

# Supplementary Financial Information for First Half of Fiscal 2019

Kobe Steel, Ltd.  
November 6, 2019

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.

# Consolidated Financial Results for First Half of FY2019

(In billions of yen)

	FY2018 1H ①	FY2019 1H ②	Change ②-①	FY2019 Previous Forecast	
				1H ③	②-③
Net Sales	958.2	<b>944.4</b>	(13.7)	980.0	(35.6)
Operating Income	23.1	<b>7.4</b>	(15.6)	0.0	+7.4
Ordinary Income (Loss)	9.3	<b>1.4</b>	(7.8)	(10.0)	+11.4
Extraordinary Income (Loss)	※1,2 36.3	※3,4 <b>(4.1)</b>	(40.5)	—	(4.1)
Net Income (Loss) Attributable to Owners of the Parent	33.3	<b>(6.2)</b>	(39.6)	0.0	(6.2)

※1 Gain on acquisition of subsidiary: 4.8 billion yen (Turned Shinko Wire into a subsidiary)

※2 Gain on sale of investment securities: 31.4 billion yen (Sold 75 percent of shares held in Shinko Real Estate)

※3 Gain on sale of investment securities: 6.7 billion yen (Sold strategically held shares)

※4 Loss on valuation of investment securities: (10.8 billion yen)

# Consolidated Forecast for FY2019

(In billions of yen)

	FY2018 ①	FY2019			Change		FY2019 Previous Forecast	
		1H ②	2H Forecast ③	Full-year Forecast ④	③-②	④-①	Full year ⑤	④-⑤
Net Sales	1,971.8	944.4	1,025.6	<b>1,970.0</b>	+81.2	(1.8)	2,000.0	(30.0)
Operating Income	48.2	7.4	7.6	<b>15.0</b>	+0.2	(33.2)	25.0	(10.0)
Ordinary Income (Loss)	34.6	1.4	(1.4)	<b>0.0</b>	(2.8)	(34.6)	10.0	(10.0)
Extraordinary Income (Loss)	14.3	※1,2 (4.1)	—	<b>(4.1)</b>	+4.1	(18.4)	—	(4.1)
Net Income (Loss) Attributable to Owners of the Parent	35.9	(6.2)	1.2	<b>(5.0)</b>	+7.4	(40.9)	10.0	(15.0)

- ※1 Gain on sale of investment securities:  
6.7 billion yen (Sold strategically held shares)
- ※2 Loss on valuation of investment securities:  
(10.8 billion yen)

