

Kobe Steel's Consolidated Financial Results for Fiscal 2016 (April 1, 2016 – March 31, 2017)

April 28, 2017

Company name:	Kobe Steel, Ltd.
Code number:	5406
Stock exchanges listed:	Tokyo and Nagoya, Japan
Website:	http://www.kobelco.co.jp/english/
Representative:	Hiroya Kawasaki, Chairman, President, CEO and Representative Director
General stockholders' meeting: "Yukashoken hokokusho"	June 21, 2017
(Annual Securities Report) issued:	June 21, 2017
Dividend payments begin:	---
Supplemental information available:	Yes
IR Briefing:	Yes (in Japanese only)
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(Sums of less than 1 million yen have been omitted.)

1. FY2016 Consolidated financial results (April 1, 2016 – March 31, 2017)

(1) Consolidated operating results

(In millions of yen)	FY 2015	% change ¹	FY 2016	% change ¹
Net sales	1,822,805	(3.4%)	1,695,864	(7.0%)
Operating income	68,445	(42.7%)	9,749	(85.8%)
Ordinary income (loss)	28,927	(71.6%)	(19,103)	---
Net income (loss) attributable to owners of the parent	(21,556)	---	(23,045)	---
Net income (loss) per share	(59.34 yen)		(63.54 yen)	
Diluted net income (loss) per share ²	---		---	
Return on equity (ROE)	(2.9%)		(3.4%)	
Ratio of ordinary income to total assets (ROA)	1.3%		(0.8%)	
Ratio of operating income to net sales (ROS)	3.8%		0.6%	

Comprehensive income in FY2015: (88,552 million yen) FY2016: (14,302 million yen)

Equity in income of affiliates in FY2015: (7,770 million yen) FY2016: 1,878 million yen

¹ Indicates percentage of change from the corresponding period of the previous fiscal year

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.

(2) Consolidated financial position

(In millions of yen)	FY2015	FY2016
Total assets	2,261,134	2,310,435
Net assets	745,492	729,404
Net worth ratio	30.6%	29.2%
Net assets per share	1,903.80 yen	1,860.36 yen

Stockholders' equity at the end of FY2015: 692,005 million yen FY2016: 671,212 million yen

(3) Consolidated cash flows

(In millions of yen)	FY2015	FY2016
Net cash provided by operating activities	97,933	141,716
Net cash used in investing activities	(104,618)	(137,833)
Net cash provided by (used in) financing activities	93,883	16,545
Cash & cash equivalents at the end of year	184,336	200,417

2. Dividends

Period	Dividends per share in yen ¹					Total dividend amount*	Dividend Payout ratio	Dividend per net assets
	1Q	2Q	3Q	4Q	Year			
FY2015	---	2.00	---	0.00	2.00	7,259	---	1.0%
FY2016	---	0.00	---	0.00	0.00	0	---	0.0%
FY2017 Forecast	Undetermined						Undetermined	

* in millions of yen

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

3. Consolidated Forecast for fiscal year 2017 (ending March 31, 2018)

(In millions of yen)	1st half	Full year
Net sales	930,000	1,870,000
Operating income	35,000	75,000
Ordinary income (loss)	20,000	50,000
Net income (loss) attributable to owners of parent	15,000	30,000
Net income (loss) per share ¹	41.40 yen	82.81 yen

Please refer to "Announcement on Earnings Forecast" dated April 28, 2017.

¹Kobe 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.

Notes

- (1) Changes in number of material subsidiaries in fiscal year
(Changes in specified subsidiaries due to changes in scope of consolidation): No
- (2) Changes in accounting policies, estimates and restatement on the preparation of consolidated financial statements
- Changes in accounting policies due to revised accounting standards: No
 - Other changes: No
 - Changes in accounting estimates: Yes
 - Restatement: No

(3) Number of issued shares

	FY2015	FY2016
Common stock (number of issued shares)	364,364,210	364,364,210
Treasury stock (number of shares)	877,933	2,108,414
Average number of shares	363,221,933	362,667,628

Kobe Steel carried out a share consolidation at a ratio of 10 shares to 1 share effective on October 1, 2016. Therefore, these numbers take into account this share consolidation.

Explanation on the Appropriate Use of the Forecast and Other Special Items

The above forecast is based on currently available information as of today. Actual results may differ considerably due to various changeable conditions in the future. For preconditions on the forecast and other related factors, please refer to pages 5 to 6.

The basis for dividend payments is continuous and stable distribution. Factors taken into overall consideration are the company's financial condition, business performance, future and other issues. As the outlook for many of these factors is unclear at this time, Kobe Steel is unable to make a dividend forecast. When it is able to make a forecast, Kobe Steel will promptly do so.

1. Overview of Operating Results and Financial Condition

Fiscal 2016 Consolidated Operating Results

Japan's economy in fiscal 2016 (April 1, 2016–March 31, 2017) is slowly recovering with improvement in the employment situation and signs of recovery in corporate capital investment and personal spending. Overseas, the United States and Europe continued to recover. Meanwhile, in China and parts of Southeast Asia sluggish growth rates persisted.

In this economic environment at the Kobe Steel Group, the sales volume of steel products decreased compared with the previous consolidated fiscal year. Although domestic demand in the automotive sector remained firm, exports declined. The sales volume of aluminum rolled products increased compared with the previous consolidated fiscal year, as demand remained firm for can stock for beverage cans and from the automotive sector. The sales volume of copper rolled products increased compared with the previous consolidated fiscal year, due to increased demand for automotive terminals.

Unit sales of hydraulic excavators decreased compared with the previous consolidated fiscal year, due to lower demand in Japan and to undertaking marketing activities in China with stricter sales terms.

In addition, the sales prices of steel, aluminum and copper products decreased, affected by the high yen and decline in raw material prices.

As a result, consolidated sales in fiscal 2016, largely affected by lower sales prices, went down 126.9 billion yen, compared with the previous consolidated fiscal year, to 1,695.8 billion yen. Operating income decreased 58.6 billion yen, compared with the previous consolidated fiscal year, to 9.7 billion yen due to the posting of a one-time expense for the refurbishment of a blast furnace in the Iron & Steel business and the additional posting of an allowance for retained receivables in the Construction Machinery segment's China segment and other factors. Ordinary income* decreased 48.0 billion yen, compared with the previous consolidated fiscal year, to ordinary loss of 19.1 billion yen.

