

Financial Results for First Quarter of Fiscal 2020 and Forecast for the Full Fiscal Year

August 6, 2020
KOBELCO STEEL, LTD.

KOBELCO

1. Financial Results for First Quarter of Fiscal 2020
2. Forecast for Fiscal 2020
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1. Financial Results for
First Quarter of Fiscal 2020

Impacted by the outbreak of the novel coronavirus (COVID-19), both sales and profits declined year on year.

- Net sales... Decreased mainly in Steel & Aluminum, Advanced Materials, and Construction Machinery.
- Ordinary income (loss)... Decreased mainly in Steel & Aluminum, Advanced Materials, and Construction Machinery. Increased in Machinery and Electric Power.
- Extraordinary income (loss)... Recorded gain on sale of fixed assets.

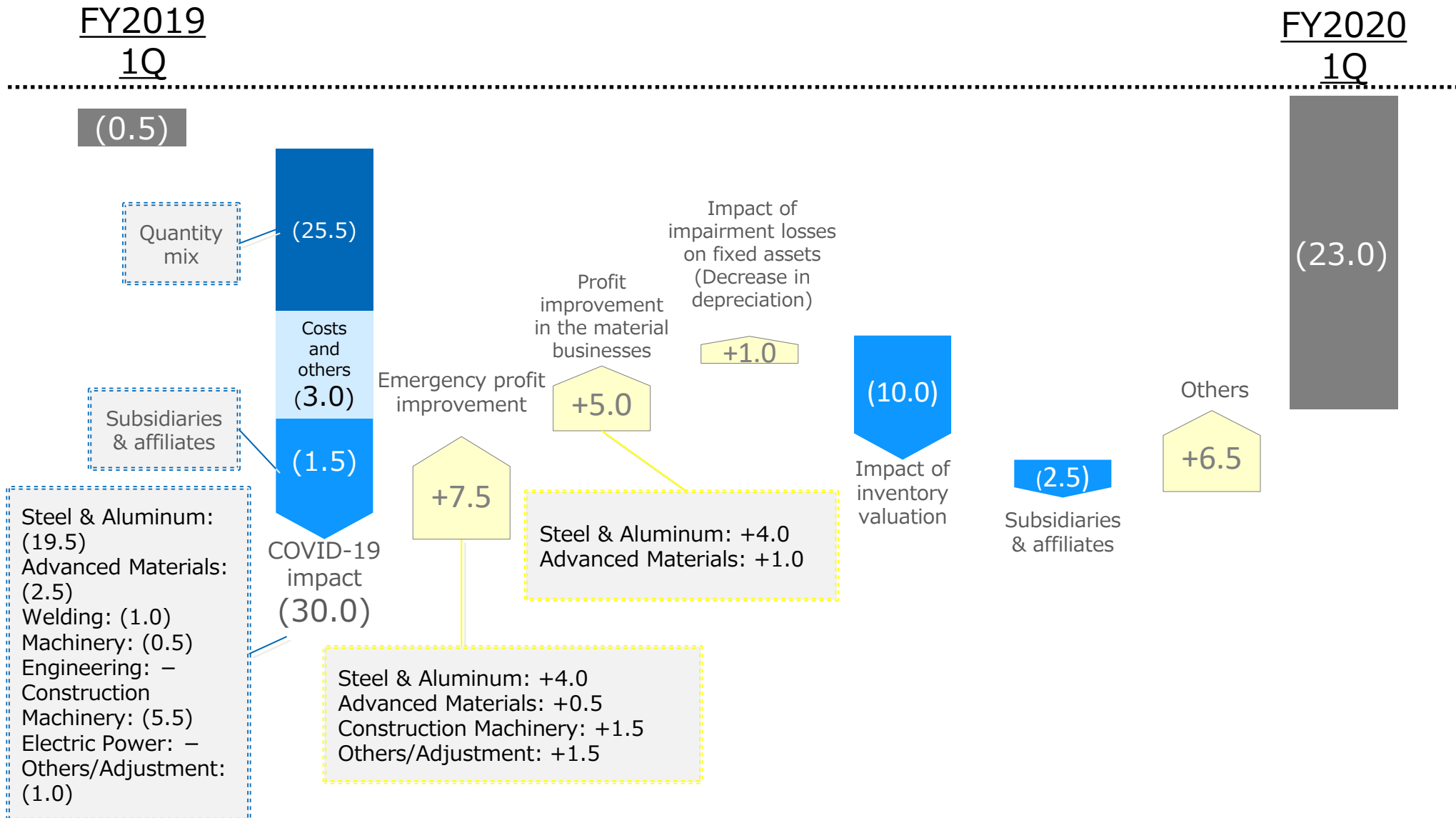
(In billions of yen)

	FY2019 1Q ①	FY2020 1Q ②	Change ②-①
Net Sales	464.4	374.1	(90.3)
Operating Income (Loss)	2.7	(19.8)	(22.6)
Ordinary Income (Loss)	(0.5)	(23.0)	(22.5)
Excluding Inventory Valuation	(1.0)	(13.5)	(12.5)
Extraordinary Income (Loss)	—	※ 16.0	16.0
Net Income (Loss) Attributable to Owners of the Parent	(1.1)	(13.1)	(12.0)

※ Gain on sale of fixed assets: 9.7 billion yen
Gain on step acquisitions: 3.2 billion yen
Gain on sale of investment securities: 3.1 billion yen

	FY2019 1Q	FY2020 1Q
1 U.S dollar to yen	110	108
1 Chinese yuan to yen	16.1	15.2
1 Euro to yen	123	118

Factors for Increase/Decrease of Ordinary Income (Loss) (billions of yen)



(Billions of yen)

Net Sales	FY2019	FY2020	Change	Ordinary Income (Loss)	FY2019	FY2020	Change
	1Q	1Q			1Q	1Q	
	①	②	②-①		③	④	④-③
Steel & Aluminum	199.8	149.5	(50.2)	Steel & Aluminum	(1.1)	(25.8)	(24.7)
Advanced Materials	74.8	56.7	(18.0)	Advanced Materials	(3.5)	(5.7)	(2.1)
Welding	21.1	18.0	(3.1)	Welding	0.8	0.2	(0.5)
Machinery	39.9	40.7	0.8	Machinery	0.8	2.1	1.3
Engineering	28.4	26.0	(2.3)	Engineering	0.8	0.9	0.1
Construction Machinery	95.7	74.6	(21.0)	Construction Machinery	4.0	0.8	(3.1)
Electric Power	15.2	15.9	0.6	Electric Power	(1.6)	3.1	4.8
Other Businesses	5.7	4.9	(0.8)	Other Businesses	(0.4)	0.3	0.7
Adjustment	(16.6)	(12.6)	3.9	Adjustment	(0.2)	0.7	1.0
Total	464.4	374.1	(90.3)	Total	(0.5)	(23.0)	(22.5)

(Billions of yen)

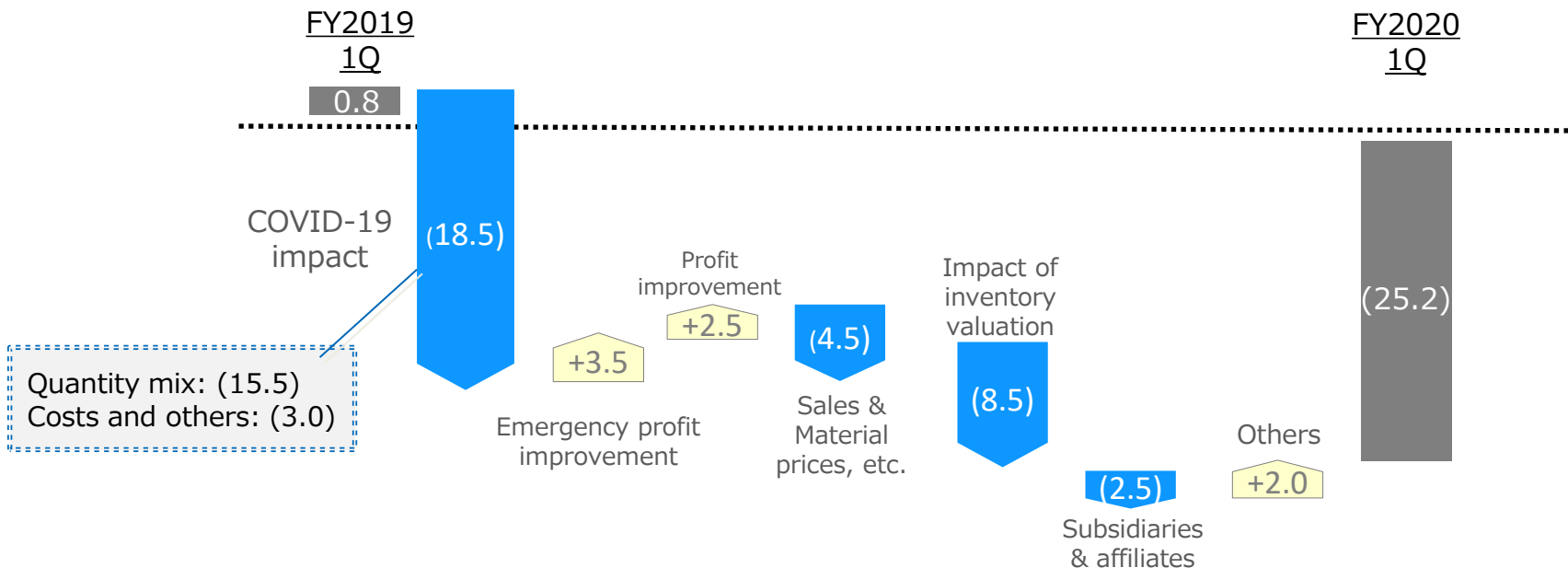
		FY2019 1Q ①	FY2020 1Q ②	Change ②-①
Steel products	Net Sales	165.1	117.5	(47.5)
	Ordinary Income (Loss)	0.8	(25.2)	(26.0)
	Excluding Inventory Valuation	(0.1)	(17.7)	(17.5)
Aluminum rolled products	Net Sales	34.7	31.9	(2.7)
	Ordinary Income (Loss)	(1.9)	(0.6)	1.3
	Excluding Inventory Valuation	(1.4)	0.8	2.3
Total	Net Sales	199.8	149.5	(50.2)
	Ordinary Income (Loss)	(1.1)	(25.8)	(24.7)
	Excluding Inventory Valuation	(1.6)	(16.8)	(15.2)

