

## Kobe Steel's Consolidated Financial Results For Third Quarter of Fiscal 2013 (April 1 – December 31, 2013)

February 4, 2014

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 4, 2014
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 FY2013 (April 1 – December 31, 2013)

#### (1) Consolidated operating results

(In millions of yen)	FY2012 9 Months Ended Dec. 31, 2012	% change*	FY2013 9 Months Ended Dec. 31, 2013	% change*
Net sales	1,247,716	(11.5%)	1,325,277	6.2%
Operating income	6,449	(90.7%)	85,548	---
Ordinary income (loss)	(16,241)	---	67,370	---
Net income (loss)	(22,693)	---	63,816	---
Net income (loss) per share	(7.56 yen)		21.26 yen	
Diluted net income per share	---		---	

Comprehensive income (loss) in FY2013 3Q: 89,095 million yen FY2012 3Q: (17,810 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 9 Months Ended Dec. 31, 2013
Total assets	2,226,996	2,231,378
Net assets	569,922	655,783
Net worth ratio	23.0%	26.5%

Shareholders' equity at December 31, 2013: 592,425 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	---	---	---	4.00	4.00

Revision to dividend forecast in FY2013 3Q: Yes

### 3. Consolidated Forecast for Fiscal 2013 (April 1, 2013 - March 31, 2014)

(In millions of yen)	FY2013	% change*
Net sales	1,830,000	8.6%
Operating income	105,000	834.6%
Ordinary income	70,000	---
Net income	65,000	---
Net income per share	21.65 yen	

\* Indicates percentage of change from the previous fiscal year

Revision to consolidated forecast in FY2013 3Q: Yes

## Notes

- (1) Change in number of material subsidiaries in fiscal year  
(Changes in specified subsidiaries due to changes in scope of consolidation): No
- (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

	FY 2012	FY2013 3Q
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	114,187,811	113,865,497
Average number of shares in 3Q	3,000,921,663*	3,001,273,383

\*FY2012 3Q

## 1. Qualitative Information on Consolidated Operating Results

Japan's economy continued to recover in the first nine months of fiscal 2013 (April 1 to December 31, 2013). On the back of monetary, fiscal, and other government 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, while the economy in the United States gradually continued to recover, Europe remained weak. Although China maintained economic growth, the economy continued to decelerate.

In this economic environment, the Kobe Steel Group increased its sales volume of steel products (in terms of tons sold) 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 was similar to the same period last year due to continued strong demand from the automotive sector. The sales volume of copper rolled products increased over the same period last year owing to a recovery in demand for automotive terminals and semiconductors. Unit sales of hydraulic excavators increased compared with the same period last year. Although demand remained sluggish in China and Southeast Asia, domestic demand increased owing to reconstruction demand from the Great East Japan Earthquake and a late surge in demand prior to the implementation of stricter exhaust gas emission regulations. In North America, sales continued to increase.

As a result, Kobe Steel's consolidated net sales in the nine months to December 31, 2013 increased 77.5 billion yen compared with the same period last year to 1,325.2 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 79.0 billion yen compared with the same period last year to 85.5 billion yen. Ordinary income (also known as pretax recurring profit) increased 83.6 billion yen compared with the same period last year to 67.3 billion yen. In addition, Kobe Steel posted a gain on the sale of investments in securities as extraordinary income, namely the sale of shares held in Nabtesco Corporation. On the other hand, having decided to transfer upstream production from the Kobe Works to the Kakogawa Works to reform the structure of its steel business, Kobe Steel posted an impairment loss taken as an extraordinary loss on facilities planned for shutdown at the Kobe Works. As a result, net income increased 86.5 billion yen compared with the same period last year to 63.8 billion yen.

Conditions in the business segments for the nine-month (April 1 – December 31, 2013) period were as follows.

### **Iron & Steel Business**

The sales volume of steel products increased compared with the same period last year. Automotive demand has been strong both in Japan and overseas, mainly in the United States. Amid an improvement in the export environment due to a correction in the high yen, Kobe Steel has been steadily addressing overseas demand. Sales prices increased compared with the same period last year due to higher raw material prices, which were affected by exchange rates.

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 nine months to December 31, 2013 increased 5.1 percent compared with the same period last year to 591.3 billion yen. Ordinary income increased 65.6 billion yen compared with the same period last year to 28.5 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.

### **Welding Business**

The sales volume of welding materials decreased compared with the same period last year. Although domestic demand was recovering in the automotive and construction sectors, demand decreased in the 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 in the construction machinery sector, mainly in China.

