

Kobe Steel's Consolidated Financial Results for First Nine Months of Fiscal 2014 (April 1 – December 31, 2014)

February 3, 2015

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: February 6, 2015
 Dividend payments begin: ---
 Supplemental information available: Yes
 IR Briefing: Yes (in Japanese only)

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

1. Consolidated Financial Results for First Nine Months of FY2014 (April 1 – December 31, 2014)

(1) Consolidated operating results

(In millions of yen)	FY2013 9 Months Ended Dec. 31, 2013	% change*	FY2014 9 Months Ended Dec. 31, 2014	% change*
Net sales	1,325,277	6.2%	1,373,755	3.7%
Operating income	85,548	---	88,054	2.9%
Ordinary income	67,370	---	77,727	15.4%
Net income	63,816	---	64,119	0.5%
Net income per share	21.26 yen		17.64 yen	
Diluted net income per share	---		---	

Comprehensive income in FY2013 3Q: 89,095 million yen FY2014 3Q: 86,675 million yen

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

(2) Consolidated financial position

(In millions of yen)	FY2013	FY2014 9 Months Ended Dec. 31, 2014
Total assets	2,288,636	2,273,799
Net assets	734,679	803,985
Net worth ratio	29.2%	32.2%

Stockholders' equity at FY2013: 668,997 million yen December 31, 2014: 732,176 million yen

2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2013	---	0.00	---	4.00	4.00
FY2014	---	2.00	---	---	---
FY2014 Forecast	---	---	---	2.00	2.00

Revision to dividend forecast in FY2014 3Q: Yes

3. Consolidated Forecast for Fiscal 2014 (April 1, 2014 - March 31, 2015)

(In millions of yen)	FY2014	% change*
Net sales	1,910,000	4.7%
Operating income	115,000	0.4%
Ordinary income	90,000	5.8%
Net income	70,000	(0.3%)
Net income per share	19.26 yen	

* Indicates percentage of change from the previous fiscal year

Revision to consolidated forecast in FY2014 3Q: 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: Yes
 - Other changes: Yes
 - Changes in accounting estimates: No
 - Restatement: No

(4) Number of issued shares

	FY 2013	FY2014 3Q
Common stock (number of issued shares)	3,643,642,100	3,643,642,100
Treasury stock (number of shares)	9,975,426	10,040,616
Average number of shares in 3Q	3,001,273,383*	3,633,651,895

*FY2013 3Q

1. Qualitative Information on Consolidated Operating Results for First Nine Months of Fiscal 2014

Japan's economy in the first nine months of fiscal 2014 (April 1 - December 31, 2014) was affected by the last-minute surge in demand prior to the rise in the consumption tax on April 1, 2014. However, on the back of various economic measures by the government, corporate earnings improved, capital expenditures went up, and public investments continued at high levels. These factors enabled the economy on the whole to continue on a recovery track. In overseas markets, the U.S. economy gradually continued to improve, but Europe's economy remained weak, and the economies of China and Southeast Asia continued to decelerate.

In this economic environment, the Kobe Steel Group saw a decrease in its sales volume of steel products, in terms of tons sold, compared with the same period of the previous year, due to a decrease in demand from the automotive sector brought about by a reaction to the last-minute surge in demand prior to the rise in the consumption tax on April 1, 2014. In addition to sluggish demand in emerging countries, another reason for the decrease in the sales volume of steel products was the impact of production trouble at Kakogawa Works.

The sales volume of aluminum rolled products increased over the same period of the previous year, owing mainly to efforts to expand export sales of aluminum can stock for beverage containers and other products. The sales volume of copper rolled products increased compared with the same period of the previous year, owing to strong demand for copper sheet and strip used in automotive terminals and strong overseas demand for copper tube. Unit sales of hydraulic excavators decreased compared with the same period of the previous year. Although unit sales increased in Europe and North America owing to steady sales expansion, unit sales in China were similar to the same period of the previous year and decreased in Japan and Southeast Asia, compared with the same period of the previous year.

