

Kobe Steel's Consolidated Financial Results for First Half of Fiscal 2014 (April 1 – September 30, 2014)

October 31, 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: November 5, 2014
 Dividend payments begin: December 1, 2014
 Supplemental information available: Yes
 IR Briefing: Yes (in Japanese only)

(Sums under 1 million yen have been omitted.)

1. First Half FY2014 Consolidated Financial Results (April 1 - September 30, 2014)

(1) Consolidated operating results

(In millions of yen)	FY2013 1H	% change*	FY2014 1H	% change*
Net sales	889,328	3.6%	916,019	3.0%
Operating income	54,472	880.8%	57,184	5.0%
Ordinary income	43,147	---	46,152	7.0%
Net income	44,171	---	42,115	(4.7%)
Net income per share	14.71 yen		11.59 yen	
Diluted net income per share	---		---	

Comprehensive income in FY2013 1H: 67,523 million yen FY2014 1H: 45,111 million yen

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

(2) Consolidated financial position

(In millions of yen)	FY2013	FY2014 1H
Total assets	2,288,636	2,203,307
Net assets	734,679	769,892
Equity ratio	29.2%	31.9%

Stockholders' equity at FY2013: 668,997 million yen September 30 2014: 703,025 million yen

2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2013	---	0.00	---	4.00	4.00
FY2014	---	2.00	---	---	---
FY2014 Forecast	---	---	---	---	---

Revision to dividend forecast in FY2014 2Q: No

The dividend for the end of fiscal 2014 is undetermined.

3. Consolidated Forecast for Fiscal 2014 (April 1, 2014 - March 31, 2015)

(In millions of yen)	FY2014	% change*
Net sales	1,910,000	4.7%
Operating income	110,000	(4.0%)
Ordinary income	85,000	(0.1%)
Net income	60,000	(14.5%)
Net income per share	16.51 yen	

* Indicates percentage of change from the previous fiscal year

Revision to consolidated forecast in FY2014 2Q: Yes

Notes

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

(4) Number of issued shares

	FY2013	FY 2014 1H
Common stock (number of issued shares)	3,643,642,100	3,643,642,100
Treasury stock (number of shares)	9,975,426	10,003,137
Average number of shares in 1H	3,001,302,779*	3,633,668,656

*FY2013 1H

1. Qualitative Information on Operating Results for First Half of Fiscal 2014

Japan's economy in the first half of fiscal 2014 (April 1 - September 30, 2014) was affected by a reaction to the last-minute surge in demand prior to the rise in the consumption tax on April 1. However, on the back of various economic measures by the government, corporate earnings improved, capital expenditures went up, and public investments continued at high levels, resulting in the economy as a whole continuing on a recovery track. In overseas markets, the U.S. economy gradually continued to improve, but Europe's economy remained weak and the economies of China and Southeast Asia continued to decelerate.

In this economic environment, the Kobe Steel Group saw a decrease in its sales volume (in terms of tons sold) of steel products in the first half of fiscal 2014, compared with the same period last year, due to a decrease in demand from the automotive sector brought about by a reaction to the last-minute surge in demand prior to the rise in the consumption tax on April 1. Another reason for the decrease in the sales volume of steel products was the impact of production trouble at the Kakogawa Works. The sales volume of aluminum rolled products increased in the first half of fiscal 2014, compared with the same period last year, owing to higher demand in Japan for aluminum can stock for beverage containers and efforts to expand export sales of aluminum products. The sales volume of copper rolled products increased in the first half of fiscal 2014, compared with the same period last year, owing to strong demand for copper sheet and strip used in automotive terminals and semiconductors and strong demand for copper tube for air conditioners. Unit sales of hydraulic excavators in the first half of fiscal 2014 decreased compared with the same period last year. Although unit sales increased in Europe and North America owing to steady sales expansion, unit sales decreased in Japan and Southeast Asia.

As a result, consolidated sales in the first half of fiscal 2014 increased 26.6 billion yen, compared with the same period last year, to 916.0 billion yen. Operating income increased 2.7 billion yen, compared with the same period last year, to 57.1 billion yen. Ordinary income* (also known as "pretax recurring profit" or simply "pretax profit") increased 3.0 billion yen, compared with the same period last year, to 46.1 billion yen. However, net income decreased 2.0 billion yen, compared with the same period last year, to 42.1 billion yen, due to the posting of gain on the sale of investment securities in the first half of fiscal 2013.

Conditions in the business segments for the first half of fiscal 2014 follow below.

