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1. Financial Results for FY2015





Financial Results for FY2015

	FY2014	FY2015		Change	
	Actual ①	Forecast 2	Acutual 3	3-1	3-2
Net sales	1,886.8	1,840.0	1,822.8	△64.0	△17.2
Operating income	119.4	65.0	68.4	△51.0	+3.4
Ordinary income	101.6	25.0	28.9	△72.7	+3.9
(excluding inventory valuation)	(108.1)	(43.0)	(46.9)	(△61.2)	(+3.9)
Extraordinary income	2.6	△39.7	∆39.5	△42.1	+0.2
Net income attributable to owners of the parent	86.5	△20.0	Δ21.5	△108.1	△1.5





Segment Sales

Net sales	FY2014	FY2	015	Change		
	Actual ①	Forecast 2	Acutual 3	3-1	3-2	
Iron & Steel	797.8	735.0	742.5	△55.2	+7.5	
Welding	94.4	91.0	92.2	△2.2	+1.2	
Aluminum & Copper	330.8	350.0	345.4	+14.6	△4.6	
Machinery	159.1	171.0	159.0	△0.1	△12.0	
Engineering	49.0	51.0	48.7	△0.3	△2.3	
Kobelco Eco-Solutions	68.1	84.5	83.0	+14.8	△1.5	
Kobelco Construction Machinery	311.0	270.0	271.7	△39.2	+1.7	
Kobelco Cranes	71.1	75.0	72.7	+1.6	△2.3	
Other Businesses	76.0	74.0	74.5	△1.5	+0.5	
Adjustment	△70.7	△61.5	Δ67.3	+3.4	△5.8	
Total	1,886.8	1,840.0	1,822.8	△64.0	△17.2	





Ordinary Income (Loss) by Segment

Ordinary income	FY2014	FY2	015	Change		
	Actual ①	Forecast 2	Acutual 3	3-1	3-2	
Iron & Steel	28.7	6.0	3.6	△25.1	△2.4	
Welding	10.2	8.0	8.1	△2.1	+0.1	
Aluminum & Copper	15.1	15.0	15.1	±0.0	+0.1	
Machinery	10.4	6.5	6.7	△3.6	+0.2	
Engineering	0.7	0.5	1.0	+0.2	+0.5	
Kobelco Eco-Solutions	3.0	3.3	3.6	+0.6	+0.3	
Kobelco Construction Machinery	21.0	△16.0	∆14.4	△35.5	+1.6	
Kobelco Cranes	5.1	2.0	2.4	△2.7	+0.4	
Other Businesses	7.0	7.0	7.3	+0.2	+0.3	
Adjustment	0.0	△7.3	Δ4.7	△4.7	+2.6	
Total	101.6	25.0	28.9	△72.7	+3.9	





2. Summary of the Fiscal 2013-2015 Medium-Term Business Plan





Financial Results

	Fiscal 2015 Targets ^{*1}	Fiscal 2013	Fiscal 2014	Fiscal 2015
Net sales		1,824.6 billion yen	1,886.8 billion yen	1,822.8 billion yen
Ordinary income	80.0 - 100.0 billion yen	85.0 billion yen	101.6 billion yen	28.9 billion yen
Net income/loss attributable to owners of the parent		70.1 billion yen	86.5 billion yen	-21.5 billion yen
D/E Ratio	1.3 times (Achieve 1.0 times at early stage)	1.11 times	0.88 times	1.10 times *4
ROA *2		3.8%	4.4%	1.3%
ROE *3		11.9%	12.0%	-2.9%

^{*1:} Targets as of May 29, 2013

^{*2:} Ordinary income (loss) / Total assets

^{*3:} Net income (loss) attributable to owners of the parent / Shareholders' equity

^{*4:} Including early procurement of borrowings for FY2016 (90 billion yen)
D/E Ratio 0.97 times (excluding early procurement of borrowings)





