

Kobe Steel Group Medium- to Long-Term Business Vision

「KOBELCO VISION“G+”」

Fiscal 2016 – Fiscal 2020

Group Medium-Term Management Plan

April 5, 2016



Kobe Steel, Ltd.

KOBELCO
KOBELCO STEEL GROUP

- 1. Summary of the Fiscal 2013-2015 Medium-Term Business Plan**
- 2. Basic Policies of the Fiscal 2016-2020 Medium-Term Management Plan**
- 3. Growth Strategy for the Three Core Business Areas**
- 4. Strengthening the Business Base**
- 5. Financial Strategy and Management Targets**
- 6. Policies on Shareholder Returns and Social Contributions
(Reference) Specific Measures by Business Segment**



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(Reference) Specific Measures by Business Segment



Fiscal 2013-2015 Medium-Term Business Plan

Financial Performance

	Fiscal 2015 Targets* ¹	Fiscal 2013	Fiscal 2014	Fiscal 2015* ²
Net sales	--	1,824.6 billion yen	1,886.8 billion yen	1,840.0 billion yen
Ordinary income	80.0 - 100.0 billion yen	85.0 billion yen	101.6 billion yen	25.0 billion yen
Net income/loss attributable to owners of the parent	--	70.1 billion yen	86.5 billion yen	-20.0 billion yen
D/E Ratio	1.3 times (Achieve 1.0 times at early stage)	1.11 times	0.88 times	1.0 times
ROA * ³	--	3.8%	4.4%	1.1%
ROE * ⁴	--	11.9%	12.0%	-2.6%

*1: Targets as of May 29, 2013

*2: Forecast as of the Third Quarter Fiscal 2015 Financial Results

*3: Ordinary income (loss) / Total assets

*4: Net income (loss) attributable to owners of the parent /
Shareholders' equity

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		Forecast	(Target)
Impact from capital investment		42.0 billion yen	60.0 billion yen
Cost cuts at the production site level			
Improvement in raw material costs			
Reduction of fixed costs, etc.			

Improve financial performance

Cumulative amount for Fiscal 2013-2015

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

Promote measures to lay the groundwork for stability and growth

<p>Structural reform of the steel business</p>	<p><Consolidate upstream operations></p> <ul style="list-style-type: none"> ◆ Consolidate upstream operations to Kakogawa Works in fiscal 2017 <ul style="list-style-type: none"> - Equipment orders, field and other work generally progressing as planned - Gain re-approval from customers due to changes in upstream operations <p><Implement more investments for further cost cuts></p> <ul style="list-style-type: none"> ◆ Determine and promote further strengthening of hot metal treatment capacity (Install second dephosphorization furnace)
<p>New investments in the materials businesses to secure sales volume in growth areas and regions</p>	<ul style="list-style-type: none"> ◆ 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
<p>Strategic expansion of the machinery businesses</p>	<ul style="list-style-type: none"> ◆ Build a construction machinery factory for hydraulic excavators in North America ◆ Construct a test facility large-sized reciprocating compressors ◆ Build a new comprehensive testing center for hydrogen stations ◆ Expand sales bases for compressors overseas (Brazil, India, Thailand)
<p>Growing the electric power supply business</p>	<ul style="list-style-type: none"> ◆ 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.)

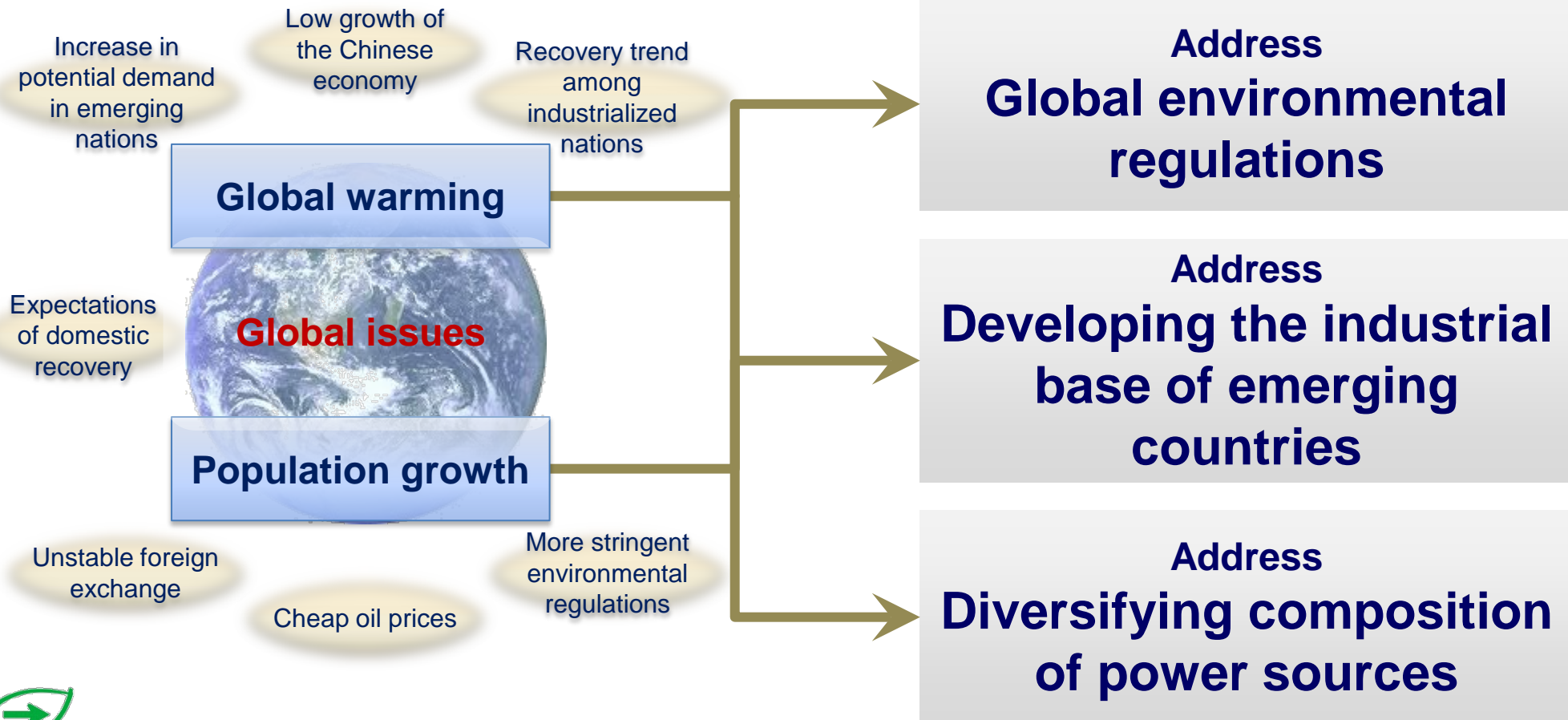
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Recognizing the Business Environment (1)

