

(In billions of yen)

	FY2018 1Q ①	FY2019 1Q ②	Change ②-①
Net Sales	478.3	464.4	(13.8)
Operating Income	13.8	2.7	(11.0)
Ordinary Income (loss)	12.7	(0.5)	(13.2)
Extraordinary Income	※1 3.9	—	(3.9)
Net Income (loss) Attributable to Owners of the Parent	12.6	(1.1)	(13.8)

※1 Gain on acquisition of subsidiary: 3.9 billion yen
(Turning Shinko Wire Company, Ltd. into a subsidiary)

Consolidated Forecast for FY2019

(In billions of yen)

	FY2018	FY2019 Previous Forecast		FY2019 Forecast		Change		
	①	1st half ②	Full year ③	1st half ④	Full year ⑤	④-②	⑤-③	⑤-①
Net Sales	1,971.8	1,010.0	2,070.0	980.0	2,000.0	(30.0)	(70.0)	+28.1
Operating Income	48.2	5.0	45.0	0.0	25.0	(5.0)	(20.0)	(23.2)
Ordinary Income	34.6	0.0	30.0	(10.0)	10.0	(10.0)	(20.0)	(24.6)
Extraordinary Income	14.3	—	—	—	—	—	—	(14.3)
Net Income Attributable to Owners of the Parent	35.9	0.0	25.0	0.0	10.0	—	(15.0)	(25.9)

〈Exchange Rates〉

	FY2018 1Q	FY2018	FY2019 1Q	FY2019 2Q onward
1 U.S. dollar to yen	109	111	110	110
1 Chinese yuan to yen	17.1	16.5	16.1	16.0
1 Euro to yen	130	128	123	120

Dividends

- Kobe Steel aims to pay dividends on a continuous and stable basis. Dividends are decided after taking into full account the Company's financial condition, business performance, future capital needs and other factors.
- On this basis, in light of the earnings forecast for fiscal 2019, Kobe Steel passed a resolution to adopt a policy to forgo an interim dividend for the first half of fiscal 2019. The year-end dividend for fiscal 2019 has not yet been determined.

<Dividend Results >

	FY2016			FY2017			FY2018			FY2019(Forecast)		
	Interim	Year-end	Year	Interim	Year-end	Year	Interim	Year-end	Year	Interim	Year-end	Year
Dividends per share in yen	—	—	—	—	30.0	30.0	10.0	10.0	20.0	—	Undetermined	Undetermined

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

Consolidated Sales & Ordinary Income by Segment

(In billions of yen)

		FY2018 1Q ①	FY2019 1Q ②	Change ②-①
Iron & Steel	Net Sales	179.1	181.2	+2.0
	Ordinary Income (loss)	0.8	(1.5)	(2.3)
	Inventory Valuation	2.0	1.0	(1.0)
Welding	Net Sales	19.7	21.1	+1.4
	Ordinary Income	0.5	0.8	+0.2
Aluminum & Copper	Net Sales	93.1	88.2	(4.9)
	Ordinary Income (loss)	2.4	(3.1)	(5.6)
	Inventory Valuation	1.5	(1.0)	(2.5)
Machinery	Net Sales	44.2	399	(4.3)
	Ordinary Income	1.0	0.8	(0.1)
Engineering	Net Sales	25.0	28.4	+3.4
	Ordinary Income	0.4	0.8	+0.3
Construction Machinery	Net Sales	101.3	95.7	(5.6)
	Ordinary Income	7.5	4.0	(3.5)
Electric Power	Net Sales	14.0	15.2	+1.2
	Ordinary Loss	(0.0)	(1.6)	(1.5)
Other	Net Sales	14.5	5.7	(8.7)
	Ordinary Income (loss)	0.6	(0.4)	(1.0)
Adjustment	Net Sales	(12.9)	(11.2)	+1.6
	Ordinary Loss	(0.6)	(0.2)	+0.3
Total	Net Sales	478.3	464.4	(13.8)
	Ordinary Income (loss)	12.7	(0.5)	(13.2)

Consolidated Sales & Ordinary Income by Segment

Iron & Steel

- The sales volume of steel products was similar to the same period last year as demand remained firm mainly in the domestic automotive sector.
- Sales prices increased, compared with the same period last year, owing to efforts to improve prices following a rise in main raw material prices and other factors.
- Ordinary income turned into ordinary loss as the sales mix of products worsened owing to lower demand in the overseas automotive sector, lower profits from inventory valuation and other factors, although production costs improved.

