

Kobe Steel's Consolidated Financial Results

for the First Nine Months of Fiscal 2022 (April 1-December 31, 2022)

February 9, 2023

Company name: Kobe Steel, Ltd.
 Code number: 5406
 Stock exchanges listed: Tokyo and Nagoya, Japan
 Website: <https://www.kobelco.co.jp/english/>
 Representative: Mitsugu Yamaguchi, President, CEO and Representative Director
 Filing of quarterly report: February 9, 2023
 Dividend payments begin: ---
 Supplemental information available: Yes
 IR Briefing: Yes (available only in Japanese)
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(Sums of less than 1 million yen are omitted.)

1. Consolidated results for the first nine months of fiscal 2022 (April 1-December 31, 2022)

(1) Consolidated operating results

(The percentage indicates the change from the corresponding period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2022 3Q	1,784,638	20.2	53,815	(29.7)	74,852	(5.0)	47,510	(12.2)
FY2021 3Q	1,484,804	22.6	76,574	—	78,788	—	54,098	—

Note: Comprehensive income FY2022 3Q: 101,113 million yen [28.5%]
 FY2021 3Q: 78,685 million yen [314.4%]

	Net income per share	Diluted net income per share
	Yen	Yen
FY2022 3Q	120.35	—
FY2021 3Q	146.57	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
FY2022 3Q	2,922,648	957,216	30.6
FY2021	2,728,745	872,346	29.9

Reference: Equity capital FY2022 3Q: 894,697 million yen FY2021: 815,326 million yen

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	—	10.00	—	30.00	40.00
FY2022	—	15.00	—	—	—
FY2022 Forecast	—	—	—	25.00	40.00

Revision to the dividend forecast for fiscal 2022 from the previous announcement: Yes

For more information, please refer to the "Announcement on Revisions to Earnings Forecast and Dividend Forecast for Fiscal 2022, ending March 31, 2023" announced today.

3. Consolidated earnings forecast for fiscal 2022 (April 1, 2022-March 31, 2023)

(The percentage indicates the change from the corresponding period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,490,000	19.6	67,000	(23.5)	92,000	(1.3)	62,000	3.2	157.04

Revision to the consolidated forecast for fiscal 2022 from the previous announcement: Yes

For more information, please refer to the "Announcement on Revisions to Earnings Forecast and Dividend Forecast for Fiscal 2022, ending March 31, 2023" announced today.

Notes

(1) Changes in the number of material subsidiaries in this fiscal year

(Changes in specified subsidiaries due to changes in scope of consolidation): No

(2) Adoption of specific accounting procedures for preparing the quarterly consolidated financial statements: No

(3) Changes in accounting policies, estimates and restatement on the preparation of consolidated financial statements

- Changes in accounting policies due to revised accounting standards: No

- Other changes: No

- Changes in accounting estimates: No

- Restatement: No

(4) Number of issued shares (common stock)

	FY2022 3Q	FY2021
Number of issued shares (including treasury stock)	396,345,963 shares	396,345,963 shares
Number of shares of treasury stock	1,447,042 shares	1,798,236 shares
Average number of shares (3Q)	394,759,067 shares	369,085,263 shares

Explanation on the Appropriate Use of the Forecast and Other Special Notes

The above forecast is based on currently available information as of today.

Actual results may differ considerably due to various changeable conditions in the future.

For preconditions on the forecast and other related factors, please refer to the IR briefing material, "Financial Results for the Cumulative Third Quarter of Fiscal 2022 and Forecast for the Full Fiscal Year."

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2021	FY2022—9 months
	Ended March 31, 2021	Ended December 31, 2022
Current Assets		
Cash and deposits	243,502	235,408
Notes and accounts receivable, and contract assets	357,972	380,010
Securities	17,200	—
Merchandise and finished goods	209,417	256,715
Work-in-process	138,664	177,891
Raw materials and supplies	225,053	305,614
Other	99,760	105,563
Allowance for doubtful accounts	(4,256)	(4,648)
Total current assets	<u>1,287,314</u>	<u>1,456,555</u>
Fixed Assets		
Property, plant and equipment		
Buildings and structures	292,487	283,866
Machinery and equipment	528,904	518,168
Land	131,896	135,107
Other	106,909	135,924
Total property, plant and equipment	<u>1,060,197</u>	<u>1,073,068</u>
Intangible fixed assets	36,324	37,481
Investments and other assets		
Investments in securities	194,381	202,690
Other	169,934	174,537
Allowance for doubtful accounts	(19,408)	(21,685)
Total investment and other assets	<u>344,908</u>	<u>355,541</u>
 Total fixed assets	 <u>1,441,430</u>	 <u>1,466,092</u>
 Total assets	 <u>2,728,745</u>	 <u>2,922,648</u>