Iron & Steel Business

As a reaction to the last-minute surge in demand prior to the rise in the consumption tax, demand for steel products in the first half of fiscal 2014 declined in the automotive sector. Steel products were also impacted by production trouble at the Kakogawa Works. As a result, the sales volume of steel products declined compared with the same period last year. On the other hand, sales prices increased,

compared with the same period last year, remaining at similar high levels as at the end of fiscal 2013.

Sales of steel castings and forging increased in the first half of fiscal 2014, compared with the same period last year, owing to recovery in demand from the shipbuilding industry. However, sales of titanium products decreased slightly compared with the same period last year.

As a result, consolidated segment sales in the first half of fiscal 2014 were similar to the same period last year at 386.6 billion yen. Ordinary income* decreased 5.1 billion yen, compared with the same period last year, to 10.4 billion yen due to a decrease in inventory valuation gain.

Welding Business

The sales volume of welding materials increased in the first half of fiscal 2014, compared with the same period last year, due to a recovery in demand from Japan's shipbuilding industry and strong demand from the construction sector. Sales of welding systems also increased, compared with the same period last year, due to strong demand from the domestic construction sector.

As a result, consolidated segment sales in the first half of fiscal 2014 increased 8.8 percent, in comparison to the same period last year, to 45.6 billion yen. Ordinary income* increased 1.8 billion yen, compared with the same period last year, to 4.6 billion yen.

Aluminum & Copper Business

The sales volume of aluminum rolled products increased in the first half of fiscal 2014, compared with the same period last year, due to higher demand in Japan for aluminum can stock for beverage containers as well as efforts to expand export sales of aluminum can stock and aluminum products to the automotive sector. Sales of aluminum castings and forgings increased, compared with the same period last year, due to strong demand from the overseas automotive market.

The sales volume of copper rolled products increased, compared with the same period last year, owing to strong demand for copper sheet and strip for automotive terminals and semiconductors and strong demand for copper tube used in air conditioners.

As a result, consolidated segment sales in the first half of the fiscal year increased 9.0 percent, compared with the same period last year, to 161.5 billion yen. However, ordinary income* decreased 1.9 billion yen, compared with the same period last year, to 6.0 billion yen due to higher energy costs and the worsening effect of inventory valuation.

Machinery Business

With continued strong demand for compressors used mainly overseas in the oil refining and petrochemical sectors, consolidated orders in the first half of fiscal 2014 were similar to the same period last year at 73.7 billion yen. The consolidated backlog of orders at the end of the first half of fiscal 2014 stood at 142.1 billion yen.

Owing to the posting of sales concentrated on large orders for tire and rubber machinery, consolidated segment sales in the first half of fiscal 2014 increased 2.3 percent, compared with the same period last year, to 73.0 billion yen. Ordinary income* increased 1.1 billion yen, compared with the same period last year, to 3.2 billion yen.

Engineering Business

Consolidated orders in the first half of fiscal 2014 amounted to 14.5 billion yen, a decrease of 27.6 percent compared with the same period last year, which saw an order for a large direct reduction plant in Russia. Domestic orders accumulated mainly around waste treatment work and repair and maintenance work related to recovery from the Great East Japan Earthquake. The consolidated backlog of orders at the end of the first half of fiscal 2014 stood at 80.7 billion yen.

Consolidated segment sales in the first half of fiscal 2014 came to 19.0 billion yen, a decrease of 8.6 percent compared with the same period last year, which saw the posting of sales from large projects related to recovery from the Great East Japan Earthquake. Ordinary loss* increased 0.3 billion yen to 0.5 billion yen.

Kobelco Eco-Solutions

Consolidated orders in the first half of fiscal 2014 increased 22.8 percent, compared with the same period last year, to 45.2 billion yen due to an increase in the volume of orders for waste treatment-related work. The backlog of orders at the end of the first half of fiscal 2014 stood at 65.3 billion yen.

Consolidated segment sales were 27.1 billion yen, a decrease of 12.1 percent compared with the same period last year, which saw the posting of sales from large-scale waste treatment projects. Ordinary income* decreased 0.6 billion yen compared with the same period last year to 0.3 billion yen.

Kobelco Construction Machinery

Unit sales of hydraulic excavators on the whole decreased in the first half of fiscal 2014, compared with the same period last year. Unit sales increased in Europe and North America, where sales steadily expanded. In China, unit sales increased, compared with the same period last year. However, unit sales in Japan were affected by stricter exhaust emission regulations and by a reaction to the last-minute surge in demand prior to the rise in the consumption tax, which came into effect on April 1. Unit sales also fell in Southeast Asia due to political unrest.

