



ECOWAY

**Financial Results for
First Quarter of FY2014
(April 1- June 30)
Investor meeting**

July 31, 2014

KOBE STEEL, LTD.



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1. Financial Results for First Quarter of FY2014



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Financial Results for First Quarter of FY2014

(billion yen)

	FY2013	FY2014	change
	1Q	1Q	
	①	②	② - ①
Net Sales	418.6	444.7	+ 26.1
Operating income	19.3	27.9	+ 8.6
Ordinary income	17.1	21.5	+ 4.4
Extraordinary income(loss)	7.1	—	△ 7.1
Net income	18.7	22.9	+ 4.2



EcoWay

Segment Sales

(billion yen)

	FY2013	FY2014	change
	1Q	1Q	
	①	②	②－①
Iron & Steel	185.7	186.7	+1.0
Welding	20.4	22.7	+2.2
Aluminum & Copper	72.3	81.8	+9.4
Machinery	31.5	36.9	+5.3
Engineering	10.6	8.6	△2.0
Kobelco Eco-Solutions	13.9	12.0	△1.9
Kobelco Construction Machinery	74.6	81.2	+6.6
Kobelco Cranes	11.5	16.9	+5.3
Other Businesses	14.4	14.3	△0.1
Adjustment	△16.7	△16.7	—
Total	418.6	444.7	+26.1



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Segment Ordinary income (loss)

(billion yen)

	FY2013	FY2014	change
	1Q	1Q	
	①	②	② - ①
Iron & Steel	5.3	3.1	Δ2.1
Welding	1.2	2.1	+0.9
Aluminum & Copper	5.3	3.6	Δ1.6
Machinery	1.0	1.9	+0.9
Engineering	0.2	Δ0.4	Δ0.6
Kobelco Eco-Solutions	Δ0.1	0.0	+0.2
Kobelco Construction Machinery	2.8	7.5	+4.6
Kobelco Cranes	0.8	1.7	+0.8
Other Businesses	0.8	0.9	Δ0.1
Adjustment	Δ0.4	0.7	+1.2
Total	17.1	21.5	+4.4



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2. Forecast for FY2014



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Forecast for FY2014

(billion yen)

	FY2013 ①	FY2014						change		
		Previous Forecast (Apr. 25)			Forecast			⑤-①	④-②	⑤-③
		1st Half①	2nd Half	③	1st Half④	2nd Half	⑤			
Net Sales	1,824.6	950.0	1,000.0	1,950.0	940.0	990.0	1,930.0	+105.4	△10.0	△20.0
Operating income	114.5	40.0	65.0	105.0	50.0	55.0	105.0	△9.5	+10.0	-
(except inventory valuation)	(96.5)	(42.5)	(66.5)	(109.0)	(52.0)	(61.0)	(113.0)	(+16.5)	(+9.5)	(+4.0)
Ordinary income	85.0	25.0	55.0	80.0	35.0	45.0	80.0	△5.0	+10.0	-
(except inventory valuation)	(68.0)	(27.5)	(56.5)	(84.0)	(37.0)	(51.0)	(88.0)	(+21.0)	(+9.5)	(+4.0)
Extraordinary income (loss)	3.1	-	-	-	-	-	-	△3.1	-	-
Net income	70.1	20.0	30.0	50.0	30.0	25.0	55.0	△15.1	+10.0	+5.0



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Segment Sales

(billion yen)

	FY2013 ①	FY2014						change		
		Previous Forecast (Apr. 25)			Forecast			⑤-①	④-②	⑤-③
		1st Half①	2nd Half	③	1st Half④	2nd Half	⑤			
Iron & Steel	808.5	395.0	420.0	815.0	390.0	400.0	790.0	△18.5	△5.0	△25.0
Welding	88.3	46.0	47.0	93.0	46.0	46.0	92.0	+3.7	-	△1.0
Aluminum & Copper	295.6	160.0	165.0	325.0	160.0	165.0	325.0	+29.4	-	-
Machinery	149.8	79.0	91.0	170.0	84.0	92.0	176.0	+26.2	+5.0	+6.0
Engineering	39.1	24.0	35.0	59.0	24.0	34.0	58.0	+18.9	-	△1.0
Kobelco Eco-Solutions	68.1	27.0	40.5	67.5	27.0	40.5	67.5	△0.6	-	-
Kobelco Construction Machinery	318.2	180.0	160.0	340.0	170.0	160.0	330.0	+11.8	△10.0	△10.0
Kobelco Cranes	56.6	39.0	34.0	73.0	37.0	39.0	76.0	+19.4	△2.0	+3.0
Other Businesses	71.2	31.0	44.0	75.0	30.0	45.0	75.0	+3.8	△1.0	-
Adjustment	△71.0	△31.0	△36.5	△67.5	△28.0	△31.5	△59.5	+11.5	+3.0	+8.0
Total	1,824.6	950.0	1,000.0	1,950.0	940.0	990.0	1,930.0	+105.4	△10.0	△20.0



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Segment Ordinary income (loss)

(billion yen)

