

# **Financial Results for the First Nine Months of Fiscal 2020 and Forecast for the Full Fiscal Year**

February 5, 2021  
KOBELCO STEEL, LTD.

**KOBELCO**

1. Financial Results for the First Nine Months of Fiscal 2020
2. Forecast for Fiscal 2020
3. Reference Information

1. Financial Results for the First  
Nine Months of Fiscal 2020

Both sales and profits decreased significantly year on year due to a sharp drop in demand in the first half of the year due to the impact of the novel coronavirus (COVID-19) pandemic although signs of recovery are seen.

- Net sales ···· Decreased significantly in the materials and construction machinery businesses.
- Ordinary income (loss)··Decreased significantly in Steel & Aluminum, despite an increase in Machinery and Electric Power.
- Extraordinary income (loss) ··· Counts gain on sales of fixed assets and others as extraordinary income and impairment loss as extraordinary loss.

(In billions of yen)

	FY2019 3Q ①	FY2020 3Q ②	Change ②-①
Net Sales	1,388.8	1,211.0	(177.7)
Operating Income (Loss)	14.3	2.4	(11.8)
Ordinary Income (Loss)	7.1	(9.5)	(16.6)
Excluding Inventory Valuation	7.1	(4.5)	(11.6)
Extraordinary Income (Loss)	7.4	※ 13.1	5.6
Net Income (Loss) Attributable to Owners of the Parent	7.2	3.8	(3.4)

※Breakdown of Extraordinary Income (Loss)

-Extraordinary Income

Gain on sale of fixed assets:	9.8 billion yen
Gain on step acquisitions:	3.2 billion yen
Gain on sale of investment securities:	2.9 billion yen

-Extraordinary Loss

Loss on impairment:	(2.9) billion yen
---------------------	-------------------

	FY2019 3Q	FY2020 3Q
1 U.S dollar to yen	109	104
1 Chinese yuan to yen	15.6	15.8
1 Euro to yen	121	124

(Billions of yen)

	FY2019	FY2020	Change
Net Sales	3Q	3Q	
	①	②	②-①
Steel & Aluminum	590.0	496.4	(93.5)
Advanced Materials	222.4	166.0	(56.3)
Welding	63.7	52.0	(11.6)
Machinery	117.3	125.6	8.3
Engineering	95.8	90.8	(5.0)
Construction Machinery	277.8	247.9	(29.8)
Electric Power	51.6	53.3	1.7
Other Businesses	21.3	17.1	(4.2)
Adjustment	(51.3)	(38.4)	12.9
Total	1,388.8	1,211.0	(177.7)

	FY2019	FY2020	Change
Ordinary Income (Loss)	3Q	3Q	
	③	④	④-③
Steel & Aluminum	(5.2)	(32.5)	(27.2)
Advanced Materials	(12.0)	(10.9)	1.1
Welding	2.5	0.9	(1.5)
Machinery	6.5	8.5	2.0
Engineering	4.5	3.2	(1.2)
Construction Machinery	8.7	9.3	0.5
Electric Power	3.4	11.5	8.1
Other Businesses	0.7	1.4	0.7
Adjustment	(2.0)	(1.2)	0.8
Total	7.1	(9.5)	(16.6)

(Billions of yen)

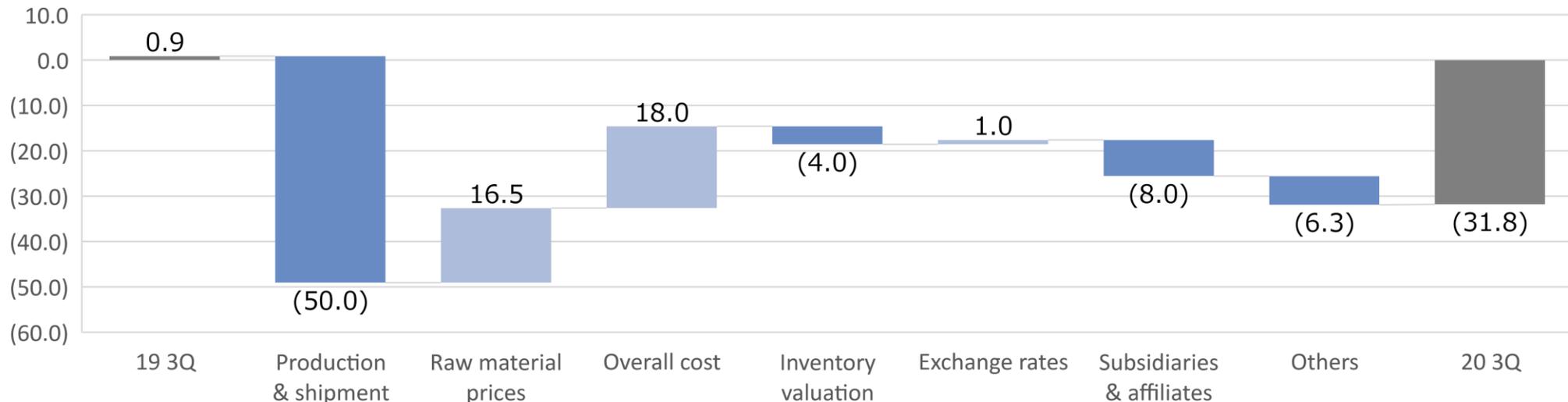
		FY2019 3Q ①	FY2020 3Q ②	Change ②-①
Steel products	Net Sales	493.2	398.3	(94.9)
	Ordinary Income (Loss)	0.9	(31.8)	(32.8)
	Excluding Inventory Valuation	0	(28.8)	(28.8)
Aluminum rolled products	Net Sales	96.7	98.0	1.3
	Ordinary Income (Loss)	(6.2)	(0.6)	5.5
	Excluding Inventory Valuation	(5.2)	1.3	6.5
Total	Net Sales	590.0	496.4	(93.5)
	Ordinary Income (Loss)	(5.2)	(32.5)	(27.2)
	Excluding Inventory Valuation	(5.2)	(27.5)	(22.2)

Steel products

**FY2019 3Q: Ordinary Income of 0.9 billion yen →**  
**FY2020 3Q: Ordinary Loss of 31.8 billion yen (Down 32.8 billion yen from FY2019)**

- **Crude steel production: 4.13 million tons (down 0.87 million tons year on year)**
- **Sales volume: 3.38 million tons (down 0.66 million tons year on year)**
  - Overall demand declined mainly in the automotive sector due to the impact of COVID-19.
- **Sales price: 80,600 yen/ton (down 6,800 yen/ton year on year)**
  - A fall in prices of main materials
  - A fall in export prices
- **Factors affecting profit and loss**
  - Decreased sales volume
  - Overall cost reduction through the emergency profit improvement measures and base cost improvement, etc.
  - Worsening inventory valuation

※Related data on P. 33-35



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

FY 2019 3Q: Ordinary Loss of 6.2 billion yen →  
FY 2020 3Q: Ordinary Loss of 0.6 billion yen (Up 5.5 billion yen from FY2019)

■ **Sales volume: 226 thousand tons (up 3 thousand tons year on year)**

Despite a decrease in sales to the automotive sector due to the impact of COVID-19, an overall increase was seen in other areas

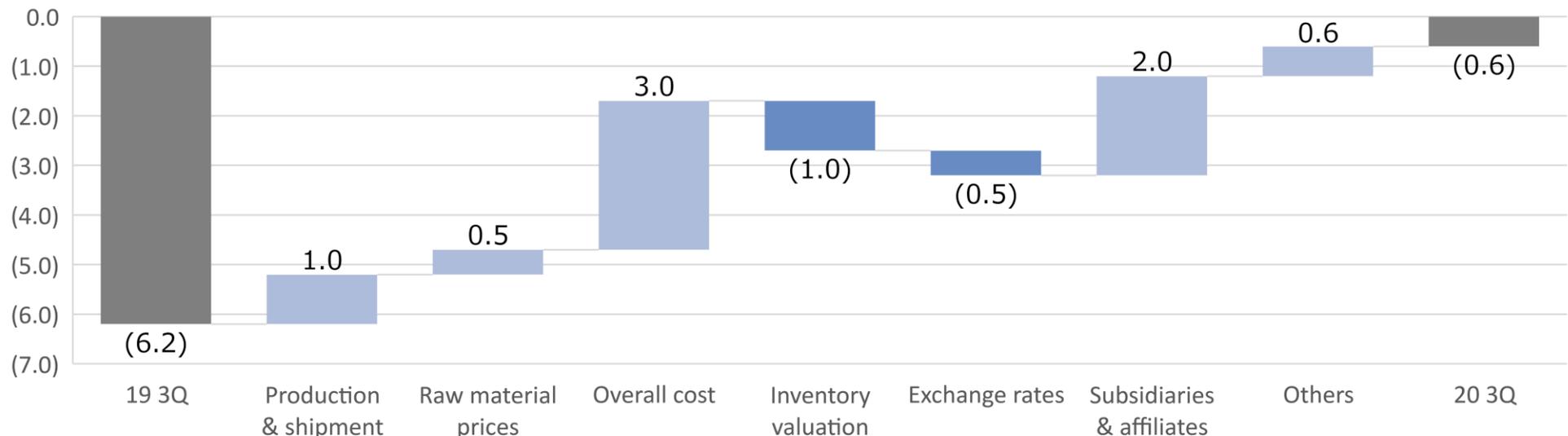
- For beverage can stock: Remained stable
- For IT and semiconductors: Increased owing mainly to the supply for data centers
- For automobiles: Decreased

