



ECOWAY



FY2014 Investor Meeting

KOBELCO



April 28, 2015
KOBELCO STEEL, LTD.



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1. Financial Results for FY2014



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Financial Results for FY2014

(Billions of yen)

	FY2013	FY2014		Change	
	Actual	Forecast	Actual	FY13→FY14	Forecast →Actual
Net sales	1,824.6	1,910.0	1,886.8	+ 62.1	△23.2
Operating income	114.5	115.0	119.4	+ 4.9	+ 4.4
(excluding inventory valuation)	(96.5)	(122.0)	(125.9)	(29.4)	(3.9)
Ordinary income	85.0	90.0	101.6	+ 16.6	+ 11.6
(excluding inventory valuation)	(67.0)	(97.0)	(108.1)	(41.1)	(11.1)
Extraordinary income (loss)	3.1	—	2.6	△0.5	+ 2.6
Net income	70.1	70.0	86.5	+ 16.3	+ 16.5



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Segment Sales

(Billions of yen)

	FY2013	FY2014		Change	
	Actual	Forecast	Actual	FY13→FY14	Forecast →Actual
Iron & Steel	808.5	795.0	797.8	△10.7	+2.8
Welding	88.3	95.0	94.4	+6.1	△0.6
Aluminum & Copper	295.6	330.0	330.8	+35.1	+0.8
Machinery	149.8	169.0	159.1	+9.3	△9.9
Engineering	39.1	53.0	49.0	+9.9	△4.0
Kobelco Eco-Solutions	68.1	70.5	68.1	△0.0	△2.4
Kobelco Construction Machinery	318.2	315.0	311.0	△7.2	△4.0
Kobelco Cranes	56.6	71.0	71.1	+14.4	+0.1
Other Businesses	71.2	75.0	76.0	+4.8	+1.0
Adjustment	△71.0	△63.5	△ 70.7	+0.2	△7.2
Total	1,824.6	1,910.0	1,886.8	+62.1	△23.2



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Ordinary Income (Loss) by Segment

(Billions of yen)

	FY2013	FY2014		Change	
	Actual	Forecast	Actual	FY13→FY14	Forecast →Actual
Iron & Steel	33.5	26.0	28.7	△4.7	+2.7
Welding	7.2	9.5	10.2	+3.0	+0.7
Aluminum & Copper	15.1	14.0	15.1	±0.0	+1.1
Machinery	6.4	9.0	10.4	+3.9	+1.4
Engineering	△ 3.9	0.0	0.7	+4.7	+0.7
Kobelco Eco-Solutions	2.6	2.7	3.0	+0.3	+0.3
Kobelco Construction Machinery	15.1	22.0	21.0	+5.8	△1.0
Kobelco Cranes	3.2	5.0	5.1	+1.9	+0.1
Other Businesses	6.8	6.5	7.0	+0.2	+0.5
Adjustment	△ 1.2	△ 4.7	△ 0.0	+1.2	+4.7
Total	85.0	90.0	101.6	+16.6	+11.6



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2. Forecast for FY2015



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Forecast for FY2015

(Billions of yen)

	FY2014			FY2015			Change FY14→FY15
	1H	2H	Full year	1H	2H	Full year	
Net sales	916.0	970.8	1,886.8	980.0	1,010.0	1,990.0	+103.2
Operating income	57.1	62.2	119.4	50.0	75.0	125.0	+5.6
(excluding inventory valuation)	(60.6)	(65.3)	(125.9)	(54.5)	(75.0)	(129.5)	(3.6)
Ordinary income	46.1	55.5	101.6	40.0	55.0	95.0	△6.6
(excluding inventory valuation)	(49.6)	(58.5)	(108.1)	(44.5)	(55.0)	(99.5)	(△) 8.6
Extraordinary income (loss)	—	2.6	2.6	—	—	—	△2.6
Net income attributable to owners of parent	42.1	44.4	86.5	25.0	35.0	60.0	△26.5



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Segment Sales

(Billions of yen)

	FY2014			FY2015			Change FY14→FY15
	1H	2H	Full year	1H	2H	Full year	
Iron & Steel	386.6	411.2	797.8	385.0	405.0	790.0	△7.8
Welding	45.6	48.8	94.4	48.0	50.0	98.0	+3.6
Aluminum & Copper	161.5	169.3	330.8	190.0	190.0	380.0	+49.2
Machinery	73.0	86.1	159.1	86.0	92.0	178.0	+18.9
Engineering	19.0	29.9	49.0	26.0	27.0	53.0	+4.0
Kobelco Eco-Solutions	27.1	40.9	68.1	34.0	49.0	83.0	+14.9
Kobelco Construction Machinery	169.7	141.2	311.0	165.0	150.0	315.0	+4.0
Kobelco Cranes	35.8	35.2	71.1	40.0	41.0	81.0	+9.9
Other Businesses	30.4	45.5	76.0	36.0	42.0	78.0	+2.0
Adjustment	△33.1	△37.6	△70.7	△ 30.0	△ 36.0	△ 66.0	+4.7
Total	916.0	970.8	1,886.8	980.0	1,010.0	1,990.0	+103.2



