



# Consolidated Financial Results for First Half of FY2018

(In billions of yen)

	FY2017 1 H ①	FY2018 1H ②	Change ②-①	FY2018 Previous Forecast	
				1 H ③	②-③
				Net Sales	907.0
Operating Income	51.4	<b>23.1</b>	(28.2)	20.0	+3.1
Ordinary Income	45.7	<b>9.3</b>	(36.4)	10.0	(0.7)
Extraordinary Income	※1 9.0	※2,3 <b>36.3</b>	+27.3	33.9	+2.4
Net Income Attributable to Owners of the Parent	39.3	<b>33.3</b>	(5.9)	30.0	+3.3

※1 Gain on sale of investment securities: 9.0 billion yen

※2 Gain on acquisition of subsidiary: 4.8 billion yen (Turned Shinko Wire into a subsidiary)

※3 Gain on sale of investment securities: 31.4 billion yen (Sold 75 percent of shares held in Shinko Real Estate)

# Consolidated Forecast for FY2018

(In billions of yen)

	FY2017 ①	FY2018			Change		FY2018 Previous Forecast	
		1st half ②	2nd half Forecast ③	Full year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Net Sales	1,881.1	<b>958.2</b>	<b>1,071.8</b>	<b>2,030.0</b>	+113.6	+148.9	2,030.0	-
Operating Income	88.9	<b>23.1</b>	<b>26.9</b>	<b>50.0</b>	+3.8	( 38.9)	55.0	( 5.0)
Ordinary Income	71.1	<b>9.3</b>	<b>15.7</b>	<b>25.0</b>	+6.4	( 46.1)	35.0	( 10.0)
Extraordinary Income	2.0	※1,2 <b>36.3</b>	-	<b>36.3</b>	( 36.3)	+34.3	33.9	+2.4
Net Income Attributable to Owners of the Parent	63.1	<b>33.3</b>	<b>1.7</b>	<b>35.0</b>	( 31.6)	( 28.1)	45.0	( 10.0)

※1 Gain on acquisition of subsidiary: 4.8 billion yen  
(Turned Shinko Wire into a subsidiary)

※2 Gain on sale of investment securities: 31.4 billion yen  
(Sold 75 percent of shares held in Shinko Real Estate)

