

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

November 5, 2020
KOBELCO STEEL, LTD.

KOBELCO

1. Financial Results for the First Half of Fiscal 2020
2. Forecast for Fiscal 2020
3. Reference Information

1. Financial Results for the
First Half of Fiscal 2020

Both sales and profits decreased significantly year on year despite a recovery from the first quarter that was severely impacted by the global outbreak of the novel coronavirus (COVID-19). The economic environment remains challenging.

- Net sales····Decreased significantly in the materials and construction machinery businesses.
- Ordinary income (loss)··Decreased mainly in Steel & Aluminum, Engineering, and Construction Machinery.
Increased in Machinery and Electric Power.
- Extraordinary income (loss) ··Recorded gain on sale of fixed assets, and gain on sale of investment securities.

(In billions of yen)

	FY2019 1H ①	FY2020 1H ②	Change ②-①
Net Sales	944.4	776.4	(168.0)
Operating Income (Loss)	7.4	(27.1)	(34.5)
Ordinary Income (Loss)	1.4	(35.2)	(36.7)
Excluding Inventory Valuation	2.9	(24.7)	(27.7)
Extraordinary Income (Loss)	(4.1)	※ 13.6	17.7
Net Income (Loss) Attributable to Owners of the Parent	(6.2)	(15.2)	(8.9)

※Breakdown of Extraordinary Income (Loss)

-Extraordinary Income	
Gain on sale of fixed assets:	9.8 billion yen
Gain on step acquisitions:	3.2 billion yen
Gain on sale of investment securities:	3.1 billion yen
-Extraordinary Loss	
Loss on impairment:	(2.5) billion yen

	FY2019 1H	FY2020 1H
1 U.S dollar to yen	109	107
1 Chinese yuan to yen	15.7	15.3
1 Euro to yen	121	121

(Billions of yen)

Net Sales	FY2019	FY2020	Change	Ordinary Income (Loss)	FY2019	FY2020	Change
	1H	1H			1H	1H	
	①	②	②-①		③	④	④-③
Steel & Aluminum	396.0	311.2	(84.8)	Steel & Aluminum	(4.5)	(41.8)	(37.3)
Advanced Materials	149.6	105.3	(44.3)	Advanced Materials	(9.6)	(10.9)	(1.3)
Welding	43.1	34.7	(8.3)	Welding	1.8	0.6	(1.2)
Machinery	80.4	86.4	5.9	Machinery	2.3	4.1	1.8
Engineering	61.4	56.0	(5.4)	Engineering	2.1	(0.6)	(2.8)
Construction Machinery	197.8	161.8	(36.0)	Construction Machinery	8.7	4.7	(4.0)
Electric Power	35.4	37.0	1.5	Electric Power	1.6	8.1	6.5
Other Businesses	13.8	10.8	(2.9)	Other Businesses	0.0	0.7	0.6
Adjustment	(33.3)	(27.0)	6.3	Adjustment	(1.1)	(0.1)	1.0
Total	944.4	776.4	(168.0)	Total	1.4	(35.2)	(36.7)

(Billions of yen)

		FY2019 1H ①	FY2020 1H ②	Change ②-①
Steel products	Net Sales	330.0	245.2	(84.8)
	Ordinary Income (Loss)	(0.3)	(40.4)	(40.1)
	Excluding Inventory Valuation	(0.3)	(31.9)	(31.6)
Aluminum rolled products	Net Sales	65.9	65.9	0.0
	Ordinary Income (Loss)	(4.2)	(1.4)	2.8
	Excluding Inventory Valuation	(3.7)	0.0	3.8
Total	Net Sales	396.0	311.2	(84.8)
	Ordinary Income (Loss)	(4.5)	(41.8)	(37.3)
	Excluding Inventory Valuation	(4.0)	(31.8)	(27.8)

Ordinary Loss of 0.3 billion yen in FY2019 1H → Ordinary Loss of 40.4 billion yen in FY2020 1H (Down 40.1 billion yen from FY2019)

■ **Crude steel production:** 2.48 million tons (down 0.91 million tons year on year)

■ **Sales volume:** 2.04 million tons (down 0.68 million tons year on year)

- Decreased by and large centered on sales to the automobile industry due to the impact of COVID-19.

■ **Sales price:** 79,100 yen (down 7,600 yen year on year)

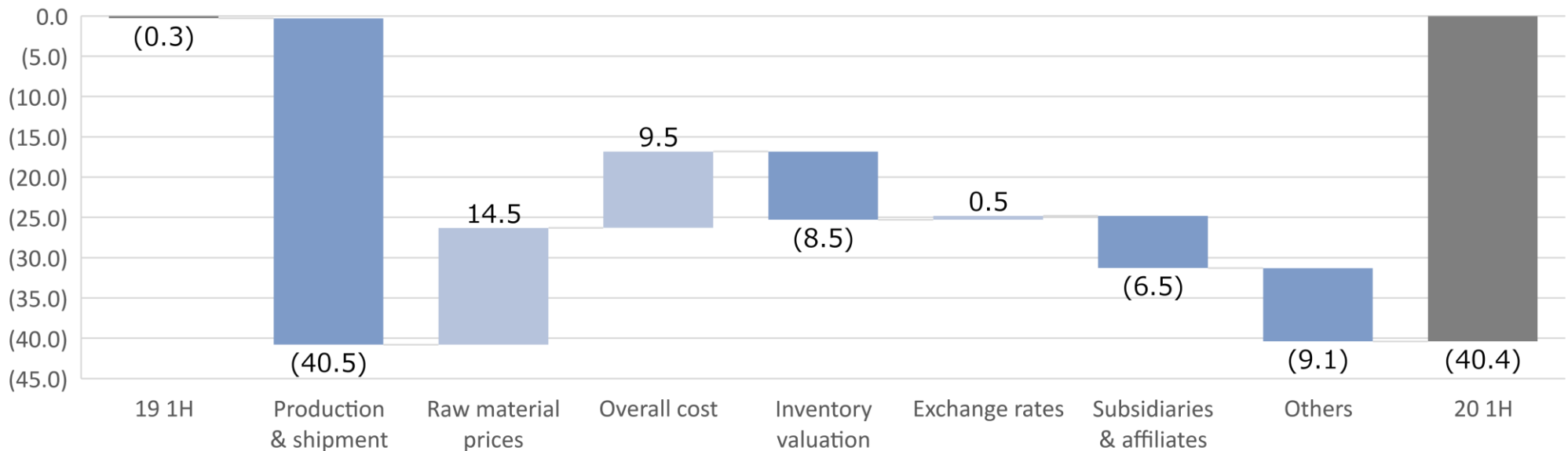
- A fall in prices of main materials
- A fall in export prices

■ **Factors affecting profit and loss**

- Decreased sales volume
- Improvement of metal spread
- Profit improvement through emergency profit improvement, base cost improvement, etc.
- Worsening inventory valuation

※Related data on P. 33-35

Steel products



Aluminum
rolled
products

Ordinary Loss of 4.2 billion yen in FY2019 1H → Ordinary Loss of 1.4 billion yen in FY2020 1H (up 2.8 billion yen from FY2020)

■ **Sales volume: 152 thousand tons (Similar to FY2019 1H)**

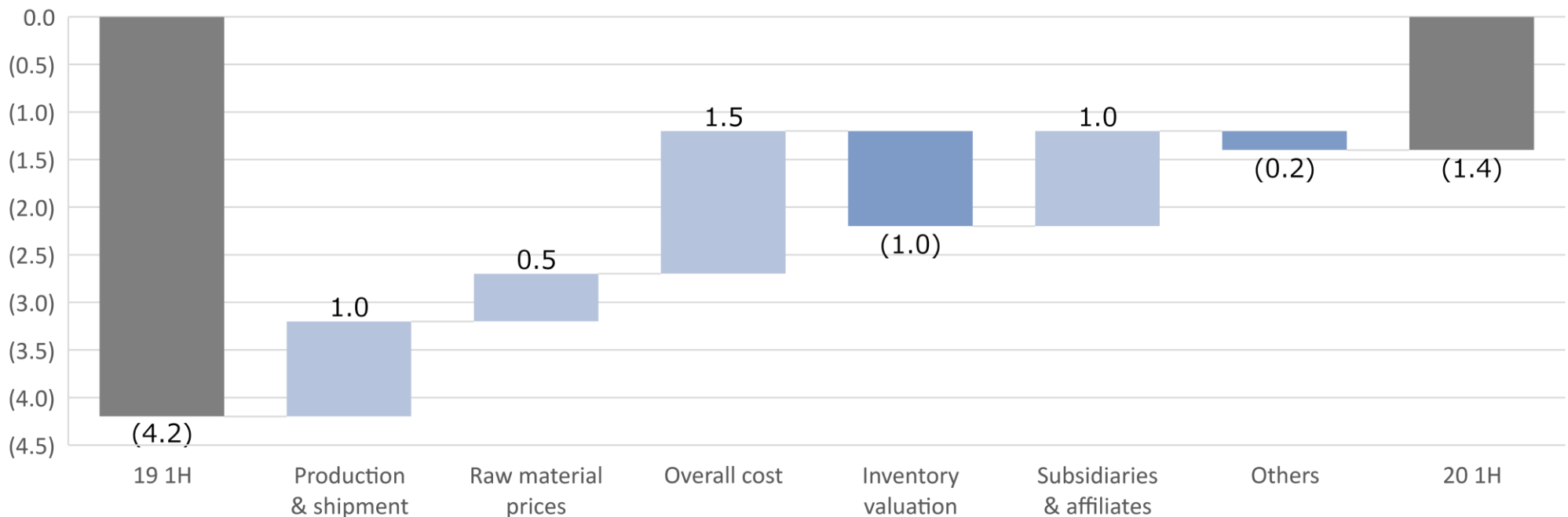
Despite a decrease in sales to the automotive sector due to the impact of COVID-19, an overall increase was seen in other areas

