



Investor Meeting FY2015

KOBELCO



April 28, 2016
KOBELCO, LTD.

Financial Results for FY2015

(Billions of yen)

	FY2014	FY2015		Change	
	Actual ①	Forecast ②	Actual ③	③ - ①	③ - ②
Net sales	1,886.8	1,840.0	1,822.8	△64.0	△17.2
Operating income	119.4	65.0	68.4	△51.0	+3.4
Ordinary income	101.6	25.0	28.9	△72.7	+3.9
(excluding inventory valuation)	(108.1)	(43.0)	(46.9)	(△61.2)	(+3.9)
Extraordinary income	2.6	△39.7	△39.5	△42.1	+0.2
Net income attributable to owners of the parent	86.5	△20.0	△21.5	△108.1	△1.5



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Segment Sales

(Billions of yen)

Net sales	FY2014	FY2015		Change	
	Actual ①	Forecast ②	Actual ③	③ - ①	③ - ②
Iron & Steel	797.8	735.0	742.5	△55.2	+7.5
Welding	94.4	91.0	92.2	△2.2	+1.2
Aluminum & Copper	330.8	350.0	345.4	+14.6	△4.6
Machinery	159.1	171.0	159.0	△0.1	△12.0
Engineering	49.0	51.0	48.7	△0.3	△2.3
Kobelco Eco-Solutions	68.1	84.5	83.0	+14.8	△1.5
Kobelco Construction Machinery	311.0	270.0	271.7	△39.2	+1.7
Kobelco Cranes	71.1	75.0	72.7	+1.6	△2.3
Other Businesses	76.0	74.0	74.5	△1.5	+0.5
Adjustment	△70.7	△61.5	△67.3	+3.4	△5.8
Total	1,886.8	1,840.0	1,822.8	△64.0	△17.2



EcoWay

Ordinary Income (Loss) by Segment

(Billions of yen)

Ordinary income	FY2014	FY2015		Change	
	Actual ①	Forecast ②	Actual ③	③ - ①	③ - ②
Iron & Steel	28.7	6.0	3.6	△25.1	△2.4
Welding	10.2	8.0	8.1	△2.1	+0.1
Aluminum & Copper	15.1	15.0	15.1	±0.0	+0.1
Machinery	10.4	6.5	6.7	△3.6	+0.2
Engineering	0.7	0.5	1.0	+0.2	+0.5
Kobelco Eco-Solutions	3.0	3.3	3.6	+0.6	+0.3
Kobelco Construction Machinery	21.0	△16.0	△14.4	△35.5	+1.6
Kobelco Cranes	5.1	2.0	2.4	△2.7	+0.4
Other Businesses	7.0	7.0	7.3	+0.2	+0.3
Adjustment	0.0	△7.3	△4.7	△4.7	+2.6
Total	101.6	25.0	28.9	△72.7	+3.9



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Financial Results

(Billions of yen)

	Fiscal 2015 Targets ^{*1}	Fiscal 2013	Fiscal 2014	Fiscal 2015
Net sales	--	1,824.6 billion yen	1,886.8 billion yen	1,822.8 billion yen
Ordinary income	80.0 - 100.0 billion yen	85.0 billion yen	101.6 billion yen	28.9 billion yen
Net income/loss attributable to owners of the parent	--	70.1 billion yen	86.5 billion yen	-21.5 billion yen
D/E Ratio	1.3 times (Achieve 1.0 times at early stage)	1.11 times	0.88 times	1.10 times ^{*4}
ROA ^{*2}	--	3.8%	4.4%	1.3%
ROE ^{*3}	--	11.9%	12.0%	-2.9%

*1: Targets as of May 29, 2013

*2: Ordinary income (loss) / Total assets

*3: Net income (loss) attributable to owners of the parent /
Shareholders' equity*4: Including early procurement of borrowings for FY2016 (90 billion yen)
D/E Ratio 0.97 times (excluding early procurement of borrowings)



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Forecast for FY2016

(Billions of yen)