■ **Factors affecting profit and loss**

- Improvement of rolling margin
- Overall cost reduction through the emergency profit improvement measures, and base cost improvement, etc.
- Improved earnings of consolidated subsidiaries due to a recovery in demand for automobiles and IT in China

※Related data on P. 34-35

Aluminum  
rolled  
products



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

(Billions of yen)

	FY2019 3Q ①	FY2020 3Q ②	Change ②-①
Net Sales	222.4	166.0	(56.3)
Ordinary Income (Loss)	(12.0)	(10.9)	1.1
Excluding Inventory Valuation	(12.0)	(10.9)	1.1

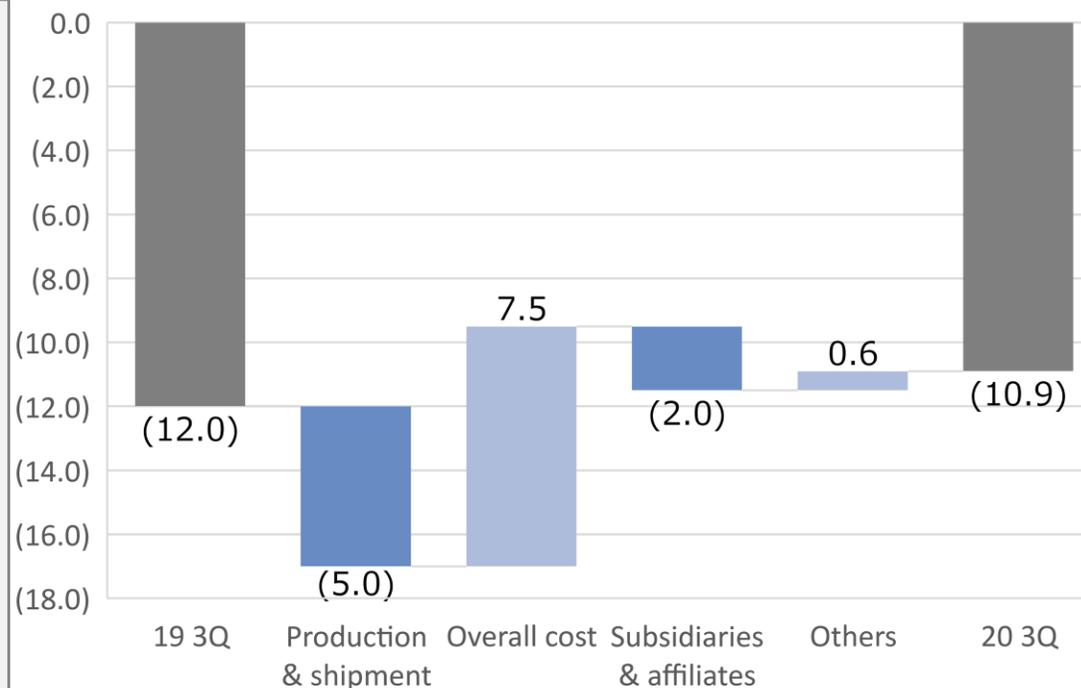
■ **Sales volume: Decreased**

- Decreased in the automotive, aircraft and shipbuilding sectors

■ **Factors affecting profit and loss**

- Overall cost reduction through the emergency profit improvement measures, etc.
- Reduced depreciation by recording impairment loss in FY2019
- Worsening of earnings results of subsidiaries and affiliates due to the impact of COVID-19

※Related data on P.34



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

(Billions of yen)

	FY2019 3Q ①	FY2020 3Q ②	Change ②-①
Net Sales	63.7	52.0	(11.6)
Ordinary Income (Loss)	2.5	0.9	(1.5)

**■ Sales volume:**

- Welding materials: Decreased
  - Domestic: Significantly decreased, affected by plant shutdowns in the automotive and construction machinery sectors due to the impact of COVID-19
  - Overseas: Decreased with a decline in demand for automobiles in Southeast Asia and other regions and sluggish demand for shipbuilding due to the impact of COVID-19
- Welding system (sales): Decreased
  - Decreased due to the impact of COVID-19

**■ Factors affecting profit and loss**

- Decreased sales volume
- Cost reduction through the emergency profit improvement measures and others

(Billions of yen)

	FY2019 3Q ①	FY2020 3Q ②	Change ②-①
Net Sales	117.3	125.6	8.3
Ordinary Income (Loss)	6.5	8.5	2.0
Orders	110.3	76.4	(33.8)

### ■ Orders: Decreased

- Decreased both in the industrial machinery and compressor sectors against the backdrop of reductions and deferment of capital investments due to the impact of COVID-19

### ■ Net sales: Increased, Profit: Increased

- Industrial machinery: Increased in sales of plastic processing machinery for China and South Korea owing to the orders received in FY2019 or earlier
- Rotating machinery: Increased centered on the LNG shipbuilding and petrochemical sectors that saw strong orders in FY2019
- Cost reduction

(Billions of yen)

	FY2019 3Q ①	FY2020 3Q ②	Change ②-①
Net Sales	95.8	90.8	(5.0)
Ordinary Income (Loss)	4.5	3.2	(1.2)
Orders	※ 86.7	93.0	6.3

※Regarding long-term operation and maintenance work in Kobelco Eco Solutions' water treatment and waste treatment business, orders were previously counted at the time of sales. However, a new counting method has been adopted since FY2020 and orders are counted at the time of acceptance of a contract. Orders for FY2019 3Q and backlog of orders for the end of FY2019 have also been recounted based on the new method.

**■ Orders: Increased**

- A large project was ordered in the water treatment-related business.

**■ Net sales: Decreased, Profit: Decreased**

- Overseas project were deferred due to the impact of COVID-19.

(Billions of yen)

	FY2019 3Q ①	FY2020 3Q ②
Net Sales	277.8	247.9
Ordinary Income (Loss)	8.7	9.3

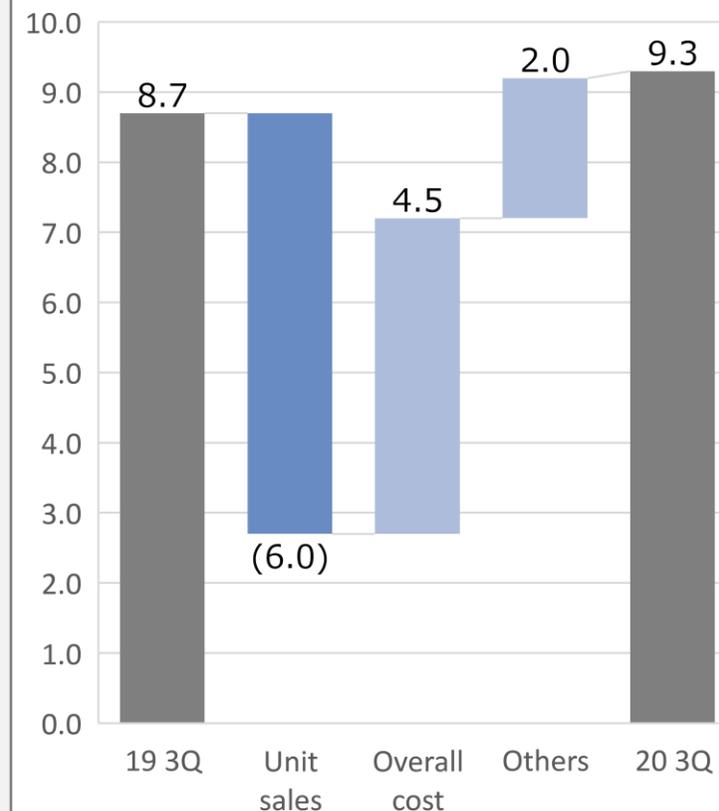
Change ②-①
(29.8)
0.5

### ■ Unit sales

- Hydraulic excavators: Decreased  
Domestic: Increased  
⇒ Unit sales increased year on year due to a decline caused by the suspension of parts supply in the wake of Typhoon Hagibis in FY2019.  
China: Increased  
⇒ Unit sales increased year on year in 2Q and 3Q due to the expansion of infrastructure investment, despite a significant decrease in 1Q (Jan.– Mar.) due to the impact of COVID-19.  
Others: Significantly decreased due to the impact of COVID-19
- Crawler cranes: Decreased  
Decreased both in Japan and overseas due to the impact of COVID-19

### ■ Factors affecting profit and loss

- Changes in the area composition that compensate a decrease in unit sales
- Cost reduction



(Billions of yen)

	FY2019 3Q ①	FY2020 3Q ②	Change ②-①
Net sales	51.6	53.3	1.7
Ordinary Income (Loss)	3.4	11.5	8.1

■ **Amount of electricity sold: Increased**

- The Moka Power Plant's No. 1 unit and No. 2 unit are both in operation

■ **Unit price: Decreased**

- Decreased owing to a fall in fuel price

■ **Factors affecting profit and loss**

- Start of operation of the Moka Power Plant
- Decrease in depreciation and maintenance costs of the Kobe Power Plant's No. 1 unit and No. 2 unit

## 2. Forecast for Fiscal 2020

- Compared to the previous forecast, sales volume is anticipated to exceed the previous forecast centered on the materials businesses with a recovery in global automotive demand, despite uncertainties such as the impact on automobile production due to the resurgence of COVID-19 and the global supply shortage of semiconductors.
- Ordinary income is anticipated to increase by 25.0 billion yen owing to a recovery of unit sales and additional curtailment of expenditures by the emergency profit improvement measures, etc.

