

Kobe Steel's Consolidated Financial Results for First Quarter of Fiscal 2013 (April 1 – June 30, 2013)

July 29, 2013

Company name: Kobe Steel, Ltd.
 Code number: 5406
 Stock exchanges where shares are listed: Tokyo and Nagoya, Japan
 Website: www.kobelco.com
 President & CEO: Hiroya Kawasaki
 Filing of quarterly report: July 31, 2013
 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 FY2013 Consolidated Financial Results (April 1 - June 30, 2013)

(1) Consolidated operating results

(In millions of yen)	FY2012 1Q	% change*	FY2013 1Q	% change*
Net sales	434,146	(7.9%)	418,619	(3.6%)
Operating income (loss)	(2,798)	---	19,358	---
Ordinary income (loss)	(10,476)	---	17,125	---
Net income (loss)	(32,228)	---	18,721	---
Net income (loss) per share	(10.73 yen)		6.23 yen	
Diluted net income per share	---		---	

Comprehensive income in FY2013 1Q: 22,557 million yen FY2012 1Q: (19,804 million yen)

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

(2) Consolidated financial position

(In millions of yen)	FY2012	FY2013 1Q
Total assets	2,226,996	2,230,357
Net assets	569,922	589,280
Net worth ratio	23.0%	23.8%

Shareholders' equity at June 30, 2013: 530,347 million yen FY2012: 512,051 million yen

2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2012	---	0.00	---	0.00	0.00
FY2013	---	---	---	---	---
FY2013 Forecast	---	0.00	---	---	---

Revision to dividend forecast in 1Q FY2013: Yes

The dividend for the end of fiscal 2013 is undetermined.

3. Consolidated Forecast for Fiscal 2013 (April 1, 2013 - March 31, 2014)

(In millions of yen)	FY2013 1st half	% change*	FY2013 Full year	% change*
Net sales	890,000	3.7%	1,860,000	10.4%
Operating income	40,000	620.2%	90,000	701.1%
Ordinary income	25,000	---	60,000	---
Net income	25,000	---	55,000	---
Net income per share	8.32 yen		18.32 yen	

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

Revision to consolidated forecast in 1Q FY2013: Yes

Notes

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

(4) Number of issued shares

	FY2012	FY 2013 1Q
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	114,187,811	113,741,999
Average number of shares in 1Q	3,000,922,420*	3,001,325,830

*1Q FY2012

1. Qualitative Information on Operating Results for 1st Quarter of Fiscal 2013

Japan's economy continued to recover in the first quarter of fiscal 2013 (April 1-June 30, 2013). On the back of monetary, fiscal and other economic measures, export industries began to pick up owing to a correction in the yen, which remained high until last year. Public investment, including recovery demand from the Great East Japan Earthquake, also increased. In overseas markets, Europe remained weak, while the economy in the United States continued to gradually recover. Although China maintained economic growth, the economy continued to decelerate.

In this economic environment, the sales volume (in terms of tons sold) of steel products in the Kobe Steel Group increased compared with the same period last year. A correction in the high yen brought about an improvement in the export environment, enabling Kobe Steel to steadily address overseas demand. The sales volume of aluminum rolled products decreased in comparison to the same period last year, which saw strong demand for can stock for beverage containers and other aluminum products. The sales volume of copper rolled products increased year on year owing to a recovery in demand from the semiconductor industry for copper sheet and strip and strong overseas demand for copper tube. Unit sales of hydraulic excavators declined year on year. Although domestic demand increased owing to reconstruction work from the Great East Japan Earthquake, China and Southeast Asia continued to experience weak demand.

