



ECOWAY

**KOBELCO**  
KOBELCO GROUP

**Financial Results for  
First Half of FY2014  
(April 1- September 30)  
Investor meeting**

**October 31, 2014**

**KOBE STEEL, LTD.**



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1. Financial Results for First Half of FY2014
2. Forecast for FY2014
3. Cash Flow and Debt
4. The Progress of Medium -Term Business Plan



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# **1. Financial Results for First Half of FY2014**



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# Financial Results for First Half of FY2014

(billion yen)

	FY2013	FY2014 1H		change	
	1H ①	Forecast ②	Actual ③	③-①	③-②
Net sales	889.3	940.0	916.0	26.6	△24.0
Operating income	54.4	50.0	57.1	2.7	7.1
Ordinary income	43.1	35.0	46.1	3.0	11.1
Extraordinary income(loss)	7.3	—	—	△7.3	—
Net income	44.1	30.0	42.1	△2.0	12.1



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# Segment sales

	(billion yen)				
	FY2013	FY2014 1H		change	
	1H ①	Forecast ②	Actual ③	③-①	③-②
Iron & Steel	389.9	390.0	386.6	△3.3	△3.4
Welding	41.9	46.0	45.6	+3.6	△0.4
Aluminum & Copper	148.1	160.0	161.5	+13.3	+1.5
Machinery	71.3	84.0	73.0	+1.6	△11.0
Engineering	20.8	24.0	19.0	△1.7	△5.0
Kobelco Eco-Solutions	30.9	27.0	27.1	△3.7	+0.1
Kobelco Construction Machinery	162.9	170.0	169.7	+6.7	△0.3
Kobelco Cranes	25.5	37.0	35.8	+10.3	△1.2
Other Businesses	32.1	30.0	30.4	△1.6	+0.4
Adjustment	△34.5	△28.0	△33.1	+1.3	△5.1
<b>Total</b>	<b>889.3</b>	<b>940.0</b>	<b>916.0</b>	<b>+26.6</b>	<b>△24.0</b>



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# Segment Ordinary income (loss)

(billion yen)

	FY2013	FY2014 1H		change	
	1H ①	Forecast ②	Actual ③	③-①	③-②
Iron & Steel	15.5	7.0	10.4	Δ5.1	+3.4
Welding	2.8	4.0	4.6	+1.8	+0.6
Aluminum & Copper	8.0	5.0	6.0	Δ1.9	+1.0
Machinery	2.1	2.5	3.2	+1.1	+0.7
Engineering	Δ0.1	Δ1.0	Δ0.5	Δ0.3	+0.5
Kobelco Eco-Solutions	1.0	Δ0.9	0.3	Δ0.6	+1.2
Kobelco Construction Machinery	10.1	15.0	16.1	+5.9	+1.1
Kobelco Cranes	1.7	2.5	3.1	+1.4	+0.6
Other Businesses	2.4	1.5	1.9	Δ0.5	+0.4
Adjustment	Δ0.7	Δ0.6	0.5	+1.2	+1.1
<b>Total</b>	<b>43.1</b>	<b>35.0</b>	<b>46.1</b>	<b>+3.0</b>	<b>+11.1</b>



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## 2. Forecast for FY2014



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# Forecast for FY2014

(billion yen)

	FY2013	FY2014						change	
	①	Previous Forecast (July. 31)			Forecast			③-①	③-②
		1H	2H	②	1H	2H	③		
Net sales	1,824.6	940.0	990.0	1,930.0	916.0	994.0	1,910.0	+85.4	△20.0
Operating income (except inventory valuation)	114.5 (96.5)	50.0 (52.0)	55.0 (61.0)	105.0 (113.0)	57.1 (60.6)	52.9 (59.9)	110.0 (120.5)	△4.5 (24.0)	+5.0 (7.5)
Ordinary income (except inventory valuation)	85.0 (67.0)	35.0 (37.0)	45.0 (51.0)	80.0 (88.0)	46.1 (49.6)	38.9 (45.9)	85.0 (95.5)	0.0 (28.5)	+5.0 (7.5)
Extraordinary income (loss)	3.1	—	—	—	—	—	—	△3.1	—
Net income	70.1	30.0	25.0	55.0	42.1	17.9	60.0	△10.1	+5.0





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# Segment sales

(billion yen)

