



ECOWAY



FY2015 First Quarter
Investor Meeting
KOBELCO



July 28, 2015
KOBELCO, LTD.



– CONTENTS –

1. Financial Results for First Quarter of Fiscal 2015
2. Forecast for Fiscal 2015
3. Financial Condition
4. Reference



ECOWAY

1. Financial Results for First Quarter of Fiscal 2015



EcoWay

Financial Results for First Quarter of Fiscal 2015

(Billions of yen)

	FY2014	FY2015	Change
	1Q	1Q	FY14→15
Net sales	444.7	460.0	+ 15.2
Operating income	27.9	25.2	△2.7
(excluding inventory valuation)	(26.4)	(25.7)	(△ 0.7)
Ordinary income	21.5	21.8	+ 0.2
(excluding inventory valuation)	(20.0)	(22.3)	(2.3)
Extraordinary income	—	△ 3.9	△3.9
Net income attributable to owners of parent	22.9	11.8	△11.0



EcoWay

Segment Sales / Ordinary Income (Loss)

(Billions of yen)

Sales	FY2014	FY2015	Change	Ordinary income	FY2014	FY2015	Change
	1Q	1Q	FY14→15		1Q	1Q	FY14→15
Iron & Steel	186.7	189.1	+2.4	Iron & Steel	3.1	6.0	+2.8
Welding	22.7	23.2	+0.5	Welding	2.1	2.0	△0.0
Aluminum & Copper	81.8	92.8	+11.0	Aluminum & Copper	3.6	6.2	+2.6
Machinery	36.9	40.5	+3.5	Machinery	1.9	1.6	△0.3
Engineering	8.6	10.3	+1.7	Engineering	△0.4	△ 0.3	+0.0
Kobelco Eco-Solutions	12.0	14.5	+2.5	Kobelco Eco-Solutions	0.0	0.3	+0.3
Kobelco Construction Machinery	81.2	70.3	△10.8	Kobelco Construction Machinery	7.5	1.2	△6.2
Kobelco Cranes	16.9	18.1	+1.1	Kobelco Cranes	1.7	1.0	△0.7
Other Businesses	14.3	18.1	+3.7	Other Businesses	0.9	1.9	+1.0
Adjustment	△16.7	△ 17.1	△0.4	Adjustment	0.7	1.5	+0.7
Total	444.7	460.0	+15.2	Total	21.5	21.8	+0.2



ECOWAY



ECOWAY

2. Forecast for Fiscal 2015



EcoWay

Forecast for FY2015

(Billions of yen)

	FY2014	FY2015 (Previous)			FY2015			Change
	Full year	1H	2H	Full year	1H	2H	Full year	FY15
Net sales	1,886.8	980.0	1,010.0	1,990.0	950.0	1,000.0	1,950.0	△40.0
Operating income	119.4	50.0	75.0	125.0	50.0	75.0	125.0	—
(excluding inventory valuation)	(125.9)	(54.5)	(75.0)	(129.5)	(56.5)	(79.0)	(135.5)	(6.0)
Ordinary income	101.6	40.0	55.0	95.0	40.0	55.0	95.0	—
(excluding inventory valuation)	(108.1)	(44.5)	(55.0)	(99.5)	(46.5)	(59.0)	(105.5)	(6.0)
Extraordinary income	2.6	—	—	—	△ 3.9	—	△ 3.9	△3.9
Net income attributable to owners of parent	86.5	25.0	35.0	60.0	20.0	40.0	60.0	—



EcoWay

Segment Sales

(Billions of yen)