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

■ **Factors affecting profit and loss**

- Improvement of rolling margin
- Overall cost reduction through emergency profit improvement, base cost improvement, etc.
- Worsening inventory valuation

※Related data on P. 34-35



(Billions of yen)

	FY2019 1H ①	FY2020 1H ②	Change ②-①
Net Sales	149.6	105.3	(44.3)
Ordinary Income (Loss)	(9.6)	(10.9)	(1.3)
Excluding Inventory Valuation	(8.6)	(10.4)	(1.8)

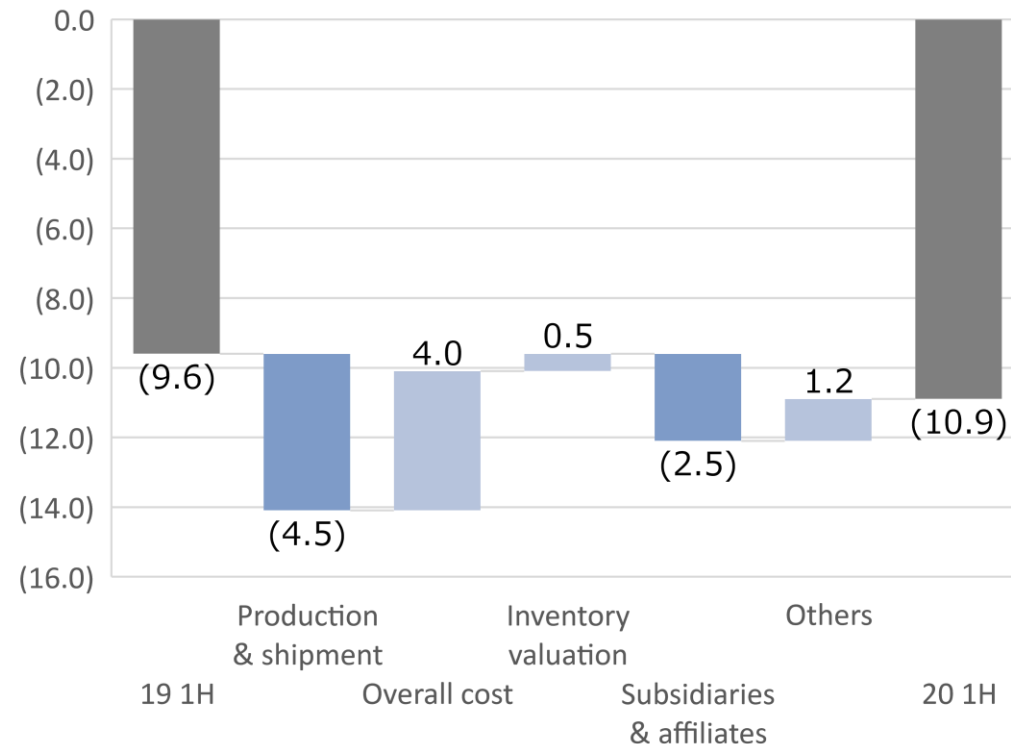
■ **Sales volume: Decreased**

- Decreased in the automotive, aircraft and shipbuilding sectors

■ **Factors affecting profit and loss**

- Overall cost reduction through emergency profit improvement, etc.
- Reduced depreciation by recording impairment loss in FY2019
- Worsening of earnings results of subsidiaries and affiliates due to the impact of COVID-19

※Related data on P. 34



(Billions of yen)

	FY2019 1H ①	FY2020 1H ②	Change ②-①
Net Sales	43.1	34.7	(8.3)
Ordinary Income (Loss)	1.8	0.6	(1.2)

■ Sales volume

- Welding materials: Decreased
 Domestic: Significantly decreased, affected by plant shutdowns in the automotive and construction machinery sectors due to the impact of COVID-19
 Overseas: Decreased in the automotive markets in China and Southeast Asia due to the impact of COVID-19
- Welding system (sales): Decreased
 Decreased due to the impact of COVID-19

■ Factors affecting profit and loss

- Decreased sales volume
- Cost reduction through emergency profit improvement and other measures

※Related data on P. 34

(Billions of yen)

	FY2019 1H ①	FY2020 1H ②	Change ②-①
Net Sales	80.4	86.4	5.9
Ordinary Income (Loss)	2.3	4.1	1.8
Orders	80.5	50.6	(29.8)
	End of FY2019 ①	End of FY2020 1H ②	Change ②-①
Backlog of Orders	155.1	136.1	(19.0)

■ **Orders: Decreased**

- Decreased both in the industrial machinery and compressor segments due to the impact of COVID-19, against the backdrop of reductions and deferment of capital investments

■ **Net sales: Increased, Profit: Increased**

- Making progress centered on the LNG shipbuilding and petrochemical sectors that saw strong orders in FY2019
- Cost reduction

(Billions of yen)

	FY2019 1H ①	FY2020 1H ②	Change ②-①
Net Sales	61.4	56.0	(5.4)
Ordinary Income (Loss)	2.1	(0.6)	(2.8)
Orders	※ 69.6	75.8	6.1
	End of FY2019 ①	End of FY2020 1H ②	Change ②-①
Backlog of Orders	※ 291.1	322.0	30.8

※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 1H and backlog of orders for the end of FY2019 have also been recounted based on the new method.

■ Orders: Increased

- A large project was ordered in the water treatment-related business.

■ Net sales: Decreased, Profit: Decreased

- Overseas projects were deferred due to the impact of COVID-19.

(Billions of yen)

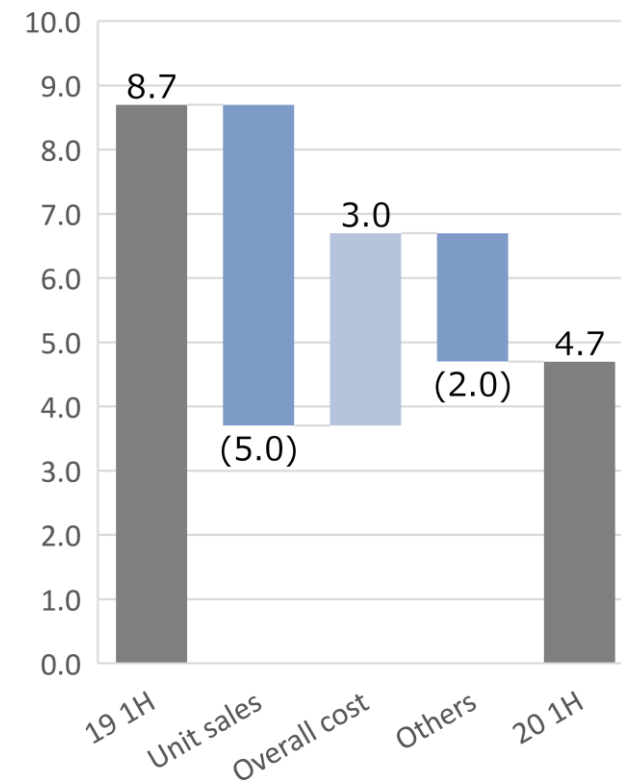
	FY2019 1H ①	FY2020 1H ②	Change ②-①
Net Sales	197.8	161.8	(36.0)
Ordinary Income (Loss)	8.7	4.7	(4.0)

■ Sales volume

- Hydraulic excavators: Decreased
 - Japan: Decreased slightly with a small impact from COVID-19
 - China: Slightly decreased
 - ⇒ Although 1Q (Jan. to Mar.) saw a significant decrease due to the impact of COVID-19, 2Q (Apr. to June) saw a year-on-year increase in demand owing to expanded infrastructure investment.
 - Other areas: Decreased significantly due to the impact of COVID-19
- Crawler cranes: Decreased
 - Japan: Similar to FY2019 with a limited impact from COVID-19
 - Southeast Asia: Increased
 - ⇒ Sales increased in Singapore and the Philippines
 - Other areas: Decreased due to the impact of COVID-19

■ Factors affecting profit and loss

- Decreased unit sales
- Cost reduction



(Billions of yen)

	FY2019 1H ①	FY2020 1H ②	Change ②-①
Net Sales	35.4	37.0	1.5
Ordinary Income (Loss)	1.6	8.1	6.5

■ **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 depreciation and maintenance costs of Kobe Power Plant (No.1 unit and No.2 unit)

2. Forecast for Fiscal 2020

- Compared to the previous forecast, demand in the automotive sector is recovering faster than anticipated, however the impact of COVID-19 has become gradually apparent in the aircraft and shipbuilding sectors in the second quarter with reductions and deferment of capital investments.
- Ordinary income is anticipated to increase by 25.0 billion yen by taking cost reduction measures such as ongoing emergency profit improvement.

