



# Investor Meeting

## First Half of FY2015

# KOBELCO



October 30, 2015  
KOBE STEEL, LTD.







EcoWay

# Financial Results for First Half of FY2015

(Billions of yen)

|  | FY2014<br>1H | FY2015<br>1H               |                           |             | Change |        |       |
|--|--------------|----------------------------|---------------------------|-------------|--------|--------|-------|
|  | ①            | Forecast<br>(July 28)<br>② | Forecast<br>(Sep 30)<br>③ | Actual<br>④ | ④ - ①  | ④ - ②  | ④ - ③ |
| <b>Net sales</b>   | 916.0        | 950.0                      | 940.0                     | 928.6       | +12.6  | △21.4  | △11.4 |
| <b>Operating income</b>                                    | 57.1         | 50.0                       | 45.0                      | 47.0        | △10.1  | △3.0   | +2.0  |
| <b>Ordinary income</b>                                     | 46.1         | 40.0                       | 35.0                      | 33.0        | △13.0  | △7.0   | △2.0  |
| (excluding inventory<br>valuation)                         | (49.6)       | (46.5)                     |                           | (40.5)      | (△9.1) | (△6.0) |       |
| <b>Extraordinary income</b>                                | -            | △3.9                       |                           | △9.4        | △9.4   | △5.5   |       |
| <b>Net income attributable<br/>to owners of the parent</b> | 42.1         | 20.0                       | 10.0                      | 13.4        | △28.6  | △6.6   | +3.4  |

# Segment Sales

(Billions of yen)

| Net sales                         | FY2014<br>1H<br>① | FY2015<br>1H              |              | Change       |              |
|-----------------------------------|-------------------|---------------------------|--------------|--------------|--------------|
|                                   |                   | Forcast<br>(July 28)<br>② | Actual<br>③  | ③ - ①        | ③ - ②        |
| Iron & Steel                      | 386.6             | 375.0                     | 377.4        | △9.2         | +2.4         |
| Welding                           | 45.6              | 47.0                      | 46.6         | +1.0         | △0.4         |
| Aluminum & Copper                 | 161.5             | 185.0                     | 178.3        | +16.8        | △6.7         |
| Machinery                         | 73.0              | 87.0                      | 81.2         | +8.2         | △5.8         |
| Engineering                       | 19.0              | 27.0                      | 25.5         | +6.5         | △1.5         |
| Kobelco Eco-Solutions             | 27.1              | 34.0                      | 31.8         | +4.6         | △2.2         |
| Kobelco Construction<br>Machinery | 169.7             | 145.0                     | 147.0        | △22.6        | +2.0         |
| Kobelco Cranes                    | 35.8              | 40.0                      | 39.0         | +3.1         | △1.0         |
| Other Businesses                  | 30.4              | 35.0                      | 35.7         | +5.2         | +0.7         |
| Adjustment                        | △33.1             | △25.0                     | △34.3        | △1.1         | △9.3         |
| <b>Total</b>                      | <b>916.0</b>      | <b>950.0</b>              | <b>928.6</b> | <b>+12.6</b> | <b>△21.4</b> |







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# Forecast for FY2015

(Billions of yen)

|  | FY2014<br>Full year | FY2015<br>Full year        |                           |               | Change  |         |       |
|--|---------------------|----------------------------|---------------------------|---------------|---------|---------|-------|
|  | ①                   | Forecast<br>(July 28)<br>② | Forecast<br>(Sep 30)<br>③ | Forecast<br>④ | ④ - ①   | ④ - ②   | ④ - ③ |
| <b>Net sales</b>   | 1,886.8             | 1,950.0                    | 1,900.0                   | 1,870.0       | △16.8   | △80.0   | △30.0 |
| <b>Operating income</b>                                    | 119.4               | 125.0                      | 95.0                      | 90.0          | △29.4   | △35.0   | △5.0  |
| <b>Ordinary income</b>                                     | 101.6               | 95.0                       | 65.0                      | 55.0          | △46.6   | △40.0   | △10.0 |
| (excluding inventory<br>valuation)                         | (108.1)             | (105.5)                    |                           | (72.0)        | (△36.1) | (△33.5) |       |
| <b>Extraordinary income</b>                                | 2.6                 | △3.9                       |                           | △20.0         | △22.6   | △16.1   |       |
| <b>Net income attributable<br/>to owners of the parent</b> | 86.5                | 60.0                       | 25.0                      | 20.0          | △66.5   | △40.0   | △5.0  |





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# Segment Sales

(Billions of yen)

| Net sales                                 | FY2014         | FY2015<br>Forecast (July 28) |         |                | FY2015<br>Forecast |       |                | Change |       |
|---|----------------|------------------------------|---------|----------------|--------------------|-------|----------------|--------|-------|
|   | Full year<br>① | 1H                           | 2H      | Full year<br>② | 1H                 | 2H    | Full year<br>③ | ③ - ①  | ③ - ② |
| <b>Iron &amp; Steel</b>                   | 797.8          | 375.0                        | 390.0   | 765.0          | 377.4              | 367.6 | 745.0          | △52.8  | △20.0 |
| <b>Welding</b>                            | 94.4           | 47.0                         | 49.0    | 96.0           | 46.6               | 46.4  | 93.0           | △1.4   | △3.0  |
| <b>Aluminum &amp; Copper</b>              | 330.8          | 185.0                        | 190.0   | 375.0          | 178.3              | 171.7 | 350.0          | +19.2  | △25.0 |
| <b>Machinery</b>                          | 159.1          | 87.0                         | 87.0    | 174.0          | 81.2               | 92.8  | 174.0          | +14.9  | ±0.0  |
| <b>Engineering</b>                        | 49.0           | 27.0                         | 28.0    | 55.0           | 25.5               | 25.5  | 51.0           | +2.0   | △4.0  |
| <b>Kobelco Eco-Solutions</b>              | 68.1           | 34.0                         | 49.0    | 83.0           | 31.8               | 52.7  | 84.5           | +16.4  | +1.5  |
| <b>Kobelco Construction<br/>Machinery</b> | 311.0          | 145.0                        | 155.0   | 300.0          | 147.0              | 133.0 | 280.0          | △31.0  | △20.0 |
| <b>Kobelco Cranes</b>                     | 71.1           | 40.0                         | 40.0    | 80.0           | 39.0               | 37.0  | 76.0           | +4.9   | △4.0  |
| <b>Other Businesses</b>                   | 76.0           | 35.0                         | 43.0    | 78.0           | 35.7               | 42.3  | 78.0           | +2.0   | ±0.0  |
| <b>Adjustment</b>                         | △70.7          | △25.0                        | △31.0   | △56.0          | △34.3              | △27.2 | △61.5          | +9.2   | △5.5  |
| <b>Total</b>                              | 1,886.8        | 950.0                        | 1,000.0 | 1,950.0        | 928.6              | 941.4 | 1,870.0        | △16.8  | △80.0 |



