



< IR Meeting Material >

# KOBELCO

## Fiscal 2017 Financial Results for the Third Quarter and Forecast for the Full Fiscal year

February 1, 2018  
KOBELCO, LTD.



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# **1. Financial Results for the Third Quarter of Fiscal 2017**



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# Financial Results for the Third Quarter of FY2017

(Billions of yen)

	FY2016			FY2017			Change ② - ①
	1H	3Q	1~3Q ①	1H	3Q	1~3Q ②	
<b>Net Sales</b>	815.1	402.0	1,217.1	907.0	472.2	<b>1,379.3</b>	+ 162.1
<b>Operating Income (Loss)</b>	30.9	(35.2)	(4.2)	51.4	20.4	<b>71.8</b>	+ 76.0
<b>Ordinary Income (Loss)</b>	12.3	(38.3)	(26.0)	45.7	16.2	<b>62.0</b>	+ 88.0
excluding inventory valuation (loss)	23.8	(39.3)	(15.5)	41.2	13.7	<b>55.0</b>	+ 70.5
<b>Extraordinary Income</b>	—	—	—	9.0	0.0	<b>9.1</b>	+ 9.1
<b>Net Income (Loss) Attributable to Owners of the Parent</b>	4.1	(40.5)	(36.4)	39.3	16.4	<b>55.8</b>	+ 92.3



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# Net Sales by Segment

(Billions of yen)

Net Sales	FY2016			FY2017			Change ② - ①
	1H	3Q	1~3Q ①	1H	3Q	1~3Q ②	
<b>Iron &amp; Steel</b>	290.3	151.3	441.6	354.4	184.2	<b>538.7</b>	+97.0
<b>Welding</b>	42.2	19.4	61.7	39.7	20.3	<b>60.0</b>	(1.6)
<b>Aluminum &amp; Copper</b>	162.9	76.9	239.9	174.3	86.5	<b>260.9</b>	+20.9
<b>Machinery</b>	72.0	31.6	103.7	70.5	40.2	<b>110.8</b>	+7.1
<b>Engineering</b>	49.5	30.1	79.6	48.0	32.9	<b>80.9</b>	+1.2
<b>Construction Machinery</b>	156.1	72.6	228.7	182.7	84.9	<b>267.6</b>	+38.8
<b>Electric Power</b>	35.5	15.9	51.4	32.9	17.6	<b>50.5</b>	(0.9)
<b>Other Businesses</b>	31.2	16.5	47.7	29.2	18.8	<b>48.0</b>	+0.3
<b>Adjustment</b>	(25.0)	(12.6)	(37.6)	(24.9)	(13.6)	<b>(38.5)</b>	(0.9)
<b>Total</b>	815.1	402.0	1,217.1	907.0	472.2	<b>1,379.3</b>	+162.1



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# Ordinary Income (Loss) by Segment

(Billions of yen)

Ordinary Income (Loss)	FY2016			FY2017			Change ② - ①
	1H	3Q	1~3Q ①	1H	3Q	1~3Q ②	
<b>Iron &amp; Steel</b>	(9.8)	(15.0)	(24.9)	18.4	1.4	<b>19.9</b>	+44.8
<b>Welding</b>	3.8	1.6	5.5	2.5	1.3	<b>3.9</b>	(1.5)
<b>Aluminum &amp; Copper</b>	6.5	3.4	9.9	7.9	2.8	<b>10.8</b>	+0.8
<b>Machinery</b>	3.7	2.2	5.9	(0.4)	1.5	<b>1.0</b>	(4.9)
<b>Engineering</b>	0.0	0.1	0.1	1.7	3.2	<b>4.9</b>	+4.8
<b>Construction Machinery</b>	(0.5)	(32.1)	(32.7)	11.4	4.3	<b>15.8</b>	+48.5
<b>Electric Power</b>	8.3	2.1	10.5	3.3	1.3	<b>4.6</b>	(5.8)
<b>Other Businesses</b>	2.0	0.8	2.9	1.7	1.7	<b>3.5</b>	+0.6
<b>Adjustment</b>	(1.8)	(1.6)	(3.4)	(0.9)	(1.8)	<b>(2.7)</b>	+0.6
<b>Total</b>	12.3	(38.3)	(26.0)	45.7	16.2	<b>62.0</b>	+88.0



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## **2. Forecast for Fiscal 2017**



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# Forecast for FY2017

(Billions of yen)

	FY2016	FY2017 (Previous Forecast)			FY2017 (Current Forecast)			Change	
	Full year ①	1H	2H	Full year ②	1H	2H	Full year ③	③-①	③-②
<b>Net Sales</b>	1,695.8	907.0	973.0	1,880.0	<b>907.0</b>	<b>983.0</b>	<b>1,890.0</b>	+194.2	+10.0
<b>Operating Income</b>	9.7	51.4	23.6	75.0	<b>51.4</b>	<b>23.6</b>	<b>75.0</b>	+65.3	-
<b>Ordinary Income (Loss)</b>	(19.1)	45.7	4.3	50.0	<b>45.7</b>	<b>14.3</b>	<b>60.0</b>	+79.1	+10.0
excluding inventory valuation (loss)	(15.6)	41.2	1.8	43.0	<b>41.2</b>	<b>5.3</b>	<b>46.5</b>	+62.1	+3.5
<b>Extraordinary Income</b>	8.1	9.0	undetermined	undetermined	<b>9.0</b>	<b>0.1</b>	<b>9.1</b>	+1.0	-
<b>Net Income (Loss) Attributable to Owners of the Parent</b>	(23.0)	39.3	undetermined	undetermined	<b>39.3</b>	<b>5.7</b>	<b>45.0</b>	+68.0	-





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# Net Sales by Segment

(Billions of yen)

Net Sales	FY2016	FY2017 (Previous Forecast)			FY2017 (Current Forecast)			Change	
	Full year	1H	2H	Full year ②	1H	2H	Full year ③	③ - ①	③ - ②
<b>Iron &amp; Steel</b>	620.6	354.4	355.6	710.0	<b>354.4</b>	<b>360.6</b>	<b>715.0</b>	+94.4	+5.0
<b>Welding</b>	82.2	39.7	40.3	80.0	<b>39.7</b>	<b>40.3</b>	<b>80.0</b>	(2.2)	-
<b>Aluminum &amp; Copper</b>	323.3	174.3	170.7	345.0	<b>174.3</b>	<b>170.7</b>	<b>345.0</b>	+21.7	-
<b>Machinery</b>	150.7	70.5	102.5	173.0	<b>70.5</b>	<b>100.5</b>	<b>171.0</b>	+20.3	(2.0)
<b>Engineering</b>	121.1	48.0	81.0	129.0	<b>48.0</b>	<b>80.0</b>	<b>128.0</b>	+6.9	(1.0)
<b>Construction Machinery</b>	310.4	182.7	157.3	340.0	<b>182.7</b>	<b>172.3</b>	<b>355.0</b>	+44.6	+15.0
<b>Electric Power</b>	70.6	32.9	38.1	71.0	<b>32.9</b>	<b>39.1</b>	<b>72.0</b>	+1.4	+1.0
<b>Other Businesses</b>	74.8	29.2	41.8	71.0	<b>29.2</b>	<b>39.8</b>	<b>69.0</b>	(5.8)	(2.0)
<b>Adjustment</b>	(58.2)	(24.9)	(14.1)	(39.0)	<b>(24.9)</b>	<b>(20.1)</b>	<b>(45.0)</b>	+13.2	(6.0)
<b>Total</b>	1,695.8	907.0	973.0	1,880.0	<b>907.0</b>	<b>983.0</b>	<b>1,890.0</b>	+194.2	+10.0



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# Ordinary Income (Loss) by Segment

(Billions of yen)