Extraordinary gains and losses increased 47.6 billion yen, compared with the previous consolidated fiscal year to extraordinary gains of 8.1 billion yen. No extraordinary losses were posted, compared with the previous consolidated fiscal year, which recorded extraordinary losses. In addition, Kobe Steel recorded a reversal of provision for loans for the China wheel loader business in the consolidated fiscal year. Net loss attributable to owners of the parent in fiscal 2016 worsened by 1.4 billion yen compared with previous consolidated fiscal year, to 23.0 billion yen.

Conditions in the business segments for fiscal 2016 follow below.

Iron & Steel

The sales volume of steel products decreased compared with the previous consolidated fiscal year. Although domestic sales volume to the automotive sector was firm, export volume declined. Sales prices went down, compared with the previous consolidated fiscal year, due to the high yen and fall in primary raw material prices until the second quarter of fiscal 2016.

Sales of steel castings and forgings decreased, compared with the previous consolidated fiscal year, as demand decreased in the overseas shipbuilding sector. Sales of titanium products decreased compared with the previous consolidated fiscal year, due to lower sales volume to desalination plants, chemical plants and for other applications.

As a result, consolidated segment sales in fiscal 2016 decreased 6.8 percent, compared with the previous consolidated fiscal year, to 620.6 billion yen. Ordinary loss* worsened by 14.5 billion yen, compared with the previous consolidated fiscal year, to ordinary loss of 29.5 billion yen, due to the fall in sales prices and the posting of a one-time expense for the refurbishment of a blast furnace.

Welding

The sales volume of welding materials decreased compared with the previous consolidated fiscal year. Due to construction delays, demand remained sluggish in the energy sector in Japan. Sluggish demand also persisted in the overseas shipbuilding and energy sectors. On the other hand, sales of welding systems increased compared with the previous consolidated fiscal year, owing to steady investments in automation for construction sector in Japan.

As a result, consolidated segment sales in fiscal 2016 declined 10.8 percent, compared with the previous consolidated fiscal year, to 82.2 billion yen. Ordinary income* decreased 1.2 billion yen, compared with the previous consolidated fiscal year, to 6.8 billion yen.

Aluminum & Copper

The sales volume of aluminum rolled products increased compared with the previous consolidated fiscal year, as demand remained firm for can stock for beverage cans and from the automotive sector.

The sales volume of copper rolled products increased compared with the previous consolidated fiscal year, as demand rose for copper strips used in automotive terminals. The sales volume of copper tubes also increased compared with the previous consolidated fiscal year, as demand remained firm for air conditioners.

However, due to lower sales prices from the high yen and lower ingot prices, consolidated segment sales in fiscal 2016 decreased 6.4 percent, compared with previous consolidated fiscal year, to 323.3 billion yen. Ordinary income* decreased 3.1 billion yen, compared with the previous consolidated fiscal year, to 12.0 billion yen, due to a worsening in inventory valuation from the fall in lower ingot prices .

Machinery

Due to sluggish demand in energy-related sectors, stagnation of the Chinese economy and other factors, consolidated orders in fiscal 2016 decreased 8.7 percent, compared with the previous consolidated fiscal year, to 128.2 billion yen. The consolidated backlog of orders at the end of fiscal 2016 came to 127.8 billion yen.

Consolidated segment sales in fiscal 2016 declined 5.2 percent, compared with the previous consolidated fiscal year, to 150.7 billion yen, due to a decrease from energy-related sectors and other factors. Ordinary income* decreased 0.8 billion yen, compared with the previous consolidated fiscal year, to 5.8 billion yen.

Engineering

Consolidated orders in fiscal 2016 increased 34.9 percent, compared with the previous consolidated fiscal year, to 174.2 billion yen, owing to orders for several large projects in the waste treatment-related business. The consolidated backlog of orders at the end of fiscal 2016 stood at 179.9 billion yen.

Sales declined mainly in the nuclear power-related business and waste treatment-related business. As a result, consolidated segment sales in fiscal 2016 decreased 8.0 percent, compared with the previous consolidated fiscal year, to 121.1 billion yen. Ordinary income* decreased 1.8 billion yen, compared with the previous consolidated fiscal year, to 2.8 billion yen, due to a change in the type of orders.

Construction Machinery

Unit sales of hydraulic excavators decreased, compared with the previous consolidated fiscal year, due to lower demand in Japan mainly from the rental business and to undertaking marketing activities in China with stricter sales terms.

Unit sales of crawler cranes also declined compared with the previous consolidated fiscal year, mainly in Southeast Asia, due to a decrease in energy-related projects brought about by sluggish crude oil prices.

As a result, consolidated segment sales in fiscal 2016 decreased 7.7 percent, compared with the previous consolidated fiscal year, to 310.4 billion yen. Ordinary loss* worsened by 19.4 billion yen, compared with the previous consolidated fiscal year, to ordinary loss* of 31.3 billion yen, due to profit deterioration from the fewer number of units sold and the high yen and the additional posting of an allowance for retained receivables in the China business.

Electric Power

The amount of electricity sold was at the same level compared with the previous consolidated fiscal year. However, due to the high yen and a drop in the price of coal for power generation until the second quarter of fiscal 2016, the unit price of electricity decreased compared with the previous consolidated fiscal year.

As a result, consolidated segment sales in fiscal 2016 decreased 8.0 percent, compared with the previous

consolidated fiscal year, to 70.6 billion yen. Ordinary income* decreased 4.3 billion yen, compared with the previous consolidated fiscal year, to 13.0 billion yen, due to a lag in reflecting fuel cost fluctuation in the unit price of electricity and other factors.

Other Businesses

At Shinko Real Estate Co., Ltd., both the residential property sales business and the leasing business remained firm. At Kobelco Research Institute, Inc., orders decreased in the testing and research business for the automotive sector.

Due to these conditions, consolidated segment sales in fiscal 2016 were similar to the previous consolidated fiscal year at 74.8 billion yen. Ordinary income* increased 0.2 billion yen, compared with the previous consolidated fiscal year, to 7.6 billion yen.

Forecast for Fiscal 2017

In Japan, the business environment surrounding the Kobe Steel Group is anticipated to continue to gradually recover owing to improvement in the employment situation and signs of recovery in corporate capital investment and personal spending. Overseas, growth rates in China and India are forecast to slow, but in the United States and Europe, economic recovery trends are anticipated to continue on track.

On the other hand, growing protectionist trends, exchange rate fluctuations and other factors are concerns that impact the economy, and uncertainty continues to persist.