As a result, consolidated sales in the nine months to December 31, 2014 increased 48.4 billion yen, compared with the same period of the previous year, to 1,373.7 billion yen. Operating income increased 2.5 billion yen, compared with the same period of the previous year, to 88.0 billion yen. Ordinary income* (also known as "pretax recurring profit" or simply "pretax profit") increased 10.3 billion yen, compared with the same period of the previous year, to 77.7 billion yen. Net income was similar to the same period of the previous year at 63.5 billion yen, due to the posting of gain on the sale of investment securities in the same period of the previous year.

Conditions in the business segments for the nine-month period (April 1 – December 31, 2014) follow below.

Iron & Steel Business

As a reaction to the last-minute surge in demand prior to the rise in the consumption tax on April 1, 2014, demand for steel products declined in the automotive sector. In addition to sluggish demand in emerging countries, the sales volume of steel products was also impacted by production trouble at

Kakogawa Works. As a result, the sales volume of steel products declined compared with the same period of the previous year. On the other hand, sales prices increased, compared with the same period of the previous year, as export prices improved owing to weak yen.

Sales of steel castings and forgings increased compared with the same period of the previous year, owing to recovery in demand from the shipbuilding industry. Sales of titanium products also increased slightly, compared with the same period of the previous year.

As a result, consolidated segment sales in the nine months to December 31, 2014 were similar to the same period of the previous year at 587.0 billion yen. Ordinary income* decreased 8.1 billion yen, compared with the same period of the previous year, to 20.3 billion yen due to a decrease in the impact of inventory valuation, which had previously pushed up profits.

Welding Business

The sales volume of welding materials increased compared with the same period of the previous year, due to a recovery in demand from the domestic shipbuilding industry and strong demand from the construction sector. Sales of welding systems also increased, compared with the same period of the previous year, due to strong demand from the domestic construction sector.

As a result, consolidated segment sales in the nine months to December 31, 2014 increased 9.2 percent, compared with the same period of the previous year, to 70.0 billion yen. Ordinary income* increased 2.5 billion yen, compared with the same period of the previous year, to 7.4 billion yen.

Aluminum & Copper Business

The sales volume of aluminum rolled products increased, compared with the same period of the previous year, owing mainly to efforts to expand export sales of aluminum can stock for beverage containers and other products. Sales of aluminum castings and forgings increased, compared with the same period of the previous year, due to strong demand from the overseas automotive market.

The sales volume of copper rolled products increased compared with the same period of the previous year. Demand was strong for copper sheet and strip for automotive terminals. Although the sales volume of copper tube has been affected by lower domestic sales of air conditioners since last summer, demand has continued to be strong overseas.

As a result, consolidated segment sales in the nine months to December 31, 2014 increased 11.0 percent, compared with the same period of the previous year, to 244.4 billion yen. However, ordinary income* decreased 0.9 billion yen, compared with the same period of the previous year, to 10.7 billion yen due to higher energy costs.

Machinery Business

With continued strong demand for compressors used mainly overseas in the oil refining and petrochemical sectors and for plastic processing machinery, consolidated orders in the nine months to December 31, 2014 were similar to the same period of the previous year at 104.9 billion yen. The backlog of orders at the end of the third quarter (ended December 31, 2014) stood at 139.9 billion yen.

Consolidated segment sales for the nine months ended December 31, 2014 increased 8.5 percent, compared with the same period in the previous year, to 110.5 billion yen due to the posting of sales of large orders of plastic processing machinery. Ordinary income* increased 3.3 billion yen, compared with the same period of the previous year, to 7.7 billion yen.