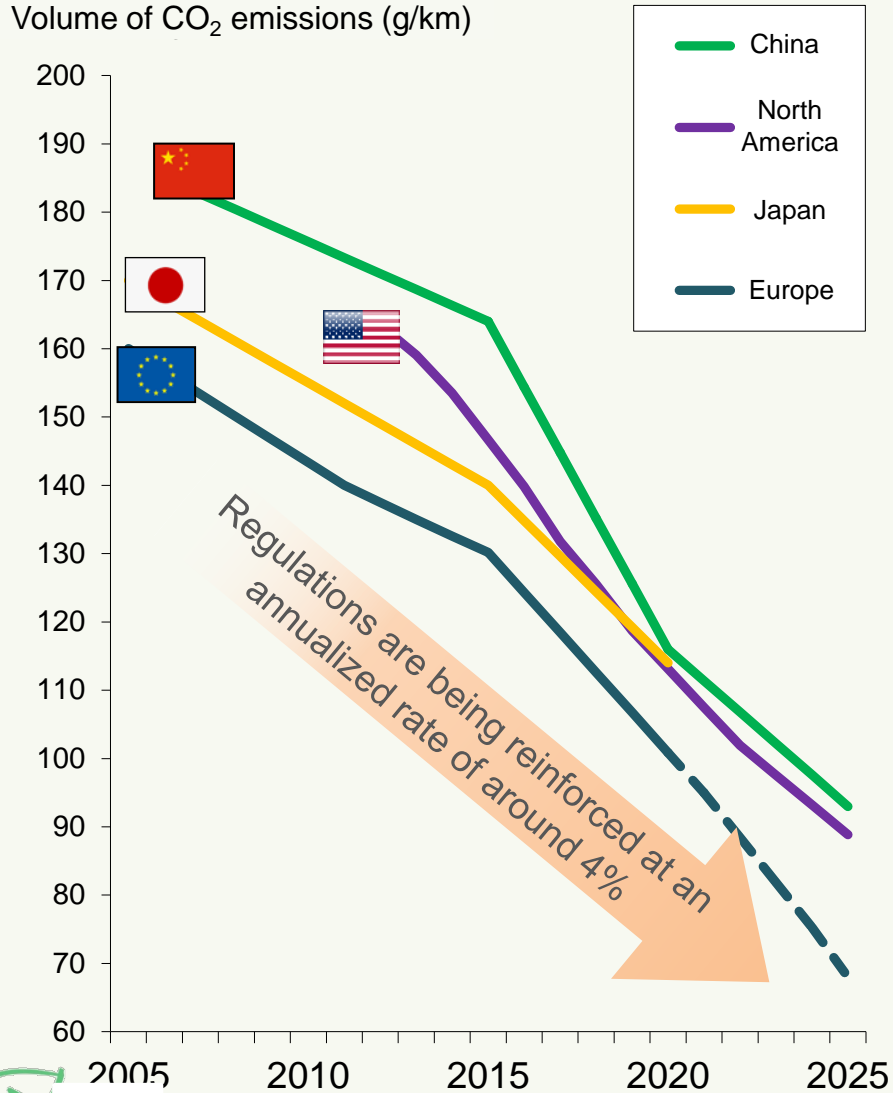
Macro environment

Society's needs that the Kobe Steel Group must address



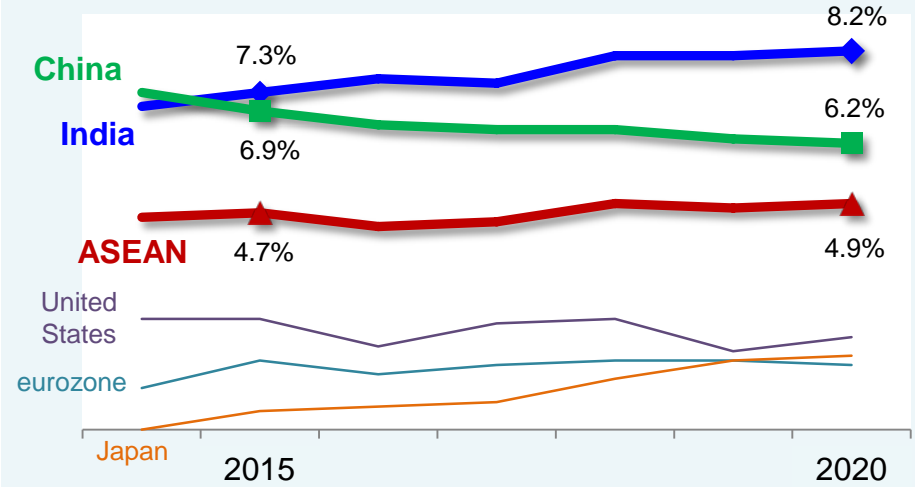
Recognizing the Business Environment (2)

Trends in regulations on CO₂ emissions in countries and regions



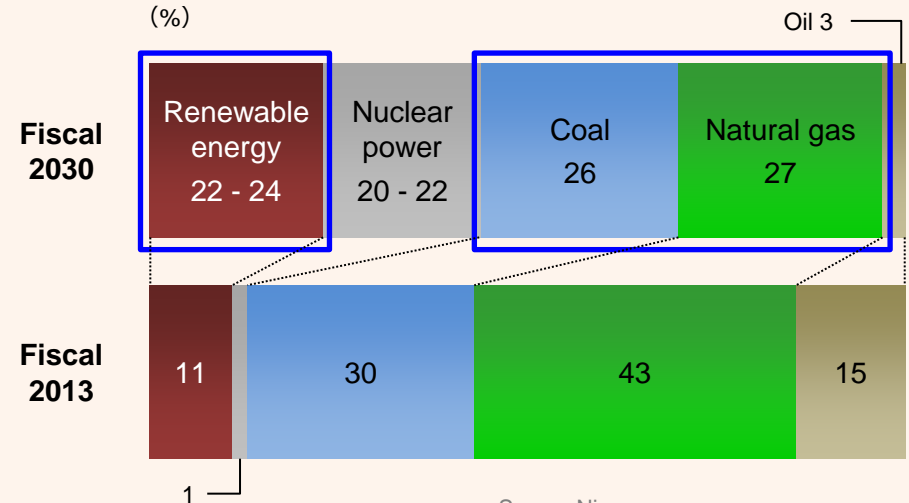
Source: Created by the Company based on country-based regulatory data from The International Council on Clean Transportation

GDP forecasts of emerging nations



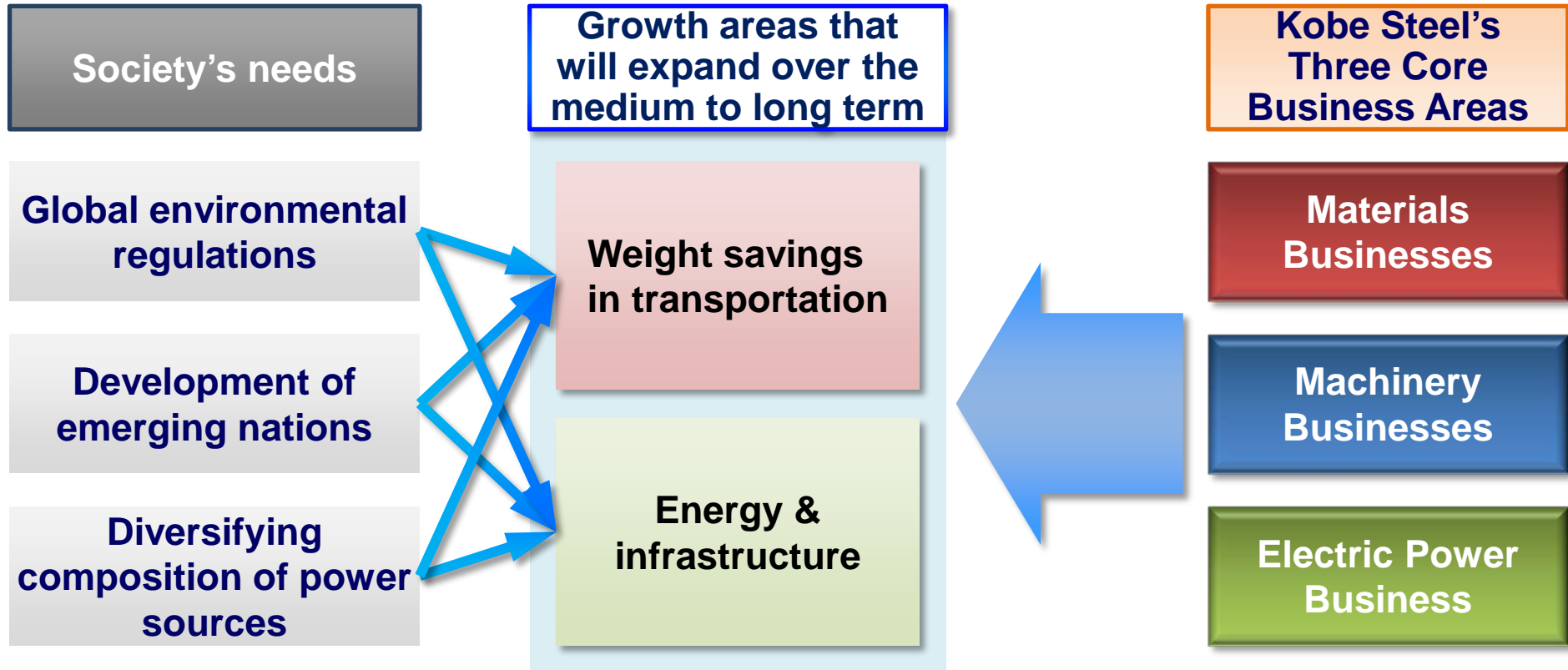
Source: Created by the Company based on data from Mizuho Research Institute, etc.

