

# Kobe Steel's Consolidated Financial Results for First Nine Months of Fiscal 2015 (April 1 – December 31, 2015)

February 2, 2016

Company name:	Kobe Steel, Ltd.
Code number:	5406
Stock exchanges where shares are listed:	Tokyo, and Nagoya, Japan
Website:	<a href="http://www.kobelco.co.jp/english/">http://www.kobelco.co.jp/english/</a>
President & CEO:	Hiroya Kawasaki
Filing of quarterly report:	February 5, 2016
Dividend payments begin:	---
Supplemental information available:	Yes
IR Briefing:	Yes (in Japanese only)

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

## 1. Consolidated Financial Results for First Nine Months of FY2015 (April 1 – December 31, 2015)

### (1) Consolidated operating results

(In millions of yen)	FY2014 9 Months Ended Dec. 31, 2014	% change*	FY2015 9 Months Ended Dec. 31, 2015	% change*
Net sales	1,373,755	3.7%	1,353,560	(1.5%)
Operating income	88,054	2.9%	56,621	(35.7%)
Ordinary income	77,727	15.4%	33,052	(57.5%)
Net income (loss) attributable to owners of the parent	64,119	0.5%	(13,850)	---
Net income per share	17.64 yen		(3.81 yen)	
Diluted net income per share	---		---	

Comprehensive income (loss) in FY2014 3Q: 86,675 million yen FY2015 3Q: (48,743 million yen)

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

### (2) Consolidated financial position

(In millions of yen)	FY2014	FY2015 9 Months Ended Dec. 31, 2015
Total assets	2,300,241	2,232,127
Net assets	851,785	785,548
Net worth ratio	33.8%	32.8%

Stockholders' equity at FY2014: 776,491 million yen December 31, 2015: 732,418 million yen

## 2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2014	---	2.00	---	2.00	4.00
FY2015	---	2.00	---	---	---
FY2015 Forecast	---	---	---	0.00	2.00

Revision to dividend forecast in FY2015 3Q: Yes

For more information about revision to dividend forecast for fiscal 2015, please refer to "Announcement on Revision to Earnings Forecast and Dividend Forecast for Fiscal 2015, ending March 31, 2016" dated February 2, 2016.

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

(In millions of yen)	FY2015	% change*
Net sales	1,840,000	(2.5%)
Operating income	65,000	(45.6%)
Ordinary income	25,000	(75.4%)
Net loss attributable to owners of the parent	(20,000)	---
Net loss per share	(5.50 yen)	

\* Indicates percentage of change from the previous fiscal year

Revision to consolidated forecast in FY2015 3Q: Yes

For more information about revision to consolidated forecast for fiscal 2015, please refer to "Announcement on Revision to Earnings Forecast and Dividend Forecast for Fiscal 2015, ending March 31, 2016" dated February 2, 2016.

## Notes

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

(4) Number of issued shares

	FY2014	FY2015 3Q
Common stock (number of issued shares)	3,643,642,100	3,643,642,100
Treasury stock (number of shares)	10,082,049	8,765,266
Average number of shares in 3Q	3,633,651,895*	3,631,336,918

\*FY2014 3Q

## 1. Qualitative Information on Consolidated Operating Results for First Nine Months of Fiscal 2015

Japan's economy in the first nine months of fiscal 2015 (April 1, 2015-December 31, 2015) has recovered from the downturn that occurred in the same period last year brought about by the last-minute surge in demand prior to the rise in the consumption tax on April 1, 2014. Personal spending and capital investments by companies continued to grow moderately. Overseas, the economies of the United States and Europe continued on a moderate recovery trend. However, the economies of China and Southeast Asia continued on a decelerating trend.

