

April 25, 2014

Company name: Kobe Steel, Ltd.  
 President and CEO: Hiroya Kawasaki  
 Stock exchange code number: 5406

## Announcement on Earnings Forecast

TOKYO, April 25, 2014 – Kobe Steel, Ltd. announces its consolidated and nonconsolidated earnings forecast for fiscal 2014.

### First half fiscal 2014 consolidated forecast (April 1, 2014 – September 30, 2014)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
FY2013 results (A)	889,328	54,472	43,147	44,171	14.71 yen
Current forecast (B)	950,000	40,000	25,000	20,000	5.50 yen
Change (B-A)	60,671	(14,472)	(18,147)	(24,171)	
% change	6.8%	(26.6%)	(42.1%)	(54.7%)	

Figures are in millions of yen unless otherwise indicated. Sums under 1 million yen have been omitted.

### Fiscal 2014 consolidated forecast (April 1, 2014 – March 31, 2015)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
FY2013 results (A)	1,824,698	114,548	85,044	70,191	22.62 yen
Current forecast (B)	1,950,000	105,000	80,000	50,000	13.76 yen
Change (B-A)	125,301	(9,548)	(5,044)	(20,191)	
% change	6.9%	(8.3%)	(5.9%)	(28.8%)	

Figures are in millions of yen unless otherwise indicated. Sums under 1 million yen have been omitted.

### First half fiscal 2014 nonconsolidated forecast (April 1, 2014 – September 30, 2014)

	Net sales	Ordinary income	Net income	Net income per share
FY2013 results (A)	482,649	28,220	39,099	13.00 yen
Current forecast	505,000	5,000	15,000	4.12 yen
Change (B-A)	22,350	(23,220)	(24,099)	
% change	4.6%	(82.3%)	(61.6%)	

Figures are in millions of yen unless otherwise indicated. Sums under 1 million yen have been omitted.

### Fiscal 2014 nonconsolidated forecast (April 1, 2014 – March 31, 2015)

	Net sales	Ordinary income	Net income	Net income per share
FY2013 results (A)	993,743	58,355	56,660	18.23 yen
Current forecast	1,040,000	30,000	25,000	6.87 yen
Change (B-A)	46,256	(28,355)	(31,660)	
% change	4.7%	(48.6%)	(55.9%)	

Figures are in millions of yen unless otherwise indicated. Sums under 1 million yen have been omitted.

## Summary of Earnings Forecast

The world economy is anticipated to continue recovering in fiscal 2014. Although demand in fiscal 2014 is expected to soften following the last-minute surge in demand in fiscal 2013 prior to the increase in the consumption tax on April 1, domestic demand is anticipated to benefit from reconstruction demand and government economic measures. In overseas markets, demand is expected to continue gradually recovering, mainly in North America and Europe. However, the outlook is unclear due to a slowdown in the Chinese economy and the worsening economies of developing countries due to a tapering in quantitative easing in the United States. For the Kobe Steel Group, demand is anticipated to be strong in its business segments. However, there is concern that demand will be sluggish in developing countries, in addition to the unchanging situation of overcapacity of steel products in the Asian region.

Under these conditions, Kobe Steel anticipates that consolidated sales in fiscal 2014 will increase approximately 125 billion yen compared with the previous year to approximately 1,950 billion yen. In addition, the effect of inventory valuation is expected to worsen in the Iron & Steel Business, while the business performance of consolidated subsidiaries and equity-valued affiliates will be factored in. As a result, ordinary income is forecast to decrease approximately 5 billion yen compared with the previous year to approximately 80 billion yen. Net income is anticipated to decrease approximately 20 billion yen compared with the previous year to approximately 50 billion yen.

Looking at parent sales, similar to the consolidated forecast, the effect of inventory valuation is anticipated to worsen in the Iron & Steel Business. As a result, nonconsolidated sales in fiscal 2014 are anticipated to increase approximately 46 billion yen compared with the previous year to approximately 1,040 billion yen. Ordinary income is forecast to decrease approximately 28 billion yen compared with the previous year to approximately 30 billion yen. Net income is anticipated to decrease approximately 32 billion yen compared with the previous year to approximately 25 billion yen.

For more information, please refer to 1. Analysis of Operating Results in Kobe Steel's Consolidated Financial Results for Fiscal 2013, dated April 25, 2014.

### Note:

This earnings forecast is 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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