As a result, consolidated segment sales in the nine months to December 31, 2013 increased 4.1 percent compared with the same period last year to 64.1 billion yen due to a correction in the high yen. Ordinary income increased 3.8 billion yen compared with the same period last year to 4.8 billion yen owing to progress in reducing overall costs.

### **Aluminum & Copper Business**

The sales volume of aluminum rolled products was similar 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 due to strong demand mainly in the United States from the automotive sector.

The sales volume of copper rolled products increased compared with the same period last year. Demand was on a recovery track for copper sheet and strip used in automotive terminals as well as from the semiconductor industry. Demand for copper tube was also firm due to strong demand for air conditioners in Japan and overseas.

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 nine months to December 31, 2013 increased 10.7 percent compared with the same period last year to 220.2 billion yen. Ordinary income increased 8.4 billion yen compared with the same period last year to 11.6 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 in the nine months to December 31, 2013 increased 27.1 percent compared with the same period last year to 106.7 billion yen. The backlog of orders at the end of the third quarter (ended December 31, 2013) stood at 137.8 billion yen.

However, consolidated segment sales in the nine months to December 31, 2013 decreased 11.2 percent compared with the same period last year to 101.8 billion yen due to the concentration of sales of plastic processing machinery and other large items in the same period last year. Ordinary income decreased 3.5 billion yen compared with the same period last year to 4.4 billion yen.

### **Engineering Business**

Consolidated orders in the nine months to December 31, 2013 increased 103.0 percent compared with the same period last year to 45.7 billion yen owing to 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, 2013) came to 86.7 billion yen.

Consolidated segment sales in the nine months to December 31, 2013 increased 2.7 percent to 27.8 billion yen. Ordinary loss worsened by 0.6 billion yen compared with the same period last year to ordinary loss of 1.7 billion yen due to the worsening profits of some orders.

#### **Kobelco Eco-Solutions**

Consolidated orders in the nine months to December 31, 2013 were 50.9 billion yen, a decrease of 13.5 percent compared with 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 third quarter (ended December 31, 2013) stood at 48.5 billion yen.

Consolidated segment sales in the nine months to December 31, 2013 decreased 2.5 percent compared with the same period last year to 45.9 billion yen due to the posting of sales from large projects in the water treatment business in the same period last year. Ordinary income increased 0.7 billion yen compared with the same period last year to 1.4 billion yen due to a decrease in unprofitable projects in the water treatment business, good progress in the construction of large projects in the waste treatment business, and cost reductions.

#### **Kobelco Construction Machinery**

Unit sales of hydraulic excavators increased in the nine months to December 31, 2013. Although demand remained sluggish in China and Southeast Asia, the Japanese market was strong due to reconstruction demand from the Great East Japan Earthquake and higher demand prior to the implementation of stricter exhaust gas emission regulations. In addition, sales steadily expanded in North America.

As a result, consolidated segment sales in the nine months to December 31, 2013 increased 13.6 percent compared with the same period last year to 235.8 billion yen. Ordinary income increased 4.6 billion yen compared with the same period last year to 12.0 billion yen.

#### **Kobelco Cranes**

Unit sales of crawler cranes in the nine months to December 31, 2013 increased compared with the same period last year. Unit sales increased in Japan on the back of monetary, fiscal, and other government economic measures and 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 nine months to December 31, 2013 increased 21.8 percent compared with the same period last year to 39.8 billion yen. Ordinary income increased 3.8 billion yen compared with the same period last year to 2.5 billion yen due to an improvement in export profits brought about by a 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 was weak in the target business.

Due to these conditions, consolidated segment sales in the nine months to December 31, 2013 increased 9.9 percent compared with the same period last year to 48.8 billion yen. Ordinary income increased 0.3 billion yen compared with the same period last year to 4.1 billion yen.

## 2. Qualitative Information on Consolidated Earnings Forecast

In comparison to the previous forecast made on October 29, 2013, consolidated operating income for the entire fiscal 2013 is forecast to increase as sales prices and sales volume are anticipated to increase in the Iron & Steel Business and the Welding Business. Ordinary income for fiscal 2013 is anticipated to remain the same from the previous forecast as equity in loss of unconsolidated subsidiaries and affiliates is anticipated to worsen due to a decline in the performance of some companies.

