

Supplementary Financial Information for First Quarter of Fiscal 2018

Kobe Steel, Ltd.
August 1, 2018

The portions of this material referring to forecasts are based on currently available information as of today. Actual business results may differ considerably due to various changeable conditions in the future.

Consolidated Financial Results for First Quarter of FY2018

(In billions of yen)

| | FY2017 1 Q | FY2018 1 Q | Change |
|---|---------------|------------------|--------|
| Net Sales | 435.0 | 478.3 | +43.3 |
| Operating Income | 30.3 | 13.8 | (16.4) |
| Ordinary Income | 28.2 | 12.7 | (15.5) |
| Extraordinary Income | ※1 6.7 | ※2 3.9 | (2.8) |
| Net Income Attributable to Owners of the Parent | 25.0 | 12.6 | (12.3) |

- ※1 Gain on sale of investment securities: 6.7 billion yen
 ※2 Gain on acquisition of subsidiary: 3.9 billion yen
 (Turning Shinko Wire Company, Ltd. into a subsidiary)

Consolidated Forecast for FY2018

(In billions of yen)

| | FY2017 ① | FY2018 Previous Forecast | | FY2018 Forecast | | Change | | |
|---|-------------|-----------------------------|-------------|---------------------|---------------------|--------|-------|--------|
| | | 1st half ② | Full year ③ | 1st half ④ | Full year ⑤ | ④-② | ⑤-③ | ⑤-① |
| Net Sales | 1,881.1 | 960.0 | 1,990.0 | 1,000.0 | 2,030.0 | +40.0 | +40.0 | +148.9 |
| Operating Income | 88.9 | 15.0 | 55.0 | 20.0 | 55.0 | +5.0 | - | (33.9) |
| Ordinary Income | 71.1 | 5.0 | 35.0 | 10.0 | 35.0 | +5.0 | - | (36.1) |
| Extraordinary Income | 2.0 | 30.0 | 30.0 | ※1,2 33.9 | ※1,2 33.9 | +3.9 | +3.9 | +31.9 |
| Net Income Attributable to Owners of the Parent | 63.1 | 25.0 | 45.0 | 30.0 | 45.0 | +5.0 | - | (18.1) |

※1 Gain on acquisition of subsidiary: 3.9 billion yen
(Turning Shinko Wire Company, Ltd. into a subsidiary)

※2 Gain on sale of investment securities: 30.0 billion yen
(Partial sale of shares of Shinko Real Estate Co., Ltd.)

〈Exchange Rates〉

| | FY2017 | FY2018 1Q | FY2018 2Q onward |
|--------------------------|--------|--------------|---------------------|
| 1 U.S. dollar to yen | 111 | 109 | 110 |
| 1 Chinese yuan to yen | 16.8 | 17.1 | 17.0 |
| 1 Euro to yen | 130 | 130 | 130 |

Dividends

- Kobe Steel aims to pay dividends on a continuous and stable basis. Dividends are decided after taking into full account the Company's financial condition, 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 2018. The year-end dividend for the end of fiscal 2018 has not yet been determined.

<Dividend Results >

| | FY2015 | | | FY2016 | | | FY2017 | | | FY2018(Forecast) | | |
|----------------------------|---------|----------|------|---------|----------|------|---------|----------|------|------------------|--------------|--------------|
| | Interim | Year-end | Year | Interim | Year-end | Year | Interim | Year-end | Year | Interim | Year-end | Year |
| Dividends per share in yen | 2.0 | – | 2.0 | – | – | – | – | 30.0 | 30.0 | 10.0 | Undetermined | Undetermined |