## 〈Exchange Rates〉

	FY2017	FY2018 1H	FY2018 2H Forecast
1 U.S. dollar to yen	111	110	110
1 Chinese yuan to yen	16.8	16.7	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	<b>10.0</b>	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			FY2018	Change ②-①	FY2018 Previous Forecast	
		1H ①	2H	Full Year	1H ②		1 H ③	②-③
Iron & Steel	Net Sales	354.4	361.0	715.5	359.5	+5.0	365.0	(5.5)
	<b>Ordinary Income (loss)</b>	<b>18.4</b>	<b>(1.0)</b>	<b>17.3</b>	<b>(1.7)</b>	<b>(20.1)</b>	<b>0.0</b>	<b>(1.7)</b>
	Inventory Valuation	2.5	6.5	9.0	0.5	(2.0)	0.0	+0.5
Welding	Net Sales	39.7	40.8	80.5	39.8	+0.0	40.0	(0.2)
	<b>Ordinary Income</b>	<b>2.5</b>	<b>2.3</b>	<b>4.9</b>	<b>0.9</b>	<b>(1.6)</b>	<b>1.5</b>	<b>(0.6)</b>
Aluminum & Copper	Net Sales	174.3	175.2	349.5	181.3	+7.0	190.0	(8.7)
	<b>Ordinary Income</b>	<b>7.9</b>	<b>3.8</b>	<b>11.8</b>	<b>1.6</b>	<b>(6.2)</b>	<b>0.5</b>	<b>+1.1</b>
	Inventory Valuation	2.0	4.0	6.0	2.0	-	2.5	(0.5)
Machinery	Net Sales	70.5	90.7	161.3	84.2	+13.7	89.0	(4.8)
	<b>Ordinary Income (loss)</b>	<b>(0.5)</b>	<b>2.8</b>	<b>2.3</b>	<b>0.8</b>	<b>+1.3</b>	<b>1.5</b>	<b>(0.7)</b>
Engineering	Net Sales	48.0	74.8	122.8	55.4	+7.4	58.0	(2.6)
	<b>Ordinary Income</b>	<b>1.7</b>	<b>5.1</b>	<b>6.9</b>	<b>1.0</b>	<b>(0.6)</b>	<b>0.5</b>	<b>+0.5</b>
Construction Machinery	Net Sales	182.7	181.8	364.5	204.9	+22.2	215.0	(10.1)
	<b>Ordinary Income</b>	<b>11.4</b>	<b>10.5</b>	<b>21.9</b>	<b>13.5</b>	<b>+2.0</b>	<b>14.0</b>	<b>(0.5)</b>
Electric Power	Net Sales	32.9	39.1	72.1	35.8	+2.8	35.0	+0.8
	<b>Ordinary Income (loss)</b>	<b>3.3</b>	<b>4.5</b>	<b>7.9</b>	<b>(3.6)</b>	<b>(6.9)</b>	<b>(5.0)</b>	<b>+1.4</b>
Other	Net Sales	29.2	39.6	68.8	22.2	(6.9)	24.0	(1.8)
	<b>Ordinary Income</b>	<b>1.7</b>	<b>3.6</b>	<b>5.4</b>	<b>0.8</b>	<b>(0.8)</b>	<b>0.5</b>	<b>0.3</b>
Adjustment	Net Sales	(24.9)	(29.3)	(54.3)	(25.2)	(0.2)	(16.0)	(9.2)
	<b>Ordinary Income (loss)</b>	<b>(0.9)</b>	<b>(6.6)</b>	<b>(7.5)</b>	<b>(4.2)</b>	<b>(3.3)</b>	<b>(3.5)</b>	<b>(0.7)</b>
Total	Net Sales	907.0	974.0	1,881.1	958.2	+51.1	1,000.0	(41.8)
	<b>Ordinary Income</b>	<b>45.7</b>	<b>25.3</b>	<b>71.1</b>	<b>9.3</b>	<b>(36.4)</b>	<b>10.0</b>	<b>(0.7)</b>

# Consolidated Sales & Ordinary Income by Segment

## Iron & Steel

- The sales volume of steel products decreased, compared with the same period last year, owing to temporary production equipment trouble, typhoons and other natural disasters, although demand was firm mainly in the automotive sector.
- The sales prices of steel products increased, compared with the same period last year, owing to efforts at increasing product prices following the rise in raw material prices.
- As a result, ordinary income decreased. Although progress was made in profit remediation measures through consolidation of upstream operations, profits declined owing to the lower sales volume of steel products, higher distribution costs and inventory valuation effects.

(In billions of yen)

	FY2017 1H	FY2018 1H	Change
Net Sales	354.4	359.5	+5.0
<b>Ordinary Income (loss)</b>	<b>18.4</b>	<b>(1.7)</b>	<b>(20.1)</b>
Inventory Valuation	2.5	0.5	(2.0)

### <Production and Sales>

Crude steel production (millions of tons)	3.94	3.39	(0.55)
Sales volume (millions of tons)	3.04	2.71	(0.33)
Export Ratio (value basis)	26.4%	25.7%	(0.7%)
Average steel prices (thousands of yen/t)	81.5	85.2	+3.7

### <Factors Affecting Comparison>

FY2017 1H 18.4 billion yen ⇒ FY2018 1H (1.7 billion yen)

(In billions of yen)

Positive Factors		Negative Factors	
Overall cost reduction	+1.0	Production and shipments	(7.0)
		Raw material prices	(3.0)
		Inventory valuation*	(2.0)
		Subsidiaries & affiliates	(1.5)
		Other	(7.6)
<b>Total</b>	<b>+1.0</b>	<b>Total</b>	<b>(21.1)</b>

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

# Consolidated Sales & Ordinary Income by Segment

## Welding

- Segment sales were similar to the same period last year. The sales volume increased in the energy sector mainly in China and in the automotive sector in Thailand and Indonesia. However, the sales volume in the shipbuilding industry in East Asia was sluggish.
- Ordinary income decreased, compared with the same period last year, owing to changes in the composition of welding materials and higher fixed costs.