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Ordinary Income (Loss) by Segment

(Billions of yen)

	FY2014			FY2015			Change FY14→FY15
	1H	2H	Full year	1H	2H	Full year	
Iron & Steel	10.4	18.3	28.7	13.0	22.0	35.0	+6.3
Welding	4.6	5.6	10.2	4.0	5.0	9.0	△1.2
Aluminum & Copper	6.0	9.1	15.1	8.0	8.0	16.0	+0.9
Machinery	3.2	7.1	10.4	2.5	5.5	8.0	△2.4
Engineering	△0.5	1.3	0.7	0.5	△ 0.5	0.0	△0.7
Kobelco Eco-Solutions	0.3	2.6	3.0	0.2	3.3	3.5	+0.5
Kobelco Construction Machinery	16.1	4.8	21.0	11.0	9.0	20.0	△1.0
Kobelco Cranes	3.1	1.9	5.1	2.0	3.0	5.0	△0.1
Other Businesses	1.9	5.1	7.0	2.0	5.5	7.5	+0.5
Adjustment	0.5	△0.5	△ 0.0	△ 3.2	△ 5.8	△ 9.0	△9.0
Total	46.1	55.5	101.6	40.0	55.0	95.0	△6.6



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【Iron & Steel】

(Billions of yen)

	FY2014			FY2015			Change FY14→FY15
	1H	2H	Full year	1H	2H	Full year	
Net sales	386.6	411.2	797.8	385.0	405.0	790.0	△7.8
Ordinary income	10.4	18.3	28.7	13.0	22.0	35.0	+6.3
(inventory valuation)	(△3.5)	(△4.5)	(△8.0)	(△5.5)	(△0.5)	(△6.0)	(+2.0)

FY2015

- Domestic demand in the automotive sector is anticipated to be soft due to inventory adjustments by customer companies. However, in the second half of the fiscal year, demand is anticipated to recovery.
- Although there is concern over decreasing energy-related demand due to lower oil prices, demand for steel products is anticipated to remain strong in the shipbuilding sector.



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Production & Sales

		FY2013			FY2014		
		1H	2H	Full year	1H	2H	Full year
Domestic crude steel production	(millions of tons)	55.8	55.7	111.5	55.6	54.3	109.9

<Domestic steel inventory trend>

Ordinary steel products	(millions of tons)	5.5	5.7	--	5.9	* 5.9	--	<i>end of Feb</i>
Rolled sheets	(millions of tons)	3.9	4.1	--	4.3	* 4.3	--	<i>end of Feb</i>

<Key indicators of Demand>

Finished auto production	(millions of cars)	4.7	5.2	9.9	4.8	* 3.9	8.7	<i>Apr - Feb</i>
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<KSL>