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

Consolidated Sales & Ordinary Income by Segment

(In billions of yen)

| | | FY2017 1Q | FY2018 1Q | Change |
|---------------------------|-------------------------------|--------------|--------------|---------------|
| Iron & Steel | Net Sales | 174.4 | 179.1 | +4.6 |
| | Ordinary Income | 13.0 | 0.8 | (12.2) |
| | Inventory Valuation | 7.5 | 2.0 | (5.5) |
| Welding | Net Sales | 19.4 | 19.7 | +0.2 |
| | Ordinary Income | 1.1 | 0.5 | (0.6) |
| Aluminum & Copper | Net Sales | 88.9 | 93.1 | +4.2 |
| | Ordinary Income | 6.1 | 2.4 | (3.7) |
| | Inventory Valuation | 2.5 | 1.5 | (1.0) |
| Machinery | Net Sales | 30.3 | 44.2 | +13.9 |
| | Ordinary Income | 0.2 | 1.0 | +0.7 |
| Engineering | Net Sales | 19.0 | 25.0 | +5.9 |
| | Ordinary Income | 0.3 | 0.4 | +0.1 |
| Construction Machinery | Net Sales | 87.5 | 101.3 | +13.8 |
| | Ordinary Income | 3.9 | 7.5 | +3.5 |
| Electric Power | Net Sales | 13.9 | 14.0 | +0.0 |
| | Ordinary Income (loss) | 2.4 | (0.0) | (2.5) |
| Other | Net Sales | 13.3 | 14.5 | +1.1 |
| | Ordinary Income | 1.0 | 0.6 | (0.4) |
| Adjustment | Net Sales | (12.0) | (12.9) | (0.9) |
| | Ordinary Income (loss) | (0.3) | (0.6) | (0.2) |
| Total | Net Sales | 435.0 | 478.3 | +43.3 |
| | Ordinary Income | 28.2 | 12.7 | (15.5) |

Iron & Steel

- The sales volume of steel products decreased, compared with the same period last year. Demand was firm in the automotive sector, but upstream process equipment was shut down at Kobe Works and consolidated to Kakogawa Works. In addition, sales volume was affected by temporary production trouble.
- Sales prices increased, compared with the same period last year, affected by the rise in raw material prices.
- Although profit remediation measures through consolidation of upstream production were carried out, the sales volume of steel products decreased and gain from the impact of inventory valuation decreased.
- As a result, ordinary income decreased, compared with the same period last year. (In billions of yen)

| | FY2017 1Q | FY2018 1Q | Change |
|------------------------|--------------|--------------|---------------|
| Net Sales | 174.4 | 179.1 | +4.6 |
| Ordinary Income | 13.0 | 0.8 | (12.2) |
| Inventory Valuation | 7.5 | 2.0 | (5.5) |

<Production and Sales>

| | | | |
|--|-------|-------|--------|
| Crude steel production (millions of tons) | 1.94 | 1.72 | (0.22) |
| Sales volume (millions of tons) | 1.52 | 1.39 | (0.13) |
| Export Ratio (value basis) | 27.1% | 25.9% | (1.2%) |
| Average steel prices (thousands of yen/t) | 80.8 | 83.5 | +2.7 |

<Factors Affecting Comparison>

FY2017 1Q 13.0 billion yen ⇒ FY2018 1Q 0.8 billion yen

(In billions of yen)

| Positive Factors | | Negative Factors | |
|------------------------|-------------|---------------------------|---------------|
| Overall cost reduction | +0.5 | Production and shipments | (3.0) |
| Exchange rate changes | +1.0 | Raw material prices | (2.0) |
| | | Inventory valuation* | (5.5) |
| | | Subsidiaries & affiliates | (1.5) |
| | | Other | (1.7) |
| Total | +1.5 | Total | (13.7) |

*Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

Consolidated Sales & Ordinary Income by Segment

Welding

- The sales volume of welding materials decreased, compared with the same period last year, owing to lower sales to the shipbuilding industry in South Korea. Demand for welding systems continued to be firm for architectural steel frames in Japan.
- As a result, segment sales were at a similar level to the same period last year. Ordinary income decreased, compared with the same period last year, owing to lower sales volume and higher fixed costs.