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# Segment Ordinary Income (Loss)

(Billions of yen)

| Ordinary income                           | FY2014         | FY2015<br>Forecast (July 28) |      |                | FY2015<br>Forecast |       |                | Change |       |
|---|----------------|------------------------------|------|----------------|--------------------|-------|----------------|--------|-------|
|   | Full year<br>① | 1H                           | 2H   | Full year<br>② | 1H                 | 2H    | Full year<br>③ | ③ - ①  | ③ - ② |
| <b>Iron &amp; Steel</b>                   | 28.7           | 12.0                         | 23.0 | 35.0           | 7.5                | 12.5  | 20.0           | △8.7   | △15.0 |
| <b>Welding</b>                            | 10.2           | 4.0                          | 5.0  | 9.0            | 4.3                | 3.7   | 8.0            | △2.2   | △1.0  |
| <b>Aluminum &amp; Copper</b>              | 15.1           | 9.0                          | 7.0  | 16.0           | 9.4                | 4.6   | 14.0           | △1.1   | △2.0  |
| <b>Machinery</b>                          | 10.4           | 2.0                          | 4.5  | 6.5            | 2.8                | 3.7   | 6.5            | △3.9   | ±0.0  |
| <b>Engineering</b>                        | 0.7            | 1.5                          | △1.0 | 0.5            | 2.0                | △1.5  | 0.5            | △0.2   | ±0.0  |
| <b>Kobelco Eco-Solutions</b>              | 3.0            | 0.2                          | 3.3  | 3.5            | 0.6                | 2.7   | 3.3            | +0.3   | △0.2  |
| <b>Kobelco Construction<br/>Machinery</b> | 21.0           | 3.0                          | 7.0  | 10.0           | △0.4               | 1.4   | 1.0            | △20.0  | △9.0  |
| <b>Kobelco Cranes</b>                     | 5.1            | 1.5                          | 3.5  | 5.0            | 2.4                | 1.1   | 3.5            | △1.6   | △1.5  |
| <b>Other Businesses</b>                   | 7.0            | 2.0                          | 5.5  | 7.5            | 3.3                | 4.2   | 7.5            | +0.5   | ±0.0  |
| <b>Adjustment</b>                         | △0.0           | 4.8                          | △2.8 | 2.0            | 1.0                | △10.3 | △9.3           | △9.3   | △11.3 |
| <b>Total</b>                              | 101.6          | 40.0                         | 55.0 | 95.0           | 33.0               | 22.0  | 55.0           | △46.6  | △40.0 |



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# 【Iron & Steel】

(Billions of yen)

|                        | FY2015 Forecast (July 28) |        |                | FY2015 Forecast |        |                | Change<br>② - ① |
|------------------------|---------------------------|--------|----------------|-----------------|--------|----------------|-----------------|
|                        | 1H                        | 2H     | Full year<br>① | 1H              | 2H     | Full year<br>② |                 |
| <b>Net sales</b>       | 375.0                     | 390.0  | 765.0          | 377.4           | 367.6  | 745.0          | △20.0           |
| <b>Ordinary income</b> | 12.0                      | 23.0   | 35.0           | 7.5             | 12.5   | 20.0           | △15.0           |
| (Inventory valuation)  | (△7.0)                    | (△4.0) | (△11.0)        | (△7.5)          | (△6.0) | (△13.5)        | (△2.5)          |

## FY2015

- In the first half of FY2015, demand decreased in the domestic automotive sector and overseas markets. In addition, due to production trouble, production volume decreased and maintenance costs increased.
- In the second half of FY2015, sales volume is expected to decline due to worsening overseas markets, the performance of overseas subsidiaries is expected to deteriorate, and inventory valuation is expected to worsen.



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# Production & Sales

|   | FY2014 |      |      |           | FY2015 |      |
|---|--------|------|------|-----------|--------|------|
|   | 1Q     | 1H   | 2H   | Full year | 1Q     | 1H   |
| <b>Domestic crude steel production</b> (millions of tons) | 27.7   | 55.6 | 54.3 | 109.9     | 25.9   | 52.1 |

<Domestic steel inventory trend>

|   |     |     |     |    |     |                   |
|---|-----|-----|-----|----|-----|-------------------|
| <b>Ordinary steel products</b> (millions of tons) | 5.8 | 5.9 | 5.8 | -- | 5.7 | end of Aug<br>5.9 |
| <b>Rolled sheets</b> (millions of tons)           | 4.2 | 4.3 | 4.3 | -- | 4.3 | end of Aug<br>4.3 |

<Domestic steel inventory trend>

|  |     |     |     |     |     |                |
|--|-----|-----|-----|-----|-----|----------------|
| <b>Finished auto production</b> (millions of cars) | 2.4 | 4.8 | 4.8 | 9.6 | 2.2 | Apr-Aug<br>3.6 |
|--|-----|-----|-----|-----|-----|----------------|

