

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

October 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: November 7, 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 Half FY2013 Consolidated Financial Results (April 1 - September 30, 2013)

(1) Consolidated operating results

(In millions of yen)	FY2012 1H	% change*	FY2013 1H	% change*
Net sales	858,552	(10.6%)	889,328	3.6%
Operating income	5,554	(89.3%)	54,472	880.8%
Ordinary income (loss)	(11,009)	---	43,147	---
Net income (loss)	(38,199)	---	44,171	---
Net income (loss) per share	(12.72 yen)		14.71 yen	
Diluted net income per share	---		---	

Comprehensive income (loss) in FY2013 1H: 67,523 million yen FY2012 1H: (36,433 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 1H
Total assets	2,226,996	2,269,268
Net assets	569,922	634,238
Net worth ratio	23.0%	25.2%

Shareholders' equity at September 30, 2013: 571,006 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	---	0.00	---	---	---
FY2013 Forecast	---	---	---	---	---

Revision to dividend forecast in FY2013 2Q: No

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	% change*
Net sales	1,840,000	9.2%
Operating income	95,000	745.6%
Ordinary income	70,000	---
Net income	60,000	---
Net income per share	19.99 yen	

* Indicates percentage of change from the previous fiscal year

Revision to consolidated forecast in FY2013 2Q: 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 1H
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	114,187,811	113,825,839
Average number of shares in 1H	3,000,925,307*	3,001,302,779

*FY2012 1H

1. Qualitative Information on Operating Results for First Half of Fiscal 2013

Japan's economy continued on track to recovery in the first half of fiscal 2013 (April 1 - September 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 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 remained at a similar level to the same period last year, as automotive demand continued to be strong. The sales volume of copper rolled products increased over the same period last year owing to a recovery in demand for copper sheet and strip from the semiconductor industry and strong overseas demand for copper tube. Unit sales of hydraulic excavators remained at a similar level to the same period last year. Although demand remained sluggish in China and Southeast Asia, domestic demand increased owing to reconstruction work from the Great East Japan Earthquake and a late surge in demand prior to the implementation of stricter exhaust gas emission regulations.

As a result, Kobe Steel's consolidated net sales for the first half of fiscal 2013 increased 30.7 billion yen compared with the same period last year to 889.3 billion yen. Owing to progress in reducing overall costs, a change in the depreciation method for fixed assets, and a favorable change in inventory valuation, operating income increased 48.9 billion yen compared with the same period last year to 54.4 billion yen. Ordinary income (also known as pretax recurring profit) increased 54.1 billion yen compared with the same period last year to 43.1 billion yen. In addition, Kobe Steel posted a gain on the sale of investment in securities as extraordinary income, 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 its steel business, Kobe Steel will transfer upstream production from the Kobe Works to the 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 half of fiscal 2013 increased 82.3 billion yen compared with the same period last year to 44.1 billion yen.

Conditions in the business segments for the first half of the fiscal year were as follows.

Iron & Steel Business

The sales volume of steel products increased compared with the same period last year. Demand has been 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, enabling

Kobe Steel to steadily address overseas demand. Although Kobe Steel was able to raise sales prices, which were affected by exchange rates and higher raw material costs, to a certain degree after gaining the understanding from customers, steel prices were still lower compared to the same period last year.

Sales of steel castings and forgings declined compared with the same period last year due to sluggish demand in the shipbuilding industry and lower sales prices. However, sales of titanium products increased compared with the same period last year.

As a result, consolidated segment sales in the first half of fiscal 2013 were flat compared with the same period last year at 389.9 billion yen. Ordinary income increased 39.6 billion yen compared with the same period last year to 15.5 billion yen owing to progress in reducing overall 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 compared with the same period last year. Although domestic demand was on a recovery trend in the automotive and construction sectors, demand was sluggish in the domestic shipbuilding industry and the Chinese economy continued to decelerate. Sales of welding robot systems also declined compared with the same period last year due to sluggish demand from China's construction machinery sector.

As a result, consolidated segment sales in the first half of the fiscal year were 41.9 billion yen, flat compared with the same period last year, due to a correction in the high yen. Ordinary income increased 1.7 billion yen compared with the same period last year to 2.8 billion yen owing to progress in reducing overall costs.

Aluminum & Copper Business

The sales volume of aluminum rolled products was at a similar level to the same period last year owing to strong demand from the automotive sector. Sales of aluminum castings and forgings increased compared with the same period last year owing to strong demand from the overseas automotive sector.

