

Financial Results for Fiscal 2019

May 11, 2020
KOBELCO STEEL, LTD.

KOBELCO

1. Financial Results for Fiscal 2019
2. Various Responses for Fiscal 2020
 - ① Basic Policy on Response to Novel Coronavirus and Recognition of Current Situation
 - ② Emergency Measures to Improve Profits and Cash Flows
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1. Financial Results for Fiscal 2019

Net Sales...decreased mainly in Iron & Steel, Aluminum & Copper, and Construction Machinery
 Ordinary Income (Loss)...decreased mainly in Iron & Steel, Aluminum & Copper, and Construction Machinery, increased in Machinery and Electric Power
 Extraordinary Income (Loss)...recorded loss on valuation of investment securities and impairment losses on fixed assets

(Billions of yen)

	FY2018			FY2019			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	958.2	1,013.6	1,971.8	944.4	925.3	1,869.8	(102.0)
Operating Income	23.1	25.1	48.2	7.4	2.4	9.8	(38.4)
Ordinary Income (Loss)	9.3	25.2	34.6	1.4	(9.5)	(8.0)	(42.7)
(Excluding Inventory Valuation)	6.8	22.2	29.1	2.9	(8.0)	(5.0)	(34.2)
Extraordinary Income(Loss)	36.3	(22.0)	14.3	(4.1)	(53.3)	※(57.4)	(71.8)
Net Income (Loss) Attributable to Owners of the Parent	33.3	2.5	35.9	(6.2)	(61.7)	(68.0)	(103.9)

※ : Gain on sale of investment securities : 7.5 billion yen
 Loss on valuation of investment securities : (15.0 billion yen)
 Impairment losses on fixed assets : (49.9 billion yen)

	FY2018	FY2019
1 U.S dollar to yen	111	109
1 Chinese yuan to yen	16.5	15.6
1 Euro to yen	128	121

- Impairment losses were recorded on fixed manufacturing assets for titanium, aluminum forgings for suspensions(Japan・the U.S.), aluminum castings and forgings, steel castings and forgings, and others.
- For titanium, aluminum forgings for suspensions, and aluminum castings and forgings, profitability remained low due to deteriorating profitability resulting from issues concerning *monozukuri* capabilities. Although we are working to improve productivity and reduce costs, we anticipate needing a certain amount of time to improve profitability. As a result, impairment losses were recorded.
- For steel castings and forgings, profitability continued to remain low due to less demand. Although in the long run, we anticipate higher demand for the replacement of old ships, we also foresee such risks as a further delay in recovery. As a result, impairment losses were recorded.

Extraordinary Income and loss

(Billions of yen)

	FY2018	FY2019
Gain on sale of investment securities	31.4	7.5
Gain on acquisition of subsidiary	4.8	—
Extraordinary Income	36.3	7.5
Loss on impairment	(13.9)	(49.9)
Loss on valuation of investment securities	—	(15.0)
Loss on disaster	(3.3)	—
Customer compensation expenses	(2.5)	—
Environmental expenses	(2.1)	—
Extraordinary Loss	(22.0)	(65.0)
Total	14.3	(57.4)

Impairment loss by asset classification

(Billions of yen)

Asset classification	Impairment loss
Manufacturing assets for titanium	(13.4)
Manufacturing assets for aluminum forgings for suspensions	Japan (6.7)
	the U.S. (6.6)
Manufacturing assets for aluminum castings and forgings	(4.2)
Manufacturing assets for steel castings and forgings	(10.8)
Others	(8.0)
Total	(49.9)

Net Sales	FY2018	FY2019		(Billions of yen) Change	
	Actual Results	Previous Forecast	Actual Results	③-①	③-②
	①	②	③		
Iron & Steel	753.9	725.0	723.7	(30.2)	(1.3)
Welding	83.9	83.0	83.7	(0.1)	0.7
Aluminum & Copper	359.0	340.0	333.4	(25.6)	(6.6)
Machinery	171.4	168.0	165.9	(5.5)	(2.1)
Engineering	151.7	145.0	141.5	(10.2)	(3.5)
Construction Machinery	386.0	360.0	360.8	(25.2)	0.8
Electric Power	76.1	74.0	75.6	(0.4)	1.6
Other Businesses	42.0	33.0	33.6	(8.3)	0.6
Adjustment	(52.5)	(38.0)	(48.8)	3.7	(10.8)
Total	1,971.8	1,890.0	1,869.8	(102.0)	(20.2)

➤ Costs were reduced by strengthening cost savings in light of the decline in profitability in the materials businesses (about +7.0 billion yen). A positive effect was gained by changes in the external environment such as improvement in inventory valuation (about +5.0 billion yen). Also, risks on business performance deterioration that was previously anticipated did not occur. As a result, ordinary loss as a whole improved 17.0 billion yen compared with previous forecast.