	FY2014	FY2015 (Previous)			FY2015			Change
	Full year	1H	2H	Full year	1H	2H	Full year	FY15
Iron & Steel	797.8	385.0	405.0	790.0	375.0	390.0	765.0	△25.0
Welding	94.4	48.0	50.0	98.0	47.0	49.0	96.0	△2.0
Aluminum & Copper	330.8	190.0	190.0	380.0	185.0	190.0	375.0	△5.0
Machinery	159.1	86.0	92.0	178.0	87.0	87.0	174.0	△4.0
Engineering	49.0	26.0	27.0	53.0	27.0	28.0	55.0	+2.0
Kobelco Eco-Solutions	68.1	34.0	49.0	83.0	34.0	49.0	83.0	—
Kobelco Construction Machinery	311.0	165.0	150.0	315.0	145.0	155.0	300.0	△15.0
Kobelco Cranes	71.1	40.0	41.0	81.0	40.0	40.0	80.0	△1.0
Other Businesses	76.0	36.0	42.0	78.0	35.0	43.0	78.0	—
Adjustment	△70.7	△30.0	△36.0	△66.0	△ 25.0	△ 31.0	△ 56.0	+10.0
Total	1,886.8	980.0	1,010.0	1,990.0	950.0	1,000.0	1,950.0	△40.0



EcoWay

Ordinary Income (Loss) by Segment

(Billions of yen)

	FY2014	FY2015 (Previous)			FY2015			Change
	Full year	1H	2H	Full year	1H	2H	Full year	FY15
Iron & Steel	28.7	13.0	22.0	35.0	12.0	23.0	35.0	–
Welding	10.2	4.0	5.0	9.0	4.0	5.0	9.0	–
Aluminum & Copper	15.1	8.0	8.0	16.0	9.0	7.0	16.0	–
Machinery	10.4	2.5	5.5	8.0	2.0	4.5	6.5	△1.5
Engineering	0.7	0.5	△ 0.5	0.0	1.5	△ 1.0	0.5	+0.5
Kobelco Eco-Solutions	3.0	0.2	3.3	3.5	0.2	3.3	3.5	–
Kobelco Construction Machinery	21.0	11.0	9.0	20.0	3.0	7.0	10.0	△10.0
Kobelco Cranes	5.1	2.0	3.0	5.0	1.5	3.5	5.0	–
Other Businesses	7.0	2.0	5.5	7.5	2.0	5.5	7.5	–
Adjustment	△ 0.0	△ 3.2	△ 5.8	△ 9.0	4.8	△ 2.8	2.0	+11.0
Total	101.6	40.0	55.0	95.0	40.0	55.0	95.0	–



EcoWay

【Iron & Steel】

(Billions of yen)

	FY2015 (Previous)			FY2015			Change
	1H	2H	Full year	1H	2H	Full year	FY15
Net sales	385.0	405.0	790.0	375.0	390.0	765.0	△25.0
Ordinary income	13.0	22.0	35.0	12.0	23.0	35.0	—
(inventory valuation)	(△5.5)	(△0.5)	(△6.0)	(△7.0)	(△4.0)	(△11.0)	(△5.0)

FY2015

- Domestic demand in the automotive sector is anticipated to be soft due to inventory adjustments by customer companies. However, in the second half of the fiscal year, demand is anticipated to recover.
- Demand for steel products is anticipated to remain firm in the automotive sector in North America and the shipbuilding sector.



ECOWAY

Production & Sales

		FY2014				FY2015
		1Q	1H	2H	Full year	1Q
Domestic crude steel production	(millions of tons)	27.67	55.6	54.3	109.9	25.9

<Domestic steel inventory trend>

Ordinary steel products	(millions of tons)	5.83	5.9	5.8	--	* 5.9
Rolled sheets	(millions of tons)	4.2	4.3	4.3	--	* 4.3

end of May

end of May

<Key indicators of Demand>

Finished auto production	(millions of cars)	2.4	4.8	4.8	9.6	* 1.4
--------------------------	--------------------	-----	-----	-----	-----	--------------