(Billions of yen)

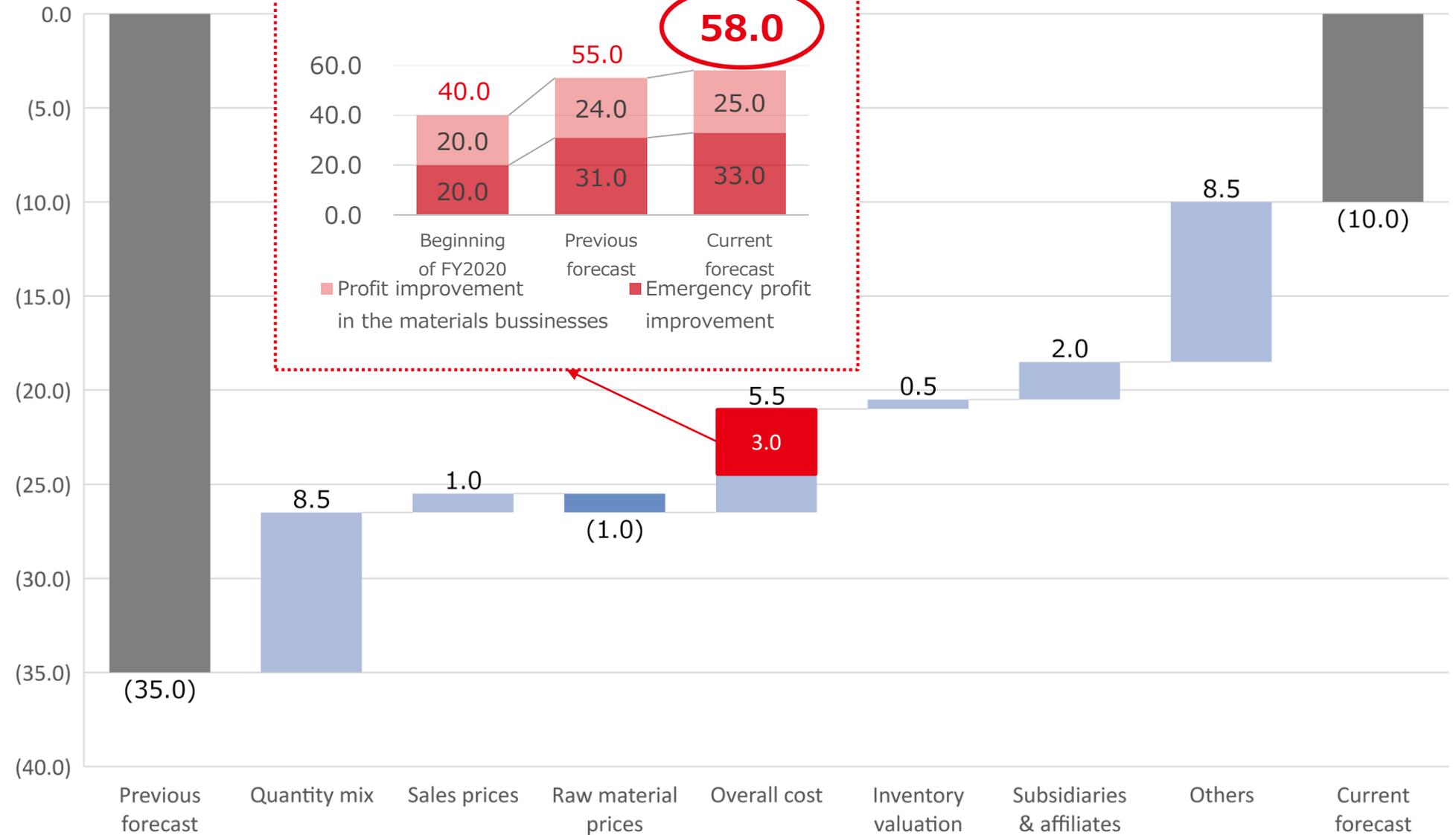
	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	1,869.8	776.4	880.0	1,650.0	776.4	913.6	1,690.0	(179.8)	40.0
Operating Income (Loss)	9.8	(27.1)	12.0	(15.0)	(27.1)	37.1	10.0	0.2	25.0
Ordinary Income (Loss)	(8.0)	(35.2)	0.0	(35.0)	(35.2)	25.2	(10.0)	(2.0)	25.0
Excluding Inventory Valuation	(6.0)	(24.7)	(6.0)	(30.5)	(24.7)	18.7	(6.0)	-	24.5
Extraordinary Income (Loss)	(57.4)	13.6	-	13.6	13.6	(0.5)	※ 13.1	70.5	(0.5)
Net Income (Loss) Attributable to Owners of the Parent	(68.0)	(15.2)	0.0	(15.0)	(15.2)	15.2	0.0	68.0	15.0

※Breakdown of Extraordinary Income (Loss)

-Extraordinary Income	
Gain on sale of fixed assets:	9.8 billion yen
Gain on step acquisitions:	3.2 billion yen
Gain on sale of investment securities:	2.9 billion yen
-Extraordinary Loss	
Loss on impairment:	(2.9) billion yen

	FY2019	FY2020
1 U.S dollar to yen	109	103
1 Chinese yuan to yen	15.6	16.0
1 Euro to yen	121	125

(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 &amp; fabrication, copper flat rolled products, steel powder, and welding) Auto production that hit bottom in 1Q is anticipated to make a mild recovery both in Japan and overseas. However, there are concerns that the global shortage of semiconductors could affect auto production. Estimated auto production by Japanese auto manufacturers (including overseas production, compared with FY2019) is given below.</p> <table border="1" data-bbox="420 411 1991 572"> <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 forecast</td> <td>(45%)</td> <td>(15%)</td> <td>(10%)</td> <td>0 %</td> <td>(15%)</td> </tr> <tr> <td>Current forecast</td> <td>(45%)</td> <td>(15%)</td> <td>0 %</td> <td>10%</td> <td>(10%)</td> </tr> </tbody> </table>		1Q	2Q	3Q	4Q	Full year	Previous forecast	(45%)	(15%)	(10%)	0 %	(15%)	Current forecast	(45%)	(15%)	0 %	10%	(10%)
	1Q	2Q	3Q	4Q	Full year														
Previous forecast	(45%)	(15%)	(10%)	0 %	(15%)														
Current forecast	(45%)	(15%)	0 %	10%	(10%)														
<p>Aircraft</p>	<p>(Aluminum casting &amp; forging, and titanium) Due to a decline in passenger demand, the market is anticipated to remain sluggish over the next few years.</p>																		
<p>Shipbuilding</p>	<p>(Steel products, steel casting &amp; forging, and welding) The market was stagnant even before the COVID-19 outbreak. It is anticipated that difficult conditions will continue due to stagnation in new business projects and postponement in construction plans.</p>																		
<p>Beverage can stock</p>	<p>(Aluminum flat rolled products) Despite a decrease in sales of vending machines, overall demand is anticipated to remain firm owing to stay-at-home consumption. The impact of the revision of the Liquor Tax Act in October is anticipated to be minor.</p>																		
<p>IT/ Semiconductors</p>	<p>(Aluminum flat rolled products, and copper flat rolled products) Demand remains largely strong in the IT and semiconductor sectors, in particular disk materials for data centers and leadframe materials for PCs and mobile phones. Due to a recovery of automobile demand, there is a global shortage of supply in automotive semiconductors.</p>																		
<p>Civil engineering &amp; construction</p>	<p>(Steel products and welding) The impact of COVID-19 has become gradually apparent. A slight recovery trend is seen from the previous forecast despite declining corporate investment and a decline in demand for hotels, commercial buildings, etc.</p>																		

(Billions of yen)

Net Sales	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Steel & Aluminum	780.2	311.2	353.8	665.0	311.2	378.8	690.0	(90.2)	25.0
Advanced Materials	297.1	105.3	114.7	220.0	105.3	124.7	230.0	(67.1)	10.0
Welding	83.7	34.7	33.3	68.0	34.7	33.3	68.0	(15.7)	–
Machinery	165.9	86.4	94.6	181.0	86.4	92.6	179.0	13.1	(2.0)
Engineering	141.5	56.0	80.0	136.0	56.0	80.0	136.0	(5.5)	–
Construction Machinery	360.8	161.8	173.2	335.0	161.8	168.2	330.0	(30.8)	(5.0)
Electric Power	75.6	37.0	35.0	72.0	37.0	37.0	74.0	(1.6)	2.0
Other Businesses	33.6	10.8	15.2	26.0	10.8	15.2	26.0	(7.6)	–
Adjustment	(68.9)	(27.0)	(19.8)	(53.0)	(27.0)	(16.0)	(43.0)	25.9	10.0
<b>Total</b>	<b>1,869.8</b>	<b>776.4</b>	<b>880.0</b>	<b>1,650.0</b>	<b>776.4</b>	<b>913.6</b>	<b>1,690.0</b>	<b>(179.8)</b>	<b>40.0</b>

