

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

November 5, 2021
KOBELCO STEEL, LTD.

KOBELCO

1. Financial Results for the First Half of Fiscal 2021
2. Forecast for Fiscal 2021
3. Reference Information

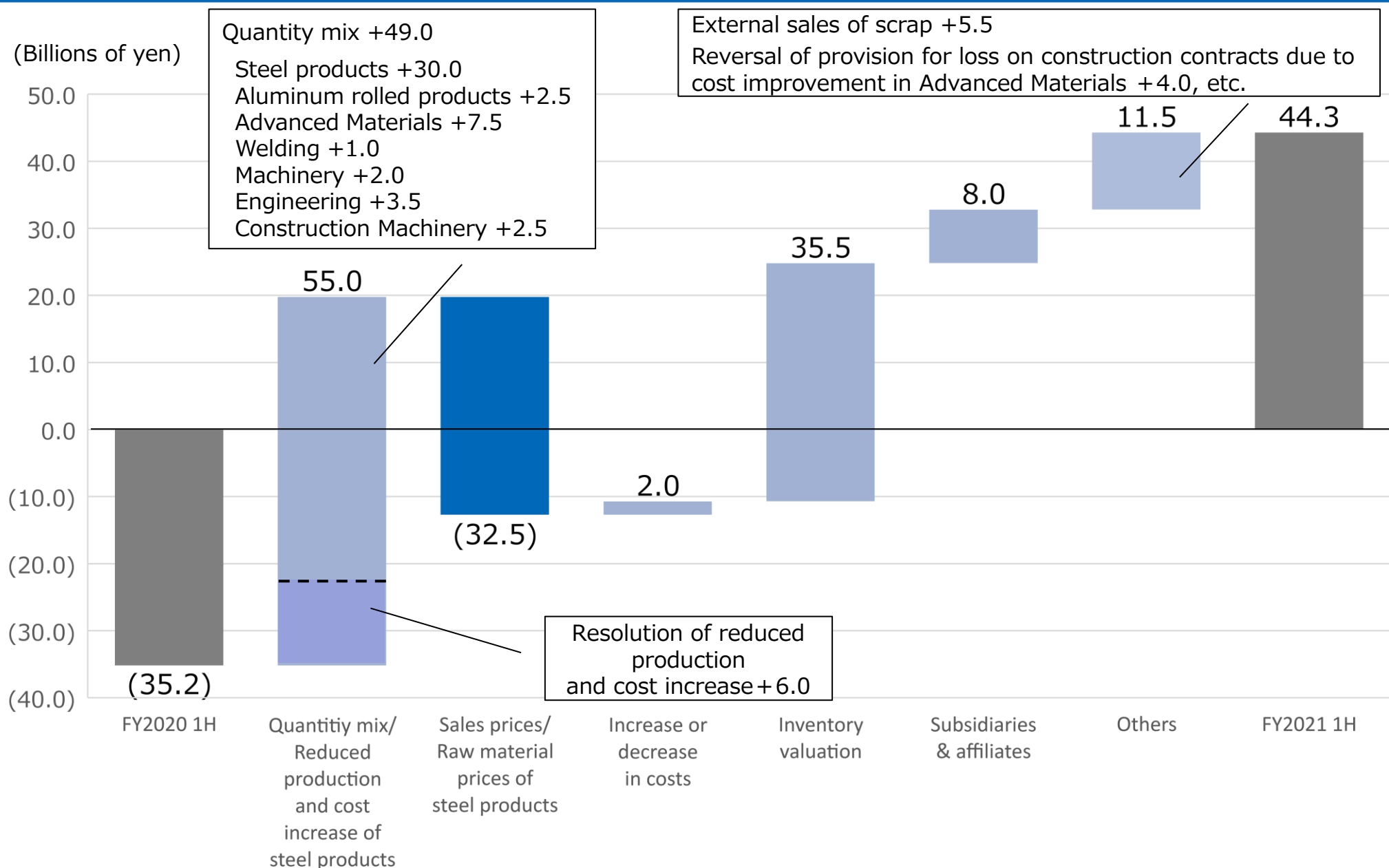
1. Financial Results for the First Half of Fiscal 2021

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 improvement in inventory valuation and an increase in sales volume despite a deterioration in metal spreads associated with rising raw material prices of steel products.

	FY2020 1H ①	FY2021 1H ②	(Billions of yen) Change ②-①
Net Sales	776.4	972.1	195.7
Operating Income (Loss)	(27.1)	46.8	73.9
Ordinary Income (Loss)	(35.2)	44.3	79.5
Excluding Inventory Valuation	(24.7)	19.3	44.0
Extraordinary Income (Loss)	* 13.6	–	(13.6)
Net Income (Loss) Attributable to Owners of the Parent	(15.2)	34.5	49.7

*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
 Loss in impairment: (2.5) billion 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
	1H ①	1H ②	②-①
Steel & Aluminum	311.2	427.3	116.1
Advanced Materials	105.3	153.2	47.8
Welding	34.7	38.0	3.3
Machinery	86.4	79.7	(6.6)
Engineering	56.0	55.6	(0.3)
Construction Machinery	161.8	194.0	32.1
Electric Power	37.0	37.5	0.4
Other Businesses	10.8	11.4	0.5
Adjustment	(27.0)	(24.8)	2.1
Total	776.4	972.1	195.7

Ordinary Income (Loss)

(Billions of yen)

	FY2020	FY2021	Change
	1H ③	1H ④	④-③
Steel & Aluminum	(41.8)	14.8	56.7
Advanced Materials	(10.9)	5.2	16.2
Welding	0.6	2.0	1.4
Machinery	4.1	4.2	0.0
Engineering	(0.6)	4.3	5.0
Construction Machinery	4.7	8.4	3.6
Electric Power	8.1	5.7	(2.4)
Other Businesses	0.7	1.1	0.3
Adjustment	(0.1)	(1.7)	(1.6)
Total	(35.2)	44.3	79.5

(Billions of yen)

		FY2020 1H ①	FY2021 1H ②	Change ②-①
Steel products	Net Sales	245.2	346.5	101.3
	Ordinary Income (Loss)	(40.4)	12.4	52.8
	Excluding Inventory Valuation	(31.9)	(9.5)	22.3
Aluminum rolled products	Net Sales	65.9	80.7	14.7
	Ordinary Income (Loss)	(1.4)	2.4	3.8
	Excluding Inventory Valuation	0.0	2.4	2.3
Total	Net Sales	311.2	427.3	116.1
	Ordinary Income (Loss)	(41.8)	14.8	56.7
	Excluding Inventory Valuation	(31.8)	(7.1)	24.7

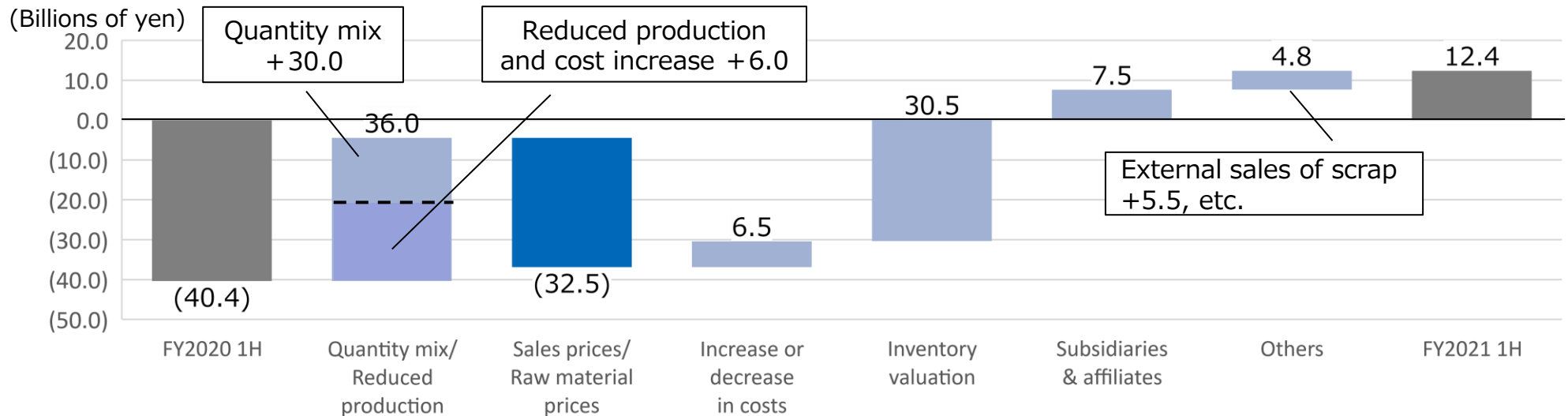
Steel products

**Net Sales: 245.2 billion yen in FY2020 1H → 346.5 billion yen in FY2021 1H
(Up 101.3 billion yen year on year)**

**Ordinary Loss of 40.4 billion yen in FY2020 1H → Ordinary Income of 12.4 billion yen in FY2021 1H
(Up 52.8 billion yen year on year)**

- Crude steel production: 3.35 million tons (Up 0.87 million tons year on year)
- Sales volume: 2.68 million tons (Up 0.64 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: 95,500 yen/ton (Up 16,400 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 higher raw material prices

Related data on P37-39



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

Aluminum
Rolled
Products

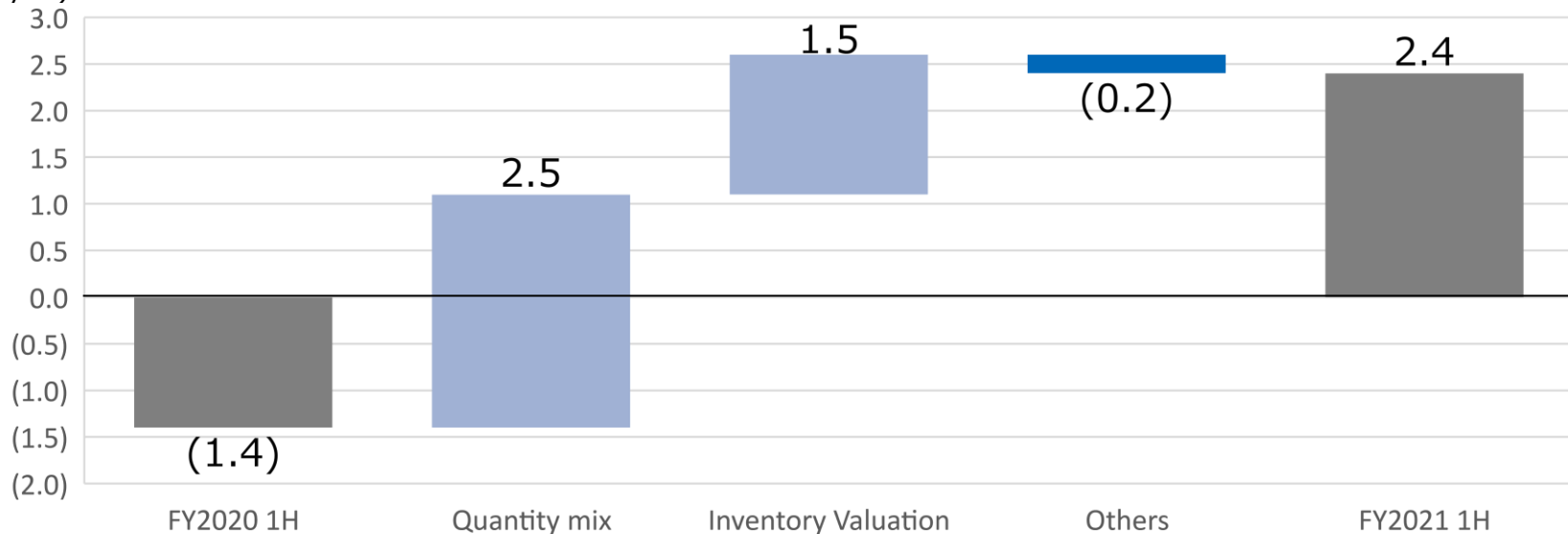
Net Sales: 65.9 billion yen in FY2020 1H → 80.7 billion yen in FY2021 1H
(Up 14.7 billion yen year on year)