(In billions of yen)

| | FY2017 1Q | FY2018 1Q | Change |
|------------------------|--------------|--------------|--------------|
| Net Sales | 19.4 | 19.7 | +0.2 |
| Ordinary Income | 1.1 | 0.5 | (0.6) |

Aluminum & Copper

- Segment sales for the consolidated first quarter increased compared with the same period last year. Although the sales volume of aluminum rolled products decreased mainly for can stock for beverage cans, sales prices rose in association with higher ingot prices.
- Ordinary income decreased, compared with the same period last year, owing to a worsening of energy costs from higher oil prices, the impact of the misconduct concerning some of the products, and the smaller impact of inventory valuation.

(In billions of yen)

| | FY2017 1Q | FY2018 1Q | Change |
|------------------------|--------------|--------------|--------------|
| Net Sales | 88.9 | 93.1 | +4.2 |
| Ordinary Income | 6.1 | 2.4 | (3.7) |
| Inventory Valuation | 2.5 | 1.5 | (1.0) |

<Sales Volume>

(In thousands of ton)

| | | | |
|--------------------------|-----|----|-----|
| Aluminum Rolled Products | 101 | 92 | (9) |
| Copper Strips | 15 | 15 | +0 |
| Copper Tubes | 22 | 22 | +1 |

Consolidated Sales & Ordinary Income by Segment

Machinery

- Net sales and ordinary income increased, compared with the same period last year, owing to the posting of sales from large-scale orders mainly for plastic processing machinery and compressors.

(In billions of yen)

| | FY2017 1Q | FY2018 1Q | Change |
|------------------------|--------------|--------------|-------------|
| Net Sales | 30.3 | 44.2 | +13.9 |
| Ordinary Income | 0.2 | 1.0 | +0.7 |

Engineering

- Net sales and ordinary income increased, compared with the same period last year, owing to steadily fulfilling existing orders.

(In billions of yen)

| | FY2017 1Q | FY2018 1Q | Change |
|------------------------|--------------|--------------|-------------|
| Net Sales | 19.0 | 25.0 | +5.9 |
| Ordinary Income | 0.3 | 0.4 | +0.1 |

Consolidated Sales & Ordinary Income by Segment

Construction Machinery

- Unit sales of hydraulic excavators remained firm mainly in China resulting in higher sales and ordinary income.

(In billions of yen)

| | FY2017 1Q | FY2018 1Q | Change |
|------------------------|--------------|--------------|-------------|
| Net Sales | 87.5 | 101.3 | +13.8 |
| Ordinary Income | 3.9 | 7.5 | +3.5 |

Electric Power

- Ordinary income declined owing to higher maintenance costs at the Kobe Power Plant and other factors.

(In billions of yen)

| | FY2017 1Q | FY2018 1Q | Change |
|-------------------------------|--------------|--------------|--------------|
| Net Sales | 13.9 | 14.0 | +0.0 |
| Ordinary Income (loss) | 2.4 | (0.0) | (2.5) |

Consolidated Forecast by Segment for FY2018

(In billions of yen)

