



# Investor Meeting Third Quarter of FY2015

# KOBELCO



February 2, 2016  
KOBELCO, LTD.







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# Financial Results for Third Quarter of FY2015

(Billions of yen)

	FY2014			FY2015			Change ② - ①
	1H	3Q	1~3Q ①	1H	3Q	1~3Q ②	
<b>Net sales</b>	916.0	457.7	1,373.7	928.6	424.9	1,353.5	△20.1
<b>Operating income</b>	57.1	30.8	88.0	47.0	9.5	56.6	△31.4
<b>Ordinary income</b>	46.1	31.5	77.7	33.0	△0.0	33.0	△44.6
(excluding inventory valuation)	(49.6)	(33.0)	(82.7)	(40.5)	(6.0)	(46.5)	(△36.2)
<b>Extraordinary income</b>	-	-	-	△9.4	△30.3	△39.7	△39.7
<b>Net income attributable to owners of the parent</b>	42.1	22.0	64.1	13.4	△27.2	△13.8	△77.9



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# Segment Sales

(Billions of yen)

Net sales	FY2014			FY2015			Change ② - ①
	1H	3Q	1~3Q ①	1H	3Q	1~3Q ②	
<b>Iron &amp; Steel</b>	386.6	200.3	587.0	377.4	179.3	556.7	△30.2
<b>Welding</b>	45.6	24.3	70.0	46.6	22.2	68.9	△1.1
<b>Aluminum &amp; Copper</b>	161.5	82.9	244.4	178.3	84.2	262.5	+18.1
<b>Machinery</b>	73.0	37.4	110.5	81.2	32.2	113.5	+3.0
<b>Engineering</b>	19.0	11.1	30.1	25.5	7.3	32.9	+2.7
<b>Kobelco Eco-Solutions</b>	27.1	16.3	43.5	31.8	19.3	51.1	+7.6
<b>Kobelco Construction Machinery</b>	169.7	70.0	239.7	147.0	61.8	208.8	△30.9
<b>Kobelco Cranes</b>	35.8	15.8	51.7	39.0	16.3	55.4	+3.6
<b>Other Businesses</b>	30.4	17.2	47.7	35.7	16.1	51.8	+4.0
<b>Adjustment</b>	△33.1	△18.0	△51.2	△34.3	△14.1	△48.4	+2.7
<b>Total</b>	916.0	457.7	1,373.7	928.6	424.9	1,353.5	△20.1



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# Ordinary Income (Loss) by Segment

(Billions of yen)

Ordinary income	FY2014			FY2015			Change ② - ①
	1H	3Q	1~3Q ①	1H	3Q	1~3Q ②	
<b>Iron &amp; Steel</b>	10.4	9.9	20.3	7.5	2.2	9.7	△10.6
<b>Welding</b>	4.6	2.8	7.4	4.3	1.8	6.1	△1.3
<b>Aluminum &amp; Copper</b>	6.0	4.6	10.7	9.4	2.4	11.9	+1.2
<b>Machinery</b>	3.2	4.4	7.7	2.8	2.5	5.3	△2.4
<b>Engineering</b>	△0.5	△0.2	△0.7	2.0	△1.0	0.9	+1.7
<b>Kobelco Eco-Solutions</b>	0.3	0.9	1.3	0.6	0.6	1.3	+0.0
<b>Kobelco Construction Machinery</b>	16.1	4.4	20.5	△0.4	△8.9	△9.4	△30.0
<b>Kobelco Cranes</b>	3.1	1.3	4.5	2.4	0.3	2.8	△1.6
<b>Other Businesses</b>	1.9	1.8	3.7	3.3	1.2	4.5	+0.7
<b>Adjustment</b>	0.5	1.3	1.9	1.0	△1.3	△0.3	△2.2
<b>Total</b>	46.1	31.5	77.7	33.0	△0.0	33.0	△44.6





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# Forecast for FY2015

(Billions of yen)

