



ECO WAY

Consolidated Financial Results for Fiscal 2017

(In billions of yen)

	FY2016	FY2017	Change
	①	②	②-①
Net Sales	1,695.8	1,881.1	185.2
Operating Income	9.7	88.9	79.1
Ordinary Income (Loss)	(19.1)	71.1	90.2
Extraordinary Income	※1 8.1	※2 2.0	(6.1)
Net Income (Loss) Attributable to Owners of the Parent	(23.0)	63.1	86.2

※1 Reversal of allowance for doubtful accounts: 8.1 billion yen

※2 Gain on sale of investment securities: 9.1 billion yen
 Customer compensation expenses: (4.3 billion yen)
 Dismantlement related expenses: (2.7 billion yen)

Dividend

(In billions of yen)

■ Dividends

Dividends for fiscal 2017 are decided after taking into full account the Company's financial condition, business performance, future capital needs and other factors, including the impact of the misconduct concerning some of the products.

As a result, Kobe Steel had decided on a policy to pay a year-end dividend of 30 yen per share for fiscal 2017.

■ Dividend Results

	FY2013			FY2014			FY2015			FY2016			FY2017		
	Interim	Year-end	Year	Interim	Year-end	Year	Interim	Year-end	Year	Interim	Year-end	Year	Interim	Year-end	Year
Dividends per share in yen	-	4.0	4.0	2.0	2.0	4.0	2.0	-	2.0	-	-	-	-	30.0	30.0
Dividend per net assets	17.7%			16.8%			-			-			17.2%		

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

Consolidated Forecast for fiscal 2018

(In billions of yen)

	FY2017			FY2018 Forecast			Change ② - ①
	1H	2H	Full year ①	1H	2H	Full year ②	
Net Sales	907.0	974.0	1,881.1	960.0	1,030.0	1,990.0	108.9
Operating Income	51.4	37.4	88.9	15.0	40.0	55.0	(33.9)
Ordinary Income	45.7	25.3	71.1	5.0	30.0	35.0	(36.1)
Extraordinary Income (Loss)	9.0	(7.0)	2.0	※ 30.0	—	30.0	28.0
Net Income Attributable to Owners of the Parent	39.3	23.8	63.1	25.0	20.0	45.0	(18.1)

※ Gain on sale of investment securities: 30.0 billion yen

Consolidated Sales & Forecast by Segment

(In billions of yen)

Net Sales	FY2016	FY2017			Change	FY2018 Forecast			Change
	①	1H	2H	Full Year ②	② - ①	1H	2H	Full Year ③	③ - ②
Iron & Steel	620.6	354.4	361.0	715.5	94.9	370.0	380.0	750.0	34.5
Welding	82.2	39.7	40.8	80.5	(1.6)	40.0	42.0	82.0	1.5
Aluminum & Copper	323.3	174.3	175.2	349.5	26.2	190.0	195.0	385.0	35.5
Machinery	150.7	70.5	90.7	161.3	10.6	88.0	99.0	187.0	25.7
Engineering	121.1	48.0	74.8	122.8	1.6	56.0	91.0	147.0	24.2
Construction Machinery	310.4	182.7	181.8	364.5	54.0	190.0	195.0	385.0	20.5
Electric Power	70.6	32.9	39.1	72.1	1.5	36.0	37.0	73.0	0.9
Other Businesses	74.8	29.2	39.6	68.8	(5.9)	19.0	25.0	44.0	(24.8)
Adjustment	(58.2)	(24.9)	(29.3)	(54.3)	3.9	(29.0)	(34.0)	(63.0)	(8.7)
Total	1,695.8	907.0	974.0	1,881.1	185.2	960.0	1,030.0	1,990.0	108.9

Consolidated Ordinary Income (loss) & Forecast by Segment

(In billions of yen)