The sales volume of copper rolled products increased compared with the same period last 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, consolidated segment sales in the first half of fiscal 2013 increased 7.6 percent compared with the same period last year to 148.1 billion yen. Ordinary income increased 6.7 billion yen compared with the same period last year to 8.0 billion yen owing to a favorable change in inventory valuation.

Machinery Business

Demand for compressors used mainly overseas in the oil refining and petrochemical industries continued to be strong. As a result, consolidated orders increased 23.2 percent compared with the same period last year to 74.2 billion yen. The backlog of orders at the end of the first half of fiscal 2013 stood at 140.7 billion yen.

However, consolidated segment sales for the first half of fiscal 2013 decreased 11.7 percent compared with the same period last year to 71.3 billion yen, due to the concentration of sales from plastics processing machinery and other large orders in the first half of the previous year. Ordinary income decreased 2.3 billion yen compared with the same period last year to 2.1 billion yen.

Engineering Business

Consolidated orders in the first half of the fiscal year increased 82.3 percent compared with the same period last year to 20.0 billion yen owing to an order for a large direct reduction plant in Russia. The backlog of orders at the end of the first half of the fiscal year came to 66.9 billion yen.

Consolidated segment sales increased 16.3 percent compared with the same period last year to 20.8 billion yen. Ordinary loss improved by 0.6 billion yen, in comparison to the same period last year, to a loss of 0.1 billion yen.

Kobelco Eco-Solutions

Consolidated orders in the first half of the fiscal year were 36.8 billion yen, a decrease from the same period last year, which posted orders for large projects in the waste treatment business. The backlog of orders at the end of the first half of fiscal year stood at 49.4 billion yen.

Consolidated segment sales in the first half of the fiscal year increased 5.9 percent compared with the same period last year to 30.9 billion yen due to higher revenue from waste treatment business. Ordinary income increased 0.7 billion yen compared with the same period last year to 1.0 billion yen.

Kobelco Construction Machinery

Unit sales of hydraulic excavators were at a similar level to the same period last year. Although demand for hydraulic excavators remained sluggish in China and Southeast Asia, demand increased in Japan. In addition to reconstruction demand from the Great East Japan Earthquake, demand grew prior to the implementation of stricter exhaust gas emission regulations.

Consequently, consolidated segment sales in the first half of the fiscal year rose 8.4 percent compared with the same period last year to 162.9 billion yen. Ordinary income increased 4.5 billion yen compared with the same period last year to 10.1 billion yen.

Kobelco Cranes

Unit sales of crawler cranes increased compared with 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, consolidated segment sales in the first half of fiscal 2013 increased 15.2 percent compared with the same period last year to 25.5 billion yen. Ordinary income increased 2.6 billion yen compared with the same period last year to 1.7 billion yen due to an improvement in export profits brought about by the 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 business was weak.

Due to these conditions, consolidated segment sales as a whole in the first half of the fiscal year increased 12.6 percent compared with the same period last year to 32.1 billion yen. Ordinary income increased 0.2 billion yen compared with the same period last year to 2.4 billion yen.

2. Qualitative Information on Consolidated Earnings Forecast

Japan's economy is anticipated to continue recovering owing to rising demand in the automotive sector and reconstruction demand from the Great East Japan Earthquake, with the correction in the high yen taking root. Concerned about the deceleration in the economies of emerging countries and rising energy costs, Kobe Steel realizes that the future is unclear. With these situations in mind, Kobe Steel forecasts the following conditions in its business segments for the third quarter of fiscal 2013 and beyond.

Iron & Steel Business

Although demand for steel products is anticipated to remain strong, mainly in the automotive sector, the oversupply situation is anticipated to remain unchanged. The business environment is anticipated to be unpredictable and developments in the domestic and overseas markets must be closely monitored.

For steel castings and forgings, shipbuilding demand is anticipated to continue being sluggish. For titanium products, a recovery in demand is anticipated to take time.

Welding Business

Demand from the automotive and construction sectors is anticipated to remain strong in the Japanese market. However, shipbuilding demand is forecast to remain sluggish. In overseas markets, there is concern over the economic deceleration of China and Southeast Asia.

Aluminum & Copper Business

Demand from the automotive sector is anticipated to remain strong. Although demand is on track to recovery in the IT and semiconductor industries, there is concern over the effect of economic deceleration in China and Southeast Asia, the increase in energy costs, and other factors.