	FY2013	FY2014						change		
	①	Previous Forecast (Apr. 25)			Forecast			⑤-①	④-②	⑤-③
		1st Half①	2nd Half	③	1st Half④	2nd Half	⑤			
Iron & Steel	33.5	5.0	17.0	22.0	7.0	13.0	20.0	△13.5	+2.0	△2.0
Welding	7.2	3.0	3.5	6.5	4.0	3.5	7.5	+0.3	+1.0	+1.0
Aluminum & Copper	15.1	4.0	7.0	11.0	5.0	7.0	12.0	△3.1	+1.0	+1.0
Machinery	6.4	2.0	6.5	8.5	2.5	6.0	8.5	+2.1	+0.5	-
Engineering	△3.9	△1.5	0.5	△1.0	△1.0	0.5	△0.5	+3.4	+0.5	+0.5
Kobelco Eco-Solutions	2.6	△0.9	3.2	2.3	△0.9	3.2	2.3	△0.3	-	-
Kobelco Construction Machinery	15.1	13.0	9.0	22.0	15.0	7.0	22.0	+6.9	+2.0	-
Kobelco Cranes	3.2	1.5	2.0	3.5	2.5	1.5	4.0	+0.8	+1.0	+0.5
Other Businesses	6.8	1.0	5.0	6.0	1.5	4.5	6.0	△0.8	+0.5	-
Adjustment	△1.2	△2.1	1.3	△0.8	△0.6	△1.2	△1.8	△0.6	+1.5	△1.0
Total	85.0	25.0	55.0	80.0	35.0	45.0	80.0	△5.0	+10.0	-



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【Iron & Steel】

	FY2014						(billion yen)
	Previous Forecast (Apr. 25)			Forecast			change
	1st Half	2nd Half	①	1st Half	2nd Half	②	②－①
Net Sales	395.0	420.0	815.0	390.0	400.0	790.0	△25.0
Ordinary income	5.0	17.0	22.0	7.0	13.0	20.0	△2.0
(inventory valuation)	(△2.5)	(△1.5)	(△4.0)	(△2.5)	(△6.5)	(△9.0)	(△5.0)

<FY2014>

- Demand is expected to be strong in the shipbuilding sector.



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Production & Sales data

	FY2013				FY	FY2014	
	1Q	1st Half	2nd Half			1Q	
<Domestic crude steel production trend(million tons)>							
	28.1	55.8	55.7		111.5	27.7	
<Domestic steel inventory trend(million tons)>							
Ordinary steel products	5.6	5.5	5.7		--	5.8	<i>end of May</i>
Rolled sheets	3.9	3.9	4.1		--	4.2	<i>end of May</i>
<Key indicators of Demand(million cars)>							
Finished Auto Production	2.3	4.7	0.0		9.9	1.5	<i>Apr - May</i>
<KSL>							
Crude Steel Production	(million tons)	1.9	3.8	3.8	7.6	1.8	
Sales volume	(million tons)	1.5	3.1	3.2	6.3	1.4	
(Domestic)	(million tons)	(1.0)	(2.1)	(2.2)	(4.3)	(1.0)	
(Export)	(million tons)	(0.5)	(1.0)	(1.0)	(2.0)	(0.4)	
Average Steel Selling Price	(thousand yen/ton)	76.4	78.8	81.5	80.2	82.5	
Export ratio (value basis)		33.6%	31.9%	30.8%	31.3%	30.5%	