	FY2015			FY2016			Change ② - ①
	1H	2H	Full year ①	1H	2H	Full year ②	
Net sales	928.6	894.1	1,822.8	860.0	890.0	1,750.0	△72.8
Operating income	47.0	21.3	68.4	25.0	40.0	65.0	△3.4
Ordinary income	33.0	△4.1	28.9	10.0	25.0	35.0	+6.1
(excluding inventory valuation)	(40.5)	(6.4)	(46.9)	(19.0)	(27.0)	(46.0)	(△0.9)
Extraordinary income	△9.4	△30.0	△39.5	0.0	0.0	0.0	+39.5
Net income attributable to owners of the parent	13.4	△34.9	△21.5	5.0	15.0	20.0	+41.5



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Segment Sales

(Billions of yen)

Net sales	FY2015			FY2016			Change ② - ①
	1H	2H	Full year ①	1H	2H	Full year ②	
Iron & Steel	338.5	327.2	665.8	300.0	310.0	610.0	△55.8
Welding	46.6	45.5	92.2	43.0	43.0	86.0	△6.2
Aluminum & Copper	178.3	167.0	345.4	165.0	165.0	330.0	△15.4
Machinery	81.2	77.7	159.0	76.0	85.0	161.0	+2.0
Engineering	57.4	74.3	131.7	51.0	75.0	126.0	△5.7
Construction Machinery	181.2	154.9	336.2	170.0	165.0	335.0	△1.2
Electric Power	38.8	37.8	76.7	36.0	36.0	72.0	△4.7
Other Businesses	35.7	38.8	74.5	32.0	44.0	76.0	+1.5
Adjustment	△29.4	△29.4	△58.9	△13.0	△33.0	△46.0	+12.9
Total	928.6	894.0	1,822.8	860.0	890.0	1,750.0	△72.8



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Segment Ordinary Income (Loss)

(Billions of yen)

Ordinary income	FY2015			FY2016			Change ② - ①
	1H	2H	Full year ①	1H	2H	Full year ②	
Iron & Steel	△1.2	△13.7	△14.9	△10.0	△6.0	△16.0	△1.1
Welding	4.3	3.8	8.1	3.5	3.5	7.0	△1.1
Aluminum & Copper	9.4	5.6	15.1	6.0	8.0	14.0	△1.1
Machinery	2.8	3.9	6.7	2.5	1.5	4.0	△2.7
Engineering	2.6	2.0	4.6	△1.0	4.0	3.0	△1.6
Construction Machinery	1.9	△13.9	△11.9	4.0	4.0	8.0	+19.9
Electric Power	8.1	9.3	17.4	7.0	7.0	14.0	△3.4
Other Businesses	3.3	4.0	7.3	1.5	6.0	7.5	+0.2
Adjustment	1.6	△5.2	△3.6	△3.5	△3.0	△6.5	△2.9
Total	33.0	△4.1	28.9	10.0	25.0	35.0	+6.1



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【Iron & Steel】

(Billions of yen)

	FY2015			FY2016			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	338.5	327.3	665.8	300.0	310.0	610.0	△55.8
Ordinary income	△1.2	△13.7	△14.9	△10.0	△6.0	△16.0	△1.1
(inventory valuation)	(△7.5)	(△7.0)	(△14.5)	(△6.0)	(△1.0)	(△7.0)	(+7.5)

FY2016

- Ordinary income is anticipated to decrease due to higher costs for refurbishment of Kakogawa Works and consolidation of upstream operations to Kakogawa Works.
- Automotive demand is anticipated to recover.



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Production & Sales

		FY2014			FY2015		
		1H	2H	Full year	1H	2H	3Q
Domestic crude steel production	(millions of tons)	55.6	54.3	109.9	52.1	52.1	104.2

< Domestic steel inventory trend >

Ordinary steel products	(millions of tons)	5.9	5.8	--	5.8	5.7	end of Feb.
Rolled sheets	(millions of tons)	4.3	4.3	--	4.2	4.2	end of Feb.