Ideal electric source composition in 2030 (Ministry of Economy, Trade and Industry)



Source: Nippon.com

Growth Areas of the Kobe Steel Group



Approach growth areas of weight savings in transportation and energy/infrastructure through three core business areas: **Materials, Machinery and Electric Power**

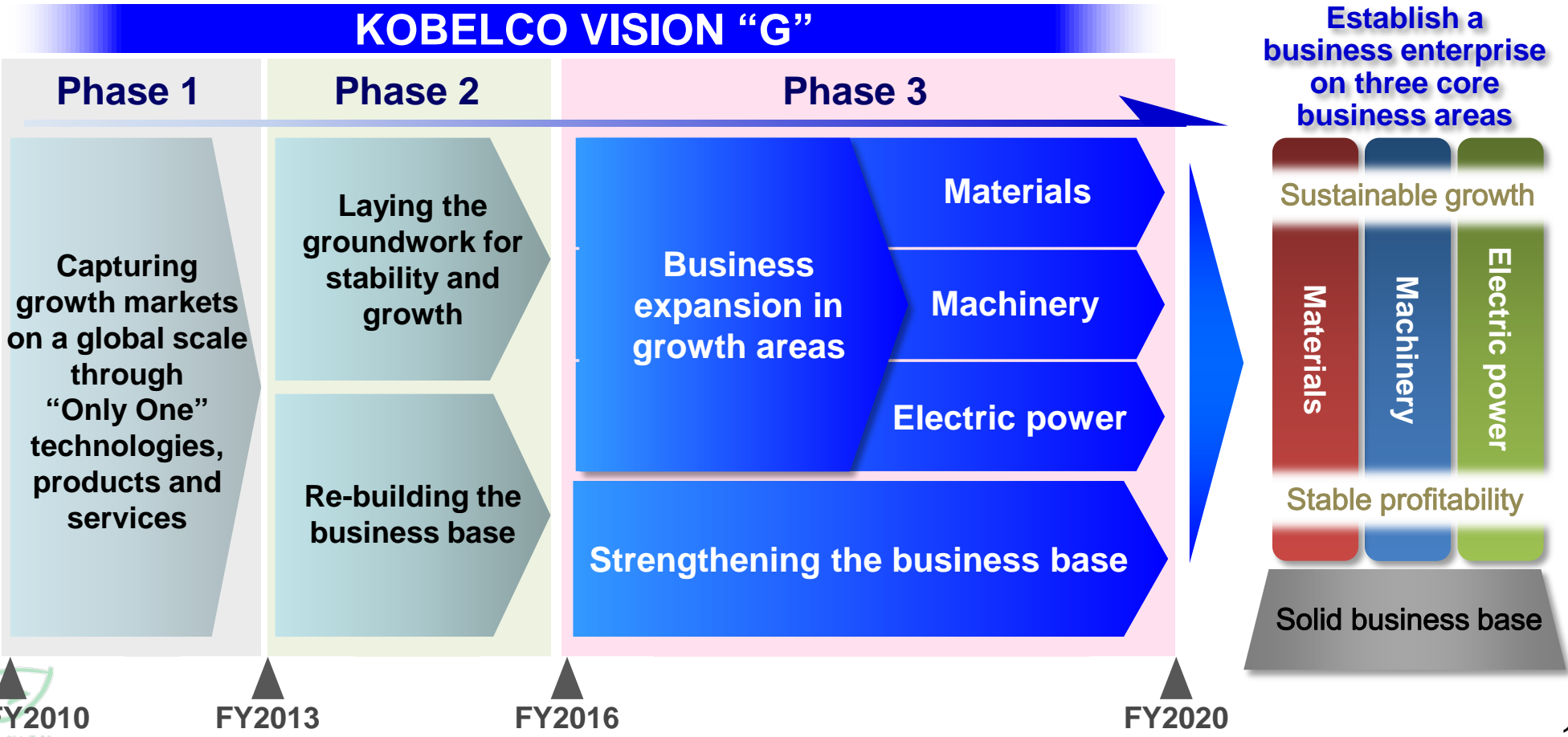
Expand businesses and contribute to society by achieving a strong competitive edge by strengthening current growth strategies and enhancing the Kobe Steel Group's original added value.

Fiscal 2016-2020 Medium-Term Management Plan Positioning

**Toward establishing a solid business enterprise on three core business areas:
Materials, Machinery and Electric Power**

KOBELCO VISION “G+,” launching in fiscal 2016, combines the current Medium-Term Management Plan and the vision of a business enterprise established on three core business areas

KOBELCO VISION “G+”



Basic Policies

Growth strategies for the three core business areas

Materials

- I. Initiatives for weight savings in transportation
- II. Strengthening profitability in the steel business

Machinery

- I. Initiatives in the fields of energy and infrastructure
- II. Strengthening profitability in the construction machinery business

Electric Power

Initiatives aimed at stable profitability in the electric power supply business

Strengthening the business base

Common strategies

- I. Strengthening corporate governance
- II. Securing and developing human resources
- III. Strengthening technology development and *monozukuri* (manufacturing) capabilities

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I. Initiatives for Weight Savings in Transportation

(1) Automotive field

(2) Aircraft field

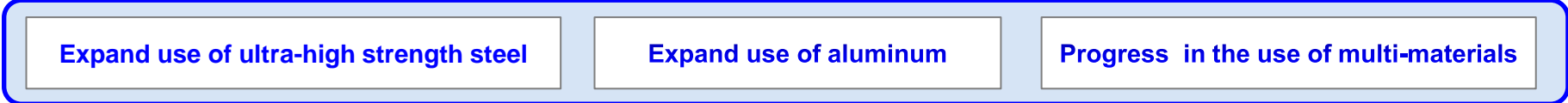
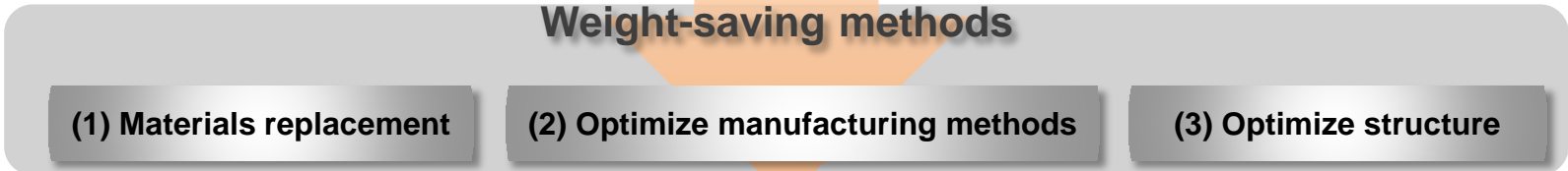
Need for automotive weight savings

Challenges of automakers	<p align="center"><u>Improving fuel consumption and environmental performance</u></p> <p>Fuel consumption and CO₂ regulations have become more stringent in regions and nations around the world at around an annualized rate of 4%</p>	<p align="center"><u>Enhancing safety</u></p> <p>Institute standards and strengthen them through regulations and assessments in regions and nations around the world</p>
Effective measures	<ul style="list-style-type: none"> - Automotive weight savings - Shift to HV/PHEV, popularization of EV/FCV → Cannot avoid increase in the weight of automotive frame 	<ul style="list-style-type: none"> - Prepare preventive and safety responses, enhance equipment for automatic driving - Strengthen automotive frame to improve collision safety → Cannot avoid increase in the weight of automotive frame

Accelerated need for weight savings

Automotive weight savings **contributes to fuel consumption, environmental performance, driving performance, safety performance** (Improved fuel consumption/longer driving distance range/improved drivability/improved collision safety/enhanced preventive safety equipment)

The need for automotive weight savings will remain intact over the long term



Kobe Steel Group's automotive strategy

Basic policies

Expand global market share and achieve solid growth in the automotive field. In addition to **strengthening the competitive edge of ultra-high strength steel and aluminum, which** excel in balancing weight savings and cost, Kobe Steel aims to apply **the Company's original solutions technology to realize the use of multi-materials.**

Parts targeted on the Company's menu

••Expansion of targeted parts without competition between materials

Parts		Small- / Medium-sized vehicles	Large-sized vehicles
Body	Material for automotive frame	Ultra-high strength steel	Aluminum extrusion
	Panel, closure panel	–	Aluminum sheet
	Bumper	Ultra-high strength steel	Aluminum extrusion
Interior	Sheet	Ultra-high strength steel	Aluminum extrusion
Chassis	Suspension	Aluminum forgings	
Powertrain	Engine	Special steel	

Ultra-high strength steel: tensile strength ≥ 780 MPa
 (High strength steel: tensile strength ≥ 340 MPa)

Parts in which multi-materials are progressing



Strategy for each menu and the Company's competitive edge

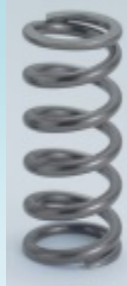
[Common strategy]

- ◆ Strengthening business with Japanese automakers
- ◆ Promoting initiatives aimed at European and U.S. automakers in growth areas (North America, China)

Special steel

Sales expansion in overseas growth markets

- [The Company's competitive edge]
- Global supply structure for high-quality special steel
 - Secondary processing bases both at home and abroad



Ultra-high strength steel (UHSS)

