

Kobe Steel's Consolidated Financial Results for Fiscal 2013

(April 1, 2013 – March 31, 2014)

TOKYO, April 25, 2014 – Kobe Steel, Ltd. announced today its financial results for fiscal 2013, ended March 31, 2014.

Consolidated financial summary (In millions of yen)

	FY2012	% change	FY2013	% change
Net sales	1,685,529	(9.6%)	1,824,698	8.3%
Operating income	11,234	(81.4%)	114,548	919.6%
Ordinary income (loss) *	(18,146)	---	85,044	---
Net income (loss)	(26,976)	---	70,191	---
Net income (loss) per share	(8.98 yen)		22.62 yen	

(Sums of less than 1 million yen have been omitted.)

Note: * Also known as pretax recurring profit

Segment sales (In millions of yen)

	FY2012	FY2013
Iron & Steel	742,841	808,544
Welding	82,216	88,345
Aluminum & Copper	262,201	295,685
Machinery	167,117	149,806
Engineering	46,493	39,113
Kobelco Eco-Solutions	72,656	68,160
Kobelco Construction Machinery	267,821	318,217
Kobelco Cranes	45,501	56,639
Other Businesses	73,236	71,220
Adjustment	(74,556)	(71,034)
Total	1,685,529	1,824,698

(Sums of less than 1 million yen have been omitted.)

1. Analysis of Operating Results

Fiscal 2013 Consolidated Operating Results

Japan's economy continued to recover in fiscal 2013 (April 1, 2013 to March 31, 2014). 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 the previous 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 on the whole continued to decelerate.

In this economic environment, the Kobe Steel Group increased its sales volume (in terms of tons sold) of steel products in fiscal 2013 compared with the previous year due to strong demand from the automotive sector and a correction in the high yen bringing about an improvement in the export environment, which enabled Kobe Steel to steadily address overseas demand. The sales volume of aluminum rolled products increased in fiscal 2013 in comparison to the previous year due to strong demand from the automotive sector. The sales volume of copper rolled products also increased in fiscal 2013 over the previous year owing to strong demand for automotive terminals and a recovery in demand for semiconductors. Unit sales of hydraulic excavators increased in comparison to the previous year. Domestic demand for excavators increased owing to reconstruction demand from the Great East Japan Earthquake and a last-minute surge in demand prior to the implementation of stricter exhaust gas emission regulations. In overseas markets, China's economy seemed

to have hit bottom and sales steadily expanded in North America and Europe, while demand remained sluggish in Southeast Asia.

As a result, Kobe Steel's consolidated net sales in fiscal 2013 increased 139.1 billion yen in comparison to the previous year to 1,824.6 billion yen. Owing to progress in reducing overall costs, a favorable change in inventory valuation, and a change in the depreciation method for fixed assets, operating income increased 103.3 billion yen in comparison to the previous year to 114.5 billion yen. Ordinary income (also known as pretax recurring profit) increased 103.1 billion yen in comparison to the previous year to 85.0 billion yen. In addition, Kobe Steel posted a gain on the sale of investments in securities as extraordinary income, including 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 97.1 billion yen in comparison to the previous year to 70.1 billion yen.

The Kobe Steel Group Medium-Term Business Plan, formulated in May 2013, has set two management goals: rebuilding the business foundation and establishing a base for stable profits and business growth. To achieve these goals and maintain steady growth, Kobe Steel in fiscal 2013 increased its capital through a public offering. Through the issuance of new shares, disposal of treasury stock, and other steps, Kobe Steel issued 632,500,000 shares and raised 83.6 billion yen. Kobe Steel plans to use the proceeds of the public offering to finance strategic investments including capital investments in the Iron & Steel Business and Aluminum & Copper Business for the automotive sector. The funds will also be used to finance capital investments that will strengthen the profitability of the Iron & Steel Business as well as reform the structure of its steel business.

Conditions in the business segments for fiscal 2013 follow below.

Iron & Steel Business

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. As a result, the sales volume of steel products increased in comparison to the previous year. Sales prices also increased in comparison to the previous year due to an improvement in steel prices on the back of higher raw material prices, which were affected by exchange rates.

Sales of steel castings and forgings declined in comparison to the previous year due to sluggish demand in the shipbuilding industry and lower sales prices. However, sales of titanium products increased in comparison to the previous year.

As a result, consolidated segment sales in fiscal 2013 increased 8.8 percent in comparison to the previous year to 808.5 billion yen. Ordinary income increased 83.8 billion yen in comparison to the previous year to 33.5 billion yen owing to progress in reducing overall costs, a favorable change in inventory valuation, and a change in the depreciation method for fixed assets.

Welding Business

The sales volume of welding materials was at a similar level to the previous year. Domestic demand was strong in the automotive and construction sector, and in the second half of fiscal 2013 demand from the shipbuilding industry was also on a track to recovery. However, China's economy continued to decelerate.

Sales of welding robot systems increased in comparison to the previous year. Although demand was sluggish in the construction machinery sector, mainly in China, demand from Japan's construction sector increased.

As a result, consolidated segment sales in fiscal 2013 increased 7.5 percent in comparison to the previous year to 88.3 billion yen due to a correction in the high yen. Ordinary income increased 5.0 billion yen in comparison to the previous year to 7.2 billion yen owing to progress in reducing overall costs.

Aluminum & Copper Business

The sales volume of aluminum rolled products increased in comparison to the previous year owing to strong demand from the automotive sector. Sales of aluminum castings and forgings increased in comparison to the previous year due to strong demand mainly in the United States from the automotive sector.

The sales volume of copper rolled products increased in comparison to the previous year. Demand was strong for copper sheet and strip used in automotive terminals, and demand continued on a recovery path for semiconductors as well. 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 fiscal 2013 increased 12.8 percent in comparison to the previous year to 295.6 billion yen. Ordinary income increased 11.2 billion yen in comparison to the previous year to 15.1 billion yen owing to a favorable change in inventory valuation, in addition to progress in reducing overall costs.

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 fiscal 2013 increased 39.6 percent in comparison to the previous year to 152.8 billion yen. The backlog of orders at the end of the fiscal year (ended March 31, 2014) stood at 122.2 billion yen.

However, consolidated segment sales in fiscal 2013 decreased 10.4 percent in comparison to the previous year to 149.8 billion yen due to the concentration of sales of plastic processing machinery and other large items in the previous year. Ordinary income decreased 5.5 billion yen in comparison to the previous year to 6.4 billion yen.

Engineering Business

Consolidated orders in fiscal 2013 increased 48.3 percent in comparison to the previous year to 49.8 billion yen owing to orders for large direct reduction plants in North America and Russia. The backlog of orders at the end of fiscal 2013 (ended March 31, 2014) came to 83.3 billion yen.