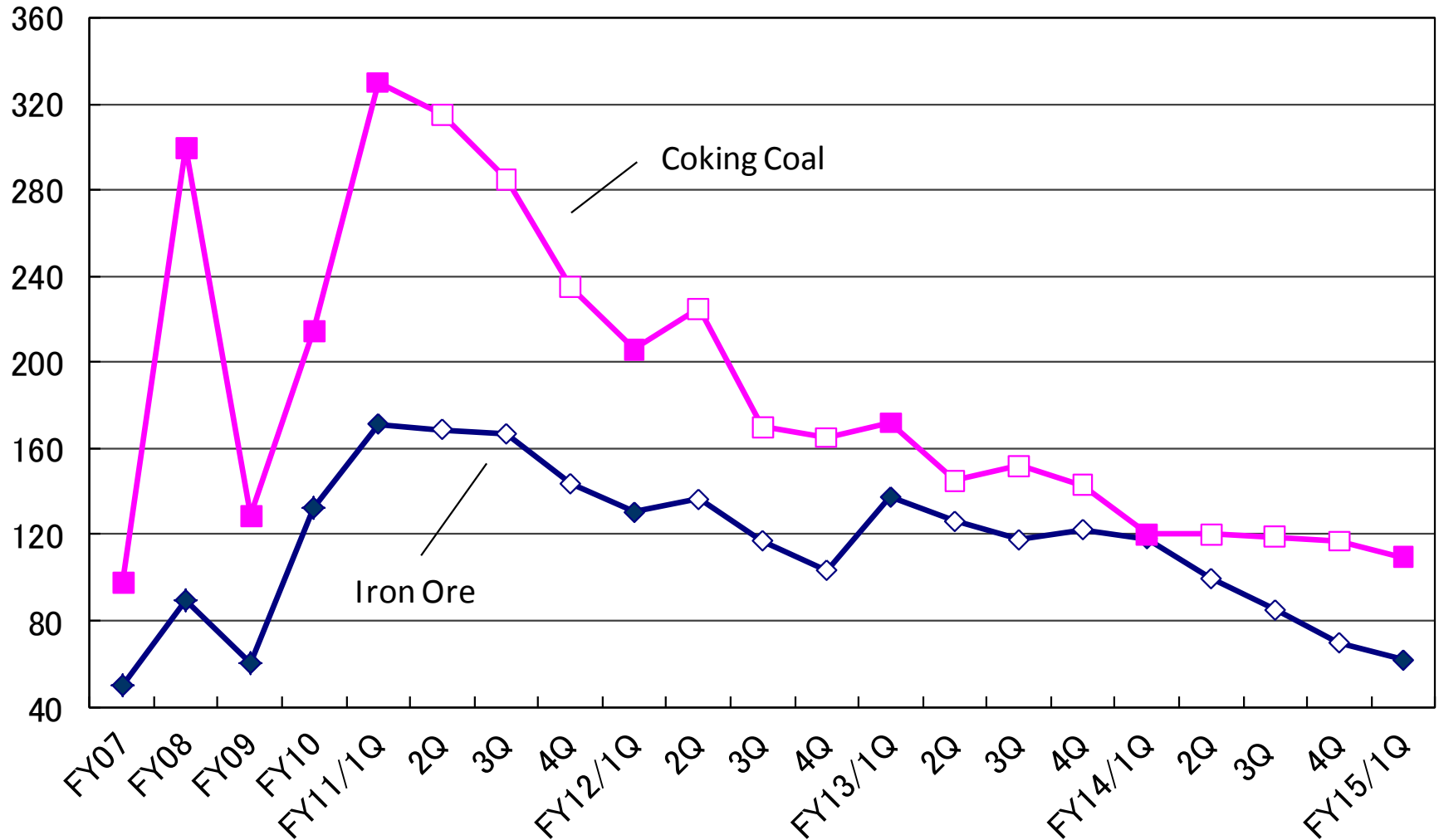
Crude steel production	(millions of tons)	3.8	3.8	7.6	3.7	3.8	7.5
Sales volume	(millions of tons)	3.1	3.2	6.3	2.9	3.1	6.1
(Domestic)	(millions of tons)	(2.1)	(2.2)	(4.3)	(2.1)	(2.1)	(4.2)
(Exports)	(millions of tons)	(1.0)	(1.0)	(2.0)	(0.9)	(1.0)	(1.9)
Average steel selling price	(thousands of yen/ton)	78.8	81.5	80.2	82.4	81	81.7
Export ratio (value basis)		31.9%	30.8%	31.3%	30.6%	33.5%	32.1%



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Iron Ore & Coking Coal Price Trends

(\$/ton)