(Billions of yen)

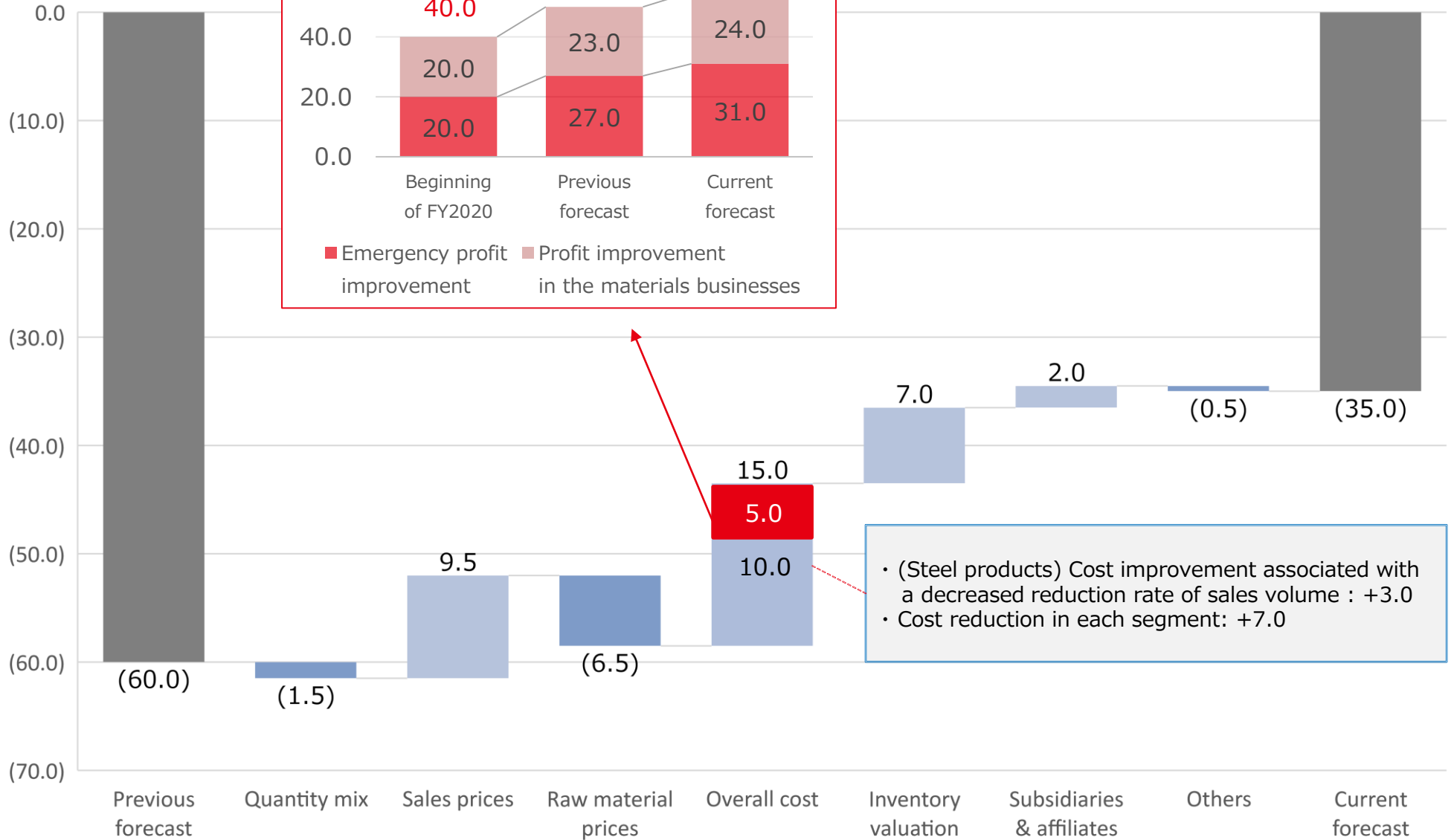
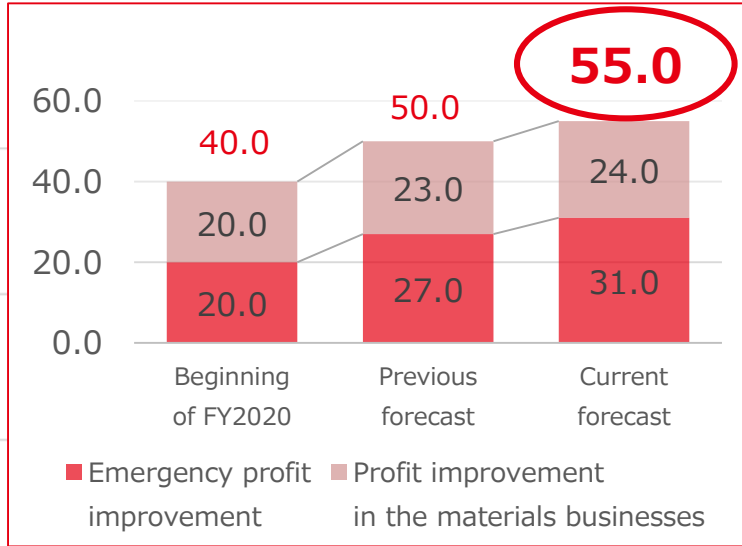
	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	1,869.8	770.0	870.0	1,640.0	776.4	880.0	1,650.0	(219.8)	10.0
Operating Income (Loss)	9.8	(50.0)	15.0	(35.0)	(27.1)	12.0	(15.0)	(24.8)	20.0
Ordinary Income (Loss)	(8.0)	(60.0)	0.0	(60.0)	(35.2)	0.0	(35.0)	(27.0)	25.0
Excluding Inventory Valuation	(6.0)	(43.0)	(5.5)	(48.5)	(24.7)	(6.0)	(30.5)	(24.5)	18.0
Extraordinary Income (Loss)	(57.4)	16.0	–	16.0	13.6	–	※ 13.6	71.0	(2.4)
Net Income (Loss) Attributable to Owners of the Parent	(68.0)	(35.0)	0.0	(35.0)	(15.2)	0.0	(15.0)	53.0	20.0

※ Breakdown of Extraordinary Income (Loss)

-Extraordinary Income	
Gain on sale of fixed assets:	9.8 billion yen
Gain on step acquisitions:	3.2 billion yen
Gain on sale of investment securities:	3.1 billion yen
-Extraordinary Loss	
Loss on impairment:	(2.5) billion yen

	FY2019	FY2020
1 U.S dollar to yen	109	105
1 Chinese yuan to yen	15.6	15.0
1 Euro to yen	121	122

(Billions of yen)



- (Steel products) Cost improvement associated with a decreased reduction rate of sales volume : +3.0
- Cost reduction in each segment: +7.0

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

Automobiles

(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 1Q 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.

	1Q	2Q	3Q	4Q	Full year
Previous forecast	(40%)	(30%)	(20%)	0 %	(20%)
Current forecast	(45%)	(15%)	(10%)	0 %	(15%)

Aircraft

(Aluminum casting & forging, and titanium)
 Due to a decline in passenger demand, the market is anticipated to remain sluggish over the next few years.

Shipbuilding

(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.

Beverage can stock

(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.

**IT/
Semiconductors**

(Aluminum flat rolled products, and copper flat rolled products)
 Demand remains largely strong in the IT and semiconductor sectors, in particular disk materials for data centers and leadframe materials for PCs and mobile phones, despite a decrease of demand in some areas.

**Civil
engineering &
construction**

(Steel products and welding)
 The impact of COVID-19 has become gradually apparent. The impact on business is anticipated to be worse toward 2H due to a decline in corporate appetite for investment and a decline in demand for commercial buildings and other structures.