Under this outlook, taking uncertain factors into consideration including the sales volume of steel products, aluminum rolled products and copper rolled products; sales prices; and raw material prices; Kobe Steel makes certain assumptions for its business performance. In fiscal 2017, Kobe Steel forecasts net sales of about 1,870.0 billion yen, operating income of about 75.0 billion yen, ordinary income* of about 50.0 billion yen, and net income attributable to owners of the parent of about 30.0 billion yen.

For fiscal 2017, Kobe Steel's forecast for its business segments follow below.

Iron & Steel

The sales volume of steel products is anticipated to be higher than fiscal 2016. Demand in the shipbuilding sector is on a downward trend, but demand is expected to be firm mainly in the automotive sector. The sales prices of steel products are expected to be higher than in the fiscal 2016, affected by the rise in raw material costs and other factors. Kobe Steel will continue efforts on its own, as well as strive to gain the understanding of its customers to improve margins, namely the difference between the sales prices of products and raw material costs.

Demand has been sluggish mainly in the overseas shipbuilding sector, but sales of steel castings and forgings are expected to be similar to the fiscal 2016. Sales of titanium products are expected to be higher than fiscal 2016 due to higher sales in the aircraft sector.

From the above, segment sales in fiscal 2017 are expected to increase compared with the fiscal 2016.

Welding

Demand for welding materials for use in the construction sector in Japan is expected to gradually recover, but in the overseas, demand mainly in the shipbuilding sector is on a downward trend. As a result, sales volume is expected to be lower than the fiscal 2016. Sales of welding systems are expected to be lower than the fiscal 2016, which achieved a high level of sales, in spite of continued firm demand in the construction sector.

From the above, segment sales in fiscal 2017 are expected to decrease compared with the fiscal 2016.

Aluminum & Copper

The sales volume of aluminum rolled products is expected to increase compared with the fiscal 2016. Demand for can stock for beverage cans is anticipated to remain firm and demand is anticipated to be strong in the automotive sector.

The sales volume of copper rolled products is expected to be similar to the fiscal 2016. Demand is expected to increase for automotive terminals and semiconductor. Demand for air conditioners is anticipated to remain firm.

From the above, segment sales in fiscal 2017 are expected to increase compared with the fiscal 2016.

Machinery

Due to stagnant crude oil prices, sluggish growth rates in China and emerging countries, and other factors, the harsh environment is expected to continue mainly in overseas markets. By strengthening product competitiveness through lower costs and expanding the after-sales service business, Kobe Steel anticipates orders in fiscal 2017 will be higher than the fiscal 2016.

Segment sales in fiscal 2017 are also expected to increase compared with the fiscal 2016.

Engineering

Orders in fiscal 2017 are expected to be lower than in the fiscal 2016, which saw several large orders received in the waste treatment-related business.

Owing to the progress of the orders, segment sales in fiscal 2017 are expected to increase compared with the fiscal 2016.

Construction Machinery

Unit sales of hydraulic excavators are expected to be higher in fiscal 2017 than fiscal 2016. Demand in Japan, North America and Europe is expected to remain at a certain scale, while in China and emerging countries demand in infrastructure investments and the resource field is anticipated to recover.

Unit sales of crawler cranes are expected to be similar to fiscal 2017 than in the fiscal 2016. Overseas demand is anticipated to remain sluggish primarily in the energy-related sector.

Segment sales in fiscal 2017 are forecast to increase compared with the fiscal 2016, owing mainly to an increase in unit sales of hydraulic excavators.

Electric Power

As the Kobe Power Plant is expected to continue stable operation, segment sales in fiscal 2017 are anticipated to be similar to the fiscal 2016.

Other Businesses

At Shinko Real Estate Co., Ltd., both the residential property sales business and leasing business are anticipated to remain firm. At Kobelco Research Institute, Inc., demand is expected to remain firm in the testing and research business for the automotive sector.

From the above, segment sales in fiscal 2017 are expected to increase compared with fiscal 2016.

*** Definition of Ordinary Income (Loss)**

Ordinary income (loss) under accounting principles generally accepted in Japan (Japanese GAAP) is a category of income (loss) that comes after operating income (expenses) and non-operating income (expenses), but before extraordinary income and loss. It is also called "pretax recurring profit" or simply "pretax profit."

Financial Condition

Total assets at the end of fiscal year 2016 increased 49.3 billion yen, compared with the end of fiscal year 2015, to 2,310.4 billion yen due to the increase in property, plant and equipment since capital investment exceeded depreciation, although notes and accounts receivable decreased. Due to the posting of net loss attributable to owners of the parent and other factors, net assets at the end of fiscal year 2016 decreased 16.0 billion yen, compared with the end of fiscal year 2015, to 729.4 billion yen. As a result, the net worth ratio at the end of fiscal year 2016 was 29.2 percent, a decrease of 1.4 points compared with the end of fiscal year 2015.

As for cash flows, net cash provided by operating activities amounted to 141.7 billion yen after posting loss before income taxes and non-controlling interests of 10.9 billion yen and depreciation of 96.2 billion yen. Net cash used in investing activities came to -137.8 billion yen due to the purchase of fixed assets and other items. Net cash provided by financing activities totaled 16.5 billion yen due to the increase of borrowings and other items.

At the end of fiscal year 2016, outside debt, that includes IPP project financing, increased 7.4 billion yen, compared with the end of fiscal year 2015, to 796.9 billion yen.

Cash flow indicators are as follows:

Consolidated cash flow Indicators

	FY2012	FY2013	FY2014	FY2015	FY2016
Net worth ratio	23.0%	29.2%	33.8%	30.6%	29.2%
Net worth ratio at market price	15.2%	21.8%	35.2%	16.0%	16.0%
Ratio of cash flow to interest-bearing debt (years)	21.1	4.1	4.4	8.1	5.6
Interest coverage ratio (times)	2.3	10.1	9.5	6.2	11.3

Notes:

- Each indicator were calculated from consolidated financial date
- Net worth ratio = Stockholders' equity / total assets
- Stockholders' equity ratio at market price = Market capitalization / total assets
(Market capitalization was calculated by multiplying the share price at term-end by the number of outstanding shares at term-end.)
- Ratio of cash flow to interest-bearing debt = outside debt / cash flows from operating activities
- Interest coverage ratio = Cash flows from operating activities / interest payments

2. Basic Approach to the Selection of Accounting Standards

The Kobe Steel Group has decided to apply Japanese accounting standards for the time being. With regard to International Financial Reporting Standards (IFRS), the Kobe Steel Group will continue to keep a close watch on developments in accounting standards.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(In millions of yen)