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

As a result, consolidated sales for the first nine months of fiscal 2015 were similar to the same period last year at 1,353.5 billion yen. However, operating income decreased 31.4 billion yen, compared with the same period last year, to 56.6 billion yen. Ordinary income\* (also known as "pretax recurring profit" or simply "pretax profit") decreased 44.6 billion yen, compared with the same period last year, to 33.0 billion yen, owing to the above reasons and that Kobe Steel posted allowance for doubtful accounts in the construction machinery business in China. Mainly due to the rapid worsening of the business environment in the construction machinery sector in China, Kobe Steel posted losses on the business of subsidiaries and associates from the loss on the valuation of investment securities of affiliate companies and provision for loss on guarantees as extraordinary losses. As a result, net income attributable to owners of the parent decreased 77.9 billion yen, compared with the same period last year, which saw an increase of deferred tax assets, to net loss attributable to owners of the parent of 13.8 billion yen.

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

### Iron & Steel Business

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

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

As a result, consolidated segment sales in the first nine months of fiscal 2015 decreased 5.2 percent, compared with the same period last year, to 556.7 billion yen. Ordinary income\* decreased 10.6 billion yen, compared with the same period last year, to 9.7 billion yen, due to a change in the sales mix of products due to a decrease in demand in the automotive sector, a worsening in inventory valuation due to a large decline in raw material prices, and the posting of a valuation loss on raw material interests and investments.

### **Welding Business**

The sales volume of welding materials decreased compared with the same period last year. Although domestic demand remained firm in the shipbuilding sector, demand recovery was delayed in the construction sector. Overseas, demand in China, Southeast Asia and the United States decreased due to economic slowdown and low oil prices. Meanwhile, sales of welding systems increased, compared with the same period last year, owing to continued firm demand.

As a result, consolidated segment sales for the first nine months of fiscal 2015 were similar to the same period last year, to 68.9 billion yen. Ordinary income\* decreased 1.3 billion yen, compared with the same period last year, to 6.1 billion yen.

### **Aluminum & Copper Business**

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

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

As a result, consolidated segment sales in the first nine months of fiscal 2015 increased 7.4 percent, compared with the same period last year, to 262.5 billion yen. Ordinary income\* increased 1.2 billion yen, compared with the same period last year, to 11.9 billion yen.

### **Machinery Business**

Consolidated orders in the first nine months of fiscal 2015 increased 4.5 percent, compared with the same period last year, to 109.6 billion yen. Although orders for compressors for the petroleum refining and petrochemical industries declined, overseas orders were received for large plastic processing machinery. The consolidated backlog of orders at the end of the first nine months of fiscal 2015 stood at 142.6 billion yen.

Consolidated segment sales in the first nine months of fiscal 2015 increased 2.7 percent, compared with the same period last year, to 113.5 billion yen due to the posting of sales of large compressors. Ordinary income\* decreased 2.4 billion yen, compared with the same period last year, to 5.3 billion yen, due to decreased profits from intensified competition mainly for compressors and plastic processing machinery.

### **Engineering Business**

Consolidated orders in the first nine months of fiscal 2015 increased 161.6 percent, compared with the same period last year, to 45.9 billion yen, owing to an order for a large direct reduction plant in Algeria. The consolidated backlog of orders at the end of the first nine months of fiscal 2015 stood at 86.0 billion yen.

Consolidated segment sales in the first nine months of fiscal 2015 increased 9.1 percent, compared with the same period last year, to 32.9 billion yen as construction work progressed on previously ordered large direct reduction plants. Ordinary income\* increased 1.7 billion yen, compared with the same period last year, to ordinary income\* of 0.9 billion yen.

### **Kobelco Eco-Solutions**

Consolidated orders in the first nine months of fiscal 2015 decreased 2.0 percent, compared with the same period last year, to 57.2 billion yen, due to fewer orders in the waste treatment-related business. The consolidated backlog of orders at the end of the first nine months of fiscal 2015 was 55.0 billion yen.

Consolidated segment sales in the first nine months of fiscal 2015 increased 17.6 percent, compared with the same period last year, to 51.1 billion yen as construction work progressed on previously ordered large projects in the waste treatment-related business. Ordinary income\* stood at similar to the same period last year at 1.3 billion yen.

#### **Kobelco Construction Machinery**

Unit sales of hydraulic excavators decreased, compared with the same period last year. In addition to saturation of replacement demand in Japan, demand declined significantly in China and Southeast Asia, which were greatly impacted by economic slowdown.