Steel products

Ordinary Income of 0.8 billion yen in FY2019 1Q → Ordinary Loss of 25.2 billion yen in FY2020 1Q (Down 26.0 billion yen from FY2019)

- **Crude steel production:** 1.17 million tons (down 0.55 million tons year on year)
- **Sales volume:** 0.97 million tons (down 0.39 million tons year on year)
 - Drastically decreased centered on sales to the automobile industry due to the impact of COVID-19
- **Sales price:** 80,100 yen (down 7,200 yen year on year)
 - Decreased mainly due to a fall in export prices
- **Factors affecting profit and loss**
 - Profit improvement through emergency profit improvement, base cost improvement, etc.
 - Worsening of metal spread
 - Worsening impact of inventory valuation

※ Related data on P. 34-36



Aluminum
rolled
products

Ordinary Loss of 1.9 billion yen in FY2019 1Q → 0.6 billion yen in FY2020 1Q (up 1.3 billion yen from FY2019)

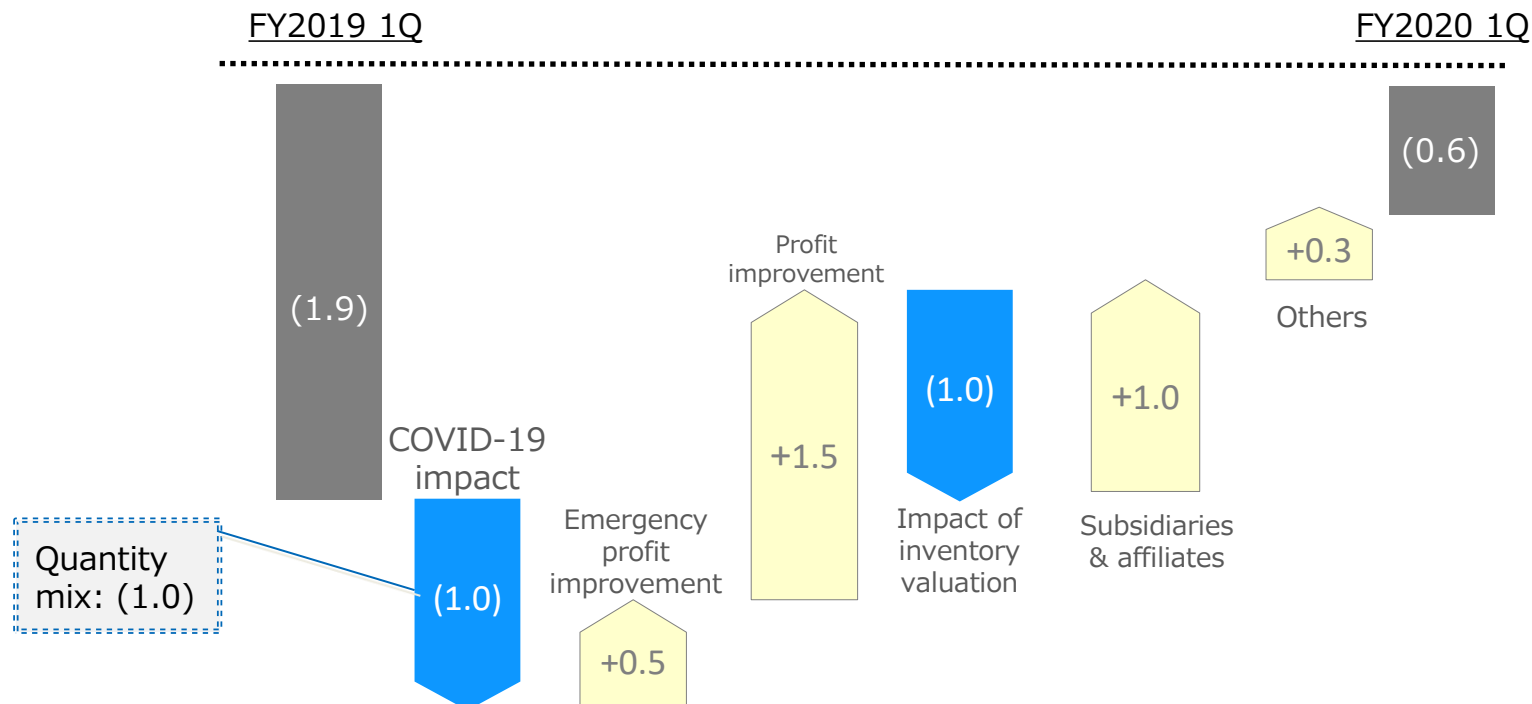
■ **Sales volume: Decreased**

- Beverage can stock: Remained stable
- IT and semiconductors: Increased owing mainly to the supply for data centers
- Automobiles: Decreased

■ **Factors affecting profit and loss**

- Profit improvement through emergency profit improvement, base cost improvement, etc.
- Worsening impact of inventory valuation

※ **Related data on P. 35 and P. 36**



(Billions of yen)

	FY2019 1Q ①	FY2020 1Q ②	Change ②-①
Net Sales	74.8	56.7	(18.0)
Ordinary Income (Loss)	(3.5)	(5.7)	(2.1)
Excluding Inventory Valuation	(3.5)	(5.2)	(1.6)

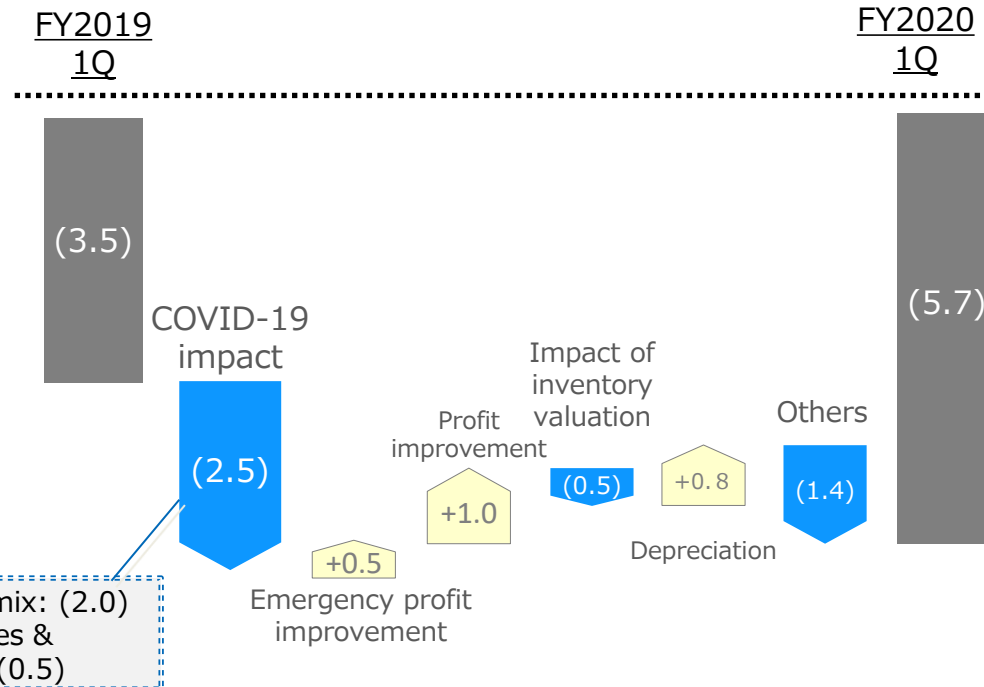
■ **Sales volume: Decreased**

- Sales decreased centered on the automotive industry
→e.g. steel powder, aluminum suspensions, and copper flat rolled products