< Domestic steel inventory trend >

Finished auto production	(millions of cars)	4.8	4.8	9.6	4.5	3.9	Oct. -Feb.
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< KSL >

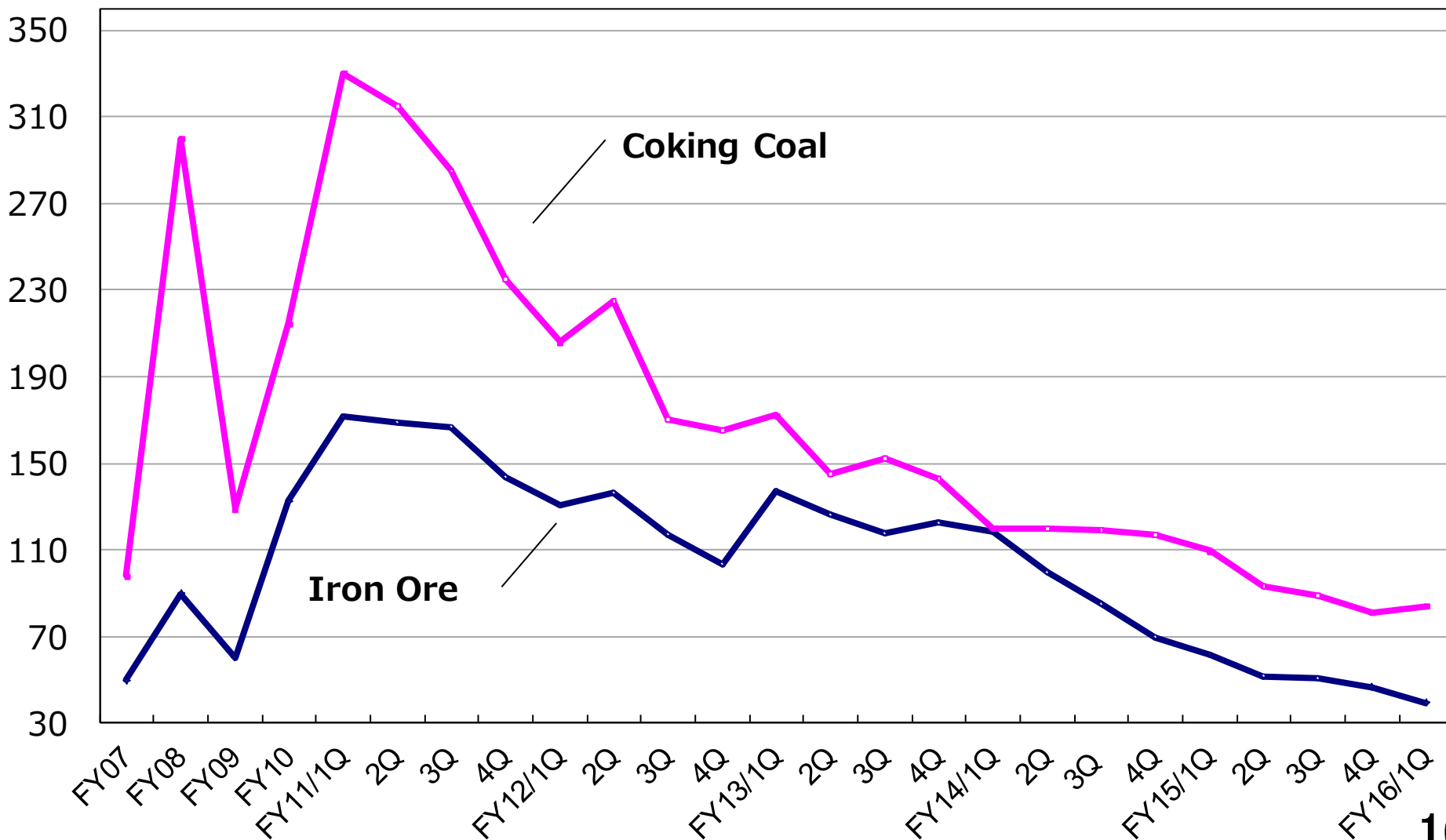
Crude steel production	(millions of tons)	3.7	3.8	7.5	3.7	3.8	7.5
Sales volume	(millions of tons)	2.9	3.1	6.1	3.0	3.0	6.0
(Domestic)		(2.1)	(2.1)	(4.2)	(2.0)	(2.1)	(4.1)
(Exports)		(0.9)	(1.0)	(1.9)	(1.0)	(0.9)	(1.9)
Average steel sales price	(thousands of yen/ton)	82.4	81.0	81.7	78.7	71.8	75.2
Export ratio (value basis)		30.6%	33.5%	32.1%	34.2%	30.0%	32.2%