As a result, consolidated segment sales in the first nine months of fiscal 2015 decreased 12.9 percent, compared with the same period last year, to 208.8 billion yen. On the back of the rapid worsening of the business environment and the decline of unit sales due to reduced demand, Kobelco Construction Machinery posted a large allowance for doubtful accounts after a careful investigation mainly on the possibility of the recovery of accounts receivable in China. Consequently, ordinary income\* decreased 30.0 billion yen, compared with the same period last year, to ordinary loss of 9.4 billion yen.

#### **Kobelco Cranes**

Unit sales of crawler cranes were similar to the same period last year. Although domestic demand was firm, demand declined in Southeast Asia, which was largely affected by economic slowdown.

As a result, consolidated segment sales in the first nine months of fiscal 2015 increased 7.1 percent, compared with the same period last year, to 55.4 billion yen. However, due to higher expenses for the quality maintenance and improvement of products, ordinary income\* decreased 1.6 billion yen, compared with the same period last year, to 2.8 billion yen.

#### **Other Businesses**

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

Owing to these conditions, consolidated segment sales in the first nine months of fiscal 2015 increased 8.6 percent, compared with the same period last year, to 51.8 billion yen. Ordinary income\* increased 0.7 billion yen, compared with the same period last year, to 4.5 billion yen.

## **2. Qualitative Information on Consolidated Earnings Forecast**

In comparison to the previous forecast announced on October 30, 2015, Japan's economy continues on a moderate recovery trend. However, the world economy faces strong uncertainty and there is concern over future prospects as demand continues to decline due to the decelerating economies of China and other emerging countries.

In light of this economic environment, Kobe Steel has made certain assumptions on uncertain factors included the sales volume and sales prices of steel products. In addition, in its construction machinery-related business in China, Kobe Steel has posted a large allowance for doubtful accounts and an extraordinary loss. As a result, for the full fiscal 2015, Kobe Steel revises its forecast downward for sales, operating income, ordinary income\* and net income (loss) attributable to owners of the parent.

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

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

## **Dividends**

Kobe Steel's basic policy is to provide continuous and stable dividends to its stockholders. Dividends are decided taking into account the Company's financial condition, business performance, future capital needs and other factors from a comprehensive standpoint. Based on these factors, Kobe Steel has decided to forgo a year-end dividend.

As Kobe Steel has already paid an interim dividend, dividends for the full year are 2 yen per share for fiscal 2015.

### **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](http://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)

<b>Assets</b>	<b>FY2014</b> Ended Mar. 31, 2015	<b>FY2015 9 Months</b> Ended Dec. 31, 2015
<b>Current assets</b>		
Cash and deposits	103,181	141,976
Notes and accounts receivable	355,579	295,319
Merchandise and finished goods	185,077	184,740
Work-in-process	119,436	133,494
Raw materials and supplies	138,161	140,589
Other	160,218	117,092
Allowance for doubtful accounts	(8,648)	(3,233)
Total current assets	<u>1,053,006</u>	<u>1,009,979</u>
<b>Fixed assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	288,175	279,397
Machinery and equipment	401,505	389,899
Land	195,837	195,123
Other	41,475	47,834
Total property, plant and equipment	<u>926,994</u>	<u>912,254</u>
<b>Intangible fixed assets</b>	20,038	19,728
<b>Investments and other assets</b>		
Investments in securities	207,931	173,980
Other	94,501	150,347
Allowance for doubtful accounts	(2,230)	(34,163)
Total investments and other assets	<u>300,201</u>	<u>290,164</u>
Total fixed assets	<u>1,247,234</u>	<u>1,222,147</u>
<b>Total assets</b>	<u>2,300,241</u>	<u>2,232,127</u>