Engineering Business

Consolidated orders in the nine months to December 31, 2014 decreased 61.6 percent, compared with the same period of the previous year, to 17.5 billion yen. Domestic orders accumulated mainly on waste treatment work and maintenance work related to recovery from the Great East Japan Earthquake. However, in overseas markets orders declined, compared with same period of the previous year, which saw orders for large direct reduction plants in North America and Russia. The backlog of orders at the end of the third quarter (ended December 31, 2014) stood at 75.7 billion yen.

Consolidated segment sales in the nine months to December 31, 2014 increased 8.3 percent, compared with the same period of the previous year, to 30.1 billion yen due to progress in construction work on the above-mentioned direct reduction plants. Ordinary loss* improved 0.9 billion yen, compared with the same period of the previous year, to 0.7 billion yen.

Kobelco Eco-Solutions

Consolidated orders in the nine months to December 31, 2014 increased 14.6 percent, compared with the same period of the previous year, to 58.4 billion yen due to an increase in orders for waste treatment-related work and government demand in the water treatment field. The backlog of orders at the end of the third quarter (ended December 31, 2014) stood at 62.1 billion yen.

Consolidated segment sales in the nine months to December 31, 2014 decreased 5.3 percent, compared with the same period in the previous year, to 43.5 billion yen due to the posting of sales from large-scale waste treatment projects in the nine-month period of the previous year. Ordinary income* decreased 0.1 billion yen, compared with the same period of the previous year, to 1.3 billion yen.

Kobelco Construction Machinery

Unit sales of hydraulic excavators on the whole decreased in the nine months to December 31, 2014, compared with the same period of the previous year. Unit sales expanded in Europe and North America. In China, unit sales were similar to the same period of the previous year. Unit sales in Japan were affected by stricter exhaust emission regulations and by a reaction to the last-minute surge in demand prior to the rise in the consumption tax, which came into effect on April 1, 2014. Unit sales also fell in Southeast Asia due to political unrest.

However, due to changes in sales regions and the sales mix of machines, as well as the effect of changes in exchange rates, consolidated segment sales in the nine months to December 31, 2014 were similar to the same period in the previous year at 239.7 billion yen. Ordinary income* increased 8.5 billion yen, compared with the same period in the previous year to 20.5 billion yen.

Kobelco Cranes

Unit sales of crawler cranes increased in the nine months to December 31, 2014, compared with the same period of the previous year. Unit sales increased in Japan owing to continued strong demand on the backdrop of higher public investments and other factors. In overseas markets, unit sales increased in Asia, where demand continued to be strong, and in other regions.

As a result, consolidated segment sales increased in the nine months to December 31, 2014 by 29.8 percent, compared with the same period of the previous year, to 51.7 billion yen. Ordinary income* increased 1.9 billion yen, compared with the same period of the previous year, to 4.5 billion yen.

Other Businesses

At Shinko Real Estate Co., Ltd., although the leasing business continued to be strong, the property sales business saw a decrease in the number of property handovers. In Kobelco Research Institute, Inc.'s testing and research businesses, demand was strong mainly in the automotive sector.

Due to these conditions, consolidated segment sales in the nine months to December 31, 2014 decreased 2.3 percent, compared with the same period of the previous year, to 47.7 billion yen. Ordinary income* decreased 0.3 billion yen, compared with the same period of the previous year, to 3.7 billion yen.

2. Qualitative Information on Consolidated Earnings Forecast

In comparison to the previous forecast announced on October 31, 2014, consolidated operating income, ordinary income* and net income are anticipated to increase for the entire fiscal 2014 owing to a downward trend in steel raw material prices in the Iron & Steel Business and improvements of profits and losses in subsidiaries.

Dividends

Kobe Steel's basic policy is to provide continuous and stable dividends to its stockholders. Dividends are decided after taking into account Kobe Steel's financial condition, business performance, future capital needs and other factors from a comprehensive standpoint. With these factors in mind, Kobe Steel decided on a policy to pay a dividend of 2 yen per share for the second half of fiscal 2014 (a total of 4 yen for fiscal 2014).