(Billions of yen)

Ordinary Income(Loss)	FY2018	FY2019		Change	
	Actual Results	Previous Forecast	Actual Results	③-①	③-②
	①	②	③		
Iron & Steel	4.7	(25.0)	(21.3)	(26.0)	3.7
Welding	3.6	3.0	2.9	(0.7)	(0.1)
Aluminum & Copper	(1.5)	(25.0)	(20.4)	(18.9)	4.6
Machinery	1.2	6.0	9.6	8.4	3.6
Engineering	6.5	6.0	5.7	(0.8)	(0.3)
Construction Machinery	25.5	7.0	7.5	(18.0)	0.5
Electric Power	(0.3)	6.5	8.9	9.2	2.4
Other Businesses	2.3	2.5	3.3	0.9	0.8
Adjustment	(7.5)	(6.0)	(4.4)	3.1	1.6
Total	34.6	(25.0)	(8.0)	(42.7)	17.0

Return to Shareholders (Dividends)

- Kobe Steel aims to pay dividends on a continuous and stable basis. Dividends are decided after taking into full account the Company's financial condition, business performance, future capital needs and other factors. (The target dividend payout ratio is 15% - 25% of net income attributable to owners of the parent.)
- On this basis, as announced on February 6, Kobe Steel has unfortunately passed a resolution to forgo the year-end dividend.

	FY2018			FY2019		
	Interim	Year-end		Interim	Year-end	
Dividends per share in yen	10	10	20	—	—	—
Dividend per net assets			20.2%			—

(Billions of yen)

	FY2018			FY2019			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	359.5	394.4	753.9	365.2	358.4	723.7	(30.2)
Ordinary Income (Loss)	(1.7)	6.4	4.7	(5.8)	(15.4)	(21.3)	(26.0)
(Excluding Inventory Valuation)	(2.2)	3.4	1.2	(5.8)	(15.4)	(21.3)	(22.5)

■ Steel Products :

Sales volume...Decreased

※Related Data:P24 to 26

Decreased mainly in the overseas automotive sector due to the impact of U.S.-China trade friction

Price...Similar to the previous year

Domestic: Increased on account of higher main raw materials prices

Exports : decreased owing to softening in the market

Factors affecting income (loss)

Sales volume decreased

Production costs improved (with recovery from production equipment trouble and the impact of natural disasters)

Inventory valuation worsened

■ Steel castings and forgings :

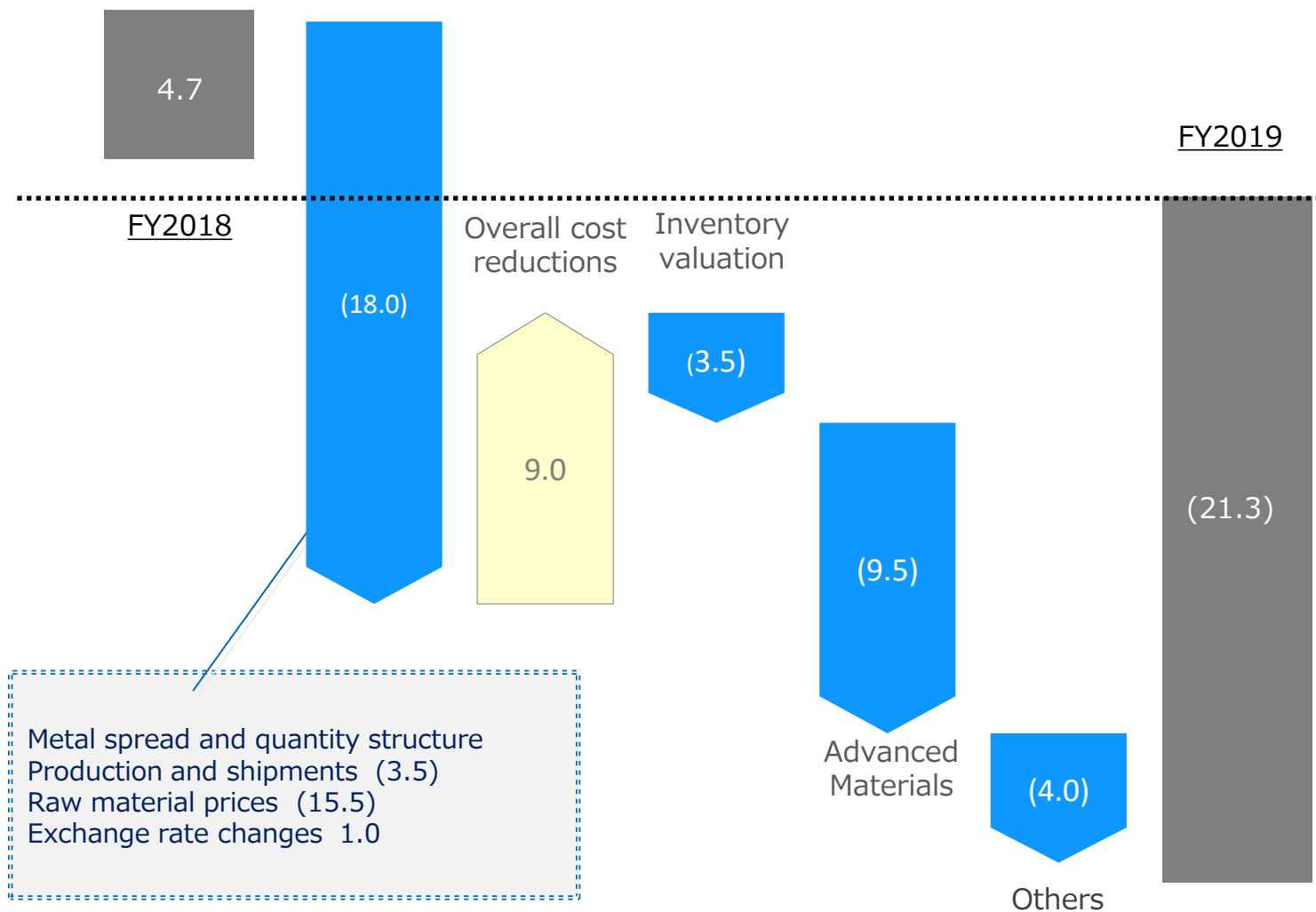
Sales volume decreased owing to less demand

