

Financial Results for the First Quarter of Fiscal 2021 and Forecast for the Full Fiscal Year

August 5, 2021
KOBELCO STEEL, LTD.

KOBELCO

1. Financial Results for the First Quarter of Fiscal 2021
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1. Financial Results for
the First Quarter of Fiscal 2021

Net Sales: Increased due to a recovery in demand mainly for automobiles and an increase in sales volume compared to the same period of the previous fiscal year, which was affected by the novel coronavirus (COVID-19) pandemic.

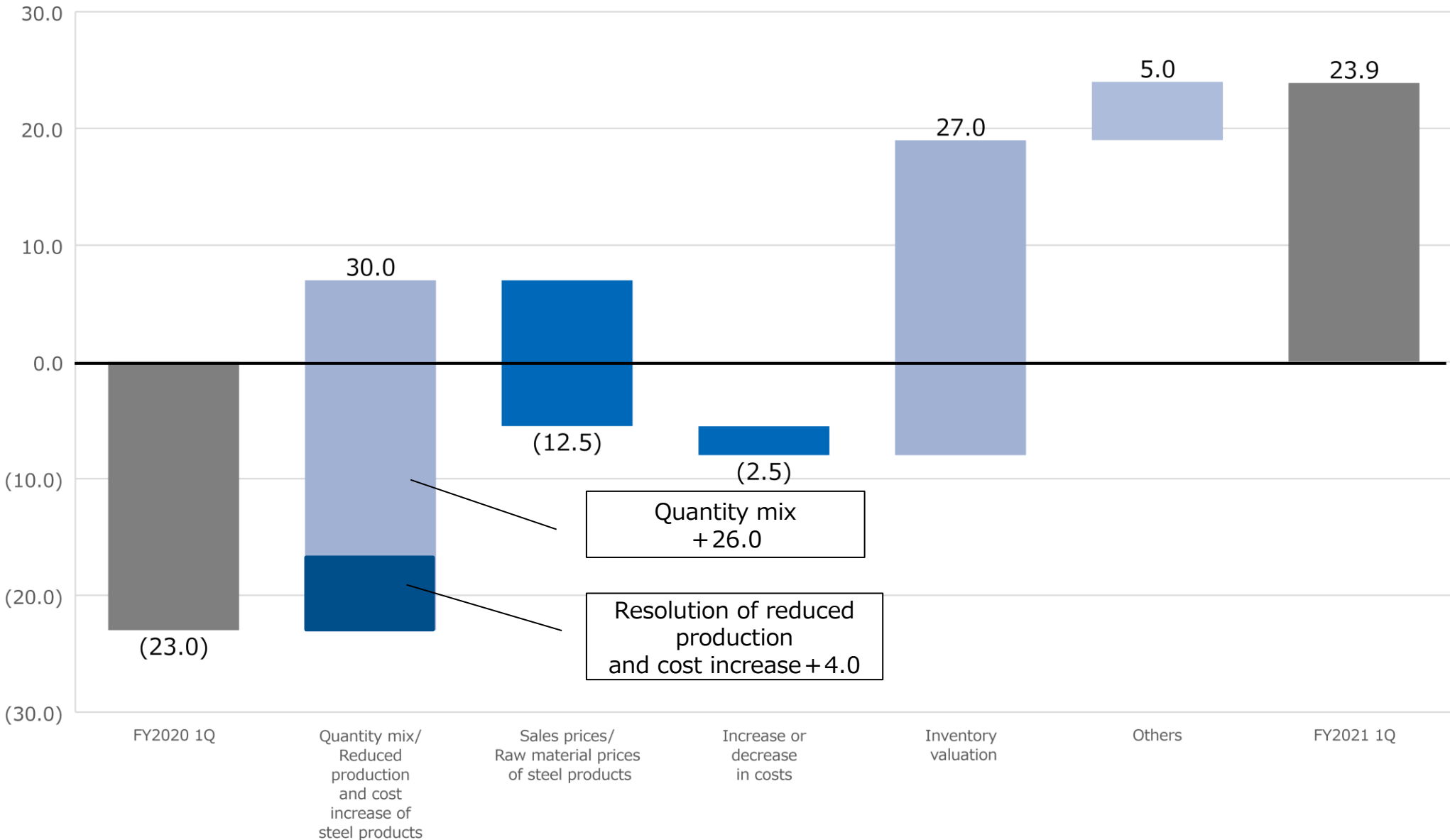
Ordinary Income (Loss): Increased due to an increase in sales volume and an improvement in inventory valuation despite a deterioration in metal spreads associated with the increase in raw material prices of steel products.

(Billions of yen)

	FY2020 1Q ①	FY2021 1Q ②	Change ②-①
Net Sales	374.1	463.2	89.0
Operating Income (Loss)	(19.8)	24.8	44.7
Ordinary Income (Loss)	(23.0)	23.9	47.0
Excluding Inventory Valuation	(13.5)	6.4	20.0
Extraordinary Income (Loss)	※ 16.0	—	(16.0)
Net Income (Loss) Attributable to Owners of the Parent	(13.1)	18.9	32.0

※ 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

(Billions of yen)



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

【Net Sales】

(Billions of yen)

	FY2020	FY2021	Change
	1Q ①	1Q ②	②-①
Steel & Aluminum	149.5	206.4	56.8
Advanced Materials	56.7	74.8	18.0
Welding	18.0	19.1	1.0
Machinery	40.7	35.0	(5.7)
Engineering	26.0	24.6	(1.4)
Construction Machinery	74.6	93.5	18.9
Electric Power	15.9	15.8	(0.1)
Other Businesses	4.9	4.7	(0.1)
Adjustment	(12.6)	(11.1)	1.5
Total	374.1	463.2	89.0

【Ordinary Income (Loss)】

(Billions of yen)

	FY2020	FY2021	Change
	1Q ③	1Q ④	④-③
Steel & Aluminum	(25.8)	12.0	37.9
Advanced Materials	(5.7)	3.5	9.2
Welding	0.2	0.8	0.5
Machinery	2.1	1.4	(0.7)
Engineering	0.9	1.8	0.8
Construction Machinery	0.8	3.7	2.8
Electric Power	3.1	1.0	(2.1)
Other Businesses	0.3	0.2	(0.0)
Adjustment	0.7	(0.7)	(1.5)
Total	(23.0)	23.9	47.0

(Billions of yen)

		FY2020 1Q ①	FY2021 1Q ②	Change ②-①
Steel products	Net Sales	117.5	167.5	49.9
	Ordinary Income (Loss)	(25.2)	9.8	35.0
	Excluding Inventory Valuation	(17.7)	(4.1)	13.5
Aluminum rolled products	Net Sales	31.9	38.8	6.8
	Ordinary Income (Loss)	(0.6)	2.2	2.8
	Excluding Inventory Valuation	0.8	1.7	0.8
Total	Net Sales	149.5	206.4	56.8
	Ordinary Income (Loss)	(25.8)	12.0	37.9
	Excluding Inventory Valuation	(16.8)	(2.4)	14.4

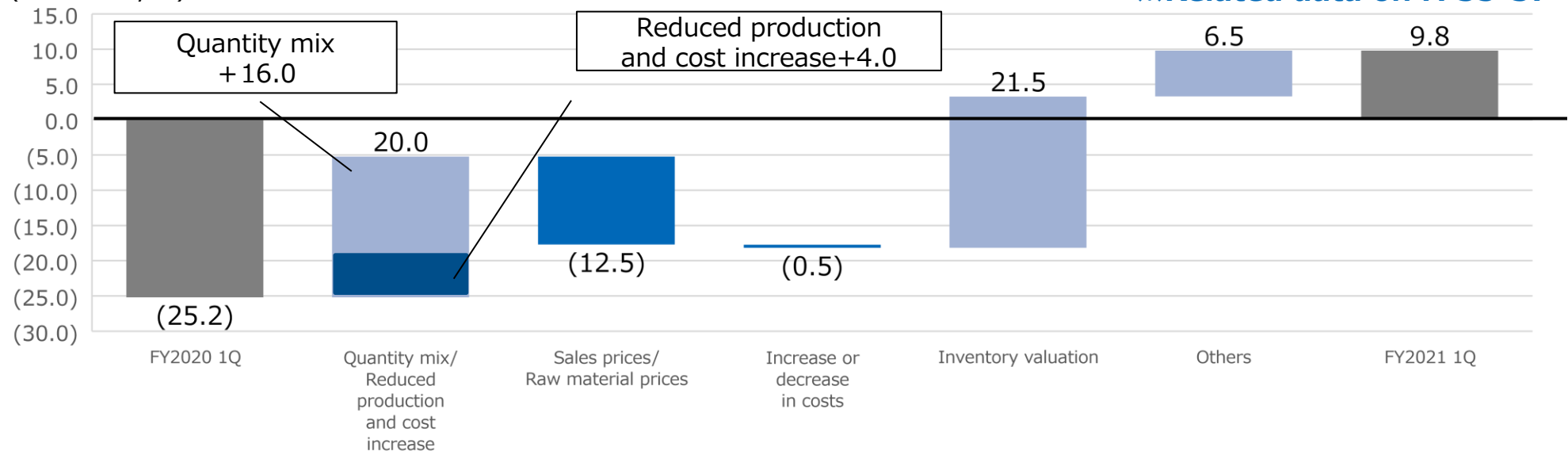
Ordinary Loss of 25.2 billion yen in FY2020 1Q → Ordinary Income of 9.8 billion yen in FY2021 1Q
(UP 35.0 billion yen from FY2020)