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Iron Ore & Coking Coal Price Trends

(\$/ton)

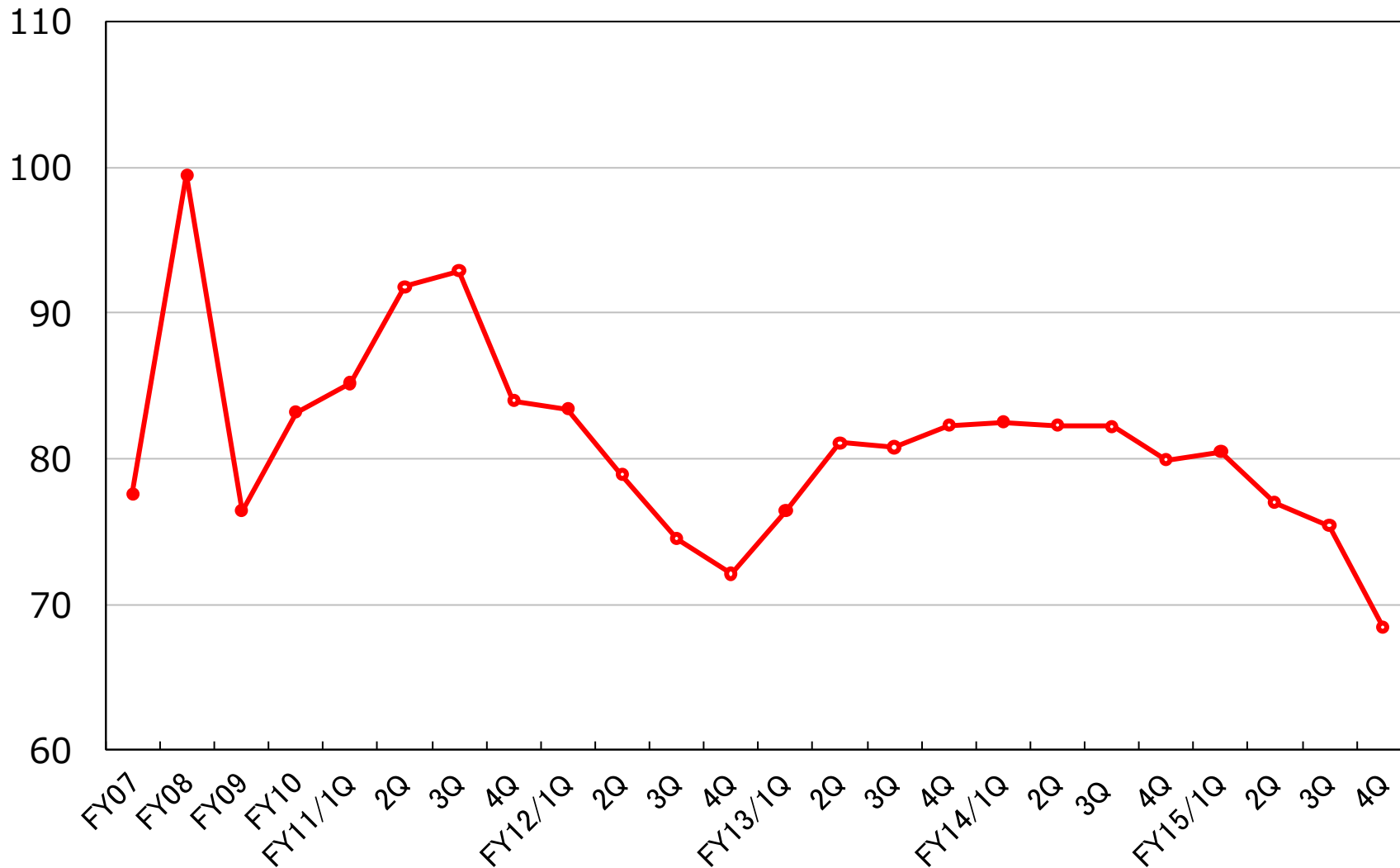




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Steel Product Price Trends at Kobe Steel

