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# **Financial Results for FY2013 (ended March 31, 2014) Investor meeting**

**April 25, 2014**

**KOBE STEEL, LTD.**



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1. Financial Results for FY2013
2. Forecast for FY2014
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4. Cash Flow and Debt
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# 1. Financial Results for FY2013



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# Financial Results for FY2013

	FY2012		FY2013			(billion yen) change	
	①	Previous forecast (Feb 4) ②	Actual Results		③	③-①	③-②
			1st Half	2nd Half			
Net Sales	1,685.5	1,830.0	889.3	935.3	1,824.6	+ 139.1	△5.4
Operating income	11.2	105.0	54.4	60.0	114.5	+ 103.3	+9.5
Ordinary income(loss)	△18.1	70.0	43.1	41.8	85.0	+ 103.1	+15.0
Extraordinary income(loss)	△7.0	13.4	7.3	△4.1	3.1	+ 10.2	△10.3
Net income(loss)	△26.9	65.0	44.1	26.0	70.1	+ 97.1	+5.1



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# Segment Sales

	FY2012		FY2013			(billion yen) change	
	①	Previous forecast (Feb 4) ②	Actual Results		③	③-①	③-②
			1st Half	2nd Half			
Iron & Steel	742.8	800.0	389.9	418.5	808.5	+65.7	+8.5
Welding	82.2	86.0	41.9	46.3	88.3	+6.1	+2.3
Aluminum & Copper	262.2	295.0	148.1	147.5	295.6	+33.4	+0.6
Machinery	167.1	155.0	71.3	78.4	149.8	△17.3	△5.2
Engineering	46.4	40.0	20.8	18.2	39.1	△7.3	△0.9
Kobelco Eco-Solutions	72.6	68.0	30.9	37.2	68.1	△4.4	+0.1
Kobelco Construction Machinery	267.8	320.0	162.9	155.2	318.2	+50.3	△1.8
Kobelco Cranes	45.5	56.0	25.5	31.1	56.6	+11.1	+0.6
Other Businesses	73.2	70.0	32.1	39.0	71.2	△2.0	+1.2
Adjustment	△74.5	△60.0	△34.5	△36.5	△71.0	+3.5	△11.0
<b>Total</b>	<b>1,685.5</b>	<b>1,830.0</b>	<b>889.3</b>	<b>935.3</b>	<b>1,824.6</b>	<b>+139.1</b>	<b>△5.4</b>



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# Segment Ordinary income (loss)

(billion yen)

	FY2012	Previous forecast (Feb 4)	FY2013			change	
	①		Actual Results		③	③-①	③-②
			1st Half	2nd Half			
Iron & Steel	△50.2	29.0	15.5	18.0	33.5	+83.8	+4.5
Welding	2.1	6.0	2.8	4.3	7.2	+5.0	+1.2
Aluminum & Copper	3.9	13.0	8.0	7.0	15.1	+11.2	+2.1
Machinery	12.0	5.5	2.1	4.3	6.4	△5.5	+0.9
Engineering	△1.3	△4.0	△0.1	△3.7	△3.9	△2.6	+0.1
Kobelco Eco-Solutions	3.9	2.4	1.0	1.5	2.6	△1.3	+0.2
Kobelco Construction Machinery	6.8	15.0	10.1	4.9	15.1	+8.2	+0.1
Kobelco Cranes	△2.2	3.0	1.7	1.4	3.2	+5.4	+0.2
Other Businesses	7.5	6.0	2.4	4.4	6.8	△0.7	+0.8
Adjustment	△0.7	△5.9	△0.7	△0.5	△1.2	△0.4	+4.7
<b>Total</b>	<b>△18.1</b>	<b>70.0</b>	<b>43.1</b>	<b>41.8</b>	<b>85.0</b>	<b>+103.1</b>	<b>+15.0</b>



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## 2. Forecast for FY2014



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# Forecast for FY2014

(billion yen)

	FY2013			FY2014			change ② - ①
	1st Half	2nd Half	①	1st Half	2nd Half	②	
<b>Net Sales</b>	889.3	935.3	1,824.6	950.0	1,000.0	1,950.0	+125.4
Operating income	54.4	60.0	114.5	40.0	65.0	105.0	△9.5
(except inventory valuation)	(38.4)	(58.0)	(96.5)	(42.5)	(66.5)	(109.0)	(+12.5)
Ordinary income(loss)	43.1	41.8	85.0	25.0	55.0	80.0	△5.0
(except inventory valuation)	(27.1)	(39.8)	(67.0)	(27.5)	(56.5)	(84.0)	(+17.0)
Extraordinary income(loss)	7.3	△4.1	3.1	—	—	—	△3.1
<b>Net income(loss)</b>	44.1	26.0	70.1	20.0	30.0	50.0	△20.1





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# Segment Sales

(billion yen)

	FY2013			FY2014			change ②-①
	1st Half	2nd Half	①	1st Half	2nd Half	②	
Iron & Steel	389.9	418.5	808.5	395.0	420.0	815.0	+6.5
Welding	41.9	46.3	88.3	46.0	47.0	93.0	+4.7
Aluminum & Copper	148.1	147.5	295.6	160.0	165.0	325.0	+29.4
Machinery	71.3	78.4	149.8	79.0	91.0	170.0	+20.2
Engineering	20.8	18.2	39.1	24.0	35.0	59.0	+19.9
Kobelco Eco- Solutions	30.9	37.2	68.1	27.0	40.5	67.5	△0.6
Kobelco Construction Machinery	162.9	155.2	318.2	180.0	160.0	340.0	+21.8
Kobelco Cranes	25.5	31.1	56.6	39.0	34.0	73.0	+16.4
Other Businesses	32.1	39.0	71.2	31.0	44.0	75.0	+3.8
Adjustment	△34.5	△36.5	△71.0	△31.0	△36.5	△67.5	+3.5
<b>Total</b>	<b>889.3</b>	<b>935.3</b>	<b>1,824.6</b>	<b>950.0</b>	<b>1,000.0</b>	<b>1,950.0</b>	<b>+125.4</b>



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# Segment Ordinary income (loss)

