

Kobe Steel's Consolidated Financial Results for First Half of Fiscal 2015 (April 1 – September 30, 2015)

October 30, 2015

Company name:	Kobe Steel, Ltd.
Code number:	5406
Stock exchanges where shares are listed:	Tokyo and Nagoya, Japan
Website:	http://www.kobelco.co.jp/english/
President & CEO:	Hiroya Kawasaki
Filing of quarterly report:	November 6, 2015
Dividend payments begin:	December 1, 2015
Supplemental information available:	Yes
IR Briefing:	Yes (in Japanese only)

(Sums under 1 million yen have been omitted.)

1. First Half FY2015 Consolidated Financial Results (April 1 - September 30, 2015)

(1) Consolidated operating results

(In millions of yen)	FY2014 1H	% change*	FY2015 1H	% change*
Net sales	916,019	3.0%	928,629	1.4%
Operating income	57,184	5.0%	47,065	(17.7%)
Ordinary income	46,152	7.0%	33,082	(28.3%)
Net income attributable to owners of the parent	42,115	(4.7%)	13,428	(68.1%)
Net income per share	11.59 yen		3.70 yen	
Diluted net income per share	---		---	

Comprehensive income in FY2014 1H: 45,111 million yen FY2015 1H: (5,985 million yen)

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

(2) Consolidated financial position

(In millions of yen)	FY2014	FY2015 1H
Total assets	2,300,241	2,267,136
Net assets	851,785	835,730
Equity ratio	33.8%	33.8%

Stockholders' equity at FY2014: 776,491 million yen September 30 2015: 766,408 million yen

2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2014	---	2.00	---	2.00	4.00
FY2015	---	2.00	---	---	---
FY2015 Forecast	---	---	---	---	---

Revision to dividend forecast in FY2015 2Q: No

The dividend for the end of fiscal 2015 is undetermined.

3. Consolidated Forecast for Fiscal 2015 (April 1, 2015 - March 31, 2016)

(In millions of yen)	FY2015	% change*
Net sales	1,870,000	(0.9%)
Operating income	90,000	(24.7%)
Ordinary income	55,000	(45.9%)
Net income attributable to owners of the parent	20,000	(76.9%)
Net income per share	5.50 yen	

* Indicates percentage of change from the previous fiscal year

Revision to consolidated forecast in FY2015 2Q: Yes

For more information about consolidated forecast for fiscal 2015, please refer to "Announcement on the Difference between the Consolidated Forecast and Actual Results for the First Half of Fiscal 2015" dated October 30, 2015.

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

(4) Number of issued shares

	FY2014	FY 2015 1H
Common stock (number of issued shares)	3,643,642,100	3,643,642,100
Treasury stock (number of shares)	10,082,049	19,146,186
Average number of shares in 1H	3,633,668,656*	3,629,020,810

*FY2014 1H

1. Qualitative Information on Operating Results for First Half of Fiscal 2015

Japan's economy in the first half of fiscal 2015 (April 1-September 30, 2015) had recovered, compared with the same period last year, which was affected by the downturn from the last-minute surge in demand prior to the rise in the consumption tax on April 1, 2014. Personal spending and capital investments continued to grow moderately. Overseas, the economies of the United States and Europe continued on a moderate recovery trend. However, the economies of China and Southeast Asia continued on a deceleration trend.

In this economic environment at the Kobe Steel Group, the sales volume of steel products was at a similar level to the same period last year. Although demand remained firm in the shipbuilding sector, demand decreased in the automotive sector. The sales volume of aluminum rolled products rose, compared with the same period last year, as demand for can stock for beverage containers increased. The sales volume of copper rolled products decreased, compared with the same period last year, due to lower demand for copper strip and copper tubes. Unit sales of hydraulic excavators decreased, compared with the same period last year, due to a drastic drop in demand in China and Southeast Asia, which were largely affected by economic deceleration.

As a result, consolidated sales in the first half of fiscal 2015 were flat year on year at 928.6 billion yen. However, operating income decreased 10.1 billion yen, compared with the same period last year, to 47.0 billion yen. Ordinary income* (also known as "pretax recurring profit" or simply "pretax profit") decreased 13.0 billion yen, compared with the same period last year, to 33.0 billion yen. Kobe Steel posted an extraordinary loss due to loss on the valuation of investment securities from an affiliated company in the construction machinery business in China in the first quarter (April-June period). Kobe Steel also posted an extraordinary loss related to the business valuation of group companies. As a result, net income attributable to owners of the parent decreased 28.6 billion yen to 13.4 billion yen, compared with the same period last year, which saw an increase in deferred tax assets.