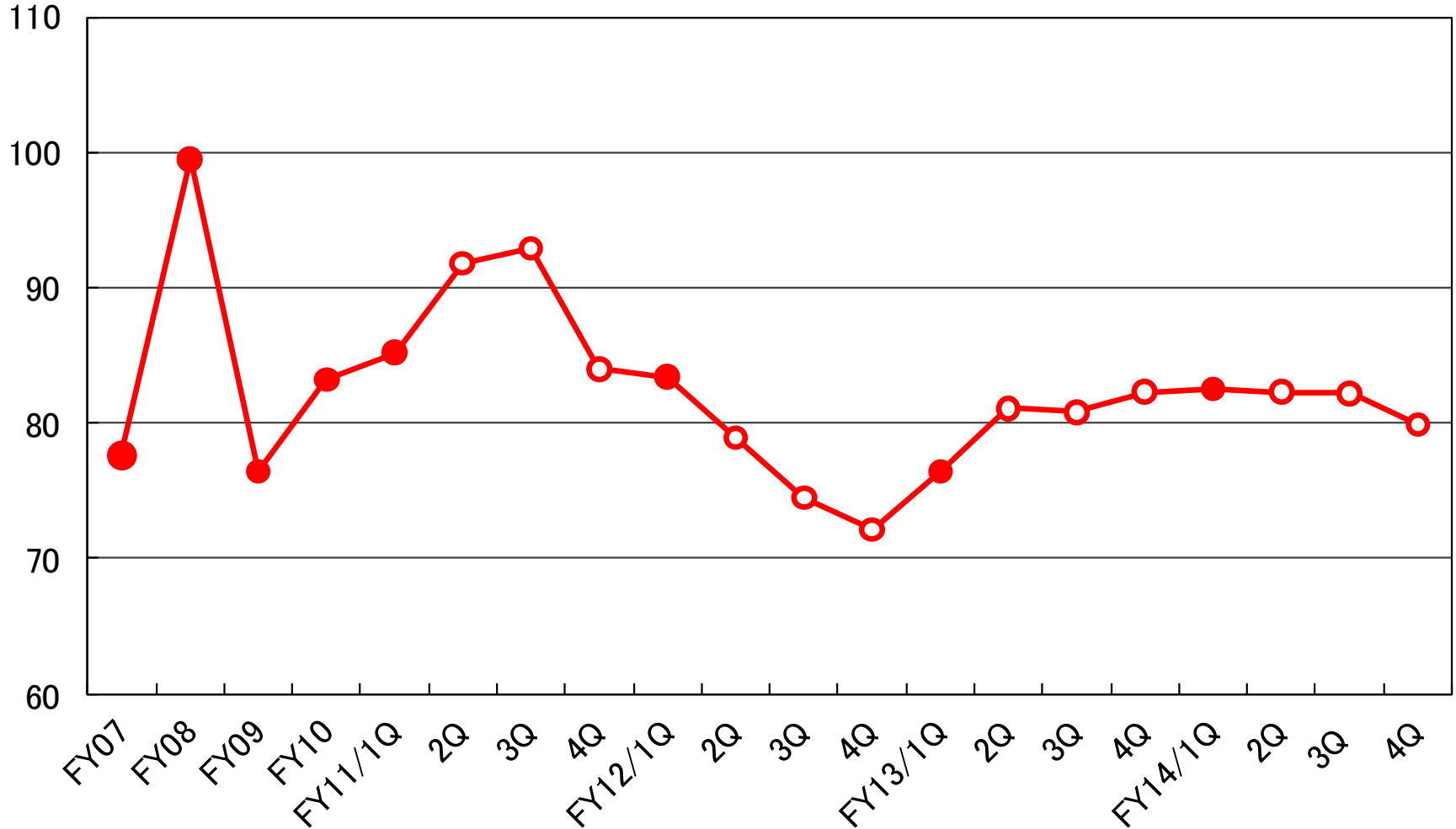




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KSL Steel Product Price Trends

(thousand yen / ton)





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【Welding】

(Billions of yen)

	FY2014			FY2015			Change FY14→FY15
	1H	2H	Full year	1H	2H	Full year	
Net sales	45.6	48.8	94.4	48.0	50.0	98.0	+ 3.6
Ordinary income	4.6	5.6	10.2	4.0	5.0	9.0	△1.2

FY2015

- There is concern that the prolonged economic deceleration in Southeast Asia and stagnant demand in energy-related sectors will affect demand for welding materials.



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Shipments and Sales

(thousand of tons)

<Welding materials>

	FY2013			FY2014			Change FY13→FY14
	1H	2H	Full year	1H	2H	Full year	
Domestic shipments (excluding exports)	103	113	216	113	114	227	+ 11

<Sales volume of KSL Group>

Domestic	60	66	126	67	68	135	+ 9
Overseas	96	98	194	95	92	187	△ 7
Total	155	164	319	162	160	322	+ 3



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[Aluminum & Copper]

(Billions of yen)

	FY2014			FY2015			Change FY14→FY15
	1H	2H	Full year	1H	2H	Full year	
Net sales	161.5	169.3	330.8	190.0	190.0	380.0	+49.2
Ordinary income	6.0	9.1	15.1	8.0	8.0	16.0	+0.9
(inventory valuation)	(0.0)	(1.5)	(1.5)	(1.0)	(0.5)	(1.5)	(0.0)

FY2015

- For aluminum rolled products, demand for aluminum can stock for beverage containers is anticipated to be firm.
- For copper rolled products, demand mainly in overseas markets from the automotive, semiconductor and air conditioner sectors is anticipated to be firm.