3. Forecast for FY2016





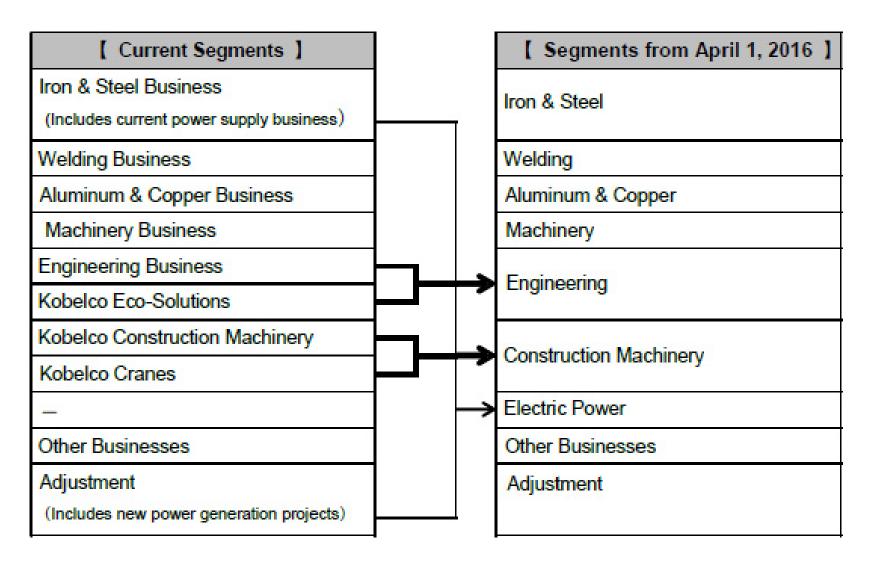
Forecast for FY2016

	FY2015			FY2016			Change
	1H	2H	Full year	1H	2H	Full year ②	2-1
Net sales	928.6	894.1	1,822.8	860.0	890.0	1,750.0	△72.8
Operating income	47.0	21.3	68.4	25.0	40.0	65.0	△3.4
Ordinary income	33.0	△4.1	28.9	10.0	25.0	35.0	+6.1
(excluding inventory valuation)	(40.5)	(6.4)	(46.9)	(19.0)	(27.0)	(46.0)	(△0.9)
Extraordinary income	△9.4	△30.0	△39.5	0.0	0.0	0.0	+39.5
Net income attributable to owners of the parent	13.4	△34.9	△21.5	5.0	15.0	20.0	+41.5





Changes in reporting segments







Segment Sales

Net sales	FY2015			FY2016			Change
	1H	2H	Full year	1H	2H	Full year	2-1
Iron & Steel	338.5	327.2	665.8	300.0	310.0	610.0	△55.8
Welding	46.6	45.5	92.2	43.0	43.0	86.0	△6.2
Aluminum & Copper	178.3	167.0	345.4	165.0	165.0	330.0	△15.4
Machinery	81.2	77.7	159.0	76.0	85.0	161.0	+2.0
Engineering	57.4	74.3	131.7	51.0	75.0	126.0	△5.7
Construction Machinery	181.2	154.9	336.2	170.0	165.0	335.0	△1.2
Electric Power	38.8	37.8	76.7	36.0	36.0	72.0	△4.7
Other Businesses	35.7	38.8	74.5	32.0	44.0	76.0	+1.5
Adjustment	△29.4	△29.4	△58.9	∆ 13.0	∆33.0	∆ 46.0	+12.9
Total	928.6	894.0	1,822.8	860.0	890.0	1,750.0	△72.8





Segment Ordinary Income (Loss)

