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Announcement on the Difference between the Forecast and Actual Results for the First Half of Fiscal 2019 and Revision to Earnings Forecast for Fiscal 2019, ending March 31, 2020

Kobe Steel, Ltd. announces that a difference has arisen between the consolidated forecast for the first half of fiscal 2019 (April 1, 2019–September 30, 2019) announced on August 2, 2019 and the actual results announced today.

In addition, Kobe Steel announces that based on recent performance trends, it has revised the earnings forecast announced on August 2, 2019 for the full fiscal year (April 1, 2019–March 31, 2020) as follows:

Difference between the consolidated forecast and the actual results for the first half of fiscal 2019 (April 1– September 30, 2019)

	Net Sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A)	980,000	0	(10,000)	0	0.00 yen
Actual results (B)	944,464	7,443	1,493	(6,281)	(17.32) yen
Change (B-A)	(35,535)	7,443	11,493	(6,281)	
% change	(3.6%)	-	-	-	
FY2018 results for same period	958,239	23,131	9,345	33,399	92.19 yen

Figures are in millions of yen unless otherwise indicated. Sums under 1 million yen have been omitted.

Revision to fiscal 2019 consolidated forecast (April 1, 2019 – March 31, 2020)

	Net Sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A)	2,000,000	25,000	10,000	10,000	27.60 yen
Current forecast (B)	1,970,000	15,000	0	(5,000)	(13.78) yen
Change (B-A)	(30,000)	(10,000)	(10,000)	(15,000)	
% change	(1.5%)	(40.0%)	(100.0%)	-	
FY2018 results	1,971,869	48,282	34,629	35,940	99.20 yen

Figures are in millions of yen unless otherwise indicated. Sums under 1 million yen have been omitted.

Reason for the difference between the Q2 cumulative forecast and actual results

In comparison to the previous earnings forecast announced on August 2, 2019, in the consolidated first-half period, existing orders centered on large orders in the Machinery and Engineering segments were brought forward, and in the Electric Power segment maintenance costs were shifted to the second half of the fiscal year, leading to higher operating income and ordinary income. Net income attributable to owners of the parent worsened from the posting of loss on the valuation of investment securities, although Kobe Steel posted a gain on the sale of investment securities from the sale of strategically held shares.

Reason for the revision to the earnings forecast of the full fiscal year

In comparison to the previous earnings forecast announced on August 2, 2019, Kobe Steel is impacted by US-China trade friction and other factors, and the world economy on the whole is showing a sense of economic slowdown. Under these conditions, Kobe Steel has revised its consolidated earnings forecast for the full fiscal year.

In the Iron & Steel segment, the forecast takes into account lower demand from mainly the overseas automotive sector, domestic industrial machinery and construction machinery sectors, and other fields. In the Aluminum & Copper segment, the forecast takes into account lower sales volume owing to demand recovery in the semiconductor and IT sectors occurring later than initially forecast; equipment trouble at an overseas subsidiary continuing longer than anticipated; and a worsening of inventory valuation from a drop in ingot prices. In the Construction Machinery segment, the forecast takes into account increases in the impact of the high yen on exchange rates, development costs, and other factors, along with valuation loss on investment securities taken as extraordinary loss. As a result, for fiscal 2019, net sales, operating income, ordinary income and net income attributable to owners of the parent have been revised downward from the previous forecast.

Note:

This earnings forecast is based on currently available information as of today. Actual business results may differ considerably due to various changeable conditions in the future.