Focusing on weight-savings of car frame by using UHSS with high formability

- [The Company's competitive edge]
- Track record, expertise as a leader in UHSS
 - Global supply structure



Aluminum forgings

Capture expanding global demand

- [The Company's competitive edge]
- Development, design, capabilities in die/mold and forging technologies
 - Three-country structure covering Japan, the U.S., China

Aluminum sheet

Responding to growing global demand for aluminum panels

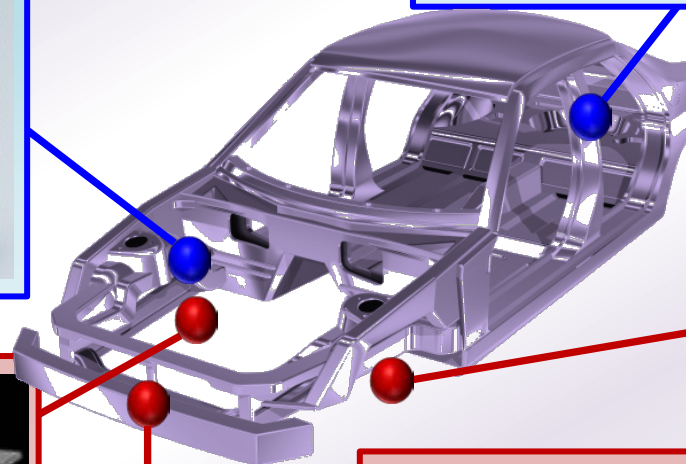
- [The Company's competitive edge]
- Technological edge in alloy technology, etc.
 - High surface quality cultivated through can stock



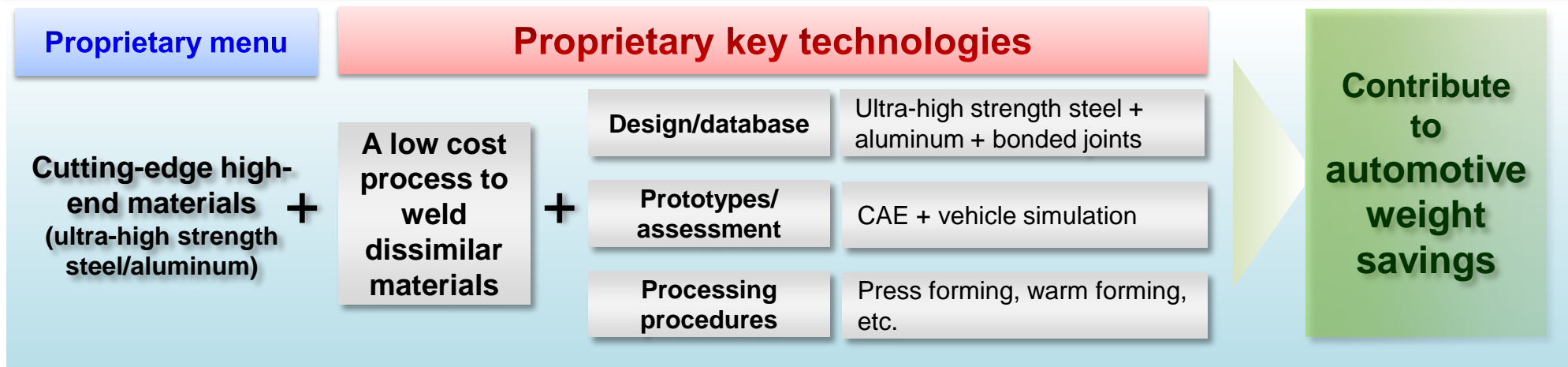
Aluminum extrusions

Addressing bumper/frame materials on a global basis, using 7xxx series high-strength aluminum alloy

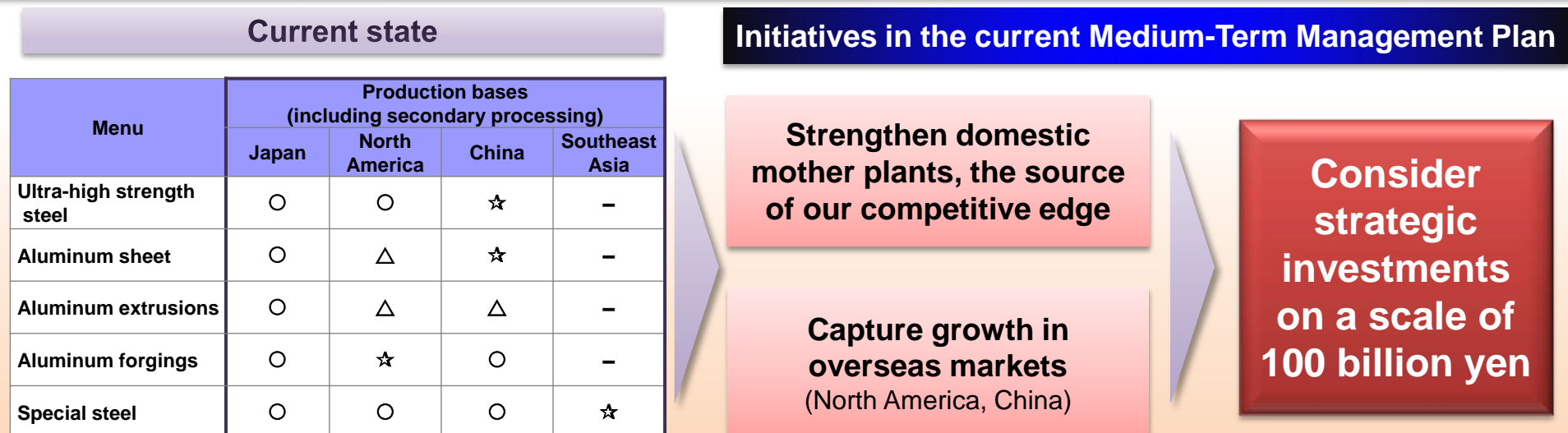
- [The Company's competitive edge]
- High-strength alloy for large weight savings
 - Bumper design technology



Solutions technology that realizes the use of multi-materials



Establishing a global supply structure



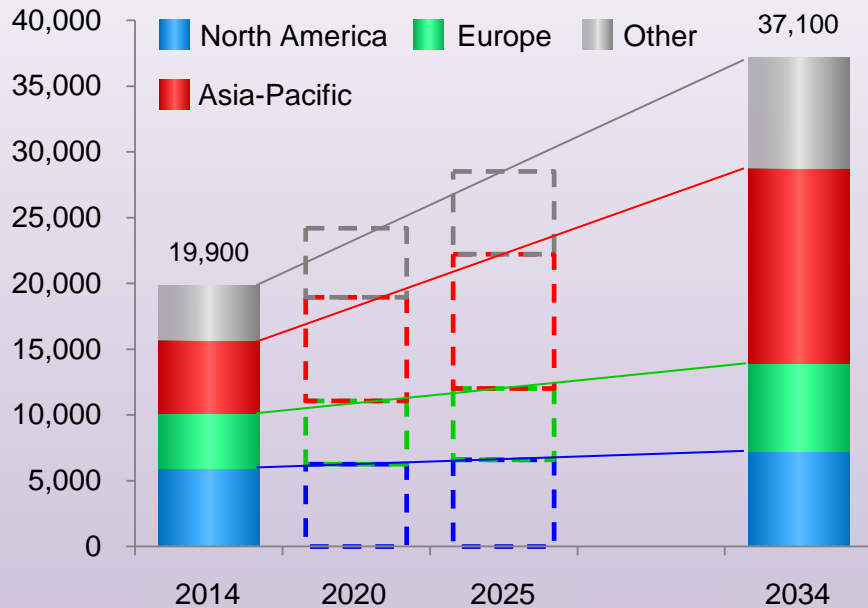
☆: New investments/expansion during the previous medium-term period ○: existing base △: Under consideration

Trends in the aerospace field and Kobe Steel's menu

◆ Trends in demand

- The number of aircraft in operation will nearly double in the next 20 years. (19,900 in 2014 → 37,100 in 2034)
- The number of large and small aircraft will increase sharply in Asia.
- The aircraft market in 2014 was around 60 trillion yen. → Materials around 1.6 trillion yen

Forecast for the number of major jets in operation



* Created by the Company based on data from the Japan Aircraft Development Corporation

◆ Trends in materials (macro)

Large aircraft	Medium aircraft	Small aircraft
CFRP + Titanium	Aluminum / Magnesium	

<Large aircraft>

Increase in the use of weight-saving material CFRP (carbon-fiber-reinforced polymer) for improved fuel efficiency, due to stricter environmental regulations around the world → **Titanium**, which has similar characteristics, is used in joined parts