<b>Liabilities</b>	<b>FY2014</b> <b>Ended Mar. 31, 2015</b>	<b>FY2015 9 Months</b> <b>Ended Dec. 31, 2015</b>
<b>Current liabilities</b>		
Notes and accounts payable	424,269	371,913
Short-term borrowings	221,371	223,468
Current portion of bonds	20,000	---
Income and enterprise taxes payable	14,010	3,024
Provisions	38,565	36,275
Other	145,238	150,236
Total current liabilities	<u>863,455</u>	<u>784,917</u>
<b>Long-term liabilities</b>		
Bonds and notes	131,000	211,000
Long-term borrowings	304,974	301,815
Net defined benefit liability	59,573	60,448
Provisions	15,697	16,026
Other	73,756	72,370
Total long-term liabilities	<u>585,001</u>	<u>661,660</u>
<b>Total liabilities</b>	<u>1,448,456</u>	<u>1,446,578</u>
<b>Net Assets</b>		
<b>Stockholders' equity</b>		
Common stock	250,930	250,930
Capital surplus	100,782	103,557
Retained earnings	392,652	362,427
Treasury stock, at cost	(2,996)	(1,555)
Total stockholders' equity	<u>741,368</u>	<u>715,359</u>
<b>Accumulated other comprehensive income</b>		
Unrealized gains on securities, net of taxes	27,097	21,556
Unrealized losses on hedging derivatives, net of taxes	(2,415)	(5,613)
Land revaluation differences, net of taxes	(3,560)	(3,579)
Foreign currency translation adjustments	22,892	13,936
Remeasurements of defined benefit plans, net of taxes	(8,891)	(9,241)
Total accumulated other comprehensive income	<u>35,122</u>	<u>17,059</u>
<b>Non-controlling interests</b>	75,293	53,130
<b>Total net assets</b>	<u>851,785</u>	<u>785,548</u>
<b>Total liabilities and net assets</b>	<u>2,300,241</u>	<u>2,232,127</u>

## (2) Consolidated Statements of Income

(In millions of yen)

	<b>FY2014 9Months</b> Ended Dec. 31, 2014	<b>FY2015 9 Months</b> Ended Dec. 31, 2015
<b>Net sales</b>	1,373,755	1,353,560
<b>Cost of sales</b>	1,147,513	1,144,251
<b>Gross profit</b>	226,241	209,309
<b>Selling, general and administrative expenses</b>	138,187	152,688
<b>Operating income</b>	88,054	56,621
<b>Non-operating income</b>		
Interest income	3,073	2,966
Dividend income	2,556	3,226
Reimbursement of seconded employee's salaries	4,179	3,812
Equity in income of equity method companies	2,203	---
Other	13,993	9,809
Total non-operating income	26,006	19,814
<b>Non-operating expenses</b>		
Interest expense	11,293	10,870
Seconded employee's salaries	9,579	8,567
Equity in loss of equity method companies	---	5,072
Other	15,459	18,873
Total non-operating expenses	36,333	43,383
<b>Ordinary income</b>	77,727	33,052
<b>Extraordinary loss</b>		
Loss on business of subsidiaries and associates	---	37,581
Loss on write-down of investment securities	---	2,203
Total extraordinary loss	---	39,784
<b>Income (loss) before income taxes and non-controlling interests</b>	77,727	(6,732)
<b>Income taxes</b>		
Current	16,593	10,761
Deferred	(8,403)	9,510
Total income taxes	8,190	20,272
<b>Income (loss) before non-controlling interests</b>	69,536	(27,005)
<b>Net income (loss) attributable to non-controlling interests</b>	5,416	(13,155)
<b>Net income (loss) attributable to owners of the parent</b>	64,119	(13,850)

### (3) Consolidated Statements of Comprehensive Income

(In millions of yen)

	<b>FY2014 9 Months</b> <b>Ended Dec. 31, 2014</b>	<b>FY2015 9 Months</b> <b>Ended Dec. 31, 2015</b>
<b>Income (loss) before minority interests</b>	69,536	(27,005)
<b>Other comprehensive income (loss)</b>		
Unrealized gains or losses on securities, net of taxes	8,430	(5,480)
Unrealized losses on hedging derivatives, net of taxes	(1,210)	(3,612)
Foreign currency translation adjustments	6,151	(11,846)
Remeasurements of defined benefit plans, net of taxes	2,463	(324)
Share of other comprehensive income related to affiliates	1,303	(473)
Total other comprehensive income (loss)	17,138	(21,737)
<b>Comprehensive income (loss)</b>	<b>86,675</b>	<b>(48,743)</b>
Breakdown of total comprehensive income (loss) attributed to:		
Stockholders of the parent	79,925	(31,895)
Non-controlling interests	6,749	(16,847)