Ordinary Loss of 1.4 billion yen in FY2020 1H → Ordinary Income of 2.4 billion yen in FY2021 1H
(Up 3.8 billion yen year on year)

- Sales volume: 179 thousand tons (Up 26 thousand tons year on year)
 - Beverage can stock: Increase due to increased sales
 - 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
 - Improvement in profit and loss due to inventory valuation changes relative to the same period of the previous fiscal year

Related data on P38-39

(Billions of yen)



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

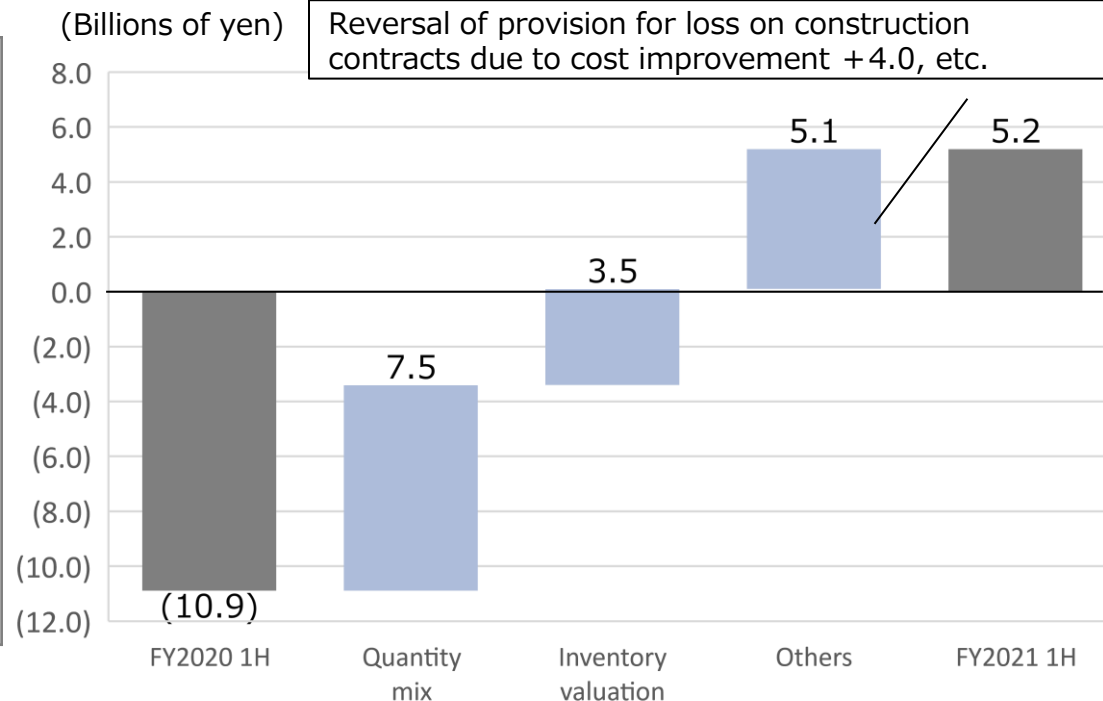
	FY2020 1H ①	FY2021 1H ②	(Billions of yen) Change ②-①
Net Sales	105.3	153.2	47.8
Ordinary Income (Loss)	(10.9)	5.2	16.2
Excluding Inventory Valuation	(10.4)	2.2	12.7

■ 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 due to an upturn in the copper market
- Reversal of provision for loss on construction contracts due to cost improvement



[Related data on P38-39](#)

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

(Billions of yen)

	FY2020 1H ①	FY2021 1H ②	Change ②-①
Net Sales	34.7	38.0	3.3
Ordinary Income (Loss)	0.6	2.0	1.4

■ Sales volume

Domestic: Increased in the automotive and other sectors

Overseas: Increased in the automotive, construction machinery, and other sectors in Southeast Asia

■ Factors affecting profit and loss

- Increase in sales volume

[Related data on P38](#)

(Billions of yen)

	FY2020 1H ①	FY2021 1H ②	Change ②-①
Net Sales	86.4	79.7	(6.6)
Ordinary Income (Loss)	4.1	4.2	0.0
Orders	* 59.9	89.5	29.6

	End of FY2020 ①	End of FY2021 1H ②	Change ②-①
Backlog of Orders	* 118.0	125.7	7.7

Note: Previously, orders received by Kobe Steel, Ltd. and its major consolidated subsidiaries were counted. From the current second quarter, we changed the method to count the orders of our company and all consolidated subsidiaries. Accordingly, orders and backlog of orders for the previous fiscal year have been recalculated.

■ Orders

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

■ Factors affecting profit and loss

- Changes in the project composition

(Billions of yen)

	FY2020 1H ①	FY2021 1H ②	Change ②-①
Net Sales	56.0	55.6	(0.3)
Ordinary Income (Loss)	(0.6)	4.3	5.0
Orders	75.8	73.5	(2.3)
	End of FY2020 ①	End of FY2021 1H ②	Change ②-①
Backlog of Orders	282.1	351.2	69.0

■ Orders

- Decreased compared to the same period of the previous fiscal year that saw large-scale orders for the water-treatment-related-business

■ Factors affecting profit and loss

- Changes in the project composition mainly in the waste-treatment-related business

	FY2020 1H ①	FY2021 1H ②	(Billions of yen) Change ②-①
Net Sales	161.8	194.0	32.1
Ordinary Income (Loss)	4.7	8.4	3.6

■ Unit Sales

[Hydraulic excavator]

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

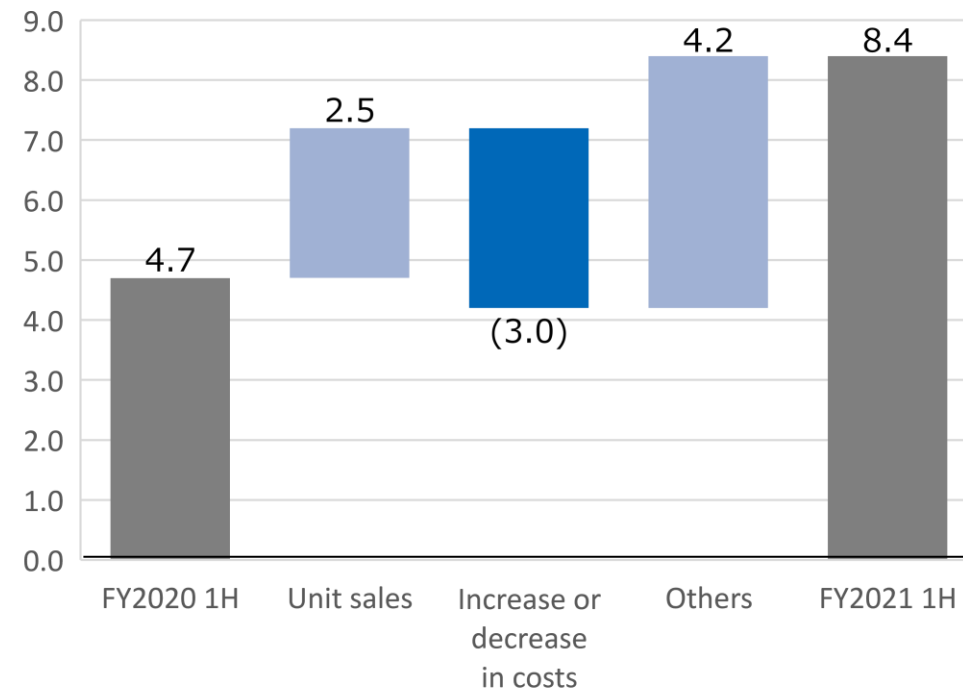
[Crawler crane]

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 business activity levels
- Realization of profits in intergroup transactions due to a decrease in inventories

(Billions of yen)



(Billions of yen)

	FY2020 1H ①	FY2021 1H ②	Change ②-①
Net Sales	37.0	37.5	0.4
Ordinary Income (Loss)	8.1	5.7	(2.4)

■ 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

- Decline in sales of electricity at the Moka Power Plant

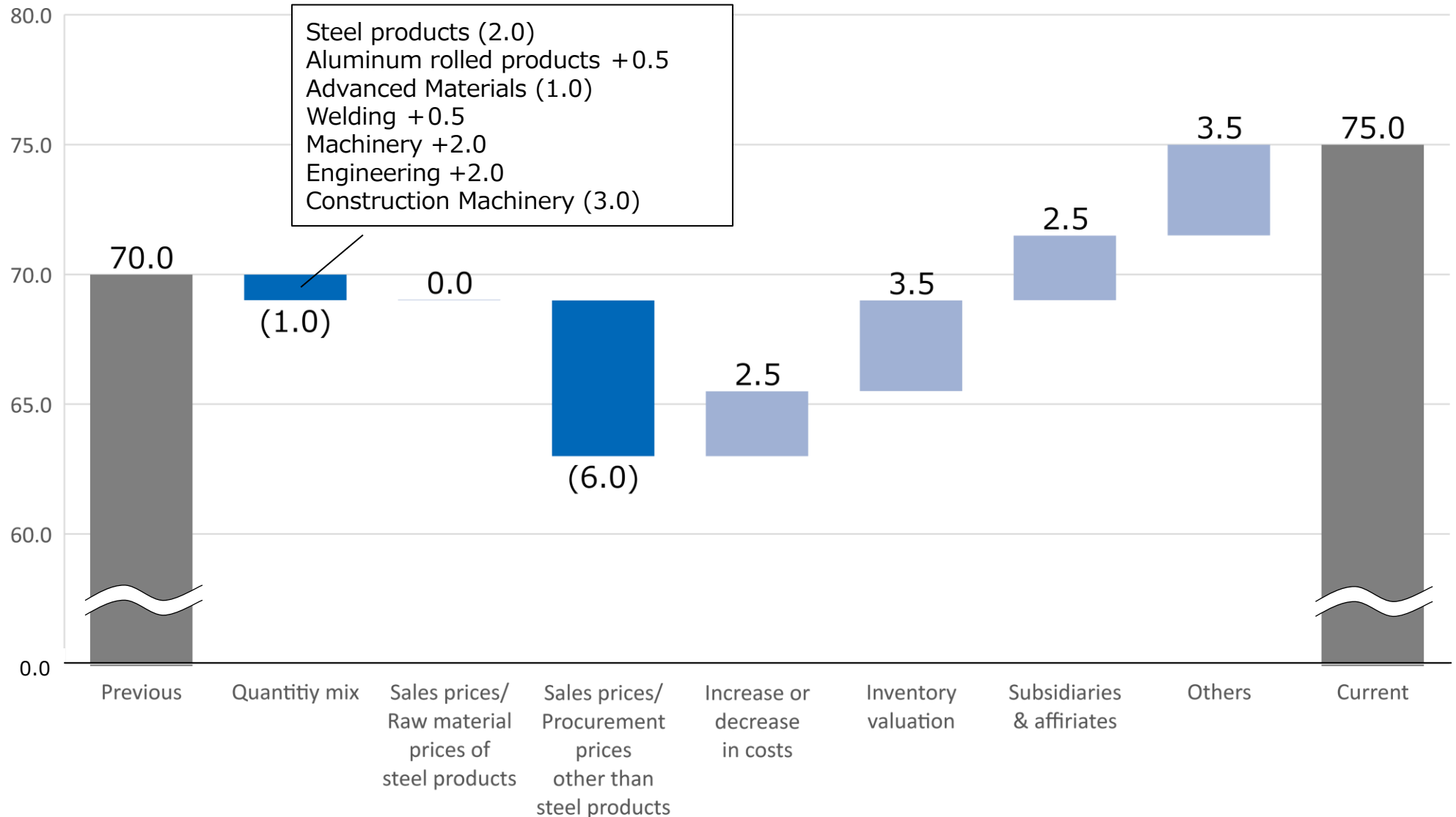
2. Forecast for Fiscal 2021

- Anticipates a decline in sales volume in the materials businesses due to a decrease in automobile production, and a decline in unit sales in the construction machinery business due to a decrease in overall demand and intensified competition in China.
- Orders are recovering in the machinery and engineering businesses.
- Major raw material costs are anticipated to rise from the previous forecast due to the impact of rising coal prices, while metal spread is anticipated to remain at the same level as the previous forecast owing to the progress in shifting costs to selling prices.
- Anticipates an increase in procurement costs due to rising prices of auxiliary raw materials and other materials.
- Improvement in inventory valuation due to rising raw material prices