Steel products

- Crude steel production: 1.66 million tons (up 0.50 million tons year on year)
- Sales volume: 1.36 million tons (up 0.39 million tons year on year)
 - Increased significantly mainly in the automotive sector due to recovery in demand from the impact of COVID-19.
- Sales price: 90,700 yen/ton (up 10,600 yen/ton year on year)
- Factors affecting profit and loss
 - Increased sales volume
 - Deterioration in metal spreads due to the increased impact of a delay in the timing of reflecting the increase in raw material prices to sales prices
 - Improvement in inventory valuation due to differences from FY2020 that recorded an increase in raw material prices and the lower-of-cost-or-market method for inventories

(Billions of yen)

※Related data on P. 35-37



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

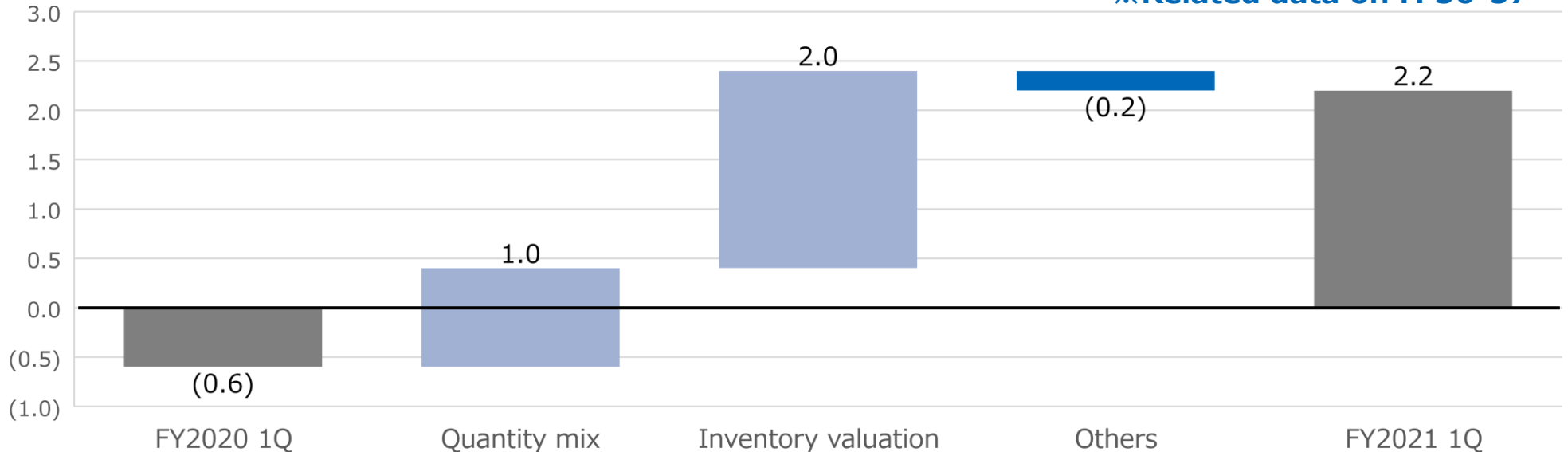
Aluminum
rolled
products

Ordinary Loss of 0.6 billion yen in FY2020 1Q → Ordinary Income of 2.2 billion yen in FY2021 1Q (UP 2.8 billion yen from FY2020)

- Sales volume: 88 thousand tons (up 15 thousand tons year on year)
 - Beverage can stock: Remained stable
 - IT and semiconductors: Remained stable mainly in the semiconductor manufacturing equipment sector
 - Automobiles: Increased due to demand recovery
- Factors affecting profit and loss
 - Increase in sales volume in the automotive sector
 - Improvement in inventory valuation due to the upturn in the aluminum ingot market

(Billions of yen)

※Related data on P. 36-37



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

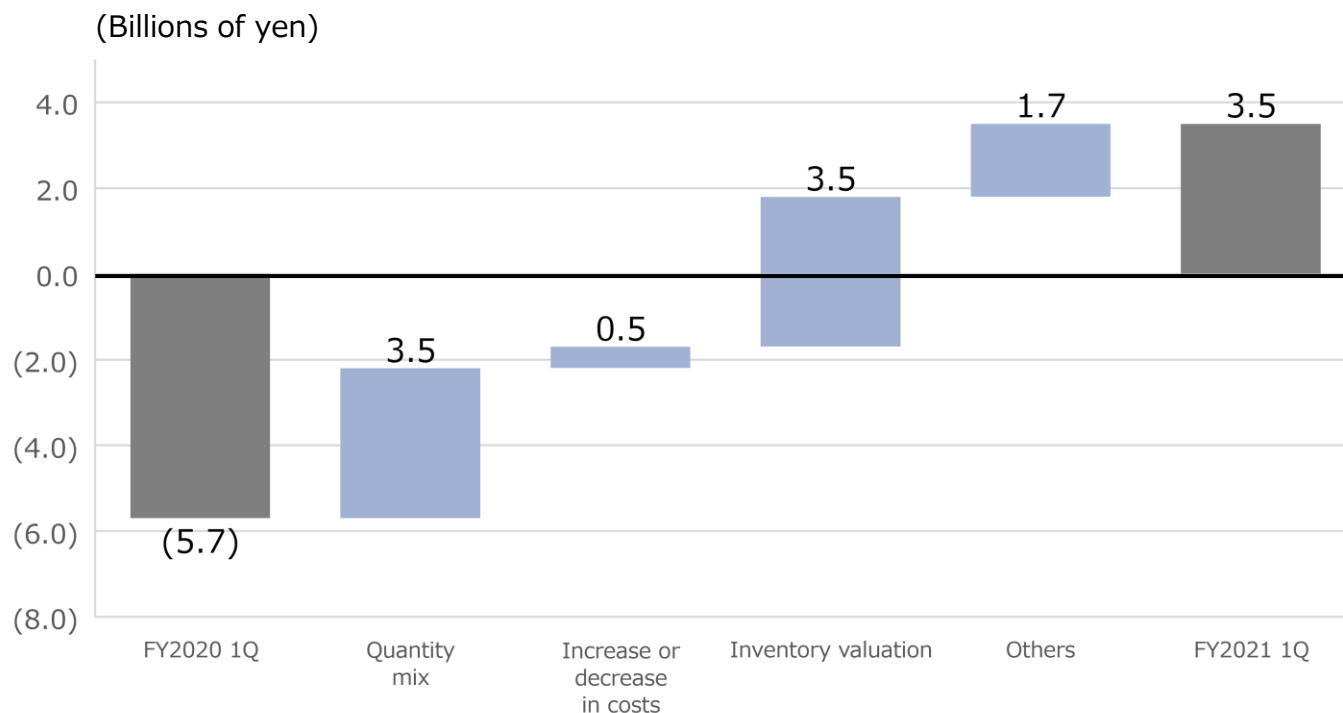
	FY2020 1Q ①	FY2021 1Q ②	(Billions of yen) Change ②-①
Net Sales	56.7	74.8	18.0
Ordinary Income (Loss)	(5.7)	3.5	9.2
Excluding Inventory Valuation	(5.2)	0.5	5.7

■ Sales volume

- Increased mainly in the automotive sector (e.g. aluminum suspensions, aluminum extrusions, copper flat rolled products, and steel powder).

■ Factors affecting profit and loss

- Increase in sales volume
- Improvement in inventory valuation owing mainly to an upturn in the copper market



※Related data on P. 36

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

(Billions of yen)

	FY2020 1Q ①	FY2021 1Q ②	Change ②-①
Net Sales	18.0	19.1	1.0
Ordinary Income (Loss)	0.2	0.8	0.5

■ Sales volume

Domestic: Increased mainly in the automotive sector due to recovery in demand from the impact of COVID-19.

Overseas: Increased mainly in the automotive and construction machinery sectors in Southeast Asia and China due to recovery in demand from the impact of COVID-19.

■ Factors affecting profit and loss

- Increase in sales volume

※Related data on P. 36

(Billions of yen)

	FY2020 1Q ①	FY2021 1Q ②	Change ②-①
Net Sales	40.7	35.0	(5.7)
Ordinary Income (Loss)	2.1	1.4	(0.7)
Orders	18.3	38.4	20.0

■ Orders

- Increased in industrial machinery and compressors due to recovery in capital investment.

