

Kobe Steel's Consolidated Financial Results for First Quarter of Fiscal 2016 (April 1 – June 30, 2016)

July 29, 2016

Company name: Kobe Steel, Ltd.
 Code number: 5406
 Stock exchanges where shares are listed: Tokyo and Nagoya, Japan
 Website: <http://www.kobelco.co.jp/english/>
 Representative: Hiroya Kawasaki, Chairman, President, CEO
 and Representative Director
 Filing of quarterly report: August 1, 2016
 Dividend payments begin: ---
 Supplemental information available: Yes
 IR Briefing: Yes (in Japanese only)
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(Sums of less than 1 million yen have been omitted.)

1. Consolidated Financial Results for First Quarter of Fiscal 2016 (April 1 – June 30, 2016)

(1) Consolidated operating results

(In millions of yen)	FY2015 1Q	% change*	FY2016 1Q	% change*
Net sales	460,086	3.4%	404,460	(12.1%)
Operating income	25,268	(9.7%)	12,702	(49.7%)
Ordinary income	21,807	1.0%	4,558	(79.1%)
Net income (loss) attributable to owners of the parent	11,881	(48.2%)	(2,067)	---
Net income per share	3.26 yen		(0.56 yen)	
Diluted net income per share	---		---	

Comprehensive income (loss) in FY2015 1Q: 12,546 million yen FY2016 1Q: (20,472 million yen)

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

(2) Consolidated financial position

(In millions of yen)	FY2015	FY2016 1Q
Total assets	2,261,134	2,215,063
Net assets	745,492	724,375
Net worth ratio	30.6%	30.3%

Stockholders' equity at the end of FY2015: 692,005 million yen June 30, 2016: 672,241 million yen

2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2015	---	2.00	---	0.00	2.00
FY2016	---	---	---	---	---
FY2016 Forecast	---	0.00	---	---	---

Revision to dividend forecast in FY2016 1Q: Yes

The dividend for the end of fiscal 2016 is undetermined.

For more information about revision to dividend forecast for fiscal 2016, please refer to "Announcement on Revision to Earnings Forecast and Dividend Forecast for Fiscal 2016, ending March 31, 2017" dated July 29, 2016.

3. Consolidated Forecast for Fiscal 2016 (April 1, 2016 - March 31, 2017)

(In millions of yen)	FY2016 1st half	% change* ¹	FY2016 Full year	% change* ¹
Net sales	850,000	(8.5%)	1,730,000	(5.1%)
Operating income	20,000	(57.5%)	50,000	(26.9%)
Ordinary income	5,000	(84.9%)	20,000	(30.9%)
Net income attributable to owners of the parent	0	(100.0%)	10,000	---
Net income per share * ²	0.00 yen		27.51 yen	

*¹ Indicates percentage of change from the corresponding period of the previous fiscal year

Revision to consolidated forecast in FY2016 1Q: Yes

For more information about consolidated forecast for fiscal 2016, please refer to "Announcement on Revision to Earnings Forecast and Dividend Forecast for Fiscal 2016, ending March 31, 2017" dated July 29, 2016.

*² Kobe Steel is planning to carry out a share consolidation at a ratio of 10 shares to 1 share effective on October 1, 2016. Therefore, net income per share forecast for Fiscal 2016 is taken into account under this consolidation. If the effect of the share consolidation is not taken into account, net income per share for the first half of fiscal 2016 is 0.00 yen, and for the full fiscal 2016, 2.75 yen.

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

	FY 2015	FY2016 1Q
Common stock (number of issued shares)	3,643,642,100	3,643,642,100
Treasury stock (number of shares)	8,779,337	8,790,128
Average number of shares in 1Q	3,633,538,523*	3,634,855,351

*FY2015 1Q

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 page 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.

1. Qualitative Information on Consolidated Operating Results

Japan's economy in the first quarter of fiscal 2016 (April 1-June 30, 2016) was at a standstill against a backdrop of weak personal consumption and capital investments. In overseas economies, the United States, Europe and other areas continued to gradually recover. At the same time, the difficult economic environment is anticipated to continue as the high yen appreciates, in addition to a continued decelerating trend in economic growth in China and Southeast Asia.