<KSL>

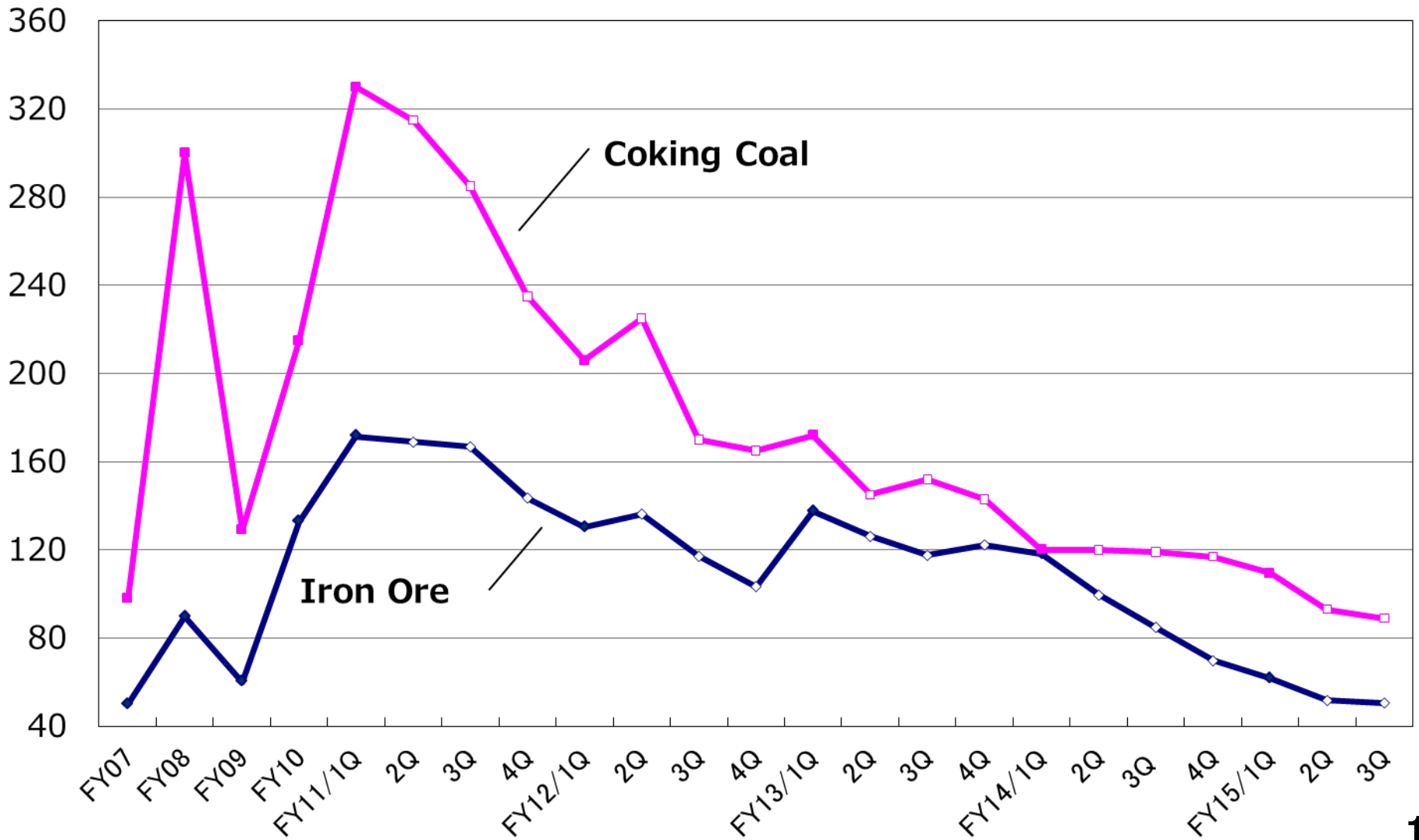
|   |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|
| <b>Crude steel production</b> (millions of tons)          | 1.8   | 3.7   | 3.8   | 7.5   | 1.8   | 3.7   |
| <b>Sales volume</b> (millions of tons)                    | 1.4   | 2.9   | 3.1   | 6.1   | 1.5   | 3.0   |
| <b>(Domestic)</b>   | (1.0) | (2.1) | (2.1) | (4.2) | (1.0) | (2.0) |
| <b>(Exports)</b>  | (0.4) | (0.9) | (1.0) | (1.9) | (0.5) | (1.0) |
| <b>Average steel selling price</b> (thousands of yen/ton) | 82.5  | 82.4  | 81.0  | 81.7  | 80.5  | 78.7  |
| <b>Export ratio (value basis)</b>                         | 30.5% | 30.6% | 33.5% | 32.1% | 34.8% | 34.2% |



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# Iron Ore & Coking Coal Price Trends

(\$/ton)