Conditions in the business segments for the first half of fiscal 2015 follow below.

Iron & Steel Business

Although demand was firm in the shipbuilding sector, demand decreased in the automotive sector as new car sales in Japan continued to go down, compared with the last year. As a result, the sales volume of steel products was at a similar level to the same period last year. However lower primary raw material prices led to a decrease in the sales price, compared with the same period last year.

Sales of steel castings and forgings increased, compared with the same period last year, owing to firm demand from the domestic shipbuilding sector. Sales of titanium products increased, compared with the same period last year, due to changes in the sales mix of products.

As a result, consolidated segment sale in the first half of fiscal 2015 decreased 2.4 percent, compared with the same period last year, to 377.4 billion yen. Ordinary income* decreased 2.9 billion yen, compared with the same period last year, to 7.5 billion yen, due to lower inventory valuation from the fall in primary raw material prices.

Welding Business

The sales volume of welding materials decreased compared with the same period last year. Although domestic demand remained firm in the shipbuilding sector, demand decreased in China, Southeast Asia and the United States. However, sales of welding systems increased, compared with the same period last year, owing to firm demand from the domestic construction sector.

As a result, consolidated segment sales in the first half of fiscal 2015 increased 2.2 percent, compared with the same period last year, to 46.6 billion yen. Ordinary income* decreased 0.3 billion yen, compared with the same period last year, to 4.3 billion yen.

Aluminum & Copper Business

The sales volume of aluminum rolled products increased, compared with the same period last year, owing to higher demand for can stock for beverage containers and efforts to expand sales, mainly exports, in the automotive sector. Sales of aluminum castings and forgings also increased, compared with the same period last year, due to firm demand from the overseas automotive market.

The sales volume of copper rolled products decreased, compared with the same period last year, due to lower demand for copper strip used in automotive terminals and semiconductors, and copper tubes for air conditioners.

As a result, consolidated segment sales in the first half of fiscal 2015 increased 10.4 percent, compared with the same period last year, to 178.3 billion yen. Ordinary income* increased 3.3 billion yen, compared with the same period last year, to 9.4 billion yen.

Machinery Business

Consolidated orders in the first half of fiscal 2015 amounted to 73.6 billion yen, a similar level to the same period last year, owing to overseas orders for large plastic processing machinery, although orders for compressors for the petroleum refining and petrochemical industries declined. The consolidated backlog of orders at the end of the first half of fiscal 2015 stood at 139.2 billion yen.

Consolidated segment sales in the first half of fiscal 2015 increased 11.3 percent, compared with the same period last year, to 81.2 billion yen, owing to the posting of sales of compressors for the petrochemical sector. However, ordinary income* declined 0.4 billion yen, compared with the same period last year, to 2.8 billion yen, due to profit decline from intensification of the competitive environment mainly for compressors and plastic processing machinery.

Engineering Business

Consolidated orders in the first half of fiscal 2015 increased 192.9 percent, compared with the same period last year, to 42.5 billion yen, owing to an order for a large direct reduction plant in Algeria. The consolidated backlog of orders at the end of the first half of fiscal 2015 was 88.9 billion yen.

Consolidated segment sales in the first half of fiscal 2015 increased 34.2 percent, compared with the same period last year, to 25.5 billion yen as construction work progressed on large direct reduction plants. Ordinary income* increased 2.5 billion yen, compared with the same period last year, to 2.0 billion yen.

Kobelco Eco-Solutions

Consolidated orders in the first half of fiscal 2015 increased 3.0 percent, compared with the same period last year, to 46.6 billion yen, owing to higher orders in the water treatment-related business. The consolidated backlog of orders at the end of fiscal 2015 stood at 63.8 billion yen.

Consolidated segment sales in the first half of fiscal 2015 increased 17.2 percent, compared with the same period last year, to 31.8 billion yen as construction progressed on previously ordered large projects in the waste treatment-related business. Ordinary income* increased 0.2 billion yen, compared with the same period last year, to 0.6 billion yen.

Kobelco Construction Machinery

Unit sales of hydraulic excavators decreased in the first half of fiscal 2015, compared with the same period last year. In Japan, there was saturation of replacement demand. In overseas markets, demand

drastically declined in China and Southeast Asia, which were greatly impacted by the economic slowdown.