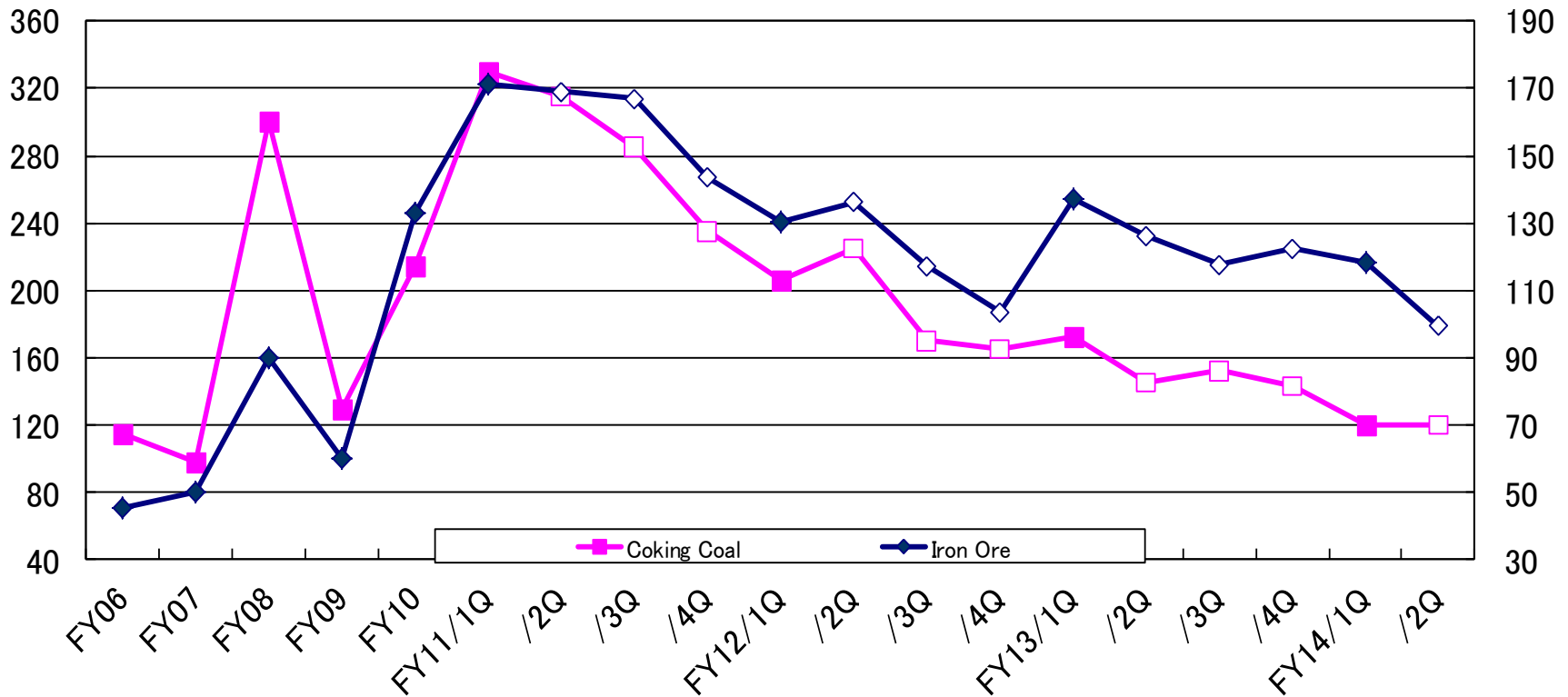


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Iron Ore & Coking Coal Prices Trends

(Coking Coal \$/ton)

(Iron Ore: \$/ton)