Consolidated segment sales in fiscal 2013 decreased 15.9 percent in comparison to the previous year to 39.1 billion yen due to the rate of progress of construction work at large direct reduction plants. Ordinary loss worsened by 2.6 billion yen in comparison to the previous year to 3.9 billion yen.

Kobelco Eco-Solutions

Despite orders for large projects in the waste treatment business, consolidated orders in fiscal 2013 decreased 2.3 percent in comparison to the previous year, which saw similar orders for large projects, to 71.8 billion yen. The backlog of orders at the end of fiscal 2013 (ended March 31, 2014) stood at 47.2 billion yen.

Consolidated segment sales in fiscal 2013 decreased 6.2 percent in comparison to the previous year to 68.1 billion yen. Although sales increased due to the completion of previously received large orders in the waste treatment business, sales decreased in the water treatment business and the chemical and food equipment business. Ordinary income decreased 1.3 billion yen in comparison to the previous year to 2.6 billion yen due to a change in the types of projects.

Kobelco Construction Machinery

Unit sales of hydraulic excavators in fiscal 2013 increased in comparison to the previous year. In Japan, in addition to reconstruction demand from the Great East Japan Earthquake, a last-minute surge in demand grew prior to the implementation of stricter exhaust gas emission regulations. In overseas markets, although demand remained sluggish in Southeast Asia, demand in China seemed to have hit bottom, while sales in North America and Europe steadily expanded.

As a result, consolidated segment sales in fiscal 2013 increased 18.8 percent in comparison to the previous year to 318.2 billion yen. Ordinary income increased 8.2 billion yen in comparison to the previous year to 15.1 billion yen.

Kobelco Cranes

Unit sales of crawler cranes in fiscal 2013 increased in comparison to the previous year. Unit sales increased in Japan on the back of government economic measures and reconstruction demand from the Great East Japan Earthquake. In overseas markets, unit sales increased in Southeast Asia.

As a result, consolidated segment sales in fiscal 2013 increased 24.5 percent in comparison to the previous year to 56.6 billion yen. Ordinary income increased 5.4 billion yen in comparison to the previous year to 3.2 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 decreased. At Kobelco Research Institute, Inc., although demand was strong in the testing and research businesses, demand was weak in the sputtering target material business.

Due to these conditions, consolidated segment sales in fiscal 2013 decreased 2.8 percent in comparison to the previous year to 71.2 billion yen. Ordinary income decreased 0.7 billion yen in comparison to the previous year to 6.8 billion yen.

Forecast for Fiscal 2014

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

Under these conditions, making certain assumptions on the sales volume of steel, aluminum rolled products, copper rolled products and other products; sales prices; steel raw material prices and other unconfirmed elements, Kobe Steel anticipates that consolidated sales will reach approximately 1,950.0 billion yen in fiscal 2014. Ordinary income is forecast of approximately 80.0 billion yen with net income of approximately 50.0 billion yen.

Forecasts for the business segments follow below.

Iron & Steel Business

The volume of shipments of steel products is anticipated to remain at a similar level to fiscal 2013, as demand is expected to continue being strong in the domestic and the U.S. automotive sector. Gaining the understanding of its customers, Kobe Steel will continue to negotiate for higher prices of its steel products to improve the margin between sales prices and raw material costs.

Sales of steel castings and forgings are anticipated to remain at similar level to fiscal 2013 owing to a recovery in demand from the shipbuilding industry. Sales of titanium products are anticipated to increase over fiscal 2013, which saw overall sluggish demand.

Due to these factors, segment sales in fiscal 2014 are anticipated to be at a similar level to fiscal 2013.

Welding Business

Demand for welding materials in Japan is expected to be strong mainly in the construction sector. In overseas markets, demand is forecast to be strong mainly in the energy sector. As a result, the sales volume of welding materials in fiscal 2014 is anticipated to be higher than in fiscal 2013. Demand for welding robot systems is anticipated to continue being weak in the construction machinery sector in China and other countries, but demand is forecast to remain high in Japan's construction market. As a result, segment sales in fiscal 2014 are anticipated to be higher than in fiscal 2013.

Aluminum & Copper Business

Demand for aluminum rolled products is anticipated to be strong, mainly in the automotive sector, especially the overseas market. As a result, sales volume in fiscal 2014 is anticipated to increase over fiscal 2013. Demand for copper rolled products is also anticipated to increase in the automotive, semiconductor and air conditioning sectors overseas. As a result, sales volume in fiscal 2014 is anticipated to be higher than in fiscal 2013. Owing to these factors, segment sales in fiscal 2014 are anticipated to be higher than in fiscal 2013.

Machinery Business

Demand for compressors used mainly overseas in the oil refining and petrochemical sectors is anticipated to continue being strong. Demand for tire and rubber machinery, plastic processing machinery and other products is also expected to be strong. As a result, orders in fiscal 2014 are expected to be higher than in fiscal 2013, and segment sales in fiscal 2014 are anticipated to increase over fiscal 2013.

Engineering Business

In the nuclear power field, demand for the treatment of contaminated material related to the Fukushima Daiichi Nuclear Power Station is expected to continue. However, orders in fiscal 2014 are anticipated to be lower than in fiscal 2013, which saw orders for large direct reduction plants in North America and Russia. Segment sales in fiscal 2014 are anticipated to be higher than in fiscal 2013.

Kobelco Eco-Solutions

Domestic private-sector capital investments in the water treatment business and the chemical and food equipment business are anticipated to gradually recover. However, as the future continues to be unclear, domestic public investments are anticipated to continue being weak, although there are signs of an upswing in some areas. As a result, segment sales in fiscal 2014 are anticipated to be at a similar level to fiscal 2013.

Kobelco Construction Machinery

Although domestic demand will drop off after the last-minute surge in demand prior to the implementation of stricter exhaust gas emission regulations, demand is anticipated to continue being strong on the back of government economic measures and recovery demand after the Great East Japan Earthquake. In overseas markets, although demand in Southeast Asia is anticipated decline, demand in North America is expected to be strong due to shale gas development. Demand in China is forecast to gradually continue on a recovery path owing mainly to growing domestic demand. As a result, unit sales of excavators are anticipated to increase in fiscal 2014 in comparison to fiscal 2013. Segment sales are also anticipated to be higher in fiscal 2014 in comparison to fiscal 2013.

Kobelco Cranes

Unit sales of cranes are anticipated to increase in fiscal 2014 in comparison to fiscal 2013. Domestic demand is forecast to continue being strong on the back of government economic measures and recovery demand following the Great East Japan Earthquake. In overseas markets, demand on the whole is anticipated to continue on a recovery path. Segment sales in fiscal 2014 are anticipated to increase in comparison to fiscal 2013.