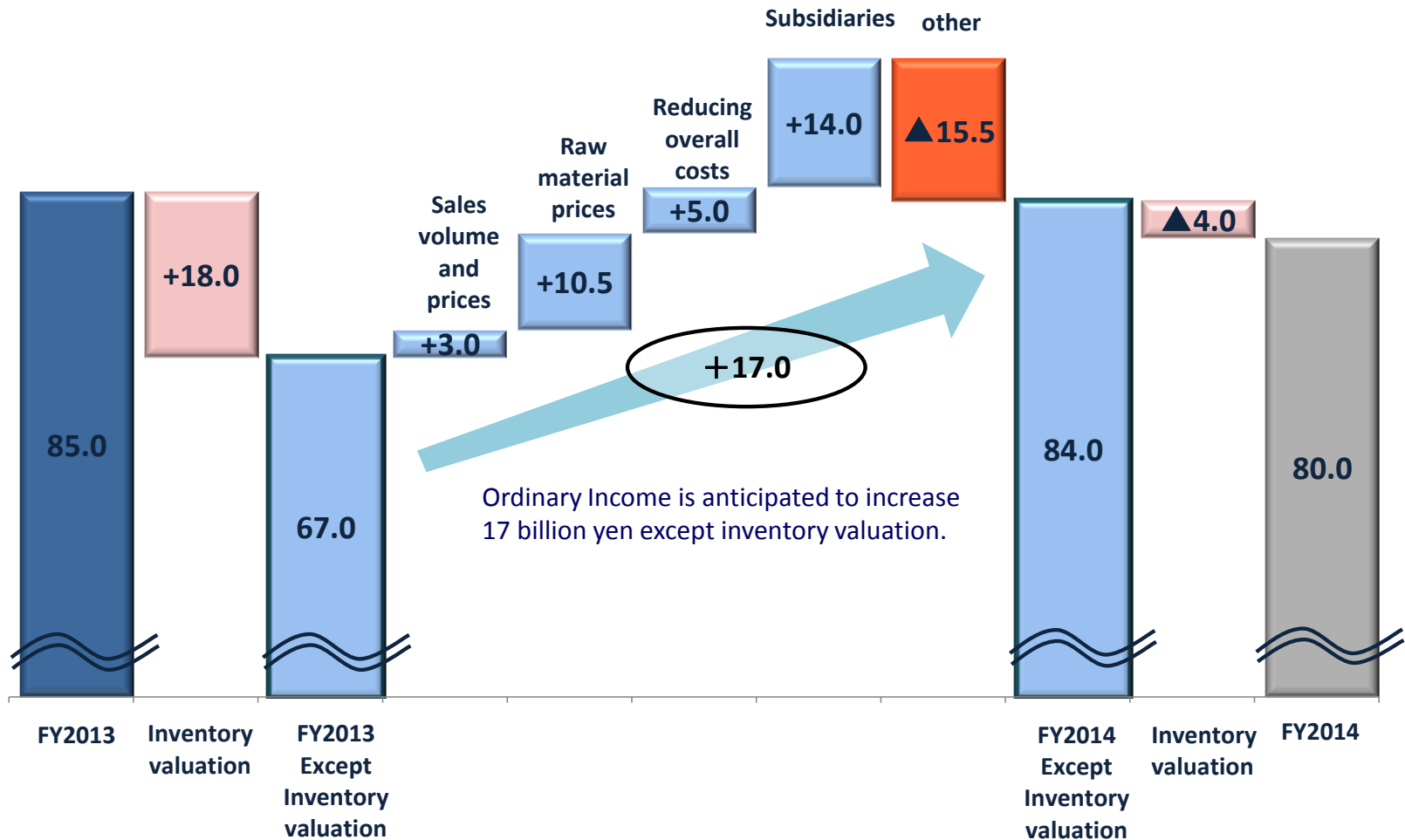
	FY2013			FY2014			(billion yen)
	1st Half	2nd Half	①	1st Half	2nd Half	②	change ②-①
Iron & Steel	15.5	18.0	33.5	5.0	17.0	22.0	△11.5
Welding	2.8	4.3	7.2	3.0	3.5	6.5	△0.7
Aluminum & Copper	8.0	7.0	15.1	4.0	7.0	11.0	△4.1
Machinery	2.1	4.3	6.4	2.0	6.5	8.5	+2.1
Engineering	△0.1	△3.7	△3.9	△1.5	0.5	△ 1.0	+2.9
Kobelco Eco-Solutions	1.0	1.5	2.6	△0.9	3.2	2.3	△0.3
Kobelco Construction Machinery	10.1	4.9	15.1	13.0	9.0	22.0	+6.9
Kobelco Cranes	1.7	1.4	3.2	1.5	2.0	3.5	+0.3
Other Businesses	2.4	4.4	6.8	1.0	5.0	6.0	△0.8
Adjustment	△0.7	△0.5	△1.2	△2.1	1.3	△ 0.8	+0.4
<b>Total</b>	<b>43.1</b>	<b>41.8</b>	<b>85.0</b>	<b>25.0</b>	<b>55.0</b>	<b>80.0</b>	<b>△5.0</b>



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# Change in Consolidated Ordinary income (FY2013→FY2014)

(billion yen)





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# Change in Iron & Steel Ordinary income (FY2013→FY2014)

(billion yen)

Ordinary Income is anticipated to increase  
8.5 billion yen except inventory valuation.



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## 3. Segment Information



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# 【Iron & Steel】

(billion yen)

change

	FY2013			FY2014			②-①
	1st Half	2nd Half	①	1st Half	2nd Half	②	
Net Sales	389.9	418.5	808.5	395.0	420.0	815.0	+6.5
Ordinary income	15.5	18.0	33.5	5.0	17.0	22.0	△11.5
(Inventory valuation)	(15.5)	(1.5)	(17.0)	(△2.5)	(△1.5)	(△4.0)	(△21.0)

## <FY2014>

▪ Demand is expected to be strong in the automotive and shipbuilding sector.

As a result, Crude Steel Production is anticipated to increase a little.