Apr - May

<KSL>

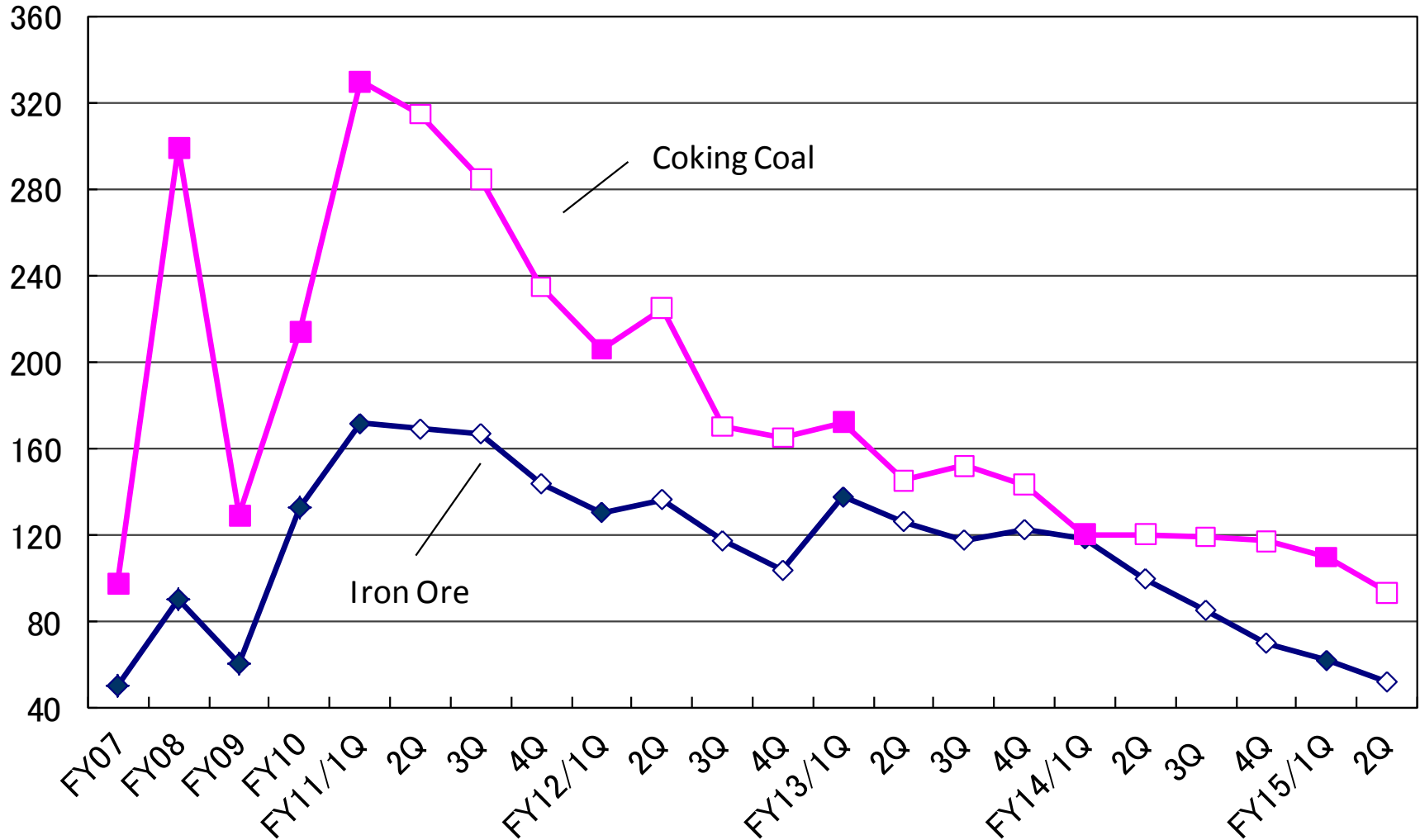
Crude steel production	(millions of tons)	1.77	3.7	3.8	7.5	1.8
Sales volume	(millions of tons)	1.44	2.9	3.1	6.1	1.5
(Domestic)	(millions of tons)	(1.0)	(2.1)	(2.1)	(4.2)	(1.0)
(Exports)	(millions of tons)	(0.4)	(0.9)	(1.0)	(1.9)	(0.5)
Average steel selling price	(thousands of yen/ton)	82.5	82.4	81.0	81.7	80.5
Export ratio (value basis)		30.5%	30.6%	33.5%	32.1%	34.8%