■ **Factors affecting profit and loss**

- Profit improvement through emergency profit improvement, cost reduction, etc.
- Reduced depreciation by recording impairment loss in FY2019
- Worsening impact of inventory valuation

※ [Related data on P. 35](#)



Quantity mix: (2.0)
Subsidiaries & affiliates: (0.5)

(Billions of yen)

	FY2019 1Q ①	FY2020 1Q ②	Change ②-①
Net Sales	21.1	18.0	(3.1)
Ordinary Income (Loss)	0.8	0.2	(0.5)

■ Sales volume

- Welding materials: Decreased
 Domestic: Decreased mainly in the automotive and construction machinery sectors due to the impact of COVID-19
 Overseas: Decreased centered in China mainly in the automotive sector due to the impact of COVID-19
- Welding systems (sales): Similar to FY2019

■ Factors affecting profit and loss

- Decreased sales volume
- Total cost reduction

※ Related data on P. 35

(Billions of yen)

	FY2019 1Q ①	FY2020 1Q ②	Change ②-①
Net Sales	39.9	40.7	0.8
Ordinary Income (Loss)	0.8	2.1	1.3
Orders	37.2	18.3	(18.8)

■ **Orders: Decreased**

- Overall demand environment deteriorated

■ **Net sales: Increased**

- Remained stable centered on the petrochemical sector
- Sales of standard compressors decreased both in Japan and overseas due to the impact of COVID-19

■ **Factors affecting profit and loss**

- Profitability of each order improved centered on non-standard compressors

(Billions of yen)

	FY2019 1Q ①	FY2020 1Q ②	Change ②-①
Net Sales	28.4	26.0	(2.3)
Ordinary Income (Loss)	0.8	0.9	0.1
Orders	※ 43.7	33.8	(9.8)

※Regarding long-term operation and maintenance work in Kobelco Eco-Solutions' water treatment and waste treatment business, orders were previously counted at the time of sales. However, a new counting method has been adopted since FY2020 and orders are counted at the time of acceptance of a contract. Orders for FY2019 1Q have also been recounted based on the new method.

■ Orders: Decreased

- Decreased compared to the same period of FY2019 that saw multiple orders in the waste-treatment-related business

■ Net Sales: Decreased, Profit: Increased

- Changes in the composition of orders

(Billions of yen)

	FY2019 1Q ①	FY2020 1Q ②	Change ②-①
Net Sales	95.7	74.6	(21.0)
Ordinary Income (Loss)	4.0	0.8	(3.1)

■ Sales volume

- Hydraulic excavators: Decreased considerably due to the impact of COVID-19
 China: Decreased considerably due to the market downturn in the Chinese New Year holiday selling season, which contributes to business results for the fourth quarter (January to March)
 Japan and others: Decreased due to reduced demand
- Crawler cranes: Similar to FY2019
 The impact of COVID-19 is limited. Sales expanded in the U.S. before the impact of COVID-19 became evident.

■ Factors affecting profit and loss

- Emergency profit improvement

(Billions of yen)

	FY2019 1Q ①	FY2020 1Q ②	Change ②-①
Net Sales	15.2	15.9	0.6
Ordinary Income (Loss)	(1.6)	3.1	4.8

■ **Amount of electricity to be sold:** Increased

- Moka Power Plant's No. 1 unit and No. 2 unit are both in operation

■ **Unit price:** Decreased

- Decreased owing to a fall in fuel price

■ **Factors affecting profit and loss**

- Start of operation of Moka Power Plant
- Decrease in maintenance costs for periodic inspections
- Decrease in depreciation of No.2 unit of Kobe Power Plant

2. Forecast for Fiscal 2020

The economic environment impacted by COVID-19 is anticipated to recover toward the end of FY2020. The estimated impact of COVID-19 is approximately 90 billion yen. Kobe Steel anticipates earning an additional profit of 50 billion yen through emergency measures to improve profits centered on the reduction of fixed costs and cut costs in the material businesses.

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast			Change ②-①
		1H	2H	②	
Net Sales	1,869.8	770.0	870.0	1,640.0	(229.8)
Operating Income (Loss)	9.8	(50.0)	15.0	(35.0)	(44.8)
Ordinary Income (Loss)	(8.0)	(60.0)	0.0	(60.0)	(52.0)
Excluding Inventory Valuation	(6.0)	(43.0)	(5.5)	(48.5)	(42.5)
Extraordinary Income (Loss)	(57.4)	16.0	—	※ 16.0	73.4
Net Income (Loss) Attributable to Owners of the Parent	(68.0)	(35.0)	0.0	(35.0)	33.0

※ Gain on sale of fixed assets: 9.7billion yen
 Gain on step acquisitions: 3.2billion yen
 Gain on sale of investment securities: 3.1billion yen

	FY2019	FY2020
1 U.S dollar to yen	109	107
1 Chinese yuan to yen	15.6	15.0
1 Euro to yen	121	122

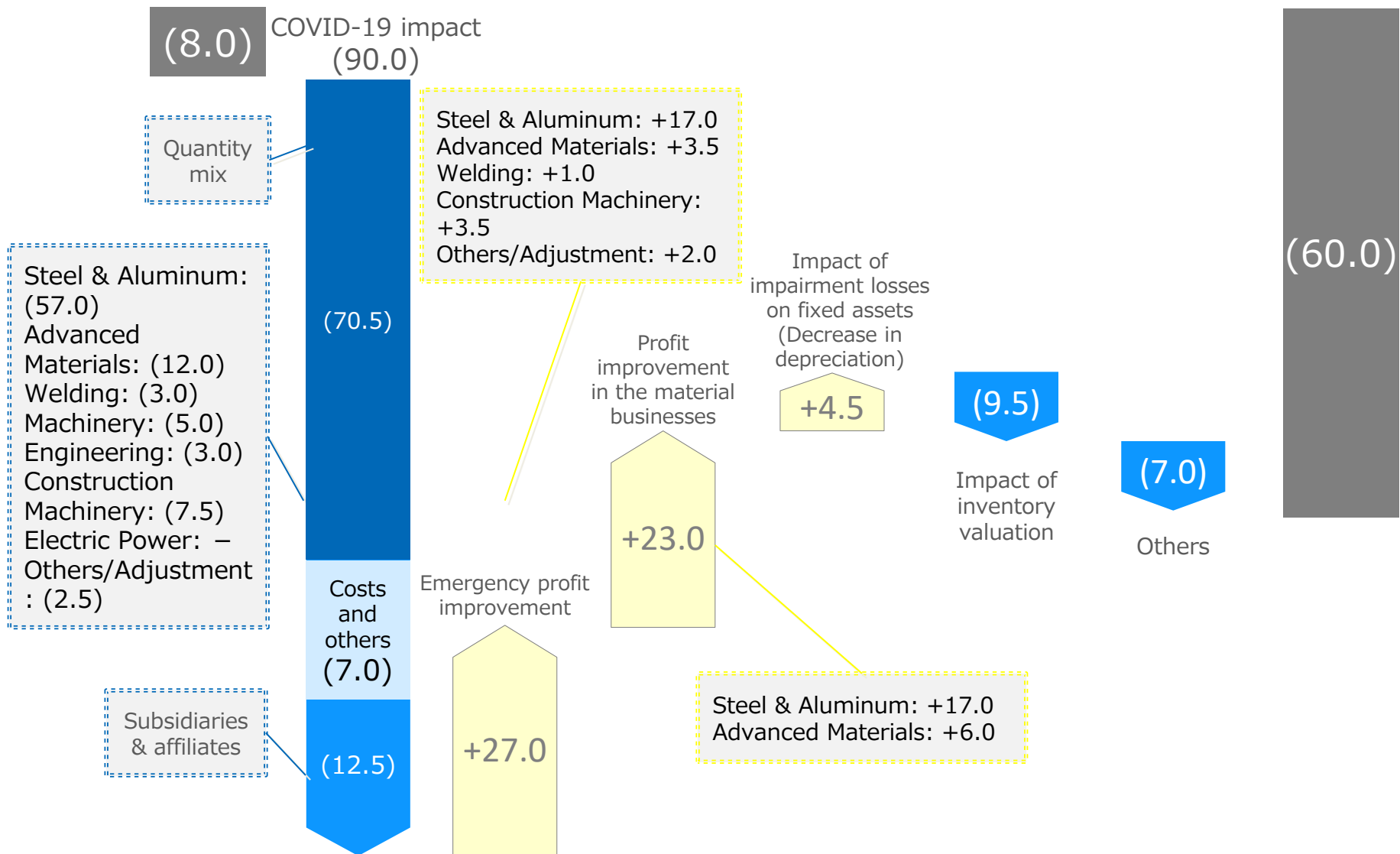
Factors for Increase/Decrease of Ordinary Income (Loss) (billions of yen)

FY2019

Actual

FY2020

Forecast



Business units that are affected by COVID-19 are shown in ().