(In billions of yen)

	FY2018 1Q ①	FY2019 1Q ②	Change ②-①
Net Sales	179.1	181.2	+2.0
Ordinary Income (loss)	0.8	(1.5)	(2.3)
Inventory Valuation	2.0	1.0	(1.0)

<Production and Sales>

Crude steel production (millions of tons)	1.72	1.72	(0.00)
Sales volume (millions of tons)	1.39	1.36	(0.03)
Export Ratio (value basis)	25.9%	25.3%	(0.6%)
Average steel prices (thousands of yen/t)	83.5	87.3	+3.8

<Factors Affecting Comparison>

FY2018 1Q 0.8 billion yen ⇒ FY2019 1Q (1.5 billion yen)

(In billions of yen)

Positive Factors		Negative Factors	
Production and shipments	+3.5	Raw material prices	(4.0)
Overall cost reduction	+1.5	Inventory valuation*	(1.0)
Subsidiaries & affiliates	+1.0	Exchange rate changes	(1.0)
		Other	(2.3)
Total	+6.0	Total	(8.3)

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

Consolidated Sales & Ordinary Income by Segment

Welding

- The sales volume of welding materials increased, compared with the same period last year, as demand was on a recovery trend in the shipbuilding sector mainly in East Asia and rose in China's energy sector, although demand was sluggish in Southeast Asia.
- Ordinary income increased owing to higher sales volume and other factors.

(In billions of yen)

	FY2018 1Q ①	FY2019 1Q ②	Change ②-①
Net Sales	19.7	21.1	+1.4
Ordinary Income	0.5	0.8	+0.2

Aluminum & Copper

- The sales volume of aluminum rolled products decreased, compared with the same period last year, as demand decreased in the semiconductor and IT sectors, although demand for aluminum can stock for beverage cans remained similar to the same period last year.
- The sales volume of copper rolled products decreased, compared with the same period last year, as demand for semiconductors and automotive terminals decreased.
- Ordinary income turned into ordinary loss, owing to lower sales volume, higher energy costs, worsened inventory valuation and other factors.

(In billions of yen)

	FY2018 1Q ①	FY2019 1Q ②	Change ②-①
Net Sales	93.1	88.2	(4.9)
Ordinary Income (loss)	2.4	(3.1)	(5.6)
Inventory Valuation	1.5	(1.0)	(2.5)

(In thousands of ton)

	FY2018 1Q ①	FY2019 1Q ②	Change ②-①
Aluminum Rolled Products	91	88	(2)
Copper Strips	15	13	(2)
Copper Tubes	22	23	+0

Consolidated Sales & Ordinary Income by Segment

Machinery

- Sales and profits declined owing to decreased sales from large projects mainly for compressors used in the petrochemical field.

(In billions of yen)

	FY2018 1Q ①	FY2019 1Q ②	Change ②-①
Net Sales	44.2	39.9	(4.3)
Ordinary Income	1.0	0.8	(0.1)

Engineering

- Sales and profits increased owing to progress in iron unit plants, waste treatment and other projects.

(In billions of yen)

	FY2018 1Q ①	FY2019 1Q ②	Change ②-①
Net Sales	25.0	28.4	+3.4
Ordinary Income	0.4	0.8	+0.3

Consolidated Sales & Ordinary Income by Segment

Construction Machinery

- Unit sales of hydraulic excavators decreased, compared with the same period last year, owing to a temporary decline in Southeast Asia, while increasing, compared with the same period last year, in Japan and China as demand remained firm and due to other factors.
- Unit sales of crawler cranes decreased, compared with the same period last year, owing to the impact of the crane collapse accident in 2018 and other factors.
- Sales decreased, owing to the impact of the high yen versus the euro and yuan, in addition lower sales volume of crawler cranes.
- Ordinary income decreased, compared with the same period last year, owing to profit deterioration of exports to Europe from the impact of the weak euro and fixed cost increases, in addition to lower sales volume in Southeast Asia.

(In billions of yen)

	FY2018 1Q ①	FY2019 1Q ②	Change ②-①
Net Sales	101.3	95.7	(5.6)
Ordinary Income	7.5	4.0	(3.5)

Electric Power

- Sales rose owing to higher sales prices of electricity due to the increase in coal prices.
- However, ordinary loss worsened as maintenance costs rose at the existing Kobe Power Plant for statutory inspections.