As a result, consolidated segment sales in the first half of fiscal 2015 decreased 13.4 percent, compared with the same period last year, to 147.0 billion yen. Ordinary income* decreased 16.6 billion yen, compared with the same period last year, to ordinary loss* of 0.4 billion yen.

Kobelco Cranes

Unit sales of crawler cranes increased in the first half of fiscal 2015, compared with the same period last year, as domestic demand remained steady.

As a result, consolidated segment sales in the first half of fiscal 2015 increased 8.8 percent, compared with the same period last year, to 39.0 billion yen. Due to higher expenses for the quality maintenance and improvement of products, ordinary income* decreased 0.7 billion yen, compared with the same period last year, to 2.4 billion yen.

Other Businesses

At Shinko Real Estate Co., Ltd., the residential property sales business saw an increase in the number of handovers, and the leasing business remained firm. At Kobelco Research Institute, Inc.'s testing and research business, demand in the automotive-related sector remained firm.

Due to these conditions, consolidated segment sales in the first half of fiscal 2015 increased 17.2 percent, compared with the same period last year, to 35.7 billion yen. Ordinary income* increased 1.4 billion yen, compared with the same period last year, to 3.3 billion yen.

*** Definition of Ordinary Income (Loss)**

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

2. Qualitative Information on Consolidated Earnings Forecast

Although Japan's economy continues on a moderate recovery, the world economy faces strong uncertainty, due to the rapid decrease in demand from the decelerating economies of China and other emerging countries, leading to concern over future prospects.

In light of these conditions, Kobe Steel forecasts the following conditions in its business segments for the third quarter of fiscal 2015 (October-December period) and beyond.

Iron & Steel Business

Recovery in demand for steel products from the domestic automotive sector is anticipated to be delayed. In overseas markets, demand is also forecast to be weak. In the Asian region, the supply and demand environment and market conditions for steel products are expected to grow increasingly intense. In this unpredictable business environment, Kobe Steel intends to pay close attention to domestic and overseas market trends.

Demand for steel castings and forgings from the shipbuilding sector is expected to remain firm. Demand for titanium products is anticipated to gradually recover.

Welding Business

Demand for welding systems used in domestic construction is anticipated to remain firm. For welding materials, the impact of the long-term slowdown in China and Southeast Asia is a concern.

Aluminum & Copper Business

Demand mainly for aluminum can stock for beverage containers and from the automotive sector is anticipated to remain firm. Demand for copper strips and copper tubes is anticipated to gradually recover. However, there is concern over the impact of lower inventory valuation, due to lower aluminum and copper ingot prices.

Machinery Business

Due to the low price of crude oil, demand for compressors used in the oil refining and petrochemical sectors is anticipated to remain sluggish mainly in overseas markets, and the intense competitive

environment is expected to continue.

Engineering Business

In the nuclear power-related field, demand for the treatment of contaminated material is expected to continue. In the ironmaking plant-related field, poor opportunities for large capital investments are anticipated to continue, due to the worldwide sluggish iron unit prices.

Kobelco Eco-Solutions

Domestic public investments in the water treatment-related business are anticipated to remain low. Domestic public investments in the waste treatment-related business are seen to continue at current levels. Although domestic private-sector capital investments in the water treatment-related business and chemical and food equipment-related business are on a recovery trend, the outlook continues to remain unclear.

Kobelco Construction Machinery

Domestic demand is anticipated to remain sluggish. In overseas markets, demand is anticipated to remain firm in the housing-related field in North America. However, demand is anticipated to remain sluggish in China and Southeast Asia, due to the prolonged economic slowdown.

Kobelco Cranes

With variations from area to area, domestic demand is anticipated to remain firm primarily in eastern Japan. Overseas demand is anticipated to remain firm in North America, but decrease in Southeast Asia.

Other Businesses

At Shinko Real Estate Co., Ltd., the residential property sales business and leasing business are anticipated to remain firm. At Kobelco Research Institute, Inc., demand in the testing and research business is anticipated to remain firm mainly for automotive sector.

Based on these factors, Kobe Steel's consolidated sales for fiscal 2015, ending March 2016, are anticipated to be approximately 1,870.0 billion yen. Ordinary income* is forecast to be approximately 55.0 billion yen. Net income attributable to owners of the parent is anticipated to be approximately 20.0 billion yen.