As a result, Kobe Steel's consolidated net sales for the first quarter of fiscal 2013 decreased 15.5 billion yen compared with the same period last year to 418.6 billion yen. However, owing to progress in reducing costs, a change in the depreciation method for fixed assets, and a favorable change in inventory valuation, operating income increased 22.1 billion yen year on year to 19.3 billion yen. Ordinary income (also known as pretax recurring profit) increased 27.6 billion yen in comparison to the same period last year to 17.1 billion yen. In addition, Kobe Steel posted a gain on the sale of investment in securities, namely the sale of shares held in Nabtesco Corporation. However, Kobe Steel posted an impairment loss taken as an extraordinary loss on plans to shut down facilities at Kobe Works. In order to reform the structure of the steel business, Kobe Steel will transfer upstream production from Kobe Works to Kakogawa Works. As a result, as a loss on the write-down of investments in securities, taken as an extraordinary loss, was posted in the same period last year, net income in the first quarter of fiscal 2013 increased 50.9 billion yen in comparison to the same period last year to 18.7 billion yen.

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

Iron & Steel Business

The sales volume of steel products increased in comparison to the same period last year as Kobe Steel steadily addressed overseas demand. Demand was recovering in the domestic automotive sector, and the export environment improved owing to strong performance overseas, mainly in the United States, and a correction in the high yen. Except for certain items, sales prices remained unsettled in the first quarter of fiscal 2013 and were at the same level as at the end of fiscal 2012 (ended March 2013). In comparison to the same period last year, sales prices had fallen.

Sales of steel forgings and castings declined in comparison to the same period last year due to sluggish demand in the shipbuilding industry and decrease in sales prices. Sales of titanium products also declined compared with the same period last year.

As a result, segment sales in the first quarter of fiscal 2013 decreased 3.4% in comparison to the same period last year to 185.7 billion yen. Ordinary income increased 24.2 billion yen year on year to 5.3 billion yen owing to progress in reducing costs, a change in the depreciation method of fixed assets, and a large upturn in inventory valuation.

Welding Business

The sales volume of welding materials decreased in comparison to the same period last year. Demand was sluggish in the domestic shipbuilding industry and the Chinese economy continued to decelerate. Sales of welding robot systems also decreased compared with the same period last year due to lower demand in Japan and from China's construction machinery sector.

As a result, consolidated segment sales in the first quarter of fiscal 2013 decreased 4.5% to 20.4 billion yen. However, ordinary income increased 0.7 billion yen to 1.2 billion yen owing to progress in reducing costs and the correction in the high yen.

Aluminum & Copper Business

The sales volume of aluminum rolled products decreased in comparison to the same period last year when demand was strong for beverage can stock and other products. Sales of aluminum castings and forgings increased year on year owing to strong demand from the overseas automotive sector.

The sales volume of copper rolled products increased year on year owing to a recovery in demand from the semiconductor industry for copper sheet and strip and strong overseas demand for copper tube.

In addition to these conditions, increases in ingot prices were reflected in higher sales prices of products. As a result, segment sales in the first quarter of fiscal 2013 were flat in comparison to the same period last year at 72.3 billion yen. Ordinary income increased 3.5 billion yen to 5.3 billion yen owing to a favorable change in inventory valuation.

Machinery Business

Demand for compressors used mainly overseas in the oil refining and petrochemical sectors continued to be strong. As a result, consolidated orders in the first quarter of fiscal 2013 increased 14.7% in comparison to the same period last year to 31.4 billion yen. The backlog of orders at the end of the first quarter of fiscal 2013 stood at 122.5 billion yen.

However, consolidated segment sales for the first quarter of fiscal 2013 decreased 20.5% in comparison to the same period last year to 31.5 billion yen due to the high concentration of sales from plastics processing machinery and other equipment in the first quarter of 2012. Ordinary income decreased 1.4 billion yen year on year to 1.0 billion yen, as profits from orders worsened on account of the high yen which continued until last year.

Engineering Business

Orders in the first quarter of fiscal 2013 increased 11.8% in comparison to the same period last year to 5.4 billion yen. Although the Engineering Business did not receive any large orders, the segment built up orders for maintenance and replacement work in Japan. The backlog of orders at the end of the first quarter of fiscal 2013 came to 60.3 billion yen.

Consolidated segment sales for the first quarter of fiscal 2013 increased 49.0% in comparison to the same period last year to 10.6 billion yen. Ordinary income increased 0.7 billion yen compared with the same period last year to 0.2 billion yen.