In this economic environment at the Kobe Steel Group, the sales volume of steel products (in terms of tons sold) decreased, compared with the same period last year, mainly due to lower exports. The sales volume of aluminum rolled products increased, compared with the same period last year, as demand remained firm for can stock for beverage cans. The sales volume of copper rolled products increased, compared with the same period last year, owing to a rebound in demand for air conditioners. Unit sales of hydraulic excavators decreased, compared with the same period last year, because of continued restrained purchasing due to the end of the replacement demand cycle and low demand in China.

As a result, consolidated sales in the first quarter of fiscal 2016 decreased 55.6 billion yen, compared with the same period last year, to 404.4 billion yen. Operating income went down 12.5 billion yen, compared with the same period last year, to 12.7 billion yen. Ordinary income* fell 17.2 billion yen, compared with the same period last year, to 4.5 billion yen. Net income attributable to owners of the parent decreased 13.9 billion yen, year on year, to net loss attributable to owners of the parent of 2.0 billion yen.

Conditions in the business segments for the first quarter of fiscal 2016 follow below.

Iron & Steel

The sales volume of steel products decreased compared with the same period last year. Although shipbuilding and automotive demand remained firm, exports declined. Sales prices also went down compared with the same period last year, due to lower primary raw material prices and the high yen.

Sales of steel castings and forgings decreased, compared with the same period last year, due to changes in the product mix. Sales of titanium products were similar to the same period last year.

As a result, segment sales in the first quarter of fiscal 2016 decreased 16.3 percent, year on year, to 144.2 billion yen. Ordinary income* declined 5.5 billion yen, compared with the same period last year, to ordinary loss of 2.8 billion yen.

Welding

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 from the energy sector also remained sluggish. Meanwhile, sales of welding systems increased, compared with the same period last year, owing to continued firm demand from the domestic construction sector.

As a result, consolidated segment sales in the first quarter of fiscal 2016 declined 11.3 percent, compared with the same period last year, to 20.6 billion yen. Ordinary income* also decreased 0.1 billion yen, compared with the same period last year, to 1.9 billion yen.

Aluminum & Copper

The sales volume of aluminum rolled products increased compared with the same period last year, as demand remained firm for can stock for beverage cans and demand increased from the automotive sector. On the other hand, sales decreased, compared with the same period last year, affected by the decline in the aluminum ingot market.

The sales volume of copper rolled products increased compared with the same period last year, as demand remained firm for copper strips used in automotive terminals and semiconductors. In addition, demand increased for copper tubes used in air conditioners.

As a result, consolidated segment sales in the first quarter of fiscal 2016 decreased 8.2 percent, compared with the same period last year, to 85.1 billion yen. Ordinary income* decreased 3.1 billion yen, compared with the same period last year, to 3.0 billion yen, affected by a worsening in inventory valuation from the fall in primary raw material prices.

Machinery

Due to intensified competition along with sluggish demand in the energy-related industry mainly overseas, consolidated orders in the first quarter of fiscal 2016 decreased 18.5 percent, compared with the same period last year, to 23.2 billion yen. The consolidated backlog of orders at the end of the first quarter of fiscal 2016 came to 123.6 billion yen.

Consolidated segment sales in the first quarter of fiscal 2016 declined 6.2 percent, compared with the same period last year, to 37.9 billion yen. Ordinary income* increased 0.4 billion yen, compared with the same period last year, to 2.0 billion yen.

Engineering

Consolidated orders in the first quarter of fiscal 2016 increased 16.7 percent, compared with the same period last year, to 49.2 billion yen owing to orders for new projects in the waste treatment-related business. The consolidated backlog of orders at the end of the first quarter of fiscal 2016 came to 142.3 billion yen.

Consolidated segment sales in the first quarter of fiscal 2016 were similar to the same period last year, at 24.3 billion yen. Ordinary income* increased 0.6 billion yen, compared with the same period last year, to 0.6 billion yen.

Construction Machinery

Unit sales of hydraulic excavators decreased compared with the same period last year, due to a decrease in the number of machines sold in China, in addition to continued restrained purchasing due to the end of the replacement demand cycle and a decline in public investments in Japan.

Unit sales of crawler cranes also declined compared with the same period last year due to a drop in demand mainly in Southeast Asia.