Ordinary Income (Loss)	FY2016	FY2017 (Previous Forecast)			FY2017 (Current Forecast)			Change	
	Full year ①	1H	2H	Full year ②	1H	2H	Full year ③	③ - ①	③ - ②
<b>Iron &amp; Steel</b>	(29.5)	18.4	(4.4)	14.0	<b>18.4</b>	<b>(3.4)</b>	<b>15.0</b>	+44.5	+1.0
<b>Welding</b>	6.8	2.5	2.5	5.0	<b>2.5</b>	<b>2.5</b>	<b>5.0</b>	(1.8)	-
<b>Aluminum &amp; Copper</b>	12.0	7.9	2.1	10.0	<b>7.9</b>	<b>0.1</b>	<b>8.0</b>	(4.0)	(2.0)
<b>Machinery</b>	5.8	(0.4)	3.9	3.5	<b>(0.4)</b>	<b>3.9</b>	<b>3.5</b>	(2.3)	-
<b>Engineering</b>	2.8	1.7	2.8	4.5	<b>1.7</b>	<b>3.3</b>	<b>5.0</b>	+2.2	+0.5
<b>Construction Machinery</b>	(31.3)	11.4	0.6	12.0	<b>11.4</b>	<b>6.6</b>	<b>18.0</b>	+49.3	+6.0
<b>Electric Power</b>	13.0	3.3	(0.3)	3.0	<b>3.3</b>	<b>2.7</b>	<b>6.0</b>	(7.0)	+3.0
<b>Other Businesses</b>	7.6	1.7	3.8	5.5	<b>1.7</b>	<b>2.8</b>	<b>4.5</b>	(3.1)	(1.0)
<b>Adjustment</b>	(6.4)	(0.9)	(6.6)	(7.5)	<b>(0.9)</b>	<b>(4.1)</b>	<b>(5.0)</b>	+1.4	+2.5
<b>Total</b>	(19.1)	45.7	4.3	50.0	<b>45.7</b>	<b>14.3</b>	<b>60.0</b>	+79.1	+10.0



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# 【Iron & Steel】

(Billions of yen)

	FY2016	FY2017 (Previous Forecast)			FY2017 (Current Forecast)			Change
	Full Year	1H	2H	Full Year ①	1H	2H	Full Year ②	② - ①
Net Sales	620.6	354.4	355.6	710.0	<b>354.4</b>	<b>360.6</b>	<b>715.0</b>	+5.0
Ordinary Income (Loss)	(29.5)	18.4	(4.4)	14.0	<b>18.4</b>	<b>(3.4)</b>	<b>15.0</b>	+1.0
Inventory Valuation	2.0	2.5	1.5	4.0	<b>2.5</b>	<b>5.5</b>	<b>8.0</b>	+4.0

## FY2017

- Firm demand is expected to continue mainly in the domestic and overseas automotive sector and the domestic construction sector.
- While margins are anticipated to worsen temporarily due to higher prices for coking coal, we anticipate that ordinary income will increase, reflecting improvement in inventory valuation following higher raw material prices.
- Consolidation of upstream operations at Kakogawa Works has been completed. Consolidated operations and start-up of new equipment are progressing smoothly. We expect the consolidation will reduce costs as planned.
- Additional measures to improve profitability is also progressing as planned.  
(Please see the next page for details.)



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# 【Iron & Steel】 Strengthening Profitability

(In billions of yen)

## FY16⇒FY17 previous forecast:

### Main factors of cost changes

Relining of a blast furnace	+12.0
Consolidation of upstream operations	+ 6.5
Additional measures to improve profitability	+11.5
Others	(6.0)

**Total +24.0**

### Margin and product mix

Production & shipments	+ 3.5
Raw material prices	(7.5)
Exchange rate changes	± 0.0

## Consolidation of upstream operations

(Impact from improved profitability + 15 billion yen/year)

Start-up of related equipment has progressed as planned. Consolidated operations started in Nov. 2017.

FY2017 **+ 6.5** (forecast)

FY2018 + 15.0 (plan)

※Comparison with FY2015

## Additional measures to improve profitability

(Impact from improved profitability + 30 billion yen/year)

Profitability is steadily improving owing to capital investment, cost cuts at the production level, and lower raw material costs.

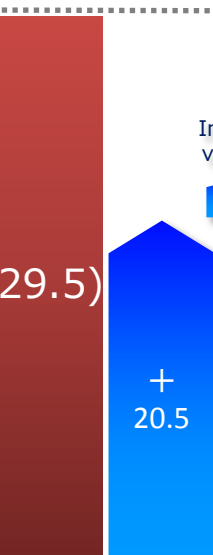
FY2016 **+ 8.5** (actual)

FY2017 + 20.0 (forecast) **+11.5**

FY2020 + 30.0 (plan)

※Comparison with FY2015

## FY2016 (Actual)



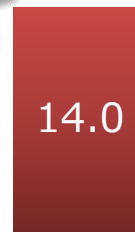
Inventory valuation

+2.0

Overall costs reduction

+ 24.0

## FY2017 (previous forecast)



14.0

(4.0)

+4.0  
Inventory valuation

(3.0)  
Others

## FY2017 (current forecast)



15.0

(0.5)  
Others

Overall costs reduction  
+1.5

## FY17 previous forecast⇒current forecast:

### Main factors of cost changes

Relining of a blast furnace	±0.0
Consolidation of upstream operations	±0.0
Additional measures to improve profitability	±0.0
Other factors of cost changes	+1.5

**Total +1.5**

### Margin and product mix

Production & shipments	+71.0
Raw material prices	(46.5)
Exchange rate changes	(4.0)



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# 【Iron & Steel】 Production & Sales

