

October 30, 2017  
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## Announcement on the Difference between the Forecast and Actual Results for the First Half of Fiscal 2017 and Revision to Earnings Forecast and Dividend Forecast for Fiscal 2017, ending March 31, 2018

Kobe Steel announces the difference between the forecasts for the first half of fiscal 2017 (consolidated forecast announced on July 28, 2017 and nonconsolidated forecast announced on April 28, 2017) and the actual results for the same period announced today.

Also, it is difficult at this time to estimate the impact of the improper conduct concerning products of Kobe Steel and its group companies on business performance. As such, the forecast of net income attributable to owners of the parent (consolidated) and net income (nonconsolidated) for fiscal 2017 (April 1, 2017 March 31, 2018) is undetermined. In addition, Kobe Steel passed a resolution to adopt a policy to forgo an interim dividend for the first half of fiscal 2017.

Kobe Steel deeply apologizes again for the considerable trouble caused to customers, suppliers, shareholders and many others.

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

### Difference between the consolidated forecast and the actual results for the first half of fiscal 2017 (April 1, 2017 – September 30, 2017)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A) (announced July 28, 2017)	930,000	40,000	30,000	25,000	69.01 yen
Actual results (B)	907,058	51,425	45,798	39,349	108.62 yen
Change (B-A)	(22,941)	11,425	15,798	14,349	
% change	(2.5%)	28.6%	52.7%	57.4%	
FY2016 results for the same period	815,130	30,995	12,320	4,109	11.31* yen

### Difference between the nonconsolidated forecast and the actual results for the first half of fiscal 2017 (April 1, 2017 – September 30, 2017)

	Net sales	Ordinary income	Net income	Net income per share
Previous forecast (A) (announced April 28, 2017)	530,000	30,000	30,000	82.66 yen
Actual results (B)	513,156	43,178	45,607	125.66 yen
Change (B-A)	(16,843)	13,178	15,607	
% change	(3.2%)	43.9%	52.0%	
FY2016 results for the same period	445,638	4,561	6,914	19.00* yen

\* Kobe Steel carried out a share consolidation at a ratio of 10 shares to 1 share effective on October 1, 2016. Therefore, net income per share takes into account this share consolidation.

### Revision to fiscal 2017 consolidated forecast (April 1, 2017 – March 31, 2018)

	Net sales	Operating income	Ordinary income (loss)	Net income (loss) attributable to owners of the parent	Net income (loss) per share
Previous forecast (A) (announced July 28, 2017)	1,880,000	80,000	55,000	35,000	96.61 yen
Current forecast (B)	1,880,000	75,000	50,000	—	—
Change (B-A)	0	(5,000)	(5,000)	—	
% change	0.0%	(6.3%)	(9.1%)	—	
FY2016 results	1,695,864	9,749	(19,103)	(23,045)	(63.54* yen)

### Revision to fiscal 2017 nonconsolidated forecast (April 1, 2017 – March 31, 2018)

	Net sales	Ordinary income (loss)	Net income (loss)	Net income (loss) per share
Previous forecast (A) (announced April 28, 2017)	1,040,000	40,000	40,000	110.21 yen
Current forecast (B)	1,060,000	40,000	—	—
Change (B-A)	20,000	0	—	
% change	1.9%	0.0%	—	
FY2016 results	923,700	(16,557)	(6,319)	(17.39* yen)

\* Kobe Steel carried out a share consolidation at a ratio of 10 shares to 1 share effective on October 1, 2016. Therefore, net income per share takes into account this share consolidation.

### Reason for the Difference and the Revision

In comparison to the previous forecast (consolidated forecast announced on July 28, 2017 and nonconsolidated forecast announced on April 28, 2017), consolidated operating income, ordinary income, net income attributable to owners of the parent in the first half of fiscal 2017, nonconsolidated ordinary income and net income increased, as the factors contributing to higher costs did not materialize as previously assumed, maintenance costs and other costs will be carried over into the second half of fiscal 2017 in Iron & Steel segment, and unit sales in the Construction Machinery segment increased owing to a spike in demand ahead of stricter exhaust emission regulations in Japan. In addition, the financial impact of the improper conduct concerning products at Kobe Steel and its group companies on the business performance in the first half of fiscal 2017 is insignificant.

Regarding the impact of the improper conduct concerning products of Kobe Steel and its group companies, the impact of deteriorating business performance is reflected in operating income and ordinary income in the above forecast, such as the increase in cost and the decrease in production volume due to the rising defect rate accompanying appropriate quality control, the disposal of nonconforming product inventory related to the cases announced so far in the Aluminum & Copper Business, and certain assumptions about risks to the sales activities of the Kobe Steel Group.

However, outside of those circumstances, it is difficult at this time to make an estimation concerning the factors of deterioration in business performance such as the possible cost of compensation to customers and other parties and other causes. As such, net income attributable to owners of the parent (consolidated) and net income (nonconsolidated) are undetermined.

For the improper conduct concerning products, please also refer to the following announcement materials.

October 8, 2017	“Improper conduct concerning a portion of the aluminum and copper products manufactured by Kobe Steel” (On the TDnet, dated October 9, 2017)
October 11, 2017	“Report on improper conduct: the case of steel powder and an inspection company”
October 13, 2017	“Report on improper conduct concerning Kobe Steel and its group companies”
October 17, 2017	“The receipt of a request for document production from the U.S. judicial administrative authority”
October 20, 2017	“Improper conduct in the Kobe Steel Group” (Improper conduct concerning products with JIS marks, new improper conduct confirmed in self-investigation)”
October 20, 2017	“Non-compliance with reporting directives in quality self-investigation in the Kobe Steel Group”
October 26, 2017	“Improper conduct in the Kobe Steel Group (Report on ‘Verification Status of Safety’ and ‘Establishment of Independent Investigation Committee’)”
October 26, 2017	“Cancellation of JIS mark display at Kobe Steel subsidiary Kobelco & Materials Copper Tube Co., Ltd.”

### Revision to Dividend Forecast

Period	Dividend per share*				
	1Q	2Q	3Q	4Q	Full year
Previous Forecast (announced July 28, 2017)	—	10.00 yen	—	—	—
Current Forecast	—	0.00 yen	—	—	—
FY2017 Results	—	—	—	—	—
FY2016 Results	—	0.00 yen	—	0.00 yen	0.00 yen

\* Kobe Steel carried out a share consolidation at a ratio of 10 shares to 1 share effective on October 1, 2016.

### 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 had decided on a policy to pay an interim dividend of 10 yen per share for the first half of fiscal 2017.

However, it is difficult at this time to estimate the impact of the improper conduct concerning products discovered at this time, such as the possible cost of compensation to customers and other parties and other effects on business performance and to forecast the net income attributable to owners of the parent for the fiscal 2017. Consequently, Kobe Steel passed a resolution to adopt a policy to forgo an interim dividend for the first half of fiscal 2017.

In addition, the dividend for the end of fiscal 2017 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.