Other Businesses

At Shinko Real Estate Co., Ltd., the real estate sales business and leasing business are expected to be strong. At Kobelco Research Institute, Inc., demand in the testing and research businesses is anticipated to continue being strong. Due to these factors, segment sales in fiscal 2014 are anticipated to increase in comparison to fiscal 2013.

2. Analysis of Financial Condition

While investments in securities decreased due to their sale, cash and deposits and notes and accounts receivable increased. As a result, total assets at the end of fiscal 2013 increased 61.6 billion yen compared with end of fiscal 2012 to 2,288.6 billion yen. Net assets at the end of fiscal 2013 increased 164.7 billion yen compared with the end of fiscal 2012 to 734.6 billion yen. Retained earnings increased due to the net income, and common stock and capital surplus increased due to the issuance of new shares and the disposal of treasury stock by public offering. As a result, the net worth ratio at the end of fiscal 2013 was 29.2 percent, an increase of 6.2 points compared with the end of fiscal 2012.

As for cash flows, net cash provided by operating activities came to 194.2 billion yen after posting Income before income taxes of 88.2 billion yen and depreciation of 82.9 billion yen. Net cash used in investing activities amounted to 62.1 billion yen due to the purchase of fixed assets and other items. Although there is issuance of new shares and the disposal of treasury stock by public offering, net cash used in financing activities was 138.5 billion yen mainly due to proceeds from borrowings.

At the end of fiscal 2013, outside debt, which includes IPP project financing, decreased 171.9 billion yen, compared with the end of fiscal 2012, to 787.2 billion yen.

Cash flow indicators are as follows:

Consolidated cash flow Indicators

	FY2009	FY2010	FY2011	FY2012	FY2013
Net worth ratio	23.0%	24.6%	23.9%	23.0%	29.2%
Net worth ratio at market price	27.8%	30.2%	19.3%	15.2%	21.8%
Ratio of cash flow to interest-bearing debt (years)	5.4	4.8	20.5	21.1	4.1
Interest coverage ratio (times)	8.1	8.6	2.0	2.3	10.1

Notes:

* Net worth ratio = Stockholders' equity / total assets

* Stockholders' equity ratio at market price = Market capitalization / total assets

(Market capitalization is calculated by multiplying the share price at term-end by the number of outstanding shares at term-end.)

* Ratio of cash flow to interest-bearing debt = outside debt / cash flows from operating activities

* Interest coverage ratio = Cash flows from operating activities / interest payments

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3. Management Policy

(1) Basic Management Policy

The Kobe Steel Group aims to continuously improve its corporate value by striving to fulfill its social responsibilities to its various stakeholders, including shareholders, investors, customers, business partners, employees and local communities, based on the following corporate philosophy:

Kobe Steel Group Corporate Philosophy

- | |
|---|
| <ol style="list-style-type: none">1. We provide reliable and advanced technologies, products and services that satisfy customers.2. We support each employee in developing his or her abilities, while respecting mutual cooperation within the Kobe Steel Group.3. Through continuous efforts for innovative change, we aim to enhance our corporate values. |
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(2) Medium- to Long-Term Business Vision and Issues Facing the Company

Issues Facing the Kobe Steel Group

The business environment surrounding the Kobe Steel Group remains unclear. The external environment has taken a favorable turn, with the production levels of domestic industries increasing on the back of a correction in the high yen brought about by government economic measures and rising public investments. However, China's economy has slowed down and the worsening economies of developing countries due to a tapering in quantitative easing in the United States are issues of concern.

In April 2010, the Kobe Steel Group began its Medium- to Long-Term Business Vision KOBELCO VISION "G" to create new value and further grow in the global market. Amid a rapidly changing business environment, Kobe Steel recognizes that it must rebuild its business foundation and establish a foundation for stable profits and business growth. In May 2013, the Kobe Steel Group began its Medium-Term Business Plan and is proceeding with following initiatives:

Rebuilding the Business Foundation	Establishing a Foundation for Stable Profits and Business Growth
<ul style="list-style-type: none">● Strengthening the profitability of the steel business● Securing sales volume in growth sectors and regions● Improving the competitiveness of the company● Improving financial performance	<ul style="list-style-type: none">● Reforming the structure of the steel business● Strategically expanding the machinery business● Expanding the power supply business

Through these initiatives, Kobe Steel intends to build a stable profit base with the power supply business, along with its current two pillars consisting of the materials business and the machinery business, to strengthen the Group's diversified business operations.

Medium- to Long-Term Business Vision

The Medium- to Long-Term Business Vision KOBELCO VISION “G” integrates the diverse knowledge and technologies cultivated by the Kobe Steel Group in its materials and machinery businesses to create a corporate group that:

- Has a presence in the global market
- Maintains a stable profit structure and a strong financial foundation
- Prospers together with its shareholders, business partners, employees and society

The three points above represent our image of the Kobe Steel Group in the next five to 10 years. The Kobe Steel Group aims to develop its business under the basic policies below, while thoroughly maintaining safety and meeting compliance regulations.

Basic Policies of KOBELCO VISION “G”

1. Thorough pursuit of high-end “Only One” products
2. Further improvement of *monozukuri-ryoku* (manufacturing strengths)
3. Advancing into growth markets
4. Demonstrating the comprehensive capabilities of the Group
5. Contributions to society

Outlined below are steps to rebuild the business foundation and lay the foundation for stable profits and business growth.

Rebuilding the Business Foundation

1. Strengthening the Profitability of the Steel Business

Building a stable profit structure for the steel business is the biggest and most urgent issue for the Kobe Steel Group. Kobe Steel is carrying out numerous cost reduction measures — including cost cuts at the shop floor level, lowering raw material costs by procuring cheaper raw materials, and reducing fixed costs — to strengthen its competitiveness. In addition, Kobe Steel will benefit from capital investments. A new hot-metal treatment plant went into operation at Kakogawa Works in April 2014, while in fiscal 2014 plans call for the start-up of a high-efficiency in-house gas-fired power generation plant and remodeling of the steel plate accelerated cooling equipment. Moreover, Kobe Steel will improve its product mix and expand sales to build a stable profit structure.

2. Securing Sales Volume in Growth Sectors and Regions

After drawing up the medium- to long-term business vision, Kobe Steel has been expanded its overseas locations. Examples include constructing a new facility to manufacture automotive high-strength steel sheet (United States); establishing a location to make steel wire for high-quality engine valve springs (China); establishing manufacture and sell locations and increasing production capacity of aluminum forging plants (China and the United States); taking an equity share in a nonstandard compressor manufacturer (China).

In fiscal 2013, as a part of a global expansion to the needs of automotive light-weighting, with automobile demand anticipated to expand in China, Kobe Steel and Angang Steel Company Limited signed an agreement to establish a joint venture to manufacture and sell automotive high-strength steel sheet. Kobe Steel also established another company to manufacture and sell automotive aluminum sheet.