■ Factors affecting profit and loss

- Decrease in profit affected by sluggish orders in FY2020 due to the impact of COVID-19

(Billions of yen)

	FY2020 1Q ①	FY2021 1Q ②	Change ②-①
Net Sales	26.0	24.6	(1.4)
Ordinary Income (Loss)	0.9	1.8	0.8
Orders	33.8	53.3	19.5

■ Orders

- Increased owing mainly to orders for overseas projects in the direct reduced iron business and orders for multiple projects in the waste-treatment-related business.

■ Factors affecting profit and loss

- Changes in the project composition

(Billions of yen)

	FY2020 1Q ①	FY2021 1Q ②	Change ②-①
Net Sales	74.6	93.5	18.9
Ordinary Income (Loss)	0.8	3.7	2.8

■ Unit Sales

[Hydraulic excavator]

Increased mainly in China and Southeast Asia, due to recovery from the impact of COVID-19 and an increase in infrastructure investment.

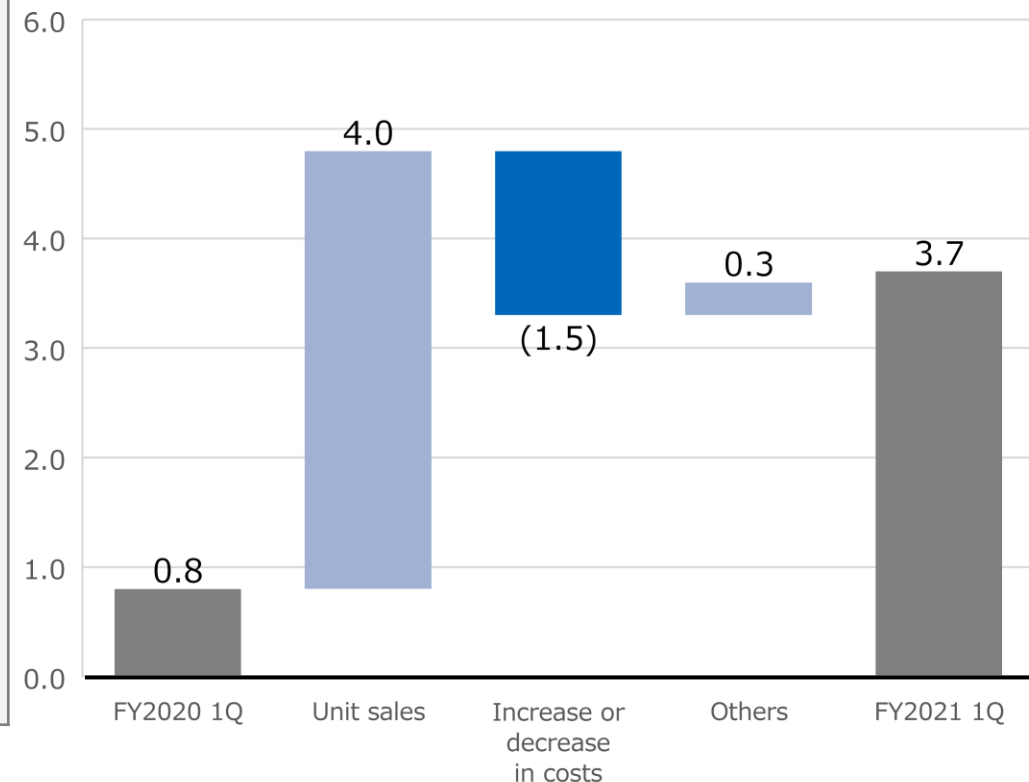
[Crawler crane]

Decreased mainly in North America affected by engine certification problems.

■ Factors affecting profit and loss

- Increase in sales volume
- Increase in development costs and other costs associated with recovery in activity levels

(Billions of yen)



(Billions of yen)

	FY2020 1Q ①	FY2021 1Q ②	Change ②-①
Net Sales	15.9	15.8	(0.1)
Ordinary Income (Loss)	3.1	1.0	(2.1)

■ Sales volume...Decreased

- The number of operating days of the Moka Power Plant decreased due to the implementation of statutory inspections.

■ Unit price...Increased

- Affected by a rise in fuel prices.

■ Factors affecting profit and loss

- Decrease in profit mainly due to a decline in sales of electricity at the Moka Power Plant

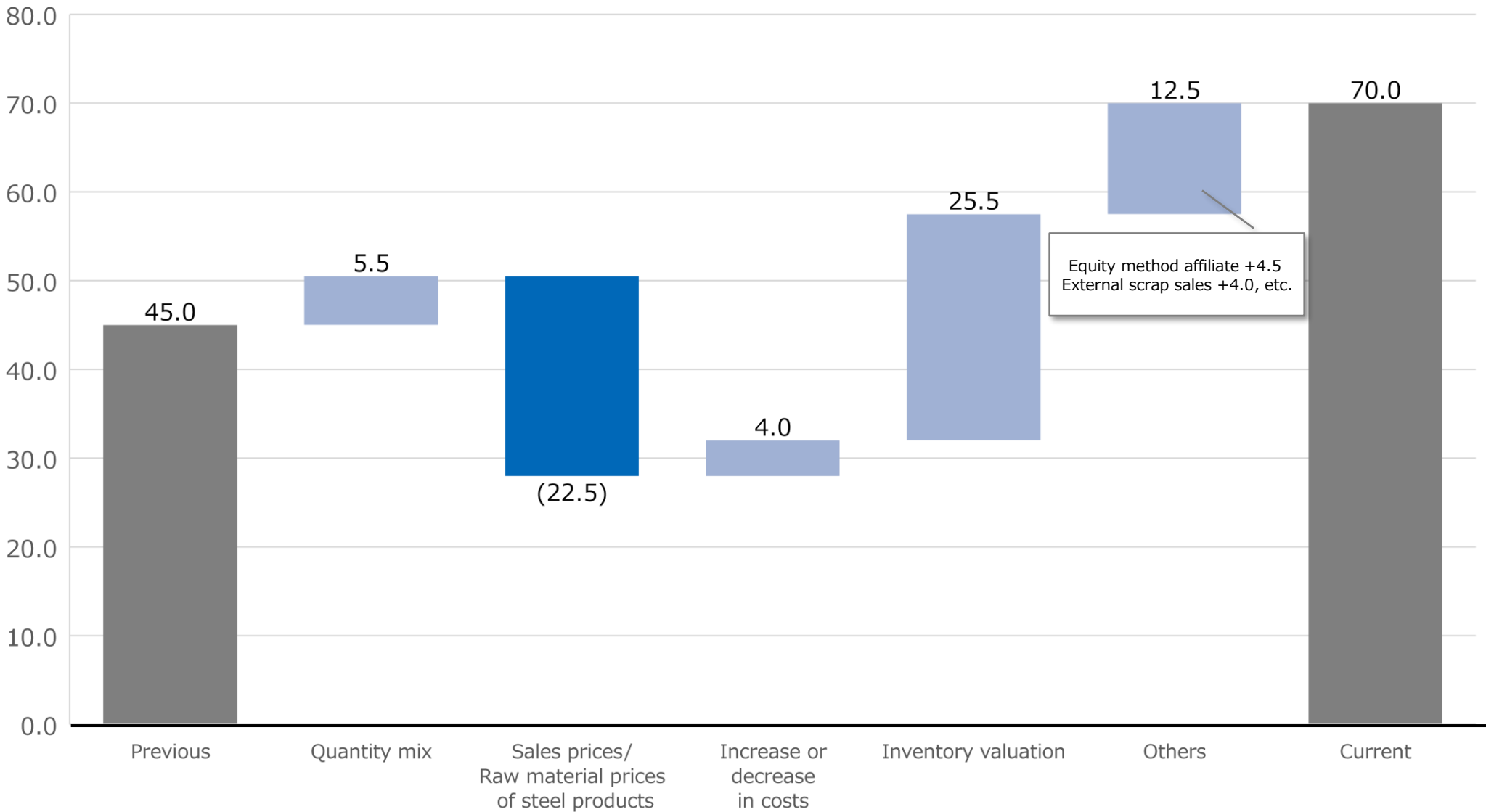
2. Forecast for Fiscal 2021

- Anticipates an increase in sales volume of steel products due to increased demand mainly in the automotive sector.
- Anticipates a delay in the timing of reflecting the increase in raw material prices to sales prices.
- Sees improvement in inventory valuation due to rising raw material prices.