<p>Automobiles</p>	<p>(Steel products, aluminum flat rolled products, aluminum suspensions, aluminum extrusions & fabrication, copper flat rolled products, steel powder, and welding) Auto production is anticipated to hit bottom in April-June and make a mild recovery both in Japan and overseas. Estimated auto production by Japanese auto manufacturers (including overseas production, compared with FY2019) is given below.</p> <table border="1" data-bbox="370 505 1419 622"> <thead> <tr> <th>1Q</th> <th>2Q</th> <th>3Q</th> <th>4Q</th> <th>Full Year</th> </tr> </thead> <tbody> <tr> <td>-40%</td> <td>-30%</td> <td>-20%</td> <td>0 %</td> <td>-20%</td> </tr> </tbody> </table>	1Q	2Q	3Q	4Q	Full Year	-40%	-30%	-20%	0 %	-20%
1Q	2Q	3Q	4Q	Full Year							
-40%	-30%	-20%	0 %	-20%							
<p>Aircraft</p>	<p>(Aluminum casting & forging, and titanium) Due to a decline in passenger demand, the market is anticipated to remain sluggish over the next few years.</p>										
<p>Shipbuilding</p>	<p>(Steel products, steel casting & forging, and welding) The market was stagnant even before the COVID-19 outbreak. Owing to stagnant business opportunities and postponement of planned shipbuilding, demand is anticipated to decrease by 20% compared with FY2019.</p>										
<p>Beverage can stock</p>	<p>(Aluminum flat rolled products) Despite a decrease of sales from vending machines, overall demand is anticipated to remain firm owing to stay-at-home consumption.</p>										
<p>IT/ Semiconductors</p>	<p>(Aluminum flat rolled products, and copper flat rolled products) Demand for the IT and semiconductor industries remains largely strong. Demand for IC leadframe materials for automobiles is anticipated to be similar to the demand forecast for the automobile industry.</p>										
<p>Civil engineering & construction</p>	<p>(Steel products and welding) A decrease in demand is anticipated due to lower appetite for investment in industry and a decrease in demand for offices.</p>										

(Billions of yen)

Net Sales	FY2019 Actual ①	FY2020 Forecast			Change ②-①
		1H	2H	②	
Steel & Aluminum	780.2	300.0	340.0	640.0	(140.2)
Advanced Materials	297.1	100.0	120.0	220.0	(77.1)
Welding	83.7	35.0	36.0	71.0	(12.7)
Machinery	165.9	91.0	94.0	185.0	19.1
Engineering	141.5	59.0	81.0	140.0	(1.5)
Construction Machinery	360.8	160.0	180.0	340.0	(20.8)
Electric Power	75.6	37.0	36.0	73.0	(2.6)
Other Businesses	33.6	11.0	17.0	28.0	(5.6)
Adjustment	(68.9)	(23.0)	(34.0)	(57.0)	11.9
Total	1,869.8	770.0	870.0	1,640.0	(229.8)

(Billions of yen)

Ordinary Income (Loss)	FY2019 Actual ①	FY2020 Forecast			Change ②-①
		1H	2H	②	
Steel & Aluminum	(16.5)	(58.0)	(12.0)	(70.0)	(53.5)
Advanced Materials	(25.2)	(13.5)	(6.5)	(20.0)	5.2
Welding	2.9	0.0	0.5	0.5	(2.4)
Machinery	9.6	2.0	3.5	5.5	(4.1)
Engineering	5.7	(1.0)	3.0	2.0	(3.7)
Construction Machinery	7.5	3.5	4.5	8.0	0.5
Electric Power	8.9	7.0	8.0	15.0	6.1
Other Businesses	3.3	0.0	3.0	3.0	(0.3)
Adjustment	(4.4)	0.0	(4.0)	(4.0)	0.4
Total	(8.0)	(60.0)	0.0	(60.0)	(52.0)

(Billions of yen)

		FY2019 Actual	FY2020 Forecast			Change ②-①
			①	1H	2H	
Steel products	Net Sales	650.0	230.0	275.0	505.0	(145.0)
	Ordinary Income (Loss)	(8.8)	(55.0)	(12.0)	(67.0)	(58.2)
	Excluding Inventory Valuation	(8.8)	(43.0)	(17.5)	(60.5)	(51.7)
Aluminum rolled products	Net Sales	130.1	70.0	65.0	135.0	4.9
	Ordinary Income (Loss)	(7.7)	(3.0)	0.0	(3.0)	4.7
	Excluding Inventory Valuation	(5.7)	(1.0)	0.5	(0.5)	5.2
Total	Net Sales	780.2	300.0	340.0	640.0	(140.2)
	Ordinary Income (Loss)	(16.5)	(58.0)	(12.0)	(70.0)	(53.5)
	Excluding Inventory Valuation	(14.5)	(44.0)	(17.0)	(61.0)	(46.5)

**Ordinary Loss of 8.8 billion yen in FY2019 → 67.0 billion yen in FY2020 Forecast
(Down 58.2 billion yen from FY2019)**

Steel products

■ Production

•Kobe Steel’s crude steel production is estimated to be about 5.4 million tons (down 1.1 million tons from FY2019) (Japan’s crude steel production is estimated to be about 80 million tons)

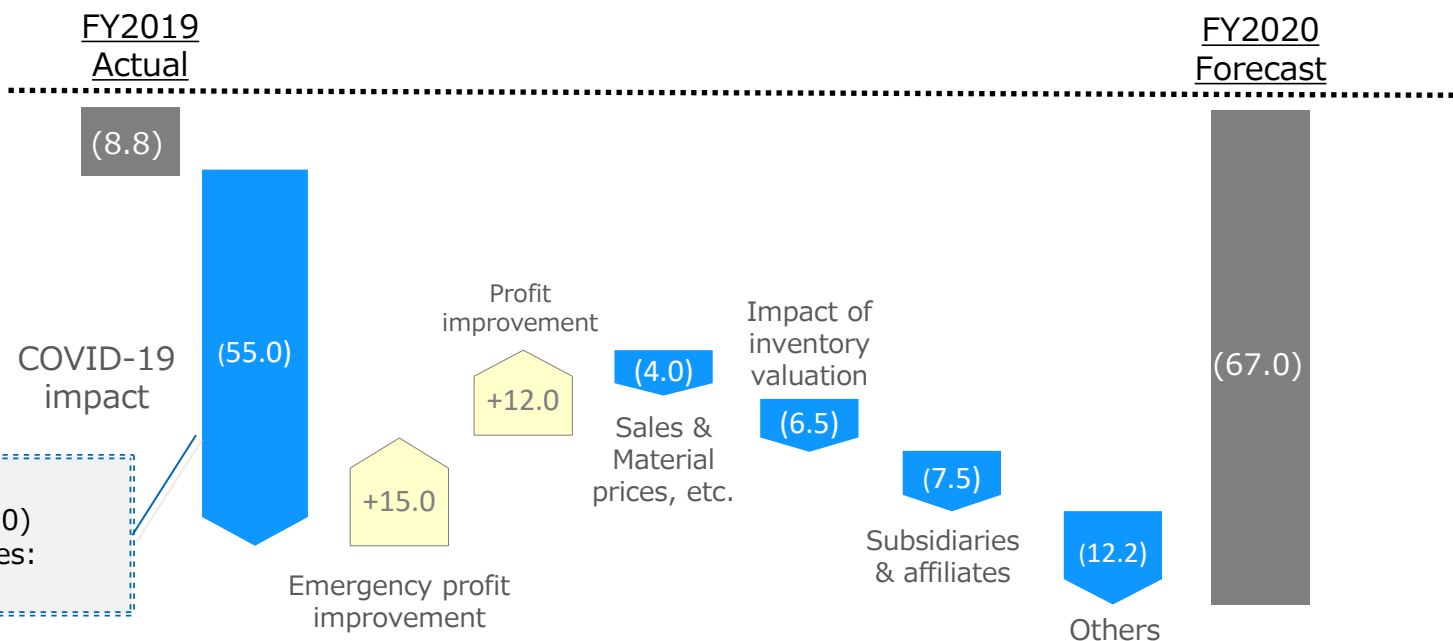
■ Sales volume

•Sales volume is estimated to be about 4.35 million tons (down 950,000 tons from FY2019)