(In billions of yen)

	FY2017 1H	FY2018 1H	Change
Net Sales	39.7	39.8	+0.0
<b>Ordinary Income</b>	<b>2.5</b>	<b>0.9</b>	<b>(1.6)</b>

## Aluminum & Copper

- 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, leading to higher segment sales.
- Ordinary income decreased, compared with the same period last year. In addition to the lower sales volume of aluminum rolled products, energy costs increased due to higher oil prices, and the impact of the misconduct.

(In billions of yen)

	FY2017 1H	FY2018 1H	Change
Net Sales	174.3	181.3	+7.0
<b>Ordinary Income</b>	<b>7.9</b>	<b>1.6</b>	<b>(6.2)</b>
Inventory Valuation	2.0	2.0	-

<Sales Volume>

(In thousands of ton)

Aluminum Rolled Products	193	178	(15)
Copper Strips	30	29	(1)
Copper Tubes	42	43	+1

# Consolidated Sales & Ordinary Income (loss) by Segment

## Machinery

- Sales and profits increased, owing to the posting of sales from large orders mainly for plastic processing machinery and compressors.

(In billions of yen)

	FY2017 1H	FY2018 1H	Change
Net Sales	70.5	84.2	+13.7
<b>Ordinary Income (loss)</b>	<b>(0.5)</b>	<b>0.8</b>	<b>+1.3</b>

### <Orders>

(In billions of yen)

	FY2017			FY2018	Change ②-①
	1H ①	2H	Full Year	1H ②	
Domestic	30.1	32.4	62.5	31.9	+1.8
Export	36.9	51.6	88.5	40.5	+3.6
Total	67.1	84.0	151.1	72.5	+5.4

### <Backlog of Orders>

(In billions of yen)

	FY2017		FY2018	Change ②-①
	1H	2H ①	1H ②	
Domestic	39.0	41.2	45.4	+4.2
Export	96.2	99.2	83.4	(15.8)
Total	135.3	140.4	128.9	(11.5)



# Consolidated Sales & Ordinary Income by Segment

## Engineering

- Although sales increased owing to progress in fulfilling existing orders, profits decreased because of changes in the types of projects and other factors.

(In billions of yen)

	FY2017 1H	FY2018 1H	Change
Net Sales	48.0	55.4	+7.4
<b>Ordinary Income</b>	<b>1.7</b>	<b>1.0</b>	<b>(0.6)</b>

<Orders> ※

(In billions of yen)

	FY2017			FY2018	Change
	1H ①	2H	Full Year	1H ②	②-①
Domestic	51.2	29.4	80.6	51.9	+0.7
Export	4.7	33.9	38.6	20.2	+15.5
Total	55.9	63.3	119.2	72.2	+16.3

<Backlog of Orders> ※

(In billions of yen)

	FY2017		FY2018	Change
	1H	2H ①	1H ②	②-①
Domestic	121.7	97.9	116.4	+18.5
Export	69.2	85.5	84.8	(0.7)
Total	190.9	183.4	201.2	+17.8

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

(Reference)

(In billions of yen)

	FY2017			FY2018	Change
	1H ①	2H	Full Year	1H ②	②-①
Orders	48.7	61.5	110.2	65.1	+16.4

(In billions of yen)

	FY2017		FY2018	Change
	1H	2H ①	1H ②	②-①
Backlog of Orders	286.9	276.9	288.1	+11.2

Numbers in the Financial Results + Numbers in Operation & Maintenance (※)

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

# Consolidated Sales & Ordinary Income (loss) by Segment

## Construction Machinery

- Sales and profits rose as unit sales of hydraulic excavators remained firm mainly in China, although impacted by the crane collapse accident.