(Billions of yen)

	FY2020 Actual	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			Change	
		①	1H	2H	②	1H	2H	③	③-①
Net Sales	1,705.5	910.0	960.0	1,870.0	990.0	1,040.0	2,030.0	324.5	160.0
Operating Income (Loss)	30.3	20.0	35.0	55.0	35.0	45.0	80.0	49.7	25.0
Ordinary Income (Loss)	16.1	15.0	30.0	45.0	32.0	38.0	70.0	53.9	25.0
Excluding Inventory Valuation	20.1	2.0	33.0	35.0	8.5	26.0	34.5	14.4	(0.5)
Extraordinary Income (Loss)	2.5	–	–	–	–	–	–	(2.5)	–
Net Income (Loss) Attributable to Owners of the Parent	23.2	10.0	15.0	25.0	20.0	20.0	40.0	16.8	15.0

(Billions of yen)



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

Business units that are affected by demand fluctuation 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) Despite the impact of the semiconductor shortage in 1Q, the forecast for the full fiscal year is expected to exceed the previous forecast due to strong global demand and the prospect for improvement in the semiconductor shortage in the second half.</p> <p>Estimation of Japanese Automobile Manufacturers' Production Volume (including overseas) (year on year)</p> <table border="1" data-bbox="435 489 1572 661"> <thead> <tr> <th></th> <th>1Q</th> <th>2Q</th> <th>3Q</th> <th>4Q</th> <th>Full year</th> </tr> </thead> <tbody> <tr> <td>Previous</td> <td>+70%</td> <td>+5%</td> <td>(5%)</td> <td>+5%</td> <td>+13%</td> </tr> <tr> <td>Current</td> <td>+60%</td> <td>+15%</td> <td>—</td> <td>+5%</td> <td>+15%</td> </tr> </tbody> </table>		1Q	2Q	3Q	4Q	Full year	Previous	+70%	+5%	(5%)	+5%	+13%	Current	+60%	+15%	—	+5%	+15%
	1Q	2Q	3Q	4Q	Full year														
Previous	+70%	+5%	(5%)	+5%	+13%														
Current	+60%	+15%	—	+5%	+15%														
<p>Aircraft</p>	<p>(Aluminum casting & forging, and titanium) The market is expected to remain sluggish for several years due to a decline in passenger demand.</p>																		
<p>Shipbuilding</p>	<p>(Steel products, steel casting & forging, and welding) Domestic orders for new vessels are on a recovery track, but the situation is expected to remain severe.</p>																		
<p>Beverage can stock</p>	<p>(Aluminum flat rolled products) Demand is expected to remain firm, continuing from fiscal 2020.</p>																		
<p>IT/ Semiconductors</p>	<p>(Aluminum flat rolled products, and copper flat rolled products) Continued strong demand is anticipated.</p>																		
<p>Civil engineering & construction</p>	<p>(Steel products, and welding) Although demand in the construction sector remains sluggish, it is on a recovery track from the previous forecast.</p>																		

【Net Sales】

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous) ②			FY2021 Forecast (Current) ③			Change	
		1H	2H		1H	2H		③-①	③-②
Steel & Aluminum	696.3	395.0	410.0	805.0	426.0	454.0	880.0	183.7	75.0
Advanced Materials	238.1	135.0	145.0	280.0	157.0	163.0	320.0	81.9	40.0
Welding	70.0	33.0	36.0	69.0	37.0	38.0	75.0	5.0	6.0
Machinery	175.3	79.0	86.0	165.0	86.0	84.0	170.0	(5.3)	5.0
Engineering	136.1	60.0	81.0	141.0	60.0	82.0	142.0	5.9	1.0
Construction Machinery	333.1	190.0	170.0	360.0	204.0	186.0	390.0	56.9	30.0
Electric Power	80.4	31.0	48.0	79.0	34.0	50.0	84.0	3.6	5.0
Other Businesses	27.8	11.0	16.0	27.0	12.0	16.0	28.0	0.2	1.0
Adjustment	(51.7)	(24.0)	(32.0)	(56.0)	(26.0)	(33.0)	(59.0)	(7.3)	(3.0)
Total	1,705.5	910.0	960.0	1,870.0	990.0	1,040.0	2,030.0	324.5	160.0

【Ordinary Income (Loss)】

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous) ②			FY2021 Forecast (Current) ③			Change	
		1H	2H		1H	2H		③-①	③-②
Steel & Aluminum	(22.6)	11.0	14.0	25.0	14.0	26.0	40.0	62.6	15.0
Advanced Materials	(12.1)	(1.0)	2.0	1.0	2.5	0.5	3.0	15.1	2.0
Welding	1.7	0.0	1.0	1.0	0.5	0.5	1.0	(0.7)	—
Machinery	11.4	0.0	3.5	3.5	2.5	2.5	5.0	(6.4)	1.5
Engineering	4.4	1.5	3.0	4.5	2.5	3.0	5.5	1.1	1.0
Construction Machinery	12.7	3.0	4.0	7.0	8.0	0.0	8.0	(4.7)	1.0
Electric Power	20.6	4.0	6.0	10.0	4.0	6.0	10.0	(10.6)	—
Other Businesses	4.2	0.0	3.0	3.0	0.0	3.0	3.0	(1.2)	—
Adjustment	(4.3)	(3.5)	(6.5)	(10.0)	(2.0)	(3.5)	(5.5)	(1.2)	4.5
Total	16.1	15.0	30.0	45.0	32.0	38.0	70.0	53.9	25.0

(Billions of yen)

		FY2020 Actual	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			Change		
			①	1H	2H	②	1H	2H	③	③-①	③-②
Steel products	Net Sales	563.8	320.0	340.0	660.0	348.0	377.0	725.0	161.2	65.0	
	Ordinary Income (Loss)	(23.3)	10.5	12.0	22.5	12.0	25.0	37.0	60.3	14.5	
	Excluding Inventory Valuation	(20.8)	(2.0)	16.0	14.0	(8.0)	14.0	6.0	26.8	(8.0)	
Aluminum rolled products	Net Sales	132.4	75.0	70.0	145.0	78.0	77.0	155.0	22.6	10.0	
	Ordinary Income (Loss)	0.6	0.5	2.0	2.5	2.0	1.0	3.0	2.4	0.5	
	Excluding Inventory Valuation	3.1	0.0	1.5	1.5	1.0	0.0	1.0	(2.1)	(0.5)	
Total	Net Sales	696.3	395.0	410.0	805.0	426.0	454.0	880.0	183.7	75.0	
	Ordinary Income (Loss)	(22.6)	11.0	14.0	25.0	14.0	26.0	40.0	62.6	15.0	
	Excluding Inventory Valuation	(17.6)	(2.0)	17.5	15.5	(7.0)	14.0	7.0	24.6	(8.5)	

Steel products

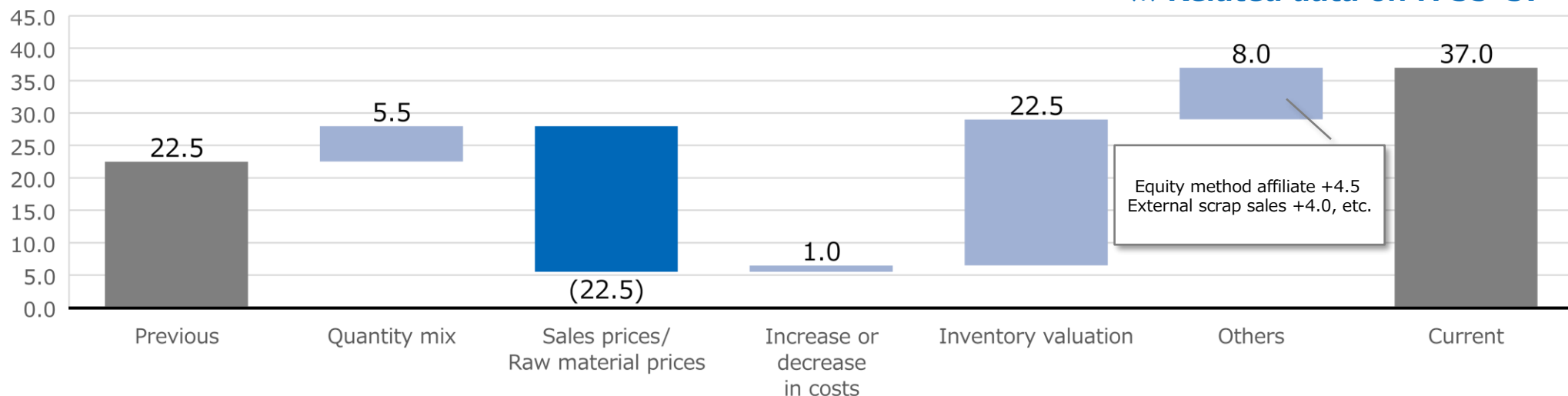
Previous FY2021 Forecast: Ordinary Income of 22.5 billion yen →

Current FY2021 Forecast: Ordinary Income of 37.0 billion yen (UP 14.5 billion yen)

- Crude steel production : Approx.6.7 million tons
(UP 0.1 million tons from the previous forecast)
- Sales volume : Approx.5.5 million tons
(UP 0.1 million tons from the previous forecast)
 - Anticipates an increase in demand in many sectors, particularly in the automotive sector.
- Factors affecting profit and loss
 - Increase in sales volume
 - Deterioration in metal spreads mainly due to a delay in the timing of reflecting the increase in raw material prices to sales prices
 - Improvement in inventory valuation due to rising raw material prices

(Billions of yen)