| | | FY2017 ① | FY2018 Previous Forecast | | FY2018 Forecast | | Change | | |
|------------------------|-------------------------------|--------------|-----------------------------|---------------|--------------------|---------------|--------------|---------------|---------------|
| | | | 1st half ② | Full year ③ | 1st half ④ | Full year ⑤ | ④-② | ⑤-③ | ⑤-① |
| | | | | | | | | | |
| Iron & Steel | Net Sales | 715.5 | 370.0 | 750.0 | 365.0 | 740.0 | (5.0) | (10.0) | +24.5 |
| | Ordinary Income | 17.3 | 3.0 | 13.0 | 0.0 | 3.0 | (3.0) | (10.0) | (14.3) |
| | Inventory Valuation | 9.0 | 0.0 | 1.0 | 0.0 | 0.5 | - | (0.5) | (8.5) |
| Welding | Net Sales | 80.5 | 40.0 | 82.0 | 40.0 | 82.0 | - | - | +1.5 |
| | Ordinary Income | 4.9 | 1.5 | 4.5 | 1.5 | 4.0 | - | (0.5) | (0.9) |
| Aluminum & Copper | Net Sales | 349.5 | 190.0 | 385.0 | 190.0 | 385.0 | - | - | +35.5 |
| | Ordinary Income | 11.8 | 0.0 | 2.0 | 0.5 | 2.0 | +0.5 | - | (9.8) |
| | Inventory Valuation | 6.0 | 1.0 | 1.0 | 2.5 | 2.5 | +1.5 | +1.5 | (3.5) |
| Machinery | Net Sales | 161.3 | 88.0 | 187.0 | 89.0 | 184.0 | +1.0 | (3.0) | +22.7 |
| | Ordinary Income | 2.3 | 2.5 | 7.5 | 1.5 | 5.5 | (1.0) | (2.0) | +3.2 |
| Engineering | Net Sales | 122.8 | 56.0 | 147.0 | 58.0 | 150.0 | +2.0 | +3.0 | +27.2 |
| | Ordinary Income (Loss) | 6.9 | (0.5) | 4.5 | 0.5 | 4.5 | +1.0 | - | (2.4) |
| Construction Machinery | Net Sales | 364.5 | 190.0 | 385.0 | 215.0 | 410.0 | +25.0 | +25.0 | +45.5 |
| | Ordinary Income | 21.9 | 12.5 | 21.0 | 14.0 | 24.0 | +1.5 | +3.0 | +2.1 |
| Electric Power | Net Sales | 72.1 | 36.0 | 73.0 | 35.0 | 71.0 | (1.0) | (2.0) | (1.1) |
| | Ordinary Income (Loss) | 7.9 | (5.0) | (2.0) | (5.0) | (2.0) | - | - | (9.9) |
| Other Businesses | Net Sales | 68.8 | 19.0 | 44.0 | 24.0 | 44.0 | +5.0 | - | (24.8) |
| | Ordinary Income (Loss) | 5.4 | (1.0) | 3.0 | 0.5 | 4.0 | +1.5 | +1.0 | (1.4) |
| Adjustment | Net Sales | (54.3) | (29.0) | (63.0) | (16.0) | (36.0) | +13.0 | +27.0 | +18.3 |
| | Ordinary Income (Loss) | (7.5) | (8.0) | (18.5) | (3.5) | (10.0) | +4.5 | +8.5 | (2.5) |
| Total | Net Sales | 1,881.1 | 960.0 | 1,990.0 | 1,000.0 | 2,030.0 | +40.0 | +40.0 | +148.9 |
| | Ordinary Income | 71.1 | 5.0 | 35.0 | 10.0 | 35.0 | +5.0 | - | (36.1) |

Consolidated Forecast by Segment for FY2018

Iron & Steel

- Profits are anticipated to decrease, impacted by higher costs for distribution and auxiliary raw materials costs, in addition to lower crude steel production and lower sales volume of steel products from temporary trouble with the production equipment for sintered ore.

(In billions of yen)

| | FY2017 ① | FY2018 Previous Forecast | | FY2018 Forecast | | Change | | |
|------------------------|-------------|-----------------------------|-------------|--------------------|-------------|--------------|---------------|---------------|
| | | 1st half ② | Full year ③ | 1st half ④ | Full year ⑤ | ④-② | ⑤-③ | ⑤-① |
| Net Sales | 715.5 | 370.0 | 750.0 | 365.0 | 740.0 | (5.0) | (10.0) | +24.5 |
| Ordinary Income | 17.3 | 3.0 | 13.0 | 0.0 | 3.0 | (3.0) | (10.0) | (14.3) |
| Inventory Valuation | 9.0 | 0.0 | 1.0 | 0.0 | 0.5 | - | (0.5) | (8.5) |