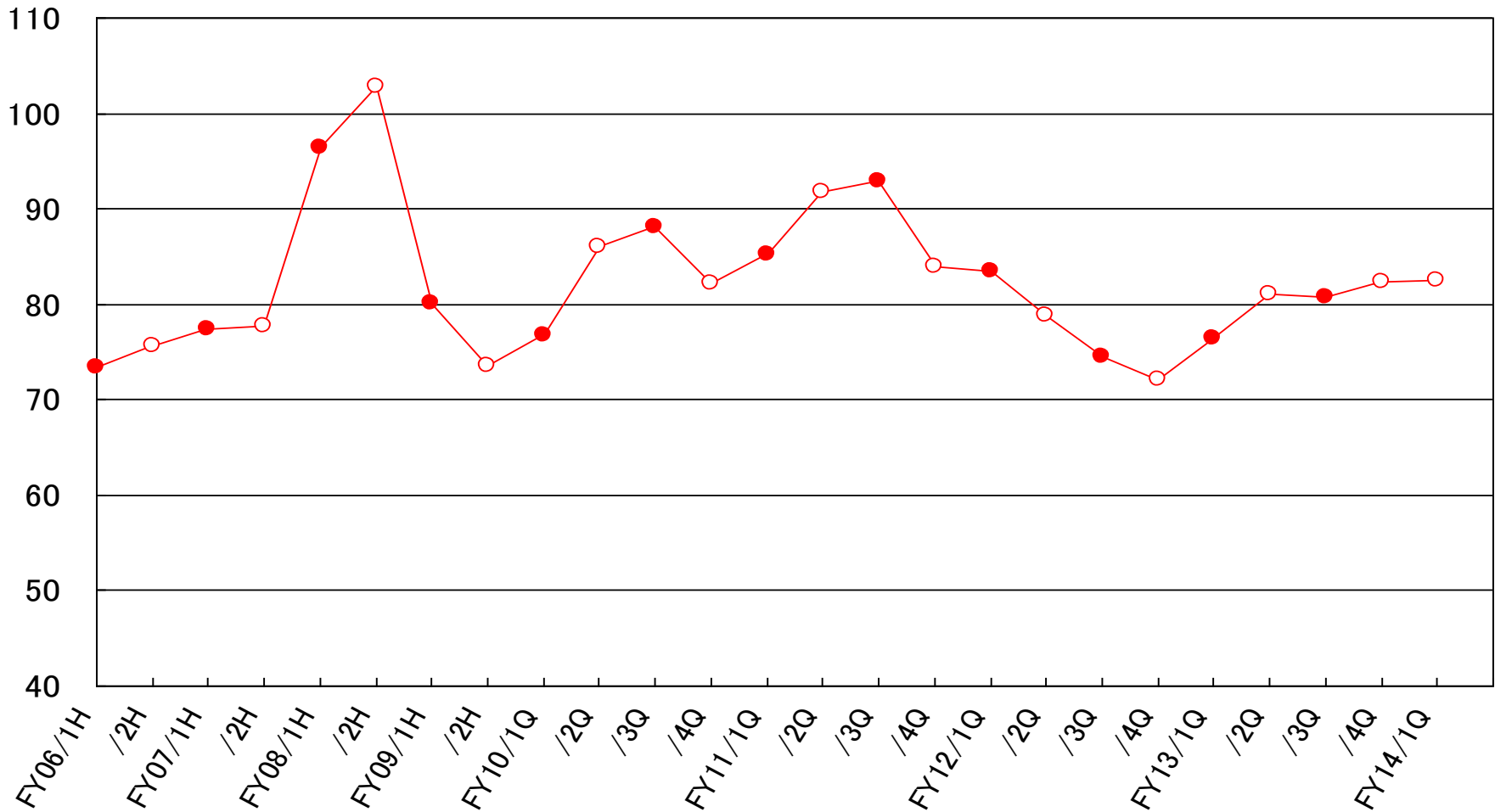




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KSL Steel Products Prices Trends

(thousand yen / ton)





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【Welding】

	FY2014						(billion yen)
	Previous Forecast (Apr. 25)			Forecast			change
	1st Half	2nd Half	①	1st Half	2nd Half	②	②－①
Net Sales	46.0	47.0	93.0	46.0	46.0	92.0	△1.0
Ordinary income	3.0	3.5	6.5	4.0	3.5	7.5	+1.0

	FY2013				FY2014
	1Q	1H	2H	FY	1Q
<Domestic Welding material demand (thousand tons)>	51	103	113	216	57
<Welding material sales volume of KSL Group (thousand tons)>					
Domestic	30	60	66	126	34
Export	49	96	96	192	47
	79	155	163	318	81

<FY2014>

- Domestic demand in the shipbuilding and construction sectors is anticipated to recover, while the outlook is unclear in oversea markets due to the worsening economies of Southeast Asia .



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【Aluminum & Copper】

	FY2014						(billion yen)	change ② - ①
	Previous Forecast (Apr. 25)			Forecast			②	
	1st Half	2nd Half	①	1st Half	2nd Half	② - ①		
Net Sales	160.0	165.0	325.0	160.0	165.0	325.0	-	
Ordinary income	4.0	7.0	11.0	5.0	7.0	12.0	+1.0	
(inventory valuation)	(0.0)	(0.0)	(0.0)	(0.5)	(0.5)	(1.0)	(+1.0)	

<FY2014>

- Efforts to expand export sales of aluminum can stock for beverage containers progress steadily.
- Demand in the overseas automotive and air conditioning sectors is anticipated to be strong.



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Demand & Sales data

(thousand ton)

	FY2013			FY	FY2014	
	1Q	1st Half	2nd Half		1Q	1st Half
<Demand of Aluminum semis>						
Aluminum sheet		574	575	1,149		596
Aluminum extrusion		405	430	835		391
(can stock)		(217)	(194)	(411)		(217)
		979	1,005	1,984		987
<Demand of Processed copper products>						
Copper Sheet and Strip		197	209	406		200
Copper Tube		55	59	114		55
		252	268	520		255
<Sales volume of KSL>						
Aluminum rolled products						
Domestic		113	109	222		63
Export		22	23	45		15
Copper Sheet and Strip		24	24	48		14
Copper Tube		44	41	85		24



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【Machinery】

(billion yen)

	FY2014						change ②-①
	Previous Forecast (Apr. 25)			Forecast			
	1st Half	2nd Half	①	1st Half	2nd Half	②	
Net Sales	79.0	91.0	170.0	84.0	92.0	176.0	+6.0
Ordinary income	2.0	6.5	8.5	2.5	6.0	8.5	-
Orders	77.5	80.5	158.0	89.0	81.0	170.0	+12.0

<FY2014>

- Demand for compressors used in the energy and petrochemical sectors is anticipated to be strong.



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【Engineering】

(billion yen)

	FY2014						change ②-①
	Previous Forecast (Apr. 25)			Forecast			
	1st Half	2nd Half	①	1st Half	2nd Half	②	
Net Sales	24.0	35.0	59.0	24.0	34.0	58.0	△1.0
Ordinary income	△1.5	0.5	△1.0	△1.0	0.5	△0.5	+0.5
Orders	13.0	32.0	45.0	11.0	32.0	43.0	△2.0

<FY2014>

- Iron direct reduction plant sector is anticipated to continue being weak due to low price iron source



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【Kobelco Eco-Solutions】

	FY2014						(billion yen)
	Previous Forecast (Apr. 25)			Forecast			change
	1st Half	2nd Half	①	1st Half	2nd Half	②	②－①
Net Sales	27.0	40.5	67.5	27.0	40.5	67.5	—
Ordinary income	△0.9	3.2	2.3	△0.9	3.2	2.3	—



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Kobelco Construction Machinery

(billion yen)

	FY2014						change ②－①
	Previous Forecast (Apr. 25)			Forecast			
	1st Half	2nd Half	①	1st Half	2nd Half	②	
Net Sales	180.0	160.0	340.0	170.0	160.0	330.0	△10.0
Ordinary income	13.0	9.0	22.0	15.0	7.0	22.0	—

