.9	20.0
Aluminum & Copper						
Sales	110.0	230.0	---	---	120.9	250.0
Operating Income (loss)	(5.0)	(7.0)			0.2	(1.0)
Machinery						
Sales	150.0	310.0	---	---	137.1	305.0
Operating Income	10.0	20.0			13.9	25.0
Construction Machinery						
Sales	125.0	260.0	---	---	128.3	245.0
Operating Income	3.0	9.0			2.1	8.0
Real Estate						
Sales	26.0	45.0	---	---	27.0	47.0
Operating Income	2.0	2.0			2.8	2.0
Electronic Materials & Other Businesses						
Sales	22.0	50.0	---	---	19.1	46.0
Operating Income (loss)	(1.0)	2.0			(1.1)	2.0
Eliminations						
Sales	(22.0)	(51.0)	---	---	(21.7)	(50.0)
Operating Income	3.0	1.0			1.4	1.0
Total						
Sales	785.0	1,640.0	790.0	1,640.0	788.1	1,635.0
Operating Income (loss)	(45.0)	5.0	(32.0)	15.0	(24.6)	20.0
Ordinary Income (loss)	(65.0)*	(30.0)**	(51.0)	(25.0)	(44.2)*	(20.0)**
Net income (loss)	(65.0)	(45.0)	(51.0)	(35.0)	(45.3)	(35.0)

*** Factors Affecting 1st-Half Ordinary Income : July 30 Forecast vs. 1st-Half Results**

(Consolidated, in billions of yen)

	July 30 forecast	1st-Half results	Amount of Increase
Ordinary Income (loss)	(65.0)	(44.2)	20.8

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	4.0		
Overall cost reductions	6.5		
Consolidated subsidiaries & affiliates	4.0		
Other	6.3		
Total	20.8	Total	0

**** Factors Affecting Full-Year Ordinary Income: July 30 Forecast vs. Current Forecast**

(Consolidated, in billions of yen)

	July 30 forecast	Current forecast	Amount of Increase
Ordinary Income (loss)	(30.0)	(20.0)	10.0

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	5.5	Other	(4.0)
Overall cost reductions	7.0		
Consolidated subsidiaries & affiliates	1.5		
Total	14.0	Total	(4.0)

Note:

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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