<Production and Sales>

| | FY2017 ① | FY2018 Previous ② | FY2018 Forecast | | Change | |
|---|-------------|-------------------------|---------------------|---------------------|----------------|----------------|
| | | | 1st half | Full year③ | ③-② | ③-① |
| Crude steel production (millions of tons) | 7.46 | approx. 7.00 | approx. 3.45 | approx. 6.90 | (approx. 0.10) | (approx. 0.56) |
| Sales volume (millions of tons) | 5.97 | approx. 5.90 | approx. 2.85 | approx. 5.70 | (approx. 0.20) | (approx. 0.27) |
| Export ratio (value basis) | 27.2% | | approx. 25% | approx. 25% | | (approx. 2%) |

<Factors Affecting Comparison>

FY2018 Previous Forecast 13.0 billion yen ⇒ FY2018 Current Forecast 3.0 billion yen

(In billions of yen)

| Positive Factors | Negative Factors |
|------------------|--------------------------------|
| | Production and shipments (2.0) |
| | Raw material prices (5.0) |
| | Overall cost (1.0) |
| | Inventory valuation* (0.5) |
| | Other (1.5) |
| Total | Total (10.0) |

*Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

Consolidated Forecast by Segment for FY2018

Welding

- The sales volume of welding materials is expected to be as previously forecast owing to higher demand in the energy sector in China and expanded sales in the developing countries of Southeast Asia. Profits are anticipated to decrease owing to the higher cost of raw materials.

(In billions of yen)

| | FY2017 ① | FY2018 Previous Forecast | | FY2018 Forecast | | Change | | |
|------------------------|-------------|-----------------------------|-------------|--------------------|-------------|--------|--------------|--------------|
| | | 1st half ② | Full year ③ | 1st half ④ | Full year ⑤ | ④-② | ⑤-③ | ⑤-① |
| Net Sales | 80.5 | 40.0 | 82.0 | 40.0 | 82.0 | - | - | +1.5 |
| Ordinary Income | 4.9 | 1.5 | 4.5 | 1.5 | 4.0 | - | (0.5) | (0.9) |

Aluminum & Copper

- The sales volume of aluminum roll products and copper rolled products is anticipated to be similar to the previous forecast as demand is expected to remain firm in the automotive and semiconductor sectors. As the impact of the misconduct, which affected a portion of the products, has been taken into account to a certain extent, profits are expected to remain similar to the previous forecast.

(In billions of yen)

| | FY2017 ① | FY2018 Previous Forecast | | FY2018 Forecast | | Change | | |
|------------------------|-------------|-----------------------------|-------------|--------------------|-------------|-------------|------|--------------|
| | | 1st half ② | Full year ③ | 1st half ④ | Full year ⑤ | ④-② | ⑤-③ | ⑤-① |
| Net Sales | 349.5 | 190.0 | 385.0 | 190.0 | 385.0 | - | - | +35.5 |
| Ordinary Income | 11.8 | 0.0 | 2.0 | 0.5 | 2.0 | +0.5 | - | (9.8) |
| Inventory Valuation | 6.0 | 1.0 | 1.0 | 2.5 | 2.5 | +1.5 | +1.5 | (3.5) |

<Sales Volume>

(Thousands of tons)

| | FY2017 ① | FY2018 Previous Forecast ② | FY2018 Forecast | | Change | |
|--------------------------|-------------|-------------------------------------|--------------------|-------------|--------|-----------|
| | | | 1st half | Full year③ | ③-② | ③-① |
| Aluminum Rolled Products | 363 | approx. 365 | approx. 190 | approx. 365 | - | approx. 2 |
| Copper Strips | 60 | approx. 60 | approx. 30 | approx. 60 | - | - |
| Copper Tubes | 82 | approx. 85 | approx. 45 | approx. 85 | - | approx. 3 |

Consolidated Forecast by Segment for FY2018

Machinery

- Orders are expected to be similar to the previous forecast owing to recovery in demand for compressors in the oil refining sector in China and expansion of the after-sales service business in Asia and the Middle East. Ordinary income is expected to decline owing to the types of orders.