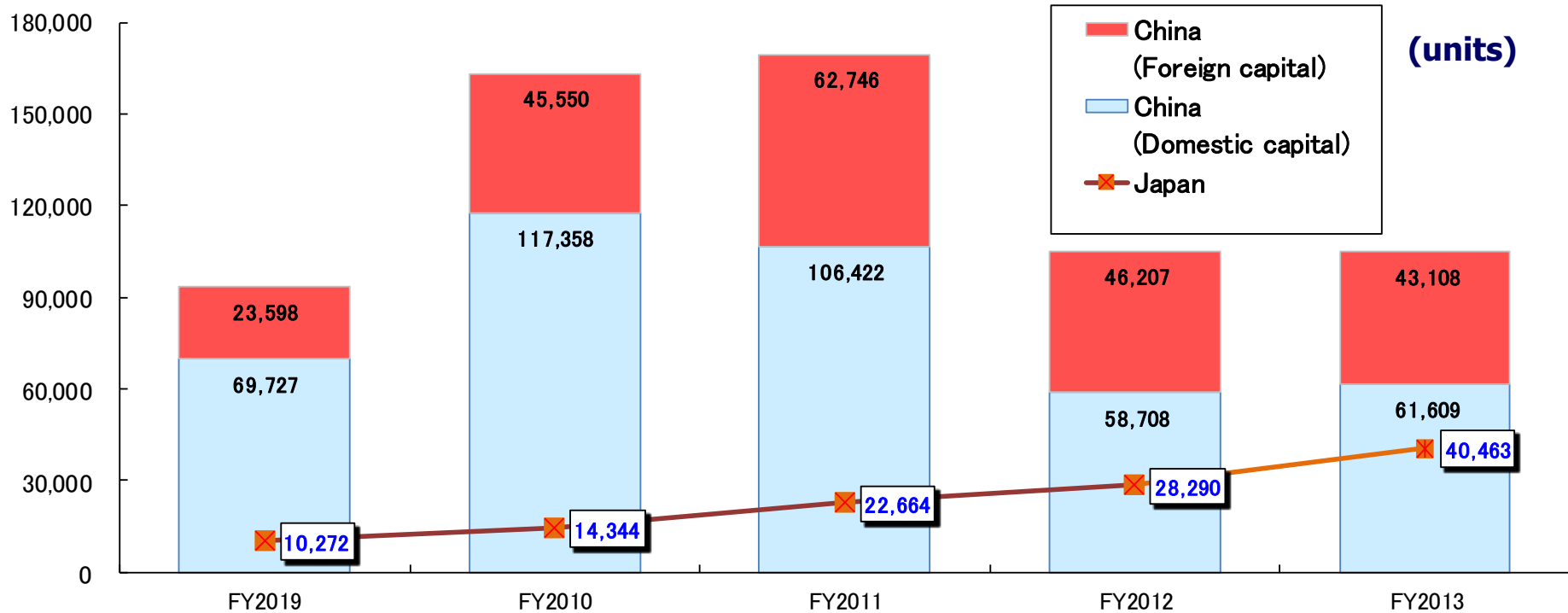
<FY2014>

- Demand in China and Southeast Asia is anticipated to be weaker compared to previous forecast.
- Demand in North America is expected to be strong.



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Demand for hydraulic excavators



	FY2013		FY	FY2014
	1H	2H		1H
Domestic	17,702	22,761	40,463	14,700
China				
Overseas manufacturers	37,554	24,055	61,609	34,848
Chinese manufacturers	26,960	16,148	43,108	23,157
total	64,514	40,203	104,717	58,005



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【Kobelco Cranes】

(billion yen)

	FY2014						change ②-①
	Previous Forecast (Apr. 25)			Forecast			
	1st Half	2nd Half	①	1st Half	2nd Half	②	
Net Sales	39.0	34.0	73.0	37.0	39.0	76.0	+3.0
Ordinary income	1.5	2.0	3.5	2.5	1.5	4.0	+0.5