	FY2015	FY2016
	Ended Mar. 31, 2016	Ended Mar. 31, 2017
ASSETS		
Current Assets		
Cash and deposits	155,021	155,763
Notes and accounts receivable	323,849	295,332
Securities	31,000	45,502
Merchandise and finished goods	168,383	158,512
Work-in-process	125,044	126,109
Raw materials and supplies	133,596	134,399
Deferred tax assets	20,573	21,664
Other	93,309	111,689
Allowance for doubtful accounts	(3,899)	(4,652)
Total current assets	1,046,879	1,044,322
Fixed Assets		
Property, plant and equipment		
Buildings and structures	281,105	278,404
Machinery and equipment	390,887	428,335
Tools, equipment and fixtures	14,034	14,871
Land	194,591	195,607
Construction in progress	46,212	55,094
Total property, plant and equipment	926,830	972,313
Intangible fixed assets		
Software	13,583	16,240
Other	5,886	7,907
Total intangible fixed assets	19,470	24,147
Investments and other assets		
Investments in securities	155,913	166,563
Long-term loans receivable	7,087	6,674
Deferred tax assets	28,193	27,540
Net defined benefit asset	16,124	16,355
Other	96,736	119,410
Allowance for doubtful accounts	(36,101)	(66,892)
Total investment and other assets	267,954	269,651
Total fixed assets	1,214,255	1,266,113
Total assets	2,261,134	2,310,435

LIABILITIES	FY2015	FY2016
	Ended Mar. 31, 2016	Ended Mar. 31, 2017
Current liabilities		
Notes and accounts payable	360,802	414,090
Short-term borrowings	221,937	191,983
Current portion of Bonds	35,000	30,000
Accounts payable - other	43,578	63,808
Income and enterprise taxes payable	5,346	6,606
Deferred tax liabilities	325	1,763
Provision for bonuses	19,325	18,580
Provision for product warranties	11,316	14,252
Provision for loss on construction contracts	7,217	6,937
Provision for loss on guarantees	9,901	4,988
Provision for structural reform related expenses	—	4,627
Provision for dismantlement related expenses	—	1,293
Other	98,915	90,211
Total current liabilities	813,665	849,143
Long-term liabilities		
Bonds and notes	176,000	146,000
Long-term borrowings	356,492	428,943
Deferred tax liabilities	6,564	10,446
Deferred tax liabilities on land revaluation	3,251	3,251
Net defined benefit liability	77,165	70,159
Provision for environmental measures	1,061	877
Provision for structural reform related expenses	5,321	—
Provision for dismantlement related expenses	11,027	8,660
Other	65,089	63,548
Total long-term liabilities	701,975	731,887
Total liabilities	1,515,641	1,581,031
NET ASSETS		
Stockholders' equity		
Common stock	250,930	250,930
Capital surplus	103,557	103,537
Retained earnings	354,719	331,679
Treasury stock, at cost	(1,556)	(2,660)
Total stockholders' equity	707,651	683,486
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	8,255	17,475
Unrealized losses on hedging derivatives, net of taxes	(7,929)	(9,229)
Land revaluation differences, net of taxes	(3,406)	(3,406)
Foreign currency translation adjustments	13,900	7,708
Remeasurements of defined benefit plans, net of taxes	(26,465)	(22,106)
Total accumulated other comprehensive income	(15,645)	(9,557)
Non-controlling interests	53,486	55,476
Total liabilities and net assets	745,492	729,404
Total liabilities and net assets	2,261,134	2,310,435

Consolidated Statements of Income

(In millions of yen)

	FY2015	FY2016
	Ended Mar. 31, 2016	Ended Mar. 31, 2017
Net sales	1,822,805	1,695,864
Cost of sales	1,548,384	1,465,577
Gross profit	274,421	230,286
Selling, general and administrative expenses		
Haulage expenses	46,516	47,229
Salaries and allowances	40,957	39,582
Provisions of Allowance for doubtful accounts	16,379	34,140
Other	102,122	99,585
Total selling, general and administrative expenses	205,976	220,537
Operating income	68,445	9,749
Non-operating income		
Interest income	4,638	2,439
Dividend income	3,387	3,427
Reimbursement of seconded employees' salaries	4,870	4,227
Equity in income of equity method companies	—	1,878
Other	13,068	8,987
Total non-operating income	25,964	20,960
Non-operating expenses		
Interest expense	15,176	13,401
Seconded employees' salaries	11,566	10,681
Equity in loss of equity method companies	7,770	—
Other	30,968	25,729
Total non-operating expenses	65,482	49,813
Ordinary income (loss)	28,927	(19,103)
Extraordinary income		
Reversal of Allowance for doubtful accounts	—	8,141
Total extraordinary income	—	8,141
Extraordinary loss		
Loss on business of subsidiaries and associates	37,363	—
Loss on write-down of investment securities	2,183	—
Total extraordinary loss	39,547	—
Income (loss) before income taxes and non-controlling interests	(10,619)	(10,961)
Income taxes		
Current	14,677	8,717
Deferred	8,385	(379)
Total income taxes	23,062	8,337
Income (loss) before non-controlling interests	(33,682)	(19,299)
Net income (loss) attributable to non-controlling interests	(12,126)	3,745
Net income (loss) attributable to owners of the parent	(21,556)	(23,045)

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2015	FY2016
	Ended Mar. 31, 2016	Ended Mar. 31, 2017
Loss before non-controlling interests	(33,682)	(19,299)
Other comprehensive income (loss)		
Unrealized gains or losses on securities, net of taxes	(18,095)	8,763
Unrealized gains or losses on hedging derivatives, net of taxes	(5,858)	(785)
Land revaluation differences, net of taxes	175	—
Foreign currency translation adjustments	(12,107)	(6,892)
Remeasurements of defined benefit plans, net of taxes	(17,560)	4,475
Share of other comprehensive gains and losses related to equity method companies	(1,423)	(562)
Total other comprehensive income (loss)	(54,870)	4,997
Comprehensive Income (loss)	(88,552)	(14,302)
Breakdown of total comprehensive income (loss) attributed to:		
Stockholders of the parent interests	(72,305)	(16,957)
Non-controlling interests	(16,246)	2,655