■ Titanium products :

Sales increased as sales volume expanded in the aircraft sector

Recorded a large allowance due to lower profitability

(Billions of yen)



(Billions of yen)

	FY2018			FY2019			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	39.8	44.1	83.9	43.1	40.6	83.7	(0.1)
Ordinary Income	0.9	2.6	3.6	1.8	1.0	2.9	(0.7)

■ Sales Volume :

[Welding Material]…Decreased

※Related Data:P24 to 26

Domestic: Similar to the previous year, with a decrease in demand in 2nd half in construction, automotive, and construction machinery, despite steady demand in 1st half

Overseas: Decreased due to sluggish demand in Southeast Asia, despite an increase in LNG shipbuilding in the Republic of Korea

[Welding Systems (net sales)]…Increased

Domestic demand remained firm in architectural steel frames and construction machinery

(Billions of yen)

	FY2018			FY2019			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	181.3	177.7	359.0	170.2	163.1	333.4	(25.6)
Ordinary Income (Loss)	1.6	(3.2)	(1.5)	(8.3)	(12.1)	(20.4)	(18.9)
(Excluding Inventory Valuation)	(0.4)	(3.2)	(3.5)	(6.8)	(10.6)	(17.4)	(13.9)

■ Sales volume :

※Related Data:P24 to 26

[Aluminum rolled products]...Decreased

Can stock for beverage cans was similar to the previous year

Demand declined in automotive, semiconductors and IT field

[Copper rolled products]...Decreased

Demand for copper strip used in semiconductors and automotive terminals declined

Demand for copper tube remained firm in the 1st half, but overseas demand decreased in the 2nd half

■ Factors affecting income (loss) :

Sales volume decreased

Impact from inventory valuation was worsen

Impact of equipment trouble at an overseas subsidiary

Fixed costs increased to strengthen *monozukuri* capabilities

(Billions of yen)

FY2018
(1.5)

Actual ordinary
income/loss
3.5

Inventory valuation
2.0

Special factors
① Launch of overseas bases
• Aluminum panels: China
• Aluminum extrusions: U.S.
② Equipment trouble
Aluminum forgings for
suspensions: U.S. and others

FY2019
(20.4)

Inventory valuation
(3.0)

Special factors
(9.5)

Actual ordinary
Income/loss
(7.9)

Special factors
(7.0)

Actual ordinary
Income/loss
(11.4)

Inventory valuation
(5.0)

Special factors
(2.5)

Special factors
① Launch of overseas bases
• Aluminum panels: China
• Aluminum extrusions: U.S.
② Quality misconduct

(Billions of yen)

	FY2018			FY2019			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	84.2	87.2	171.4	80.4	85.5	165.9	(5.5)
Ordinary Income	0.8	0.3	1.2	2.3	7.3	9.6	8.4
Orders	72.5	99.1	171.7	80.5	71.1	151.6	(20.0)
Backlog of Orders	128.9	156.6		159.0	155.1		(1.4)

■ Orders...Decreased

Demand remained firm in the petrochemical sector

Several large orders in the industrial machinery business were posted in the previous year

■ Sales

Decreased because of large orders of compressors for the petrochemical sector in the previous year

■ Factors affecting income (loss)

Plant operating rates improved owing to firm orders

Profitability of orders improved mainly in rotating machinery

Orders of after-sales services increased

(Billions of yen)

	FY2018			FY2019			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	55.4	96.3	151.7	61.4	80.0	141.5	(10.2)
Ordinary Income	1.0	5.4	6.5	2.1	3.5	5.7	(0.8)
Orders	72.2	50.4	122.6	76.1	40.7	116.9	(5.7)
Backlog of Orders	201.2	169.3		181.4	145.5		(23.8)

■ Orders...Decreased

Decreased because several large projects in the waste treatment business were posted in the previous year

■ Factors affecting sales and income (loss)

Changes in the progress of existing orders

(Billions of yen)

	FY2018			FY2019			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	204.9	181.1	386.0	197.8	163.0	360.8	(25.2)
Ordinary Income (Loss)	13.5	12.0	25.5	8.7	(1.2)	7.5	(18.0)

■ Sales volume

Hydraulic excavators...Decreased

Domestic : Increased on the back of firm construction investments

China : Demand was firm

Southeast Asia, India : Demand declined

Crawler Cranes...Decreased

Competition from overseas manufacturers intensified mainly in Southeast Asia

■ Factors affecting income (loss)

