

NEWS RELEASE

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Kobelco Construction Machinery Co., Ltd.

Kobelco Construction Machinery's Financial Results for Fiscal 2011 (April 1, 2011 – March 31, 2012)

General Market Conditions in Fiscal 2011

The domestic construction machinery market in fiscal 2011 grew, centered on rentals, due to the tremendous demand for reconstruction from the Great East Japan Earthquake in March 2011. Demand for heavy excavators in fiscal 2011 increased by slightly less than 60% and that of mini excavators increased by slightly more than 30% over the previous year. Although these levels were lower than those before the Lehman crisis in 2008, they had recovered to the same level as in fiscal 2008, the year when the financial crisis occurred.

In the overseas construction machinery market, demand in China, the world's largest hydraulic excavator market, remained sluggish in calendar 2011 (ended in December 2011), due to monetary tightening and other factors. Demand increased slightly over the previous year. Demand in Southeast Asia, on the other hand, increased by approximately 40% over the previous year thanks to continued firm demand. The U.S. market had not yet returned to full recovery. However, demand was on a good recovery path and increased by approximately 50% over the previous year, reaching 90% of the level of fiscal 2008. Demand in the European market, which suffered from the financial crisis, increased by 20% over the previous year, but the market continued to be plagued by strong uncertainty.

Total world demand for hydraulic excavators was 280,000 units, an increase of around 17% over the previous year. Demand for mini excavators came to 120,000 units, an increase of around 27% over the previous year.

The Kobelco Construction Machinery Group temporarily stopped production both in Japan and overseas due to the shortage of parts arising from the disruption of the supply chain caused by damage from the Great East Japan Earthquake. The supply of parts began to gradually recover from the summer of 2011. The Group resumed full production at each of its locations to accommodate the strong demand in Japan, Southeast Asia and other areas, excluding China, where demand had declined.

The Group steadily carried out its plans to build a global business structure in fiscal 2011, the second year of the Medium Term Management Plan covering fiscal 2010-2012. In China, Kobelco raised its annual production capacity to 25,000 units to further grow its China business. In Thailand, it strengthened production capacity so that it could expand earnings in the Southeast Asian region as well. Establishing a foundation for its India business, Kobelco faces such issues as increasing the ratio of local procurement and dealing with the sharp decline of the rupee. Production has been steadily expanding along with higher sales.

Construction of the new Itsukaichi Factory has been completed, and the Global Engineering Center (or GEC), whose function is to optimize the Group's overall production and development, will begin operation. The opening ceremony for the Itsukaichi Factory will be held on May 22, 2012 as scheduled. This year is the final year of the Medium Term Management Plan. The company is completing the plan and is aiming to further improve its global business.

Despite the effect of the Great East Japan Earthquake, changes in the Chinese market, the steep rise in the Japanese yen, and other issues, the entire Kobelco Construction Machinery Group worked together to achieve the financial results outlined below for fiscal 2011 (April 1, 2011 to March 31, 2012).

Financial Results for Fiscal 2011

Unit: in millions of yen. Figures in parentheses denote the percentage over the previous year.

		Net Sales	Operating Income	Ordinary Income	Net Income
Consolidated	Current Term (FY2011)	307,159 (-1.9%)	23,200 (-17.7%)	22,865 (-13.1%)	4,488 (-35.1%)
	Previous Term (FY2010)	313,143	28,186	26,303	6,920

Consolidated domestic sales were 99 billion yen (+17.8% over the previous year), and overseas sales were 208 billion yen (-9.2% over the previous year). Overseas sales made up 67.7% of consolidated net sales, a decrease from the previous year. (Ratios of overseas sales to net sales: 63.8% in fiscal 2009 and 73.1% in fiscal 2010).

Fiscal 2011: Review of Operations by Geographic Area

Japan

Inquiries to Kobelco Construction Machinery for construction equipment were active due to earthquake reconstruction demand. Group sales of hydraulic excavators in Japan increased by approximately 50% in fiscal 2011 over the previous year. Sales of mini excavators increased by approximately 30%. The Group placed its highest priority on meeting reconstruction demand from the earthquake.

The used equipment market was sluggish due to the shortage of used machines caused by inventory adjustment of the machines in operation; changes in the Chinese market, the largest export destination for used excavators; and deterioration of export conditions due to the high yen.

At the Ogaki Factory, where mini excavators are manufactured, a portion of the lines was modified and a new building was constructed to achieve a 30% increase in productivity in Hiroshima. Operations began in January.