(Thousands of yen /ton)





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【Welding】

(Billions of yen)

	FY2015			FY2016			Change ②-①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	46.6	45.5	92.2	43.0	43.0	86.0	△6.2
Ordinary income	4.3	3.8	8.1	3.5	3.5	7.0	△1.1

<Sales volume of KSL Group >

(Thousands of tons)

	FY2014			FY2015		
	1H	2H	Full year	1H	2H	Full Year
Domestic	67	68	135	66	63	129
Overseas	95	92	187	87	87	174
Total	162	160	322	153	150	303

FY2016

- Ordinary income is anticipated to decrease due to sluggish demand for welding materials in China and Southeast Asia.
- Demand for welding systems is anticipated to remain firm.



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【Aluminum & Copper】

(Billions of yen)

	FY2015			FY2016			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	178.3	167.0	345.4	165.0	165.0	330.0	△15.4
Ordinary income	9.4	5.6	15.1	6.0	8.0	14.0	△1.1
(Inventory valuation)	(0.0)	(△3.5)	(△3.5)	(△3.0)	(△1.0)	(△4.0)	(△0.5)

<Sales volume of KSL>

(Thousands of tons)

	FY2014			FY2015		
	1H	2H	Full Year	1H	2H	Full Year
Aluminum rolled (Domestic) products (Exports)	125 29	126 36	251 65	140 33	137 36	277 69
Copper Strips	27	27	54	25	24	49
Copper Tubes	45	40	85	42	43	85

FY2016

- Ordinary income is anticipated to decrease due to inventory valuation and start-up costs for a company in China to produce and sell aluminum sheet for automotive aluminum panels.



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【Machinery】

(Billions of yen)

	FY2015			FY2016			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	81.2	77.7	159.0	76.0	85.0	161.0	+2.0
Ordinary income	2.8	3.9	6.7	2.5	1.5	4.0	△2.7
Orders	73.6	66.8	140.4	—	—	about 150	--

FY2016

- Ordinary income is anticipated to decrease, affected by low crude oil prices, especially in North America.



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【Engineering】

(Billions of yen)

	FY2015			FY2016			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	57.4	74.3	131.7	51.0	75.0	126.0	△5.7
Ordinary income	2.6	2.0	4.6	△1.0	4.0	3.0	△1.6
Orders	89.1	40.0	129.1	—	—	about 140	--

FY2016

- Ordinary income is anticipated to decrease in FY2016 due to the posting of profits from large projects in the waste treatment-related business in FY2015.
- In the ironmaking plant-related field, the severe business environment is anticipated to continue in the future.



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【Construction Machinery】

(Billions of yen)

	FY2015			FY2016			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	181.2	155.0	336.2	170.0	165.0	335.0	△1.2
Ordinary income	1.9	△13.8	△11.9	4.0	4.0	8.0	+19.9

FY2016

- Ordinary income is anticipated to increase in FY2016 due to a large allowance for doubtful accounts for accounts receivable in China in FY2015.
- For hydraulic excavators, demand in China is anticipated to be sluggish.