(In billions of yen)

	FY2017 1H	FY2018 1H	Change
Net Sales	182.7	204.9	+22.2
<b>Ordinary Income</b>	<b>11.4</b>	<b>13.5</b>	<b>+2.0</b>

## Electric Power

- Ordinary income declined owing to incurring temporary costs in association with fund procurement for the new power generation project in the city of Kobe.

(In billions of yen)

	FY2017 1H	FY2018 1H	Change
Net Sales	32.9	35.8	+2.8
<b>Ordinary Income (loss)</b>	<b>3.3</b>	<b>(3.6)</b>	<b>(6.9)</b>

# Consolidated Forecast by Segment for FY2018

(In billions of yen)

		FY2017 ①	FY2018			Change		FY2018 Previous Forecast	
			1st half ②	2nd half Forecast ③	Full year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Iron & Steel	Net Sales	715.5	359.5	400.5	760.0	+41.0	+44.5	740.0	+20.0
	<b>Ordinary Income (loss)</b>	<b>17.3</b>	<b>(1.7)</b>	<b>4.7</b>	<b>3.0</b>	<b>+6.4</b>	<b>(14.3)</b>	<b>3.0</b>	<b>-</b>
	Inventory Valuation	9.0	0.5	2.5	3.0	+2.0	(6.0)	0.5	+2.5
Welding	Net Sales	80.5	39.8	42.2	82.0	+2.4	+1.5	82.0	-
	<b>Ordinary Income</b>	<b>4.9</b>	<b>0.9</b>	<b>2.1</b>	<b>3.0</b>	<b>+1.2</b>	<b>(1.9)</b>	<b>4.0</b>	<b>(1.0)</b>
Aluminum & Copper	Net Sales	349.5	181.3	193.7	375.0	+12.4	+25.5	385.0	(10.0)
	<b>Ordinary Income (loss)</b>	<b>11.8</b>	<b>1.6</b>	<b>(3.6)</b>	<b>(2.0)</b>	<b>(5.2)</b>	<b>(13.8)</b>	<b>2.0</b>	<b>(4.0)</b>
	Inventory Valuation	6.0	2.0	0.0	2.0	(2.0)	(4.0)	2.5	(0.5)
Machinery	Net Sales	161.3	84.2	96.8	181.0	+12.6	+19.7	184.0	(3.0)
	<b>Ordinary Income</b>	<b>2.3</b>	<b>0.8</b>	<b>1.7</b>	<b>2.5</b>	<b>+0.9</b>	<b>+0.2</b>	<b>5.5</b>	<b>(3.0)</b>
Engineering	Net Sales	122.8	55.4	95.6	151.0	+40.2	+28.2	150.0	+1.0
	<b>Ordinary Income</b>	<b>6.9</b>	<b>1.0</b>	<b>4.0</b>	<b>5.0</b>	<b>+3.0</b>	<b>(1.9)</b>	<b>4.5</b>	<b>+0.5</b>
Construction Machinery	Net Sales	364.5	204.9	200.1	405.0	(4.8)	+40.5	410.0	(5.0)
	<b>Ordinary Income</b>	<b>21.9</b>	<b>13.5</b>	<b>10.5</b>	<b>24.0</b>	<b>(3.0)</b>	<b>+2.1</b>	<b>24.0</b>	<b>-</b>
Electric Power	Net Sales	72.1	35.8	40.2	76.0	+4.4	+3.9	71.0	+5.0
	<b>Ordinary Income (loss)</b>	<b>7.9</b>	<b>(3.6)</b>	<b>1.6</b>	<b>(2.0)</b>	<b>+5.2</b>	<b>(9.9)</b>	<b>(2.0)</b>	<b>-</b>
Other Businesses	Net Sales	68.8	22.2	20.8	43.0	(1.4)	(25.8)	44.0	(1.0)
	<b>Ordinary Income</b>	<b>5.4</b>	<b>0.8</b>	<b>3.7</b>	<b>4.5</b>	<b>+2.9</b>	<b>(0.9)</b>	<b>4.0</b>	<b>+0.5</b>
Adjustment	Net Sales	(54.3)	(25.2)	(17.8)	(43.0)	+7.4	+11.3	(36.0)	(7.0)
	<b>Ordinary Loss</b>	<b>(7.5)</b>	<b>(4.2)</b>	<b>(8.8)</b>	<b>(13.0)</b>	<b>(4.6)</b>	<b>(5.5)</b>	<b>(10.0)</b>	<b>(3.0)</b>
Total	Net Sales	1,881.1	958.2	1,071.8	2,030.0	+113.6	+148.9	2,030.0	-
	<b>Ordinary Income</b>	<b>71.1</b>	<b>9.3</b>	<b>15.7</b>	<b>25.0</b>	<b>+6.4</b>	<b>(46.1)</b>	<b>35.0</b>	<b>(10.0)</b>