Machinery Business

Although demand for compressors and plastics machinery is anticipated to remain strong, mainly in overseas markets, some products are anticipated to continue facing a tough competitive environment.

Engineering Business

With shale gas development expanding in the United States, demand for the MIDREX® Direct Reduction Process, which uses natural gas as the reductant, is anticipated to be high. In the nuclear power field, demand is anticipated to continue for treatment of contaminants from the Fukushima Daiichi Nuclear Power Station. However, there is concern that implementation may be delayed.

Kobelco Eco-Solutions

Demand is anticipated to remain low for public works investment and domestic private-sector capital investment for water treatment, and chemical and food processing equipment. In the waste treatment field, demand for public works investment has recovered and is anticipated to remain at current levels.

Kobelco Construction Machinery

In addition to reconstruction demand from the Great East Japan Earthquake, demand is expected to surge prior to the implementation of stricter exhaust gas emission regulations. Although there are signs that demand in China is improving, economic recovery is weak. There is also concern over the economic slowdown in Southeast Asia.

Kobelco Cranes

In Japan, reconstruction demand from the Great East Japan Earthquake is anticipated to continue. In overseas markets, demand is forecast to be firm in the United States, where shale gas-related investments are booming. However, in Europe and China, demand is anticipated to be sluggish.

Other Businesses

At Shinko Real Estate Co., Ltd., the leasing business is forecast to remain strong. At Kobelco Research Institute, Inc., demand in each business division is anticipated to remain flat compared with the same period last year.

Due to these conditions, Kobe Steel's consolidated sales for the entire fiscal 2013 are projected at approximately 1,840 billion yen, with ordinary income of 70 billion yen. Net income is forecast to reach around 60 billion yen.

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 has decided 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, the Kobe Steel Group 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 11,006 million yen in comparison to the previous depreciation method. Operating income increased by 11,645 million yen, and ordinary income and income before income taxes each increased by 11,647 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 1st Half Ended Sep. 30, 2013
Cash and time deposits	114,103	152,706
Notes and accounts receivable	318,445	335,940
Merchandise and finished goods	161,431	151,043
Work in progress	109,902	111,928
Raw materials and supplies	129,184	138,551
Other	161,126	161,216
Allowance for doubtful accounts	(2,276)	(3,411)
Total current assets	<u>991,916</u>	<u>1,047,976</u>

Tangible fixed assets

Buildings and structures	290,571	282,924
Machinery and equipment	373,504	364,553
Land	201,292	200,129
Other	42,466	49,512
Total tangible fixed assets	<u>907,835</u>	<u>897,121</u>

Intangible fixed assets

	20,184	20,360
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Investments and other assets

Investments in securities	195,292	194,766
Other	114,669	111,692
Allowance for doubtful accounts	(2,901)	(2,648)
Total investments and other assets	<u>307,060</u>	<u>303,810</u>

Total fixed assets, investments and other assets

	<u>1,235,080</u>	<u>1,221,291</u>
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Total assets

	<u>2,226,996</u>	<u>2,269,268</u>
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Liabilities	FY2012 Ended Mar. 31, 2013	FY2013 1st Half Ended Sep. 30, 2013
Current liabilities		
Notes and accounts payable	376,713	394,942
Short-term borrowings	377,087	368,100
Bonds due within one year	20,000	36,000
Income and enterprise taxes payable	4,704	7,330
Provisions	31,803	32,909
Other	152,572	147,690
Total current liabilities	<u>962,881</u>	<u>986,972</u>
Long-term liabilities		
Bonds and notes	177,000	151,000
Long-term borrowings	385,039	372,616
Employees' severance and retirement benefits	51,557	54,564
Other provisions	1,808	1,767
Other	78,786	68,108
Total long-term liabilities	<u>694,192</u>	<u>648,057</u>
Total liabilities	<u>1,657,073</u>	<u>1,635,030</u>
Net Assets		
Stockholders' equity		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	253,199	296,714
Treasury stock, at cost	(51,615)	(51,407)
Total stockholders' equity	<u>518,022</u>	<u>561,746</u>
Accumulated other comprehensive income (loss)		
Unrealized gains on securities, net of taxes	21,147	20,093
Unrealized losses on hedging derivatives, net of taxes	(1,685)	(1,561)
Land revaluation differences, net of taxes	(3,346)	(3,362)
Foreign currency translation adjustments	(22,086)	(5,909)
Total accumulated other comprehensive income (loss)	<u>(5,971)</u>	<u>9,259</u>
Minority interests	57,871	63,232
Total net assets	<u>569,922</u>	<u>634,238</u>
Total liabilities and net assets	<u>2,226,996</u>	<u>2,269,268</u>