To capture more demand in the future, Kobe Steel will continue efforts as well as maximized its various locations. In the automotive, resource and environmental, energy, infrastructure and other growth sectors, along with regions that are anticipated to grow in these fields, Kobe Steel aims to maximize sales volumes based mainly on “Only One” products, technologies and services which includes the materials businesses such as iron and steel, welding, aluminum, and the machinery businesses such as industrial machinery, engineering, construction machinery.

3. Improving the Competitiveness of the Company

Established in October 2012, the Committee for Cost Reduction and Cash Generation has been implementing activities to reduce costs in four areas: 1) personnel and labor, 2) fixed costs, 3) procurement costs, and 4) plant/*monozukuri* (manufacturing). Through these activities, Kobe Steel is reducing fixed costs and procurements costs throughout the company. It is also reducing quality defect costs by decreasing defect rates through the thorough verification of manufacturing processes and technologies.

4. Improving Financial Performance

Outside of stabilizing the profitability of the Iron & Steel Business and improving the profitability of other business segments, Kobe Steel is reducing inventory and selling accounts receivable and assets to create cash. It is also proceeding with the selection of investments. In fiscal 2013, Kobe Steel created cash of over 100 billion yen mainly through the sale of stock. Kobe Steel plans to continue to sell assets and select investments to continually improve its financial performance.

In addition to these priority areas, Kobe Steel is strengthening its *monozukuri-ryoku* (manufacturing strengths), a basic policy of the medium- to long-term business vision, and continues to bolster technology development in order to strengthen its business foundation.

Establishing a Foundation for Stable Profits and Business Growth

1. Reforming the Structure of the Steel Business

In the medium- to long-term business environment of the steel business, manufacturing industries, mainly in the automotive sector, are moving overseas and there is a high possibility that domestic demand will gradually decline. With new steel plants anticipated to go into operation in East Asia, competition is anticipated to further heat up and the severe business environment is expected to continue.

Under these conditions, the steel business needs to strengthen its competitiveness one step higher. Around fiscal 2017, Kobe Steel plans to shut down its blast furnace and other upstream equipment at Kobe Works and transfer steelmaking operations to Kakogawa Works in order to reform the structure of the steel business.

By improving the operating rate at Kakogawa Works through consolidating upstream operations and reducing fixed costs, Kobe Steel will be able to considerably reduce costs. In addition, at Kakogawa Works, Kobe Steel will newly construct a continuous bloom caster and secondary refining equipment. The production capacity of the bloom mill will also be increased. These investments will strengthen the competitiveness of special steel wire rod and bar, two major products.

2. Strategically Expanding the Machinery Business

In its machinery business, the Kobe Steel Group has already begun to secure overseas demand, but in its compressor business, construction equipment business and other operations, Kobe Steel intends to develop bases in Japan and overseas and strengthen its global growth strategies. In addition, it will utilize the strengths of the Group, which possesses numerous technologies. It will integrate the technologies through projects that cross the Group. By developing products for hydrogen stations, binary power generation and more, the Kobe Steel Group intends to expand its array of new products and businesses.

3. Expanding the Power Supply Business

Utilizing the know-how acquired from the construction and operation of a coal-fired power station at Kobe Works and the high-efficiency in-house gas-fired power generation plants at Kakogawa Works, Kobe steel will proceed with the expansion of its power supply business as a stable profit base into the future, while eyeing various options.

One project is the construction of a gas-fired power station in Moka, Tochigi Prefecture. Kobe Steel has already begun an environmental impact assessment for the power station. In fiscal 2013, Kobe Steel and Tokyo Gas Co., Ltd. entered into a memorandum of understanding for Kobe Steel to sell all of the electricity generated by the Moka power station to Tokyo Gas. The project is steadily moving forward with the goal of starting operations in 2019. At Kobe Works, the Company will consider a power supply business on the land to be made available after shutting down the blast furnace at Kobe Works under "Reforming the Structure of the Steel Business."

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April 25, 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
 General shareholders' meeting: June 25, 2014
 "Yukashoken hokokusho"
 (Annual Securities Report) issued: June 25, 2014
 Dividend payments begin: June 5, 2014
 Supplemental information available: Yes
 IR Briefing: Yes (in Japanese only)

(Sums of less than 1 million yen have been omitted.)

1. FY2013 Consolidated financial results (April 1, 2013 – March 31, 2014)

(1) Consolidated operating results

(In millions of yen)	FY 2012	% change	FY 2013	% change
Net sales	1,685,529	(9.6%)	1,824,698	8.3%
Operating income	11,234	(81.4%)	114,548	919.6%
Ordinary income (loss)	(18,146)	---	85,044	---
Net income (loss)	(26,976)	---	70,191	---
Net income (loss) per share	(8.98 yen)		22.62 yen	
Diluted net income per share	---		---	
Return on equity	(5.2%)		11.9%	
Ratio of ordinary income to total assets	(0.8%)		3.8%	
Ratio of operating income to net sales	0.7%		6.3%	

Comprehensive income in FY2012: 4,645 million yen FY2013: 99,288 million yen
 Equity in income (loss) of affiliates in FY2012: 1,437 million yen FY2013: (2,793 million yen)

(2) Consolidated financial position

(In millions of yen)	FY2012	FY2013
Total assets	2,226,996	2,288,636
Net assets	569,922	734,679
Net worth ratio	23.0%	29.2%
Net assets per share	170.63 yen	184.11 yen

Shareholders' equity at the end of FY2012: 512,051 million yen FY2013: 668,997 million yen

(3) Consolidated cash flows

(In millions of yen)	FY2012	FY2013
Net cash provided by operating activities	45,401	194,294
Net cash used in investing activities	(123,513)	(62,105)
Net cash provided by (used in) financing activities	127,644	(138,501)
Cash & cash equivalents at the end of year	162,037	170,926

2. Dividends

Period	Dividends per share in yen					Total dividend amount*	Dividend Payout ratio	Dividend per net assets
	1Q	2Q	3Q	4Q	Year			
FY2012	---	0.00	---	0.00	0.00	---	---	---
FY2013	---	0.00	---	4.00	4.00	14,554	17.7%	2.3%
FY2014 Forecast	Undetermined						Undetermined	

* in millions of yen

3. Consolidated Forecast for fiscal 2014 (ending March 31, 2015)

(In millions of yen)	1st half	Full year
Net sales	950,000	1,950,000
Operating income	40,000	105,000
Ordinary income	25,000	80,000
Net income	20,000	50,000
Net income per share	5.50 yen	13.76 yen

Notes

- (1) Changes in number of material subsidiaries in fiscal year
(Changes in specified subsidiaries due to changes in scope of consolidation): No
- (2) Changes in accounting policies, estimates and restatement on the preparation of consolidated financial statements
- | | |
|---|-----|
| - Changes in accounting policies due to revised accounting standards: | Yes |
| - Other changes: | Yes |
| - Changes in accounting estimates: | Yes |
| - Restatement: | No |

(3) Number of issued shares

	FY 2012	FY2013
Common stock (number of issued shares)	3,115,061,100	3,643,642,100
Treasury stock (number of shares)	114,187,811	9,975,426
Average number of shares	3,000,911,358	3,101,853,098

Explanation on the Appropriate Use of the Forecast and Other Special Items

The above forecast is based on currently available information as of today.
Actual results may differ considerably due to various changeable conditions in the future.
For preconditions on the forecast and other related factors, please refer to pages 4 to 5.