	FY2014 Full year	FY2015 Forecast (Oct. 30)			FY2015 Current Forecast			Change	
	①	1H	2H	Full year ②	1H	2H	Full year ③	③ - ①	③ - ②
<b>Net sales</b>	1,886.8	928.6	941.4	1,870.0	928.6	911.4	1,840.0	△46.8	△30.0
<b>Operating income</b>	119.4	47.0	43.0	90.0	47.0	18.0	65.0	△54.4	△25.0
<b>Ordinary income</b>	101.6	33.0	22.0	55.0	33.0	△8.0	25.0	△76.6	△30.0
(excluding inventory valuation)	(108.1)	(40.5)	(31.5)	(72.0)	(40.5)	(2.5)	(43.0)	(△65.1)	(△29.0)
<b>Extraordinary income</b>	2.6	△9.4	△10.6	△20.0	△9.4	△30.3	△39.7	△42.3	△19.7
<b>Net income attributable to owners of the parent</b>	86.5	13.4	6.6	20.0	13.4	△33.4	△20.0	△106.5	△40.0





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# Segment Sales

(Billions of yen)

Net sales	FY2014	FY2015			FY2015			Change	
	Full year	Forecast (Oct. 30)			Current Forecast				
	①	1H	2H	Full year	1H	2H	Full year	③-①	③-②
				②			③		
<b>Iron &amp; Steel</b>	797.8	377.4	367.6	745.0	377.4	357.6	735.0	△62.8	△10.0
<b>Welding</b>	94.4	46.6	46.4	93.0	46.6	44.4	91.0	△3.4	△2.0
<b>Aluminum &amp; Copper</b>	330.8	178.3	171.7	350.0	178.3	171.7	350.0	+19.2	±0.0
<b>Machinery</b>	159.1	81.2	92.8	174.0	81.2	89.8	171.0	+11.9	△3.0
<b>Engineering</b>	49.0	25.5	25.5	51.0	25.5	25.5	51.0	+2.0	±0.0
<b>Kobelco Eco-Solutions</b>	68.1	31.8	52.7	84.5	31.8	52.7	84.5	+16.4	±0.0
<b>Kobelco Construction Machinery</b>	311.0	147.0	133.0	280.0	147.0	123.0	270.0	△41.0	△10.0
<b>Kobelco Cranes</b>	71.1	39.0	37.0	76.0	39.0	36.0	75.0	+3.9	△1.0
<b>Other Businesses</b>	76.0	35.7	42.3	78.0	35.7	38.3	74.0	△2.0	△4.0
<b>Adjustment</b>	△70.7	△34.3	△27.2	△61.5	△34.3	△27.2	△61.5	+9.2	±0.0
<b>Total</b>	1,886.8	928.6	941.4	1,870.0	928.6	911.4	1,840.0	△46.8	△30.0



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# Segment Ordinary Income (Loss)

(Billions of yen)

Ordinary income	FY2014	FY2015			FY2015			Change	
	Full year	Forecast (Oct. 30)			Current Forecast				
	①	1H	2H	Full year	1H	2H	Full year	③-①	③-②
				②			③		
<b>Iron &amp; Steel</b>	28.7	7.5	12.5	20.0	7.5	Δ1.5	6.0	Δ22.7	Δ14.0
<b>Welding</b>	10.2	4.3	3.7	8.0	4.3	3.7	8.0	Δ2.2	±0.0
<b>Aluminum &amp; Copper</b>	15.1	9.4	4.6	14.0	9.4	5.6	15.0	Δ0.1	+1.0
<b>Machinery</b>	10.4	2.8	3.7	6.5	2.8	3.7	6.5	Δ3.9	±0.0
<b>Engineering</b>	0.7	2.0	Δ1.5	0.5	2.0	Δ1.5	0.5	Δ0.2	±0.0
<b>Kobelco Eco-Solutions</b>	3.0	0.6	2.7	3.3	0.6	2.7	3.3	+0.3	±0.0
<b>Kobelco Construction Machinery</b>	21.0	Δ0.4	1.4	1.0	Δ0.4	Δ15.6	Δ16.0	Δ37.0	Δ17.0
<b>Kobelco Cranes</b>	5.1	2.4	1.1	3.5	2.4	Δ0.4	2.0	Δ3.1	Δ1.5
<b>Other Businesses</b>	7.0	3.3	4.2	7.5	3.3	3.7	7.0	±0.0	Δ0.5
<b>Adjustment</b>	Δ0.0	1.0	Δ10.3	Δ9.3	1.0	Δ8.3	Δ7.3	Δ7.3	+2.0
<b>Total</b>	101.6	33.0	22.0	55.0	33.0	Δ8.0	25.0	Δ76.6	Δ30.0