Kobelco Eco-Solutions

Orders in the first quarter of fiscal 2013 were 23.4 billion yen, a decrease of 37.8% in comparison to the same period last year, which saw orders for large-scale projects in the waste treatment business. The backlog of orders at the end of the first quarter of 2013 stood at 53.0 billion yen.

Segment sales in the first quarter of fiscal 2013 increased 2.5% compared with the same period last year to 13.9 billion yen due to higher revenue from the waste treatment business. However, ordinary loss was flat at 0.1 billion yen year on year due to a change in the variety of orders received for projects.

Kobelco Construction Machinery

Unit sales of hydraulic excavators increased in Japan on the back of reconstruction demand from the Great East Japan Earthquake. However, demand went down in China as conditions did not improve, and demand also declined in Southeast Asia. As a result unit sales as a whole declined year on year.

Consequently, segment sales in the first quarter of fiscal 2013 decreased 6.9% year on year to 74.6 billion yen. Ordinary income went down 1.0 billion yen year on year to 2.8 billion yen.

Kobelco Cranes

Unit sales of crawler cranes in the first quarter of fiscal 2013 increased in comparison to the same period last year. Unit sales increased in Japan on the back of reconstruction demand from the Great East Japan Earthquake. In overseas markets, unit sales decreased in Europe, but increased in Southeast Asia.

As a result, segment sales in the first quarter of fiscal 2013 increased 21.2% year on year to 11.5 billion yen. Ordinary income increased 1.3 billion yen to 0.8 billion yen due to an improvement in export profits brought about by a correction in the high yen.

Other Businesses

At Shinko Real Estate Co., Ltd., the number of property handovers increased and the leasing business remained strong. At Kobelco Research Institute, Inc., demand in the target material business and other businesses remained weak.

Due to these conditions, segment sales as a whole in the first quarter of fiscal 2013 increased 3.9% year on year to 14.4 billion yen, but ordinary income decreased 0.1 billion yen year on year to 0.8 billion yen.

2. Qualitative Information on Consolidated Earnings Forecast

In comparison to the previous forecast made on April 26, 2013, the sales volumes of steel, aluminum rolled products, and copper rolled products are forecast to be higher than anticipated owing to strong demand from the automotive sector. Unit sales of hydraulic excavators and crawler cranes, both in Japan and overseas, are also expected to be higher.

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 higher net sales, operating income and ordinary income for the entire fiscal year. Taking an impairment loss on fixed assets as an extraordinary loss and the gain on the sale of investment in securities as an extraordinary gain, Kobe Steel anticipates an increase in net income for the entire fiscal year.

Dividends

Kobe Steel's basic policy is to provide continuous and steady dividends. Dividends are decided taking into account the Company's financial condition, business performance, future capital needs and other factors from a comprehensive standpoint. Bearing these factors in mind, Kobe Steel reached a decision to forgo the interim dividend in fiscal 2013. With regard to the year-end dividend, as there are many areas of uncertainty that need to be taken into consideration, the dividend cannot be determined at this time.

3. Items Regarding Summary Information (Notes)

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

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

With regard to the depreciation method for tangible fixed assets, Kobe Steel had used the straight-line method for buildings and structures and the declining-balance method for other assets in the past. However, from the first quarter of fiscal 2013, other assets have also changed to the straight-line method of depreciation.

In response to changes in the business environment in recent years, Kobe Steel has been increasing investments to bolster its competitiveness, although starting with the steel business conventional investments to increase production capacity have been decreasing. In addition, with a new medium-term business plan starting in fiscal 2013, Kobe Steel anticipates the long, stable operation of its production equipment, a leveling of maintenance costs for equipment, and a reduction in obsolescence risks arising from changes in the market environment and technology. Taking into account these conditions, Kobe Steel changed to the straight-line method in order to respond more appropriately to costs and earnings and accurately reflect current business conditions.

Due to this change depreciation decreased by 5,196 million yen, in comparison to the previous depreciation method. As a result, operating income, ordinary income, and income before income taxes each increased by 5,919 million yen.