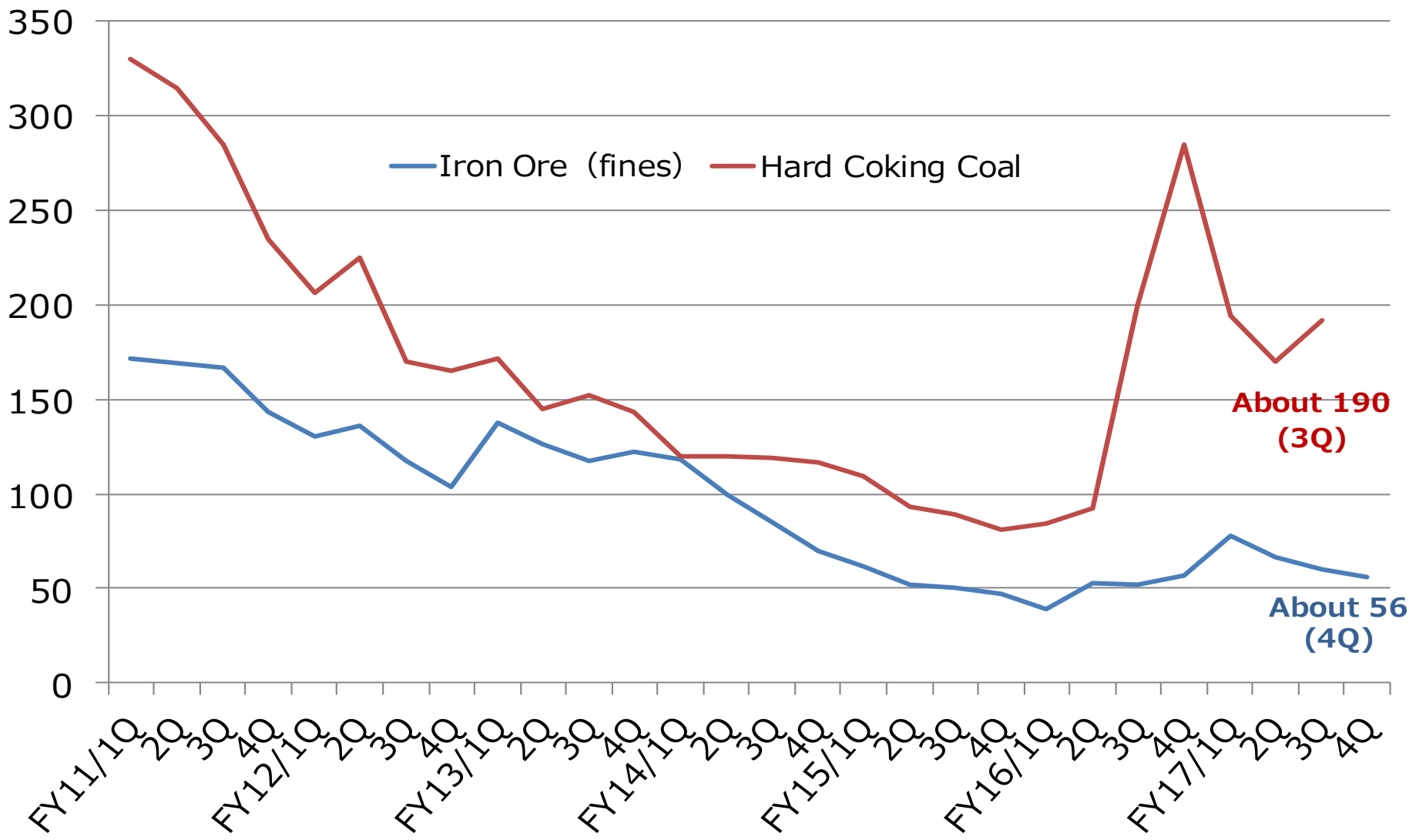
		FY2016 Actual				FY2017	FY2017		
		1Q	3Q	2H	Full year	Full year (Previous Forecast)	1Q	3Q	Full year (Current Forecast)
<b>Japan's Domestic crude steel production</b>	(Millions of tons)	52.6	26.4	52.6	105.2		<b>52.0</b>	<b>26.4</b>	
<Domestic steel inventory trend>									
<b>Ordinary steel products</b>	(Millions of tons)	5.6	5.5	5.4	--		<b>5.7</b>	<b>5.7</b>	end of Nov.
<b>Rolled sheets</b>	(Millions of tons)	4.0	3.8	3.8	--		<b>4.2</b>	<b>4.0</b>	end of Nov.
<Domestic steel inventory trend>									
<b>Finished auto production</b>	(Millions of cars)	4.4	2.4	5.0	9.4		<b>4.7</b>	<b>2.5</b>	
<KOBELCO STEEL, LTD.>									
<b>Crude steel production</b>	(Millions of tons)	3.8	1.4	3.4	7.2	<b>about 7.6</b>	<b>3.9</b>	<b>1.8</b>	<b>about 7.5</b>
<b>Sales volume</b>	(Millions of tons)	2.9	1.5	3.0	5.9	<b>about 6.2</b>	<b>3.0</b>	<b>1.5</b>	<b>about 6.1</b>
<b>(Domestic)</b>		(2.0)	(1.1)	(2.2)	(4.2)		<b>(2.2)</b>	<b>(1.1)</b>	
<b>(Exports)</b>		(0.9)	(0.4)	(0.8)	(1.7)		<b>(0.8)</b>	<b>(0.5)</b>	
<b>Average steel selling price</b>	(Thousands of yen/ton)	68.0	69.0	73.1	70.6		<b>81.5</b>	<b>81.5</b>	
<b>Export ratio (value basis)</b>		29.5%	27.7%	27.7%	28.6%		<b>26.4%</b>	<b>29.3%</b>	



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# Iron Ore & Coking Coal Price Trends

( \$/ton)

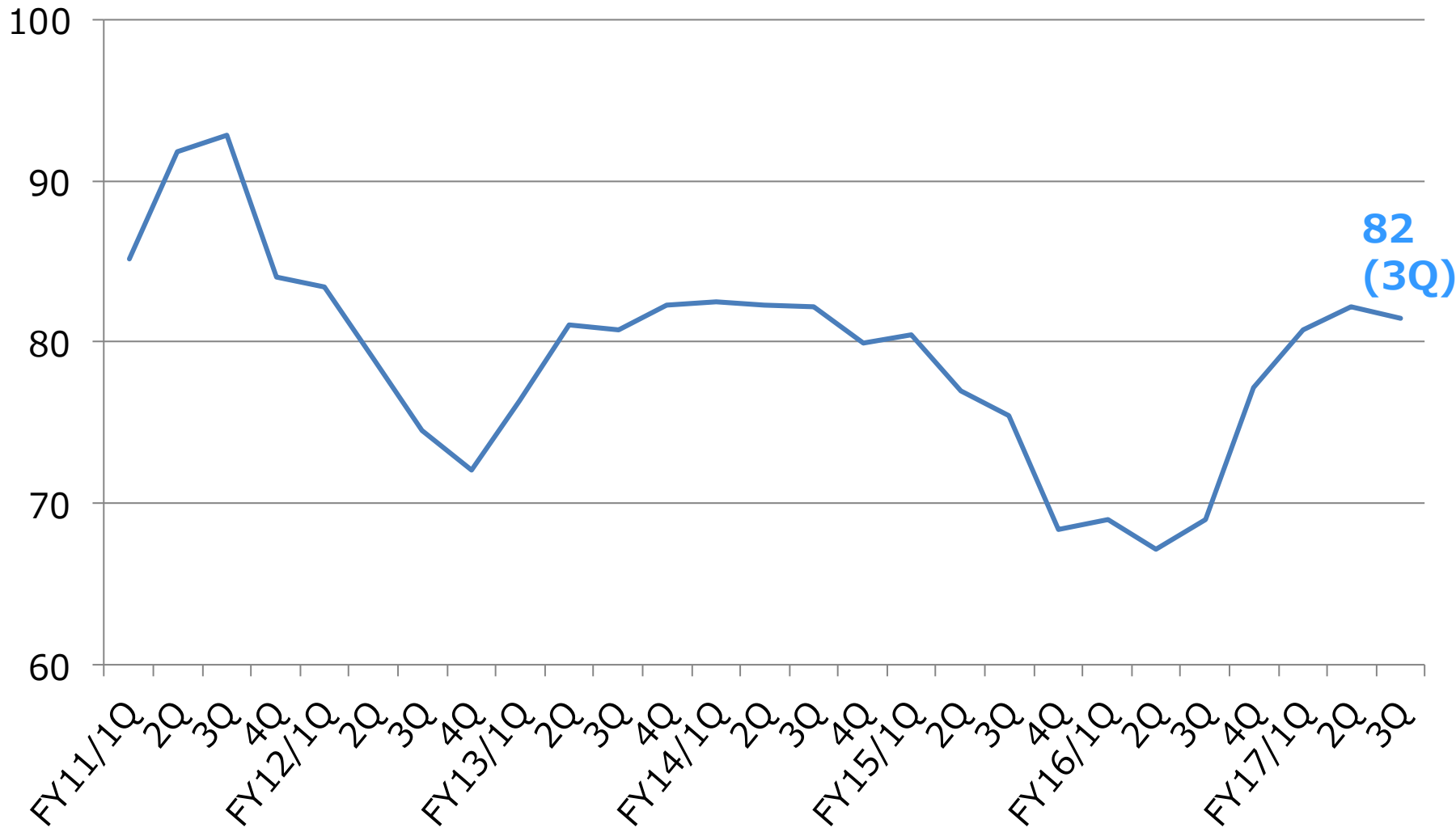




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# Steel Product Price Trends at Kobe Steel

(Thousands of yen /ton)





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# 【Welding】

(Billions of yen)

	FY2016	FY2017 (Previous Forecast)			FY2017 (Current Forecast)			Change
	Full Year	1H	2H	Full Year ①	1H	2H	Full Year ②	② - ①
<b>Net Sales</b>	82.2	39.7	40.3	80.0	<b>39.7</b>	<b>40.3</b>	<b>80.0</b>	-
<b>Ordinary Income</b>	6.8	2.5	2.5	5.0	<b>2.5</b>	<b>2.5</b>	<b>5.0</b>	-

<Sales volume of KSL Group>

(Thousands of tons)

	FY2016				FY2017	FY2017		
	1H	3Q	2H	Full year	Full year (Previous Forecast)	1H	3Q	Full Year (Current Forecast)
<b>Domestic</b>	62	31	63	125	about 295	<b>65</b>	<b>32</b>	about 290
<b>Overseas</b>	89	40	83	172		<b>79</b>	<b>41</b>	
<b>Total</b>	151	71	146	297		<b>144</b>	<b>73</b>	

## FY2017

- Demand for welding materials used in the overseas shipbuilding sector is expected to continue facing difficult conditions.
- We anticipate that ordinary income will be the same as the previous forecast due to continuing firm demand for welding systems used in the construction sector in Japan and other factors.