ECOWAY

Iron Ore & Coking Coal Price Trends

(\$/ton)

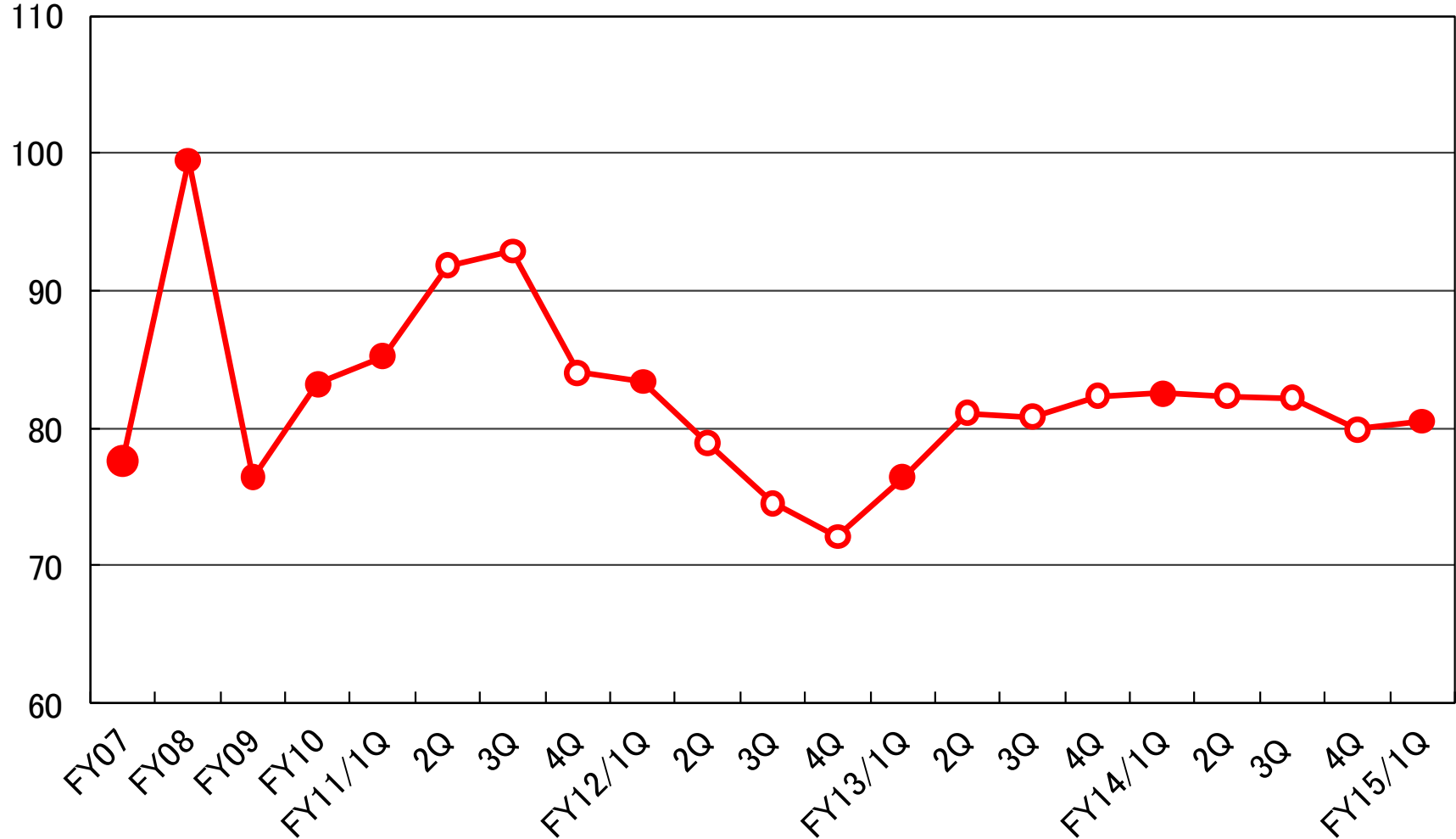




EcoWay

KSL Steel Product Price Trends

(thousand yen / ton)





ECOWAY

【Welding】

(Billions of yen)

	FY2015 (Previous)			FY2015			Change
	1H	2H	Full year	1H	2H	Full year	FY15
Net sales	48.0	50.0	98.0	47.0	49.0	96.0	△2.0
Ordinary income	4.0	5.0	9.0	4.0	5.0	9.0	—

<Sales volume of KSL Group>

(Thousands of tons)

	FY2014				FY2015
	1Q	1H	2H	Full year	1Q
Domestic	34	67	68	135	33
Overseas	47	95	92	187	44
Total	81	162	160	322	77

FY2015

- Although overseas demand in Southeast Asia and China are expected to continue being weak, demand for welding systems in the domestic construction sector is anticipated to remain firm.



EcoWay

[Aluminum & Copper]

(Billions of yen)

	FY2015 (Previous)			FY2015			Change
	1H	2H	Full year	1H	2H	Full year	FY15
Net sales	190.0	190.0	380.0	185.0	190.0	375.0	△5.0
Ordinary income	8.0	8.0	16.0	9.0	7.0	16.0	—
(inventory valuation)	(1.0)	(0.5)	(1.5)	(0.5)	(0.0)	(0.5)	(△1.0)

<Sales volume of KSL>

(Thousands of tons)

	FY2014				FY2015
	1Q	1H	2H	Full year	1Q
Aluminum rolled products					
Domestic	63	125	126	251	73
Exports	15	29	36	65	17
Copper Sheets and Strips	14	27	27	54	13
Copper Tubes	24	45	40	85	22