(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	1,705.5	990.0	1,040.0	2,030.0	972.1	1,117.9	2,090.0	384.5	60.0
Operating Income (Loss)	30.3	35.0	45.0	80.0	46.8	38.1	85.0	54.7	5.0
Ordinary Income (Loss)	16.1	32.0	38.0	70.0	44.3	30.7	75.0	58.9	5.0
Excluding Inventory Valuation	20.1	8.5	26.0	34.5	19.3	16.7	36.0	15.9	1.5
Extraordinary Income (Loss)	2.5	–	–	–	–	–	–	(2.5)	–
Net Income (Loss) Attributable to Owners of the Parent	23.2	20.0	20.0	40.0	34.5	15.5	50.0	26.8	10.0

(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)</p> <p>Demand is anticipated to be lower than the previous forecast due to the shortage of procured parts affected by the COVID-19 pandemic.</p> <p>Estimation of Japanese Automobile Manufacturers' Production Volume (including overseas) (year on year)</p> <table border="1" data-bbox="501 522 1585 694"> <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>+60%</td> <td>+15%</td> <td>—</td> <td>+5%</td> <td>+15%</td> </tr> <tr> <td>Current</td> <td>+60%</td> <td>(5%)</td> <td>(10%)</td> <td>+15%</td> <td>+10%</td> </tr> </tbody> </table>		1Q	2Q	3Q	4Q	Full year	Previous	+60%	+15%	—	+5%	+15%	Current	+60%	(5%)	(10%)	+15%	+10%
	1Q	2Q	3Q	4Q	Full year														
Previous	+60%	+15%	—	+5%	+15%														
Current	+60%	(5%)	(10%)	+15%	+10%														
<p>Aircraft</p>	<p>(Aluminum casting & forging, and titanium)</p> <p>The market is anticipated 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)</p> <p>Domestic orders for new vessels are anticipated to be on a recovery track.</p>																		
<p>Beverage can stock</p>	<p>(Aluminum flat rolled products)</p> <p>Demand is anticipated to remain firm as in fiscal 2020.</p>																		
<p>IT/ Semiconductors</p>	<p>(Aluminum flat rolled products, and copper flat rolled products)</p> <p>Continued strong demand is anticipated.</p>																		
<p>Civil engineering & construction</p>	<p>(Steel products, and welding)</p> <p>Demand in the construction sector is anticipated to be on a recovery track.</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	426.0	454.0	880.0	427.3	497.7	925.0	228.7	45.0
Advanced Materials	238.1	157.0	163.0	320.0	153.2	176.8	330.0	91.9	10.0
Welding	70.0	37.0	38.0	75.0	38.0	38.0	76.0	6.0	1.0
Machinery	175.3	86.0	84.0	170.0	79.7	91.3	171.0	(4.3)	1.0
Engineering	136.1	60.0	82.0	142.0	55.6	88.4	144.0	7.9	2.0
Construction Machinery	333.1	204.0	186.0	390.0	194.0	196.0	390.0	56.9	–
Electric Power	80.4	34.0	50.0	84.0	37.5	56.5	94.0	13.6	10.0
Other Businesses	27.8	12.0	16.0	28.0	11.4	16.6	28.0	0.2	–
Adjustment	(51.7)	(26.0)	(33.0)	(59.0)	(24.8)	(43.4)	(68.0)	(16.3)	(9.0)
Total	1,705.5	990.0	1,040.0	2,030.0	972.1	1,117.9	2,090.0	384.5	60.0

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)	14.0	26.0	40.0	14.8	25.2	40.0	62.6	–
Advanced Materials	(12.1)	2.5	0.5	3.0	5.2	(2.2)	3.0	15.1	–
Welding	1.7	0.5	0.5	1.0	2.0	0.5	2.5	0.8	1.5
Machinery	11.4	2.5	2.5	5.0	4.2	3.8	8.0	(3.4)	3.0
Engineering	4.4	2.5	3.0	5.5	4.3	3.7	8.0	3.6	2.5
Construction Machinery	12.7	8.0	0.0	8.0	8.4	(3.9)	4.5	(8.2)	(3.5)
Electric Power	20.6	4.0	6.0	10.0	5.7	5.3	11.0	(9.6)	1.0
Other Businesses	4.2	0.0	3.0	3.0	1.1	2.4	3.5	(0.7)	0.5
Adjustment	(4.3)	(2.0)	(3.5)	(5.5)	(1.7)	(4.1)	(5.5)	(1.2)	–
Total	16.1	32.0	38.0	70.0	44.3	30.7	75.0	58.9	5.0

		FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
			1H	2H	②	1H	2H	③	③-①	③-②
Steel products	Net Sales	563.8	348.0	377.0	725.0	346.5	413.5	760.0	196.2	35.0
	Ordinary Income (Loss)	(23.3)	12.0	25.0	37.0	12.4	24.6	37.0	60.3	–
	Excluding Inventory Valuation	(20.8)	(8.0)	14.0	6.0	(9.5)	12.5	3.0	23.8	(3.0)
Aluminum rolled products	Net Sales	132.4	78.0	77.0	155.0	80.7	84.3	165.0	32.6	10.0
	Ordinary Income (Loss)	0.6	2.0	1.0	3.0	2.4	0.6	3.0	2.4	–
	Excluding Inventory Valuation	3.1	1.0	0.0	1.0	2.4	(1.9)	0.5	(2.6)	(0.5)
Total	Net Sales	696.3	426.0	454.0	880.0	427.3	497.7	925.0	228.7	45.0
	Ordinary Income (Loss)	(22.6)	14.0	26.0	40.0	14.8	25.2	40.0	62.6	–
	Excluding Inventory Valuation	(17.6)	(7.0)	14.0	7.0	(7.1)	10.6	3.5	21.1	(3.5)

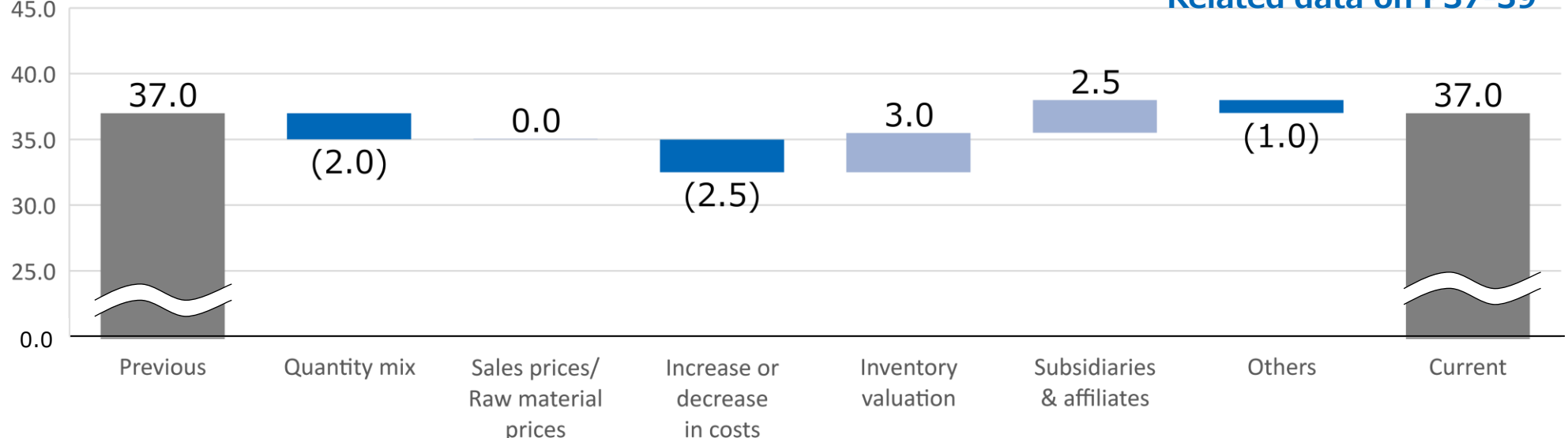
Steel products

Previous FY2021 Forecast: Ordinary Income of 37.0 billion yen →
Current FY2021 Forecast: Ordinary Income of 37.0 billion yen (with no change)

- Crude steel production : Approx. 6.7 million tons (Similar to the previous forecast)
- Sales volume : Approx. 5.5 million tons (Similar to the previous forecast)
 - Despite a decrease in demand for automobiles, demand in other manufacturing industries and in the construction industry is increasing
- Factors affecting profit and loss
 - Changes in the sales mix
 - Despite a rise in raw material prices from the previous forecast, metal spread remains at the same level as the previous forecast year owing to the progress in sales price negotiations.
 - Temporary cost increase due to operational impact
 - Improvement in inventory valuation due to rising raw material prices

(Billions of yen)

[Related data on P37-39](#)



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

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
		Net Sales	132.4	78.0	77.0	155.0	80.7	84.3	165.0
Ordinary Income (Loss)	0.6	2.0	1.0	3.0	2.4	0.6	3.0	2.4	–
Excluding Inventory Valuation	3.1	1.0	0.0	1.0	2.4	(1.9)	0.5	(2.6)	(0.5)

Previous FY2021 Forecast: Ordinary Income of 3.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 3.0 billion yen (with no change)

- Sales volume : Approx. 355 thousand tons (Up 5 thousand tons from the previous forecast)
 - Sales to IT and semiconductors remain steady
- Factors affecting profit and loss
 - Increase in procurement costs due to higher auxiliary raw material prices
 - Increase in energy costs associated with rising oil prices
 - Improvement in inventory valuation due to the upturn in the aluminum ingot market

Related data on P38-39

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
		Net Sales	238.1	157.0	163.0	320.0	153.2	176.8	330.0
Ordinary Income (Loss)	(12.1)	2.5	0.5	3.0	5.2	(2.2)	3.0	15.1	–
Excluding Inventory Valuation	(13.1)	0.0	0.5	0.5	2.2	(1.7)	0.5	13.6	–

Previous FY2021 Forecast: Ordinary Income of 3.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 3.0 billion yen (with no change)

■ Sales volume

- Decrease in aluminum suspensions and extrusions due to reductions in automotive production

■ Factors affecting profit and loss

- Decrease in sales volume
- Increase in procurement costs due to higher raw material prices
- Increase in energy costs associated with rising oil prices
- Reversal of provision for loss on construction contracts due to cost improvement

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
		Net Sales	70.0	37.0	38.0	75.0	38.0	38.0	76.0
Ordinary Income (Loss)	1.7	0.5	0.5	1.0	2.0	0.5	2.5	0.8	1.5

Previous FY2021 Forecast: Ordinary Income of 1.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 2.5 billion yen (Up 1.5 billion yen)

■ Sales volume

Similar to the previous forecast

■ Factors affecting profit and loss

- Reduction of fixed and other costs
- Increase in procurement costs for steel and other products

Related data on P38

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	175.3	86.0	84.0	170.0	79.7	91.3	171.0	(4.3)	1.0
Ordinary Income (Loss)	11.4	2.5	2.5	5.0	4.2	3.8	8.0	(3.4)	3.0
Orders	* 133.1			* approx. 190.0	89.5	approx. 110.0	approx. 200.0	approx. 65.0	approx. 100.0

Note: Previously, orders received by Kobe Steel, Ltd. and its major consolidated subsidiaries were counted. From the current second quarter, we changed the method to count the orders of our company and all consolidated subsidiaries. Accordingly, orders and backlog of orders for the previous fiscal year were recalculated.