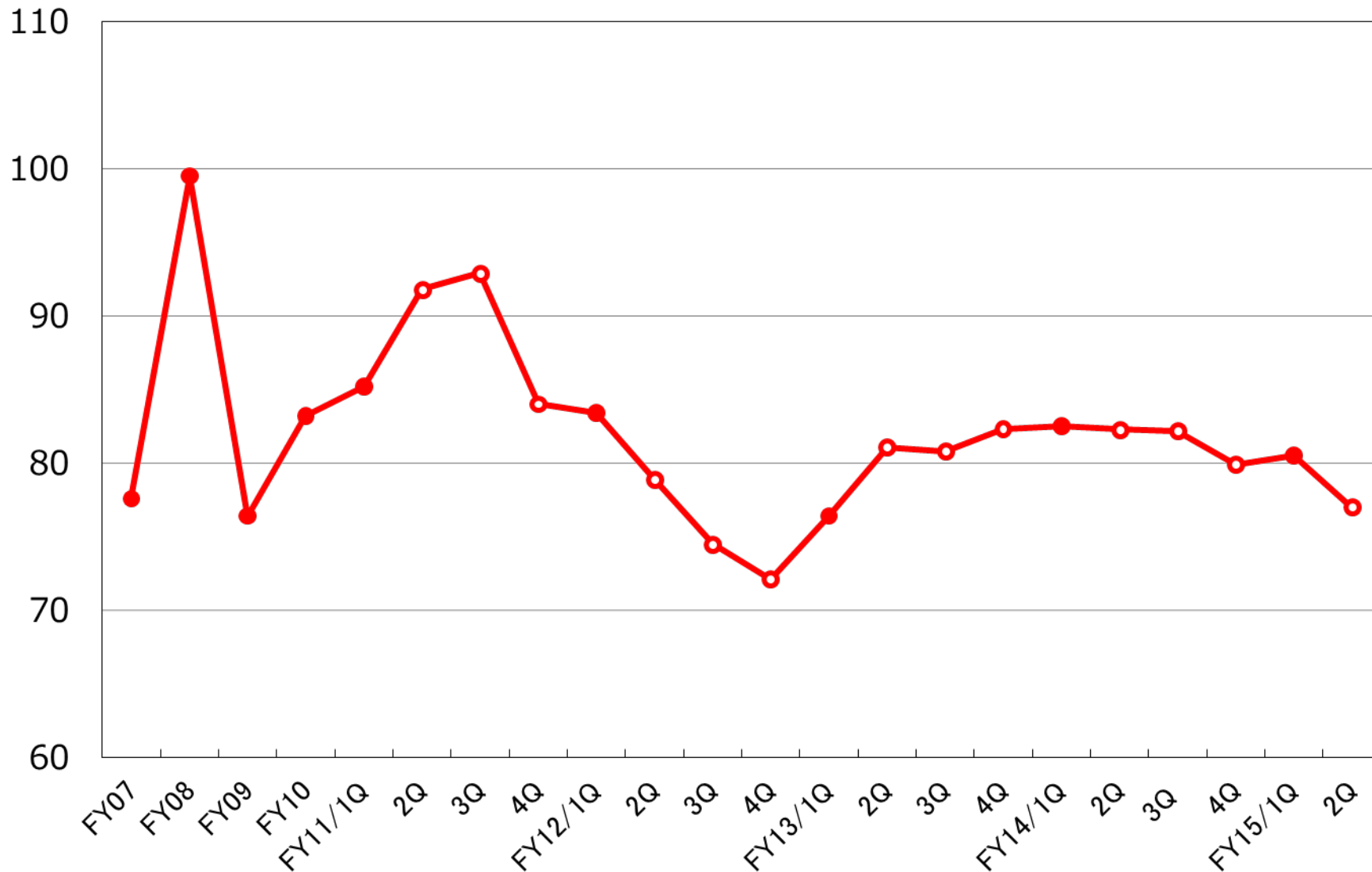




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# Steel Product Price Trends at Kobe Steel

(Thousands of yen /ton)





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# 【Welding】

(Billions of yen)

|                 | FY2015 Forecast (July 28) |      |                | FY2015 Forecast |      |                | Change<br>② - ① |
|-----------------|---------------------------|------|----------------|-----------------|------|----------------|-----------------|
|                 | 1H                        | 2H   | Full year<br>① | 1H              | 2H   | Full year<br>② |                 |
| Net sales       | 47.0                      | 49.0 | 96.0           | 46.6            | 46.4 | 93.0           | △3.0            |
| Ordinary income | 4.0                       | 5.0  | 9.0            | 4.3             | 3.7  | 8.0            | △1.0            |

## <Sales volume of KSL Group>

(Thousands of tons)

|              | FY2014 |     |     |           | FY2015 |     |
|--------------|--------|-----|-----|-----------|--------|-----|
|              | 1Q     | 1H  | 2H  | Full year | 1Q     | 1H  |
| Domestic     | 34     | 67  | 68  | 135       | 33     | 66  |
| Overseas     | 47     | 95  | 92  | 187       | 44     | 87  |
| <b>Total</b> | 81     | 162 | 160 | 322       | 77     | 153 |

## FY2015

- Welding systems continued to perform well, owing to firm demand from the domestic construction sector.
- The sales volume of welding materials decreased, as demand fell in China and Southeast Asia, and projects, such as marine structures, were delayed due to the low price of crude oil.



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# 【Aluminum & Copper】

(Billions of yen)

|                       | FY2015 Forecast (July 28) |       |                | FY2015 Forecast |        |                | Change<br>② - ① |
|-----------------------|---------------------------|-------|----------------|-----------------|--------|----------------|-----------------|
|                       | 1H                        | 2H    | Full year<br>① | 1H              | 2H     | Full year<br>② |                 |
| Net sales             | 185.0                     | 190.0 | 375.0          | 178.3           | 171.7  | 350.0          | △25.0           |
| Ordinary income       | 9.0                       | 7.0   | 16.0           | 9.4             | 4.6    | 14.0           | △2.0            |
| (Inventory valuation) | (0.5)                     | (0.0) | (0.5)          | (0.0)           | (△3.5) | (△3.5)         | (△4.0)          |

## <Sales volume of KSL>

(Thousands of tons)

|  | 2014年度   |           |           |           | 2015年度   |           |
|--|----------|-----------|-----------|-----------|----------|-----------|
|  | 1Q       | 上期        | 下期        | 年度        | 1Q       | 上期        |
| Aluminum rolled (Domestic)<br>products (Exports) | 63<br>15 | 125<br>29 | 126<br>36 | 251<br>65 | 73<br>17 | 140<br>33 |
| Copper Strips                                    | 14       | 27        | 27        | 54        | 13       | 25        |
| Copper Tubes                                     | 24       | 45        | 40        | 85        | 22       | 42        |

## FY2015

- Demand for copper strips used in semiconductors and copper tubes for air conditioners was low. However, demand for can stock for beverage containers, automotive aluminum rolled products, and aluminum forged suspension products was firm.
- There is concern over the impact of lower inventory valuation, due to lower aluminum and copper ingot prices.





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# 【Machinery】

(Billions of yen)

|                 | FY2015 Forecast (July 28) |      |                | FY2015 Forecast |          |                | Change<br>② - ① |
|-----------------|---------------------------|------|----------------|-----------------|----------|----------------|-----------------|
|                 | 1H                        | 2H   | Full year<br>① | 1H              | 2H       | Full year<br>② |                 |
| Net sales       | 87.0                      | 87.0 | 174.0          | 81.2            | 92.8     | 174.0          | ±0.0            |
| Ordinary income | 2.0                       | 4.5  | 6.5            | 2.8             | 3.7      | 6.5            | ±0.0            |
| Orders          | --                        | --   | about 150      | 73.6            | about 76 | about 150      | --              |

## FY2015

- There is no change from the previous forecast.
- Due to the low price of crude oil, demand for compressors used in the oil refining and petrochemical sectors is anticipated to remain sluggish mainly in overseas markets, and the intense competitive environment is expected to continue.



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# 【Engineering】

(Billions of yen)

|                 | FY2015 Forecast (July 28) |      |                | FY2015 Forecast |          |                | Change<br>② - ① |
|-----------------|---------------------------|------|----------------|-----------------|----------|----------------|-----------------|
|                 | 1H                        | 2H   | Full year<br>① | 1H              | 2H       | Full year<br>② |                 |
| Net sales       | 27.0                      | 28.0 | 55.0           | 25.5            | 25.5     | 51.0           | △4.0            |
| Ordinary income | 1.5                       | △1.0 | 0.5            | 2.0             | △1.5     | 0.5            | ±0.0            |
| Orders          | --                        | --   | about 60       | 42.5            | about 17 | about 60       | --              |

## FY2015

- There is no change from the previous forecast.