Dividends

Kobe Steel's basic policy is to provide continuous and stable dividends to its stockholders. Dividends are decided taking into account the Company's financial condition, business performance, future capital needs and other factors from a comprehensive standpoint. Based on these factors, Kobe Steel has decided to pay an interim dividend of 2 yen per share for the first half of fiscal 2015.

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CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

Assets	FY2014 Ended Mar. 31, 2015	FY2015 1st Half Ended Sep. 30, 2015
Current assets		
Cash and deposits	103,181	131,729
Notes and accounts receivable	355,579	331,963
Merchandise and finished goods	185,077	188,690
Work-in-process	119,436	123,148
Raw materials and supplies	138,161	141,688
Other	160,218	156,830
Allowance for doubtful accounts	(8,648)	(14,317)
Total current assets	<u>1,053,006</u>	<u>1,059,732</u>
Fixed assets		
Property, plant and equipment		
Buildings and structures	288,175	282,354
Machinery and equipment	401,505	394,964
Land	195,837	195,115
Other	41,475	44,474
Total tangible fixed assets	<u>926,994</u>	<u>916,909</u>
Intangible fixed assets	20,038	20,366
Investments and other assets		
Investments in securities	207,931	180,355
Other	94,501	92,135
Allowance for doubtful accounts	(2,230)	(2,363)
Total investments and other assets	<u>300,201</u>	<u>270,126</u>
 Total fixed assets	 <u>1,247,234</u>	 <u>1,207,403</u>
 Total assets	 <u>2,300,241</u>	 <u>2,267,136</u>

Liabilities	FY2014 Ended Mar. 31, 2015	FY2015 1st Half Ended Sep. 30, 2015
Current liabilities		
Notes and accounts payable	424,269	398,924
Short-term borrowings	221,371	235,026
Current portion of Bonds	20,000	---
Income and enterprise taxes payable	14,010	6,040
Provisions	38,565	38,745
Other	145,238	140,285
Total current liabilities	<u>863,455</u>	<u>819,022</u>
Long-term liabilities		
Bonds and notes	131,000	201,000
Long-term borrowings	304,974	265,116
Net defined benefit liability	59,573	58,650
Provisions	15,697	15,730
Other	73,756	71,885
Total long-term liabilities	<u>585,001</u>	<u>612,383</u>
Total liabilities	<u>1,448,456</u>	<u>1,431,405</u>
Net Assets		
Stockholders' equity		
Common stock	250,930	250,930
Capital surplus	100,782	100,783
Retained earnings	392,652	398,802
Treasury stock, at cost	(2,996)	(4,690)
Total stockholders' equity	<u>741,368</u>	<u>745,826</u>
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	27,097	14,554
Unrealized losses on hedging derivatives, net of taxes	(2,415)	(3,561)
Land revaluation differences, net of taxes	(3,560)	(3,560)
Foreign currency translation adjustments	22,892	22,245
Remeasurements of defined benefit plans, net of taxes	(8,891)	(9,096)
Total accumulated other comprehensive income	<u>35,122</u>	<u>20,582</u>
Non-controlling interests	75,293	69,321
Total net assets	<u>851,785</u>	<u>835,730</u>
Total liabilities and net assets	<u>2,300,241</u>	<u>2,267,136</u>

(2) Consolidated Statements of Income

(In millions of yen)

	FY2014 1st Half Ended Sep. 30, 2014	FY2015 1st Half Ended Sep. 30, 2015
Net sales	916,019	928,629
Cost of sales	766,105	782,117
Gross profit	149,914	146,511
Selling, general and administrative expenses	92,730	99,446
Operating income	57,184	47,065
Non-operating income		
Interest income	1,984	1,997
Dividend income	1,585	2,039
Reimbursement of seconded employees' salaries	2,615	2,505
Equity in income of equity method companies	2,191	---
Other	5,524	6,168
Total non-operating income	13,901	12,710
Non-operating expenses		
Interest expense	7,791	7,442
Seconded employees' salaries	6,374	5,846
Equity in loss of equity method companies	---	936
Other	10,766	12,467
Total non-operating expenses	24,932	26,693
Ordinary income	46,152	33,082
Extraordinary loss		
Loss on write-down of investment securities	---	6,205
Loss on business of subsidiaries and associates	---	3,254
Total extraordinary loss	---	9,459
Income before income taxes and non-controlling interests	46,152	23,622
Income taxes		
Current	10,255	9,136
Deferred	(10,349)	4,273
Total income taxes	(94)	13,409
Income before non-controlling interests	46,246	10,213
Net income attributable to non-controlling interests	4,131	(3,215)
Net income attributable to owners of the parent	42,115	13,428

