



Welding Business

- Sales increased 8.5% year on year to ¥84.4 billion
- Earnings fell due to the high yen and lower demand in China



Fiscal 2011 Overview

In fiscal 2011, sales of welding consumables surpassed those of fiscal 2010, especially in overseas markets, thanks to stronger demand in South Korea, Europe, the United States, Russia and other countries. Both sales and orders for welding systems exceeded those of fiscal 2010 owing to vigorous demand for construction machinery in China.

As a result, fiscal 2011 sales climbed 8.5% year on year to ¥84.4 billion, while ordinary income decreased to ¥3.1 billion as a result of the appreciation of the yen and other factors.

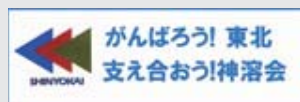
Topics

60th Anniversary of Shinyokai — Contributing to a Stronger Sales Organization and to Reconstruction

Shinyokai, our sales organization for welding consumables, celebrated its 60th anniversary in 2011. Shinyokai's efforts for over 60 years has guided and supported Japan's industrial development and *monozukuri-ryoku*. As this year marks the first year since the Great East Japan Earthquake, we ran a commemorative sales campaign under the slogan of "Fight! Tohoku." A total of ¥25 million, a portion of the proceeds from this campaign, has been donated as relief funds to the Center for Vocational Training of Elderly and Disabled Job Seekers.



Shinyokai's 60th Anniversary



Shinyokai's "Fight! Tohoku" Recovery Support Campaign

ASEAN Shinyokai, a marketing organization in Southeast Asia, celebrated its 20th anniversary in 2011. One of our companies in Thailand was Kobe Steel's first base to be established overseas. The ASEAN Shinyokai has helped us over many years to attain the number one market share in Southeast Asia, particularly in Thailand.

We are working hard with the goal of becoming the world's most trusted comprehensive welding company.

Greater Presence in China, ASEAN to Bolster Overseas Business

To further increase our presence in the ASEAN region, we assigned overall control for ASEAN to our company in Singapore. We also changed the company's name from Kobe Welding (Singapore) Pte. Ltd. to Kobelco Welding Asia Pacific Pte. Ltd. in April 2012.

In China, we expanded production capacity at Kobe Welding of Qingdao Co., Ltd., which makes mild steel flux-cored wires. We are also working on greater cooperation between companies including Kobe Welding of Shanghai Co., Ltd. and Kobe Welding of Tangshan Co., Ltd.

As of fiscal 2011, we now have bases in a total of 14 locations.

Developing Solutions for Welding Processes

Our ARCMAN™ series of welding robots are widely used by customers to weld steel plate for construction machinery and construction steel frames. In September 2011, we launched the ARCMAN™-GS cable-in-arm welding robot. With the advancement of integrated torch and cable-in-arm welding robots, robots are being more frequently used for welding in confined spaces. Also, by adopting overhead-suspension robots, a wide operating radius can be achieved.

Kobe Steel has jointly developed a welding process for galvanized steel sheet with DAIHEN Corporation and has begun to sell welding material and equipment for this process. By optimally combining shield gas composition with Kobe Steel's welding material design technology and Daihen's waveform control technology, we were able to minimize pits and blowhole defects while inhibiting sputter.

This new welding process increases user competitiveness by improving customer quality and productivity while reducing costs and will be marketed in Japan and around the world.



ARCMAN™-GS