Previous FY2021 Forecast: Ordinary Income of 5.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 8.0 billion yen (Up 3.0 billion yen)

■ Orders

- Increase in orders for industrial machinery, etc. due to recovery in capital investment

■ Factors affecting profit and loss

- Increase in the number of service contracts
- Improvement of project profitability in non-standard compressors, etc.

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
		Net Sales	136.1	60.0	82.0	142.0	55.6	88.4	144.0
Ordinary Income (Loss)	4.4	2.5	3.0	5.5	4.3	3.7	8.0	3.6	2.5
Orders	113.4			approx. 180.0	73.5	approx. 115.0	approx. 190.0	approx. 75.0	approx. 100.0

Previous FY2021 Forecast: Ordinary Income of 5.5 billion yen →

Current FY2021 Forecast: Ordinary Income of 8.0 billion yen (Up 2.5 billion yen)

■ Orders

- Increase due to orders for DRI-related business

For details, see [Topics Related to KOBELCO Group Medium-Term Management Plan](#) on P34.

■ Factors affecting profit and loss

- New Orders for DRI-related Business
- Improvement in profitability of existing projects

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
		Net Sales	333.1	204.0	186.0	390.0	194.0	196.0	390.0
Ordinary Income (Loss)	12.7	8.0	0.0	8.0	8.4	(3.9)	4.5	(8.2)	(3.5)

Previous FY2021 Forecast: Ordinary Income of 8.0 billion yen →

Current FY2021 Forecast: Ordinary Income of 4.5 billion yen (Down 3.5 billion yen)

■ Unit Sales

[Hydraulic excavator]

China : Decrease due to intensifying competition amid weakening demand along with a decline in infrastructure investment

Other regions : Decrease due to parts supply problems associated with semiconductor shortages

[Crawler crane]

Decrease mainly in Southeast Asia

■ Factors affecting profit and loss

- Decline in unit sales
- Increase in procurement and transportation costs for steel products

	FY2020 Actual ①	FY2021 Forecast (Previous)			FY2021 Forecast (Current)			(Billions of yen) Change	
		1H	2H	②	1H	2H	③	③-①	③-②
		Net Sales	80.4	34.0	50.0	84.0	37.5	56.5	94.0
Ordinary Income (Loss)	20.6	4.0	6.0	10.0	5.7	5.3	11.0	(9.6)	1.0

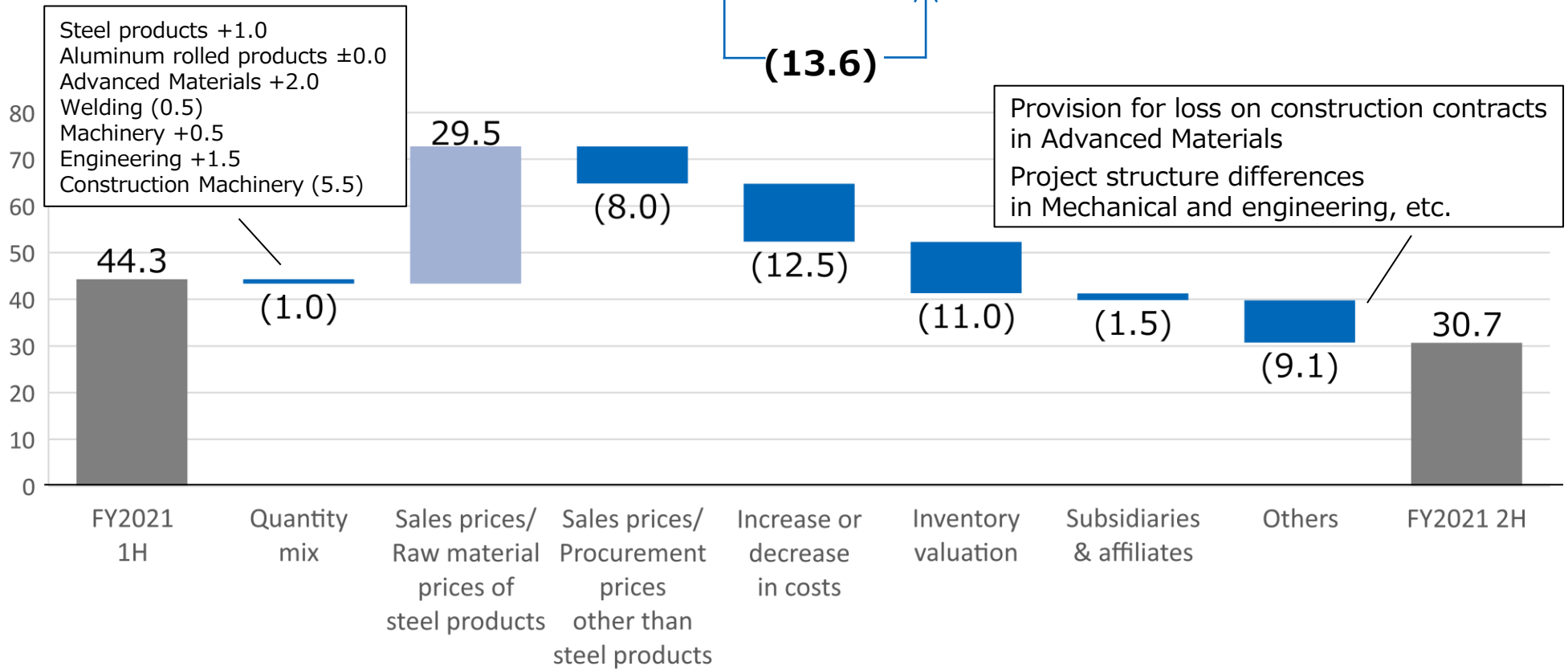
Previous FY2021 Forecast: Ordinary Income of 10.0 billion yen→

Current FY2021 Forecast: Ordinary Income of 11.0 billion yen (Up 1.0 billion yen)

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

Ordinary Income (Loss) (Billions of yen)

	FY2021 Forecast		
	1H	2H	Full Year
Companywide	44.3	30.7	75.0



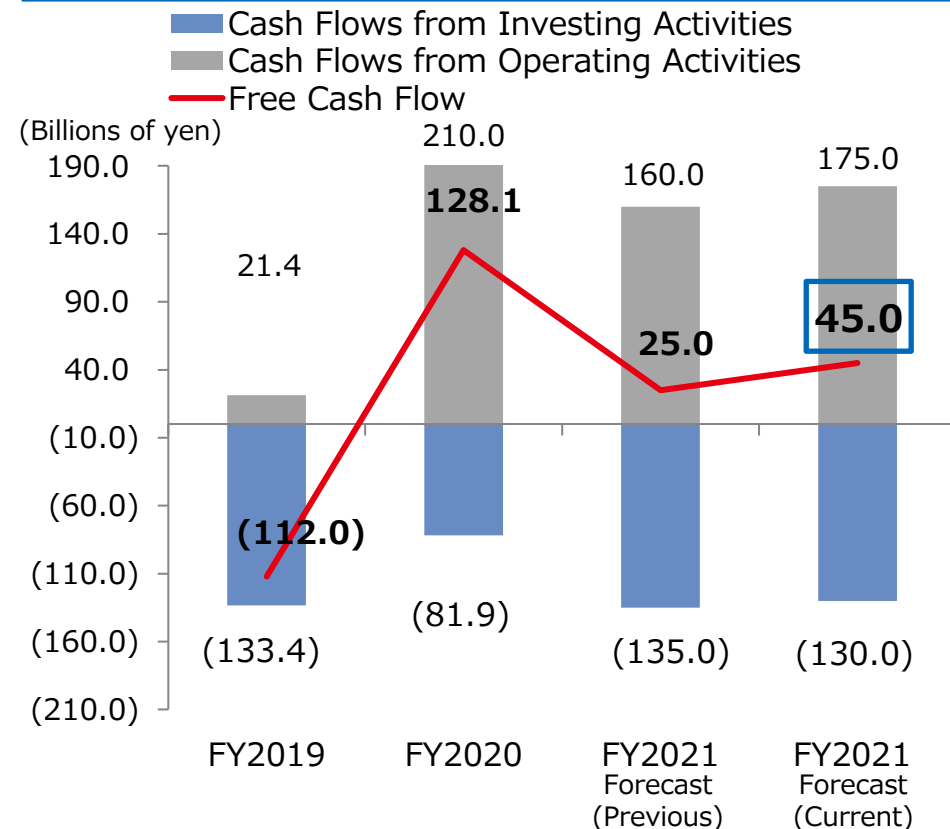
Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

- 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.
- As previously announced on August 5, 2021, Kobe steel resolved to pay an interim dividend of 10 yen per share.
- The year-end dividend forecast for fiscal 2021 has not yet been determined.

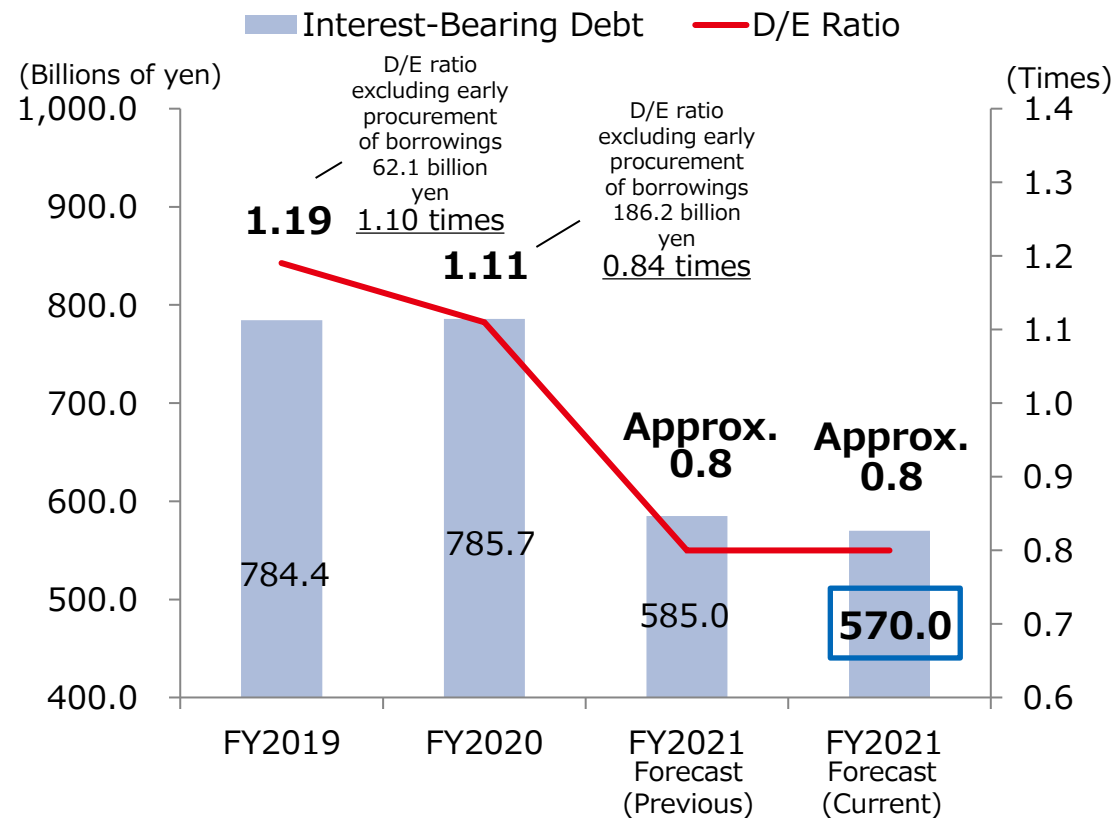
	FY2020			FY2021		
	Interim	Year-end		Interim	Year-end	
Dividends per share in yen	–	10	10	10	Undetermined	Undetermined
Dividend per net assets			15.6%			

- The newly established Business Portfolio Management Committee is strengthening the monitoring of cash flow plans.
- Free cash flow is anticipated 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.