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CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

Assets

Current assets

	FY2012 Ended Mar. 31, 2013	FY2013 1Q Ended Jun. 30, 2013
Cash and time deposits	114,103	116,465
Notes and accounts receivable	318,445	304,096
Merchandise and finished goods	161,431	159,032
Work in progress	109,902	117,455
Raw materials and supplies	129,184	137,157
Other	161,126	199,346
Allowance for doubtful accounts	(2,276)	(2,779)
Total current assets	<u>991,916</u>	<u>1,030,773</u>

Tangible fixed assets

Buildings and structures	290,571	284,277
Machinery and equipment	373,504	362,057
Land	201,292	200,782
Other	42,466	43,627
Total tangible fixed assets	<u>907,835</u>	<u>890,745</u>

Intangible fixed assets

	20,184	19,952
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Investments and other assets

Investments in securities	195,292	180,060
Other	114,669	111,662
Allowance for doubtful accounts	(2,901)	(2,838)
Total investments and other assets	<u>307,060</u>	<u>288,885</u>

Total fixed assets, investments and other assets

	<u>1,235,080</u>	<u>1,199,583</u>
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Total assets

	<u>2,226,996</u>	<u>2,230,357</u>
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Liabilities	FY2012 Ended Mar. 31, 2013	FY2013 1Q Ended Jun. 30, 2013
Current liabilities		
Notes and accounts payable	376,713	387,355
Short-term borrowings	377,087	382,474
Bonds due within one year	20,000	26,000
Income and enterprise taxes payable	4,704	3,807
Other reserves	31,803	25,765
Other	152,572	144,084
Total current liabilities	<u>962,881</u>	<u>969,487</u>
Long-term liabilities		
Bonds and notes	177,000	161,000
Long-term borrowings	385,039	383,843
Employees' severance and retirement benefits	51,557	53,075
Other reserves	1,808	1,785
Other	78,786	71,884
Total long-term liabilities	<u>694,192</u>	<u>671,589</u>
Total liabilities	<u>1,657,073</u>	<u>1,641,076</u>
Net Assets		
Stockholders' equity		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	253,199	271,265
Treasury stock, at cost	(51,615)	(51,398)
Total stockholders' equity	<u>518,022</u>	<u>536,305</u>
Accumulated other comprehensive income (loss)		
Unrealized gains or losses on securities, net of taxes	21,147	10,349
Unrealized gains or losses on hedging derivatives, net of taxes	(1,685)	(2,552)
Land revaluation differences, net of taxes	(3,346)	(3,362)
Foreign currency translation adjustments	(22,086)	(10,392)
Total accumulated other comprehensive income (loss)	<u>(5,971)</u>	<u>(5,957)</u>
Minority interests	57,871	58,932
Total net assets	<u>569,922</u>	<u>589,280</u>
Total liabilities and net assets	<u>2,226,996</u>	<u>2,230,357</u>

(2) Consolidated Statements of Income

(In millions of yen)

	FY2012 1Q Ended Jun. 30, 2012	FY2013 1Q Ended Jun. 30, 2013
Net sales	434,146	418,619
Cost of sales	395,079	358,668
Gross profit	39,067	59,951
Selling, general and administrative expenses	41,865	40,592
Operating income	(2,798)	19,358
Non-operating income		
Interest income	1,047	879
Dividend income	1,376	1,127
Seconded employees' salaries, net of reimbursement	1,383	1,232
Equity in income of unconsolidated subsidiaries and affiliates	1,684	251
Currency exchange gain	---	3,234
Other	2,956	3,746
Total non-operating income	8,448	10,471
Non-operating expenses		
Interest expense	5,171	4,934
Seconded employees' salaries	3,567	3,046
Other	7,388	4,723
Total non-operating expenses	16,127	12,704
Ordinary income (loss)	(10,476)	17,125
Extraordinary income		
Gain on sale of investments in securities	---	23,928
Gain on negative goodwill	---	1,713
Total extraordinary income	---	25,642
Extraordinary loss		
Impairment loss	---	18,454
Loss on write-down of investments in securities	14,141	---
Total extraordinary loss	14,141	18,454
Income (Loss) before income taxes	(24,618)	24,312
Income taxes		
Current	3,891	3,530
Deferred	2,046	1,526
Total income taxes	5,937	5,056
Income (Loss) before minority interests	(30,556)	19,256
Minority interests in income of subsidiaries	1,671	534
Net income (loss)	(32,228)	18,721