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Shipments & Sales data

(thousands of tons)

	FY2013			FY2014		
	1H	2H	Full year	1H	* 2H	Full year

<Shipments of Aluminum rolled products>

Aluminum sheets	574	575	1,149	625	501	1,126
(can stock)	(217)	(194)	(411)	(221)	(160)	(381)
Aluminum extrusions	405	430	835	405	328	733
Total	979	1,005	1,984	1,030	829	1,859

<Shipments of Processed copper products>

Copper Sheets and Strips	197	209	406	209	176	385
Copper Tubes	55	59	114	59	46	105
Total	252	268	520	268	222	490

Apr - Feb

<Sales volume of KSL>

Aluminum rolled products						
Domestic	113	109	222	125	126	251
Exports	22	23	45	29	36	65
Copper Sheets and Strips	24	24	48	27	27	54
Copper Tubes	44	41	85	45	40	85



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【Machinery】

(Billions of yen)

	FY2014			FY2015			Change FY14→FY15
	1H	2H	Full year	1H	2H	Full year	
Net sales	73.0	86.1	159.1	86.0	92.0	178.0	+ 18.9
Ordinary income	3.2	7.1	10.4	2.5	5.5	8.0	△2.4
Orders	73.7	67.6	141.3	—	—	about 160	—

FY2015

- There is concern that demand for compressors will decrease mainly in the oil refining sector, affected by low oil prices.



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【Engineering】

(Billions of yen)

	FY2014			FY2015			Change FY14→FY15
	1H	2H	Full year	1H	2H	Full year	
Net sales	19.0	29.9	49.0	26.0	27.0	53.0	+4.0
Ordinary income	△0.5	1.3	0.7	0.5	△0.5	0.0	△0.7
Orders	14.5	10.7	25.2	—	—	about 60	—

FY2015

- In the ironmaking plant field, due to a worldwide easing in the supply and demand for steel products, poor conditions are expected to continue for large capital investments.



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【Kobelco Eco-Solutions】

(Billions of yen)

	FY2014			FY2015			Change FY14→FY15
	1H	2H	Full year	1H	2H	Full year	
Net sales	27.1	40.9	68.1	34.0	49.0	83.0	+ 14.9
Ordinary income	0.3	2.6	3.0	0.2	3.3	3.5	+ 0.5

FY2015

- Domestic public investments in the water treatment-related business are expected to continue being weak.
- Domestic public investments in the waste treatment-related business are expected to remain at the same level for the time being.



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【Kobelco Construction Machinery】

(Billions of yen)

	FY2014			FY2015			Change FY14→FY15
	1H	2H	Full year	1H	2H	Full year	
Net sales	169.7	141.2	311.0	165.0	150.0	315.0	+4.0
Ordinary income	16.1	4.8	21.0	11.0	9.0	20.0	△1.0

FY2015

- Domestic demand is anticipated to remain firm on the back of a high level of public investments, but there is concern about a shortage of workers among our customers.
- In overseas markets, demand in the U.S. is anticipated to be firm, but demand in China is anticipated to be sluggish.



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【Kobelco Cranes】

(Billions of yen)

	FY2014			FY2015			Change FY14→FY15
	1H	2H	Full year	1H	2H	Full year	
Net sales	35.8	35.2	71.1	40.0	41.0	81.0	+9.9
Ordinary income	3.1	1.9	5.1	2.0	3.0	5.0	△0.1

FY2015

- Demand is anticipated to remain firm in domestic and overseas markets.



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3. Progress of Medium-Term Business Plan



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Rebuilding the Business Foundation

(Billions of yen/compared with FY2012)

Mesures			FY2014	FY2015	Mid-term FY2013~ FY2015
Strengthening the Profitability of the Steel business (※)	<ul style="list-style-type: none"> ● Capital investment effects ● Cost reduction at production sites ● Improving raw material costs ● Reduction of fixed costs 		32	43	60
Improving the Competitiveness of the Company	<ul style="list-style-type: none"> ● Labor cost/efficiency improvements ● Reduction of F costs ● Reduction of V costs ● "Monozukuri-ryoku" strengthening 		12	9	30

(※) Included in Improving the Competitiveness of the Company

Mesures			FY2013~FY2015		Mid-term FY2013~ FY2015
			FY2013~ FY2014 TTL	TTL	
Improving Financial Performance	Cash Generation Plan	<ul style="list-style-type: none"> ● Reduction of inventory ● Promotion of securitization ● Selling of assets ● Careful selection of investments 	170	180	120



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Preparation for Stabilization and Growth

Restructuring of the Iron & Steel Segment

Consolidating upstream operations at Kobe Works with Kakogawa Works in FY2017

- Equipment orders, field work and other work are progressing as planned.
- Kobe Steel is working on receiving the necessary re-approval from its customers.