## 〈Exchange Rates〉

	FY2018 1H	FY2018	FY2019 1H	FY2019 2H onward
1 U.S. dollar to yen	110	111	109	110
1 Chinese yuan to yen	16.7	16.5	15.7	15.0
1 Euro to yen	130	128	121	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, as announced on August 2, Kobe Steel has regrettably passed a resolution to forgo the 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			FY2019	Change ②-①	FY2019 Previous Forecast	
		1H ①	2H	Full Year	1H ②		1H ③	②-③
Iron & Steel	Net Sales	359.5	394.4	753.9	365.2	+5.7	370.0	(4.8)
	<b>Ordinary Income (Loss)</b>	<b>(1.7)</b>	<b>6.4</b>	<b>4.7</b>	<b>(5.8)</b>	<b>(4.1)</b>	<b>(6.0)</b>	<b>+0.2</b>
	Inventory Valuation	0.5	3.0	3.5	–	(0.5)	3.5	(3.5)
Welding	Net Sales	39.8	44.1	83.9	43.1	+3.3	42.0	+1.1
	<b>Ordinary Income</b>	<b>0.9</b>	<b>2.6</b>	<b>3.6</b>	<b>1.8</b>	<b>+0.9</b>	<b>2.0</b>	<b>(0.2)</b>
Aluminum & Copper	Net Sales	181.3	177.7	359.0	170.2	(11.0)	175.0	(4.8)
	<b>Ordinary Income (Loss)</b>	<b>1.6</b>	<b>(3.2)</b>	<b>(1.5)</b>	<b>(8.3)</b>	<b>(10.0)</b>	<b>(8.0)</b>	<b>(0.3)</b>
	Inventory Valuation	2.0	–	2.0	(1.5)	(3.5)	(2.0)	+0.5
Machinery	Net Sales	84.2	87.2	171.4	80.4	(3.8)	81.0	(0.6)
	<b>Ordinary Income</b>	<b>0.8</b>	<b>0.3</b>	<b>1.2</b>	<b>2.3</b>	<b>+1.4</b>	<b>0.0</b>	<b>+2.3</b>
Engineering	Net Sales	55.4	96.3	151.7	61.4	+6.0	66.0	(4.6)
	<b>Ordinary Income</b>	<b>1.0</b>	<b>5.4</b>	<b>6.5</b>	<b>2.1</b>	<b>+1.1</b>	<b>(0.5)</b>	<b>+2.6</b>
Construction Machinery	Net Sales	204.9	181.1	386.0	197.8	(7.1)	210.0	(12.2)
	<b>Ordinary Income (Loss)</b>	<b>13.5</b>	<b>12.0</b>	<b>25.5</b>	<b>8.7</b>	<b>(4.7)</b>	<b>8.0</b>	<b>+0.7</b>
Electric Power	Net Sales	35.8	40.2	76.1	35.4	(0.4)	35.0	+0.4
	<b>Ordinary Income (Loss)</b>	<b>(3.6)</b>	<b>3.3</b>	<b>(0.3)</b>	<b>1.6</b>	<b>+5.2</b>	<b>(0.5)</b>	<b>+2.1</b>
Other	Net Sales	22.2	19.8	42.0	13.8	(8.4)	14.0	(0.2)
	<b>Ordinary Income</b>	<b>0.8</b>	<b>1.4</b>	<b>2.3</b>	<b>0.0</b>	<b>(0.8)</b>	<b>0.0</b>	<b>–</b>
Adjustment	Net Sales	(25.2)	(27.3)	(52.5)	(23.1)	+2.0	(13.0)	(10.1)
	<b>Ordinary Loss</b>	<b>(4.2)</b>	<b>(3.2)</b>	<b>(7.5)</b>	<b>(1.1)</b>	<b>+3.0</b>	<b>(5.0)</b>	<b>+3.9</b>
Total	Net Sales	958.2	1,013.6	1,971.8	944.4	(13.7)	980.0	(35.6)
	<b>Ordinary Income (Loss)</b>	<b>9.3</b>	<b>25.2</b>	<b>34.6</b>	<b>1.4</b>	<b>(7.8)</b>	<b>(10.0)</b>	<b>+11.4</b>

# 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 in Japan's automotive sector, but decreased mainly in the overseas automotive sector.
- Sales prices of steel products increased, compared with the same period last year, due to higher prices of the main raw materials.
- Ordinary loss worsened year on year, as the product mix of steel products worsened due to lower demand from the overseas automotive sector, although improvements were achieved in production costs.

(In billions of yen)

	FY2018 1H ①	FY2019 1H ②	Change ②-①
Net Sales	359.5	365.2	+5.7
<b>Ordinary Loss</b>	<b>(1.7)</b>	<b>(5.8)</b>	<b>(4.1)</b>
Inventory Valuation	0.5	-	(0.5)

### <Sales Volume>

Crude Steel Production (millions of tons)	3.39	3.39	+0.0
Sales Volume (millions of tons)	2.71	2.73	+0.2
Export Ratio (value basis)	25.7%	25.4%	(0.3%)
Average Steel Prices (thousands of yen/t)	85.2	86.7	+1.5

### <Factors Affecting Comparison>

FY2018 1H (1.7 billion yen) ⇒ FY2019 1H (5.8 billion yen)

(In billions of yen)

Positive Factors		Negative Factors	
Production and shipments	+4.0	Raw material prices	(12.0)
Overall cost reduction	+7.5	Inventory valuation*	(0.5)
Subsidiaries & affiliates	+1.0	Exchange rate changes	(1.0)
		Other	(3.1)
<b>Total</b>	<b>+12.5</b>	<b>Total</b>	<b>(16.6)</b>

\*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 stopped declining in the shipbuilding sector mainly in South Korea and demand increased in China's energy sector, although demand was sluggish in Thailand, Indonesia and other countries.
- Ordinary income increased owing to higher sales volume and other factors.