(In billions of yen)

	FY2018 1Q ①	FY2019 1Q ②	Change ②-①
Net Sales	14.0	15.2	+1.2
Ordinary Loss	(0.0)	(1.6)	(1.5)

Consolidated Forecast by Segment for FY2019

(In billions of yen)

		FY2018	FY2019		FY2019 Forecast		Change		
			①	Previous Forecast		1st half ④	Full year ⑤	④-②	⑤-③
		1st half ②		Full year ③					
Iron & Steel	Net Sales	753.9	385.0	795.0	370.0	790.0	(15.0)	(5.0)	+36.0
	Ordinary Income (loss)	4.7	(2.0)	8.0	(6.0)	0.0	(4.0)	(8.0)	(4.7)
	Inventory Valuation	3.5	2.0	4.0	3.5	3.5	+1.5	(0.5)	-
Welding	Net Sales	83.9	43.0	87.0	42.0	87.0	(1.0)	-	+3.0
	Ordinary Income	3.6	1.5	4.0	2.0	4.0	+0.5	-	+0.3
Aluminum & Copper	Net Sales	359.0	185.0	380.0	175.0	350.0	(10.0)	(30.0)	(9.0)
	Ordinary Loss	(1.5)	(4.5)	(4.0)	(8.0)	(12.0)	(3.5)	(8.0)	(10.4)
	Inventory Valuation	2.0	(1.5)	(2.0)	(2.0)	(2.5)	(0.5)	(0.5)	(4.5)
Machinery	Net Sales	171.4	84.0	185.0	81.0	173.0	(3.0)	(12.0)	+1.5
	Ordinary Income	1.2	0.5	4.5	0.0	4.0	(0.5)	(0.5)	+2.7
Engineering	Net Sales	151.7	67.0	150.0	66.0	151.0	(1.0)	+1.0	(0.7)
	Ordinary Income (loss)	6.5	2.0	6.0	(0.5)	6.0	(2.5)	-	(0.5)
Construction Machinery	Net Sales	386.0	215.0	410.0	210.0	395.0	(5.0)	(15.0)	+8.9
	Ordinary Income	25.5	9.0	16.0	8.0	11.5	(1.0)	(4.5)	(14.0)
Electric Power	Net Sales	76.1	37.0	84.0	35.0	79.0	(2.0)	(5.0)	+2.8
	Ordinary Income (loss)	(0.3)	(0.5)	6.5	(0.5)	6.5	-	-	+6.8
Other Businesses	Net Sales	42.0	15.0	35.0	14.0	35.0	(1.0)	-	(7.0)
	Ordinary Income	2.3	0.0	3.5	0.0	3.5	-	-	+1.1
Adjustment	Net Sales	(52.5)	(21.0)	(56.0)	(13.0)	(60.0)	+8.0	(4.0)	(7.4)
	Ordinary Loss	(7.5)	(6.0)	(14.5)	(5.0)	(13.5)	+1.0	+1.0	(5.9)
Total	Net Sales	1,971.8	1,010.0	2,070.0	980.0	2,000.0	(30.0)	(70.0)	+28.1
	Ordinary Income (loss)	34.6	0.0	30.0	(10.0)	10.0	(10.0)	(20.0)	(24.6)

Information that has not been released at the previous release is also included in "FY2019 Previous Forecast".

Consolidated Forecast by Segment for FY2019

Iron & Steel

- The sales volume of steel products is anticipated to be similar to the previous forecast. However, profits are anticipated to decline, impacted by a worsening in the sales mix of products on account of low demand from the overseas automotive sector.

(In billions of yen)

	FY2018 ①	FY2019 Previous Forecast		FY2019 Forecast		Change		
		1st half ②	Full year ③	1st half ④	Full year ⑤	④-②	⑤-③	⑤-①
	Net Sales	753.9	385.0	795.0	370.0	790.0	(15.0)	(5.0)
Ordinary Income (loss)	4.7	(2.0)	8.0	(6.0)	0.0	(4.0)	(8.0)	(4.7)
Inventory Valuation	3.5	2.0	4.0	3.5	3.5	+1.5	(0.5)	-

<Production and Sales>

	FY2018 ①	FY2019 Previous Forecast ②	FY2019 Forecast		Change	
			1st half	Full year③	③-②	③-①
Crude steel production (millions of tons)	6.91	approx. 7.15	approx. 3.50	approx. 7.15	approx. the same	+approx. 0.24
Sales volume (millions of tons)	5.62	approx. 5.85	approx. 2.85	approx. 5.85	approx. the same	+approx. 0.23
Export ratio (value basis)	24.9%		approx. 26%	approx. 25%		approx. the same

<Factors Affecting Comparison>

FY2019 Previous Forecast 8.0 billion yen ⇒ FY2019 Current Forecast 0.0 billion yen

(In billions of yen)

Positive Factors		Negative Factors	
Raw material prices	+1.0	Production and shipments	(9.0)
Other	+1.5	Inventory valuation*	(0.5)
		Exchange rate changes	(0.5)
		Subsidiaries & affiliates	(0.5)
Total	+2.5	Total	(10.5)

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

Consolidated Forecast by Segment for FY2019

Welding

- Ordinary income is anticipated to remain unchanged, compared with the previous forecast, as demand is forecast to remain firm mainly in Japan.