(Billions of yen)

Ordinary Income (Loss)	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Steel & Aluminum	(16.5)	(41.8)	(2.2)	(44.0)	(41.8)	9.8	(32.0)	(15.5)	12.0
Advanced Materials	(25.2)	(10.9)	(6.6)	(17.5)	(10.9)	(2.6)	(13.5)	11.7	4.0
Welding	2.9	0.6	(0.1)	0.5	0.6	0.4	1.0	(1.9)	0.5
Machinery	9.6	4.1	3.9	8.0	4.1	5.9	10.0	0.4	2.0
Engineering	5.7	(0.6)	1.6	1.0	(0.6)	2.6	2.0	(3.7)	1.0
Construction Machinery	7.5	4.7	0.8	5.5	4.7	3.3	8.0	0.5	2.5
Electric Power	8.9	8.1	7.4	15.5	8.1	7.9	16.0	7.1	0.5
Other Businesses	3.3	0.7	1.3	2.0	0.7	1.3	2.0	(1.3)	–
Adjustment	(4.4)	(0.1)	(6.1)	(6.0)	(0.1)	(3.4)	(3.5)	0.9	2.5
<b>Total</b>	<b>(8.0)</b>	<b>(35.2)</b>	<b>0.0</b>	<b>(35.0)</b>	<b>(35.2)</b>	<b>25.2</b>	<b>(10.0)</b>	<b>(2.0)</b>	<b>25.0</b>

(Billions of yen)

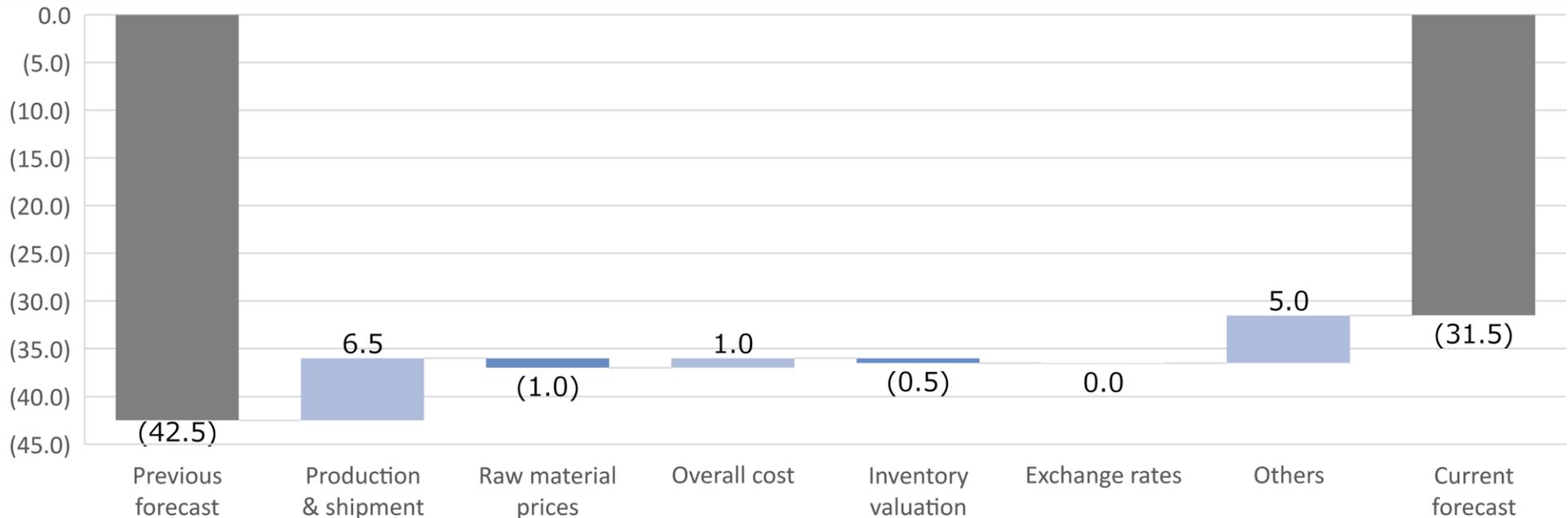
		FY2019 Actual	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
			①	1H	2H	②	1H	2H	③	③-①
Steel products	Net Sales	650.0	245.2	281.8	527.0	245.2	306.8	552.0	(98.0)	25.0
	Ordinary Income (Loss)	(8.8)	(40.4)	(2.1)	(42.5)	(40.4)	8.9	(31.5)	(22.7)	11.0
	Excluding Inventory Valuation	(8.8)	(31.9)	(8.6)	(40.5)	(31.9)	2.9	(29.0)	(20.2)	11.5
Aluminum rolled products	Net Sales	130.1	65.9	72.1	138.0	65.9	72.1	138.0	7.9	–
	Ordinary Income (Loss)	(7.7)	(1.4)	(0.1)	(1.5)	(1.4)	0.9	(0.5)	7.2	1.0
	Excluding Inventory Valuation	(5.7)	0.0	0.4	0.5	0.0	2.0	2.0	7.7	1.5
Total	Net Sales	780.2	311.2	353.8	665.0	311.2	378.8	690.0	(90.2)	25.0
	Ordinary Income (Loss)	(16.5)	(41.8)	(2.2)	(44.0)	(41.8)	9.8	(32.0)	(15.5)	12.0
	Excluding Inventory Valuation	(14.5)	(31.8)	(8.2)	(40.0)	(31.8)	4.8	(27.0)	(12.5)	13.0

Steel products

Previous forecast for FY2020: Ordinary loss of 42.5 billion yen →  
Current forecast for FY2020: Ordinary loss of 31.5 billion yen (up 11.0 billion)

- Earnings are anticipated to increase from the previous forecast owing to a recovery of global automotive demand despite concerns about the impact of the global shortage of semiconductors.
- **Crude steel production: 5.80 million tons (up 0.15 million tons from the previous forecast)**
- **Sales volume: 4.75 million tons (up 0.15 million tons from the previous forecast)**
- **Factors affecting profit and loss**
  - An increase in sales volume
  - Additional base cost improvements
  - Rising sales prices of scrap, etc.

※Related data on P.33-35



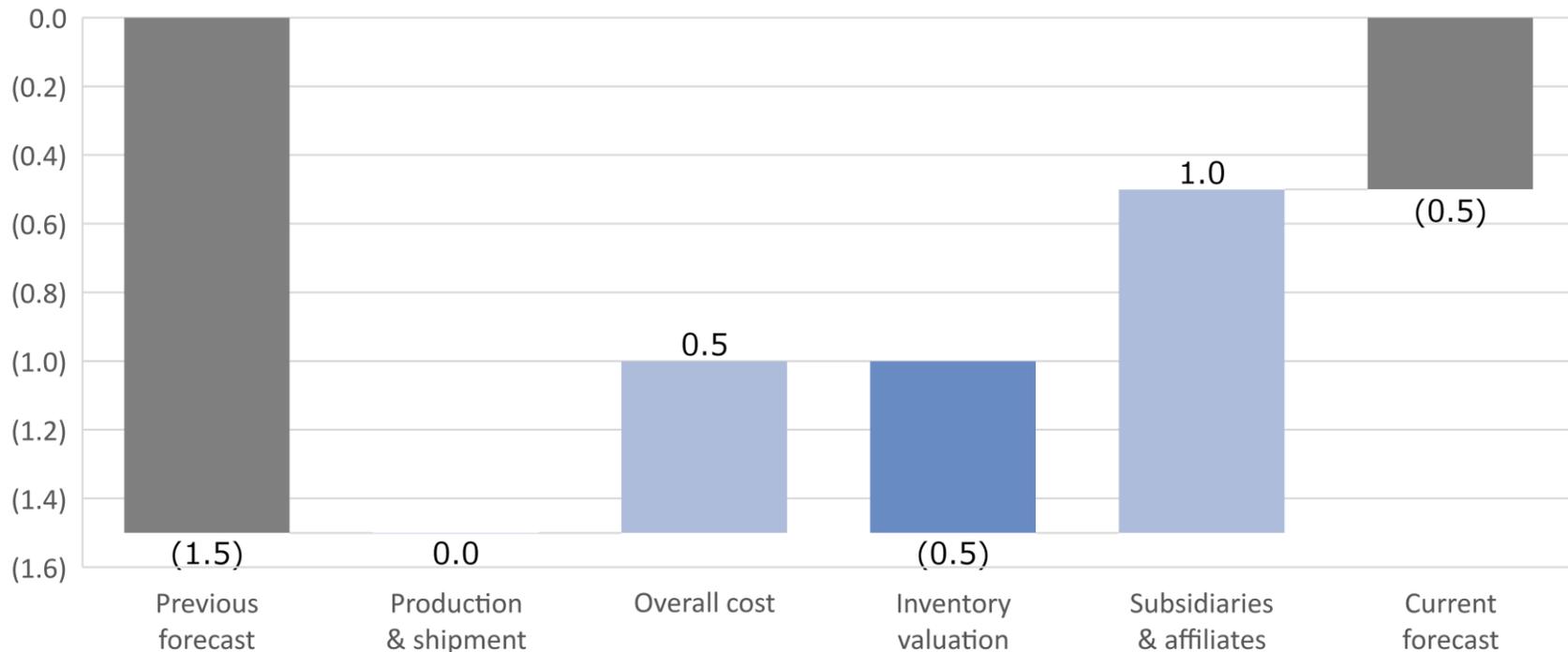
※Inventory valuation includes effect from the average method and the lower of cost or market method.