The basis for dividend payments is continuous and stable distribution. Factors taken into overall consideration are the company's financial condition, business performance, future and other issues. As the outlook for many of these factors is unclear at this time, Kobe Steel is unable to make a dividend forecast. When it is able to make a forecast, Kobe Steel will promptly do so.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(In millions of yen)

ASSETS

	FY2012 Ended Mar. 31, 2013	FY2013 Ended Mar. 31, 2014
Current Assets		
Cash and deposits	114,103	151,930
Notes and accounts receivable	318,445	363,514
Lease receivables and investment assets	26,361	29,627
Merchandise and finished goods	161,431	149,830
Work-in-process	109,902	112,697
Raw materials and supplies	129,184	138,210
Deferred tax assets	26,097	26,726
Other	108,667	100,055
Allowance for doubtful accounts	(2,276)	(4,995)
Total current assets	991,916	1,067,597
Tangible fixed assets		
Buildings and structures	290,571	288,590
Machinery and equipment	373,504	372,827
Tools, furniture and fixtures	10,959	13,313
Land	201,292	198,712
Construction in progress	31,506	39,571
Total tangible fixed assets	907,835	913,016
Intangible fixed assets		
Software	15,089	13,939
Other	5,095	6,012
Total intangible fixed assets	20,184	19,952
Investments and other assets		
Investments in securities	195,292	179,620
Long-term loans receivable	8,360	8,188
Deferred tax assets	17,403	18,993
Net defined benefit asset	---	42,528
Other	88,904	41,438
Allowance for doubtful accounts	(2,901)	(2,700)
Total investment and other assets	307,060	288,070
Total fixed assets, investments and other assets	1,235,080	1,221,039
Total assets	2,226,996	2,288,636

LIABILITIES

	FY2012	FY2013
	Ended Mar. 31, 2013	Ended Mar. 31, 2014
Current liabilities		
Notes and accounts payable	376,713	410,895
Short-term borrowings	377,087	249,835
Lease obligations	18,310	13,341
Bonds due within one year	20,000	26,000
Accounts payable - other	40,623	39,709
Income and enterprise taxes payable	4,704	10,683
Deferred tax liabilities	846	1,090
Provision for bonuses	15,362	18,838
Provision for product warranties	7,933	11,558
Provision for loss on construction contracts	8,507	8,344
Other	92,792	100,959
Total current liabilities	<u>962,881</u>	<u>891,257</u>
Long-term liabilities		
Bonds and notes	177,000	151,000
Long-term borrowings	385,039	360,411
Lease obligations	23,650	18,947
Deferred tax liabilities	19,682	18,847
Deferred tax liabilities on land revaluation	4,227	4,109
Employees' severance and retirement benefits	51,557	---
Net defined benefit liability	---	72,653
Provision for environmental measures	1,808	1,454
Provision for structural reform related expenses	---	5,632
Other	31,226	29,644
Total long-term liabilities	<u>694,192</u>	<u>662,700</u>
Total liabilities	<u>1,657,073</u>	<u>1,553,957</u>
NET ASSETS		
Stockholders' equity		
Common stock	233,313	250,930
Capital surplus	83,125	100,742
Retained earnings	253,199	322,347
Treasury stock, at cost	(51,615)	(2,983)
Total stockholders' equity	<u>518,022</u>	<u>671,035</u>
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	21,147	13,266
Unrealized losses on hedging derivatives, net of taxes	(1,685)	(1,814)
Land revaluation differences, net of taxes	(3,346)	(3,368)
Foreign currency translation adjustments	(22,086)	3,062
Remeasurements of defined benefit plans, net of taxes	---	(13,183)
Total other comprehensive income	<u>(5,971)</u>	<u>(2,037)</u>
Minority interests	<u>57,871</u>	<u>65,681</u>
Total net assets	<u>569,922</u>	<u>734,679</u>
Total liabilities and net assets	<u>2,226,996</u>	<u>2,288,636</u>

Consolidated Statements of Income

(In millions of yen)

	FY2012 Ended Mar. 31, 2013	FY2013 Ended Mar. 31, 2014
Net sales	1,685,529	1,824,698
Cost of sales	1,510,511	1,537,249
Gross profit	175,017	287,448
Selling, general and administrative expenses	163,782	172,900
Operating income	11,234	114,548
Non-operating income		
Interest income	4,271	3,624
Dividend income	2,637	2,495
Reimbursement of seconded employees' salaries	5,656	5,168
Equity in income of unconsolidated subsidiaries and affiliates	1,437	---
Subsidy income	1,876	3,155
Currency exchange gain	4,093	2,851
Other	11,778	10,390
Total non-operating income	31,752	27,686
Non-operating expenses		
Interest expense	20,119	18,572
Seconded employees' salaries	13,838	12,042
Equity in loss of unconsolidated subsidiaries and affiliates	---	2,793
Other	27,175	23,780
Total non-operating expenses	61,133	57,190
Ordinary income (loss)	(18,146)	85,044
Extraordinary income		
Gain on sale of investments in securities	---	25,185
Gain on negative goodwill	1,922	3,838
Gain on transfer of distribution rights	---	3,218
Transfer related subsidy income	---	2,029
Total extraordinary income	1,922	34,272
Extraordinary loss		
Impairment loss	2,357	21,931
Structural reform related expenses	---	5,725
Loss on write-down of investments in capital	---	3,450
Loss on write-down of investments in securities	6,650	---
Total extraordinary loss	9,007	31,108
Income (Loss) before income taxes	(25,231)	88,208
Income taxes		
Current	9,898	14,783
Deferred	(11,949)	(245)
Total income taxes	(2,050)	14,538
Income (loss) before minority interests	(23,180)	73,670
Minority interests in income of subsidiaries	3,795	3,478
Net income (loss)	(26,976)	70,191