Ordinary income	FY2015			FY2016			Change
	1H	2H	Full year	1H	2H	Full year	2-1
Iron & Steel	△1.2	△13.7	△14.9	∆10.0	∆ 6.0	∆16.0	△1.1
Welding	4.3	3.8	8.1	3.5	3.5	7.0	△1.1
Aluminum & Copper	9.4	5.6	15.1	6.0	8.0	14.0	△1.1
Machinery	2.8	3.9	6.7	2.5	1.5	4.0	△2.7
Engineering	2.6	2.0	4.6	∆ 1.0	4.0	3.0	△1.6
Construction Machinery	1.9	△13.9	△11.9	4.0	4.0	8.0	+ 19.9
Electric Power	8.1	9.3	17.4	7.0	7.0	14.0	△3.4
Other Businesses	3.3	4.0	7.3	1.5	6.0	7.5	+0.2
Adjustment	1.6	△5.2	△3.6	∆3.5	∆3.0	∆ 6.5	△2.9
Total	33.0	△4.1	28.9	10.0	25.0	35.0	+6.1





[Iron & Steel]

(Billions of yen)

Net	sales
Ordinary	income
(inventory	valuation)

FY2015							
1H	2H	Full Year 1					
338.5	327.3	665.8					
△1.2	△13.7	△14.9					
(△7.5)	(△7.0)	(△14.5)					

FY2016							
1H	Full Year						
300.0	310.0	610.0					
∆10.0	∆6.0	∆16.0					
(Δ 6.0)	(Δ 1.0)	(△ 7.0)					

_	
	Change
	2-1
	△55.8
	△1.1
	(+7.5)

FY2016

- Ordinary income is anticipated to decrease due to higher costs for refurbishment of Kakogawa Works and consolidation of upstream operations to Kakogawa Works.
- Automotive demand is anticipated to recover.





Production & Sales

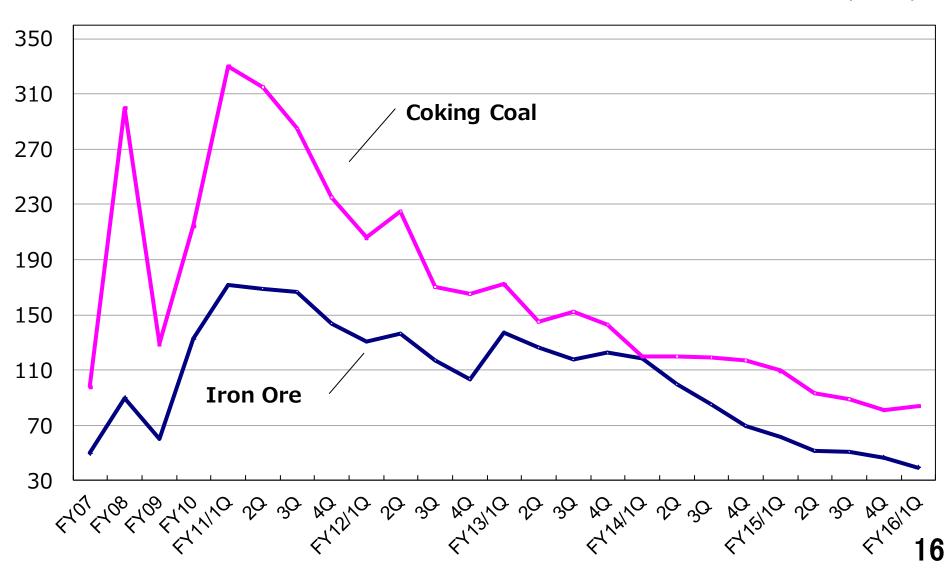
		FY2014				FY2015	
		1H	2H	Full year	1H	2H	3Q
Domestic crude steel production	(millions of tons)	55.6	54.3	109.9	52.1	52.1	104.2
< Domestic steel inventory tre	end >						i
Ordinary steel products	(millions of tons)	5.9	5.8		5.8	5.7	end of Feb.
Rolled sheets	(millions of tons)	4.3	4.3		4.2	4.2	end of Feb.
< Domestic steel inventory tre	end >						
Finished auto production	(millions of cars)	4.8	4.8	9.6	4.5	3.9	OctFeb.
<ksl></ksl>							
Crude steel production	(millions of tons)	3.7	3.8	7.5	3.7	3.8	7.5
Sales volume	(millions of tons)	2.9	3.1	6.1	3.0	3.0	6.0
(Domestic)		(2.1)	(2.1)	(4.2)	(2.0)	(2.1)	(4.1)
(Exports)		(0.9)	(1.0)	(1.9)	(1.0)	(^{0.9})	(1.9)
Average steel sales price	(thousands of yen/ton)	82.4	81.0	81.7	78.7	71.8	75.2
Export ratio (value basis)		30.6%	33.5%	32.1%	34.2%	30.0%	32.2%