Ordinary Income (Loss)	FY2016	FY2017			Change	FY2018 Forecast			Change
	①	1H	2H	Full Year ②	② - ①	1H	2H	Full Year ③	③ - ②
Iron & Steel	(29.5)	18.4	(1.0)	17.3	46.8	3.0	10.0	13.0	(4.3)
Welding	6.8	2.5	2.3	4.9	(1.9)	1.5	3.0	4.5	(0.4)
Aluminum & Copper	12.0	7.9	3.8	11.8	(0.1)	0.0	2.0	2.0	(9.8)
Machinery	5.8	(0.4)	2.8	2.3	(3.5)	2.5	5.0	7.5	5.2
Engineering	2.8	1.7	5.1	6.9	4.1	(0.5)	5.0	4.5	(2.4)
Construction Machinery	(31.3)	11.4	10.5	21.9	53.3	12.5	8.5	21.0	(0.9)
Electric Power	13.0	3.3	4.5	7.9	(5.1)	(5.0)	3.0	(2.0)	(9.9)
Other Businesses	7.6	1.7	3.6	5.4	(2.1)	(1.0)	4.0	3.0	(2.4)
Adjustment	(6.4)	(0.9)	(6.6)	(7.5)	(1.1)	(8.0)	(10.5)	(18.5)	(11.0)
Total	(19.1)	45.7	25.3	71.1	90.2	5.0	30.0	35.0	(36.1)

【Iron & Steel】

(In billions of yen)

	FY2016	FY2017			Change	FY2018 Forecast			Change
	①	1H	2H	Full Year ②	② - ①	1H	2H	Full Year ③	③ - ②
Net Sales	620.6	354.4	361.0	715.5	94.9	370.0	380.0	750.0	34.5
Ordinary Income (Loss)	(29.5)	18.4	(1.0)	17.3	46.8	3.0	10.0	13.0	(4.3)
Inventory Valuation	2.0	2.5	6.5	9.0	7.0	0.0	1.0	1.0	(8.0)

FY2017

The sales volume of steel products was similar to the previous year. Domestic demand remained firm in the automotive sector.

Sales prices were higher than the previous year, affected by higher raw material prices and other factors.

Segment sales and ordinary income for the consolidated fiscal year increased, compared with the previous year, owing to cost reduction and inventory valuation.

FY2018

Demand for automobiles and large redevelopment projects in the Tokyo area is expected to remain firm.

Kobe Steel will strive to increase margins and steadily implement cost reduction measures including consolidation of upstream operations in Kakogawa Works.

On the other hand, in addition to lower inventory valuation impact and anticipated higher fixed costs, we anticipate lower profits, taking into consideration uncertain factors in our business as certain risks.



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【Iron & Steel】 Production & Sales

	FY2016	FY2017	Change	FY2018 Forecast	Change
	Full year ①	Full year ②	②-①	Full year ③	③-②
Japan's crude steel production (Millions of tons)	105.16	104.84	(0.32)		

<KOBELCO STEEL, LTD.>

Crude steel production (Millions of tons)	7.21	7.46	0.25	approx.7.00	(approx.0.46)
Sales volume (Millions of tons)	5.93	5.97	0.04	approx.5.90	(approx.0.07)
(Domestic)	4.19	4.35	0.16		
(Exports)	1.74	1.62	(0.12)		
Average steel sales prices (Thousands of yen/ton)	70.6	81.5	10.9		
Export ratio (value basis)	28.6%	27.2%	(1.4%)		



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【Iron & Steel】 Factors Affecting Ordinary Income Comparison of FY2016 and FY2017

(In billions of yen)

	FY2016			FY2017		
	1H	2H	Full year	1H	2H	Full year
Ordinary Income (Loss)	(9.8)	(19.7)	(29.5)	18.4	(1.0)	17.3

46.8

Positive Factors			Negative Factors	
Production and shipments	+	70.5	Raw material prices	(53.0)
Overall cost reduction	+	28.0	Exchange rate changes	(6.5)
Inventory valuation	+	7.0	Other	(2.7)
Subsidiaries & affiliates	+	3.5		
Total	+	109.0	Total	(62.2)



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【Iron & Steel】 Factors Affecting Ordinary Income Comparison of FY2017 and FY2018

(In billions of yen)

	FY2017			FY2018 Forecast		
	1H	2H	Full year	1H	2H	Full year
Ordinary Income (Loss)	18.4	(1.0)	17.3	3.0	10.0	13.0

(4.3)

Positive Factors			Negative Factors	
Production and shipments	+	15.5	Raw material prices	(10.0)
Overall cost reduction	+	6.0	Inventory valuation	(8.0)
			Subsidiaries & affiliates	(0.5)
			Other	(7.3)
Total	+	21.5	Total	(25.8)

【Welding】

(In billions of yen)

	FY2016	FY2017			Change	FY2018 Forecast			Change
	Full Year ①	1H	2H	Full Year ②	② - ①	1H	2H	Full Year ③	③ - ②
Net Sales	82.2	39.7	40.8	80.5	(1.6)	40.0	42.0	82.0	1.5
Ordinary Income	6.8	2.5	2.3	4.9	(1.9)	1.5	3.0	4.5	(0.4)

FY2017

The sales volume of welding materials was lower than the previous year. In Japan, demand in the architectural steel frame sector and the energy sector was on a recovery trend.