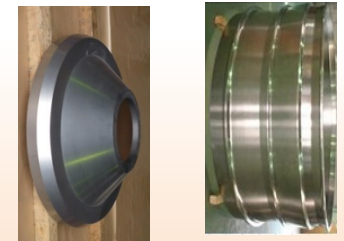
<Small aircraft (regional jets/business jets)>

Aluminum, magnesium used

◆ Kobe Steel's menu

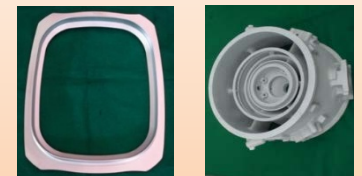
<Titanium>

Large forgings for airframes, landing gears, rotors and non-rotor parts for jet engines



<Aluminum, Magnesium>

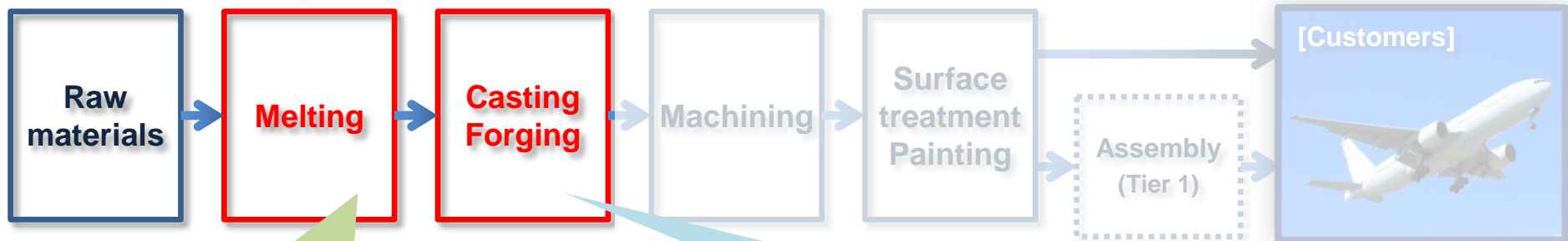
Forgings for airframes, landing gears
Castings and forgings for jet engines



Initiatives to date in the aerospace field

Working on maximizing sales expansion in response to growing aerospace demand, along with strengthening upstream operations from melting to forging and casting

Manufacturing process of aerospace parts



Titanium

Increase melting capacity
→ **Decided to install the latest melting furnace model**



Titanium

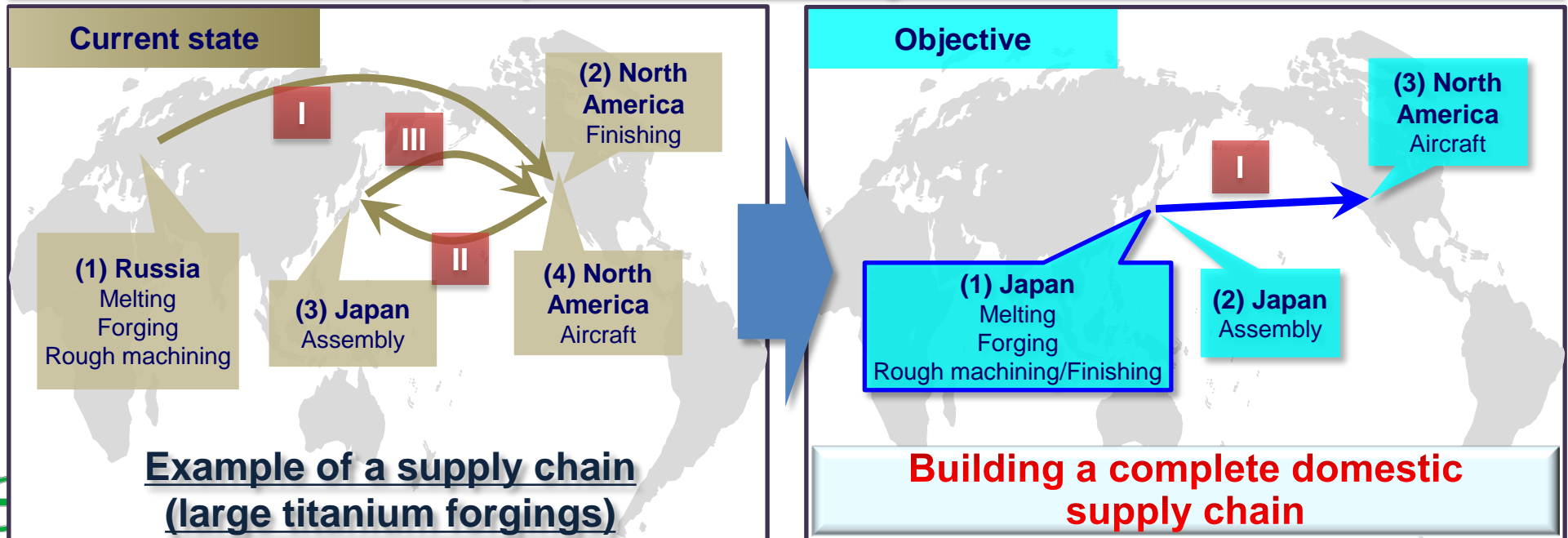
Established Japan Aeroforge, Ltd.
→ **Operates a 50,000-ton forging press, one of the world's largest**

Changes in customer needs

Amid an increase in the number of aircraft,

- Greater **need to provide an integrated response, from materials to parts processing, to suppliers**
- **Search for suppliers in the Asian region, a growth area**

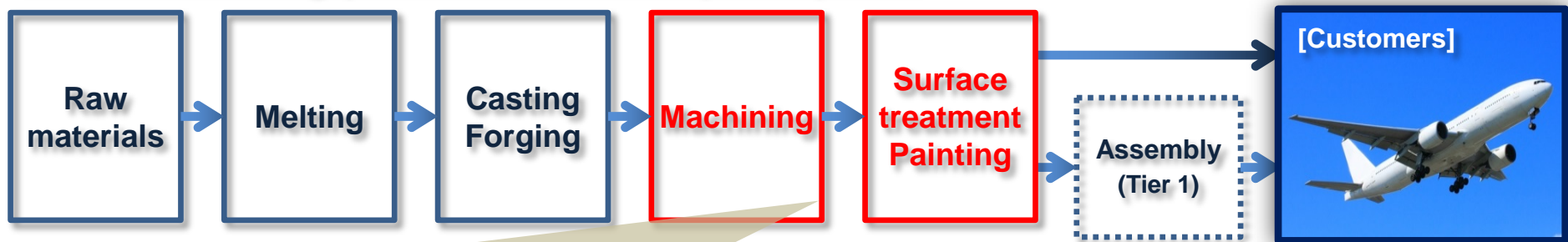
Kobe Steel aims to establish a complete domestic supply chain with an integrated approach from the upstream operations of materials and casting/forging to the downstream operations of machining and surface treatment.



Future initiatives in the aerospace field

In addition to continuing reinforcing upstream operations, will promote research and development toward **introducing and expanding downstream operations** that address the needs of customers

Manufacturing process of aerospace parts



Titanium

Promote research and development to introduce machining for large forgings

Aluminum, Magnesium

Promote research and development of machining and surface treatment to expand menu for machined parts

Research and development period: until the end of fiscal 2018

II. Strengthen Profitability of the Steel Business

(1) Consolidating upstream operations at steelworks

(2) Additional measures to improve profitability

(3) Pursue growth in the transportation field



Fiscal 2015 ⇒ Fiscal 2020 Impact from improved profitability

(1) Consolidation of upstream operations at steelworks

+15.0 billion yen/year or more

Consolidation to be completed in the fall of 2017

(2) Additional measures to improve profitability

+30.0 billion yen/year

- Impact from capital investments
- Cost cuts at the production level
- Improved raw materials cost
- Reduction of fixed costs

(3) Growth in the transportation field

+25.0 billion yen/year

- Upgrade sales mix of steel products
- Improve profitability of overseas businesses
- Growth of the processed materials business

Image of Improved Profitability of the Steel Business

(Unit: in billions of yen)

Growth in the transportation field

- Automobiles (ultra-high strength steel, special steel)
- Aircrafts (titanium)
- Ships (steel plate, steel castings and forgings)

Further expansion toward 2025

Ordinary income in steel business
Excludes electric power business, inventory valuation, loss on raw material interests.

7.0

FY 2015 forecast

+15.0

Consolidated upstream operations

+30.0

Additional measures to improve profitability

+10.0

Upgrade sales mix of steel products

+7.0

Major overseas businesses

+8.0

Processed materials (titanium, castings and forgings, steel powder, etc.)