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# Production & Sales data

	FY2012			FY2013			
	1H	2H	FY	1H	2H	FY	
<Domestic crude steel production (million tons)>	54.8	52.5	107.3	55.8	55.7	111.5	
<Domestic steel inventory (million tons)>							
Ordinary steel products	5.7	5.4	--	5.5	5.7	--	<i>end of Feb</i>
Rolled sheets	4.2	3.9	--	3.9	4.0	--	<i>end of Feb</i>
<Finished Auto Production (million cars)>	4.9	4.6	9.6	4.7	4.2	9.0	<i>Apr - Feb</i>
<KSL>							
Crude Steel Production	(million tons)	3.5	3.5	7.0	3.8	3.8	7.6
Sales volume	(million tons)	2.9	2.9	5.8	3.1	3.2	6.3
(Domestic)	(million tons)	(2.1)	(2.0)	(4.1)	(2.1)	(2.2)	(4.3)
(Export)	(million tons)	(0.8)	(0.9)	(1.7)	(1.0)	(1.0)	(2.0)
Average Steel Selling Price	(thousand yen/ton)	81.1	73.4	77.2	78.8	81.5	80.2
Export ratio (value basis)		26.1%	29.3%	27.6%	31.9%	30.8%	31.3%



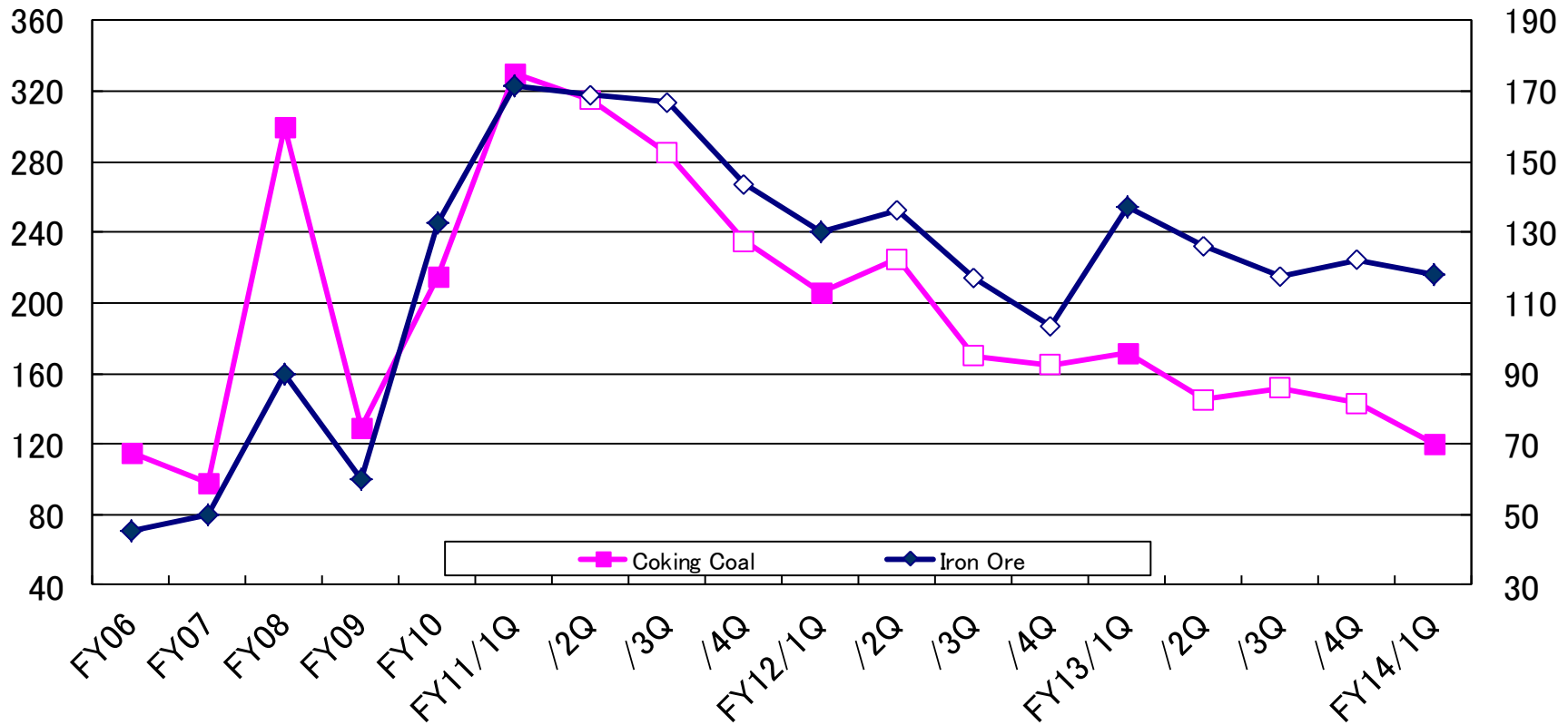


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# Iron Ore & Coking Coal Prices Trends

(Coking Coal \$/ton)

(Iron Ore: \$/ton)