(3) Consolidated Statements of Comprehensive Income

(In millions of yen)

	<u>FY2012 1Q</u> <u>Ended Jun. 30, 2012</u>	<u>FY2013 1Q</u> <u>Ended Jun. 30, 2013</u>
Income (Loss) before minority interests	(30,556)	19,256
Other comprehensive income (loss)		
Unrealized gains or losses on securities, net of taxes	1,369	(11,147)
Unrealized gains or losses on hedging derivatives, net of taxes	46	(1,073)
Foreign currency translation adjustments	9,360	14,031
Share of other comprehensive income (loss) related to affiliates	(25)	1,492
Total other comprehensive income	<u>10,751</u>	<u>3,301</u>
Comprehensive income (loss)	<u>(19,804)</u>	<u>22,557</u>
Breakdown of total comprehensive income (loss) attributed to:		
Equity holders of the parent	(23,927)	18,750
Minority interests	4,122	3,806

(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 First Quarter of Fiscal 2013
(April 1 – June 30, 2013)

Consolidated Operating Results for First Quarter of Fiscal 2013 (In billions of yen)

	FY2012 1Q	FY2013 1Q	% change
Net sales	434.1	418.6	(3.6%)
Operating income (loss)	(2.7)	19.3	---
Ordinary income (loss)	(10.4)	17.1	---
Extraordinary Income (loss)	(14.1)	7.1*	---
Net income (loss)	(32.2)	18.7	---

* Gain on sale of investments in securities 23.9 billions of yen
Gain on negative goodwill 1.7 billions of yen
Impairment loss 18.4 billions of yen

FY2013 Consolidated Forecast (In billions of yen)

	FY2012 Full year	FY2013 Previous Forecast (Apr. 26, 2013)		FY2013 Forecast	
		1st Half	Full year	1st Half	Full year
Net sales	1,685.5	870.0	1,790.0	890.0	1,860.0
Operating income	11.2	30.0	75.0	40.0	90.0
Ordinary income (loss)	(18.1)	15.0	45.0	25.0	60.0
Extraordinary income (loss)	(7.0)	---	---	7.1	7.1*
Net income (loss)	(26.9)	10.0	35.0	25.0	55.0

* Gain on sale of investments in securities 23.9 billions of yen
Gain on negative goodwill 1.7 billions of yen
Impairment loss 18.4 billions of yen

Interim Dividend: None

FY2013 First Quarter

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

		FY2012 1Q	FY2013 1Q	% change
Iron & Steel	Sales	192.2	185.7	(3.4%)
	Ordinary income (loss)	(18.9)	5.3	---
Welding	Sales	21.3	20.4	(4.5%)
	Ordinary income	0.5	1.2	2.4times
Aluminum & Copper	Sales	71.9	72.3	0.5%
	Ordinary income	1.7	5.3	3.0times
Machinery	Sales	39.7	31.5	(20.5%)
	Ordinary income	2.4	1.0	(57.6%)
Engineering	Sales	7.1	10.6	49.0%
	Ordinary income (loss)	(0.5)	0.2	---
Kobelco Eco-Solutions	Sales	13.6	13.9	2.5%
	Ordinary income (loss)	(0.1)	(0.1)	---
Kobelco Construction Machinery	Sales	80.1	74.6	(6.9%)
	Ordinary income	3.9	2.8	(27.4%)
Kobelco Cranes	Sales	9.5	11.5	21.2%
	Ordinary income (loss)	(0.4)	0.8	---
Other Businesses	Sales	13.9	14.4	3.9%
	Ordinary income	1.0	0.8	(14.3%)
Adjustment	Sales	(15.6)	(16.7)	---
	Ordinary income (loss)	(0.0)	(0.4)	---
Total	Sales	434.1	418.6	(3.6%)
	Ordinary income (loss)	(10.4)	17.1	---