Depreciation costs

-15.0

Reduction in production volume

-10.0

Other risks

-10.0

-20.0

40.0

-30.0

Fiscal 2020

Increase profits through both growth in the transportation field and measures to improve profitability

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I. Initiatives in the Energy & Infrastructure Fields

(1) Compressor business expansion

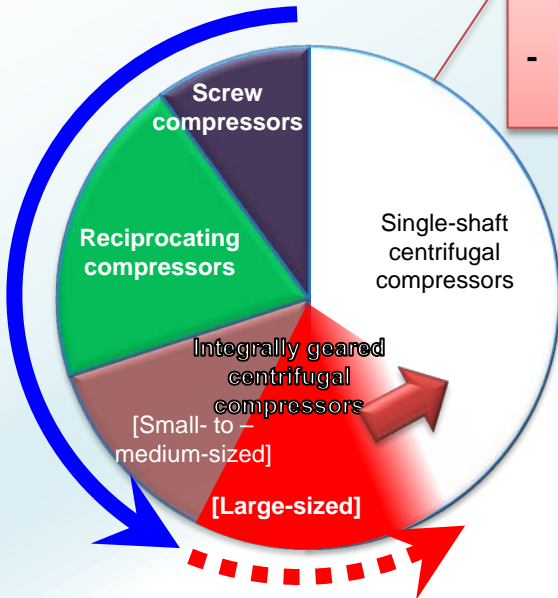
(2) Initiatives in the hydrogen-related business

Nonstandard compressors

Basic policy New domain: Enter the large-sized centrifugal compressor market

Kobe steel's product menu

- The market for integrally geared compressors is growing due to the great need for large-capacity, high-pressure and high-efficiency units.
- The current market is dominated by two European companies.



Integrally geared centrifugal compressor

Nonstandard compressor market
Around 1 trillion yen

Requirements for market entry

Verification of quality of final product
Verification by testing at a large-scale facility

Performance ✓
Top class in the world

Construction of one of the world's largest test facilities

Output: 40 MW
Completion: April 2017

Production capacity ✓
400,000 Nm³/h class
Track record in large units

Competitive edge ✓
Cost reduction by also taking a strong yen into account

Focus on capturing the Asian market
where Kobe Steel has an edge

Standard compressors

Basic policy Establish position as the top group in Asia

Products with a competitive edge

Launch global strategic products that boast performance and costs at the best levels in the world



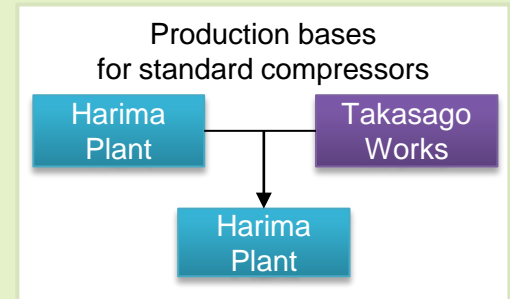
Global expansion

Expand sales and production bases in Asia (India, Thailand, etc.)



Strengthen production base

Improve production efficiency and shorten lead time by consolidating production at Harima Plant



– Initiatives in the Hydrogen-Related Business –

Creating a track record for the coming hydrogen society

Domestic market

Hydrogen and fuel cell strategy
Road map revised version (Ministry of Economy, Trade and Industry)

Targets for hydrogen stations

Current: around 80 locations
2020: around 160 locations
2025: around 320 locations
2030: around 900 facilities

Consideration of hydrogen generation through renewable energy

Develop water electrolysis technology, renewable energy that is cheap, stable and highly efficient

Overseas market

Increase in the number of environmentally friendly cars in response to more stringent regulations on CO₂ emissions

Great anticipation for the U.S. market when FCV becomes popularity in the future

Initiatives of the Kobe Steel Group

Expand sales of units for hydrogen stations

- ◆ Compact design for compressors, freezers, etc.
- ◆ Total engineering capability for hydrogen stations
- ⇒ Increase share in association with the Tokyo Olympics



High-pressure hydrogen compressor HyAC mini

Strengthen competitive edge

New comprehensive test center for hydrogen stations

- ◆ Test station-related machinery based on various criteria
- ◆ Product development that addresses laws and regulations as well as market needs
- ◆ Lower costs and establish differentiated technologies



Demonstration testing of renewable energy hydrogen station

Manufacture CO₂-free hydrogen with renewable energy for use in hydrogen stations (utilize technology from Kobelco Eco-Solutions Co., Ltd.)

Differentiated technologies, product menu

[Utilize U.S. base] Conduct sales activities using track record in Japan

II Strengthen Profitability of the Construction Machinery Business

Promote rebuilding of the China business

Rebuilding the China business

Undertake structural reform to strengthen profitability

Demand

- Total demand, which exceeded 100,000 units in 2010 (only foreign firms) fell to 27,000 units in 2015
- Major recovery cannot be anticipated in 2016-2020, with levels remaining at those seen for replacements (30,000-50,000 units)

Measures

- (1) Review **production capacity**, which is in a surplus situation
- (2) Supply machines and components to Japan, United States, Southeast Asia and maintain operating rates
⇒ **Promote cross-sourcing**

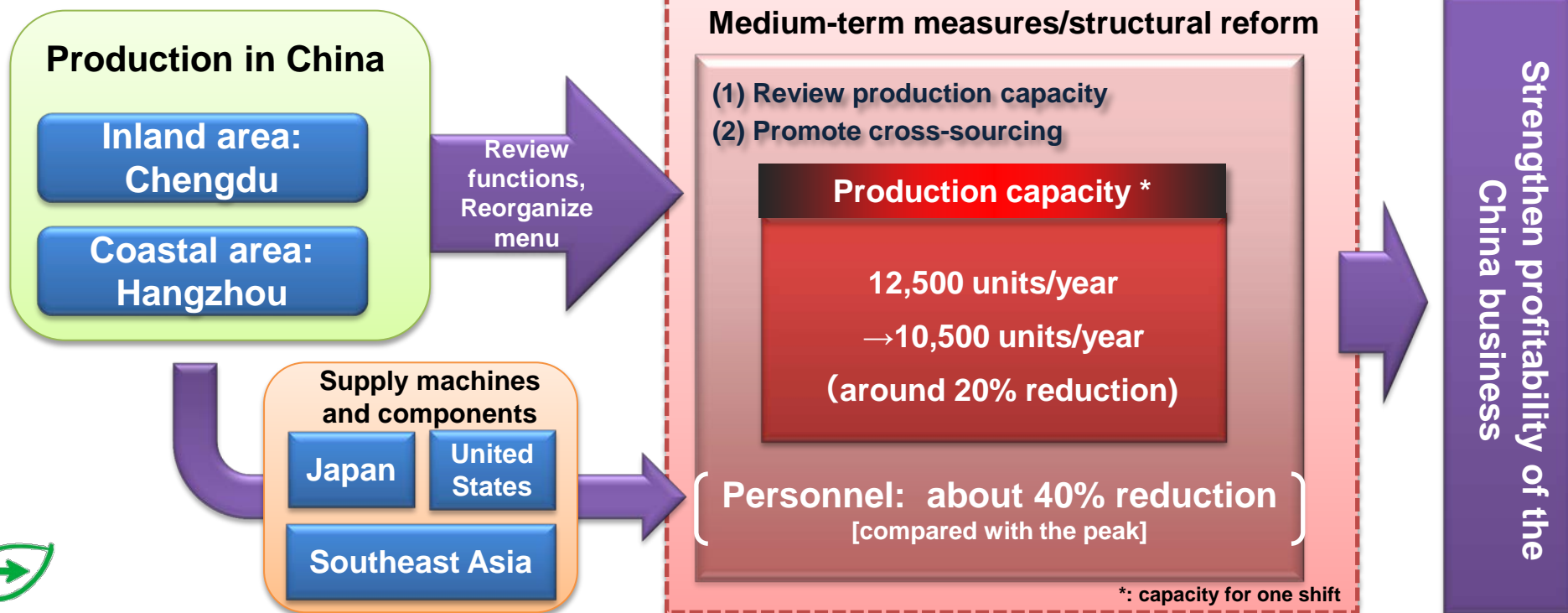


Image of Improved Profitability in the Construction Machinery Business (Unit: in billions of yen)

Merger of Kobelco Construction Machinery and Kobelco Cranes
(Merged company started in April 2016)

Start up excavator factory in the U.S.
(Operations started in April 2016)
Location: Spartanburg, South Carolina
Production capacity: 1,800 units/year



Crane business
(enter large-crane market, etc.)