However, owing to changes in sales regions and the sales mix of machines, consolidated segment sales in the first half of fiscal 2014 increased 4.1 percent, compared with the same period last year, to 169.7 billion yen. Ordinary income* increased 5.9 billion yen, compared with the same period last year, to 16.1 billion yen.

Kobelco Cranes

Unit sales of crawler cranes increased in the first half of fiscal 2014, compared with the same period last year. Unit sales increased in Japan owing to continued strong demand on the backdrop of higher public investments and other factors. In overseas markets, unit sales increased in Asia, where demand continued to be strong, and other regions.

As a result, consolidated segment sales in the first half of fiscal 2014 increased 40.8 percent, compared with the same period last year, to 35.8 billion yen. Ordinary income* increased 1.4 billion yen, compared with the same period last year, to 3.1 billion yen.

Other Businesses

At Shinko Real Estate Co., Ltd., although the leasing business continued to be strong, the property sales business saw a decrease in the number of property handovers. In Kobelco Research Institute, Inc.'s testing and research businesses, demand was strong mainly in the automotive sector.

Due to these conditions, consolidated segment sales in the first half of fiscal 2014 decreased 5.2 percent, compared with the same period last year, to 30.4 billion yen. Ordinary income* decreased 0.5 billion yen, compared with the same period last year, to 1.9 billion yen.

2. Qualitative Information on Consolidated Earnings Forecast

While the effects of the reaction to the last-minute surge in demand prior to the rise in the consumption tax on April 1 continue to place a drag on Japan's economy, the economy is on a gradual track to recovery. However, concerned about geopolitical risks and the protracted economic slowdown in China and emerging countries, the Kobe Steel Group realizes that the future is increasingly unclear.

With these conditions in mind, the Kobe Steel Group forecasts the following conditions in its business segments for the third quarter of fiscal 2014 and beyond.

Iron & Steel Business

The Kobe Steel Group anticipates that demand for steel products will remain strong mainly in the domestic manufacturing sector, but the oversupply situation in Asia will remain unchanged. As the business environment is difficult to forecast, the Kobe Steel Group will closely monitor domestic and overseas market trends.

For steel castings and forgings, although shipbuilding demand is on a recovery track, the worldwide overcapacity situation remains. The Kobe Steel Group anticipates that the severe business environment will continue. For titanium products, a recovery in demand is anticipated to take time.

Welding Business

The Kobe Steel Group anticipates that domestic demand from the construction and shipbuilding sectors will remain strong. In overseas markets, there is concern over the protracted economic deceleration of China and Southeast Asia.

Aluminum & Copper Business

The Kobe Steel Group anticipates that demand mainly from the automotive sector will remain strong,

but there is concern over rising energy costs and other factors.

Machinery Business

The Kobe Steel Group anticipates that demand for compressors and plastic processing machinery will remain strong mainly in overseas markets. However, some products face tough competition and the severe business environment is expected to continue for these products.

Engineering Business

In the nuclear power field, demand is expected to continue for decontamination work related to the Fukushima Daiichi Nuclear Power Station. In the ironmaking plant field, as the trend for large-scale capital investments is expected to be weak, the Kobe Steel Group expects the severe business environment to continue.

Kobelco Eco-Solutions

Domestic private-sector capital investments in the water treatment business and the chemical and food equipment businesses are anticipated to gradually recover, but the future outlook continues to be unclear. As for domestic public investments, the waste treatment business is seen to be on track to recovery. However, the water treatment business is anticipated to continue being weak.

Kobelco Construction Machinery

The Kobe Steel Group anticipates that domestic demand on the backdrop of high levels of public investments will remain strong. In overseas markets, demand is anticipated to be strong in North America. However, in China and Southeast Asia, the Kobe Steel Group anticipates that demand will remain weak.

Kobelco Cranes

The Kobe Steel Group anticipates that domestic demand on the backdrop of high levels of public investments will remain strong. Overseas demand, too, is anticipated to remain strong on the whole, mainly in North America.

Other Businesses

At Shinko Real Estate Co., Ltd., both the property sales business and the leasing business are anticipated to remain strong. At Kobelco Research Institute, Inc., the testing and research businesses are anticipated to remain strong.

Under these conditions, Kobe Steel's consolidated sales for fiscal 2014, ending March 2015, are anticipated to be approximately 1,910.0 billion yen. Ordinary income* is forecast to reach about 85.0 billion yen, with net income of approximately 60.0 billion yen.

Dividends

Kobe Steel's basic policy is to provide continuous and stable dividends to its stockholders. Dividends are decided taking into account the Company's financial condition, business performance, future capital needs and other factors from a comprehensive standpoint. With these factors in mind, Kobe Steel has decided to pay an interim dividend of 2 yen per share for the first half of fiscal 2014.