(In billions of yen)

	FY2018 1H ①	FY2019 1H ②	Change ②-①
Net Sales	39.8	43.1	+3.3
<b>Ordinary Income</b>	<b>0.9</b>	<b>1.8</b>	<b>+0.9</b>

## 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.
- The sales volume of copper rolled products decreased, compared with the same period last year, as demand decreased for semiconductors and automotive terminals.
- Ordinary income turned to ordinary loss owing to lower sales volume, higher energy costs, equipment trouble at a U.S. subsidiary that manufactures suspension products, a worsening in inventory valuation, and other factors.

(In billions of yen)

	FY2018 1H ①	FY2019 1H ②	Change ②-①
Net Sales	181.3	170.2	(11.0)
<b>Ordinary Income (Loss)</b>	<b>1.6</b>	<b>(8.3)</b>	<b>(10.0)</b>
Inventory Valuation	2.0	(1.5)	(3.5)

<Sales Volume>

(In thousands of tons)

Aluminum Rolled Products	175	169	(6)
Copper Strips	29	26	(3)
Copper Tubes	43	44	+0

# Consolidated Sales & Ordinary Income by Segment

## Machinery

- Segment sales decreased, compared with the same period last year, because of the large posting of sales from large orders of compressors mainly used in the petrochemical sector in the first half of the previous fiscal year.
- Ordinary income increased owing to improvement in the profitability of orders and to higher demand for after-sales services.

(In billions of yen)

	FY2018 1H ①	FY2019 1H ②	Change ②-①
Net Sales	84.2	80.4	(3.8)
<b>Ordinary Income</b>	<b>0.8</b>	<b>2.3</b>	<b>+1.4</b>

### <Orders>

(In billions of yen)

	FY2018			FY2019	Change ②-①
	1H ①	2H	Full Year	1H ②	
Domestic	31.9	29.2	61.2	27.6	(4.3)
Export	40.5	69.9	110.4	52.8	+12.2
Total	72.5	99.1	171.7	80.5	+7.9

### <Backlog of Orders>

(In billions of yen)

	FY2018		FY2019	Change ②-①
	1H	2H ②	1H ②	
Domestic	45.4	43.2	40.8	(2.4)
Export	83.4	113.3	118.2	+4.8
Total	128.9	156.6	159.0	+2.4



# Consolidated Sales & Ordinary Income by Segment

## Engineering

- Both sales and profits increased owing to the progress of projects for direct reduction plants and waste treatment facilities.

(In billions of yen)

	FY2018 1H ①	FY2019 1H ②	Change ②-①
Net Sales	55.4	61.4	+6.0
<b>Ordinary Income</b>	<b>1.0</b>	<b>2.1</b>	<b>+1.1</b>

### <Orders>

(In billions of yen)

	FY2018			FY2019	Change ②-①
	1H ①	2H	Full Year	1H ②	
Domestic	51.9	38.5	90.5	68.5	+16.5
Export	20.2	11.8	32.1	7.6	(12.5)
<b>Total</b>	<b>72.2</b>	<b>50.4</b>	<b>122.6</b>	<b>76.1</b>	<b>+3.9</b>

### <Backlog of Orders>

(In billions of yen)

	FY2018		FY2019	Change ②-①
	1H	2H ①	1H ②	
Domestic	116.4	104.2	134.4	+30.1
Export	84.8	65.1	47.0	(18.1)
<b>Total</b>	<b>201.2</b>	<b>169.3</b>	<b>181.4</b>	<b>+12.0</b>

### (Reference)

(In billions of yen)

	FY2018			FY2019	Change ②-①
	1H ①	2H	Full Year	1H ②	
Orders	65.1	84.0	149.1	69.6	+4.5

(In billions of yen)

	FY2018		FY2019	Change ②-①
	1H	2H ①	1H ②	
Backlog of Orders	288.1	297.3	302.9	+5.6

Numbers in the Financial Results + Numbers in Operation & Maintenance (※) (Reference) (※)  
Including sales for waste treatment and water treatment (Kobelco Eco-Solutions)

# Consolidated Sales & Ordinary Income by Segment

## Construction Machinery

- Unit sales of hydraulic excavators were higher than the same period last year in Japan owing to firm domestic demand. Unit sales overseas decreased year on year owing to a temporary decline in demand in Southeast Asia, although demand in China remained firm.
- Unit sales of crawler cranes decreased, compared with the same period last year, as competition intensified from overseas manufacturers mainly in Southeast Asia.
- Sales decreased due to changes in the composition of hydraulic excavators sold in China and the fewer number of hydraulic excavators sold in Southeast Asia.
- Ordinary income decreased owing to lower sales, higher fixed costs (labor costs), and other factors.