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# 【Iron & Steel】

(Billions of yen)

	FY2015 Forecast (Oct. 30)			FY2015 Current Forecast			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	377.4	367.6	745.0	377.4	357.6	735.0	△10.0
Ordinary income	7.5	12.5	20.0	7.5	△1.5	6.0	△14.0
(inventory valuation)	(△7.5)	(△6.0)	(△13.5)	(△7.5)	(△7.0)	(△14.5)	(△1.0)

## FY2015

- Although demand is firm in the shipbuilding sector, demand decreased in the automotive sector as new car sales in Japan continued to go down, compared with the same period last year. As a result, the sales volume of steel products will be at a similar level to the same period last year.
- Ordinary income will decrease compared with the same period last year, due to the posting of a valuation loss on raw material interests and investments and a change in the sales mix of products due to a decrease in demand in the automotive sector.



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# Production & Sales

	FY2014				FY2015	
	1H	3Q	2H	Full year	1H	3Q
<b>Domestic crude steel production</b> (millions of tons)	55.6	27.5	54.3	109.9	52.1	26.3

<Domestic steel inventory trend>

<b>Ordinary steel products</b> (millions of tons)	5.9	5.9	5.8	--	5.8	end of Nov. 5.7
<b>Rolled sheets</b> (millions of tons)	4.3	4.3	4.3	--	4.2	end of Nov. 4.1

<Domestic steel inventory trend>

<b>Finished auto production</b> (millions of cars)	4.8	1.6	4.8	9.6	4.5	Oct.-Nov. 1.6
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<KSL>