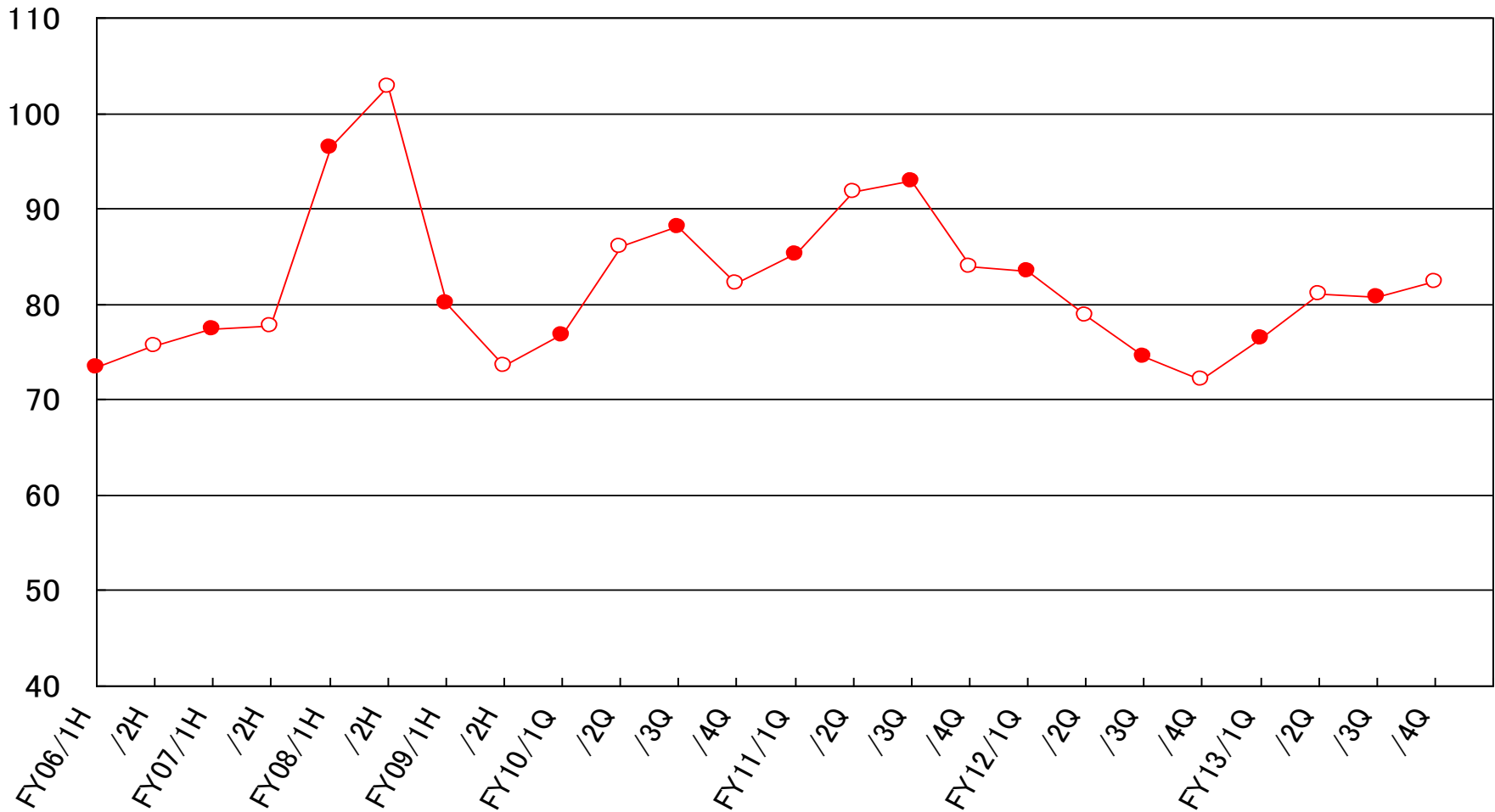




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# KSL Steel Products Prices Trends

(thousand yen / ton)





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# 【Welding】

(billion yen)

change

②-①

FY2013

FY2014

1st Half 2nd Half

1st Half 2nd Half

①

②

②-①

	FY2013			FY2014			(billion yen)
	1st Half	2nd Half		1st Half	2nd Half		change
Net Sales	41.9	46.3	①	46.0	47.0	②	+4.7
Ordinary income	2.8	4.3	①	3.0	3.5	②	△0.7

FY2012

FY2013

1H

2H

FY

1H

2H

FY

<Domestic Welding material demand (thousand tons)>

112	104	216	103	113	216
-----	-----	-----	-----	-----	-----

<Welding material sales volume of KSL Group (thousand tons)>

Domestic	65	59	124	60	66	126
Export	102	98	200	96	96	192
	167	157	324	155	163	318

<FY2014>

- Domestic demand in the shipbuilding sector is anticipated to recover, while the outlook is unclear in overseas markets due to the worsening economies of developing countries.



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# 【Aluminum & Copper】

(billion yen)

change

	FY2013			FY2014			change ②-①
	1st Half	2nd Half	①	1st Half	2nd Half	②	
Net Sales	148.1	147.5	295.6	160.0	165.0	325.0	+29.4
Ordinary income	8.0	7.0	15.1	4.0	7.0	11.0	△4.1
(Inventory valuation)	(0.5)	(0.5)	(1.0)	(0.0)	(0.0)	(0.0)	(△1.0)

## <FY2014>

- Demand for aluminum sheets and Copper tube is anticipated to be strong in automotive and air conditioning sectors.
- Ordinary income is anticipated to decrease due to increase of energy cost and inventory valuation



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# Demand & Sales data

(thousand ton)

	FY2012			FY2013		
	1H	2H		1H	2H	
<Demand of Aluminum rolled products>						
Aluminum sheet	600	559	1,159	574	575	1,149
Aluminum extrusion	397	396	793	405	430	835
(can stock)	(218)	(196)	(414)	(217)	(194)	(411)
	997	955	1,952	979	1,005	1,984
<Demand of Copper rolled products>						
Copper Sheet and Strip	197	184	381	197	209	406
Copper Tube	61	54	115	55	59	114
	258	238	496	252	268	520
<Sales volume of KSL>						
Aluminum rolled products						
Domestic	114	106	220	113	109	222
Export	20	19	39	22	23	45
Copper Sheet and Strip	23	19	42	24	24	48
Copper Tube	42	37	79	44	41	85



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# 【Machinery】

	FY2013		FY2014		(billion yen)		change ②-①
	1st Half	2nd Half	1st Half	2nd Half	②	②-①	
	①						
Net Sales	71.3	78.4	149.8	79.0	91.0	170.0	+20.2
Ordinary income	2.1	4.3	6.4	2.0	6.5	8.5	+2.1
Orders	74.2	78.6	152.8	77.5	80.5	158.0	+5.2

## <Orders trends>

FY2012: 109.5 billion yen ⇒ FY2013: 152.8 billion yen

## <FY2014>

- Demand for compressors and plastic processing machineries is anticipated to be strong.
- Ordinary income is anticipated to increase due to correction in the high yen and reducing costs.



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# 【Engineering】

(billion yen)

change

②-①

FY2013

FY2014

1st Half 2nd Half

1st Half 2nd Half

①

②

②-①

	FY2013			FY2014			(billion yen)
	1st Half	2nd Half	①	1st Half	2nd Half	②	change
			①			②	②-①
Net Sales	20.8	18.2	39.1	24.0	35.0	59.0	+19.9
Ordinary income	△0.1	△3.7	△3.9	△1.5	0.5	△1.0	+2.9
Orders	20.0	29.8	49.8	13.0	32.0	45.0	△4.8

## <FY2014>

- Direct reduction plant sector is anticipated to continue being weak due to low price of raw materials
- Demand for the treatment of contaminated material related to Fukushima Nuclear Power Station is expected to continue. As a result, ordinary loss is anticipated to improve.