### Dividends

Kobe Steel's basic policy is to provide continuous and stable dividends to its shareholders. Dividends are decided taking into account the Company's financial condition, business performance, future capital needs and other factors from a comprehensive standpoint. On this basis, Kobe Steel has decided on a policy to pay a year-end dividend of 4 yen per share for fiscal 2013.

## 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 17,073 million yen in comparison to the previous depreciation method. Operating income increased by 16,950 million yen, and ordinary income and income before income taxes each increased by 16,952 million yen.

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## CONSOLIDATED FINANCIAL STATEMENTS

### (1) Consolidated Balance Sheets

(In millions of yen)

<b>Assets</b>	<b>FY2012</b> Ended Mar. 31, 2013	<b>FY2013 9 Months</b> Ended Dec. 31, 2013
<b>Current assets</b>		
Cash and time deposits	114,103	103,253
Notes and accounts receivable	318,445	325,821
Merchandise and finished goods	161,431	158,558
Work-in-progress	109,902	126,072
Raw materials and supplies	129,184	140,262
Other	161,126	160,937
Allowance for doubtful accounts	(2,276)	(3,416)
Total current assets	991,916	1,011,488
<b>Tangible fixed assets</b>		
Buildings and structures	290,571	280,533
Machinery and equipment	373,504	363,507
Land	201,292	200,090
Other	42,466	49,215
Total tangible fixed assets	907,835	893,347
<b>Intangible fixed assets</b>	20,184	19,756
<b>Investments and other assets</b>		
Investments in securities	195,292	200,249
Other	114,669	109,398
Allowance for doubtful accounts	(2,901)	(2,861)
Total investments and other assets	307,060	306,785
Total fixed assets, investments and other assets	1,235,080	1,219,889
<b>Total assets</b>	2,226,996	2,231,378

<b>Liabilities</b>	<b>FY2012</b> <b>Ended Mar. 31, 2013</b>	<b>FY2013 9 Months</b> <b>Ended Dec. 31, 2013</b>
<b>Current liabilities</b>		
Notes and accounts payable	376,713	406,140
Short-term borrowings	377,087	310,378
Bonds due within one year	20,000	26,000
Income and enterprise taxes payable	4,704	6,344
Provisions	31,803	23,969
Other	152,572	151,689
Total current liabilities	<u>962,881</u>	<u>924,521</u>
<b>Long-term liabilities</b>		
Bonds and notes	177,000	151,000
Long-term borrowings	385,039	367,027
Employees' severance and retirement benefits	51,557	59,702
Other provisions	1,808	1,727
Other	78,786	71,616
Total long-term liabilities	<u>694,192</u>	<u>651,073</u>
<b>Total liabilities</b>	<u>1,657,073</u>	<u>1,575,595</u>
<b>Net Assets</b>		
<b>Stockholders' equity</b>		
Common stock	233,313	233,313
Capital surplus	83,125	83,125
Retained earnings	253,199	316,359
Treasury stock, at cost	(51,615)	(51,413)
Total stockholders' equity	<u>518,022</u>	<u>581,384</u>
<b>Accumulated other comprehensive income (loss)</b>		
Unrealized gains on securities, net of taxes	21,147	23,962
Unrealized losses on hedging derivatives, net of taxes	(1,685)	(2,552)
Land revaluation differences, net of taxes	(3,346)	(3,362)
Foreign currency translation adjustments	(22,086)	(7,006)
Total accumulated other comprehensive income (loss)	<u>(5,971)</u>	<u>11,040</u>
<b>Minority interests</b>	57,871	63,357
<b>Total net assets</b>	<u>569,922</u>	<u>655,783</u>
<b>Total liabilities and net assets</b>	<u>2,226,996</u>	<u>2,231,378</u>

## (2) Consolidated Statements of Income

(In millions of yen)