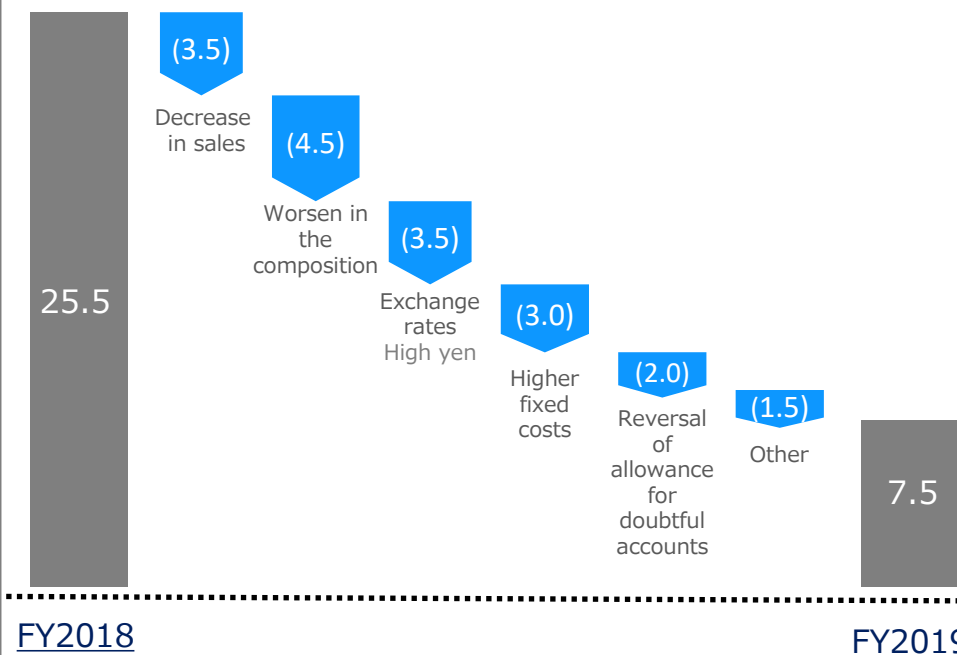
Sales volume decreased

Composition of hydraulic excavators sold in China was worsen

The yen became higher than the euro and Chinese renminbi on exchange rates

Fixed costs, such as development costs and other costs, became higher

Reversal of allowance for doubtful receivables decreased year on year



FY2018

FY2019

(Billions of yen)

	FY2018			FY2019			Change ②-①
	1H	2H	①	1H	2H	②	
Net Sales	35.8	40.2	76.1	35.4	40.2	75.6	(0.4)
Ordinary Income (Loss)	(3.6)	3.3	(0.3)	1.6	7.3	8.9	9.2

■ Sales Volume…Increased

The No. 1 unit of the Moka Power Plant started up in October 2019

The No. 2 unit of the Moka Power Plant started up in March 2020

■ Sales Price…Decreased

Decreased owing to lower fuel prices

■ Factors affecting income (loss)

The Moka Power Plant started operations

In the previous fiscal year, we incurred costs for financing a new electric power generation project in Kobe

Making Efficient Use of Capital and Assets

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

➤ Kobe Steel is carrying out initiative ahead of plans targeting capital and asset efficiency of 50.0 billion yen by fiscal 2020 by such means as reducing strategically held shares and reorganizing group companies. On the other hand, the D/E ratio at the end of fiscal 2019 worsened to 1.19 due to losses, reduced cash flows from a worsening of working capital, the posting of impairment loss on fixed assets, and other factors.

< Details on Efficient Use of Capital and Assets >

1. Sale of strategically-held shares about 22.0 billion yen
 2. Reduction of cash and deposits about 21.0 billion yen
 3. Careful selection of investments about 3.0 billion yen
- Total about 46.0 billion yen