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# 【Kobelco Eco-Solutions】

(billion yen)

	FY2013			FY2014			change
	1st Half	2nd Half	①	1st Half	2nd Half	②	
							②-①
Net Sales	30.9	37.2	68.1	27.0	40.5	67.5	△0.6
Ordinary income	1.0	1.5	2.6	△0.9	3.2	2.3	△0.3





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# Kobelco Construction Machinery

(billion yen)

	FY2013			FY2014			change
	1st Half	2nd Half	①	1st Half	2nd Half	②	
Net Sales	162.9	155.2	318.2	180.0	160.0	340.0	+21.8
Ordinary income	10.1	4.9	15.1	13.0	9.0	22.0	+6.9

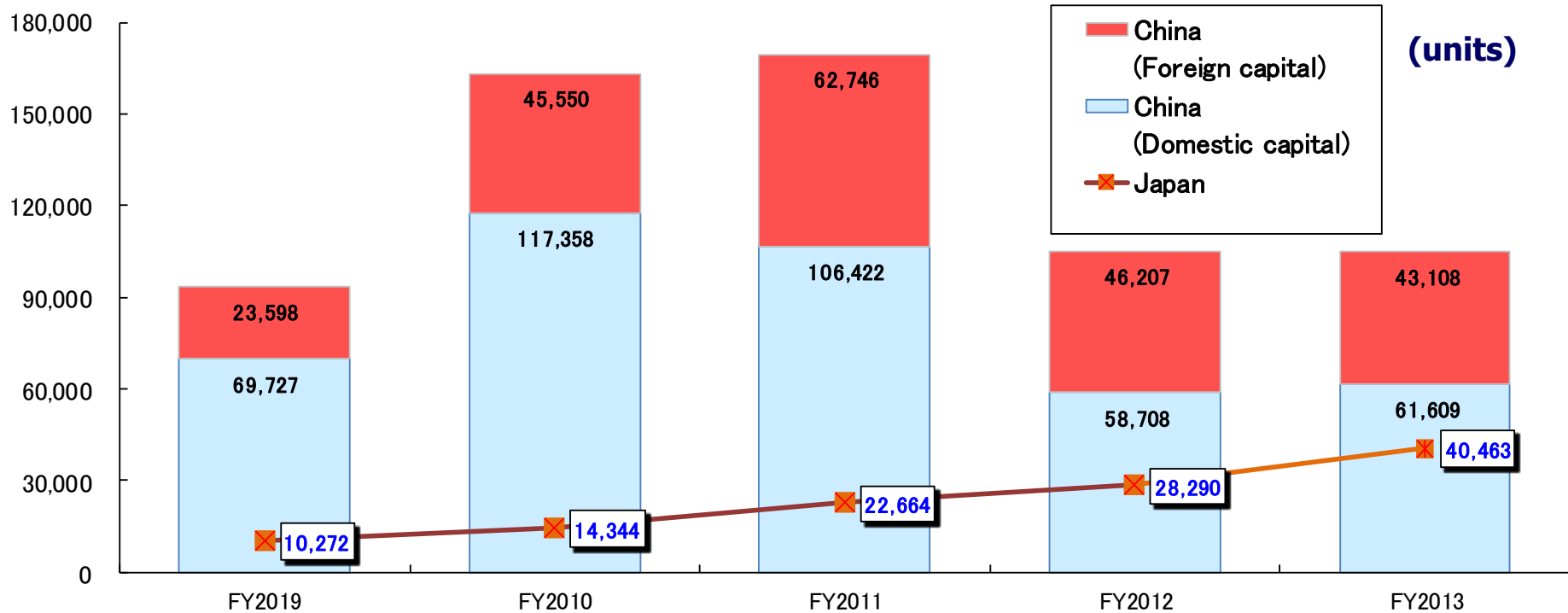
## <FY2014>

- Domestic demand is anticipated to decrease due to the last-minute surge in demand prior to the implementation of stricter exhaust gas emission regulation.
- In overseas markets, although demand in Southeast Asia is anticipated decline, North America and China is expected to be strong.



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# Demand for hydraulic excavators



	FY2012			FY2013		
	1H	2H	FY	1H	2H	FY
Japan	12,908	15,382	28,290	17,702	22,761	40,463
China						
Foreign capital	41,817	16,891	58,708	37,554	24,055	61,609
Domestic capital	30,202	16,005	46,207	26,960	16,148	43,108
total	72,019	32,896	104,915	64,514	40,203	104,717



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# 【Kobelco Cranes】

(billion yen)

	FY2013			FY2014			change
	1st Half	2nd Half	①	1st Half	2nd Half	②	
Net Sales	25.5	31.1	56.6	39.0	34.0	73.0	+16.4
Ordinary income	1.7	1.4	3.2	1.5	2.0	3.5	+0.3