# Consolidated Forecast by Segment for FY2018

## Iron & Steel

- The outlook for ordinary income is unchanged from the previous forecast. Although the segment is expected to be affected by temporary production equipment trouble and natural disasters, inventory valuation effects are anticipated to improve.

(In billions of yen)

	FY2017	FY2018			Change		FY2018 Previous Forecast	
	①	1st half ②	2nd half Forecast ③	Full year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Net Sales	715.5	359.5	400.5	760.0	+41.0	+44.5	740.0	+20.0
<b>Ordinary Income (loss)</b>	<b>17.3</b>	<b>(1.7)</b>	<b>4.7</b>	<b>3.0</b>	<b>+6.4</b>	<b>(14.3)</b>	<b>3.0</b>	<b>-</b>
Inventory Valuation	9.0	0.5	2.5	3.0	+2.0	(6.0)	0.5	+2.5

### <Production and Sales>

	FY2017	FY2018			Change		FY2018 Previous Forecast	
	①	1st half ②	2nd half Forecast ③	Full year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Crude steel production (millions of tons)	7.46	3.39	approx. 3.45	approx. 6.85	+approx. 0.05	(approx. 0.60)	approx. 6.90	(approx. 0.05)
Sales volume (millions of tons)	5.97	2.71	approx. 2.95	approx. 5.65	+approx. 0.25	(approx. 0.30)	approx. 5.70	(approx. 0.05)
Export ratio (value basis)	27.2%	25.7%	approx. 26%	approx. 26%	approx. the same	(approx. 1%)	approx. 25%	+approx. 1%

### <Factors Affecting Comparison>

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

(In billions of yen)

Positive Factors		Negative Factors	
Raw material prices	+1.5	Production and shipments	(4.0)
Exchange rate changes	+0.5	Subsidiaries & affiliates	(0.5)
Inventory valuation*	+2.5		
<b>Total</b>	<b>+4.5</b>	<b>Total</b>	<b>(4.5)</b>

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

# Consolidated Forecast by Segment for FY2018

## Welding

- Profits are anticipated to decline, compared with the previous forecast, owing to higher operating costs caused by natural disasters and the higher cost of raw materials.

(In billions of yen)

	FY2017	FY2018			Change		FY2018 Previous Forecast	
	①	1st half ②	2nd half Forecast ③	Full year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Net Sales	80.5	39.8	42.2	82.0	+2.4	+1.5	82.0	-
<b>Ordinary Income</b>	<b>4.9</b>	<b>0.9</b>	<b>2.1</b>	<b>3.0</b>	<b>+1.2</b>	<b>(1.9)</b>	<b>4.0</b>	<b>(1.0)</b>

## Aluminum & Copper

- Sales and profits are anticipated to decrease, compared with the previous forecast, owing to worsening energy costs from higher oil prices and increased compensation cost for customers, in addition to lower sales volume of aluminum rolled products.