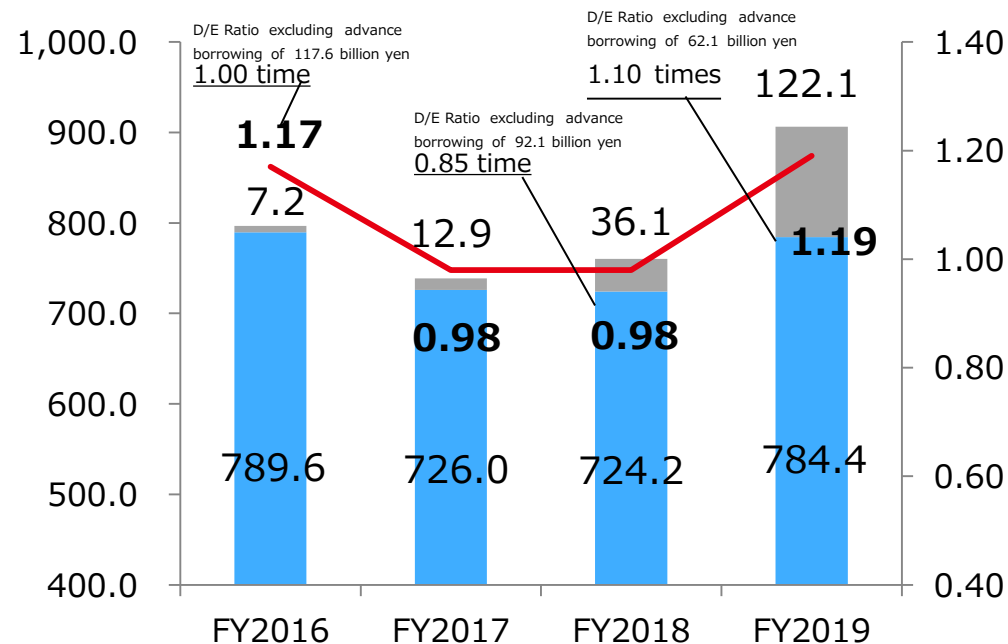
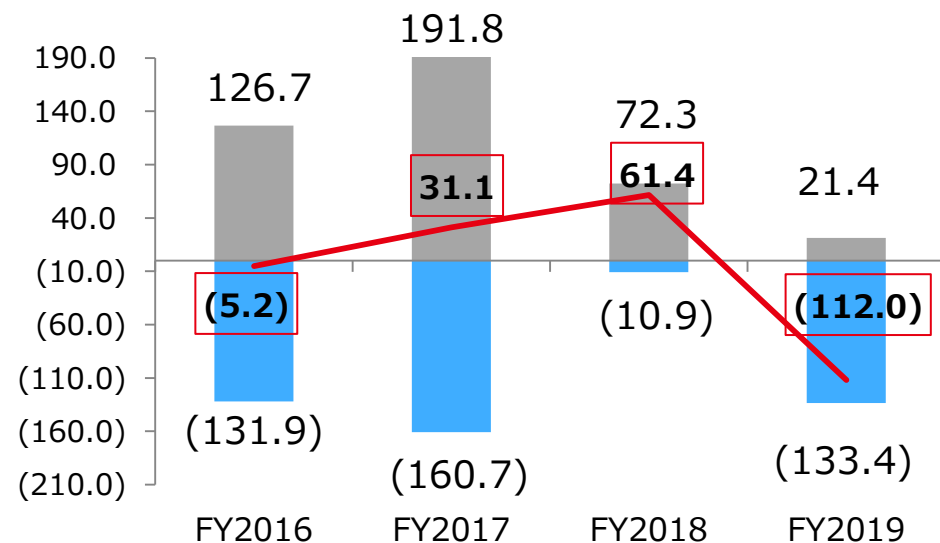
※ Effectiveness of group company reorganization (copper tube business, Kobelco Steel Tube) decided in fiscal 2019 will be confirmed in fiscal 2020.

《Free Cash Flow》

《Outside Debt & D/E Ratio》

■ Cash Flows from Investing Activities
■ Cash Flows from Operating Activities
— Free Cash Flow

■ Outside debt ■ Project Finance — D/E Ratio



2. Various Responses for Fiscal 2020

Situation in Japan and Overseas

- The novel coronavirus infection has spread on a global scale, making an unprecedented impact on all societies and economic activities. The U.S., major European nations and other countries and regions have declared national states of emergency and have locked down cities.
- The Japanese government has extended the emergency measures covering the entire country to May 31 to prevent the further spread of infection.

Basic Policy of the Kobe Steel Group

- We place the highest priority on safety and health for all stakeholders in Japan and overseas, including customers, business partners, community members, employees of the Kobe Steel Group and others working on company premises, and their respective families
- In order to fulfill our social responsibility, we continue to provide products and services necessary to maintain the social infrastructure and other aspects, while carrying out thorough preventive measures to prevent infection.
- We implement timely and appropriate information disclosure to fulfill our accountability to stakeholders.

Kobe Steel's actions

- After establishing a companywide response office in January 2020, we upgraded the organization in April to a companywide response headquarters (headed by President Mitsugu Yamaguchi).
- Employees in Japan are to work at home in principle and make use of online meetings, etc. Those who are unable to work at home must take thorough steps to prevent infection such as commuting during off-peak hours and wearing masks at all times. Employees are urged to follow the Three Cs" of social distancing: avoid closed spaces, crowded places and close-contact settings. Business trips in Japan are prohibited in principle. Business trips from Japan to other countries are also prohibited.

Status of the Kobe Steel Group's Production Locations

- At some overseas production locations, plants were shut down under government orders, but have subsequently resumed operation. At present, except for one location in Singapore, all plants in Japan and overseas are in operation. However, at some plants, decreased production and orders have become apparent and it is necessary to keep a careful watch on the impact on our future business results.

Financial Arrangements

- As of the end of March 2020, Kobe Steel secured cash on hand amounting to 146.0 billion yen, while securing future financing, including a commitment line of 150.0 billion yen (bank credit line contracted in advance) and the use of an emergency loan system established at each bank in response to the coronavirus.

- The **Special Committee for Emergency Profit Improvement** (chaired by President Mitsugu Yamaguchi) was established on February 7, 2020 as large deficits are projected in the fiscal 2019 business results centered on the steel business and aluminum and copper business, due to the global economic slowdown arising from U.S.-China trade friction.
- An **emergency plan for fiscal 2020 was formulated to improve profitability on the scale of 20.0 billion yen**. The plan is centered on reducing directors' remuneration and decreasing fixed costs (reducing labor costs and cutting or deferring non-urgent R&D expenditures and maintenance work expenses). **Measures are planned on the scale of 120.0 billion yen** to improve cash flows, including improving working capital by reducing inventories; selling assets; deferring capital investments, etc.
- In addition, plans are being made to improve profitability by 20.0 billion yen or more centered on materials (improving base costs, capital investment effects, etc.).



