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Announcement on the Difference between the Forecast and Actual Results for the First Half of Fiscal 2020 and Revision to Earnings Forecast for Fiscal 2020, ending March 31, 2021

Kobe Steel, Ltd. announces that a difference has arisen between the consolidated/nonconsolidated forecast for the first half of fiscal 2020 (April 1, 2020–September 30, 2020) announced on August 6, 2020 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 6, 2020 for the full fiscal year (April 1, 2020–March 31, 2021) as follows:

1. Difference between the forecast and the actual results

Difference between the consolidated forecast and the actual results for the first half of fiscal 2020 (April 1– September 30, 2020)

	Net Sales	Operating income (loss)	Ordinary income (loss)	Net loss attributable to owners of the parent	Net loss per share
Previous forecast (A)	770,000	(50,000)	(60,000)	(35,000)	(96.49) yen
Actual result (B)	776,406	(27,142)	(35,259)	(15,209)	(41.93) yen
Change (B-A)	6,406	22,857	24,740	19,790	
% change	0.8%	-	-	-	
FY2019 results for the same period	944,464	7,443	1,493	(6,281)	(17.32) yen

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

Difference between the nonconsolidated forecast and the actual results for the first half of fiscal 2020 (April 1– September 30, 2020)

	Net Sales	Ordinary income (loss)	Net income (loss)	Net income (loss) per share
Previous forecast (A)	410,000	(55,000)	(30,000)	(82.56) yen
Actual result (B)	410,153	(34,907)	(15,795)	(43.47) yen
Change (B-A)	153	20,092	14,204	
% change	0.0%	-	-	
FY2019 results for the same period	501,612	1,907	179	0.49 yen

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

2. Reason for the difference between the forecast and actual results for the first half of fiscal 2020

In the previous earnings forecast announced on August 6, 2020, sales volume was anticipated to decrease significantly centered on the material businesses due to a decline in demand impacted by the novel coronavirus (COVID-19) outbreak. Although the economic environment has remained severe throughout the cumulative first-half period, earnings increased from the previous announcement owing to the recovery of demand that was earlier than anticipated mainly in the automotive sector, cost reduction efforts such as emergency profit improvement, cost improvement associated with a decreased reduction rate of steel production, improvement in impact of inventory valuation, and other factors.

3. Revision to fiscal 2020 forecast

Revision to fiscal 2020 consolidated forecast (April 1, 2020 – March 31, 2021)

	Net Sales	Operating income (loss)	Ordinary loss	Net loss attributable to owners of the parent	Net loss per share
Previous forecast (A)	1,640,000	(35,000)	(60,000)	(35,000)	(96.49) yen
Current forecast (B)	1,650,000	(15,000)	(35,000)	(15,000)	(41.35) yen
Change (B-A)	10,000	20,000	25,000	20,000	
% change	0.6%	-	-	-	
FY2019 results	1,869,835	9,863	(8,079)	(68,008)	(187.55) yen

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

Revision to fiscal 2020 nonconsolidated forecast (April 1, 2020 – March 31, 2021)

	Net Sales	Ordinary loss	Net loss	Net loss per share
Previous forecast (A)	880,000	(60,000)	(30,000)	(82.56) yen
Current forecast (B)	900,000	(35,000)	(15,000)	(41.28) yen
Change (B-A)	20,000	25,000	15,000	
% change	2.3%	-	-	
FY2019 results	995,447	(14,269)	(48,759)	(134.22) yen

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

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

In the materials businesses, demand in the automotive sector is recovering faster than anticipated compared to the previous earnings forecast announced on August 6, 2020, however, the impact of COVID-19 has become gradually apparent in the aircraft and shipbuilding sectors in the second quarter. Net sales are anticipated to be similar to the previous fiscal year considering the potential impact of the reduction and deferment of corporate capital investments mainly on the machinery businesses.

On the other hand, consolidated operating loss, ordinary loss, and net loss attributable to owners of the parent have been revised upward from the previous forecast, owing to companywide efforts for further profit improvement, cost improvement associated with a decreased reduction rate of steel production, improvement in inventory valuation, and other factors. In addition, nonconsolidated ordinary loss and net loss have also been revised upward 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.