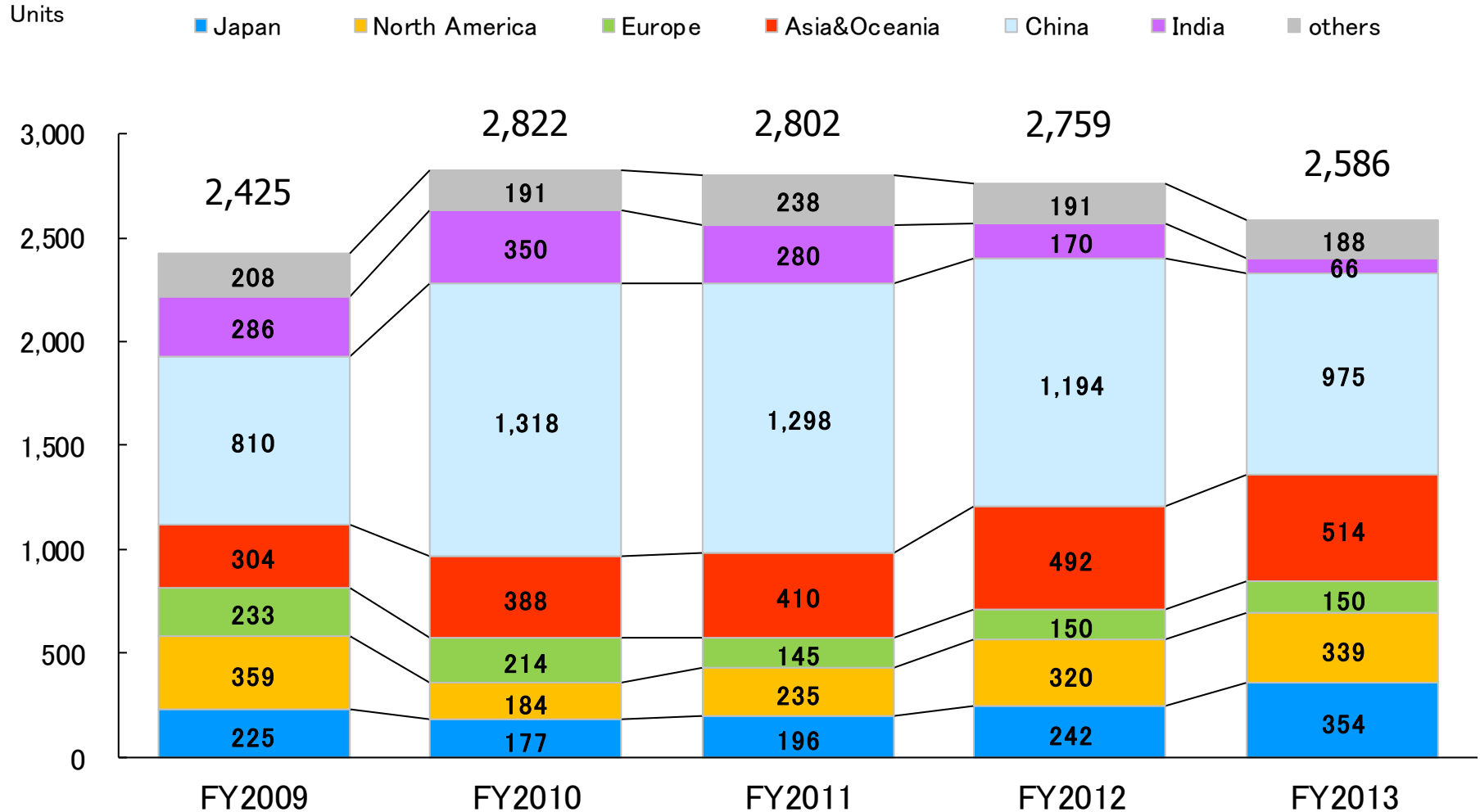
<FY2014>

- Demand in Japan, North America and Southeast Asia is anticipated to be strong.



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Demand for crawler cranes (KSL estimate)





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3. Cash Flow and Debt

Cash Flow

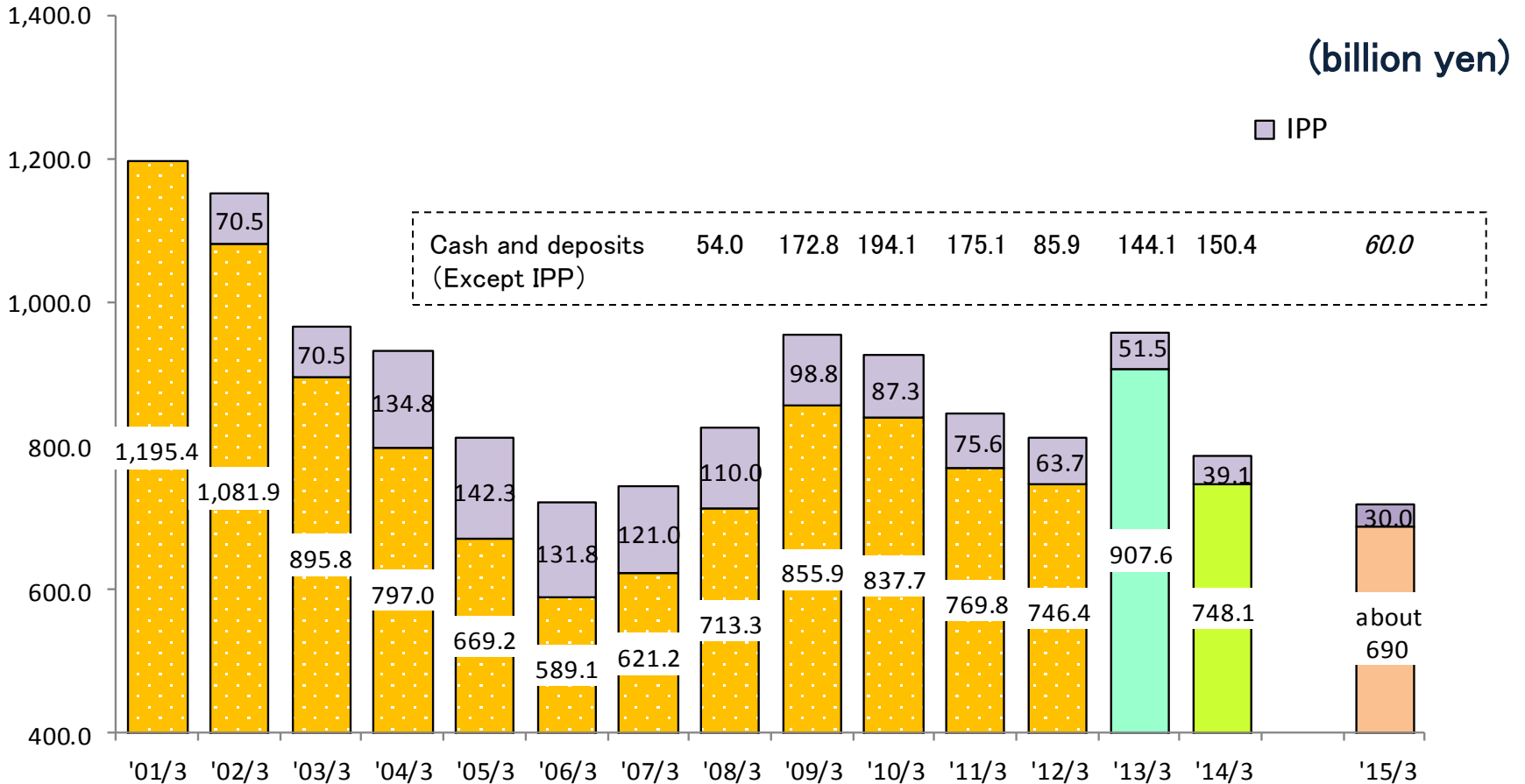
(billion yen)