《Free Cash Flow》



《Interest Bearing Debt & D/E Ratio》



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

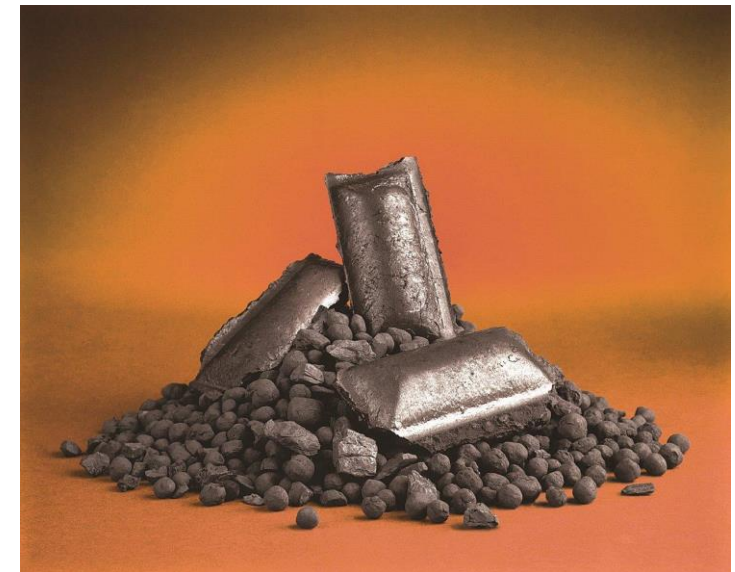
- We are steadily promoting the priority issues of (1) Establishing the stable earnings base and (2) Taking on the challenge of realizing carbon neutrality, set forth in the Medium-Term Management Plan announced in May, while achieving milestones in the respective roadmaps.

TOPICS (1)

New MIDREX[®] HBI Plant to be Built in Russia

–The World’s Largest HBI Facility with Production Capacity 2.08 Million Metric Tons–

- A rapid increase in demand for MIDREX[®] Process is seen in Russia, Europe, North America, Middle East, and North Africa.
- Midrex Technologies, Inc., a Kobe Steel’s wholly owned subsidiary in the U.S., and its consortium partner Primetals Technologies, Limited signed a contract with Metalloinvest to supply a new MIDREX[®]* HBI Plant at Lebedinsky GOK (LGOK) in Gubkin, Russia.
- The contracted plant can be converted to use up to 100% hydrogen as a reducing agent. Start of operations is scheduled for 2025.
- In March, Midrex signed a contract with Mikhailovsky HBI LLC, a subsidiary of Metalloinvest, to supply a MIDREX[®] HBI Plant of the same capacity as the one contracted this time.



[Metalloinvest contracts with Midrex Technologies and Primetals Technologies for new HBI Plant in Russia](#)
(announced on October 22, 2021)

* For details of the MIDREX[®] Process, please see the [KOBELCO Group’s ESG Initiatives](#).

TOPICS (2)**Kobelco Eco-Solutions Turns into Kobe Steel's Wholly-Owned Subsidiary**
–Demonstrating the Group's Collective Strength and Creating Value Unique to Our Group–

- Expand sales and promote collaboration within the Group by capturing the momentum of the accelerating trend of CO₂ reduction and leveraging environmental contribution menus.
- Increase synergy effects through Kobelco Eco-Solutions Co., Ltd. being turned into a wholly-owned subsidiary (effective November 1, 2021)
 - (1) Accelerate the creation of new businesses in the KOBELCO Group, including Kobelco Eco-Solutions
 - (2) Accelerate efforts to achieve carbon neutrality throughout the KOBELCO Group
 - (3) Expand the business of Kobelco Eco-Solutions by utilizing the KOBELCO Group's collective strengths
 - (4) Improve management efficiency and reduce costs to maintain the listing
 - (5) Accelerating business operations and decision-making from a medium- to long-term perspective

TOPICS (3)**Promoting Dialogue with Stakeholders and Information Disclosure**
–Holding Explanatory Meetings on KOBELCO Group's Specific Business Strategies and ESG Initiatives–

- Shareholders, investors, and other stakeholders are indispensable to the KOBELCO Group, especially in reflecting external perspectives in its management. We will continue to expand opportunities for dialogue and information disclosure as a forum for receiving valuable opinions.

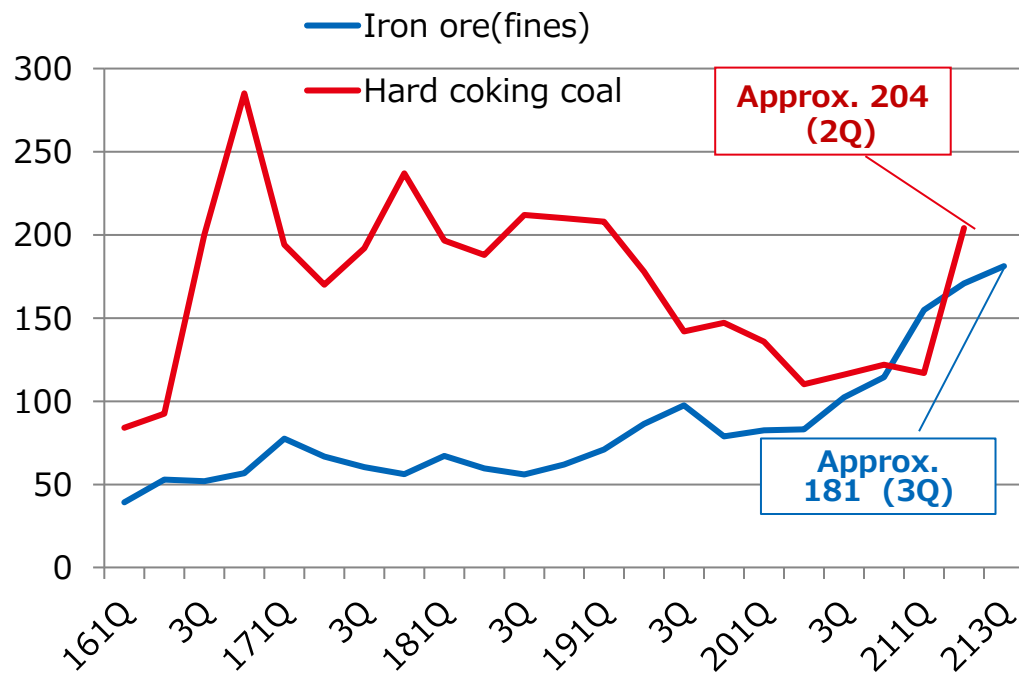
Feb. 16, 2021: [KOBELCO Group's CO₂ Reduction Solution for Blast Furnace Ironmaking](#)

Sep. 28, 2021: [KOBELCO Group's ESG Initiatives](#)

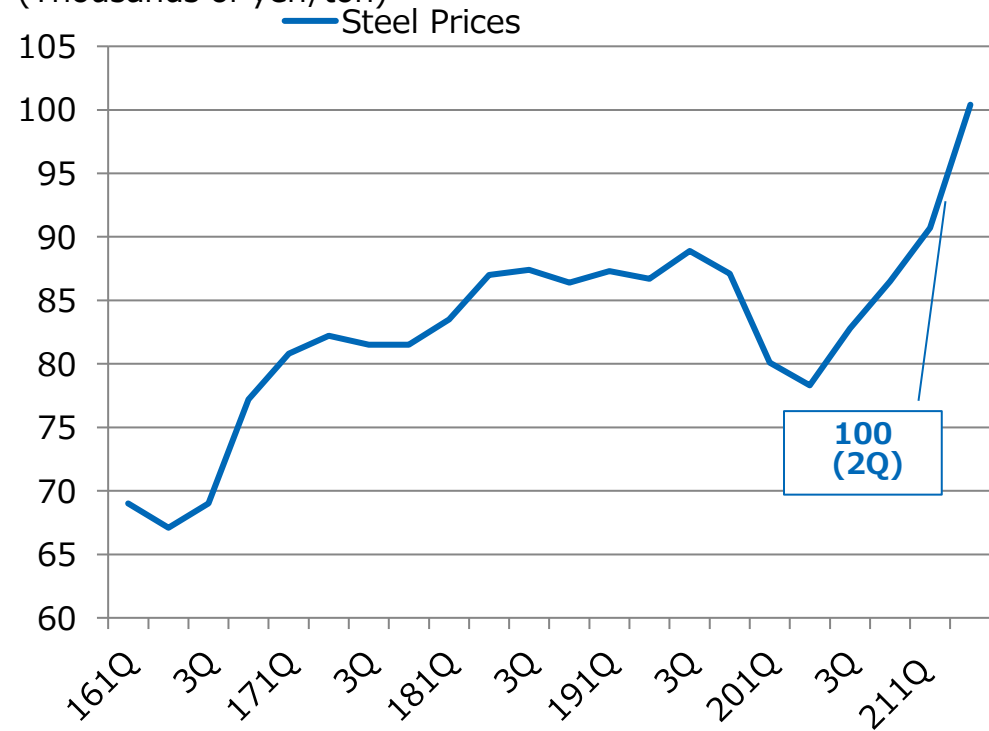
3 . Reference Information

		FY2020 Actual			FY2021	
		1H	2H	Full Year	1H	
Domestic crude steel production	(Millions of tons)	37.09	45.70	82.78	48.42	Apr.-Sep. total advance figure
Domestic inventory level	(Millions of tons)	5.12	5.07	5.07	5.83	End of September advance figure
Inventory level of three types of steel sheets	(Millions of tons)	3.67	3.51	3.51	4.32	End of September advance figure
Domestic auto production	(Millions of cars)	3.35	4.63	7.98	3.17	Apr.-Aug. total

(\$/ton)



(Thousands of yen/ton)



* Includes production volume of electric arc furnaces at Takasago Works.	FY2020 Actual			FY2021 Forecast (Previous)	FY2021 Forecast (Current)	
	1H	2H	Full Year	Full Year	1H	Full Year
Crude steel production* (Millions of tons)	2.48	3.33	5.81	approx. 6.70	3.35	approx. 6.70
Sales volume of steel products (Millions of tons)	2.04	2.69	4.73	approx. 5.50	2.68	approx. 5.50
(Domestic)	(1.43)	(2.01)	(3.44)		(2.03)	
(Exports)	(0.61)	(0.68)	(1.29)		(0.66)	
Average steel selling price (Thousands of yen/ton)	79.1	84.7	82.3		95.5	
Export ratio (value basis)	25.0%	23.1%	23.9%		24.9%	
Aluminum rolled products (Thousands of tons)	152	153	305	approx. 350	179	approx. 355
(Domestic)	(121)	(114)	(236)		(134)	
(Exports)	(30)	(38)	(69)		(45)	
Aluminum extrusions (Thousands of tons)	12	18	31	approx. 38	19	approx. 39
(Domestic)	(12)	(17)	(29)		(18)	
(Exports)	(0)	(1)	(1)		(1)	
Copper rolled products (Thousands of tons)	19	30	48	approx. 61	29	approx. 60
Copper tubes (Thousands of tons)	32	35	67	approx. 77	40	approx. 76
Welding materials (Thousands of tons)	120	121	242	approx. 260	133	approx. 260
(Domestic)	(49)	(51)	(100)		(53)	
(Exports)	(71)	(70)	(142)		(80)	