FY2015

- Sales of aluminum rolled products for can stock for beverage containers and aluminum forgings are anticipated to be firm.
- Demand for copper strips used in semiconductors and copper tubes for air conditioners is anticipated to be weak.



EcoWay

【Machinery】

(Billions of yen)

	FY2015 (Previous)			FY2015			Change
	1H	2H	Full year	1H	2H	Full year	FY15
Net sales	86.0	92.0	178.0	87.0	87.0	174.0	△4.0
Ordinary income	2.5	5.5	8.0	2.0	4.5	6.5	△1.5
Orders			about 160			about 150	

FY2015

- Due to the intensification of the competitive environment from low oil prices, Orders are anticipated to decrease and profit is anticipated to deteriorate.



EcoWay

【Engineering】

(Billions of yen)

	FY2015 (Previous)			FY2015			Change
	1H	2H	Full year	1H	2H	Full year	FY15
Net sales	26.0	27.0	53.0	27.0	28.0	55.0	+2.0
Ordinary income	0.5	△0.5	0.0	1.5	△1.0	0.5	+0.5
Orders			about 60			about 60	

FY2015

- There is no change from the previous forecast.



ECOWAY

【Kobelco Eco-Solutions】

(Billions of yen)

	FY2015 (Previous)			FY2015			Change
	1H	2H	Full year	1H	2H	Full year	FY15
Net sales	34.0	49.0	83.0	34.0	49.0	83.0	—
Ordinary income	0.2	3.3	3.5	0.2	3.3	3.5	—

FY2015

- There is no change from the previous forecast.