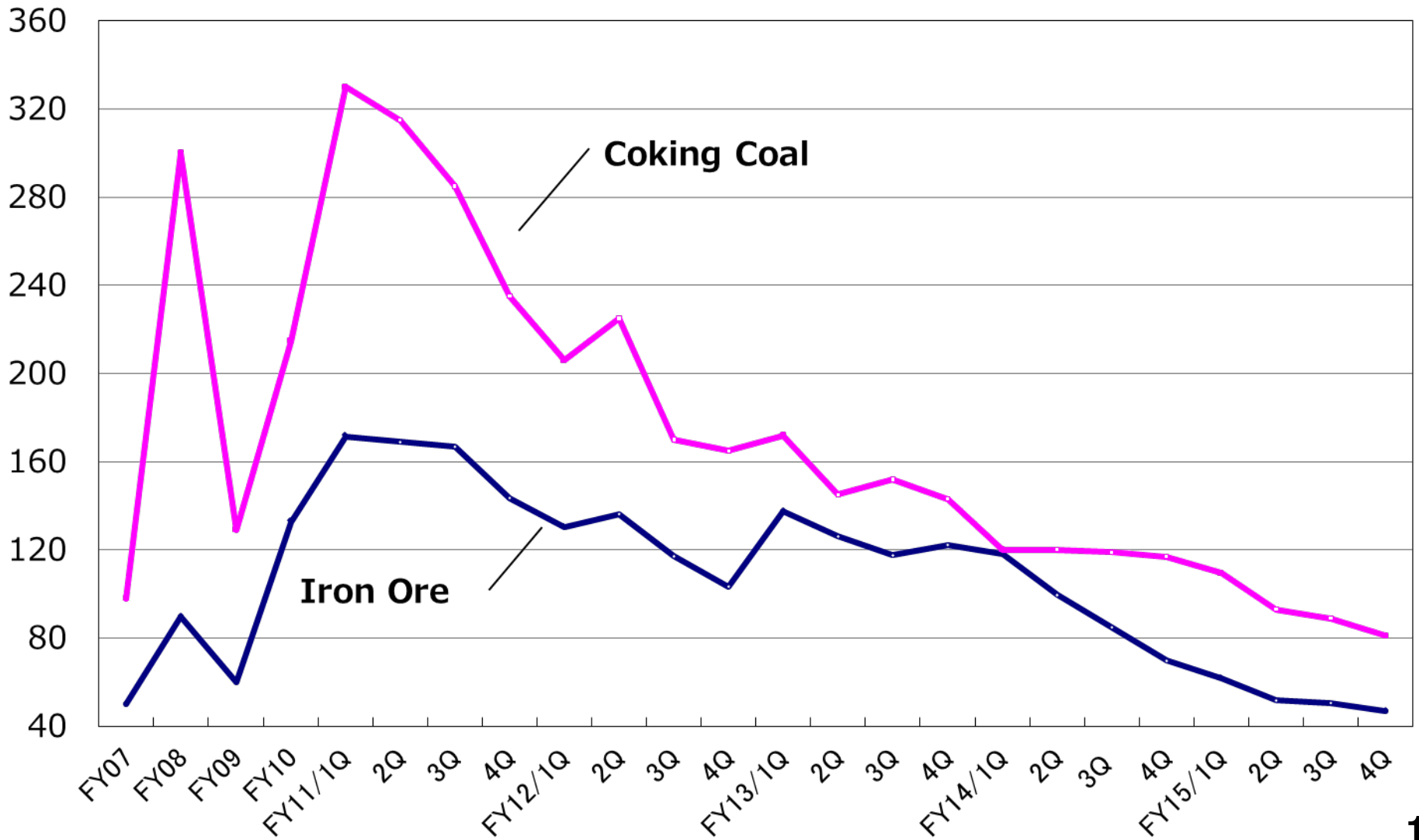
<b>Crude steel production</b> (millions of tons)	3.7	1.9	3.8	7.5	3.7	1.9
<b>Sales volume</b> (millions of tons)	2.9	1.5	3.1	6.1	3.0	1.5
<b>(Domestic)</b>	(2.1)	(1.1)	(2.1)	(4.2)	(2.0)	(1.0)
<b>(Exports)</b>	(0.9)	(0.5)	(1.0)	(1.9)	(1.0)	(0.4)
<b>Average steel selling price</b> (thousands of yen/ton)	82.4	82.2	81.0	81.7	78.7	75.4
<b>Export ratio (value basis)</b>	30.6%	32.2%	33.5%	32.1%	34.2%	29.2%



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# Iron Ore & Coking Coal Price Trends

(\$/ton)

