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Stock exchange code number: 5406

Revision to Consolidated Earnings Forecast and Announcement on Nonconsolidated Earnings Forecast for Fiscal 2015

TOKYO, September 28, 2015 – Kobe Steel, Ltd. announces today that it has revised its consolidated earnings forecast for fiscal 2015, ending March 31, 2016, from the previous forecast made on July 28, 2015, based on recent trends in its business performance.

In addition, Kobe Steel announces its nonconsolidated earnings forecast for fiscal 2015, as it has determined its financial outlook.

1. Revision to First-Half Fiscal 2015 Consolidated Forecast (April 1, 2015 – September 30, 2015)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Previous forecast (A)	950,000	50,000	40,000	20,000*	5.50 yen
Current forecast (B)	940,000	45,000	35,000	10,000	2.75 yen
Change (B-A)	(10,000)	(5,000)	(5,000)	(10,000)	
% change	(1.1)	(10.0)	(12.5)	(50.0)	
FY2014 first-half results	916,019	57,184	46,152	42,115	11.59 yen

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

*Net income attributable to owners of parent was disclosed as "net income" in the same period of the previous year.

2. Revision to Fiscal 2015 Consolidated Forecast (April 1, 2015 – March 31, 2016)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Previous forecast (A)	1,950,000	125,000	95,000	60,000*	16.51 yen
Current forecast (B)	1,900,000	95,000	65,000	25,000	6.88 yen
Change (B-A)	(50,000)	(30,000)	(30,000)	(35,000)	
% change	(2.6)	(24.0)	(31.6)	(58.3)	
FY2014 results	1,886,894	119,460	101,688	86,549	23.81 yen

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

*Net income attributable to owners of parent was disclosed as "net income" in the same period of the previous year.

3. Reason for the Revision

Compared with the previous consolidated forecast for the first half of fiscal 2015 announced on July 28, 2015, Kobe Steel anticipates that demand for hydraulic excavators will be lower than previously estimated mainly in China, where the impact of the economic slowdown is great. In addition, Kobe Steel anticipates that production volume at its Kakogawa Works will decrease due to temporary production trouble, resulting in higher maintenance and other costs. As a result, Kobe Steel has revised its consolidated forecast downward for the first half of fiscal 2015.

Looking at the full fiscal year, in addition to the above conditions, Kobe Steel anticipates deterioration in the business results mainly in overseas group companies and an increase in maintenance costs for the stable operation of steel production in Japan. In the Aluminum & Copper Business, the impact of inventory valuation is anticipated to worsen due to lower ingot prices. For these reasons, Kobe Steel has revised downward its consolidated forecast for fiscal 2015.

With regard to net income attributable to owners of parent, Kobe Steel anticipates losses, including a write-down of valuation due to poor business performance mainly in an affiliated company in the construction machinery business in China.

4. First-Half Fiscal 2015 Nonconsolidated Forecast (April 1, 2015 – September 30, 2015)

	Net sales	Ordinary income	Net income for half-year period	Net income per share
FY2014 results for same period (A)	494,323	17,188	23,676	6.50 yen
Current forecast (B)	510,000	25,000	20,000	5.50 yen
Change (B-A)	15,676	7,811	(3,676)	
% change	3.2	45.4	(15.5)	

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

5. Fiscal 2015 Nonconsolidated Forecast (April 1, 2015 – March 31, 2016)

	Net sales	Ordinary income	Net income	Net income per share
FY2014 results	1,028,146	46,600	52,321	14.37 yen
Current forecast (B)	1,010,000	35,000	25,000	6.87 yen
Change (B-A)	(18,146)	(11,600)	(27,321)	
% change	(1.8)	(24.9)	(52.2)	

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

6. Reason for the Difference between Fiscal 2015 First-Half and Full-Year Nonconsolidated Forecasts and Actual Results for First Half and Full-Year Fiscal 2014

Comparing the nonconsolidated forecast for the first half of fiscal 2015 with nonconsolidated actual results for the same period last year, both sales and ordinary income in the first half of fiscal 2015 are anticipated to increase, due to the increase in the sales volume of aluminum rolled products, an order for a large direct reduction plant in the Engineering Business, and the steady rise in cost reduction benefits mainly in the Iron & Steel Business owing to capital investments undertaken to date.

However, net income for the first half of fiscal 2015 is anticipated to decrease, compared with the same period last year, as there will be no effect from higher deferred tax assets.

Comparing the nonconsolidated forecast for the entire fiscal 2015 with nonconsolidated actual results for fiscal 2014, both sales and ordinary income are anticipated to decrease. Reasons include a decline in the effect of inventory valuation due to lower main raw material prices in the Iron & Steel Business and ingot prices in the Aluminum & Copper Business. In the Machinery Business, profitability is anticipated to decline due to intensification of the competitive environment.

Net income for fiscal 2015 is anticipated to decrease, compared with the previous year, as there will be no effect from higher deferred tax assets.

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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