Market fluctuation risks
Sales risks

+7.0

-5.0



Other fluctuating factors

+5.0

U.S. Europe India } Increase market share

+10.0

Maintain presence in Japan, Southeast Asia

+15.0

Rebuild the China business + Increase sales

Kobelco Construction Machinery + Kobelco Cranes Ordinary profit (loss)

Fiscal 2015 forecast

-14.0

+15.0

Temporary worsening Impact to be resolved

Establish a strong business base that can follow the changing environment

30.0 or more

Fiscal 2020

Global top 10

Target for fiscal 2020

Global market share of excavators
10%

Global market share of cranes
Small- and medium-size **40%**
Large-size **15%**
(excludes China)



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Initiatives for stable profits in the electric power business

- Secure maximum profits through stable operations of the current IPP business
- Complete the Moka project and achieve smooth start-up
- Steadily promote the Kobe project

Establish a stable profit base

Achieve cost-competitiveness through cutting-edge facilities

3.95 million kW

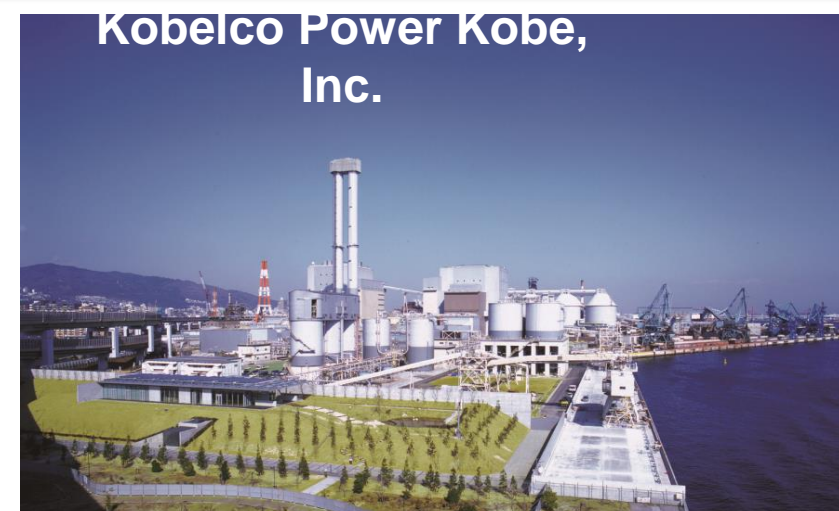
**Nos. 3 & 4 power plants
in Kobe to begin operations**

[Pulverized coal-fired, ultra-supercritical pressure power generation (USC)]

2.65 million kW

**Nos. 1 & 2 power plants in Moka
to begin operations**

[Gas turbine combined cycle using city gas]



1.4 million kW

Continued stable operation of Nos. 1 & 2 power plants in Kobe

[Pulverized coal-fired, supercritical pressure power generation (SC)]

FY2019

FY2022

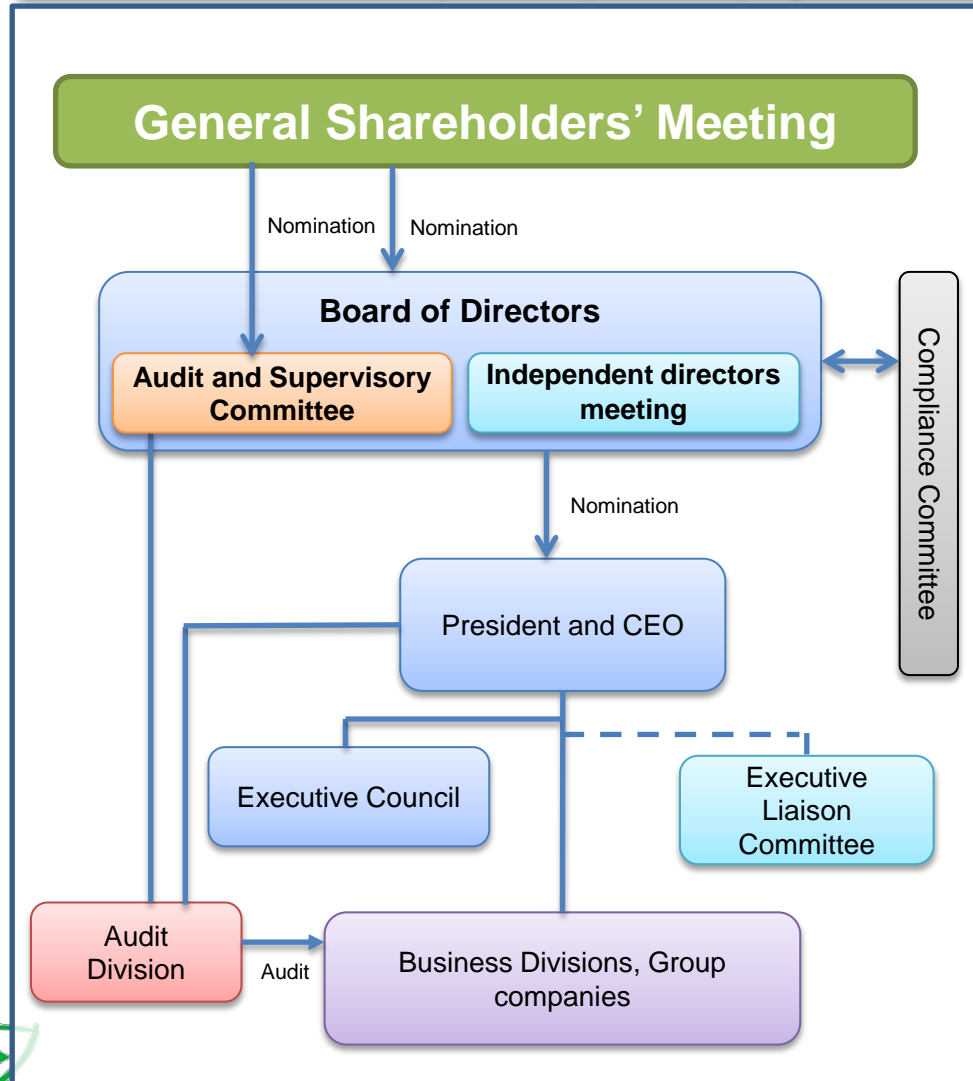
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Strengthening the Business Base I

– Strengthening Corporate Governance –

Strengthen the corporate governance structure that is necessary to realize Kobe Steel's corporate philosophy and the Medium-Term Management Plan



(1) Transition to a company with an audit and supervisory committee

- Improve transparency and fairness of the Board of Directors by increasing the ratio of outside directors
- Strengthen the supervisory function of the Board of Directors through audit & supervisory committee members
- Accelerate the decision-making process.

(2) Review members of the Board of Directors

Newly nominate a director to serve as the President and Representative Director of Kobelco Construction Machinery

(3) Establish a board of independent directors

Establish a meeting system that exchanges information based on the appropriate participation of independent outside directors and on an objective standpoint

(4) Strengthen the business execution system

Consolidate operations to seven business segments:
Iron & Steel, Welding, Aluminum & Copper, Machinery, Engineering, Construction Machinery, Electric Power

Promote diversity

Selected as a
Nadeshiko Brand in
fiscal 2015



- Expand hiring of women
- System to support early return from childcare leave
- System to support continuation of career, etc.

Changing work styles

–improve staff productivity



- Work style reform
- Prohibit overtime work past 7 pm, etc.
 - ⇒ Increase taking of annual paid leave
 - Reduce long working hours

Human resource development that drives growth



- Cultivate leaders, young technical experts, global human resources, etc.

Safety and health management

Selected as a Health & Productivity
Stock in Fiscal 2014 & 2015



- Educate employees and improve work/equipment to achieve zero deaths and prevent serious disasters
- Company to fully pay for complete medical check-ups, etc.

Improve technology development capabilities that support growth strategies

- **Create differentiated technologies to strengthen competitive edge of major products that support business and profit expansion**
 - Materials: high-strength, high-formability automotive materials (ultra-high strength steel, aluminum)
 - Machinery: large-size, high-pressure compressors. Strengthen design base technology.
- **Create products and processes that provide customer value that only the Kobe Steel Group can offer in the automotive, aerospace and energy fields**
 - Access markets and customers through newly established bases in North America, Europe, etc.
 - Strengthen cross-sectional coordination within the Group (established the Transportation Materials Business Planning Section at head office)
 - Create products and processes together with customers and realize a common place that brings together Kobe Steel's technology (Set up and utilize technology show rooms)

Strengthen production infrastructure and increase manufacturing capabilities

- **Promote activities for higher product quality and improved on-site capabilities that contribute to reinforcing production infrastructure and utilizing data to achieve innovation (ICT utilization in *monozukuri*)**

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- 5. Financial Strategy and Management Targets**
6. Policies on Shareholder Returns and Social Contributions
(Reference) Specific Measures by Business Segment



Basic policy

In principle, business cash flows are to be used to finance large strategic investments to grow the materials and machinery businesses, as well as regular investments that support the business foundation.