Iron Ore & Coking Coal Price Trends

(\$/ton)

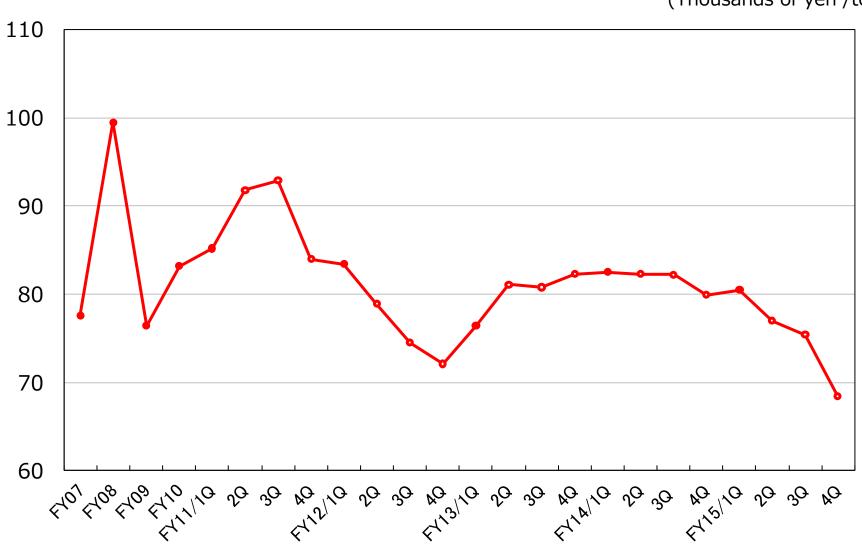






Steel Product Price Trends at Kobe Steel

(Thousands of yen /ton)







[Welding]

(Billions of yen)

Net sales
Ordinary income

FY2015		
1H	2H	Full Year ①
46.6	45.5	92.2
4.3	3.8	8.1

FY2016		
1H	2H	Full Year ②
43.0	43.0	86.0
3.5	3.5	7.0

Change
2-1
△6.2
△1.1

<Sales volume of KSL Group >

(Thousands of tons)

Domestic	
Overseas	
Total	

FY2014		
1H	2H	Full year
67	68	135
95	92	187
162	160	322

FY2015		
1H	2H	Full Year
66	63	129
87	87	174
153	150	303

FY2016

- Ordinary income is anticipated to decrease due to sluggish demand for welding materials in China and Southeast Asia.
- Demand for welding systems is anticipated to remain firm.





[Aluminum & Copper]

(Billions of yen)

Net sales		
Ordinary income		
(Inventory valuation)		

FY2015		
1H	2H	Full Year ①
178.3	167.0	345.4
9.4	5.6	15.1
(0.0)	(△3.5)	(△3.5)

FY2016		
1H	2H	Full Year 2
165.0	165.0	330.0
6.0	8.0	14.0
(△ 3.0)	(△ 1.0)	(△ 4.0)

Change
2-1
△15.4
△1.1
(△0.5)

<Sales volume of KSL>

(Thousands of tons)

Aluminum rolled	(Domestic)
products	(Exports)
Copper Strips	
Copper Tubes	

FY2014					
1H	2H	Full Year			
125	126	251			
29	36	65			
27	27	54			
45	40	85			

FY2015						
1H	2H	Full Year				
140	137	277				
33	36	69				
25	24	49				
42	43	85				

FY2016

• Ordinary income is anticipated to decrease due to inventory valuation and start-up costs for a company in China to produce and sell aluminum sheet for automotive aluminum panels.