	FY2013 ①	FY2014							
		Previous Forecast (July. 31)			Forecast			③-①	③-②
		1H	2H	②	1H	2H	③		
Iron & Steel	808.5	390.0	400.0	790.0	386.6	403.4	790.0	△18.5	—
Welding	88.3	46.0	46.0	92.0	45.6	47.4	93.0	+4.7	+1.0
Aluminum & Copper	295.6	160.0	165.0	325.0	161.5	168.5	330.0	+34.4	+5.0
Machinery	149.8	84.0	92.0	176.0	73.0	100.0	173.0	+23.2	△3.0
Engineering	39.1	24.0	34.0	58.0	19.0	30.0	49.0	+9.9	△9.0
Kobelco Eco-Solutio	68.1	27.0	40.5	67.5	27.1	43.4	70.5	+2.4	+3.0
Kobelco Constructio	318.2	170.0	160.0	330.0	169.7	155.3	325.0	+6.8	△5.0
Kobelco Cranes	56.6	37.0	39.0	76.0	35.8	37.2	73.0	+16.4	△3.0
Other Businesses	71.2	30.0	45.0	75.0	30.4	44.6	75.0	+3.8	—
Adjustment	△71.0	△28.0	△31.5	△59.5	△33.1	△35.4	△68.5	+2.5	△9.0
<b>Total</b>	<b>1,824.6</b>	<b>940.0</b>	<b>990.0</b>	<b>1,930.0</b>	<b>916.0</b>	<b>994.0</b>	<b>1,910.0</b>	<b>+85.4</b>	<b>△20.0</b>



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# Segment Ordinary income (loss)

(billion yen)

	FY2013	FY2014							
	①	Previous Forecast (July. 31)			Forecast			③-①	③-②
		1H	2H	②	1H	2H	③		
Iron & Steel	33.5	7.0	13.0	20.0	10.4	12.6	23.0	△10.5	+3.0
Welding	7.2	4.0	3.5	7.5	4.6	3.4	8.0	+0.8	+0.5
Aluminum & Copper	15.1	5.0	7.0	12.0	6.0	6.0	12.0	△3.1	—
Machinery	6.4	2.5	6.0	8.5	3.2	5.3	8.5	+2.1	—
Engineering	△ 3.9	△ 1.0	0.5	△ 0.5	△ 0.5	0.5	0.0	+3.9	+0.5
Kobelco Eco-Solution	2.6	△ 0.9	3.2	2.3	0.3	2.4	2.7	+0.1	+0.4
Kobelco Construction	15.1	15.0	7.0	22.0	16.1	5.9	22.0	+6.9	—
Kobelco Cranes	3.2	2.5	1.5	4.0	3.1	0.9	4.0	+0.8	—
Other Businesses	6.8	1.5	4.5	6.0	1.9	4.6	6.5	△0.3	+0.5
Adjustment	△ 1.2	△ 0.6	△ 1.2	△ 1.8	0.5	△ 2.2	△ 1.7	△0.5	+0.1
<b>Total</b>	<b>85.0</b>	<b>35.0</b>	<b>45.0</b>	<b>80.0</b>	<b>46.1</b>	<b>38.9</b>	<b>85.0</b>	<b>0.0</b>	<b>+5.0</b>



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# 【Iron & Steel】

(billion yen)

change

	FY2014						②-①
	Previous Forecast (July. 31)			Forecast			
	1H	2H	①	1H	2H	②	
Net sales	390.0	400.0	790.0	386.6	403.4	790.0	—
Ordinary income	7.0	13.0	20.0	10.4	12.6	23.0	+3.0
(inventory valuation)	(Δ2.5)	(Δ6.5)	(Δ9.0)	(Δ3.5)	(Δ7.5)	(Δ11.0)	(Δ2.0)

## <FY2014>

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



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# Production & Sales data

	FY2013				FY2014		
	1Q	1H	2H	FY	1Q	1H	
<Domestic crude steel production trend(million tons)>	28.1	55.8	55.7	111.5	27.7	55.6	
<Domestic steel inventory trend(million tons)>							
Ordinary steel products	5.6	5.5	5.7	--	5.8	5.9 <i>end of Aug<sup>t</sup></i>	
Rolled sheets	3.9	3.9	4.1	--	4.2	4.3 <i>end of Aug<sup>t</sup></i>	
<Key indicators of Demand(million cars)>							
Finished Auto Production	2.3	4.7	5.2	9.9	2.4	3.9 <i>Apr - Aug<sup>t</sup></i>	
<KSL>							
Crude Steel Production	(million tons)	1.9	3.8	3.8	7.6	1.8	3.7
Sales volume	(million tons)	1.5	3.1	3.2	6.3	1.4	2.9
(Domestic)	(million tons)	(1.0)	(2.1)	(2.2)	(4.3)	(1.0)	(2.1)
(Export)	(million tons)	(0.5)	(1.0)	(1.0)	(2.0)	(0.4)	(0.9)
Average Steel Selling Price	(thousand yen/ton)	76.4	78.8	81.5	80.2	82.5	82.4
Export ratio (value basis)		33.6%	31.9%	30.8%	31.3%	30.5%	30.6%