Consolidated Statements of Changes in Net Assets (In millions of yen)
 FY2015 (April 1, 2015 – March 31, 2016)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance at the beginning of fiscal year	250,930	100,782	392,652	(2,996)	741,368
Amount of change					
Dividends of surplus			(14,536)		(14,536)
Net loss attributable to owners of the parent			(21,556)		(21,556)
Share exchanges			(1,855)	3,407	1,552
Purchase of treasury stock				(1,970)	(1,970)
Disposal of treasury stock			(1)	2	1
Changes in stockholders interest due to transaction with non-controlling interests		2,775			2,775
Change of scope of consolidation and equity method			(1)		(1)
Reversal of revaluation reserve for land			18		18
Net changes other than stockholders' equity					
Total changes	---	2,775	(37,932)	1,439	(33,717)
Balance at the end of fiscal year	250,930	103,557	354,719	(1,556)	707,651

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total other comprehensive income		
Balance at the beginning of fiscal year	27,097	(2,415)	(3,560)	22,892	(8,891)	35,122	75,293	851,785
Amount of change								
Dividends of surplus								(14,536)
Net loss attributable to owners of the parent								(21,556)
Share exchanges								1,552
Purchase of treasury stock								(1,970)
Disposal of treasury stock								1
Changes in stockholders interest due to transaction with non-controlling interests								2,775
Change of scope of consolidation and equity method								(1)
Reversal of revaluation reserve for land								18
Net changes other than stockholders' equity	(18,841)	(5,514)	154	(8,991)	(17,574)	(50,768)	(21,806)	(72,574)
Total changes	(18,841)	(5,514)	154	(8,991)	(17,574)	(50,768)	(21,806)	(106,292)
Balance at the end of fiscal year	8,255	(7,929)	(3,406)	13,900	(26,465)	(15,645)	53,486	745,492

Consolidated Statements of Changes in Net Assets (In millions of yen)

FY2016 (April 1, 2016 – March 31, 2017)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance at the beginning of fiscal year	250,930	103,557	354,719	(1,556)	707,651
Amount of change					
Dividends of surplus					
Net loss attributable to owners of the parent			(23,045)		(23,045)
Share exchanges					
Purchase of treasury stock				(1,109)	(1,109)
Disposal of treasury stock			(1)	4	2
Changes in stockholders interest due to transaction with non-controlling interests		(20)			(20)
Change of scope of consolidation and equity method			6		6
Reversal of revaluation reserve for land					
Net changes other than stockholders' equity					
Total changes	-	(20)	(23,040)	(1,104)	(24,165)
Balance at the end of fiscal year	250,930	103,537	331,679	(2,660)	683,486

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total other comprehensive income		
Balance at the beginning of fiscal year	8,255	(7,929)	(3,406)	13,900	(26,465)	(15,645)	53,486	745,492
Amount of change								
Dividends of surplus								—
Net income attributable to owners of the parent								(23,045)
Share exchanges								—
Purchase of treasury stock								(1,109)
Disposal of treasury stock								2
Changes in stockholders interest due to transaction with non-controlling interests								(20)
Change of scope of consolidation and equity method								6
Reversal of revaluation reserve for land								—
Net changes other than stockholders' equity	9,219	(1,300)	—	(6,191)	4,359	6,087	1,989	8,077
Total changes	9,219	(1,300)	—	(6,191)	4,359	6,087	1,989	(16,088)
Balance at the end of fiscal year	17,475	(9,229)	(3,406)	7,708	(22,106)	(9,557)	55,476	729,404

Consolidated Statements of Cash Flows

(In millions of yen)

	FY2015 Ended Mar. 31, 2016	FY2016 Ended Mar. 31, 2017
Cash flows from operating activities		
Income loss before income taxes	(10,619)	(10,961)
Depreciation	94,812	96,281
Increase in allowance for doubtful accounts	16,857	32,650
Interest and dividend income	(8,025)	(5,866)
Interest expense	15,176	13,401
Loss (income) on sale of securities	(1,685)	(711)
Loss on write-down of investments in securities	2,183	—
Equity in loss (income) of equity method companies	7,770	(1,878)
Loss on sale of plant and equipment	(63)	(101)
Loss on disposal of plant and equipment	1,800	2,479
Reversal of Allowance for doubtful accounts	—	(8,141)
Loss on business of subsidiaries and associates	37,363	—
Decrease in trade receivables from customers	10,536	3,583
Net decrease (increase) in lease receivables and investment assets	7,076	2,356
Decrease (increase) in inventories	11,348	(2,080)
Increase in accounts receivable	(1,961)	(30,353)
Decrease in trade payables to customers	(56,431)	62,635
Other	4,009	3,563
Subtotal	<u>130,148</u>	<u>156,857</u>
Cash received for interest and dividends	9,667	8,549
Cash paid for interest	(15,852)	(12,545)
Cash paid for income taxes	(26,030)	(11,145)
Net cash provided by operating activities	<u>97,933</u>	<u>141,716</u>
Cash flows from investing activities		
Purchase of property, plant and equipment and other assets	(99,171)	(138,984)
Proceeds from sale of property, plant and equipment and other assets	3,042	2,909
Purchase of investments in securities	(7,124)	(446)
Proceeds from sale of investments in securities	6,581	1,887
Payment for investments in capital	(957)	(0)
Proceeds from sales of investment in subsidiaries resulting in change in scope of consolidation	—	408
Decrease (increase) in short-term loans receivable	(10,467)	(5,713)
Payments for long-term loans receivable	(277)	(231)
Proceeds from collection of long-term loans receivable	674	497
Other	3,080	1,839
Net cash used in investing activities	<u>(104,618)</u>	<u>(137,833)</u>
Cash flows from financing activities		
Decrease (loss) in short-term loans receivable	(18,712)	(25,991)
Proceeds from issuance of long-term borrowings	163,191	177,857
Repayment of long-term borrowings	(86,179)	(98,561)
Proceeds from issuance of bonds	80,000	—
Repayment of bonds	(20,000)	(35,000)
Repayment of finance lease obligations	(6,728)	(5,695)
Purchase of treasury stock	(1,701)	(1,109)
Payment of dividends	(14,492)	(17)
Other	(1,494)	5,063
Net cash provided by (used in) financing activities	<u>93,883</u>	<u>16,545</u>
Effect of exchange rate changes on cash and cash equivalents	(4,583)	(4,745)
Increase (decrease) in cash and cash equivalents	<u>82,613</u>	<u>15,681</u>
Cash and cash equivalents at the beginning of fiscal year	101,654	184,336
Increase (decrease) in cash and cash equivalents resulting in change in scope of consolidation	19	398
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	50	—
Cash and cash equivalents at the end of fiscal year	<u>184,336</u>	<u>200,417</u>

Notes

(Notes on premise of a going concern)

None

(Change in Estimate for Allowance for Doubtful Accounts)

In posting the allowance for doubtful accounts on retained receivables owned by a sales subsidiary in China in the Construction Machinery segment, Kobe Steel had used a method to calculate the uncollectible amount taking into account the financial condition of the customers.