[Machinery]

(Billions of yen)

	FY2015			FY2016			Change
	1H	2H	Full Year ①	1H	2H	Full Year 2	2-1
Net sales	81.2	77.7	159.0	76.0	85.0	161.0	+2.0
Ordinary income	2.8	3.9	6.7	2.5	1.5	4.0	△2.7
Orders	73.6	66.8	140.4			about 150	

FY2016

 Ordinary income is anticipated to decrease, affected by low crude oil prices, especially in North America.





[Engineering]

(Billions of yen)

	FY2015			FY2016			Change
	1H	2H	Full Year ①	1H	2H	Full Year 2	2-1
Net sales	57.4	74.3	131.7	51.0	75.0	126.0	△5.7
Ordinary income	2.6	2.0	4.6	∆1.0	4.0	3.0	△1.6
Orders	89.1	40.0	129.1		_	about 140	

FY2016

- Ordinary income is anticipated to decrease in FY2016 due to the posting of profits from large projects in the waste treatment-related business in FY2015.
- In the ironmaking plant-related field, the severe business environment is anticipated to continue in the future.





[Construction Machinery]

(Billions of yen)

Net sales	
Ordinary income	

FY2015					
1H	2H	Full Year 1			
181.2	155.0	336.2			
1.9	△13.8	△11.9			

FY2016					
1H	2H	Full Year 2			
170.0	165.0	335.0			
4.0	4.0	8.0			

Change
2-1
△1.2
+19.9

FY2016

- Ordinary income is anticipated to increase in FY2016 due to a large allowance for doubtful accounts for accounts receivable in China in FY2015.
- For hydraulic excavators, demand in China is anticipated to be sluggish.





[Electric power]

(Billions of yen)

		FY2015
	1H	2H
Net sales	38.8	37.9
Ordinary income	8.1	9.3

FY2016					
1H	2H	Full Year ②			
36.0	36.0	72.0			
7.0	7.0	14.0			

Change
2-1
△4.7
△3.4

FY2016

 Ordinary income is anticipated to decrease due to the cost for construction of new power plants.

Full Year

76.7

17.4



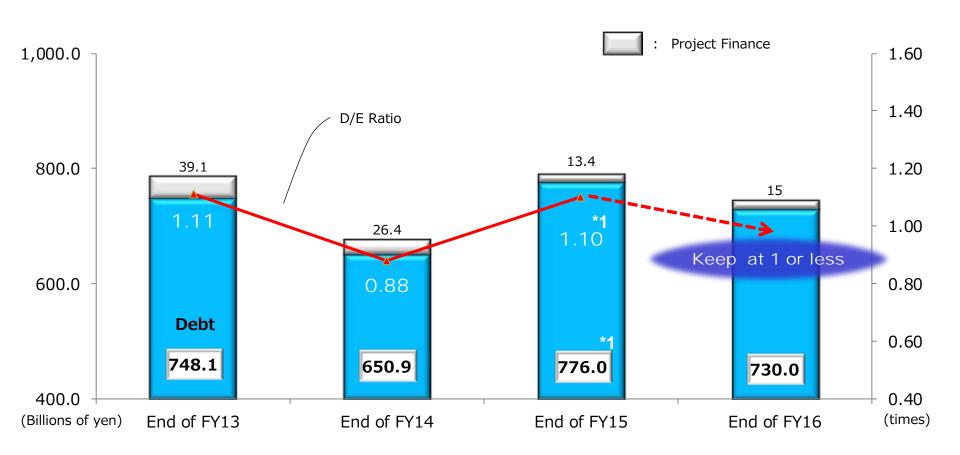


4. Financial Condition





Debt and D/E Ratio



*1: Including early procurement of borrowings for FY2016 (90 billion yen)
D/E Ratio 0.97 times (excluding early procurement of borrowings)