(Billions of yen)

Net Sales	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Steel & Aluminum	780.2	300.0	340.0	640.0	311.2	353.8	665.0	(115.2)	25.0
Advanced Materials	297.1	100.0	120.0	220.0	105.3	114.7	220.0	(77.1)	–
Welding	83.7	35.0	36.0	71.0	34.7	33.3	68.0	(15.7)	(3.0)
Machinery	165.9	91.0	94.0	185.0	86.4	94.6	181.0	15.1	(4.0)
Engineering	141.5	59.0	81.0	140.0	56.0	80.0	136.0	(5.5)	(4.0)
Construction Machinery	360.8	160.0	180.0	340.0	161.8	173.2	335.0	(25.8)	(5.0)
Electric Power	75.6	37.0	36.0	73.0	37.0	35.0	72.0	(3.6)	(1.0)
Other Businesses	33.6	11.0	17.0	28.0	10.8	15.2	26.0	(7.6)	(2.0)
Adjustment	(68.9)	(23.0)	(34.0)	(57.0)	(27.0)	(19.8)	(53.0)	15.9	4.0
Total	1,869.8	770.0	870.0	1,640.0	776.4	880.0	1,650.0	(219.8)	10.0

(Billions of yen)

Ordinary Income (Loss)	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Steel & Aluminum	(16.5)	(58.0)	(12.0)	(70.0)	(41.8)	(2.2)	(44.0)	(27.5)	26.0
Advanced Materials	(25.2)	(13.5)	(6.5)	(20.0)	(10.9)	(6.6)	(17.5)	7.7	2.5
Welding	2.9	0.0	0.5	0.5	0.6	(0.1)	0.5	(2.4)	–
Machinery	9.6	2.0	3.5	5.5	4.1	3.9	8.0	(1.6)	2.5
Engineering	5.7	(1.0)	3.0	2.0	(0.6)	1.6	1.0	(4.7)	(1.0)
Construction Machinery	7.5	3.5	4.5	8.0	4.7	0.8	5.5	(2.0)	(2.5)
Electric Power	8.9	7.0	8.0	15.0	8.1	7.4	15.5	6.6	0.5
Other Businesses	3.3	0.0	3.0	3.0	0.7	1.3	2.0	(1.3)	(1.0)
Adjustment	(4.4)	0.0	(4.0)	(4.0)	(0.1)	(6.1)	(6.0)	(1.6)	(2.0)
Total	(8.0)	(60.0)	0.0	(60.0)	(35.2)	0.0	(35.0)	(27.0)	25.0

(Billions of yen)

		FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
			1H	2H	②	1H	2H	③	③-①	③-②
Steel products	Net Sales	650.0	230.0	275.0	505.0	245.2	281.8	527.0	(123.0)	22.0
	Ordinary Income (Loss)	(8.8)	(55.0)	(12.0)	(67.0)	(40.4)	(2.1)	(42.5)	(33.7)	24.5
	Excluding Inventory Valuation	(8.8)	(43.0)	(17.5)	(60.5)	(31.9)	(8.6)	(40.5)	(31.7)	20.0
Aluminum rolled products	Net Sales	130.1	70.0	65.0	135.0	65.9	72.1	138.0	7.9	3.0
	Ordinary Income (Loss)	(7.7)	(3.0)	0.0	(3.0)	(1.4)	(0.1)	(1.5)	6.2	1.5
	Excluding Inventory Valuation	(5.7)	(1.0)	0.5	(0.5)	0.0	0.4	0.5	6.2	1.0
Total	Net Sales	780.2	300.0	340.0	640.0	311.2	353.8	665.0	(115.2)	25.0
	Ordinary Income (Loss)	(16.5)	(58.0)	(12.0)	(70.0)	(41.8)	(2.2)	(44.0)	(27.5)	26.0
	Excluding Inventory Valuation	(14.5)	(44.0)	(17.0)	(61.0)	(31.8)	(8.2)	(40.0)	(25.5)	21.0

Steel products

Ordinary Loss of 67.0 billion yen in FY2020 previous forecast → 42.5 billion yen in FY2020 current forecast (up 24.5 billion yen from the previous forecast)

- Production and sales are anticipated to improve compared to the previous forecast owing to a recovery of demand in the automotive sector and the effect of associated inventory accumulation.

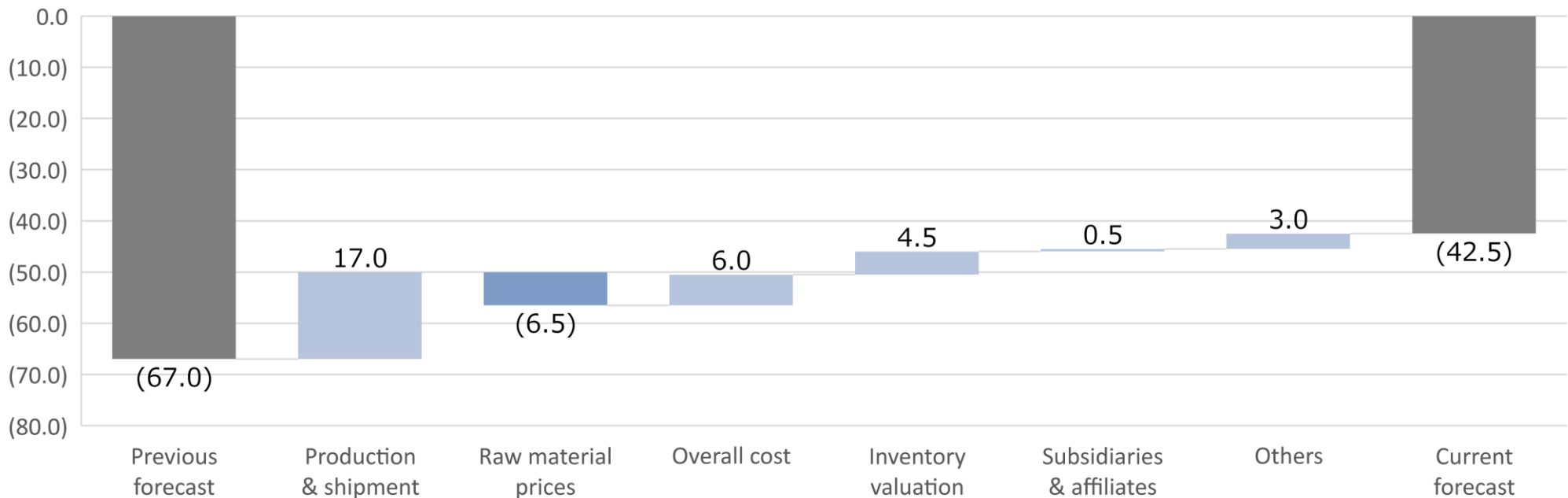
■ **Crude steel production: 5.65 million tons (up 0.25 million tons from the previous forecast)**

■ **Sales volume: 4.60 million tons (up 0.25 million tons from the previous forecast)**

■ **Factors affecting profit and loss**

- An increase in sales volume
- Improvement in metal spread
- Cost improvement associated with a decreased reduction rate of steel production
- Accumulation of overall cost reduction by emergency profit improvement and base cost improvement
- Improvement in inventory valuation

※Related data on P. 33-35



Aluminum
rolled
products

Ordinary Loss of 3.0 billion yen in FY2020 previous forecast → 1.5 billion yen in FY2020 current forecast (up 1.5 billion yen from the previous forecast)

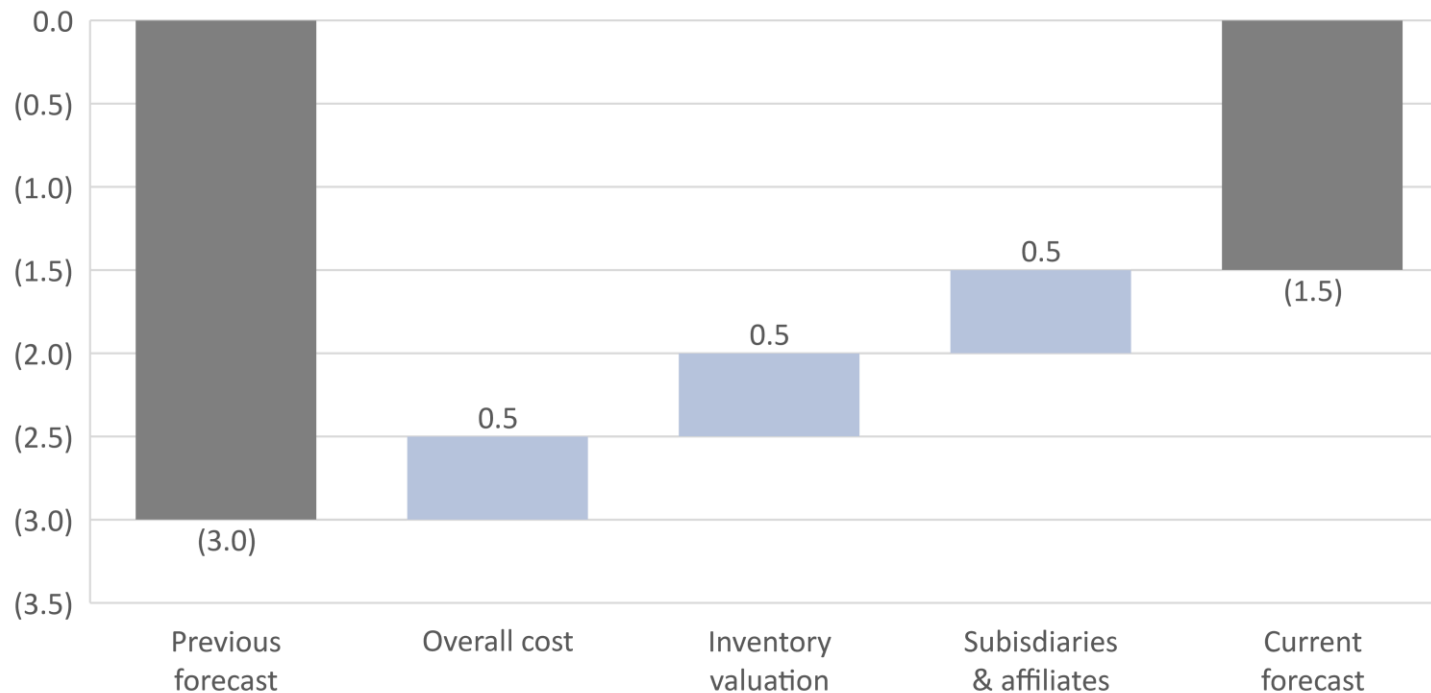
■ **Sales volume: about 310 thousand tons (up 10 thousand tons from the previous forecast)**