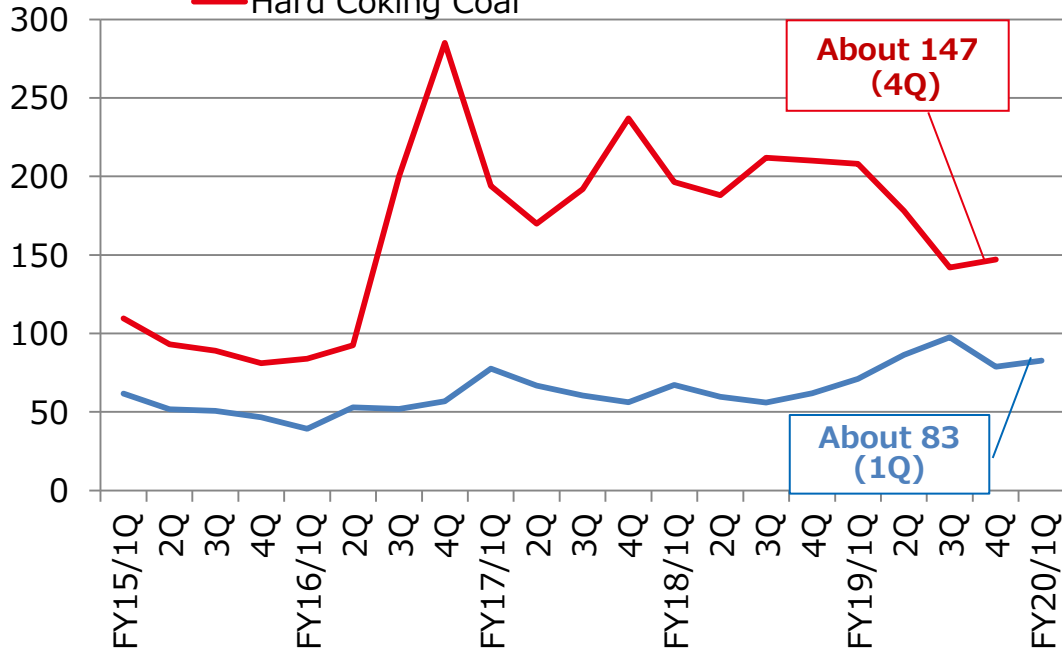
- Kobe Steel benefited from emergency profit improvements, and prospects **were promising for a return to profitability in fiscal 2020**. However, due to the effects of the novel coronavirus, **production and orders at domestic and overseas business locations have clearly dropped**, and we must anticipate **a substantial impact on business performance**.
- **Kobe Steel is currently carrying out the steps below as emergency measures until the full impact can be determined.**
 - **Maximum control on spending through production that meets demand**
 - **Implementation of detailed fund management including group companies and necessary measures**
 - **Freezing of expenses and expenditures of back-office departments in principle**
 - **Freezing of capital investments and investments/loans other than those essential for business operations such as replacement investments**
- The Special Committee for Emergency Profit Improvement will study and implement all possible measures to further reduce fixed costs such as temporary leave as well as measures for additional cash flows.

3. Reference Information

		FY2018			FY2019		
		1H	2H	Full Year	1H	2H	Full Year
Domestic crude steel production	(Millions of tons)	52.22	50.67	102.89	50.67	39.82	Total of October-February
Domestic inventory level	(Millions of tons)	6.23	5.93	—	5.94	5.95	February end bulletin
Inventory level of 3 types of steel sheets	(Millions of tons)	4.40	4.47	—	4.44	4.48	Total of October-March
Domestic auto production	(Millions of cars)	4.63	5.11	9.74	4.83	4.60	

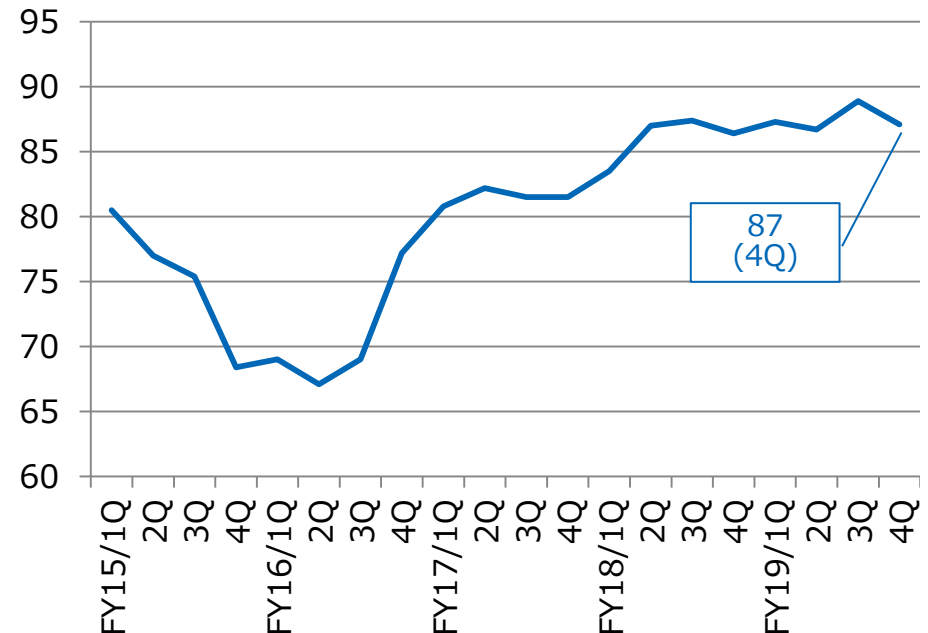
(\$/ton) — Iron Ore(fines)