(2) Consolidated Statements of Income

(In millions of yen)

	FY2012 1st Half Ended Sep. 30, 2012	FY2013 1st Half Ended Sep. 30, 2013
Net sales	858,552	889,328
Cost of sales	770,072	751,369
Gross profit	88,480	137,959
Selling, general and administrative expenses	82,925	83,486
Operating income	5,554	54,472
Non-operating income		
Interest income	2,313	1,933
Dividend income	1,462	1,364
Seconded employees' salaries, net of reimbursement	2,884	2,573
Equity in income of unconsolidated subsidiaries and affiliates	1,952	---
Currency exchange gain	---	3,140
Other	4,992	5,738
Total non-operating income	13,606	14,751
Non-operating expenses		
Interest expense	10,392	9,765
Seconded employees' salaries	7,069	5,943
Equity in loss of unconsolidated subsidiaries and affiliates	---	651
Other	12,709	9,716
Total non-operating expenses	30,170	26,076
Ordinary income (loss)	(11,009)	43,147
Extraordinary income		
Gain on sale of investments in securities	---	24,043
Gain on negative goodwill	---	1,713
Total extraordinary income	---	25,756
Extraordinary loss		
Impairment loss	---	18,454
Loss on write-down of investments in securities	18,020	---
Total extraordinary loss	18,020	18,454
Income (Loss) before income taxes	(29,030)	50,448
Income taxes		
Current	6,299	7,645
Deferred	180	(3,936)
Total income taxes	6,480	3,709
Income (Loss) before minority interests	(35,510)	46,739
Minority interests in income of subsidiaries	2,688	2,567
Net income (loss)	(38,199)	44,171

(3) Consolidated Statements of Comprehensive Income

(In millions of yen)

	<u>FY2012 1st Half</u> <u>Ended Sep. 30, 2012</u>	<u>FY2013 1st Half</u> <u>Ended Sep. 30, 2013</u>
Income (Loss) before minority interests	(35,510)	46,739
Other comprehensive income (loss)		
Unrealized losses on securities, net of taxes	(3,890)	(1,423)
Unrealized gains on hedging derivatives, net of taxes	866	180
Foreign currency translation adjustments	2,961	20,680
Share of other comprehensive income (loss) related to affiliates	(860)	1,346
Total other comprehensive income (loss)	<u>(923)</u>	<u>20,784</u>
Comprehensive income (loss)	<u>(36,433)</u>	<u>67,523</u>
Breakdown of total comprehensive income (loss) attributed to:		
Equity holders of the parent	(39,966)	59,417
Minority interests	3,532	8,106

(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 Half of Fiscal 2013

(April 1 – September 30, 2013)

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

	FY2012 1st Half	FY2013 1st Half	% change
Net sales	858.5	889.3	3.6%
Operating income	5.5	54.4	9.8 times
Ordinary income (loss)	(11.0)	43.1	---
Extraordinary income (loss)	(18.0)	*7.3	---
Net income (loss)	(38.1)	44.1	---

* Gain on sale of investments in securities 24.0 billions of yen
Gain on negative goodwill 1.7 billions of yen
Impairment loss 18.4 billions of yen

Interim Dividend: None

FY2013 Consolidated Forecast (In billions of yen)

	FY2012	FY2013			FY2013 Previous Forecast (Sep. 30)
		1st Half	2nd Half Forecast	Full Year Forecast	
Net sales	1,685.5	889.3	950.7	1,840.0	1,850.0
Operating income	11.2	54.4	40.6	95.0	95.0
Ordinary income (loss)	(18.1)	43.1	26.9	70.0	70.0
Extraordinary income (loss)	(7.0)	7.3	---	*7.3	7.3
Net income (loss)	(26.9)	44.1	15.9	60.0	60.0

* Gain on sale of investments in securities 24.0 billions of yen
Gain on negative goodwill 1.7 billions of yen
Impairment loss 18.4 billions of yen