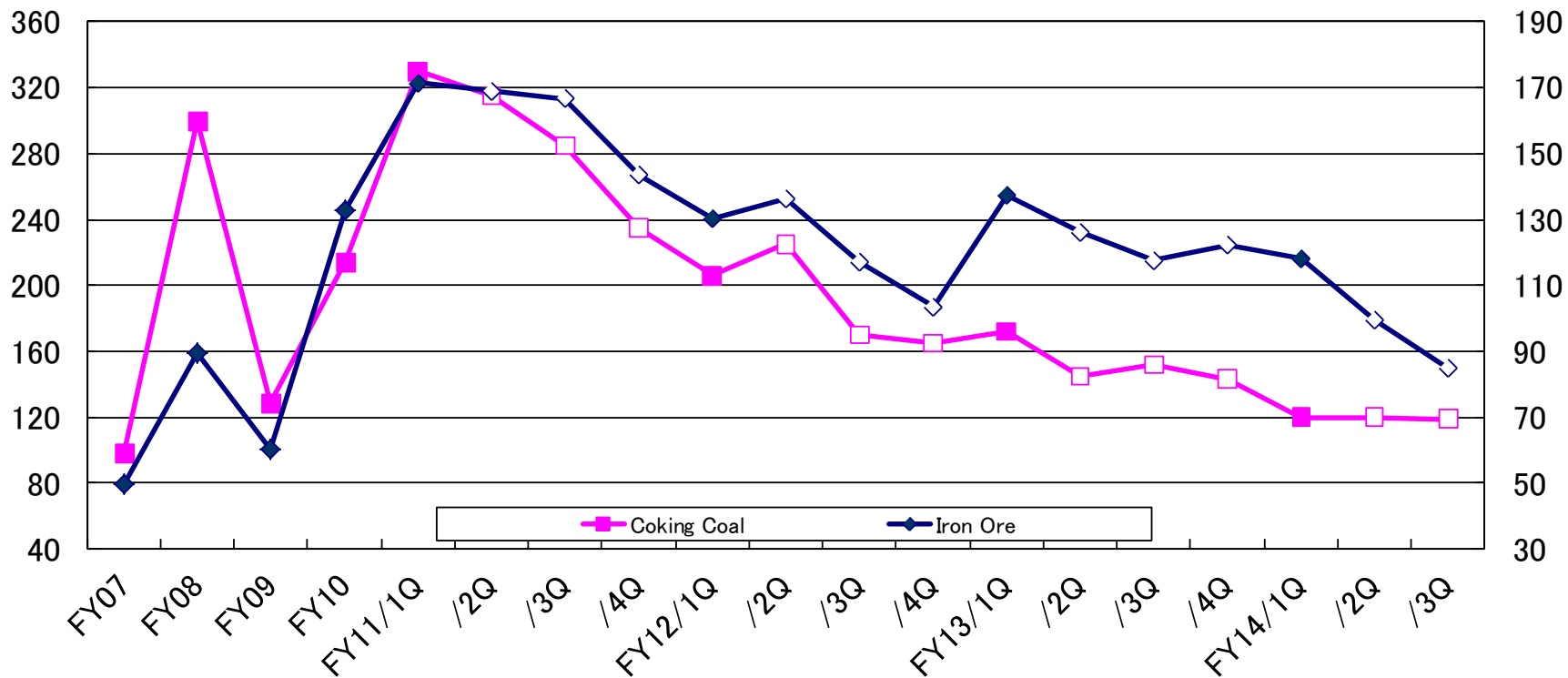


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# Iron Ore & Coking Coal Prices Trends

(Coking Coal \$/ton)

(Iron Ore: \$/ton)