(Billions of yen)

Steel products		FY2020 Actual				FY2021 Forecast				
		1Q	1H	2H	Full Year	1Q	2Q	1H	2H	Full Year
	Iron ore	0.5	0.0	0.5	3.5	4.5	1.5	6.0	(9.0)	(3.0)
	Coal	(0.5)	(1.0)	(1.5)	(1.0)	(0.5)	4.0	3.5	3.0	6.5
	Carry Over	0.0	(1.0)	(1.0)	2.5	4.0	5.5	9.5	(6.0)	3.5

	Average method	3.0	(2.5)	0.5	(5.5)	14.0	8.0	22.0	12.0	34.0
	Lower-of-cost-or-market method	(10.5)	1.5	(9.0)	3.0	0.0	0.0	0.0	0.0	0.0
	Inventory Valuation	(7.5)	(1.0)	(8.5)	(2.5)	14.0	8.0	22.0	12.0	34.0

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

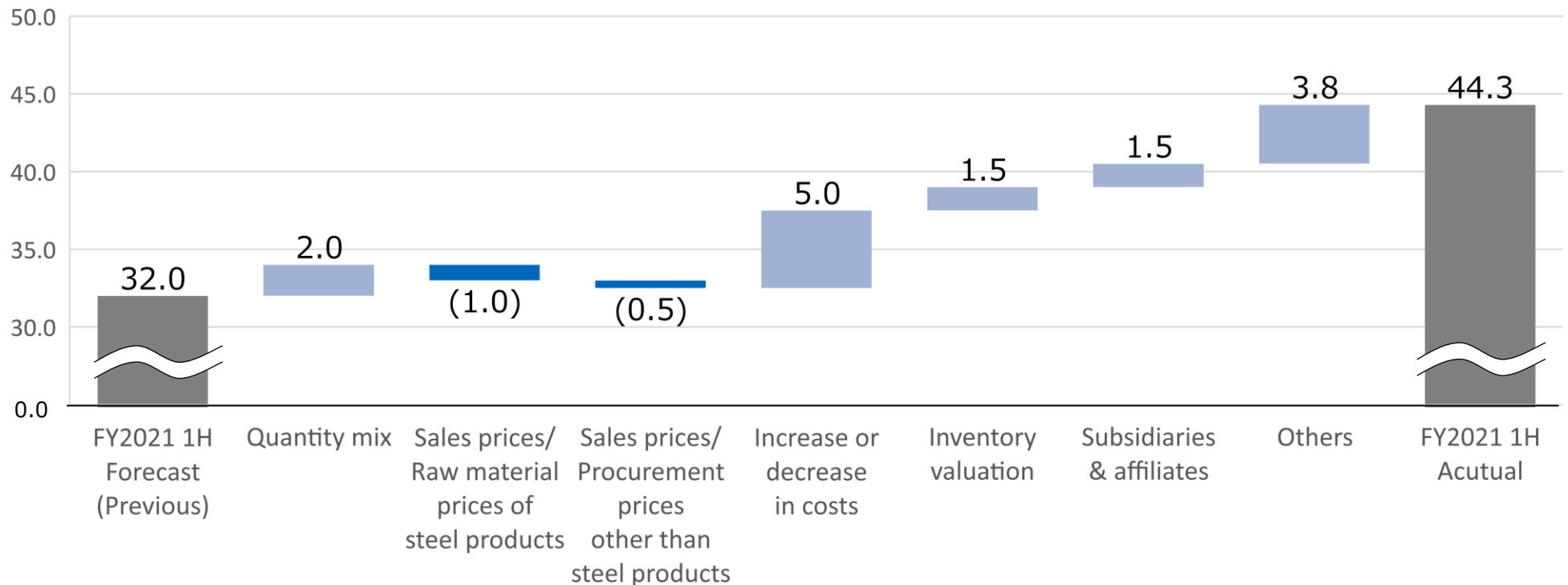
Advanced Materials		FY2020 Actual				FY2021 Forecast				
		1Q	1H	2H	Full Year	1Q	2Q	1H	2H	Full Year
	Average method	1.5	(1.5)	0.0	1.0	3.0	0.0	3.0	(0.5)	2.5
	Lower-of-cost-or-market method	(2.0)	1.5	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0
	Inventory Valuation	(0.5)	0.0	(0.5)	1.0	3.0	0.0	3.0	(0.5)	2.5

Ordinary Income (Loss)

(Billions of yen)

	FY2021 Forecast (Previous)			FY2021 Forecast (Current)		
	1H	2H	Full Year	1H	2H	Full Year
Companywide	32.0	38.0	70.0	44.3	30.7	75.0

(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	12.4	24.6	37.0

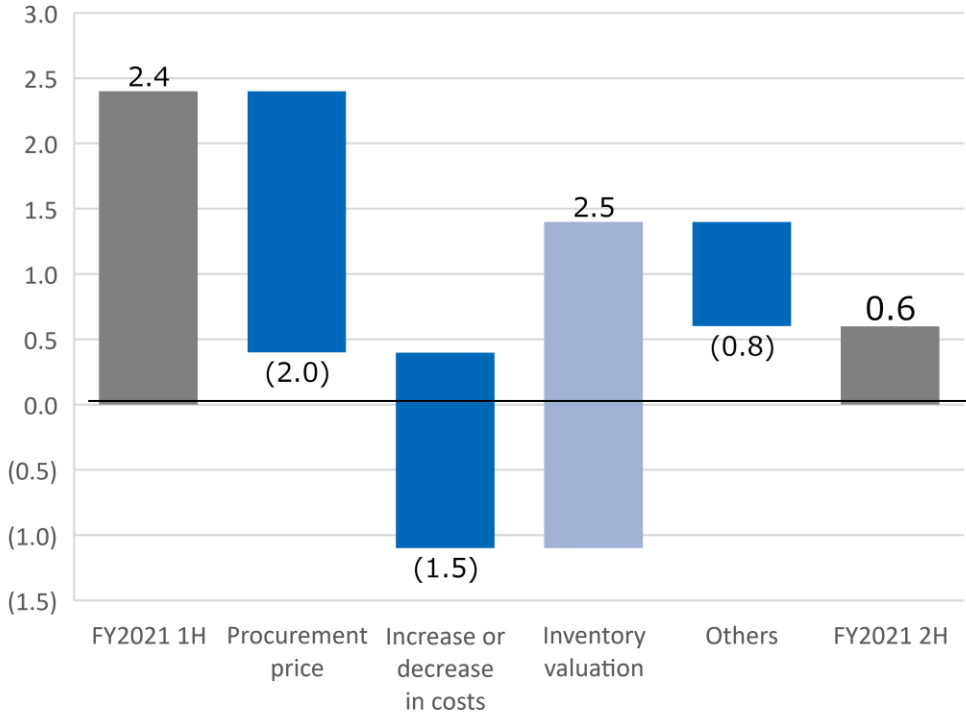
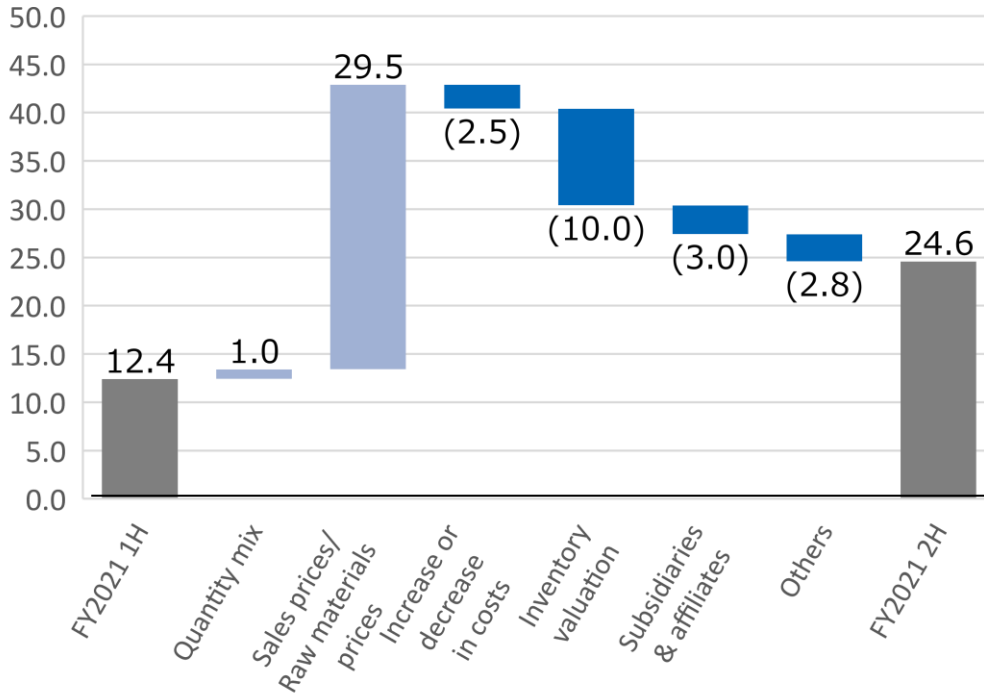
+12.2

Ordinary Income (Loss) (Billions of yen)

	FY2021 Forecast		
	1H	2H	Full Year
Aluminum rolled products	2.4	0.6	3.0

(1.8)

(Billions of yen)



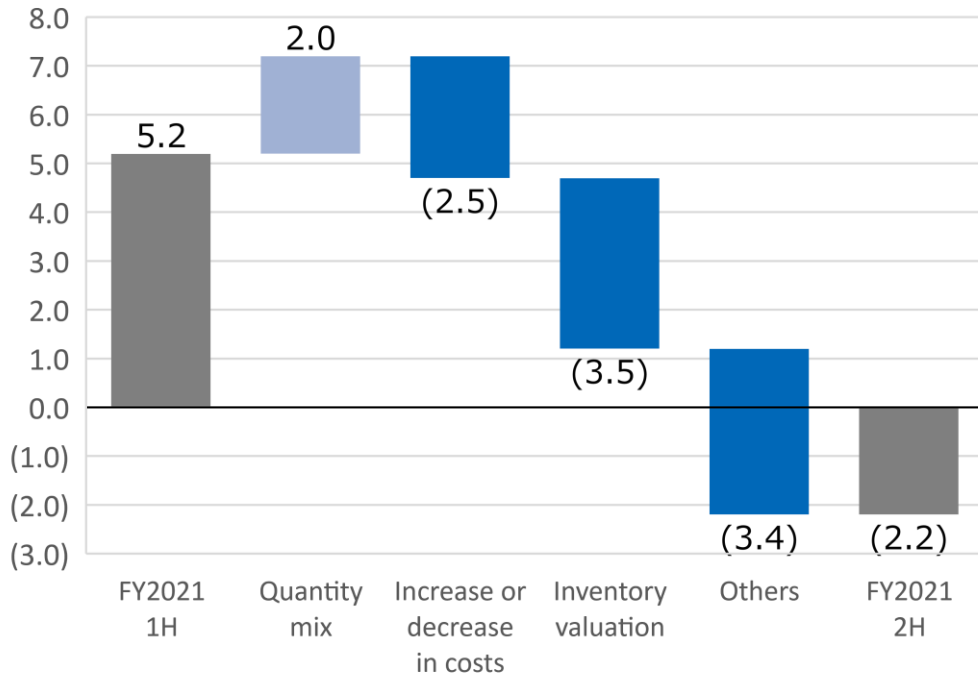
Inventory valuation includes effect from the average method and the lower-of-cost-or-market method.