As a result, consolidated segment sales in the first quarter of fiscal 2016 decreased 16.8 percent, compared with the same period last year, to 71.4 billion yen. Ordinary income* decreased 6.4 billion yen, compared with the same period last year, to an ordinary loss of 4.0 billion yen, impacted by the decrease in the number of machines sold and the high yen, in addition to the increase in allowance for doubtful accounts.

Electric Power

With a coal-fired power generation capacity of 1.4 million kW, this segment is engaged in the wholesale power supply business. The first quarter of fiscal 2016 saw continued stable operation.

The amount of electricity sold increased, compared with the same period last year, owing to the difference in the number of days for periodic maintenance and lower costs of maintenance.

As a result, consolidated segment sales in the first quarter of fiscal 2016 increased 2.2 percent, compared with the same period last year, to 17.2 billion yen. Ordinary income* increased 0.7 billion yen, compared with the same period last year, to 3.8 billion yen.

Other Business

At Shinko Real Estate Co., Ltd., the leasing business remained firm, while the residential property sales business saw a decrease in the number of handovers. At Kobelco Research Institute, Inc., demand in the testing and research business remained similar to the same period last year.

Due to these conditions, consolidated sales of the Other Businesses segment in the first quarter of fiscal 2016 decreased 18.1 percent, compared with the same period last year, to 14.8 billion yen. Ordinary income* decreased 1.1 billion yen, compared with the same period last year, to 0.7 billion yen.

2. Qualitative Information on Consolidated Earnings Forecast

In comparison to the previous forecast on April 28, 2016, there is concern in the world economy over the prolonged slowdown in the economic growth of China and Southeast Asia. In addition, with the United Kingdom's decision to withdraw from the European Union and the rapid appreciation of the yen and other factors from the resulting concern over future prospects, uncertainty of the business environment in Japan and overseas is increasing.

Under such circumstances, as a result of making certain assumptions on such factors such as a worsening in inventory valuation in the Iron & Steel segment and the Aluminum & Copper segment due to the high yen and fluctuations in primary raw material prices, the influence of exchange rates on exports and overseas business, and the decrease of unit sales of construction machinery, Kobe Steel revises downward its previously announced forecast for full-year and half-year net sales, operating income, ordinary income and net income attributable to owners of the parent.

Dividends

Kobe Steel aims to pay dividends on a continuous and stable basis. Dividends are decided after taking into full account the Company's financial position, business performance, future capital needs and other factors. On this basis, regrettably Kobe Steel has decided on a policy to forgo the interim dividend in fiscal 2016. In addition, the estimated amount of the year-end dividend is undetermined.

* 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."

CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2015 Ended Mar. 31, 2016	FY2016 1Q Ended Jun. 30, 2016
Current Assets		
Cash and deposits	155,021	164,737
Notes and accounts receivable	323,849	271,878
Merchandise and finished goods	168,383	171,708
Work-in-process	125,044	122,886
Raw materials and supplies	133,596	130,580
Other	144,883	139,562
Allowance for doubtful accounts	(3,899)	(3,645)
Total current assets	1,046,879	997,706
Fixed Assets		
Property, plant and equipment		
Buildings and structures	281,105	280,281
Machinery and equipment	390,887	383,246
Land	194,591	194,640
Other	60,246	77,155
Total property, plant and equipment	926,830	935,323
Intangible fixed assets	19,470	19,334
Investments and other assets		
Investments in securities	155,913	144,128
Other	148,142	156,841
Allowance for doubtful accounts	(36,101)	(38,272)
Total investment and other assets	267,954	262,697
Total fixed assets	1,214,255	1,217,356
Total assets	2,261,134	2,215,063

LIABILITIES**Current liabilities**

	FY2015 Ended Mar. 31, 2016	FY2016 1Q Ended Jun. 30, 2016
Notes and accounts payable	360,802	337,696
Short-term borrowings	221,937	206,768
Current portion of Bonds	35,000	35,000
Income and enterprise taxes payable	5,346	3,007
Provisions	47,760	35,347
Other	142,818	142,958
Total current liabilities	813,665	760,778

Long-term liabilities

Bonds and notes	176,000	176,000
Long-term borrowings	356,492	379,180
Net defined benefit liability	77,165	78,972
Provision	17,411	16,865
Other	74,905	78,890
Total long-term liabilities	701,975	729,909