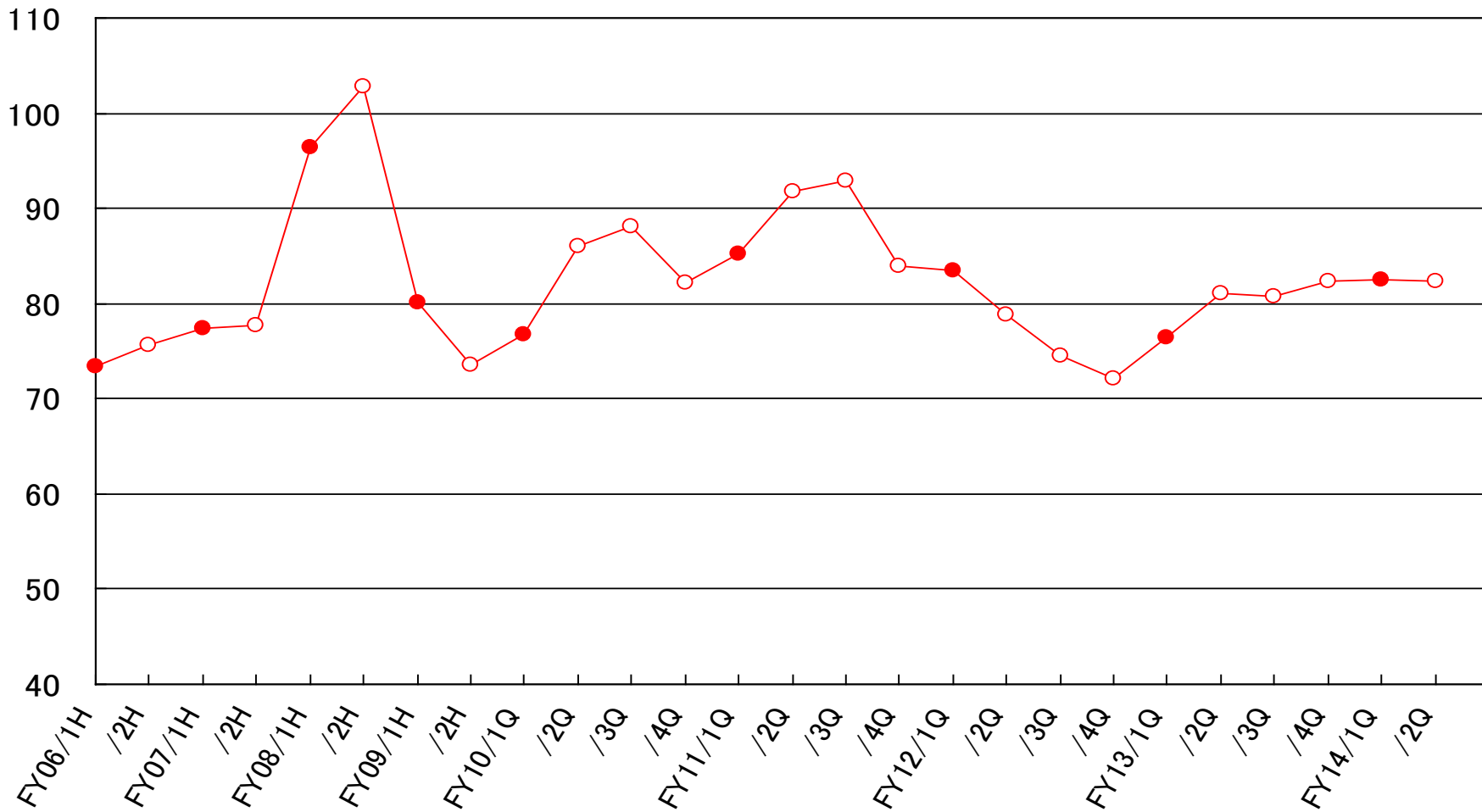




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# KSL Steel Products Prices Trends

(thousand yen /ton)





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# 【Welding】

	FY2014						change (billion yen) ②-①
	Previous Forecast (July. 31)			Forecast			
	1H	2H	①	1H	2H	②	
Net sales	46.0	46.0	92.0	45.6	47.4	93.0	+1.0
Ordinary income	4.0	3.5	7.5	4.6	3.4	8.0	+0.5

	FY2013				FY2014	
	1Q	1H	2H	FY	1Q	1H
<Domestic Welding material demand (thousand tons)>	51	103	113	216	57	113
<Welding material sales volume of KSL Group (thousand tons)>						
Domestic	30	60	66	126	34	67
Export	49	96	96	192	47	95
	79	155	163	318	81	162

## <FY2014>

- Domestic demand in the automotive, shipbuilding and construction sectors is anticipated to be strong, while in overseas markets, demand is forecast to be strong mainly in the energy sector.



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# 【Aluminum & Copper】

(billion yen)

	FY2014						change ②-①
	Previous Forecast (July. 31)			Forecast			
	1H	2H	①	1H	2H	②	
Net sales	160.0	165.0	325.0	161.5	168.5	330.0	+5.0
Ordinary income	5.0	7.0	12.0	6.0	6.0	12.0	—
(inventory valuation)	(0.5)	(0.5)	(1.0)	(0.0)	(0.5)	(0.5)	(Δ0.5)

## <FY2014>

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





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# Shipments & Sales data

(thousand ton)