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# [Aluminum & Copper]

(Billions of yen)

	FY2016	FY2017 (Previous Forecast)			FY2017 (Current Forecast)			Change
	Full Year	1H	2H	Full Year ①	1H	2H	Full Year ②	② - ①
Net Sales	323.3	174.3	170.7	345.0	174.3	170.7	345.0	-
Ordinary Income	12.0	7.9	2.1	10.0	7.9	0.1	8.0	(2.0)
Inventory Valuation	(5.5)	2.0	1.0	3.0	2.0	3.5	5.5	+2.5

## <Sales volume of KSL>

(Thousands of tons)

	FY2016				FY2017	FY2017		
	1H	3Q	2H	Full Year	Full Year (Previous Forecast)	1H	3Q	Full Year (Current Forecast)
Aluminum Rolled Products ( Domestic )	155	69	136	291	—	153	67	about291
( Exports )	31	17	36	68	—	40	20	about82
Copper Rolled Products	71	35	72	143	—	71	35	about142

## FY2017

- We expect to benefit from an improvement in inventory valuation due to higher aluminum and copper ingot prices.
- On the other hand, we anticipate that ordinary income will decrease taking into consideration certain assumptions including lower production, lower yield and other factors related to the improper conduct.



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# 【Machinery】

(Billions of yen)

	FY2016	FY2017 (Previous Forecast)			FY2017 (Current Forecast)			Change
	Full Year	1H	2H	Full Year ①	1H	2H	Full Year ②	② - ①
Net Sales	150.7	70.5	102.5	173.0	<b>70.5</b>	<b>100.5</b>	<b>171.0</b>	(2.0)
Ordinary Income (Loss)	5.8	(0.4)	3.9	3.5	<b>(0.4)</b>	<b>3.9</b>	<b>3.5</b>	-
Orders	128.2	67.1	about 83	<b>about 150</b>	<b>67.1</b>	<b>about 83</b>	<b>about 150</b>	-

## FY2017

- While orders in the nonstandard compressor sector are expected to continue facing difficult conditions, demand for plastic processing machinery and other products for the petrochemical sector and other sectors in China are expected to increase.
- We anticipate no major changes from the previous forecast.



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# 【Engineering】

(Billions of yen)

	FY2016	FY2017 (Previous Forecast)			FY2017 (Current Forecast)			Change
	Full Year	1H	2H	Full Year ①	1H	2H	Full Year ②	② - ①
Net Sales	121.1	48.0	81.0	129.0	<b>48.0</b>	<b>80.0</b>	<b>128.0</b>	(1.0)
Ordinary Income	2.8	1.7	2.8	4.5	<b>1.7</b>	<b>3.3</b>	<b>5.0</b>	+0.5
Orders	174.2	55.9	about 44	about 100	<b>55.9</b>	<b>about 69</b>	<b>about 125</b>	about 25

## FY2017

- The value of orders is expected to increase due to receiving an order for a direct reduced iron plant.
- Current projects are progressing as planned. We anticipate that ordinary income will be similar to the previous forecast.



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# 【Construction Machinery】

(Billions of yen)

	FY2016	FY2017 (Previous Forecast)			FY2017 (Current Forecast)			Change
	Full Year	1H	2H	Full Year ①	1H	2H	Full Year ②	② - ①
<b>Net Sales</b>	310.4	182.7	157.3	340.0	<b>182.7</b>	<b>172.3</b>	<b>355.0</b>	+ 15.0
<b>Ordinary Income (Loss)</b>	(31.3)	11.4	0.6	12.0	<b>11.4</b>	<b>6.6</b>	<b>18.0</b>	+ 6.0
Allowance for Doubtful Accounts in China	34.1	0.0	0.0	0.0	0.0	0.0	0.0	-

## FY2017

- We anticipate that ordinary income will increase owing to a large increase in unit sales of excavators on the back of brisk infrastructure investment and replacement demand in China.



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# 【Electric Power】

(Billions of yen)

	FY2016	FY2017 (Previous Forecast)			FY2017 (Current Forecast)			Change
	Full Year	1H	2H	Full Year ①	1H	2H	Full Year ②	② - ①
Net Sales	70.6	32.9	38.1	71.0	32.9	39.1	72.0	+1.0
Ordinary Income (Loss)	13.0	3.3	(0.3)	3.0	3.3	2.7	6.0	+3.0

## FY2017

- We anticipate that ordinary income will increase, because expenses for new projects will be brought forward to the next fiscal year.
- We will continue the stable wholesale supply of electricity from the current Kobe Power Plant and promote new projects (Moka and Kobe) as planned.



# 3. Financial Strategy



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# Financial Strategy

## Basic policy

➤ In principle, business cash flows are used to finance large strategic investments to grow the materials and machinery businesses, as well as for regular investments that support the business foundation.

➤ **D/E ratio 1 time or less**

## Cash generation measures

➤ Consider and implement **cash generation measures on a scale of 100.0 billion yen** to steadily implement growth investments, while maintaining financial discipline.

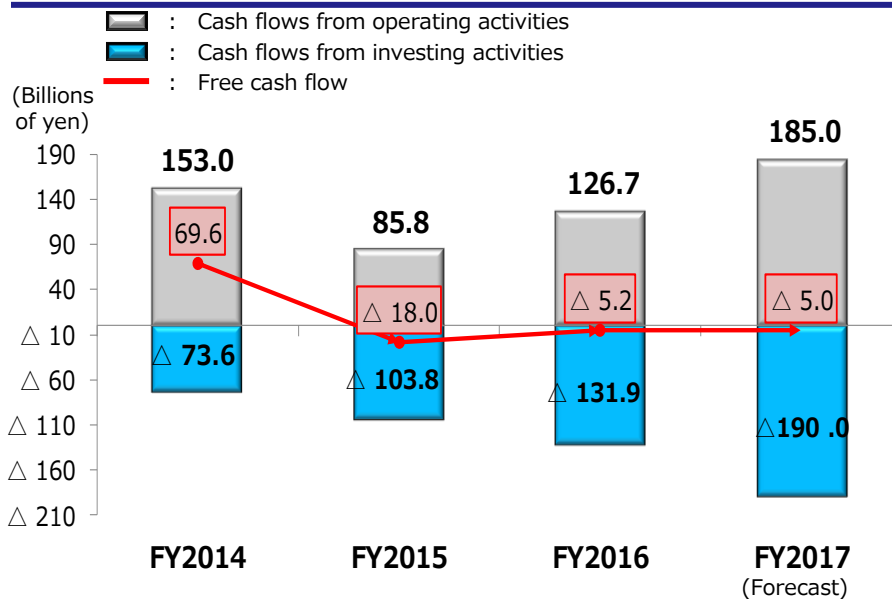
※ Cash generation measures already implemented

(Total: about 37 billion yen)