In the course of considering restructuring measures for the hydraulic excavator business in China due to continued sluggish demand, Kobe Steel began a review on measures for dealers. For dealers who are considered to be trading partners, Kobe Steel strengthened credit management, promoted collection negotiations on retained receivables, formulated a payment plan, and proceeded to select dealers carefully, including restricting and stopping transactions with dealers whose financial condition had deteriorated considerably.

However, Kobe Steel judged that the uncertainty of receivables collection is increasingly growing. Looking at the actual situation that collection would be difficult and prolonged, a repayment plan with a high degree of certainty was not achieved for existing retained receivables.

As a result, from the third quarter of fiscal 2016, Kobe Steel changed to a method that calculates the remaining amount, after deducting the expected recoverable amount by sell-off of collateral assets from retained receivables, as the uncollectible amount.

With this change, operating income decreased 22,250 million yen, ordinary loss and net loss attributable to owners of the parent for the fiscal 2016 worsened 22,250 million yen.

(Changes in presentation method)

(Consolidated Balance Sheets)

In the previous consolidated fiscal year, "Lease receivables and investment assets" which was independently stated under "Current Assets" is indicated in "Other" from this fiscal 2016, as it has become insignificant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated balance sheets for the previous fiscal year, the amount of 26,278 million yen, which was stated in "Lease receivables and investment assets" under "Current Assets", has been reclassified in "Other".

In the previous consolidated fiscal year, "Lease obligations" which was independently stated under "Current Liabilities" is indicated in "Other" from this fiscal 2016, as it has become insignificant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated balance sheets for the previous fiscal year, the amount of 7,038 million yen, which was stated in "Lease obligations" under "Current Liabilities", has been reclassified in "Other".

In the previous consolidated fiscal year, "Lease obligations" which was independently stated under "Long-term Liabilities" is indicated in "Other" from this fiscal 2016, as it has become insignificant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated balance sheets for the previous fiscal year, the amount of 24,066 million yen, which was stated in "Lease obligations" under "Long-term Liabilities", has been reclassified in "Other".

(Consolidated Statements of Income)

In the previous consolidated fiscal year, "Research and development expenses" which was independently stated under "Selling, general and administrative expenses" is indicated in "Other" from this fiscal 2016, as it has become insignificant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated statements of income for the previous fiscal year, the amount of 13,635 million yen, which was stated in "Research and development expenses" under "Selling, general and administrative expenses" and the amount of 104,866 million yen, which was recorded in "Other" under

“Selling, general and administrative expenses”, has been reclassified as 16,379 million yen in “Increase in allowance for doubtful accounts” and 102,122 million yen in “Other”.

In the previous consolidated fiscal year, “Currency exchange loss” which was independently stated under “Non-operating expenses” is indicated in “Other” from this fiscal 2016, as it has become insignificant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated statements of income for the previous fiscal year, the amount of 4,134 million yen, which was stated in “Currency exchange loss” under “Non-operating expenses”, has been reclassified in “Other”.

(Consolidated Statements of Cash Flows)

In the previous consolidated fiscal year, “Increase in account receivable”, which was indicated in “Other” under “Cash flows from operating activities”, is stated independently from this fiscal year, as it has become significant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated statements of cash flows for the previous fiscal year, the amount of -1,961 million yen, which was recorded in “Other” under “Cash flows from operating activities”, has been reclassified as “Increase in account receivable”.

In the previous consolidated fiscal year, “Purchase of treasury stock”, which was indicated in “Other” under “Cash flows from financing activities”, is stated independently from this fiscal year, as it has become significant in terms of amount. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Subsequently, in the consolidated statements of cash flows for the previous fiscal year, the amount of -1,701 million yen, which was recorded in “Other” under “Cash flows from financing activities”, has been reclassified as “Purchase of treasury stock” .

Segment Information

(In millions of yen)

		FY2015	FY2016
		Ended Mar. 31, 2016	Ended Mar. 31, 2017
Sales to outside customers:	Iron & Steel	636,797	594,623
	Welding	91,435	81,681
	Aluminum & Copper	344,623	322,453
	Machinery	148,252	139,625
	Engineering	128,566	117,441
	Construction Machinery	336,162	310,358
	Electric Power	76,745	70,605
	Other Businesses	57,678	56,636
	Adjustment	2,542	2,439
	Total	1,822,805	1,695,864
Intersegment sales:	Iron & Steel	29,005	25,988
	Welding	817	593
	Aluminum & Copper	839	873
	Machinery	10,750	11,085
	Engineering	3,145	3,741
	Construction Machinery	62	136
	Electric Power	—	—
	Other Businesses	16,849	18,238
	Adjustment	(61,472)	(60,657)
	Total	—	—
Total sales:	Iron & Steel	665,803	620,611
	Welding	92,252	82,274
	Aluminum & Copper	345,463	323,327
	Machinery	159,002	150,710
	Engineering	131,712	121,182
	Construction Machinery	336,225	310,494
	Electric Power	76,745	70,605
	Other Businesses	74,528	74,874
	Adjustment	(58,929)	(58,217)
	Total	1,822,805	1,695,864
Ordinary income:	Iron & Steel	(14,984)	(29,557)
	Welding	8,128	6,854
	Aluminum & Copper	15,121	12,020
	Machinery	6,763	5,896
	Engineering	4,697	2,809
	Construction Machinery	(11,930)	(31,399)
	Electric Power	17,414	13,082
	Other Businesses	7,356	7,610
	Adjustment	(3,640)	(6,422)
	Total	28,927	(19,103)

Supplementary Information for Fiscal 2016

(April 1, 2016 – March 31, 2017)

1. Consolidated Operating Results (In billions of yen)

	FY2015	FY2016	% change
Net sales	1,822.8	1,695.8	(7.0%)
Operating income	68.4	9.7	(85.8%)
Ordinary income (loss)	28.9	(19.1)	---
Extraordinary income (loss)	(39.5)	8.1	---
Net loss attributable to owners of the parent	(21.5)	(23.0)	---

The items of extraordinary income (loss)

	FY2015	FY2016
Reversal of Allowance for doubtful accounts	---	8.1
Extraordinary income	---	8.1
Loss on business of subsidiaries and associates	(37.3)	---
Loss on write-down of investment securities	(2.1)	---
Extraordinary loss	(39.5)	---
Extraordinary income (loss)	(39.5)	8.1