	FY2013			FY2014
	1H	2H	FY	1H
<b>&lt;Shipments of Aluminum rolled products&gt;</b>				
Aluminum sheet	574	575	1,149	619
Aluminum extrusion	405	430	835	399
(can stock)	(217)	(194)	(411)	(221)
	979	1,005	1,984	1,018
<b>&lt;Shipments of Processed copper products&gt;</b>				
Copper Sheet and Strip	197	209	406	207
Copper Tube	55	59	114	58
	252	268	520	265
<b>&lt;Sales volume of KSL&gt;</b>				
<b>Aluminum rolled products</b>				
Domestic	113	109	222	125
Export	22	23	45	29
Copper Sheet and Strip	24	24	48	27
Copper Tube	44	41	85	45



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# 【Machinery】

(billion yen)

	FY2014						change ②-①
	Previous Forecast (July. 31)			Forecast			
	1H	2H	①	1H	2H	②	
Net sales	84.0	92.0	176.0	73.0	100.0	173.0	△3.0
Ordinary income	2.5	6.0	8.5	3.2	5.3	8.5	—
Orders	89.0	81.0	170.0	73.7	86.3	160.0	△10.0

## <FY2014>

- Demand for compressors used in the energy and petrochemical sectors is anticipated to be strong.
- Orders are anticipated to decrease due to severe competition.



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# 【Engineering】

	FY2014						(billion yen)
	Previous Forecast (July. 31)			Forecast			change
	1H	2H	①	1H	2H	②	②-①
Net sales	24.0	34.0	58.0	19.0	30.0	49.0	△9.0
Ordinary income	△1.0	0.5	△0.5	△0.5	0.5	0.0	+0.5
Orders	11.0	32.0	43.0	14.5	31.5	46.0	+3.0

## <FY2014>

- Iron direct reduction plant sector is anticipated to continue being weak due to low price iron source.
- Ordinary income is anticipated to increase due to reducing fixed costs.



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# 【Kobelco Eco-Solutions】

	FY2014						(billion yen)
	Previous Forecast (July. 31)			Forecast			change
	1H	2H	①	1H	2H	②	②-①
Net sales	27.0	40.5	67.5	27.1	43.4	70.5	+3.0
Ordinary income	△0.9	3.2	2.3	0.3	2.4	2.7	+0.4

## <FY2014>

- The water treatment business is anticipated to continue being weak, although there are signs of an upswing in the waste treatment business.



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# 【Kobelco Construction Machinery】

	FY2014						(billion yen)
	Previous Forecast (July. 31)			Forecast			change
	1H	2H	①	1H	2H	②	②-①
Net sales	170.0	160.0	330.0	169.7	155.3	325.0	△5.0
Ordinary income	15.0	7.0	22.0	16.1	5.9	22.0	—

## <FY2014>

- Demand in China and Southeast Asia is anticipated to remain weak.
- Demand in North America is expected to be strong.



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# 【Kobelco Cranes】

	FY2014						(billion yen)
	Previous Forecast (July. 31)			Forecast			change
	1H	2H	①	1H	2H	②	②-①
Net sales	37.0	39.0	76.0	35.8	37.2	73.0	△3.0
Ordinary income	2.5	1.5	4.0	3.1	0.9	4.0	—

## <FY2014>

- Demand in Japan, North America and Southeast Asia is anticipated to be strong.
- Ordinary income is anticipated to remain unchanged due to increasing development cost.