Cash Flows

	FY2015			FY2016			Change
	1H	2H	Full year	1H	2H	Full year	2-1
Cash flows from operating activities	48.8	37.0	85.8	75.0	75.0	150.0	+64.2
Cash flows from investing activities	△31.0	△72.8	△103.8	∆80.0	∆ 85.0	∆165.0	△61.2
Free cash flow (excluding project financing)	17.7	△35.7	△18.0	∆ 5.0	∆10.0	∆ 15.0	+3.0
Repayment source for project financing	4.1	7.2	11.3	0.0	5.0	5.0	△6.3
Free cash flow	21.8	△28.5	△6.7	∆ 5.0	∆ 5.0	∆10.0	△3.3
Cash and deposits (excluding project financing)	115.0	168.5		110.0	80.0	and the second	△88.5





Financial Indices

	FY2013	FY2014	FY2015	FY2016
ROS (%1)	4.7%	5.4%	1.6%	2.0%
Net income per share	22.62 yen	23.81 yen	△ 5. 93 yen	5.50 yen
D/E ratio	1.11	0.88	1.10	1 or less
ROA (%2)	3.8%	4.4%	1.3%	1.5%
ROE (%3)	11.9%	12.0%	Δ2.9%	2.8%

%1: ROS=Ordinary Income / Net Sales

%2: ROA=Ordinary Income / Total Assets (average)

%3: ROE=Net Income / Equity (average)





5. Reference





Capital Investment

	FY2013	FY2014	FY2015	FY2015 ②	Change ②-①
Capital investment (accrual basis)	101.4	103.5	109.9	190.0	+80.1
Capital investment	95.4	95.3	99.1	170.0	+70.9
(payment basis)					
Depreciation	82.9	89.8	94.8	100.0	+5.2





Analysis of Consolidated Ordinary Income

[FY2014 ⇒ **FY2015**]

(Billions of yen)

	FY2014							
	1H 2H Full year							
Ordinary income	46.1	55.5	101.6					

FY2015						
1H	2H	Full year				
33.0	△4.1	28.9				

△ 72.7

Positive Facto	rs		Negative Facto	ors	
Raw material prices	+	83.5	Production and shipments	\triangle	68.0
			Overall cost	\triangle	10.5
			Steel inventory valuation	\triangle	6.5
			Aluminum inventory valuation	\triangle	5.0
			Exchange rate changes in steel business	\triangle	11.5
			Subsidiaries	\triangle	40.0
			Other	\triangle	14.7
合計	+	83.5	合計	\triangle	156.2





Analysis of Ordinary Income in Iron & Steel Segment

 $[FY2014 \Rightarrow FY2015]$

(Billions of yen)

	FY2014								
	1H	1H 2H Full year							
Ordinary income	10.4	18.3	28.7						

FY2015						
1H	2H	Full year				
7.5	△3.9	3.6				

\(\Delta \) 25.1

Positive Factors		Negative Factors			
Raw material prices	+	83.5	Production and shipments	\triangle	67.5
			Overall cost	\triangle	8.5
			Inventory valuation	\triangle	6.5
			Exchange rate changes	\triangle	11.5
			Other	\triangle	14.6
合計	+	83.5	合計	\triangle	108.6





Analysis of Consolidated Ordinary Income

[FY2015 Previous Forecast (Feb. 2) ⇒ **Actual]**

(Billions of yen)

	FY2015 Forcast						
	1H	2H	Full year				
Ordinary income	33.0	△8.0	25.0				

FY2015						
1H	2H	Full year				
33.0	△4.1	28.9				

+ 3.9

Positive Factors		Negative Facto	rs		
Production and shipments	+	4.0	Overall cost	\triangle	5.0
Raw material prices	+	2.0	Exchange rate changes in	\wedge	1 0
Steel inventory valuation	\pm	0.0	steel business	\triangle	1.0
Aluminum inventory valuation	±	0.0			
Subsidiaries	+	0.5			
Other	+	3.4			
合計	+	9.9	合計	\triangle	6.0





Analysis of Ordinary Income in Iron & Steel Segment

[FY2015 Previous Forecast (Feb. 2) ⇒ **Actual]**

(Billions of yen)