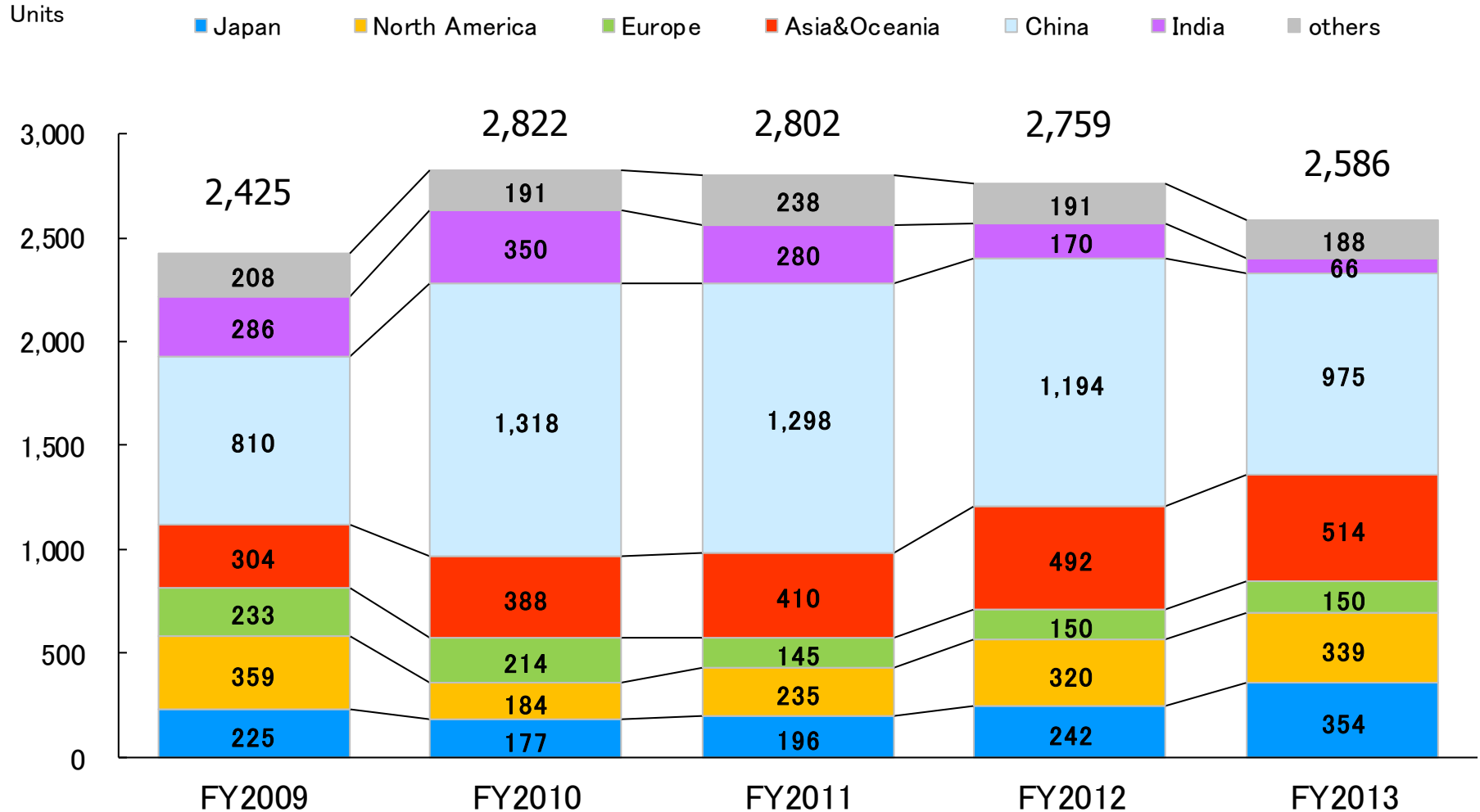
## <FY2014>

- Ordinary income is anticipated to increase due to strong demand



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# Demand for crawler cranes (KSL estimate)





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## 4. Cash Flow and Debt



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# Cash Flow

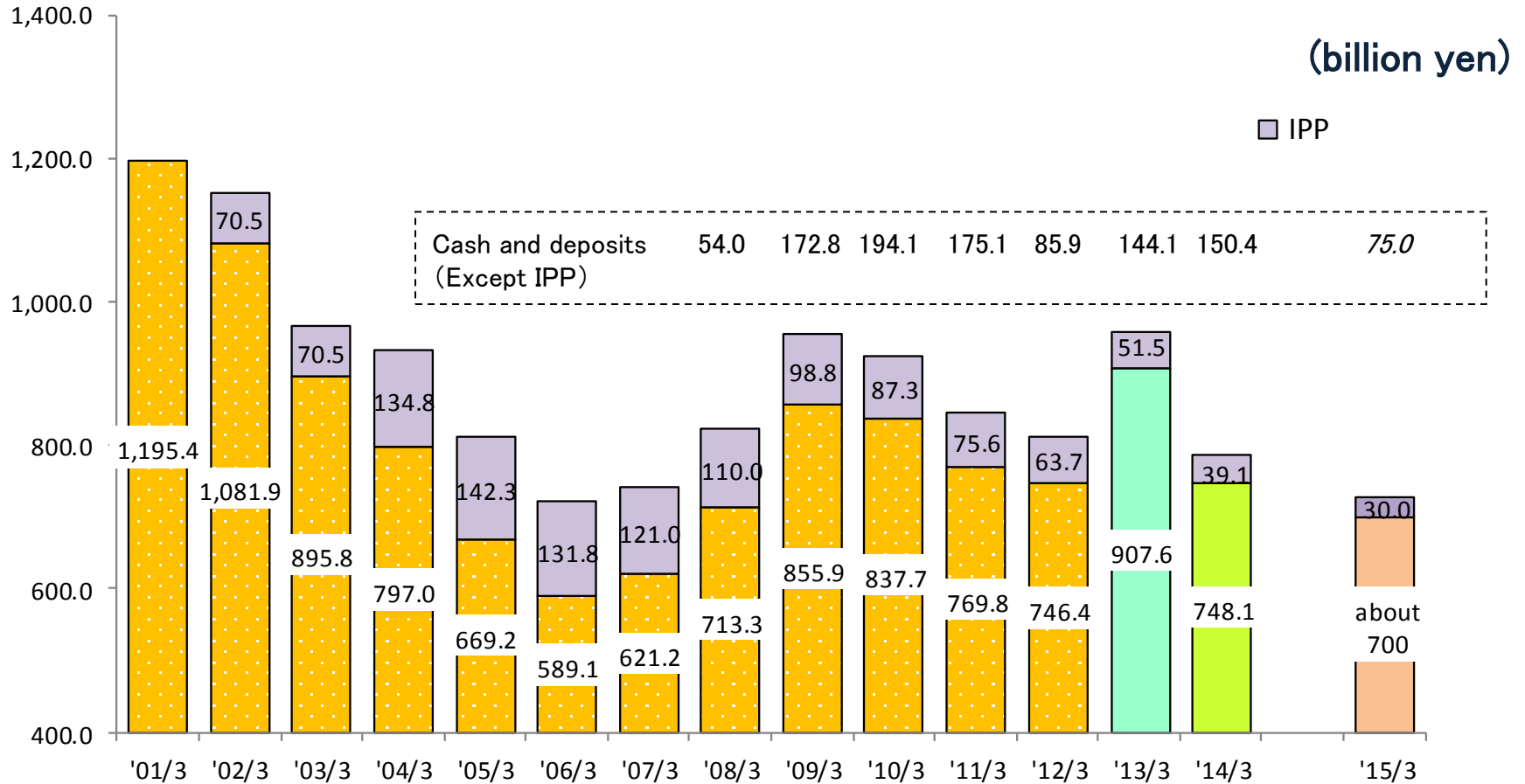
(billion yen)

	FY2012	FY2013		FY2014			change		
	①	1st Half	2nd Half	②	1st Half	2nd Half	③	②-①	③-②
Cash flows from operating activities	30.8	74.2	103.8	178.0	60.0	80.0	140.0	+147.2	△ 38.0
Cash flows from investing activities	△ 123.0	△ 8.3	△ 52.6	△ 60.9	△ 65.0	△ 70.0	△ 135.0	+62.1	△ 74.1
Free cash flow	△ 92.1	65.9	51.2	117.1	△ 5.0	10.0	5.0	+209.3	△ 112.1
Free cash flow (Include IPP)	△ 78.1	75.7	56.4	132.1	5.0	10.0	15.0	+210.2	△ 117.1



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# Debt



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



# The global offering

## 【Purpose of the offering】

To steadily realize the strengthening of our business foundation and the foundation of stability and growth in “The Group’s Fiscal 2013-2015 Medium-Term Business Plan”.

## 【Use of proceeds】

With respect to the net approximate total amount of 83.1billion yen, 13.2billion yen is scheduled to be applied to capital expenditures and investments for the automotive areas in the Iron & Steel business and the Aluminum & Copper business, and the remaining amount is scheduled to be applied to capital expenditures with regard to “Strengthening the Profitability of the Iron & Steel Business” and “Reforming the Structure of the Steel Business”.