(In billions of yen)

	FY2017	FY2018			Change		FY2018 Previous Forecast	
	①	1st half ②	2nd half Forecast ③	Full year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Net Sales	349.5	181.3	193.7	375.0	+12.4	+25.5	385.0	(10.0)
<b>Ordinary Income (loss)</b>	<b>11.8</b>	<b>1.6</b>	<b>(3.6)</b>	<b>(2.0)</b>	<b>(5.2)</b>	<b>(13.8)</b>	<b>2.0</b>	<b>(4.0)</b>
Inventory Valuation	6.0	2.0	0.0	2.0	(2.0)	(4.0)	2.5	(0.5)

### <Sales Volume>

(Thousands of tons)

	FY2017	FY2018			Change		FY2018	
	①	1st half ②	2nd half Forecast ③	Full year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Aluminum Rolled Products	363	178	approx. 170	approx. 350	(approx. 8)	(approx. 13)	approx. 365	(approx. 15)
Copper Strips	60	29	approx. 30	approx. 60	+approx. 1	-	approx. 60	-
Copper Tubes	82	43	approx. 40	approx. 85	(approx. 3)	+approx. 3	approx. 85	-

# Consolidated Forecast by Segment for FY2018

## Machinery

- Sales and profits are anticipated to decline, compared with the previous forecast. Although demand for compressors is on a recovery trend, energy-related investments have not recovered, and competition with other companies is expected to intensify. Orders for services are expected to decline, and costs are expected to rise from the higher prices of equipment and materials.

(In billions of yen)

	FY2017 ①	FY2018			Change		FY2018 Previous Forecast	
		1st half ②	2nd half Forecast ③	Full year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Net Sales	161.3	84.2	96.8	181.0	+12.6	+19.7	184.0	(3.0)
<b>Ordinary Income</b>	<b>2.3</b>	<b>0.8</b>	<b>1.7</b>	<b>2.5</b>	<b>+0.9</b>	<b>+0.2</b>	<b>5.5</b>	<b>(3.0)</b>
Orders	151.1	72.5	approx. 92.0	approx. 165.0	+approx. 19.0	+approx. 14.0	approx. 165.0	-

## Engineering

- Ordinary income is anticipated to increase slightly, compared with the previous forecast, owing to steady progress in fulfilling existing orders.

(In billions of yen)

	FY2017 ①	FY2018			Change		FY2018 Previous Forecast	
		1st half ②	2nd half Forecast ③	Full year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Net Sales	122.8	55.4	95.6	151.0	+40.2	+28.2	150.0	+1.0
<b>Ordinary Income</b>	<b>6.9</b>	<b>1.0</b>	<b>4.0</b>	<b>5.0</b>	<b>+3.0</b>	<b>(1.9)</b>	<b>4.5</b>	<b>+0.5</b>
Orders	119.2	72.2	approx. 53.0	approx. 125.0	(approx. 19.0)	+approx. 6.0	approx. 120.0	+approx. 5.0

# Consolidated Forecast by Segment for FY2018

## Construction Machinery

- Ordinary income is anticipated to reach 24.0 billion yen, similar to the previous forecast. Although sales volume is expected to decline because of lower unit sales following the crane collapse accident and the disposal of the crane involved in the accident, profit is anticipated to be posted from the reduction in the allowance for the hydraulic excavator business in China.

(In billions of yen)

	FY2017	FY2018			Change		FY2018 Previous Forecast	
	①	1st half ②	2nd half Forecast ③	Full year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Net Sales	364.5	204.9	200.1	405.0	(4.8)	+40.5	410.0	(5.0)
<b>Ordinary Income</b>	<b>21.9</b>	<b>13.5</b>	<b>10.5</b>	<b>24.0</b>	<b>(3.0)</b>	<b>+2.1</b>	<b>24.0</b>	<b>-</b>

## Electric Power

- The Kobe Power Plant plans to provide a steady supply of electric power through its continued stable operation.
- The profit outlook is unchanged from the previous forecast.