Year-end Dividend for fiscal 2016: 0 yen

2. Forecast for Fiscal 2017 (in billions of yen)

	FY2016	FY2017 Forecast			% change
		1st half	2nd half	Full year	
Net sales	1,695.8	930.0	940.0	1,870.0	10.3%
Operating income	9.7	35.0	40.0	75.0	6.7 times
Ordinary income (loss)	(19.1)	20.0	30.0	50.0	---
Extraordinary income	8.1	---	---	---	---
Net (income) loss attributable to owners of the parent	(23.0)	15.0	15.0	30.0	---

3. Consolidated Sales & Ordinary Income (loss) by Segment (In billions of yen)

		FY2015	FY2016	% change
Iron & Steel	Sales	665.8	620.6	(6.8%)
	Ordinary loss	(14.9)	(29.5)	-
Welding	Sales	92.2	82.2	(10.8%)
	Ordinary income	8.1	6.8	(15.7%)
Aluminum & Copper	Sales	345.4	323.3	(6.4%)
	Ordinary income	15.1	12.0	(20.5%)
Machinery	Sales	159.0	150.7	(5.2%)
	Ordinary income	6.7	5.8	(12.8%)
Engineering	Sales	131.7	121.1	(8.0%)
	Ordinary income	4.6	2.8	(40.2%)
Construction Machinery	Sales	336.2	310.4	(7.7%)
	Ordinary loss	(11.9)	(31.3)	-
Electric Power	Sales	76.7	70.6	(8.0%)
	Ordinary income	17.4	13.0	(24.9%)
Other Businesses	Sales	74.5	74.8	0.5%
	Ordinary income	7.3	7.6	3.5%
Adjustment	Sales	(58.9)	(58.2)	-
	Ordinary loss	(3.6)	(6.4)	-
Total	Sales	1,822.8	1,695.8	(7.0%)
	Ordinary income (loss)	28.9	(19.1)	-

4. Production, Sales & Orders

(1) Steel Products (Nonconsolidated)

Production & Sales Volume (In millions of metric tons unless otherwise indicated)

	FY2015	FY2016	% change
Crude steel	7.48	7.21	(3.6%)
Sales volume	6.00	5.93	(1.2%)
Export ratio (value base)	32.2%	28.6%	

Sales Prices of Steel Products (In yen per metric ton)

	FY2015	FY2016	% change
Domestic & Export average	75,200	70,600	(6.1%)

(2) Aluminum & Copper Rolled Products

Sales Volume (Nonconsolidated, in thousands of metric tons)

	FY2015	FY2016	% change
Aluminum rolled products	345	359	3.9%
Copper strip	49	55	11.6%
Copper tube*	85	88	3.6%

*Consolidated

(3) Machinery Business Orders (Consolidated, in billions of yen)**Orders**

	FY2015	FY2016
Domestic	53.2	58.2
Overseas	87.2	69.9
Total orders	140.4	128.2

Backlog of Orders (as of the end of each period)

	FY2015	FY2016
Domestic	37.7	36.1
Overseas	96.1	91.6
Total backlog	133.8	127.8

(4) Engineering Business Orders (Consolidated, in billions of yen)**Orders**

	FY2015	FY2016
Domestic	82.2	111.1
Overseas	46.9	63.1
Total orders	129.1	174.2

Backlog of Orders (as of the end of each period)

	FY2015	FY2016
Domestic	80.5	102.6
Overseas	40.9	77.2
Total backlog	121.4	179.9

5. Factors Affecting Ordinary Income (Consolidated, in billions of yen)

	FY2015	FY2016	Amount of Decrease
Ordinary income (loss)	28.9	(19.1)	(48.0)

Factors Increasing Profits		Factors Decreasing Profits	
Effect of steel inventory valuation*	16.5	Production & shipments	(19.5)
Effect of changes in foreign exchange rates on steel business	1.0	Raw material prices	(12.0)
		Overall cost	(4.5)
		Effect of aluminum & copper inventory valuation*	(2.0)
		Consolidated subsidiaries & equity-valued affiliates	(22.5)
		Other	(5.0)
Total	17.5	Total	(65.5)

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

6. Forecast for FY2017 by Segment (Consolidated, in billions of yen)

		FY2016	FY2017 Forecast		
			1st half	2nd half	Full year
Iron & Steel	Sales	620.6	355.0	340.0	695.0
	Ordinary income (loss)	(29.5)	10.0	5.0	15.0
Welding	Sales	82.2	38.0	39.0	77.0
	Ordinary income	6.8	2.0	3.0	5.0
Aluminum & Copper	Sales	323.3	175.0	170.0	345.0
	Ordinary income	12.0	8.0	7.0	15.0
Machinery	Sales	150.7	80.0	94.0	174.0
	Ordinary income	5.8	1.0	4.0	5.0
Engineering	Sales	121.1	54.0	80.0	134.0
	Ordinary income (loss)	2.8	(1.5)	4.5	3.0
Construction Machinery	Sales	310.4	180.0	155.0	335.0
	Ordinary income (loss)	(31.3)	6.5	2.5	9.0
Electric Power	Sales	70.6	32.0	39.0	71.0
	Ordinary income	13.0	0.0	3.0	3.0
Other Businesses	Sales	74.8	33.0	43.0	76.0
	Ordinary income	7.6	1.5	3.5	5.0
Adjustment	Sales	(58.2)	(17.0)	(20.0)	(37.0)
	Ordinary loss	(6.4)	(7.5)	(2.5)	(10.0)
Total	Sales	1,695.8	930.0	940.0	1,870.0
	Ordinary income (loss)	(19.1)	20.0	30.0	50.0

7. Factors Affecting Ordinary Income (Consolidated, in billions of yen)

	FY2016	FY2017	Amount of increase
Ordinary income	(19.1)	50.0	69.1

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	68.5	Raw material prices	(39.0)
Overall cost	20.0	Effect of steel inventory valuation*	(4.0)
Effect of aluminum & copper inventory valuation*	7.0	Effect of changes in foreign exchange rates on steel business	(4.5)
Consolidated subsidiaries & equity-valued affiliates	24.5	Other	(3.4)
Total	120.0	Total	(50.9)

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

8. Other

(1) Cash Flow and Outside Debt (Consolidated, in billions of yen)