However, in overseas markets, sales volume decreased in South Korea.

As a result, segment sales and ordinary income decreased compared with the previous year.

FY2018

Demand for welding materials for shipbuilding is expected to be lower, but Kobe Steel plans to expand sales of welding materials for emerging countries in Southeast Asia and for architectural steel frames in Japan.

Demand for welding systems is also anticipated to remain firm for architectural steel frames and construction machinery in Japan.

Ordinary income is forecast to decreased, compared with the previous year, owing to the rise in raw material prices.

【Aluminum & Copper】

(In billions of yen)

	FY2016	FY2017			Change	FY2018 Forecast			Change
	Full Year	1H	2H	Full Year ①	② - ①	1H	2H	Full Year ②	③ - ②
Net Sales	323.3	174.3	175.2	349.5	26.2	190.0	195.0	385.0	35.5
Ordinary Income	12.0	7.9	3.8	11.8	(0.1)	0.0	2.0	2.0	(9.8)
Inventory Valuation	(5.5)	2.0	4.0	6.0	11.5	1.0	0.0	1.0	(5.0)

<Sales volume of KSL>

(Thousands of tons)

	FY2016			FY2017			Change
	1H	2H	Full Year ①	1H	2H	Full Year ②	② - ①
Aluminum Rolled Products	186	173	359	193	170	363	4
Copper Strips	26	29	55	30	30	60	5
Copper Tubes	45	42	87	42	40	86	(1)

FY2017

The sales volume of aluminum rolled products was higher than the previous year. Demand in the automotive sector remained firm. As a result, segment sales increased compared with the previous year.

Ordinary income was similar to the previous year, impacted by the misconduct concerning some of the products in the Kobe Steel Group and the deterioration of the performance of group companies.

FY2018

Demand for aluminum and copper rolled products is anticipated to continue to remain firm. On the other hand, the misconduct will impact this business to a certain degree.

Ordinary income is forecast to decrease compared with the previous year due to the lower impact of inventory valuation, higher fixed costs, and increased energy cost.

【Machinery】

(In billions of yen)

	FY2016	FY2017			Change	FY2018 Forecast			Change
	Full Year ①	1H	2H	Full Year ②	②-①	1H	2H	Full Year ③	③-②
Net Sales	150.7	70.5	90.7	161.3	10.6	88.0	99.0	187.0	25.7
Ordinary Income (Loss)	5.8	(0.4)	2.8	2.3	(3.5)	2.5	5.0	7.5	5.2

<Orders>

	FY2016	FY2017	Change
	①	②	②-①
Domestic	58.2	62.5	4.3
Exports	69.9	88.5	18.6
Total	128.2	151.1	22.9

<Backlog of Orders>

	FY2016	FY2017	Change
	①	②	②-①
Domestic	36.1	41.2	5.1
Exports	91.6	99.2	7.6
Total	127.8	140.4	12.6

FY2017

Segment sales increased compared with the previous year due to sales of several large orders. Ordinary income decreased compared with the previous year owing to deterioration of profitability in some of the compressors and other factors.

FY2018

Orders are forecast to be higher than the previous year owing to recovering demand for compressors in China, strengthening product competitiveness by lowering costs, and expanding the after-sales service business. Ordinary income in fiscal 2018 is forecast to increase, compared with the previous year, due to increased sales and types of orders.



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【Engineering】

(In billions of yen)

	FY2016	FY2017			Change	FY2018 Forecast			Change
	Full Year ①	1H	2H	Full Year ②	② - ①	1H	2H	Full Year ③	③ - ②
Net Sales	121.1	48.0	74.8	122.8	1.6	56.0	91.0	147.0	24.2
Ordinary Income (Loss)	2.8	1.7	5.1	6.9	4.1	(0.5)	5.0	4.5	(2.4)

FY2017

Segment sales and ordinary income increased compared with the previous year owing to the types of orders and improved profitability in some of the orders.

FY2018

Segment sales in fiscal 2018 are forecast to increase, compared with the previous year, owing to the progress of current orders.