	FY2015 Forcast							
	1H	Full year						
Ordinary income	7.5	△1.5	6.0					

FY2015				
1H	2H	Full year		
7.5	△3.9	3.6		

 Δ 2.4

Positive Factors		Negative Facto	ors		
Production and shipments	+	3.5	Overall cost	\triangle	3.5
Raw material prices	+	2.0	Exchange rate changes	\triangle	1.0
Inventory valuation	±	0.0	Other	\triangle	3.4
合計	+	5.5	合計	\triangle	7.9





Analysis of Consolidated Ordinary Income

[FY2015 ⇒ **FY2016]**

(Billions of yen)

	FY2015			
	1H	2H	Full year	
Ordinary income	33.0	△4.1	28.9	

FY2016				
1H 2H Full year				
10.0	25.0	35.0		

+ 6.1

Positive Factors		Negative Factors	
Raw material prices	+ 30.5	Production and shipments	△ 46.5
Steel inventory valuation	+ 7.5	Overall cost	△ 2.0
Subsidiaries Exchange rate changes in	+ 17.5 + 1.0	Aluminum inventory valuation	△ 0.5
steel business	T 1.0	Other	△ 1.4
Λ = Ι		A = 1	
台計	+ 56.5	台計	△ 50.4





Analysis of Ordinary Income in Iron & Steel Segment

 $[FY2015 \Rightarrow FY2016]$

(Billions of yen)

	FY2015			
	1H	2H	Full year	
Ordinary income	△1.2	△13.7	∆14.9	

FY2016				
1H	2H	Full year		
△10.0	△6.0	∆16.0		

Δ 1.1

Positive Factors		Negative Factors
Raw material prices	+ 30.5	Production and shipments $\ \ \triangle $ 46.5
Overall cost	+ 2.0	
Inventory valuation	+ 7.5	
Exchange rate changes	+ 1.0	
Other	+ 4.4	
合計	+ 45.4	合計 △ 46.5





Measures implemented to rebuild the business base

Strengthen profitability of the steel business

Numerical impact from initiatives in Fiscal 2015 (compared with Fiscal 2012)

Initiatives	Actual
Impact from capital investment	
Cost cuts at the production site level	42.0
Improvement in raw material costs	billion yen
Reduction of fixed costs, etc.	

(Target)
60.0
billion yen

Improve financial performance

Cumulative amount for Fiscal 2013-2015

Initiatives		Actual		(Target)
	Inventory reduction			
Cash	Promote securitization	180.0		120.0
Generation Measures	Asset sales	billion yen		billion yen
1113434133	Careful selection of investments			





Promote measures to lay the groundwork for stability and growth

	the groundwork for stability and growth
Structural reform of the steel business	 Consolidate upstream operations> ◆ Consolidate upstream operations to Kakogawa Works in fiscal 2017 Equipment orders, field and other work generally progressing as planned Gain re-approval from customers due to changes in upstream operations Implement more investments for further cost cuts> ◆ Determine and promote further strengthening of hot metal treatment capacity (Install second dephosphorization furnace)
New investments in the materials businesses to secure sales volume in growth areas and regions	 Establish a joint venture in China to manufacture and sell cold-rolled high-strength steel sheet for automobiles Establish a joint venture in Thailand to manufacture and sell special steel wire rod Establish a company in China to manufacture and sell aluminum sheet for automotive body panels Reinforce production capacity of aluminum forged suspension products for automobiles in the United States
Strategic expansion of the machinery businesses	 Build a construction machinery factory for hydraulic excavators in North America Construct a test facility for large-sized reciprocating compressors Build a new comprehensive test center for hydrogen stations Expand sales bases for compressors overseas (Brazil, India, Thailand)
Growing the electric power supply business	◆ Promote construction of new power plants on the site of Kobe Works' blast furnace and in Moka, Tochigi Prefecture. (Environmental assessments are underway for both projects.)





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.





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