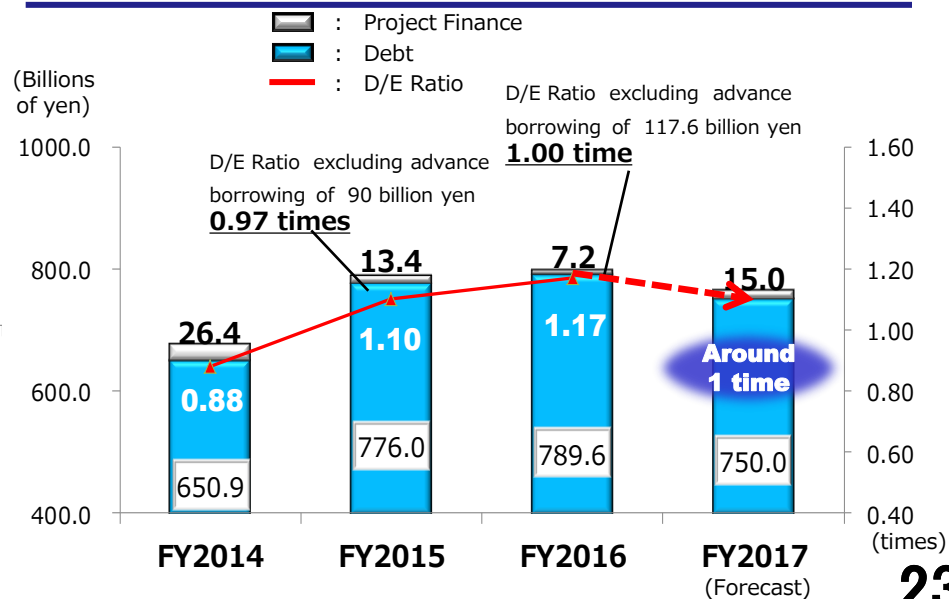
FY2016: Improve working capital 19 billion yen, asset sales 3 billion yen, etc.

FY2017: Asset sales 15 billion yen

### 《Free cash flow》



### 《Debt · D/E ratio》





# Dividends

## ■ Dividend

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.

With regard to the improper conduct concerning products, Kobe Steel takes into consideration uncertainties including its financial position, business performance, future capital needs such as the possible cost of compensation to customers and other parties in fiscal 2017 and beyond. As a result, the dividend for the end of fiscal 2017 is undetermined at this time.

## ■ Actual dividend

	FY2013			FY2014			FY2015			FY2016			FY2017 Forecast		
	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	-	-	-	-	Undetermined	
Dividend per net assets	17.7%			16.8%			-			-			-		

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





## 4. Reference Information



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# Cash Flows

(Billions of yen)

	FY2016	FY2017 (Previous Forecast)			FY2017 (Current Forecast)			Change
	Full year	1H	2H	Full year ①	1H	2H	Full year ②	② - ①
<b>Cash Flows from Operating Activities</b>	126.7	124.9	undetermined	undetermined	<b>124.9</b>	<b>60.1</b>	<b>185.0</b>	-
<b>Cash Flows from Investing Activities</b>	(131.9)	(95.9)	undetermined	undetermined	<b>(95.9)</b>	<b>(94.1)</b>	<b>(190.0)</b>	-
<b>Free Cash Flow</b> (Excluding Project Financing)	(5.2)	29.0	undetermined	undetermined	<b>29.0</b>	<b>(34.0)</b>	<b>(5.0)</b>	-
<b>Free Cash Flow</b>	3.9	28.7	undetermined	undetermined	<b>28.7</b>	<b>(38.7)</b>	<b>(10.0)</b>	-
<b>Cash and Deposits</b> (Excluding Project Financing)	*1 197.0	194.1	undetermined		<b>194.1</b>	<b>140.0</b>		-

\*1: Advance borrowing for FY 2017 (117.6 billion yen) is included.



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# Capital Investment

(Billions of yen)

	FY2014	FY2015	FY2016	FY2017 (Forecast)
<b>Capital Investment (Accrual Basis)</b>	103.5	109.9	<b>160.2</b>	<b>140.0</b>
Ratio of Depreciation	115%	116%	<b>167%</b>	<b>140%</b>
<b>Capital Investment (Payment Basis)</b>	95.3	99.1	<b>138.9</b>	<b>145.0</b>
Ratio of Depreciation	106%	105%	<b>144%</b>	<b>145%</b>
<b>Depreciation</b>	89.8	94.8	<b>96.2</b>	<b>100.0</b>



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# Financial Indices

	FY2014	FY2015	FY2016	FY2017
<b>ROS (※1)</b>	5.4%	1.6%	(1.1%)	3.2%
<b>Net Income (loss) per share (※2)</b>	238.19 yen	(59.34 yen)	(63.54 yen)	124.22 yen
<b>D/E ratio (※3)</b>	0.88	(※4) 1.10	(※5) 1.17	about 1
<b>ROA (※6)</b>	4.4%	1.3%	0.8%	2.6%
<b>ROE (※7)</b>	12.0%	(2.9%)	(3.4%)	6.4%

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

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

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

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

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

※6 : ROA = Ordinary Income / Total Assets

※7 : ROE = Net Income / Equity



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# Analysis of Consolidated Ordinary Income

**【 FY2016 1~3Q ⇒ FY2017 1~3Q 】**

(Billions of yen)

	FY2015			FY2016		
	1H	3Q	1~3Q	1H	3Q	1~3Q
<b>Ordinary Income (Loss)</b>	12.3	(38.3)	<b>(26.0)</b>	45.7	16.2	<b>62.0</b>

+88.0

Positive Factors			Negative Factors	
Production and shipments	+	<b>70.5</b>	Raw material prices	<b>(45.5)</b>
Overall cost reduction	+	<b>4.0</b>	Exchange rate changes in steel business	<b>(3.0)</b>
Inventory valuation in Iron & Steel	+	<b>8.0</b>	Electric Power	<b>(5.8)</b>
Inventory valuation in Aluminum & Copper	+	<b>9.5</b>	Other	<b>(1.7)</b>
Subsidiaries & affiliates ( excluding Construction Machinery & Electric Power)	+	<b>3.5</b>		
Construction Machinery	+	<b>48.5</b>		
<b>Total</b>	<b>+</b>	<b>144.0</b>	<b>Total</b>	<b>(56.0)</b>



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# Analysis of Ordinary Income in Iron & Steel Segment

【 FY2016 1~3Q ⇒ FY2017 1~3Q 】

(Billions of yen)

	FY2015			FY2016		
	1H	3Q	1~3Q	1H	3Q	1~3Q
Ordinary Income (Loss)	(9.8)	(15.0)	<b>(24.9)</b>	18.4	1.4	<b>19.9</b>

+44.8

Positive Factors			Negative Factors	
Production and shipments	+	<b>69.0</b>	Raw material prices	<b>(45.5)</b>
Overall cost reduction	+	<b>6.0</b>	Exchange rate changes	<b>(3.0)</b>
Inventory valuation	+	<b>8.0</b>		
Subsidiaries & affiliates	+	<b>5.0</b>		
Other	+	<b>5.3</b>		
Total	+	<b>93.3</b>	Total	<b>(48.5)</b>



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# Analysis of Consolidated Ordinary Income

**【 FY2016 ⇒ FY2017 】**

(Billions of yen)

	FY2016			FY2017		
	1H	2H	Full year	1H	2H	Full year
Ordinary Income (Loss)	12.3	(31.4)	<b>(19.1)</b>	45.7	14.3	<b>60.0</b>

**+79.1**

Positive Factors		Negative Factors	
Production and shipments	+ <b>76.0</b>	Raw material prices	<b>(53.0)</b>
Overall cost reduction	+ <b>23.5</b>	Exchange rate changes in steel business	<b>(5.0)</b>
Inventory valuation in Iron & Steel	+ <b>6.0</b>	Subsidiaries & affiliates ( excluding Construction Machinery & Electric Power)	<b>(5.5)</b>
Inventory valuation in Aluminum & Copper	+ <b>11.0</b>	Electric Power	<b>(7.0)</b>
Construction Machinery	+ <b>49.3</b>	Other	<b>(16.2)</b>
<b>Total</b>	+ <b>165.8</b>	<b>Total</b>	<b>(86.7)</b>