FY2013 First Half

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

		FY2012			FY2013 1st Half
		1st Half	2nd Half	Full Year	
Iron & Steel	Sales	383.6	359.2	742.8	389.9
	Ordinary income (loss)	(24.0)	(26.1)	(50.2)	15.5
Welding	Sales	42.0	40.1	82.2	41.9
	Ordinary income	1.0	1.0	2.1	2.8
Aluminum & Copper	Sales	137.6	124.5	262.2	148.1
	Ordinary income	1.3	2.5	3.9	8.0
Machinery	Sales	80.8	86.2	167.1	71.3
	Ordinary income	4.4	7.5	12.0	2.1
Engineering	Sales	17.9	28.5	46.4	20.8
	Ordinary loss	(0.8)	(0.5)	(1.3)	(0.1)
Kobelco Eco-Solutions	Sales	29.1	43.4	72.6	30.9
	Ordinary income	0.3	3.6	3.9	1.0
Kobelco Construction Machinery	Sales	150.3	117.4	267.8	162.9
	Ordinary income	5.6	1.2	6.8	10.1
Kobelco Cranes	Sales	22.1	23.3	45.5	25.5
	Ordinary income (loss)	(0.8)	(1.3)	(2.2)	1.7
Other Businesses	Sales	28.5	44.6	73.2	32.1
	Ordinary income	2.1	5.3	7.5	2.4
Adjustment	Sales	(33.8)	(40.7)	(74.5)	(34.5)
	Ordinary loss	(0.2)	(0.5)	(0.7)	(0.7)
Total	Sales	858.5	826.9	1,685.5	889.3
	Ordinary income (loss)	(11.0)	(7.1)	(18.1)	43.1

(2) Production, Sales & Orders

1. Steel Products (Nonconsolidated)

Production & Sales Volume (in millions of metric tons)

	FY2012			FY2013 1st Half
	1st Half	2nd Half	Full Year	
Crude steel	3.52	3.49	7.01	3.79
Sales volume	2.89	2.90	5.79	3.07
Export ratio (value basis)	26.1%	29.3%	27.6%	31.9%

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

	FY2012			FY2013 1st Half
	1st Half	2nd Half	Full Year	
Domestic & export average	81,100	73,400	77,200	78,800

2. Aluminum & Copper Rolled Products (Nonconsolidated, in thousands of metric tons)

Sales Volume

	FY2012			FY2013 1st Half
	1st Half	2nd Half	Full Year	
Aluminum rolled products	134	125	259	135
Copper sheet and strip	23	19	42	24
Copper tube*	42	37	79	44

*consolidated

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

Orders

	FY2012			FY2013 1st Half
	1st Half	2nd Half	Full Year	
Domestic	29.5	24.7	54.2	24.5
Overseas	30.6	24.5	55.2	49.7
Total orders	60.2	49.2	109.5	74.2

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

	FY2012		FY2013 1st Half
	1st Half	2nd Half	
Domestic	56.9	43.2	47.3
Overseas	90.3	73.4	93.3
Total orders	147.2	116.6	140.7

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

Orders

	FY2012			FY2013
	1st Half	2nd Half	Full Year	1st Half
Domestic	6.2	21.8	28.1	4.5
Overseas	4.7	0.7	5.4	15.5
Total orders	10.9	22.6	33.5	20.0

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

	FY2012		FY2013
	1st Half	2nd Half	1st Half
Domestic	36.7	46.8	42.9
Overseas	26.7	16.9	24.0
Total orders	63.5	63.7	66.9

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

Orders

	FY2012			FY2013
	1st Half	2nd Half	Full Year	1st Half
Total orders	48.9	24.5	73.5	36.8

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

	FY2012		FY2013
	1st Half	2nd Half	1st Half
Total orders	62.4	43.5	49.4

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

Comparison of FY2013 1st Half and FY2012 1st Half

	FY2012 1st Half	FY2013 1st Half	Amount of Increase
Ordinary income (loss)	(11.0)	43.1	54.1

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	18.5	Production & shipments	(15.5)
Overall cost reduction	11.5	Effect of changes in foreign exchange rates	(11.0)
Effect of steel inventory valuation*	29.0		
Effect of aluminum & copper inventory valuation*	2.5		
Effect of the change in depreciation method	11.5		
Consolidated subsidiaries & equity-valued affiliates	6.5		
Other	1.1		
Total	80.6	Total	(26.5)