Business Expansion in Growth Markets (Automotive)

Iron & Steel

- Commercial production of cold-rolled high-strength steel for automobiles began in North America. (May, 2013)
- Joint venture was established to make cold-rolled high-strength steel sheet for automobiles in China. (to begin in early 2016)

Aluminum & Copper

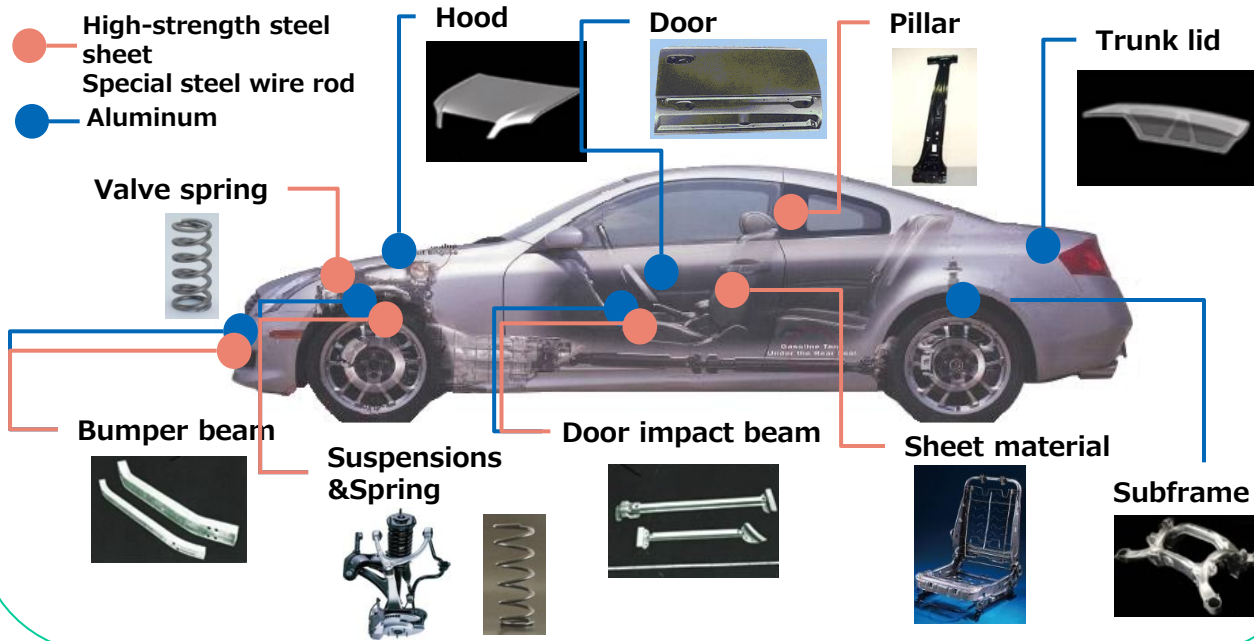
- Titanium material is being used in Toyota's Mirai hydrogen fuel cell vehicle (FCV).
- Production capacity of the aluminum forging plant in China was expanded. (Apr, 2013)
- A company for making aluminum sheet for automotive body panels was established in China. (begin in 2016)
- We are considering to establish a joint venture to produce aluminum sheet for automotive body panels in the U.S..
- Production capacity of the aluminum forging plant in the U.S. has expanded (Aug, 2014)



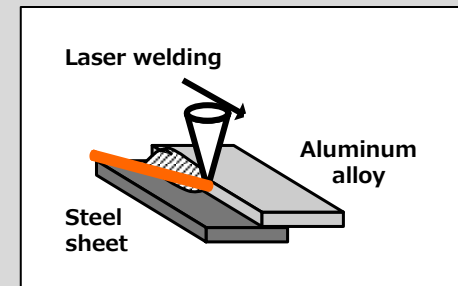
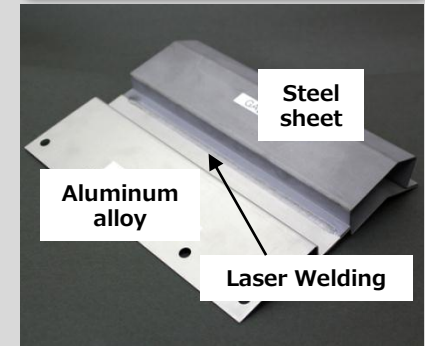
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(FYI) Lightweighting Measures for Cars

Product Lineups with Advanced Technology Commanding High Market Share



Welding of Dissimilar Metals



Bumper Combining Steel with Aluminum





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(FYI) Titanium material is being used in Toyota's Mirai hydrogen fuel cell vehicle (FCV)



Flat-rolled specialty titanium



Fuel cell separator



Fuel cell stack



「MIRAI」



Preparation for Stabilization and Growth

◆ Expanding the Power Supply Business

◇ **A 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 plant is expected to start up in FY2019
- The environmental impact assessment is being executed.