Note on Ordinary income (loss)*

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

3. Items Regarding Summary Information (Notes)

Changes in accounting policies, changes in accounting estimates and restatement on the preparation of quarterly consolidated financial statements

(Application of the Accounting Standard for Retirement Benefits)

In 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"), Kobe Steel Group adopted the provisions set forth in Article 35 of the Accounting Standard for Retirement Benefits and in Article 67 of the Guidance on Retirement Benefits since the first quarter of fiscal 2014. The Group revised its calculation method of

the retirement benefit obligation and service costs. In addition, the Group changed its attribution method of the projected retirement benefit from the straight-line basis to the benefit formula basis and changed the calculation method of the discount rate.

Following Article 37 in the Accounting Standard for Retirement Benefits, which stipulates transitional treatment of the new standard, at the beginning of the first quarter of fiscal 2014, the effect of the changed calculation method for the retirement benefit obligation and service costs is adjusted in the retained earnings.

As a result, at the beginning of the first quarter of fiscal 2014, retained earnings increased by 5,066 million yen. The application of the new accounting standard does not have material effect on profit or loss in the first half of fiscal 2014.

(Application of the Accounting Standard for Business Combinations)

The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013) could be applied from the beginning of the consolidated fiscal 2014. Accordingly, Kobe Steel applied these accounting standards (excluding Article 39 of ASBJ Statement No. 22, revised on September 13, 2013) from the first quarter of this consolidated fiscal 2014.

Under these accounting standards, Kobe Steel recorded the differences caused by changes in Kobe Steel's equity shares in subsidiaries in which Kobe Steel continues to control as capital surplus. In addition, Kobe Steel recorded acquisition-related costs as expenses in the fiscal periods in which the costs are incurred.

Regarding business combinations, from the beginning of the first quarter of fiscal 2014, Kobe Steel changed the method to reflect changes in the allocation of the acquisition costs arising from confirmation of the provisional accounting treatment on the consolidated financial statements of the quarter that includes the acquisition date.

Kobe Steel has adopted these accounting standards from the beginning of the first quarter of fiscal 2014, following transitional treatment based on Article 58-2(4) of "Accounting Standard for Business Combinations," Article 44-5(4) of "Accounting Standard for Consolidated Financial Statements," and Article 57-4(4) of "Accounting Standard for Business Divestitures".

Adoption of these accounting standards does not affect Kobe Steel's profit or loss in the first half of fiscal 2014 and capital surplus at the end of the same half-year period.

Investor Relations:

Tel +81 (0)3 5739-6045
Fax +81 (0)3 5739-5973

Kobe Steel, Ltd.
9-12 Kita-Shinagawa 5-chome
Shinagawa-ku, Tokyo 141-8688
JAPAN

Website www.kobelco.com

Media Contact:

Publicity Group
Tel +81 (0)3 5739-6010
Fax +81 (0)3 5739-5971

CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

Assets	FY2013 Ended Mar. 31, 2014	FY2014 1st Half Ended Sep. 30, 2014
Current assets		
Cash and deposits	151,930	108,482
Notes and accounts receivable	363,514	317,418
Merchandise and finished goods	149,830	158,947
Work-in-process	112,697	125,729
Raw materials and supplies	138,210	131,412
Other	156,409	144,829
Allowance for doubtful accounts	(4,995)	(7,278)
Total current assets	<u>1,067,597</u>	<u>979,541</u>
Fixed assets		
Property, plant and equipment		
Buildings and structures	288,590	287,325
Machinery and equipment	372,827	371,121
Land	198,712	198,539
Other	52,884	58,318
Total tangible fixed assets	<u>913,016</u>	<u>915,304</u>
Intangible fixed assets	19,952	19,334
Investments and other assets		
Investments in securities	179,620	183,278
Other	111,149	108,170
Allowance for doubtful accounts	(2,700)	(2,322)
Total investments and other assets	<u>288,070</u>	<u>289,126</u>
 Total fixed assets	 <u>1,221,039</u>	 <u>1,223,765</u>
 Total assets	 <u>2,288,636</u>	 <u>2,203,307</u>