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【Electric power】

(Billions of yen)

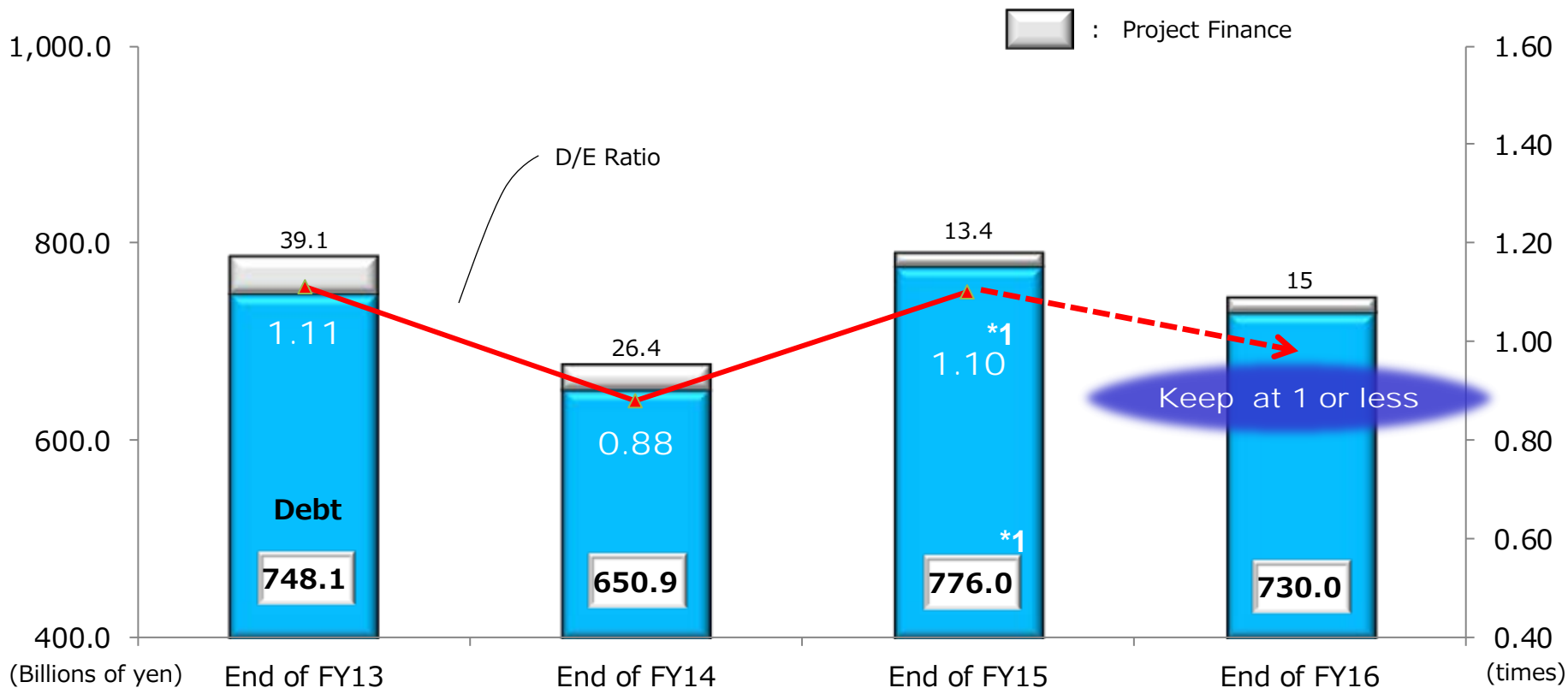
	FY2015			FY2016			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	38.8	37.9	76.7	36.0	36.0	72.0	△4.7
Ordinary income	8.1	9.3	17.4	7.0	7.0	14.0	△3.4

FY2016

- Ordinary income is anticipated to decrease due to the cost for construction of new power plants.



Debt and D/E Ratio



***1 : Including early procurement of borrowings for FY2016 (90 billion yen)
D/E Ratio 0.97 times (excluding early procurement of borrowings)**



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Cash Flows

(Billions of yen)

	FY2015			FY2016			Change ② - ①
	1H	2H	Full year ①	1H	2H	Full year ②	
Cash flows from operating activities	48.8	37.0	85.8	75.0	75.0	150.0	+64.2
Cash flows from investing activities	△31.0	△72.8	△103.8	△80.0	△85.0	△165.0	△61.2
Free cash flow (excluding project financing)	17.7	△35.7	△18.0	△5.0	△10.0	△15.0	+3.0
Repayment source for project financing	4.1	7.2	11.3	0.0	5.0	5.0	△6.3
Free cash flow	21.8	△28.5	△6.7	△5.0	△5.0	△10.0	△3.3
Cash and deposits (excluding project financing)	115.0	168.5		110.0	80.0		△88.5