— Hard Coking Coal



(Thousands of yen/ton) — Price

— Price



		FY2018			FY2019		
		1H	2H	Full Year	1H	2H	Full Year
Crude steel production	(Millions of tons)	3.39	3.52	6.91	3.39	3.11	6.50
Sales volume of steel products	(Millions of tons)	2.71	2.91	5.62	2.73	2.57	5.30
(Domestic)		2.03	2.23	4.25	2.00	1.93	3.93
(Exports)		0.68	0.69	1.37	0.73	0.64	1.37
Average steel selling price	(Thousands of yen/ton)	85.2	86.9	86.1	86.7	87.1	86.9
Export ratio (value basis)		25.7%	24.1%	24.9%	25.4%	23.4%	24.4%
Aluminum rolled products	(Thousands of tons)	156	151	307	152	147	299
(Domestic)		121	115	236	122	115	237
(Overseas)		35	35	70	30	32	62
Aluminum extrusions	(Thousands of tons)	19	19	37	17	17	34
(Domestic)		19	19	37	16	16	33
(Overseas)		-	-	-	1	1	1
Copper rolled products	(Thousands of tons)	29	30	59	26	27	53
Copper tubes	(Thousands of tons)	43	41	85	44	38	82
Welding materials	(Thousands of tons)	143	155	298	148	140	288
(Domestic)		60	67	127	65	60	125
(Overseas)		83	88	171	83	80	163

Iron & Steel

(Billions of yen)

		FY2018			FY2019			
		1H	2H	Full Year	1H	3Q	4Q	Full Year
	Iron ore	1.0	0.0	1.0	2.5	1.5	(2.0)	2.0
	Coal	(2.5)	1.5	(1.0)	(1.5)	(1.5)	0.5	(2.5)
	Carry Over	(1.5)	1.5	0.0	1.0	0.0	(1.5)	(0.5)
	Average method	0.5	3.5	4.0	0.5	2.0	0.0	2.5
	Lower-of-cost-or-market method	0.0	(0.5)	(0.5)	(0.5)	(1.0)	(1.0)	(2.5)
	Inventory Valuation	0.5	3.0	3.5	0.0	1.0	(1.0)	0.0

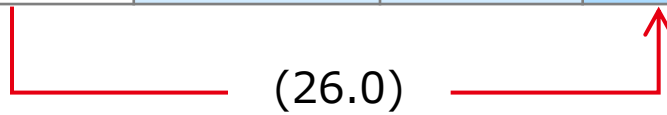
Aluminum & Copper

(Billions of yen)

		FY2018			FY2019			
		1H	2H	Full Year	1H	3Q	4Q	Full Year
	Average method	2.0	1.0	3.0	(1.0)	(1.0)	(1.0)	(3.0)
	Lower-of-cost-or-market method	0.0	(1.0)	(1.0)	(0.5)	0.5	0.0	0.0
	Inventory Valuation	2.0	0.0	2.0	(1.5)	(0.5)	(1.0)	(3.0)

(Billions of yen)

	FY2018			FY2019			Change ②-①
	1H	2H	①	1H	2H	②	
Ordinary Income (Loss)	(1.7)	6.4	4.7	(5.8)	(15.4)	(21.3)	(26.0)

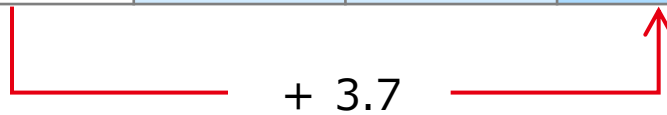


Positive Factors		Negative Factors	
Overall cost reduction	+ 9.0	Production and shipments	(3.5)
Exchange rate changes	+ 1.0	Raw material prices	(15.5)
		Inventory Valuation ※	(3.5)
		castings and forgings	(9.5)
		Other	(4.0)
Total	+ 10.0	Total	(36.0)

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

(Billions of yen)

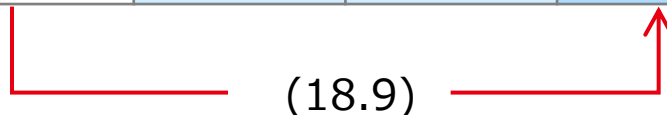
	FY2019 (Previous Forecast)			FY2019 (Actual Results)			Change ②-①
	1H	2H	①	1H	2H	②	
Ordinary Loss	(5.8)	(19.2)	(25.0)	(5.8)	(15.4)	(21.3)	3.7