(In billions of yen)

	FY2018 1H ①	FY2019 1H ②	Change ②-①
Net Sales	204.9	197.8	(7.1)
<b>Ordinary Income</b>	<b>13.5</b>	<b>8.7</b>	<b>(4.7)</b>

## Electric Power

- The amount of electricity sold was higher than the same period last year owing to the difference in the number of days for equipment inspection, maintenance and repairs. The unit price of electricity decreased, compared with the same period last year, as it was affected by the fall in prices of coal for power generation. As a result, segment sales were similar to the same period last year.
- Ordinary income increased, compared with the same period last year, which incurred temporary costs for financing a new electric power generation project in Kobe.

(In billions of yen)

	FY2018 1H ①	FY2019 1H ②	Change ②-①
Net Sales	35.8	35.4	(0.4)
<b>Ordinary Income (Loss)</b>	<b>(3.6)</b>	<b>1.6</b>	<b>+5.2</b>

# Consolidated Forecast by Segment for FY2019

(In billions of yen)

		FY2018	FY2019			Change		FY2019 Previous Forecast	
			①	1H ②	2H Forecast ③	Full-year Forecast ④	③-②	④-①	Full Year ⑤
		Iron & Steel	Net Sales	753.9	365.2	394.8	760.0	+29.6	+6.1
	<b>Ordinary Income (Loss)</b>	<b>4.7</b>	<b>(5.8)</b>	<b>0.8</b>	<b>(5.0)</b>	<b>+6.6</b>	<b>(9.7)</b>	<b>0.0</b>	<b>(5.0)</b>
	Inventory Valuation	3.5	-	4.5	4.5	+4.5	+1.0	3.5	+1.0
Welding	Net Sales	83.9	43.1	41.9	85.0	(1.2)	+1.1	87.0	(2.0)
	<b>Ordinary Income</b>	<b>3.6</b>	<b>1.8</b>	<b>1.2</b>	<b>3.0</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>4.0</b>	<b>(1.0)</b>
Aluminum & Copper	Net Sales	359.0	170.2	179.8	350.0	+9.6	(9.0)	350.0	-
	<b>Ordinary Loss</b>	<b>(1.5)</b>	<b>(8.3)</b>	<b>(12.7)</b>	<b>(21.0)</b>	<b>(4.4)</b>	<b>(19.5)</b>	<b>(12.0)</b>	<b>(9.0)</b>
	Inventory Valuation	2.0	(1.5)	(2.5)	(4.0)	(1.0)	(6.0)	(2.5)	(1.5)
Machinery	Net Sales	171.4	80.4	93.6	174.0	+13.2	+2.6	173.0	+1.0
	<b>Ordinary Income</b>	<b>1.2</b>	<b>2.3</b>	<b>2.7</b>	<b>5.0</b>	<b>+0.4</b>	<b>+3.8</b>	<b>4.0</b>	<b>+1.0</b>
Engineering	Net Sales	151.7	61.4	86.6	148.0	+25.2	(3.7)	151.0	(3.0)
	<b>Ordinary Income</b>	<b>6.5</b>	<b>2.1</b>	<b>3.9</b>	<b>6.0</b>	<b>+1.8</b>	<b>(0.5)</b>	<b>6.0</b>	-
Construction Machinery	Net Sales	386.0	197.8	192.2	390.0	(5.6)	+4.0	395.0	(5.0)
	<b>Ordinary Income</b>	<b>25.5</b>	<b>8.7</b>	<b>0.3</b>	<b>9.0</b>	<b>(8.4)</b>	<b>(16.5)</b>	<b>11.5</b>	<b>(2.5)</b>
Electric Power	Net Sales	76.1	35.4	41.6	77.0	+6.2	+0.9	79.0	(2.0)
	<b>Ordinary Income (Loss)</b>	<b>(0.3)</b>	<b>1.6</b>	<b>4.9</b>	<b>6.5</b>	<b>+3.3</b>	<b>+6.8</b>	<b>6.5</b>	-
Other	Net Sales	42.0	13.8	19.2	33.0	+5.4	(9.0)	35.0	(2.0)
	<b>Ordinary Income (Loss)</b>	<b>2.3</b>	-	<b>3.0</b>	<b>3.0</b>	<b>+3.0</b>	<b>+0.7</b>	<b>3.5</b>	<b>(0.5)</b>
Adjustment	Net Sales	(52.5)	(23.1)	(23.9)	(47.0)	(0.8)	+5.5	(60.0)	+13.0
	<b>Ordinary Loss</b>	<b>(7.5)</b>	<b>(1.1)</b>	<b>(5.4)</b>	<b>(6.5)</b>	<b>(4.3)</b>	<b>+1.0</b>	<b>(13.5)</b>	<b>+7.0</b>
Total	Net Sales	1,971.8	944.4	1,025.6	1,970.0	+81.2	(1.8)	2,000.0	(30.0)
	<b>Ordinary Income (Loss)</b>	<b>34.6</b>	<b>1.4</b>	<b>(1.4)</b>	<b>0.0</b>	<b>(2.8)</b>	<b>(34.6)</b>	<b>10.0</b>	<b>(10.0)</b>