Definition of Ordinary Income (Loss)*

Ordinary income under accounting principles generally accepted in Japan (Japanese GAAP) is a category of income that comes after operating income and non-operating income, but before extraordinary income and loss. It is also called "pretax recurring profit" or simply "pretax profit."

2. Notes on Summary Information

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

(Application of the Accounting Standard for Retirement Benefits)

In the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan Statement No. 26, May 17, 2012, hereinafter the "Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter the "Guidance on Retirement Benefits"), Kobe Steel Group adopted the provisions set forth in Article 35 of the Accounting Standard for Retirement Benefits and in Article 67 of the Guidance on Retirement Benefits since the first quarter of fiscal 2014. The Group revised its calculation method of the retirement benefit obligation and service costs. In addition, the Group changed its attribution method of the projected retirement benefit from the straight-line basis to the benefit formula basis and changed the calculation method of the discount rate.

Following Article 37 in the Accounting Standard for Retirement Benefits, which stipulates transitional treatment of the new standard, at the beginning of the first quarter of fiscal 2014, the effect of the changed calculation method for the retirement benefit obligation and service costs is adjusted in the retained earnings.

As a result, at the beginning of the first quarter of fiscal 2014, retained earnings increased by 5,066 million yen. The application of the new accounting standard does not have material effect on profit or loss in the nine months to December 31, 2014.

(Application of the Accounting Standard for Business Combinations)

The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013) could be applied from the beginning of the consolidated accounting period of fiscal 2014. Accordingly, Kobe Steel applied these accounting standards (excluding Article 39 of ASBJ Statement No. 22, revised on September 13, 2013) from the first quarter of the consolidated accounting period of fiscal 2014.

Under these accounting standards, Kobe Steel recorded the differences caused by changes in Kobe Steel's equity shares in subsidiaries in which Kobe Steel continues to control as capital surplus. In addition, Kobe Steel recorded acquisition-related costs as expenses in the fiscal periods in which the costs are incurred.

Regarding business combinations, from the beginning of the first quarter of fiscal 2014, Kobe Steel changed the method to reflect changes in the allocation of the acquisition costs arising from confirmation of the provisional accounting treatment on the consolidated financial statements of the quarter that includes the acquisition date.

Kobe Steel has adopted these accounting standards from the beginning of the first quarter of fiscal 2014, following transitional treatment based on Article 58-2(4) of "Accounting Standard for Business Combinations," Article 44-5(4) of "Accounting Standard for Consolidated Financial Statements," and Article 57-4(4) of "Accounting Standard for Business Divestitures".

Adoption of these accounting standards does not have material effect on profit or loss in the nine months to December 31, 2014 and capital surplus at the end of the same period.

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CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

Assets	FY2013 Ended Mar. 31, 2014	FY2014 9 Months Ended Dec. 31, 2014
Current assets		
Cash and deposits	151,930	125,703
Notes and accounts receivable	363,514	331,100
Merchandise and finished goods	149,830	173,210
Work-in-process	112,697	132,328
Raw materials and supplies	138,210	129,995
Other	156,409	156,799
Allowance for doubtful accounts	(4,995)	(7,912)
Total current assets	<u>1,067,597</u>	<u>1,041,225</u>
Fixed assets		
Property, plant and equipment		
Buildings and structures	288,590	286,084
Machinery and equipment	372,827	371,906
Land	198,712	196,034
Other	52,884	60,491
Total tangible fixed assets	<u>913,016</u>	<u>914,517</u>
Intangible fixed assets	19,952	19,652
Investments and other assets		
Investments in securities	179,620	187,221
Other	111,149	113,198
Allowance for doubtful accounts	(2,700)	(2,017)
Total investments and other assets	<u>288,070</u>	<u>298,403</u>
 Total fixed assets	 <u>1,221,039</u>	 <u>1,232,573</u>
 Total assets	 <u>2,288,636</u>	 <u>2,273,799</u>