	FY2013	FY2014						change	
	①	Previous Forecast (April, 25)		②	Forecast		③	③-①	③-②
		1st Half	2nd Half		1st Half	2nd Half			
Cash flows from operating activities	178.0	60.0	80.0	140.0	60.0	65.0	125.0	△ 53.0	△ 15.0
Cash flows from investing activities	△ 60.9	△ 65.0	△ 70.0	△ 135.0	△ 55.0	△ 70.0	△ 125.0	△ 64.1	10.0
Free cash flow	117.1	△ 5.0	10.0	5.0	5.0	△ 5.0	0.0	△ 117.1	△ 5.0
Free cash flow (include IPP)	132.1	5.0	10.0	15.0	15.0	△ 5.0	10.0	△ 122.1	△ 5.0



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Debt



	FY2012	FY2013	FY2014
D/E ratio (times)	1.75	1.11	1.0



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< Reference >



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Consolidated Ordinary income Analysis

[FY2013 1Q ⇒ FY2014 1Q]

(billion yen)

	FY2013				FY2014			
	1Q	1st Half	2nd Half	FY	1Q	1st Half	2nd Half	FY
Ordinary income	17.1	43.1	41.8	85.0	21.5	35.0	45.0	80.0
					+4.4			

Positive		Negative	
Sales volume and prices	+ 5.0	Reducing overall costs	△ 3.0
Raw material prices	+ 6.5	Inventory valuation (STE)	△ 8.0
Subsidiaries	+ 9.0	Inventory valuation (ALU)	△ 0.5
		Other	△ 4.6
T o t a l	+ 20. 5	T o t a l	△ 16. 1



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Iron & Steel Ordinary income Analysis

[FY2013 1Q ⇒ FY2014 1Q]

(billion yen)

	FY2013				FY2014			
	1Q	1st Half	2nd Half	FY	1Q	1st Half	2nd Half	FY
Ordinary income	5.3	15.5	18.0	33.5	3.1	7.0	13.0	20.0
					 $\Delta 2.1$			

Positive		Negative	
Sales volume and prices	+ 3.0	Reducing overall costs	Δ 1.0
Raw material prices	+ 6.5	Inventory valuation	Δ 8.0
Other	+ 0.4	Foreign exchange	Δ 3.0
T o t a l	+ 9. 9	T o t a l	Δ 1 2. 0



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Consolidated Ordinary income Analysis

[FY2014 1st Half Previous Forecast ⇒ Forecast]

(billion yen)

	FY14 Previous forecast (Apr,25)			FY14 Forecast		
	1st Half	2nd half	FY	1st Half	2nd Half	FY
Ordinary income	25.0	55.0	80.0	35.0	45.0	80.0
				+ 10.0		

Positive		Negative	
Sales volume and prices	± 0.0	Reducing overall costs	△ 5.0
Raw material prices	+ 7.5		
Inventory valuation (STE)	± 0.0		
Inventory valuation (ALU)	+ 0.5		
Subsidiaries	+ 4.5		
Other	+ 2.5		
T o t a l	+ 1 5 . 0	T o t a l	△ 5 . 0



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Iron & Steel Ordinary income Analysis

[FY2014 1st Half Previous Forecast ⇒ Forecast]

(billion yen)

	FY14 Previous forecast (Apr,25)			FY14 Forecast		
	1st Half	2nd half	FY	1st Half	2nd Half	FY
Ordinary income	5.0	17.0	22.0	7.0	13.0	20.0
	+ 2.0					