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2012	FY2013
	Ended Mar. 31, 2013	Ended Mar. 31, 2014
Income (loss) before minority interests	(23,180)	73,670
Other comprehensive income		
Unrealized gains or losses on securities, net of taxes	7,774	(8,361)
Unrealized losses on hedging derivatives, net of taxes	(719)	(281)
Land revaluation differences, net of taxes	517	(6)
Foreign currency translation adjustments	18,864	31,920
Share of other comprehensive income related to affiliates	1,389	2,347
Total other comprehensive income	27,826	25,618
Comprehensive Income	4,645	99,288
Breakdown of total comprehensive income attributed to:		
Stockholders of the parent	(3,521)	87,323
Minority interests	8,167	11,965

Consolidated Statements of Changes in Net Assets (In millions of yen)
 FY2012 (April 1, 2012 – March 31, 2013)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance at the beginning of fiscal year	233,313	83,125	280,582	(51,627)	545,393
Amount of change					
Issuance of new shares					
Net loss			(26,976)		(26,976)
Share exchanges					
Purchase of treasury stock				(8)	(8)
Disposal of treasury stock			(16)	20	3
Decrease due to changes in scope of consolidation			(102)		(102)
Reversal of land revaluation			(287)		(287)
Net changes other than stockholders' equity					
Total changes	---	---	(27,383)	12	(27,370)
Balance at the end of fiscal year	233,313	83,125	253,199	(51,615)	518,022

	Accumulated other comprehensive income						Minority interests	Total net assets
	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total other comprehensive income		
Balance at the beginning of fiscal year	13,020	(1,013)	(4,140)	(37,579)	---	(29,713)	55,578	571,258
Amount of change								
Issuance of new shares								
Net loss								(26,976)
Share exchanges								
Purchase of treasury stock								(8)
Disposal of treasury stock								3
Decrease due to changes in scope of consolidation								(102)
Reversal of land revaluation								(287)
Net changes other than stockholders' equity	8,127	(672)	793	15,493	---	23,742	2,293	26,035
Total changes	8,127	(672)	793	15,493	---	23,742	2,293	(1,335)
Balance at the end of fiscal year	21,147	(1,685)	(3,346)	(22,086)	---	(5,791)	57,871	569,922

Consolidated Statements of Changes in Net Assets (In millions of yen)
 FY2013 (April 1, 2013 – March 31, 2014)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance at the beginning of fiscal year	233,313	83,125	253,199	(51,615)	518,022
Amount of change					
Issuance of new shares	17,616	17,616			35,233
Net income			70,191		70,191
Share exchanges			(168)	219	51
Purchase of treasury stock				(24)	(24)
Disposal of treasury stock			(2)	48,436	48,434
Decrease due to changes in scope of consolidation			(888)		(888)
Reversal of land revaluation			15		15
Net changes other than stockholders' equity					
Total changes	17,616	17,616	69,147	48,631	153,013
Balance at the end of fiscal year	250,930	100,742	322,347	(2,983)	671,035

	Accumulated other comprehensive income						Minority interests	Total net assets
	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total other comprehensive income		
Balance at the beginning of fiscal year	21,147	(1,685)	(3,346)	(22,086)	---	(5,971)	57,871	569,922
Amount of change								
Issuance of new shares								35,233
Net income								70,191
Share exchanges								51
Purchase of treasury stock								(24)
Disposal of treasury stock								48,434
Decrease due to changes in scope of consolidation								(888)
Reversal of land revaluation								15
Net changes other than stockholders' equity	(7,881)	(128)	(22)	25,148	(13,183)	3,933	7,809	11,743
Total changes	(7,881)	(128)	(22)	25,148	(13,183)	3,933	7,809	164,756
Balance at the end of fiscal year	13,266	(1,814)	(3,368)	3,062	(13,183)	(2,037)	65,681	734,679

Consolidated Statements of Cash Flows

(In millions of yen)

	FY2012 Ended Mar. 31, 2013	FY2013 Ended Mar. 31, 2014
Cash flows from operating activities		
Income (Loss) before income taxes	(25,231)	88,208
Depreciation	106,725	82,936
Interest and dividend income	(6,909)	(6,119)
Interest expense	20,119	18,572
Loss (Gain) on sale of securities	(453)	(25,261)
Loss on write-down of investments in securities	6,650	326
Equity in loss (income) of unconsolidated subsidiaries and affiliates	(1,437)	2,793
Impairment loss	2,357	21,931
Gain on negative goodwill	(1,922)	(3,838)
Gain on transfer of distribution rights	---	(3,218)
Transfer related subsidy income	---	(2,029)
Loss on write-down of investments in capital	---	3,450
Structural reform related expenses	---	5,725
Loss (Gain) on sale of fixed assets	(161)	(1,239)
Loss on disposal of plant and equipment	3,279	1,904
Decrease (Increase) in trade receivables from customers	10,495	(5,328)
Net decrease (increase) in lease receivables and investment assets	17,325	1,954
Decrease (Increase) in inventories	18,848	19,067
Increase (Decrease) in trade payables to customers	(88,324)	898
Other	11,549	15,098
Subtotal	72,819	215,833
Cash received for interest and dividends	8,306	7,085
Cash paid for interest	(20,060)	(19,155)
Cash paid for income taxes	(15,664)	(9,469)
Net cash provided by operating activities	45,401	194,294
Cash flows from investing activities		
Purchase of property, plant and equipment and other assets	(109,505)	(95,424)
Proceeds from sale of property, plant and equipment and other assets	1,975	3,207
Purchase of investments in securities	(14,516)	(398)
Proceeds from sale of investments in securities	2,089	32,055
Payment for investments in capital	(2,347)	(2,063)
Decrease (Increase) in short-term loans receivable	1,033	86
Payments for long-term loans receivable	(2,792)	(124)
Proceeds from collection of long-term loans receivable	2,495	457
Proceeds from sales of investment in subsidiaries resulting in change in scope of consolidation	(113)	---
Other	(1,832)	98
Net cash used in investing activities	(123,513)	(62,105)
Cash flows from financing activities		
Increase (Decrease) in short-term borrowings	55,215	(39,126)
Proceeds from issuance of long-term borrowings	167,059	33,858
Repayment of long-term borrowings	(73,935)	(176,353)
Proceeds from issuance of bonds	25,000	---
Repayment of bonds	(35,088)	(20,000)
Proceeds from issuance of common stock	---	69,920
Proceeds from disposal of treasury stock	3	13,747
Repayment of finance lease obligations	(7,959)	(18,964)
Payment of dividends	(14)	(7)
Other	(2,637)	(1,575)
Net cash provided by (used in) financing activities	127,644	(138,501)
Effect of exchange rate changes on cash and cash equivalents	8,850	15,112
Increase (Decrease) in cash and cash equivalents	58,383	8,799
Cash and cash equivalents at the beginning of fiscal year	101,900	162,037
Increase (Decrease) in cash and cash equivalents resulting in change in scope of consolidation	1,748	89
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	4	---
Cash and cash equivalents at the end of fiscal year	162,037	170,926

Notes

(Notes on premise of a going concern)

None

(Changes in accounting policies)

(Application of Accounting Standard for Retirement Benefits)

Since the end of the consolidated fiscal year under review, Kobe Steel has been applying the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan Statement No. 26, May 17, 2012; hereinafter the "Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; hereinafter the "Guidance on Retirement Benefits") (except for the provisions set forth in Clause 35 of the Accounting Standard for Retirement Benefits and in Clause 67 of the Guidance on Retirement Benefits) .