Positive Factors		Negative Factors	
Raw material prices	+ 1.5	Production and shipments	(1.5)
Overall cost reduction	+ 1.5	castings and forgings	(3.0)
Subsidiaries & affiliates	+ 2.0		
Other	+ 3.2		
Total	+ 8.2	Total	(4.5)

(Billions of yen)

	FY2018			FY2019			Change ②-①
	1H	2H	①	1H	2H	②	
Ordinary Income (Loss)	1.6	(3.2)	(1.5)	(8.3)	(12.1)	(20.4)	(18.9)

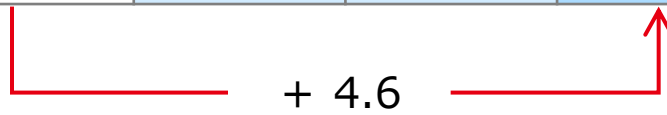


Positive Factors	Negative Factors
	Production and shipments (2.5)
	Overall cost (3.0)
	Inventory Valuation※ (5.0)
	Exchange rate changes (0.5)
	Subsidiaries & affiliates (6.0)
	Other (1.9)
Total	Total (18.9)

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

(Billions of yen)

	FY2019(Previous Forecast)			FY2019(Actual Results)			Change ②-①
	1H	2H	①	1H	2H	②	
Ordinary Loss	(8.3)	(16.7)	(25.0)	(8.3)	(12.1)	(20.4)	4.6



Positive Factors		Negative Factors	
Overall cost reduction	+ 2.0	Production and shipments	(0.5)
Inventory valuation※	+ 1.0		
Other	+ 2.1		
Total	+ 5.1	Total	(0.5)

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

(Billions of yen)

		FY2018	FY2019	Changes ②-①
		①	②	
Cash Flows from Operating Activities		72.3	21.4	(50.9)
Cash Flows from Investing Activities		(10.9)	(133.4)	(122.5)
Free Cash Flow (excluding project financing)		61.4	(112.0)	(173.4)
Free Cash Flow (including project financing)		38.5	(191.9)	(230.4)
Cash and Deposits (excluding project financing)		192.6	134.9	(57.6)

(Billions of yen)

		FY2018	FY2019	Changes ②-①
		①	②	
Capital Investment (accrual basis)		133.4	239.8	106.3
Capital Investment (payment basis)		132.4	245.3	112.9
Depreciation		102.5	105.3	2.7

		FY2016	FY2017	FY2018	FY2019
R O S	*1	(1.1%)	3.8%	1.8%	(0.4%)
Net Income (Loss) per Share		(63.54 yen)	174.43 yen	99.20 yen	(187.55)
Outside Debt	*2	789.6 billion yen	726.0 billion yen	724.2 billion yen	784.4 billion yen
D/E Ratio	*3	*4 1.17 times	0.98 time	*5 0.98 time	*6 1.19 times
R O A	*7	(0.8%)	3.1%	1.5%	(0.3%)
R O E	*8	(3.4%)	8.9%	4.8%	(9.7%)

*1: ROS: Ordinary Income / Net Sales

*2: Outside debt: Excludes Debt from IPP project financing

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

*4: Includes early procurement of borrowings for FY2017 (117.6 billion yen)
D/E Ratio 1.00 time (excluding early procurement of borrowings)

*5: Includes early procurement of borrowings for FY2019 (92.1 billion yen)
D/E Ratio 0.85 time (excluding early procurement of borrowings)

*6: Includes early procurement of borrowings for FY2020 (62.1 billion yen)
D/E Ratio 1.10 times (excluding early procurement of borrowings)

*7: ROA: Ordinary Income / Total Assets

*8: Net Income Attributable to Owners of the Parent / Stockholders' Equity

① KOBELCO's View of the Future

Our view of a society and future to be attained as we carry out KOBELCO's mission

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.

② KOBELCO's Mission

Our mission and the social significance of the Kobe Steel Group that we must fulfill

Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies.

③ Core Values of KOBELCO

The Core Values are the commitments of the Kobe Steel Group to society and express the values shared by the Entire Kobe Steel Group

1. We provide technologies, products and services that win the trust and confidence of our customers we serve and the society in which we live.
2. We value each employee and support his and her growth on an individual basis, while creating a cooperative and harmonious environment.
3. Through continuous and innovative changes, we create new values for the society of which we are a member

④ Six Pledges of KOBELCO Men and Women

Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter

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

Cautionary Statement

- **Certain statements in this presentation contain forward-looking statements concerning forecasts, assertions, prospects, intentions and strategies. The decisions and assumptions leading to these statements were based on information currently available to Kobe Steel. Due to possible changes in decisions and assumptions, future business operation, and internal and external conditions, actual results may differ materially from the projected forward-looking statements. Kobe Steel is not obligated to revise the forward-looking contents of this presentation.**
- **Uncertain and variable factors include, but are not limited to:**
 - Changes in economic outlook, demand and market conditions
 - Political situation and trade and other regulations
 - Changes in currency exchange rates
 - Availability and market conditions of raw materials
 - Products and services of competing companies, pricing policy, alliances, and business development including M&As
 - Strategy changes of alliance partners