- A recovery of demand for aluminum sheets for automotive body panels in China

■ **Factors Affecting Profit and Loss**

- Profit improvement efforts such as emergency profit improvement, expansion of sales, and improvement in rolling margin
- Improvement in inventory valuation
- Profit improvement in aluminum sheets for automotive body panels at business bases in China

※Related data on P. 34-35



(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	297.1	100.0	120.0	220.0	105.3	114.7	220.0	(77.1)	-
Ordinary Income (Loss)	(25.2)	(13.5)	(6.5)	(20.0)	(10.9)	(6.6)	(17.5)	7.7	2.5
Excluding Inventory Valuation	(25.2)	(10.5)	(7.0)	(17.5)	(10.4)	(6.6)	(17.0)	8.2	0.5

Previous forecast: Loss of 20.0 billion yen → Current forecast: Loss of 17.5 billion yen (up 2.5 billion yen)

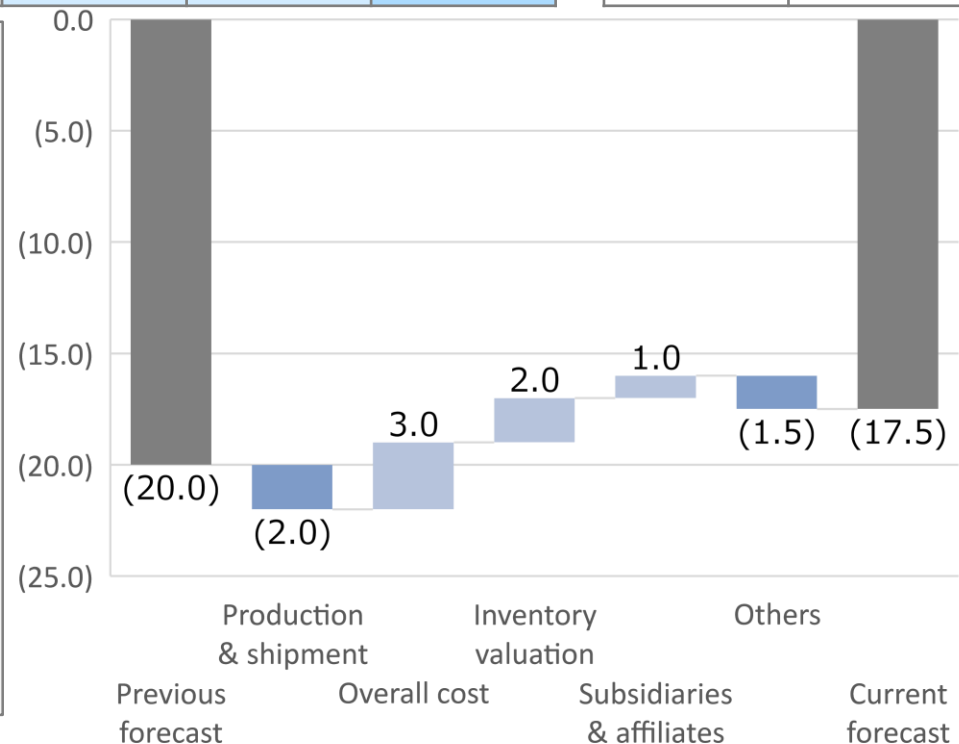
■ **Sales volume**

- For the automotive sector (e.g. aluminum suspensions, and copper rolled products): Increase ⇒ Sales are anticipated to hit bottom in 1Q and make a recovery
- For the aircraft sector (e.g. titanium): Decrease
- For the shipbuilding sector (steel castings & forgings): Decrease ⇒ The impact of COVID-19 has become apparent in 2Q

■ **Factors affecting profit and Loss**

- Profit improvement measures such as emergency profit improvement and expansion of sales
- Improvement in inventory valuation

※Related data on P. 34



(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	83.7	35.0	36.0	71.0	34.7	33.3	68.0	(15.7)	(3.0)
Ordinary Income (Loss)	2.9	0.0	0.5	0.5	0.6	(0.1)	0.5	(2.4)	—

Previous forecast: Profit of 0.5 billion yen →

Current forecast: Profit of 0.5 billion yen (with no change)

■ Sales volume

- Welding materials: Decrease
 - Domestic: Demand decreased from the previous forecast in the architectural steel frames and shipbuilding sectors due to the impact of COVID-19.
 - Overseas: Demand did not recover as anticipated in the previous forecast amid the global economic downturn due to the impact of COVID-19.
- Welding system (sales): Similar to the previous forecast

■ Factors affecting profit and loss

- Decreased sales volume
- Cost reduction through emergency profit improvement and other measures

※Related data on P. 34

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous) ②			FY2020 Forecast (Current) ③			Change	
		1H	2H		1H	2H		③-①	③-②
Net Sales	165.9	91.0	94.0	185.0	86.4	94.6	181.0	15.1	(4.0)
Ordinary Income (Loss)	9.6	2.0	3.5	5.5	4.1	3.9	8.0	(1.6)	2.5
Orders	151.6	—	—	Approx. 160.0	50.6	Approx. 95.0	Approx. 145.0	Approx. (5.0)	Approx. (15.0)

Previous forecast: Profit of 5.5 billion yen →

Current forecast: Profit of 8.0 billion yen (up 2.5 billion yen)

■ **Orders: Decrease**

- Demand environment worsened both in Japan and overseas as corporate capital investments are being reduced/deferred.

■ **Net sales: Decrease**

- Large-quantity orders for rotating machinery are anticipated to be carried over to Fiscal 2021.

■ **Factors affecting profit and loss: Increase**

- Cost reduction

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	141.5	59.0	81.0	140.0	56.0	80.0	136.0	(5.5)	(4.0)
Ordinary Income (Loss)	5.7	(1.0)	3.0	2.0	(0.6)	1.6	1.0	(4.7)	(1.0)
Orders	※ 134.5	—	—	Approx. 150.0	75.8	Approx. 59.0	Approx. 135.0	Approx. 0.5	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.

Previous forecast: Profit of 2.0 billion yen →

Current forecast: Profit of 1.0 billion yen (down 1.0 billion yen)

■ **Orders: Decrease**

- Orders are anticipated to decrease as some planned projects have been deferred until FY2021 or later.

■ **Net sales: Decrease, Profit: Decrease**

- Further delay in overseas projects deferred due to the impact of COVID-19, which is longer than previously forecast.

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous)		②	FY2020 Forecast (Current)			Change	
		1H	2H		1H	2H	③	③-①	③-②
Net Sales	360.8	160.0	180.0	340.0	161.8	173.2	335.0	(25.8)	(5.0)
Ordinary Income (Loss)	7.5	3.5	4.5	8.0	4.7	0.8	5.5	(2.0)	(2.5)

Previous forecast: Profit of 8.0 billion yen →

Current forecast: Profit of 5.5 billion yen (down 2.5 billion yen)

■ Unit sales

[Hydraulic Excavators]…Similar to the previous forecast

Domestic: Demand did not grow as anticipated in the previous forecast that deemed COVID-19 would have only a limited impact on the business

China: Sales increased in 2Q despite a decrease in 1Q due to the impact of COVID-19. Sales is anticipated to remain stable in 2H.

Other areas: Forecasts has been revised upward for some areas including Southeast Asia, although there are regional variations.

[Crawler Cranes]…Decrease

Domestic: Forecast has been revised downward since the restart of business activities delayed longer than anticipated, although the previous forecast deemed COVID-19 would have only a limited impact on the business.

Overseas: Sales is anticipated to be similar to the previous forecast, although there are regional variations.