* 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			FY2013 Previous Forecast (Sep. 30)
			1st Half	2nd Half Forecast	Full Year Forecast	
Iron & Steel	Sales	742.8	389.9	405.1	795.0	795.0
	Ordinary income (loss)	(50.2)	15.5	9.5	25.0	22.0
Welding	Sales	82.2	41.9	41.1	83.0	82.0
	Ordinary income	2.1	2.8	1.7	4.5	4.5
Aluminum & Copper	Sales	262.2	148.1	146.9	295.0	300.0
	Ordinary income	3.9	8.0	4.0	12.0	12.0
Machinery	Sales	167.1	71.3	88.7	160.0	162.0
	Ordinary income	12.0	2.1	3.4	5.5	5.5
Engineering	Sales	46.4	20.8	22.2	43.0	43.0
	Ordinary loss	(1.3)	(0.1)	(1.4)	(1.5)	(1.5)
Kobelco Eco-Solutions	Sales	72.6	30.9	37.1	68.0	68.0
	Ordinary income	3.9	1.0	1.4	2.4	2.4
Kobelco Construction Machinery	Sales	267.8	162.9	162.1	325.0	330.0
	Ordinary income	6.8	10.1	6.9	17.0	17.0
Kobelco Cranes	Sales	45.5	25.5	35.5	61.0	62.0
	Ordinary income (loss)	(2.2)	1.7	0.8	2.5	2.5
Other Businesses	Sales	73.2	32.1	36.9	69.0	70.0
	Ordinary income	7.5	2.4	3.6	6.0	6.0
Adjustment	Sales	(74.5)	(34.5)	(24.5)	(59.0)	(62.0)
	Ordinary loss	(0.7)	(0.7)	(2.7)	(3.4)	(0.4)
Total	Sales	1,685.5	889.3	950.7	1,840.0	1,850.0
	Ordinary income (loss)	(18.1)	43.1	26.9	70.0	70.0

(2) Production & Sales of Steel Products (Nonconsolidated, in millions of metric tons)

	FY2012	FY2013			FY2013 Previous Forecast (Sep. 30)
		1st Half	2nd Half Forecast	Full Year Forecast	
Crude steel	7.01	3.79	Approx. 3.80	Approx. 7.60	Approx. 7.60
Sales volume	5.79	3.07	Approx. 3.20	Approx. 6.30	Approx. 6.30
Export ratio (value basis)	27.6%	31.9%	31%	32%	32%

(3) Factors Affecting Ordinary Income (Consolidated, in billions of yen)
Comparison of FY2013 2nd Half Forecast and FY2013 1st Half

	FY2013 1st Half	FY2013 2nd Half Forecast	Amount of Decrease
Ordinary income	43.1	26.9	(16.2)

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	2.0	Effect of steel inventory valuation*	(15.0)
Raw material prices	7.5	Effect of aluminum & copper inventory valuation*	(0.5)
Overall cost reduction	1.5	Effect of changes in foreign exchange rates	(1.0)
		Consolidated subsidiaries & equity-valued affiliates	(1.5)
		Other	(9.2)
Total	11.0	Total	(27.2)

* 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)	70.0	88.1

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	23.5	Effect of changes in foreign exchange rates	(16.5)
Overall cost reduction	27.0	Other	(14.9)
Effect of steel inventory valuation*	35.5		
Effect of aluminum & copper inventory valuation*	3.0		
Effect of the change in depreciation method	22.0		
Consolidated subsidiaries & equity-valued affiliates	8.5		
Total	119.5	Total	(31.4)

* 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	70.0	70.0	---

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	2.0	Other	(4.0)
Overall cost reduction	0.5		
Effect of steel inventory valuation*	0.5		
Consolidated subsidiaries & equity-valued affiliates	1.0		
Total	4.0	Total	(4.0)

* 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**

	FY2012			FY2013		
	1st Half	2nd Half	Full Year	1st Half	2nd Half Forecast	Full Year Forecast
Free cash flow	(47.2)	(44.9)	(92.1)	65.9	14.1	80.0

(Excludes cash flow from IPP project financing)

Outside Debt (As of the end of each period)

	FY2012		FY2013	
	1st Half	2nd Half	1st Half	2nd Half Forecast
Outside debt*	802.8	907.6	882.3	790.0
D/E ratio (times) **	1.58	1.75	1.57	Approx. 1.4

* Excludes debt from IPP project financing.