Total liabilities

Total liabilities	1,515,641	1,490,687
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Net Assets**Stockholders' equity**

Common stock	250,930	250,930
Capital surplus	103,557	103,537
Retained earnings	354,719	352,652
Treasury stock, at cost	(1,556)	(1,554)
Total stockholders' equity	707,651	705,565

Accumulated other comprehensive income

Unrealized gains on securities, net of taxes	8,255	579
Unrealized losses on hedging derivatives, net of taxes	(7,929)	(11,393)
Land revaluation differences, net of taxes	(3,406)	(3,406)
Foreign currency translation adjustments	13,900	7,216
Remeasurements of defined benefit plans, net of taxes	(26,465)	(26,320)
Total accumulated other comprehensive income	(15,645)	(33,323)

Non-controlling interests

Non-controlling interests	53,486	52,134
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Total net assets

Total net assets	745,492	724,375
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Total liabilities and net assets

Total liabilities and net assets	2,261,134	2,215,063
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(2) Consolidated Statements of Income

(In millions of yen)

	FY2015 1Q	FY2016 1Q
	Ended Jun. 30, 2015	Ended Jun. 30, 2016
Net sales	460,086	404,460
Cost of sales	388,277	344,115
Gross profit	71,808	60,344
Selling, general and administrative expenses	46,540	47,642
Operating income	25,268	12,702
Non-operating income		
Interest income	988	745
Dividend income	1,820	2,123
Reimbursement of seconded employees' salaries	1,353	963
Equity in income of equity method companies	150	306
Other	4,650	2,318
Total non-operating income	8,963	6,456
Non-operating expenses		
Interest expense	3,665	3,552
Seconded employees' salaries	2,986	2,513
Foreign exchange loss	140	3,325
Other	5,631	5,208
Total non-operating expenses	12,424	14,600
Ordinary income	21,807	4,558
Extraordinary loss		
Loss on write-down of investment securities	3,946	---
Total extraordinary loss	3,946	---
Income before income taxes and non-controlling interests	17,860	4,558
Income taxes		
Current	3,862	1,428
Deferred	3,652	4,551
Total income taxes	7,515	5,979
Income (loss) before non-controlling interests	10,345	(1,420)
Net income (loss) attributable to non-controlling interests	(1,535)	646
Net income (loss) attributable to owners of the parent	11,881	(2,067)

(3) Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2015 1Q	FY2016 1Q
	Ended Jun. 30, 2015	Ended Jun. 30, 2016
Income (loss) before non-controlling interests	10,345	(1,420)
Other comprehensive income (loss)		
Unrealized gains or losses on securities, net of taxes	4,144	(7,336)
Unrealized gains or losses on hedging derivatives, net of taxes	90	(3,516)
Foreign currency translation adjustments	(1,920)	(7,216)
Remeasurements of defined benefit plans, net of taxes	(75)	221
Share of other comprehensive losses related to equity method companies	(37)	(1,203)
Total other comprehensive income (loss)	2,200	(19,051)
Comprehensive Income (loss)	12,546	(20,472)
Breakdown of total comprehensive income (loss) attributed to:		
Stockholders of the parent interests	14,333	(19,745)
Non-controlling interests	(1,787)	(727)

(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 Quarter of Fiscal 2016

(April 1 – June 30, 2016)

Consolidated Operating Results for First Quarter of Fiscal 2016 (In billions of yen)

	FY2015 1Q	FY2016 1Q	% change
Net sales	460.0	404.4	(12.1%)
Operating income	25.2	12.7	(49.7%)
Ordinary income	21.8	4.5	(79.1%)
Extraordinary loss	(3.9)	---	---
Net income (loss) attributable to owners of the parent	11.8	(2.0)	---

Fiscal 2016 Consolidated Forecast (In billions of yen)

	FY2015	FY2016 Previous Forecast (Apr. 28, 2016)		FY2016 Forecast	
	Full year	1st half	Full year	1st half	Full year
Net sales	1,822.8	860.0	1,750.0	850.0	1,730.0
Operating income	68.4	25.0	65.0	20.0	50.0
Ordinary income	28.9	10.0	35.0	5.0	20.0
Extraordinary loss	(39.5)	---	---	---	---
Net income (loss) attributable to owners of the parent	(21.5)	5.0	20.0	0.0	10.0