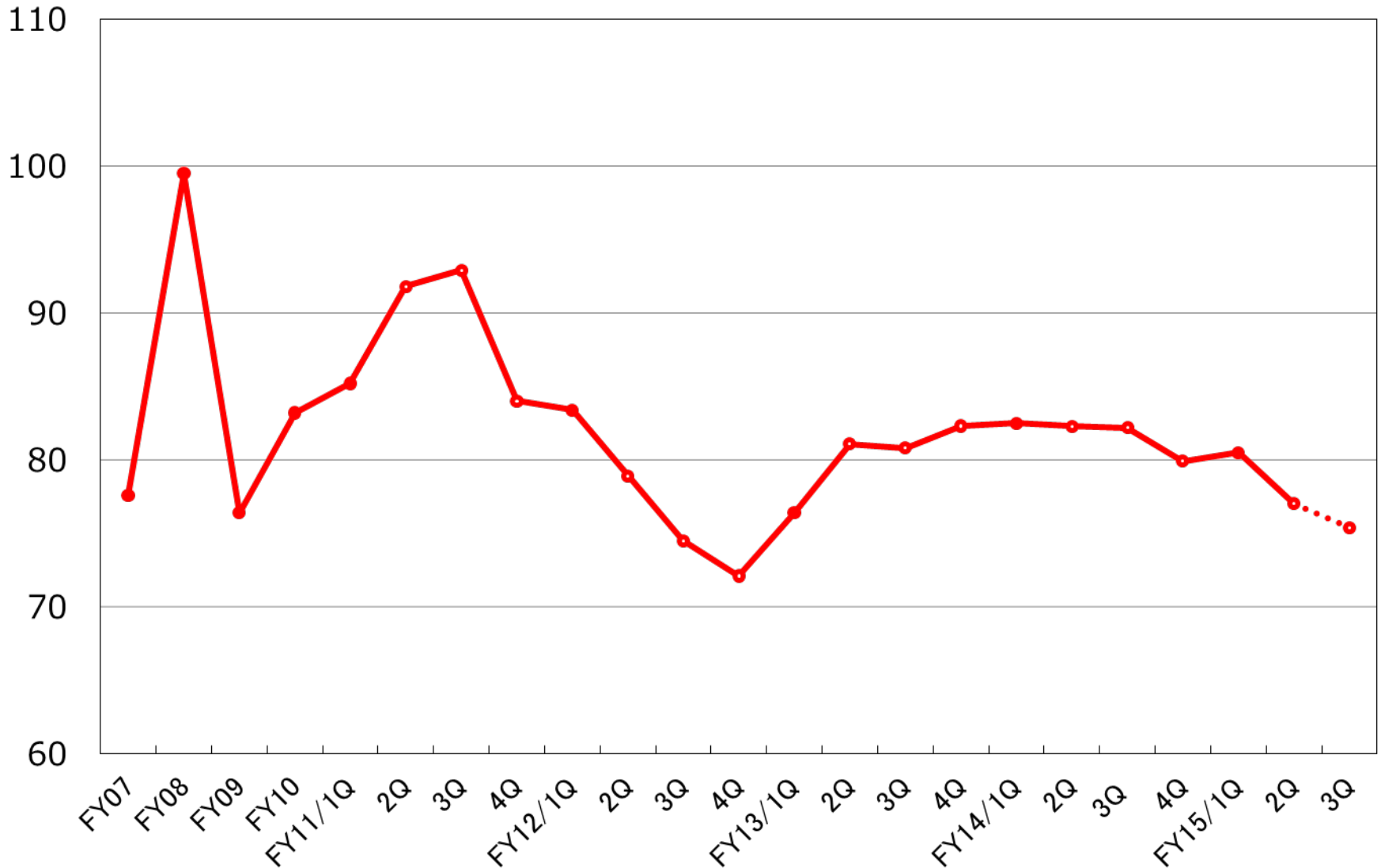




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# Steel Product Price Trends at Kobe Steel

(Thousands of yen /ton)





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# 【Welding】

(Billions of yen)

	FY2015 Forecast (Oct. 30)			FY2015 Forecast			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	46.6	46.4	93.0	46.6	44.4	91.0	△2.0
Ordinary income	4.3	3.7	8.0	4.3	3.7	8.0	±0.0

## <Sales volume of KSL Group>

(Thousands of tons)

	FY2014				FY2015	
	1H	3Q	2H	Full year	1H	3Q
Domestic	67	33	68	135	66	31
Overseas	95	47	92	187	87	44
Total	162	80	160	322	153	75

## 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 due to the low prices of crude oil.



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# 【Aluminum & Copper】

(Billions of yen)

	FY2015 Forecast (Oct. 30)			FY2015 Current Forecast			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
<b>Net sales</b>	178.3	171.7	350.0	178.3	171.7	350.0	±0.0
<b>Ordinary income</b>	9.4	4.6	14.0	9.4	5.6	15.0	+1.0
(Inventory valuation)	(0.0)	(Δ3.5)	(Δ3.5)	(0.0)	(Δ3.5)	(Δ3.5)	(±0.0)

## <Sales volume of KSL>

(Thousands of tons)

	FY2014				FY2015	
	1H	3Q	2H	Full year	1H	3Q
<b>Aluminum rolled products</b> ( Domestic )	125	62	126	251	140	66
( Exports )	29	18	36	65	33	20
<b>Copper Strips</b>	27	14	27	54	25	12
<b>Copper Tubes</b>	45	20	40	85	42	21

## FY2015

- Demand for can stock for beverage containers, automotive aluminum rolled products, and aluminum forged suspension products was firm. In addition, energy costs improved.