	<b>FY2012 9 Months</b> Ended Dec. 31, 2012	<b>FY2013 9 Months</b> Ended Dec. 31, 2013
<b>Net sales</b>	1,247,716	1,325,277
<b>Cost of sales</b>	1,118,902	1,113,474
<b>Gross profit</b>	128,814	211,803
<b>Selling, general and administrative expenses</b>	122,365	126,254
<b>Operating income</b>	6,449	85,548
<b>Non-operating income</b>		
Interest income	3,215	2,704
Dividend income	2,196	2,132
Reimbursement of seconded employees' salaries	4,381	3,941
Equity in income of unconsolidated subsidiaries and affiliates	2,149	---
Other	7,205	10,684
Total non-operating income	19,148	19,462
<b>Non-operating expenses</b>		
Interest expense	15,276	14,256
Seconded employees' salaries	10,520	8,885
Equity in loss of unconsolidated subsidiaries and affiliates	---	1,007
Other	16,043	13,490
Total non-operating expenses	41,839	37,640
<b>Ordinary income (loss)</b>	(16,241)	67,370
<b>Extraordinary income</b>		
Gain on sale of investments in securities	---	24,897
Gain on negative goodwill	1,922	3,838
Gain on transfer of distribution rights	---	3,173
Total extraordinary income	1,922	31,909
<b>Extraordinary loss</b>		
Impairment loss	1,000	18,454
Loss on write-down of investments in securities	3,672	---
Total extraordinary loss	4,673	18,454
<b>Income (Loss) before income taxes</b>	(18,992)	80,825
<b>Income taxes</b>		
Current	6,873	10,516
Deferred	(6,013)	3,591
Total income taxes	859	14,107
<b>Income (Loss) before minority interests</b>	(19,852)	66,718
<b>Minority interests in income of subsidiaries</b>	2,841	2,901
<b>Net income (loss)</b>	(22,693)	63,816

### (3) Consolidated Statements of Comprehensive Income

(In millions of yen)

	<u>FY2012 9 Months</u> <u>Ended Dec. 31, 2012</u>	<u>FY2013 9 Months</u> <u>Ended Dec. 31, 2013</u>
<b>Income (Loss) before minority interests</b>	(19,852)	66,718
<b>Other comprehensive income (loss)</b>		
Unrealized gains on securities, net of taxes	981	2,110
Unrealized gains or losses on hedging derivatives, net of taxes	108	(746)
Foreign currency translation adjustments	1,428	19,344
Share of other comprehensive income (loss) related to affiliates	(476)	1,668
Total other comprehensive income	<u>2,041</u>	<u>22,377</u>
<b>Comprehensive income (loss)</b>	<u>(17,810)</u>	<u>89,095</u>
Breakdown of total comprehensive income (loss) attributed to:		
Stockholders of the parent	(21,182)	80,843
Minority interests	3,372	8,251

#### (4) Notes on premise of a going concern:

None

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

None

## Supplemental Information for First Nine Months of Fiscal 2013

(April 1 – December 31, 2013)

### Consolidated Operating Results for First Nine Months of Fiscal 2013 (In billions of yen)

	FY2012 9 Months Ended Dec. 31, 2012	FY2013 9 Months Ended Dec. 31, 2013	% change
Net sales	1,247.7	1,325.2	6.2%
Operating income	6.4	85.5	13.3 times
Ordinary income (loss)	(16.2)	67.3	---
Extraordinary Income (loss)	(2.7)	*13.4	---
Net income (loss)	(22.6)	63.8	---

\* Gain on sale of investments in securities: 24.8 billions of yen, impairment loss: 18.4 billions of yen, and others

### FY2013 Consolidated Forecast (In billions of yen)

	FY2012	FY2013 Forecast	FY2013 Previous Forecast (Oct. 29, 2013)
Net sales	1,685.5	1,830.0	1,840.0
Operating income	11.2	105.0	95.0
Ordinary income (loss)	(18.1)	70.0	70.0
Extraordinary income (loss)	(7.0)	*13.4	7.3
Net income (loss)	(26.9)	65.0	60.0

\* Gain on sale of investments in securities: 24.8 billions of yen, impairment loss: 18.4 billions of yen, and others