Liabilities	FY2013 Ended Mar. 31, 2014	FY2014 1st Half Ended Sep. 30, 2014
Current liabilities		
Notes and accounts payable	410,895	392,880
Short-term borrowings	249,835	222,583
Current portion of bonds	26,000	20,000
Income and enterprise taxes payable	10,683	7,239
Provisions	38,741	37,648
Other	155,100	143,888
Total current liabilities	<u>891,257</u>	<u>824,241</u>
Long-term liabilities		
Bonds and notes	151,000	131,000
Long-term borrowings	360,411	340,041
Net defined benefit liability	72,653	67,902
Provisions	7,086	6,653
Other	71,550	63,576
Total long-term liabilities	<u>662,700</u>	<u>609,173</u>
Total liabilities	<u>1,553,957</u>	<u>1,433,414</u>
Net Assets		
Stockholders' equity		
Common stock	250,930	250,930
Capital surplus	100,742	100,742
Retained earnings	322,347	354,921
Treasury stock, at cost	(2,983)	(2,981)
Total stockholders' equity	<u>671,035</u>	<u>703,612</u>
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	13,266	18,522
Unrealized losses on hedging derivatives, net of taxes	(1,814)	(2,071)
Land revaluation differences, net of taxes	(3,368)	(3,334)
Foreign currency translation adjustments	3,062	(3,120)
Remeasurements of defined benefit plans, net of taxes	(13,183)	(10,584)
Total accumulated other comprehensive income	<u>(2,037)</u>	<u>(587)</u>
Minority interests	65,681	66,867
Total net assets	<u>734,679</u>	<u>769,892</u>
Total liabilities and net assets	<u>2,288,636</u>	<u>2,203,307</u>

(2) Consolidated Statements of Income

(In millions of yen)

	FY2013 1st Half Ended Sep. 30, 2013	FY2014 1st Half Ended Sep. 30, 2014
Net sales	889,328	916,019
Cost of sales	751,369	766,105
Gross profit	137,959	149,914
Selling, general and administrative expenses	83,486	92,730
Operating income	54,472	57,184
Non-operating income		
Interest income	1,933	1,984
Dividend income	1,364	1,585
Reimbursement of seconded employee's salaries	2,573	2,615
Equity in income of equity method companies	---	2,191
Other	8,879	5,524
Total non-operating income	14,751	13,901
Non-operating expenses		
Interest expense	9,765	7,791
Seconded employees' salaries	5,943	6,374
Equity in loss of equity method companies	651	---
Other	9,716	10,766
Total non-operating expenses	26,076	24,932
Ordinary income	43,147	46,152
Extraordinary income		
Gain on sale of securities	24,043	---
Gain on negative goodwill	1,713	---
Total extraordinary income	25,756	---
Extraordinary loss		
Impairment loss	18,454	---
Total extraordinary loss	18,454	---
Income before income taxes and minority interests	50,448	46,152
Income taxes		
Current	7,645	10,255
Deferred	(3,936)	(10,349)
Total income taxes	3,709	(94)
Income before minority interests	46,739	46,246
Minority interests in income of subsidiaries	2,567	4,131
Net income	44,171	42,115

(3) Consolidated Statements of Comprehensive Income

(In millions of yen)

	<u>FY2013 1st Half</u> <u>Ended Sep. 30, 2013</u>	<u>FY2014 1st Half</u> <u>Ended Sep. 30, 2014</u>
Income before minority interests	46,739	46,246
Other comprehensive income (loss)		
Unrealized gains or losses on securities, net of taxes	(1,423)	4,953
Unrealized gains or losses on hedging derivatives, net of taxes	180	(117)
Foreign currency translation adjustments	20,680	(8,507)
Remeasurements of defined benefit plans, net of taxes	---	2,424
Share of other comprehensive income related to affiliates	1,346	112
Total other comprehensive income (loss)	<u>20,784</u>	<u>(1,134)</u>
Comprehensive income	<u>67,523</u>	<u>45,111</u>
Breakdown of total comprehensive income attributed to:		
Stockholders of the parent	59,417	43,531
Minority interests	8,106	1,579

(4) Notes on premise of a going concern:

None

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

None

Supplementary Information for the First Half of Fiscal 2014

(April 1 – September 30, 2014)

Consolidated Operating Results for the First Half of Fiscal 2014 (In billions of yen)

	FY2013 1st Half	FY2014 1st Half	% change
Net sales	889.3	916.0	3.0
Operating income	54.4	57.1	5.0
Ordinary income	43.1	46.1	7.0
Extraordinary income	7.3	---	---
Net income	44.1	42.1	(4.7)

Interim Dividend: 2 yen

FY2014 Consolidated Forecast (In billions of yen)

	FY2013	FY2014			FY2014 Previous Forecast (Jul. 31)
		1st Half	2nd Half Forecast	Full Year Forecast	
Net sales	1,824.6	916.0	994.0	1,910.0	1,930.0
Operating income	114.5	57.1	52.9	110.0	105.0
Ordinary income	85.0	46.1	38.9	85.0	80.0
Extraordinary income	3.1	---	---	---	---
Net income	70.1	42.1	17.9	60.0	55.0