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

Production and Sales Volume (in millions of metric tons)

	FY2012 1Q	FY2013 1Q
Crude steel	1.66	1.88
Sales volume	1.43	1.53
Export ratio (value basis)	26.6%	34.0%

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

	FY2012 1Q	FY2013 1Q
Domestic & Export average	83,400	76,400

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

Comparison of FY2013 1Q and FY2012 1Q

	FY2012 1Q	FY2013 1Q	Amount of Increase
Ordinary income (loss)	(10.4)	17.1	27.6

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	10.5	Production & shipments	(14.0)
Overall cost reduction	6.5	Consolidated subsidiaries & equity-valued affiliates	(3.0)
Effect of steel inventory valuation*	19.0	Effects of changes in foreign exchange rates	(1.0)
Effect of aluminum & copper inventory valuation*	3.0		
Effect of the change in depreciation method	6.0		
Other	0.6		
Total	45.6	Total	(18.0)

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

FY2013 Forecast

(1) Consolidated Sales & Ordinary Income for FY2013 by Segment (In billions of yen)

		FY2012	FY2013 Previous Forecast (Apr. 26, 2013)		FY2013 Forecast	
		Full Year	1st Half	Full Year	1st Half	Full Year
Iron & Steel	Sales	742.8	365.0	750.0	385.0	780.0
	Ordinary income (loss)	(50.2)	8.0	18.0	7.0	18.0
Welding	Sales	82.2	39.0	79.0	41.0	82.0
	Ordinary income	2.1	1.0	2.5	2.0	3.5
Aluminum & Copper	Sales	262.2	135.0	275.0	145.0	295.0
	Ordinary income	3.9	4.0	9.0	6.0	11.0
Machinery	Sales	167.1	77.0	166.0	75.0	168.0
	Ordinary income	12.0	1.5	5.0	1.5	5.0
Engineering	Sales	46.4	25.0	60.0	20.0	54.0
	Ordinary income (loss)	(1.3)	0.0	0.0	0.0	0.0
Kobelco Eco-Solutions	Sales	72.6	30.0	66.0	30.0	66.0
	Ordinary income	3.9	0.7	2.0	0.7	2.0
Kobelco Construction Machinery	Sales	267.8	157.0	307.0	160.0	335.0
	Ordinary income	6.8	4.0	12.0	8.0	17.0
Kobelco Cranes	Sales	45.5	26.0	55.0	27.0	61.0
	Ordinary income (loss)	(2.2)	0.0	0.0	1.0	2.0
Other Businesses	Sales	73.2	32.0	70.0	33.0	70.0
	Ordinary income	7.5	2.0	6.0	2.0	6.5
Adjustment	Sales	(74.5)	(16.0)	(38.0)	(26.0)	(51.0)
	Ordinary income (loss)	(0.7)	(6.2)	(9.5)	(3.2)	(5.0)
Total	Sales	1,685.5	870.0	1,790.0	890.0	1,860.0
	Ordinary income (loss)	(18.1)	15.0	45.0	25.0	60.0

(2) Production and Sales of Steel Products (Nonconsolidated)**Production and Sales Volume (in millions of metric tons)**

	FY2012			FY2013 Forecast		
	1st Half	2nd Half	Full Year	1st Half	2nd Half	Full Year
Crude steel	3.52	3.49	7.01	Approx. 3.80	Approx. 3.80	Approx. 7.60
Sales volume	2.89	2.90	5.79	Approx. 3.15	Approx. 3.15	Approx. 6.30
Export ratio (value basis)	26.1%	29.3%	27.6%	32%	32%	32%

(3) Factors Affecting Ordinary Income (Consolidated, in billions of yen)**Comparison of Current Forecast and Previous Forecast for FY2013 1st Half**