ECOWAY

【Kobelco Construction Machinery】

(Billions of yen)

	FY2015 (Previous)			FY2015			Change
	1H	2H	Full year	1H	2H	Full year	FY15
Net sales	165.0	150.0	315.0	145.0	155.0	300.0	△15.0
Ordinary income	11.0	9.0	20.0	3.0	7.0	10.0	△10.0

FY2015

- **Due to sluggish demand for infrastructure investments mainly, demand for hydraulic excavators is anticipated to decrease significantly in China and Southeast Asia.**



EcoWay

【Kobelco Cranes】

(Billions of yen)

	FY2015 (Previous)			FY2015			Change
	1H	2H	Full year	1H	2H	Full year	FY15
Net sales	40.0	41.0	81.0	40.0	40.0	80.0	△1.0
Ordinary income	2.0	3.0	5.0	1.5	3.5	5.0	—

FY2015

- Demand in Japan and overseas is anticipated to be firm.



ECOWAY



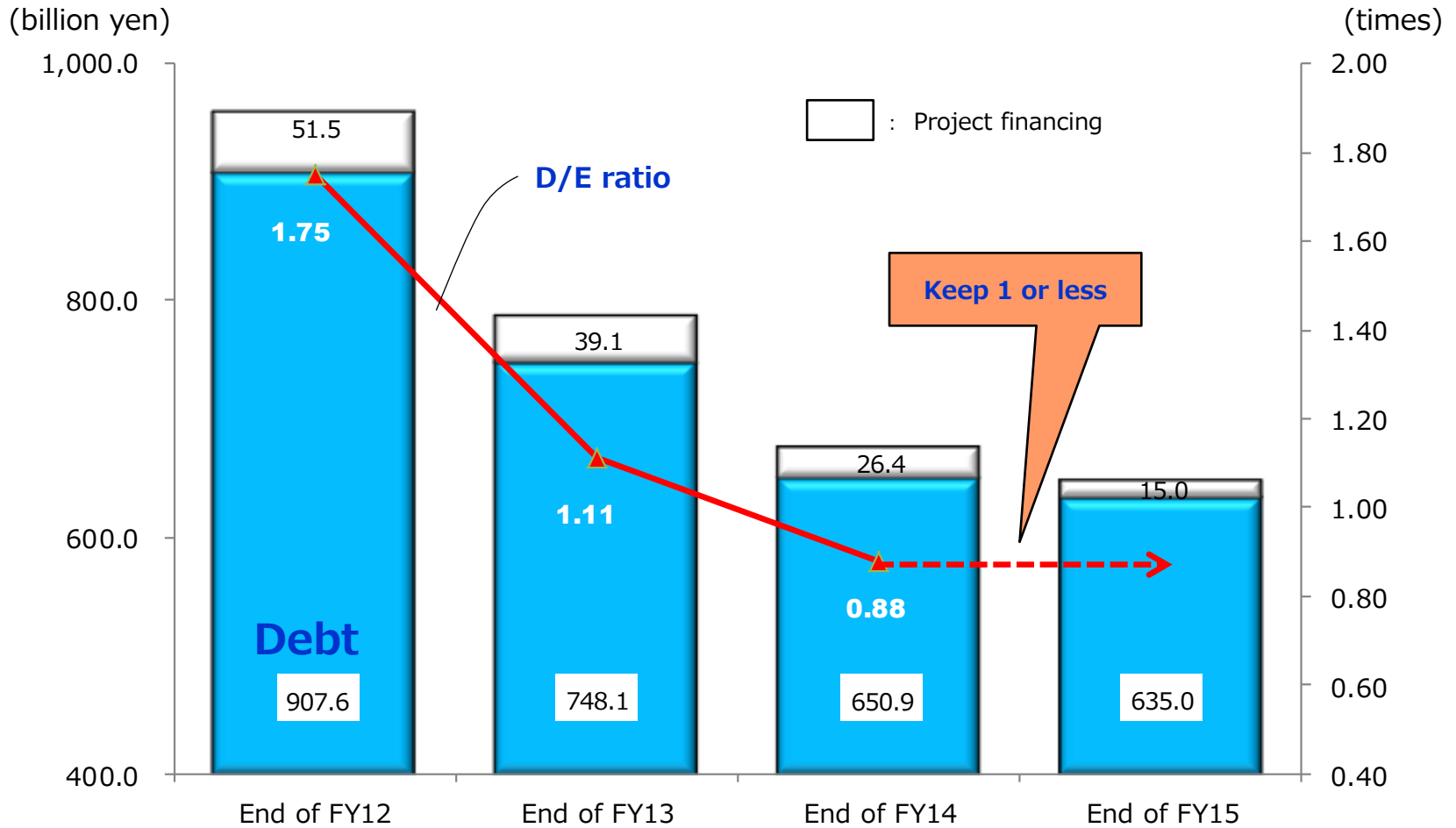
ECOWAY

3. Financial condition



ECOWAY

Debt and D/E Ratio



D/E ratio under
Medium-Term
Business Plan

1.5 times

1.3 times

Maximum 1.0
times in or after
FY2016



ECOWAY

4. Reference



EcoWay

Cash Flows

(Billions of yen)

	FY2014	FY2015 (Previous)			FY2015			Change
	Full year	1H	2H	Full year	1H	2H	Full year	FY15
Cash flows from operating activities	142.5	85.0	70.0	155.0	75.0	80.0	155.0	—
Cash flows from investing activities	△ 72.9	△ 55.0	△ 70.0	△ 125.0	△ 55.0	△ 70.0	△ 125.0	—
Free cash flow (excluding project financing)	69.6	30.0	0.0	30.0	20.0	10.0	30.0	—
Repayment source for project financing	9.8	5.0	10.0	15.0	5.0	10.0	15.0	—
Free cash flow	79.4	35.0	10.0	45.0	25.0	20.0	45.0	—