(3) Consolidated Statements of Comprehensive Income

(In millions of yen)

	<u>FY2014 1st Half</u> <u>Ended Sep. 30, 2014</u>	<u>FY2015 1st Half</u> <u>Ended Sep. 30, 2015</u>
Income before minority interests	46,246	10,213
Other comprehensive income (loss)		
Unrealized gains or losses on securities, net of taxes	4,953	(12,131)
Unrealized losses on hedging derivatives, net of taxes	(117)	(1,527)
Foreign currency translation adjustments	(8,507)	(1,899)
Remeasurements of defined benefit plans, net of taxes	2,424	(191)
Share of other comprehensive income related to affiliates	112	(448)
Total other comprehensive loss	<u>(1,134)</u>	<u>(16,198)</u>
Comprehensive income (loss)	<u>45,111</u>	<u>(5,985)</u>
Breakdown of total comprehensive income attributed to:		
Stockholders of the parent	43,531	(1,111)
Non-controlling interests	1,579	(4,873)

(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 the First Half of Fiscal 2015

(April 1 – September 30, 2015)

Consolidated Operating Results for the First Half of Fiscal 2015 (In billions of yen)

	FY2014 1st Half	FY2015 1st Half	% change
Net sales	916.0	928.6	1.4%
Operating income	57.1	47.0	(17.7%)
Ordinary income	46.1	33.0	(28.3%)
Extraordinary loss	---	(9.4)**	---
Net income attributable to owners of the parent*	42.1	13.4	(68.1%)

*Due to a revision of the "Accounting Standard for Business Combinations", "net income" was changed to "net income attributable to owners of the parent" from fiscal 2015.

**Loss on write-down of investment securities: 6.2 billion yen

Loss on business of subsidiaries and associates: 3.2 billion yen

Interim Dividend: 2 yen

FY2015 Consolidated Forecast (In billions of yen)

	FY2014	FY2015			FY2015 Previous Forecast (Sep. 28, 2015)
		1st Half	2nd Half Forecast	Full Year Forecast	
Net sales	1,886.8	928.6	941.4	1,870.0	1,900.0
Operating income	119.4	47.0	43.0	90.0	95.0
Ordinary income	101.6	33.0	22.0	55.0	65.0
Extraordinary income (loss)	2.6	(9.4)	(10.6)	(20.0)	(20.0)
Net income attributable to owners of the parent*	86.5	13.4	6.6	20.0	25.0

*Due to a revision of the "Accounting Standard for Business Combinations", "net income" was changed to "net income attributable to owners of the parent" from fiscal 2015.

FY2015 First Half

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

		FY2014 1st Half	FY2015 1st Half	% change
Iron & Steel	Sales	386.6	377.4	(2.4%)
	Ordinary income	10.4	7.5	(28.2%)
Welding	Sales	45.6	46.6	2.2%
	Ordinary income	4.6	4.3	(7.2%)
Aluminum & Copper	Sales	161.5	178.3	10.4%
	Ordinary income	6.0	9.4	55.3%
Machinery	Sales	73.0	81.2	11.3%
	Ordinary income	3.2	2.8	(13.1%)
Engineering	Sales	19.0	25.5	34.2%
	Ordinary income (loss)	(0.5)	2.0	---
Kobelco Eco-Solutions	Sales	27.1	31.8	17.2%
	Ordinary income	0.3	0.6	67.6%
Kobelco Construction Machinery	Sales	169.7	147.0	(13.4%)
	Ordinary income (loss)	16.1	(0.4)	---
Kobelco Cranes	Sales	35.8	39.0	8.8%
	Ordinary income	3.1	2.4	(23.1%)
Other Businesses	Sales	30.4	35.7	17.2%
	Ordinary income	1.9	3.3	72.6%
Adjustment	Sales	(33.1)	(34.3)	---
	Ordinary income	0.5	1.0	82.6%
Total	Sales	916.0	928.6	1.4%
	Ordinary income	46.1	33.0	(28.3%)

(2) Production, Sales & Orders

1. Steel Products (Non-consolidated)

Production & Sales Volume (In millions of metric tons)

	FY2014 1st Half	FY2015 1st Half	% change
Crude steel	3.67	3.67	0.1%
Sales volume	2.94	2.97	1.0%
Export ratio (value basis)	30.6%	34.2%	---