■ Factors affecting profit and loss

- Profit improvement through emergency profit improvement, base cost improvement, etc.
- Worsening of metal spread
- Worsening impact of inventory valuation

※ Related data on P. 34-36



Quantity mix: (44.0)
Costs and others: (7.0)
Subsidiaries & affiliates: (4.0)

Aluminum
rolled
products

Ordinary Loss of 7.7 billion yen in → 3.0 billion yen in FY2020 Forecast
(up 4.7 billion yen from FY2019)

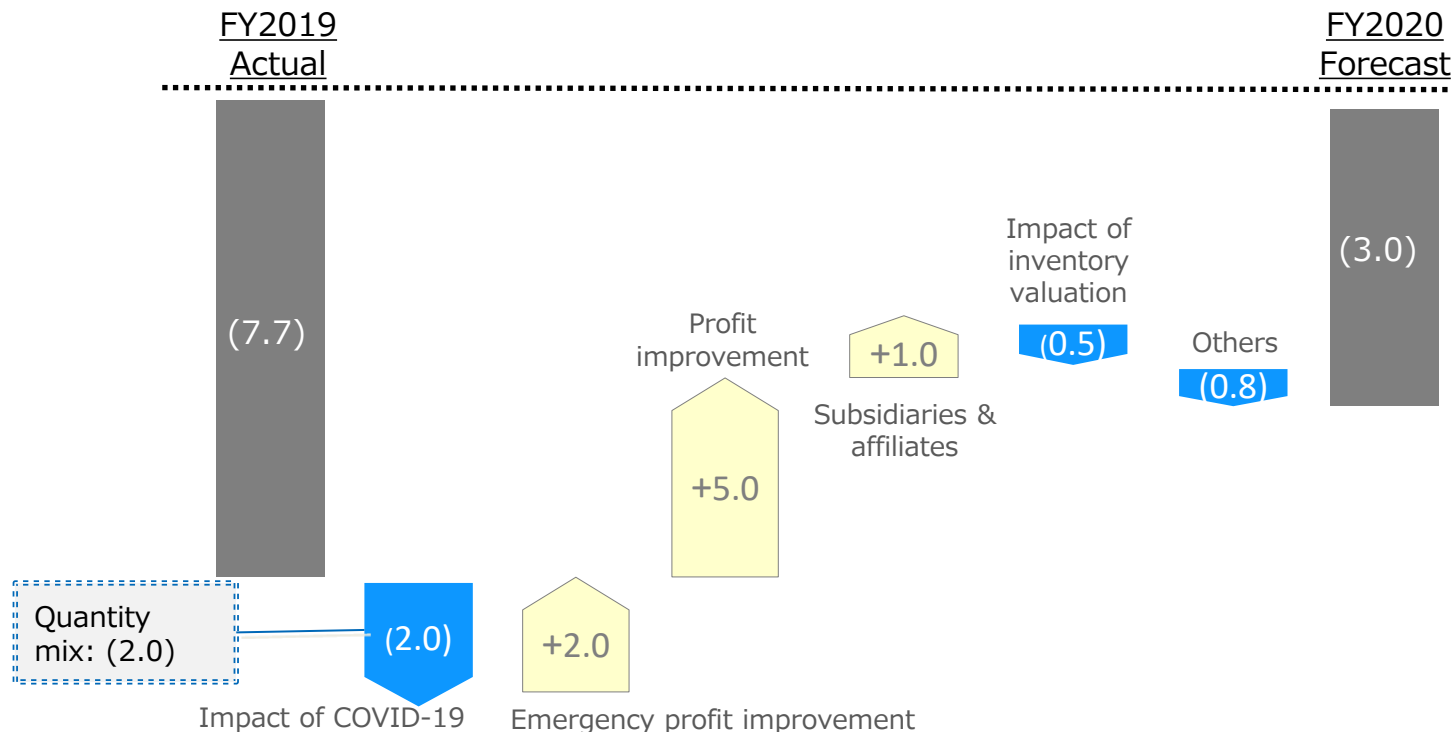
■ **Sales volume**

- Sales volume is estimated to be about 300,000 tons (Similar to FY2019)
- For automobiles: Decrease in demands
- For beverage can stock, IT & semiconductors: Remain stable

■ **Factors Affecting Profit and Loss**

- Profit improvement through emergency profit improvement, expanded sales and higher roll margins
- Decrease in costs related to start-up of business locations in China

※ **Related data on P. 35 and P. 36**



(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast			Change ②-①
		1H	2H	②	
Net Sales	297.1	100.0	120.0	220.0	(77.1)
Ordinary Income (Loss)	(25.2)	(13.5)	(6.5)	(20.0)	5.2
Excluding Inventory Valuation	(25.2)	(10.5)	(7.0)	(17.5)	7.7

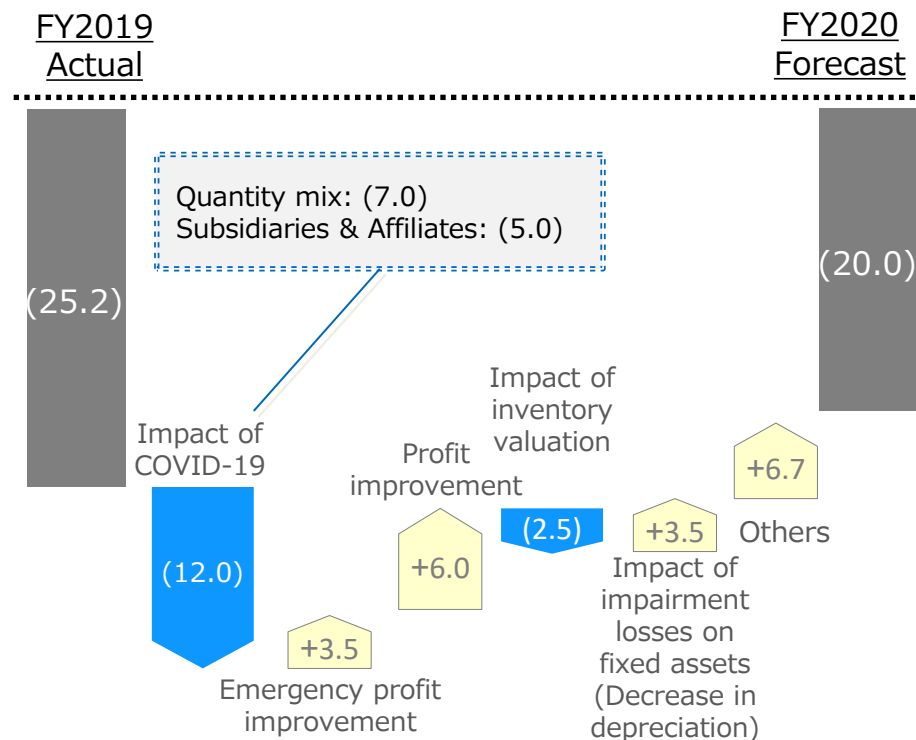
■ Sales volume

- For automobiles (e.g. steel powder, aluminum extrusions, and copper strips): Decrease
- For aircraft (e.g. Titanium): Decrease
- For shipbuilding (steel castings & forgings): Decrease

■ Factors affecting profit and Loss

- Profit improvement through emergency profit improvement and expanded sales
- Aluminum suspensions: Equipment trouble at a U.S. subsidiary is improving
- Reduced depreciation by recording impairment loss in FY2019

※ Related data on P. 35



(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast			Change ②-①
		1H	2H	②	
Net Sales	83.7	35.0	36.0	71.0	(12.7)
Ordinary Income (Loss)	2.9	0.0	0.5	0.5	(2.4)

■ Sales premises
[Welding materials] …Decrease

Domestic: Sales are anticipated to decrease mainly in the automotive sector.

Overseas: Demand reduces in the energy sector affected by low crude oil prices and in the automotive sector.

[Welding systems - Sales] …Decrease

Sales are anticipated to decrease mainly for architectural steel frames

■ Factors affecting profit and loss

- Decreased sales volume
- Emergency profit improvement

※Related data on P. 35

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast			Change ②-①
		1H	2H	②	
Net Sales	165.9	91.0	94.0	185.0	19.1
Ordinary Income (Loss)	9.6	2.0	3.5	5.5	(4.1)
Orders	151.6	—	—	approx. 160.0	approx. 10.0

■ Orders: Increase

- The demand environment is anticipated to deteriorate both in Japan and overseas.
- An increase in orders is anticipated after turning a Chinese company that manufactures, designs, and sells non-standard compressors into a subsidiary.