※ Related data on P. 35–37



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

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous) ②			FY2021 Forecast (Current) ③			Change	
		1H	2H		1H	2H		③-①	③-②
Net Sales	132.4	75.0	70.0	145.0	78.0	77.0	155.0	22.6	10.0
Operating Income (Loss)	0.6	0.5	2.0	2.5	2.0	1.0	3.0	2.4	0.5
Excluding Inventory Valuation	3.1	0.0	1.5	1.5	1.0	0.0	1.0	(2.1)	(0.5)

Previous FY2021 Forecast: Ordinary Income of 2.5 billion yen →

Current FY2021 Forecast: Ordinary Income of 3.0 billion yen (UP 0.5 billion yen)

- Sales volume : Approx.350 thousand tons (Similar to the previous forecast)
 - Demand for the automotive sector remains strong, particularly in China.
 - Sales remain stable in the sectors of beverage can stock and IT/semiconductors.
- Factors affecting profit and loss
 - Improvement in inventory valuation due to the upturn in the aluminum ingot market
 - Increase in energy costs

※ Related data on P. 36–37

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	238.1	135.0	145.0	280.0	157.0	163.0	320.0	81.9	40.0
Operating Income (Loss)	(12.1)	(1.0)	2.0	1.0	2.5	0.5	3.0	15.1	2.0
Excluding Inventory Valuation	(13.1)	(1.0)	1.5	0.5	0.0	0.5	0.5	13.6	—

Previous FY2021 Forecast: Ordinary Income of 1.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 3.0 billion yen (UP 2.0 billion yen)

■ Sales volume

- Anticipates an increase in sales of copper flat rolled products and aluminum casting and forging due to increased demand for semiconductors.
- Anticipates a decrease in sales of aluminum suspension due to a decline in automobile production associated with a shortage of semiconductors in North America.

■ Factors affecting profit and loss

- Improvement in inventory valuation due to the upturn in the copper market

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	70.0	33.0	36.0	69.0	37.0	38.0	75.0	5.0	6.0
Operating Income (Loss)	1.7	0.0	1.0	1.0	0.5	0.5	1.0	(0.7)	-

Previous FY2021 Forecast: Ordinary Income of 1.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 1.0 billion yen (with no change)

■ Sales volume

- Domestic : Anticipates an increase due to strong demand for structural steel and automobiles.
- Overseas : Anticipates an increase due to strong demand for automobiles and construction equipment in Southeast Asia and China.

■ Factors affecting profit and loss

- Increase in sales volume
- Increase in steel procurement costs

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	175.3	79.0	86.0	165.0	86.0	84.0	170.0	(5.3)	5.0
Operating Income (Loss)	11.4	0.0	3.5	3.5	2.5	2.5	5.0	(6.4)	1.5
Orders	112.6			approx. 160.0			approx. 165.0	approx. 52.0	approx. 5.0

Previous FY2021 Forecast: Ordinary Income of 3.5 billion yen →

Current FY2021 Forecast: Ordinary Income of 5.0 billion yen (UP 1.5 billion yen)

■ Orders

- Anticipates an increase in orders for standard compressors due to recovery in capital investment.

■ Factors affecting profit and loss

- Cost reduction centered on fixed costs

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	136.1	60.0	81.0	141.0	60.0	82.0	142.0	5.9	1.0
Operating Income (Loss)	4.4	1.5	3.0	4.5	2.5	3.0	5.5	1.1	1.0
Orders	113.4			approx. 180.0			approx. 180.0	approx. 67.0	-

Previous FY2021 Forecast: Ordinary Income of 4.5 billion yen →

Current FY2021 Forecast: Ordinary Income of 5.5 billion yen (UP 1.0 billion yen)

■ Orders

- Similar to the previous forecast

■ Factors affecting profit and loss

- Improvement in profit and loss on existing orders

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	333.1	190.0	170.0	360.0	204.0	186.0	390.0	56.9	30.0
Operating Income (Loss)	12.7	3.0	4.0	7.0	8.0	0.0	8.0	(4.7)	1.0

Previous FY2021 Forecast: Ordinary Income of 7.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 8.0 billion yen (UP 1.0 billion yen)

■ Unit Sales

[Hydraulic excavator]…Increase

China : Anticipates a decrease due to intensified competition despite increased demand.

Other regions : Anticipates demand recovery mainly in Southeast Asia and Europe.

[Crawler crane]…Similar to the previous forecast

■ Factors affecting profit and loss

- Changes in the sales area and model composition
- Increase in steel procurement costs
- Cost reduction centered on fixed costs

(Billions of yen)

	FY2020 Actual ①	FY2021 Forecast (Previous) ②			FY2021 Forecast (Current) ③			Change	
		1H	2H		1H	2H		③-①	③-②
Net Sales	80.4	31.0	48.0	79.0	34.0	50.0	84.0	3.6	5.0
Operating Income (Loss)	20.6	4.0	6.0	10.0	4.0	6.0	10.0	(10.6)	—

Previous FY2021 Forecast: Ordinary Income of 10.0 billion yen→

Current FY2021 Forecast: Ordinary Income of 10.0 billion yen (with no change)

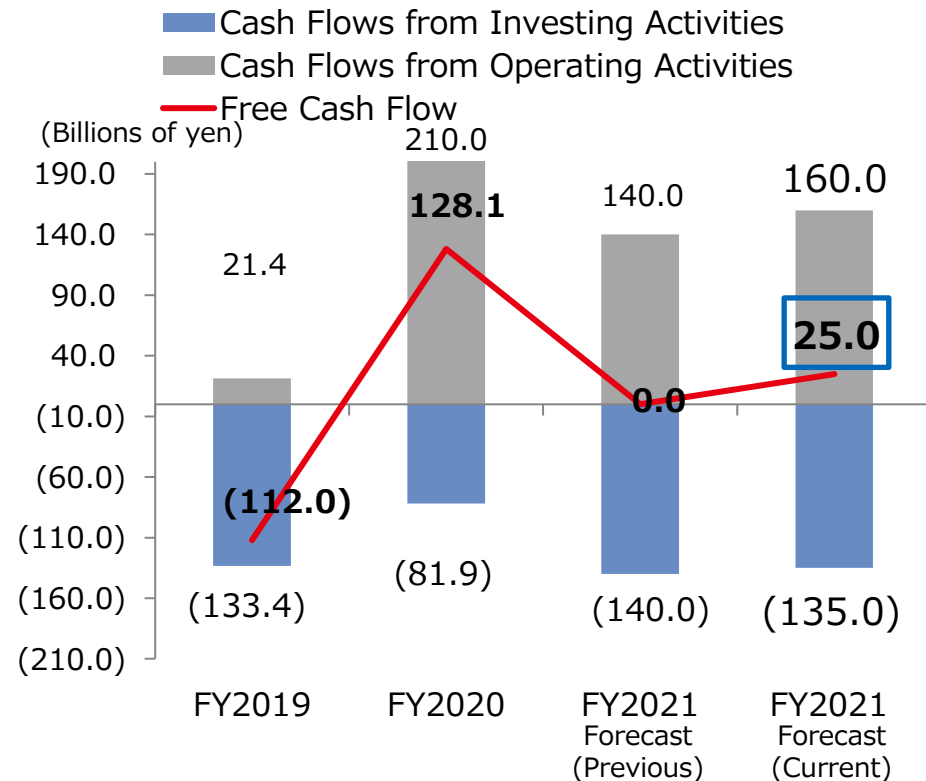
- Sales volume・・・Similar to the previous forecast
- Unit price・・・Anticipates an increase
 - ・ Affected by a rise in fuel prices.
- Factors affecting profit and loss
 - ・ Similar to the previous forecast

- Kobe Steel determines dividends taking its financial condition, business performance, future capital needs and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle. The target dividend payout ratio is 15 to 25% of consolidated net income attributable to owners of the parent.
- In accordance with this policy, the Board of Directors today resolved to pay an interim dividend of 10 yen per share for the current fiscal year.