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# 【Machinery】

(Billions of yen)

	FY2015 Forecast (Oct. 30)			FY2015 Current Forecast			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	81.2	92.8	174.0	81.2	89.8	171.0	△3.0
Ordinary income	2.8	3.7	6.5	2.8	3.7	6.5	±0.0
Orders	73.6	about 76	about 150	73.6	about 71	about 145	--

## FY2015

- There is no change from the previous forecast.
- Due to the low prices 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 intensified competitive environment is expected to continue.



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# 【Engineering】

(Billions of yen)

	FY2015 Forecast (Oct. 30)			FY2015 Current Forecast			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	25.5	25.5	51.0	25.5	25.5	51.0	±0.0
Ordinary income	2.0	△1.5	0.5	2.0	△1.5	0.5	±0.0
Orders	42.5	about 18	about 60	42.5	about 12	about 54	--

## FY2015

- There is no change from the previous forecast.



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# 【Kobelco Eco-Solutions】

(Billions of yen)

	FY2015 Forecast (Oct. 30)			FY2015 Current Forecast			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	31.8	52.7	84.5	31.8	52.7	84.5	±0.0
Ordinary income	0.6	2.7	3.3	0.6	2.7	3.3	±0.0

## FY2015

- There is no change from the previous forecast.





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# 【Kobelco Cranes】

(Billions of yen)

	FY2015 Forecast (Oct. 30)			FY2015 Current Forecast			Change ② - ①
	1H	2H	Full Year ①	1H	2H	Full Year ②	
Net sales	39.0	37.0	76.0	39.0	36.0	75.0	△1.0
Ordinary income	2.4	1.1	3.5	2.4	△0.4	2.0	△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.