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# Analysis of Ordinary Income in Iron & Steel Segment

**【 FY2016 ⇒ FY2017 】**

(Billions of yen)

	FY2016			FY2017		
	1H	2H	Full year	1H	2H	Full year
Ordinary Income (Loss)	(9.8)	(19.7)	<b>(29.5)</b>	18.4	(3.4)	<b>15.0</b>

 +**44.5**

Positive Factors			Negative Factors	
Production and shipments	+	<b>75.5</b>	Raw material prices	<b>(53.0)</b>
Overall cost reduction	+	<b>26.5</b>	Exchange rate changes	<b>(5.0)</b>
Inventory valuation	+	<b>6.0</b>	Other	<b>(8.0)</b>
Subsidiaries & affiliates	+	<b>2.5</b>		
Total	+	<b>110.5</b>	Total	<b>(66.0)</b>





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# Analysis of Consolidated Ordinary Income

**【 FY2017 Previous Forecast ⇒ FY2017 Current Forecast 】**

(Billions of yen)

	FY2017 Previous Forecast			FY2017 Current Forecast		
	1H	2H	Full year	1H	2H	Full year
<b>Ordinary Income</b>	45.7	4.3	<b>50.0</b>	45.7	14.3	<b>60.0</b>

**+ 10.0**

Positive Factors			Negative Factors	
Production and shipments	+	<b>1.5</b>	Raw material prices	<b>(7.5)</b>
Overall cost reduction	+	<b>1.5</b>	Subsidiaries & affiliates ( excluding Construction Machinery & Electric Power)	<b>(3.5)</b>
Inventory valuation in Iron & Steel	+	<b>4.0</b>		
Inventory valuation in Aluminum & Copper	+	<b>2.5</b>		
Construction Machinery	+	<b>6.0</b>		
Electric Power	+	<b>3.0</b>		
Other	+	<b>2.5</b>		
<b>Total</b>	<b>+</b>	<b>21.0</b>	<b>Total</b>	<b>(11.0)</b>



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# Analysis of Ordinary Income in Iron & Steel Segment

**【 FY2017 Previous Forecast ⇒ FY2017 Current Forecast 】**

(Billions of yen)

	FY2017 Previous Forecast			FY2017 Current Forecast		
	1H	2H	Full year	1H	2H	Full year
Ordinary Income (Loss)	18.4	(4.4)	<b>14.0</b>	18.4	(3.4)	<b>15.0</b>

**+ 1.0**

Positive Factors			Negative Factors	
Production and shipments	+	<b>3.5</b>	Raw material prices	<b>(7.5)</b>
Overall cost reduction	+	<b>1.5</b>	Other	<b>(1.5)</b>
Inventory valuation	+	<b>4.0</b>		
Subsidiaries & affiliates	+	<b>1.0</b>		
<b>Total</b>	<b>+</b>	<b>10.0</b>	<b>Total</b>	<b>(9.0)</b>



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# Analysis of Consolidated Ordinary Income

**【 FY2017 1H ⇒ FY2017 2H 】**

(Billions of yen)

	FY2016			FY2017		
	1H	2H	Full year	1H	2H	Full year
<b>Ordinary Income (Loss)</b>	12.3	(31.4)	(19.1)	<b>45.7</b>	<b>14.3</b>	60.0

**(31.4)**

Positive Factors			Negative Factors	
Overall cost reduction	+	<b>2.0</b>	Production and shipments	<b>(8.0)</b>
Inventory valuation in Iron & Steel	+	<b>3.0</b>	Raw material prices	<b>(3.0)</b>
Inventory valuation in Aluminum & Copper	+	<b>1.5</b>	Construction Machinery	<b>(4.8)</b>
			Electric Power	<b>(0.6)</b>
			Subsidiaries & affiliates ( excluding Construction Machinery & Electric Power)	<b>(0.5)</b>
			Other	<b>(21.0)</b>
<b>Total</b>	<b>+</b>	<b>6.5</b>	<b>Total</b>	<b>(37.9)</b>



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# Analysis of Ordinary Income in Iron & Steel Segment

【 FY2017 1H ⇒ FY2017 2H 】

(Billions of yen)

	FY2016			FY2017		
	1H	2H	Full year	1H	2H	Full year
Ordinary Income (Loss)	(9.8)	(19.7)	(29.5)	18.4	(3.4)	15.0

**(21.8)**

Positive Factors			Negative Factors	
Overall cost reduction	+	<b>3.5</b>	Production and shipments	<b>(6.0)</b>
Inventory valuation	+	<b>3.0</b>	Raw material prices	<b>(3.0)</b>
			Subsidiaries & affiliates	<b>(3.5)</b>
			Other	<b>(15.8)</b>
Total	+	<b>6.5</b>	Total	<b>(28.3)</b>



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## Timeline of Key Events with regard to improper conduct concerning products

Dates	Incidents
Jun. 2016	A quality issue was detected at Shinko Wire Stainless Company, Ltd., a group company that is part of Kobe Steel's Iron and Steel Business. We have conducted a series of actions beginning with general quality inspections to which the entire Group within and outside of Japan is subject.
Nov. 2016	We established the Quality Management Section in the MONODZUKURI (Product Manufacturing) Planning and Promotion Department at the head office to strengthen quality control.
Apr. 2017	The Quality Management Section started an audit of compliance with customers' specifications, in addition to public standards.
Early Aug. 2017	We requested the entire Group conduct a self-inspection (of the records for the past year) beginning in September, to be completed within two months.
End of Aug. 2017	A self-inspection conducted by the Aluminum & Copper Business ahead of the planned schedule revealed that four of its business locations were involved in improper conduct relating to quality inspection. This finding was reported to the President, and we immediately ceased shipping nonconforming products.
Sep. 12, 2017	We established four task forces (Emergency Audit, Customer Support, Cause Investigation, and Public Announcement) under the President, started informing our customers, and conducted an emergency audit, including on other businesses.
Oct. 8, 2017	<p>We made public the improper conduct that occurred at the Aluminum &amp; Copper Business and other businesses. For details, please see the following links.</p> <p>Oct. 8 <a href="http://www.kobelco.co.jp/english/releases/1197808_15581.html">http://www.kobelco.co.jp/english/releases/1197808_15581.html</a>            Oct. 11 <a href="http://www.kobelco.co.jp/english/releases/1197817_15581.html">http://www.kobelco.co.jp/english/releases/1197817_15581.html</a>            Oct. 13 <a href="http://www.kobelco.co.jp/english/releases/1197835_15581.html">http://www.kobelco.co.jp/english/releases/1197835_15581.html</a>            Oct. 20 <a href="http://www.kobelco.co.jp/english/releases/1197893_15581.html">http://www.kobelco.co.jp/english/releases/1197893_15581.html</a></p>
Oct. 26, 2017	Upon general completion of the self-inspection by each business and the head office's emergency audit, we made public the progress of the safety verification process and the establishment of an Independent Investigation Committee (IIC).
Nov. 10, 2017	We publicly issued a report on the company's investigation into root causes and measures to prevent recurrences. The Board of Directors established a Quality Governance Restructuring Deliberation Committee as its advisory organ.
Dec. 21, 2017	We announced that the IIC's investigation would be completed around the end of February 2018. We reassigned the responsibilities of three executive officers of the Aluminum & Copper Business.
Jan. 1, 2018	We established a Quality Management Department at the head office.