Aluminum  
rolled  
products

Previous forecast for FY2020: Ordinary loss of 1.5 billion yen →  
Current forecast for FY2020: Ordinary loss of 0.5 billion yen (up 1.0 billion yen)

- **Sales volume: about 310 thousand tons (Similar to the previous forecast)**
  - Similar to the previous forecast with continued strong demand for beverage can stock and automobiles.
- **Factors affecting profit and loss**
  - Improved earnings of consolidated subsidiaries due to a recovery in demand for automobiles and IT in China

※Related data on P.34-35



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

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	297.1	105.3	114.7	220.0	105.3	124.7	230.0	(67.1)	10.0
Ordinary Income (Loss)	(25.2)	(10.9)	(6.6)	(17.5)	(10.9)	(2.6)	(13.5)	11.7	4.0
Excluding Inventory Valuation	(25.2)	(10.4)	(6.6)	(17.0)	(10.4)	(4.1)	(14.5)	10.7	2.5

**Previous forecast for FY2020: Ordinary loss of 17.5 billion yen → Current forecast for FY2020: Ordinary loss of 13.5 billion yen (up 4.0 billion yen)**

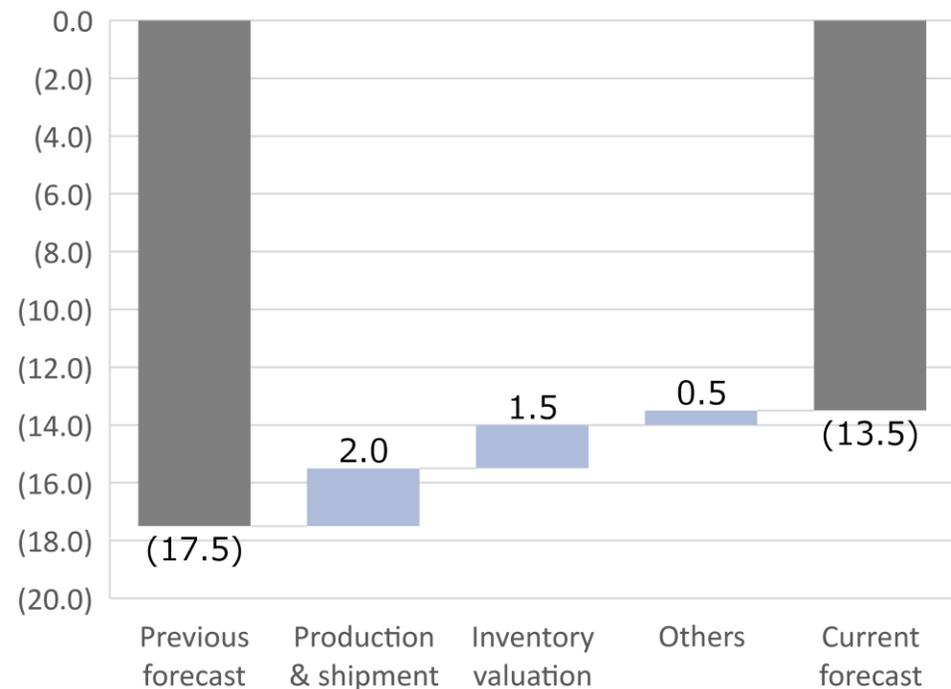
■ **Sales volume: Increase**

- Sales of aluminum extrusions and copper rolled products are anticipated to increase with a recovery in demand for automobiles.

■ **Factors affecting profit and loss**

- An increase in sales volume
- Improvement in inventory valuation

※ Related data on P.34



(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	83.7	34.7	33.3	68.0	34.7	33.3	68.0	(15.7)	—
Ordinary Income (Loss)	2.9	0.6	(0.1)	0.5	0.6	0.4	1.0	(1.9)	0.5

**Previous forecast for FY2020: Ordinary income of 0.5 billion yen →**

**Current forecast for FY2020: Ordinary income of 1.0 billion yen (up 0.5 billion yen)**

■ **Sales volume**

- Welding materials: Similar to the previous forecast  
Similar to the previous forecast with an increase in sales in the automotive sector despite sluggish sales in the shipbuilding sector both in Japan and overseas.
- Welding system (Net sales): Increase

■ **Factors affecting profit and loss**

- Cost reduction

※Related data on P.34

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	165.9	86.4	94.6	181.0	86.4	92.6	179.0	13.1	(2.0)
Ordinary Income (Loss)	9.6	4.1	3.9	8.0	4.1	5.9	10.0	0.4	2.0
Orders	151.6	50.6	Approx. 95.0	Approx. 145.0	50.6	Approx. 78.0	Approx. 130.0	Approx. (22.0)	Approx. (15.0)

**Previous forecast for FY2020: Ordinary income of 8.0 billion yen →**

**Current forecast for FY2020: Ordinary income of 10.0 billion yen (up 2.0 billion yen)**

**■ Orders: Decrease**

- Orders are anticipated to fall below the previous forecast with the worsening demand environment both in Japan and overseas due to a strong tendency to reduce or defer capital investments.

**■ Net Sales: Decrease**

- Some deliveries of machinery will be carried over to fiscal 2021 or later.

**■ Factors affecting profit and loss**

- Cost reduction

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	141.5	56.0	80.0	136.0	56.0	80.0	136.0	(5.5)	—
Ordinary Income (Loss)	5.7	(0.6)	1.6	1.0	(0.6)	2.6	2.0	(3.7)	1.0
Orders	※ 134.5	75.8	Approx. 59.0	Approx. 135.0	75.8	Approx. 52.0	Approx. 130.0	Approx. (5.0)	Approx. (5.0)

※Regarding long-term operation and maintenance work in Kobelco Eco Solutions' water treatment and waste treatment business, orders were previously counted at the time of sales. However, a new counting method has been adopted since FY2020 and orders are counted at the time of acceptance of a contract. Orders for FY2019 have also been recounted based on the new method.

**Previous forecast for FY2020: Ordinary income of 1.0 billion yen →**

**Current forecast for FY2020: Ordinary income of 2.0 billion yen (up 1.0 billion yen)**

■ **Orders: Decrease**

- Orders are anticipated to be lower than the previous forecast because some projects will be postponed to FY2021 or later.

■ **Net sales: Similar to the previous forecast**

■ **Ordinary Income (Loss)**

- Cost reduction in some projects and other factors

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	360.8	161.8	173.2	335.0	161.8	168.2	330.0	(30.8)	(5.0)
Ordinary Income (Loss)	7.5	4.7	0.8	5.5	4.7	3.3	8.0	0.5	2.5

**Previous forecast for FY2020: Ordinary income of 5.5 billion yen →**  
**Current forecast for FY2020: Ordinary income of 8.0 billion yen**  
**(up 2.5 billion yen)**

■ **Unit sales**

[Hydraulic excavators]…Increase

Domestic: Similar to the previous forecast

China: Increase due to steady infrastructure investments

Southeast Asia: Decrease mainly in Indonesia and the Philippines

Other areas: Similar to the previous forecast

[Crawler Cranes]…Decrease

Domestic: Decrease affected by the trend of curbing investment due to the impact of COVID-19

Southeast Asia: Decrease due to the growth of Chinese manufacturers

Other areas: Decrease due to the prolonged impact of COVID-19

■ **Factors affecting profit and loss**

- Increase of unit sales
- Cost reduction through the emergency profit improvement measures and others

(Billions of yen)

	FY2019 Actual ①	FY2020 Forecast (Previous)			FY2020 Forecast (Current)			Change	
		1H	2H	②	1H	2H	③	③-①	③-②
Net Sales	75.6	37.0	35.0	72.0	37.0	37.0	74.0	(1.6)	2.0
Ordinary Income (Loss)	8.9	8.1	7.4	15.5	8.1	7.9	16.0	7.1	0.5