Interim Dividend: None

Fiscal 2016 First Quarter

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

		FY2015 1Q	FY2016 1Q	% change
Iron & Steel	Sales	172.3	144.2	(16.3%)
	Ordinary income (loss)	2.6	(2.8)	---
Welding	Sales	23.2	20.6	(11.3%)
	Ordinary income	2.0	1.9	(7.4%)
Aluminum & Copper	Sales	92.8	85.1	(8.2%)
	Ordinary income	6.2	3.0	(50.7%)
Machinery	Sales	40.5	37.9	(6.2%)
	Ordinary income	1.6	2.0	26.1%
Engineering	Sales	24.8	24.3	(1.9%)
	Ordinary income (loss)	(0.0)	0.6	---
Construction Machinery	Sales	85.8	71.4	(16.8%)
	Ordinary income (loss)	2.3	(4.0)	---
Electric Power	Sales	16.8	17.2	2.2%
	Ordinary income	3.0	3.8	25.4%
Other Businesses	Sales	18.1	14.8	(18.1%)
	Ordinary income	1.9	0.7	(61.3%)
Adjustment	Sales	(14.5)	(11.4)	---
	Ordinary income (loss)	1.8	(0.9)	---
Total	Sales	460.0	404.4	(12.1%)
	Ordinary income	21.8	4.5	(79.1%)

* Figures of new segments for fiscal 2015 are reclassified from old segments for comparison with fiscal 2016.

(2) Production and Sales of Steel Products (Nonconsolidated)**Production and Sales Volume** (In millions of metric tons)

	FY2015 1Q	FY2016 1Q
Crude steel	1.84	1.94
Sales volume	1.48	1.44
Export ratio (value basis)	34.8%	29.9%

Unit Sales Price (In yen per metric ton)

	FY2015 1Q	FY2016 1Q
Domestic & export average	80,500	69,000

(3) Factors Affecting Ordinary Income (Consolidated, in billions of yen)**Comparison of Fiscal 2015 1Q and Fiscal 2016 1Q**

	FY2015 1Q	FY2016 1Q	Amount of Decrease
Ordinary income	21.8	4.5	(17.2)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	12.0	Production & shipments	(16.0)
Overall cost reduction	2.5	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*	(4.0)
Other	0.3	Consolidated subsidiaries & equity-valued affiliates	(10.5)
Total	15.3	Total	(32.5)

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

Fiscal 2016 Forecast**(1) Consolidated Sales & Ordinary Income (loss) for FY2016 by Segment** (In billions of yen)

		FY2015	FY2016		FY2016 Forecast	
			Previous Forecast (Apr. 28, 2016)		1st half	Full year
Iron & Steel	Sales	665.8	300.0	610.0	300.0	615.0
	Ordinary loss	(14.9)	(10.0)	(16.0)	(11.0)	(20.0)
Welding	Sales	92.2	43.0	86.0	41.0	83.0
	Ordinary income	8.1	3.5	7.0	3.5	7.0
Aluminum & Copper	Sales	345.4	165.0	330.0	165.0	330.0
	Ordinary income	15.1	6.0	14.0	4.0	12.0
Machinery	Sales	159.0	76.0	161.0	77.0	160.0
	Ordinary income	6.7	2.5	4.0	2.5	4.0
Engineering	Sales	131.7	51.0	126.0	52.0	127.0
	Ordinary income (loss)	4.6	(1.0)	3.0	(1.0)	3.0
Construction Machinery	Sales	336.2	170.0	335.0	160.0	315.0
	Ordinary income (loss)	(11.9)	4.0	8.0	(3.0)	(1.0)
Electric Power	Sales	76.7	36.0	72.0	36.0	70.0
	Ordinary income	17.4	7.0	14.0	8.0	15.0
Other Businesses	Sales	74.5	32.0	76.0	33.0	77.0
	Ordinary income	7.3	1.5	7.5	1.5	7.5
Adjustment	Sales	(58.9)	(13.0)	(46.0)	(14.0)	(47.0)
	Ordinary income (loss)	(3.6)	(3.5)	(6.5)	0.5	(7.5)
Total	Sales	1,822.8	860.0	1,750.0	850.0	1,730.0
	Ordinary income	28.9	10.0	35.0	5.0	20.0

* Figures of new segments for fiscal 2015 are reclassified from old segments for comparison with fiscal 2016.