Ordinary income in fiscal 2018 is forecast to decrease, compared with the previous year, owing to changes in the types of orders.

【Engineering】 Orders & Backlog of Orders

(In billions of yen)

<Orders> ※

	FY2016	FY2017	Change
	①	②	②-①
Domestic	111.1	80.6	(30.5)
Exports	63.1	38.6	(24.5)
Total	174.2	119.2	(55.0)

※Including sales for garbage disposal and water treatment (Kobelco Eco-Solutions)

②Numbers in the Financial Results + Numbers in Operation & Maintenance ※

Total	187.7	110.2	(77.5)
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※Orders of garbage disposal and water treatment (Kobelco Eco-Solutions)

<Backlog of Orders> ※

	FY2016	FY2017	Change
	①	②	②-①
Domestic	102.6	97.9	(4.7)
Exports	77.2	85.5	8.3
Total	179.9	183.4	3.5

【Construction Machinery】

(In billions of yen)

	FY2016	FY2017			Change	FY2018 Forecast			Change
	Full Year ①	1H	2H	Full Year ②	② - ①	1H	2H	Full Year ③	③ - ②
Net Sales	310.4	182.7	181.8	364.5	54.0	190.0	195.0	385.0	20.5
Ordinary Income (Loss)	(31.3)	11.4	10.5	21.9	53.3	12.5	8.5	21.0	(0.9)

FY2017

Unit sales of hydraulic excavators were higher than the previous year, owing to a spike in demand ahead of stricter exhaust emission regulations in Japan and rising demand from infrastructure investments in China and other factors.

Ordinary income improved 53.3 billion yen, compared with the previous year, which was impacted by the posting of an additional allowance for retained receivables incurred in the excavator business in China and other factors.

FY2018

Unit sales of hydraulic excavators in fiscal 2018 are forecast to be higher than fiscal 2017 as demand is anticipated to remain firm in China.

However, ordinary income in fiscal 2018 is forecast to decrease compared with fiscal 2017 owing to the rise in raw material prices.

【Electric Power】

(In billions of yen)

	FY2016	FY2017			Change	FY2018 Forecast			Change
	Full Year ①	1H	2H	Full Year ②	② - ①	1H	2H	Full Year ③	③ - ②
Net Sales	70.6	32.9	39.1	72.1	1.5	36.0	37.0	73.0	0.9
Ordinary Income (Loss)	13.0	3.3	4.5	7.9	(5.1)	(5.0)	3.0	(2.0)	(9.9)

FY2017

The amount of electricity sold was less than the previous year due to the increase in the number of days for periodic inspection. The unit price of electricity was higher than the previous year because of higher market prices of coal used as fuel. Segment sales increased compared with the previous year.

Ordinary income decreased compared with the previous year because of the transition to a new contract for the Kobe Power Plant's No. 1 unit, higher maintenance costs for periodic inspections, and other factors.

FY2018

Ordinary income in fiscal 2018 is forecast to decrease compared with fiscal 2017 because of the posting of a one-time expense for the financing of new projects.

Kobe Steel strives to continue stable operation at the Kobe Power Plant and promote a new project.



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【Free Cash Flow】

(In billions of yen)

	FY2016	FY2017			Change	FY2018 Forecast
	Full year ①	1H	2H	Full year ②	② - ①	Full year
Cash Flows from Operating Activities	126.7	124.9	66.9	191.8	65.1	60.0
Cash Flows from Investing Activities	(131.9)	(95.9)	(64.8)	(160.7)	(28.8)	(70.0)
Free Cash Flow (Excluding Project Financing)	(5.2)	28.9	2.1	31.1	36.3	(10.0)
Free Cash Flow	3.8	28.6	0.5	29.2	25.4	(25.0)
Cash and Deposits (Excluding Project Financing)	※197.0	194.0	158.2			95.0

※ Including advanced borrowings : FY2017 117.6 billion yen



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【Exchange Rate】

	FY2016	FY2017	FY2018 Forecast
1 U.S. dollar to yen	108 yen	111 yen	110 yen
1 Chinese yuan to yen	16.3 yen	16.8 yen	17 yen
1 Euro to yen	119 yen	130 yen	130 yen



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【Capital Investment】

(In billions of yen)

	FY2016	FY2017	FY2018 Forecast
Capital Investment (Accrual Basis)	160.2	128.6	145.0
Ratio of Depreciation	167%	126%	145%