Liabilities	FY2013 Ended Mar. 31, 2014	FY2014 9 Months Ended Dec. 31, 2014
Current liabilities		
Notes and accounts payable	410,895	405,646
Short-term borrowings	249,835	230,572
Commercial paper	---	26,000
Current portion of bonds	26,000	20,000
Income and enterprise taxes payable	10,683	6,893
Provisions	38,741	26,190
Other	155,100	150,859
Total current liabilities	<u>891,257</u>	<u>866,162</u>
Long-term liabilities		
Bonds and notes	151,000	131,000
Long-term borrowings	360,411	327,046
Net defined benefit liability	72,653	70,685
Provisions	7,086	6,594
Other	71,550	68,324
Total long-term liabilities	<u>662,700</u>	<u>603,651</u>
Total liabilities	<u>1,553,957</u>	<u>1,469,813</u>
Net Assets		
Stockholders' equity		
Common stock	250,930	250,930
Capital surplus	100,742	100,783
Retained earnings	322,347	370,171
Treasury stock, at cost	(2,983)	(2,987)
Total stockholders' equity	<u>671,035</u>	<u>718,897</u>
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	13,266	22,272
Unrealized losses on hedging derivatives, net of taxes	(1,814)	(3,122)
Land revaluation differences, net of taxes	(3,368)	(3,858)
Foreign currency translation adjustments	3,062	8,558
Remeasurements of defined benefit plans, net of taxes	(13,183)	(10,571)
Total accumulated other comprehensive income	<u>(2,037)</u>	<u>13,278</u>
Minority interests	65,681	71,809
Total net assets	<u>734,679</u>	<u>803,985</u>
Total liabilities and net assets	<u>2,288,636</u>	<u>2,273,799</u>

(2) Consolidated Statements of Income

(In millions of yen)

	FY2013 9 Months Ended Dec. 31, 2014	FY2014 9 Months Ended Dec. 31, 2015
Net sales	1,325,277	1,373,755
Cost of sales	1,113,474	1,147,513
Gross profit	211,803	226,241
Selling, general and administrative expenses	126,254	138,187
Operating income	85,548	88,054
Non-operating income		
Interest income	2,704	3,073
Dividend income	2,132	2,556
Reimbursement of seconded employees' salaries	3,941	4,179
Equity in income of equity method companies	---	2,203
Other	10,684	13,993
Total non-operating income	19,462	26,006
Non-operating expenses		
Interest expense	14,256	11,293
Seconded employees' salaries	8,885	9,579
Equity in loss of equity method companies	1,007	---
Other	13,490	15,459
Total non-operating expenses	37,640	36,333
Ordinary income	67,370	77,727
Extraordinary income		
Gain on sale of securities	24,897	---
Gain on negative goodwill	3,838	---
Gain on transfer of distribution rights	3,173	---
Total extraordinary income	31,909	---
Extraordinary loss		
Impairment loss	18,454	---
Total extraordinary loss	18,454	---
Income before income taxes and minority interests	80,825	77,727
Income taxes		
Current	10,516	16,593
Deferred	3,591	(8,403)
Total income taxes	14,107	8,190
Income before minority interests	66,718	69,536
Minority interests in income of subsidiaries	2,901	5,416
Net income	63,816	64,119

(3) Consolidated Statements of Comprehensive Income

(In millions of yen)

	<u>FY2013 9 Months</u> <u>Ended Dec. 31, 2013</u>	<u>FY2014 9 Months</u> <u>Ended Dec. 31, 2014</u>
Income before minority interests	66,718	69,536
Other comprehensive income		
Unrealized gains on securities, net of taxes	2,110	8,430
Unrealized gains or losses on hedging derivatives, net of taxes	(746)	(1,210)
Foreign currency translation adjustments	19,344	6,151
Remeasurements of defined benefit plans, net of taxes	---	2,463
Share of other comprehensive income related to affiliates	1,668	1,303
Total other comprehensive income	<u>22,377</u>	<u>17,138</u>
Comprehensive income	<u>89,095</u>	<u>86,675</u>
Breakdown of total comprehensive income attributed to:		
Stockholders of the parent	80,843	79,925
Minority interests	8,251	6,749