**Year-end Dividend for fiscal 2013:** 4.0 yen

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

		FY2012		FY2013	
		9 Months Ended Dec. 31, 2012	Full Year	9 Months Ended Dec. 31, 2013	Full Year Forecast
Iron & Steel	Sales	562.5	742.8	591.3	800.0
	Ordinary income (loss)	(37.0)	(50.2)	28.5	29.0
Welding	Sales	61.6	82.2	64.1	86.0
	Ordinary income	1.0	2.1	4.8	6.0
Aluminum & Copper	Sales	199.0	262.2	220.2	295.0
	Ordinary income	3.2	3.9	11.6	13.0
Machinery	Sales	114.7	167.1	101.8	155.0
	Ordinary income	7.9	12.0	4.4	5.5
Engineering	Sales	27.1	46.4	27.8	40.0
	Ordinary loss	(1.0)	(1.3)	(1.7)	(4.0)
Kobelco Eco-Solutions	Sales	47.1	72.6	45.9	68.0
	Ordinary income	0.7	3.9	1.4	2.4
Kobelco Construction Machinery	Sales	207.5	267.8	235.8	320.0
	Ordinary income	7.4	6.8	12.0	15.0
Kobelco Cranes	Sales	32.7	45.5	39.8	56.0
	Ordinary income (loss)	(1.2)	(2.2)	2.5	3.0
Other Businesses	Sales	44.4	73.2	48.8	70.0
	Ordinary income	3.7	7.5	4.1	6.0
Adjustment	Sales	(49.3)	(74.5)	(50.8)	(60.0)
	Ordinary loss	(0.9)	(0.7)	(0.7)	(5.9)
Total	Sales	1,247.7	1,685.5	1,325.2	1,830.0
	Ordinary income (loss)	(16.2)	(18.1)	67.3	70.0

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

### Production & Sales Volume (In millions of metric tons)

	FY2012		FY2013	
	9 Months Ended Dec. 31, 2012	Full Year	9 Months Ended Dec. 31, 2013	Full Year Forecast
Crude steel	5.26	7.01	5.70	Approx. 7.60
Sales volume	4.36	5.79	4.64	Approx. 6.30
Export ratio (value basis)	26.6%	27.6%	31.0%	31%

### Unit Sales Prices (In yen per metric ton)

	FY2012		FY2013	
	9 Months Ended Dec. 31, 2012	Full Year	9 Months Ended Dec. 31, 2013	Full Year Forecast
Domestic & Export average	78,900	77,200	79,400	Approx. 79,000

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

### Comparison of FY2013 9 Months and FY2012 9 Months

	FY2012 9 Months Ended Dec. 31, 2012	FY2013 9 Months Ended Dec. 31, 2013	Amount of Increase
Ordinary income (loss)	(16.2)	67.3	83.6

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	22.5	Production & shipments	(5.0)
Overall cost reductions	17.5	Effect of changes in foreign exchange rates	(17.5)
Effect of steel inventory valuation*	36.5		
Effect of aluminum & copper inventory valuation*	3.0		
Effect of the change in depreciation method	17.0		
Consolidated subsidiaries & equity-valued affiliates	8.5		
Other	1.1		
<b>Total</b>	<b>106.1</b>	<b>Total</b>	<b>(22.5)</b>

\* 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	
Production & shipments	3.5	Effect of changes in foreign exchange rates	(20.0)
Raw material prices	25.5	Other	(13.9)
Overall cost reductions	26.0		
Effect of steel inventory valuation*	36.5		
Effect of aluminum & copper inventory valuation*	3.0		
Effect of the change in depreciation method	22.0		
Consolidated subsidiaries & equity-valued affiliates	5.5		
<b>Total</b>	<b>122.0</b>	<b>Total</b>	<b>(33.9)</b>

\* 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	3.5	Overall cost reductions	(1.0)
Effect of steel inventory valuation*	1.0	Effect of changes in foreign exchange rates	(1.0)
Other	1.5	Consolidated subsidiaries & equity-valued affiliates	(4.0)
Total	6.0	Total	(6.0)

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

### (4) Extraordinary Income & Loss (Consolidated, in billions of yen)

		FY2013	
		9 Months Ended Dec. 31, 2013	Full Year Forecast
Extraordinary income	Gain on sale of investments in securities	24.8	24.8
	Gain on negative goodwill	3.8	3.8
	Gain on transfer of distribution rights	3.1	3.1
Extraordinary loss	Impairment loss	(18.4)	(18.4)
Total		13.4	13.4

### (5) Cash Flow & Outside Debt (Consolidated, in billions of yen)

#### Cash Flow

	FY2012	FY2013 Forecast
Free cash flow	(92.1)	105.0

(Excludes cash flow from IPP project financing)

#### Outside Debt (As of the end of each period)

	FY2012	FY2013 Forecast
Outside debt*	907.6	780.0
D/E ratio (times) **	1.75	Approx. 1.4

\* Excludes debt from IPP project financing.