Unit Sales (In yen per metric ton)

	FY2014 1st Half	FY2015 1st Half	% change
Domestic & export average	82,400	78,700	(4.5%)

2. Aluminum & Copper Rolled Products (Non-consolidated, in thousands of metric tons)

Sales Volume

	FY2014			FY2015 1st Half
	1st Half	2nd Half	Full Year	
Aluminum rolled products	154	162	316	173
Copper sheet and strip	27	27	54	25
Copper tube*	45	40	85	42

*Consolidated

3. Machinery Business (Consolidated, in billions of yen)

Orders

	FY2014			FY2015 1st Half
	1st Half	2nd Half	Full Year	
Domestic	24.2	21.4	45.6	26.1
Overseas	49.4	46.3	95.7	47.4
Total orders	73.7	67.6	141.3	73.6

Backlog of Orders (As of the end of each period)

	FY2014		FY2015 1st Half
	1st Half	2nd Half	
Domestic	36.2	33.3	41.5
Overseas	105.8	100.0	97.6
Total orders	142.1	133.3	139.2

4. Engineering Business (Consolidated, in billions of yen)

Orders

	FY2014			FY2015
	1st Half	2nd Half	Full Year	1st Half
Domestic	11.3	7.5	18.9	2.2
Overseas	3.1	3.1	6.3	40.2
Total orders	14.5	10.7	25.2	42.5

Backlog of Orders (As of the end of each period)

	FY2014		FY2015
	1st Half	2nd Half	1st Half
Domestic	47.7	46.5	43.9
Overseas	32.9	21.6	44.9
Total orders	80.7	68.2	88.9

5. Kobelco Eco-Solutions (Consolidated, in billions of yen)

Orders

	FY2014			FY2015
	1st Half	2nd Half	Full Year	1st Half
Total orders	45.2	24.6	69.9	46.6

Backlog of Orders (As of the end of each period)

	FY2014		FY2015
	1st Half	2nd Half	1st Half
Total orders	65.3	49.0	63.8

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

Comparison of FY2014 1st Half and FY2015 1st Half

	FY2014 1st Half	FY2015 1st Half	Amount of Decrease
Ordinary income	46.1	33.0	(13.0)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	44.0	Production & shipments	(24.0)
		Overall cost	(2.5)
		Effect of steel inventory valuation*	(4.0)
		Consolidated subsidiaries & equity-valued affiliates	(15.0)
		Effect of changes in foreign exchange rates on steel business	(7.5)
		Other	(4.0)
Total	44.0	Total	(57.0)

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

FY2015 Forecast

(1) Consolidated Sales & Ordinary Income (loss) for FY2015 by Segment (In billions of yen)

		FY2014	FY2015			FY2015 Previous Forecast (Sep. 28)
			1st half	2nd half Forecast	Full year Forecast	
Iron & Steel	Sales	797.8	377.4	367.6	745.0	760.0
	Ordinary income	28.7	7.5	12.5	20.0	25.0
Welding	Sales	94.4	46.6	46.4	93.0	93.0
	Ordinary income	10.2	4.3	3.7	8.0	8.0
Aluminum & Copper	Sales	330.8	178.3	171.7	350.0	355.0
	Ordinary income	15.1	9.4	4.6	14.0	14.0
Machinery	Sales	159.1	81.2	92.8	174.0	174.0
	Ordinary income	10.4	2.8	3.7	6.5	6.5
Engineering	Sales	49.0	25.5	25.5	51.0	51.0
	Ordinary income (loss)	0.7	2.0	(1.5)	0.5	0.5
Kobelco Eco-Solutions	Sales	68.1	31.8	52.7	84.5	84.5
	Ordinary income	3.0	0.6	2.7	3.3	3.3
Kobelco Construction Machinery	Sales	311.0	147.0	133.0	280.0	285.0
	Ordinary income (loss)	21.0	(0.4)	1.4	1.0	3.0
Kobelco Cranes	Sales	71.1	39.0	37.0	76.0	78.0
	Ordinary income	5.1	2.4	1.1	3.5	4.5
Other Businesses	Sales	76.0	35.7	42.3	78.0	78.0
	Ordinary income	7.0	3.3	4.2	7.5	7.5
Adjustment	Sales	(70.7)	(34.3)	(27.2)	(61.5)	(58.5)
	Ordinary income (loss)	(0.0)	1.0	(10.3)	(9.3)	(7.3)
Total	Sales	1,886.8	928.6	941.4	1,870.0	1,900.0
	Ordinary income	101.6	33.0	22.0	55.0	65.0