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## 3. Cash Flow and Debt



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# Cash Flow

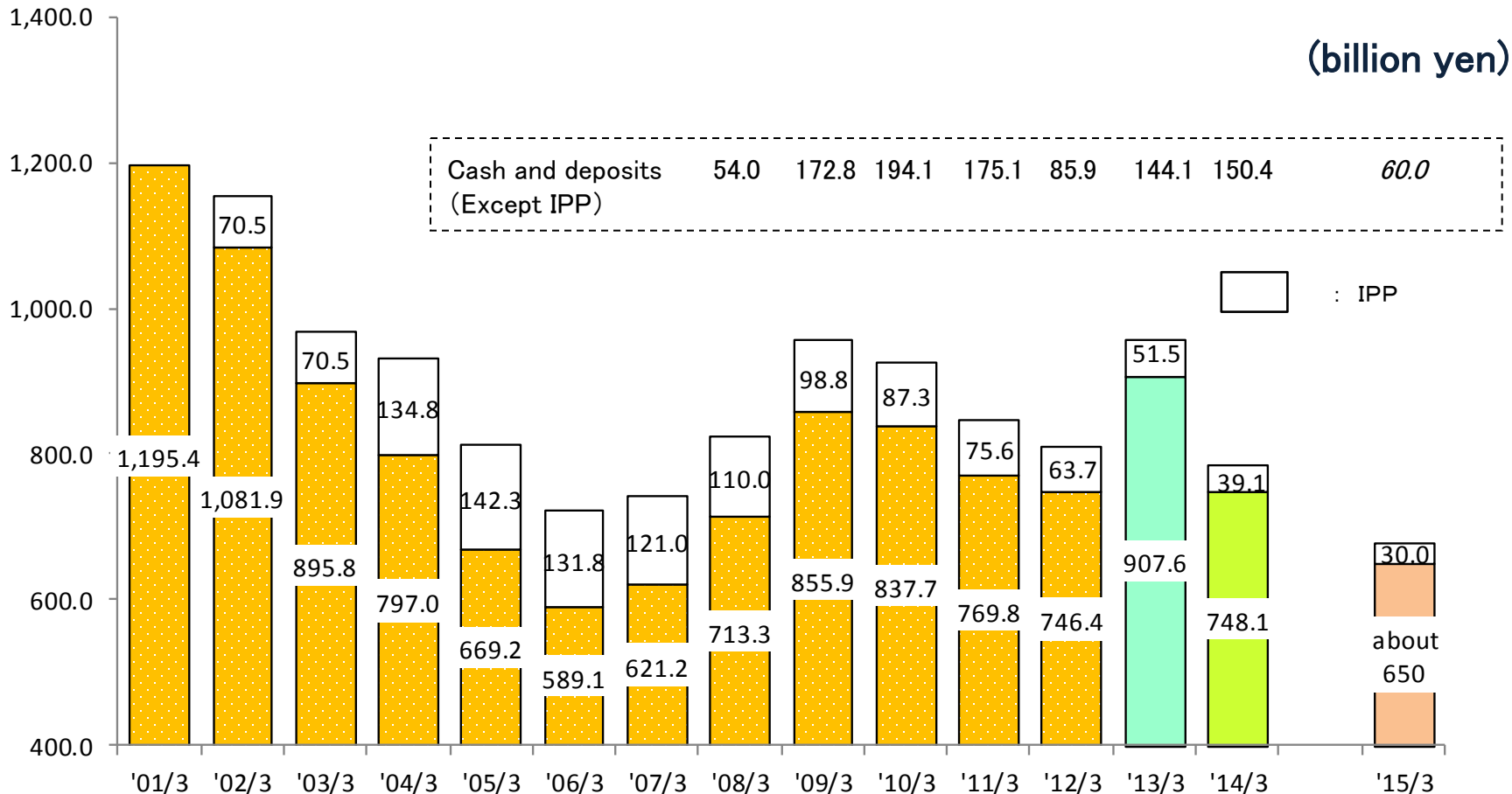
(billion yen)

	FY2013	FY2014						change	
	①	Previous Forecast (July. 31)			Forecast			③-①	③-②
		1H	2H	②	1H	2H	③		
Cash flows from operating activities	178.0	60.0	65.0	125.0	71.9	68.1	140.0	△38.0	+15.0
Cash flows from investing activities	△ 60.9	△ 55.0	△ 70.0	△ 125.0	△ 38.7	△ 71.3	△ 110.0	△49.1	+15.0
Free cash flow	117.1	5.0	△ 5.0	0.0	33.2	△ 3.2	30.0	△87.1	+30.0
Free cash flow (include IPP)	132.1	15.0	△ 5.0	10.0	40.5	△ 0.5	40.0	△92.1	+30.0



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# Debt



	FY2013	FY2014
D/E ratio (times)	1.11	1.0 or less



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



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# Rebuilding the Business Foundation

(Billion yen/Compared with FY2012)

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	38	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	13	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 investments</li> </ul>	120	160	120

(※) Include the Improving the Competitiveness of the Company



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# Preparation for Stabilization and Growth

## ◆ Restructuring of the Iron & Steel segment

Kobe Works

- Shut down upstream operations

Kakogawa Works

- Increase production capacity



The plan for consolidating upstream operations at Kobe Works with Kakogawa Works in FY2017 is progressing smoothly.

## ◆ Business Expansion in Growth Markets

Iron & Steel

- : Commercial production of cold-rolled high-strength steel sheet for automobiles begun in North America.
- : Joint venture was established to make cold-rolled high-strength steel sheet for automobiles in China.
- : Joint venture for steel wire rod processing was established in Mexico.

Aluminum & Copper

- : Production capacity of the aluminum forging plant in China has expanded.
- : The company for making aluminum sheet for automotive body panels was established in China.
- : We are considering to establish a joint venture to produce aluminum sheet for automotive body panels in the US.

Machinery Engineering

- : The company for selling our compressors was established in Brazil.
- : Midrex signed a contract with the voestalpine for Direct Reduction Plant in the US.