FY2014 First Half

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

		FY2013			FY2014 1st Half
		1st Half	2nd Half	Full Year	
Iron & Steel	Sales	389.9	418.5	808.5	386.6
	Ordinary income	15.5	18.0	33.5	10.4
Welding	Sales	41.9	46.3	88.3	45.6
	Ordinary income	2.8	4.3	7.2	4.6
Aluminum & Copper	Sales	148.1	147.5	295.6	161.5
	Ordinary income	8.0	7.0	15.1	6.0
Machinery	Sales	71.3	78.4	149.8	73.0
	Ordinary income	2.1	4.3	6.4	3.2
Engineering	Sales	20.8	18.2	39.1	19.0
	Ordinary loss	(0.1)	(3.7)	(3.9)	(0.5)
Kobelco Eco-Solutions	Sales	30.9	37.2	68.1	27.1
	Ordinary income	1.0	1.5	2.6	0.3
Kobelco Construction Machinery	Sales	162.9	155.2	318.2	169.7
	Ordinary income	10.1	4.9	15.1	16.1
Kobelco Cranes	Sales	25.5	31.1	56.6	35.8
	Ordinary income	1.7	1.4	3.2	3.1
Other Businesses	Sales	32.1	39.0	71.2	30.4
	Ordinary income	2.4	4.4	6.8	1.9
Adjustment	Sales	(34.5)	(36.5)	(71.0)	(33.1)
	Ordinary income (loss)	(0.7)	(0.5)	(1.2)	0.5
Total	Sales	889.3	935.3	1,824.6	916.0
	Ordinary income	43.1	41.8	85.0	46.1

(2) Production, Sales & Orders

1. Steel Products (Nonconsolidated)

Production & Sales Volume (In millions of metric tons)

	FY2013			FY2014 1st Half
	1st Half	2nd Half	Full Year	
Crude steel	3.79	3.83	7.62	3.67
Sales volume	3.07	3.20	6.27	2.94
Export ratio (value basis)	31.9%	30.7%	31.3%	30.6%

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

	FY2013			FY2014 1st Half
	1st Half	2nd Half	Full Year	
Domestic & export average	78,800	81,500	80,200	82,400

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

Sales Volume

	FY2013			FY2014 1st Half
	1st Half	2nd Half	Full Year	
Aluminum rolled products	135	132	267	154
Copper sheet and strip	24	24	48	27
Copper tube*	44	41	85	45

*Consolidated

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

Orders

	FY2013			FY2014 1st Half
	1st Half	2nd Half	Full Year	
Domestic	24.5	33.5	58.0	24.2
Overseas	49.7	45.0	94.7	49.4
Total orders	74.2	78.6	152.8	73.7

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

	FY2013		FY2014 1st Half
	1st Half	2nd Half	
Domestic	47.3	43.7	36.2
Overseas	93.3	78.5	105.8
Total orders	140.7	122.2	142.1

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

Orders

	FY2013			FY2014
	1st Half	2nd Half	Full Year	1st Half
Domestic	4.5	10.0	14.5	11.3
Overseas	15.5	19.7	35.2	3.1
Total orders	20.0	29.7	49.8	14.5

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

	FY2013		FY2014
	1st Half	2nd Half	1st Half
Domestic	42.9	44.1	47.7
Overseas	24.0	39.2	32.9
Total orders	66.9	83.3	80.7

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

Orders

	FY2013			FY2014
	1st Half	2nd Half	Full Year	1st Half
Total orders	36.8	34.9	71.8	45.2

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

	FY2013		FY2014
	1st Half	2nd Half	1st Half
Total orders	49.4	47.2	65.3

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

Comparison of FY2013 1st Half and FY2014 1st Half

	FY2013 1st Half	FY2014 1st Half	Amount of Increase
Ordinary income	43.1	46.1	3.0

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	4.5	Overall cost	(3.5)
Raw material prices	16.5	Effect of steel inventory valuation*	(19.0)
Consolidated subsidiaries & equity-valued affiliates	11.0	Effect of aluminum & copper inventory valuation*	(0.5)
		Effect of changes in foreign exchange rates on steel business	(3.0)
		Other	(3.0)
Total	32.0	Total	(29.0)

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

FY2014 Forecast

(1) Consolidated Sales & Ordinary Income for FY2014 by Segment (In billions of yen)