(In billions of yen)

	FY2017	FY2018			Change		FY2018 Previous Forecast	
	①	1st half ②	2nd half Forecast ③	Full year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Net Sales	72.1	35.8	40.2	76.0	+4.4	+3.9	71.0	+5.0
<b>Ordinary Income (loss)</b>	<b>7.9</b>	<b>(3.6)</b>	<b>1.6</b>	<b>(2.0)</b>	<b>+5.2</b>	<b>(9.9)</b>	<b>(2.0)</b>	<b>-</b>

# Free Cash Flow & Capital Investment

## < Free Cash Flow >

(In billions of yen)

	FY2017	FY2018	Change ②-①	FY2018 Previous Forecast	
	Full year①	Full year ②		Full year ③	③-②
Cash Flows from Operating Activities	191.8	<b>40.0</b>	(151.8)	60.0	(20.0)
Cash Flows from Investing Activities	(160.7)	<b>(70.0)</b>	+90.7	(75.0)	+5.0
Free Cash Flow (Excluding project financing)	31.1	<b>(30.0)</b>	(61.1)	(15.0)	(15.0)
Free Cash Flow (Including project financing)	29.2	<b>(40.0)</b>	(69.2)	(30.0)	(10.0)
Cash and Deposits (Excluding project financing)	158.2	<b>100.0</b>	(58.2)	95.0	+5.0

## < Capital Investment >

(In billions of yen)

	FY2017	FY2018	Change ②-①	FY2018 Previous Forecast	
	①	Full year Forecast ②		Full year③	③-②
Capital Investment (Accrual Basis)	128.6	<b>150.0</b>	+21.4	145.0	+5.0
Capital Investment (Payment Basis)	136.6	<b>150.0</b>	+13.4	155.0	(5.0)
Depreciation	102.0	<b>100.0</b>	(2.0)	100.0	—



# Financial Index

	FY2016	FY2017	FY2018 Forecast
RO S <sup>*1</sup>	(1.1%)	3.8%	1.2%
Net Income (loss) per share	(63.54 yen)	174.43 yen	96.60 yen
Outside debt <sup>*2</sup>	789.6 billion yen	726.0 billion yen	680.0 billion yen
D/E Ratio <sup>*3</sup>	1.17 times <sup>*4</sup>	0.98 times	approx. 0.9 times
RO A <sup>*5</sup>	(0.8%)	3.1%	1.1%
RO E <sup>*6</sup>	(3.4%)	8.9%	4.7%

\*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 for FY2016 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						
							Full Year
	1Q	2Q	1st half	3Q	4Q	2nd half	
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				
					Full Year
	1Q	2Q	1st half	2nd half	
Crude steel production (millions of tons)	1.72	1.66	3.39	approx.3.45	approx.6.85
Sales volume (millions of tons)	1.39	1.32	2.71	approx.2.95	approx.5.65
Sales prices (thousands of yen/ton)	83.5	87.0	85.2		
Export ratio (value basis)	25.9%	25.5%	25.7%	approx.26%	approx.26%

# [Iron & Steel] Factors Affecting Ordinary Income

**FY2018 1H (1.7 billion yen) ⇒ FY2018 2H 4.7 billion yen**

(In billions of yen)

Positive Factors		Negative Factors	
Production and shipments	+10.5	Raw material prices	(1.0)
Overall cost reduction	+0.5	Exchange rate changes	(1.0)
Inventory valuation*	+2.0	Subsidiaries & affiliates	(0.5)
		Other	(4.1)
<b>Total</b>	<b>+13.0</b>	<b>Total</b>	<b>(6.6)</b>

\*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	+9.5	Raw material prices	(13.5)
Overall cost reduction	+5.0	Inventory valuation*	(6.0)
Exchange rate changes	+0.5	Subsidiaries & affiliates	(1.0)
		Other	(8.8)
<b>Total</b>	<b>+15.0</b>	<b>Total</b>	<b>(29.3)</b>

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