

Company name:  
Representative:

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Kobe Steel, Ltd.  
Hiroya Kawasaki  
Chairman, President, CEO  
and Representative Director  
Stock exchange code number: 5406  
Tel: +81 (0)3 5739-6010

## Announcement on Revision to Earnings Forecast and Interim Dividend Forecast for Fiscal 2016, ending March 31, 2017

TOKYO, July 29, 2016 – Kobe Steel, Ltd. has revised its consolidated forecast for fiscal 2016 from the previous forecast announced on April 28, 2016, due to recent trends in its business performance. Kobe Steel also announces its nonconsolidated earnings forecast for fiscal 2016, as it has determined its financial outlook. Additionally, at the Board of Directors meeting held today, Kobe Steel reached a decision on a policy to forgo the interim dividend for fiscal 2016.

### Revision to Earnings Forecast

#### Revision to First-Half Fiscal 2016 Consolidated Forecast (April 1, 2016 – September 30, 2016)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A)	860,000	25,000	10,000	5,000	13.75 yen*
Current forecast (B)	850,000	20,000	5,000	0	0.00 yen
Change (B-A)	(10,000)	(5,000)	(5,000)	(5,000)	
% change	(1.2%)	(20.0%)	(50.0%)	(100.0%)	
FY2015 results for same period	928,629	47,065	33,082	13,428	3.70 yen

Figures are in millions of yen unless otherwise indicated. Sums under 1 million yen have been omitted.

#### Revision to Fiscal 2016 Consolidated Forecast (April 1, 2016 – March 31, 2017)

	Net sales	Operating income	Ordinary income	Net income (loss) attributable to owners of the parent	Net income (loss) per share
Previous forecast (A)	1,750,000	65,000	35,000	20,000	55.02 yen*
Current forecast (B)	1,730,000	50,000	20,000	10,000	27.51 yen*
Change (B-A)	(20,000)	(15,000)	(15,000)	(10,000)	
% change	(1.1%)	(23.1%)	(42.9%)	(50.0%)	
FY2015 results	1,822,805	68,445	28,927	(21,556)	(5.93 yen)

Figures are in millions of yen unless otherwise indicated. Sums under 1 million yen have been omitted.

\* Kobe Steel is planning to carry out a share consolidation at a ratio of 10 shares to 1 share effective on October 1, 2016. Therefore, net income (loss) per share forecast for fiscal 2016, ending March 2017, is taken into account under this plan.

### Reason for the Revision

In comparison to the previous forecast on April 28, 2016, there is concern in the world economy over the prolonged slowdown in the economic growth of China and Southeast Asia. In addition, with the United Kingdom's decision to withdraw from the European Union and the rapid appreciation of the yen and other factors from the resulting concern over future prospects, uncertainty of the business environment in Japan and overseas is increasing.

Under such circumstances, as a result of making certain assumptions on such factors such as a worsening in inventory valuation in the Iron & Steel segment and the Aluminum & Copper segment due to the high yen and fluctuations in primary raw material prices, the influence of exchange rates on exports and overseas business, and the decrease of unit sales of construction machinery, Kobe Steel revises downward its previously announced forecast for full-year and half-year net sales, operating income, ordinary income and net income attributable to owners of the parent.

### First-Half Fiscal 2016 Nonconsolidated Forecast (April 1, 2016 – September 30, 2016)

	Net sales	Ordinary income	Net income for half-year period	Net income per share
FY2015 results for same period (A)	506,611	25,416	22,445	6.17 yen
Current forecast (B)	460,000	0	5,000	13.73 yen*
Change (B-A)	(46,611)	(25,416)	(17,445)	
% change	(9.2)	(100.0)	(77.7)	

Figures are in millions of yen unless otherwise indicated. Sums under 1 million yen have been omitted.

### Fiscal 2016 Nonconsolidated Forecast (April 1, 2016 – March 31, 2017)

	Net sales	Ordinary income	Net income (loss)	Net income (loss) per share
FY2015 results	979,085	26,690	(6,217)	(1.70 yen)
Current forecast (B)	920,000	0	5,000	13.73 yen*
Change (B-A)	(59,085)	(26,690)	11,217	
% change	(6.0)	(100.0)	—	

Figures are in millions of yen unless otherwise indicated. Sums under 1 million yen have been omitted.

\* Kobe Steel is planning to carry out a share consolidation at a ratio of 10 shares to 1 share effective on October 1, 2016. Therefore, net income (loss) per share forecast for fiscal 2016, ending March 2017, is taken into account under this plan.

### Overview of Earnings Forecast

Comparing the nonconsolidated forecast for the first half of fiscal 2016 with nonconsolidated actual results for the same period last year, sales, ordinary income and net income for the first half of fiscal 2016 are anticipated to decrease. In the Iron & Steel Business, lower primary raw material prices and lower sales prices of steel products due to the high yen are anticipated. In the Aluminum & Copper Business, the sales volume is anticipated to increase. However, the impact of a worsening in inventory valuation due to lower ingot prices and the high yen is anticipated.

Comparing the nonconsolidated forecast for the full fiscal 2016 with nonconsolidated actual results for fiscal 2015, both sales and ordinary income are anticipated to decrease, affected by an anticipated worsening in the first half of fiscal 2016 and refurbishment of a blast furnace at Kakogawa Works in the second half of fiscal 2016. Net income for fiscal 2016 is anticipated to increase, compared with the previous year, as there will be no effect from extraordinary loss.

### Revision to Dividend Forecast

Date of record	Dividend per share		
	End of second quarter	End of fiscal year (March 31, 2017)	Full fiscal year
Previous Forecast (announced April 28, 2016)	—	—	—
Current Forecast	0.00 yen	—	—
FY2016 Results	—		
FY2015 Results	2.00 yen	0.00 yen	2.00 yen

### Reason for the Revision

Kobe Steel aims to pay dividends on a continuous and stable basis. Dividends are decided after taking into full account the Company's financial position, business performance, future capital needs and other factors. On this basis, Kobe Steel has decided on a policy to forgo the interim dividend in fiscal 2016. In addition, the estimated amount of the year-end dividend is undetermined.

#### Note:

This earnings forecast is based on currently available information as of today. Actual business results may differ considerably due to various changeable conditions in the future.