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# 【Kobelco Eco-Solutions】

(Billions of yen)

|                 | FY2015 Forecast (July 28) |      |                | FY2015 Forecast |      |                | Change<br>② - ① |
|-----------------|---------------------------|------|----------------|-----------------|------|----------------|-----------------|
|                 | 1H                        | 2H   | Full year<br>① | 1H              | 2H   | Full year<br>② |                 |
| Net sales       | 34.0                      | 49.0 | 83.0           | 31.8            | 52.7 | 84.5           | +1.5            |
| Ordinary income | 0.2                       | 3.3  | 3.5            | 0.6             | 2.7  | 3.3            | △0.2            |

## FY2015

- There is no change from the previous forecast.



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# 【Kobelco Construction Machinery】

(Billions of yen)

|                 | FY2015 Forecast (July 28) |       |                | FY2015 Forecast |       |                | Change<br>② - ① |
|-----------------|---------------------------|-------|----------------|-----------------|-------|----------------|-----------------|
|                 | 1H                        | 2H    | Full year<br>① | 1H              | 2H    | Full year<br>② |                 |
| Net sales       | 145.0                     | 155.0 | 300.0          | 147.0           | 133.0 | 280.0          | △20.0           |
| Ordinary income | 3.0                       | 7.0   | 10.0           | △0.4            | 1.4   | 1.0            | △9.0            |

## FY2015

- In Japan, there was saturation of replace demand. In overseas markets, demand drastically declined in China and Asia, which were greatly impacted by the economic slowdown.
- Production bases in China and Southeast Asia will decrease production substantially. Measures will be taken to improve profits, such as reducing fixed costs and inventories.



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# 【Kobelco Cranes】

(Billions of yen)

|                 | FY2015 Forecast (July 28) |      |                | FY2015 Forecast |      |                | Change<br>② - ① |
|-----------------|---------------------------|------|----------------|-----------------|------|----------------|-----------------|
|                 | 1H                        | 2H   | Full year<br>① | 1H              | 2H   | Full year<br>② |                 |
| Net sales       | 40.0                      | 40.0 | 80.0           | 39.0            | 37.0 | 76.0           | △4.0            |
| Ordinary income | 1.5                       | 3.5  | 5.0            | 2.4             | 1.1  | 3.5            | △1.5            |

## FY2015

- Due to the economic slowdown, unit sales of crawler cranes in Southeast Asia decreased.
- Expenses for the quality maintenance and improvement of products increased.



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# Rebuilding the Business Foundation

(Billions of yen/compared with FY2012)

| Measures   | FY2013 | FY2014 | FY2015 Forecast | Mid-term FY2013~FY2015 |
|--|--------|--------|-----------------|------------------------|
| <b>Strengthening the Profitability of the Steel business</b> | 30.0   | 38.0   | 43.0            | 60.0                   |

- Capital investment effects : +9.0 (7.0→16.0)
- Cost reduction at production sites (18.0→21.0) : +3.0
- Reduction of fixed costs, etc. : Δ7.0 (13.0→6.0)

+5.0

Depreciation, labor costs, etc.

Δ4.5

Overall cost reduction in steel business (FY2014→FY2015)

+0.5

We decided to install a second dephosphorization furnace to further strengthen our competitiveness.

→ Cost reduction of over 2.0 billion yen per year

※P44 reference









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# Preparing for Stability and Growth

## Expanding the Power Supply Business

### ◇ Construction of gas-fired power station in Moka, Tochigi prefecture

- A power supply agreement with Tokyo Gas was concluded.
- The power station will have a generation capacity of 1.2million kilowatts.
- The power station is expected to start up in FY2019.
- An environmental impact assessment is being executed.

The Moka Power Station will be Japan's first thermal power facility to be build inland.

### ◇ Expansion of coal-fired power station at Kobe Works

- A power supply agreement with Kansai Electric Power was concluded.
- The power station will have a generation capacity of 1.3 million kilowatts.
- Start-up is expected to begin in FY2021.
- An environmental impact assessment is being executed.



Kobe Steel will have a total power generation capacity of **3.9 million kilowatts** (including the current 1.4 million kW coal-fired power station).



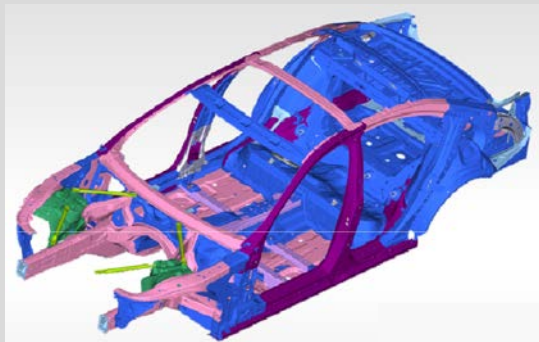


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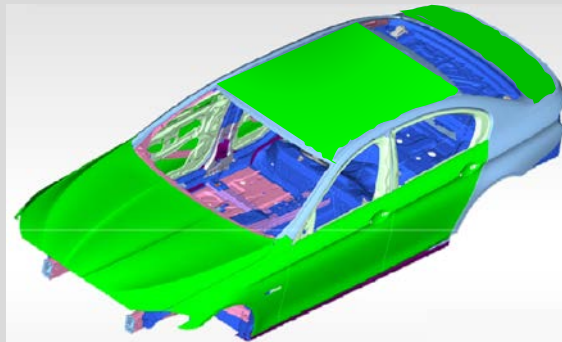
# 【FYI】 Initiatives for Weight-Savings in Cars

## Accelerating the Development of Multi-Materials

High tensile strength steel & aluminum panels

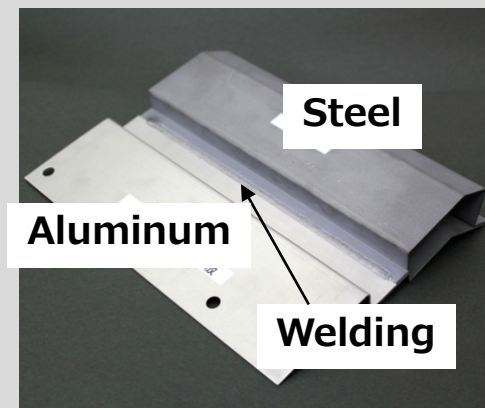


  High tensile strength Steel



 Aluminum panels

Joining dissimilar metals



**Exhibition room for multi-material structure technology**

( At our R&D lab in Seishin, Kobe )