(4) Notes on premise of a going concern:

None

(5) Notes in the case of a significant change in stockholders' equity:

None

Supplementary Information for First Nine Months of Fiscal 2014

(April 1 – December 31, 2014)

Consolidated Operating Results for First Nine Months of Fiscal 2014 (In billions of yen)

	FY2013 9 Months Ended Dec. 31, 2013	FY2014 9 Months Ended Dec. 31, 2014	% change
Net sales	1,325.2	1,373.7	3.7
Operating income	85.5	88.0	2.9
Ordinary income	67.3	77.7	15.4
Extraordinary Income	13.4	---	---
Net income	63.8	64.1	0.5

FY2014 Consolidated Forecast (In billions of yen)

	FY2013	FY2014 Forecast	FY2014 Previous Forecast (Oct. 31, 2014)
Net sales	1,824.6	1,910.0	1,910.0
Operating income	114.5	115.0	110.0
Ordinary income	85.0	90.0	85.0
Extraordinary income	3.1	---	---
Net income	70.1	70.0	60.0

Year-end Dividend for fiscal 2014: 2 yen (a total of 4 yen for fiscal 2014)

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

		FY2013		FY2014	
		9 Months Ended Dec. 31, 2013	Full Year	9 Months Ended Dec. 31, 2014	Full Year Forecast
Iron & Steel	Sales	591.3	808.5	587.0	795.0
	Ordinary income	28.5	33.5	20.3	26.0
Welding	Sales	64.1	88.3	70.0	95.0
	Ordinary income	4.8	7.2	7.4	9.5
Aluminum & Copper	Sales	220.2	295.6	244.4	330.0
	Ordinary income	11.6	15.1	10.7	14.0
Machinery	Sales	101.8	149.8	110.5	169.0
	Ordinary income	4.4	6.4	7.7	9.0
Engineering	Sales	27.8	39.1	30.1	53.0
	Ordinary income (loss)	(1.7)	(3.9)	(0.7)	0.0
Kobelco Eco-Solutions	Sales	45.9	68.1	43.5	70.5
	Ordinary income	1.4	2.6	1.3	2.7
Kobelco Construction Machinery	Sales	235.8	318.2	239.7	315.0
	Ordinary income	12.0	15.1	20.5	22.0
Kobelco Cranes	Sales	39.8	56.6	51.7	71.0
	Ordinary income	2.5	3.2	4.5	5.0
Other Businesses	Sales	48.8	71.2	47.7	75.0
	Ordinary income	4.1	6.8	3.7	6.5
Adjustment	Sales	(50.8)	(71.0)	(51.2)	(63.5)
	Ordinary income (loss)	(0.7)	(1.2)	1.9	(4.7)
Total	Sales	1,325.2	1,824.6	1,373.7	1,910.0
	Ordinary income	67.3	85.0	77.7	90.0

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

Production & Sales Volume (In millions of metric tons)

	FY2013		FY2014	
	9 Months Ended Dec. 31, 2013	Full Year	9 Months Ended Dec. 31, 2014	Full Year Forecast
Crude steel	5.70	7.62	5.59	Approx. 7.50
Sales volume	4.64	6.27	4.47	Approx. 6.10
Export ratio (value basis)	31.0%	31.3%	31.2%	32.0%

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

	FY2013		FY2014	
	9 Months Ended Dec. 31, 2013	Full Year	9 Months Ended Dec. 31, 2014	Full Year Forecast
Domestic & Export average	79,400	80,200	82,300	Approx. 81,000

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

Comparison of FY2013 9 Months and FY2014 9 Months

	FY2013 9 Months Ended Dec. 31, 2013	FY2014 9 Months Ended Dec. 31, 2014	Amount of Increase
Ordinary income	67.3	77.7	10.3