Capital Investment (Payment Basis)	138.9	136.6	155.0
Ratio of Depreciation	144%	134%	155%

Depreciation	96.2	102.0	100.0
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【Financial Index】

	FY2015	FY2016	FY2017	FY2018 Forecast
ROS (※1)	1.6%	(1.1%)	3.8%	1.8%
Net Income (loss) per share (※2)	(59.34 yen)	(63.54 yen)	174.43 yen	124.22 yen
Outside Debt (※3)	776.0 billion yen	789.6 billion yen	726.0 billion yen	675.0 billion yen
D/E ratio (※4)	※5 1.10 times	※6 1.17 times	0.98 times	approx. 0.9 times
ROA (※7)	1.3%	(0.8%)	3.1%	1.5%
ROE (※8)	(2.9%)	(3.4%)	8.9%	5.9%

※1 : ROS = Ordinary Income / Net Sales

※2 : 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.

※3 : Outside Debt = Excludes debt from IPP project financing

※4 : D/E ratio: Debt (excluding IPP project finance)/stockholders' equity (FY2015 shareholders' equity)

※5 : Includes early procurement of borrowings for FY2016 (90 billion yen)

D/E ratio 0.97 times (excluding early procurement of borrowings)

※6 : Includes early procurement of borrowings for FY2017 (117.6 billion yen)

D/E ratio 1.00 time (excluding early procurement of borrowings)

※7 : ROA = Ordinary Income / Total Assets

※8 : ROE = Net Income / Equity



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【Iron & Steel】 Quarterly Production and Sales of Steel Products (Non-consolidated)

		FY2016						
		1Q	2Q	1 H	3Q	4Q	2 H	Full year
Crude steel production	(Millions of tons)	1.94	1.90	3.84	1.43	1.94	3.37	7.21
Sales volume	(Millions of tons)	1.44	1.48	2.92	1.48	1.53	3.01	5.93
Sales prices	(Thousands of yen/ton)	69.0	67.1	68.0	69.0	77.2	73.1	70.6
Export ratio (value basis)		29.9%	29.0%	29.5%	27.7%	27.7%	27.7%	28.6%

		FY2017						
		1Q	2Q	1 H	3Q	4Q	2 H	Full year
Crude steel production	(Millions of tons)	1.94	2.00	3.94	1.80	1.72	3.52	7.46
Sales volume	(Millions of tons)	1.52	1.52	3.04	1.53	1.40	2.93	5.97
Sales prices	(Thousands of yen/ton)	80.8	82.2	81.5	81.5	81.5	81.5	81.5
Export ratio (value basis)		27.1%	25.7%	26.4%	29.3%	26.6%	28.0%	27.2%



【Companywide】 Factors Affecting Ordinary Income Comparison of FY2016 and FY2017

(In billions of yen)

	FY2016			FY2017		
	1H	2H	Full year	1H	2H	Full year
Ordinary Income (Loss)	12.3	(31.4)	(19.1)	45.7	25.3	71.1

90.2

Positive Factors			Negative Factors	
Production and shipments	+	71.0	Raw material prices	(53.0)
Overall cost reduction	+	26.5	Exchange rate changes	(6.5)
Inventory valuation in Iron & Steel	+	7.0	Electric Power	(5.0)
Inventory valuation in Aluminum & Copper	+	11.5	Subsidiaries & affiliates (excluding Construction Machinery & Electric Power)	(2.0)
Construction Machinery	+	53.3	Other	(12.6)
Total	+	169.3	Total	(79.1)



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【Companywide】 Factors Affecting Ordinary Income Comparison of FY2017 and FY2018

(In billions of yen)

	FY2017			FY2018 Forecast		
	1H	2H	Full year	1H	2H	Full year
Ordinary Income (Loss)	45.7	25.3	71.1	5.0	30.0	35.0

(36.1)

Positive Factors			Negative Factors	
Production and shipments	+	17.5	Raw material prices	(10.0)
Subsidiaries & affiliates (excluding Construction Machinery & Electric Power)	+	1.0	Electric Power	(9.9)
			Inventory valuation in Iron & Steel	(8.0)
			Inventory valuation in Aluminum & Copper	(5.0)
			Construction Machinery	(0.9)
			Overall cost	(0.5)
			Other	(20.3)
Total	+	18.5	Total	(54.6)