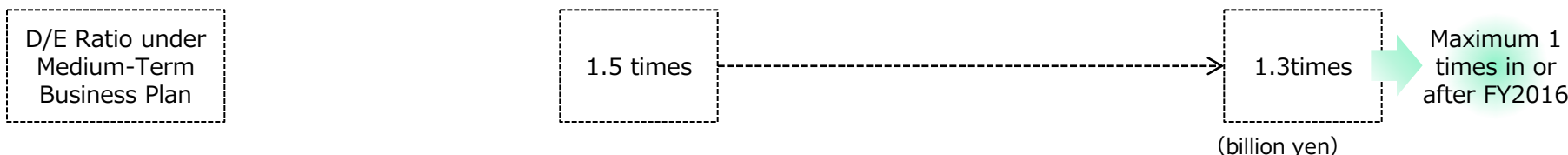
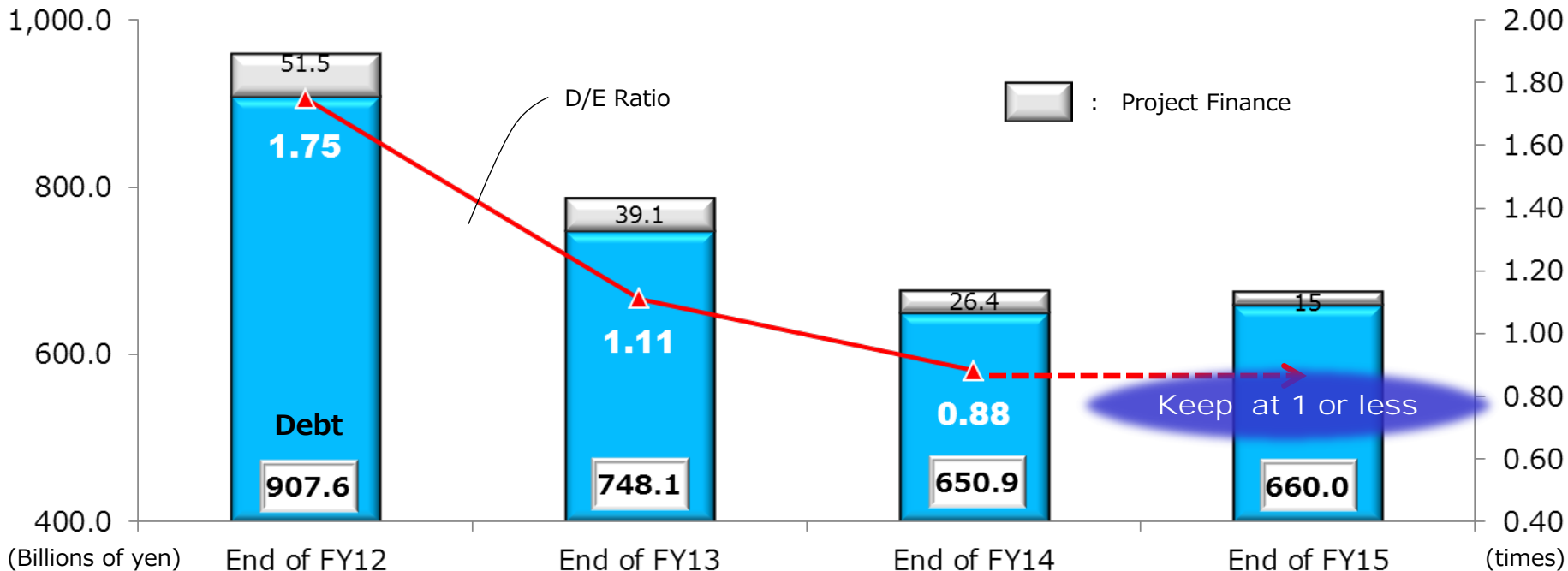
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# Debt and D/E Ratio



| Measures                        | Cash Generation Plan   | FY2013~FY2015     |       |
|---------------------------------|--|-------------------|-------|
|                                 |  | FY2013~FY2014 TTL | TTL   |
| Improving Financial Performance | <ul style="list-style-type: none"> <li>● Reduction of inventory</li> <li>● Promotion of securitization</li> <li>● Selling of assets</li> <li>● Careful selection of investments</li> </ul> | 170.0             | 180.0 |





## 5. Reference



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# Cash Flows

(Billions of yen)

|   | FY2014    | FY2015 Forecast (July 28) |       |                | FY2015 Forecast |       |                | Change |
|---|-----------|---------------------------|-------|----------------|-----------------|-------|----------------|--------|
|   | Full year | 1H                        | 2H    | Full year<br>① | 1H              | 2H    | Full year<br>② | ② - ①  |
| <b>Cash flows from operating activities</b>               | 142.5     | 75.0                      | 80.0  | 155.0          | 48.8            | 66.2  | 115.0          | △40.0  |
| <b>Cash flows from investing activities</b>               | △72.9     | △55.0                     | △70.0 | △125.0         | △31.0           | △84.0 | △115.0         | +10.0  |
| <b>Free cash flow</b><br>(excluding project financing)    | 69.6      | 20.0                      | 10.0  | 30.0           | 17.7            | △17.7 | 0.0            | △30.0  |
| <b>Repayment source for project financing</b>             | 9.8       | 5.0                       | 10.0  | 15.0           | 4.1             | 5.9   | 10.0           | △5.0   |
| <b>Free cash flow</b>                                     | 79.4      | 25.0                      | 20.0  | 45.0           | 21.8            | △11.8 | 10.0           | △35.0  |
| <b>Cash and deposits</b><br>(excluding project financing) | 84.0      | 120.0                     | 75.0  |                | 115.5           | 70.0  |                | △5.0   |