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	32.0	Production & shipments	(0.5)
Consolidated subsidiaries & equity-valued affiliates	15.0	Overall cost	(4.0)
		Effect of steel inventory valuation*	(22.5)
		Effect of changes in foreign exchange rates on steel business	(8.5)
		Other	(1.2)
Total	47.0	Total	(36.7)

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

Comparison of FY2013 Results and FY2014 Forecast

	FY2013	FY2014 Forecast	Amount of Increase
Ordinary income	85.0	90.0	5.0

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	50.0	Production & shipments	(10.0)
Consolidated subsidiaries & equity-valued affiliates	16.5	Overall cost	(5.5)
		Effect of steel inventory valuation*	(25.0)
		Effect of changes in foreign exchange rates on steel business	(12.0)
		Other	(9.0)
Total	66.5	Total	(61.5)

* 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 FY2014

	Previous Forecast	Current Forecast	Amount of Increase
Ordinary income	85.0	90.0	5.0

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	2.0	Overall cost	(3.0)
Raw material prices	8.5	Effect of changes in foreign exchange rates on steel business	(4.5)
Effect of steel inventory valuation*	3.0	Other	(3.5)
Effect of aluminum & Copper inventory valuation	0.5		
Consolidated subsidiaries & Equity-valued affiliates	2.0		
Total	16.0	Total	(11.0)

* 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

	FY2013	FY2014 Forecast
Free cash flow	117.1	70.0

(Excludes cash flow from IPP project financing)

Outside Debt (As of the end of each period)

	FY2013	FY2014 Forecast
Outside debt*	748.1	660.0
D/E ratio (times) **	1.11	1 or less

* Excludes debt from IPP project financing.

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

(6) Exchange Rates

	FY2013	FY2014	
		9 Months Ended Dec. 31, 2014	4Q Forecast
1 U.S. dollar to yen	100 yen	107 yen	118 yen
1 Chinese yuan to yen	16.4 yen	17.3 yen	19.0 yen

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

	FY2013	FY2014 Forecast
Capital investment (accrual basis)	101.4	125.0
Depreciation	82.9	90.0