■ Factors affecting Profit and Loss

- A decrease in unit sales

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	75.6	37.0	36.0	73.0	37.0	35.0	72.0	(3.6)	(1.0)
Ordinary Income (Loss)	8.9	7.0	8.0	15.0	8.1	7.4	15.5	6.6	0.5

Previous forecast: Profit of 15.0 billion yen →

Current forecast: Profit of 15.5 billion yen (up 0.5 billion yen)

- **Amount of electricity to be sold: Similar to the previous forecast**
- **Unit price: Decrease**
 - Drop in fuel prices
- **Factors affecting profit and loss**
 - Cost reduction

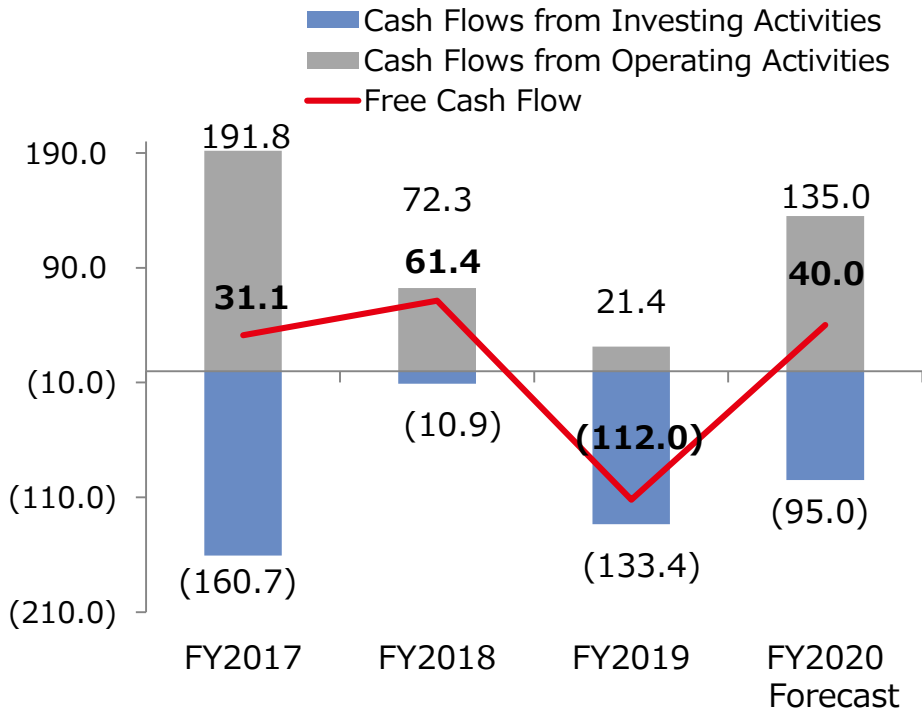
- Kobe Steel takes its financial condition, business performance, future capital needs and other factors into overall consideration as a basis to pay continuous and stable dividends. The target dividend payout ratio is 15% - 25% of net income attributable to owners of the parent.
- As previously announced on August 6, 2020, Kobe Steel has regrettably passed a resolution to adopt a policy to forgo the interim dividend for fiscal 2020.
- 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	/		-	/		/

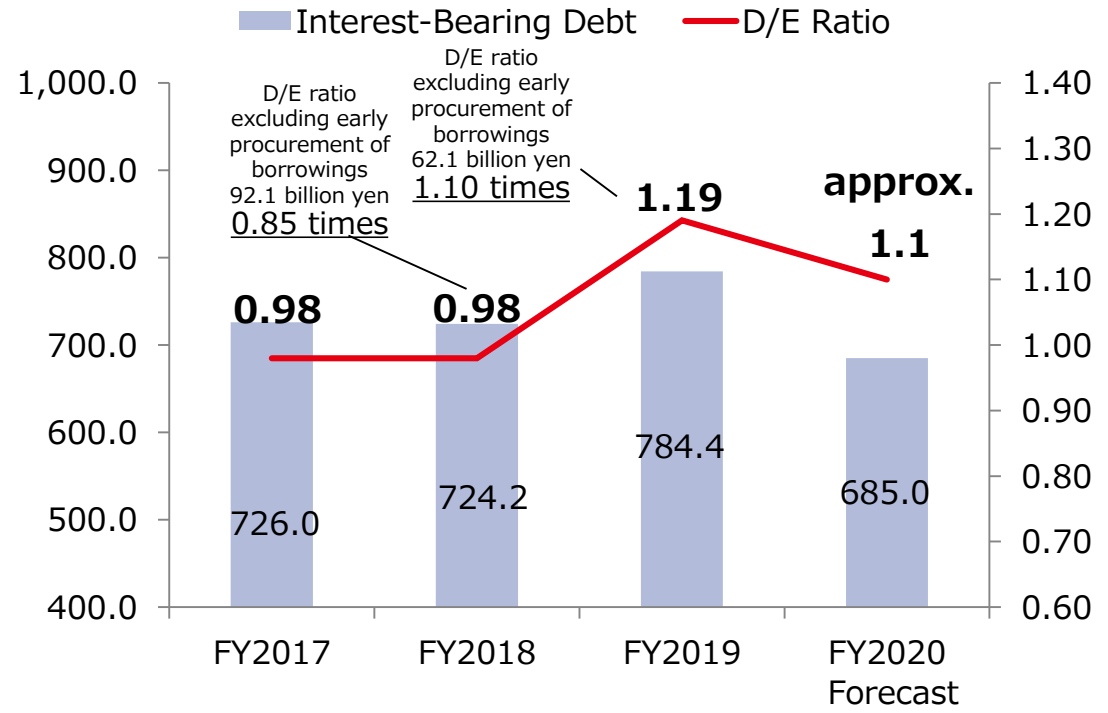
- Kobe Steel is undertaking the following actions in response to rapid deterioration of the business environment due to the impact of COVID-19.
 - Maximum control of spending on production that thoroughly meets demand
 - Detailed money management, including for Group companies, and implementation of necessary measures
 - Freezing of capital investments and other investments/loans excluding replacement investment necessary for business operation
- Kobe Steel plans to implement cash flow improvement measures such as reducing inventory, selling assets, and carefully selecting capital investments.
 The estimated cumulative total is increasing: 120 billion yen at the beginning of FY2020, 130 billion yen in the previous announcement, and **140 billion yen** in this announcement (recorded total at the end of 2Q is **approximately 70 billion yen**).
- Additional measures are under consideration with the highest priority placed on achieving financial soundness (D/E ratio of 1x or less).

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

《Free Cash Flow》

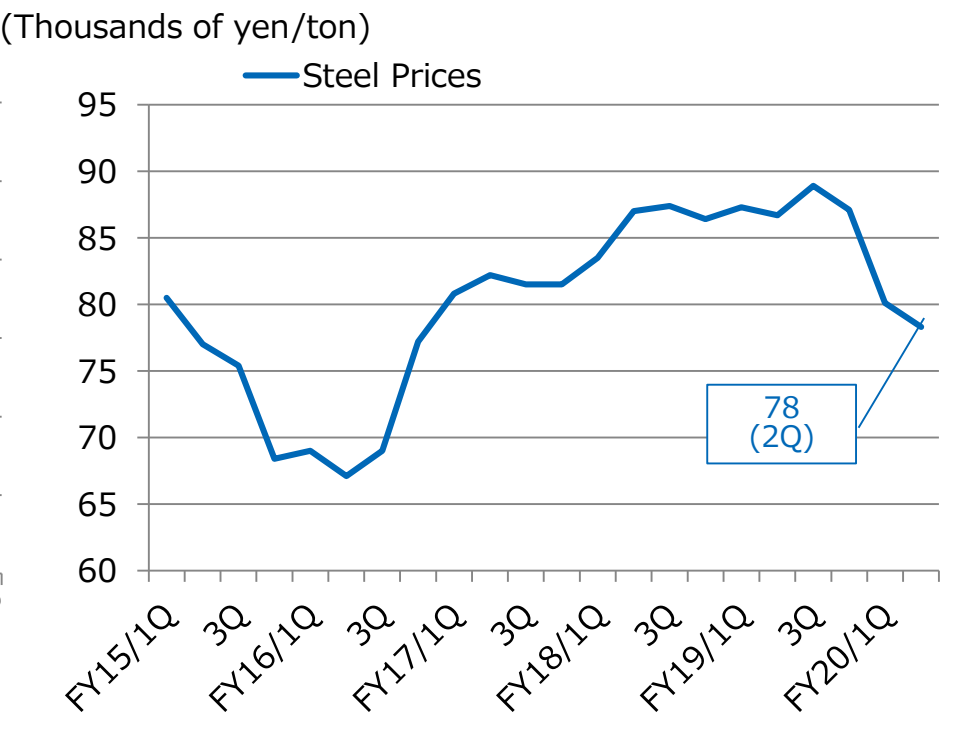
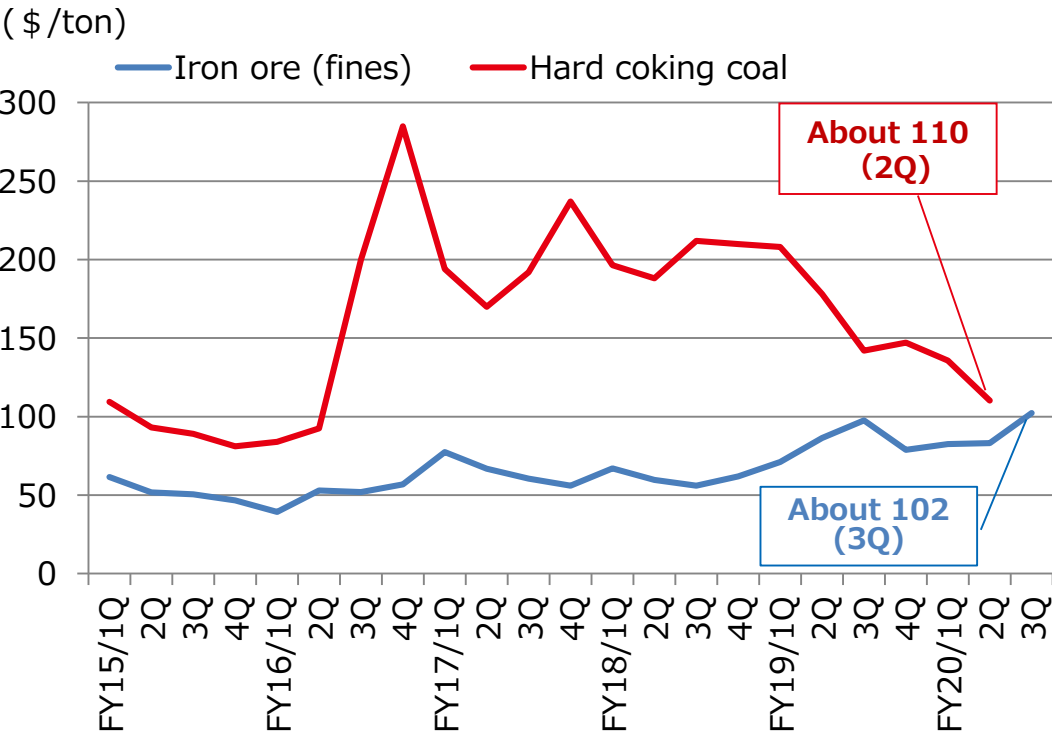