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# Capital Investment

(Billions of yen)

|   | FY2012 | FY2013 | FY2014<br>① | FY2015<br>② | Change<br>② - ① |
|---|--------|--------|-------------|-------------|-----------------|
| <b>Capital investment<br/>(accrual basis)</b> | 114.9  | 101.4  | 103.5       | 115.0       | +11.5           |
| <b>Capital investment<br/>(cash basis)</b>    | 109.5  | 95.4   | 95.3        | 110.0       | +14.7           |
| <b>Depreciation</b>                           | 106.7  | 82.9   | 89.8        | 95.0        | +5.2            |



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# Financial Indices

|                             | FY2012   | FY2013   | FY2014   | FY2015<br>1H |
|-----------------------------|----------|----------|----------|--------------|
| <b>ROS (※1)</b>             | △1.1%    | 4.7%     | 5.4%     | 3.6%         |
| <b>Net income per share</b> | △8.98yen | 22.62yen | 23.81yen | 3.70yen      |
| <b>ROE (※2)</b>             | △5.2%    | 11.9%    | 12.0%    | --           |
| <b>ROA (※3)</b>             | △0.8%    | 3.8%     | 4.4%     | --           |
| <b>D/E ratio</b>            | 1.75     | 1.11     | 0.88     | 0.91         |

※1 : ROS = Ordinary Income / Net Sales

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

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

# Analysis of Consolidated Ordinary Income

**【FY2015 1H Previous Forecast (July 28) ⇒ Actual Results】**

(Billions of yen)

|                        | FY2015 Forecast (July 28) |      |           | FY2015 Forecast |      |           |
|------------------------|---------------------------|------|-----------|-----------------|------|-----------|
|                        | 1H                        | 2H   | Full year | 1H              | 2H   | Full year |
| <b>Ordinary income</b> | 40.0                      | 55.0 | 95.0      | 33.0            | 22.0 | 55.0      |

Δ 7.0

| Positive Factors                        |          |            | Negative Factors             |          |             |
|---|----------|------------|------------------------------|----------|-------------|
| Raw material prices                     | +        | 3.5        | Production and shipments     | △        | 1.5         |
| Subsidiaries                            | +        | 0.5        | Overall costs                | △        | 2.5         |
| Exchange rate changes in steel business | ±        | 0.0        | Steel inventory valuation    | △        | 0.5         |
|   |          |            | Aluminum inventory valuation | △        | 0.5         |
|   |          |            | Other                        | △        | 6.0         |
| <b>合計</b>                               | <b>+</b> | <b>4.0</b> | <b>合計</b>                    | <b>△</b> | <b>11.0</b> |

# Analysis of Ordinary Income in Iron & Steel Segment

**【FY2015 1H Previous Forecast (July 28) ⇒ Actual Results】**

(Billions of yen)

|                        | FY2015 Forecast (July 28) |      |           | FY2015 Forecast |      |           |
|------------------------|---------------------------|------|-----------|-----------------|------|-----------|
|                        | 1H                        | 2H   | Full year | 1H              | 2H   | Full year |
| <b>Ordinary income</b> | 12.0                      | 23.0 | 35.0      | 7.5             | 12.5 | 20.0      |

△ 4.5



| Positive Factors         |          |            | Negative Factors    |          |            |
|--------------------------|----------|------------|---------------------|----------|------------|
| Raw material prices      | +        | 3.5        | Overall costs       | △        | 5.5        |
| Production and shipments | ±        | 0.0        | Inventory valuation | △        | 0.5        |
| Exchange rate changes    | ±        | 0.0        | Other               | △        | 2.0        |
| <b>合計</b>                | <b>+</b> | <b>3.5</b> | <b>合計</b>           | <b>△</b> | <b>8.0</b> |

# Analysis of Consolidated Ordinary Income

**【FY2015 Previous Forecast (July 28) ⇒ Forecast】**

(Billions of yen)

|                        | FY2015 Forecast (July 28) |      |           | FY2015 Forecast |      |           |
|------------------------|---------------------------|------|-----------|-----------------|------|-----------|
|                        | 1H                        | 2H   | Full year | 1H              | 2H   | Full year |
| <b>Ordinary income</b> | 40.0                      | 55.0 | 95.0      | 33.0            | 22.0 | 55.0      |

△ 40.0

| Positive Factors                        |          |            | Negative Factors             |          |             |
|---|----------|------------|------------------------------|----------|-------------|
| Raw material prices                     | +        | 4.5        | Production and shipments     | △        | 7.5         |
| Exchange rate changes in steel business | ±        | 0.0        | Overall costs                | △        | 2.5         |
|   |          |            | Steel inventory valuation    | △        | 2.5         |
|   |          |            | Aluminum inventory valuation | △        | 4.0         |
|   |          |            | Subsidiaries                 | △        | 12.5        |
|   |          |            | Other                        | △        | 15.5        |
| <b>合計</b>                               | <b>+</b> | <b>4.5</b> | <b>合計</b>                    | <b>△</b> | <b>44.5</b> |


# Analysis of Ordinary Income in Iron & Steel Segment

**【FY2015 Previous Forecast (July 28) ⇒ Forecast】**

(Billions of yen)

|                        | FY2015 Forecast (July 28) |      |           | FY2015 Forecast |      |           |
|------------------------|---------------------------|------|-----------|-----------------|------|-----------|
|                        | 1H                        | 2H   | Full year | 1H              | 2H   | Full year |
| <b>Ordinary income</b> | 12.0                      | 23.0 | 35.0      | 7.5             | 12.5 | 20.0      |

△ 15.0



| Positive Factors      |          |            | Negative Factors         |          |             |
|-----------------------|----------|------------|--------------------------|----------|-------------|
| Raw material prices   | +        | 4.5        | Production and shipments | △        | 5.0         |
| Exchange rate changes | ±        | 0.0        | Overall costs            | △        | 5.5         |
|                       |          |            | Inventory valuation      | △        | 2.5         |
|                       |          |            | Other                    | △        | 6.5         |
| <b>合計</b>             | <b>+</b> | <b>4.5</b> | <b>合計</b>                | <b>△</b> | <b>19.5</b> |




# Analysis of Consolidated Ordinary Income

**【FY2014 1H ⇒ FY2015 1H】**

(Billions of yen)

|                        | FY2014 |      |           | FY2015 Forecast |      |           |
|------------------------|--------|------|-----------|-----------------|------|-----------|
|                        | 1H     | 2H   | Full year | 1H              | 2H   | Full year |
| <b>Ordinary income</b> | 46.1   | 55.5 | 101.6     | 33.0            | 22.0 | 55.0      |