		FY2013	FY2014			FY2014 Previous Forecast (Jul. 31)
			1st Half	2nd Half Forecast	Full Year Forecast	
Iron & Steel	Sales	808.5	386.6	403.4	790.0	790.0
	Ordinary income	33.5	10.4	12.6	23.0	20.0
Welding	Sales	88.3	45.6	47.4	93.0	92.0
	Ordinary income	7.2	4.6	3.4	8.0	7.5
Aluminum & Copper	Sales	295.6	161.5	168.5	330.0	325.0
	Ordinary income	15.1	6.0	6.0	12.0	12.0
Machinery	Sales	149.8	73.0	100.0	173.0	176.0
	Ordinary income	6.4	3.2	5.3	8.5	8.5
Engineering	Sales	39.1	19.0	30.0	49.0	58.0
	Ordinary income (loss)	(3.9)	(0.5)	0.5	0.0	(0.5)
Kobelco Eco-Solutions	Sales	68.1	27.1	43.4	70.5	67.5
	Ordinary income	2.6	0.3	2.4	2.7	2.3
Kobelco Construction Machinery	Sales	318.2	169.7	155.3	325.0	330.0
	Ordinary income	15.1	16.1	5.9	22.0	22.0
Kobelco Cranes	Sales	56.6	35.8	37.2	73.0	76.0
	Ordinary income	3.2	3.1	0.9	4.0	4.0
Other Businesses	Sales	71.2	30.4	44.6	75.0	75.0
	Ordinary income	6.8	1.9	4.6	6.5	6.0
Adjustment	Sales	(71.0)	(33.1)	(35.4)	(68.5)	(59.5)
	Ordinary income (loss)	(1.2)	0.5	(2.2)	(1.7)	(1.8)
Total	Sales	1,824.6	916.0	994.0	1,910.0	1,930.0
	Ordinary income	85.0	46.1	38.9	85.0	80.0

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

	FY2013	FY2014			FY2014 Previous Forecast (Jul. 31)
		1st Half	2nd Half Forecast	Full Year Forecast	
Crude steel	7.62	3.67	Approx. 3.90	Approx. 7.55	Approx. 7.60
Sales volume	6.27	2.94	Approx. 3.25	Approx. 6.20	Approx. 6.25
Export ratio (value basis)	31.3%	30.6%	31%	31%	31%

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

Comparison of FY2014 1st Half and FY2014 2nd Half Forecast

	FY2014 1st Half	FY2014 2nd Half Forecast	Amount of Decrease
Ordinary income	46.1	38.9	(7.2)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	13.0	Production & shipments	(11.5)
Overall cost reduction	2.0	Effect of steel inventory valuation*	(4.0)
Effect of aluminum & copper inventory valuation*	0.5	Consolidated subsidiaries & equity-valued affiliates	(9.0)
Other	1.8		
Total	17.3	Total	(24.5)

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

Comparison of FY2013 Result and FY2014 Forecast

	FY2013	FY2014 Forecast	Amount of Increase
Ordinary income	85.0	85.0	0.0

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	38.0	Production & shipments	(10.0)
Consolidated subsidiaries & equity-valued affiliates	15.0	Overall cost	(2.5)
		Effect of steel inventory valuation*	(28.0)
		Effect of aluminum & copper inventory valuation*	(0.5)
		Effect of changes in foreign exchange rates on steel business	(4.5)
		Other	(7.5)
Total	53.0	Total	(53.0)

* 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 FY2014

	Previous Forecast	Current Forecast	Amount of Increase
Ordinary income	80.0	85.0	5.0

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	5.5	Overall cost	(2.0)
Consolidated subsidiaries & equity-valued affiliates	0.5	Effect of steel inventory valuation*	(2.0)
Effect of changes in foreign exchange rates on steel business	0.5	Effect of aluminum & copper inventory valuation*	(0.5)
Other	3.0		
Total	9.5	Total	(4.5)

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

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

	FY2013			FY2014		
	1st Half	2nd Half	Full Year	1st Half	2nd Half Forecast	Full Year Forecast
Free cash flow	65.9	51.2	117.1	33.2	(3.2)	30.0

(Excludes cash flow from IPP project financing)

Outside Debt (As of the end of each period)

	FY2013		FY2014	
	1st Half	2nd Half	1st Half	2nd Half Forecast
Outside debt*	882.3	748.1	680.8	650.0
D/E ratio (times) **	1.57	1.11	0.97	1 or less

* Excludes debt from IPP project financing.