Ordinary Income (Loss) (Billions of yen)

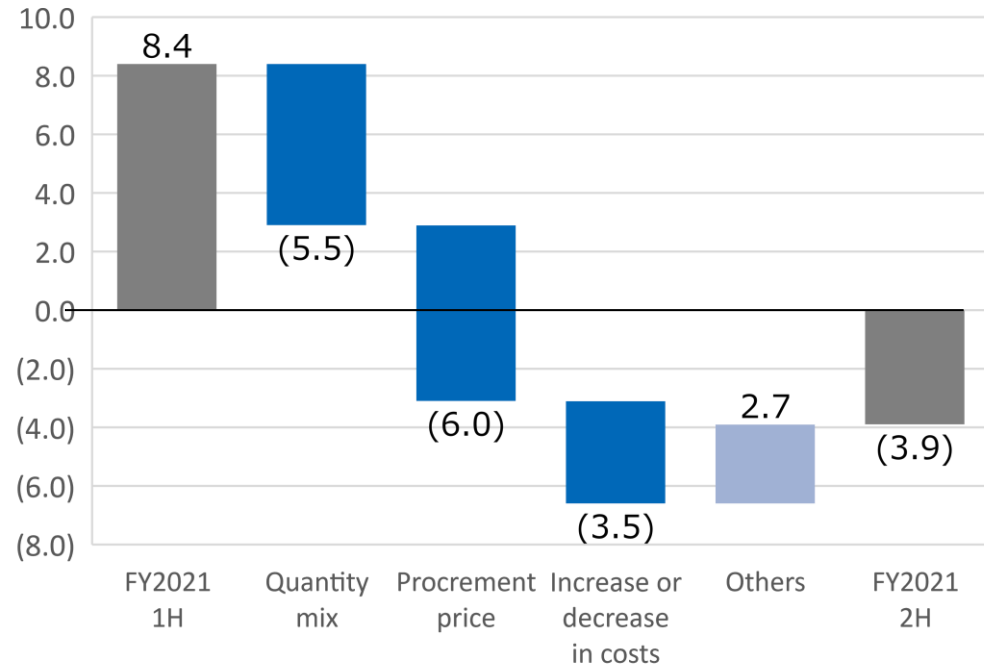
	FY2021 Forecast		
	1H	2H	Full Year
Advanced Materials	5.2	(2.2)	3.0

(7.4)

(Billions of yen)


Ordinary Income (Loss) (Billions of yen)

	FY2021 Forecast		
	1H	2H	Full Year
Construction Machinery	8.4	(3.9)	4.5

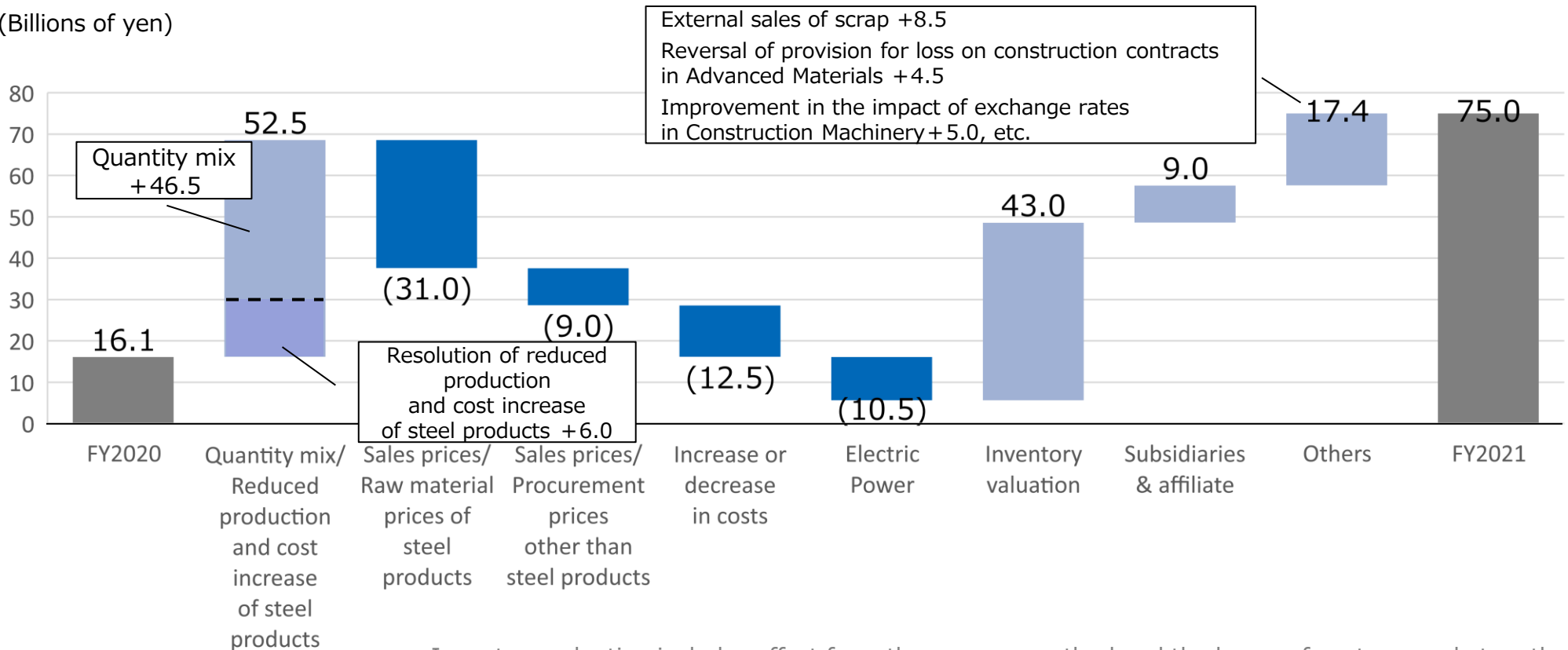
(12.3)


Ordinary Income (Loss) (Billions of yen)

	FY2020 Actual	FY2021 Forecast (Current)		
		1H	2H	Full Year
Companywide	16.1	44.3	30.7	75.0

+58.9

(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	
		①	②	③	③-①	③-②
	Cash Flows from Operating Activities	210.0	160.0	175.0	(35.0)	15.0
	Cash Flows from Investing Activities	(81.9)	(135.0)	(130.0)	(48.1)	5.0
	Free Cash Flow (excluding project financing)	128.1	25.0	45.0	(83.1)	20.0
	Free Cash Flow (including project financing)	52.9	(40.0)	(15.0)	(67.9)	25.0
	Cash and Deposits (excluding project financing)	301.8	125.0	130.0	(171.8)	5.0

				(Billions of yen)		
		FY2020 Actual	FY2021 Forecast (Previous)	FY2021 Forecast (Current)	Change	
		①	②	③	③-①	③-②
	Capital Investment (accrual basis)	185.0	150.0	145.0	(40.0)	(5.0)
	Capital Investment (payment basis)	173.2	180.0	175.0	1.8	(5.0)
	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	64.05 yen	110.27 yen	133.32 yen
Outside Debt	906.6 billion yen	987.8 billion yen	840.0 billion yen	825.0 billion yen
Outside Debt Excluding Debt from IPP project financing	784.4 billion yen	785.7 billion yen	585.0 billion yen	570.0 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%	3.4%	3.6%
ROA *5	(0.3)%	0.6%	2.7%	2.9%
ROE *6	(9.7)%	3.4%	5.5%	6.7%
ROIC *7	0.9%	1.1%	4.0%	4.1%

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

*2: Includes early procurement of borrowings for FY 2019 (62.1 billion yen)
D/E Ratio 1.10 times (excluding early procurement of borrowings)

*3: Includes early procurement of borrowings for FY 2020 (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)		
	1H	2H	Full Year	Full Year	1H	2H	Full Year
1 U.S. dollar to yen	106.9	105.2	106.1	109.0	109.8	114.0	111.9
1 Chinese yuan to yen	15.3	16.1	15.7	16.0	17.0	17.0	17.0
1 Euro to yen	121.3	126.1	123.7	130.0	130.9	130.0	130.5

KOBELCO Group Medium-Term Management Plan Announced on May 11, 2021

Priority Issues

(1) Establishing a Stable Earnings Base

Five Key Measures

- ◆ Strengthening the earnings base of the steel business
- ◆ Smooth startup / stable operation of new electric power projects
- ◆ Strategic investment in the materials businesses leading to earnings contribution
- ◆ Restructuring unprofitable businesses
- ◆ Stabilizing earnings in the machinery business and responding to growing markets

By steadily implementing five key measures, we aim to achieve a return on invested capital (ROIC) of 5% or higher in fiscal 2023, the year in which the new power plants start to fully contribute to earnings and, in the future, we aim to achieve a ROIC of 8% or higher in order to achieve sustainable growth of the Group.

(2) Taking on the Challenge of Realizing Carbon Neutrality

	2030 Targets	2050 Vision
Reduction of CO ₂ emissions in production processes	30–40% *1 (vs. FY2013)	Take on the challenge of achieving carbon neutrality
Contribution to reduction of CO ₂ emissions through technologies, products, and services *2	61 Mt (including 45 Mt through MIDREX® Process)	100 Mt or more

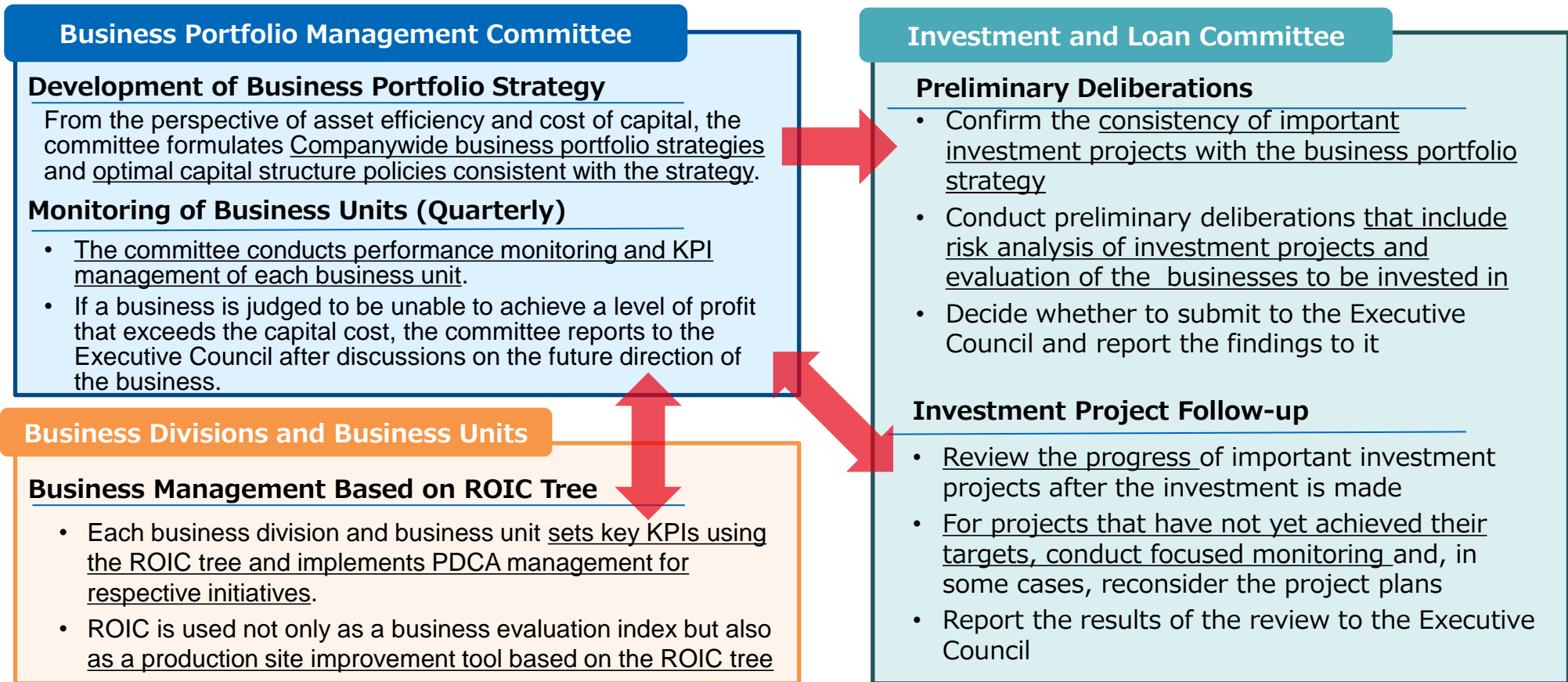
*1 Most of the reduction targets are associated with iron and steel making processes. We reviewed the targets announced in September 2020.