(2) Production & Sales of Steel Products (Non-consolidated, in millions of metric tons)

	FY2014	FY2015			FY2015 Forecast (Jul. 28)
		1st Half	2nd Half Forecast	Full Year Forecast	
Crude steel	7.48	3.67	Approx. 3.80	Approx. 7.45	Approx. 7.70
Sales volume	6.05	2.97	Approx. 3.00	Approx. 5.95	Approx. 6.20
Export ratio (value basis)	32.1%	34.2%	29%	32%	34%

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

Comparison of FY2015 1st Half and FY2015 2nd Half Forecast

	FY2015 1st Half	FY2015 2nd Half Forecast	Amount of Decrease
Ordinary income	33.0	22.0	(11.0)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	6.0	Production & shipments	(9.5)
Overall cost reduction	5.0	Effect of aluminum & copper inventory valuation*	(3.5)
Effect of steel inventory valuation*	1.5	Other	(12.0)
Consolidated subsidiaries & equity-valued affiliates	1.5		
Total	14.0	Total	(25.0)

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

Comparison of FY2014 Result and FY2015 Forecast

	FY2014	FY2015 Forecast	Amount of Decrease
Ordinary income	101.6	55.0	(46.6)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	72.0	Production & shipments	(54.0)
		Overall cost	(0.5)
		Effect of steel inventory valuation*	(5.5)
		Effect of aluminum & copper inventory valuation*	(5.0)
		Consolidated subsidiaries & equity-valued affiliates	(22.0)
		Effect of changes in foreign exchange rates on steel business	(10.5)
		Other	(21.1)
Total	72.0	Total	(118.6)

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

Comparison of Current Forecast and July 28 Forecast for FY2015

	July 28 Forecast	Current Forecast	Amount of Decrease
Ordinary income	95.0	55.0	(40.0)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	4.5	Production & shipments	(7.5)
		Overall cost	(2.5)
		Effect of steel inventory valuation*	(2.5)
		Effect of aluminum & copper inventory valuation*	(4.0)
		Consolidated subsidiaries & equity-value affiliates	(12.5)
		Other	(15.5)
Total	4.5	Total	(44.5)

* 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 FY2015

	Previous Forecast	Current Forecast	Amount of Decrease
Ordinary income	65.0	55.0	(10.0)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	1.5	Production & shipments	(3.0)
Overall cost	2.0	Effect of steel inventory valuation*	(1.5)
		Consolidated subsidiaries & equity-valued affiliates	(2.0)
		Other	(7.0)
Total	3.5	Total	(13.5)

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

Other**(1) Cash Flow & Outside Debt** (Consolidated, in billions of yen)**Cash Flow**

	FY2014			FY2015		
	1st Half	2nd Half	Full Year	1st Half	2nd Half Forecast	Full Year Forecast
Free cash flow	33.2	36.4	69.6	17.7	(17.7)	0.0

(Excludes cash flow from IPP project financing)

Outside Debt (As of the end of each period)

	FY2014		FY2015	
	1st Half	2nd Half	1st Half	2nd Half Forecast
Outside debt*	680.8	650.9	681.1	660.0
D/E ratio (times) **	0.97	0.88	0.91	1 or less

* Excludes debt from IPP project financing.

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

(2) Exchange Rates

	FY2014	FY2015	
		1st Half	2nd Half Forecast
1 U.S. dollar to yen	110 yen	122 yen	120 yen
1 Chinese yuan to yen	17.7 yen	19.5 yen	19.0 yen

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

	FY2014	FY2015		
		1st Half	2nd Half Forecast	Full Year Forecast
Capital investment (accrual basis)	103.5	43.4	71.6	115.0
Depreciation	89.8	46.4	48.6	95.0