Kobe Steel has changed its accounting method to post retirement benefit obligations less pension assets as liabilities associated with retirement benefits and posts an unrecognized actuarial difference and unrecognized prior service costs as liabilities associated with retirement benefits. If pension assets exceed retirement benefit obligations, Kobe Steel posts the difference as assets associated with retirement benefits.

The application of the Accounting Standard for Retirement Benefits and the Guidance on Retirement Benefits is subject to the transitional accounting treatment set forth in Clause 37 of the Accounting Standard for Retirement Benefits. In the consolidated adjustment associated with retirement benefits in accumulated other comprehensive income.

The result is a decrease of 13,183 million yen in accumulated other comprehensive income at the end of the consolidated fiscal year.

(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 consolidated 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 23,363 million yen in comparison to the previous depreciation method. Operating income increased by 20,880 million yen, and ordinary income and income before income taxes each increased by 20,883 million yen.

Segment Information

(In millions of yen)

		FY2012	FY2013
		Ended Mar. 31, 2013	Ended Mar. 31, 2014
Sales to outside customers:	Iron & Steel	710,420	775,232
	Welding	81,509	87,388
	Aluminum & Copper	260,809	294,280
	Machinery	149,940	140,122
	Engineering	45,658	38,160
	Kobelco Eco-Solutions	70,312	65,769
	Kobelco Construction Machinery	267,183	317,473
	Kobelco Cranes	39,777	47,415
	Other Businesses	57,549	56,394
	Adjustment	2,368	2,460
	Total	<u>1,685,529</u>	<u>1,824,698</u>
Intersegment sales:	Iron & Steel	32,420	33,312
	Welding	707	957
	Aluminum & Copper	1,391	1,404
	Machinery	17,177	9,683
	Engineering	834	952
	Kobelco Eco-Solutions	2,343	2,391
	Kobelco Construction Machinery	638	743
	Kobelco Cranes	5,723	9,223
	Other Businesses	15,687	14,825
	Adjustment	(76,924)	(73,495)
	Total	<u>---</u>	<u>---</u>
Total sales:	Iron & Steel	742,841	808,544
	Welding	82,216	88,345
	Aluminum & Copper	262,201	295,685
	Machinery	167,117	149,806
	Engineering	46,493	39,113
	Kobelco Eco-Solutions	72,656	68,160
	Kobelco Construction Machinery	267,821	318,217
	Kobelco Cranes	45,501	56,639
	Other Businesses	73,236	71,220
	Adjustment	(74,556)	(71,034)
	Total	<u>1,685,529</u>	<u>1,824,698</u>
Ordinary income (loss):	Iron & Steel	(50,212)	33,593
	Welding	2,154	7,201
	Aluminum & Copper	3,912	15,164
	Machinery	12,039	6,486
	Engineering	(1,335)	(3,935)
	Kobelco Eco-Solutions	3,918	2,607
	Kobelco Construction Machinery	6,852	15,119
	Kobelco Cranes	(2,250)	3,200
	Other Businesses	7,554	6,844
	Adjustment	(780)	(1,236)
	Total	<u>(18,146)</u>	<u>85,044</u>

SUPPLEMENTAL INFORMATION

(April 1, 2013 – March 31, 2014)

1. Consolidated Operating Results (In billions of yen)

	FY2012	FY2013	% change
Net sales	1,685.5	1,824.6	8.3%
Operating income	11.2	114.5	10.2 times
Ordinary income (loss)	(18.1)	85.0	---
Extraordinary income (loss)	(7.0)	3.1*	---
Net income (loss)	(26.9)	70.1	---

* Gain on sale of investments in securities: 25.1 billion yen, impairment loss: 21.9 billion yen, and others

Year-end Dividend for fiscal 2013: 4 yen

2. Forecast for Fiscal 2014 (in billions of yen)

	FY2013	FY2014 Forecast			% change
		1st half	2nd half	Full year	
Net sales	1,824.6	950.0	1,000.0	1,950.0	6.9%
Operating income	114.5	40.0	65.0	105.0	(8.3%)
Ordinary income	85.0	25.0	55.0	80.0	(5.9%)
Extraordinary income	3.1	---	---	---	---
Net income	70.1	20.0	30.0	50.0	(28.8%)

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

		FY2012	FY2013
Iron & Steel	Sales	742.8	808.5
	Ordinary income (loss)	(50.2)	33.5
Welding	Sales	82.2	88.3
	Ordinary income	2.1	7.2
Aluminum & Copper	Sales	262.2	295.6
	Ordinary income	3.9	15.1
Machinery	Sales	167.1	149.8
	Ordinary income	12.0	6.4
Engineering	Sales	46.4	39.1
	Ordinary loss	(1.3)	(3.9)
Kobelco Eco-Solutions	Sales	72.6	68.1
	Ordinary income	3.9	2.6
Kobelco Construction Machinery	Sales	267.8	318.2
	Ordinary income	6.8	15.1
Kobelco Cranes	Sales	45.5	56.6
	Ordinary income (loss)	(2.2)	3.2
Other Businesses	Sales	73.2	71.2
	Ordinary income	7.5	6.8
Adjustment	Sales	(74.5)	(71.0)
	Ordinary loss	(0.7)	(1.2)
Total	Sales	1,685.5	1,824.6
	Ordinary income (loss)	(18.1)	85.0

4. Production, Sales & Orders

(1) Steel Products (Nonconsolidated)

Production & Sales Volume (In millions of metric tons unless otherwise indicated)

	FY2012	FY2013
Crude steel	7.01	7.62
Sales volume	5.79	6.27
Export ratio (value base)	27.6%	31.3%

Unit Sales Price of Steel Products (In yen per metric ton)

	FY2012	FY2013
Domestic & Export average	77,200	80,200

(2) Aluminum & Copper Rolled Products

Sales Volume (Nonconsolidated, in thousands of metric tons)

	FY2012	FY2013
Aluminum rolled products	259	267
Copper sheet and strip	42	48
Copper tube*	79	85