### (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 First Nine Months of Fiscal 2015

(April 1 – December 31, 2015)

### Consolidated Operating Results for First Nine Months of Fiscal 2015 (In billions of yen)

	FY2014 9 Months Ended Dec. 31, 2014	FY2015 9 Months Ended Dec. 31, 2015	% change
Net sales	1,373.7	1,353.5	(1.5%)
Operating income	88.0	56.6	(35.7%)
Ordinary income	77.7	33.0	(57.5%)
Extraordinary loss	---	(39.7)**	---
Net income (loss) attributable to owners of the parent*	64.1	(13.8)	---

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

\*\*Loss on business of subsidiaries and associates: (37.5 billion yen)

Loss on write-down of investment securities: (2.2 billion yen)

### FY2015 Consolidated Forecast (In billions of yen)

	FY2014	FY2015 Forecast	FY2015 Previous Forecast (Oct. 30, 2015)
Net sales	1,886.8	1,840.0	1,870.0
Operating income	119.4	65.0	90.0
Ordinary income	101.6	25.0	55.0
Extraordinary income (loss)	2.6	(39.7)**	(20.0)
Net income (loss) attributable to owners of the parent*	86.5	(20.0)	20.0

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

\*\*Loss on business of subsidiaries and associates: (37.5 billion yen)

Loss on write-down of investment securities: (2.2 billion yen)

**Year-end Dividend for fiscal 2015:** None (a total of 2 yen for fiscal 2015)

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

		FY2014		FY2015	
		9 Months Ended Dec.31, 2014	Full Year	9 Months Ended Dec.31, 2015	Full Year Forecast
Iron & Steel	Sales	587.0	797.8	556.7	735.0
	Ordinary income	20.3	28.7	9.7	6.0
Welding	Sales	70.0	94.4	68.9	91.0
	Ordinary income	7.4	10.2	6.1	8.0
Aluminum & Copper	Sales	244.4	330.8	262.5	350.0
	Ordinary income	10.7	15.1	11.9	15.0
Machinery	Sales	110.5	159.1	113.5	171.0
	Ordinary income	7.7	10.4	5.3	6.5
Engineering	Sales	30.1	49.0	32.9	51.0
	Ordinary income (loss)	(0.7)	0.7	0.9	0.5
Kobelco Eco-solutions	Sales	43.5	68.1	51.1	84.5
	Ordinary income	1.3	3.0	1.3	3.3
Kobelco Construction Machinery	Sales	239.7	311.0	208.8	270.0
	Ordinary income (loss)	20.5	21.0	(9.4)	(16.0)
Kobelco Cranes	Sales	51.7	71.1	55.4	75.0
	Ordinary income	4.5	5.1	2.8	2.0
Other Businesses	Sales	47.7	76.0	51.8	74.0
	Ordinary income	3.7	7.0	4.5	7.0
Adjustment	Sales	(51.2)	(70.7)	(48.4)	(61.5)
	Ordinary income (loss)	1.9	(0.0)	(0.3)	(7.3)
Total	Sales	1,373.7	1,886.8	1,353.5	1,840.0
	Ordinary income	77.7	101.6	33.0	25.0

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

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

	FY2014		FY2015	
	9 Months Ended Dec. 31, 2014	Full Year	9 Months Ended Dec. 31, 2015	Full Year Forecast
Crude steel	5.59	7.48	5.56	Approx. 7.50
Sales volume	4.47	6.05	4.44	Approx. 6.00
Export ratio (value basis)	31.2%	32.1%	32.6%	Approx. 32.0%

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

	FY2014		FY2015	
	9 Months Ended Dec. 31, 2014	Full Year	9 Months Ended Dec. 31, 2015	Full Year Forecast
Domestic & export average	82,300	81,700	77,600	Approx. 75,000