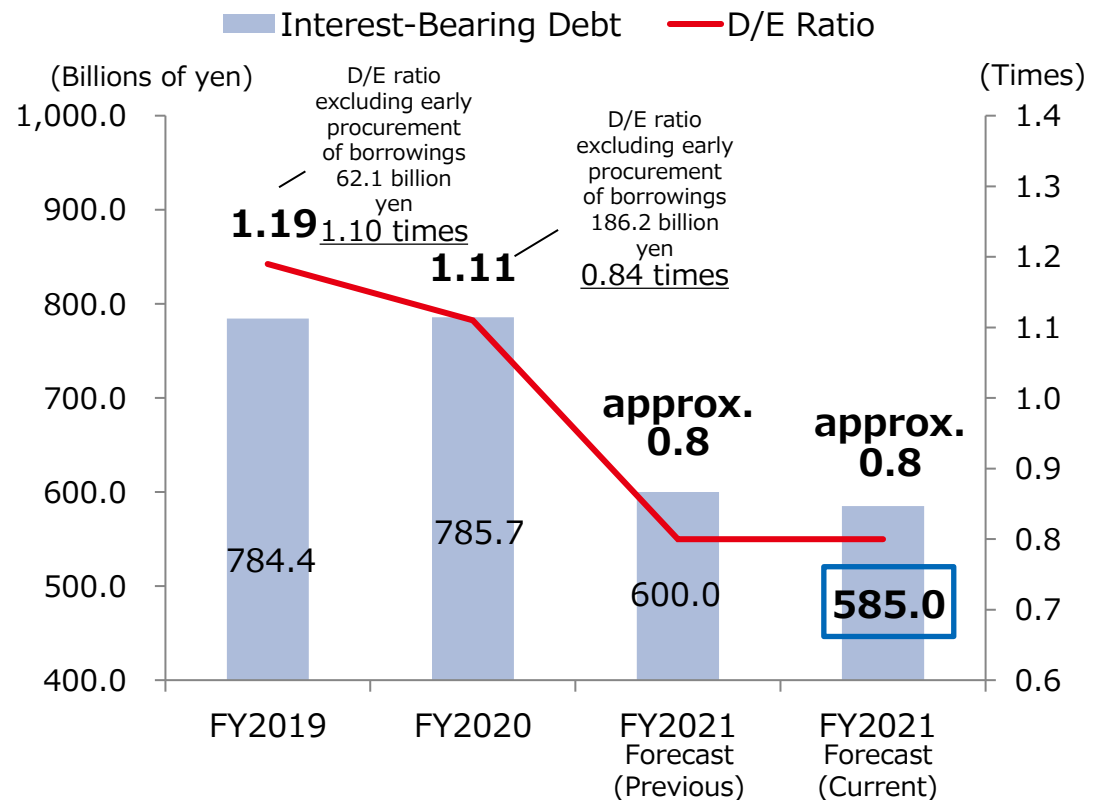
	FY2020			FY2021		
	Interim	Year-end		Interim	Year-end	
Dividends per share in yen	–	10	10	10	Undetermined	Undetermined
Dividend per net assets			15.6%			

- The newly established Business Portfolio Management Committee is strengthening the monitoring of cash flow plans.
- Free cash flow is expected to increase from the previous forecast due to improvements in business performance, working capital, and careful selection of capital investment.
- We aim to achieve a D/E ratio of approximately 0.8 while continuing to strengthen our financial base.
- In order to ensure stable funding directly from financial markets, Kobe Steel issued 5-year straight bonds of 10.0 billion yen in June 2021.

《Free Cash Flow》



《Interest Bearing Debt & D/E Ratio》



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

3 . Reference Information

- Under the Medium-Term Management Plan for FY2021–FY2023, **Kobe Steel is working to promote efficient use of management resources and strengthen the management foundation by utilizing the return on invested capital (ROIC) for management and evaluation of business units.**
- In business portfolio management, **the Company will identify the position of the business units based on profitability (ROIC) and market growth potential** and examine and implement measures based on the positioning. Along with this, we promote the optimal allocation of management resources based on the Company’s strategies.
- In April 2021, **the Business Portfolio Management Committee and the Investment and Loan Committee** were newly established to assist the Executive Council in implementing these measures.

Business Portfolio Management Committee

Planning of business portfolio strategy

- **Develops company-wide business portfolio strategies and formulates plans for the optimal capital structure based on the company’s strategy** from the perspective of asset efficiency and capital costs.

Monitoring of business units (quarterly)

- **Conducts performance monitoring and KPI management by business unit.**
- Examines the future direction of businesses that have not achieved profitability that exceeds the capital cost and submits reports to the Executive Council.

Investment and Loan Committee

Prior deliberation

- Confirms **the consistency** of important investments **with business portfolio strategies.**
- Conducts prior deliberations, including **risk analysis of investment projects and evaluation of businesses in which investments are made.**
- Makes decisions on whether to submit a proposal to the Executive Council and report the committee's opinion to the Executive Council.

Follow-up on investment projects

- Conducts **progress reviews** of important investment projects after making investments.
- **Conducts monitoring focusing on projects that have not yet achieved the targets** and examine measures for the future as needed.
- Reports the results of the review to the Executive Council.

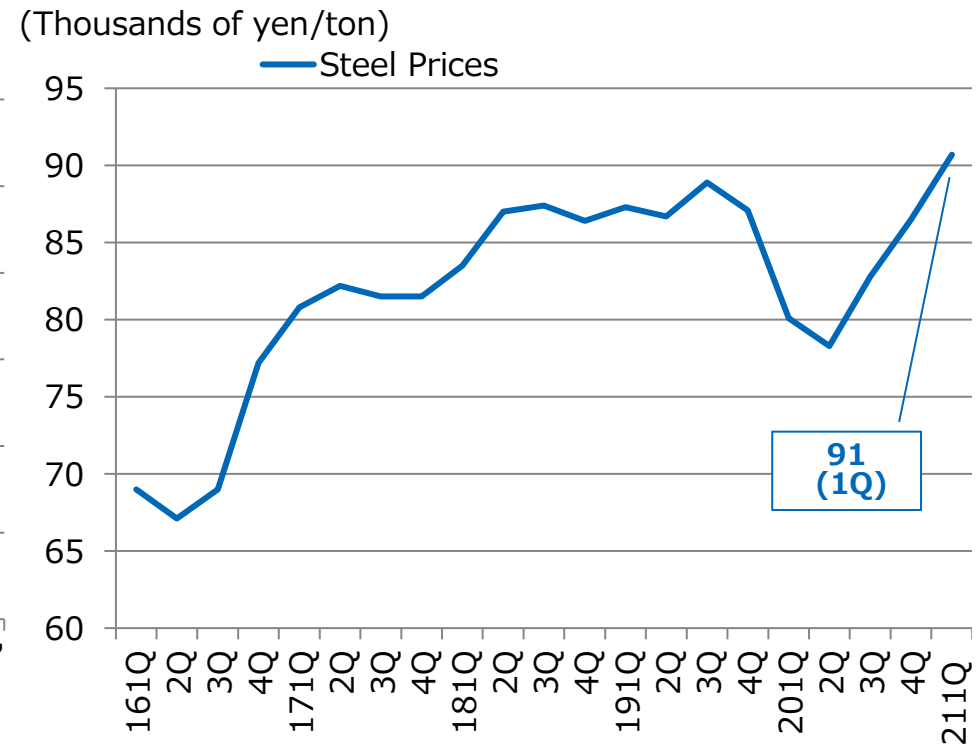
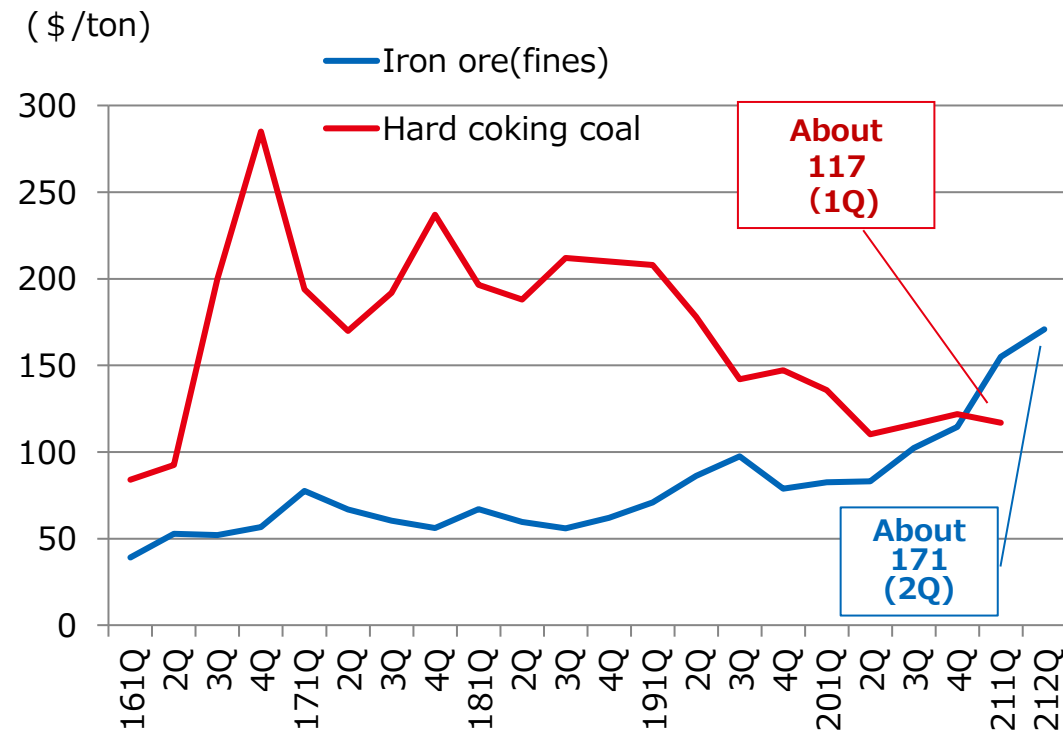
Business Divisions and Business Units

Business management based on the ROIC tree

- Each business division and business unit **sets main KPIs using the ROIC tree and carries out PDCA management of initiatives.**
- Utilizes ROIC not only as a business evaluation index but also as a **tool to improve the operations of production sites.**