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

(2) Exchange Rates

	FY2012	FY2013	
		1st Half	2nd Half Forecast
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

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

	FY2012	FY2013		
		1st Half	2nd Half Forecast	Full Year Forecast
Capital investment (accrual basis)	114.9	43.8	66.2	110.0
Depreciation	106.7	40.2	44.8	85.0

FOR REFERENCE

(1) 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	204.2	389.9	405.1	795.0
	Ordinary income (loss)	(18.9)	(5.0)	(24.0)	(13.0)	(13.1)	(26.1)	(50.2)	5.3	10.2	15.5	9.5	25.0
Welding	Sales	21.3	20.6	42.0	19.5	20.5	40.1	82.2	20.4	21.5	41.9	41.1	83.0
	Ordinary income (loss)	0.5	0.5	1.0	(0.0)	1.1	1.0	2.1	1.2	1.6	2.8	1.7	4.5
Aluminum & Copper	Sales	71.9	65.7	137.6	61.3	63.1	124.5	262.2	72.3	75.7	148.1	146.9	295.0
	Ordinary income (loss)	1.7	(0.4)	1.3	1.8	0.6	2.5	3.9	5.3	2.7	8.0	4.0	12.0
Machinery	Sales	39.7	41.1	80.8	33.8	52.4	86.2	167.1	31.5	39.7	71.3	88.7	160.0
	Ordinary income	2.4	1.9	4.4	3.5	4.0	7.5	12.0	1.0	1.0	2.1	3.4	5.5
Engineering	Sales	7.1	10.7	17.9	9.2	19.3	28.5	46.4	10.6	10.1	20.8	22.2	43.0
	Ordinary income (loss)	(0.5)	(0.2)	(0.8)	(0.2)	(0.2)	(0.5)	(1.3)	0.2	(0.3)	(0.1)	(1.4)	(1.5)
Kobelco Eco-Solutions	Sales	13.6	15.5	29.1	17.9	25.4	43.4	72.6	13.9	16.9	30.9	37.1	68.0
	Ordinary income (loss)	(0.1)	0.4	0.3	0.4	3.1	3.6	3.9	(0.1)	1.2	1.0	1.4	2.4
Kobelco Construction Machinery	Sales	80.1	70.2	150.3	57.2	60.2	117.4	267.8	74.6	88.3	162.9	162.1	325.0
	Ordinary income (loss)	3.9	1.7	5.6	1.8	(0.6)	1.2	6.8	2.8	7.3	10.1	6.9	17.0
Kobelco Cranes	Sales	9.5	12.5	22.1	10.5	12.7	23.3	45.5	11.5	13.9	25.5	35.5	61.0
	Ordinary income (loss)	(0.4)	(0.4)	(0.8)	(0.3)	(0.9)	(1.3)	(2.2)	0.8	0.9	1.7	0.8	2.5
Other Businesses	Sales	13.9	14.6	28.5	15.9	28.7	44.6	73.2	14.4	17.6	32.1	36.9	69.0
	Ordinary Income	1.0	1.1	2.1	1.5	3.8	5.3	7.5	0.8	1.5	2.4	3.6	6.0
Adjustment	Sales	(15.6)	(18.1)	(33.8)	(15.5)	(25.1)	(40.7)	(74.5)	(16.7)	(17.7)	(34.5)	(24.5)	(59.0)
	Ordinary income (loss)	(0.0)	(0.2)	(0.2)	(0.7)	0.2	(0.5)	(0.7)	(0.4)	(0.2)	(0.7)	(2.7)	(3.4)
Total	Sales	434.1	424.4	858.5	389.1	437.8	826.9	1,685.5	418.6	470.7	889.3	950.7	1,840.0
	Ordinary income (loss)	(10.4)	(0.5)	(11.0)	(5.2)	(1.9)	(7.1)	(18.1)	17.1	26.0	43.1	26.9	70.0
Net income (loss)		(32.2)	(5.9)	(38.1)	15.5	(4.2)	11.2	(26.9)	18.7	25.4	44.1	15.9	60.0

(2) Quarterly Production & 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	1.91	3.79	Approx. 3.80	Approx. 7.60
Sales volume	1.53	1.54	3.07	Approx. 3.20	Approx. 6.30
Export ratio (value basis)	34.0%	29.9%	31.9%	31%	32%

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

	FY2012						
	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

	FY2013		
	1st Half		
	1Q	2Q	Subtotal
Domestic & Export average	76,400	81,100	78,800

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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