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## **5. The progress of Medium-Term Business Plan**



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# Rebuilding the Business Foundation

(Billion yen/Compared with FY 2012)

Mesures			FY2013~FY2014		Mid-term
			FY2013	TTL	FY2013~FY2015
Strengthening the Profitability of the Steel Business (※)		<ul style="list-style-type: none"> <li>● Equipment investment effects</li> <li>● Cost reduction at production sites</li> <li>● Improving raw material costs</li> <li>● Reduction of fixed costs</li> </ul>	30	44	60
Improving the Competitiveness of the Company		<ul style="list-style-type: none"> <li>● Labor cost/efficiency improvements</li> <li>● Reduction of F costs</li> <li>● Reduction of V costs</li> <li>● "Monozukuri-ryoku" strengthening</li> </ul>	19	18	30
Improving Financial Performance	Cash Generation Plan	<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 investment</li> </ul>	120	150	120

※ Include the Improving the Competitiveness of the Company



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# Preparation for Stabilization and Growth

## ◆ Reform Structure of Steel business

### Kobe Works

- Shut down upstream production mills

### Kakogawa Works

- Increase production capacity



Upstream production at Kobe Works will be transferred to Kakogawa Works, which has cost advantage in Ironmaking and Steelmaking, around FY2017

## ◆ Business Expansion in Growth Markets

- |                                       |   |
|---------------------------------------|---|
| <b>Iron &amp; Steel</b>               | <ul style="list-style-type: none"> <li>: Commercial production of cold-rolled high-strength steel for automobiles begun in North America.</li> <li>: Joint venture was established to make cold-rolled high-strength steel for automobiles in China.</li> </ul> |
| <b>Aluminum&amp; Copper</b>           | <ul style="list-style-type: none"> <li>: Aluminum forging plant in China completed expansion, begun mass production.</li> <li>: The company was established to make aluminum sheet for automotive body panels in China.</li> </ul>                              |
| <b>Machinery Engineering</b>          | <ul style="list-style-type: none"> <li>: The company was established to sell compressor in Brazil.</li> <li>: Midrex signed a contract with the voestalpine for Direct Reduction Plant.</li> </ul>  |
| <b>Kobelco Construction Machinery</b> | <ul style="list-style-type: none"> <li>: Sales and marketing were restarted in Europe and America.</li> </ul>   |



# Preparation for Stabilization and Growth

## ◆ Expand the Power Supply Business

- The construction of gas-fired power station in Moka, Tochigi prefecture
  - KSL and Tokyo Gas entered into a memorandum of understanding for KSL to sell to Tokyo Gas all electricity.
  - The power station with a generation capacity of 1.2 million kilowatts.
  - The No.1 power plant is expected to start up in the latter half of FY2019, and the No.2 power plant in the first half of FY2020.
  - The environmental impact assessment is being executed.
  
- The expansion of coal-fired power station in Kobe Works
  - KSL intends to submit a bid for The Kansai Electric Power Co., Inc's tender for thermal power generation
  - The power station with a generation capacity of Maximum 1.4 million kilowatts.
  - The power station is expected to start up around FY2021 to FY2022



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# < Reference >



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## Consolidated Ordinary income Analysis [FY2012 ⇒ FY2013]

	FY2012			FY2013			(billion yen)
	1st Half	2nd Half	FY	1st Half	2nd Half	FY	
Ordinary income	△ 11.0	△ 7.1	△ 18.1	43.1	41.8	85.0	
				+ 103.1			

Positive		Negative	
Sales volume and prices	+ 7.0	Other	△ 26.4
Raw material prices	+ 24.0		
Reducing overall costs	+ 29.5		
Inventory valuation (STE)	+ 36.5		
Inventory valuation (ALU)	+ 3.5		
Subsidiaries	+ 8.0		
Change in the depreciation method for fixed assets	+ 21.0		
<b>T o t a l</b>	<b>+ 129.5</b>	<b>T o t a l</b>	<b>△ 26.4</b>



ECOWAY

## Iron & Steel Ordinary income Analysis [FY2012 ⇒ FY2013]

	FY2012			FY2013			(billion yen)
	1st Half	2nd Half	FY	1st Half	2nd Half	FY	
Ordinary income	△ 24.0	△ 26.1	△ 50.2	15.5	18.0	33.5	
				+ 83.8			

Positive		Negative	
Sales volume and prices	+ 8.0	Foreign exchange	△ 20.0
Raw material prices	+ 24.0	Other	△ 9.7
Reducing overall costs	+ 27.0		
Inventory valuation	+ 36.5		
Change in the depreciation method for fixed assets	+ 18.0		
<b>T o t a l</b>	<b>+ 113.5</b>	<b>T o t a l</b>	<b>△ 29.7</b>





ECOWAY

# Consolidated Ordinary income Analysis

[FY2013 Previous forecast ⇒ Actual Results ]

(billion yen)

	FY13 Previous forecast (Feb 4)			FY13 Actual Results		
	1st Half	2nd half	FY	1st Half	2nd Half	FY
Ordinary income	43.1	26.9	70.0	43.1	41.8	85.0
				+ 15.0		

Positive		Negative	
Sales volume and prices	+ 4.0	Raw material prices	△ 1.5
Reducing overall costs	+ 0.5		
Inventory valuation (STE)	± 0.0		
Inventory valuation (ALU)	+ 0.5		
Subsidiaries	+ 2.5		
Other	+ 9.0		
<b>T o t a l</b>	<b>+ 1 6 . 5</b>	<b>T o t a l</b>	<b>△ 1 . 5</b>



ECOWAY

# Iron & Steel Ordinary income Analysis

[FY2013 Previous forecast ⇒ Actual Results ]

(billion yen)

	FY13 Previous forecast (Feb 4)			FY13 Actual Results		
	1st Half	2nd half	FY	1st Half	2nd Half	FY
Ordinary income	15.5	13.5	29.0	15.5	18.0	33.5
					+ 4.5	

Positive		Negative	
Sales volume and prices	+ 5.5	Raw material prices	△ 1.5
Reducing overall costs	+ 1.0	Other	△ 0.5
Inventory valuation	± 0.0		
Foreign exchange	± 0.0		
<b>T o t a l</b>	<b>+ 6. 5</b>	<b>T o t a l</b>	<b>△ 2. 0</b>



ECOWAY

# Consolidated Ordinary income Analysis

[FY2013 1st Half ⇒ 2nd Half ]