《Interest-Bearing Debt & D/E Ratio》



3 . Reference Information

		FY2019 Actual			FY2020 Forecast	
		1H	2H	Full Year	1H	
Domestic crude steel Production	(Millions of tons)	50.67	47.74	98.42	37.10	Apr.-Sep. total advance figures
Domestic inventory level	(Millions of tons)	5.94	5.79	5.79	5.37	End of August
Inventory level of three types of steel sheets	(Millions of tons)	4.44	4.39	4.39	3.67	End of September
Domestic auto production	(Millions of cars)	4.83	4.67	9.49	2.53	Apr.-Aug. total



		FY2019 Actual			FY2020 Forecast (Previous)	FY2020 Forecast (Current)	
		1H	2H	Full Year	Full Year	1H	Full Year
Crude steel production	(Millions of tons)	3.39	3.11	6.50	approx. 5.40	2.48	approx. 5.65
Sales volume of steel products	(Millions of tons)	2.73	2.57	5.30	approx. 4.35	2.04	approx. 4.60
(Domestic)		2.00	1.93	3.93		1.43	
(Exports)		0.73	0.64	1.37		0.61	
Average steel selling price	(Thousands of yen/ton)	86.7	87.1	86.9		79.1	
Export ratio (value basis)		25.4%	23.4%	24.4%	approx. 24%	25.0%	approx. 24%
Aluminum rolled products	(Thousands of tons)	152	147	299	approx. 300	152	approx. 310
(Domestic)		122	115	237		121	
(Overseas)		30	32	62		30	
Aluminum extrusions	(Thousands of tons)	17	17	34	approx. 30	12	approx. 30
(Domestic)		16	16	33		12	
(Overseas)		1	1	1		0	
Copper rolled products	(Thousands of tons)	26	27	53	approx. 45	19	approx. 45
Copper tubes	(Thousands of tons)	44	38	82	approx. 65	32	approx. 65
Welding materials	(Thousands of tons)	148	140	288	approx. 255	120	approx. 240
(Domestic)		65	60	125		49	
(Overseas)		83	80	163		71	

Steel products

(Billions of yen)

		FY2019 Actual				FY2020 Forecast				
		1Q	2Q	1H	Full Year	1Q Actual	2Q Actual	1H	2H	Full Year
	Iron ore	1.0	1.5	2.5	2.0	0.5	0.0	0.5	3.0	3.5
	Coal	(0.5)	(1.0)	(1.5)	(2.5)	(0.5)	(1.0)	(1.5)	0.0	(1.5)
	Carry Over	0.5	0.5	1.0	(0.5)	0.0	(1.0)	(1.0)	3.0	2.0
	Average method	1.0	(0.5)	0.5	2.5	3.0	(2.5)	0.5	(3.5)	(3.0)
	Lower-of-cost-or market method	0.0	(0.5)	(0.5)	(2.5)	(10.5)	1.5	(9.0)	10.0	1.0
	Inventory Valuation	1.0	(1.0)	0.0	0.0	(7.5)	(1.0)	(8.5)	6.5	(2.0)

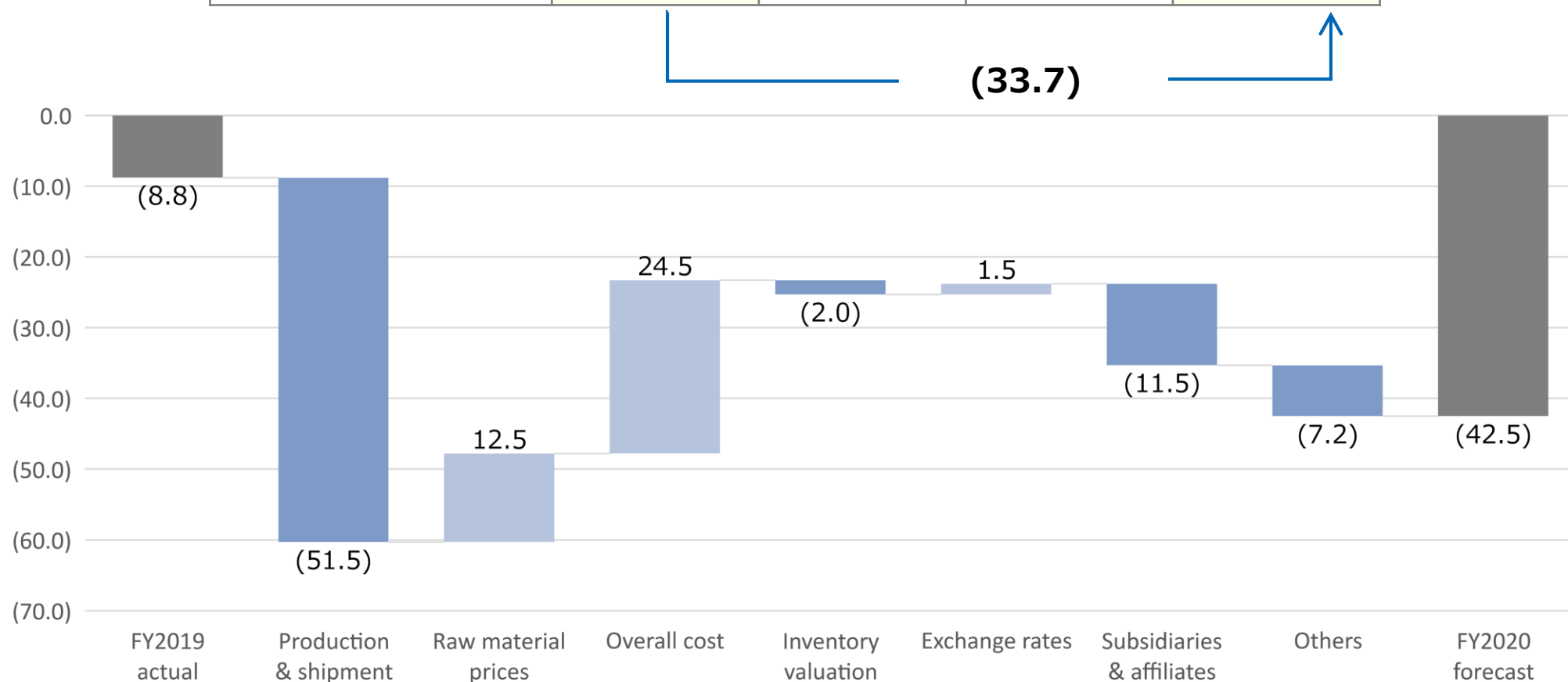
Aluminum rolled products

(Billions of yen)

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

(Billions of yen)

	FY2019 Actual Full Year	FY2020 Forecast		
		1H	2H	Full Year
Ordinary Income (Loss)	(8.8)	(40.4)	(2.1)	(42.5)