(2) Production and Sales of Steel Products (Nonconsolidated)**Production and Sales Volume** (In millions of metric tons)

	FY2015			FY2016 Forecast		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Crude steel	3.67	3.81	7.48	Approx. 3.90	Approx. 3.30	Approx. 7.20
Sales volume	2.97	3.03	6.00	Approx. 3.00	Approx. 3.00	Approx. 6.00
Export ratio (value basis)	34.2%	30.0%	32.2%	Approx. 30%	Approx. 29%	Approx. 29%

(3) Factors Affecting Ordinary Income (Consolidated, in billions of yen)**Comparison of Current Forecast and Previous Forecast for Fiscal 2016**

	Previous Forecast	Current Forecast	Amount of Decrease
Ordinary income	35.0	20.0	(15.0)

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	12.0	Raw material prices	(17.5)
Effect of changes in foreign exchange rates on steel business	5.0	Overall costs	(1.5)
		Effect of steel inventory valuation*	(0.5)
		Effect of aluminum & copper inventory valuation*	(1.0)
		Consolidated subsidiaries & equity-valued affiliates	(9.5)
		Other	(2.0)
Total	17.0	Total	(32.0)

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

Comparison of Forecast for Fiscal 2016 1st Half and Forecast for Fiscal 2016 2nd Half

	FY2016 1st half Forecast	FY2016 2nd half Forecast	Amount of Increase
Ordinary income	5.0	15.0	10.0

Factors Increasing Profits		Factors Decreasing Profits	
Effect of steel inventory valuation*	5.5	Production & shipments	(4.5)
Effect of aluminum & copper inventory valuation*	3.0	Raw material prices	(3.0)
Consolidated subsidiaries & equity-valued affiliates	16.5	Overall costs	(0.5)
		Other	(7.0)
Total	25.0	Total	(15.0)

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

Comparison of Fiscal 2016 Forecast and Fiscal 2015 Result

	FY2015	FY2016 Forecast	Amount of Decrease
Ordinary income	28.9	20.0	(8.9)

Factors Increasing Profits		Factors Decreasing Profits	
Raw material prices	13.0	Production & shipments	(33.0)
Effect of steel inventory valuation*	7.0	Overall cost	(4.0)
Consolidated subsidiaries & equity-valued affiliates	8.0	Effect of aluminum & copper inventory valuation*	(1.5)
Effect of changes in foreign exchange rates on steel business	6.0	Other	(4.4)
Total	34.0	Total	(42.9)

* 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**

	FY2015	FY2016 Forecast
Free cash flow	(18.0)	(40.0)

(Excludes cash flow from IPP project financing)

Outside Debt (As of the end of each period)

	FY2015	FY2016 Forecast
Interest-bearing debt*	776.0	Approx. 720.0
D/E ratio (times) **	1.10	Approx. 1.00

* Excludes debt from IPP project financing.

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

(5) Exchange Rates

	FY2015	FY2016 1Q	FY2016 2Q onward
1 U.S. dollar to yen	120 yen	108 yen	100 yen
1 Chinese yuan to yen	18.9 yen	16.5 yen	15.0 yen

(6) Capital Expenditures (Consolidated, in billions of yen)

	FY2015	FY2016 Forecast	% change
Capital expenditures (accrual basis)	109.9	190.0	72.8%
Depreciation	94.8	100.0	5.5%