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

### (6) Exchange Rates

	FY2012	FY2013	
		9 Months Ended Dec. 31, 2013	4Q Forecast
1 U.S. dollar to yen	83 yen	99 yen	100 yen
1 Chinese yuan to yen	13.2 yen	16.2 yen	16.5 yen

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

	FY2012	FY2013 Forecast
Capital investment (accrual basis)	114.9	110.0
Depreciation	106.7	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	3Q	4Q	subtotal	
Iron & Steel	Sales	192.2	191.3	383.6	178.9	180.2	359.2	742.8	185.7	204.2	389.9	201.3	208.8	410.1	800.0
	Ordinary income (loss)	(18.9)	(5.0)	(24.0)	(13.0)	(13.1)	(26.1)	(50.2)	5.3	10.2	15.5	13.0	0.5	13.5	29.0
Welding	Sales	21.3	20.6	42.0	19.5	20.5	40.1	82.2	20.4	21.5	41.9	22.2	21.9	44.1	86.0
	Ordinary income (loss)	0.5	0.5	1.0	(0.0)	1.1	1.0	2.1	1.2	1.6	2.8	2.0	1.2	3.2	6.0
Aluminum & Copper	Sales	71.9	65.7	137.6	61.3	63.1	124.5	262.2	72.3	75.7	148.1	72.1	74.8	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	3.6	1.4	5.0	13.0
Machinery	Sales	39.7	41.1	80.8	33.8	52.4	86.2	167.1	31.5	39.7	71.3	30.5	53.2	83.7	155.0
	Ordinary income	2.4	1.9	4.4	3.5	4.0	7.5	12.0	1.0	1.0	2.1	2.3	1.1	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	7.0	12.2	19.2	40.0
	Ordinary income (loss)	(0.5)	(0.2)	(0.8)	(0.2)	(0.2)	(0.5)	(1.3)	0.2	(0.3)	(0.1)	(1.5)	(2.4)	(3.9)	(4.0)
Kobelco Eco-Solutions	Sales	13.6	15.5	29.1	17.9	25.4	43.4	72.6	13.9	16.9	30.9	15.0	22.1	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	0.4	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	72.8	84.3	157.1	320.0
	Ordinary income (loss)	3.9	1.7	5.6	1.8	(0.6)	1.2	6.8	2.8	7.3	10.1	1.8	3.1	4.9	15.0
Kobelco Cranes	Sales	9.5	12.5	22.1	10.5	12.7	23.3	45.5	11.5	13.9	25.5	14.3	16.2	30.5	56.0
	Ordinary income (loss)	(0.4)	(0.4)	(0.8)	(0.3)	(0.9)	(1.3)	(2.2)	0.8	0.9	1.7	0.7	0.6	1.3	3.0
Other Businesses	Sales	13.9	14.6	28.5	15.9	28.7	44.6	73.2	14.4	17.6	32.1	16.7	21.2	37.9	70.0
	Ordinary Income	1.0	1.1	2.1	1.5	3.8	5.3	7.5	0.8	1.5	2.4	1.7	1.9	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)	(16.3)	(9.2)	(25.5)	(60.0)
	Ordinary income (loss)	(0.0)	(0.2)	(0.2)	(0.7)	0.2	(0.5)	(0.7)	(0.4)	(0.2)	(0.7)	0.0	(5.2)	(5.2)	(5.9)
Total	Sales	434.1	424.4	858.5	389.1	437.8	826.9	1,685.5	418.6	470.7	889.3	435.9	504.8	940.7	1,830.0
	Ordinary income (loss)	(10.4)	(0.5)	(11.0)	(5.2)	(1.9)	(7.1)	(18.1)	17.1	26.0	43.1	24.2	2.7	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	19.6	1.3	20.9	65.0
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Note: Fiscal 2013 fourth-quarter, second-half, and full-year figures are forecast.

## (2) Quarterly Production and 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	3Q	4Q Forecast	Subtotal	
Crude steel	1.88	1.91	3.79	1.91	Approx. 1.90	Approx. 3.80	Approx. 7.60
Sales volume	1.53	1.54	3.07	1.56	Approx. 1.65	Approx. 3.20	Approx. 6.30
Export ratio (value basis)	34.0%	29.9%	31.9%	29.4%	30%	30%	31%

Note: Fiscal 2013 fourth-quarter, second-half, and full-year figures are forecast.

### Unit Sales Prices (In yen per metric ton)

	FY2012						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & Export average	83,400	78,900	81,100	74,500	72,100	73,400	77,200

	FY2013 Forecast						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q Forecast	Subtotal	
Domestic & Export average	76,400	81,100	78,800	80,800	Approx. 79,000	Approx. 80,000	Approx. 79,000

Note: Fiscal 2013 fourth-quarter, second-half, and full-year figures are forecast.

#### 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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