# Consolidated Forecast by Segment for FY2019

## Iron & Steel

- Profits are anticipated to decline, compared with the previous forecast, owing to lower sales volume affected by decreased demand in the overseas automotive sector, industrial machinery sector, construction machinery and other fields, although efforts are being made to improve production costs.

(In billions of yen)

	FY2018 ①	FY2019			Change		FY2019 Previous Forecast	
		1H ②	2H Forecast ③	Full-year Forecast ④	③-②	④-①	Full Year ⑤	④-⑤
Net Sales	753.9	3,652	394.8	760.0	+29.6	+6.1	790.0	(30.0)
<b>Ordinary Income (Loss)</b>	<b>4.7</b>	<b>(5.8)</b>	<b>0.8</b>	<b>(5.0)</b>	<b>+6.6</b>	<b>(9.7)</b>	<b>0.0</b>	<b>(5.0)</b>
Inventory Valuation	3.5	-	4.5	4.5	+4.5	+1.0	3.5	+1.0

### <Production and Sales>

Crude steel production (millions of tons)	6.91	3.39	approx.3.40	approx.6.80	+approx.0.01	(approx.0.11)	approx.7.15	(approx.0.35)
Sales volume (millions of tons)	5.62	2.73	approx.2.80	approx.5.55	+approx.0.07	(approx.0.07)	approx.5.85	(approx.0.30)
Export ratio (value basis)	24.9%	25.4%	approx. 22%	approx. 24%	(approx. 3%)	(approx. 1%)	approx. 25%	(approx. 1%)

### <Factors Affecting Comparison>

FY2019 Previous Forecast 0.0 billion yen⇒ FY2019 Current Forecast (5.0 billion yen)

(In billions of yen)

Positive Factors		Negative Factors	
Raw material prices	+4.5	Production and shipments	(12.0)
Overall cost reduction	+1.5	Exchange rate changes	(0.5)
Inventory valuation*	+1.0	Other	(0.5)
Subsidiaries & affiliates	+1.0		
<b>Total</b>	<b>+8.0</b>	<b>Total</b>	<b>(13.0)</b>

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

# Consolidated Forecast by Segment for FY2019

## Welding

- Profits are anticipated to decline, compared with the previous forecast due to delay in demand recovery in the shipbuilding sector and sluggish demand in Southeast Asia.

(In billions of yen)

	FY2018 ①	FY2019			Change		FY2019 Previous Forecast	
		1H ②	2H Forecast ③	Full-year Forecast ④	③-②	④-①	Full Year ⑤	④-⑤
Net Sales	83.9	43.1	41.9	85.0	(1.2)	+1.1	87.0	(2.0)
<b>Ordinary Income</b>	<b>3.6</b>	<b>1.8</b>	<b>1.2</b>	<b>3.0</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>4.0</b>	<b>(1.0)</b>

## Aluminum & Copper

- The sales volume of aluminum rolled products is anticipated to decrease owing to lower demand for can stock for beverage containers.
- The sales volume of copper rolled products is anticipated to decrease as demand recovery is expected to be further delayed.
- Ordinary income is anticipated to worsen, compared with the previous forecast, taking into account lower sales volume, the worsened impact of inventory valuation, the prolonged impact of the trouble at a U.S. subsidiary that makes suspension products, and loss on the sale of the copper tube business.