FOR REFERENCE

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

		FY2015							FY2016 Forecast				
		1st Half			2nd Half			Total	1st Half			2nd Half	Total
		1Q	2Q	subtotal	3Q	4Q	subtotal		1Q	2Q	subtotal		
Iron & Steel	Sales	172.3	166.2	338.5	162.7	164.5	327.2	665.8	144.2	155.8	300.0	315.0	615.0
	Ordinary income (loss)	2.6	(3.8)	(1.2)	(1.9)	(11.7)	(13.7)	(14.9)	(2.8)	(8.2)	(11.0)	(9.0)	(20.0)
Welding	Sales	23.2	23.4	46.6	22.2	23.3	45.5	92.2	20.6	20.4	41.0	42.0	83.0
	Ordinary income	2.0	2.2	4.3	1.8	1.9	3.8	8.1	1.9	1.6	3.5	3.5	7.0
Aluminum & Copper	Sales	92.8	85.5	178.3	84.2	82.8	167.0	345.4	85.1	79.9	165.0	165.0	330.0
	Ordinary income	6.2	3.1	9.4	2.4	3.1	5.6	15.1	3.0	1.0	4.0	8.0	12.0
Machinery	Sales	40.5	40.7	81.2	32.2	45.4	77.7	159.0	37.9	39.1	77.0	83.0	160.0
	Ordinary income	1.6	1.1	2.8	2.5	1.4	3.9	6.7	2.0	0.5	2.5	1.5	4.0
Engineering	Sales	24.8	32.5	57.4	26.6	47.6	74.3	131.7	24.3	27.7	52.0	75.0	127.0
	Ordinary income (loss)	(0.0)	2.6	2.6	(0.3)	2.4	2.0	4.6	0.6	(1.6)	(1.0)	4.0	3.0
Construction Machinery	Sales	85.8	95.3	181.2	76.7	78.2	154.9	336.2	71.4	88.6	160.0	155.0	315.0
	Ordinary income (loss)	2.3	(0.3)	1.9	(8.5)	(5.4)	(13.9)	(11.9)	(4.0)	1.0	(3.0)	2.0	(1.0)
Electric Power	Sales	16.8	21.9	38.8	16.6	21.2	37.8	76.7	17.2	18.8	36.0	34.0	70.0
	Ordinary income	3.0	5.0	8.1	3.9	5.3	9.3	17.4	3.8	4.2	8.0	7.0	15.0
Other Businesses	Sales	18.1	17.6	35.7	16.1	22.6	38.8	74.5	14.8	18.2	33.0	44.0	77.0
	Ordinary income	1.9	1.3	3.3	1.2	2.8	4.0	7.3	0.7	0.8	1.5	6.0	7.5
Adjustment	Sales	(14.5)	(14.8)	(29.4)	(12.6)	(16.8)	(29.4)	(58.9)	(11.4)	(2.6)	(14.0)	(33.0)	(47.0)
	Ordinary income (loss)	1.8	(0.1)	1.6	(1.1)	(4.1)	(5.2)	(3.6)	(0.9)	1.4	0.5	(8.0)	(7.5)
Total	Sales	460.0	468.5	928.6	424.9	469.2	894.1	1,822.8	404.4	445.6	850.0	880.0	1,730.0
	Ordinary income (loss)	21.8	11.2	33.0	(0.0)	(4.1)	(4.1)	28.9	4.5	0.5	5.0	15.0	20.0
Net income (loss) attributable to owners of the parent		11.8	1.5	13.4	(27.2)	(7.7)	(34.9)	(21.5)	(2.0)	2.0	0.0	10.0	10.0

* Figures of new segments for fiscal 2015 are reclassified from old segments for comparison with fiscal 2016.

Quarterly Production and Sales of Steel Products (Nonconsolidated)

Production & Sales Volume (In millions of metric tons)

	FY2015						Total
	1st Half			2nd Half			
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	1.84	1.83	3.67	1.89	1.92	3.81	7.48
Sales volume	1.48	1.49	2.97	1.47	1.56	3.03	6.00
Export ratio (value basis)	34.8%	33.6%	34.2%	29.2%	30.8%	30.0%	32.2%

	FY2016 Forecast				
	1st Half			2nd Half	Total
	1Q	2Q	Subtotal		
Crude steel	1.94	Approx. 1.95	Approx. 3.90	Approx. 3.30	Approx. 7.20
Sales volume	1.44	Approx. 1.55	Approx. 3.00	Approx. 3.00	Approx. 6.00
Export ratio (value basis)	29.9%	Approx. 30.0%	Approx. 30.0%	Approx. 29.0%	Approx. 29.0%

Unit Sales Price (In yen per metric ton)

	FY2015						Total	FY2016 1Q
	1st Half			2nd Half				
	1Q	2Q	Subtotal	3Q	4Q	Subtotal		
Domestic & export average	80,500	77,000	78,700	75,400	68,400	71,800	75,200	69,000

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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