■ Sales: Increase

- An increase in non-consolidated sales is anticipated owing to higher orders in FY2018 and FY2019.
- Overseas subsidiaries anticipate a decrease in sales due to decreased demand.
- Sales are anticipated to increase after turning a Chinese company that manufactures, designs, and sells non-standard compressors into a subsidiary.

■ Factors affecting profit and loss

- Changes in the composition of orders
- Decreased profit in overseas subsidiaries
- Increased fixed costs

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast			Change ②-①
		1H	2H	②	
Net Sales	141.5	59.0	81.0	140.0	(1.5)
Ordinary Income (Loss)	5.7	(1.0)	3.0	2.0	(3.7)
Orders	※ 134.5	—	—	approx. 150.0	approx. 15.0

※Regarding long-term operation and maintenance work in Kobelco Eco-Solutions' water treatment and waste treatment business, orders were previously counted at the time of sales. However, a new counting method has been adopted since FY2020 and orders are counted at the time of acceptance of a contract. Orders for FY2019 have also been recounted based on the new method.

■ Orders: Increase

- Domestic: Centered on public works, orders are anticipated to remain stable (with low impact from COVID-19)
- Overseas: Decrease due to worldwide decline in demand for capital investments

■ Sales: Similar to FY2019

- Domestic: Centered on public works, sales are anticipated to remain stable (with low impact from COVID-19)
- Overseas: Due to travel restrictions, delays are anticipated to occur in local construction work

■ Factors affecting profit and loss

- Changes in the composition of orders

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast			Change ②-①
		1H	2H	②	
Net Sales	360.8	160.0	180.0	340.0	(20.8)
Ordinary Income (Loss)	7.5	3.5	4.5	8.0	0.5

■ Unit Sales

[Hydraulic Excavators]...Decrease

Domestic: Impact from COVID-19 is limited. Unit sales are anticipated to be higher than FY2019.

China: 1Q saw a decrease in unit sales from COVID-19, but market recovery is underway. Unit sales for the full fiscal year anticipated to be similar to FY2019.

Other areas: Unit sales anticipated to decrease due to COVID-19.

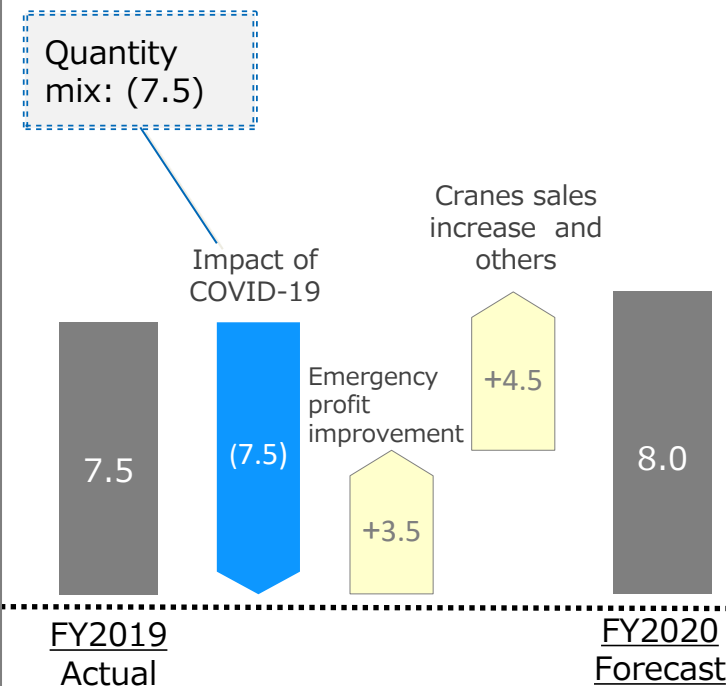
[Crawler Cranes]...Increase

Domestic: Impact from COVID-19 is limited. Unit sales are anticipated to increase over FY2019 owing to firm demand in infrastructure-related areas.

Overseas: Unit sales are anticipated to be lower mainly in North America and India due to COVID-19.

■ Factors affecting Profit and Loss

- Emergency profit improvement



(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast			Change ②-①
		1H	2H	②	
Net Sales	75.6	37.0	36.0	73.0	(2.6)
Ordinary Income (Loss)	8.9	7.0	8.0	15.0	6.1

■ Amount of electricity to be sold: Increase

• Moka Power Plant's No. 1 unit began operation in October 2019. Moka Power Plant's No. 2 unit began operation up in March 2020.

This will contribute to business results for the full fiscal year.

■ Unit price: Decrease

• Drop in fuel prices

■ Factors affecting profit and loss

• Decrease in maintenance costs for periodic inspections

• Decrease in depreciation of Kobe Power Plant's No. 2 unit

• Increase in upfront expenses (interest expense, etc.) for the Kobe Power Plant's No. 3 and No. 4 units

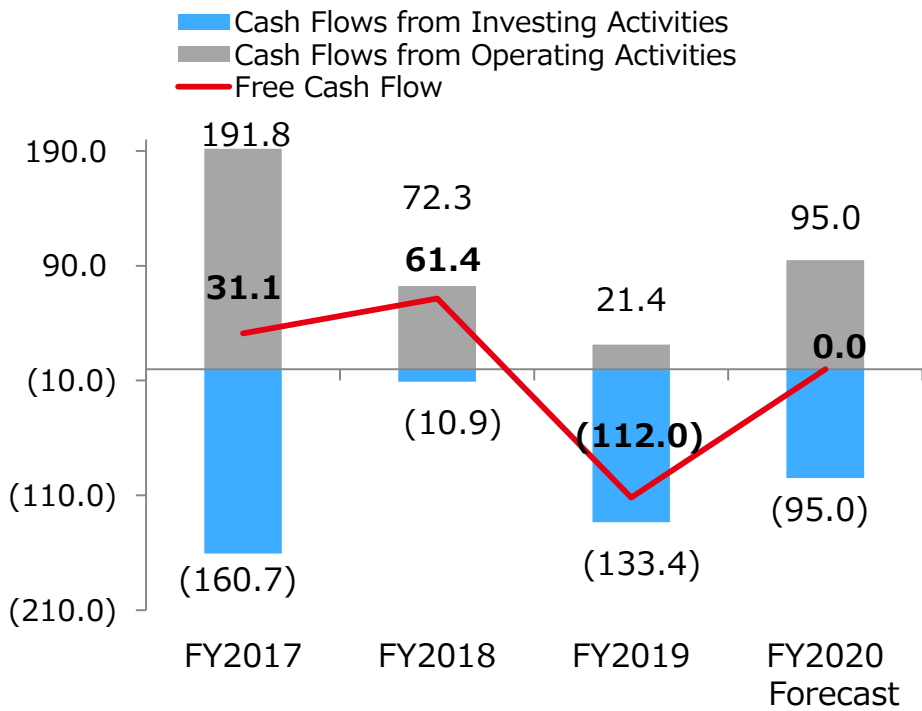
- Kobe Steel takes its financial condition, business performance, future capital needs and other factors into overall consideration as a basis to pay continuous and stable dividends. The target dividend payout ratio is 15% - 25% of net income attributable to owners of the parent.
- Kobe Steel has regrettably passed a resolution to adopt a policy to forgo the interim dividend for fiscal 2020 as it anticipates posting net loss attributable to owners of the parent in the first half of the fiscal year and for the full fiscal year in the earnings forecast announced today. The year-end dividend for fiscal 2020 has not yet been determined.

	FY2019			FY2020		
	Interim	Year-end		Interim	Year-end	
Dividends per share in yen	–	–	–	–	Undetermined	Undetermined
Dividend per net assets			–			

- Kobe Steel is undertaking the following actions in response to rapid deterioration of the business environment due to the impact of COVID-19.
 - Maximum control of spending on production that thoroughly meets demand
 - Detailed money management, including for Group companies, and implementation of necessary measures
 - Freezing of capital investments and other investments/loans excluding replacement investment necessary for business operation
- Kobe Steel initially planned cash flow improvement measures of 120 billion yen by reducing inventory, selling assets, carefully selecting capital investments, etc. It has now reached a cumulative total on the scale of 130 billion yen. (38.0 billion yen in 1Q)
- Additional measures are under consideration with the highest priority placed on achieving financial soundness (D/E ratio of 1x or less).