*2 The KOBELCO Group contributes to the reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services.

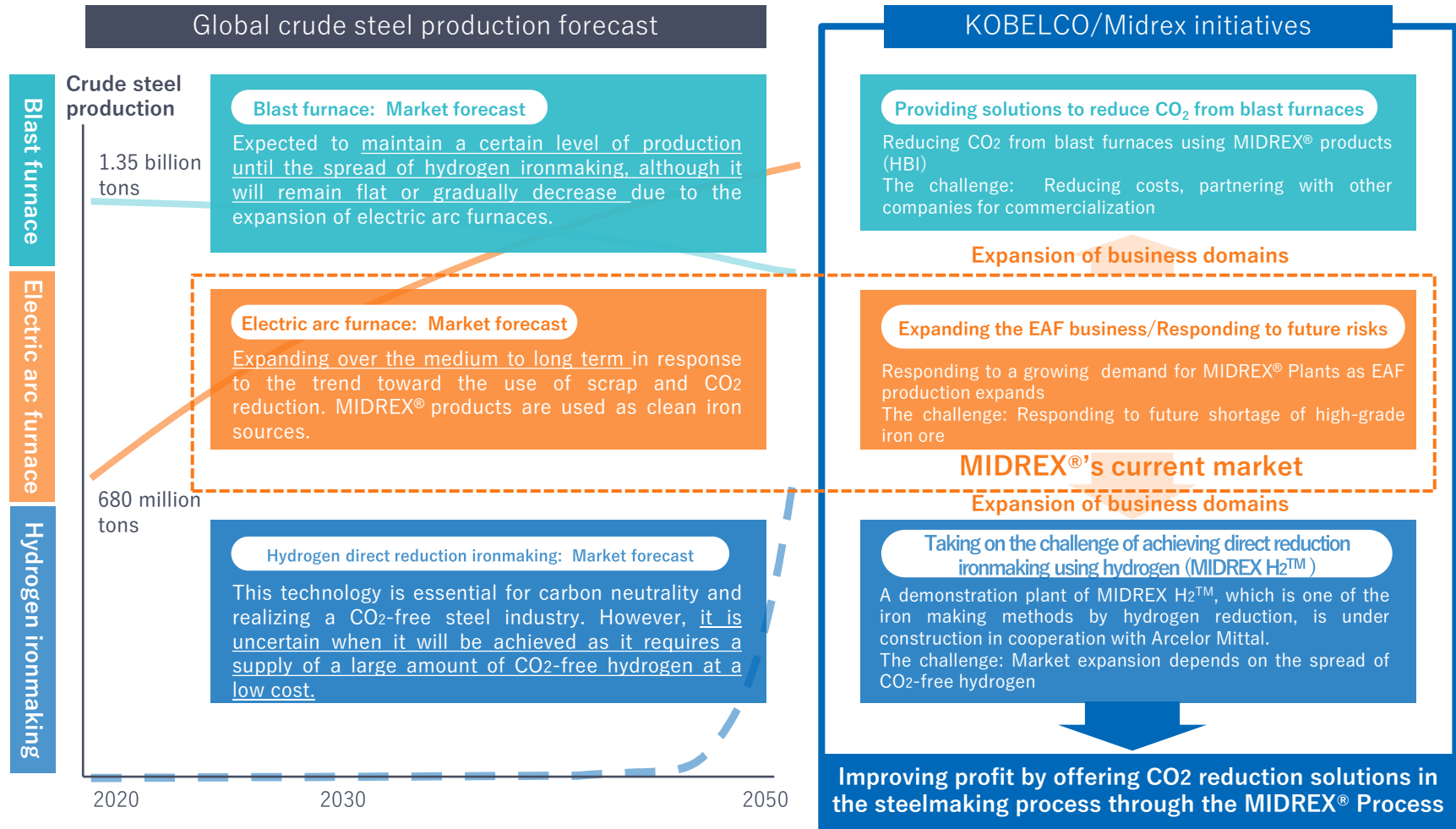
Initiatives in the Electric Power Business

In the electric power business, we will make bold efforts to improve the efficiency of energy use throughout the region by using biomass technology and other technologies and examine the use of external innovative technologies using ammonia and other substances.

- Under the Medium-Term Management Plan (FY2021–FY2023), we are **working to improve the efficiency of management resources and strengthen the business base by utilizing the return on invested capital (ROIC) for the management and evaluation of business units.**
- In business portfolio management, **the positioning of each business unit is determined based on profitability (ROIC) and market growth potential**, and measures are studied and implemented according to the positioning, while promoting the optimal allocation of management resources according to the strategy.
- In implementing these measures, **the Business Portfolio Management Committee and the Investment and Loan Committee** were newly established as an auxiliary body to the Executive Council in April 2021. The two committees have been reporting the results of discussions and reviews to the Executive Council on a regular basis.



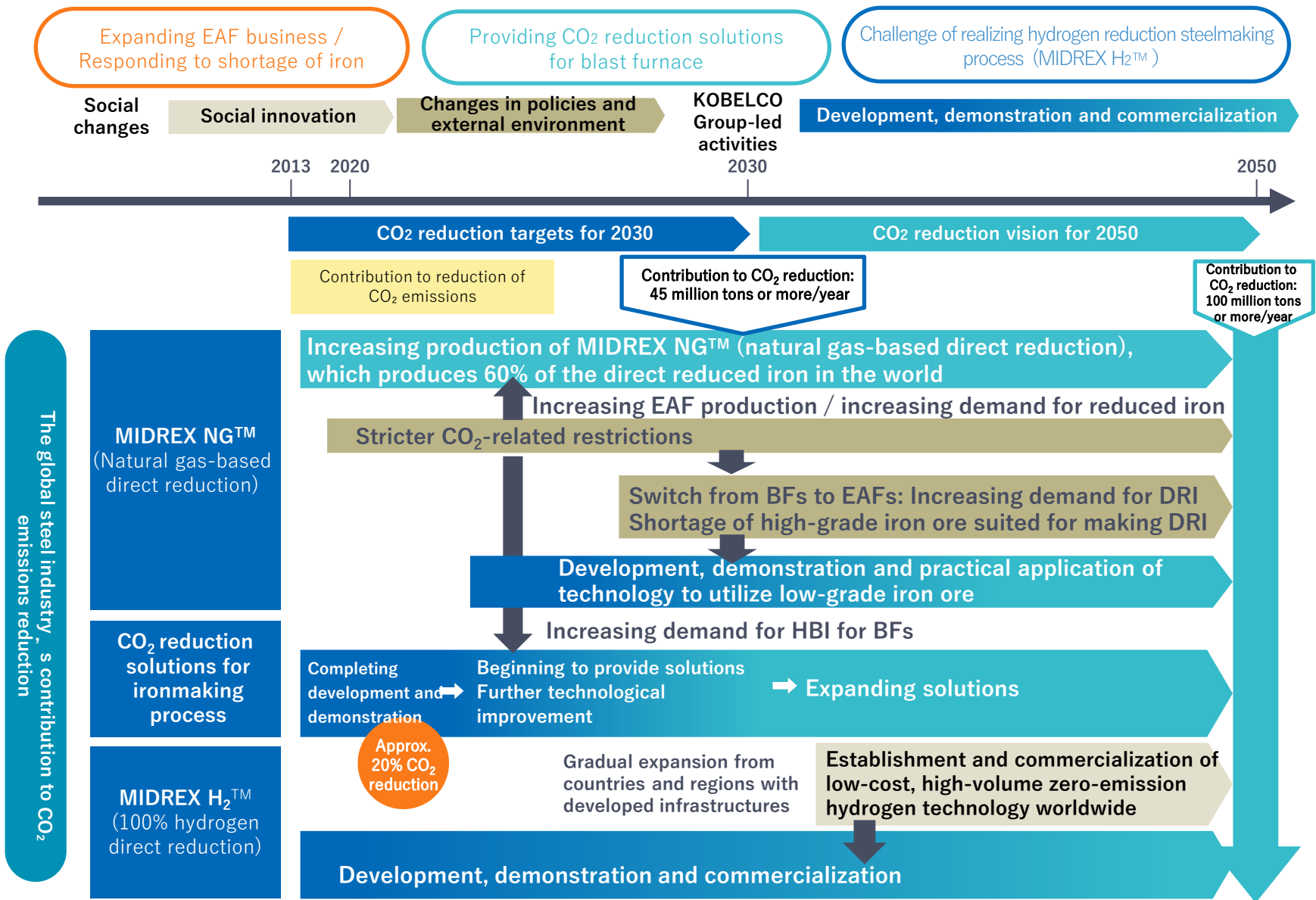
❖ Providing CO₂ reduction solutions for various steelmaking processes (for EAFs, BF, and hydrogen direct reduction ironmaking processes) through MIDREX® and increasing earnings



Note: Created by Kobe Steel using scenarios of the International Energy Agency and other sources as references

(Source: KOBELCO Group Medium-Term Management Plan (FY2021-FY2023) announced on May 11, 2021, by Kobe Steel, Ltd.)

❖ Providing CO₂ reduction solutions for various steelmaking processes through MIDREX[®] and increasing earnings



(Source: KOBELCO Group Medium-Term Management Plan (FY2021-FY2023) announced on May 11, 2021, by Kobe Steel, Ltd.)

- ◆ **United Nations Global Compact**
(From Mar. 2021)



- ◆ **Keidanren's Challenge Initiatives for 30% of Executives to be Women by 2030** (From Aug. 2021)



- ◆ **TCFD**
(From Dec. 2020)



- ◆ **Declaration of Partnership Building**



- ◆ **Declaration on Action by Male Leaders Coalition for Empowerment of Women, Cabinet Office** (From Aug. 2021)



◆ **FTSE4Good Index Series**
(From June 2021)



FTSE4Good

Included in the ESG Investment Index for the first time

◆ **2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500)**



2021
健康経営優良法人
Health and productivity
ホワイト500
Certified two
years in a row

◆ **CDP**
(From Dec. 2020)



Awarded “A-” in the climate change and water security categories

◆ **FTSE Blossom Japan Index**
(From June 2021)



FTSE Blossom Japan

Included in the ESG Investment Index for the first time

◆ **Platinum Kurumin Certification**
(From 2019)



<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 are 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