Positive		Negative	
Raw material prices	+ 7.5	Sales volume and prices	△ 2.0
Inventory valuation	± 0.0	Reducing overall costs	△ 4.5
Foreign exchange	± 0.0		
Other	+ 1.0		
T o t a l	+ 8. 5	T o t a l	△ 6. 5



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Consolidated Ordinary income Analysis

[FY2014 Previous Forecast ⇒ Forecast]

(billion yen)

	FY14 Previous forecast (Apr,25)			FY14 Forecast		
	1st Half	2nd Half	FY	1st Half	2nd Half	FY
Ordinary income	25.0	55.0	80.0	35.0	45.0	80.0
					±0	

Positive		Negative	
Raw material prices	+ 27.5	Sales volume and prices	△ 18.5
Inventory valuation (ALU)	+ 1.0	Reducing overall costs	△ 5.5
Subsidiaries	+ 0.5	Inventory valuation (STE)	△ 5.0
Other	± 0.0		
T o t a l	+ 29. 0	T o t a l	△ 29. 0



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Iron & Steel Ordinary income Analysis

[FY2014 Previous Forecast ⇒ Forecast]

(billion yen)

	FY14 Previous forecast (Apr,25)			FY14 Forecast		
	1st Half	2nd Half	FY	1st Half	2nd Half	FY
Ordinary income	5.0	17.0	22.0	7.0	13.0	20.0
					Δ2.0	

Positive		Negative	
Raw material prices	+ 27.5	Sales volume and prices	Δ 20.5
Foreign exchange	± 0.0	Reducing overall costs	Δ 5.0
Other	+ 1.0	Inventory valuation	Δ 5.0
T o t a l	+ 28.5	T o t a l	Δ 30.5



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Consolidated Ordinary income Analysis

[FY2014 1st Half ⇒ 2nd Half]

(billion yen)

	FY2013			FY2014		
	1st Half	2nd Half	FY	1st Half	2nd Half	FY
Ordinary income	43.1	41.8	85.0	35.0	45.0	80.0
				+10.0		

Positive		Negative	
Raw material prices	+ 14.0	Sales volume and prices	△ 17.5
Reducing overall costs	+ 6.0	Inventory valuation (STE)	△ 4.0
Inventory valuation (ALU)	± 0.0		
Subsidiaries	+ 1.0		
Other	+ 10.5		
T o t a l	+ 3 1 . 5	T o t a l	△ 2 1 . 5



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Iron & Steel Ordinary income Analysis

[FY2014 1st Half ⇒ 2nd Half]

(billion yen)

	FY2013			FY2014		
	1st Half	2nd Half	FY	1st Half	2nd Half	FY
Ordinary income	15.5	18.0	33.5	7.0	13.0	20.0
				+6.0		

Positive		Negative	
Raw material prices	+ 14.0	Sales volume and prices	△ 17.0
Reducing overall costs	+ 5.5	Inventory valuation	△ 4.0
Foreign exchange	± 0.0		
Other	+ 7.5		
T o t a l	+ 27.0	T o t a l	△ 21.0



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Consolidated Ordinary income Analysis [FY2013 ⇒ FY2014]

(billion yen)

	FY2013			FY2014		
	1st Half	2nd Half	FY	1st Half	2nd Half	FY
Ordinary income	43.1	41.8	85.0	35.0	45.0	80.0
					Δ5.0	

Positive		Negative	
Raw material prices	+ 38.0	Sales volume and prices	Δ 15.5
Inventory valuation (ALU)	± 0.0	Reducing overall costs	Δ 0.5
Subsidiaries	+ 14.5	Inventory valuation (STE)	Δ 26.0
		Other	Δ 15.5
T o t a l	+ 5 2 . 5	T o t a l	Δ 5 7 . 5



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Iron & Steel Ordinary income Analysis [FY2013 ⇒ FY2014]

(billion yen)

	FY2013			FY2014		
	1st Half	2nd Half	FY	1st Half	2nd Half	FY
Ordinary income	15.5	18.0	33.5	7.0	13.0	20.0
						Δ 13.5

Positive		Negative	
Raw material prices	+ 38.0	Sales volume and prices	Δ 19.5
Reducing overall costs	+ 3.5	Inventory valuation	Δ 26.0
		Foreign exchange	Δ 5.0
		Other	Δ 4.5
T o t a l	+ 41.5	T o t a l	Δ 55.0



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Capital investment

	FY2011	FY2012	FY2013	FY2014	change	
		①	②		③	②-①
Capital investment (accrual basis)	96.0	114.9	101.4	135.0	Δ 13.5	+ 33.6
" (except IPP)	95.7	114.6	100.2	134.3	Δ 14.4	+ 34.1
Capital investment (cash basis)	83.2	109.5	95.4	125.0	Δ 14.1	+ 29.6
" (except IPP)	83.0	109.1	94.3	124.3	Δ 14.8	+ 30.0
Depreciation	118.0	106.7	82.9	90.0	Δ 23.7	+ 7.1
" (except IPP)	109.1	97.9	74.0	81.0	Δ 23.9	+ 7.0



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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