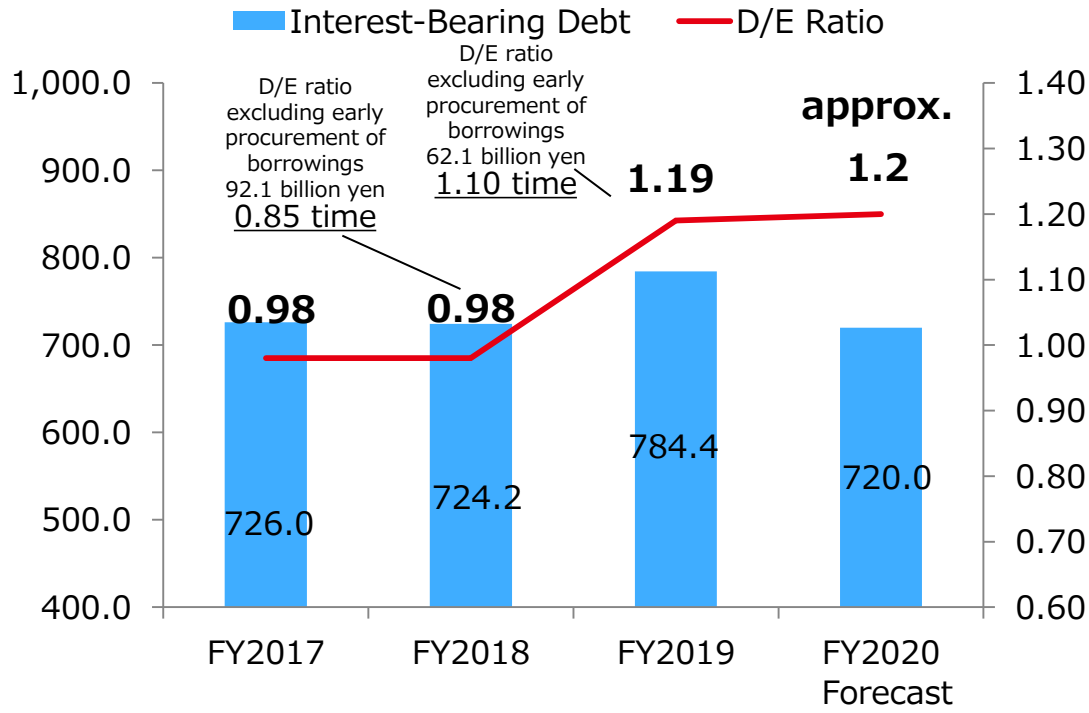
Billions of yen

《Free Cash Flow》



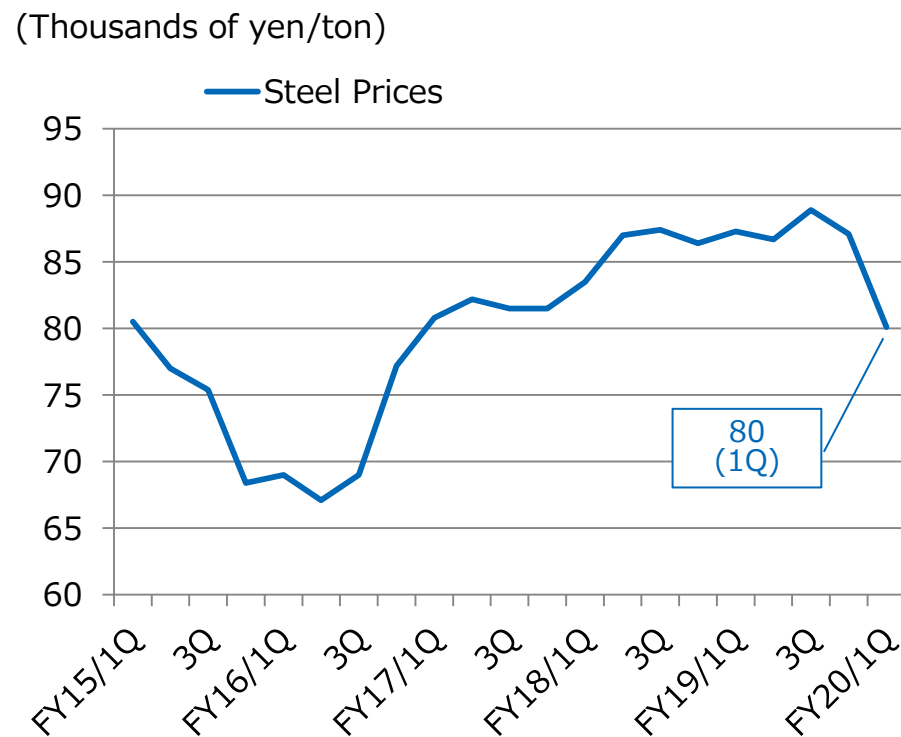
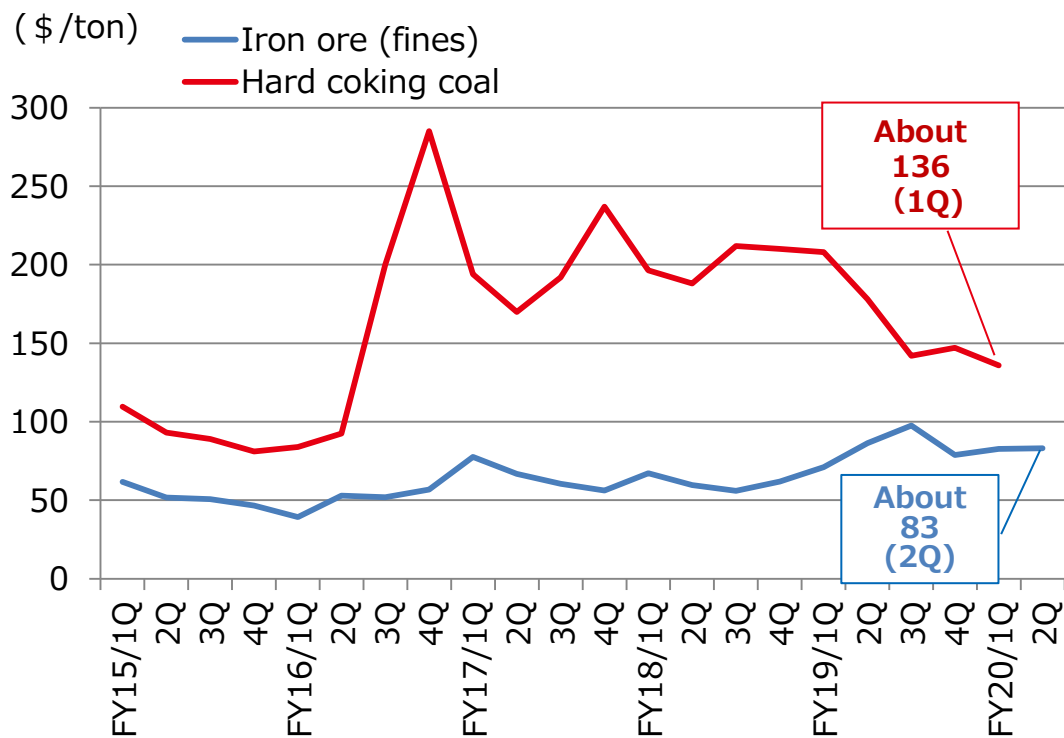
※Project finance is not included in free cash flow and the D/E ratio.

《Interest-Bearing Debt & D/E Ratio》



3 . Reference Information

		FY2019 Actual				FY2020	
		1Q	1H	2H	Full Year	1Q Actual	Full Year
Domestic crude steel Production	(Millions of tons)	26.12	50.67	47.74	98.42	18.10	approx. 80.00
Domestic inventory level	(Millions of tons)	6.12	5.94	5.79	5.79	5.92	End of May advance figures
Inventory level of three types of steel sheets	(Millions of tons)	4.57	4.44	4.39	4.39	4.30	End of June advance figures
Domestic auto production	(Millions of cars)	2.42	4.83	4.67	9.49	0.75	Apr.-May total