(billion yen)

	FY2012			FY2013		
	1st Half	2nd Half	FY	1st Half	2nd Half	FY
Ordinary income	△ 11.0	△ 7.1	△ 18.1	43.1	41.8	85.0
					△ 1.2	

Positive		Negative	
Sales volume and prices	+ 9.0	Reducing overall costs	△ 3.5
Raw material prices	+ 9.0	Inventory valuation (STE)	△ 14.0
Inventory valuation (ALU)	± 0.0	Subsidiaries	△ 1.0
		Other	△ 0.7
<b>T o t a l</b>	<b>+ 18. 0</b>	<b>T o t a l</b>	<b>△ 19. 2</b>



ECOWAY

# Iron & Steel Ordinary income Analysis

[FY2013 1st Half ⇒ 2nd Half ]

(billion yen)

	FY2012			FY2013		
	1st Half	2nd Half	FY	1st Half	2nd Half	FY
Ordinary income	△ 24.0	△ 26.1	△ 50.2	15.5	18.0	33.5
				+2.4		

Positive		Negative	
Sales volume and prices	+ 9.0	Reducing overall costs	△ 2.0
Raw material prices	+ 9.0	Inventory valuation	△ 14.0
Other	+ 1.9	Foreign exchange	△ 1.5
<b>T o t a l</b>	<b>+ 19. 9</b>	<b>T o t a l</b>	<b>△ 17. 5</b>



ECOWAY

# 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	25.0	55.0	80.0
					Δ 5.0	

Positive		Negative	
Sales volume and prices	+ 3.0	Inventory valuation (STE)	Δ 21.0
Raw material prices	+ 10.5	Inventory valuation (ALU)	Δ 1.0
Reducing overall costs	+ 5.0	Other	Δ 15.5
Subsidiaries	+ 14.0		
<b>T o t a l</b>	<b>+ 3 2 . 5</b>	<b>T o t a l</b>	<b>Δ 3 7 . 5</b>



ECOWAY

# 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	5.0	17.0	22.0
						Δ 11.5

Positive		Negative	
Sales volume and prices	+ 1.0	Inventory valuation	Δ 21.0
Raw material prices	+ 10.5	Foreign exchange	Δ 5.0
Reducing overall costs	+ 8.5	Other	Δ 5.5
<b>T o t a l</b>	<b>+ 20.0</b>	<b>T o t a l</b>	<b>Δ 31.5</b>



ECOWAY

# Capital investment

	FY2011	FY2012	FY2013	FY2014	change	
		①	②		③	②-①
Capital investment (accrual basis)	96.0	114.9	101.4	135.0	Δ13.5	+33.6
" (except IPP)	95.7	114.6	100.2	134.3	Δ14.4	+34.1
Capital investment (cash basis)	83.2	109.5	95.4	125.0	Δ14.1	+29.6
" (except IPP)	83.0	109.1	94.3	124.3	Δ14.8	+30.0
Depreciation	118.0	106.7	82.9	90.0	Δ23.7	+7.1
" (except IPP)	109.1	97.9	74.0	81.0	Δ23.9	+7.0



EcoWay

# Quarterly Summary

(billion yen)

	FY2012				FY2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Net Sales</b>	434.1	424.4	389.1	437.8	418.6	470.7	435.9	499.4
<b>Operating income</b>	△2.7	8.3	0.8	4.7	19.3	35.1	31.0	29.0
<b>Ordinary income(loss)</b>	△10.4	△0.5	△5.2	△1.9	17.1	26.0	24.2	17.6
<b>Extraordinary income(loss)</b>	△14.1	△3.8	15.2	△4.3	7.1	0.1	6.1	△10.2
<b>Net income(loss)</b>	△32.2	△5.9	15.5	△4.2	18.7	25.4	19.6	6.3





EcoWay

# Quarterly Summary (Segment sales)

(billion yen)

	FY2012				FY2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Iron & Steel	192.2	191.3	178.9	180.2	185.7	204.2	201.3	217.1
Welding	21.3	20.6	19.5	20.5	20.4	21.5	22.2	24.1
Aluminum & Copper	71.9	65.7	61.3	63.1	72.3	75.7	72.1	75.3
Machinery	39.7	41.1	33.8	52.4	31.5	39.7	30.5	47.9
Engineering	7.1	10.7	9.2	19.3	10.6	10.1	7.0	11.2
Kobelco Eco-Solutions	13.6	15.5	17.9	25.4	13.9	16.9	15.0	22.1
Kobelco Construction Machinery	80.1	70.2	57.2	60.2	74.6	88.3	72.8	82.3
Kobelco Cranes	9.5	12.5	10.5	12.7	11.5	13.9	14.3	16.7
Other Businesses	13.9	14.6	15.9	28.7	14.4	17.6	16.7	22.3
Adjustment	△15.6	△18.1	△15.5	△25.1	△16.7	△17.7	△16.3	△20.1
<b>Total</b>	<b>434.1</b>	<b>424.4</b>	<b>389.1</b>	<b>437.8</b>	<b>418.6</b>	<b>470.7</b>	<b>435.9</b>	<b>499.4</b>



EcoWay

# Quarterly Summary (Segment Ordinary income)

(billion yen)

	FY2012				FY2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Iron & Steel	△18.9	△5.0	△13.0	△13.1	5.3	10.2	13.0	5.0
Welding	0.5	0.5	△0.0	1.1	1.2	1.6	2.0	2.3
Aluminum & Copper	1.7	△0.4	1.8	0.6	5.3	2.7	3.6	3.4
Machinery	2.4	1.9	3.5	4.0	1.0	1.0	2.3	2.0
Engineering	△0.5	△0.2	△0.2	△0.2	0.2	△0.3	△1.5	△2.2
Kobelco Eco-Solutions	△0.1	0.4	0.4	3.1	△0.1	1.2	0.4	1.1
Kobelco Construction Machinery	3.9	1.7	1.8	△0.6	2.8	7.3	1.8	3.0
Kobelco Cranes	△0.4	△0.4	△0.3	△0.9	0.8	0.9	0.7	0.6
Other Businesses	1.0	1.1	1.5	3.8	0.8	1.5	1.7	2.7
Adjustment	△0.0	△0.2	△0.7	0.2	△0.4	△0.2	0.0	△0.5
<b>Total</b>	<b>△10.4</b>	<b>△0.5</b>	<b>△5.2</b>	<b>△1.9</b>	<b>17.1</b>	<b>26.0</b>	<b>24.2</b>	<b>17.6</b>





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  - 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