Cash Flow

	FY2015	FY2016	FY2017 Forecast
Operating cash flow	85.8	126.7	175.0
Investment cash flow	(103.8)	(131.9)	(205.0)
Free cash flow*	(18.0)	(5.2)	(30.0)

(*Excludes cash flow from IPP project financing)

Outside Debt (As of the end of each period)

	FY2015	FY2016	FY2017 Forecast
Outside debt *	776.0	789.6	700.0
D/E ratio (times) **	1.10	1.17	Approx. 1
	0.97 ***	1.00 ***	

* Excludes debt from IPP project financing

** D/E ratio: Debt (excluding IPP project financing)/stockholders' equity

*** Excludes advanced borrowing (FY2015 : 90.0 billion yen FY2016 Forecast: 117.6 billion yen)

(2) Exchange Rate

	FY2015	FY2016	FY2017 Forecast
1 U.S. dollar to yen	120 yen	108 yen	110 yen
1 Chinese yuan to yen	18.9 yen	16.3 yen	16.0 yen
1 Euro to yen	133 yen	119 yen	115 yen

(3) Capital Investment (Consolidated, in billions of yen)

	FY2015	FY2016	FY2017 Forecast
Capital investment (accrual basis)	109.9	160.2	135.0
Capital investment (payment basis)	99.1	138.9	150.0
Depreciation	94.8	96.2	105.0

FOR REFERENCE

(1) Quarterly Information by Segment (Consolidated, in billions of yen)

		FY2015							FY2016						
		1st Half			2nd Half			Total	1st Half			2nd Half			Total
		1Q	2Q	Subtotal	3Q	4Q	Subtotal		1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Iron & Steel	Sales	172.3	166.2	338.5	162.7	164.5	327.2	665.8	144.2	146.0	290.3	151.3	178.9	330.2	620.6
	Ordinary income (loss)	2.6	(3.8)	(1.2)	(1.9)	(11.7)	(13.7)	(14.9)	(2.8)	(6.9)	(9.8)	(15.0)	(4.6)	(19.7)	(29.5)
Welding	Sales	23.2	23.4	46.6	22.2	23.3	45.5	92.2	20.6	21.6	42.2	19.4	20.5	39.9	82.2
	Ordinary income	2.0	2.2	4.3	1.8	1.9	3.8	8.1	1.9	1.9	3.8	1.6	1.3	3.0	6.8
Aluminum & Copper	Sales	92.8	85.5	178.3	84.2	82.8	167.0	345.4	85.1	77.7	162.9	76.9	83.4	160.3	323.3
	Ordinary income	6.2	3.1	9.4	2.4	3.1	5.6	15.1	3.0	3.4	6.5	3.4	2.0	5.4	12.0
Machinery	Sales	40.5	40.7	81.2	32.2	45.4	77.7	159.0	37.9	34.0	72.0	31.6	47.0	78.7	150.7
	Ordinary income (loss)	1.6	1.1	2.8	2.5	1.4	3.9	6.7	2.0	1.6	3.7	2.2	(0.0)	2.1	5.8
Engineering	Sales	24.8	32.5	57.4	26.6	47.6	74.3	131.7	24.3	25.1	49.5	30.1	41.4	71.5	121.1
	Ordinary income (loss)	(0.0)	2.6	2.6	(0.3)	2.4	2.0	4.6	0.6	(0.6)	0.0	0.1	2.6	2.7	2.8
Construction Machinery	Sales	85.8	95.3	181.2	76.7	78.2	154.9	336.2	71.4	84.6	156.1	72.6	81.7	154.3	310.4
	Ordinary income (loss)	2.3	(0.3)	1.9	(8.5)	(5.4)	(13.9)	(11.9)	(4.0)	3.4	(0.5)	(32.1)	1.3	(30.8)	(31.3)
Electric Power	Sales	16.8	21.9	38.8	16.6	21.2	37.8	76.7	17.2	18.3	35.5	15.9	19.1	35.0	70.6
	Ordinary income	3.0	5.0	8.1	3.9	5.3	9.3	17.4	3.8	4.4	8.3	2.1	2.5	4.7	13.0
Other Businesses	Sales	18.1	17.6	35.7	16.1	22.6	38.8	74.5	14.8	16.4	31.2	16.5	27.0	43.5	74.8
	Ordinary income	1.9	1.3	3.3	1.2	2.8	4.0	7.3	0.7	1.2	2.0	0.8	4.6	5.5	7.6
Adjustment	Sales	(14.5)	(14.8)	(29.4)	(12.6)	(16.8)	(29.4)	(58.9)	(11.4)	(13.5)	(25.0)	(12.6)	(20.5)	(33.2)	(58.2)
	Ordinary income (loss)	1.8	(0.1)	1.6	(1.1)	(4.1)	(5.2)	(3.6)	(0.9)	(0.9)	(1.8)	(1.6)	(2.9)	(4.6)	(6.4)
Total	Sales	460.0	468.5	928.6	424.9	469.2	894.1	1,822.8	404.4	410.6	815.1	402.0	478.6	880.7	1,695.8
	Ordinary income (loss)	21.8	11.2	33.0	(0.0)	(4.1)	(4.1)	28.9	4.5	7.7	12.3	(38.3)	6.8	(31.4)	(19.1)
Net income (loss) attributable to owners of the parent		11.8	1.5	13.4	(27.2)	(7.7)	(34.9)	(21.5)	(2.0)	6.1	4.1	(40.5)	13.4	(27.1)	(23.0)

(2) Quarterly Production and Sales of Steel Products (Non-consolidated)

Production and Sales Volume (in millions of metric tons)

	FY2015						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	1.84	1.83	3.67	1.89	1.92	3.81	7.48
Sales volume	1.48	1.49	2.97	1.47	1.56	3.03	6.00
Export ratio (value basis)	34.8%	33.6%	34.2%	29.2%	30.8%	30.0%	32.2%

	FY2016						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Crude steel	1.94	1.90	3.84	1.43	1.94	3.37	7.21
Sales volume	1.44	1.48	2.92	1.48	1.53	3.01	5.93
Export ratio (value basis)	29.9%	29.0%	29.5%	27.7%	27.7%	27.7%	28.6%

Sales Prices (in yen per metric ton)

	FY2015						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & Export average	80,500	77,000	78,700	75,400	68,400	71,800	75,200

	FY2016						
	1st Half			2nd Half			Total
	1Q	2Q	Subtotal	3Q	4Q	Subtotal	
Domestic & Export average	69,000	67,100	68,000	69,000	77,200	73,100	70,600

Note:

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.

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