*Consolidated

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

Orders

	FY2012	FY2013
Domestic	54.2	58.0
Overseas	55.2	94.7
Total orders	109.5	152.8

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

	FY2012	FY2013
Domestic	43.2	43.7
Overseas	73.4	78.5
Total backlog	116.6	122.2

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

Orders

	FY2012	FY2013
Domestic	28.1	14.5
Overseas	5.4	35.2
Total orders	33.5	49.8

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

	FY2012	FY2013
Domestic	46.8	44.1
Overseas	16.9	39.2
Total backlog	63.7	83.3

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

	FY2012	FY2013
Domestic & Overseas total orders	73.5	71.8

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

	FY2012	FY2013
Domestic & Overseas total backlog	43.5	47.2

5. Factors Affecting Ordinary Income (loss) (Consolidated, in billions of yen)

	FY2012	FY2013	Amount of increase
Ordinary income (loss)	(18.1)	85.0	103.1

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	7.0	Effect of steel changes in foreign exchange rates	(20.0)
Raw material prices	24.0	Other	(6.4)
Overall cost reductions	29.5		
Effect of steel inventory valuation*	36.5		
Effect of aluminum & copper inventory valuation*	3.5		
Effect of the change in depreciation method	21.0		
Consolidated subsidiaries & equity-valued affiliates	8.0		
Total	129.5	Total	(26.4)

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

6. Extraordinary Income & Loss (Consolidated, in billions of yen)

		FY 2013
Extraordinary income	Gain on sale of investments in securities	25.1
	Gain on negative goodwill	3.8
	Gain on transfer of distribution rights	3.2
	Transfer related subsidy income	2.0
Extraordinary loss	Impairment loss	(21.9)
	Structural reform related expenses	(5.7)
	Loss on write-down of investment in capital	(3.4)
Total		3.1

6. Forecast for FY2014 by Segment (Consolidated, in billions of yen)

		FY2013	FY2014 Forecast		
			1st half	2nd half	Full year
Iron & Steel	Sales	808.5	395.0	420.0	815.0
	Ordinary income	33.5	5.0	17.0	22.0
Welding	Sales	88.3	46.0	47.0	93.0
	Ordinary income	7.2	3.0	3.5	6.5
Aluminum & Copper	Sales	295.6	160.0	165.0	325.0
	Ordinary income	15.1	4.0	7.0	11.0
Machinery	Sales	149.8	79.0	91.0	170.0
	Ordinary income	6.4	2.0	6.5	8.5
Engineering	Sales	39.1	24.0	35.0	59.0
	Ordinary income (loss)	(3.9)	(1.5)	0.5	(1.0)
Kobelco Eco-Solutions	Sales	68.1	27.0	40.5	67.5
	Ordinary income (loss)	2.6	(0.9)	3.2	2.3
Kobelco Construction Machinery	Sales	318.2	180.0	160.0	340.0
	Ordinary income	15.1	13.0	9.0	22.0
Kobelco Cranes	Sales	56.6	39.0	34.0	73.0
	Ordinary income	3.2	1.5	2.0	3.5
Other Businesses	Sales	71.2	31.0	44.0	75.0
	Ordinary income	6.8	1.0	5.0	6.0
Adjustment	Sales	(71.0)	(31.0)	(36.5)	(67.5)
	Ordinary income (loss)	(1.2)	(2.1)	1.3	(0.8)
Total	Sales	1,824.6	950.0	1,000.0	1,950.0
	Ordinary income	85.0	25.0	55.0	80.0

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

	FY2013	FY2014	Amount of Decrease
Ordinary income	85.0	80.0	(5.0)

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	3.0	Effect of steel inventory valuation*	(21.0)
Raw material prices	10.5	Effect of aluminum & copper inventory valuation*	(1.0)
Overall cost reductions	5.0	Effect of steel changes in foreign exchange rates	(5.0)
Consolidated subsidiaries & equity-valued affiliates	14.0	Other	(10.5)
Total	32.5	Total	(37.5)

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

8. Other

(1) Cash Flow and Outside Debt (Consolidated, in billions of yen)

Cash Flow

	FY2012	FY2013	FY2014 Forecast
Free cash flow	(92.1)	117.1	5.0

(Excludes cash flow from IPP project financing)

Outside Debt (As of the end of each period)

	FY2012	FY2013	FY2014 Forecast
Outside debt *	907.6	748.1	Approx. 700.0
D/E ratio (times) **	1.75	1.11	1.0

* Excludes debt from IPP project financing

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

(2) Exchange Rate

	FY2012	FY2013	FY2014 Forecast
1 U.S. dollar to yen	83 yen	100 yen	103 yen
1 Chinese yuan to yen	13.2 yen	16.4 yen	17 yen

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

	FY2012	FY2013	FY2014 Forecast
Capital investment (accrual basis)	114.9	101.4	135.0
Depreciation	106.7	82.9	90.0

FOR REFERENCE

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

		FY2012							FY2013						
		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	217.1	418.5	808.5
	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	5.0	18.0	33.5
Welding	Sales	21.3	20.6	42.0	19.5	20.5	40.1	82.2	20.4	21.5	41.9	22.2	24.1	46.3	88.3
	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	2.3	4.3	7.2
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	75.3	147.5	295.6
	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	3.4	7.0	15.1
Machinery	Sales	39.7	41.1	80.8	33.8	52.4	86.2	167.1	31.5	39.7	71.3	30.5	47.9	78.4	149.8
	Ordinary income	2.4	1.9	4.4	3.5	4.0	7.5	12.0	1.0	1.0	2.1	2.3	2.0	4.3	6.4
Engineering	Sales	7.1	10.7	17.9	9.2	19.3	28.5	46.4	10.6	10.1	20.8	7.0	11.2	18.2	39.1
	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)	(2.2)	(3.7)	(3.9)
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	37.2	68.1
	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	1.1	1.5	2.6
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	82.3	155.2	318.2
	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	3.0	4.9	15.1
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	16.7	31.1	56.6
	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	1.4	3.2
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	22.3	39.0	71.2
	Ordinary income	1.0	1.1	2.1	1.5	3.8	5.3	7.5	0.8	1.5	2.4	1.7	2.7	4.4	6.8
Adjustment	Sales	(15.6)	(18.1)	(33.8)	(15.5)	(25.1)	(40.7)	(74.5)	(16.7)	(17.7)	(34.5)	(16.3)	(20.1)	(36.5)	(71.0)
	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	(0.5)	(0.5)	(1.2)
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	499.4	935.3	1,824.6
	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	17.6	41.8	85.0
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	6.3	26.0	70.1

(2) Quarterly Production and Sales of Steel Products (Nonconsolidated)

Production and 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						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	1.88	1.91	3.79	1.91	1.92	3.83	7.62
Sales volume	1.53	1.54	3.07	1.56	1.64	3.20	6.27
Export ratio (value basis)	34.0%	29.9%	31.9%	29.4%	32.0%	30.7%	31.3%

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						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & Export average	76,400	81,100	78,800	80,800	82,300	81,500	80,200

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