	Previous Forecast	Current Forecast	Amount of Increase
Ordinary income	15.0	25.0	10.0

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	3.5	Overall cost reduction	(0.5)
Raw material prices	3.0	Effects of changes in foreign exchange rates	(1.0)
Effect of steel inventory valuation*	2.0	Other	(3.0)
Consolidated subsidiaries & equity-valued affiliates	6.0		
Total	14.5	Total	(4.5)

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

Comparison of Current Forecast and Previous Forecast for FY2013

	Previous Forecast	Current Forecast	Amount of Increase
Ordinary income	45.0	60.0	15.0

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	21.5	Production & shipments	(9.5)
Consolidated subsidiaries & equity-valued affiliates	9.0	Overall cost reduction	(1.0)
		Effects of changes in foreign exchange rates	(2.5)
		Other	(2.5)
Total	30.5	Total	(15.5)

Comparison of Forecast for FY2013 2nd Half and Forecast for FY2013 1st Half

	FY2013 1st half Forecast	FY2013 2nd half Forecast	Amount of Increase
Ordinary income	25.0	35.0	10.0

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	14.0	Production & shipments	(3.0)
Overall cost reduction	3.5	Effect of steel inventory valuation*	(16.5)
Consolidated subsidiaries & equity-valued affiliates	7.0	Effect of aluminum & copper inventory valuation*	(1.0)
Other	6.5	Effects of changes in foreign exchange rates	(0.5)
Total	31.0	Total	(21.0)

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

Comparison of FY2013 Forecast and FY2012 Result

	FY2012	FY2013 Forecast	Amount of Increase
Ordinary income (loss)	(18.1)	60.0	78.1

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	31.0	Production & shipments	(16.0)
Overall cost reduction	30.5	Effects of changes in foreign exchange rates	(10.5)
Effect of steel inventory valuation*	30.0	Other	(21.4)
Effect of aluminum & copper inventory valuation*	3.5		
Consolidated subsidiaries & equity-valued affiliates	9.0		
Effect of the change in depreciation method	22.0		
Total	126.0	Total	(47.9)

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

(4) Cash Flow & Outside Debt (Consolidated, in billions of yen)

Cash Flow

	FY2012	FY2013 Forecast
Free cash flow	(92.1)	Approx. 30.0

(Excludes cash flow from IPP project financing)

Outside Debt (as of the end of each period)

	FY2012	FY2013 Forecast
Outside debt*	907.6	Approx. 860.0
D/E ratio (times) **	1.75	Approx. 1.5

* Excludes debt from IPP project financing.

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

(5) Exchange Rates

	FY2012	FY2013 1Q	FY2013 2Q onward
1 U.S. dollar to yen	83 yen	99 yen	100 yen
1 Chinese yuan to yen	13.2 yen	16.1 yen	16.5 yen

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

	FY2012	FY2013 Forecast	% change
Capital investment (accrual basis)	114.9	120.0	4.4%
Depreciation	106.7	85.0	(20.3%)