(In billions of yen)

	FY2018 ①	FY2019 Previous Forecast		FY2019 Forecast		Change		
		1st half ②	Full year ③	1st half ④	Full year ⑤	④-②	⑤-③	⑤-①
Net Sales	83.9	43.0	87.0	42.0	87.0	(1.0)	-	+3.0
Ordinary Income	3.6	1.5	4.0	2.0	4.0	+0.5	-	+0.3

Aluminum & Copper

- The sales volume of aluminum rolled products is anticipated to decrease, affected by U.S and Chinese trade friction and other factors.
- The sales volume of copper rolled products is also anticipated to decrease due to lower demand.
- Ordinary loss is expected to worsen, compared with the previous forecast, owing to the impact of worsened productivity from equipment trouble at some affiliated companies and other factors, in addition to lower sales volume.

(In billions of yen)

	FY2018 ①	FY2019 Previous Forecast		FY2019 Forecast		Change		
		1st half ②	Full year ③	1st half ④	Full year ⑤	④-②	⑤-③	⑤-①
Net Sales	359.0	185.0	380.0	175.0	350.0	(10.0)	(30.0)	(9.0)
Ordinary Loss	(1.5)	(4.5)	(4.0)	(8.0)	(12.0)	(3.5)	(8.0)	(10.4)
Inventory Valuation	2.0	(1.5)	(2.0)	(2.0)	(2.5)	(0.5)	(0.5)	(4.5)

<Sales Volume>

(In thousands of ton)

	FY2018 ①	FY2019 Previous Forecast ②	FY2019 Forecast		Change	
			1st half	Full year③	③-②	③-①
Aluminum Rolled Products	344	approx. 370	approx. 175	approx. 350	(approx. 20)	+approx. 6
Copper Strips	59	approx. 65	approx. 25	approx. 55	(approx. 10)	(approx. 4)
Copper Tubes	85	approx. 85	approx. 45	approx. 85	approx. the same	approx. the same

Consolidated Forecast by Segment for FY2019

Machinery

- Ordinary income is anticipated to decrease slightly, compared with the previous forecast, owing to the types of orders and other factors.

(In billions of yen)

	FY2018 ①	FY2019 Previous Forecast		FY2019 Forecast		Change		
		1st half ②	Full year ③	1st half ④	Full year ⑤	④-②	⑤-③	⑤-①
	Net Sales	171.4	84.0	185.0	81.0	173.0	(3.0)	(12.0)
Ordinary Income	1.2	0.5	4.5	0.0	4.0	(0.5)	(0.5)	+2.7

Engineering

- Ordinary income is anticipated to be similar to the previous forecast, owing to good progress in undertaking existing orders.

(In billions of yen)

	FY2018 ①	FY2019 Previous Forecast		FY2019 Forecast		Change		
		1st half ②	Full year ③	1st half ④	Full year ⑤	④-②	⑤-③	⑤-①
	Net Sales	151.7	67.0	150.0	66.0	151.0	(1.0)	+1.0
Ordinary Income (loss)	6.5	2.0	6.0	(0.5)	6.0	(2.5)	-	(0.5)

Construction Machinery

- Unit sales of hydraulic excavators are forecasted to decrease as competition from Chinese manufacturers intensify.
- Unit sales of crawler cranes are also forecasted to decrease owing to intensifying competition in Southeast Asia.
- Ordinary income is anticipated to decrease, compared with the previous forecast, owing to profit deterioration of exports to Europe from the high yen versus the euro, in addition to lower units sales.

(In billions of yen)

	FY2018 ①	FY2019 Previous Forecast		FY2019 Forecast		Change		
		1st half ②	Full year ③	1st half ④	Full year ⑤	④-②	⑤-③	⑤-①
Net Sales	386.0	215.0	410.0	210.0	395.0	(5.0)	(15.0)	+8.9
Ordinary Income	25.5	9.0	16.0	8.0	11.5	(1.0)	(4.5)	(14.0)

Electric Power

- Sales are anticipated to decrease, compared with the previous forecast, owing to lower coal prices.
- However, ordinary income is anticipated to remain unchanged from the previous forecast.