Δ 13.0



| Positive Factors             |               | Negative Factors                        |               |
|------------------------------|---------------|---|---------------|
| Raw material prices          | + 44.0        | Production and shipments                | △ 24.0        |
| Aluminum inventory valuation | ± 0.0         | Overall costs                           | △ 2.5         |
|                              |               | Steel inventory valuation               | △ 4.0         |
|                              |               | Exchange rate changes in steel business | △ 7.5         |
|                              |               | Subsidiaries                            | △ 15.0        |
|                              |               | Other                                   | △ 4.0         |
| <b>合計</b>                    | <b>+ 44.0</b> | <b>合計</b>                               | <b>△ 57.0</b> |

# Analysis of Ordinary Income in Iron & Steel Segment

**【FY2014 1H ⇒ FY2015 1H】**

(Billions of yen)

|                 | FY2014 |      |           | FY2015 Forecast |      |           |
|-----------------|--------|------|-----------|-----------------|------|-----------|
|                 | 1H     | 2H   | Full year | 1H              | 2H   | Full year |
| Ordinary income | 10.4   | 18.3 | 28.7      | 7.5             | 12.5 | 20.0      |

Δ 2.9



| Positive Factors    |        | Negative Factors         |        |
|---------------------|--------|--------------------------|--------|
| Raw material prices | + 44.0 | Production and shipments | △ 25.0 |
|                     |        | Overall costs            | △ 2.5  |
|                     |        | Inventory valuation      | △ 4.0  |
|                     |        | Exchange rate changes    | △ 7.5  |
|                     |        | Other                    | △ 7.9  |
| 合計                  | + 44.0 | 合計                       | △ 46.9 |



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# Analysis of Consolidated Ordinary Income

**[FY2014 ⇒ FY2015]**

(Billions of yen)

|                        | FY2014 |      |           | FY2015 Forecast |      |           |
|------------------------|--------|------|-----------|-----------------|------|-----------|
|                        | 1H     | 2H   | Full year | 1H              | 2H   | Full year |
| <b>Ordinary income</b> | 46.1   | 55.5 | 101.6     | 33.0            | 22.0 | 55.0      |

 $\Delta 46.6$ 

| Positive Factors    |          |             | Negative Factors                        |          |              |
|---------------------|----------|-------------|---|----------|--------------|
| Raw material prices | +        | 72.0        | Production and shipments                | △        | 54.0         |
|                     |          |             | Overall costs                           | △        | 0.5          |
|                     |          |             | Steel inventory valuation               | △        | 5.5          |
|                     |          |             | Aluminum inventory valuation            | △        | 5.0          |
|                     |          |             | Exchange rate changes in steel business | △        | 10.5         |
|                     |          |             | Subsidiaries                            | △        | 22.0         |
|                     |          |             | Other                                   | △        | 21.1         |
| <b>合計</b>           | <b>+</b> | <b>72.0</b> | <b>合計</b>                               | <b>△</b> | <b>118.6</b> |

# Analysis of Ordinary Income in Iron & Steel Segment

【FY2014 ⇒ FY2015】

(Billions of yen)

|                 | FY2014 |      |           | FY2015 Forecast |      |           |
|-----------------|--------|------|-----------|-----------------|------|-----------|
|                 | 1H     | 2H   | Full year | 1H              | 2H   | Full year |
| Ordinary income | 10.4   | 18.3 | 28.7      | 7.5             | 12.5 | 20.0      |

△ 8.7



| Positive Factors                            |        | Negative Factors         |        |
|---|--------|--------------------------|--------|
| Raw material prices                         | + 72.0 | Production and shipments | △ 56.0 |
| Overall costs <small>※P24 reference</small> | + 0.5  | Inventory valuation      | △ 5.5  |
|   |        | Exchange rate changes    | △ 10.5 |
|   |        | Other                    | △ 9.2  |
| 合計  | + 72.5 | 合計                       | △ 81.2 |



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# Analysis of Consolidated Ordinary Income

**【FY2015 1H ⇒ 2H】**

(Billions of yen)

|                 | FY2014 |      |           | FY2015 Forecast |      |           |
|-----------------|--------|------|-----------|-----------------|------|-----------|
|                 | 1H     | 2H   | Full year | 1H              | 2H   | Full year |
| Ordinary income | 46.1   | 55.5 | 101.6     | 33.0            | 22.0 | 55.0      |

Δ 11.0

| Positive Factors                        |   |      | Negative Factors             |   |      |
|---|---|------|------------------------------|---|------|
| Raw material prices                     | + | 6.0  | Production and shipments     | △ | 9.5  |
| Overall costs                           | + | 5.0  | Aluminum inventory valuation | △ | 3.5  |
| Steel inventory valuation               | + | 1.5  | Other                        | △ | 12.0 |
| Subsidiaries                            | + | 1.5  |                              |   |      |
| Exchange rate changes in steel business | ± | 0.0  |                              |   |      |
| 合計                                      | + | 14.0 | 合計                           | △ | 25.0 |


# Analysis of Consolidated Ordinary Income

【FY2015 Previous Forecast (Sep 30) ⇒ Forecast】

(Billions of yen)

|                 | FY2015 Forecast (Sep 30) |      |           | FY2015 Forecast |      |           |
|-----------------|--------------------------|------|-----------|-----------------|------|-----------|
|                 | 1H                       | 2H   | Full year | 1H              | 2H   | Full year |
| Ordinary income | 35.0                     | 30.0 | 65.0      | 33.0            | 22.0 | 55.0      |

△ 10.0



| Positive Factors                        |   |     | Negative Factors          |   |      |
|---|---|-----|---------------------------|---|------|
| Raw material prices                     | + | 1.5 | Production and shipments  | △ | 3.0  |
| Subsidiaries                            | + | 2.0 | Steel inventory valuation | △ | 1.5  |
| Aluminum inventory valuation            | ± | 0.0 | Subsidiaries              | △ | 2.0  |
| Exchange rate changes in steel business | ± | 0.0 | Other                     | △ | 7.0  |
| 合計                                      | + | 3.5 | 合計                        | △ | 13.5 |

## **THE KOBE 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.**

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