◇ **A expansion of coal-fired power station in 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.
- The power plant is expected to start up in FY2021.
- The environmental impact assessment is being executed.



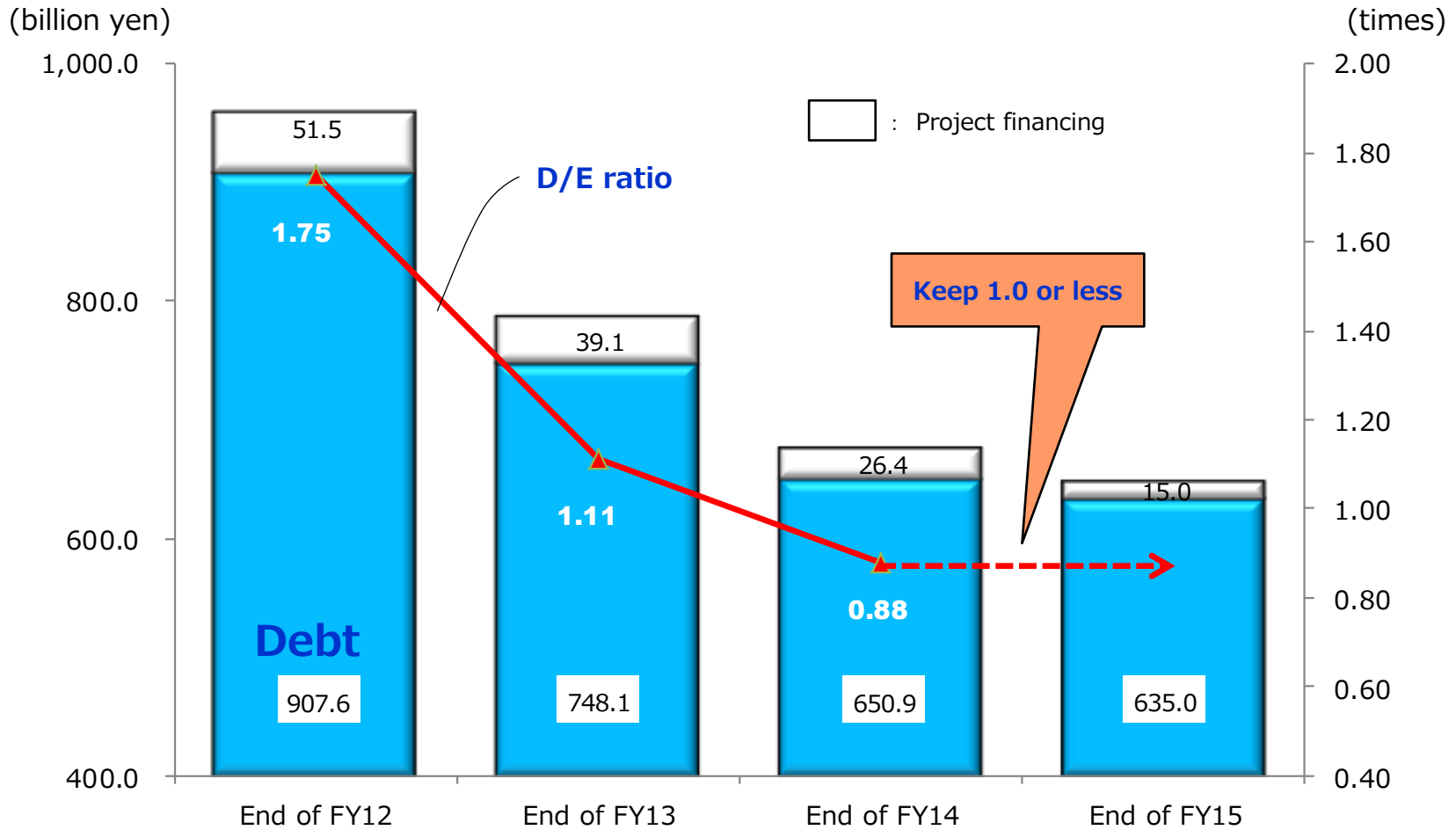
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4. Financial condition



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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



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5. Reference



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Financial Indices

	FY2012	FY2013	FY2014
ROS ※1	△ 1.1%	4.7%	5.4%
Net income per share	△8.98yen	22.62yen	23.81yen
ROE ※2	△ 5.2%	11.9%	12.0%
ROA ※3	△ 0.8%	3.8%	4.4%
D/E ratio	1.75	1.11	0.88

※1 : ROS = Ordinary Income / Net Sales

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

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



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Cash Flows

(Billions of yen)