**Previous forecast for FY2020: Ordinary income of 15.5 billion yen→**

**Current forecast for FY2020: Ordinary income of 16.0 billion yen (up 0.5 billion yen)**

■ Amount of electricity sold: Similar to the previous forecast

■ Unit price: Similar to the previous forecast

■ Factors affecting profit and loss

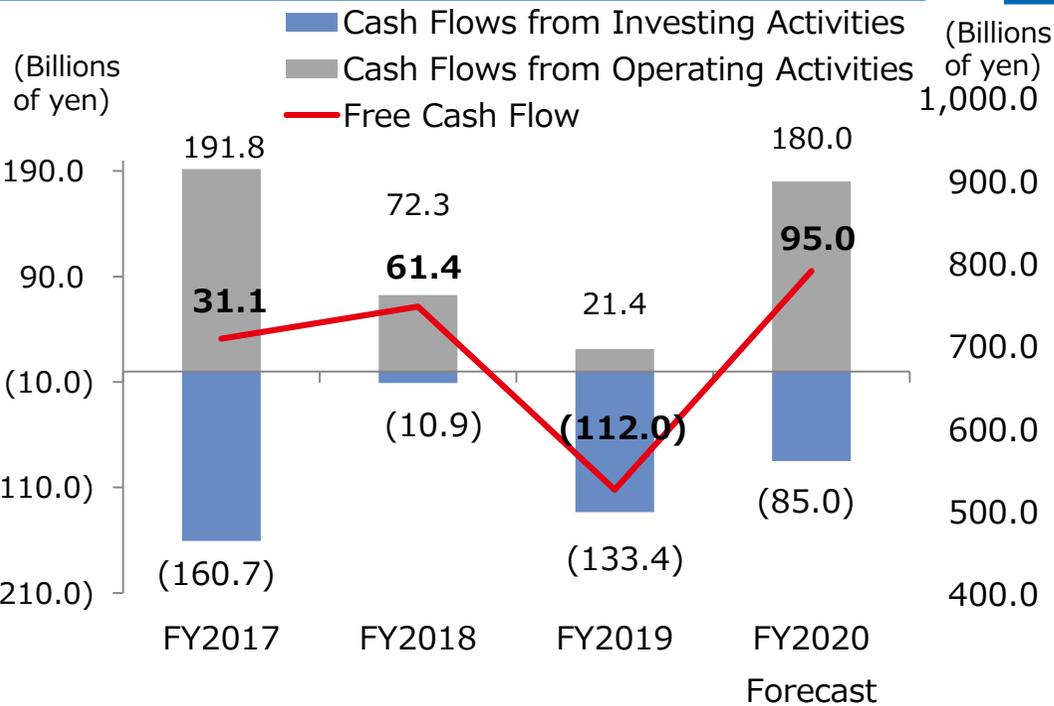
- Cost reduction

- 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 net income attributable to owners of the parent.
- Kobe Steel has unfortunately made a decision to forgo the year-end dividend taking into consideration the current forecast that anticipates the net income attributable to owners of the parent to be zero.

	FY2019			FY2020		
	Interim	Year-end		Interim	Year-end	
Dividends per share in yen	–	–	–	–	–	–
Dividend per net assets	/		/	/		/

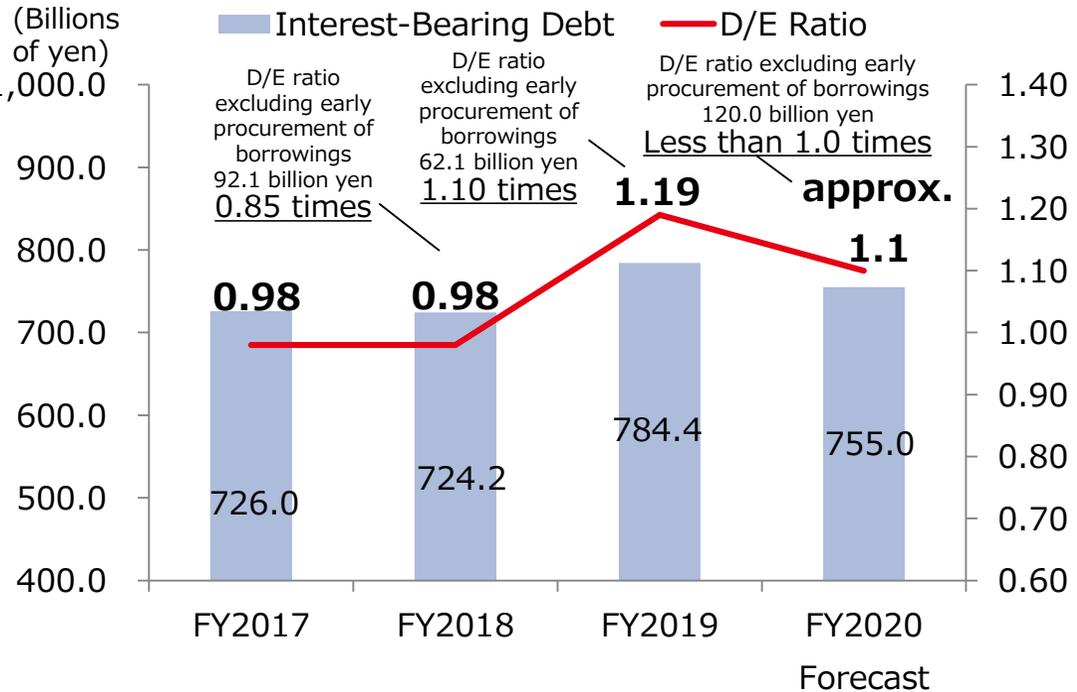
- Kobe Steel is undertaking the following actions in response to rapid deterioration of the business environment due to the impact of COVID-19.
  - Maximum curtailment of spending by ensuring thorough production control to meet demand
  - Detailed money management including Group companies and implementation of necessary measures
  - Freezing of capital investments and other investments/loans excluding replacement investment essential for business operation
- Kobe Steel plans to implement cash flow improvement measures to generate approx. 140 billion yen through reducing inventory, selling assets, and making carefully selected capital investments, etc. (The current cumulative total is approx. 88 billion yen at the end of 3Q.)
- Additional measures are under consideration with the highest priority placed on achieving financial soundness (D/E ratio of 1x or less).

## 《Free Cash Flow》



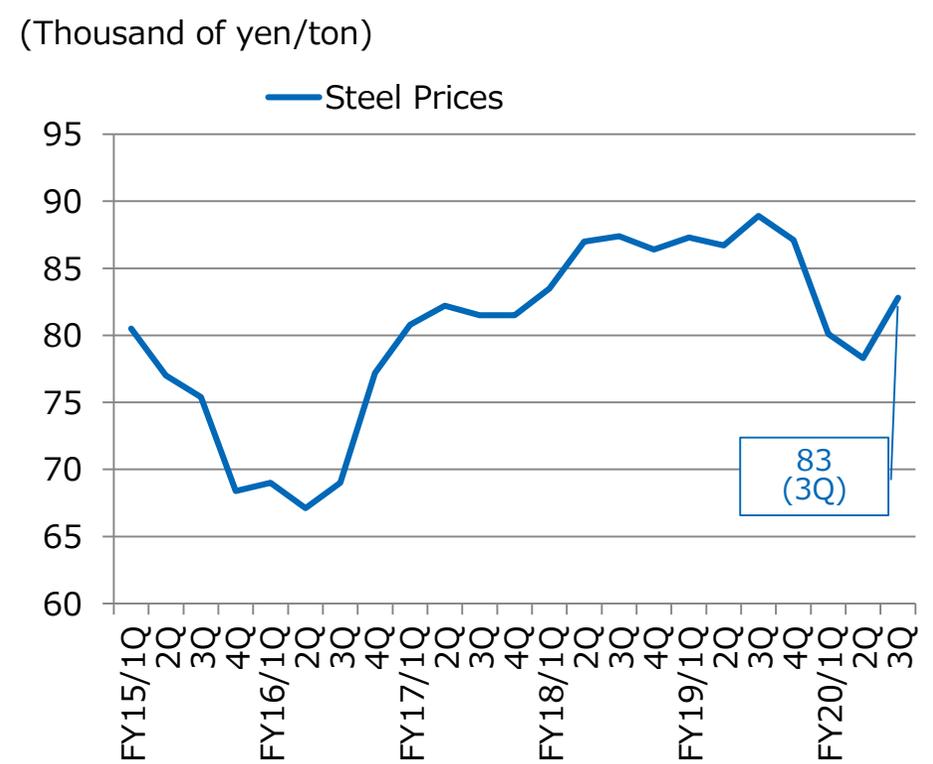
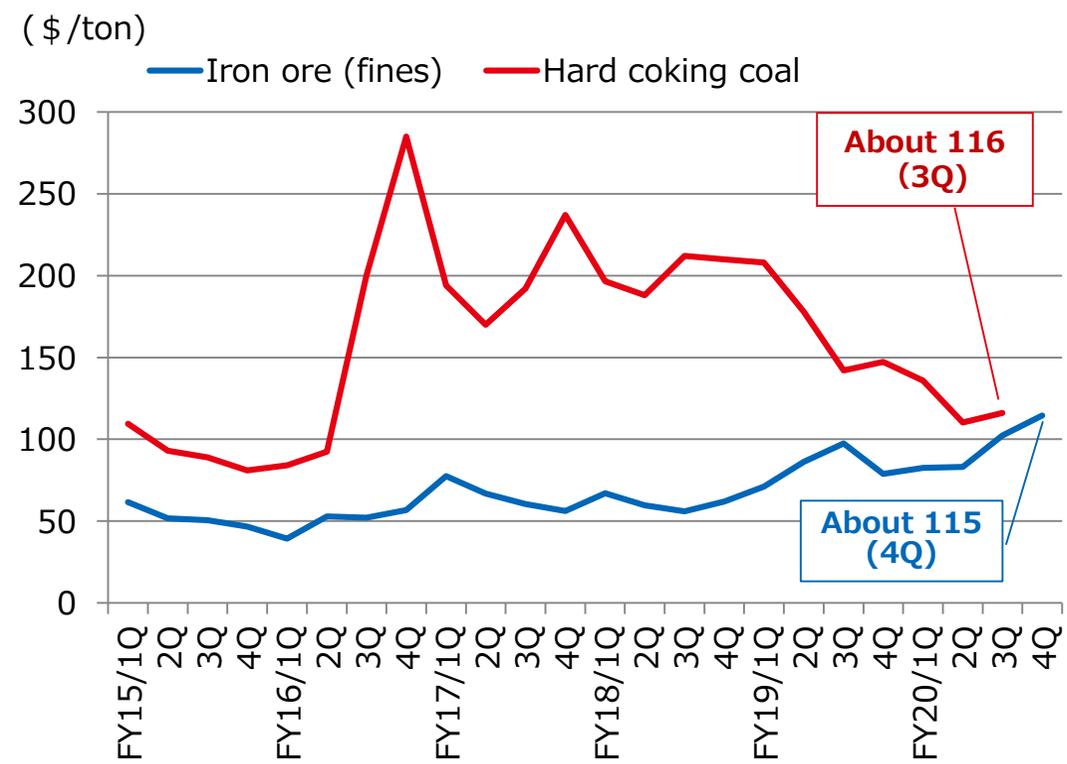
※Project finance is not included in free cash flow and the D/E ratio.