(In billions of yen)

	FY2018 ①	FY2019			Change		FY2019 Previous Forecast	
		1H ②	2H Forecast ③	Full-year Forecast ④	③-②	④-①	Full Year ⑤	④-⑤
Net Sales	359.0	170.2	179.8	350.0	+9.6	(9.0)	350.0	-
<b>Ordinary Loss</b>	<b>(1.5)</b>	<b>(8.3)</b>	<b>(12.7)</b>	<b>(21.0)</b>	<b>(4.4)</b>	<b>(19.5)</b>	<b>(12.0)</b>	<b>(9.0)</b>
Inventory Valuation	2.0	(1.5)	(2.5)	(4.0)	(1.0)	(6.0)	(2.5)	(1.5)

<Sales Volume>

(In thousands of ton)

Aluminum Rolled Products	344	169	approx. 170	approx. 340	+approx. 1	(approx. 4)	approx. 350	(approx. 10)
Copper Strips	59	26	approx. 27	approx. 53	+approx. 1	(approx. 6)	approx. 55	(approx. 2)
Copper Tubes	85	44	approx. 40	approx. 85	(approx. 4)	approx. the same	approx. 85	approx. the same

# Consolidated Forecast by Segment for FY2019

## Machinery

- Ordinary income is anticipated to increase, compared with the previous forecast owing to improvement in the profitability and to higher demand for after-sales services.

(In billions of yen)

	FY2018 ①	FY2019			Change		FY2019 Previous Forecast	
		1H ②	2H Forecast ③	Full-year Forecast ④	③-②	④-①	Full Year ⑤	④-⑤
Net Sales	171.4	80.4	93.6	174.0	+13.2	+2.6	173.0	+1.0
<b>Ordinary Income</b>	<b>1.2</b>	<b>2.3</b>	<b>2.7</b>	<b>5.0</b>	<b>+0.4</b>	<b>+3.8</b>	<b>4.0</b>	<b>+1.0</b>
Orders	171.7	80.5	approx.80.0	approx160.0	(approx.0.5)	(approx.12.0)	approx160.0	approx. the same

## Engineering

- Owing to steady progress of existing orders, ordinary income is anticipated to remain similar to the previous forecast.

(In billions of yen)

	FY2018 ①	FY2019			Change		FY2019 Previous Forecast	
		1H ②	2H Forecast ③	Full-year Forecast ④	③-②	④-①	Full Year ⑤	④-⑤
Net Sales	151.7	61.4	86.6	148.0	+25.2	(3.7)	151.0	(3.0)
<b>Ordinary Income</b>	<b>6.5</b>	<b>2.1</b>	<b>3.9</b>	<b>6.0</b>	<b>+1.8</b>	<b>(0.5)</b>	<b>6.0</b>	<b>-</b>
Orders	122.6	76.1	approx.59.0	approx.135.0	(approx.17.0)	+approx.12.0	approx160.0	(approx.25.0)

# Consolidated Forecast by Segment for FY2019

## Construction Machinery

- The sales volume of hydraulic excavators is anticipated to decrease slightly, compared with the previous forecast, as demand is expected to decline in some parts of Southeast Asia and India, although domestic demand is anticipated to remain firm.
- The sales volume of crawler cranes is anticipated to remain at the same level as the previous forecast as large changes in the demand environment are not expected.
- Ordinary income is anticipated to decrease, compared with the previous forecast, owing to the high yen against the Chinese renminbi and lower profits from yen equivalents of the China business and additional posting of fixed costs (labor costs).

(In billions of yen)

	FY2018 ①	FY2019			Change		FY2019 Previous Forecast	
		1H ②	2H Forecast ③	Full-year Forecast ④	③-②	④-①	Full Year ⑤	④-⑤
Net Sales	386.0	197.8	192.2	390.0	(5.6)	+4.0	395.0	(5.0)
<b>Ordinary Income</b>	<b>25.5</b>	<b>8.7</b>	<b>0.3</b>	<b>9.0</b>	<b>(8.4)</b>	<b>(16.5)</b>	<b>11.5</b>	<b>(2.5)</b>

## Electric Machinery

- The Kobe Power Plant's No. 1 unit and No. 2 unit plan to provide a steady supply of electric power through continued steady operation.
- In addition, the No. 1 unit of the Moka Power Plant has been in commercial operation since October 2019.
- Ordinary income is anticipated to remain similar to the previous forecast.