		FY2019 Actual				FY2020 Forecast		
		1Q	1H	2H	Full Year	1Q Actual	1H	Full Year
Crude steel production	(Millions of tons)	1.72	3.39	3.11	6.50	1.17	approx. 2.40	approx. 5.40
Sales volume of steel products	(Millions of tons)	1.36	2.73	2.57	5.30	0.97	approx. 1.95	approx. 4.35
(Domestic)		1.02	2.00	1.93	3.93	0.67		
(Exports)		0.35	0.73	0.64	1.37	0.30		
Average steel selling price	(Thousands of yen/ton)	87.3	86.7	87.1	86.9	80.1		
Export ratio (value basis)		25.3%	25.4%	23.4%	24.4%	26.4%	approx. 25%	approx. 24%
Aluminum rolled products	(Thousands of tons)	79	152	147	299	73	approx. 155	approx. 300
(Domestic)		65	122	115	237	60		
(Overseas)		14	30	32	62	12		
Aluminum extrusions	(Thousands of tons)	9	17	17	34	7	approx. 10	approx. 30
(Domestic)		8	16	16	33	6		
(Overseas)		0	1	1	1	0		
Copper rolled products	(Thousands of tons)	13	26	27	53	10	approx. 20	approx. 45
Copper tubes	(Thousands of tons)	23	44	38	82	19	approx. 30	approx. 65
Welding materials	(Thousands of tons)	75	148	140	288	64	approx. 125	approx. 255
(Domestic)		32	65	60	125	25		
(Overseas)		42	83	80	163	38		

Steel products

(Billions of yen)

		FY2019 Actual		FY2020 Forecast			
		1Q	Full Year	1Q Actual	1H	2H	Full Year
	Iron ore	1.0	2.0	0.5	0.5	1.0	1.5
	Coal	(0.5)	(2.5)	(0.5)	(1.5)	0.0	(1.5)
	Carry Over	0.5	(0.5)	0.0	(1.0)	1.0	0.0
	Average method	1.0	2.5	3.0	1.5	(6.5)	(5.0)
	Lower-of-cost-or-market method	0.0	(2.5)	(10.5)	(13.5)	12.0	(1.5)
	Inventory Valuation	1.0	0.0	(7.5)	(12.0)	5.5	(6.5)

Aluminum rolled products

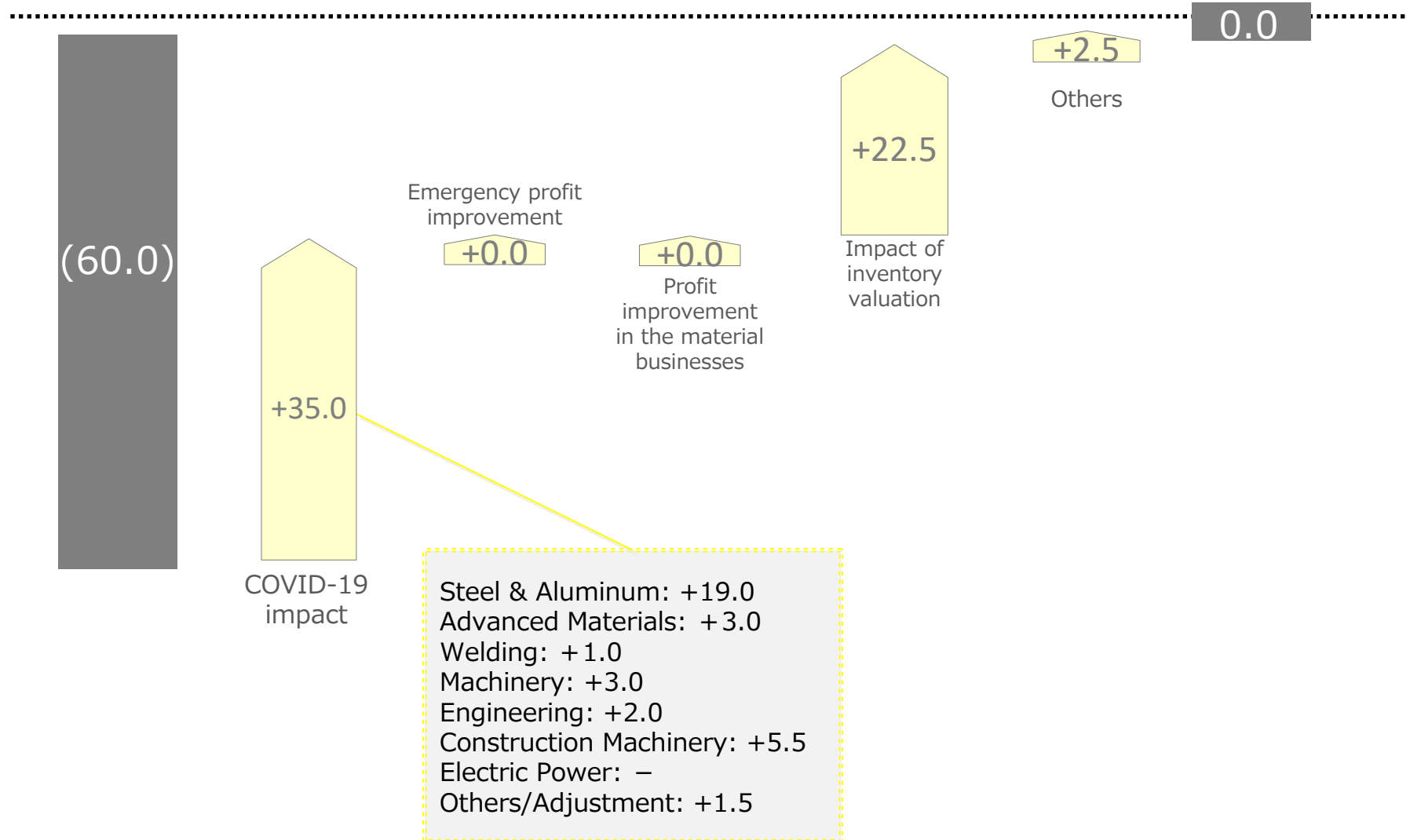
(Billions of yen)

		FY2019 Actual		FY2020 Forecast			
		1Q	Full Year	1Q Actual	1H	2H	Full Year
	Average method	(0.5)	(2.0)	(1.0)	(2.0)	(0.5)	(2.5)
	Lower-of-cost-or-market method	0.0	0.0	(0.5)	0.0	0.0	0.0
	Inventory Valuation	(0.5)	(2.0)	(1.5)	(2.0)	(0.5)	(2.5)

【Ordinary Income (Loss), Factors for Increase/Decrease (Billions of yen)】

FY2020
 1H

FY2020
 2H



(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast ②	Change ②-①
Cash Flows from Operating Activities	21.4	95.0	73.6
Cash Flows from Investing Activities	(133.4)	(95.0)	38.4
Free Cash Flow (excluding project financing)	(112.0)	0.0	112.0
Free Cash Flow (including project financing)	(191.9)	(65.0)	126.9
Cash and Deposits (excluding project financing)	134.9	60.0	(74.9)

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast ②	Change ②-①
Capital Investment (accrual basis)	239.8	165.0	(74.8)
Capital Investment (payment basis)	245.3	180.0	(65.3)
Depreciation	105.3	105.0	(0.3)

	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
ROS ※1	3.8%	1.8%	(0.4%)	(3.7%)
Net Income (Loss) per Share	174.43 yen	99.20 yen	(187.55 yen)	(96.49 yen)
Outside Debt	738.8 billion yen	760.3 billion yen	906.6 billion yen	920.0 billion yen
Outside Debt Excluding Debt from IPP project financing	726.0 billion yen	724.2 billion yen	784.4 billion yen	720.0 billion yen
D/E Ratio ※2	0.98 time	※3 0.98 time	※4 1.19 time	approx. 1.2 time
ROA ※5	3.1%	1.5%	(0.3%)	(2.4%)
ROE ※6	8.9%	4.8%	(9.7%)	(5.5%)

※1: ROS: Ordinary Income / Net Sales

※2: D/E ratio: Debt (excluding IPP project finance) / Stockholders' Equity

※3: Includes early procurement of borrowings for FY2019 (92.1 billion yen)

D/E Ratio 0.85 time (excluding early procurement of borrowings)

※4: Includes early procurement of borrowings for FY2020 (62.1 billion yen)

D/E Ratio 1.10 time (excluding early procurement of borrowings)

※5: ROA: Ordinary Income / Total Assets

※6: Net Income Attributable to Owners of the Parent / Stockholders' Equity

KOBELCO's View of the Future

Our view of a society and future to be attained as we carry out KOBELCO's mission

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.

KOBELCO's Mission

Our mission and the social significance of the Kobe Steel Group that we must fulfill

Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies.

Core Values of KOBELCO

The Core Values are the commitments of the Kobe Steel Group to society and express the values shared by the Entire Kobe Steel Group

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

Six Pledges of KOBELCO Men and Women

Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Heightened Sense of Ethics and Professionalism 2. Contribution to the Society by Providing Superior Products and Services | <ol style="list-style-type: none"> 3. Establishing a Comfortable but Challenging Work Environment 4. Living in Harmony with Local Community 5. Contribution to a Sustainable Environment 6. Respect for Each Stakeholder |
|---|--|

Quality Charter

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
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 - Products and services of competing companies, pricing policy, alliances, and business development including M&As
 - Strategy changes of alliance partners