## 《Interest-Bearing Debt & D/E Ratio》



# 3 . Reference Information

		FY2019				FY2020 Forecast		
		1H	3Q	2H	Full Year	1H	3Q	
Domestic crude steel Production	(Millions of tons)	50.67	236.5	47.74	98.42	37.10	21.99	Oct.-Dec. total advance figures
Domestic inventory level	(Millions of tons)	5.94	58.2	5.79	5.79	5.16	5.12	End of December advanced figures
Inventory level of three types of steel sheets	(Millions of tons)	4.44	43.2	4.39	4.39	3.67	3.56	End of December
Domestic auto production	(Millions of cars)	4.83	23.1	4.67	9.49	3.35	1.62	Oct.-Nov. total



		FY2019 Actual				FY2020 Forecast (Previous)	FY2020 Forecast (Current)			
		1H	3Q	2H	Full Year	Full Year	1H	3Q	2H	Full Year
Crude steel production	(Millions of tons)	3.39	1.61	3.11	6.50	approx. 5.65	2.48	1.65	approx. 3.30	approx. 5.80
Sales volume of steel products	(Millions of tons)	2.73	1.32	2.57	5.30	approx. 4.60	2.04	1.34	approx. 2.70	approx. 4.75
(Domestic)		2.00	1.03	1.93	3.93		1.43	1.00		
(Exports)		0.73	0.29	0.64	1.37		0.61	0.34		
Average steel selling price	(Thousands of yen/ton)	86.7	88.9	87.1	86.9		79.1	82.8		
Export ratio (value basis)		25.4%	21.0%	23.4%	24.4%	approx. 24%	25.0%	22.3%	approx. 23%	approx. 24%
Aluminum rolled products	(Thousands of tons)	152	71	147	299	approx. 310	152	73	approx. 160	approx. 310
(Domestic)		122	56	115	237		121	54		
(Overseas)		30	15	32	62		30	18		
Aluminum extrusions	(Thousands of tons)	17	9	17	34	approx. 30	12	9	approx. 20	approx. 30
(Domestic)		16	8	16	33		12	8		
(Overseas)		1	0	1	1		0	0		
Copper rolled products	(Thousands of tons)	26	14	27	53	approx. 45	19	14	approx. 30	approx. 50
Copper tubes	(Thousands of tons)	44	19	38	82	approx. 65	32	16	approx. 35	approx. 65
Welding materials	(Thousands of tons)	148	72	140	288	approx. 240	120	62	approx. 120	approx. 240
(Domestic)		65	32	60	125		49	26		
(Overseas)		83	40	80	163		71	36		

**Steel products**

(Billions of yen)

		FY2019 Actual				FY2020 Forecast			
		1H	3Q	2H	Full Year	1H	3Q	2H	Full Year
	Iron ore	2.5	1.5	(0.5)	2.0	0.5	2.0	3.5	4.0
	Coal	(1.5)	(1.5)	(1.0)	(2.5)	(1.5)	0.5	0.5	(1.0)
	<b>Carry Over</b>	<b>1.0</b>	<b>0.0</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>(1.0)</b>	<b>2.5</b>	<b>4.0</b>	<b>3.0</b>
	Average method	0.5	2.0	2.0	2.5	0.5	(4.5)	(5.0)	(4.5)
	Lower-of-cost-or-market method	(0.5)	(1.0)	(2.0)	(2.5)	(9.0)	10.0	11.0	2.0
	<b>Inventory Valuation</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(8.5)</b>	<b>5.5</b>	<b>6.0</b>	<b>(2.5)</b>

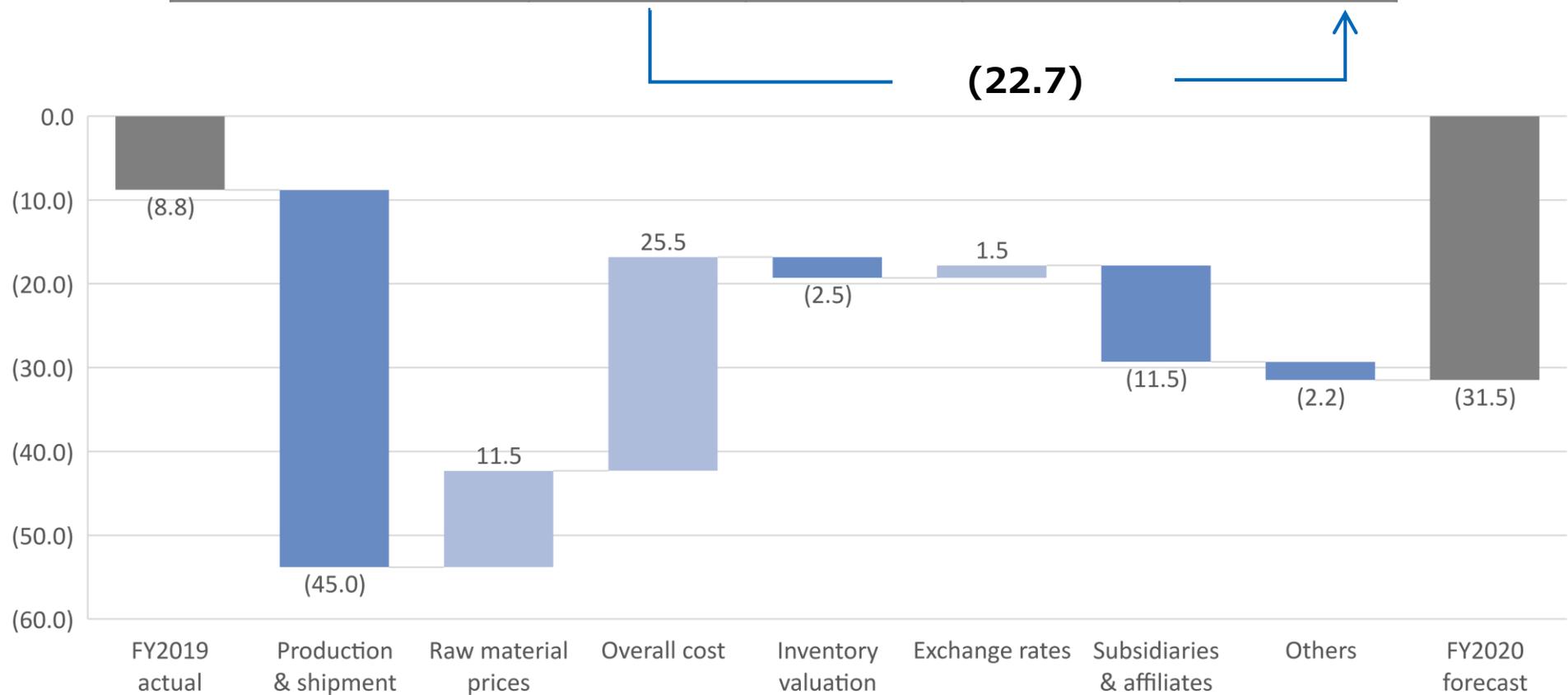
**Aluminum rolled products**

(Billions of yen)

		FY2019 Actual				FY2020 Forecast			
		1H	3Q	2H	Full Year	1H	3Q	2H	Full Year
	Average method	(0.5)	(0.5)	(1.5)	(2.0)	(1.5)	(0.5)	(1.0)	(2.5)
	Lower-of-cost-or-market method	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Inventory Valuation</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(1.5)</b>	<b>(2.0)</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>(1.0)</b>	<b>(2.5)</b>

(Billions of yen)

	FY2019 Actual Full Year	FY2020 Forecast		
		1H	2H	Full Year
Ordinary Income (Loss)	(8.8)	(40.4)	8.9	(31.5)