	FY2020 Actual				FY2021	
	1Q	1H	2H	Fiscal year	1Q	Fiscal year
Domestic crude steel production (Millions of tons)	18.10	37.09	45.70	82.78	24.35	April.-Jun total advance figure
Domestic inventory level (Millions of tons)	5.67	5.12	5.07	5.07	5.52	End of May advance figure
Inventory level of three types of steel sheets (Millions of tons)	4.30	3.67	3.51	3.51	3.88	End of June advance figure
Domestic auto production (Millions of cars)	1.27	3.35	4.63	7.98	1.22	April.-May total



		FY2020 Actual			FY2021 Forecast (Previous)		FY2021 Forecast (Current)		
		1Q	1H	Full Year	1H	Full Year	1Q	1H	Full Year
Crude steel production※	(Millions of tons)	1.17	2.48	5.81	approx. 3.30	approx. 6.60	1.66	approx. 3.30	approx. 6.70
Sales volume of steel products	(Millions of tons)	0.97	2.04	4.73	approx. 2.70	approx. 5.40	1.36	approx. 2.70	approx. 5.50
(Domestic)		(0.67)	(1.43)	(3.44)			(1.02)		
(Exports)		(0.30)	(0.61)	(1.29)			(0.34)		
Average steel selling price	(Thousands of yen/ton)	80.1	79.1	82.3			90.7		
Export ratio (value basis)		26.4%	25.0%	23.9%			25.5%		
Aluminum rolled products	(Thousands of tons)	73	152	305	approx. 180	approx. 350	88	approx. 180	approx. 350
(Domestic)		(60)	(121)	(236)			(66)		
(Exports)		(12)	(30)	(69)			(21)		
Aluminum extrusions	(Thousands of tons)	7	12	31	approx.19	approx.38	9	approx.19	approx.38
(Domestic)		(6)	(12)	(29)			(9)		
(Exports)		(0)	(0)	(1)			(0)		
Copper rolled products	(Thousands of tons)	10	19	48	approx.29	approx.58	15	approx.30	approx.61
Copper tubes	(Thousands of tons)	19	32	67	approx.36	approx.72	21	approx.40	approx.77
Welding materials	(Thousands of tons)	64	120	242	approx. 120	approx. 250	68	approx. 130	approx. 260
(Domestic)		(25)	(49)	(100)			(29)		
(Overseas)		(38)	(71)	(142)			(40)		

※ Includes production volume of electric furnaces at the Takasago Works.

Steel products

(Billions of yen)

		FY2020 Actual				FY2021 Forecast			
		1Q	1H	2H	Full Year	1Q	1H	2H	Full Year
	Iron ore	0.5	0.5	3.0	3.5	4.5	6.0	(3.5)	2.5
	Coal	(0.5)	(1.5)	0.5	(1.0)	(0.5)	2.5	(1.5)	1.0
	Carry Over	0.0	(1.0)	3.5	2.5	4.0	8.5	(5.0)	3.5

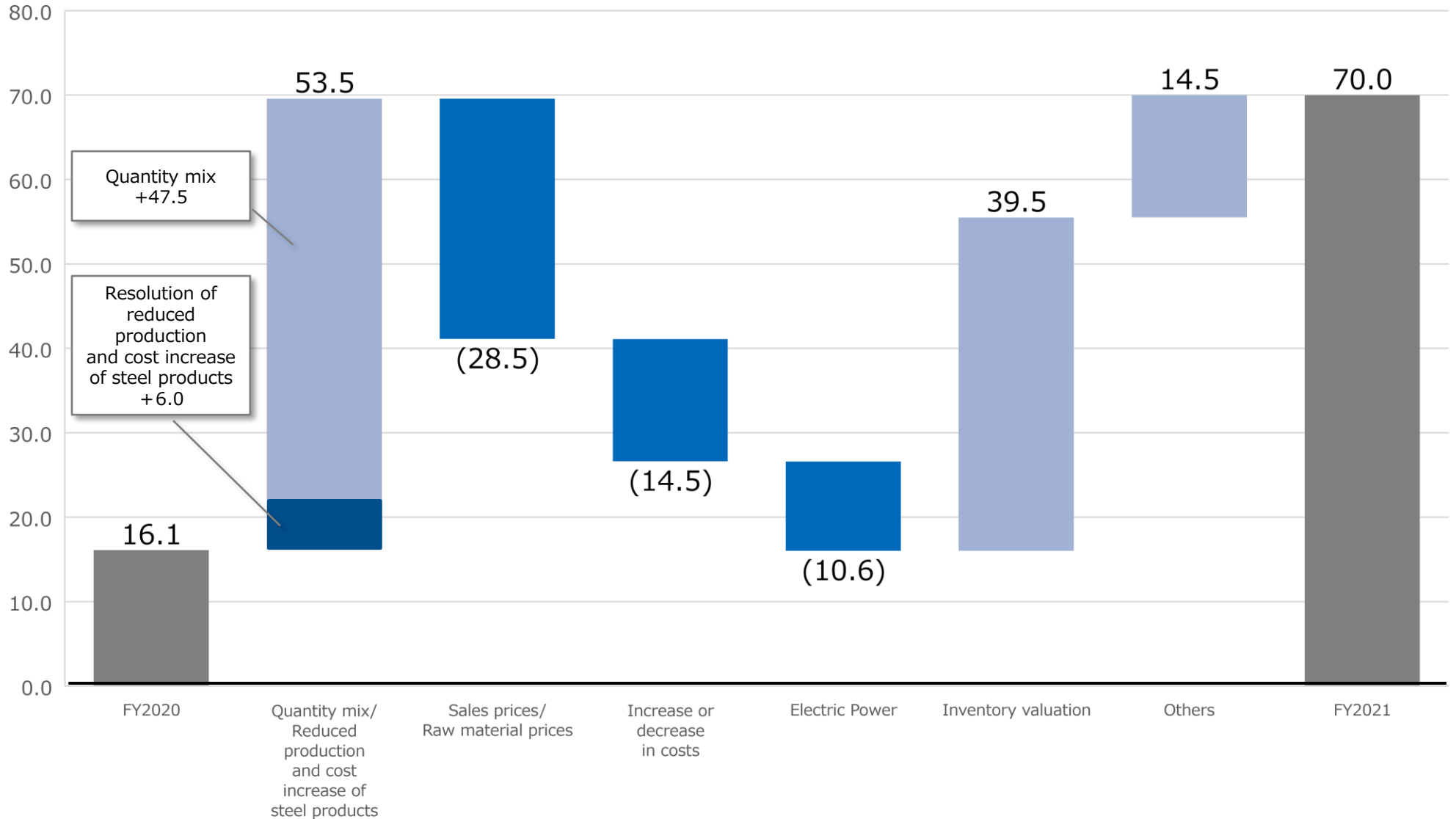
	Average method	3.0	0.5	(6.0)	(5.5)	14.0	20.0	11.0	31.0
	Lower-of-cost-or-market method	(10.5)	(9.0)	12.0	3.0	0.0	0.0	0.0	0.0
	Inventory Valuation	(7.5)	(8.5)	6.0	(2.5)	14.0	20.0	11.0	31.0

Aluminum rolled products

(Billions of yen)

		FY2020 Actual				FY2021 Forecast			
		1Q	1H	2H	Full Year	1Q	1H	2H	Full Year
	Average method	(1.0)	(1.5)	(1.0)	(2.5)	0.5	1.0	1.0	2.0
	Lower-of-cost-or-market method	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Inventory Valuation	(1.5)	(1.5)	(1.0)	(2.5)	0.5	1.0	1.0	2.0

(Billions of yen)



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

【Ordinary Income (Loss)】

(Billions of yen)

	FY2021 Forecast			Full Year	Change ②-①
	1H ①	2H ②			
Steel & Aluminum	14.0	26.0		40.0	12.0
Advanced Materials	2.5	0.5		3.0	(2.0)
Welding	0.5	0.5		1.0	—
Machinery	2.5	2.5		5.0	—
Engineering	2.5	3.0		5.5	0.5
Construction Machinery	8.0	0.0		8.0	(8.0)
Electric Power	4.0	6.0		10.0	2.0
Other Businesses	0.0	3.0		3.0	3.0
Adjustment	(2.0)	(3.5)		(5.5)	(1.5)
Total	32.0	38.0		70.0	6.0