Cash and deposits (excluding project financing)	84.0	85.0	75.0	/	120.0	75.0	/	—



EcoWay

Capital Investment

(Billions of yen)

	FY2012	FY2013	FY2014	FY2015	Change	
					FY13→FY14	FY14→FY15
Capital investment (accrual basis)	114.9	101.4	103.5	120.0	+2.1	+16.5
Capital investment (cash basis)	109.5	95.4	95.3	125.0	△0.1	+29.7
Depreciation	106.7	82.9	89.8	110.0	+6.9	+20.2



ECOWAY



EcoWay

Consolidated Ordinary Income Analysis (FY14→FY15)

(Billions of yen)

	FY2014			FY2015		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	46.1	55.5	101.6	40.0	55.0	95.0

 Δ**6.6**

Positive Factors		Negative Factors	
Raw material prices	+ 67.5	Production and shipments	△ 46.5
Overall costs	+ 2.0	Steel inventory	△ 3.0
		Aluminum inventory valuation	△ 1.0
		Subsidiaries	△ 9.5
		Exchange rate changes in steel business	△ 10.5
		Other	△ 5.6
Total	+ 69.5	Total	△ 76.1



ECOWAY

Iron & Steel Ordinary Income Analysis (FY14→FY15)

(Billions of yen)

	FY2014			FY2015		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	10.4	18.3	28.7	12.0	23.0	35.0

+ **6.3**

Positive Factors		Negative Factors	
Raw material prices	+ 67.5	Production and shipments	△ 51.0
Overall costs	+ 6.0	Inventory valuation	△ 3.0
		Exchange rate changes	△ 10.5
		Other	△ 2.7
Total	+ 73.5	Total	△ 67.2



ECOWAY

Consolidated Ordinary Income Analysis (FY15)

(Billions of yen)

	FY14 Forecast			FY14 Actual		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	40.0	55.0	95.0	40.0	55.0	95.0