Cash generation measures

Growth investments centered on the automotive field (included in large strategic investments) ⇒ **100.0 billion yen**
Consider and implement **cash generation measures with a maximum target of 100.0 billion yen** to steadily implementing growth investments, while maintaining financial discipline even when cash flow conditions deteriorate as a result of a change in the business environment

Asset sales

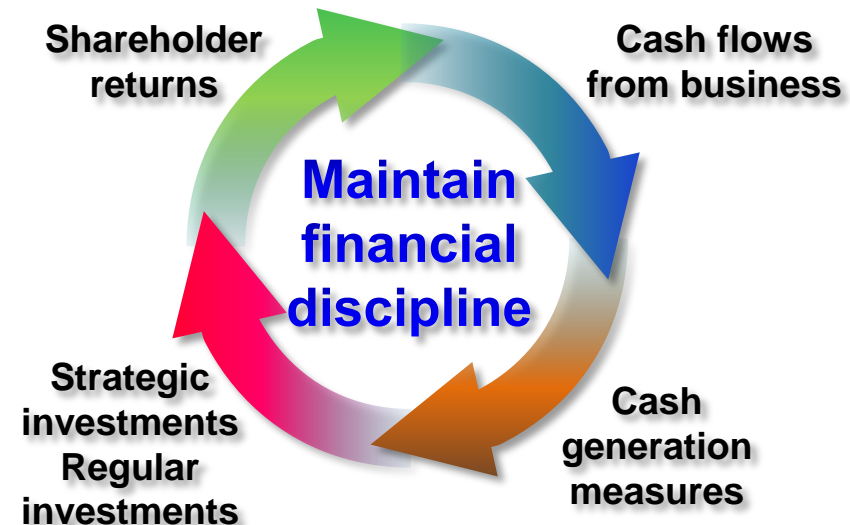
- Sale of the Group's assets

Improve working capital

- Improve capital efficiency of overseas companies, etc.

Careful selection of investments

- Make careful decisions after close examination of the need, urgency and certainty of projects



Targets to achieve in the final year of the Medium-Term Management Plan (Fiscal 2020)

◆ **ROA** **5% or more**
[ordinary profit ÷ total assets]

◆ **D/E ratio** **1 time or less**
[interest-bearing debt ÷ equity]

Achieve improved profitability (capital efficiency), while securing financial health

KOBELCO VISION "G+"

KOBELCO VISION "G"

- **Materials** (fiscal 2015 excludes steel)
- **Machinery** (fiscal 2015 excludes Kobelco Construction Machinery)
- **Electric power**
- **Other**
- **Steel** (fiscal 2015)
- **Kobelco Construction Machinery** (fiscal 2015)

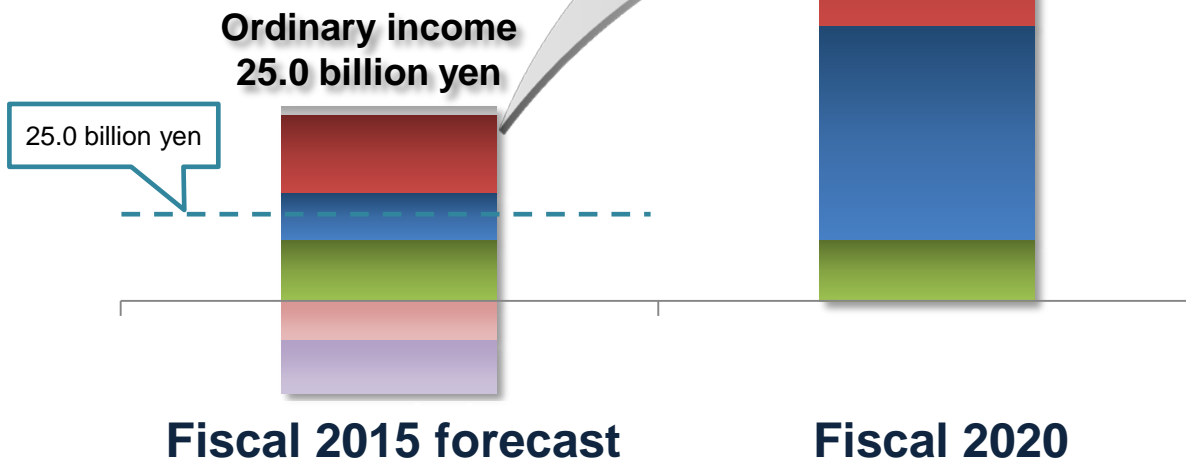


Image of business portfolio in the future
(Profit composition by business)

Growth through materials and machinery, with electric power as a stable profit base

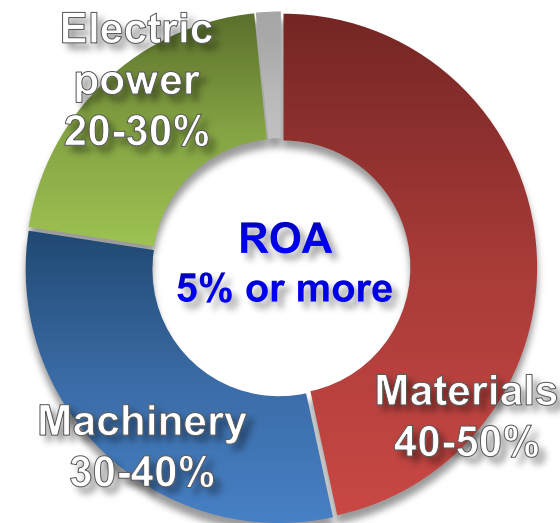


Image of business enterprise established on three core business areas

(After the ongoing new electric power projects start operations)

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◆ Dividend policy

- ✓ Kobe Steel's basic policy is to provide continuous and stable dividends to its shareholders. Dividends are decided taking into account the Company's financial condition, future capital needs, quarterly business performance and the dividend payout ratio.
- ✓ For the time being, priority will be placed on investments necessary for future growth to improve profitability, raise the overall corporate value of the Group, and thereby improve the common interest of shareholders.

◆ Consolidated dividend payout ratio (tentative)

- ✓ Shall be **15% - 25%** for the time being



Rugby team
Kobelco Steelers



The KOBELCO Forest
Fairy Tale Prize



KOBELCO



Forest development



Kobelco Community
Contribution Fund

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- Strengthen safety and production infrastructure, and complete consolidation of upstream operations
Reinforce profitability of the steel business through accumulation of measures aimed at improving profits
- Promote steel product strategy centered on the transportation field (automobiles), strengthen global supply system (start production of special steel wire rod in Thailand, secure maximum sales volume by increasing sales of high strength steel sheet in North America and China)
- Promote growth strategies for the processed materials business by leveraging the product appeal and strength of steel castings and forgings, titanium and steel powder centered on the transportation field (ships, airplanes and automobiles)

- 
- Secure a dominant share in the domestic market by strengthening regional marketing activities, and by expanding sales in the shipbuilding industry and in steel frame applications
 - Strengthen ASEAN and China businesses by launching new products that match market needs and by improving sales capabilities
 - Pursue the solutions business by promoting the development of basic elemental technologies and initiatives for automated welding in shipbuilding and steel frames

- 
- Pursue growth in the transportation field (automotive panels, suspensions, bumpers, castings and forgings for aerospace, automotive copper strip, etc.)
 - Strengthen and maintain existing core businesses (can stock, disk materials, etc.)
 - Strengthen the business base by improving technological excellence and *monozukuri-ryoku* (manufacturing capabilities)

- 
- Expand the nonstandard compressor business through entry into new fields (large-sized centrifugal compressors) and new applications (LNG carriers, hydrogen)
 - Expand the standard compressor business through the launch of global strategic products and development in Asia
 - Pursue a high profit structure in the industrial machinery business by strengthening cost competitiveness and optimizing the product mix

- 
- Strengthen initiatives in the waste treatment business associated with the decommissioning nuclear reactors
 - Increase orders in the water treatment- and waste treatment-related businesses and strengthen profitability
 - Reinforce initiatives directed at the creation of new businesses
 - Further coordination of the engineering business in the Group

- 
- Implement structural reforms in the China business for excavators
 - Provide differentiated products and solutions through organic coordination in business fields that utilize ICT (information and communications technology)
 - Maintain a presence in the small and medium-sized markets for crawler cranes; establish a business base in the large crane market into which the Company has re-entered

- 
- Continue stable operations of the current IPP business and secure steady profits
 - Complete the Moka project and smoothly start up operations
 - Steadily implement the Kobe project

THE KOBELCO 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**