FOR REFERENCE

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

		FY2013							FY2014 Forecast						
		1st Half			2nd Half			Total	1st Half			2nd Half			Total
		1Q	2Q	subtotal	3Q	4Q	subtotal		1Q	2Q	subtotal	3Q	4Q	subtotal	
Iron & Steel	Sales	185.7	204.2	389.9	201.3	217.1	418.5	808.5	186.7	199.8	386.6	200.3	208.1	408.4	795.0
	Ordinary income	5.3	10.2	15.5	13.0	5.0	18.0	33.5	3.1	7.2	10.4	9.9	5.7	15.6	26.0
Welding	Sales	20.4	21.5	41.9	22.2	24.1	46.3	88.3	22.7	22.9	45.6	24.3	25.1	49.4	95.0
	Ordinary income	1.2	1.6	2.8	2.0	2.3	4.3	7.2	2.1	2.5	4.6	2.8	2.1	4.9	9.5
Aluminum & Copper	Sales	72.3	75.7	148.1	72.1	75.3	147.5	295.6	81.8	79.6	161.5	82.9	85.6	168.5	330.0
	Ordinary income	5.3	2.7	8.0	3.6	3.4	7.0	15.1	3.6	2.4	6.0	4.6	3.4	8.0	14.0
Machinery	Sales	31.5	39.7	71.3	30.5	47.9	78.4	149.8	36.9	36.0	73.0	37.4	58.6	96.0	169.0
	Ordinary income	1.0	1.0	2.1	2.3	2.0	4.3	6.4	1.9	1.2	3.2	4.4	1.4	5.8	9.0
Engineering	Sales	10.6	10.1	20.8	7.0	11.2	18.2	39.1	8.6	10.4	19.0	11.1	22.9	34.0	53.0
	Ordinary income (loss)	0.2	(0.3)	(0.1)	(1.5)	(2.2)	(3.7)	(3.9)	(0.4)	(0.1)	(0.5)	(0.2)	0.7	0.5	0.0
Kobelco Eco-Solutions	Sales	13.9	16.9	30.9	15.0	22.1	37.2	68.1	12.0	15.1	27.1	16.3	27.1	43.4	70.5
	Ordinary income (loss)	(0.1)	1.2	1.0	0.4	1.1	1.5	2.6	0.0	0.3	0.3	0.9	1.5	2.4	2.7
Kobelco Construction Machinery	Sales	74.6	88.3	162.9	72.8	82.3	155.2	318.2	81.2	88.4	169.7	70.0	75.3	145.3	315.0
	Ordinary income	2.8	7.3	10.1	1.8	3.0	4.9	15.1	7.5	8.6	16.1	4.4	1.5	5.9	22.0
Kobelco Cranes	Sales	11.5	13.9	25.5	14.3	16.7	31.1	56.6	16.9	18.9	35.8	15.8	19.4	35.2	71.0
	Ordinary income	0.8	0.9	1.7	0.7	0.6	1.4	3.2	1.7	1.4	3.1	1.3	0.6	1.9	5.0
Other Businesses	Sales	14.4	17.6	32.1	16.7	22.3	39.0	71.2	14.3	16.0	30.4	17.2	27.4	44.6	75.0
	Ordinary Income	0.8	1.5	2.4	1.7	2.7	4.4	6.8	0.9	0.9	1.9	1.8	2.8	4.6	6.5
Adjustment	Sales	(16.7)	(17.7)	(34.5)	(16.3)	(20.1)	(36.5)	(71.0)	(16.7)	(16.4)	(33.1)	(18.0)	(12.4)	(30.4)	(63.5)
	Ordinary income (loss)	(0.4)	(0.2)	(0.7)	0.0	(0.5)	(0.5)	(1.2)	0.7	(0.2)	0.5	1.3	(6.5)	(5.2)	(4.7)
Total	Sales	418.6	470.7	889.3	435.9	499.4	935.3	1,824.6	444.7	471.2	916.0	457.7	536.3	994.0	1,910.0
	Ordinary income	17.1	26.0	43.1	24.2	17.6	41.8	85.0	21.5	24.5	46.1	31.5	12.4	43.9	90.0
Net income		18.7	25.4	44.1	19.6	6.3	26.0	70.1	22.9	19.1	42.1	22.0	5.9	27.9	70.0

Note: Fiscal 2014 fourth-quarter, second-half, and full-year figures are forecasts.

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

Production & Sales Volume (In millions of metric tons)

	FY2013						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	1.88	1.91	3.79	1.91	1.92	3.83	7.62
Sales volume	1.53	1.54	3.07	1.56	1.64	3.20	6.27
Export ratio (value basis)	34.0%	29.9%	31.9%	29.4%	32.0%	30.7%	31.3%

	FY2014 Forecast						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q Forecast	Subtotal	
Crude steel	1.77	1.90	3.67	1.92	Approx. 1.95	Approx. 3.85	Approx. 7.50
Sales volume	1.44	1.50	2.94	1.53	Approx. 1.65	Approx. 3.15	Approx. 6.10
Export ratio (value basis)	30.5%	30.8%	30.6%	32.2%	36.0%	34.0%	32.0%

Note: Fiscal 2014 fourth-quarter, second-half, and full-year figures are forecasts.

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

	FY2013						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & export average	76,400	81,100	78,800	80,800	82,300	81,500	80,200

	FY2014 Forecast						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q Forecast	Subtotal	
Domestic & export average	82,500	82,300	82,400	82,200	Approx. 78,000	Approx. 80,000	Approx. 81,000

Note: Fiscal 2014 fourth-quarter, second-half, and full-year figures are forecasts.

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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