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

		FY2012							FY2013 Forecast				
		1st Half			2nd Half			Total	1st Half			2nd Half	Total
		1Q	2Q	subtotal	3Q	4Q	subtotal		1Q	2Q	subtotal		
Iron & Steel	Sales	192.2	191.3	383.6	178.9	180.2	359.2	742.8	185.7	199.3	385.0	395.0	780.0
	Ordinary income (loss)	(18.9)	(5.0)	(24.0)	(13.0)	(13.1)	(26.1)	(50.2)	5.3	1.7	7.0	11.0	18.0
Welding	Sales	21.3	20.6	42.0	19.5	20.5	40.1	82.2	20.4	20.6	41.0	41.0	82.0
	Ordinary income (loss)	0.5	0.5	1.0	(0.0)	1.1	1.0	2.1	1.2	0.8	2.0	1.5	3.5
Aluminum & Copper	Sales	71.9	65.7	137.6	61.3	63.1	124.5	262.2	72.3	72.7	145.0	150.0	295.0
	Ordinary income (loss)	1.7	(0.4)	1.3	1.8	0.6	2.5	3.9	5.3	0.7	6.0	5.0	11.0
Machinery	Sales	39.7	41.1	80.8	33.8	52.4	86.2	167.1	31.5	43.5	75.0	93.0	168.0
	Ordinary income	2.4	1.9	4.4	3.5	4.0	7.5	12.0	1.0	0.5	1.5	3.5	5.0
Engineering	Sales	7.1	10.7	17.9	9.2	19.3	28.5	46.4	10.6	9.4	20.0	34.0	54.0
	Ordinary income (loss)	(0.5)	(0.2)	(0.8)	(0.2)	(0.2)	(0.5)	(1.3)	0.2	(0.2)	0.0	0.0	0.0
Kobelco Eco-Solutions	Sales	13.6	15.5	29.1	17.9	25.4	43.4	72.6	13.9	16.1	30.0	36.0	66.0
	Ordinary income (loss)	(0.1)	0.4	0.3	0.4	3.1	3.6	3.9	(0.1)	0.8	0.7	1.3	2.0
Kobelco Construction Machinery	Sales	80.1	70.2	150.3	57.2	60.2	117.4	267.8	74.6	85.4	160.0	175.0	335.0
	Ordinary income (loss)	3.9	1.7	5.6	1.8	(0.6)	1.2	6.8	2.8	5.2	8.0	9.0	17.0
Kobelco Cranes	Sales	9.5	12.5	22.1	10.5	12.7	23.3	45.5	11.5	15.5	27.0	34.0	61.0
	Ordinary income (loss)	(0.4)	(0.4)	(0.8)	(0.3)	(0.9)	(1.3)	(2.2)	0.8	0.2	1.0	1.0	2.0
Other Businesses	Sales	13.9	14.6	28.5	15.9	28.7	44.6	73.2	14.4	18.6	33.0	37.0	70.0
	Ordinary Income	1.0	1.1	2.1	1.5	3.8	5.3	7.5	0.8	1.2	2.0	4.5	6.5
Adjustment	Sales	(15.6)	(18.1)	(33.8)	(15.5)	(25.1)	(40.7)	(74.5)	(16.7)	(9.3)	(26.0)	(25.0)	(51.0)
	Ordinary income (loss)	(0.0)	(0.2)	(0.2)	(0.7)	0.2	(0.5)	(0.7)	(0.4)	(2.8)	(3.2)	(1.8)	(5.0)
Total	Sales	434.1	424.4	858.5	389.1	437.8	826.9	1,685.5	418.6	471.4	890.0	970.0	1,860.0
	Ordinary income (loss)	(10.4)	(0.5)	(11.0)	(5.2)	(1.9)	(7.1)	(18.1)	17.1	7.9	25.0	35.0	60.0
Net income (loss)		(32.2)	(5.9)	(38.1)	15.5	(4.2)	11.2	(26.9)	18.7	6.3	25.0	30.0	55.0

Quarterly Production and Sales of Steel Products (Nonconsolidated)

Production & Sales Volume (In millions of metric tons)

	FY2012						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	1.66	1.86	3.52	1.73	1.76	3.49	7.01
Sales volume	1.43	1.46	2.89	1.47	1.43	2.90	5.79
Export ratio (value basis)	26.6%	25.5%	26.1%	27.8%	30.9%	29.3%	27.6%

	FY2013 Forecast				
	1st Half			2nd Half	Total
	1Q	2Q	Subtotal		
Crude steel	1.88	1.92	Approx. 3.80	Approx. 3.80	Approx. 7.60
Sales volume	1.53	1.62	Approx. 3.15	Approx. 3.15	Approx. 6.30
Export ratio (value basis)	34.0%	31%	32%	32%	32%

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

	FY2012							FY2013 1Q
	1st Half			2nd Half			Full Year	
	1Q	2Q	Subtotal	3Q	4Q	Subtotal		
Domestic & Export average	83,400	78,900	81,100	74,500	72,100	73,400	77,200	76,400

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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