Construction of the new Itsukaichi Factory started in June 2011. In May, the factory will go into full production. The Company will make the new factory the best production base with some of the highest levels of productivity and cost competitiveness in the world. The GEC will serve as the control center for development and production on a global level.

China

Total demand for excavators and mini excavators in 2011 was approximately 170,000 units (in comparison to the 160,000 units in the previous year). Although the Chinese market had continued to grow even after the Lehman crisis, manufacturers there experienced slower growth due to monetary tightening and other factors. Foreign equipment makers experienced lower demand, compared with the previous year. Total demand on the whole increased slightly over the previous year, which exhibited a strong deceleration trend. For the Kobelco Construction Machinery Group, mini excavators did well and increased over the previous year, but overall demand for its equipment was low due to the sluggish market.

It is unclear as to when the economy will recover, but the speed of growth is expected to transition more stably than before owing to progress in a number of areas: energy and mine development over the medium- to -long term future; development of inland and rural areas to improve income disparity; and the development of sewers and telecommunication infrastructure in urban areas.

Overseas (excluding China)

In overseas markets excluding China, under its global alliance with CNH, Kobelco operates in the APAC region, which is Kobelco's main territory.

In the APAC region, Southeast Asia as a whole has continued its self-sustaining growth. Demand increased by about 40% from the previous year. Demand for excavators expanded more than twice the level in 2008 when the Lehman crisis occurred. Total demand for excavators in the entire Southeast Asian market was approximately 23,000 units, continuing to exceed that of Japan again. There may be some minor fluctuations, but demand is expected to stay on a steady growth path.

Sales volume in fiscal 2011 did not match the growth of the Southeast Asian market due to the

disruption of the supply chain, after the Great East Japan Earthquake last year disrupted the supply of parts to overseas manufacturing bases. However, sales volume increased by about 20% over the previous year. The Company strengthened production capacity at Thai Kobelco Construction Machinery Ltd. in Thailand, the main production base in the Southeast Asia, since strong demand from the area was expected to continue. The Company is planning to increase annual production to 5,500 units, which is more than twice the production capacity in 2010, to resolve the supply shortage by the end of 2012.

Full-scale production at Kobelco Construction Equipment India Pvt. Ltd. began in April 2011. Production will be gradually raised as more local parts are procured.

Improving the Company's presence in Asia, which has enjoyed continued growth, will be the challenge for management in the immediate future.

In the U.S. and European markets, which are CNH's territories, severe conditions have been continuing, compared to emerging countries.

Key Issues for the Future, Outlook for Fiscal 2012 and Beyond

Demand in Japan is expected to continue to be firm, centered on rentals, owing to full-scale reconstruction demand from the Great East Japan Earthquake.

Looking at 2012 and beyond, a major concern will be how the Chinese market, which comprises half of the world market, will change. Although speculative housing investment in coastal areas has decreased, the motivation is strong to build houses in provincial cities, where the vast majority of the population live. Private-sector fixed asset investment has been steadily increasing. The inflation rate has started to settle down, and the Chinese market is anticipated to gradually recover if monetary easing progresses. The Chinese market is expected to shift from explosive growth to one of steady, stable growth.

In Asian countries excluding China, and especially Southeast Asian countries with self-sustaining growth, resource prices have been struggling to increase amid economic deceleration in China and a stagnant world economy. Exports, too, will show some decrease. However, Asia is expected to continue its stable growth owing to self-sustaining domestic demand.

Although the U.S. market lacks strength, it is expected to continue on a recovery trend with the unemployment rate declining and business sentiment improving. Europe is expected to take a little more time for full recovery, as it works to overcome its debt problems and as the European countries will continue their fiscal austerity even though they have emerged from the financial crisis.

Kobelco Construction Machinery Group has reach the final year of its Medium Term Management Plan for fiscal 2010-2012. The Group is working to complete the final key challenges of the plan – promoting globalization, enhancing technological development capabilities, and strengthening manufacturing capabilities – utilizing the GEC, which begins full operation this year and the state-of-the-art Itsukaichi Factory as the core. In addition, the Group is going to begin preparing a new medium term management plan early in fiscal 2012 and will finalize the plan by the end of this fiscal year.

Outlook for Fiscal 2012

Overall conditions in fiscal 2012 and beyond are as described above. The outlook for the European economy is uncertain and exchange rate fluctuations are unclear. However, demand in Japan and Southeast Asia is anticipated to be firm and the market in North America is forecast to gradually recover. As a result, the overall market is expected to be strong.

As conditions are unclear, Kobelco is unable to make a concrete forecast for fiscal 2012 at this time.