FOR REFERENCE

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

		FY2014							FY2015 Forecast				
		1st Half			2nd Half			Total	1st Half			2nd Half	Total
		1Q	2Q	Subtotal	3Q	4Q	Subtotal		1Q	2Q	Subtotal		
Iron & Steel	Sales	186.7	199.8	386.6	200.3	210.7	411.1	797.8	189.1	188.2	377.4	367.6	745.0
	Ordinary income	3.1	7.2	10.4	9.9	8.4	18.3	28.7	6.0	1.5	7.5	12.5	20.0
Welding	Sales	22.7	22.9	45.6	24.3	24.4	48.8	94.4	23.2	23.4	46.6	46.4	93.0
	Ordinary income	2.1	2.5	4.6	2.8	2.7	5.6	10.2	2.0	2.2	4.3	3.7	8.0
Aluminum & Copper	Sales	81.8	79.6	161.5	82.9	86.3	169.3	330.8	92.8	85.5	178.3	171.7	350.0
	Ordinary income	3.6	2.4	6.0	4.6	4.4	9.1	15.1	6.2	3.1	9.4	4.6	14.0
Machinery	Sales	36.9	36.0	73.0	37.4	48.6	86.1	159.1	40.5	40.7	81.2	92.8	174.0
	Ordinary income	1.9	1.2	3.2	4.4	2.6	7.1	10.4	1.6	1.1	2.8	3.7	6.5
Engineering	Sales	8.6	10.4	19.0	11.1	18.8	29.9	49.0	10.3	15.2	25.5	25.5	51.0
	Ordinary income (loss)	(0.4)	(0.1)	(0.5)	(0.2)	1.5	1.3	0.7	(0.3)	2.4	2.0	(1.5)	0.5
Kobelco Eco-Solutions	Sales	12.0	15.1	27.1	16.3	24.5	40.9	68.1	14.5	17.3	31.8	52.7	84.5
	Ordinary income	0.0	0.3	0.3	0.9	1.7	2.6	3.0	0.3	0.2	0.6	2.7	3.3
Kobelco Construction Machinery	Sales	81.2	88.4	169.7	70.0	71.2	141.2	311.0	70.3	76.6	147.0	133.0	280.0
	Ordinary income (loss)	7.5	8.6	16.1	4.4	0.4	4.8	21.0	1.2	(1.7)	(0.4)	1.4	1.0
Kobelco Cranes	Sales	16.9	18.9	35.8	15.8	19.3	35.2	71.1	18.1	20.9	39.0	37.0	76.0
	Ordinary income	1.7	1.4	3.1	1.3	0.6	1.9	5.1	1.0	1.4	2.4	1.1	3.5
Other Businesses	Sales	14.3	16.0	30.4	17.2	28.3	45.5	76.0	18.1	17.6	35.7	42.3	78.0
	Ordinary income	0.9	0.9	1.9	1.8	3.2	5.1	7.0	1.9	1.3	3.3	4.2	7.5
Adjustment	Sales	(16.7)	(16.4)	(33.1)	(18.0)	(19.5)	(37.6)	(70.7)	(17.1)	(17.1)	(34.3)	(27.2)	(61.5)
	Ordinary income (loss)	0.7	(0.2)	0.5	1.3	(1.9)	(0.5)	(0.0)	1.5	(0.4)	1.0	(10.3)	(9.3)
Total	Sales	444.7	471.2	916.0	457.7	513.1	970.8	1,886.8	460.0	468.5	928.6	941.4	1,870.0
	Ordinary income	21.5	24.5	46.1	31.5	23.9	55.5	101.6	21.8	11.2	33.0	22.0	55.0
Net income attributable to owners of the parent*		22.9	19.1	42.1	22.0	22.4	44.4	86.5	11.8	1.5	13.4	6.6	20.0

*Due to a revision of the "Accounting Standard for Business Combinations", "net income" was changed to "net income attributable to owners of the parent" from fiscal 2015.

(2) Quarterly Production & Sales of Steel Products (Non-consolidated)

Production & Sales Volume (In millions of metric tons)

	FY2014						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	1.77	1.90	3.67	1.92	1.89	3.81	7.48
Sales volume	1.44	1.50	2.94	1.53	1.58	3.11	6.05
Export ratio (value basis)	30.5%	30.8%	30.6%	32.2%	34.9%	33.6%	32.1%

	FY2015 Forecast				
	1st Half			2nd Half	Total
	1Q	2Q	Subtotal		
Crude steel	1.84	1.83	3.67	Approx. 3.80	Approx. 7.45
Sales volume	1.48	1.49	2.97	Approx. 3.00	Approx. 5.95
Export ratio (value basis)	34.8%	33.6%	34.2%	29%	32%

Unit Sales (In yen per metric ton)

	FY2014						
	1st Half			2nd Half			Full Year
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & export average	82,500	82,300	82,400	82,200	79,900	81,000	81,700

	FY2015		
	1st Half		
	1Q	2Q	Subtotal
Domestic & export average	80,500	77,000	78,700

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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