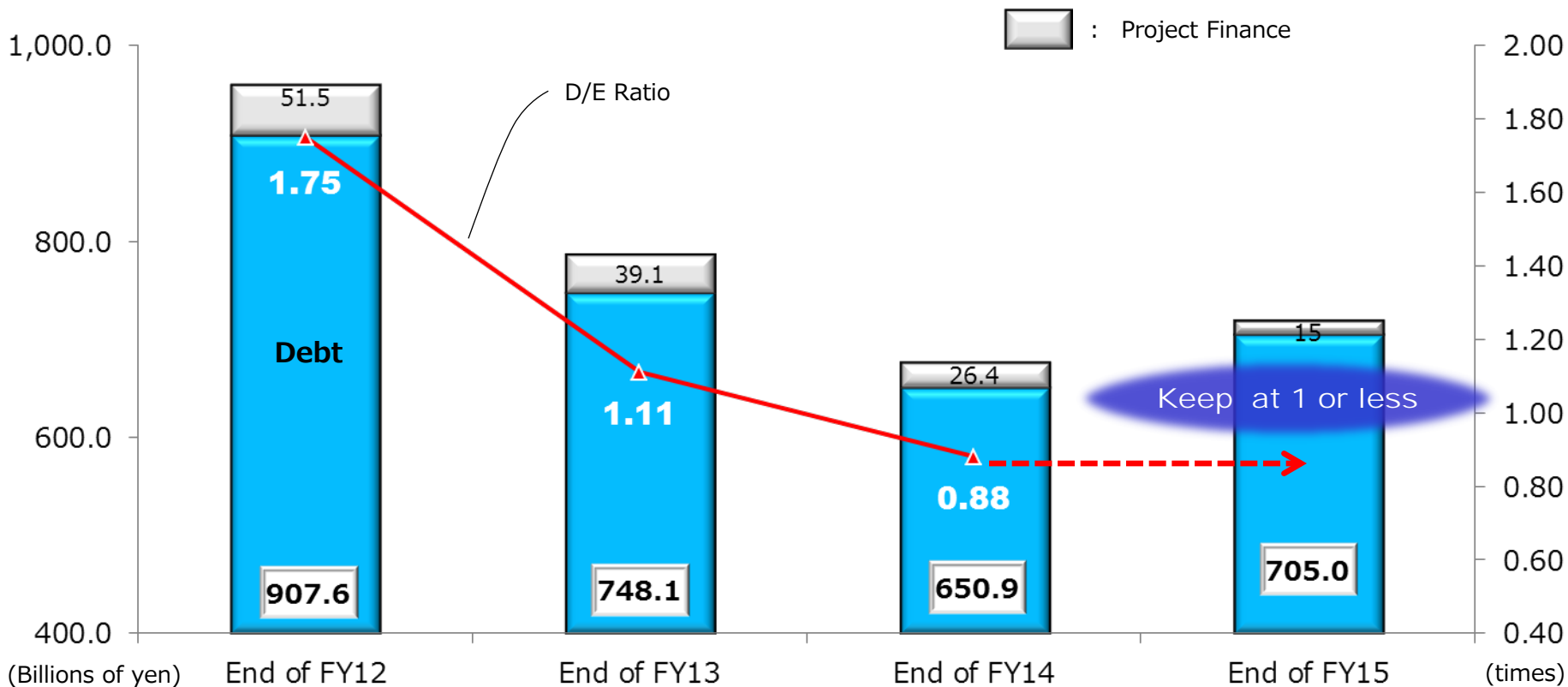


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# Debt and D/E Ratio



D/E Ratio under Medium-Term Business Plan

1.5 times

1.3 times

Maximum 1.0 times in or after FY2016





## 4. Reference



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# Cash Flows

(Billions of yen)

	FY2014	FY2015 Forecast (Oct. 30)			FY2015 Current Forecast			Change
	Full year	1H	2H	Full year ①	1H	2H	Full year ②	② - ①
<b>Cash flows from operating activities</b>	142.5	48.8	66.2	115.0	48.8	21.2	70.0	△45.0
<b>Cash flows from investing activities</b>	△72.9	△31.0	△84.0	△115.0	△31.0	△84.0	△115.0	±0.0
<b>Free cash flow</b> (excluding project financing)	69.6	17.7	△17.7	0.0	17.7	△62.7	△45.0	△45.0
<b>Repayment source for project financing</b>	9.8	4.1	5.9	10.0	4.1	5.9	10.0	±0.0
<b>Free cash flow</b>	79.4	21.8	△11.8	10.0	21.8	△56.8	△35.0	△45.0
<b>Cash and deposits</b> (excluding project financing)	84.0	115.0	70.0		115.0	70.0		±0.0



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# Capital Investment

(Billions of yen)

	FY2012	FY2013	FY2014 ①	FY2015 ②	Change ② - ①
<b>Capital investment (accrual basis)</b>	114.9	101.4	103.5	115.0	+11.5
<b>Capital investment (payment 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 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)



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# Analysis of Consolidated Ordinary Income

**[FY2014 1Q~3Q ⇒ FY2015 1Q~3Q]**

(Billions of yen)

	FY2014			FY2015 Current Forecast		
	1H	3Q	1~3Q	1H	3Q	1~3Q
<b>Ordinary income</b>	46.1	31.5	77.7	33.0	0.0	33.0

Δ 44.6

Positive Factors		Negative Factors	
Raw material prices	+ 61.0	Production and shipments	△ 43.5
		Overall cost	△ 8.0
		Steel inventory valuation	△ 5.0
		Aluminum inventory valuation	△ 3.5
		Exchange rate changes in steel business	△ 8.0
		Subsidiaries	△ 30.5
		Other	△ 7.1
<b>合計</b>	<b>+ 61.0</b>	<b>合計</b>	<b>△ 105.6</b>



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# Analysis of Ordinary Income in Iron & Steel Segment

**【FY2014 1Q~3Q ⇒ FY2015 1Q~3Q】**

(Billions of yen)

	FY2014			FY2015 Current Forecast		
	1H	3Q	1~3Q	1H	3Q	1~3Q
Ordinary income	10.4	9.9	20.3	7.5	2.2	9.7

Δ 10.6

Positive Factors		Negative Factors	
Raw material prices	+ 61.0	Production and shipments	△ 43.0
		Overall cost	△ 7.0
		Inventory valuation	△ 5.0
		Exchange rate changes	△ 8.0
		Other	△ 8.6
合計	+ 61.0	合計	△ 71.6

# Analysis of Consolidated Ordinary Income

【FY2015 Previous Forecast (Oct. 30) ⇒ Forecast】

(Billions of yen)

	FY2015 Forecast (Oct. 30)			FY2015 Current Forecast		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	33.0	22.0	55.0	33.0	△8.0	25.0