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

### Comparison of FY2014 9 Months and FY2015 9 Months

	FY2014 9 Months Ended Dec. 31, 2014	FY2015 9 Months Ended Dec. 31, 2015	Amount of Decrease
Ordinary income	77.7	33.0	(44.6)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	61.0	Production & shipments	(43.5)
		Overall cost	(8.0)
		Effect of steel inventory valuation*	(5.0)
		Effect of aluminum & copper inventory valuation*	(3.5)
		Effect of changes in foreign exchange rates on steel business	(8.0)
		Consolidated subsidiaries & equity-valued affiliates	(30.5)
		Other	(7.1)
Total	61.0	Total	(105.6)

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

### Comparison of FY2014 Results and FY2015 Forecast

	FY2014	FY2015 Forecast	Amount of Decrease
Ordinary income	101.6	25.0	(76.6)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	81.5	Production & shipments	(72.0)
		Overall cost	(5.5)
		Effect of steel inventory valuation*	(6.5)
		Effect of aluminum & copper inventory valuation*	(5.0)
		Effect of changes in foreign exchange rates on steel business	(10.5)
		Consolidated subsidiaries & equity-valued affiliates	(41.5)
		Other	(17.1)
Total	81.5	Total	(158.1)

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

### Comparison of Current Forecast and Previous Forecast for FY2015

	Previous Forecast	Current Forecast	Amount of Decrease
Ordinary income	55.0	25.0	(30.0)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	9.5	Production & shipments	(12.5)
		Overall Cost	(5.0)
		Effect of steel inventory valuation*	(1.0)
		Consolidated subsidiaries & equity-valued affiliates	(19.0)
		Other	(2.0)
Total	9.5	Total	(39.5)

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

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

#### Cash Flow

	FY2014	FY2015 Forecast
Free cash flow	69.6	(45.0)

(Excludes cash flow from IPP project financing)

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

	FY2014	FY2015 Forecast
Outside debt*	650.9	705.0
D/E ratio (times) **	0.88	1 or less

\* Excludes debt from IPP project financing.

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

### (5) Exchange Rates

	FY2014	FY2015	
		9 Months Ended Dec. 31, 2015	4Q Forecast
1 U.S. dollar to yen	110 yen	122 yen	120 yen
1 Chinese yuan to yen	17.7 yen	19.3 yen	19.0 yen

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

	FY2014	FY2015 Forecast
Capital investment (accrual basis)	103.5	115.0
Depreciation	89.8	95.0