	FY2014			FY2015			Change
	1H	2H	Full year	1H	2H	Full year	FY14→ FY15
Cash flows from operating activities	79.7	73.3	153.0	91.0	80.0	171.0	+ 18.0
Cash flows from investing activities	△ 39.2	△ 34.4	△ 73.6	△ 56.0	△ 70.0	△ 126.0	△ 52.4
Free cash flow	40.5	38.9	79.4	35.0	10.0	45.0	△ 34.4
Repayment source for project financing	7.3	2.5	9.8	5.0	10.0	15.0	5.2
Free cash flow (excluding project financing)	33.2	36.4	69.6	30.0	0.0	30.0	△ 39.6
Cash and deposits (excluding project financing)	93.9	84.0		85.0	75.0		△ 9.0



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Capital Investment

(Billions of yen)

	FY2012	FY2013	FY2014	FY2015	Change	
					FY13→FY14	FY14→FY15
Capital investment (accrual basis)	114.9	101.4	103.5	120.0	+2.1	+16.5
Capital investment (cash basis)	109.5	95.4	95.3	125.0	△0.1	+29.7
Depreciation	106.7	82.9	89.8	110.0	+6.9	+20.2



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Consolidated Ordinary Income Analysis (FY13→FY14)

(Billions of yen)

	FY2013			FY2014		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	43.1	41.8	85.0	46.1	55.5	101.6

+16.6

Positive Factors		Negative Factors	
Raw material prices	+ 50.0	Production and shipments	△ 7.5
Aluminum inventory valuation	+ 0.5	Overall costs	△ 5.0
Subsidiaries	+ 19.0	Steel inventory valuation	△ 25.0
		Exchange rate changes in steel business	△ 12.0
		Other	△ 3.4
Total	+ 69.5	Total	△ 52.9



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Iron & Steel Ordinary Income Analysis (FY13→FY14)

(Billions of yen)

	FY2013			FY2014		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	15.5	18.0	33.5	10.4	18.3	28.7

Δ**4.7**

Positive Factors		Negative Factors	
Raw material prices	+ 50.0	Production and shipments	△ 10.5
		Overall costs	△ 2.0
		Inventory valuation	△ 25.0
		Exchange rate changes	△ 12.0
		Other	△ 5.2
Total	+ 50.0	Total	△ 54.7



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Consolidated Ordinary Income Analysis (FY14 Forecast→Actual)

(Billions of yen)

	FY14 Forecast			FY14 Actual		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	46.1	43.9	90.0	46.1	55.5	101.6

+ **11.6**

Positive Factors		Negative Factors	
Production and shipments	+ 2.5		-
Raw material prices	± 0.0		
Overall costs	+ 0.5		
Steel inventory valuation	± 0.0		
Aluminum inventory valuation	+ 0.5		
Subsidiaries	+ 2.5		
Other	+ 5.6		
Total	+ 11.6	Total	-



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Iron & Steel Ordinary Income Analysis (FY14 Forecast→Actual)

(Billions of yen)

	FY14 Forecast			FY14 Actual		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	10.4	15.6	26.0	10.4	18.3	28.7

+ **2.7**

Positive Factors		Negative Factors	
Production and shipments	+ 3.0	Overall costs	△ 1.0
Raw material prices	± 0.0		
Inventory valuation	± 0.0		
Exchange rate changes	± 0.0		
Other	+ 0.7		
Total	+ 3.7	合計	△ 1.0



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Consolidated Ordinary Income Analysis (FY14→FY15)

(Billions of yen)

	FY2014			FY2015		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	46.1	55.5	101.6	40.0	55.0	95.0

△6.6

Positive Factors		Negative Factors	
Raw material prices	+ 46.5	Production and shipments	△ 30.0
Overall costs	+ 3.5	Exchange rate changes in steel business	△ 10.5
Steel inventory valuation	+ 2.0	Other	△ 20.1
Aluminum inventory valuation	± 0.0		
Subsidiaries	+ 2.0		
合計	+ 54.0	合計	△ 60.6



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Iron & Steel Ordinary income Analysis (FY14→FY15)

(Billions of yen)

	FY2014			FY2015		
	1H	2H	Full year	1H	2H	Full year
Ordinary income	10.4	18.3	28.7	13.0	22.0	35.0

+ 6.3

Positive Factors		Negative Factors	
Raw material prices	+ 46.5	Production and shipments	△ 34.5
Overall costs	+ 7.0	Exchange rate changes	△ 10.5
Inventory valuation	+ 2.0	Other	△ 4.2
合計	+ 55.5	合計	△ 49.2



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**