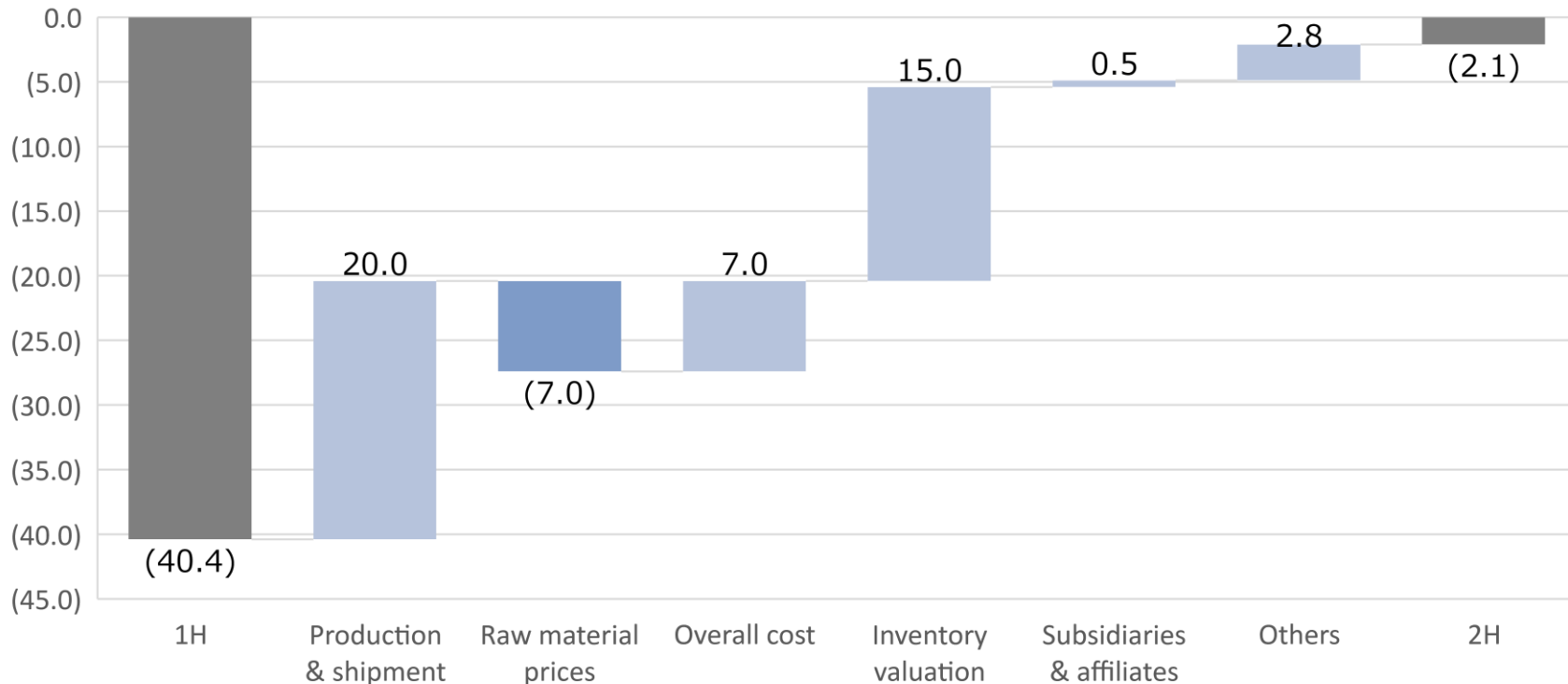


※Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

(Billions of yen)

	FY2020 Forecast		
	1H	2H	Full Year
Ordinary Income (Loss)	(40.4)	(2.1)	(42.5)

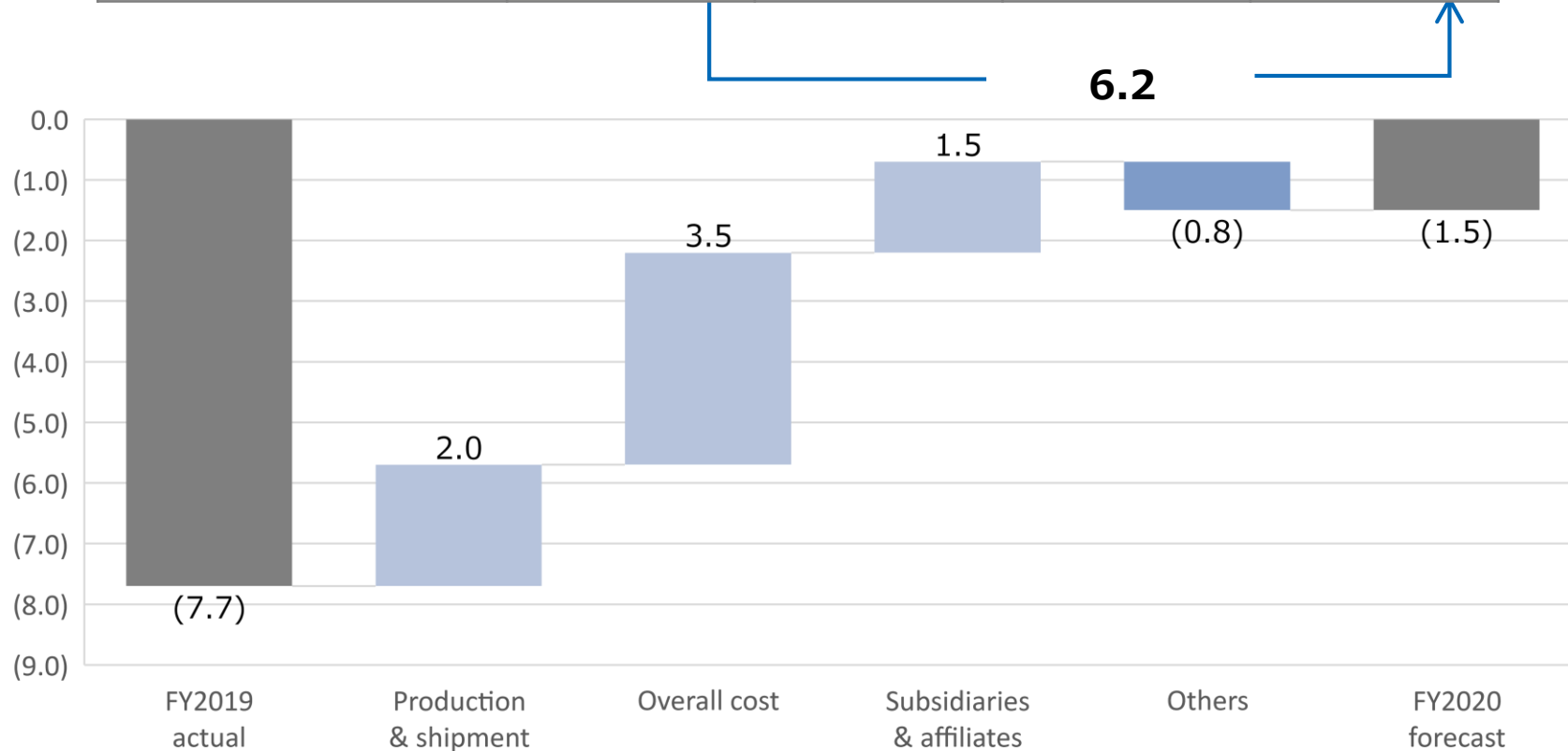
38.3



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

(Billions of yen)

	FY2019 Actual Full Year	FY2020 Forecast		
		1H	2H	Full Year
Ordinary Income (Loss)	(7.7)	(1.4)	(0.1)	(1.5)



(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous) ②	FY2020 Forecast (Current) ③	Change	
				③-①	③-②
Cash Flows from Operating Activities	21.4	95.0	135.0	113.6	40.0
Cash Flows from Investing Activities	(133.4)	(95.0)	(95.0)	38.4	—
Free Cash Flow (excluding project financing)	(112.0)	0.0	40.0	152.0	40.0
Free Cash Flow (including project financing)	(191.9)	(65.0)	(35.0)	156.9	30.0
Cash and Deposits (excluding project financing)	134.9	60.0	65.0	(69.9)	5.0

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous) ②	FY2020 Forecast (Current) ③	Change	
				③-①	③-②
Capital Investment (accrual basis)	239.8	165.0	155.0	(84.8)	(10.0)
Capital Investment (payment basis)	245.3	180.0	160.0	(85.3)	(20.0)
Depreciation	105.3	105.0	100.0	(5.3)	(5.0)

	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
ROS ※1	3.8%	1.8%	(0.4%)	(2.1%)
Net Income (Loss) per Share	174.43 yen	99.20 yen	(187.55 yen)	(41.35 yen)
Outside Debt	738.8 billion yen	760.3 billion yen	906.6 billion yen	885.0 billion yen
Outside Debt Excluding Debt from IPP project financing	726.0 billion yen	724.2 billion yen	784.4 billion yen	685.0 billion yen
D/E Ratio ※2	0.98 times	※3 0.98 times	※4 1.19 times	approx. 1.1 times
ROA ※5	3.1%	1.5%	(0.3%)	(1.4%)
ROE ※6	8.9%	4.8%	(9.7%)	(2.3%)

※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 times (excluding early procurement of borrowings)

※4: Includes early procurement of borrowings for FY2020 (62.1 billion yen)
D/E Ratio 1.10 times (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 KOBELCO 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 KOBELCO Group to society and express the values shared by the Entire KOBELCO 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

- | | |
|--|--|
| 1. Heightened Sense of Ethics and Professionalism | 3. Establishing a Comfortable but Challenging Work Environment |
| 2. Contribution to the Society by Providing Superior Products and Services | 4. Living in Harmony with Local Community |
| Quality Charter | 5. Contribution to a Sustainable Environment |
| | 6. Respect for Each Stakeholder |

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