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

(2) Exchange Rates

	FY2013	FY2014	
		1st Half	2nd Half Forecast
1 U.S. dollar to yen	100 yen	103 yen	103 yen
1 Chinese yuan to yen	16.4 yen	16.6 yen	16.0 yen

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

	FY2013	FY2014		
		1st Half	2nd Half Forecast	Full Year Forecast
Capital investment (accrual basis)	101.4	51.1	73.9	125.0
Depreciation	82.9	43.6	46.4	90.0

FOR REFERENCE

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

		FY2013							FY2014 Forecast				
		1st Half			2nd Half			Total	1st Half			2nd Half	Total
		1Q	2Q	Subtotal	3Q	4Q	Subtotal		1Q	2Q	Subtotal		
Iron & Steel	Sales	185.7	204.2	389.9	201.3	217.1	418.5	808.5	186.7	199.8	386.6	403.4	790.0
	Ordinary income	5.3	10.2	15.5	13.0	5.0	18.0	33.5	3.1	7.2	10.4	12.6	23.0
Welding	Sales	20.4	21.5	41.9	22.2	24.1	46.3	88.3	22.7	22.9	45.6	47.4	93.0
	Ordinary income	1.2	1.6	2.8	2.0	2.3	4.3	7.2	2.1	2.5	4.6	3.4	8.0
Aluminum & Copper	Sales	72.3	75.7	148.1	72.1	75.3	147.5	295.6	81.8	79.6	161.5	168.5	330.0
	Ordinary income	5.3	2.7	8.0	3.6	3.4	7.0	15.1	3.6	2.4	6.0	6.0	12.0
Machinery	Sales	31.5	39.7	71.3	30.5	47.9	78.4	149.8	36.9	36.0	73.0	100.0	173.0
	Ordinary income	1.0	1.0	2.1	2.3	2.0	4.3	6.4	1.9	1.2	3.2	5.3	8.5
Engineering	Sales	10.6	10.1	20.8	7.0	11.2	18.2	39.1	8.6	10.4	19.0	30.0	49.0
	Ordinary income (loss)	0.2	(0.3)	(0.1)	(1.5)	(2.2)	(3.7)	(3.9)	(0.4)	(0.1)	(0.5)	0.5	0.0
Kobelco Eco-Solutions	Sales	13.9	16.9	30.9	15.0	22.1	37.2	68.1	12.0	15.1	27.1	43.4	70.5
	Ordinary income (loss)	(0.1)	1.2	1.0	0.4	1.1	1.5	2.6	0.0	0.3	0.3	2.4	2.7
Kobelco Construction Machinery	Sales	74.6	88.3	162.9	72.8	82.3	155.2	318.2	81.2	88.4	169.7	155.3	325.0
	Ordinary income	2.8	7.3	10.1	1.8	3.0	4.9	15.1	7.5	8.6	16.1	5.9	22.0
Kobelco Cranes	Sales	11.5	13.9	25.5	14.3	16.7	31.1	56.6	16.9	18.9	35.8	37.2	73.0
	Ordinary income	0.8	0.9	1.7	0.7	0.6	1.4	3.2	1.7	1.4	3.1	0.9	4.0
Other Businesses	Sales	14.4	17.6	32.1	16.7	22.3	39.0	71.2	14.3	16.0	30.4	44.6	75.0
	Ordinary Income	0.8	1.5	2.4	1.7	2.7	4.4	6.8	0.9	0.9	1.9	4.6	6.5
Adjustment	Sales	(16.7)	(17.7)	(34.5)	(16.3)	(20.1)	(36.5)	(71.0)	(16.7)	(16.4)	(33.1)	(35.4)	(68.5)
	Ordinary income (loss)	(0.4)	(0.2)	(0.7)	0.0	(0.5)	(0.5)	(1.2)	0.7	(0.2)	0.5	(2.2)	(1.7)
Total	Sales	418.6	470.7	889.3	435.9	499.4	935.3	1,824.6	444.7	471.2	916.0	994.0	1,910.0
	Ordinary income	17.1	26.0	43.1	24.2	17.6	41.8	85.0	21.5	24.5	46.1	38.9	85.0
Net income		18.7	25.4	44.1	19.6	6.3	26.0	70.1	22.9	19.1	42.1	17.9	60.0

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

Production & Sales Volume (In millions of metric tons)

	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%

	FY2014 Forecast				
	1st Half			2nd Half	Total
	1Q	2Q	Subtotal		
Crude steel	1.77	1.90	3.67	Approx. 3.90	Approx. 7.55
Sales volume	1.44	1.50	2.94	Approx. 3.25	Approx. 6.20
Export ratio (value basis)	30.5%	30.8%	30.6%	31%	31%

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

	FY2013						
	1st Half			2nd Half			Full Year
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & export average	76,400	81,100	78,800	80,800	82,300	81,500	80,200

	FY2014		
	1st Half		
	1Q	2Q	Subtotal
Domestic & export average	82,500	82,300	82,400

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.

-end-