LIABILITIES	FY2021 Ended March 31, 2021	FY2022 —9 months Ended December 31, 2022
Current liabilities		
Notes and accounts payable	539,267	668,376
Short-term borrowings	87,265	151,228
Current portion of bonds	25,150	900
Income and enterprise taxes payable	8,318	6,414
Provisions	52,791	35,631
Other	172,146	204,332
Total current liabilities	884,939	1,066,882
Long-term liabilities		
Bonds and notes	45,900	45,000
Long-term borrowings	750,126	684,741
Lease obligations	51,427	47,180
Net defined benefit liability	79,978	84,981
Provisions	3,051	2,876
Other	40,976	33,769
Total long-term liabilities	971,459	898,548
Total liabilities	1,856,399	1,965,431
NET ASSETS		
Stockholders' equity		
Common stock	250,930	250,930
Capital surplus	116,434	116,409
Retained earnings	418,033	447,703
Treasury stock	(2,261)	(1,944)
Total stockholders' equity	783,136	813,098
Accumulated other comprehensive income		
Unrealized gains or losses on securities, net of taxes	28,987	33,300
Unrealized gains or losses on hedging derivatives, net of taxes	(13,141)	(4,571)
Land revaluation differences, net of taxes	(3,400)	(3,400)
Foreign currency translation adjustments	16,054	51,949
Remeasurements of defined benefit plans, net of taxes	3,689	4,321
Total accumulated other comprehensive income	32,189	81,599
Non-controlling interests	57,019	62,519
Total net assets	872,346	957,216
Total liabilities and net assets	2,728,745	2,922,648

Consolidated Statements of Income

(In millions of yen)

	FY2021 – 9 months Ended December 31, 2021	FY2022 – 9 months Ended December 31, 2022
Net sales	1,484,804	1,784,638
Cost of sales	1,250,332	1,557,065
Gross profit	234,472	227,573
Selling, general and administrative expenses	157,897	173,758
Operating income	76,574	53,815
Non-operating income		
Interest income	1,334	1,188
Dividend income	3,103	4,282
Reimbursement of seconded employees' salaries	2,647	2,418
Equity in income of equity method companies	10,014	10,452
Compensation income	4,904	12,569
Other	6,468	16,034
Total non-operating income	28,473	46,946
Non-operating expenses		
Interest expense	9,702	9,814
Seconded employees' salaries	6,939	7,068
Other	9,618	9,025
Total non-operating expenses	26,259	25,908
Ordinary income	78,788	74,852
Extraordinary loss		
Loss on impairment	—	4,296
Loss on liquidation of business	—	3,498
Total extraordinary loss	—	7,795
Income before income taxes and non-controlling interests	78,788	67,057
Income Taxes		
Current	11,751	13,669
Deferred	10,492	3,826
Total income taxes	22,243	17,495
Income before non-controlling interests	56,544	49,561
Net income attributable to non-controlling interests	2,446	2,051
Net income attributable to owners of the parent	54,098	47,510

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2021—9 months Ended December 31, 2021	FY2022—9 months Ended December 31, 2022
Income before non-controlling interests	56,544	49,561
Other comprehensive income		
Unrealized gains or losses on securities, net of taxes	7,320	4,615
Unrealized gains or losses on hedging derivatives, net of taxes	(654)	8,519
Foreign currency translation adjustments	12,096	35,209
Remeasurements of defined benefit plans, net of taxes	2,755	762
Share of other comprehensive gains and losses related to equity method companies	622	2,445
Total other comprehensive income	22,140	51,552
Comprehensive Income	78,685	101,113
Breakdown of total comprehensive income attributed to:		
Stockholders of the parent interests	76,607	96,919
Non-controlling interests	2,077	4,194

Notes

Notes on the going concern assumption: None

Notes on substantial changes in the amount of stockholders' equity: None