(In billions of yen)

	FY2018 ①	FY2019			Change		FY2019 Previous Forecast	
		1H ②	2H Forecast ③	Full-year Forecast ④	③-②	④-①	Full Year ⑤	④-⑤
Net Sales	76.1	35.4	41.6	77.0	+6.2	+0.9	79.0	(2.0)
<b>Ordinary Income (loss)</b>	<b>(0.3)</b>	<b>1.6</b>	<b>4.9</b>	<b>6.5</b>	<b>+3.3</b>	<b>+6.8</b>	<b>6.5</b>	<b>-</b>

# Free Cash Flow & Capital Investment

## <Free Cash Flow>

(In billions of yen)

	FY2018 ①	FY2019 Forecast ②	Change ②-①	FY2019 Previous Forecast	
				Full Year ③	②-③
				Cash Flows from Operating Activities	72.3
Cash Flows from Investing Activities	(10.9)	<b>(140.0)</b>	(129.1)	(140.0)	–
Free Cash Flow (excluding project financing)	61.4	<b>(130.0)</b>	(191.4)	(105.0)	(25.0)
Free Cash Flow (including project financing)	38.5	<b>(240.0)</b>	(278.5)	(220.0)	(20.0)
Cash and Deposits (excluding project financing)	192.6	<b>70.0</b>	(122.6)	70.0	–

## <Capital Investment>

(In billions of yen)

	FY2018 ①	FY2019 Forecast ②	Change ②-①	FY2019 Previous Forecast	
				Full Year ③	②-③
				Capital Investment (accrual basis)	133.4
Capital Investment (payment basis)	132.4	<b>275.0</b>	+142.6	290.0	(15.0)
Depreciation	102.5	<b>105.0</b>	+2.5	110.0	(5.0)



# Financial Index

	FY2017	FY2018	FY2019 Forecast
RO S <sup>*1</sup>	3.8%	1.8%	0.0%
Net Income (Loss) per Share	174.43 yen	99.20 yen	(13.78 yen)
Outside Debt <sup>*2</sup>	726.0 billion yen	724.2 billion yen	735.0 billion yen
D/E Ratio <sup>*3</sup>	0.98 times	0.98 times <sup>*4</sup>	approx. 1 time
RO A <sup>*5</sup>	3.1%	1.5%	0.0%
RO E <sup>*6</sup>	8.9%	4.8%	(0.7%)

\*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						
							Full Year
	1Q	2Q	1st Half	3Q	4Q	2nd Half	
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	1.67	3.39	approx.3.40	approx.6.80
Sales Volume (millions of tons)	1.36	1.36	2.73	approx.2.80	approx.5.55
Sales Prices (thousands of yen/ton)	87.3	86.1	86.7		
Export Ratio (value basis)	25.3%	25.5%	25.4%	approx.22%	approx.24%

# 【Iron & Steel】 Factors Affecting Ordinary Income

## **FY2019 1st Half (5.8 billion yen)⇒ FY2019 2nd Half 0.8 billion yen**

(In billions of yen)

Positive Factors		Negative Factors	
Production and Shipments	+12.0	Raw Material Prices	(2.0)
Inventory Valuation*	+4.5	Overall Cost	(2.0)
Exchange Rate Changes	+0.5	Subsidiaries & Affiliates	(3.5)
		Other	(2.9)
<b>Total</b>	<b>+17.0</b>	<b>Total</b>	<b>(10.4)</b>

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

## **FY2018 4.7 billion yen⇒ FY2019 Forecast (5.0 billion yen)**

(In billions of yen)

Positive Factors		Negative Factors	
Production and Shipments	+13.5	Raw Material Prices	(20.0)
Overall cost Reduction	+7.0	Exchange Rate Changes	(1.0)
Inventory Valuation*	+1.0	Subsidiaries & Affiliates	(2.5)
		Other	(7.7)
<b>Total</b>	<b>+21.5</b>	<b>Total</b>	<b>(31.2)</b>

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