±0.0

Positive Factors		Negative Factors	
Raw material prices	+ 21.0	Production and shipments	△ 16.5
Exchange rate changes in steel business	± 0.0	Overall costs	△ 1.5
Other	+ 14.5	Steel inventory valuation	△ 5.0
		Aluminum inventory valuation	△ 1.0
		Subsidiaries	△ 11.5
Total	+ 35.5	Total	△ 35.5



EcoWay

Iron & Steel Ordinary Income Analysis (FY15)

(Billions of yen)

	FY14 Forecast			FY14 Actual		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	13.0	22.0	35.0	12.0	23.0	35.0

±0.0

Positive Factors		Negative Factors	
Raw material prices	+ 21.0	Production and shipments	△ 16.5
Exchange rate changes	± 0.0	Overall costs	△ 1.0
Other	+ 1.5	Inventory valuation	△ 5.0
Total	+ 22.5	合計	△ 22.5



EcoWay

Consolidated Ordinary Income Analysis (FY15 1H→2H)

(Billions of yen)

	FY2014			FY2015		
	1H	2H	FY	1H	2H	FY
Ordinary income	46.1	55.5	101.6	40.0	55.0	95.0

+15.0

Positive Factors		Negative Factors	
Raw material prices	+ 8.5	Production and shipments	△ 8.5
Overall costs	+ 1.0	Aluminum inventory valuation	△ 0.5
Steel inventory valuation	+ 3.0	Other	△ 5.0
Exchange rate changes in steel business	± 0.0		
Subsidiaries	+ 16.5		
合計	+ 29.0	合計	△ 14.0



EcoWay

Iron & Steel Ordinary income Analysis (FY15 1H→2H)

(Billions of yen)

	FY2014			FY2015		
	1H	2H	FY	1H	2H	FY
Ordinary income	10.4	18.3	28.7	12.0	23.0	35.0

+11.0

Positive Factors		Negative Factors	
Raw material prices	+ 8.5	Production and shipments	△ 9.0
Overall costs	+ 0.5		
Inventory valuation	+ 3.0		
Exchange rate changes	± 0.0		
Other	+ 8.0		
合計	+ 20.0	合計	△ 9.0



EcoWay

Financial Indices

	FY2012	FY2013	FY2014
ROS ※1	△ 1.1%	4.7%	5.4%
Net income per share	△8.98yen	22.62yen	23.81yen
ROE ※2	△ 5.2%	11.9%	12.0%
ROA ※3	△ 0.8%	3.8%	4.4%
D/E ratio	1.75	1.11	0.88

※1 : ROS = Ordinary Income / Net Sales

※2 : ROE = Net Income / Equity (average)

※3 : ROA = Ordinary Income / Total Assets (average)



THE KOBELCO STEEL GROUP'S CORPORATE PHILOSOPHY

- 1. We provide reliable and advanced technologies, products and services that satisfy customers.**
- 2. We support each employee in developing his or her abilities, while respecting mutual cooperation within the Kobe Steel Group.**
- 3. Through continuous efforts for innovative change, we aim to enhance our corporate values.**



Cautionary Statement

- **Certain statements in this presentation contain forward-looking statements concerning forecasts, assertions, prospects, intentions and strategies. The decisions and assumptions leading to these statements were based on information currently available to Kobe Steel. Due to possible changes in decisions and assumptions, future business operation, and internal and external conditions, actual results may differ materially from the projected forward-looking statements. Kobe Steel is not obligated to revise the forward-looking contents of this presentation.**
- **Uncertain and variable factors include, but are not limited to:**
 - **Changes in economic outlook, demand and market conditions**
 - **Political situation and trade and other regulations**
 - **Changes in currency exchange rates**
 - **Availability and market conditions of raw materials**
 - **Products and services of competing companies, pricing policy, alliances, and business development including M&As**
 - **Strategy changes of alliance partners**