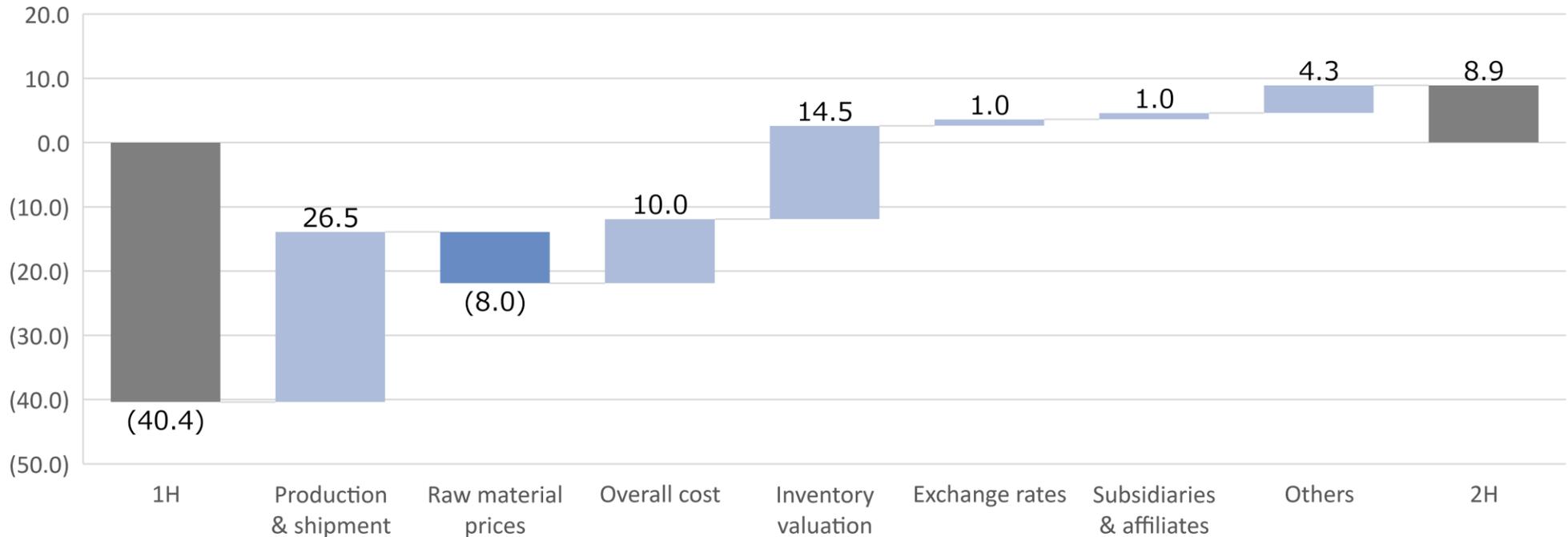


※Inventory valuation includes effect from the average method and the lower of cost or market method.

(Billions of yen)

	FY2020 Forecast		
	1H	2H	Full Year
Ordinary Income (Loss)	(40.4)	8.9	(31.5)

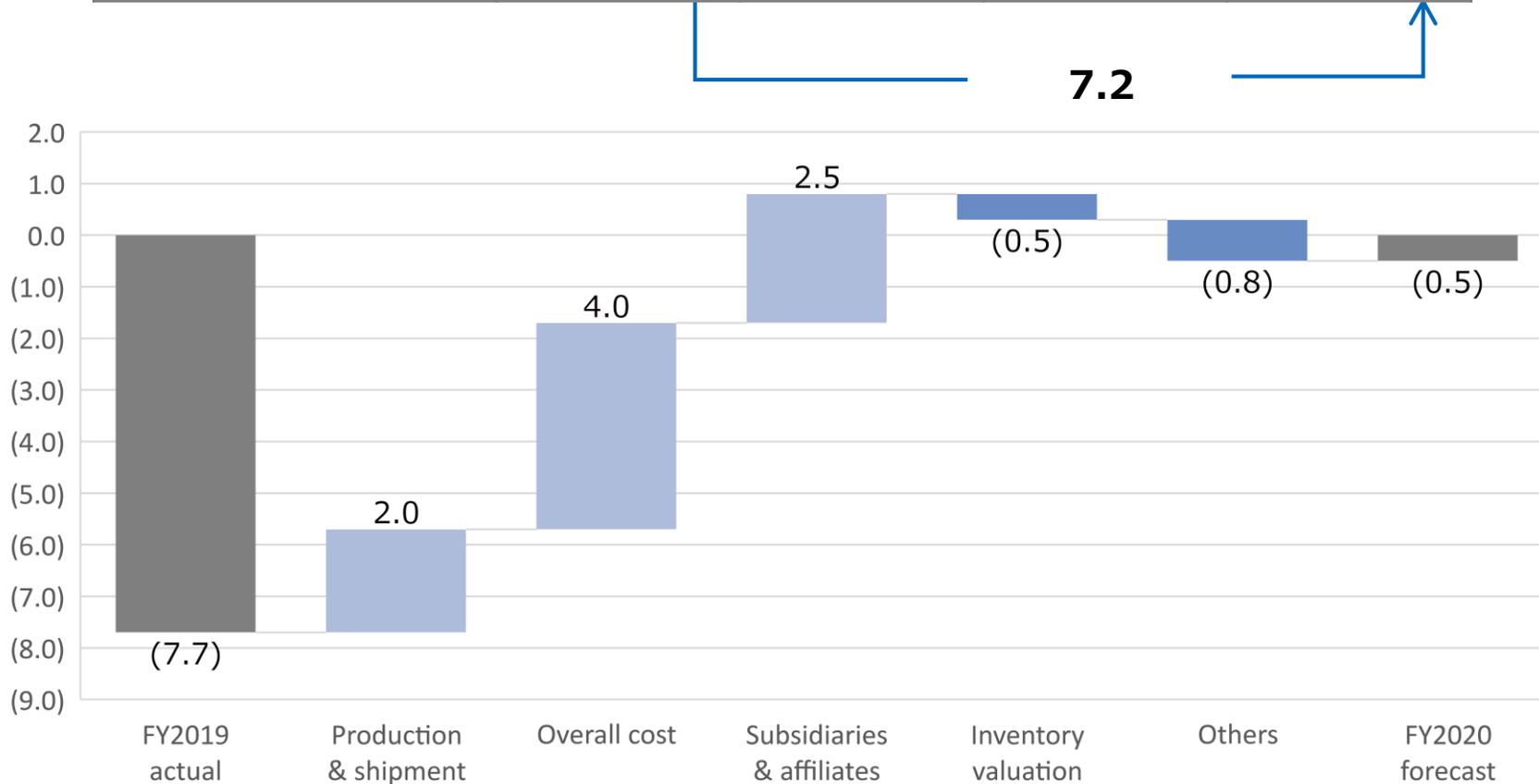
49.3



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

(Billions of yen)

	FY2019 Actual Full Year	FY2020 Forecast		
		1H	2H	Full Year
Ordinary Income (Loss)	(7.7)	(1.4)	0.9	(0.5)



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

(Billions of yen)

	FY2019 Actual	FY2020 Forecast (Previous)	FY2020 Forecast (Current)	Change	
				③-①	③-②
Cash Flows from Operating Activities	21.4	135.0	180.0	158.6	45.0
Cash Flows from Investing Activities	(133.4)	(95.0)	(85.0)	48.4	10.0
Free Cash Flow (excluding project financing)	(112.0)	40.0	95.0	207.0	55.0
Free Cash Flow (including project financing)	(191.9)	(35.0)	20.0	211.9	55.0
Cash and Deposits (excluding project financing)	134.9	65.0	235.0	100.1	170.0

(Billions of yen)

	FY2019 Actual	FY2020 Forecast (Previous)	FY2020 Forecast (Current)	Change	
				③-①	③-②
Capital Investment (accrual basis)	239.8	155.0	155.0	(84.8)	—
Capital Investment (payment basis)	245.3	160.0	155.0	(90.3)	(5.0)
Depreciation	105.3	100.0	100.0	(5.3)	—

	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
ROS ※1	3.8%	1.8%	(0.4%)	(0.5%)
Net Income (Loss) per Share	174.43 yen	99.20 yen	(187.55 yen)	0.0 yen
Outside Debt	738.8 billion yen	760.3 billion yen	906.6 billion yen	955.0 billion yen
Outside Debt Excluding Debt from IPP project financing	726.0 billion yen	724.2 billion yen	784.4 billion yen	755.0 billion yen
D/E Ratio ※2	0.98 times	0.98 times ※3	1.19 times ※4	Approx. 1.1 times ※5
ROA ※6	3.1%	1.5%	(0.3%)	(0.4%)
ROE ※7	8.9%	4.8%	(9.7%)	0.0%

※1: ROS: Ordinary Income / Net Sales

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

※3: Includes early procurement of borrowings for FY2019 (92.1 billion yen)  
D/E Ratio 0.85 times (excluding early procurement of borrowings)

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

※5: Includes early procurement of borrowings for FY2021 (120.0 billion yen)  
D/E Ratio Less than 1.0 times (excluding early procurement of borrowings)

※6: ROA: Ordinary Income / Total Assets

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

<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"> <li>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.</li> <li>2. We value each employee and support his and her growth on an individual basis, while creating a cooperative and harmonious environment.</li> <li>3. Through continuous and innovative changes, we create new values for the society of which we are a member.</li> </ol>
<h2>Six Pledges of KOBELCO Men and Women</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"> <li>1. Heightened Sense of Ethics and Professionalism</li> <li>2. Contribution to the Society by Providing Superior Products and Services <a href="#">Quality Charter</a></li> <li>3. Establishing a Comfortable but Challenging Work Environment</li> <li>4. Living in Harmony with Local Community</li> <li>5. Contribution to a Sustainable Environment</li> <li>6. Respect for Each Stakeholder</li> </ol>

# 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