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Revision to Consolidated Earnings Forecast and Announcement on Nonconsolidated Earnings Forecast for Fiscal 2019, ending March 31, 2020

Kobe Steel announces that it has revised the consolidated earnings forecast announced on November 6, 2019 for the full fiscal year (April 1, 2019–March 31, 2020).

In addition, Kobe steel announces its nonconsolidated earnings forecast for fiscal 2019, as it has determined its financial outlook.

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

	Net Sales	Operating income(loss)	Ordinary income(loss)	Net income(loss) attributable to owners of the parent	Net income(loss) per share
Previous forecast (A)	1,970,000	15,000	0	(5,000)	(13.78) yen
Current forecast (B)	1,890,000	(5,000)	(25,000)	(15,000)	(41.36) yen
Change (B-A)	(80,000)	(20,000)	(25,000)	(10,000)	
% change	(4.1%)	-	-	-	
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.

2. Reason for the revision to the consolidated earnings forecast of the full fiscal year

In comparison to the previous forecast announced on November 6, 2019, Japan's current economy centered on the manufacturing industry is anticipated to remain weak amid the slump in exports. With the deceleration trend also continuing overseas, it is necessary to keep a close watch as the impact of the new coronavirus on economic activity, geopolitical risks and other factors may possibly cause a further slowdown in the world economy. Under such conditions, Kobe Steel has revised its consolidated earnings forecast for the full fiscal 2019 year as below.

In the Iron & Steel segment, domestic and overseas demand is anticipated to decrease centered on automobiles overseas and construction in Japan. As a result, Kobe Steel has factored in an expected decline in sales volume, a worsening of the impact from inventory valuation, and other factors in its forecast.

The Aluminum & Copper segment forecasts that semiconductor and IT demand will recover later than anticipated and sales volume will decrease owing to reduced automotive demand. Affected by the decrease in volume, the Aluminum & Copper Segment has taken into consideration that cost improvements will not proceed as expected.

In addition, the Construction Machinery segment has factored in lower unit sales in Southeast Asia centered on Indonesia, India and North America and other factors.

In the previous announcement, loss on valuation of investment securities was factored in as extraordinary loss. However, in today's revised forecast, as stock prices have recovered since then, loss on valuation of investment securities has not been factored in.

As a result, the Kobe Steel Group's net sales, operating income, ordinary income and net income attributable to owners of the parent are revised downward from the previously announced forecast.

3. Fiscal 2019 nonconsolidated forecast (April 1, 2019 – March 31, 2020)

	Net Sales	Ordinary income(loss)	Net income	Net income per share
FY2018 results (A)	1,073,791	11,940	14,345	39.52 yen
Current forecast (B)	1,010,000	(20,000)	0	0.00 yen
Change (B-A)	(63,791)	(31,940)	(14,345)	
% change	(5.9%)	-	(100.0%)	

4. Reason for the difference between Fiscal 2018 and nonconsolidated forecast of Fiscal 2019

In comparison to the previous fiscal year, the nonconsolidated forecast for the entire 2019 fiscal year anticipates reduced demand for steel products mainly in automobiles overseas against the backdrop of U.S.-China trade friction and the worsening of the impact from inventory valuation in the Iron & Steel Business.

In the Aluminum & Copper Business, Kobe Steel forecasts reduced demand mainly for semiconductors and in IT, the worsening of the impact from inventory valuation due to the fall in ingot prices, and other factors. From these conditions, nonconsolidated sales for the entire fiscal 2019 is forecast to reach approximately 1,010 billion yen with ordinary loss of approximately 20 billion yen and net income of approximately 0.0 billion yen.

Taking seriously the significant downward revision of its operating forecast and the forgoing of the annual dividend, Kobe steel will reduce the basic remuneration of directors and executive officers (excluding Independent Directors and Audit & Supervisory Committee Members) by between 8% to 20% for the time being.

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.