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## Root Cause Analysis and Preventive Measures Proposed to Avoid Reoccurrence (as of Nov. 10, 2017)

Root Cause Analysis	Preventive Measures Proposed To Avoid Reoccurrence
Management's propensity to overemphasize profitability and the insular organizational culture	<ul style="list-style-type: none"> <li>• Lay down a "Quality Charter" premised on the notion that product quality takes precedence over cost or delivery deadlines, to make utmost efforts to regain trust in our technology, products, and services</li> <li>• Reexamine our views on goals and performance</li> <li>• Create an open workplace culture where employees feel at liberty to speak their mind to each other</li> </ul>
Imbalanced operation of manufacturing facilities	<ul style="list-style-type: none"> <li>• Consider strengthening quality governance, promoting organizational and consciousness reforms, and utilizing external human resources</li> <li>• Reexamine the business flow, which allows identifying process capacity and sufficient trial manufacturing</li> <li>• Initiate cross-sectional personnel rotations for quality assurance workers</li> </ul>
Inadequate quality control processes that permitted improper conduct	<ul style="list-style-type: none"> <li>• Promote automated recording of test inspection data and implement technological and administrative measures, including improving process capability</li> <li>• Inspect deficiencies in operational structure and systems at every business location, even those where no misconduct has been reported</li> </ul>
Reduced awareness of the need to comply strictly with contractual specifications	<ul style="list-style-type: none"> <li>• Prepare a comprehensive internal training program for all personnel, utilizing e-learning tools where needed, to assure a universal understanding of the need for compliance with contractual specifications</li> </ul>
Inadequate organizational system	<ul style="list-style-type: none"> <li>• Establish a Quality Assurance Department in the Aluminum and Copper Business to serve audit functions and conduct training at each business location; place the Quality Assurance Section – which is responsible for quality assurance – under the direct control of each business location's chief, to be independent of the manufacturing departments to separate clearly the quality control function from the quality assurance function</li> <li>• Establish a Quality Audit Department at the head office in January 2018 to check the status of quality audits by the quality assurance department of each business unit and to audit the quality of each business location of each business unit and group company</li> </ul>

We will incorporate the findings to be reported by the Independent Investigation Committee in our deliberations of actions, expected to be completed in late Feb., to be taken and reflect the Committee's findings and advice in formulating our ultimate preventive measures.



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## Progress of our Product Safety Verification (as of Feb.1, 2017)

We are working to verify the safety of nonconforming products in close cooperation with our customers in and outside of Japan (525 in all) who have purchased nonconforming products from Kobe Steel, Ltd. and its group companies. To date, we have identified no issues which require customers or us to cease using or recall products immediately.

Released date in 2017	Company name		Material	Main use	No. of customers	A	B	C	Total (A-C)
Oct. 8	Aluminum & Copper Business	Kobe Steel, Ltd.	Aluminum sheets	Can stock, Cars	57	36	16	0	52
			Aluminum cast & forged parts	Aircraft Rolling stock	67	4	63	0	67
			Aluminum extrusions	Cars, Rolling stock	34	24	8	0	32
			Copper sheets	Semiconductors Terminals	38	19	19	0	38
Oct. 8,26		Kobelco & Materials Copper Tube Co., Ltd.	Copper tubes	Air conditioning	23	17	6	0	23
Oct. 11	Iron & Steel Business	Steel Powder Division, Kobe Steel, Ltd.	Steel powder	Sintered parts	1	0	1	0	1
	Head Office	Kobelco Research Institute, Inc.	Target materials	FPD optical disks	70	70	0	0	70
Oct. 13	Aluminum & Copper Business	Shinko Metal Products Co., Ltd	Copper alloy tubes Molds	Electrical machinery Steelmaking equipment	176	167	3	6	176
		Shinko Aluminum Wire Co., Ltd. Kobelco & Materials Copper Tube (M) Sdn. Bhd. Kobelco & Materials Copper Tube (Thailand) Co., Ltd. Suzhou Kobe Copper Technology Co., Ltd.	Copper tubes Copper strips Aluminum wires	Air conditioning Terminals	36	24	9	3	36
	Iron & Steel Business	Nippon Koshuha Steel Co. Shinko Wire Stainless Company Jiangyin Sugita Fasten Spring Wire Co., Ltd. Kobelco Spring Wire (Foshan) Co., Ltd.	Steel wire Stainless steel wire	Bearings springs	22	22	0	0	22
Oct. 20	Iron & Steel Business	Shinko Kohan Kako, Ltd.	Heavy plate processing	Heavy plate processed products	1	1	0	0	1
Total					525	384	125	9	518

Our safety verification process is categorized into three levels :

[A] Customers that have completed safety verification and concluded that no safety problem exists

[B] Customers that have concluded that no problem currently exists but will continue further verification

[C] Customers that have not yet conducted their own safety verification but Kobe Steel has concluded that safety can be assumed with a high degree of certainty in its technical opinion and has informed customers to that effect



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## Growth Strategies for the Three Core Business Areas

### Materials

#### I Initiatives for weight savings in transportation

- Overview of automotive weight savings strategy

(Please refer to Investor Meeting material released in May 2017)

[http://www.kobelco.co.jp/english/ir/library/fncl\\_results/2017/\\_icsFiles/afieldfile/2017/06/20/170526\\_1.pdf](http://www.kobelco.co.jp/english/ir/library/fncl_results/2017/_icsFiles/afieldfile/2017/06/20/170526_1.pdf)

#### II Strengthening profitability in the steel business

- Consolidation of upstream operations at Kakogawa Works has been completed
- Additional measures to improve profitability are implemented as planned

### Machinery

#### I Initiatives in the fields of energy and infrastructure

- Promoting the smooth expansion of the machinery business

#### II Strengthening profitability in the construction machinery business

- Promoting the rebuilding of the excavator business in China

(Please refer to Investor Meeting material released in February 2017)

[http://www.kobelco.co.jp/english/ir/library/fncl\\_results/2016/\\_icsFiles/afieldfile/2017/02/27/the\\_C\\_M\\_B\\_I\\_C\\_1.pdf](http://www.kobelco.co.jp/english/ir/library/fncl_results/2016/_icsFiles/afieldfile/2017/02/27/the_C_M_B_I_C_1.pdf)

### Electric Power

#### Initiatives aimed at stable profitability in the electric power supply business

- Overview of all (new/existing) projects

(Please refer to Investor Meeting material released in January 2017)

[http://www.kobelco.co.jp/english/ir/library/fncl\\_results/2016/\\_icsFiles/afieldfile/2017/02/15/170111\\_e.pdf](http://www.kobelco.co.jp/english/ir/library/fncl_results/2016/_icsFiles/afieldfile/2017/02/15/170111_e.pdf)





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# [Materials] Initiatives for Weight Savings in Transportation