(In billions of yen)

	FY2018 ①	FY2019 Previous Forecast		FY2019 Forecast		Change		
		1st half ②	Full year ③	1st half ④	Full year ⑤	④-②	⑤-③	⑤-①
Net Sales	76.1	37.0	84.0	35.0	79.0	(2.0)	(5.0)	+2.8
Ordinary Income (loss)	(0.3)	(0.5)	6.5	(0.5)	6.5	-	-	+6.8

<Free Cash Flow>

(In billions of yen)

	FY2018 ①	FY2019 Previous Forecast ②	FY2019 Forecast ③	Change	
				③-②	③-①
Cash Flows from Operating Activities	72.3	60.0	35.0	(25.0)	(37.3)
Cash Flows from Investing Activities	(10.9)	(155.0)	(140.0)	+15.0	(129.0)
Free Cash Flow (Excluding project financing)	61.4	(95.0)	(105.0)	(10.0)	(166.4)
Free Cash Flow (Including project financing)	38.5	(210.0)	(220.0)	(10.0)	(258.5)
Cash and Deposits (Excluding project financing)	192.6	70.0	70.0	-	(122.6)

<Capital Investment>

(In billions of yen)

	FY2018 ①	FY2019 Forecast ②	Change
Capital Investment (Accrual Basis)	133.4	300.0	+166.5
Capital Investment (Payment Basis)	132.4	290.0	+157.5
Depreciation	102.5	110.0	+7.4

	FY2017	FY2018	FY2019 Forecast
R O S ^{*1}	3.8%	1.8%	0.5%
Net Income per share	174.43 yen	99.20 yen	27.60 yen
Outside debt ^{*2}	726.0 billion yen	724.2 billion yen	715.0 billion yen
D/E Ratio ^{*3}	0.98 times	0.98 times ^{*4}	approx. 1 time
R O A ^{*5}	3.1%	1.5%	0.4%
R O E ^{*6}	8.9%	4.8%	1.3%

*1:ROS : Ordinary Income / Net Sales

*2:Outside debt : Excludes Debt from IPP project financing

*3:D/E ratio: Debt (excluding IPP project finance)/Stockholders' Equity

*4:Includes early procurement of borrowings for FY2019 (92.1 billion yen)

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

*5:ROA : Ordinary Income / Total Assets

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

【Iron & Steel】 Quarterly Production and Sales of Steel Products (Non-consolidated)

	FY2018						
	1Q	2Q	1st half			2nd half	Full Year
				3Q	4Q		
Crude steel production (millions of tons)	1.72	1.66	3.39	1.69	1.83	3.52	6.91
Sales volume (millions of tons)	1.39	1.32	2.71	1.49	1.43	2.91	5.62
Sales prices (thousands of yen/ton)	83.5	87.0	85.2	87.4	86.4	86.9	86.1
Export ratio (value basis)	25.9%	25.5%	25.7%	25.0%	23.1%	24.1%	24.9%

	FY2019 Forecast				
	1Q	2Q	1st half	2nd half	Full Year
Crude steel production (millions of tons)	1.72	approx.1.80	approx.3.50	approx.3.65	approx.7.15
Sales volume (millions of tons)	1.36	approx.1.50	approx.2.85	approx.3.00	approx.5.85
Sales prices (thousands of yen/ton)	87.3				
Export ratio (value basis)	25.3%	approx.26%	approx.26%	approx.24%	approx.25%

[Iron & Steel] Factors Affecting Ordinary Income

FY2019 1st half (6.0 billion yen) ⇒ FY2019 2nd half 6.0 billion yen

(In billions of yen)

Positive Factors		Negative Factors	
Production and shipments	+11.0	Raw material prices	(5.5)
Overall cost reduction	+2.0	Inventory valuation*	(3.5)
Exchange rate changes	+0.5	Subsidiaries & affiliates	(1.5)
Other	+9.0		
Total	+22.5	Total	(10.5)

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

FY2018 4.7 billion yen ⇒ FY2019 Forecast 0.0 billion yen

(In billions of yen)

Positive Factors		Negative Factors	
Production and shipments	+25.5	Raw material prices	(24.5)
Overall cost reduction	+5.5	Exchange rate changes	(0.5)
		Subsidiaries & affiliates	(3.5)
		Other	(7.2)
Total	+31.0	Total	(35.7)