△ 30.0



Positive Factors			Negative Factors	
Raw material prices	+	9.5	Production and shipments	△ 12.5
Aluminum inventory valuation	±	0.0	Overall cost	△ 5.0
Exchange rate changes in steel business	±	0.0	Steel inventory valuation	△ 1.0
			Subsidiaries	△ 19.0
			Other	△ 2.0
合計	+	9.5	合計	△ 39.5


# Analysis of Ordinary Income in Iron & Steel Segment

【FY2015 Previous Forecast (Oct. 30) ⇒ Forecast】

(Billions of yen)

	FY2015 Forecast (Oct. 30)			FY2015 Current Forecast		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	7.5	12.5	20.0	7.5	△1.5	6.0

△ 14.0



Positive Factors			Negative Factors		
Raw material prices	+	9.5	Production and shipments	△	11.0
Exchange rate changes	±	0.0	Overall cost	△	5.5
			Inventory valuation	△	1.0
			Other	△	6.0
合計	+	9.5	合計	△	23.5



# Analysis of Consolidated Ordinary Income

**【FY2015 1H ⇒ 2H】**

(Billions of yen)

	FY2014			FY2015 Current Forecast		
	1H	2H	Full year	1H	2H	Full year
<b>Ordinary income</b>	46.1	55.5	101.6	33.0	Δ8.0	25.0

Δ 41.0

Positive Factors		Negative Factors	
Raw material prices	+ 15.5	Production and shipments	△ 22.0
Steel inventory valuation	+ 0.5	Aluminum inventory valuation	△ 3.5
Overall cost	± 0.0	Subsidiaries	△ 17.5
Exchange rate changes in steel business	± 0.0	Other	△ 14.0
<b>合計</b>	<b>+ 16.0</b>	<b>合計</b>	<b>△ 57.0</b>

# Analysis of Ordinary Income in Iron & Steel Segment

**【FY2015 1H ⇒ 2H】**

(Billions of yen)

	FY2014			FY2015 Current Forecast		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	10.4	18.3	28.7	7.5	Δ 1.5	6.0

Δ 9.0



Positive Factors		Negative Factors	
Raw material prices	+ 15.5	Production and shipments	△ 21.5
Inventory valuation	+ 0.5	Overall cost	△ 1.5
Exchange rate changes	± 0.0	Other	△ 2.0
合計	+ 16.0	合計	△ 25.0



ECO WAY

# Analysis of Consolidated Ordinary Income

**[FY2014 ⇒ FY2015]**

(Billions of yen)

	FY2014			FY2015 Current Forecast		
	1H	2H	Full year	1H	2H	Full year
<b>Ordinary income</b>	46.1	55.5	101.6	33.0	△8.0	25.0

Δ 76.6

Positive Factors		Negative Factors	
Raw material prices	+ 81.5	Production and shipments	△ 72.0
		Overall cost	△ 5.5
		Steel inventory valuation	△ 6.5
		Aluminum inventory valuation	△ 5.0
		Exchange rate changes in steel business	△ 10.5
		Subsidiaries	△ 41.5
		Other	△ 17.1
<b>合計</b>	<b>+ 81.5</b>	<b>合計</b>	<b>△ 158.1</b>

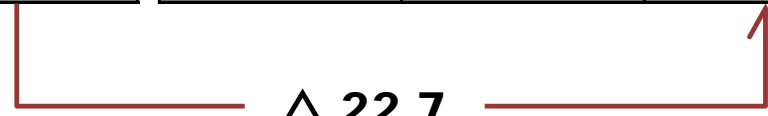
# Analysis of Ordinary Income in Iron & Steel Segment

**【FY2014 ⇒ FY2015】**

(Billions of yen)

	FY2014			FY2015 Current Forecast		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	10.4	18.3	28.7	7.5	△1.5	6.0

△ 22.7



Positive Factors			Negative Factors		
Raw material prices	+	81.5	Production and shipments	△	71.0
			Overall cost	△	5.0
			Inventory valuation	△	6.5
			Exchange rate changes	△	10.5
			Other	△	11.2
合計	+	81.5	合計	△	104.2