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Financial Indices

	FY2013	FY2014	FY2015	FY2016
ROS (※1)	4.7%	5.4%	1.6%	2.0%
Net income per share	22.62 yen	23.81 yen	△ 5.93 yen	5.50 yen
D / E ratio	1.11	0.88	1.10	1 or less
ROA (※2)	3.8%	4.4%	1.3%	1.5%
ROE (※3)	11.9%	12.0%	△2.9%	2.8%

※1: ROS=Ordinary Income / Net Sales

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

※3: ROE=Net Income / Equity (average)



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Capital Investment

(Billions of yen)

	FY2013	FY2014	FY2015 ①	FY2015 ②	Change ② - ①
Capital investment (accrual basis)	101.4	103.5	109.9	190.0	+80.1
Capital investment (payment basis)	95.4	95.3	99.1	170.0	+70.9
Depreciation	82.9	89.8	94.8	100.0	+5.2



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Analysis of Consolidated Ordinary Income

【FY2014 ⇒ FY2015】

(Billions of yen)

	FY2014			FY2015		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	46.1	55.5	101.6	33.0	△4.1	28.9

△ 72.7

Positive Factors		Negative Factors	
Raw material prices	+ 83.5	Production and shipments	△ 68.0
		Overall cost	△ 10.5
		Steel inventory valuation	△ 6.5
		Aluminum inventory valuation	△ 5.0
		Exchange rate changes in steel business	△ 11.5
		Subsidiaries	△ 40.0
		Other	△ 14.7
合計	+ 83.5	合計	△ 156.2


Analysis of Ordinary Income in Iron & Steel Segment

【FY2014 ⇒ FY2015】

(Billions of yen)

	FY2014			FY2015		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	10.4	18.3	28.7	7.5	△3.9	3.6

△ 25.1



Positive Factors			Negative Factors		
Raw material prices	+	83.5	Production and shipments	△	67.5
			Overall cost	△	8.5
			Inventory valuation	△	6.5
			Exchange rate changes	△	11.5
			Other	△	14.6
合計	+	83.5	合計	△	108.6



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Analysis of Ordinary Income in Iron & Steel Segment

【FY2015 Previous Forecast (Feb. 2) ⇒ Actual】

(Billions of yen)

	FY2015 Forecast			FY2015		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	7.5	△1.5	6.0	7.5	△3.9	3.6

△ 2.4

Positive Factors			Negative Factors		
Production and shipments	+	3.5	Overall cost	△	3.5
Raw material prices	+	2.0	Exchange rate changes	△	1.0
Inventory valuation	±	0.0	Other	△	3.4
合計	+	5.5	合計	△	7.9

Analysis of Consolidated Ordinary Income

【FY2015 ⇒ FY2016】

(Billions of yen)

	FY2015			FY2016		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	33.0	△4.1	28.9	10.0	25.0	35.0

+ 6.1



Positive Factors		Negative Factors	
Raw material prices	+ 30.5	Production and shipments	△ 46.5
Steel inventory valuation	+ 7.5	Overall cost	△ 2.0
Subsidiaries	+ 17.5	Aluminum inventory valuation	△ 0.5
Exchange rate changes in steel business	+ 1.0	Other	△ 1.4
合計	+ 56.5	合計	△ 50.4



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Analysis of Ordinary Income in Iron & Steel Segment

【FY2015 ⇒ FY2016】

(Billions of yen)

	FY2015			FY2016		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	△1.2	△13.7	△14.9	△10.0	△6.0	△16.0

△ 1.1

Positive Factors		Negative Factors	
Raw material prices	+ 30.5	Production and shipments	△ 46.5
Overall cost	+ 2.0		
Inventory valuation	+ 7.5		
Exchange rate changes	+ 1.0		
Other	+ 4.4		
合計	+ 45.4	合計	△ 46.5