Field	Project	Country	Description	Schedule
Automotive	Joint venture to make and sell steel wire rods (Kobelco Millcon Steel Co., LTD)	Thailand	First overseas location for wire rod production. Helps meet growing auto demand in Southeast Asia.	Sep. 2015 Production of ordinary steel wire rod began May 2017 Equipment to make special steel installed
	Joint venture to make and sell CH steel wire (Kobelco CH Wire Mexicana, S.A. de C.V.)	Mexico	Quickly supply products of outstanding quality to local auto parts makers	Jan. 2016 Production began
	Joint venture to make and sell automotive high strength steel sheet (Kobelco Angang Auto Steel Co., Ltd.)	China	Strengthens environmental response in China. Established global supply network for high strength steel in Japan, the U.S., Europe and China.	Feb. 2016 Production began
	Production and sale of aluminum sheet for automotive closure panels	China	First production base in China for a Japanese aluminum maker to make aluminum sheet for closure panels.	Apr. 2016 Production began
	Production and sale of automotive aluminum extrusions (Kobelco Aluminum Products & Extrusions Inc.)	USA	Strengthens response to stricter fuel consumption regulations in U.S.. Establishes supply network for aluminum extrusions and fabricated products in Japan and the U.S.	Aug. 2016 Construction began Dec. 2017 Production begins
	Mass producing high-productivity, hot stamping steel sheet	-	Developed a hot stamping steel sheet with outstanding productivity during press operations. The sheet was ordered and adopted for a structural body part of the Prius, which is produced by Toyota Motor Corporation.	2016 Mass production began
	Establishment of Automotive Solution Center	-	The Automotive Solution Center was newly organized in the Technical Development Group. We aim to promote rapid decision-making and strengthen original solution proposal capabilities.	Apr. 2017 Established the center
	Expansion of facilities for aluminum forged suspension products (Kobe Aluminum Automotive Products, LLC)	USA	This expansion plan is to meet the rising demand in North America for aluminum forged suspension products. Kobe Steel anticipates that automakers in the U.S. will use aluminum forged suspension products in a wider range of vehicles.	2018 Autumn Additional facilities start
	Establishment of a joint venture with Novelis Korea (Ulsan Aluminum Ltd.)	South Korea	This plan is in response to the growing demand for automotive aluminum panel materials in Asia, including Japan and China. It aims to secure stable production and supply capacity in upstream operations.	Sep. 2017 Joint venture to be established
	Expansion of facilities for aluminum sheet for automotive closure panels at the Moka Plant	Japan	The expansion plan is to respond to the growing demand for aluminum closure panels in Asia, including Japan and China. Kobe Steel aims to build a stable supply structure for high quality aluminum sheets for closure panels.	FY2017 Construction begins Jan. 2020 Production begins
Increase of production capacity to make hot-dipped galvanized ultra high-strength steel for automotive use in the U.S. (PRO-TEC Coating Company)	USA	This plan is in response to growing demand for automotive high-strength steel sheet in the United States. The new continuous galvanizing line will have the capability to produce high-formability, ultra high-strength steel.	Jul. 2017 Production begin	
Aircraft	Began mass production of large titanium forged parts for Airbus planes	-	First in Japan to succeed in research on and mass production of large forgings for landing gears.	Jul. 2016 Production began
	After receiving approval, began mass production of titanium alloy forgings for large GE jet engine	-	Received approval as a supplier of titanium alloy forged parts (shafts) for large commercial GE jet engine.	Aug. 2016 Received certification. Began mass production.
Ships	Start of sales of robotic welding systems for shipbuilding	-	The robotic welding system enables automatic welding to assemble large blocks in shipbuilding. It contributes to improve efficiency in welding work.	FY2017 Sales began



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## [Machinery] Initiatives in the Fields of Energy and Infrastructure

Field	Project	Country	Description	Schedule
Welding	Integration of small transportable welding robot business (Kobelco ROBOTiX Co., Ltd.)	—	100% subsidiary of Kobe Steel, Kobelco Robot Service Co., Ltd. succeeded the 'Ishimatsu welding robot series', small transportable welding robots owned by MHI Solution Technologies Co., Ltd. In addition, the company name was changed. The integration is aimed to respond to customer's diversified needs such as labor-saving at welding sites.	Dec. 2017 Succession of small transportable welding robot business Company name changed
Compressors	Sales begin for new oil-free standard air compressors	—	World's highest class of energy efficiency; low-noise operation	Oct. 2016 Sales began
	HyAC mini-A all-in-one, compact compressor package for hydrogen refueling stations in the U.S.	USA	We have started marketing the HyAC mini-A, an all-in-one, compact compressor package for stationary hydrogen refueling stations designed for use in the U. S.. It consists of a high-pressure hydrogen compressor and a refrigerator sold together with a high-pressure storage tank unit and a dispenser as a set. We are the first in Japan to sell hydrogen compressors for hydrogen refueling stations overseas.	Feb. 2017 Sales began
	Binary power generation system for Lake Toya Hot Spring in Hokkaido	Japan	Our binary power generation system, a high-efficiency and compact package, is used in a project for geothermal energy utilization in Toyako-cho in Hokkaido.	Mar. 2017 Order received
	Large-capacity compressor test facility opens	Japan	One of the largest in the world, this test facility is capable of conducting performance tests on nonstandard compressors with variable-speed motors of 40 MW. It enables Kobe Steel to satisfy conditions to enter the large-capacity compressor market. We are focusing on the Asian market, where Kobe Steel has an edge.	Apr. 2017 Facility opened
	Establishment of a compressor service company in the Philippines (Kobelco Machinery Philippines Inc.)	Philippines	Kobe Steel established a company in the Philippines to dispatch supervisors and provide engineering services for its nonstandard compressor business to expand its services in the region. It aims to further grow its global non-standard compressor business and set down roots in areas of demand.	Feb 2017 Established Apr.2017 Sales began
Industrial Machinery	Acquisition of Swedish isostatic press manufacturer Quintus Technologies	Sweden	Kobe Steel acquired Swedish company Quintus Technologies AB, the world leader in isostatic presses, which are widely applicable in the manufacture of high-performance products, such as aircraft parts, power generation turbine and semiconductor materials. It aims to increase the profitability of Industrial Machinery Division.	Apr. 2017 Acquisition completed
Construction Machinery	Sales begin of ultra-large crawler cranes in Japan (lifting capacity of 1,250t)	—	One of Japan's largest crawler cranes	May 2016 Sales began
Engineering	Operation of energy-recovery waste treatment plant	Japan	Utilizes fluidized bed gasification and combustion furnace. Next-generation incineration furnace contributes to a more compact facility, maximizes power generation and reduces environmental burden.	Jun. 2016 Order received 2016-2019 Construction of facility 2019-2039 Facility in operation
	Received order to construction and operate a wide-area waste treatment plant	Japan	To handle a wide variety of waste, a stoker-type incineration furnace will be used for safe, stable incineration. Low excess air combustion and high-efficiency power generation contribute to lowering the environmental burden.	Dec. 2016 Order received 2016-2022 Construction of facility 2022-2042 Facility in operation



ECO WAY

## 【Electric Power】 Initiatives for Stable Profitability in the Electric Power Supply Business

Field	Project	Country	Description	Schedule
Electric Power	Nos. 1 & 2 units at Kobe (Kobelco Power Kobe, Inc.)	Japan	Pulverized coal-fired, supercritical pressure power generation equipment, started from 2002. New contracts were formed as current contracts are ending. Capacity: 1.4 mil. kW (700,000 kW × 2)	Apr. 2002 No. 1 unit starts up Apr. 2004 No. 2 unit starts up [Start of new contracts] No.1 unit: from Apr. 2017 No.2 unit: from Apr. 2019
	Nos. 1 & 2 units at Moka (Kobelco Power Moka, Inc.)	Japan	Japan's first full-scale inland power plant. Will have one of Japan's highest levels of generation efficiency. Method Method is gas turbine combined cycle, using city gas as fuel. Capacity: 1.248 mil. kW (624,000 kW X 2)	Jun. 2016 Construction began 2H 2019 No. 1 Unit starts up 1H 2020 No. 2 Unit starts up
	Nos. 3 & 4 units at Kobe (provisional name: Kobe Works Thermal Power Plant)	Japan	To feature cutting-edge coal-fired, ultra-supercritical generation equipment Capacity: 1.3 mil. kW (650,000 kW x 2)	FY2021 No. 3 unit to start up FY2022 No. 4 unit to start up



## Core Values of KOBELCO

- 1. We provide technologies, products and services that win the trust and confidence of our customers we serve and the society in which we live.**
- 2. We value each employee and support his and her growth on an individual basis, while creating a cooperative and harmonious environment.**
- 3. Through continuous and innovative changes, we create new values for the society of which we are a member.**



# Cautionary Statement

- **Certain statements in this presentation contain forward-looking statements concerning forecasts, assertions, prospects, intentions and strategies. The decisions and assumptions leading to these statements were based on information currently available to Kobe Steel. Due to possible changes in decisions and assumptions, future business operation, and internal and external conditions, actual results may differ materially from the projected forward-looking statements. Kobe Steel is not obligated to revise the forward-looking contents of this presentation.**
  
- **Uncertain and variable factors include, but are not limited to:**
  - **Changes in economic outlook, demand and market conditions**
  - **Political situation and trade and other regulations**
  - **Changes in currency exchange rates**
  - **Availability and market conditions of raw materials**
  - **Products and services of competing companies, pricing policy, alliances, and business development including M&As**
  - **Strategy changes of alliance partners**