Construction Machinery: Sales expansion progress smoothly in Europe and North America.





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# < Reference >



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# Consolidated Ordinary income Analysis

[FY2014 1H Previous Forecast ⇒ Actual Results]

(billion yen)

	FY14 Previous forecast (July,31)			FY14 Forecast		
	1H	2H	FY	1H	2H	FY
Ordinary income	35.0	45.0	80.0	46.1	38.9	85.0
	+ 11.1					

Positive		Negative	
Raw material prices	± 0.0	Sales volume and prices	△ 0.5
Reducing overall costs	+ 2.0	Inventory valuation (STE)	△ 1.0
Subsidiaries	+ 4.5	Inventory valuation (ALU)	△ 0.5
Other	+ 6.6		
<b>T o t a l</b>	<b>+ 1 3 . 1</b>	<b>T o t a l</b>	<b>△ 2 . 0</b>



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# Iron & Steel Ordinary income Analysis

[FY2014 1H Previous Forecast ⇒ Actual Results]

(billion yen)

	FY14 Previous forecast (July,31)			FY14 Forecast		
	1H	2H	FY	1H	2H	FY
Ordinary income	7.0	13.0	20.0	10.4	12.6	23.0
				+ 3.4		

Positive		Negative	
Sales volume and prices	+ 0.5	Inventory valuation	△ 1.0
Raw material prices	± 0.0		
Reducing overall costs	+ 0.5		
Foreign exchange	+ 0.5		
Other	+ 2.9		
<b>T o t a l</b>	<b>+ 4. 4</b>	<b>T o t a l</b>	<b>△ 1. 0</b>



# Consolidated Ordinary income Analysis

[FY2014 Previous Forecast ⇒ Forecast]

(billion yen)

	FY14 Previous forecast (July,31)			FY14 Forecast		
	1H	2H	FY	1H	2H	FY
Ordinary income	35.0	45.0	80.0	46.1	38.9	85.0
						+ 5.0

Positive			Negative		
Sales volume and prices	+	5.5	Reducing overall costs	△	2.0
Raw material prices	±	0.0	Inventory valuation (STE)	△	2.0
Subsidiaries	+	0.5	Inventory valuation (ALU)	△	0.5
Other	+	3.5			
<b>T o t a l</b>	<b>+</b>	<b>9. 5</b>	<b>T o t a l</b>	<b>△</b>	<b>4. 5</b>



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# Iron & Steel Ordinary income Analysis

[FY2014 Previous Forecast ⇒ Forecast]

(billion yen)

	FY14 Previous forecast (July,31)			FY14 Forecast		
	1H	2H	FY	1H	2H	FY
Ordinary income	7.0	13.0	20.0	10.4	12.6	23.0
				+ 3.0		

Positive		Negative	
Sales volume and prices	+ 6.5	Reducing overall costs	△ 2.5
Raw material prices	± 0.0	Inventory valuation	△ 2.0
Foreign exchange	+ 0.5		
Other	+ 0.5		
<b>T o t a l</b>	<b>+ 7. 5</b>	<b>T o t a l</b>	<b>△ 4. 5</b>



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# Consolidated Ordinary income Analysis

[FY2013 1H ⇒ FY2014 1H]

(billion yen)

	FY2013			FY2014		
	1H	2H	FY	1H	2H	FY
Ordinary income	43.1	41.8	85.0	46.1	38.9	85.0
				+3.0		

Positive		Negative	
Sales volume and prices	+ 4.5	Reducing overall costs	△ 3.5
Raw material prices	+ 16.5	Inventory valuation (STE)	△ 19.0
Subsidiaries	+ 11.0	Inventory valuation (ALU)	△ 0.5
		Other	△ 6.0
<b>T o t a l</b>	<b>+ 3 2 . 0</b>	<b>T o t a l</b>	<b>△ 2 9 . 0</b>



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# Iron & Steel Ordinary income Analysis

[FY2013 1H ⇒ FY2014 1H]

(billion yen)

	FY2013			FY2014		
	1H	2H	FY	1H	2H	FY
Ordinary income	15.5	18.0	33.5	10.4	12.6	23.0
				↑ $\Delta 5.1$		

Positive		Negative	
Sales volume and prices	+ 3.5	Reducing overall costs	$\Delta$ 1.5
Raw material prices	+ 16.5	Inventory valuation	$\Delta$ 19.0
		Foreign exchange	$\Delta$ 3.0
		Other	$\Delta$ 1.6
<b>T o t a l</b>	<b>+ 20. 0</b>	<b>T o t a l</b>	<b><math>\Delta</math> 25. 1</b>



# Consolidated Ordinary income Analysis

[FY2013 2H ⇒ FY2014 1H]