(In billions of yen)

| | FY2017 ① | FY2018 Previous Forecast | | FY2018 Forecast | | Change | | |
|------------------------|-------------|-----------------------------|-------------|--------------------|-------------|--------------|--------------|-------------|
| | | 1st half ② | Full year ③ | 1st half ④ | Full year ⑤ | ④-② | ⑤-③ | ⑤-① |
| | | | | | | | | |
| Net Sales | 161.3 | 88.0 | 187.0 | 89.0 | 184.0 | +1.0 | (3.0) | +22.7 |
| Ordinary Income | 2.3 | 2.5 | 7.5 | 1.5 | 5.5 | (1.0) | (2.0) | +3.2 |

Engineering

- Orders are expected to be similar to the previous forecast centered on waste treatment and water treatment facilities. Ordinary income is expected to be similar to the previous forecast owing to steadily fulfilling existing orders.

(In billions of yen)

| | FY2017 ① | FY2018 Previous Forecast | | FY2018 Forecast | | Change | | |
|-------------------------------|-------------|-----------------------------|-------------|--------------------|-------------|-------------|----------|--------------|
| | | 1st half ② | Full year ③ | 1st half ④ | Full year ⑤ | ④-② | ⑤-③ | ⑤-① |
| | | | | | | | | |
| Net Sales | 122.8 | 56.0 | 147.0 | 58.0 | 150.0 | +2.0 | +3.0 | +27.2 |
| Ordinary Income (loss) | 6.9 | (0.5) | 4.5 | 0.5 | 4.5 | +1.0 | - | (2.4) |

Consolidated Forecast by Segment for FY2018

Construction Machinery

- Demand of hydraulic excavators is expected to continuing being firm in China. As a result, ordinary income is expected to increase.

(In billions of yen)

| | FY2017 ① | FY2018 Previous Forecast | | FY2018 Forecast | | Change | | |
|------------------------|-------------|-----------------------------|-------------|--------------------|-------------|-------------|-------------|-------------|
| | | 1st half ② | Full year ③ | 1st half ④ | Full year ⑤ | ④-② | ⑤-③ | ⑤-① |
| | | | | | | | | |
| Net Sales | 364.5 | 190.0 | 385.0 | 215.0 | 410.0 | +25.0 | +25.0 | +45.5 |
| Ordinary Income | 21.9 | 12.5 | 21.0 | 14.0 | 24.0 | +1.5 | +3.0 | +2.1 |

Electric Power

- The profit outlook is unchanged from the previous forecast. Loss is expected to be as previously forecast owing to temporary expenses associated with fund procurement for the new project.

(In billions of yen)

| | FY2017 ① | FY2018 Previous Forecast | | FY2018 Forecast | | Change | | |
|-------------------------------|-------------|-----------------------------|--------------|--------------------|--------------|----------|----------|--------------|
| | | 1st half ② | Full year ③ | 1st half ④ | Full year ⑤ | ④-② | ⑤-③ | ⑤-① |
| | | | | | | | | |
| Net Sales | 72.1 | 36.0 | 73.0 | 35.0 | 71.0 | (1.0) | (2.0) | (1.1) |
| Ordinary Income (loss) | 7.9 | (5.0) | (2.0) | (5.0) | (2.0) | - | - | (9.9) |

Free Cash Flow & Capital Investment

< Free Cash Flow >

(In billions of yen)

| | FY2017 ① | FY2018 Previous Forecast ② | FY2018 Forecast ③ | Change | |
|---|-------------|-------------------------------------|-------------------------|--------|---------|
| | | | | ③-② | ③-① |
| Cash Flows from Operating Activities | 191.8 | 60.0 | 60.0 | - | (131.8) |
| Cash Flows from Investing Activities | (160.7) | (70.0) | (75.0) | (5.0) | +85.7 |
| Free Cash Flow (Excluding project financing) | 31.1 | (10.0) | (15.0) | (5.0) | (46.1) |
| Free Cash Flow (Including project financing) | 29.2 | (25.0) | (30.0) | (5.0) | (59.2) |
| Cash and Deposits (Excluding project financing) | 158.2 | 95.0 | 95.0 | - | (63.2) |