## FOR REFERENCE

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

		FY2014							FY2015 Forecast								
		1st Half			2nd Half				Total	1st Half			2nd Half				Total
		1Q	2Q	subtotal	3Q	4Q	subtotal	1Q		2Q	subtotal	3Q	4Q	subtotal			
Iron & Steel	Sales	186.7	199.8	386.6	200.3	210.7	411.1	797.8	189.1	188.2	377.4	179.3	178.3	357.6	735.0		
	Ordinary income (loss)	3.1	7.2	10.4	9.9	8.4	18.3	28.7	6.0	1.5	7.5	2.2	(3.7)	(1.5)	6.0		
Welding	Sales	22.7	22.9	45.6	24.3	24.4	48.8	94.4	23.2	23.4	46.6	22.2	22.2	44.4	91.0		
	Ordinary income	2.1	2.5	4.6	2.8	2.7	5.6	10.2	2.0	2.2	4.3	1.8	1.9	3.7	8.0		
Aluminum & Copper	Sales	81.8	79.6	161.5	82.9	86.3	169.3	330.8	92.8	85.5	178.3	84.2	87.5	171.7	350.0		
	Ordinary income	3.6	2.4	6.0	4.6	4.4	9.1	15.1	6.2	3.1	9.4	2.4	3.2	5.6	15.0		
Machinery	Sales	36.9	36.0	73.0	37.4	48.6	86.1	159.1	40.5	40.7	81.2	32.2	57.6	89.8	171.0		
	Ordinary income	1.9	1.2	3.2	4.4	2.6	7.1	10.4	1.6	1.1	2.8	2.5	1.2	3.7	6.5		
Engineering	Sales	8.6	10.4	19.0	11.1	18.8	29.9	49.0	10.3	15.2	25.5	7.3	18.2	25.5	51.0		
	Ordinary income (loss)	(0.4)	(0.1)	(0.5)	(0.2)	1.5	1.3	0.7	(0.3)	2.4	2.0	(1.0)	(0.5)	(1.5)	0.5		
Kobelco Eco-Solutions	Sales	12.0	15.1	27.1	16.3	24.5	40.9	68.1	14.5	17.3	31.8	19.3	33.4	52.7	84.5		
	Ordinary income	0.0	0.3	0.3	0.9	1.7	2.6	3.0	0.3	0.2	0.6	0.6	2.1	2.7	3.3		
Kobelco Construction Machinery	Sales	81.2	88.4	169.7	70.0	71.2	141.2	311.0	70.3	76.6	147.0	61.8	61.2	123.0	270.0		
	Ordinary income (loss)	7.5	8.6	16.1	4.4	0.4	4.8	21.0	1.2	(1.7)	(0.4)	(8.9)	(6.7)	(15.6)	(16.0)		
Kobelco Cranes	Sales	16.9	18.9	35.8	15.8	19.3	35.2	71.1	18.1	20.9	39.0	16.3	19.7	36.0	75.0		
	Ordinary income (loss)	1.7	1.4	3.1	1.3	0.6	1.9	5.1	1.0	1.4	2.4	0.3	(0.7)	(0.4)	2.0		
Other Businesses	Sales	14.3	16.0	30.4	17.2	28.3	45.5	76.0	18.1	17.6	35.7	16.1	22.2	38.3	74.0		
	Ordinary income	0.9	0.9	1.9	1.8	3.2	5.1	7.0	1.9	1.3	3.3	1.2	2.5	3.7	7.0		
Adjustment	Sales	(16.7)	(16.4)	(33.1)	(18.0)	(19.5)	(37.6)	(70.7)	(17.1)	(17.1)	(34.3)	(14.1)	(13.1)	(27.2)	(61.5)		
	Ordinary income (loss)	0.7	(0.2)	0.5	1.3	(1.9)	(0.5)	(0.0)	1.5	(0.4)	1.0	(1.3)	(7.0)	(8.3)	(7.3)		
Total	Sales	444.7	471.2	916.0	457.7	513.1	970.8	1,886.8	460.0	468.5	928.6	424.9	486.5	911.4	1,840.0		
	Ordinary income (loss)	21.5	24.5	46.1	31.5	23.9	55.5	101.6	21.8	11.2	33.0	(0.0)	(8.0)	(8.0)	25.0		

Net income (loss) attributable to owners of the parent*	22.9	19.1	42.1	22.0	22.4	44.4	86.5	11.8	1.5	13.4	(27.2)	(6.2)	(33.4)	(20.0)
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\*Due to a revision of the "Accounting Standard for Business Combinations", "net income (loss)" was changed to "net income (loss) attributable to owners of the parent" from fiscal 2015.

Note: Fiscal 2015 fourth-quarter, second-half, and full-year figures are forecasts.

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

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

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

	FY2015 Forecast						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Cude steel	1.84	1.83	3.67	1.89	Approx. 1.95	Approx. 3.85	Approx. 7.50
Sales volume	1.48	1.49	2.97	1.47	Approx. 1.55	Approx. 3.05	Approx. 6.00
Export ratio (value basis)	34.8%	33.6%	34.2%	29.2%	30.0%	30.0%	32.0%

Note: Fiscal 2015 fourth-quarter, second-half, and full-year figures are forecasts.

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

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

	FY2015 Forecast						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & export average	80,500	77,000	78,700	75,400	Approx. 66,000	Approx. 71,000	Approx. 75,000

Note: Fiscal 2015 fourth-quarter, second-half, and full-year figures are forecasts.

#### Note:

The portions of this material referring to forecasts are based on currently available information as of today. Actual business results may differ considerably due to various changeable conditions in the future.

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