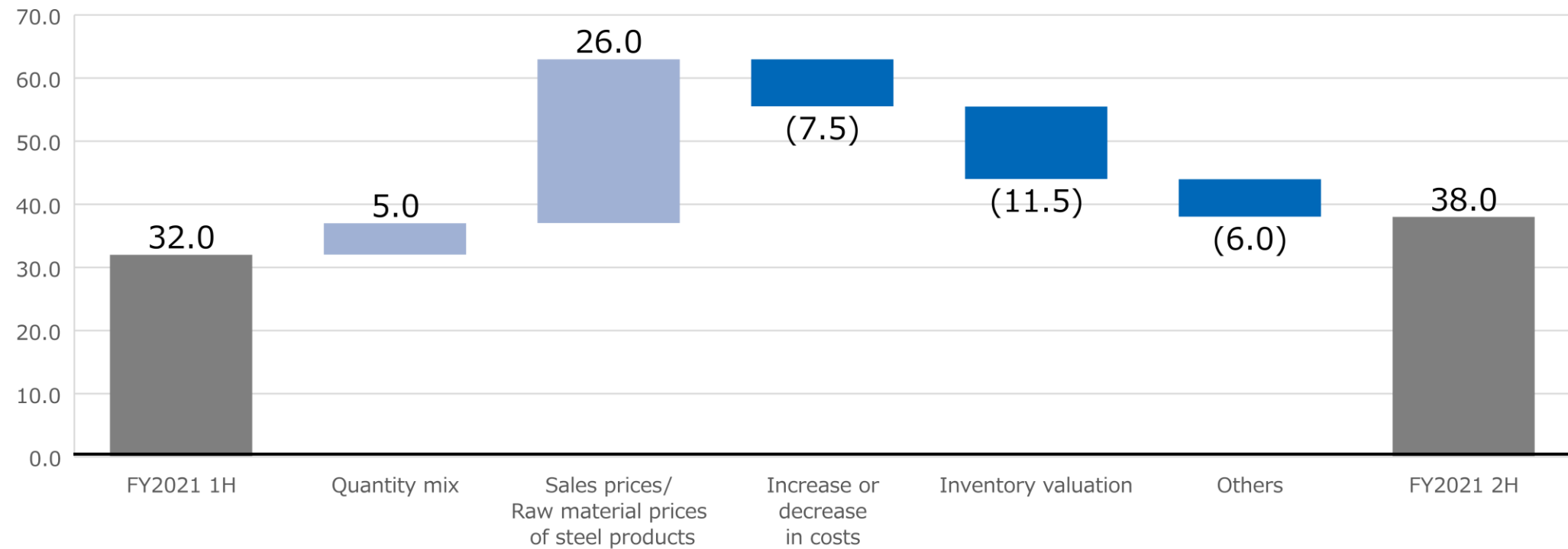
【Ordinary Income (Loss)】

(Billions of yen)

	FY2021 Forecast		
	1H	2H	Full Year
Companywide	32.0	38.0	70.0

+6.0

(Billions of yen)



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

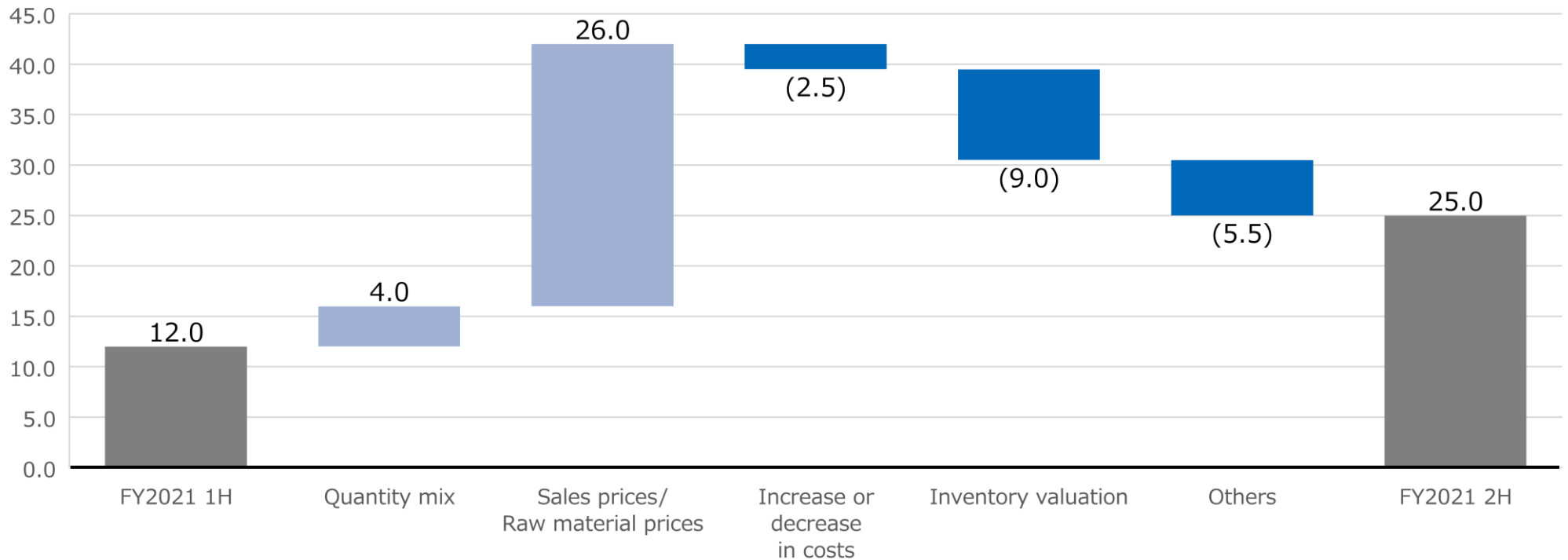
【Ordinary Income (Loss)】

(Billions of yen)

	FY2021 Forecast		
	1H	2H	Full Year
Steel products	12.0	25.0	37.0

13.0

(Billions of yen)



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

(Billions of yen)

	FY2020 Actual	FY2021 Forecast (Previous)	FY2021 Forecast (Current)	Change	
				③-①	③-②
Cash Flows from Operating Activities	210.0	140.0	160.0	(50.0)	20.0
Cash Flows from Investing Activities	(81.9)	(140.0)	(135.0)	(53.1)	5.0
Free Cash Flow (excluding project financing)	128.1	0.0	25.0	(103.1)	25.0
Free Cash Flow (including project financing)	52.9	(65.0)	(40.0)	(92.9)	25.0
Cash and Deposits (excluding project financing)	301.8	115.0	125.0	(176.8)	10.0

(Billions of yen)

	FY2020 Actual	FY2021 Forecast (Previous)	FY2021 Forecast (Current)	Change	
				③-①	③-②
Capital Investment (accrual basis)	185.0	150.0	150.0	(35.0)	-
Capital Investment (payment basis)	173.2	180.0	180.0	6.8	-
Depreciation	100.8	105.0	105.0	4.2	-

	FY2019 Actual	FY2020 Actual	FY2021 Forecast (Previous)	FY2021 Forecast (Current)
Net Income (Loss) per Share	(187.55)yen	64.05yen	68.92yen	110.27yen
Outside Debt	906.6 billion yen	987.8 billion yen	860.0 billion yen	840.0 billion yen
Outside Debt Excluding Debt from IPP project financing	784.4 billion yen	785.7 billion yen	600.0 billion yen	585.0 billion yen
D/E Ratio ※1	※2 1.19 times	※3 1.11 times	approx.0.8 times	approx.0.8 times
ROS ※4	(0.4%)	0.9%	2.4%	3.4%
ROA ※5	(0.3%)	0.6%	1.7%	2.7%
ROE ※6	(9.7%)	3.4%	3.5%	5.5%
ROIC ※7	0.9%	1.1%	2.6%	4.0%

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

※2: Includes early procurement of borrowings for FY 2020 (62.1 billion yen)
D/E Ratio 1.10 times (excluding early procurement of borrowings)

※3: Includes early procurement of borrowings for FY 2021 (186.2 billion yen)
D/E Ratio 0.84 times (excluding early procurement of borrowings)

※4: ROS: Ordinary Income / Net Sales

※5: ROA: Ordinary Income / Total Assets

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

※7: ROIC: After-tax operating Income / Invested Capital

	FY2020 Actual				FY2021 Forecast (Previous)	FY2021 Forecast (Current)	
	1Q	1H	2H	Full Year	Full Year	1Q	Full Year
1 U.S. dollar to yen	108	107	105	106	109	109	109
1 Chinese yuan to yen	15.2	15.3	16.1	15.7	16.0	17.0	16.0
1 Euro to yen	118	121	126	124	130	132	130

<h2>KOBELCO's View of the Future</h2>	<p>Our view of a society and future to be attained as we carry out KOBELCO's mission</p> <p>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.</p>
<h2>KOBELCO's Mission</h2>	<p>Our mission and the social significance of the KOBELCO Group that we must fulfill</p> <p>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.</p>
<h2>Core Values of KOBELCO</h2>	<p>The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group</p> <ol style="list-style-type: none"> 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, and support the growth of, each employee 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.
<h2>Six Pledges of KOBELCO</h2>	<p>Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter</p> <ol style="list-style-type: none"> 1. Uphold the Highest Sense of Ethics and Professionalism 2. Contribute to the Society by Providing Superior Products and Services Quality Charter 3. Establish a Comfortable but Challenging Work Environment 4. Live in Harmony with the Local Community 5. Contribute to a Sustainable Environment 6. Respect 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