

Kobe Steel's Consolidated Financial Results
for the First Half of Fiscal 2023 (April 1–September 30, 2023)

November 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 half-yearly report: November 9, 2023
Dividend payments begin: December 1, 2023
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 half of fiscal 2023 (April 1–September 30, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2023 1H	1,253,833	7.2	92,142	366.0	91,601	119.0	80,348	186.9
FY2022 1H	1,169,657	20.3	19,771	(57.8)	41,826	(5.7)	28,008	(18.9)

Note: Comprehensive income FY2023 1H: 126,434 million yen [109.7%]
FY2022 1H: 60,280 million yen [7.9%]

	Profit per share	Diluted profit per share
	Yen	Yen
FY2023 1H	203.44	—
FY2022 1H	70.96	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
FY2023 1H	2,935,107	1,093,863	34.9
FY2022	2,874,751	977,653	31.8

Reference: Equity capital FY2023 1H: 1,023,150 million yen FY2022: 913,956 million yen

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	—	15.00	—	25.00	40.00
FY2023	—	45.00	—	—	—
FY2023 Forecast	—	—	—	45.00	90.00

Revision to the dividend forecast for fiscal 2023 from the previous announcement: No

The dividend for the end of fiscal 2023 is undetermined.

3. Consolidated earnings forecast for fiscal 2023 (April 1, 2023–March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,570,000	3.9	165,000	91.0	145,000	35.7	120,000	65.4	303.83

Revision to the consolidated forecast for fiscal 2023 from the previous announcement: Yes

For more information, please refer to the IR briefing material "Financial Results for the First Half of Fiscal 2023 and Forecast for the Full Fiscal Year" announced today.

Notes

(1) Changes in significant subsidiaries during the period

(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

- Changes in accounting policies due to other reasons: No

- Changes in accounting estimates: No

- Restatement: No

(4) Number of issued shares (common shares)

	FY2023 1H	FY2022
Number of issued shares (including treasury shares)	396,345,963 shares	396,345,963 shares
Number of treasury shares	1,384,943 shares	1,432,196 shares
Average number of shares (1H)	394,932,892 shares	394,698,823 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 First Half of Fiscal 2023 and Forecast for the Full Fiscal Year".

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2022 Ended March 31, 2022	FY2023 1H Ended September 30, 2023
Current Assets		
Cash and deposits	203,520	291,983
Notes and accounts receivable - trade, and contract assets	428,571	388,583
Merchandise and finished goods	242,752	257,503
Work in process	167,485	170,414
Raw materials and supplies	290,419	281,832
Other	88,039	77,300
Allowance for doubtful accounts	(4,802)	(4,879)
Total current assets	<u>1,415,987</u>	<u>1,462,737</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	292,878	290,999
Machinery, equipment and vehicles, net	586,122	569,230
Land	135,518	136,296
Other, net	51,516	62,654
Total property, plant and equipment	<u>1,066,035</u>	<u>1,059,180</u>
Intangible assets	37,579	38,749
Investments and other assets		
Investments in securities	204,627	232,478
Other	170,808	164,001
Allowance for doubtful accounts	(20,287)	(22,041)
Total investment and other assets	<u>355,148</u>	<u>374,438</u>
 Total non-current assets	 <u>1,458,764</u>	 <u>1,472,369</u>
 Total assets	 <u>2,874,751</u>	 <u>2,935,107</u>

LIABILITIES	FY2022 Ended March 31, 2022	FY2023 1H Ended September 30, 2023
Current liabilities		
Notes and accounts payable - trade	605,709	572,331
Short-term borrowings	169,216	148,390
Current portion of bonds payable	900	—
Income taxes payable	13,140	27,508
Provisions	51,038	51,974
Other	209,798	223,765
Total current liabilities	1,049,803	1,023,970
Non-current liabilities		
Bonds payable	45,000	65,000
Long-term borrowings	646,697	604,224
Lease liabilities	45,240	42,058
Retirement benefit liability	71,376	74,850
Provisions	2,688	1,090
Other	36,292	30,049
Total long-term liabilities	847,295	817,273
Total liabilities	1,897,098	1,841,244
NET ASSETS		
Shareholders' equity		
Share capital	250,930	250,930
Capital surplus	116,430	116,307
Retained earnings	472,757	537,571
Treasury shares	(1,879)	(1,839)
Total shareholders' equity	838,238	902,969
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,877	51,849
Deferred gains or losses on hedges	(7,082)	(5,844)
Revaluation reserve for land	(3,400)	4,707
Foreign currency translation adjustment	32,562	50,767
Remeasurements of defined benefit plans	18,760	18,701
Total accumulated other comprehensive income	75,717	120,181
Non-controlling interests	63,696	70,712
Total net assets	977,653	1,093,863
Total liabilities and net assets	2,874,751	2,935,107

Consolidated Statements of Income

(In millions of yen)

	FY2022 1H Ended September 30, 2022	FY2023 1H Ended September 30, 2023
Net sales	1,169,657	1,253,833
Cost of sales	1,035,269	1,039,446
Gross profit	134,387	214,387
Selling, general and administrative expenses	114,615	122,245
Operating profit	19,771	92,142
Non-operating income		
Interest income	739	1,169
Dividend income	2,644	2,631
Seconded employees' reimbursement	1,564	1,493
Share of profit of entities accounted for using equity method	8,775	1,324
Foreign exchange gains	10,279	4,600
Other	16,096	8,473
Total non-operating income	40,099	19,693
Non-operating expenses		
Interest expenses	6,366	7,234
Seconded employees' salaries	4,798	4,667
Other	6,879	8,331
Total non-operating expenses	18,044	20,233
Ordinary profit	41,826	91,601
Extraordinary income		
Gain on sale of non-current assets	—	27,717
Total extraordinary income	—	27,717
Extraordinary losses		
Loss on liquidation of business	2,635	—
Total extraordinary losses	2,635	—
Profit before income taxes	39,190	119,319
Income Taxes		
Income taxes - current	8,843	29,903
Income taxes - deferred	940	3,404
Total income taxes	9,783	33,308
Profit	29,407	86,011
Profit attributable to non-controlling interests	1,398	5,663
Profit attributable to owners of parent	28,008	80,348

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY2022 1H Ended September 30, 2022	FY2023 1H Ended September 30, 2023
Profit	29,407	86,011
Other comprehensive income		
Valuation difference on available-for-sale securities	(301)	15,781
Deferred gains or losses on hedges	2,489	1,230
Revaluation reserve for land	—	2,538
Foreign currency translation adjustment	26,645	16,245
Remeasurements of defined benefit plans, net of tax	551	(68)
Share of other comprehensive income of entities accounted for using equity method	1,488	4,695
Total other comprehensive income	30,873	40,422
Comprehensive income	60,280	126,434
Comprehensive income attributed to		
Comprehensive income attributable to owners of parent	56,702	119,203
Comprehensive income attributable to non-controlling interests	3,578	7,230

Notes

Notes on the going concern assumption: None

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