< Capital Investment >

(In billions of yen)

| | FY2017 | FY2018 | Change |
|------------------------------------|--------|--------------|--------|
| Capital Investment (Accrual Basis) | 128.6 | 145.0 | 16.4 |
| Capital Investment (Payment Basis) | 136.6 | 155.0 | 18.4 |
| Depreciation | 102.0 | 100.0 | (2.0) |

| | FY2016 | FY2017 | FY2018 Forecast |
|-----------------------------|--------------------------|-------------------|--------------------|
| R O S ^{*1} | (1.1%) | 3.8% | 1.7% |
| Net Income (loss) per share | (63.54 yen) | 174.43 yen | 124.22 yen |
| Outside debt ^{*2} | 789.6 billion yen | 726.0 billion yen | 670.0 billion yen |
| D/E Ratio ^{*3} | 1.17 times ^{*4} | 0.98 times | approx. 0.9 times |
| R O A ^{*5} | (0.8%) | 3.1% | 1.5% |
| R O E ^{*6} | (3.4%) | 8.9% | 5.9% |

*1:ROS : Ordinary Income / Net Sales

*2:Outside debt : Excludes Debt from IPP project financing

*3:D/E ratio: Debt (excluding IPP project finance)/Stockholders' Equity

*4:Includes early procurement of borrowings for FY2017 (117.6 billion yen)

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

*5:ROA : Ordinary Income / Total Assets

*6:Net Income Attributable to Owners of the Parent / Stockholders' Equity

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

| | FY2017 | | | | | | |
|---|--------|-------|----------|-------|-------|----------|-----------|
| | | | | | | | |
| | 1Q | 2Q | 1st half | 3Q | 4Q | 2nd half | 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% |

| | FY2018 Forecast | | | | |
|---|-----------------|-------------|-------------|-------------|-------------|
| | | | | | |
| | 1Q | 2Q | 1st half | 2nd half | Full Year |
| Crude steel production (millions of tons) | 1.72 | approx.1.70 | approx.3.45 | approx.3.45 | approx.6.90 |
| Sales volume (millions of tons) | 1.39 | approx.1.45 | approx.2.85 | approx.2.85 | approx.5.70 |
| Sales prices (thousands of yen/ton) | 83.5 | | | | |
| Export ratio (value basis) | 25.9% | approx.25% | approx.25% | approx.25% | approx.25% |

【Iron & Steel】 Factors Affecting Ordinary Income

FY2018 1half 0.0 billion yen⇒ FY2018 2half 3.0 billion yen

(In billions of yen)

| Positive Factors | | Negative Factors | |
|--------------------------|-------------|---------------------------|--------------|
| Production and shipments | +1.0 | Subsidiaries & affiliates | (1.0) |
| Raw material prices | +1.0 | | |
| Overall cost reduction | +1.0 | | |
| Inventory valuation* | +0.5 | | |
| Other | +0.5 | | |
| Total | +4.0 | Total | (1.0) |

*Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

FY2017 17.3 billion yen⇒ FY2018 Forecast 3.0 billion yen

(In billions of yen)

| Positive Factors | | Negative Factors | |
|--------------------------|--------------|---------------------------|---------------|
| Production and shipments | +13.5 | Raw material prices | (15.0) |
| Overall cost reduction | +5.0 | Inventory valuation* | (8.5) |
| | | Subsidiaries & affiliates | (0.5) |
| | | Other | (8.8) |
| Total | +18.5 | Total | (32.8) |

*Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.