(billion yen)

	FY2013			FY2014		
	1H	2H	FY	1H	2H	FY
Ordinary income	43.1	41.8	85.0	46.1	38.9	85.0
						+4.2

Positive		Negative	
Raw material prices	+ 7.5	Sales volume and prices	△ 4.5
Reducing overall costs	± 0.0	Inventory valuation (STE)	△ 5.0
Subsidiaries	+ 12.0	Inventory valuation (ALU)	△ 0.5
		Other	△ 5.3
<b>T o t a l</b>	<b>+ 19. 5</b>	<b>T o t a l</b>	<b>△ 15. 3</b>



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# Iron & Steel Ordinary income Analysis

[FY2013 2H ⇒ FY2014 1H]

(billion yen)

	FY2013			FY2014		
	1H	2H	FY	1H	2H	FY
Ordinary income	15.5	18.0	33.5	10.4	12.6	23.0
			Δ 7.5			

Positive		Negative	
Raw material prices	+ 7.5	Sales volume and prices	Δ 5.5
Reducing overall costs	+ 0.5	Inventory valuation	Δ 5.0
		Foreign exchange	Δ 1.5
		Other	Δ 3.5
<b>T o t a l</b>	<b>+ 8. 0</b>	<b>T o t a l</b>	<b>Δ 15. 5</b>





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# Consolidated Ordinary income Analysis [FY2014 1H ⇒ 2H]

(billion yen)

	FY2013			FY2014		
	1H	2H	FY	1H	2H	FY
Ordinary income	43.1	41.8	85.0	46.1	38.9	85.0
				△7.2		

Positive		Negative	
Raw material prices	+ 13.0	Sales volume and prices	△ 11.5
Reducing overall costs	+ 2.0	Inventory valuation (STE)	△ 4.0
Inventory valuation (ALU)	+ 0.5	Subsidiaries	△ 9.0
Other	+ 1.8		
<b>T o t a l</b>	<b>+ 17.3</b>	<b>T o t a l</b>	<b>△ 24.5</b>



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# Iron & Steel Ordinary income Analysis [FY2014 1H ⇒ 2H]

(billion yen)

	FY2013			FY2014		
	1H	2H	FY	1H	2H	FY
Ordinary income	15.5	18.0	33.5	10.4	12.6	23.0

Positive		Negative	
Raw material prices	+ 13.0	Sales volume and prices	△ 12.5
Reducing overall costs	+ 3.5	Inventory valuation	△ 4.0
Foreign exchange	± 0.0		
Other	+ 2.2		
<b>T o t a l</b>	<b>+ 1 8 . 7</b>	<b>T o t a l</b>	<b>△ 1 6 . 5</b>



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# Consolidated Ordinary income Analysis [FY2013 ⇒ FY2014]

(billion yen)

	FY2013			FY2014		
	1H	2H	FY	1H	2H	FY
Ordinary income	43.1	41.8	85.0	46.1	38.9	85.0
						±0.0

Positive		Negative	
Raw material prices	+ 38.0	Sales volume and prices	△ 10.0
Subsidiaries	+ 15.0	Reducing overall costs	△ 2.5
		Inventory valuation (STE)	△ 28.0
		Inventory valuation (ALU)	△ 0.5
		Other	△ 12.0
<b>T o t a l</b>	<b>+ 5 3 . 0</b>	<b>T o t a l</b>	<b>△ 5 3 . 0</b>



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# Iron & Steel Ordinary income Analysis [FY2013⇒FY2014]

(billion yen)

	FY2013			FY2014		
	1H	2H	FY	1H	2H	FY
Ordinary income	15.5	18.0	33.5	10.4	12.6	23.0
						Δ10.5

Positive		Negative	
Raw material prices	+ 38.0	Sales volume and prices	Δ 13.0
Reducing overall costs	+ 1.0	Inventory valuation	Δ 28.0
		Foreign exchange	Δ 4.5
		Other	Δ 4.0
<b>T o t a l</b>	<b>+ 3 9 . 0</b>	<b>T o t a l</b>	<b>Δ 4 9 . 5</b>



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# Capital investment

(billion yen)

	FY2011	FY2012	FY2013 ①	FY2014 ②	change ② - ①
Capital investment (accrual basis)	96.0	114.9	101.4	125.0	+23.6
" (excludes IPP)	95.7	114.6	100.2	124.3	+24.1

Capital investment (cash basis)	83.2	109.5	95.4	110.0	+14.6
" (excludes IPP)	83.0	109.1	94.3	109.3	+15.0

Depreciation	118.0	106.7	82.9	90.0	+7.1
" (excludes IPP)	109.1	97.9	74.0	81.0	+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